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**AID ARCHITECTURE: AN OVERVIEW OF THE MAIN TRENDS
IN OFFICIAL DEVELOPMENT ASSISTANCE FLOWS**

Attached for the April 15, 2007, Development Committee Meeting is a background report entitled "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows," prepared by the staff of the World Bank. The report will be discussed in conjunction with item I of the provisional agenda.

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**International Development Association
Resource Mobilization (FRM)
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Abbreviations and Acronyms

AfDF	African Development Fund
CDM	Clean Development Mechanism
CMEA	Council for Mutual Economic Assistance (also known as COMECON)
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DAG	Development Assistance Group (predecessor of DAC)
DFID	Department for International Development
GFATM	Global Fund to Fight Aids, TB and Malaria
GAVI	GAVI Alliance (formerly known as Global Alliance for Vaccines and Immunization)
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
HPG	Humanitarian Policy Group (part of ODI)
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group (World Bank)
IMF	International Monetary Fund
IRAI	IDA's Resource Allocation Index
LDC	Least Developed Country
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
MDGs	Millennium Development Goals
NGO	Non Governmental Organization
OCHA	UN Office for the Co-ordination of Humanitarian Affairs
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
UNAIDS	Joint UN Program on HIV/AIDS
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	U.S. Agency for International Development

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EXECUTIVE SUMMARY

i. **This paper provides background data and analysis to help inform upcoming discussions on the role of IDA in the global aid architecture.** The paper reviews broad trends in Official Development Assistance (ODA) flows; the growing complexity of the existing global aid architecture; and the prospects and challenges facing the donor community going forward. It relies heavily on analysis of data from OECD's DAC database, as well as from the Creditor Reporting System (CRS).¹

Overview of Trends in Official Development Assistance

ii. **Key trends in ODA volumes and terms:**

- Funding for ODA has been growing steadily over the last decade, with net ODA disbursements reaching US\$105 billion (at constant 2004 prices) in 2005.
- Much of the recent increase in ODA has been due to debt relief, and to a lesser extent to emergency assistance and administrative costs of donors. In real terms, debt relief alone explains almost 70 percent of the increase in ODA between 2004 and 2005.
- In contrast, the resumption of growth in ODA for core development programs since the late 1990s has been less marked than in the case of total ODA. Core development ODA grew on average 4.6 percent p.a. during 2001-2005, while total ODA grew by 11.4 percent p.a. over the same period.²
- IDA's role as the main channel for multilateral ODA has been surpassed by the European Commission and the United Nations system since the 1990s.
- ODA terms have become increasingly concessional, with almost 90 percent of bilateral ODA being in the form of grants.

iii. **Key trends in the distribution of ODA across recipient countries:**

- IDA-eligible countries have received in recent years less ODA for core development programs than they did on average during the early 1990s.
- IDA's share in ODA for core development programs for IDA-eligible countries has been growing, even on a net disbursement basis.
- General budget and sector program support rose as a percentage of total ODA commitments from 8 percent in 2001 to 20 percent in 2004.
- The share of social sectors in sector allocable ODA to low-income countries rose from 29 percent in the early 1990s to 52 percent between 2001 and 2004.
- In parallel, the combined share of infrastructure and production dropped from 59 percent to 38 percent over the same period.

The Growing Complexity of the Global Aid Architecture

iv. **Proliferation of aid channels, ODA fragmentation and a significant degree of earmarking have contributed to increase the complexity of the global aid**

¹ Invaluable contributions by DAC staff are gratefully acknowledged.

² The corresponding growth rates for the last decade are respectively 2.8 and 5.4 percent per annum.

architecture. Data analysis shows that there has been a proliferation of bilateral and multilateral agencies which interact with recipient countries. For instance, the average number of donors per country rose from about 12 in the 1960s to about 33 in the 2001-2005 period. In addition, there are currently over 230 international organizations, funds, and programs. Donor proliferation seems to be particularly pronounced in the health sector, where more than 100 major organizations are involved. This is accompanied by significant earmarking of aid resources for specific uses or for special-purpose organizations, including global programs or “vertical” funds. In fact, about half of the ODA channeled through multilateral channels in 2005 went through some degree of earmarking by sector or theme. “Verticalization” or earmarking of ODA has also been observed in some bilateral assistance programs. Available data for 2004 also indicates a large number of aid activities, which tend to be small in financial size.

v. **The complexity of the aid architecture increases transaction costs for donors and recipients alike, which reduces the effectiveness of aid.** Although the transaction costs of aid have not been systematically quantified, there is evidence that donor proliferation and aid fragmentation represent a tax on recipient countries’ implementation capacity.

vi. **Non-DAC and “emerging” donors are becoming increasingly important as ODA providers.** New donors bring with them more resources to help developing countries reach their MDGs. At the same time, new challenges for harmonization and alignment are created. Non-DAC donors are a heterogeneous group: the degree to which DAC approaches and norms as regards the provision aid finance are applied by non-DAC donors varies from country-to-country. Insufficient data on non-DAC ODA makes it difficult to accurately assess aid volumes and prospects from these sources. Non-DAC OECD countries alone are expected in aggregate to double their current ODA levels to over \$2 billion by 2010.

Concluding Remarks

vii. **ODA has grown steadily over the last decade, and is expected to continue to rise as donors have committed to significantly scale-up aid to achieve the MDGs. To make effective use of such scaled-up ODA at the country level, a number of implementation challenges would need to be addressed by donor and recipients.** The most upfront challenges include:

- Achieving complementarity across national, regional and global development priorities and programs; and
- Strengthening recipient countries’ ability to make effective use of potentially scaled-up fast-disbursing ODA, such as budget support.

viii. A platform for achieving complementarity across national, regional and global development priorities and programs can be found in the principles and targets of the Paris Declaration. In addition, country-level effectiveness of a potential scaling-up in programmatic ODA – added to the increased fiscal space brought about by recent debt relief initiatives – can be enhanced if country systems are strengthened.

AID ARCHITECTURE: AN OVERVIEW OF THE MAIN TRENDS IN OFFICIAL DEVELOPMENT ASSISTANCE FLOWS

I. INTRODUCTION

1. **IDA Deputies have expressed interest in discussing IDA's role in the international aid architecture.** A number of topics would be included in a discussion, such as: (i) how to define IDA's role in the global aid architecture to best assist countries to achieve the MDGs; (ii) IDA's role in regional aid architectures, including the division of labor with other institutions in promoting regional integration and cooperation; and (iii) the implementation of the harmonization and alignment agenda, and how the Paris Declaration agenda could contribute to positive change in the global aid architecture.

2. **This paper provides background data and analysis to help inform upcoming discussions on aid architecture.** As such, the paper will focus on broad trends in Official Development Assistance (ODA) flows as well as on some of the main features of the existing global aid architecture.³ Therefore, it aims to provide a common basis for the ensuing in-depth discussions of how IDA fits in this architecture – a topic that will be taken up by subsequent papers to be presented for discussion during the IDA15 negotiations. The paper relies heavily on analysis of data from OECD's DAC database, as well as from the Creditor Reporting System (CRS).

3. **Aid architecture can be defined as the set of rules and institutions governing aid flows to developing countries.** While aid has an architecture, it has no single architect.⁴ It has evolved over time much of it without a pre-defined blueprint. Most of today's aid principles and institutions are the result of over half a century of debate and joint decision-making. Broadly speaking, two aid "architectures" can be distinguished: the "Cold War Architecture", which lasted from the end of World War II to the fall of the Berlin Wall in 1989; and the "Post Cold War Aid Architecture", which started in 1990 and is still prevalent today.

4. **This paper is organized as follows.** Section II provides an overview of the main trends in ODA, focusing on overall trends in ODA flows and the distribution of ODA across recipient countries. Sections III and IV discuss some of the key factors behind the growing complexity of the existing aid architecture: the proliferation of aid channels and the fragmentation of ODA. Section V concludes with a brief look into the main challenges facing the donor community going forward. A summary of the historical evolution of the international aid architecture is provided in Annex I. Lists of bilateral donors as well as of the main international organizations are respectively provided in Annexes II and III. Annex IV presents data on long-term DAC ODA trends, and Annex V shows donor-by-donor bilateral and multilateral contributions over the 2000-2005 period.

³ This paper, however, is not meant to provide a comprehensive survey of the fast-growing literature on aid architecture.

⁴ A discussion of possible roles for an aid "architect" can be found in Burall, S. and S. Maxwell, with A.R. Menocal (2006), "Reforming the International Aid Architecture: Options and Ways Forward". *Overseas Development Institute Working Paper 278*, October.

II. OVERVIEW OF TRENDS IN OFFICIAL DEVELOPMENT ASSISTANCE⁵

5. **A closer examination of major ODA trends can facilitate a better understanding of the key issues affecting the existing global aid architecture.** The figures reported in this Section come from the OECD's DAC database, as well as from the Creditor Reporting System (CRS).⁶ In what follows, subsection A looks into some of the main trends in ODA flows, while subsection B focuses on how ODA has been distributed across recipient countries.

A. Overall Trends in ODA Flows

A.1. Main Trends in Volumes and Terms

6. **After a protracted decline during the 1990s, funding for Official Development Assistance has been growing steadily over the last decade.**^{7,8} As shown in Chart 1, net ODA disbursements have consistently risen in real terms since the late 1990s, and reached US\$105 billion (at constant 2004 prices) in 2005, up from about US\$58 billion in 1997. Net ODA disbursements in 2005 can be decomposed as follows: 64 percent for core development programs; 24 percent for debt relief; 8 percent for emergency assistance; and 4 percent for donors' administrative costs. In fact, 1997 ODA levels mark the reversal of a previously declining trend – in real terms, total funding for ODA in that year was the lowest since 1983.

7. **Much of the recent increase in ODA has been due to debt relief, and to a lesser extent to emergency assistance and administrative costs of donors.** The main driver of the more recent increase in total ODA has been debt relief, as shown in Chart 1: Debt relief grew steeply since the end of the Cold War, having reached an average annual growth rate – at 2004 prices – of 63 percent between 2001 and 2005. In addition, in real terms, debt relief explains almost 70 percent of the increase in ODA between 2004 and 2005 – most of which (US\$19 billion) benefiting Iraq and Nigeria.

8. **In contrast, the resumption of growth in ODA for core development programs since the late 1990s has been less marked than in the case of total ODA.** Official development assistance (ODA) for core development programs (bilateral and multilateral, excluding selected special-purpose grants such as debt relief, administrative costs of donors, and emergency assistance) has not grown as fast as total ODA, as shown in Chart 1. Core development ODA grew on average 4.6 percent p.a. during 2001-2005, while total ODA

⁵ ODA is defined as “grants or loans provided by official agencies (including state and local governments, or by their executive agencies) to developing countries (countries and territories on the DAC List of Aid Recipients) and to multilateral institutions for flows to developing countries, each transaction of which meets the following test: (a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) it is concessional in character and contains a Grant Element of at least 25 per cent (calculated at a rate of discount of 10 per cent). In addition to financial flows, Technical Co-operation is included in aid.

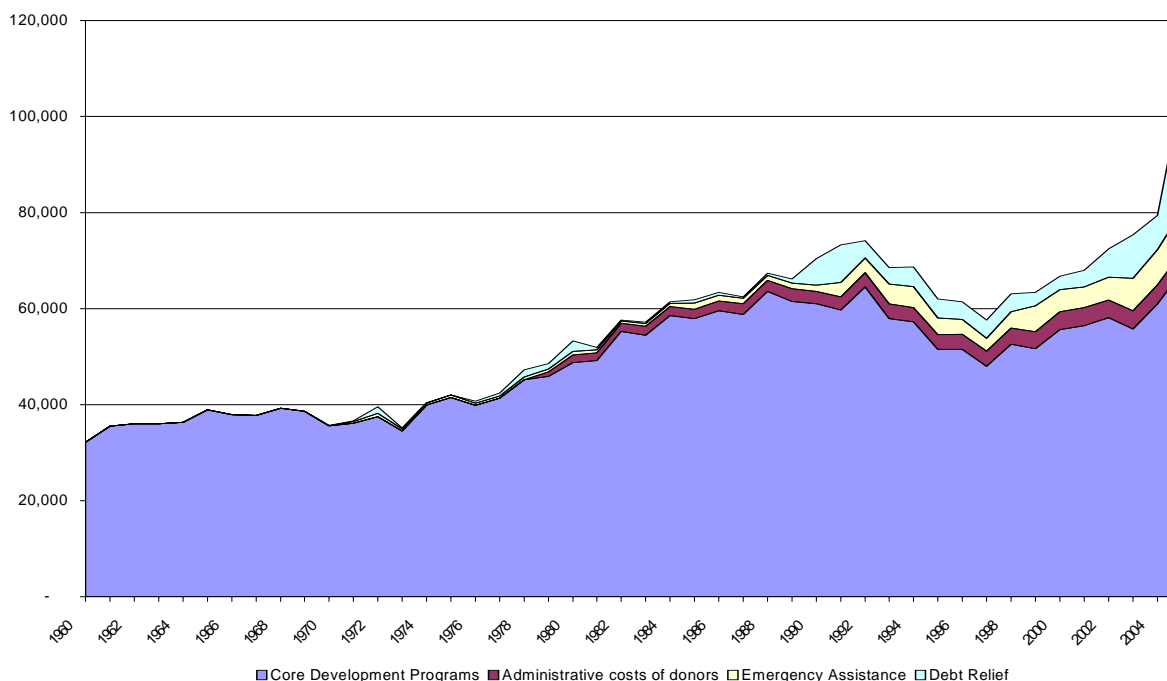
⁶ Invaluable contributions from DAC staff are gratefully acknowledged.

⁷ As noted in the draft 2007 *Global Monitoring Report*, preliminary DAC estimates indicate that total net ODA dipped in 2006, although it is expected to continue on a rising trend through 2010.

⁸ The rising importance of non-DAC donors is not fully captured in DAC data: “Data on so-called South-South assistance are incomplete, however, making it difficult to obtain comprehensive information on South-South aid volumes and prospects”. IMF and World Bank (2006). *Global Monitoring Report*, p. 75.

grew by 11.4 percent p.a. over the same period.⁹ In real terms, only in 2005 did ODA for core development programs exceed its 1992 levels.

Chart 1. ODA from DAC Donors to Developing Countries and Multilateral Organizations¹⁰
(Net disbursements, US\$ million at 2004 prices, 1960-2005)



Source: DAC online (Tables 1 and 2a)

9. **The recent upward trend in ODA volumes has been accompanied by increasingly concessional ODA terms.**¹¹ Almost 90 percent of bilateral ODA is in the form of grants. As a result of an overall consensus reached within DAC in the late 1970s, there has been a marked increase - from less than 60 percent 1975 to almost 90 percent in 2005 – of bilateral ODA being provided as grants.¹² More recently, there has also been an increase in the use of grants by multilateral organizations. The grant element of ODA loans has also increased, though it is more difficult to compare across time given that the nominal discount rate used in the calculation of the grant element has not changed over time while market rates have fluctuated widely.

⁹ The corresponding growth rates for the last decade are respectively 2.8 and 5.4 percent per annum.

¹⁰ Data for this chart is presented from a source of funds perspective, whereby recipient country groups cannot be distinguished. Donors started considering significant amounts of administrative costs as part of ODA in 1979. See Annex I, subsection C.1.

¹¹ The donor community has been focusing its attention on aid terms since the early days of DAC. There was wide support among donors for a progressive softening of aid terms. By 1972, an agreement had been reached within DAC on a target of an 84 percent grant element in aid with special conditions for Least Developed Countries, a concept introduced by the UN only one year earlier. The final terms - agreed in 1978 - included a grant element of ODA commitments of 86 percent (90 percent for LDCs).

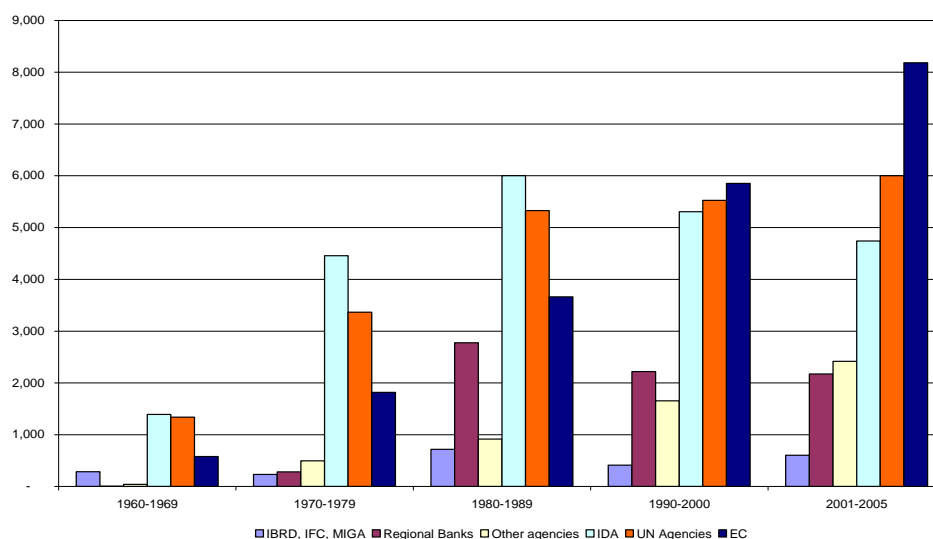
¹² Assistance to the social sectors and multi-sector assistance (e.g., environment, women in development) as well as support to NGOs are provided mostly as grants, while ODA to infrastructure is mostly through loans.

A.2. Bilateral vs. Multilateral ODA

10. **About 70 percent of ODA flows have been provided through bilateral organizations and 30 percent through multilateral organizations.**¹³ The share of bilateral ODA has remained relatively stable at 70 percent of total aid flows since the mid 1970s, with the exception of 2005 when bilateral ODA reached 78 percent of the total. However, there is a great deal of donor-by-donor variance in terms of bilateral vs. multilateral contributions: the shares of multilateral contributions in total ODA flows for the 2000-2005 period range from 9 to 64 percent.

11. **Among multilateral organizations, IDA's role as the main channel for multilateral ODA has been surpassed by the European Commission and the United Nations.** Since the 1990s, the most important channel for multilateral ODA has been the European Commission as shown in Chart 2, which shows only core contributions to international organizations.¹⁴ The amounts of core contributions channeled through IDA and, on a smaller scale, through regional banks peaked in the 1980s and have declined thereafter. IDA's share in total multilateral ODA declined from 42 percent in the 1970s to an average of 20 percent in the 2001-2005 period.

Chart 2. Average Amount of Multilateral ODA (core contributions) Received by Main International Organizations



(Net disbursements, US\$ millions at 2004 prices, period averages, 1960-2005)

Source: DAC online (Table 1)

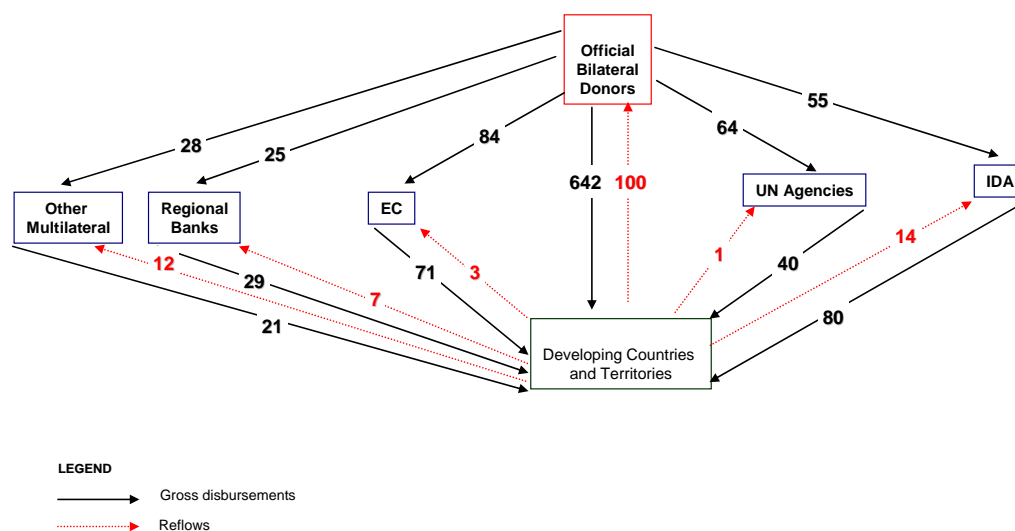
¹³ A key issue in understanding this data is that the bilateral assistance percentage includes funds which are actually managed by international organizations for specific uses. This issue is discussed subsequently in the paper.

¹⁴ Staff estimates based on Annual Reports. However, once trust funds and non-core contributions to the UN – which DAC records as bilateral ODA – are considered, the UN becomes the most important multilateral channel with annual core and non-core contributions amounting to nearly US\$ 12 billion in 2005. In comparison, if trust funds are added to core contributions, the totals for IDA in 2005 become US\$ 8.4 billion, still well below the UN. These totals exclude GEF, GFATM, and the HIPC TF.

A.3. Gross Disbursements and Credit Reflows

12. Due primarily to credit reflows, gross disbursements by multilateral ODA providers such as IDA exceeds the contributions they receive from donors.¹⁵ In the case of IDA, internal resources comprise credit reflows and investment income on IDA’s liquid assets – to which IBRD transfers are added.¹⁶ The fact that IDA and other multilateral development banks can finance part of their assistance to developing countries on the basis of internal resources – which include credit reflows – mean that their “presence” in recipient countries is greater than what would be implied by net disbursement figures. Chart 3 describes several financial flows (cumulative for the 1994-2005 period): (i) bilateral ODA for developing countries; (ii) bilateral donor contributions to multilateral channels; (iii) multilateral outflows to developing countries; and (iv) reflows from developing countries to bilateral and multilateral donors.¹⁷ The chart also indicates that IDA is the third largest recipient of funding for multilateral ODA (US\$ 55 billion, cumulative for 1994-2005), but the second largest (after the EC) provider of multilateral ODA to developing countries (US\$66 billion, cumulative net disbursements for 1994-2005).¹⁸

Chart 3. Funding of ODA and ODA Receipts by Developing Countries, 1994-2005
(Gross Disbursements and Reflows, US\$ billion, Cumulative, 2004 Prices)



Source: DAC Online Tables 1a and 2a

¹⁵ Credit reflows are borrower repayments on credits that have been disbursed and are outstanding, excluding interest.

¹⁶ IBRD has contributed resources from its net income and surplus to support IDA’s replenishments, since the inception of IDA. In FY07, an IFC grant of US\$150 million was also approved to support grant-financed private sector development projects in IDA countries. See IDA (2007). “IDA’s Long-Term Financial Capacity”. Resource Mobilization Department, February.

¹⁷ The difference between ODA funding received by multilateral institutions and multilateral outflows to developing countries is due to a number of factors, including the time lag between funding and disbursement, administrative costs and other expenditures (including research) that is not directed to any specific recipient country, and contributions to other multilaterals (as e.g. in the case of the European Commission).

¹⁸ IDA remains the largest provider of multilateral ODA to IDA-eligible countries. See also IDA (2007), *op. cit.*, for a detailed discussion of the impact of debt relief and IDA grants on IDA’s credit flows and assistance capacity going forward.

A.4. Fast-Disbursing ODA Trends

13. **The share of general budget support and sector programs¹⁹ in total commitments has increased in recent years.** Table 1 shows that general budget and sector program support as a percentage of total ODA commitments rose from 8 percent in 2001 to 20 percent in 2004. Most of this increase is attributable to sector programs, which nearly tripled between 2003 and 2004. Low-income countries received the lion's share (63 percent) of total general budget and sector program support in 2004. Table 1 also shows that, during the 2001-2004 period, low-income countries were the main beneficiaries of commitments for debt relief (about 90 percent in 2004), which from a macroeconomic point of view is akin to fast-disbursing ODA.

Table 1. ODA for Sector Programs, General Budget Support and Debt Relief
(Commitments, US\$ million at 2004 prices, 2001-2004)

Type	US\$ amounts (2004 prices)				% of total commitments			
	2001	2002	2003	2004	2001	2002	2003	2004
Sector Programs ⁽¹⁾	641	1,984	5,404	14,666	1%	2%	6%	15%
Low Income	199	774	1,591	7,854	0%	1%	2%	8%
Middle Income	441	1,105	3,645	6,011	1%	1%	4%	6%
Unallocated	0	105	168	800	0%	0%	0%	1%
General Budget Support	4,847	5,850	6,395	5,249	7%	7%	7%	5%
Low Income	3,919	4,853	3,635	4,631	5%	6%	4%	5%
Middle Income	913	990	2,745	608	1%	1%	3%	1%
Unallocated	14	8	16	11	0%	0%	0%	0%
Total General and Sector Support	5,488	7,834	11,799	19,915	8%	10%	12%	20%
Debt relief	5,582	8,504	17,778	8,570	8%	10%	18%	9%
Low Income	2,962	5,263	14,771	7,578	4%	6%	15%	8%
Middle Income	2,601	3,102	3,003	899	4%	4%	3%	1%
Unallocated	19	139	4	93	0%	0%	0%	0%

⁽¹⁾ Excluding debt relief and general budget support to avoid double counting. Only commitments with no investment or TC components.

Source: CRS Online (Table 1)

B. The Distribution of ODA

14. **Five dimensions of the distribution of ODA across recipient countries are examined in this subsection:** (i) the distribution of ODA per income group; (ii) ODA trends for IDA-eligible, low-income countries; (iii) the geographical distribution of ODA; and (iv) the sectoral distribution of ODA.

B.1. Distribution of ODA per Income Group

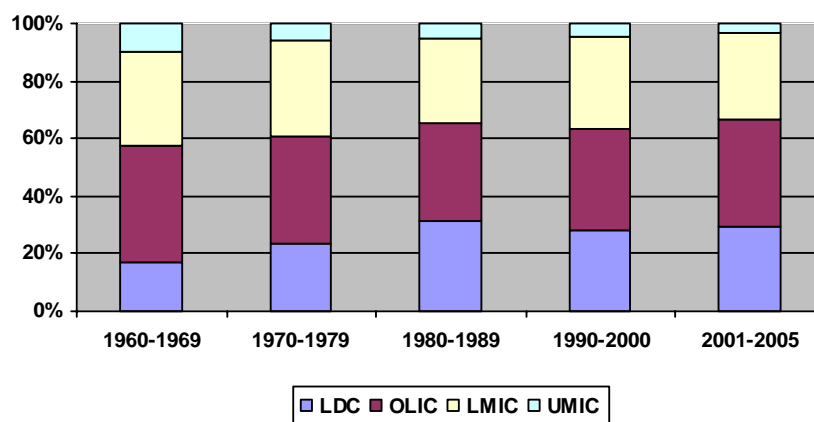
15. **The share of ODA going to low-income countries has been above 60 percent since the 1970s, reaching about 67 percent over the 2001-2005 period.** Chart 4 below shows how total ODA has been distributed over time to four country income categories²⁰: (i)

¹⁹ DAC's Creditor Reporting System (CRS) does not include a subset of data for sector programs provided through budget support. Sector programs are defined by DAC as follows: "Sector programme aid comprises contributions to carry out wide-ranging development plans in a defined sector such as agriculture, education, transportation, etc. Assistance is made available "in cash" or "in kind", with or without restriction on the specific use of the funds, but on the condition that the recipient executes a development plan in favour of the sector concerned." The definition is similar to that of a SWAp and includes, but it is not limited to, sector budget support.

²⁰ Least Developed Countries are a UN category and not defined in terms of a per capita GNI threshold: "Since 1971, the United Nations has denominated 'Least Developed Countries' (LDCs) a category of

least developed countries (LDCs); (ii) other low-income countries (OLICs); (iii) lower-middle income countries (LMICs); and (iv) upper-middle income countries (UMICs). Except for the 1960s, the average share of ODA going to low-income countries (LDCs and OLICs) has been 60 percent or above. In addition, low-income countries received about 64 percent of ODA from bilateral sources and 74 percent of ODA from multilateral sources over the 2001-2005 period.

Chart 4. Share of Total ODA for Low- and Middle-Income Countries (%)



Source: DAC online (Table 2a).

B.2. ODA Trends for IDA-Eligible Countries

16. **Total ODA to IDA-eligible countries has been increasing over time.** Chart 5 shows the increasing importance of special-purpose grants such as emergency assistance and debt relief. In view of the debt relief provided to Iraq, the share of total debt relief in total ODA for all developing countries in 2005 was 38 percent, compared to 22 percent for IDA-eligible countries only.

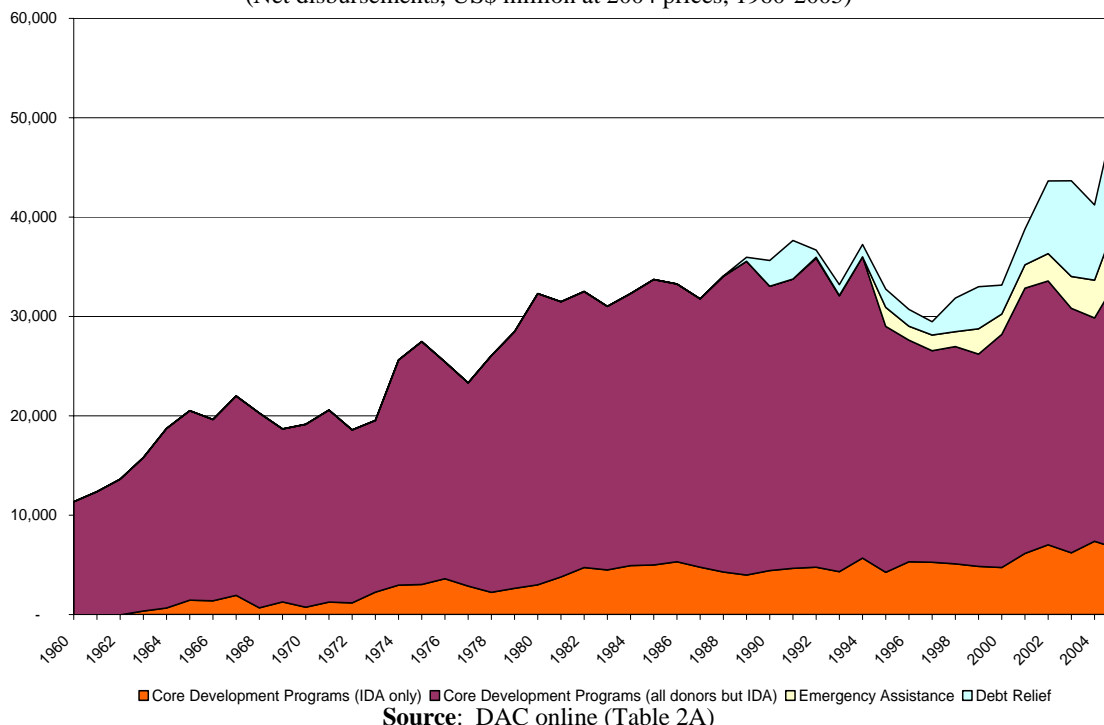
17. **However, IDA-eligible countries have received in recent years less ODA for core development programs than they did on average during the early 1990s.** In fact, as indicated in Chart 5, the average annual ODA for core development programs received by IDA-eligible countries in the 2001-2005 period – about \$32 billion at 2004 prices - is still below the 1991-1995 average – about \$33 billion per year. Furthermore, chart 5 shows a marked decline in core development ODA for those countries between 1994 and 1999. In recent years, there seems to have been some recovery in ODA flows for core development programs for IDA-eligible countries, but not enough to reach the levels observed by the late

low income States that are deemed structurally disadvantaged in their development process, and facing more than other countries the risk of failing to come out of poverty.” United Nations Conference on Trade and Development (2005), *Statistical Profiles of the Least Developed Countries 2005*, p. 6. Other Low-Income Countries (OLICs) are those non-LDCs with per capita GNI below US\$825 in 2004; Lower-Middle Income Countries and Territories (LMICs) are those with per capita GNI between US\$826 and US\$3,255 in 2004; and Upper-Middle Income Countries are those with per capita GNI between US\$3,256 and US\$10,065 in 2005. See *DAC List of ODA Recipients*, effective from 2006 for reporting on 2005, 2006 and 2007.

1980s.²¹ On the other hand, core development ODA provided by IDA showed greater stability over the 1990s, fluctuating between US\$4.2 billion and US\$5.7 billion (both figures at 2004 prices) during this period.

Chart 5. Official Development Assistance from DAC Donors and Multilateral Organizations to IDA-Eligible Countries

(Net disbursements, US\$ million at 2004 prices, 1960-2005)



18. **IDA’s share in ODA for core development programs for IDA-eligible countries has been growing, even on a net disbursement basis.** As indicated in Chart 5, between 2001 and 2005, IDA’s *cumulative* net ODA for core development programs exceeded US\$33 billion (at 2004 prices), or about 20 percent of the total core development ODA for IDA-eligible countries. Furthermore, in the recent past, IDA has provided more than 20 percent of ODA in 17 countries; between 10 and 20 percent in 34 countries; between 5 and 10 percent in 12 countries and less than 5 percent in 18 countries as shown in Table 2.

Table 2: IDA Share of Net ODA Disbursements (2001-2005)

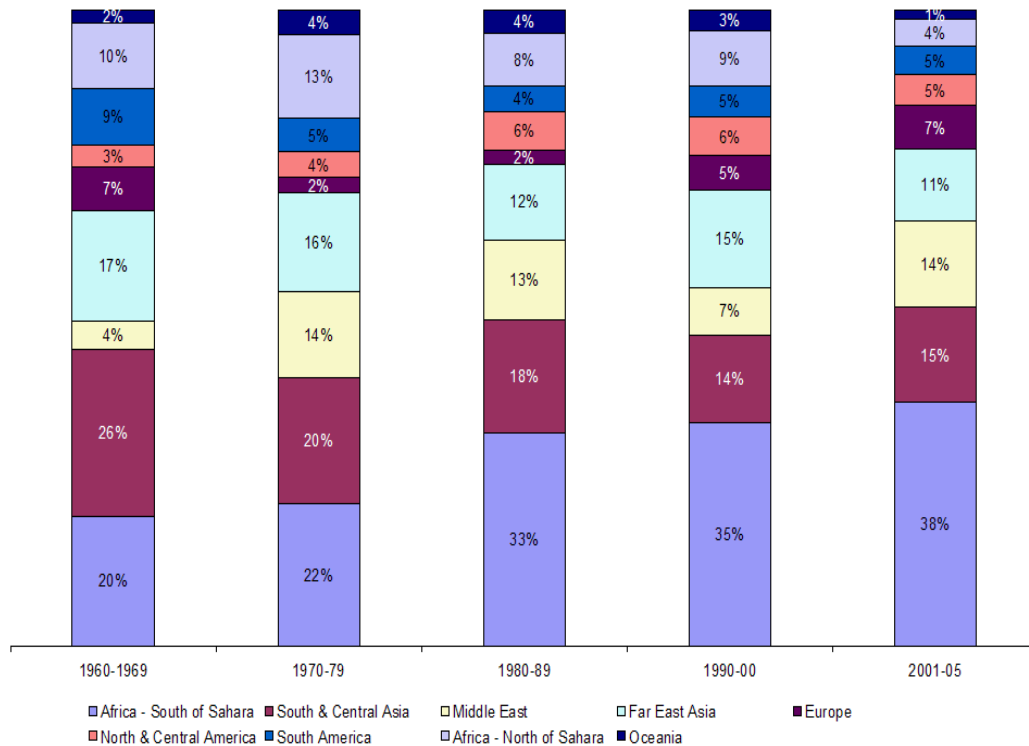
IDA share	Country	No.
> 20%	Armenia, Bangladesh, Comoros, Chad, Eritrea, Ethiopia, Gambia, Georgia, Ghana, India, Madagascar, Pakistan, Rwanda, Senegal, St. Lucia, Uganda, Vietnam,	17
10% < 20%	Albania, Azerbaijan, Benin, Bolivia, Bosnia-Herzegovina, Burkina Faso, Burundi, Cape Verde, Congo Dem. Rep. (Zaire), Cote d'Ivoire, Djibouti, Grenada, Guinea, Guinea-Bissau, Honduras, Kyrgyz Republic, Laos, Lesotho, Malawi, Maldives, Mali, Mauritania, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Sierra Leone, Sri Lanka, St. Vincent, Tajikistan, Tanzania, Yemen, Zambia	34
5% < 10%	Bhutan, Cambodia, Cameroon, Congo, Rep., Dominica, Guyana, Kenya, Nepal, Nigeria, Samoa, Sao Tome & Principe, and Tonga.	12
< 5%	Afghanistan, Angola, Central African Republic, Haiti, Indonesia, Kiribati, Liberia, Myanmar, Papua New Guinea, Serbia & Montenegro, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Uzbekistan, Vanuatu, Zimbabwe	18

²¹ The total amounts refer to ODA received by low income countries from bilateral and multilateral sources. The chart is presented from a *uses of funds* perspective.

B.3. Geographical Distribution of ODA

19. **Sub-Saharan Africa’s share of total ODA has been growing for almost half a century, from a little more than 20 percent in the 1960s to over a third of total ODA today.**²² This can be seen in Chart 6. During the last five years (2001-2005), most of ODA flows have been directed to Sub-Saharan Africa (38 percent), South and Central Asia (15 percent), the Middle East and North Africa (14 percent), and Far East Asia (11 percent). It should be noted, however, that debt relief for Nigeria accounts for a substantial share of recent growth in ODA to Africa.

Chart 6. Breakdown of ODA by Regions (%)



Source: DAC Online, Table 2a

B.4. Sectoral Distribution of ODA

20. **The share of the social sectors in total sector allocable ODA²³ to low-income countries has grown from 29 percent in the early 1990s to 52 percent in 2000-2004.**

²² ODA is the most important source of capital inflows for most countries in Sub-Saharan Africa, “contributing nearly half of all net capital flows.” See Sundberg, M. And A. Gelb (2007). “Making Aid Work”. *Finance and Development*, Vol. 43, No. 4, December, p.2.

²³ DAC defines sector allocable ODA as: “Total sector allocable ODA is used to better reflect the sector focus of donor’s programmes. It concerns all ODA flows aimed at fostering a peculiar sector in the recipient country (examples of sectors are: agriculture, education, health, water supply and sanitation, government and civil society, transport and storage, etc.) and thus excludes all the contributions that are not susceptible to allocation by sector (e.g., balance-of-payments support, actions relating to debt, emergency assistance, and internal transactions in the donor country - administrative costs of donors, Support to NGOs and Unallocated/unspecified ODA)”.

Currently, half of all sector allocable ODA goes to the social sectors. Within sector allocable ODA, since 1990 there has been an overall shift from infrastructure and production to social sectors²⁴, as shown²⁵ in Chart 7 and Table 3, particularly for Sub-Saharan Africa, where they now account for 60 percent of all sector allocable ODA. It is interesting to note that this trend is concomitant to the rising trend in the share of grants in total ODA and the increasing importance of ODA earmarking.

21. **In contrast, infrastructure ODA for low income countries – and especially for Sub-Saharan Africa – has declined in relative terms.** In the case of Sub-Saharan Africa, the share of infrastructure in sector allocable ODA fell from 29 percent in the first half of the 1990s to 19 percent in the 2000-2004 period. There has also been a reallocation of aid resources away from water and sanitation – which is classified by DAC under social sectors.²⁶ This could be interpreted as an increasing financing of recurrent costs of service delivery by government and non-governmental organizations.

22. **Three quarters of ODA for physical infrastructure for IDA-eligible countries are provided by two bilateral donors (Japan and the US, together at 42 percent) and two multilateral donors (IDA and EC, together at 32 percent).** Physical infrastructure is used here to refer to three sectors under the DAC classification for economic infrastructure: (i) transport and storage; (ii) communications; and (iii) energy.²⁷ Among the multilaterals, IDA had the largest commitments, with about US\$3.4 billion in commitments for physical infrastructure during 2004-2005, or about 20 percent of total physical infrastructure commitments for IDA-eligible countries during this period. It is followed by the EC, with about US\$2 billion, 79 percent of which also classified under transport and storage. In turn, IDA's commitments for physical infrastructure in 2004-2005 were distributed as follows: 58 percent for transport and storage; 36 percent for energy; and 6 percent for communications.

²⁴ “Other social sectors” comprise water and sanitation, population, health, government and civil society, and conflict, peace and security. “Production” includes agriculture, forestry and fishery; industry and mining; and tourism.

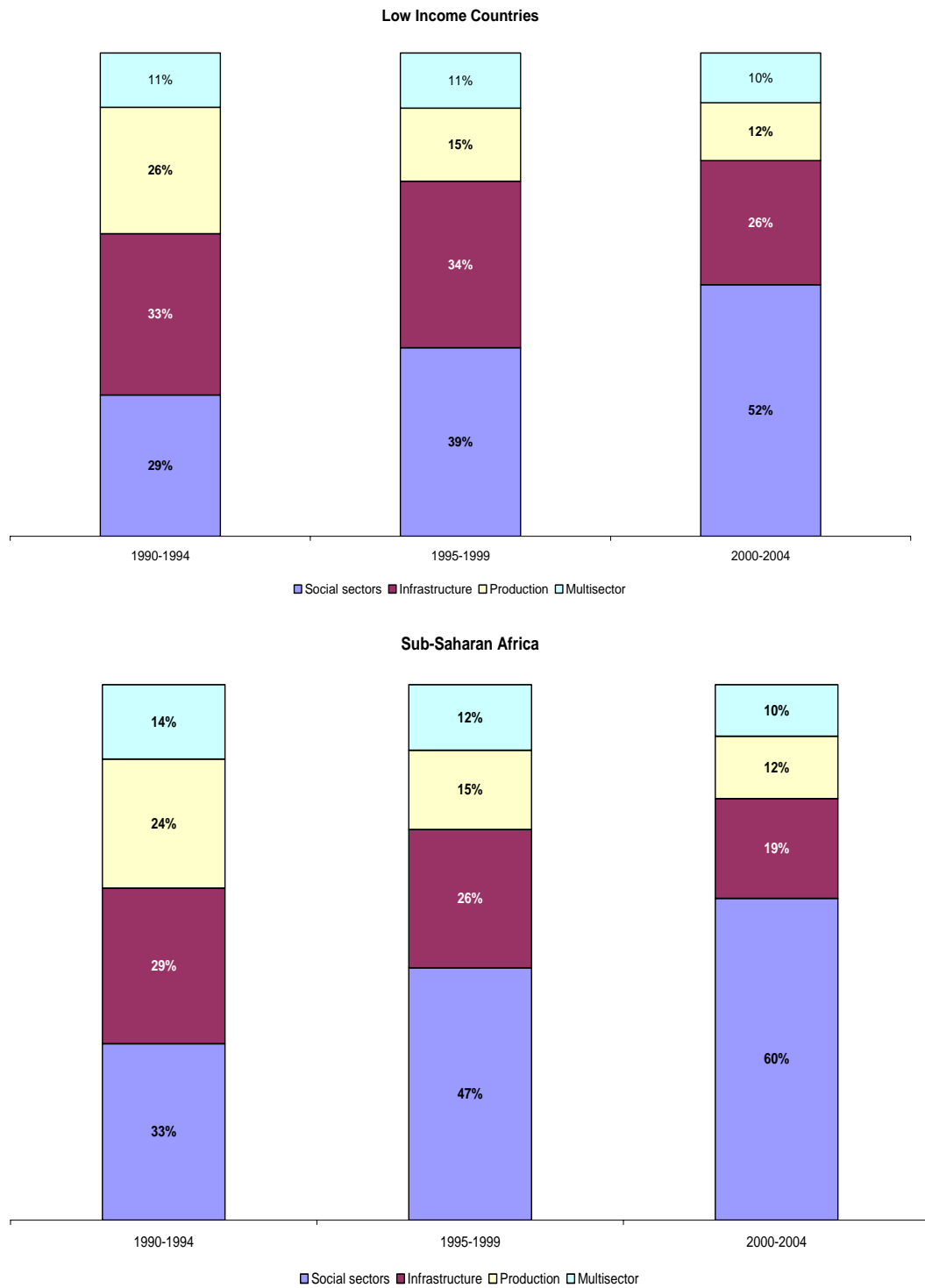
²⁵ Chart 7 focuses on sector allocable ODA alone, while Table 3 covers both sector allocable and overall ODA.

²⁶ Within the social sectors, aid seems to have been reallocated from water and sanitation to government and civil society. As a share of total ODA allocated to the social sectors, water and sanitation fell from 22 percent in the 1990s to about 14 percent in 2001-2004, while government and civil society rose from 15 to 23 percent over the same period.

²⁷ Cumulative commitments for 2004-2005, at constant 2004 prices. The source for the figures in this paragraph is the CRS. “Economic Infrastructure”, as defined in the CRS Directives, includes also “Banking” and “Business Services”.

Chart 7. Distribution of Sector Allocable ODA to Low Income Countries and Sub-Saharan Africa

Commitments, period averages, %, 1990-2004



Source: CRS Online (Table 1)

Table 3. Distribution of ODA Commitments to IDA-Eligible Countries by Bilateral Donors and Multilateral Organizations

US\$ millions at 2004 prices, period averages, %, 1990-2004

Sector	1990-1994		1995-1999		2000-2004	
	Amount	%	Amount	%	Amount	%
Education	1,926	7%	2,289	7%	3,771	8%
Other social sectors	4,782	16%	7,120	23%	11,914	25%
Infrastructure	7,084	24%	7,243	23%	7,695	16%
Production	5,220	18%	3,598	11%	3,406	7%
Multi-sector	2,592	9%	2,735	9%	3,110	6%
Total Sector Allocable	21,604	73%	22,986	73%	29,897	62%
General Program Assistance	5,235	18%	3,421	11%	5,886	12%
Actions Relating to Debt	1,769	6%	2,625	8%	8,072	17%
Emergency	838	3%	1,958	6%	3,642	8%
Administrative costs of donors	-	0%	20	0%	76	0%
Support to NGOs	25	0%	12	0%	88	0%
Unallocated	123	0%	351	1%	344	1%
Grand total	29,594	100%	31,374	100%	48,006	100%

Source: CRS online (Table 1)

III. PROLIFERATION OF AID CHANNELS

23. **The global aid architecture has become increasingly complex, with the growing importance of non-DAC and other “emerging” donors²⁸ as well as with a high degree of aid proliferation and ODA fragmentation.** This paper associates “proliferation” with the number of donor *channels* providing ODA to a given recipient country, and “fragmentation” with the number of donor-funded *activities* as well as their average value.²⁹ Data analysis shows that there are a growing number of bilateral donors and international organizations, funds and programs over the last half century. The number of bilateral donors grew from 5-6 in the mid 1940s to at least 56 today (see Annex II for a partial list). There has also been a dramatic increase in the number of international organizations, funds and programs (see Annex III for a preliminary list³⁰ of over 230 of them). Many of these new funds and programs are specialized in a particular sector or theme.

24. **The impact of the proliferation of aid channels can be seen from the perspective of both donors and recipients.** Subsection A deals with the donors’ viewpoint, while subsection B deals with the recipients’ viewpoint. It is useful to first clarify a few conceptual issues. Aid channels can be either bilateral or multilateral, while ODA can be bilateral, multilateral or multi-bilateral. Multi-bilateral ODA refers to voluntary external assistance from donors for a multilateral agency which is supplementary to core membership contributions and which is earmarked for specific purposes.³¹ Given that such multi-bilateral

²⁸ See Box 1 for a brief discussion on non-DAC and emerging donors.

²⁹ See Box 2 for alternative measures of proliferation and fragmentation.

³⁰ All organizations included in the DAC *List of Main International Organizations* plus 10 well-known global programs not included in the list.

³¹ As stated in DAC’s *Managing Aid* (2005), “aid contributions qualify for recording as multilateral assistance only if: (a) they are made to an international institution whose members are governments and who conduct all or a significant part of their activities in favour of developing (or transition) countries; (b) those contributions are pooled with other amounts received so that they lose their identity and become an integral part of the institutions financial assets; and (c) the pooled contributions are disbursed at the institution’s discretion. Any ODA or official aid which does not fulfil these criteria is classified as bilateral assistance. This includes multi-bilateral (multi-bi) assistance, i.e.,

aid is classified as bilateral aid in published DAC statistics, it has been necessary to separately estimate this significant and growing type of ODA.

Box 1. Non-DAC and Emerging Donors

Non-DAC and emerging donors are becoming increasingly important as ODA providers. New donors bring with them more resources to help developing countries reach their MDGs. At the same time, new challenges for harmonization and alignment are created. Non-DAC donors are a fairly heterogeneous set of countries, which can be broadly classified into four groups³²: (i) OECD countries which are not members of DAC, such as Korea, Mexico, Turkey and several European countries; (ii) new European Union countries which are not members of the OECD; (iii) Middle East and OPEC countries, particularly Saudi Arabia; and (iv) non-OECD donors that do not belong to any of the previous groups, including Brazil, China, India and Russia. Two of the most important policy challenges as regards non-DAC and emerging donors are: (i) the limited availability of data regarding their aid volumes and terms; and (ii) their diverse approaches to harmonization and alignment.

Insufficient data on non-DAC ODA makes it difficult to accurately assess aid volumes and prospects from these sources.³³ Non-DAC OECD countries alone are expected in aggregate to double their current ODA levels to over \$2 billion by 2010. See Manning (2006), *op. cit.*, p. 373. Available information suggests that non-DAC donors have been particularly involved in humanitarian aid. In response to the Indian Ocean tsunami in early 2005, for example, 70 non DAC donors responded with pledges of support. A recent ODI study³⁴ found that non-DAC donors accounted for up to 12 percent of official humanitarian financing in the period 1999-2004 (based on data from OCHA's Financial Tracking System), focused their efforts in a few countries (i.e., Afghanistan, Iraq, North Korea and the occupied Palestinian Territories), and preferred bilateral aid over multilateral routes.

Although a number of non-DAC donors signed the Paris Declaration (see subsection IV.C), harmonization challenges remain present. The degree to which DAC approaches and norms as regards the provision aid finance are applied by different non-DAC countries varies across the four country groupings described above. Manning (2006) highlights three main risks for low-income countries (LICs) associated with insufficient harmonization between DAC and non-DAC donors: (i) LICs – particularly those with enhanced “borrowing space” in the wake of MDRI – might find it easier to borrow on inappropriately non-concessional terms; (ii) LICs may also have increased opportunities to access low-conditionality aid that could help postpone much-needed reforms; and (iii) if good practices in project appraisal are not followed, increased aid could translate partly into more unproductive capital projects in LICs. These risks could be mitigated by means of a strong, coordinated effort to implement the principles and targets of the Paris Declaration (see subsection IV.C).

voluntary external assistance from donors for a multilateral agency, supplementary to core membership contributions, which is earmarked for specific purposes.” (p. 102)

³² See Manning, R. (2006). “Will ‘Emerging Donors’ Change the Face of International Co-Operation?”, *Development Policy Review*, 24(4).

³³ See IMF and World Bank (2006). *Global Monitoring Report*, p. 75: “Data on so-called South-South Assistance are incomplete, however, making it difficult to obtain comprehensive information on South-South aid volumes and prospects.”

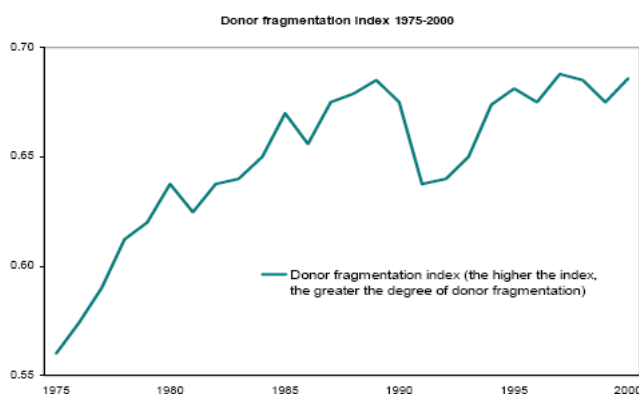
³⁴ Harmer, A. and L. Cotterrell (2005). *Diversity in Donorship: The changing landscape of official humanitarian aid*. The Humanitarian Policy Group at the Overseas Development Institute.

Box 2. Alternative Measures of Proliferation and Fragmentation

The definitions of proliferation and fragmentation adopted in this paper are simple and intuitive, but these terms are used in a somewhat different way in recent empirical studies. For example, Knack and Rahman (2004, p. 12) define “donor fragmentation” as a large number of donors each with a small share of the total aid provided to a given recipient country. Their definition – which is more closely related to the definition of proliferation adopted in this paper – is translated into a measure that equals one minus a Hirschman-Herfindahl donor concentration index³⁵, as follows:

$$1 - \sum s_d^2,$$

where s_d is the share of each donor in total ODA provided to a given recipient. By subtracting the Hirschman-Herfindahl donor concentration index – which varies from 0 to 1 – from one, a measure of donor dispersion or “fragmentation” is obtained. They calculate this measure using two alternative sources of data: DAC and Development Gateway’s AiDA (Accessible Information on Development Activities) database. Based on the DAC data, they conclude (p. 14) that “year-by-year changes in this fragmentation index, average over all countries, show an upward trend from 1975 onward. This increase largely reflects an increase in the number of DAC donors.” This upward trend can be seen in the chart below:



Source: Knack and Rahman (2003) “Donor Fragmentation and Bureaucratic Quality in Aid Recipients.” World Bank Policy Research Working Paper 3186.

Acharya *et al.* (2006, p. 8) point out that “from the perspective of the aid recipient, donors can be responsible for proliferation of two distinct kinds. The first we label *source proliferation*: the provision of aid to a particular country from a wide variety of donors in relatively small amounts. The second, *use proliferation*, is the division of aid among a wide variety of end-uses in-country. This latter concern is essentially the old question of how far a given volume of aid is divided into small packets (‘projects’) or large packets (‘programmes’).” What they call “source proliferation” is closer to the notion of proliferation adopted in this paper, while their concept of “use proliferation” is closer to “fragmentation” as used here.

Like Knack and Rahman, Acharya *et al.* calculate an Index of Recipient Fragmentation (IRF) – measuring “use proliferation” – based on a Hirschman-Herfindahl index. In addition, they calculate an Index of Donor Proliferation (IDP) which aims to measure “how widely each donor disperses a budget of \$X” (p. 9). The IDP is based on an alternative measure of concentration, the Theil Index³⁶. They show that the IRF and the IDP are positively correlated, suggesting that “the very high degree of fragmentation experienced by some aid recipients is directly attributable to the fact that their donors are especially likely to proliferate their aid.” (p. 14).

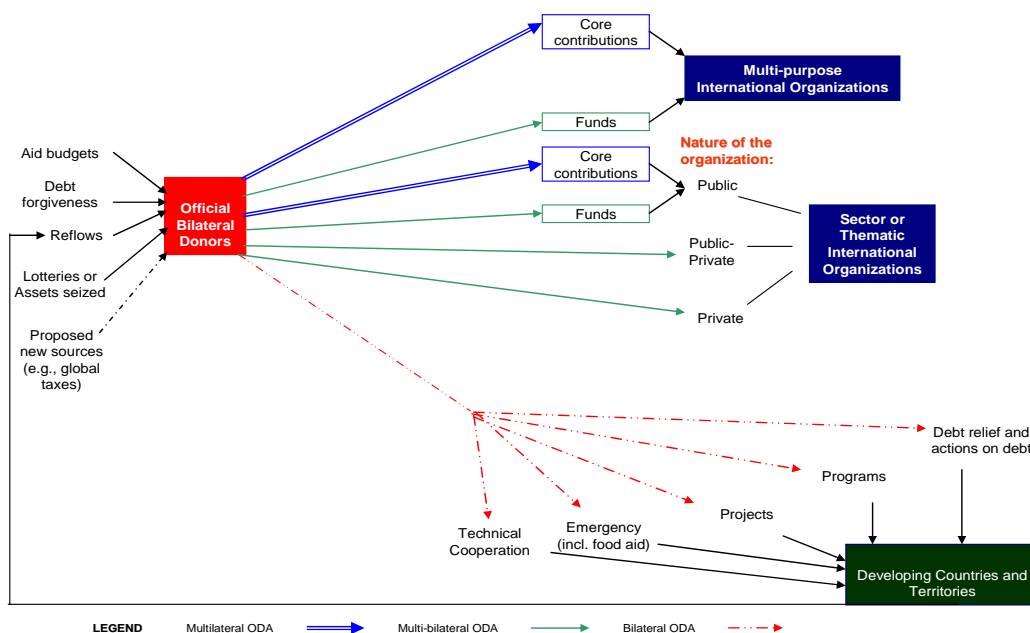
³⁵ The Hirschman-Herfindahl index is more commonly used as a measure of the degree of concentration – in terms of the number and size of firms – in a given industry. In this case, the parameter s would be interpreted as the market share of each individual firm. The lower (higher) is the index, the more (less) competitive is the industry. A value of 1 for the index indicates a single monopolistic firm.

³⁶ See also Kapoor, S. (2006). “Making Aid More Effective: Tackling Aid Proliferation and Aid Fragmentation – A Think Piece”. World Bank, processed, for a review of this literature.

A. The Donors' Viewpoint

25. **Official bilateral donors channel resources through both bilateral and multilateral channels.** This is shown in Chart 8. In 2005, about a third of ODA (32 percent) was channeled through multilateral channels, while the balance went directly to developing countries as described below. Over two thirds (70 percent) of the aid disbursed to multilateral channels was multilateral, while the balance (30 percent) was multi-bilateral, including trust funds. Multilateral channels can be distinguished between multi-purpose international organizations (that operate in several sectors and countries like the European Commission or IDA) and specialized or thematic international organizations (whose activities are focused on a particular theme or sector, like UNICEF or GFATM).³⁷

Chart 8. Donor View of ODA through Bilateral and Multilateral Channels



26. **About half of the bilateral contributions channeled through multilateral channels in 2005 went through some degree of earmarking by sector or theme.** This figure is an approximation based on 2005 annual reports. It includes not only trust funds and other multi-bilateral ODA, but also contributions to sector or thematically targeted multilateral organizations.³⁸ Besides complicating budgetary management,³⁹ earmarking may lead to a misalignment between donors' and recipient countries' priorities. By constraining recipients' flexibility in allocating resources, earmarking may contribute to

³⁷ Within the latter group, it is also possible to differentiate between organizations that are controlled and managed by public entities (i.e., inter-governmental or inter-agency organizations like UNAIDS), public-private partnerships (i.e., funded and operated through a partnership of government and/or intergovernmental organizations and one or more private sector companies or private foundations – as in the case of GAVI), or purely private (i.e., international NGOs like Médecins Sans Frontières).

³⁸ Staff estimates of the distribution among channels are purely indicative, as DAC statistics do not provide this level of detail. Estimates have been derived from the various organizations' Annual Reports (latest available) and then combined with information from DAC online.

³⁹ See e.g. Gottret, P. And G. Schieber (2006). *Health Financing Revisited. A Practitioner's Guide*. Washington, D.C.: The World Bank, 131.

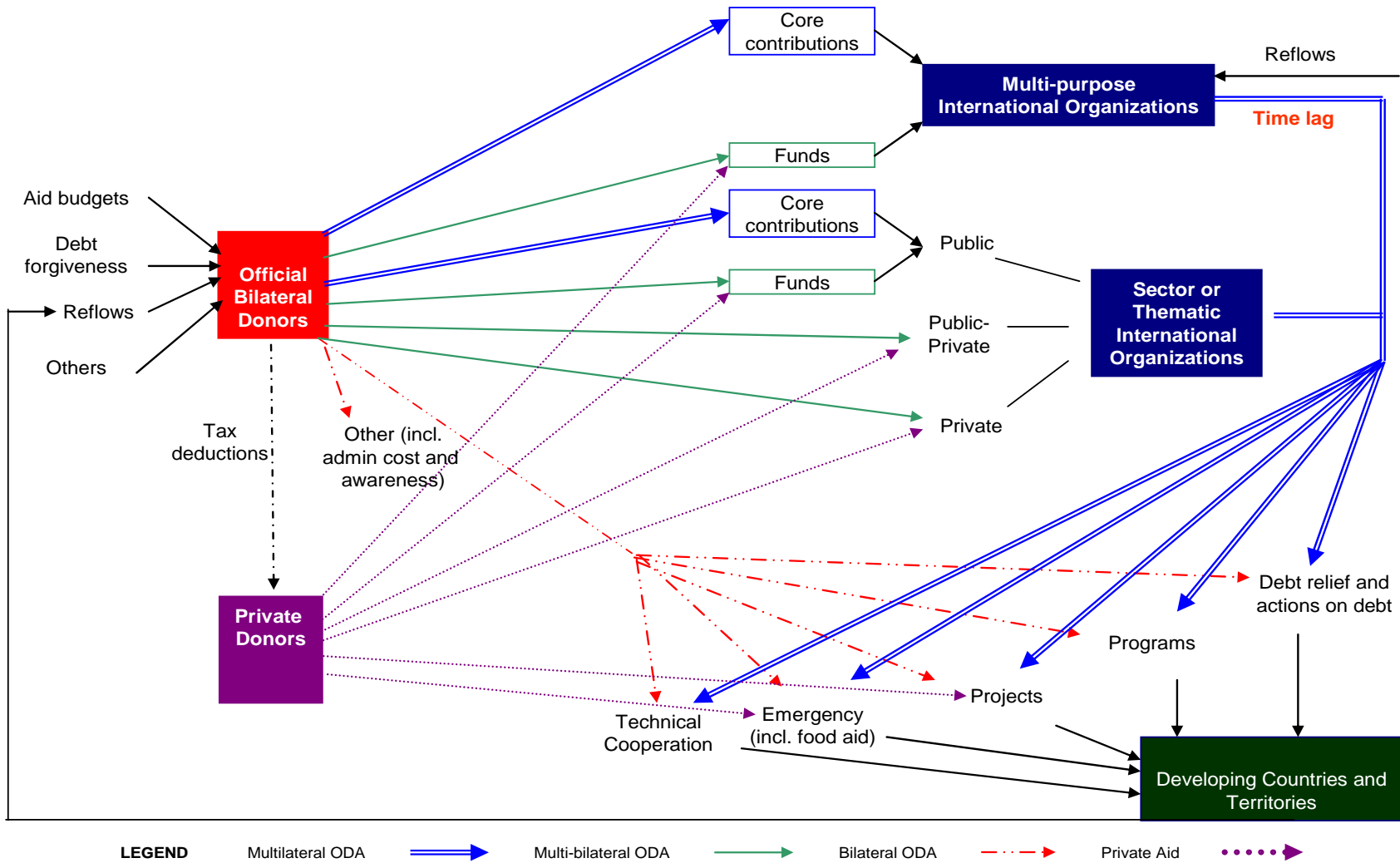
underfunding of other investments which are equally important for economic growth and poverty reduction.

B. The Recipients' Viewpoint

27. **The growing importance of sector/thematic international organizations and private donors further increased the complexity of the aid architecture from the recipients' standpoint.** The complexity of the various inter-linkages can be gauged by inspecting Chart 8 which also shows – besides ODA – a greater role for the private sector in aid funding and implementation. Private philanthropy in aid has grown in importance in recent years.⁴⁰ In addition, competition among multilateral channels for a largely stable pool of resources has been combined with an increase in the role of private providers/managers of aid. About 6 percent of all reported official aid to developing countries has been provided through NGOs and public-private partnerships. The latter are a new phenomenon that emerged in the mid 1990s when global programs started to be deliberately set up outside the UN system. Global programs and “vertical funds” are discussed in more detail in Box 3.

⁴⁰ As noted in a recent study by the World Bank's Global Programs and Partnerships (GPP), “according to the U.S. Foundation Center, US foundations gave a record estimated \$3.8 billion in 2005. The Gates Foundation's international giving is the major component of this, doubling from \$526 million in 2002 to \$1.2 billion in 2004.” See World Bank (2006), “Changes in the International Aid Architecture and ODA Trends”, Global Programs and Partnerships, processed, p. 30. See also US Foundation Center (2006). *International Grantmaking Update*. Private philanthropic aid is also significant in Europe and Japan.

Chart 9. Recipient Countries' View of Aid Channels



Box 3. Global Programs and Vertical Funds

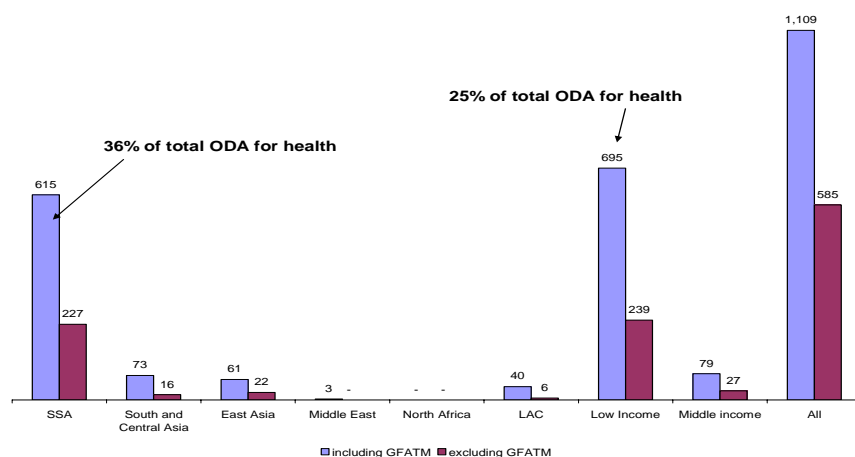
Global programs – often referred to also as “global funds” or “vertical funds” – are defined (see IEG, 2004) as “partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners: (a) reach explicit agreement on objectives; (b) agree to establish a new (formal or informal) organization; (c) generate new products or services; and (d) contribute dedicated resources to the program.” In other words, global programs focus “vertically” on specific issues or themes, in contrast with the “horizontal” approach of the country-based model of aid.

While the first major global program, the Consultative Group on International Agricultural Research (CGIAR), was established 35 years ago, the current “boom” in vertical funds started in earnest when several large such funds were created in the late 1990s. Contributions to global programs represented 3 percent of total ODA in 2005. The main sectors covered by global programs are health (e.g., the Global Fund for Aids, Tuberculosis, and Malaria, GFATM) and environment (e.g., the Global Environmental Facility, GEF). The rapid increase – in both size and country eligibility – of the Catalytic Fund (CF) under the Education for All/Fast Track Initiative (EFA/FTI) in recent months will also mean that a rising share of education sector financing will come from a global program.

“Verticalization” or earmarking of ODA can also be seen in bilateral assistance programs, such as the U.S. government’s PEPFAR.⁴¹ The PEPFAR has been driving the rising trend in bilateral assistance for HIV/AIDS among DAC donors.⁴²

Vertical funds may lead to an increase in the importance of the specific interventions they support in the overall financing for a given country. For example, GFATM has increased the weight of infectious disease control in total aid for the health sector, particularly in Sub-Saharan Africa (see chart below).

Aid for Infectious Disease Control (US\$ million at 2004 prices, 2005)



The effectiveness and the sustainability of global programs will ultimately rest on the presence of complementary sector-level and country-level policies. As noted in the 2006 Global Monitoring Report (p. 78), “global funds need to support country-led strategies and priorities (...).” A recent joint DAC-World Bank workshop (Paris, December 5, 2006) concluded that a “mutually reinforcing approach” between global programs and the country-based aid delivery model should be developed, focusing on complementarities and strengthening the alignment of “vertical” aid with country programs.

⁴¹ President's Emergency Plan for AIDS Relief.

⁴² See Gottret and Schieber (2006), *op. cit.*, p. 135. According to the PEPFAR website (www.pepfar.gov), “the U.S. President's Emergency Plan for AIDS Relief (Emergency Plan/PEPFAR) is the largest commitment ever by any nation for an international health initiative dedicated to a single disease -- a five-year, \$15 billion, multifaceted approach to combating the disease around the world.”

28. Donor proliferation at the country level has continuously increased over time.

The average number of donors per country nearly tripled over the last half century, rising from about 12 in the 1960s to about 33 in the 2001-2005 period. The combination of more bilateral donors and of an increasing number of multilateral channels has led to an increasingly crowded aid scene.⁴³ Aid channel proliferation at the country level has been substantial, particularly after the end of the Cold War when the number of countries with over 40 active donors and international organizations grew from zero to thirty-one.⁴⁴ The number of international organizations, funds and programs is now higher than the number of developing countries they were created to assist.

29. Multiple aid channels impose an additional strain on already weak implementation capacities in low-income countries.⁴⁵

In fact, “managing aid flows from many different donors is a huge challenge for recipient countries, since different donors usually insist on using their own unique processes for initiating, implementing, and monitoring projects. Recipients can be overwhelmed by requirements for multiple project audits, environmental assessments, procurement reports, financial statements, and project updates”.⁴⁶

30. Proliferation of aid channels is particularly pronounced in the health sector. In fact, more than 100 major organizations are involved in the health sector, a much higher degree of proliferation than in any other sector.⁴⁷ Insufficient clarity of mandates and roles for the various donor organizations – associated with the earmarking of much such aid – makes it difficult to reconcile with “the development of a holistic approach to health systems and sustainable financing at the country level.”⁴⁸ The effectiveness of increased ODA financing for health will rest on finding an appropriate balance between providing resources for disease- and intervention-specific health programs and strengthening health systems. The Rwanda case (see Box 4) clearly shows that work on health systems and sustainable financing requires a substantial increase in coordination and harmonization in the health sector. This needs to be done in a manner that enhances inter-sectorality and country focus, while strengthening recipient country leadership and ownership of ODA financed efforts in the health sector.

⁴³ Available data do not indicate that donor proliferation has been particularly more severe in IDA-eligible countries.

⁴⁴ The year of the start of donor operations in a particular country has been made equal to the year when each donor reported its first disbursement to DAC. While this is the best available data, donors may have started operations earlier without reporting it to DAC, while some non DAC donors (e.g., China, India) do not report data on their activities to DAC and therefore are not included.

⁴⁵ See Knack, S. and A. Rahman (2004). “Donor Fragmentation and Bureaucratic Quality in Aid Recipients”. World Bank Policy Research Working Paper 3186, January. The authors show that aid fragmentation across donors could be taxing on the bureaucratic quality of recipient countries (with causation running from fragmentation to bureaucratic quality). See also Box 1 in this paper.

⁴⁶ Radelet, S. (2006). “A Primer on Foreign Aid”. Center for Global Development Working Paper, No. 92, July, p. 15.

⁴⁷ This figure includes private donors, but not NGOs. Schieber, G., L. Fleisher, and P. Gottret (2006). “Getting Real on Health Financing”. Finance and Development, Vol. 43, No. 4, December, p. 8.

⁴⁸ Schieber, G., L. Fleisher, and P. Gottret (2006), op. cit., p. 7.

Box 4. Health Sector Financing and Public Spending: The Case of Rwanda

The health sector in Rwanda has received increased funding both from donors and the State budget. As noted in a recent report prepared by the government of Rwanda, the health sector share of public expenditure quadrupled over the last decade: the health sector accounted in 2005 for about 10 percent of government spending – up from 2.5 percent in 1998.¹⁷ In addition, health sector interventions (including HIV/AIDS-related interventions, which DAC classifies under "Population Programmes" rather than health) received 14.5 percent of total ODA and 21.5 percent of sector allocable ODA to Rwanda in the period 2001-2005. In 2004, donor grants represented about half of total government spending in Rwanda, but this figure would actually underestimate the importance of foreign aid in Rwanda because of off-budget funding, especially in the health sector.

Rwanda’s experience highlights the fundamental problems with the ways in which aid for health is delivered. A recent review of development assistance for health (DAH) to Rwanda documented three major issues the government faces in making sure resources translate into results.

The first is the challenge of achieving policy coherence – and even basic fiscal monitoring – given the fact that only 14 percent of total donor support for health is channeled through the Rwandan Ministry of Health and another 12 percent by local governments or health districts. The remaining 75 percent of donor aid goes directly to NGOs or is directly managed by the donors through their own projects (see Table below).

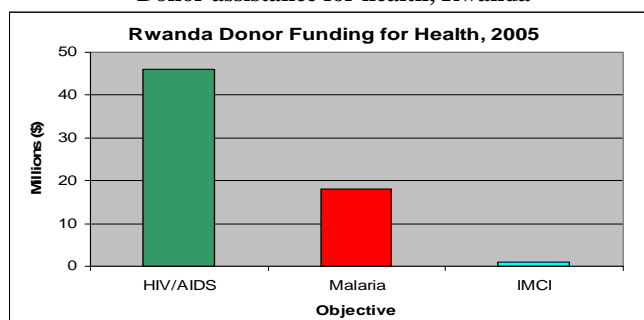
Who Spends Donor Aid for Health in Rwanda?

Financing Agent	Percentage of Donor Aid
Central Government	14.3
NGOs	54.8
Development Partner Direct Management	19.0
Direct to Local Government or Health District	11.9
Total	100.0

Source: MINISANTE, National Health Accounts, April 2006

A second issue is misalignment of funding in relation the country’s burden of disease and with government priorities as established in the country’s own health strategy: \$46 million of its current assistance is earmarked for HIV/AIDS, \$18 million for malaria, and only \$1million for the integrated management of childhood illnesses (IMCI) (see chart below). Rwanda has a 3 percent HIV/AIDS prevalence rate and despite progress, infant mortality rate remains high at 118 per 1000 and maternal mortality at 1,400 per 100,000. The Rwanda health strategy calls for improving the health system and incentives therein in order to improve access to the population to essential health services.

Donor assistance for health, Rwanda



A third issue is volatility and the absence of long term commitments: much of the assistance to Rwanda, like other countries, reflects annual or biannual commitments, with the notable exception of bilateral aid from the UK. This leads to substantial variations in the level of funding from year to year, and inhibits long-term planning. In two areas in particular – national decisions to scale up health service provision by training and hiring more doctors and nurses, and the increase in the number of patients on long-term anti-retroviral (ARV) treatment – Rwanda incurs major risks of sustainability.

Box 4 (cont'd)

The Rwanda case provides a clear illustration of the importance of a multi-sector approach even for attaining health outcomes. Rwanda is a country with important needs in terms of roads, water, sanitation, education and others. The aforementioned report prepared by the Rwandan authorities states that “spending on health has increased markedly in recent years (...). However, infrastructure and agriculture have been relatively neglected. Major investments in the road network are needed to support economic growth and poverty reduction. Major investments are needed in energy and in water and sanitation.”^{2/} Such multi-sector investments are also important determinants of health outcomes.

1/ Republic of Rwanda (2006). *Scaling Up to Achieve the Health MDGs in Rwanda*. A Background Study for the High-Level Forum Meeting in Tunis, June 12-13, 2006. Prepared by the Ministry of Finance and Economic Planning and the Ministry of Health.

2/ *Op. cit.*, p. 21.

IV. FRAGMENTATION OF OFFICIAL DEVELOPMENT ASSISTANCE

31. **The proliferation of aid channels has been combined with fragmented aid.** ODA fragmentation can be damaging to the effectiveness of ODA, particularly in recipient countries with low institutional capacity, as it may increase the transaction costs of aid. Fragmentation is manifested in different forms, such as the number of donor-funded activities and the financial size of aid commitments and the dispersion of small-scale free-standing technical assistance as a modality (instrument) of aid delivery (see also discussion in Box 2). This Section briefly describes ODA fragmentation trends and the transaction costs they engender (subsection A) and how these issues are being addressed in the context of the Paris Declaration on Aid Effectiveness.

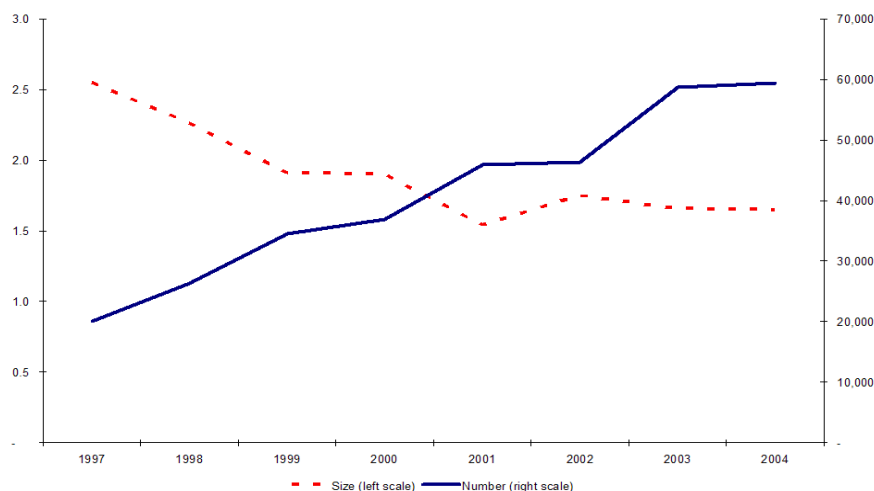
A. Aid Fragmentation and Associated Costs

32. **The number of donor-funded activities is large – particularly in the social sectors – and the average financial size of aid interventions/activities is small.** The average size of donor funded activities in developing countries is about \$1.5 million and total number of interventions/activities has reached almost 60,000 (see Chart 10).⁴⁹ The social sectors (including health and education) account for 48 percent of all activities recorded in the Creditor Reporting System for 2004. This average size of donor activity does not change substantially across sectors or across income groups except for infrastructure projects (about 3 times the average size), general budget support (13 times) and debt relief (16 times).⁵⁰

⁴⁹ In general, a "transaction" signifies allocation of funds to a specific activity (project or programme) in a given sector in a given recipient country. However, to improve the accuracy of CRS-based statistics, donors sometimes choose to compile CRS reports at a finer level, in which case a "transaction" represents a component of an activity. But there are also cases where it is preferable to report at a more aggregated level. A "transaction" can thus be the sum of several activities.

⁵⁰ It is difficult to verify whether this situation has deteriorated over time as part of the growth in commitments may be a result of improved reporting from some DAC members.

Chart 10. Number and Average Size of Donor Activities included in the CRS Database
(US\$ million, 2004 prices)



Source: CRS Online (Table 1)

33. **Fragmentation is reinforced by the fact that the majority of aid activities allocated by modality is for free standing technical assistance.**⁵¹ The level reached by 2004 (i.e., over 20,000 free standing TA activities) was equivalent, on average, to almost one free standing TA activity – normally of very limited financial size – started each working day in each developing country. As noted in the 2006 *Global Monitoring Report*⁵², “technical cooperation is often criticized as being excessively costly because of the high cost of international experts, as exacerbating the problem of brain drain by training the best and brightest but not being able to retain them, and as being too fragmented and uncoordinated.”

34. **Fragmentation seems to be higher the lower is the institutional capacity of recipient countries.** This is suggested by Table 4 below, which links the public sector management capacity to selected features of donor activities. Where implementation capacity is very low, donors tend to finance a large number of small activities in a relatively reduced number of sectors.⁵³ As government capacity becomes higher, donors seem more willing to support larger projects in more sub-sectors and to increase the overall amount of aid resources to the country, as measured by commitments per capita.

⁵¹ "Activities financed by a donor country whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries, i.e., increasing their stock of human intellectual capital, or their capacity for more effective use of their existing factor endowment." From *DAC Directives*.

⁵² IMF and World Bank (2006). *Global Monitoring Report*, pp. 97-98, fn. 17.

⁵³ The figures in Table 4 do not control for the size or income levels of recipient countries.

Table 4. -Government Capacity and Donor Fragmentation in Low Income Countries (2004)⁵⁴

Government Capacity	IDA IRAI Rating	In each low income country:					No of countries
		No. of donors reporting to CRS	No. of transactions recorded in CRS	No. of subsectors where active	Average size of CRS activities (US\$ million)	ODA Commitments per capita (US\$)	
Very low	Up to 2.5	23	427	77	1.1	29.6	11
Low	2.6-3.0	23	300	78	1.5	42.9	15
Medium	3.1-3.5	25	502	97	1.8	65.7	19
High	>3.5	24	454	95	2.0	70.0	7

35. **Transaction costs of ODA affect both donors and recipients.**⁵⁵ In fact, “donors, recipients and independent observers all agree that the system is too complicated and imposes high transaction costs on all parties”. Such costs reflect a rising number of aid channels and donor activities/interventions; progressive earmarking of funding through multilateral and bilateral channels; and widespread use of uncoordinated technical assistance. While there is ample anecdotal evidence of the increase of transaction costs caused by aid fragmentation and donor proliferation, they have not been systematically quantified (see Box 5).

Box 5 -Examples of Aid Transaction Costs in Tanzania

A large share of aid to Tanzania is through more than 700 projects managed by 56 parallel implementation units. Half of all technical assistance provided to the country is not coordinated with the Tanzanian government. Tanzania received 541 donor missions during 2005 of which only 17 percent involved more than one donor.

Source: DAC, Progress report on the 2006 survey on monitoring the Paris Declaration .

36. **From the recipient countries’ perspective, transaction costs are directly and indirectly associated with the administrative burden placed on them.**⁵⁶ Acharya et al. (2006, *op. cit.*) distinguish between *direct* and *indirect* transaction costs. Direct costs refer to the diversion of scarce resources in recipient countries – notably the time and attention of politicians and government officials – away from domestic priorities in order to attend to demands associated with managing aid-related activities. Such costs are especially relevant in situations where aid is subdivided into many small “packets” with their own managerial and reporting requirements. Indirect costs result from the impact of aid proliferation and fragmentation on the incentive systems in recipient countries’ government bureaucracies. An example of such indirect costs is when donor-financed project implementation units lead to “brain drain” from line ministries where managerial skills are in short supply.

⁵⁴ See discussion in footnote 49.

⁵⁵ In Burall, S. and S. Maxwell, with A.R. Menocal (2006), *op. cit.*, p. 1.

⁵⁶ There is a small but growing literature on the costs created by aid proliferation and fragmentation. Recent examples include: Easterly, W. (2002). “The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid”. *Journal of Policy Reform*, Vol. 5 (4); Djankov, S., J.G. Montalvo, and M. Reynal-Querol (2005). “The Effectiveness of Foreign Aid in a Donor Fragmented World”. World Bank, Washington, D.C.; T. Harford and M. Klein (2005). “The Market for Aid”, *Public Policy for the Private Sector*, Note No. 293, June; Acharya, A., A. De Lima and M. Moore (2006). “Proliferation and Fragmentation: Transactions Costs and the Value of Aid”. *Journal of Development Studies*, Vol. 42, No. 1; and Roodman, D. (2006). “Aid Proliferation and Absorptive Capacity”. *Center for Global Development Working Paper*. No. 75, January.

B. The Paris Declaration Agenda

37. **The Paris Declaration on Aid Effectiveness is a significant step forward towards addressing the complexities of the existing aid architecture.**⁵⁷ Signed on March 2, 2005 by 35 donor countries, 26 multilateral donors, 56 recipient countries, and 14 civil society observers, the Declaration put forward an agenda supported by a broad spectrum of development actors. As noted in the 2006 *Global Monitoring Report*, “a distinct feature of the Paris Declaration is a mutual commitment undertaken by partner [recipient] countries and donor countries to an international monitoring process.”⁵⁸

38. **The Paris Declaration is based on the key principles of ownership, alignment, harmonization, managing for results, and mutual accountability.** These principles underlie the partnership commitments between recipient or partner countries and the donor countries, as follows:⁵⁹

- *Ownership.* “Partner countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions.”
- *Alignment.* “Donors base their overall support on partner countries’ national development strategies, institutions and procedures.”
- *Harmonization.* “Donors’ actions are more harmonized, transparent and collectively effective.”
- *Managing for Results.* “Managing resources and improving decision-making for results”.
- *Mutual Accountability.* “Donors and partners are accountable for development results”.

39. **The five principles of the Paris Declaration are translated into 12 monitorable global targets for 2010.** On the side of recipient or partner countries, these targets emphasize the importance of operational development strategies and reliable procurement and public financial management systems. On the side of donor countries, the targets aim *inter alia* at aligning aid flows to recipients’ national priorities, strengthening recipient country capacity, increasing predictability of aid, increasing the proportion of untied aid, using common arrangements or procedures, and sharing analysis. To ensure mutual accountability, all partner countries should have mutual assessment reviews by 2010.

40. **Some of the Paris Declaration targets are directly aimed at addressing aid fragmentation.** They include: (i) 50 percent of technical co-operation flows should be implemented through coordinated programs consistent with national development strategies; and (ii) 66 percent of aid flows should be provided in the context of program-

⁵⁷ See *Paris Declaration on Aid Effectiveness. Ownership, Harmonisation, Alignment, Results and Mutual Accountability*. It was signed on March 2, 2005 by ministers of donor and recipient countries responsible for promoting development as well as by heads of multilateral and bilateral development institutions.

⁵⁸ IMF and World Bank (2006). *Global Monitoring Report*, p. 79.

⁵⁹ Definitions extracted from *Paris Declaration, op. cit.*

based approaches. Although progress towards these targets should lead to improvements in aid fragmentation indicators, the data present in this paper does not yet capture the effects of the Paris Declaration on aid management.

V. CONCLUDING REMARKS

41. **ODA has grown steadily over the last decade, and is expected to continue to rise as donors have committed to significantly scale-up aid to achieve the MDGs.** As indicated in the 2006 Global Monitoring Report, net ODA disbursements are projected to increase by 60 percent from US\$79 billion in 2004 to US\$128 billion in 2010, with half of it expected to benefit Africa.^{60, 61} With the winding down of debt relief, the scaling up of aid is most likely to occur in other categories of ODA (i.e. core development programs).

42. **To make effective use of such scaled-up ODA at the country level, a number of implementation challenges would need to be addressed by donors and recipients.** The most upfront challenges include: (i) achieving complementarity across national, regional and global development priorities and programs; and (ii) strengthening recipient countries' ability to make effective use of potentially scaled-up fast-disbursing ODA such as budget support.

43. **A platform for achieving complementarity across national, regional and global development priorities and programs can be found in the principles and targets of the Paris Declaration.** New ODA sources – emerging donors, regional and global programs, private philanthropic aid – bring with them more resources to help developing countries reach their MDGs. However, uncoordinated priorities and programs at the national, regional, and global levels – associated with more fragmented delivery – create transaction costs in ODA delivery and reduce the effectiveness of aid. As noted in the Declaration, “excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.” The Paris Declaration also puts forward a renewed emphasis on harmonization and alignment as well as on the centrality of national development strategies as the primary mechanisms to increase country-level effectiveness of the international aid architecture: “In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximize their combined effectiveness”.

44. **The country-level effectiveness of a potential scaling-up in fast-disbursing ODA – added to the increased fiscal space brought about by recent debt relief initiatives – can be enhanced if country systems are strengthened.** If current trends

⁶⁰ Measured in 2004 prices and based on DAC members' announced commitments. See 2006 *Global Monitoring Report*, p. 76: “At their summit in Gleneagles, G-8 leaders committed to increase aid to Africa by \$25 billion a year by 2010, more than doubling assistance to the region. Coupled with pledges by the EU, DAC members have also agreed to expand aid to all developing countries by about \$50 billion. These promises would raise the average share of ODA to GNI to 0.36 percent in 2010.”

⁶¹ This discussion is based on an extrapolation of previous aid trends and is not meant to be predictive of future aid flows. Aid flows figures for the 2006-2010 period are not forecasts, but DAC Secretariat projections based on public announcements by DAC member countries.

persist, the share of fast-disbursing ODA would continue to rise. In low-income countries without robust fiduciary systems, budget support scale-up and the effective use of additional funds retained by countries due to debt relief will need to be accompanied by increased capacity to systematically review public expenditure composition and by strengthened financial management systems. In addition, coordinated donor support is critical. Under the Paris Declaration, donors committed to “use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, [they committed to] establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.”

ANNEX I – A BRIEF HISTORY OF THE AID ARCHITECTURE

A. Introduction

1. In the following paragraphs, we briefly review the evolution of the elements of the aid architecture. The only real discontinuity over time has been the end of the Cold War and we will refer to “Cold War” and “Post Cold War” aid architectures. Within each architecture, as shown in Annex Box 1, we can distinguish phases (4 under the Cold War and 2 under the Post Cold War architectures) corresponding

Annex Box 1 - Aid Architectures and Phases

The phases identified are the following:

A. Cold War Aid Architecture (1946-1989)

1. Post War Security Aid (1946-1959)
2. Economic Development Assistance (1960-1969)
3. Commodity Shocks (1970-1979)
4. Structural Adjustment (1980-1989)

B. Post Cold War Aid Architecture (1990-today)

5. Post War Transition (1990-2000)
6. New Millennium Development (2001-today)

broadly to each decade since 1950. Probably due to the UN “Development Decades” started in the 1960s, the beginning of a new decade (and even more of a new century and a new millennium) has always marked a change (at least in emphasis) on the aid scene.

B. Aid Institutions

1. Donor Countries

2. During the Post War Security phase, most aid (88%), according to aggregate DAC data at current prices, came from the United States (58%), France (22%), and the United Kingdom (8%). France had the largest foreign aid program in relative terms. In the early 1960s a major concern was how to share the “aid burden” (a term still used in DAC tables today) among donors. Canada, Germany, Japan, Sweden, Switzerland, Belgium, Denmark, Norway and the Netherlands established aid agencies or ministries in the 1960s. The number of donors grew from 5-6 in the mid 1940s to over 60 today.

3. A substantial redistribution of the “aid burden” was carried out in the 1970s when, for the first time, development cooperation budgets met substantial parliamentary opposition in France and the USA. In the USA in 1971, the Senate, for the first time after World War II, rejected a foreign assistance bill authorizing funds for fiscal years 1972 and 1973.⁶²

4. The outcome of the debate was opposite in Northern European Countries and in Japan where aid budgets were substantially increased. In the late 1960s, Sweden, Netherlands, Norway and Denmark decided to increase their aid above 0.7 of GNI, a level all of them crossed by the mid to late 1970s. In 1978, Japan launched its first “doubling-of-ODA” plan. Japan became the second largest DAC donor by 1984 and the largest by 1989.

⁶² From http://www.usaid.gov/about_usaid/usaidhist.html.

5. As a result the relative importance of the United States, France and the United Kingdom over total net ODA declined substantially in the 1970s and 1980s and has now stabilized at slightly over a third of total net flows.
6. Overall, DAC donors' share of total ODA was at its lowest in the 1970s when non DAC donors accounted for about a third of total ODA. Historically, CMEA (the former Soviet bloc) accounted for 10% of total ODA till the end of the Cold War. ODA from Arab countries reached a peak of 30% of total aid by 1978, with occasional peaks after the second oil shock and the first Gulf War. Since the mid 1990s, DAC donors have accounted for 95% of all ODA flows.⁶³
7. "New" donors have emerged since the mid 1990s or re-emerged as in the case of the East European countries that have joined the European Union. The emergence of non DAC donors has been even more evident in humanitarian aid. In response to the Indian Ocean tsunami in early 2005, for example, 70 non DAC donors responded with pledges of support. A recent ODI study⁶⁴ found that non-DAC donors accounted for up to 12% of official humanitarian financing in the period 1999-2004 (based on data from OCHA's Financial Tracking System), focused their efforts in a few countries (i.e., Afghanistan, Iraq, North Korea and the occupied Palestinian Territories), and preferred bilateral aid over multilateral routes.
8. At the same time, while the number of donors has increased, some are operating in a more unified way, as is the case for the 27 members of the European Union. One of the most important developments after the fall of the Berlin wall was in fact the Treaty of Maastricht putting development cooperation on equal footing with other community policies, establishing a strong co-ordination obligation for the Member States and the Commission, and setting clear objectives for EC-managed aid. Over the following 15 years, the process has led to a series of common EU positions at international fora, and a common EU development policy framework.
9. The structures managing bilateral aid have also evolved over time and the overall development cooperation frameworks have become more and more sophisticated. In the 1940s and 1950s only the top three donors provided aid through specialized ministries or agencies: the French Overseas Ministry - Ministère de la France d'Outre-Mer, the British Colonial Development Corporation and the US Economic Cooperation Agency (ECA) in charge of the Marshall Plan's European Recovery Program (ERP).⁶⁵ Smaller donors without dedicated structures like the Netherlands provided multilateral contributions to UN organizations whose aid was going to colonies in the West Indies and Papua New Guinea.⁶⁶
10. In the 1960s, most donors established separate, in some cases independent, development cooperation structures. In 1961 France, the United Kingdom and the United States of America reorganized their agencies increasing for a while their independence.

⁶³ Manning (2006), *op. cit.*

⁶⁴ Harmer and Cotterrell (2005), *op. cit.*

⁶⁵ It was renamed twice in the 1950s as Mutual Security Agency first and International Cooperation Agency later.

⁶⁶ Paul Hoebink, Poverty Reduction in the Development Cooperation Policy of the Netherlands, on behalf of the French Ministry of Foreign Affairs, 2002, p. 2.

France was the first country to establish a Ministry for Co-operation to be responsible for assistance to independent, mainly African, developing countries.⁶⁷ The United Kingdom established the Department for Technical Cooperation to “consolidate in one place the technical expertise for the colonies that had been spread across several government departments.”⁶⁸ The USA renamed the International Cooperation Agency (ICA) as the U.S. Agency for International Development (USAID) and put it in charge of the administration of the entire US bilateral economic assistance. Other nine countries (i.e., Canada, Germany, Japan, Sweden, Switzerland, Belgium, Denmark, Norway and the Netherlands) created ministries or agencies to manage their development cooperation programs between 1960 and 1963. Only Italy, among the major donors of the time, did not have a dedicated agency or a department for development cooperation.⁶⁹

11. Where created, ministries for cooperation were independent from the Foreign Ministry to prevent development policies to be subordinated to foreign policy interests. However, some were not long lived due to the spreading recognition of the importance of development cooperation for post-colonial foreign policy.⁷⁰

2. International Agencies and Programs

12. In the 1960s, the activism that led to the establishment of many donor agencies or ministries on the bilateral front was matched by the creation of an international development “framework”. The new multilateral arrangements reflected a general sense that “consortia” of donors⁷¹ would overcome the coordination, and other problems of a multitude of individual aid programs (Rosenstein-Rodan, 1968).

⁶⁷ See Bossuat, G. (2003). “French Development Aid and Co-operation under de Gaulle”, *Contemporary European History*, on the history of French Development Aid and Co-operation under de Gaulle.

⁶⁸ Barder, O (2005), *Reforming Development Assistance: Lessons from the UK Experience*, Center for Global Development, p.7. In 1964, the functions of the Department of Technical Co-operation and the overseas aid policy functions of the Foreign, Commonwealth Relations and Colonial Offices and of other government departments were reorganized into the UK Overseas Development Ministry (ODM) taking over almost the whole responsibility for the aid program formerly handled by several government departments.

⁶⁹ Italy established a Department for Development Co-operation in the Ministry of Foreign Affairs about 15 years later, in 1978.

⁷⁰ In 1966, the French aid administration was reorganized and the overall responsibilities passed to the Ministry of Foreign Affairs. In the United Kingdom, the Overseas Development Ministry was replaced in 1970 by the Overseas Development Administration (ODA), a functional wing of the Foreign and Commonwealth Office, and the functions of the Minister of Overseas Development were transferred to the Secretary of State for Foreign and Commonwealth Affairs. The independence of the UK aid management structure was re-established and interrupted several times. In May 1974 the Government announced that the ODA was once again to be a separate ministry, as the Ministry of Overseas Development, under its own minister. However, in November 1979 the ministry again became the Overseas Development Administration (ODA) as a functional wing of the Foreign and Commonwealth Office. In 1997 the ODA was replaced by an independent Ministry - the Department for International Development (DFID) - headed by a Secretary of State with cabinet rank.

⁷¹ During the 1950s, donors started operating together through international consortia. The first such case was the Colombo Plan (“Council for Technical Co-operation in South and South-East Asia”), established in 1950, which included India, Pakistan and Ceylon as regional members and Australia, Canada, New Zealand, United States, Japan and the United Kingdom as donor countries. The World Bank assisted developing countries by assembling international consortia like the India Consortium created in 1958 with Canada, Germany, Japan, the United Kingdom, and the United States to meet

13. The International Development Association (IDA) was established in 1960 and radically changed the nature of the World Bank. Through IDA the Bank started its concessional lending activities. However, IDA had to be replenished periodically and the views and priorities of shareholding countries started to play a larger role in the Bank's activities.⁷² In the early 1960s, the Development Assistance Committee (DAC)⁷³ was created as a key forum of major bilateral donors.

14. By then, the overall subdivision of labor among the multilateral institutions had become clear. OECD's DAC would be a forum for information sharing and rule setting for the more diverse donor community of the 1960s. IDA and the "concessional windows" of regional banks⁷⁴ would provide soft loans for investments in infrastructure and production. The UN would provide, through UNDP, funding for its many specialized agencies, programs and funds supporting developing countries on specific issues and launch new development themes through its conferences.

15. In the 1980s, UNDP's decision to move towards national execution of UN projects, significantly changed its relations with UN specialized agencies, funds and programs that started to raise funds from donors independently through non core contributions.⁷⁵ In the late 1970s, UNDP started a progressive shift from agency to national execution: the responsibility for the management of UNDP funded projects was progressively⁷⁶ moved from the Specialized Agencies to recipient country's institutions and this became the "norm" from the early 1990s. As a reaction to this move, the Specialized Agencies increased their financial base by "using part of the assessed budget for operational activities and by soliciting extra-budgetary contributions from donors."⁷⁷ The balance between core and non-core contributions to UN agencies and programs changed, with the latter - considered as bilateral ODA by DAC - taking real significance by the mid-1990s.

India's balance-of-payments crisis and the Pakistan Consortium of 1960 with the same membership and objectives.

⁷² "The establishment of IDA meant the recognition that there was a legitimate need for concessional assistance and that the Bank could provide this assistance without compromising its strict standards for lending. However, IDA, with its periodic replenishments by member governments, meant that the Bank had to pay increasing attention to the views and priorities of the parliamentary bodies that provided the replenishment funds. Whereas the Bank had previously to consider only the productive and economic aspects of lending, now the internal politics of the shareholding governments began to play a larger role in the Bank's activities." World Bank, profile of its 3rd President, Eugene R. Black (from website).

⁷³ In 1960, the then Organization for European Economic Co-operation (OEEC) established a Development Assistance Group (DAG) as a forum for consultations among aid donors on assistance to less-developed countries. One year later, OEEC was renamed Organization for Economic Co-operation and Development (OECD) with the significant addition of "development" to the name and DAG was renamed Development Assistance Committee (DAC).

⁷⁴ Two Regional Development Banks are also established in this period: the African Development Bank in 1964 and the Asian Development Bank in 1966 that join the Inter-American Development Bank established in 1959.

⁷⁵ *Towards a Redesign of the UN Development Architecture*, DAC Background Paper prepared by the Belgian Delegation, December 2005, p 2.

⁷⁶ A 1994 study by the UN Joint Inspection Unit found that only 15% of projects financed by UNDP between 1988 and 1993 had been managed by recipient governments.

⁷⁷ *Towards a Redesign of the UN Development Architecture*, DAC Background Paper prepared by the Belgian Delegation, December 2005, p.2.

16. While UN Conferences started to draw the public's attention on specific development issues, there was an overall increase in the number of UN agencies, funds and programs after several conferences. "It appears indeed as if the international community needed new institutional structures as the concrete manifestation of the political determination to take on the new development challenges."⁷⁸ They mirrored the tendency among some bilaterals to earmark development funds for specific purposes. However, unlike the wave of agencies and funds created earlier, the 1970s cohort was not very successful in terms of funds raised. This led to the creation of only one new development related organization in the 1980s and to a second attempt in the late 1990s when donors preferred public-private partnerships to inter-governmental or inter-agency global programs.

17. After the end of the Cold War, humanitarian aid and UN Specialized Agencies in this field started competing for ODA funds. This has also blurred the distinction between humanitarian and development aid and brought a security dimension to aid.

3. Civil Society

18. The 1990s saw a broadening of public support for development cooperation, although few knew about the MDGs or were confident in their achievement.⁷⁹ According to a 2004 research by Eurobarometer, for example, one EU citizen out of two believed it is "very important" to help people in poor countries but only one out of three believed that their governments had allocated too small a share of their national budgets to development aid.

19. The main concern was not so much the level of aid but the confidence in the ability of the official sector to achieve results. Over time there has been a decreasing confidence among EU citizens in their national governments' ability to help the poor.⁸⁰ In parallel to this declining confidence in official aid, there has been a progressive "privatization" of aid itself: about a fifth of all reported official and private aid to developing countries has been provided or managed by NGOs and public-private partnerships.

20. According to the Johns Hopkins Comparative Nonprofit Sector Project, which has been monitoring NGO activities in 35 countries, international activities of NGOs in 2004 (largely but not exclusively on development cooperation and humanitarian aid) employed the full time equivalent of 140,000 staff - probably larger than the total staff of all bilateral and multilateral donors combined - and generated revenues for US\$13 billion from philanthropy (36%), government contributions (35%) and fees (29%). "The number and variety of such organizations seem to have grown enormously in recent years. Indeed, a veritable "global associational revolution" appears to be under way, a massive upsurge of organized private, voluntary activity in virtually every region of the world—in the developed countries of North America, Western Europe, and Asia; throughout Central and Eastern Europe; and in much of the developing world."⁸¹

⁷⁸ Ibidem, p 3.

⁷⁹ Eurobarometer, *Attitudes towards Development Aid*, 2005, p. 4.

⁸⁰ Ibidem, p. 42.

⁸¹ Salamon, L.M., S.W. Sokolowski and R. List (2003). *Global Civil Society: an Overview*, The Johns Hopkins Comparative Nonprofit Sector Project, p.1.

C. Aid Rules and Principles

21. The rules and principles of aid, which are the other pillar of the aid architecture, concern five major areas:

- the definition of aid
- the aid targets: how much aid should be given
- the purpose of aid: what is aid's goal and what should aid be used for in/by recipient countries
- the modalities of aid: in what form should aid be given (e.g., types of aid, terms)
- aid management: roles and responsibilities of donors and recipients (e.g., the aid effectiveness agenda: coordination, alignment, and harmonization)

1. The Definition of Aid

22. This apparently theoretical issue has had instead a substantial impact on the volume of aid. For example, almost a third of the ODA flows recorded in 2005 would have not been considered ODA in the 1970s and early 1980s.

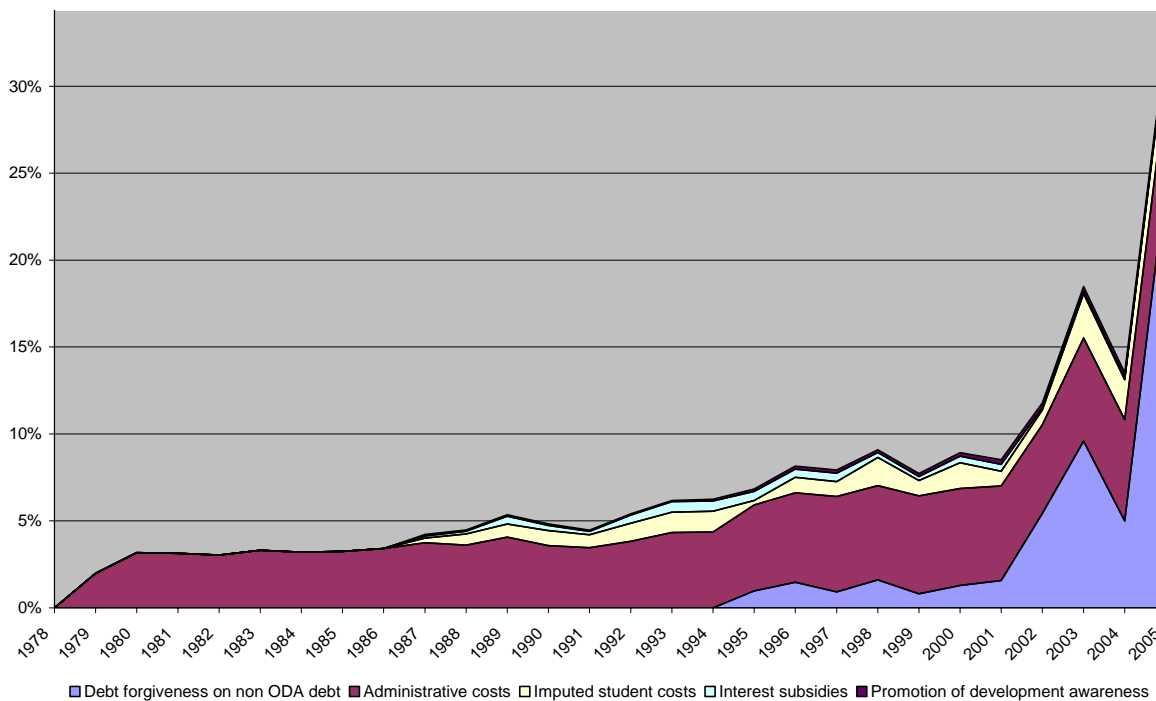
23. The current definition of Official Development Assistance (ODA) comprises grants or loans provided by official agencies (including state and local governments, or by their executive agencies) to developing countries (countries and territories on the DAC List of Aid Recipients) and to multilateral institutions for flows to developing countries, each transaction of which meets the following test: (a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) it is concessional in character and contains a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). In addition to financial flows, Technical Co-operation is included in aid.

24. ODA has five elements: (a) the type of flows (grants, loans or technical cooperation); (b) the source (official sector of donor countries); (c) the recipients (they must be on the DAC list); (d) the development/welfare purpose of the related transactions; and (e) their concessional character.

25. The definition and measurement of "aid" had been one of the first tasks of DAC and a subject of significant controversy among donors, some supporting a very rigorous definition of "development" and others in favor of considering almost all official flows to developing countries as "aid". The first comprehensive survey of flows of financial resources to developing countries (then called "countries in course of economic development") was published in March 1961, and covered the period 1956-59. It was then followed by DAC Annual Reports and time series were collected from 1961 onwards for aggregate flows (DAC data) and from 1973 for country level activities (CRS data). The definition of ODA was adopted in 1969 and it allowed distinguishing development assistance from other flows without developmental objectives. Since then, the major changes of the definition of ODA have concerned two aspects: the activities to be considered as promoting economic development and welfare and the DAC list of aid recipients. The definition itself was changed only once in 1972, adding a more precise definition of "grant element" and replacing the previous term "social development" with "welfare".

26. The list of activities to be considered as promoting development and welfare has been widened substantially over time. *Inter alia*, cost of refugees in donor countries, imputed costs of students from developing countries, internally paid interest subsidies, promotion of development awareness, and recording of debt forgiveness on military debt and other non-ODA debt were all added to the list of activities. There is still an ongoing debate on the inclusion of certain expenditures relating to conflict prevention, peace building and security-related activities.

Annex Chart 1 - Increase of Net ODA due to the Widening of the list of ODA Eligible Activities (1978-2005)



Source: DAC Online (Table 1a)

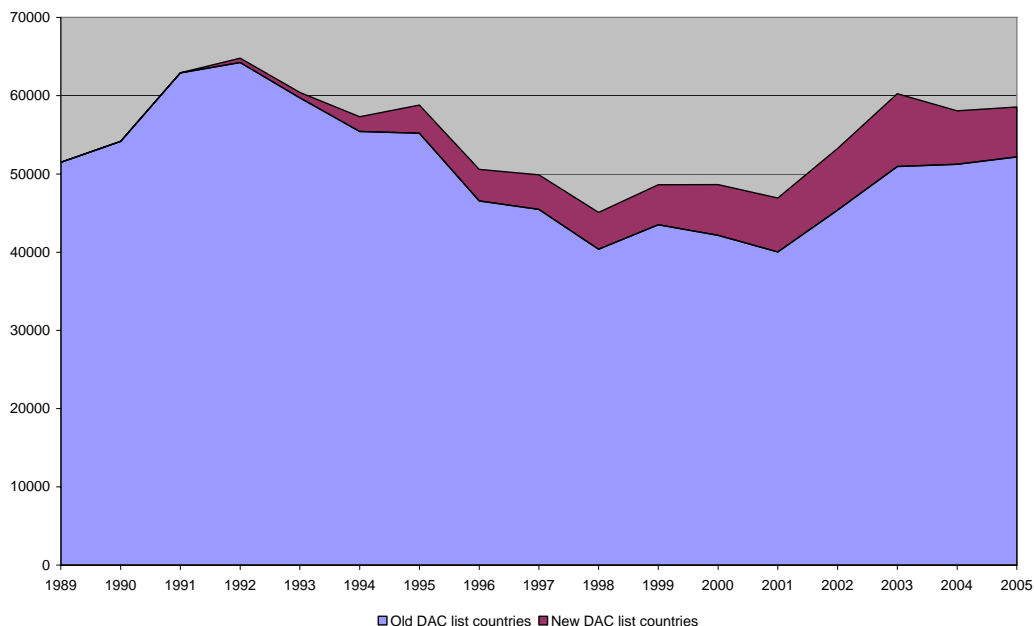
27. As showed in Annex Chart 1, the impact of these changes on the recorded ODA volume has been substantial in recent years leading to an increase in total ODA of 33% in 2005, particularly due to debt forgiveness on non ODA debt and to donor administrative costs.

28. The DAC list of aid recipients was introduced only in 1993, after a long discussion on a proposal to consider as ODA all aid for all countries which met the DAC norms of concessionality and development motivation. Since 1961, data had been collected on most non communist developing countries.⁸² From 1989, countries of the former Eastern Bloc that were below the World Bank threshold for high income countries started being added to the list. South Africa was added in 1991. From 1993 to 2004, a second part was added to the DAC list including "more advanced" developing and

⁸² They included the following recipients: all countries and territories in Africa except South Africa; in America except the United States and Canada; non-Communist Asian and Oceanic countries except Australia, Japan and New Zealand; and the following in Europe: Cyprus, Gibraltar, Greece, Malta, Spain, Turkey and Yugoslavia.

eastern European countries and aid to these countries was recorded as “Official Aid” and did not count for the achievement of the UN targets of ODA/GNI. As showed in Annex Chart 2, bilateral ODA to the countries added to the DAC list since 1989 has been limited, reaching a peak of 15% of all bilateral ODA by 2003.

Annex Chart 2. Bilateral ODA to Countries Added to the DAC List of Aid Recipients Since 1989 (US\$ millions, 2004 prices)



Source: DAC Online (Table 2a)

2. Aid Targets

29. The idea of a target for aid was introduced by an appeal by the World Council of Churches of 1958 circulated to all the United Nations Delegations.⁸³ Annex Chart 3 shows the evolution of the targets for DAC countries and of the debate on them: the early target of official and private flows to developing countries over GNI⁸⁴ and the post-1969 ODA/GNI targets, which benefited from the introduction of the ODA concept in 1969.

30. The ODA/GNI aid target has been missed so far (with some notable exceptions⁸⁵) although the gap has been narrowing in the last few years. The 0.7 target was never formally adopted, although the target has been debated at UN Conferences for almost half a century. Nordic European countries had formally adopted the target in the 1970s and 1980s and other EU Member States joined them in 2005. There is no theoretical

⁸³ For a detailed discussion on the history of the “0.7 target” see e.g. *DAC in Dates* and Clemens, M.A. and T.J. Moss (2005). “Ghost of 0.7%: Origins and Relevance of the International Aid Target”. Center for Global Development.

⁸⁴ “National Income”, GNP and GNI were used over the year and are used interchangeably here as the differences among the actual ratios due to the different choices of denominator are negligible.

⁸⁵ The Netherlands, Sweden, Norway, Denmark and Luxembourg have reached and maintained the 0.7% target.

background to the target: although some studies in the 1960s tried to justify it, the 0.7 target is more related to an assessment of what was politically feasible at the time than to actual developing countries needs.

3. The Purpose of Aid

31. Aid was explicitly motivated by the interest of the donor countries till World War II. During the first phase of the Cold War (1946-1959), foreign aid was initially focused on reconstruction and later on security. An important feature of aid in the 1950s was the optimism generated by the success of the Marshall Plan leading to a widespread belief that “the combination of capital and technical assistance could transform economies in a very short time.”⁸⁶ Even at the international level, as discussed in the Jackson Report of 1969, while the most important multilateral organizations (i.e., UN, IBRD, IMF, OEEC, several UN agencies) were being created, there was “little awareness ... that the new organizations would launch operational activities of a development nature on a long-term basis. Development operations were also relegated to second place by the founders of the various specialized agencies created around the same period to encourage international cooperation of a sectoral kind in areas such as agriculture, education, health and civil aviation.”⁸⁷

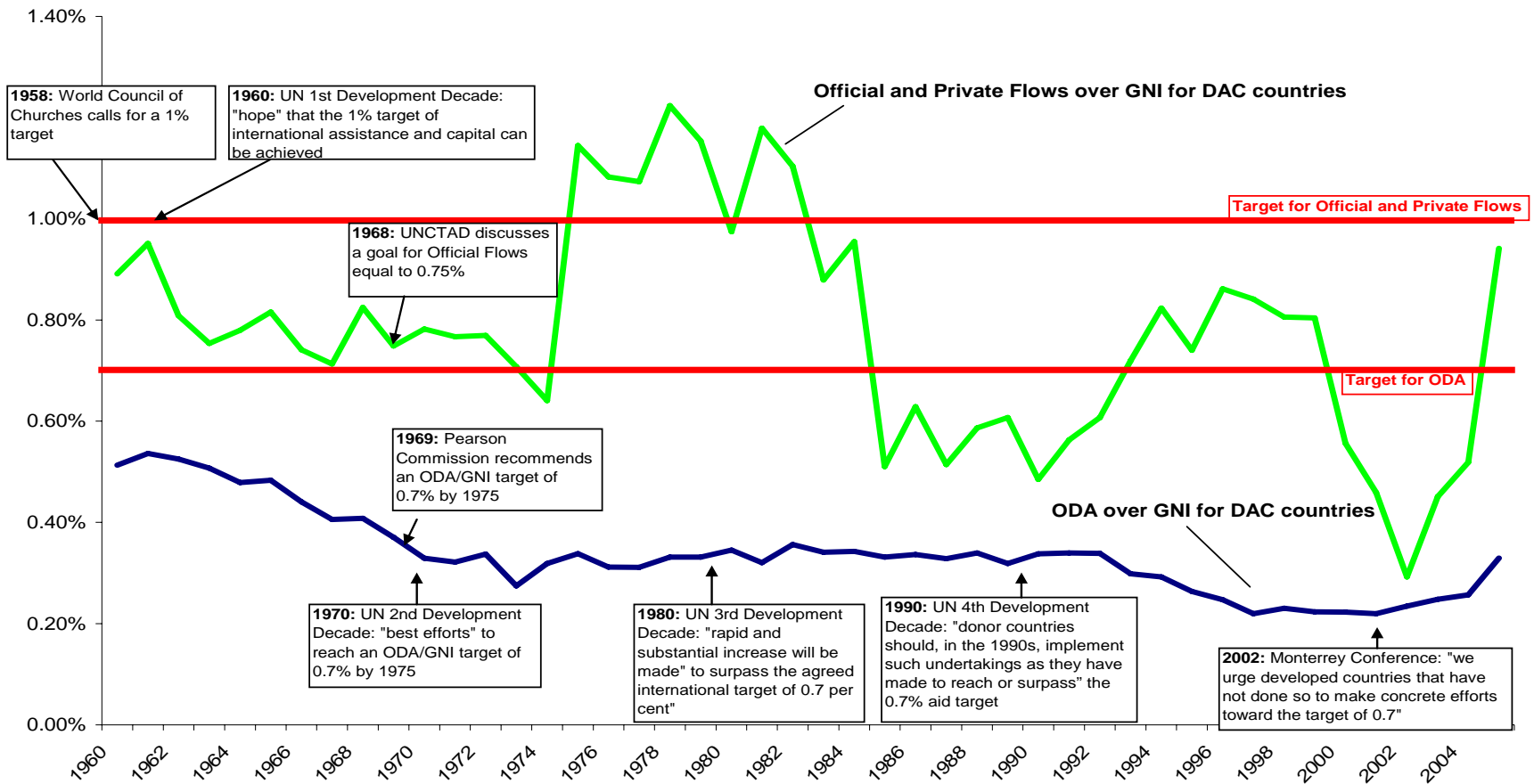
32. The major shift during and even more after the war in US and UK legislation was the recognition of foreign aid as a tool to be used for the benefit of the recipient. The main goal of aid was economic development of recipient countries justified by a combination of moral, political and economic considerations relating to the interests of donors. Growth would be generated through technical assistance and capital for investments in infrastructure and agriculture (particularly food production).

33. The 1960s saw the emergence of the concept of “development co-operation” and the launch of the first UN Development Decade. The focus in the 1960s shifted towards government-led industrialization through import substitution, nationalization and overall economic planning (national development plans). While in the 1950s there had been more space for community based projects based on the “self-help” philosophy (the purpose of aid as stated in the 1961 DAC Declaration on the Common Effort, was to “help less-developed countries help themselves”), the 1960s saw a much wider role for the State.

⁸⁶ Barder (2005), *op. cit.*, p. 4.

⁸⁷ Bertrand, D (2005), *Some Measures to Improve Overall Performance of the United Nations System at the Country Level. Part I: A Short History of United Nations Reform in Development*. Joint Inspection Unit, p. 3.

Annex Chart 3. Official and Private Flows and ODA as a Share of GNI in DAC Countries and Major Events on Aid Targets (1960-2005)



34. The 1970s witnessed a crisis of this model. The 1970s saw a broadening of the debate – started in the mid 1960s - on the rationale for foreign aid, which led to substantial legislative changes in several countries. There was a decline in the volume and flexibility of aid among some of the largest donors (e.g., USA, France, UK) and a substantial increase of the volume of aid among others (e.g., Nordic European countries, and Japan). In the USA, “assistance for the poorest sectors of developing nations (“basic human needs”) became the central thrust of the reform. To extend assistance directly to the recipient nation's population, Congress replaced the old categories of technical assistance grants and development loans with new functional categories aimed at specific problems such as agriculture, family planning, and education. The aim of bilateral development aid was to concentrate on sharing American technical expertise and commodities to meet development problems, rather than relying on large-scale transfers of money and capital goods, or financing of infrastructure. The structure of the [Foreign Assistance Act] remains today pretty much the way it was following these 1973 amendments.”⁸⁸

35. Many donors saw the objective of a more broad based economic growth “aimed at increasing the productive income of the poor.”⁸⁹ The “basic human needs” approach focused the attention of donors on assistance to the poorest sections of the population in developing countries⁹⁰ and on the need for “local cost financing.” As most poor lived in rural areas, rural development became a particular area of attention and the State was supplemented through donor projects in “extending” its services to rural areas. The concept of “Least Developed Countries” was also introduced by the UN in 1971. More traditional support for productive sectors continued (with the introduction of “mixed credits” by key donors) but more attention to the social sectors started to be paid. There were also some initial attempts towards the promotion of private investment and to link aid to donor exports⁹¹ and an overall proliferation of implementation units outside government.

36. The financial crises of the 1980s moved the attention beyond capital accumulation and basic human needs of developing countries to their policies, starting the lending for “structural adjustment”. The importance of policies for development was recognized as one of the main lessons of the DAC Review of 25 years of ODA carried out in 1985: “one of the compelling lessons of experience is that aid can only be as effective as the policy, economic and administrative environment in which it operates.” The “integration of developing countries in the world economy” became an additional goal of

⁸⁸ From http://www.usaid.gov/about_usaid/usaidhist.html

⁸⁹ DAC High Level Meeting of March 1977, *Statement on Development Co-operation for Economic Growth and Meeting Basic Human Needs*.

⁹⁰ DAC (1976), How to reach the poorest in poor countries.

⁹¹ In the UK the Aid and Trade Provision (ATP), allowing the combination of aid with non concessional export credits both tied to the purchase of British goods and services, was introduced in 1977. The Conservative government further enhanced the ATP provision, giving “greater weight in the allocation of our aid to political, industrial and commercial objectives alongside our basic developmental objectives.”

development cooperation, together with the growing adoption of outward looking, market-oriented development strategies in developing countries.

37. In the early 1990s the goal of development cooperation shifted to sustainable development with a greater attention paid to environmental concerns, to broader participation by beneficiaries and progressively to the institutions of developing countries, with more funds going to “cross-cutting” issues and to “capacity building”. A major restating of the ultimate objective of aid was carried out in the 1990s. While it was previously accepted that economic growth will ultimately “trickle down” to the poor, more and more evidence pointed to the contrary. An international consensus was reached by the 1990s that the goal of aid included sustainable development, poverty reduction, integration in the world economy and the building of viable economies and societies⁹². Developing countries institutions and policies were now seen as key to progress in this area (*Assessing Aid*, 1998). The end of the Cold War allowed the tackling of issues previously neglected like “good governance” (formally addressed by DAC in 1992 for the first time). The role of the State was re-discussed and donors started supporting civil reform programs, private sector development and privatization.

38. The consensus was slowly translated into policy and law by several countries and led to the Millennium Development Goals by 2001. The eight MDG range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 and now “form a blueprint agreed to by all the world’s countries and all the world’s leading development institutions.”⁹³

4. Aid Modalities

39. The donor community has been focusing its attention on aid terms since the early days of DAC. The 1961 Resolution on the Common Aid Effort called for grants or loans “on favorable terms” including long maturities. In 1962, the DAC’s chairman called for “joint efforts to reverse the trend towards more tying of aid”. In 1963, DAC adopted a specific “Resolution on the Terms and Conditions of Aid” recommending “appropriate terms” for aid. In 1965, a new recommendation clarified objectives on financial terms and suggested measures for aid untying.

40. There was wide support among donors for a progressive softening of aid terms and an agreement was reached early on, in the 1970s. By 1972, an agreement had been reached within DAC of a target of an 84% grant element in aid with special conditions for Least Developed Countries, a concept introduced by the UN only one year earlier. The final terms - agreed in 1978 - included a grant element of ODA commitments of 86% (90% for LDCs). The grant element of ODA has been above 80% since 1992 and mostly above 90% since 2000.

⁹² See e.g. the 1995 DAC Recommendation “Development Partnerships in the New Global Context”.

⁹³ <http://www.un.org/millenniumgoals/>

41. Progress on untying proved instead difficult till the end of the Cold War, while real progress was made since 1991, although a large share of ODA remains tied, at least partially. The current share of untied ODA of DAC members, all items considered, is 42% (68% in the case of LDCs). Not surprisingly the debate on untying was particularly strong in the 1970s, when public support for development cooperation was widely different among donor countries. Where public support was low, tying was seen as an essential rationale for providing aid, while where public support for aid was strong, tying increased the risk of using aid to gain commercial advantage to the detriment of development effectiveness. It proved impossible to reach any agreement, except on the untying of multilateral aid (1973). A major breakthrough was finally achieved in 1987 when DAC adopted the *Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance* in parallel with strengthened provisions for transparency and discipline for export credits and tied aid. The policy was revised in 1991 and in 2001 when DAC issued a recommendation for the complete untying of ODA⁹⁴ to LDCs, with the exception of small contracts (exception removed in 2006).

5. Aid Management

a) Aid Coordination

42. Aid coordination has been debated among donors for almost 45 years. The 1962 DAC Chairman's Report called for "better coordination of aid programs" and in the same year the first donor consultative group was called to "coordinate development assistance" to Nigeria. In 1966, DAC issued specific guidelines for the coordination of technical assistance. In 1983, DAC focused the attention on the need to improve coordination "at the country level" and by 1984 a general agreement was reached to increase the number of consultative groups, strengthen their aid coordination functions and to promote local arrangements for coordination. The 1985 DAC Review of 25 years of ODA concluded that "donor competition for attractive projects" remained a problem due to "both administrative constraints and donor inhibitions resulting from political or commercial considerations." By 1986, the DAC High Level Meeting recognized that the "responsibility for aid co-ordination lies with each recipient government". In 1989 the Report on Development Cooperation in the 1990s recognized that donor coordination should be based on comparative advantage: "National development assistance efforts must be seen as part of a larger international effort. No individual donor country has an aid program large enough in any single developing country to achieve significant development objectives on its own. Staff constraints are such that effective aid management imperatively calls for increased donor co-operation based on some specialization."

b) Aid Alignment

43. The 1985 DAC review of 25 years of ODA found that "greater emphasis should be given to ensuring the commitment of recipients' executing agencies and the motivation of local target groups through their active involvement in selection, design and

⁹⁴ With the exception of technical cooperation and food aid.

implementation.” In 1986, DAC recognized “the need for developing countries to prepare, with the assistance of the World Bank, IMF and UNDP, effective development strategies and programs which can serve as a basis for aid co-ordination.” The need for aligning aid strategies to recipient countries one was recognized by 1989 in the Report on Development Cooperation in the 1990s: “donor countries will be able to assist developing countries effectively only if they relate their national aid activities to concerted action in support of effective programs and policies of the assisted countries.” In 1995, the DAC High Level Meeting adopted a statement calling for “the principal responsibility of each developing country for its own development and the need for public participation.” In 1996 “local ownership” became one of the cornerstones of the new development strategy adopted by DAC and by 1997 DAC recommended that member countries should “promote a leadership role for developing countries.”

44. The most important development in aligning donor and partner countries’ strategies has been the introduction of the Poverty Reduction Strategy Papers (PRSP) in 1999. As stated in the Joint World Bank /IMF 2005 PRS Review, “In December 1999, the Boards of the World Bank and the International Monetary Fund introduced a new approach to their relations with low-income countries. The approach—centered around the development and implementation of poverty reduction strategies (PRSs)—was in many ways novel. It made the successful preparation of a nationally owned poverty reduction strategy a precondition for access to debt relief and concessional financing from both institutions. These strategies were expected to be poverty-focused, country-driven, results-oriented, and comprehensive. They were also expected to serve as a framework for better coordination of development assistance among other development partners. The approach called for a fundamental change in the nature of the relationship between developing countries and donors. It sought to empower governments to set their development priorities and pushed donors to align their assistance around a country’s priorities rather than their own.”

45. The challenge of alignment lies also in the process of strategy formulation by donors. Country programs or plans were introduced in the late 1960s and early 1970s by the World Bank, the European Commission and a few donors to see how the various projects to be undertaken in each country would fit together. These early plans were replaced in the 1980s by country strategies which became widespread among donors by the 1990s when the country replaced the project as the unit of account of development and the country cycle replaced the project cycle⁹⁵. In the 2000s the focus shifted again: from donor strategies for a country to a plan to assist each country to implement its own strategy. DFID’s Country Assistance Plans, for example, “are different from Country Strategy Papers as they start from the basis of the Country’s own Poverty Strategy and assess to what extent it is appropriate for DFID to support this, rather than starting from DFID’s analysis of what the country should do to reduce poverty.”⁹⁶

⁹⁵ “The country program cycle has replaced the project cycle as the Bank’s most important business model, just as the country has replaced the project as the critical unit of account in development.” *Managing for Development Results in the World Bank – Progress Report, 2004*, p. 4.

⁹⁶ DFID CAP Guidance, p.1.

c) *Aid Harmonization*

46. A sustained effort towards greater harmonization of donor practices has been another new feature of the Post-Cold War Architecture. The process, started in Rome in 2003, culminated in the Paris Declaration of 2005 that, for the first time, set a series of specific, time bound and measurable, indicators of progress towards greater harmonization, alignment and coordination. (see subsection IV.B of the main text for a discussion of the Paris Declaration Agenda).

ANNEX II - LIST OF BILATERAL DONORS

A. DAC Members

- | | |
|--------------|--------------------|
| 1) Australia | 12) Japan |
| 2) Austria | 13) Luxembourg |
| 3) Belgium | 14) Netherlands |
| 4) Canada | 15) New Zealand |
| 5) Denmark | 16) Norway |
| 6) Finland | 17) Portugal |
| 7) France | 18) Spain |
| 8) Germany | 19) Sweden |
| 9) Greece | 20) Switzerland |
| 10) Ireland | 21) United Kingdom |
| 11) Italy | 22) United States |

B. OECD Members that are not part of DAC

- | | |
|-------------------|--------------------|
| 1) Czech Republic | 5) Poland |
| 2) Hungary | 6) Slovak Republic |
| 3) Iceland | 7) Turkey |
| 4) Korea | 8) Mexico |

C. EU Members that are not part of OECD

- | | |
|-------------|--------------|
| 1) Bulgaria | 5) Lithuania |
| 2) Cyprus | 6) Malta |
| 3) Estonia | 7) Romania |
| 4) Latvia | 8) Slovenia |

D. Other non-DAC donors

- | | |
|-------------------|--------------------------|
| 1) Brazil | 10) Malaysia |
| 2) China | 11) Pakistan |
| 3) Chinese Taipei | 12) Russian Federation |
| 4) India | 13) Saudi Arabia |
| 5) Indonesia | 14) Singapore |
| 6) Iran | 15) South Africa |
| 7) Israel | 16) Thailand |
| 8) Kuwait | 17) United Arab Emirates |
| 9) Lybia | 18) Venezuela |

ANNEX III – LIST OF MAIN INTERNATIONAL DEVELOPMENT ORGANIZATIONS

No.	Acronym	Name	Type	Year established	DAC Sector
1	CCD	Convention to Combat Desertification	UN Program	1997	410
2	DLCO-EA	Desert Locust Control Organisation for Eastern Africa	International Organisation	1962	410
3	ECA	Economic Commission for Africa	UN Commission	1958	multi
4	ECLAC	Economic Commission for Latin America and the Caribbean	UN Commission	1948	multi
5	ESCAP	Economic and Social Commission for Asia and the Pacific	UN Commission	1947	multi
6	ESCWA	Economic and Social Commission for Western Asia	UN Commission	1974	multi
7	IAEA	International Atomic Energy Agency (voluntary contributions only)	UN Specialised Agency	1957	230
8	IFAD	International Fund for Agricultural Development	UN Fund	1977	311
9	INSTRAW	International Research and Training Institute for the Advancement of Women	UN Research and Training Institute	1976	420
10	UNAIDS	Joint UN Programme on HIV/AIDS	UN Program	1995	120
11	UNCDF	United Nations Capital Development Fund	UN Fund	1966	430
12	UNCTAD	United Nations Conference on Trade and Development	UN Program	1964	331
13	UNDP	United Nations Development Programme	UN Program	1965	multi
14	UNDRO	Office of the United Nations Disaster Relief Co-ordinator	UN Program	1971	700
15	UNEP	United Nations Environment Programme	UN Program	1972	410
16	UNETPS A	United Nations Educational and Training Programme for Southern Africa	UN Program	1967	110
17	UNFCCC	United Nations Framework Convention on Climate Change	UN Program	1991	410
18	UNFPA	United Nations Population Fund	UN Fund	1967	130
19	UN Habitat	United Nations Human Settlements Programme	UN Program	1978	160
20	UNHCR	Office of the United Nations High Commissioner for Refugees	UN Program	1950	700
21	UNICEF	United Nations Children's Fund	UN Fund	1946	100
22	UNIDO	United Nations Industrial Development Organisation	UN Specialised Agency	1966	321
23	UNIFEM	United Nations Development Fund for Women	UN Fund	1976	420
24	UNITAR	United Nations Institute for Training and Research	UN Research and Training Institute	1965	110
25	UNMAS	United Nations Mine Action Service	UN Program	1997	200

No.	Acronym	Name	Type	Year established	DAC Sector
26	UNOCHA	United Nations Office for the Co-ordination of Humanitarian Affairs	UN Office	1991	700
27	UNODC	United Nations Office on Drugs and Crime	UN Office	1997	430
28	UNRISD	United Nations Research Institute for Social Development	UN Research and Training Institute	1963	150
29	UNRWA	United Nations Relief and Works Agency	UN Specialised Agency	1949	100
30	UNSC	United Nations System Staff College	UN Research and Training Institute	1996	150
31	UNSCN	United Nations System Standing Committee on Nutrition	UN Commission	1977	120
32	UNZIA	United Nations System-Wide Special Initiative on Africa	UN Program	1996	multi
33	UNU	United Nations University (including Endowment Fund)	UN Research and Training Institute	1973	700
34	UNV	United Nations Volunteers	UN Program	1970	multi
35	UNVFD	United Nations Voluntary Fund on Disability	UN Fund	1981	430
36	UNVFTC	United Nations Voluntary Fund for Technical Co-operation in the Field of Human Rights	UN Fund	1987	700
37	UNVFT	United Nations Voluntary Fund for Victims of Torture	UN Fund	1981	700
38	WFC	World Food Council	UN Program	1974	311
39	WFP	World Food Programme	UN Program	1962	700
40	WPC	World Population Conference	UN Program	1986	130
41	FAO	Food and Agriculture Organisation	UN Specialised Agency	1945	311
42	ILO	International Labour Organisation	UN Specialised Agency	1945	multi
43	ITU	International Telecommunications Union	UN Specialised Agency	1865	220
44	UNESCO	United Nations Educational, Scientific and Cultural Organisation	UN Specialised Agency	1945	multi
45	UNO	United Nations Organisation	UN Main	1945	multi
46	UNPKO	United Nations Peacekeeping Operations	UN Office	1945	700
47	UPU	Universal Postal Union	UN Specialised Agency	1874	220
48	WHO	World Health Organisation	UN Specialised Agency	1948	120
49	WIPO	World Intellectual Property Organisation	UN Specialised Agency	1974	multi

No.	Acronym	Name	Type	Year established	DAC Sector
50	WMO	World Meteorological Organisation	UN Specialised Agency	1951	multi
51	EC	European Commission	Multilateral Organisation	1957	multi
52	IMF – ENDA	International Monetary Fund - Subsidisation of IMF Emergency Assistance for Natural Disasters	IFI Fund	2005	multi
53	IMF – PRGF Trust	International Monetary Fund – Poverty Reduction and Growth Facility Trust	IFI Fund	1988	multi
54	IMF – PRGF-HIPC Trust	International Monetary Fund – Poverty Reduction and Growth Facility – Heavily Indebted Poor Countries Initiative Trust (includes HIPC, PRGF and PRGF-HIPC sub-accounts)	IFI Fund	1994	multi
55	IBRD	International Bank for Reconstruction and Development	Multilateral Organisation	1946	multi
56	IDA	International Development Association	Multilateral Organisation	1960	multi
57	IDA - HIPC	International Development Association - Heavily Indebted Poor Countries Debt Initiative Trust Fund	IFI Fund	1996	multi
58	IFC	International Finance Corporation	Multilateral Organisation	1956	multi
59	MIGA	Multilateral Investment Guarantee Agency	Multilateral Organisation	1988	multi
60	WTO - ITC	World Trade Organisation - International Trade Centre	UN Specialised Agency	1964	331
61	WTO - ACWL	World Trade Organisation – Advisory Centre on WTO Law	IFI Fund	2001	331
62		World Trade Organisation – Doha Development Agenda Global Trust Fund	IFI Fund	2001	331
63		African Solidarity Fund	Regional Fund	1976	multi
64	AfDB	Ordinary Capital and African Development Fund	Regional Fund	1972	multi
65	AsDB	Ordinary Capital and Asian Development Fund	Regional Fund	1973	multi
66	CABEI	Central American Bank for Economic Integration	Regional Bank	1960	multi
67	CAF	Andean Development Corporation	Regional Bank	1968	multi
68	CDB	Caribbean Development Bank (Ordinary Capital and Special Development Fund)	Regional Bank	1970	multi
69	ECCB	Eastern Caribbean Central Bank	Regional Bank	1983	multi
70	IDB	Ordinary Capital, Fund for Special Operations, Inter-American Investment Corporation and Multilateral Investment Fund	Regional Bank	1959	multi
71	NDF	Nordic Development Fund	Regional Bank	1989	multi
72	ACBF	African Capacity Building Foundation	Multilateral Program	1991	150

No.	Acronym	Name	Type	Year established	DAC Sector
73	APEC – ASF	Asia-Pacific Economic Cooperation Support Fund (except contributions tied to counter-terrorism activities)	Regional Program	2005	multi
74	APFIC	Asia-Pacific Fishery Commission	UN Program	1948	313
75	APO	Asian Productivity Organisation	Regional Program	1961	multi
76	ASEAN	Association of Southeast Asian Nations: Economic Co-operation	Regional Program	1967	multi
77	ASEAN (CF)	ASEAN Cultural Fund	Regional Program	1967	multi
78	AU	African Union (excluding peacekeeping facilities)	Regional Program	1964	multi
79	AVRDC	World Vegetable Centre	Multilateral Program	1971	311
80	BSTDB	Black Sea Trade and Development Bank (27 per cent of contributions reportable as ODA)	Regional Program	1998	multi
81	CAMES	African and Malagasy Council for Higher Education	Regional Program	1968	110
82	CAPAM	Commonwealth Association for Public Administration and Management	Regional Program	1994	150
83	CARICOM	Caribbean Community Secretariat	Regional Program	1973	multi
84	CEC	Caribbean Epidemiology Centre	Regional Program	1975	120
85	CF	Commonwealth Foundation	Regional Program	1966	150
86	CFC	Common Fund for Commodities	UN Fund	1989	311
87	CFTC	Commonwealth Fund for Technical Co-operation	Regional Program	1971	multi
88	CGIAR (IARC)	Consultative Group on International Agricultural Research	Multilateral Program	1971	311
89	CI	Commonwealth Institute	Regional Program	1886	multi
90	CIAT	International Centre for Tropical Agriculture	part of CGIAR	1969	310
91	CIFOR	Centre for International Forestry Research	part of CGIAR	1992	310
92	CIHEAM	International Centre for Advanced Mediterranean Agronomic Studies	Regional Program	1962	311
93	CIMMYT	International Maize and Wheat Improvement Centre	part of CGIAR	1943	311
94	CIP	International Potato Centre	part of CGIAR	1975	311
95	CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora	UN Program	1975	700
96	CLAS	Commonwealth Legal Advisory Service	Regional Program	1962	150
97	C MDF	Commonwealth Media Development Fund	Regional Program	1981	150
98	COL	Commonwealth of Learning	Regional	1987	110

No.	Acronym	Name	Type	Year established	DAC Sector
			Program		
99	CPLP	Community of Portuguese-Speaking Countries	Regional Program	1996	multi
100	CPTA	Colombo Plan Technical Assistance	Regional Program	1950	multi
101	CPTM	Commonwealth Partnership for Technology Management	Regional Program	1995	300
102	CS	Club du Sahel	Regional Program	1976	150
103	CSC	Commonwealth Scientific Council	Regional Program	1920	150
104	CSSO	Commonwealth Small States Office	Regional Program	1981	150
105	CTIAF	Commonwealth Trade and Investment Access Facility	Regional Program	1997	331
106	CYP	Commonwealth Youth Programme	Regional Program	1973	430
107	EBRD – ETC	European Bank for Reconstruction and Development – Early Transition Countries Initiative	Regional Fund	2003	240
108	ECOWAS	Economic Community of West African States	Regional Program	1975	multi
109	ENDA	Environmental Development Action in the Third World	Regional Program	1972	700
110	EPPO	European and Mediterranean Plant Protection Organisation	Regional Program	1951	700
111	EROPA	Eastern-Regional Organisation of Public Administration	Regional Program	1960	150
112	FFA	South Pacific Forum Fisheries Agency	Regional Program	1979	313
113	FFTC	Food and Fertiliser Technology Centre	Regional Program	1969	310
114	FIT	Foundation for International Training	International NGO	1976	150
115		Global Crop Diversity Trust	Multilateral Program	2004	310
116	GEF	Global Environment Facility (77 per cent of contributions reportable as ODA)	Multilateral Program	1991	700
117	GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria	Multilateral Program	2001	120
118	GICHD	Geneva International Centre for Humanitarian Demining	Multilateral Program	2005	720
119	IAF	Intergovernmental Agency of the Francophonie	Regional Program	1970	multi
120	IAI	International African Institute	International NGO	1926	multi
121	IAII	Inter-American Indian Institute	Regional Program	1940	multi
122	IBE	International Bureau of Education -- International Educational Reporting System (IERS)	UN Program	1925	110
123	ICAC	International Cotton Advisory Committee	International	1939	311

No.	Acronym	Name	Type	Year established	DAC Sector
			Commodity Body		
124	ICARDA	International Centre for Agricultural Research in Dry Areas	part of CGIAR	1977	311
125	ICCIDD	International Council for the Control of Iodine Deficiency Disorders	Multilateral Program	1985	120
126	ICDDR,B	Centre for Health and Population Research	International NGO	1978	120
127	ICIPE	International Centre of Insect Physiology and Ecology	International NGO	1970	410
128	ICRA	International Centre for Development Oriented Research in Agriculture	Multilateral Program	1981	311
129	ICRAF	World Agroforestry Centre	part of CGIAR	1978	311
130	ICRISAT	International Crops Research Institute for the Semi-Arid Tropics	part of CGIAR	1972	311
131	IDEA	International Institute for Democracy and Electoral Assistance	Multilateral Program	1995	150
132	IDLO	International Development Law Organisation	Multilateral Program	1983	150
133	IIC	International Institute for Cotton	Multilateral Program	1965	311
134	IICA	Inter-American Institute for Co-operation on Agriculture	Regional Program	1942	311
135	IITA	International Institute of Tropical Agriculture	part of CGIAR	1967	311
136	ILRI	International Livestock Research Institute	part of CGIAR	1994	311
137	INBAR	International Network for Bamboo and Rattan	Multilateral Program	1997	311
138		INTERPOL Fund for Aid and Technical Assistance to Developing Countries	Multilateral Program	1994	150
139	IOC	Intergovernmental Oceanographic Commission	UN Program	1960	410
140	IOM	International Organisation for Migration	Multilateral Program	1951	150
141	IPCC	Intergovernmental Panel on Climate Change	Multilateral Program	2000	150
142	IPGRI	International Plant Genetic Resources Institute	part of CGIAR	1974	311
143	IRRI	International Rice Research Institute	part of CGIAR	1960	311
144	ISTA	International Seed Testing Association	International NGO	1924	311
145	IUCN	International Union for the Conservation of Nature and Natural Resources (World Conservation Union)	Multilateral Program	1948	410
146	ITTO	International Tropical Timber Organisation	UN Program	1986	312
147	IVI	International Vaccine Institute	UN Program	1969	120

No.	Acronym	Name	Type	Year established	DAC Sector
148	IWMI	International Water Management Institute	part of CGIAR	1992	100
149	JSCA	Justice Studies Centre of the Americas	Regional Program	2001	150
150	MRC	Mekong River Commission	Regional Program	1995	100
151	MFMP	Multilateral Fund for the Implementation of the Montreal Protocol	Multilateral Program	1990	700
152	OAS	Organisation of American States	Regional Program	1948	multi
153	OECD	Organisation for Economic Co-operation and Development (Contributions to special funds for Technical Co-operation Activities Only)	Multilateral Program	1961	multi
154	OECD - Dev. Centre	OECD Development Centre	Multilateral Program	1961	multi
155	OECS	Organisation of Eastern Caribbean States	Regional Program	1981	multi
156	PAHO	Pan American Health Organisation	UN Program	1906	120
157	PAIGH	Pan American Institute of Geography and History	Regional Program	1928	150
158	PARCA	Pan American Railway Congress Association	Regional Program	1925	210
159	PIDG	Private Infrastructure Development Group	Multilateral Program	2002	200
160	PIFS	Pacific Islands Forum Secretariat	Regional Program	1971	multi
161	SADC	Southern African Development Community	Regional Program	1981	multi
162	SATCC	Southern African Transport and Communications Commission	Regional Program	1981	200
163	SCAAP	(Colombo Plan) Special Commonwealth African Assistance Programme	Regional Program	1950	multi
164	SEAFDC	Southeast Asian Fisheries Development Centre	Regional Program	1967	313
165	SEAMEO	Southeast Asian Ministers of Education	Regional Program	1965	110
166	SOPAC	South Pacific Applied Geoscience Commission	Regional Program	1972	410
167	SPBEA	South Pacific Board for Educational Assessment	Regional Program	1980	110
168	SPC	Secretariat of the Pacific Community	Regional Program	1980	multi
169	SPREP	Pacific Regional Environment Programme	Regional Program	1980	410
170	UNPO	Unrepresented Nations and Peoples' Organisation	Multilateral Program	1991	multi
171	USP	University of the South Pacific	Regional Program	1968	110

No.	Acronym	Name	Type	Year established	DAC Sector
172	WAEMU	West African Economic and Monetary Union	Regional Program	1994	240
173	WARDA	Africa Rice Centre	part of CGIAR	1970	313
174	WCO – Fellowship Prog.	World Customs Organisation Fellowship Programme	Multilateral Program	1985	331
175	WMU	World Maritime University	Multilateral Program	1983	110
176	WorldFish Centre	WorldFish Centre	part of CGIAR	1977	313
177	AGID	Association of Geoscientists for International Development	International NGO	1974	410
178	AITIC	Agency for International Trade Information and Co-operation	Multilateral Program	1995	331
179	AWEPA	European Parliamentarians for Africa	International NGO	1975	150
180	CLASCO	Latin American Council for Social Sciences (Consejo Latinoamericano de Ciencias Sociales)	International NGO	1967	100
181	CODESRIA	Council for the Development of Economic and Social Science Research in Africa	International NGO	1973	100
182		Development Gateway Foundation	Multilateral Program	2001	220
183	CUTS	Consumer Unity & Trust Society International	International NGO	1983	150
184	ELCI	Environmental Liaison Centre International	International NGO	1974	410
185	Eurostep	Eurostep	International NGO	1990	150
186	FARA	Forum for Agricultural Research in Africa	International NGO	1997	311
187	FAWE	Forum for African Women Educationalists	International NGO	1992	420
188	GCE	Global Campaign for Education	International NGO	1999	110
189	HAI	Health Action International	International NGO	1981	120
190	HURIDOC S	Human Rights Information and Documentation Systems	International NGO	1982	150
191	ICRA	International Catholic Rural Association	International NGO	1970	313
192	ICRC	International Committee of the Red Cross	International NGO	1863	700
193	ICTSD	International Centre for Trade and Sustainable Development	International NGO	1996	410
194	IFRCRCS	International Federation of Red Cross and Red Crescent Societies	International NGO	1919	700
195	IFS	International Federation of Settlements and Neighbourhood Centres	International NGO	1926	150
196		International HIV/AIDS Alliance	International NGO	1993	120

No.	Acronym	Name	Type	Year established	DAC Sector
197	IIED	International Institute for Environment and Development	International NGO	1971	410
198	INAFI	International Network of Alternative Financial Institutions	International NGO	1995	240
199	IPPF	International Planned Parenthood Federation	International NGO	1954	130
200	IPS	Inter Press Service, International Association	International NGO	1964	150
201	ISC	International Seismological Centre	International NGO	1964	430
202	ISHR	International Service for Human Rights	International NGO	1984	150
203	ITF	International Trust Fund for Demining and Mine Victims Assistance	Multilateral Program	1998	700
204	IUEF	International University Exchange Fund -- IUEF Stip. in Africa and Latin America	International NGO	1969	110
205	MSF	Médecins Sans Frontières	International NGO	1971	700
206	OMCT	World Organisation Against Torture	International NGO	1986	150
207	PAID	Pan-African Institute for Development	International NGO	1987	110
208	PANOS	PANOS Institute	International NGO	1986	150
209	PSI	Population Services International	International NGO	1970	130
210	SID	Society for International Development	International NGO	1957	150
211	TI	Transparency International	International NGO	1993	150
212	UNION	International Union Against Tuberculosis and Lung Disease	International NGO	1920	120
213	WSP -	International Peacebuilding Alliance (Interpeace)	UN Program	1994	700
214	WUS	World University Service	International NGO	1925	110
215	WWB	Women's World Banking	International NGO	1990	240
216	CITIES	Cities Alliance	PPP	1999	430
217	GAIN	Global Alliance for Improved Nutrition	PPP	2003	120
218	GAVI	Global Alliance for Vaccines and Immunization	PPP	1999	120
219	GeSCI	Global e-Schools and Communities Initiative	PPP	2003	110
220	GWP	Global Water Partnership	PPP	1996	100
221	IAVI	International AIDS Vaccine Initiative	PPP	1996	120
222	IPM	International Partnership for Microbicides	PPP	2002	120
223	GKP	Global Knowledge Partnership	PPP	1997	430
224	EFA	Education for All Initiative	IFI Fund	2002	110
225	CEPF	Critical Ecosystems Partnership	Multilateral	2000	700

No.	Acronym	Name	Type	Year established	DAC Sector
			Program		
226	PPIAF	Public-Private Infrastructure Advisory Facility	Multilateral Program	1999	200
227	PCF	Prototype Carbon Fund	Multilateral Program	2000	700
228	UCW	UCW Project	Multilateral Program	2000	150
229	PCP	Post Conflict Partnership Program (formerly Post Conflict Fund)	Multilateral Program	1997	700
230	IF	Integrated Framework	Multilateral Program	1997	331
231	FIRST	Financial Sector Reform and Strengthening	Multilateral Program	2002	240
232	GFHR	Global Forum for Health Research	Multilateral Program	1998	120
233	ESMAP	Energy Sector Management Program	Multilateral Program	1998	230

ANNEX IV. LONG-TERM TRENDS IN DAC ODA
(Two-year averages, net disbursements ODA as percent of GNI)

Countries	1984-1985	1994-1995	2004-2005
Australia	0.47	0.34	0.25
Austria	0.33	0.22	0.38
Belgium	0.56	0.35	0.47
Canada	0.50	0.40	0.31
Denmark	0.83	0.99	0.83
Finland	0.38	0.31	0.42
France	0.62	0.58	0.44
Germany	0.46	0.32	0.32
Greece	..	..	0.16
Ireland	0.23	0.27	0.40
Italy	0.27	0.21	0.22
Japan	0.31	0.28	0.23
Luxembourg	0.16	0.38	0.83
Netherlands	0.97	0.79	0.78
New Zealand	0.25	0.23	0.25
Norway	1.02	0.94	0.91
Portugal	0.05	0.29	0.41
Spain	0.09	0.26	0.26
Sweden	0.83	0.86	0.86
Switzerland	0.30	0.35	0.43
United Kingdom	0.33	0.30	0.42
United States	0.24	0.12	0.20
TOTAL DAC	0.34	0.28	0.29
<i>of which</i>			
DAC-EU countries	0.45	0.39	0.39

Source: DAC Annual Report (2005)

Annex V. Bilateral vs. Multilateral Contributions, 2000 - 2005 (US\$ million, at 2004 Prices)

Fund flows		114: Net Disbursements														
Amount type		D: Constant Prices (2004)														
Transaction type		15: I.A. Bilateral ODA							180: I.B. Multilateral ODA							
Year		2000	2001	2002	2003	2004	2005	Total	2000	2001	2002	2003	2004	2005	Total	Share Multi/total ODA
Donor																
Australia		1,094	1,031	1,117	1,145	1,191	1,343	6,921	331	332	310	287	270	214	1,743	20%
Austria		392	642	497	256	353	1,205	3,345	239	278	213	310	325	334	1,699	34%
Belgium		693	738	975	1,651	902	1,282	6,241	498	536	493	433	561	642	3,163	34%
Canada		1,440	1,535	1,928	1,495	1,991	2,572	10,961	724	427	647	757	608	838	4,001	27%
Denmark		1,501	1,523	1,427	1,156	1,202	1,336	8,146	940	883	831	803	835	740	5,032	38%
Finland		306	314	331	340	402	584	2,277	216	230	278	275	278	299	1,577	41%
France		4,087	3,793	4,913	5,827	5,567	7,143	31,330	1,844	2,341	2,543	2,280	2,906	2,750	14,663	32%
Germany		3,786	4,089	4,467	4,499	3,823	7,396	28,059	3,303	3,061	2,680	3,019	3,712	2,617	18,391	40%
Greece		152	128	151	260	161	200	1,052	196	184	239	153	160	172	1,104	51%
Ireland		240	280	367	395	410	471	2,164	125	155	180	171	198	231	1,060	33%
Italy		568	668	1,402	1,198	704	2,210	6,749	1,506	1,789	1,846	1,548	1,757	2,748	11,194	62%
Japan		9,246	8,061	7,551	6,711	5,917	10,713	48,200	3,540	2,582	2,923	2,697	3,005	2,821	17,569	27%
Luxembourg		143	157	160	169	171	181	981	36	47	43	50	64	67	306	24%
Netherlands		3,415	3,313	3,338	3,138	2,670	3,626	19,500	1,358	1,412	1,212	1,267	1,534	1,410	8,194	30%
New Zealand		138	142	139	153	159	206	937	46	45	46	43	53	46	278	23%
Norway		1,305	1,329	1,460	1,613	1,536	1,820	9,063	461	573	702	640	662	675	3,713	29%
Portugal		276	279	259	206	873	214	2,107	142	130	190	155	158	156	931	31%
Spain		1,142	1,801	1,424	1,317	1,400	1,797	8,882	753	921	1,018	927	1,037	1,114	5,769	39%
Sweden		1,661	1,781	1,737	1,982	2,076	2,266	11,503	746	681	1,013	691	646	1,111	4,889	30%
Switzerland		887	904	974	1,028	1,187	1,393	6,373	372	369	222	386	359	365	2,072	25%
United Kingdom		3,631	3,611	4,494	4,421	5,339	8,068	29,563	2,401	2,696	1,819	2,771	2,544	2,572	14,803	33%
United States		8,078	8,826	11,068	15,044	16,250	24,607	83,874	2,782	3,351	2,848	1,705	3,455	2,281	16,422	16%
Czech Republic		11	24	42	91	63	60	291	17	19	19	11	45	66	176	38%
Hungary		..	..	..	16	35	38	90	..	..	..	9	35	59	102	53%
Iceland		5	7	6	16	16	17	69	6	7	11	4	5	6	39	36%
Korea		145	210	238	262	331	414	1,600	90	114	83	129	93	258	766	32%
Poland		17	36	10	21	25	40	149	20	6	6	9	93	131	265	64%
Slovak Republic		3	6	6	10	11	29	64	7	8	5	8	17	24	69	52%
Turkey		42	39	47	38	292	579	1,038	92	94	82	58	47	75	448	30%
Arab Countries		550	771	2,886	2,882	2,057	621	9,769	207	124	413	82	67	55	947	9%
Other Bilateral Donors		196	112	155	114	487	557	1,622	8	11	11	12	40	96	179	10%

Source: DAC Online (Table 2a)