Official Development Assistance (ODA) Trends and Poverty Eradication in Sub-Saharan Africa

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Abstract

Achieving sustainable development remains one of the main preoccupations of many global policy actors. This is particularly so with regard to how developing countries and their developed counterparts seek to enable and empower the majority of the population out of poverty. Efforts to improve on service provision through policy reform, better management of resources, and good governance point to a global community failing to find a lasting solution out of poverty.

The mounting socioeconomic challenges and their long-lasting consequences arising from the polycrisis demand scaling up and upgrading official development assistance (ODA) to respond to new emerging trends in poverty levels and rising inequality. Food insecurity, endemic contexts for conflict, and growing impacts of climate change are the hallmark of global development challenges. These issues must be placed at the centre of global action within development cooperation architecture.

This report assesses the trends and the impact of the quality and quantity of aid in Africa. It examines how the aid effectiveness agenda of Paris Declaration and development effectiveness agenda of the Global Partnership for Effective Development Co-operation (GPEDC) have shaped the development cooperation landscape in strengthening country leadership, reduced fragmentation and transaction costs for African countries, and led to better results for poverty eradication, addressing inequality and gender inequality and women's empowerment. It also analyses how the development effectiveness agenda has deepened and expanded democratic ownership, inclusive partnerships, and outcome-based results. On the quantity side, the study explores measures taken to meet the United Nations global target of 0.7 gross national product (GNP) in Sub-Saharan Africa. It particularly makes a link between the effectiveness agenda and the commitment to double ODA by 2010 in Sub-Saharan Africa.

Efforts are also made to assess how these flows affect gender equality and women's empowerment in Africa. The report seeks to play a role in exposing donor behaviour and policies by highlighting practices that contribute to ineffective ODA. The objective is to call for ODA reforms to target better poverty eradication and address sustainably the challenge of rising inequality. The reports draws in part on Organisation for Economic Co-operation and Development (OECD) statistics on ODA flows in 2023, national treasuries of the governments of Kenya and Malawi, United Nations Inter-agency Task Force (IATF) reports, civil society organisations, and activists accounts.. It involved desk studies and interviews with senior government officials from the governments of Burkina Faso, Malawi, and Kenya, and corresponding civil society organisations working on social and economic justice.

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Acronyms

AfDB	African Development Bank
CSO	Civil society organisation
DAC	Development Assistance Committee
DCS	Development co-operation strategy
DP	Development partner
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
GoK	Government of Kenya
GPEDC	Global Partnership for Effective Development Co-operation
IFF	Illicit financial flows
IMF	International Monetary Fund
LDC	Least developed country
NGO	Non-governmental organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PFM	Public finance management
PSI	Private sector instrument
SDG	Sustainable Development Goal
SSC	South-South co-operation
UN	United Nations
USD	United States dollar
WB	World Bank

Summary of the Findings

Aid and Development Effectiveness Impact

Both aid and development effectiveness have generated structural and policy changes at different levels. The effectiveness agenda streamlined structures for dialogue between governments and their development partners, which was critical for reducing the transaction costs between them. It led to the development of partnership principles between them. On the government side, major investments were placed in the reforms of public finance management, aid management platforms, and engagement with non-executive actors in policy processes.

African countries have registered remarkable improvement under the effectiveness agenda. The development effectiveness agenda has entrenched the need for development plans and results frameworks to be led by the countries receiving aid, in collaboration with other stakeholders. The governments mobilize for inclusive and deliberate participation from all parts of society—civil society, private sector, local authorities, and foundations. They play an enabling role—among both domestic stakeholders and international partners—to facilitate this whole-of-society approach

The effectiveness agenda has, however, had limited impact on donor behaviour changes. Most donors have not carried out policy and legal changes that were necessary to have an impact on meeting their commitments towards the agenda. As a result, there is reduced or no utilisation of country systems and results frameworks. The result is increased fragmentation at country level, thereby increasing the transaction costs of development cooperation for African countries

Donor response to improved planning remains subdued. Alignment of project objectives to partner country priorities, as well as reliance on country-defined results, statistics, and monitoring systems was targeted at 100% by 2011. However according to the GPEDC monitoring global monitoring report, there was little progress towards this target as shown in Figure 2 for African region. The trend had a slight improvement since 2016 (GPEDC, 2019). Furthermore, many African countries report a decrease in the availability of forward expenditure and implementation plans from their development partners.

Donors have made limited to no investment in the development effectiveness agenda at the national level. For most Sub-Saharan African countries, the development effectiveness agenda has failed to record any major changes in development cooperation architecture and donor behaviour change at the national level since its launch of the Global Partnership for Effective Development Co-operation (GPEDC). GPEDC initiatives are championed at the global and regional levels rather that at the country level and at the expense of the country-level dynamism. GPEDC continues to thrive under the formerly created aid effectiveness structures. These however remain underfunded, thereby inhibiting government leadership and co-ordination.

Poverty eradication and addressing inequality are not at the core of the effectiveness agenda. Both the aid and development effectiveness agendas do not have an expressed commitment to poverty eradication. This is seen both in principle and the GPEDC's monitoring framework. The focus is more on behaviour and systemic change but without clarity of purpose towards poverty eradication

Clientelism is entrenched in donor systems. Development Assistance Committee (DAC) membership has collectively failed to invest systematically in processes and procedures for determining where aid is expected to have the most impact and how to arrive at that decision. Almost half of the predicted value of aid is determined by donor-specific factors, one-third by needs, a sixth by self-interest, and only 2% by performance. Each donor has their own motivation to focus on specific countries in a given period. This motivation, however, changes according to changes in the priorities of donors.

Official Development Assistance (ODA) Quantity and Trends towards Poverty Eradication

The aid effectiveness agenda was not effective in improving ODA quantities. Under the aid effectiveness agenda, it was expected that the volumes of aid and other development resources would increase significantly to support Africa's efforts to strengthen and improve Africa's development performance. Pledges made at the Gleneagles G8 meeting of 2005 and United Nations (UN) Millennium +5 summits sought to increase aid to United States dollar (USD) 130 billion by 2010 at constant 2004 prices to Africa. Unfortunately, these commitments were never met.

Africa needs more concessional resources and grants during these tough fiscal times. ODA flows to Africa show modest increases in absolute terms and a considerable decrease in relative terms over the last two decades. Africa's share in total ODA stayed at 35.3% in 2019, 10 points below the peak of 1990. According to OECD statistics from 2023, ODA to Sub-Saharan Africa accounted for an average 21.4% of DAC countries' bilateral ODA from 2020 to 2022. By comparison, ODA to Asia amounts to 23.2% of the total in the same period, despite countries in Asia facing lower intensity of need on average across several indicators. Notwithstanding some donors' fulfilling their aid pledges to Sub-Saharan Africa, overall aid to Africa has not kept pace with the ambitious Gleneagles pledge of a USD 25 billion increase. The estimated overall increase for Africa between 2004 and 2010 was USD 12 billion (in 2004 prices). On average, ODA to African least developed countries (LDCs) as a proportion of OECD-DAC gross national income (GNI) was 0.06% below the commitment in the Programme of Action for the LDCs for the Decade 2011–2020 (Istanbul Programme of Action) of providing between 0.15% to 0.20% of GNI in the form of ODA. Between 2000 and 2020, the ODA delivery gap to African LDCs was between USD 35 billion and 56 billion annually, with a total gap between USD 750 billion and 1.2 trillion (OECD, 2022a).

Donors do not fully disburse what they have committed to Africa. The ODA gap (the difference between pledges and amount actually delivered) averaged USD 3.1 billion over the last seven years, implying the subcontinent is owed over USD 22 billion in unfulfilled ODA commitments since 2015.

Blended ODA is not the main catalyst for the private sector. Leveraging additional private finance to meet public financing gaps by derisking private sector investments through ODA has been an area of concern for many civil society organisations (CSOs). Contrary to this belief, ODA has not been used as a catalyst to mobilize private sector finance for Sub-Saharan Africa investments. Instead, more donors invest in African government sector reforms in support of their businesses to establish themselves in Africa and enjoy certain exemptions and incentives. The focus has been on strengthening the Aid for Trade and "tied aid" projects to support more of foreign companies' facilitation to do business in Africa.

ODA disbursements are creating "donor orphans"[1] and "donor darlings."[2] In the Accra Agenda for Action (AAA), donors committed to "improve allocation of resources across countries" and to "work to address the issue of countries that receive insufficient aid." In Busan in 2011, donors took a step further to "address the issue of countries that receive insufficient assistance, agreeing—by end of 2012—on principles that will guide our actions

[1] "Orphans" are consequences of the complexity of the current global development cooperation system, which is characterised by allocation practices which are, to a large extent, unco-ordinated, leaving more vulnerable countries with more financing needs underfunded. Common to all providers, whether bilateral or multilateral, is that no one adjusts allocations taking into account other providers' decisions. This leads to imbalances in the global distribution of aid.

[2] "Donor darlings" refers to an accumulation of providers in one recipient country.

to address this challenge." The findings show that Kenya being a middle-income country received more ODA than Burkina Faso and Malawi combined despite the two being in the least developed countries category and having more and urgent financing needs.

Not enough ODA is channelled as a tool for supporting strong domestic resource mobilization systems. Domestic resources make up the bulk of Africa's development financing, accounting for over two-thirds of total financial resources, followed by ODA. However, this sector is the least supported sector by donors. Most ODA is directed towards the social sector, including education and health at USD 8 billion. USD 930 million is spent every year in administrative costs of processing ODA to Africa, and only USD 168 million is spent in supporting its public finance management reforms. USD 123 million is devoted to support trade policies, and USD 105 million is for domestic resource mobilization.

South–South cooperation is changing the landscape of ODA in Africa. Although traditional partners have maintained significant levels of support to Africa, the emergence of new bilateral partners, particularly a surge in borrowing from the South, has diversified options for Africa. These have been largely in the form of concessional loans; and non-concessional loans and sharing knowledge, experiences, and resources between countries. Data on grants and concessional loans are not readily available given the confidential nature of contracts between state corporations and governments.

Gender Empowerment

There is progress on policy and an institutional framework for gender equality and women's empowerment. Gender policies on equality and women's empowerment in Africa are not stand-alone policies but are included as part of broader national development strategies or mainstream the goals within sector policies and/or programmes. More work is needed in budget allocation towards gender equality and women's empowerment: Only 67% of African countries approach the requirements for having systems to track and make public allocations for gender equality and women's empowerment. Furthermore, there are weak women's rights organisations and an inadequate number of personnel tasked to monitor actual implementation of policies and programmes.

Share of ODA towards gender equality has been on the rise over the last decades. While overall ODA that integrates gender equality is on the rise, ODA dedicated to gender equality as a primary objective has stalled at around 4% of all bilateral ODA. 56% of aid did not address gender equality in 2020–2021. The bulk was committed to programmes that integrate gender equality as a significant policy objective. However, concerns are raised that the there is no criteria for monitoring whether these integrated programmes meet DAC criteria for significant purpose.

Most gender funds are disbursed through donor structures and donors-based CSOs. Two-thirds of the USD 10.4 billion channelled to and through CSOs for projects or programmes with gender equality as an objective went through donor structures and donor-based CSOs. African CSOs only accounted for one-third of the amount of ODA with gender equality objectives (significant + principal).

ODA flows are highest in the social sectors targeting gender integration. The social sector attracts more ODA flows. Among the highest ODA flow areas are humanitarian aid at 42%. 45% of aid in the agriculture sector, 46% in the education sector, and 62% in the health sector integrates or is dedicated to gender equality. ODA flows towards the productive and economic sectors of industry, business, banking, and energy show a low focus on gender equality and women's empowerment. For example, only 26% of aid in the business, banking, and financial services sectors and only 18% in the energy sector integrate gender equality.

Direct Budget Support

Sub-Saharan African countries experienced overall progress in the quality of their public finance management (PFM) systems. Out of the 27 countries assessed, 15 were marked as improved, four stagnated, and eight experienced decline in the strength of their PFM.

Use of a country system is on the rise among multilateral donors and slightly higher than bilateral donors. United Nations agencies are the lowest in use of a country system. The International Monetary Fund (IMF), the World Bank, and the European Commission are in the lead on the use of a country system in Africa. Following from the COVID-19 pandemic and the subsequent financial and debt crisis, IMF continues to provide most African countries with balance-of-payment support. The World Bank also continues to fund African countries' budgets within the framework of its structural adjustment lending programmes. The foregoing institutions are actively involved in reform-based lending, requiring them to use the country system in their disbursement.

Use of a country public finance management system is on the decline. The 2018 survey shows a slippage in the proportion of aid using country public financial management systems to 41% (from 48%), even though the quality of the system has improved, showing a weak correlation between the improved quality of a country system and its use by donors. This is below the global average, which improved to 53% from 47%.

Chapter One: Status or Poverty and Development Cooperation in Africa

Chapter One at Glance

This chapter assesses the impact quality of aid measures taken under the aid and development effectiveness agenda in realising their commitments as well as their impact in transforming lives in partner country/recipient countries in Africa.

- The Paris Declaration of 2005 laid out a practical, action-orientated roadmap to improve the quality of aid and its impact on development. It also developed five key principles, a series of 12 performance targets, and 56 commitments to be met by the year 2010, providing a means to determine the real impact of the principles.
- A global platform on effective development cooperation was established, known as the Global Partnership for Effective Development Co-operation (GPEDC), to advance the effectiveness of development efforts by all actors in delivering sustainable results.
- While the Paris Declaration on aid effectiveness focused on both donors and recipient commitments, the Busan Partnership for Effective Development Cooperation focused on bringing all development actors into the tent but without any new commitments and targets.
- While the four shared effective development cooperation (EDC) principles are relevant in addressing the effectiveness of development cooperation, they failed to mobilize for the engagement of the main South-South co-operation providers.
- For most Sub-Saharan African countries, the development effectiveness agenda, unlike its predecessor , failed to record any major changes in development cooperation architecture and donor behaviour change.
- The aid effectiveness agenda created national structures for domestication of the effectiveness principles. Under GPEDC, most efforts and initiatives are created and managed through the global platforms.
- African countries registered remarkable improvement under the effectiveness agenda. Governments created inclusive processes of dialogue and involvement of donors as well as non-state actors from the civil society, albeit in varying degrees of quality.
- The lack of targets and commitments focusing on results towards poverty eradication and inequality raises fundamental question on the commitment of GPEDC to tackle poverty eradication and inequality directly.
- Donor response to improved planning remains subdued. Alignment of project objectives to partner country priorities, as well as reliance on country-defined results, statistics, and monitoring systems was targeted at 100% by 2011. African countries report a decrease in the availability of forward expenditure and implementation plans from their development partners.
- Reforms towards strengthening horizontal and domestic accountability in the PFM as well strengthening citizen voices in the chain of accountability remain under-supported, making

tackling corruption haphazard and unco-ordinated. Donor efforts remain insufficiently co-ordinated among themselves.

- Individual donors (public and private) decide separately which country programmes to assist and to what extent, based on their set of values, goals, and criteria, shaped by specific contexts and historical relationships and interests.

Policy recommendations

Even though aid and development effectiveness still remain relevant in the context of the current debate about international financial architecture reforms, key measures are necessary for both elements to remain core in anchoring development co-operation to the current development finance:

- Donors must fully meet their obligations to aid effectiveness commitments and targets in a set deadline for the effectiveness agenda to remain relevant.
- Donors must initiative key policy and behaviour changes needed to allow for the effectiveness agenda to be fully implemented at both headquarters and recipient country level.
- African countries must stay the course in enacting their public finance reforms as well strengthening their country leadership in the management and co-ordination of aid and the development effectiveness agenda.
- African countries must invest in and fully finance the effectiveness agenda, including in the structures and national processes for domestication, for them to exercise country leadership.

Development Challenges in the Africa Context

More than a third of the Sub-Saharan Africa population was in extreme poverty in 2023, with the extreme poverty rate expected to be 28% by 2030 based on projected economic growth. Approximately 60% of the world's extreme poor live in Sub-Saharan Africa, accounting for over 400 million people living in extreme poverty as of 2023. See Table 1. Lack of infrastructure, limited access to healthcare, and lower educational opportunities contribute to higher poverty incidence in the continent. Africa has a high Gini coefficient (a measure of income inequality), with some countries like South Africa

Table 1. Poverty, macroeconomic indicators, distribution of LDCs, and allocation of DAC bilateral ODA by OECD region

	Poverty			Macroeconomic indicators				
OECD region	LDCs as % of all (numbers)	Average extreme poverty rate 2023 (%)	Projected average extreme poverty rate 2030 (%)	% of countries in or at high rish of debt distress (% average debt-to-GDP ratio)	Average general government revenue (% of GDP)	Average inflation annual porcent change, 2022*	Average inflation, annual percent change, 2023 forecast*	Allocation of DAC bilateral ODA (% of total, 2019/2020-21/22**
Africa	61% (33)	29.00%	24.00%	39% (57.5%)	18.00%	14.30%	15.50%	23.80%
Of which: Sub-Saharan Africa	67% (33)	33.80%	27.80%	43% (38.7%)	17.40%	17.70%	15.70%	21.40%
Americas	4% (1)	4.60%	3.95%	15% (83.7%)	24.40%	14%	13.30%	5%
Asia	26% (9)	4.70%	2.40%	11% (69.8%)	20.60%	3.80%	3.40%	23.20%
Of which: Middle east	14% (1)	19.00%	23.40%	0% (69.7%)	17.40%	14.50%	12.60%	8.70%
Oceania	20% (3)	27.30%	22.80%	47% (18.3%)	41.30%	6.10%	5.10%	1.50%
Europe	0% (0)	0.16%	0.08%	0% (44.2%)	25.50%	27.90%	19.70%	2.00%

Source: OECD, 2023c

exceeding 0.6. Economic growth has not been evenly distributed across populations, contributing to persistent inequality. In 2023, the unemployment rate in Sub-Saharan Africa was around 6%, but informal employment remains dominant, with over 85% of jobs being informal. Over 50% of the population in Sub-Saharan Africa experiences multidimensional poverty. The climate crisis has increased vulnerability for the majority of the population through food insecurity, natural disasters, and water scarcity.

With almost half (43%) of the countries in the region in or at a high risk of debt distress, and government revenue amounting to 18% of gross domestic product (GDP)—compared to general government debt of 38.7% of GDP—amid historic levels of inflation, sub-Saharan Africa faces a "big funding squeeze." This is affecting governments' ability to fund sectors critical for addressing extreme poverty, such as health, education, and social protection.

Poverty in Africa remains deeply rooted due to a combination of structural factors, including low economic diversification, political instability, inadequate infrastructure, social inequality, and ineffective international development cooperation architecture. Addressing these issues requires targeted policy interventions, improved governance, and enhanced access to basic services.

The Development Aid Agenda: The Paris Declaration and the Accra Agenda for Action. What has Worked, What Hasn't Worked, and Why

Adopted in 2005, the Paris Declaration on Aid Effectiveness[3] sought to help reshape the way international development aid is delivered and managed. The objective was to provide a roadmap to improve the quality of aid and its impact on development by 2010. Among its priorities was the call for a new emphasis on the role of developing countries in deciding how aid should be used and where it should be directed. The Declaration set five overarching principles to help shape a new relationship between the rich and the poor countries, with the ultimate aim of making aid work better at improving the lives of some of the poorest people on the planet. As well as the five key principles, the Declaration also set out a series of 12 performance targets and 56 commitments to be met by the year 2010, providing a means to determine the real impact of the principles. See Box 1 below.

Box 1. Paris Declaration Principles

Ownership Developing countries set their own development strategies, improve their institutions, and tackle corruption.

Alignment Donor countries and organisations bring their support in line with these strategies and use local systems.

Harmonisation Donor countries and organisations co-ordinate their actions, simplify procedures, and share information to avoid duplication.

Mutual Accountability Developing countries and donors focus on producing—and measuring—results.

Management for Results Donors and developing countries are accountable for development results.

It put in place a series of specific measures for implementation and established performance indicators to assess the progress. It also called for an international monitoring system to ensure that donors and recipients hold each other accountable—a feature that was unique in international agreements. By implementing these principles, the countries and organisations committed to taking major steps in improving aid effectiveness, tackling issues that hampered development assistance for decades, thereby reaping the rewards in the form of

[3] In 2005, various initiatives to improve the impact of aid—such as encouraging donors to harmonise their funding and efforts and for both donors and recipients to use and strengthen countries' own systems—were brought together under the Paris Declaration.

better, more aligned, and more predictable donor support.

Development partners,[4] particularly those of the OECD Development Assistance Committee (OECD–DAC), took measures to reorient their development co-operation policies to respond to the new demands of development co-operation. Measures were also taken to invest in country aid architecture to support the implementation of the commitments to aid effectiveness at the national level. They developed joint assistance strategies, created donor co-ordination groups, and supported joint secretariats with their partner governments. Partner countries,[5] including those in Africa, for their part embarked on creating an enabling environment for the implementation of the same. They exercised country leadership by designing their own development co-operation policies or strategies, embarked on institutional reforms to strengthen their public finance management (PFM), and developed national development plans with the appropriate results framework to monitor and measure their implementation.

In Accra, the Third High-Level Meeting on Aid Effectiveness in 2008 recognized the place of aid effectiveness in the broader financing for the development agenda. It noted that meeting long-term development outcomes in terms both of aid quality and quantity—amounts of aid—was critical. See Box 2.

Box 2. The Accra Agenda for Action—Main Elements

- Agreement to use country systems as the first option when delivering aid.
- Agreement to make aid more predictable and transparent, and thus to allow partners to better budget, plan, and implement their development strategies.
- A fundamental change whereby donors will determine the conditions placed on aid jointly with partner countries and on the basis of their own development plans.
- Clear and substantial progress on untying aid.[6]
- Agreement to reduce aid fragmentation by working more towards in-country and cross-country division of labour.
- All of these points would not have seemed possible even a few years ago.

Rich countries and poor countries agreed that they would each meet the commitments made on aid effectiveness in Paris and in Accra, and to reach beyond the commitments by 2010. It is now over 18 years later, and progress is limited. See country cases section for details.

Assessing Impact under the Aid Effectiveness Agenda

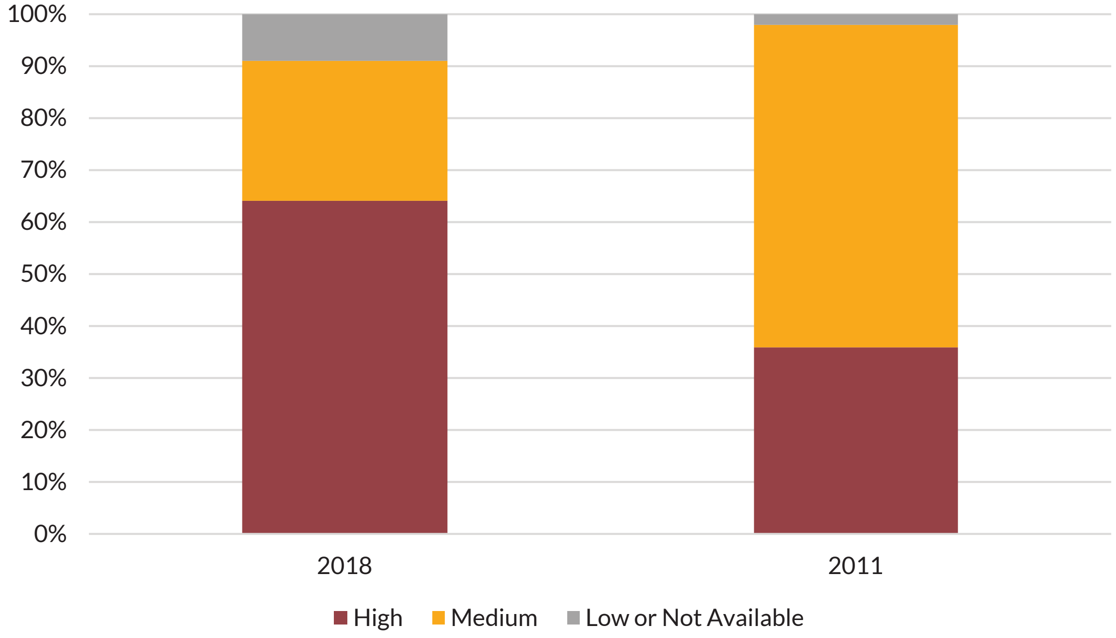
African countries have registered remarkable improvement in their development planning under the effectiveness agenda. Under the effectiveness agenda, national development plans should echo and seek to respond to political (and societal) priorities. They should also reflect a rigorous understanding of real development issues, risks, and options, and trace credible pathways to making development progress. In consulting other stakeholders in their development, countries seek to gather legitimacy, buy-in, and sustained attention in the mid-term. Governments mobilize for inclusive and deliberate participation from all parts of society, including civil society, the private sector, local authorities, and foundations. Recipient countries play an enabling role—among both domestic stakeholders and international partners—to facilitate this whole-of-society approach.

[4] The range of national and international organisations that partner with countries that receive development co-operation to realise national sustainable development priorities and the Sustainable Development Goals (SDGs). These include governments that provide different types of development co-operation, multilateral organisations such as United Nations' agencies and programmes, international financial institutions, bilateral development finance institutions, parliamentary organisations, civil society organisations, trade unions, and philanthropic organisations.

[5] All countries that receive development co-operation.

[6] Removing the legal and regulatory barriers to open competition for aid-funded procurement for purposes of increasing aid effectiveness by reducing transaction costs and improving the ability of recipient countries and territories to set their own priorities.

Figure 1: Quality of national development planning in Sub-Saharan Africa



Source: GPEDC, 2019

Note: "Not Available" comprises partner countries that had a national development strategy in 2011 but did not have one in 2018, meaning that an assessment of quality could not be made. "High" refers to A and B scores, "Medium" refers to C and D scores, and "Low" refers to an E score.

Since 2011, the proportion of African countries with a high-quality national development strategy[7] has almost doubled (from 36% to 64%). Figure 1 illustrates the changes in quality between 2011 and 2018. Governments across Sub-Saharan Africa have created inclusive processes of dialogue and involvement of non-state actors from the civil society and foundations in the development and implementation of their country's development policies. These processes are, however, manifested in different forms, ranging from structured processes to episodic processes. Some countries, such as Kenya, Malawi, and Ghana, have a structure in place for CSO consultation, while in others, like Burkina Faso and the Democratic Republic of the Congo (DRC), governments are selective of the CSOs they consult. Most CSOs consulted are largely big national networks, while grassroot organisations and movements are generally not included in these dialogues.

CSOs in these countries, however, continue to express concern over the lack of feedback mechanisms after consultations with the government. They observe that final stages of policy documents are not fully shared with them. Governments, for their part, express concerns over the lack of co-ordination among and between civil society organisations. This, they note, makes it difficult to know which CSOs to consult on a given policy issue. Donors, however, do not consult a broad range of national stakeholders, such as civil society, the private sector, parliamentarians, and subnational governments in the preparation of their country assistance strategies and programmes.

CSOs note that progress is needed if democratic ownership is to be fully entrenched in policy-making process. Both government and civil society largely see progress in the nature and process of consultation. They note the need for institutionalisation of policy dialogue processes, support for civil society organisations, and investment in trust building for stronger engagement of CSOs.

[7] Number of countries with consultation-based national development strategies (including SDG-aligned strategies) that have clear strategic priorities linked to a medium-term expenditure framework, reflected in annual budgets, and have results frameworks embedded in them.

Development Effectiveness in Action at National Level by Country

Burkina Faso

The country announced the suspension of the constitution in September 2022, which led to a halt of the implementation of the medium-term plan and a development of a transitional plan that has prioritized security, food security, and agriculture. The transitional government has adopted targets and relevant sectors that were previously under the National Economic and Social Development Plan 2021–2025 (PNDES2).

Civil society observes that prior to the coups, the government had put in place mechanisms and structures for dialogues with civil society. Civil society views formed part of the national dialogue and were included in the development of the National Economic and Social Development Plan 2021–2025 (PNDES-II). Development partners were also consulted in its development.

CSOs noted that with the current state of emergency, the ideal national ownership could not be realized. Every government institution was in a state of transition and could not therefore mobilize for CSO participation. Majority CSOs were not involved in the development of the current transitional government. However, some government departments have haphazard consultations with key organised national platforms, especially those in agriculture, health, and water and sanitation.

Development partners have responded to the current state of affairs by suspending direct budget support to the government and have strengthened their humanitarian programmes. Most of the projects are implemented through humanitarian agencies and civil society organisations. There were, however, concerns that local civil society has been left out in most of the interventions being carried out by donors. Development partners have also suspended most funding towards human rights and governance organisations for fear of the transition government.

Kenya

Since 2009, the Government of Kenya (GoK) took stronger leadership of its development agenda and established the Aid Effectiveness Group (renamed Development Effectiveness Group in 2018), which is housed within government, in the National Treasury. This ensured stronger ownership by GoK and encouraged alignment of ODA to the national development agenda. Harmonization and standardization of development partners' activities/procedures remain a top agenda of government. GoK has subscribed to the principles of aid effectiveness and effective development co-operation in line with Paris Declaration 2005, Accra Agenda for Action 2008, Busan Outcome 2011, Mexico Communique 2014, and the Nairobi Outcome 2016.

To support the achievements of priorities in the Kenya Vision 2030 and the subsequent Medium-Term Plans, the government and development partners developed the Kenya Joint Assistance Strategy (2007–2012). The Joint Statement of Intent (2010) endorsed and signed by GoK and 14 development partners in 2010 had the overall objective of realizing improved co-ordination and effective development cooperation. The Kenya External Resources Policy (2014) was also developed to articulate the government's policy on mobilization of external financing within the framework of an evolving aid architecture. Further, the Economic Development Cooperation Strategic Plan (2018–2022) has domesticated the implementation of the effective development co-operation principles for the accelerated implementation of the Kenya Vision 2030, the 2030 Agenda, and the Sustainable Development Goals.

The Development Effectiveness Group (formerly the Aid Effectiveness Group) has made significant progress in advancing the agenda, including: structured mutual dialogue between government, development partners, private sector, and civil society organisations and foundations; improvement in alignment of external development assistance to government's national development agenda; and use of country-led results frameworks by a majority of development partners in measuring development results of programmes/ projects.

According to the Government of Kenya, all ODA to all sectors of the economy must align with the national development priorities. Therefore, the responsible ministries, in developing the project concept notes, must ensure they align with the Kenya Vision 2030, the Medium-Term Plans, and the ministry's strategic plans, with clear country results frameworks to monitor progress. National indicators are applied in the measurement of results. In addition, Kenya has mapped its national indicator framework to the Sustainable Development Goal (SDG) targets and indicators. This makes it easy to collect data that measures the SDGs as well, and use of the SDG indicator framework is being widely applied in national measurement of progress. The National Treasury ensures that the development partners' country assistance strategies developed through a consultative process align with the national development priorities.

The Kenyan Constitution provides for public participation in policy making, medium-term planning, law making, and budgeting, among others. Parliament, CSOs, and women and children's organisations are consulted in the preparation of the national development plans. This is done through sector working groups, and stakeholders participate in sectors of relevance to them. Therefore, the process is very consultative and inclusive; all stakeholder groups are included. However, the feedback mechanism in terms of stakeholder inputs is never fully incorporated in the final outcomes. The GPEDC 2018 monitoring report ranked Kenya as high at 85% for its terms of its ownership of development plans and results framework. This is above the global average for the lower middle-income economies. See Figure 1.

For programmes funded through external sources, government ensures that they use the country results framework. However, some development partners do not use the country results framework but instead use their own indicators to measure results. This in some instances leads to mixed results. The World Bank (WB) has supported the government in programmes geared towards results, the Program for Results (P4R).

Kenya has a structured co-ordination and dialogue platform with all stakeholders for discussing national development priorities. This includes development partners, private sector, civil society organisations, and philanthropists. Through the multi-stakeholder dialogue fora, all stakeholders are encouraged to align their support to the country's medium-term plans and the County Integrated Development Plans (CIDPs). Kenya has a vibrant philanthropic organisations platform, the Kenya Philanthropy Forum, which brings together over 40 philanthropic organisations with the objective of bringing coherence; championing alignment to national development priorities; and providing support towards implementation of the SDGs.

CSOs are also encouraged to align resources they receive to the national development agenda. Some implement specific programmes on behalf of the national/county governments. In addition, some work closely with development partners to implement components of financing agreements as signed between the partner and the government. This is done through signing Memorandum of Understandings (MoUs) or Implementation Partnership Agreements (IPAs) with the specific civil society.

Malawi

Malawi has a development co-operation strategy (DCS) to guide development cooperation in the country. The DCS provides a national framework for achieving Malawi Growth and Development Strategy IV's (MGDS IV) overarching development aspirations. It is guided by international commitments and initiatives on aid and development effectiveness, most notably the Paris Declaration on Aid Effectiveness (2005), the Accra

Agenda for Action (2008), and the Busan Global Partnership for Effective Development Cooperation (2011). The DCS is a country-led and country-owned strategic document that sets a framework for development co-operation with development partners. It embodies the principles of ownership, is results focused, and cultivates inclusive development partnerships, transparency, and accountability. This Strategy serves as an operational
framework for the implementation of the Government Aid Management Policy. The strategy has led to:

a) Significant improvement in the way government and development partners (DPs) relate and interact with each other.
b) Improved government leadership development process ownership and involvement of DPs in the development programming process.
c) A number of programme-based approaches have been adopted.
d) Strengthening of aid management systems within the Ministry of Finance improved aid monitoring and reporting.

The country has in place the High-Level Forum (HLF) on Development Effectiveness. This is the highest forum for dialogue between government and key development stakeholders. This group comprises the government, DPs, non-state actors including international non-governmental organisations (NGOs) and foundations, academia, civil society, and private sector. Government is represented by ministers and chairpersons of parliamentary committees. There is also a development partners co-ordination group as well as an intergovernmental co-ordination group to manage their own dialogues.

CSOs are consulted, particularly in the initial stages of the policy processes. However, the country is yet to establish feedback mechanisms for tracking CSO inputs and outcomes.

The Development Effectiveness Agenda

In 2011, more than 160 countries and over 50 international organisations agreed on shared principles for effective development cooperation in Busan, Korea (OECD, 2012). This brought to a close the era of aid effectiveness and ushered in a new one in development effectiveness. Also known as the Busan Partnership Agreement, the development effectiveness agenda reaffirms the Paris Declaration and Accra Agenda for Action's commitments to improve the quality of aid. A global platform on effective development co-operation was established, known as the Global Partnership for Effective Development Co-operation (GPEDC). It is a unique multi-stakeholder platform to advance the effectiveness of development efforts by all actors in delivering sustainable results. It provides practical guidance and shares knowledge to improve development impact, and supports[8] country-level implementation of the internationally agreed effectiveness principles. The principles were later aligned with the 2030 Agenda and the Addis Ababa Action Agenda at the second high-level meeting (HLM2) held in Nairobi in 2016. The platform champions the implementation of four principles[9] among diverse development actors, including governments, civil society, private sector, parliamentarians, and many others. The Global Partnership's flagship instrument is its biennial monitoring exercise, which since 2013 has tracked progress towards the effectiveness principles, and is the recognized source of data and evidence on upholding effectiveness commitments. See Box 3.

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[8] 1. Enhancing support to effective development co-operation at country level.
2. Unlocking the potential of effectiveness and updated monitoring for 2030.
3. Sharing knowledge to scale up innovative development solutions.
4. Scaling up private sector engagement leveraged through development co-operation.
5. Learning from different modalities of development co-operation.
6. Strengthened high-level political engagement, advocacy, public communication, and strategic use of data and evidence.

[9] These are ownership, inclusive partnership, transparency and accountability, and results.

Box 3. Development Effectiveness Principles

a) Ownership of development priorities by developing countries. Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.

b) Focus on results. Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, aligned with the priorities and policies set out by developing countries themselves.

c) Inclusive development partnerships. Openness, trust, and mutual respect and learning lie at the core of effective partnerships in support of development goals, recognizing the different and complementary roles of all actors.

d) Transparency and accountability to each other. Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organisations, constituents, and shareholders, are critical to delivering results. Transparent practices form the basis for enhanced accountability.

Source: OECD, 2011

The GPEDC included representatives of donor and recipient countries' business sectors, parliaments, civil society, multilateral development banks, UN bodies such as the United Nations Development Programme and the United Nations Development Group (UNDP/UNDG), the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD/DAC), Arab providers of development co-operation, trade unions, foundations, and subnational governments. However, the more developed countries of the Global South, such as Brazil, India, China, and South Africa, did not participate. Instead, they continued to co-operate with Sub-Saharan Africa outside of the confines of the GPEDC.

Assessing Impact under the Development, Effectiveness Agenda

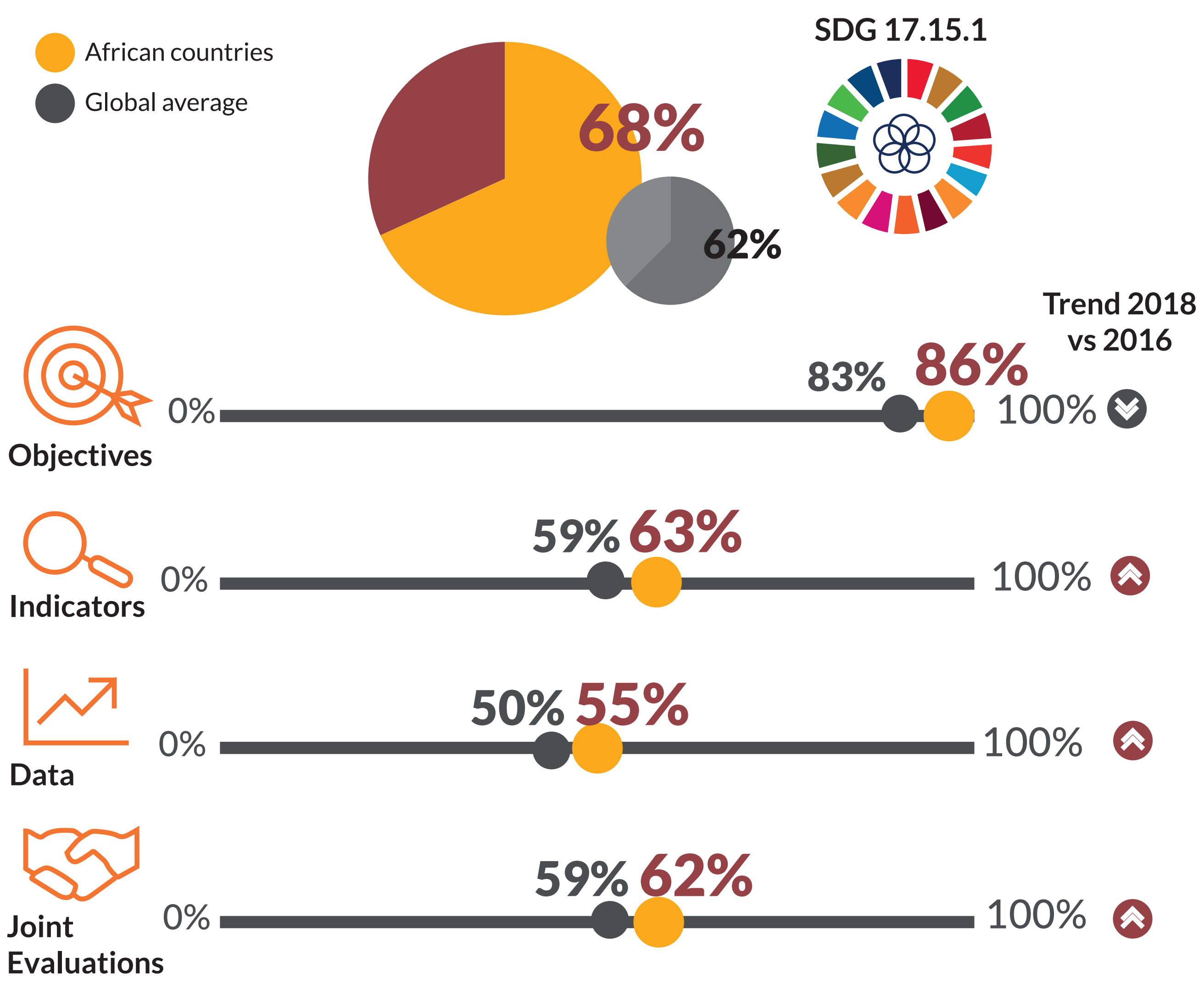
Development effectiveness resulted in little progress at country level. See details below.

A lack of targets on poverty reduction. While GPEDC prides itself on delivering development results and outcomes, a review of its documents and discussions with African governments reveal that GPEDC lacks global commitments and targets towards poverty reduction and inequality. They are merely implied. The platform only addresses itself to country results frameworks, which set the foundation for implementing national development strategies and priorities and reinforcing accountability to the implementation of the national development plans. *The lack of targets and commitments that focus on results raises a fundamental question on the commitment of GPEDC to tackle poverty eradication and inequality directly.*

Donors have made limited to no investment in the development effectiveness agenda at the national level. For most Sub-Saharan African countries, the development effectiveness agenda has failed to record any major changes in development co-operation architecture and donor behaviour change at the national level since its launch of GPEDC. GPEDC initiatives are championed at the global and regional levels rather that at the country level, and at the expense of the country-level dynamism. GPEDC continues to thrive under the formerly created aid effectiveness structures. However, these remain underfunded, thereby inhibiting government leadership and co-ordination.

Donor response to improved planning remains subdued. The alignment of project objectives to partner country priorities, as well as the reliance on country-defined results, statistics, and monitoring systems, was targeted to be 100% by 2011. However, there was little progress

Figure 2: Extent of use of country-owned results frameworks by development partners



Source: GPEDC, 2019

towards these targets for Africa by the goal date (see Figure 2). Development partners increasingly use the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) as a framework for results around shared objectives. However, alignment of project objectives to partner country priorities has decreased for most development partners, alongside a decreasing reliance on country-defined results, statistics, and monitoring systems. Many African countries also report a decrease in the availability of forward expenditure and implementation plans from their development partners. This is largely due to the fall of the share of development co-operation finance recorded on partner countries' budgets subject to parliamentary scrutiny.

Ownership has been compromised by donor procedures and action. The Kenyan case is an example.

While the government has in place country priorities and a results framework, these rarely inform project decisions and portfolio development by development partners. Development partners seek political patronage from higher authorities and bypass procedures and systems of the government. Political leadership and senior-level government officials are increasingly confronted by hurriedly pre-designed programmes and projected costs for negotiations by donors. This has compromised the spirit of government ownership and leadership, as the partners only seek to push their portfolios and bilateral deals. Multilateral donors such as the WB and African Development Bank (AfDB) and some bilateral donors approach governments with an already prepared list of programmes and loans that they want to give the government, without regard to country priorities.

A majority of development partners do not use country systems of budgeting and reporting (see Pie Chart 1), which leads to a lack of transparency and accountability. A few partners use fund administrators to manage grants; these administrators open personal accounts to receive funds, which bypasses the government systems and leads to a lack of transparency and accountability. Lack of use of government systems also fuels corruption as there is a lack of accountability through a country system.

Some projects are designed by the development partners, with little participation of the government line ministry, which leads to a lack of ownership of the project by the ministry that translates to lengthy delays in project execution. This leads to the high cost of the loans as delays in implementation lead to payment of commitment fees on the undisbursed amount, which increases the cost of servicing the loan.

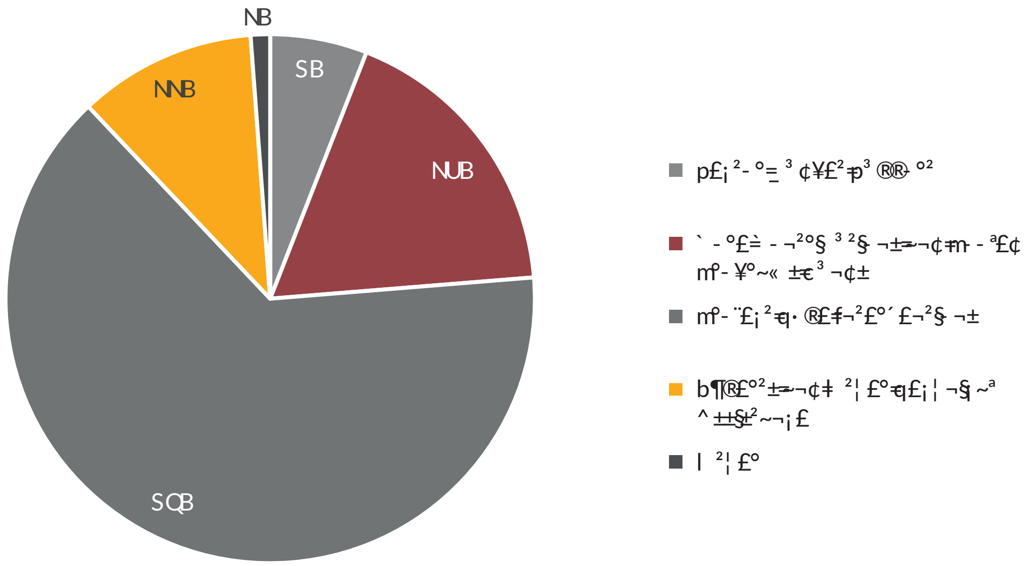
Reform measures imposed by multilateral[10] donors such as the World Bank and the International Monetary Fund has led to dependence on implementation of policies reforms as they are tied to disbursement of funds. This has fostered clientelism within agencies, departments, and ministries in the government. This trend has limited government ownership, as reforms move according to the approval speed and satisfaction of the donor. In addition, multilateral funding from the bank and the fund falls under direct budget support that finances the recurrent budget. The government is thus forced to implement reforms to secure its fiscal space. Pure grants on the other hand being non-repayable have seen little government investment in areas already covered by donors, leading to dependence on donor funding. Notable challenges observed on multilateral donors include:

- Competition for high visibility in project implementation remains high. Multilateral donors feel superior to their bilateral counterparts and want to be recognized/given first priority in the fiscal space.
- Having pre-planned and designed programmes imposed on the country for implementation. Some project/programme designs in some instances are poor and not well understood by the implementing ministry, posing implementation challenges.
- They do not fund already pipelined programmes by the government but want their own designed programmes to be accepted and implemented by the government.
- UN agencies compete for resources with the government from bilateral partners and in the process overstep their mandates.

Development effectiveness has failed in strengthening measures towards fighting corruption in Africa. A perceived high level of corruption deters donors from providing ODA in the form of direct budget support. Furthermore, donors report that corruption tends to affect their commitments to providing particular volumes of aid in a certain way, or allow them to time disbursements predictably. Therefore, addressing issues of corruption and governance and improving transparency in the use of public resources is vital to strengthening the use of country systems and reducing transaction related to ODA. To address the concerns about corruption, The Paris Declaration on Aid Effectiveness (Annex) sets out a clear, practical plan to improve the quality and positive impact of development aid by combating corruption. It commits donors to increasing their support to developing countries' anti-corruption efforts, aligning with country-led initiatives and promoting local ownership of anti-corruption reforms. Donor spending on initiatives to improve governance is in areas where corruption was to be in areas of procurement and financial management systems (OECD, 2010).

[10] The partner countries and Bretton Woods Institutions agree on targets and triggers that serve as a benchmark for the conditions set by bilateral, the European Community (EC), and regional development banks. In fact, many donors directly attach their disbursal decisions to those of the International Monetary Fund (IMF) or World Bank, while others use the BWI's terms and conditions as a minimal disbursal requirement.

Pie Chart 1: Type of development assistance for governance and peace (2012)



Source: Author generated

Data analysis however shows that very little[11] of aid from donors is disbursed through the government system. In Africa, 23% of total ODA is allocated towards governance and peace, and 65% is allocated if disbursed outside the national budget framework. Most of the disbursements take place through the public sector institutions or parastatals, civil society organisations, and multilateral organisations using project-type interventions. This means that governments have few resources with which to address corruption. Additionally, broader reforms towards strengthening horizontal and domestic accountability in the public financial management (PFM) systems, as well strengthening citizen voices in the chain of accountability, also remain under-supported, making the process haphazard and unco-ordinated.

Development Effectiveness and Clientelism

Given domestic fiscal pressures, bilateral donors were actively urged in 2008 to concentrate on fewer countries and sectors. However, it is emerging that the real challenge is to reconcile this message with any global balancing role, unless co-ordinated allocation principles are adopted and monitored across the whole donor community. DAC membership has collectively failed to invest systematically in processes and procedures for determining where aid is expected to have the most impact and how to arrive at that decision. A 2008 study[12] using DAC bilateral data found that almost half of the predicted value of aid is determined by donor-specific factors, one-third by needs, a sixth by self-interest, and only 2% by performance. Each donor has their own motivation to focus on specific countries in a given period. However, these countries change according to changes in the priorities of donors.

This thus means that donor efforts remain insufficiently co-ordinated among themselves, creating aid darlings and orphans as an impact. Partner countries are made to align with the funding priorities and mechanisms of donors and are exclusively driven by development partners' own programming interests or tied directly to implementation of their own priorities. Individual donors (public and private) decide separately which country programmes to assist and to what extent, based on their set of values, goals, and criteria, shaped by specific contexts and historical relationships and interests.

Another factor is the influence of geopolitical ties and donor self-interest. These play a determining factor in the direction of resource flows. Recipient's needs and their

[11] Direct disbursements into national budget systems are extremely low (less than 6%).

[12] Hoeffler and Outram, 2011.

ability to make use of aid are not at the centre of consideration. An emerging trend is that there is increasingly project hawking by donors in the mitigation funds in the form of energy and infrastructure projects, which is taking centre stage through public-private partnerships (PPPs) in middle-income countries Furthermore, multilateral donors impose their own reform programmes on countries, giving them no room to maneuver and forcing the countries to depend on the donors' pace and approvals for fund disbursements. For example, Kenya had to sign on to a new economic reform package from the IMF in order to get support from the fund.

ODA Accountability at Regional Level

In the context of aid and development effectiveness, a country can itself only account for resources that are channelled through its financial management systems and that are sourced in line with the public finance management (PFM) rules and regulations.

Regional entities are not empowered to mobilize revenues, including ODA, on behalf of their member states unless express permission is given by the member states for a particular project. This must be followed by a financing agreement between the member states. However, regional bodies are allowed to mobilize resources for their own initiatives that have been approved by the member states, and these are managed through their own internal fiduciary procedures. Increasingly, bilateral and multilateral agencies allocate and disburse funds to provide technical support to regional economic blocks, including the new African Continental Free Trade Area.

For regional and subregional programmes, each government is responsible for accounting for resources for their component. The financing agreement details what activities are undertaken in which country and specify the amounts for each government. If the programme design caters to a joint secretariat to be based in any of the participating countries, the joint secretariat will be responsible for accounting for the funds and then report to a steering committee. There are, however, no mechanisms at the regional level to protect and secure ODA, as these are member state affairs.

Chapter Two: The Future of Aid and Development Co-operation in Africa – The Changing Geopolitical Landscape and Its Implication

Chapter Two at a Glance

This chapter assesses how the changing global health, financial, and climate crisis has impacted the flow and the management of ODA in the context of Africa's priority for poverty eradication and addressing inequality. It examines how donors have responded to Africa's development needs in setting their sector priorities and sector allocations. Key points include:

- Steep increases in global food and energy prices, increasing global need for humanitarian aid, and weak recovery from the COVID-19 pandemic around the world have had the biggest impact in Africa, with the continent receiving the least amount of support compared to other regions around the world.
- More than a third of the Sub-Saharan Africa population was in extreme poverty in 2023, with the extreme poverty rate expected to be 28% by 2030 based on projected economic growth.
- Sub-Saharan Africa faces a "big funding squeeze." This is affecting governments' ability to fund sectors critical for addressing extreme poverty, such as health, education, and social protection.
- The share of Africa in total ODA has barely changed since 2000, except for slight upticks in 2005 and 2015, probably linked to the adoption of the Millennium Development Goals and the Sustainable Development Goals, respectively.
- There exists a gap between ODA commitment and aid disbursements in any given year. The ODA gap averaged USD 3.1 billion over the last seven years, implying the subcontinent is owed over USD 22 billion in ODA commitments since 2015.
- COVID-19 spending helped to lift foreign aid to an all-time high in 2020 but not for Africa. Preliminary data in 2020 showed that net bilateral ODA flows from DAC members to Sub-Saharan Africa amounting to USD 31 billion, which fell by 1% in real terms.
- ODA has not been used as a catalyst to mobilize private sector finance for Sub-Saharan Africa investments. Donors invest in sector reforms in support of their businesses to establish themselves in Africa and enjoy certain exemptions and incentives.
- The aid effectiveness agenda was not effective in improving ODA quantities. Overall, the aid to Africa pledge failed to keep pace with the ambitious Gleneagles pledge of a USD 25 billion increase.
- Every year, an estimated USD 88.6 billion leaves the continent as illicit financial flows. This amount is more than the combined total inflows of foreign direct investment and ODA for the period between 2020 to 2022, which stood at USD 83.8 billion.
- The more African countries seek to increase pressure in international fora to demand donors to abide by the 0.7 commitment and between 0.15% to 0.20% of gross national income (GNI) in the form of ODA to LCDs, the more donor countries promote changes in the assessment of ODA in order to include areas that

had not been previously considered as development assistance.

- ODA support provided by the OECD-DAC to social sectors (USD 8.2 billion) and humanitarian aid (USD 7.6 billion) remain high compared to other critical areas needed to enable sustainable financing for poverty eradication.
- Domestic resources make up the bulk of Africa's development financing, accounting for over two-thirds of total financial resources.
- Methodologies and tools to measure gender equality and women's empowerment remain weak and inadequate in measuring quality of finances, policies, and frameworks for equality and empowerment.
- More work is needed in budget allocation towards gender equality and women's empowerment. Only 67% of African countries approach the requirements for having systems to track and make public allocations for gender equality and women's empowerment.
- ODA dedicated to gender equality as a primary objective has stalled at around 4% of all bilateral ODA.
- Most of the gender funds are disbursed through donor-based CSOs, with African government programmes being among the least funded.
- ODA flows towards the productive and economic sectors of industry, business, banking, and energy show a low focus on gender equality and women's empowerment.

Policy recommendations

- Convert the undisbursed ODA and the unfulfilled ODA commitment targets into debt collectable by African countries.
- Development partners and international organisations in Africa should strengthen capacity for tax assessment, including through developing requisite skills, broadening knowledge, and deepening experiences through training.
- Support the UN tax convention as proposed by the African group.
- Increase and fulfill ODA commitments towards gender equality and women's empowerment.
- Increase the use of local organisations and institutions in the disbursement and management of ODA flows to Africa.

Trends in ODA Flows

ODA flows to Africa show modest increases in absolute terms and a considerable decrease in relative terms over the last two decades. The share of ODA targeted to Africa has barely changed since 2000, except for slight upticks in 2005 and 2015, which is probably linked to the adoption of the Millennium Development Goals and the Sustainable Development Goals, respectively. Africa's share in total ODA stayed at 35.3% in 2019, 10 points below the peak of 1990, which suggests that donor countries are diversifying the ODA to a variety of sectors and uses, when pressured to increase their assistance.

According to OECD statistics from 2023, ODA to Sub-Saharan Africa accounted for an average 21.4% of DAC countries' bilateral ODA from 2020 to 2022. By comparison, ODA to Asia amounts to 23.2% of the total in the same period, despite countries in Asia facing lower intensity of need on average across several indicators[13].. Preliminary data in 2022 show that net bilateral ODA flows from DAC countries to Africa was USD 34 billion, representing a drop of 7.4% in real terms compared to 2021. Within this total, net ODA to Sub-Saharan Africa was USD 29 billion, a decrease of 7.8% in real terms. There was also a 0.7% decline in bilateral ODA to least developed countries (LDCs) in 2022 compared to the previous year.

In addition, there is also the issue that donors often do not deliver aid that they have committed. The so-called ODA gap (the difference between pledges and the amount actually delivered) averaged USD 3.1 billion over the last seven years, implying the subcontinent is owed over USD 22 billion in unfulfilled ODA commitments since 2015. See Bar Chart 1.

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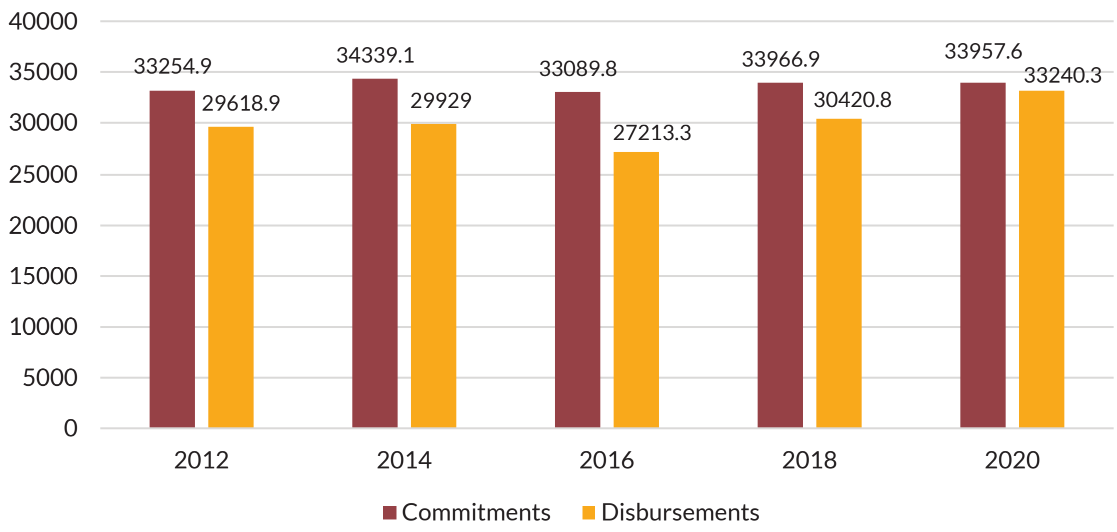
[13] Refer to table 1 on Poverty, macroeconomic indicators, distribution of LDCs, and allocation of DAC bilateral ODA by OECD region

Bar Chart 1: DAC ODA Flows to Sub-Saharan Africa: Commitments vs. Disbursements

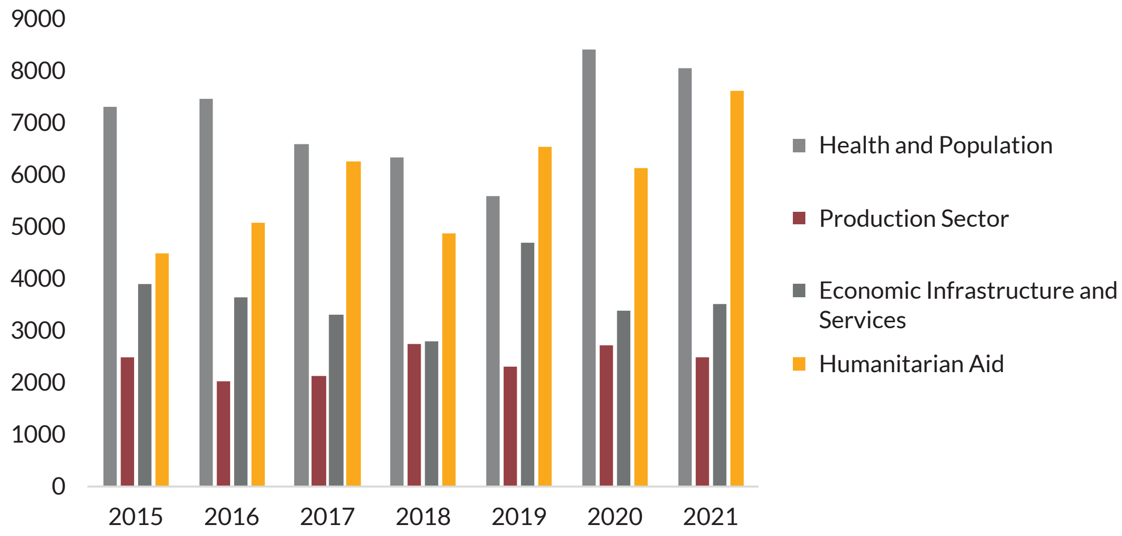


Source: Author generated from OECD, 2022a.

Finally, while it looks like foreign aid is increasing in the past several years, it is misleading. While ODA from official donors in 2023 rose to an all-time high of USD 223 billion, up from USD 204 billion in 2022, this increase is due to developed countries increasing their spending to Ukraine—both on processing and hosting refugees in their own countries and on aid to Ukraine, according to preliminary data collected by the OECD (OECD, 2023b). The OECD/DAC and its member countries have accepted this diversion as ODA. And still, even with the increased funding going to Ukraine, the 2023 ODA total figure is equivalent to 0.37% of DAC donors combined gross national income (GNI). This is still approximately only half of the United Nations target of 0.7% of GNI to ODA.

ODA flows are not directed to critical areas to enable sustainable financing for poverty eradication. Though ODA remains an important source of budget support for some African countries, especially in Sub-Saharan Africa, its relative importance in overall financing has declined over the years. ODA support provided by the OECD-DAC to social sectors (USD 8.2 billion) and humanitarian aid (USD 7.6 billion) remained far higher compared to productive sectors (USD 2.5 billion) in 2021. See Bar Chart 2. And while it is important that donors provide safety nets in these sectors, it is critical that they enable/support recipient governments to fund increasingly larger ratios of social sector funding. This will free up donors to move larger portions of their funding to "productive sectors," including infrastructure and job creation that will tackle the poverty and inequality problem. However, it must be noted that donor funding remains critical, especially during conflicts and pandemics and multiple crises where their funding remained critical for those who were most vulnerable. In this regard, ODA focused on providing sufficient fiscal space for African governments while laying foundations of sustainable development funding in Africa.

Bar Chart 2: Selected ODA Sector Allocations in Sub- Saharan Africa

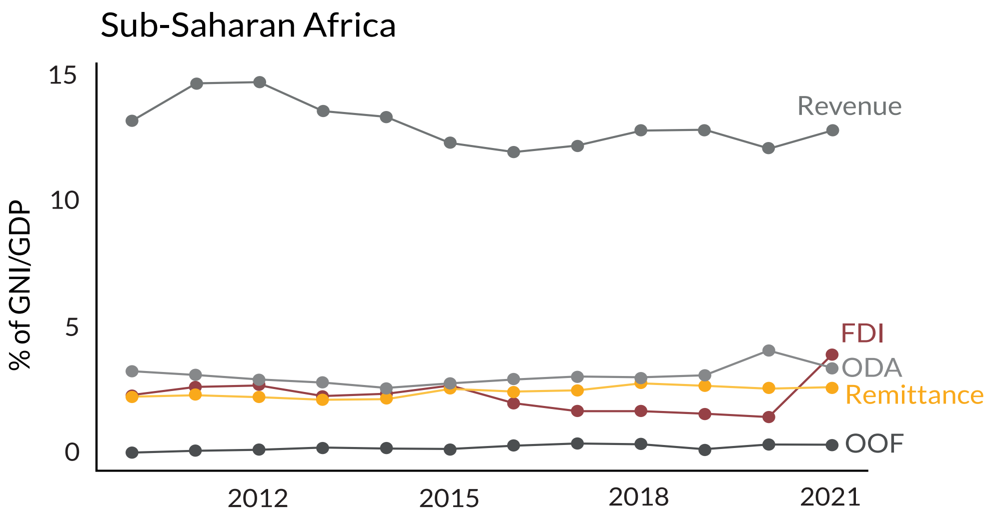


Source: Author generated from OECD data, 2021b

The Importance of Strengthening Countries' Domestic Resource Mobilization (Taxation) Systems

Domestic resources make up the bulk of Africa's development financing, accounting for over two-thirds of total financial resources, followed by ODA, as shown in Figure 3. ODA allocations therefore need to be directed towards strengthening and deepening domestic resource mobilization. This is particularly critical in securing the sustainable source of financing required to effectively drive the Africa's poverty eradication and development agenda. Increased domestic resource mobilization would also be fundamental to Africa reclaiming its policy space and its desire to provide social safety nets that channel more resources towards social sectors and invest in more economic infrastructure development.

Figure 3: External flows in Sub-Saharan Africa and government revenues



Source: OECD, 2023c

However, domestic resource mobilization strengthening is the least supported sector by donors. USD 930 million is spent every year in the administrative costs of processing ODA to Africa, and only USD 168 million is spent in supporting its public finance management reforms. USD 123 million is devoted to support trade policies, and a paltry USD 105 million goes to support domestic resource mobilization.

Ineffective International Development Co-operation Architecture in Africa

The aid effectiveness agenda was not effective in improving ODA quantities. One of the best-known targets in international development cooperation is the commitment by donor countries to provide 0.7% of their respective GNI as ODA, first adopted by the UN General Assembly Resolution A/RES/2626(XXV) on 24 October 1970. The target has been reaffirmed in numerous major UN conferences, including most recently the Addis Ababa Action Agenda (AAAA), which also committed to allocate 0.15 to 0.20% of GNI to LDCs.

Under the aid effectiveness agenda, it was expected that the volumes of aid and other development resources were to increase significantly to support Africa's efforts to strengthen and improve Africa's development performance. Pledges made at the Gleneagles G8 meeting of 2005 and United Nations Millennium +5 summits sought to increase aid to Africa to USD 130 billion by 2010 at constant 2004 prices. Unfortunately, these commitments were never met, casting doubt on the impact of the aid effectiveness agenda on aid volumes. In 2005, the European Union (EU) agreed on a staged plan for reaching the 0.7% target by 2015.

Notwithstanding some donors' fulfilling their aid pledges to Sub-Saharan Africa, overall aid to Africa has not kept pace with the ambitious Gleneagles pledge of a USD 25 billion increase. The estimated overall increase for Africa between 2004 and 2010 was USD 12 billion (in 2004 prices). On average, ODA to African LDCs as a proportion of OECD-DAC GNI was 0.06% below the commitment in the Programme of Action for the LDCs for the Decade 2011–2020 (Istanbul Programme of Action) of providing between 0.15% to 0.20% of GNI in the form of ODA. Between 2000 and 2020, the ODA delivery gap to African LDCs was between USD 35 billion and USD 56 billion annually, with a total gap between USD 750 billion and USD 1.2 trillion (OECD, 2022a).

COVID-19 lifted foreign aid to an all-time high in 2020 but not to Africa. While most donors had adapted their ODA budgets for 2020 by the time the pandemic hit, the pandemic did not impact their planned ODA commitments. Many donors indicated that they had reoriented funds from existing 2020 development co-operation programmes for COVID-19-related activities, with a focus on managing the spread and consequences of the virus and not health systems, and on making diagnostics and vaccines available to countries most in need. Preliminary data in 2020 show that net bilateral ODA flows from DAC members to Sub-Saharan Africa amounted to USD 31 billion, a fall of 1% in real terms.

ODA is used to support reforms for blended projects. Leveraging additional private finance to meet public financing gaps by derisking private sector investments through ODA has been an area of concern for many CSOs. Contrary to this belief, ODA has not been used as a catalyst to mobilize private sector finance for Sub-Saharan Africa investments. Instead, more donors invest in African government sector reforms in support of their businesses to establish themselves in Africa and enjoy certain exemptions and incentives. The focus has been on strengthening reform-based lending to support more of foreign companies' facilitation to do business in Africa.

At the same time, the World Bank is providing technical support to Sub-Saharan governments to develop policies and programmes to identify and develop bankable projects under the public- private partnership projects, with the overall objective of reducing the debt burden and increasing investments for job creation. These have been the major driver for private sector investments in Africa.

ODA Disbursements Frameworks Are Creating Donor Orphans[14] and Donors Darlings[15]

In the Accra Agenda for Action (AAA), donors committed to "improve allocation of resources across countries" and to "work to address the issue of countries that receive insufficient aid." In Busan in 2011, donors took a step further to "address the issue of countries that receive insufficient assistance, agreeing—by end of 2012—on principles that will guide our actions to address this challenge." This commitment has however failed to materialise, as exemplified by the following countries.

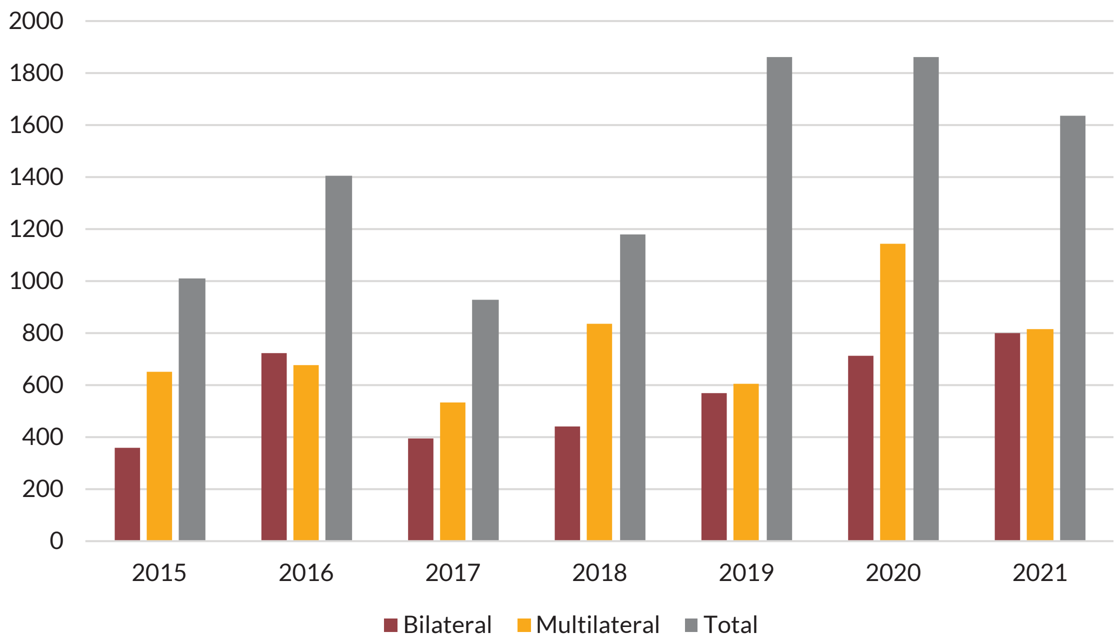
Burkina Faso: A donor orphan

Burkina Faso is a low-income country with more than 40% of the population living below the poverty line. Burkina Faso ranks 184th out of 191 countries in the 2021–2022 Human Development Index (HDI) report of the United Nations Development Programme (UNDP). As of January 2022, over 1.7 million people were internally displaced, representing one in every 12 Burkinabé.

The country is currently governed under the Transition Charter. The transition process is implemented by three main organs: the president of Burkina Faso, the transitional government with a civilian prime minister, and a transitional legislative assembly.

Burkina Faso is considered one of the donor orphans of Africa. The amount of ODA flows to Burkina Faso does not match with the development challenges the country faces. Most of the ODA flows are restricted to concessional financing, limiting the fiscal space the country has to finance its development projects. As seen in Bar Chart 3 below, the majority of ODA flows come from the World Bank and the IMF. However, these sources do not directly impact the most vulnerable as they are directed towards policy and structural reforms. Bilateral donors have to increase their allocations towards social sectors that target the most vulnerable.

Bar Chart 3: ODA Flows by Donor Type in Burkina Faso

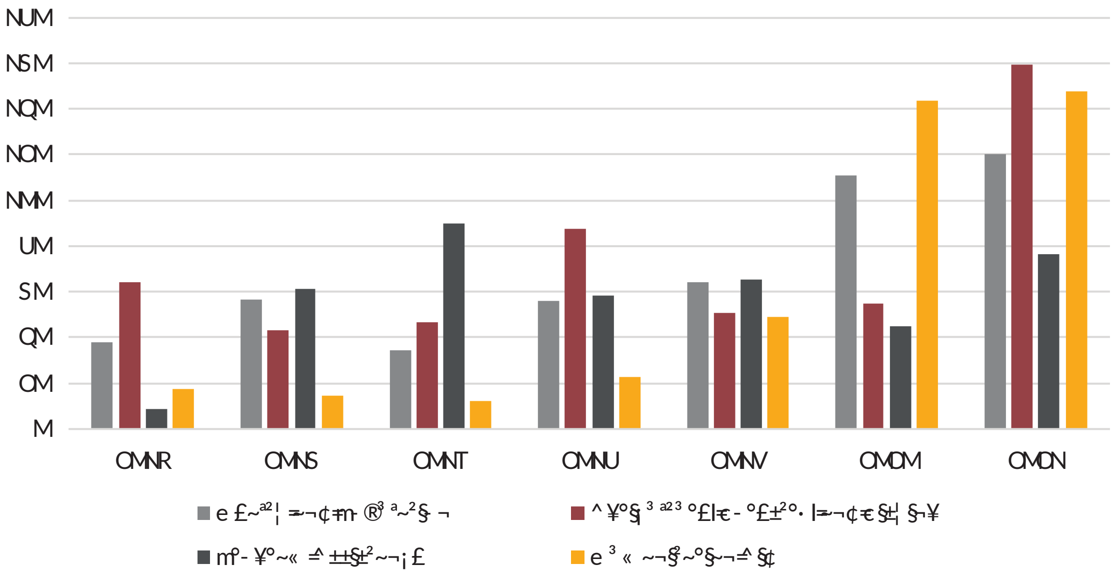


Source: author

[14] In the context of aid effectiveness, the concept of donor orphans refers to countries or regions that receive insufficient development assistance from the international community despite having significant needs. This imbalance in aid distribution undermines the overall effectiveness of global development efforts and creates disparities in progress toward development goals. They are consequences of the complexity of the current global development co-operation system, which is characterised by allocation practices which are, to a large extent, unco-ordinated, leaving more vulnerable countries with more financing needs underfunded. Common to all providers, whether bilateral or multilateral, is that no one adjusts allocations taking into account other providers' decisions. This leads to imbalances in the global distribution of aid.

[15] An accumulation of providers in one recipient country.

Bar Chart 4: Selected ODA Sector Allocation in Burkina Faso



Source: Generated by author from OECD data (2023c)

Additionally, by 2023, the ongoing conflict resulted in limited food access, disrupted livelihoods, and hampered provision of basic services such as education and healthcare. Over the past year, organised armed groups have initiated months-long blockades on towns that have prevented the resupply of markets, the sale of livestock, and the distribution of humanitarian food assistance, further exacerbating food insecurity for affected communities. Allocation towards humanitarian support has risen steadily since 2019. Burkina Faso received USD 147.7 million in 2021, up from USD 42.9 million dollars in 2019. See Bar Chart 4. In addition to the conflict, Burkina Faso remains vulnerable to drought and other extreme weather events due to climate change, explaining the increased disbursements towards agriculture, which rose to USD 159.3 million in 2021 compared USD 43.3 million in 2016.

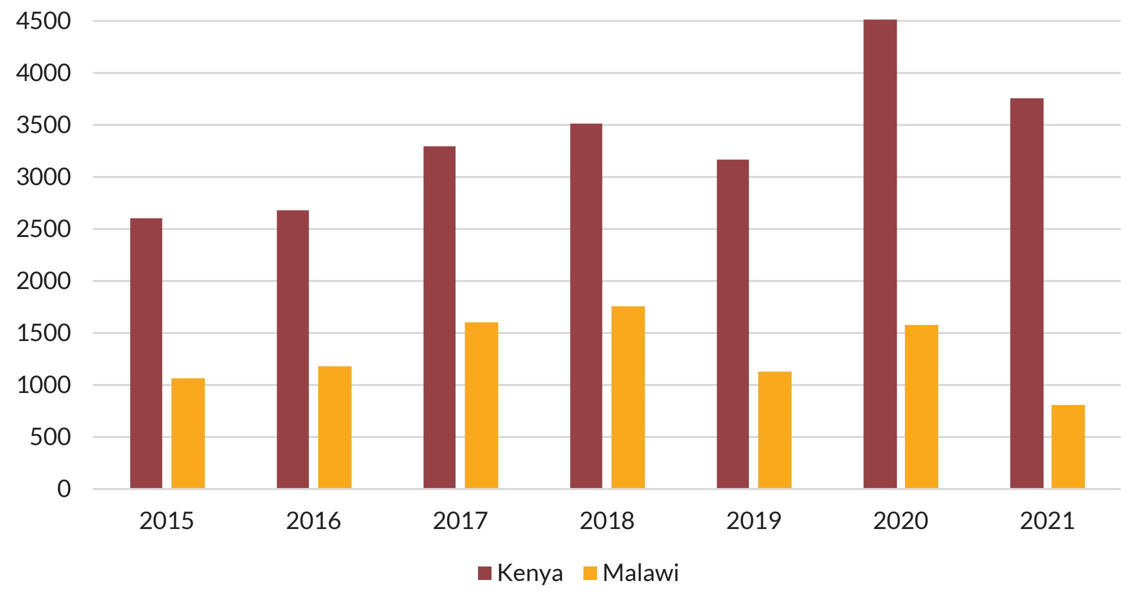
Malawi: A donor orphan

Malawi is the fourth-poorest country in the world, with 70% of its population living on less than USD 2.15 a day, as estimated using data for 2019. Even though this percentage has been almost unchanged since 2010 (68%), with the population growth, the number of poor people has increased by 3 million, reaching 13 million in 10 years. The share of people failing to consume a minimum caloric intake of 2,215 calories a day (or national poverty rate) is 51%, the same as in 2010. Inequality has decreased over the last decade (the Gini index changed from 45% in 2010 to 39% in 2019), mainly due to better-off households worsening their economic situation (World Bank, 2023).

Malawi has been experiencing multiple shocks, including floods, droughts, and financial crises. The country is also exposed to hazards such as strong winds, earthquakes, diseases, and pest outbreaks, among others, which often turn into disaster. The country recently got caught up in Tropical Cyclone Freddy (TCF), which dropped torrential rains over the southern part of Malawi, resulting in mudslides and floods affecting different parts of the country.

By all accounts, Malawi is one of the major aid orphans in Africa. It receives both meagre development and humanitarian assistance compared to her neighbors such as Kenya despite the numerous development challenges the impact of climate change has on its population. In 2021, Malawi received USD 811.4 million compared to Kenya's USD 3.67 billion during the same period, as shown in the Bar Chart 5.

Bar Chart 5: ODA Flows to Kenya and Malawi

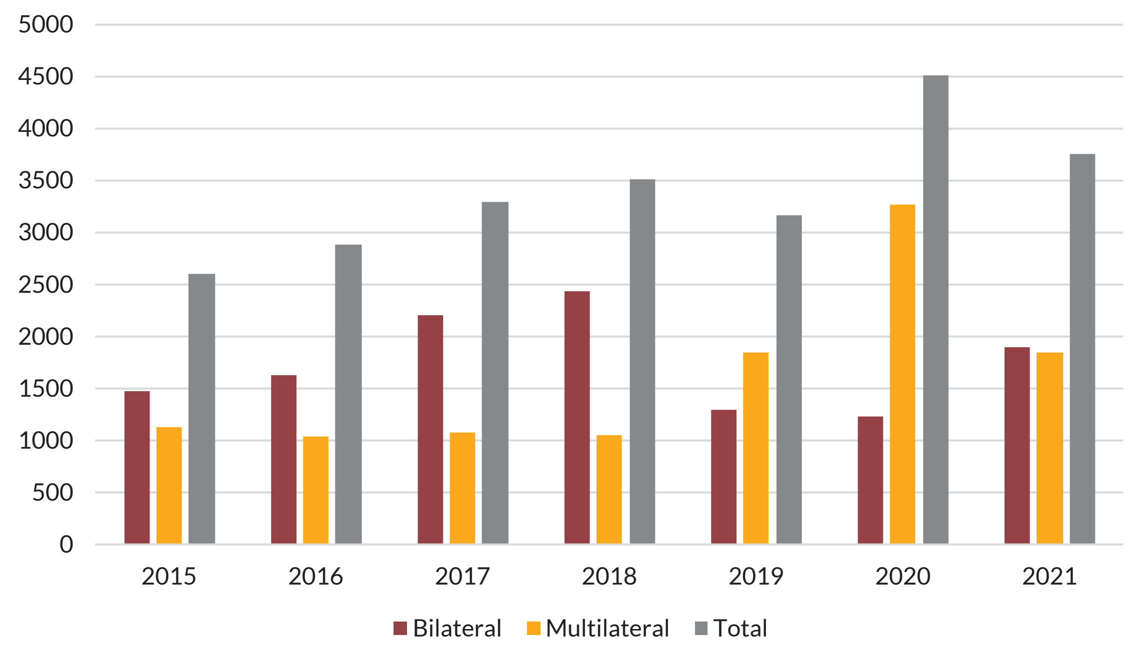


Source: Generated by author from OECD (2023c)

Kenya: The case of a donor darling?

Kenya is considered one of the donor darlings of the world. It is in the top five recipients of ODA flows in Africa. The country receives both concessional and non-concessional flows given its lower middle-income status. In 2021, Kenya received USD 3.76 billion in ODA flows. Multilateral donors' share of ODA flows has been on the steady rise, going from USD 1.1 billion in 2015 to the highest of USD 3.26 billion in 2020. Given that multilateral funds are reform based and disbursed through the national budget, their implication on the fiscal space for social sector public spending remains high. See Bar Chart 6.

Bar Chart 6: Total ODA Flows to Kenya by Donor Type



Source: Author generated

Donor Orphans and Darlings in Humanitarian Assistance Flows

Burkina Faso: Over the past year, organised armed groups have initiated months-long blockades on towns that have prevented the resupply of markets, the sale of livestock, and the distribution of humanitarian food assistance, further exacerbating food insecurity for affected communities. (USAID, 2023). As a result of this, donors have focused on supporting both social and productive sectors in their disbursements. At the same time, allocations towards humanitarian support have risen steadily since 2019. Burkina Faso received USD 147.7 million in 2021, down from USD 42.9 million in 2019. See Bar Chart 3.

Kenya: In Kenya, humanitarian assistance forms a big percentage of support to social protection. However, major donors supporting social protection interventions are slowly moving away, and this is leaving poor families more exposed. For example, the school feeding programme that enables vulnerable kids from poor and marginalized countries to attend school has since been handed over to the government. This has seen a reversal in gains made, as the government does not fully cater for the school feeding programmes, which affects education in marginalized and drought-prone regions. However, in FY 2023/2024 (see Table 2), the government has substantially up-scaled the budget for the school meals programme.

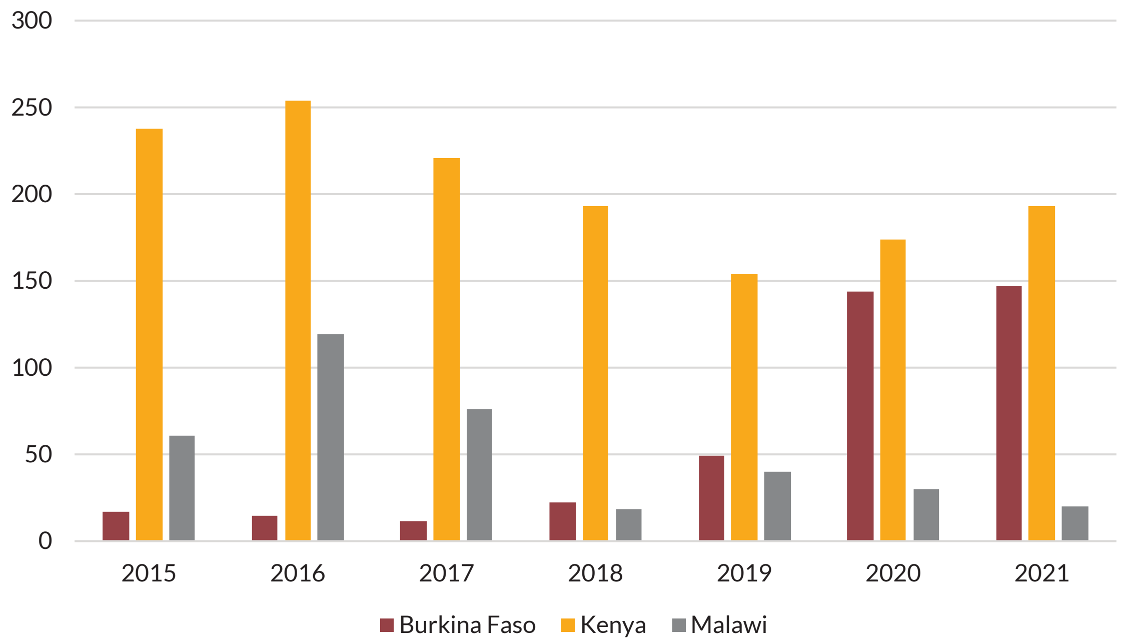
Table 2. GoK budget for the social sectors for last five years

FY	Social Protection (In Bn KSh)	Health (In Bn KSh)	Education (In Bn KSh)	Total Gok Budget (in Bn KSh)
2019/2020	30.1	92.7	494.8	2,800
2020/2021	33.3	111.7	505.1	2,790.40
2021/2022	37.8	121.1	503.9	3,030.30
2022/2023	38.8	122.5	544.4	3,342.80
2023/2024	38.2	141.2	628.6	3,680

Source: GoK, 2023

Malawi: Malawi suffered a devastating flood in 2022 induced by Tropical Storm Ana and the Cyclone Idai-induced floods in 2019, when at least 2,267,458 (1,110,639 male, 1,156,819 female) people were affected. However, the magnitude of donor response, when compared to other regions of the world, during that period remained subdued. While Kenya received USD 154.1 million for humanitarian support, Malawi only received USD 40.4 million during the same period as shown in the Bar Chart 7 below.

Bar Chart 7: Humanitarian Flow Trends in Country Cases

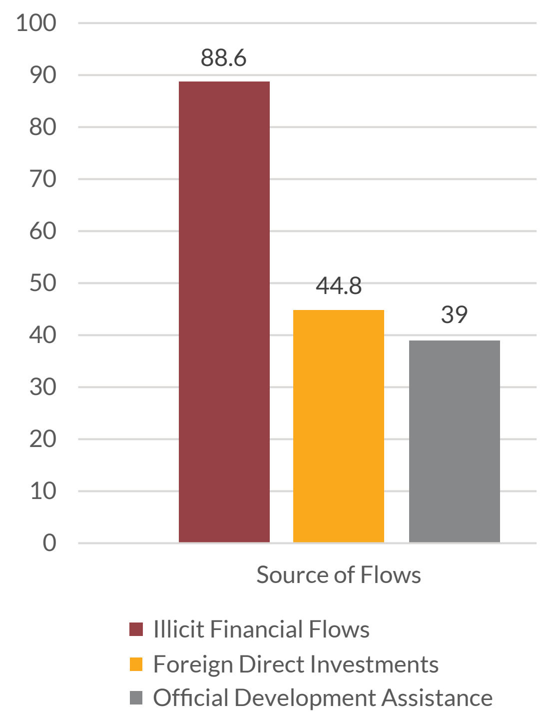


Source: Author generated

Financial Leakages in Africa

Every year, an estimated USD 88.6 billion leaves the continent as illicit financial flows (IFFs)– about half of what Africa needs to achieve sustainable development. These originate from three main sources: commercial, including tax evasion, trade mis-invoicing, and abusive transfer pricing (65%); criminal activities (30%); and bribery and theft by corrupt government officials and their collaborators (5%). Africa's annual IFFs are equivalent to 3.7% of its GDP (UNCTAD, 2020). This amount is more than the combined total inflows of foreign direct investment and ODA for the period between 2020 to 2022 as illustrated in Bar Chart 8 below.

Bar Chart 8: Financial Outflows Vs. Inflows to Africa



Source: Author generated from UNCTAD, 2020 data

Studies show that inadequate regulation of the financial system and capital accounts; trade openness in the context of weak regulation and poor governance; and poor institutional quality and excessive dependence on commodity exports are the major contributors to illicit financial flows. Not enough ODA is channelled as a tool for supporting strong domestic resource mobilization systems.

For ODA to play its role in addressing illicit financial flows, there will have to be increased investment by development partners and international organisations in Africa to strengthen capacity for tax assessment, including through developing requisite skills, broadening knowledge, and deepening experiences through training. There will also be a need to expand and strengthen Donor support to African countries to enact and implement policies and legislation to tackle transfer pricing, starting with a comprehensive review of all tax treaties, tax incentives, and trade and investment agreements to eliminate all loopholes for base erosion and profit shifting and other illicit financial flows. The UN tax convention is a step in the right direction.

Rich countries are changing the formular and composition of ODA to inflate the numbers. The more African countries have sought to increase pressure in international fora to demand donors to abide by the 0.7% commitment and between 0.15% to 0.20% of GNI in the form of ODA to LDCs, the more donor countries promote changes in the assessment of ODA in order to include areas that had not been previously considered to be development assistance.

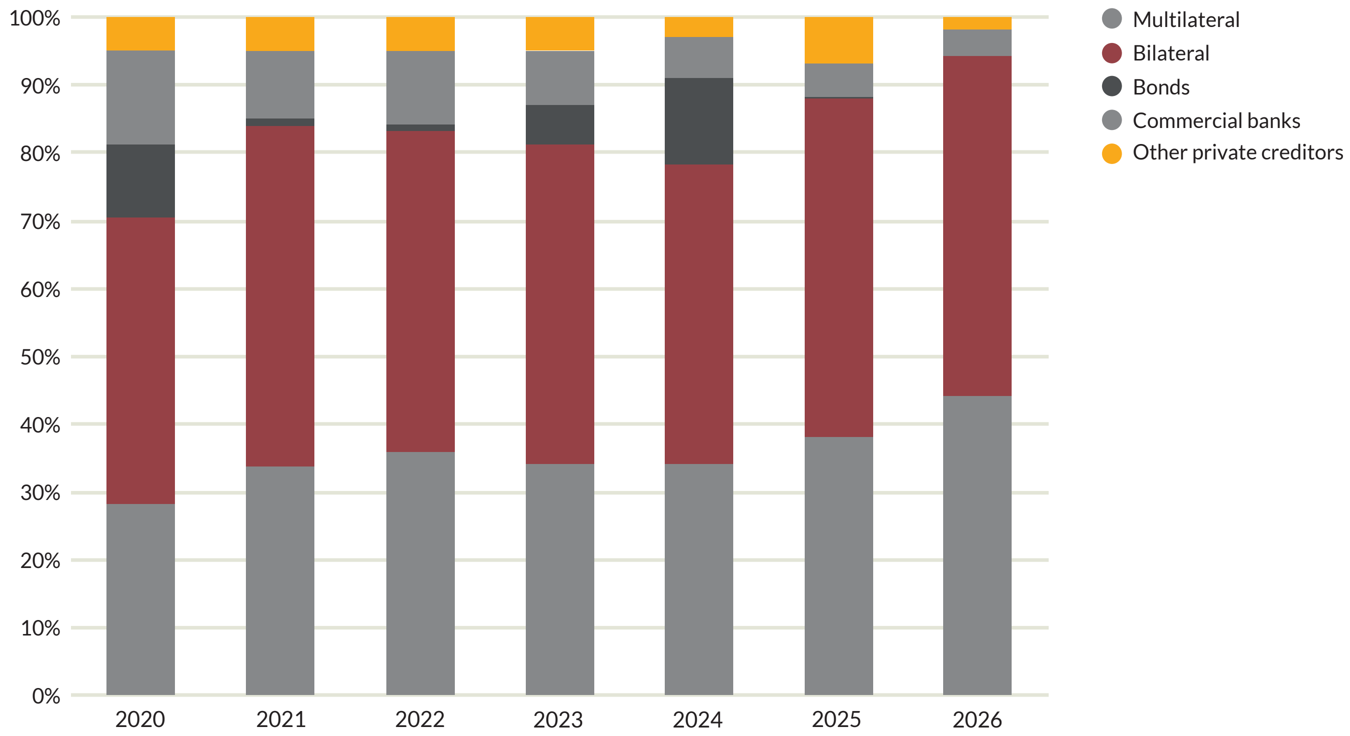
The OECD has launched a series of measures that have led to changes in the concept and composition of ODA. In 2014, the OECD Development Assistance Committee (DAC) decided to change the methodology of reporting concessional loans by introducing a grant-equivalent system for calculating ODA figures rather than using the actual flows of cash between a donor and recipient country. In 2016, DAC countries decided to apply the grant equivalent methodology to other non-grant instruments, such as equities and private sector instruments (PSIs). However, they failed to reach agreement on how to calculate ODA grant equivalents for equities, PSIs, and debt relief.

DAC has since updated its rules on the eligibility of peace and security expenditures as ODA to recognize the developmental role sometimes played by military actors. In 2017, the DAC agreed to quantify in-country refugee expenditures as ODA. In 2019, the change in the ODA methodology for reporting concessional loans took effect with the publication of 2018 ODA figures. It is important to note that the implementation of the ODA grant equivalent methodology added 0.09% in 2020 to ODA levels for all DAC countries combined, with significant impacts on Japan (+19%) and Spain (+9%)

Covid-19 diverted ODA towards debt relief. Even before COVID-19, many African countries faced significant debt risks. Africa's debt levels were only just beginning to stabilize before the sudden and acute economic shock of COVID-19 hit, which led to rapid debt-to-GDP increases across the continent. Sub-Saharan Africa's debt-to-GDP ratio was projected to rise to 65.6% in 2020 (IMF and World Bank, 2020). This accelerated the urgency of addressing Africa's unsustainable debt burdens. Seven countries were already in debt distress: the Congo, Mozambique, Sao Tome and Principe, Somalia, South Sudan, Sudan, and Zimbabwe. Thirteen others were at high risk of debt distress: Burundi, Cameroon, Cabo Verde, Central African Republic, Chad, Djibouti, Ethiopia, the Gambia, Ghana, Kenya, Mauritania, Sierra Leone, and Zambia. In mid-November 2020, Zambia's ongoing debt restructuring process was thrown off track when the country defaulted on a USD 42.5 million interest payment on its USD 3 billion Eurobond issued in 2015.

In many African countries, high debt servicing costs continue to crowd out much-needed fiscal space for government health and economic responses. In the medium term, without aggressive efforts by African borrowers, their creditors, and key international stakeholders, the pandemic's economic impacts have led many African countries into debt crises. This is a major setback to development progress on the continent and threatens to seriously jeopardize the achievement of the United Nations SDGs by 2030. See Figure 4.

Figure 4: Projected debt service composition (% Africa)



Source: Johns Hopkins University, 2020

During this period, however, a number of Sub-Saharan African countries received debt relief and debt repayment suspension from international partners to help address the continent's immediate challenges with debt servicing. Supported by donor contributions, the programme disbursed grants for payment of eligible debt service falling due to the IMF for six months. In addition to those efforts, the World Bank, African Development Bank (AfDB) and other partners significantly stepped up levels of financial support to Africa in the wake of COVID-19. See Table 3 below.

Table 3. COVID-19 multilateral stimulus packages that benefit African countries

Institution	Covid Response
World Bank	The World Bank (2020) announced the availability of USD 160 billion, which was to be available to countries until late 2021. The package was to enhance the ability of the beneficiary economies in easing the effects of COVID-19 on small businesses and the vulnerable populations.
African Development Bank (AfDB)	The AfDB created a USD 10 billion COVID-19 response package, in the pipeline of which USD 5.5 billion was set for its sovereign operations in the AfDB countries, and USD 3.1 billion was set for operations under the African Development Fund. The Bank also launched a USD 3 billion "Fight COVID-19" social bond, which was allocated to central banks and official institutions (53%), bank treasuries (27%), and asset managers (20%). Notably, 8% of this social bond was set aside for African countries.
IMF	The IMF approved USD 2.7 billion for COVID-19-related emergency responses in African countries.
European Union (EU)	The EU announced Euro 3.25 billion COVID-19 toolkit for African countries.
Afreximbank	The Afreximbank announced a USD 3 billion Pandemic Trade Impact Mitigation Facility (PATIMFA) to enhance the capacity of African countries in dealing with COVID-19-related health and economic impacts. In addition, the Bank set aside USD 200 million to finance the production of COVID-19 equipment and supplies within Africa.

While significant, these efforts are not sufficient given the scale of the negative economic impacts Africa has faced since the COVID-19 pandemic. The IMF estimates that Sub-Saharan Africa's funding shortfall could reach USD 890 billion over 2020–2023, of which USD 130–410 billion has yet to be identified (IMF, 2020).

South-South Co-operation and the Changing Landscape of ODA

Sources of Africa's ODA have expanded and evolved dramatically. The continent's earlier sources of concessional financing were mainly from bilateral from OECD-DAC and from multilateral institutions, including IMF and the World Bank. Although these traditional partners have maintained significant levels of support to Africa, the emergence of new bilateral partners, particularly a surge in borrowing from the South, has diversified options for Africa. These have been largely in the form of concessional loans; non-concessional loans; and sharing knowledge, experiences, and resources between countries. Data on grants and concessional loans are not readily available given the confidential nature of contracts between state corporations and governments.

Of Africa's new "non-traditional" bilateral partners, China is by far the most prominent. In Africa, Chinese loan commitments totalled at least USD 148 billion between 2000 and 2018, including loans subsidized by the Chinese government, export credits, and commercial loans (Brautigam, Huang, and Acker, 2020). Most Chinese financing in Africa goes to infrastructure projects, particularly transportation, energy, and mining.

African governments, however, note that they fill the gap that has been left by DAC countries in the economic and productive sectors. There is thus complementarity in investments in development. African governments further note that non-DAC donors respond to their needs instead of imposing projects and sectors. The process of sourcing for resources from non-DAC countries is not lengthy and cumbersome. They also ensure timely delivery of resources as well as programmes. Governments note that this saves the government resources that would have been lost through commitment fees.

Governments have sought to mainstream the use of South-South co-operation (SSC) in the design, formulation, and implementation of its regular programmes, including increasing allocations of human, technical, and financial resources to support SSC initiatives. Therefore, the prospects for SSC are high as an alternative source of financing and cooperation.

On the downside, there are no mutually agreed principles of development effectiveness. The Bandung conference was the only attempt to develop principles for South–South co-operation. However, the conference did not go further to secure commitments to implementing the principles. There are also no targets and indicators to measure progress on adherence to the principles. As a result, the principles have remained mere rhetoric and provided a defense mechanism for lending partners when accountability is demanded from their funding programmes and their impact on human rights and development results.

Gender Equality and Women's Empowerment in the Development Effectiveness Agenda

Adequate and effective financing is essential to achieve gender equality and to empower all women and girls. Also essential is a strong and responsive policy and institutional framework to engage and empower them. By tracking resource allocations and quality of policy and institutions, donors and African governments should introduce deliberate measures into sector allocation and reforms towards gender equality to meet their gender policy and programme objectives. By making these measures and allocations public, donors and governments commit to higher levels of transparency and accountability in their commitment to gender equality.

The Accra Agenda for Action (AAA) recognized the importance of gender equality and women's empowerment in development. African government donors agreed to "ensure that their respective development policies and programmes are designed and implemented in ways consistent with their agreed international commitments on gender equality." In 2012, GPEDC included an assessment of gender and women's empowerment in its monitoring framework. This provided the basis of inclusion of a gender and women empowering indicator for the assessment of the progress on the same. In 2013, United Nations Development Fund for Women (UNIFEM), in collaboration with OECD's Network on Gender Equality (Gendernet), developed the modules for assessing progress on gender equality and women's empowerment.

The assessment was based on SDG 5.c.1 measurement criteria, which include:

1. Gender-responsive policies and/or programmes and corresponding ODA allocations.
2. Mechanisms to track such ODA allocations throughout the budget cycle, from disbursement through to evaluation of impact of expenditures.
3. Donor has provisions to make information on allocations for gender equality and women's empowerment publicly available.

African Government Performance

There is progress on policy and institutional framework. More work is needed in budget allocation towards gender equality and women's empowerment. Only 67% of African countries approach the requirements for having systems to track and make public allocations for gender equality and women's empowerment. At the same time, 11% fully meet the requirements of SDG indicator 5.c.1. Furthermore, 22% of African countries do not meet any of these requirements. Gender policies on equality and women's empowerment in Africa are not stand-alone policies but are included as part of broader national development strategies or mainstream the goals within sector policies and/or programmes. See Box 4.

Box 4. Africa's Gender Performance

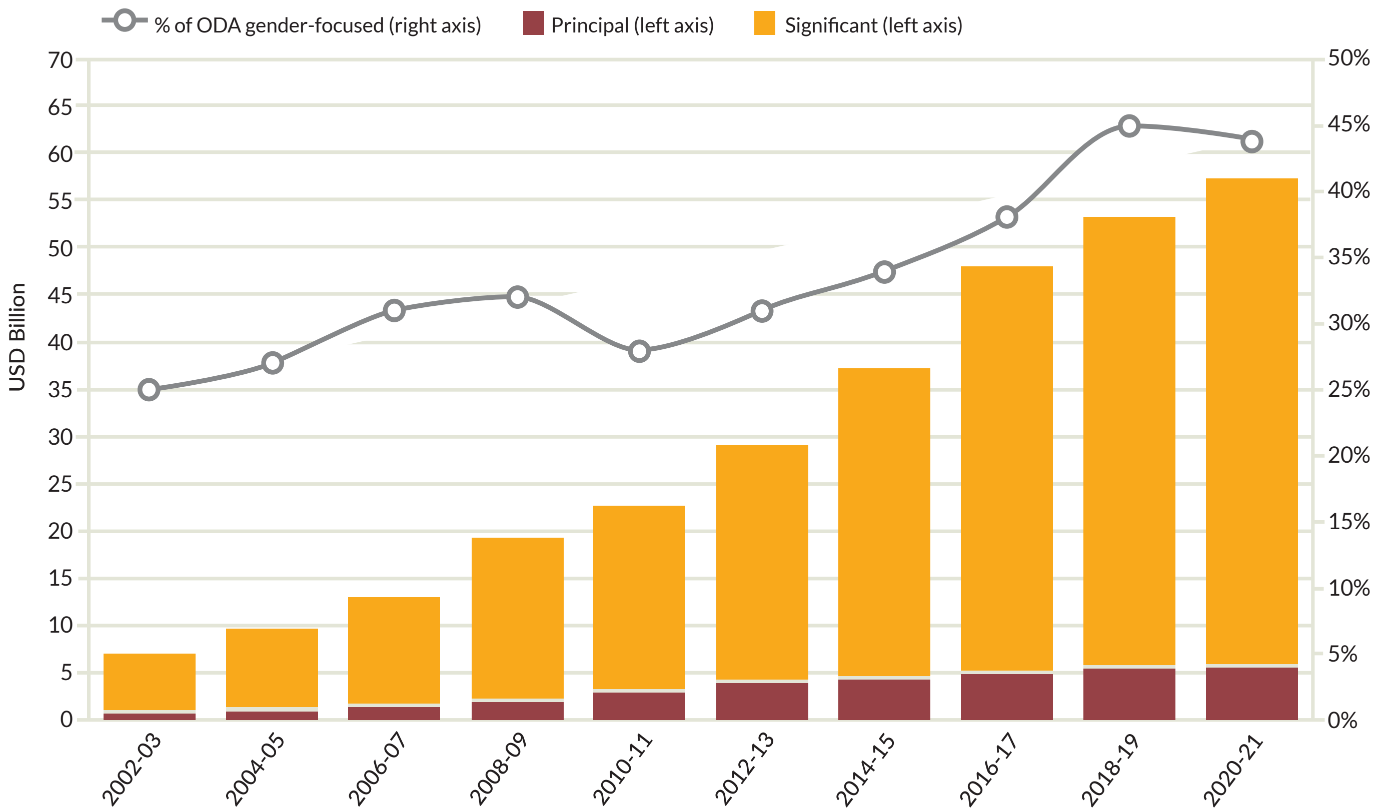
- 74% of African countries have gender policies in place.
- 19% of African countries have gender-responsive PFM systems in place against the world average of 23%.
- 56% of African countries have transparent information on resource allocations in place against the global average of 58%.

Source: GPEDC, 2019

Donor Performance in Africa

Share of ODA towards gender equality has been on the rise over the last decades. While overall ODA that integrates gender equality is on the rise, ODA dedicated to gender equality as a primary objective has stalled at around 4% of all bilateral ODA. DAC members committed 44% of their bilateral allocable ODA on average per year in 2020–21 to gender equality (USD 57.4 billion). 56% of aid did not address gender equality in 2020–2021. The bulk was committed to programmes that integrate gender equality as a significant policy objective: USD 51.6 billion (40% of total bilateral aid). See Figure 5 for details.

Figure 5: Share of ODA with women's empowerment in principle and significant policy objectives from 2001 to 2021



Source: OECD, 2022b

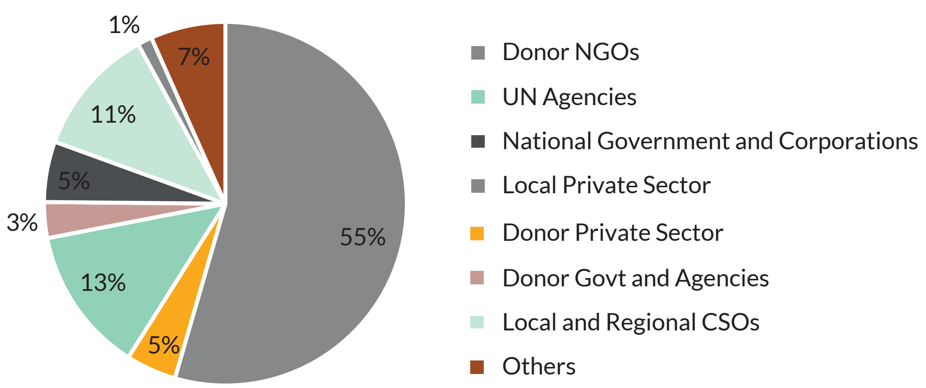
ODA Flows on Gender Equality and Women's Empowerment

Most of the gender funds are disbursed through donor-based CSOs, with African government programmes being among the least funded. DAC members also channelled USD 10.4 billion to and through CSOs for projects or programmes with gender equality as an objective, i.e., about half of the total ODA channelled to and through CSOs. Africa accounts for one-third of the amount of ODA with gender equality objectives (significant + principal). The support to programmes *dedicated* to gender equality and women's empowerment as the principal objective amounted to USD 2.3 billion on average per year in the period 2020–21, more than any other region and representing 13% of total ODA for gender equality in the region—exceeding the global average of 4%. However, this amount is majorly disbursed through donor NGOs (54%), UN agencies (13%), donor private sector (5%), and donor governments (3%). A small percentage is disbursed through local NGOs (11%), national governments (5%), and private sector (1%). In essence, African institutions, including governments, private sector, and civil society, only received 26% of the total disbursements during the 2020/21 reporting year, as shown in Pie Chart 2 below.

The concentration of funding towards CSOs would imply that there would be a framework to assess CSOs' own progress on effectiveness towards gender equality and women's empowerment. Unfortunately, the current GPEDC monitoring framework does not include gender equality and empowerment as part of CSO effectiveness. Its focus has largely targeted central governments.

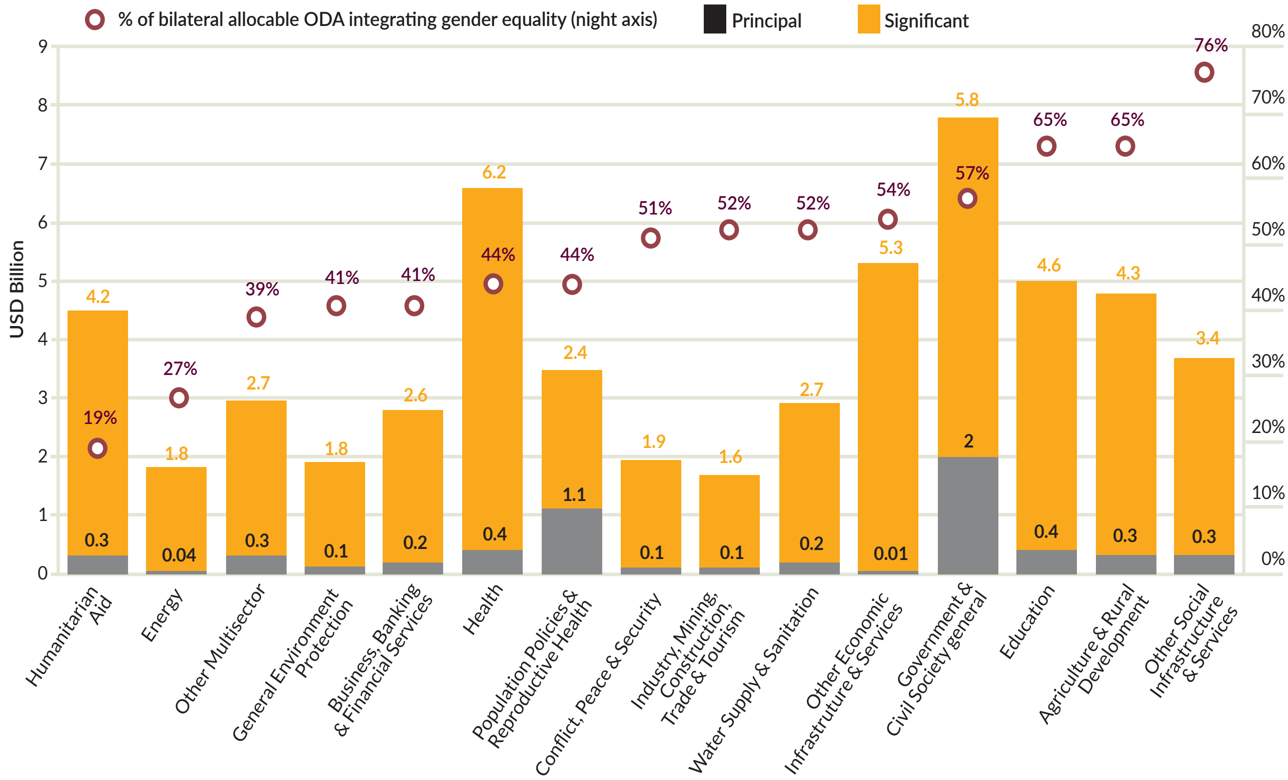
ODA flows are highest in the social sectors targeting gender integration. ODA flows towards the productive and economic sectors of industry, business, banking, and energy show a low focus on gender equality and women's empowerment. For example, only 26% of aid in the business, banking, and financial services sector and only 18% in the energy sector integrate gender equality, indicating an opportunity for donors to examine their support for gender equality in these areas. See Figure 6. ODA's principal focus falls even further behind in these sectors, accounting for 0.2% for business, banking, and financial services and for 0.04% for energy respectively. In contrast, the social sector attracts more ODA flows. Among the highest ODA flow areas are humanitarian aid at 42%, 45% of aid in the agriculture sector, 46% in the education sector, and 62% in the health sector, all integrating or dedicated to gender equality.

Pie Chart 2: Disbursements 2020 to 2021



Source: Author generated

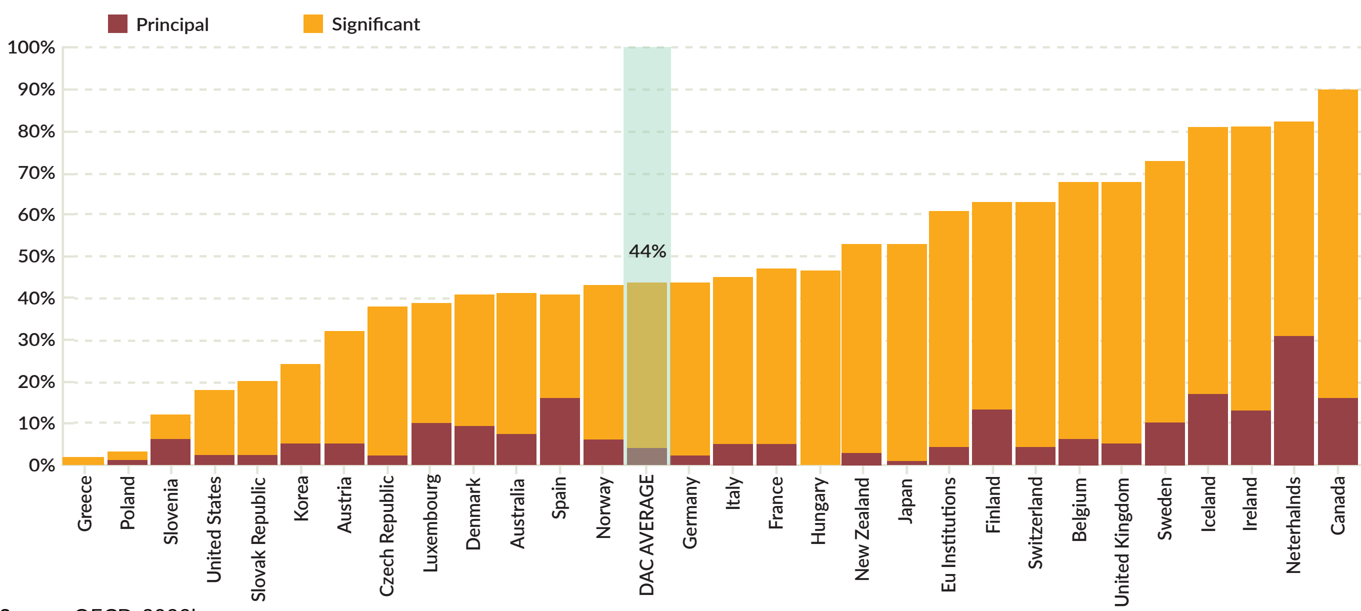
Figure 6: ODA flows per sector targeting gender integration 2020 to 2021



Source: OECD, 2022b

The highest *shares* of ODA committed for gender equality (significant + principal) over 2020–21 were reported by Canada (90%), the Netherlands (82%), Ireland (81%), and Iceland (81%). In terms of *volumes*, the top development partners in 2020–21 were Germany (USD 10.5 billion on average per year), the EU institutions (USD 9.3 billion), Japan (USD 8.1 billion), the United States (USD 5.7 billion), and France (USD 5.5 billion). See Figure 7 and Table 4.

Figure 7: Share of ODA with women's empowerment in principle and significant policy objectives from 2020 to 2021 per DAC member



Source: OECD, 2022b

Table 4. Shares of ODA committed for gender equality (significant + principal) over 2020–21

	Principal	Significant	Sub-Total: Gender Equality focused	*As % of aid screened*	Not targeted	Total aid screened	Not screened	*Bilateral allocable, total*	Support to women's equality organisations and institucions	*Ending violence against women and girls*
	a	b	c=a +b	c/e	d	e=c +d	f		Both included in (a)	
Australia	160	803	**963**	*40*	1,415	2,378	0	*2,378*	*14*	*30*
Austria	25	127	**151**	*32*	314	465	0	*465*	*4*	*2*
Belgium	45	502	**548**	***68***	**258**	**806**	**186**	*992*	*5*	*12*
Canada	522	2,438	**2,960**	***90***	**327**	**3,287**	**0**	*3,287*	*72*	*70*
Czech Republic	2	24	**26**	***38***	**42**	**68**	**1**	*69*	*0*	*0*
Denmark	137	503	**640**	*40*	944	1,583	48	*1,632*	*7*	*0*
EU Institutions	575	8,765	**9,340**	*60*	6,127	15,467	6,050	*21,517*	*54*	*34*
Finland	83	328	**411**	*63*	245	656	76	*733*	*10*	*36*
France	552	4,999	**5,551**	*47*	6,379	11,931	587	*12,518*	*52*	*6*
Germany	565	9,919	**10,483**	*45*	13,003	23,486	137	*23,623*	*45*	*42*
Greece	0	0	**0**	*2*	16	16	0	*16*	*0*	*0*
Hungary	0	106	**106**	*47*	120	226	0	*226*	*0*	*0*
Iceland	7	25	**32**	*81*	7	39	0	*39*	*3*	*0*
Ireland	54	284	**338**	*81*	79	418	52	*470*	*10*	*15*
Italy	42	366	**408**	*45*	506	914	245	*1,159*	*5*	*8*
Japan	133	7,979	**8,111**	*53*	7,237	15,348	1,217	*16,565*	*18*	*11*
Korea	157	556	**713**	*25*	2,143	2,856	199	*3,055*	*25*	*21*
Luxembourg	16	48	**64**	*38*	103	167	133	*300*	*1*	*4*
Netherlands	1,089	1,759	**2,848**	*82*	624	3,472	0	*3,472*	*200*	*11*
New Zealand	11	228	**240**	*52*	218	458	0	*458*	*1*	*4*
Norway	207	1,269	**1,476**	*43*	1,920	3,396	0	*3,395*	*48*	*59*
Poland	1	3	**4**	*3*	128	132	0	*133*	*0*	*0*
Portugal	2	41	**44**	*39*	69	113	0	*113*	*0*	*0*
Slovak Republic	0	4	**5**	*20*	18	23	0	*23*	*0*	*0*
Slovenia	1	1	**2**	*12*	12	13	3	*16*	*0*	*0*
Spain	140	217	**356**	*41*	509	865	0	*866*	*33*	*27*
Sweden	196	1,235	**1,431**	*72*	521	1,951	153	*2,104*	*63*	*31*
Switzerland	102	1,388	**1,491**	*63*	860	2,350	133	*2,483*	*9*	*32*
United Kingdom	218	2,688	**2,906**	*69*	1,331	4,237	166	*4,404*	*9*	*18*
United States	679	5,051	**5,730**	*18*	26,739	32,468	0	*32,468*	*0*	*7*
Total DAC members	**5,721**	**51,656**	**57,377**	***44***	**72,215**	**129,592**	**9,387**	***138,978***	***689***	***480***

Source: OECD, 2023a

Impact of ODA on Gender Equality and Women's Empowerment

In 2021, about 40% of ODA to Africa included a focus on gender equality. Social sectors (education, health, and social protection) received the highest share of gender-focused ODA while infrastructure and economic development receive less gender-focused funding. ODA has supported increased school enrolment among girls, with female literacy rates improving from 48% in 2000 to 58% in 2022. Programmes targeting female school dropouts and child marriage have seen positive outcomes.

On the health side, maternal mortality rates declined, partly due to ODA-supported reproductive health programmes while ODA-funded HIV/AIDS programmes reduced mother-to-child transmission rates. Investments in maternal healthcare have improved access to prenatal and postnatal care.

ODA continues to support women's access to microfinance, credit, and vocational training. Female labour force participation in Africa is on the rise, and investment in women's cooperatives and small businesses has improved local economic resilience.

At the same time, programmes funded by ODA have supported shelters, legal aid, and counseling for survivors of gender-based violence (GBV) while campaigns to change social norms and strengthen legal frameworks to protect women continue to gain traction across the continent, including in the areas of land ownership among women and women's participation in political processes.

Chapter Three: Direct Budget Support and Financing Challenges

Chapter Three at a Glance

This chapter examines the trend in use of direct budget support among Sub–Saharan African countries. Use of direct budget support is seen as the surest way to use the country system as well as reduce the transaction cost for governments. It also places governments in the pole position to determine sector allocations. This means that aid money is not linked to specific projects or expenditure items. Rather, it is disbursed through the country's own administrative systems. Important findings include:

- Sub-Saharan African countries experienced overall progress in the quality of their public finance management (PFM) systems. Out of the 27 countries assessed, 15 were marked as improved, four stagnated, and eight experienced decline in the strength of their PFM.
- Budget support is on the decline since the introduction of the GPEDC, particularly in Sub–Saharan Africa, when compared to disbursement in sectors such as health, humanitarian aid, and production sectors.
- The proportion of aid using country public financial management systems declined to 41% (from 48%), even though the quality of the system has improved. This shows a weak correlation between the improved quality of a country system and its use by donors.
- The choice to use is made by donors and not through dialogue with African governments.
- Direct budget support has become a tool for intimidation and threats of withholding fund disbursements by bilateral donors, making it an unattractive tool.
- Use of a country system is on the rise among multilateral donors and slightly higher than among bilateral donors. United Nations agencies are the lowest in use of a country system.

Policy recommendations

- Review the indicator requirements on direct budget support to increase its intake and use.
- Donors to review and change their legal frameworks to fulfill their commitments under the Paris Declaration on Aid Effectiveness to allow for bilateral direct budget support.
- Develop a signal system that is predictable to prepare countries for the withdrawal of direct budget support and to address the challenges with unilateral action.
- African countries to continue strengthening their PFM systems, including improving on transparency and accountability in budget formulation, public expenditure, and national audits.

Direct Budget Support

The OECD-DAC defines direct budget support as an aid modality in which foreign funds are transferred to a recipient's treasury, and are managed and spent according to national budgetary regulations and priorities. This allows the government to assume responsibility over prioritization, planning, and implementation processes. The Accra Agenda for Action and the use of country systems call for donors to channel 50% or more of government-to-government aid through country financial systems (public financial management—PFM—and procurement) by 2010.

Budget support is accompanied by conditions and procedures for dialogue between the countries and donors. The decision by donors to use budget support goes hand-in-hand with partner country commitments to strengthen their public financial management systems to ensure credible planning, budget, accounting, auditing, and reporting of the requirements placed on donors' systems for the provisioning of development assistance and direct support to central governments' budgets or to specific sectors. This was to place countries in the driver's seat on allocating resources according to national priorities. In other words, it allowed countries to be responsible for prioritization, planning, and implementation.

For aid to be effective, donors need to respect partner country development priorities and processes over their own development policies and practices. This means, among other things, using a country's own administrative systems to deliver aid. A country's national budget is the main instrument for resource mobilization and public expenditure. Donor provision of aid through the national budget can help strengthen the budget process as well as promote country ownership, lower transaction costs by eliminating the creation and maintenance of parallel structures, and provide an entry point for partners to harmonise their processes in the alignment with the country fiscal space.

The 2005 Paris Declaration and the 2011 Busan Agreement committed donors to more systematic use of country systems and to supporting countries in strengthening their systems, whether for financial management, procurement, statistics, or in the management of technical assistance. For their part, partner countries have committed to strengthening their own systems to encourage donors to use them.

The Busan Agreement and the use of country systems

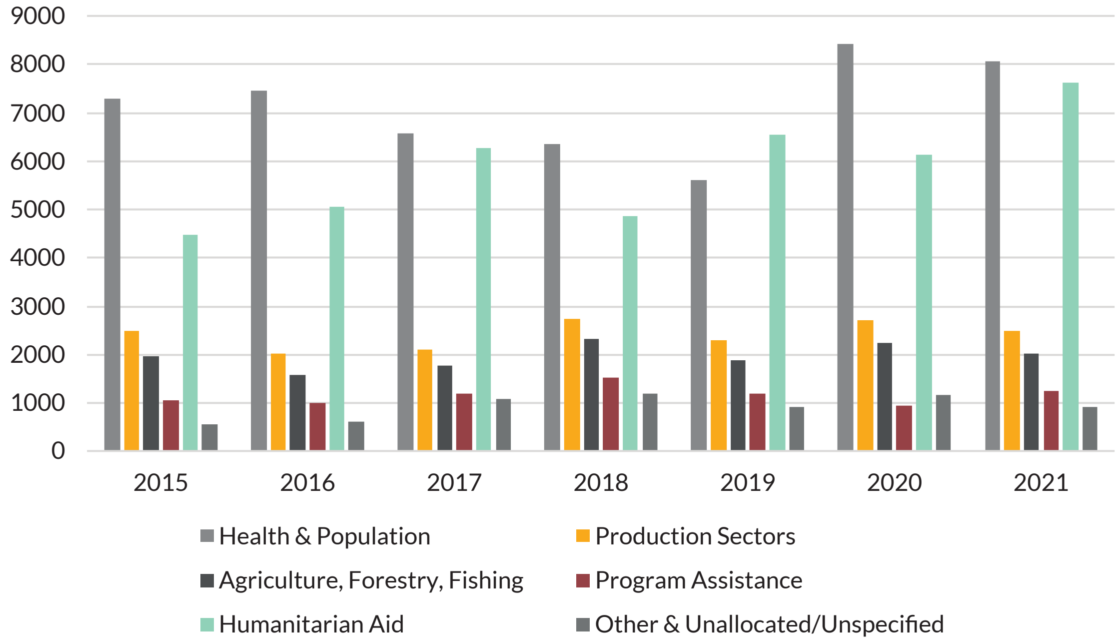
At the High-Level Forum in Busan in December 2011, donors agreed:

- To use country systems as the option for aid programmes managed by the public sector.
- To be transparent when they decide not to use country systems.
- To support country-led reform programmes.
- To develop corporate plans for using country systems.
- To channel 50% or more of government-to-government aid through country financial systems (public financial management—PFM—and procurement).

Direct Budget Support Trends

Budget support is on the decline since the introduction of the GPEDC, particularly in Sub–Saharan Africa, when compared to disbursements in sectors such as health, humanitarian aid, and production sectors. In 2020, Sub-Saharan African countries received approximately USD1.2 billion in budget aid from the donor community compared to USD 2.6 billion in 2016. See Bar Chart 9.

Bar Chart 9: Selected ODA Sector Allocations

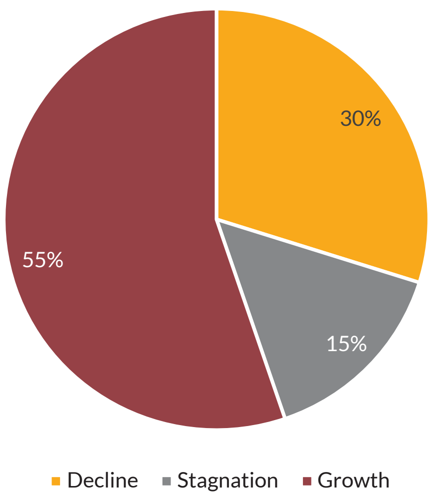


Source: Author generated from OECD data of 2022 (OECD, 2022a)

Trends for Sub-Saharan Africa in Public Finance Management Use

Sub-Saharan African countries experienced overall progress in the quality of their public finance management (PFM) systems. Out of the 27 countries assessed, 15 were marked as improved, four stagnated, and eight experienced decline in the strength of their PFM. See Pie Chart 3. The decline was largely due to lack of usage by donors.

Pie Chart 3: State of PFM in Africa



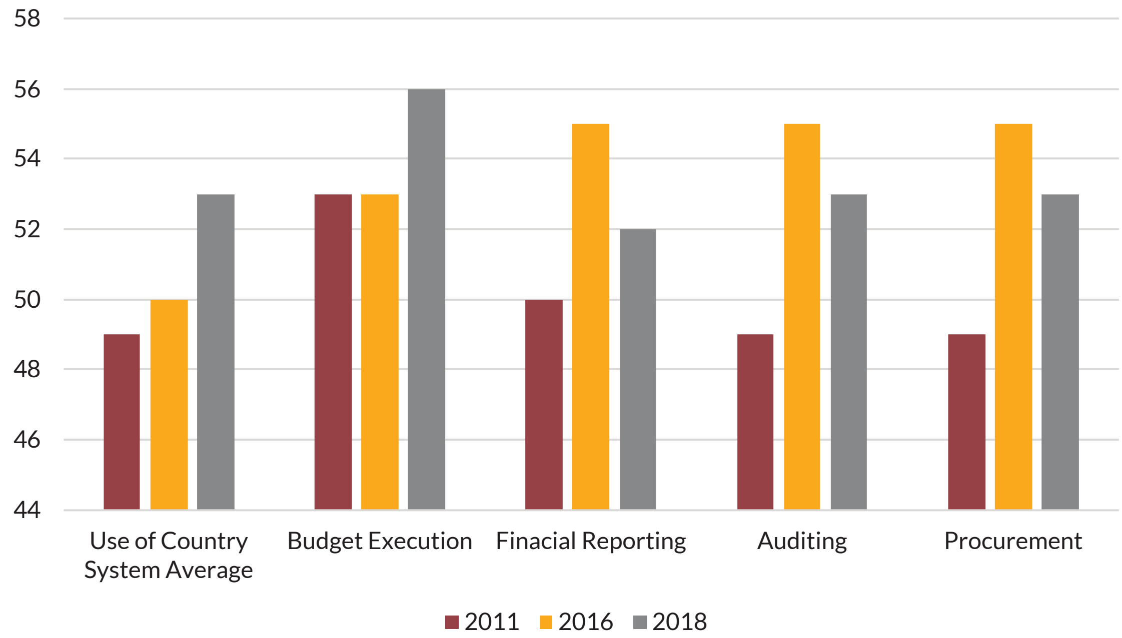
Source: Author generated

Donor use of country systems

While there has been an overall improvement in the use of country systems globally, all elements covering public finance management inspire donor confidence at different levels, with different donors choosing to use the system at different stages (see Bar Chart 10). Discussions with governments, however, reveal that the choices made by donors are not made through dialogue but by intimidation and by threats of withholding fund disbursements.

Development partners' use of these systems to deliver co-operation both lowers transaction costs and helps to accelerate strengthening of these systems. In African countries, the GPEDC 2018 survey shows a slippage in the proportion of aid using country public financial management systems to 41% (from 48%) even though the quality of the system has improved. This is below the global average which improved to 53% from 47%. Additionally, legislative oversight of the budget has

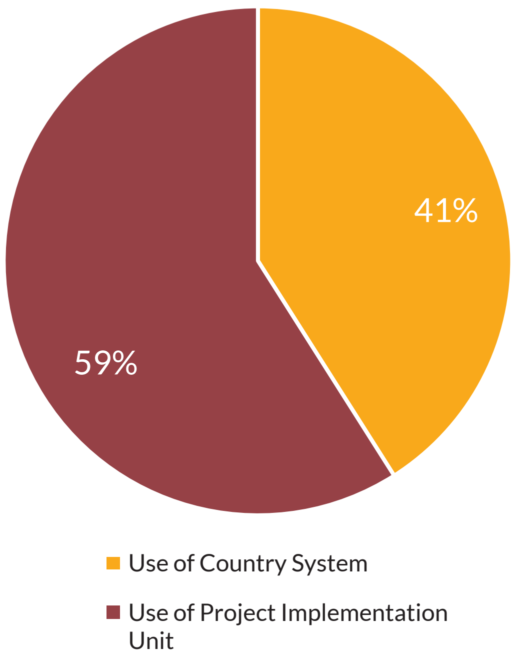
Bar Chart 10: Use of Country Systems



Source: Author generated

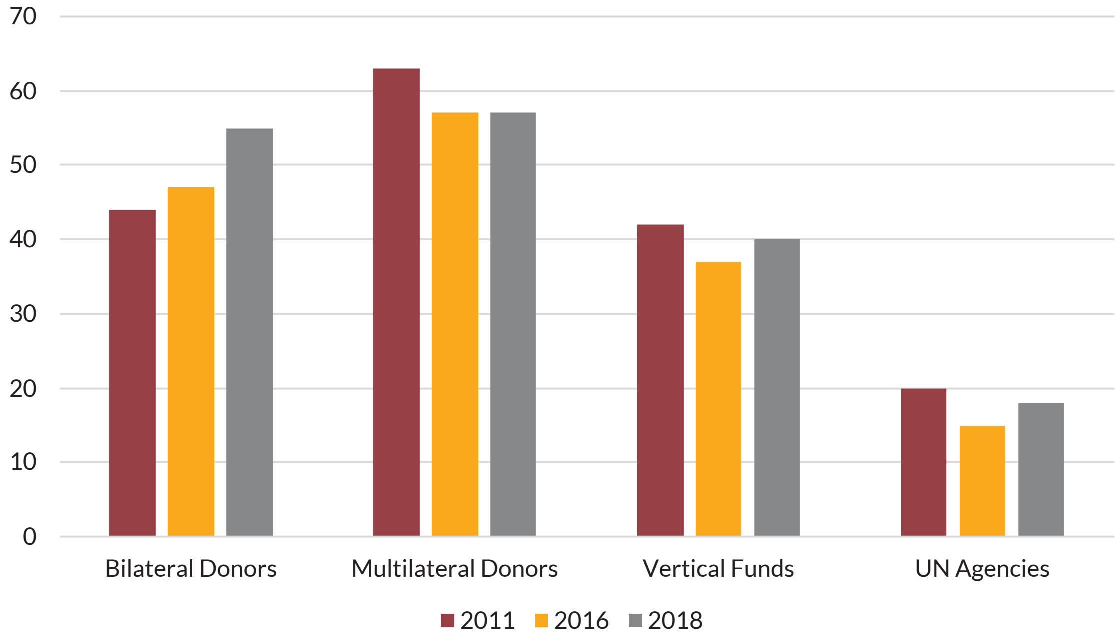
decreased. The share of development co-operation recorded on budgets subject to parliamentary scrutiny in African countries decreased from 59% in 2016 to 47% in 2018. See Pie Chart 4.

Pie Chart 4: Use of Country System in Africa



Use of a country system is on the rise among multilateral donors and slightly higher than use by bilateral donors. United Nations agencies are the lowest in use of country system, as shown in Bar Chart 11. The International Monetary Fund, the World Bank, and the European Commission are in the lead on the use of a country system in Africa. Since the COVID-19 pandemic and the subsequent financial and debt crisis, the IMF continues to provide most African countries with balance-of-payment support. The World Bank also continues to fund African countries' budgets within the framework of its structural adjustment lending programmes. The European Commission supports reforms in different sectors to prevent further economic and social setbacks. It is, however, important to note that government and CSOs in Africa see the policy-based lending implemented by multilateral institutions as not addressing poverty eradication or inequality but instead leading to painful and costly experience for the citizens in those countries.

Bar Chart 11: Use of Country System by Donor Type



Source: Author generated from 2019 GPEDC data

Direct budget support is not the norm but an exception. Global partnership monitoring points to some factors that may shape development partner decisions to use partner country public financial management (PFM) systems. It is understood that many other considerations also influence the degree to which development partners use these systems. Development partners continually cite fiduciary concerns and non-fiduciary concerns. However, these decisions are taken without structured consultation with governments, leaving programmes targeting the poor, who are badly starved of finances.

Country experiences

Malawi—Corruption is a major impediment to direct budget support. Donors in Malawi pulled out support from the direct budget support due to misuse of public financial resources. Corruption was cited as the main reason. Although development partners reduced direct support to the national budget, they continue to contribute a large portion of resources to key sectors such as health and population services. This is evidenced by the large allocations made to this sector and also development partners shouldering a large part of the development budget. Development partners support various sectors off-budget through project implementation units. Moreover, development partners provide technical support to various sectors such that capacities have been built to improve service delivery in the public sector. Nevertheless, resumption of budget support would significantly enhance aid effectiveness.

Kenya—Eligibility criteria too cumbersome. Kenya does not receive general budget support from bilateral donors. It has not qualified for general budget support due to its middle-income status and not meeting most of the indicators used to access eligibility. However, Kenya receives reform-based budget support or earmarked budget support from the World Bank and African Development Bank. Most of the external funding is programme-based and to various sectors based on need and budget deficit.

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