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# DONOR PRACTICES ON FORWARD PLANNING OF AID EXPENDITURES

**Report on DAC 2007 Survey of Aid Allocation Policies and Forward Spending Plans**

*A draft report was presented at the Global Forum on Development on 11 December 2007. This paper is a revised version with updated information on forward planning practices of the UN agencies.*

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# DONOR PRACTICES ON FORWARD PLANNING OF AID EXPENDITURES

1. As part of the DAC 2007 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, the Secretariat carried out a desk study on donors' country allocation and budgetary procedures, based on public information available in DAC documents and donors' Internet sites. It drafted for each donor – DAC members and selected multilateral organisations – a 1-page text including a description of the donor's overall budget framework for development co-operation, arrangements for forward planning of aid expenditures at the operational level and notes on the availability of forward information. Donors were requested to verify the accuracy of the information and, if necessary, provide updates. This note presents the information as validated by donors: 23 DAC members, the World Bank, the African Development Bank, the Asian Development Bank, a number of UN agencies, the Global Fund to fight AIDS, Tuberculosis and Malaria and the Global Environment Facility.

2. The note provides an analytical summary of donor practices according to various parameters such as the level of specificity of future allocations by country/sector and their timeframes. The individual donor sheets are presented in the Appendix (Compendium of donor practices on forward planning of aid expenditures).

## Forward planning of aid expenditures – Summary of donor practices

*Overall budget framework for development co-operation*

3. All DAC bilateral donors work with annual budgets. In general, the budget is approved by the parliament 1-3 months before the beginning of the financial year. Table 1 below shows the month in which the government's proposal becomes publicly available – for most DAC members between September and November, as their financial year corresponds to the calendar year.

**Table 1. Development co-operation budget timeframes**

| Budget proposal submitted to parliament | Donor | Financial year starting |
|---|---|---|
| August | Denmark | January |
| September | France, Finland, Germany, Italy, Netherlands, Sweden | January |
| October | Belgium, Luxembourg, Norway, Spain, Switzerland | January |
| November | Austria, Greece, Ireland, Portugal | January |
| January | Japan | April |
| February | Canada | April |
| | United States | October |
| March | United Kingdom | April |
| May | Australia, New Zealand | July |

4. While budgets are annual, budgetary planning is multi-year. In at least half of DAC member countries, the budget proposal includes a forward looking, 3-4-year indicative spending plan or expenditure scenario. These scenarios are generally presented to the parliament for information. While the parliament in some cases (e.g., Switzerland) endorses a multi-year budget framework, the endorsement does not guarantee the availability of funds in later years. Payments can be authorised only from the approved annual budgets. The same applies to members that have set a target for their ODA/GNI ratio. The budget proposal links ODA to GNI forecasts, but funding is subject to approval by the parliament year by year.

5. The budget proposal outlines the government's policy priorities with regard to sectors, themes and recipients of aid and the shares of bilateral and multilateral ODA. For recipients, priorities are generally expressed in terms of regional allocations and focus (for example, "priority given to Africa"), listing priority partner countries and, in some cases, specifying allocations to these.

6. Most members have an integrated budget for development co-operation. Once the budget is adopted by the parliament, resources are allocated to the spending authorities (government departments, aid agencies or embassies). Canada, the Netherlands and the United States have a funding envelope covering all international assistance (*i.e.* both ODA and non-ODA activities).[1]

7. Multilateral agencies' budget frameworks (as regards core funding[2]) are multi-year. The European Community's ODA instruments stretch over 6-7 years and the multi-year financial frameworks of the largest UN funds and programmes – UNDP, UNICEF and UNFPA – over 4 years[3]. The policy and allocation priorities of multilateral development banks and global funds are set during the replenishment negotiations that take place every 3-4 years.

*Planning at the operational level*

8. Planning and programming at the operational level takes place through country strategies, indicative co-operation programmes or similar instruments. Donors elaborate multi-year strategies for their major recipient countries and in some cases regions, typically covering a period of 3-5 years. These provide a framework for the donor's involvement in the country, analysing needs, setting out the rationale of the interventions, and outlining the operations (sectors and modalities). Some donors present the elaboration of multi-year country strategies as an internal process between headquarters and the donors' embassies, others emphasise that the strategy results from bilateral consultations with the partner countries.

9. The approach of the United States differs from that of other DAC members in that each US government agency has its individual approach to planning, agreeing and implementing its assistance with the partner country.

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1 . The Netherlands has a separate ODA target within this envelope.

2 . Multilateral agencies' operational activities in developing countries are funded partly from the agencies' regular (core) resources, partly from other (non-core) resources. Only allocations of core resources are discussed here. Non-core resources, which include bilateral donors' earmarked contributions to specific projects and programmes, are covered in bilateral aid budgets/allocations.

3 . UN funds and programmes obtain their core resources through donors' voluntary contributions. The core-funded operational activities of UNCTAD, UN-Habitat, UNAIDS, UNEP and UNODC are of much smaller scale and were not examined in the Survey. WFP, UNHCR and UNRWA were not covered as their activities do not fall under the definition of country programmable aid (which excludes food aid and humanitarian aid). UN specialised agencies use core resources (obtained through assessed contributions) for field programme activities only to a limited extent.

10. Most donors' country strategies provide forward information on planned annual expenditure. The extent to which the information is shared with partner countries varies from one donor to another. Some include indications of future funding levels in co-operation agreements signed with partner countries, others share such information on an informal, non-committal basis, yet others do not share the information or share it only with selected recipients or in relation to budget support.

11. Donors' practices of forward planning differ also with regard to the periodicity of updating the indicative financial plans. Some donors update their multi-year financial plans every year and could therefore provide forward information 3-4 years ahead on a regular basis. Other donors update plans following a schedule of bilateral consultations with the partner countries, and could therefore provide forward information 1-4 years ahead, depending on the date of the latest consultations.

12. Multi-year country strategies are commonly supplemented with annual country plans, laying out financial allocations for the year and including information on projects and programmes to be implemented during the year. For a few donors, annual planning implies calls for project proposals which could be funded through the development co-operation budget.

13. Multilateral agencies generally determine resource allocations using a resource allocation model, based on country needs (measured principally by GNI per capita) and performance.[4] The development banks formulate their grants and concessional lending programmes with the help of country performance rating (CPR) systems, consisting of country policy and institutional assessments and portfolio performance assessments. The GEF applies a model to two-thirds of its allocable resources, with one-third allocated on a project-by-project basis. The Global Fund operates on a responsive basis. Initial funding is awarded on the basis of the quality of project proposals received from countries, but continued and renewed funding depends on proven results and targets achieved.

14. UNDP, UNICEF and UNFPA also allocate core resources to country programmes using resource allocation models. The models are based on development indicators relevant to each agency's mandate and other criteria, such as priority regions and/or income groups, defined by the agencies' executive boards. Core resources are used also on programme support costs in the agencies' headquarters. Operational planning at the country level takes place within the United Nations Development Assistance Framework (UNDAF). In brief, the UNDAF is based on the recipient country's development priorities and defines how the UN agencies support these through various projects and programmes over a 5-year period. Analytical work for UNDAF is either government-led or based on the UN's Common Country Assessments (CCA); the UNDAF cycles are aligned, whenever possible, with the national planning frameworks. The UNDAF is inclusive of all UN agencies that are members of the UN Development Group (UNDG). This means agencies (funds, programmes and specialised agencies) are involved in the joint programming process even if they had no core-funded country programmes. Note also that the UNDAF covers both core and non-core funded activities, including those for which funding has not been secured.

*Coverage of forward information*

15. DAC bilateral donors' forward planning is generally limited to their priority partner countries. With the exception of the United States, all members have a named group of priority recipients and several are in the process of further concentrating their aid.

4 Only two DAC members (Netherlands and the United Kingdom) mention use of a resource allocation model to help to decide on their allocations.

16. Consequently, for many DAC members, information on indicative forward spending plans covers only selected recipient countries. Table 2 below shows for each member the amount of country programmable aid (CPA)[5] extended to its priority recipients in 2005 and the share this represented of its total CPA that year. The forward information obtained through the survey (see estimated coverage in column F) confirms the availability of information on these multi-year financial plans.

5 CPA refers to aid susceptible to programming at the country level. It is defined through exclusion, by subtracting from total ODA aid that is unpredictable by nature (humanitarian aid, debt relief), entails no cross-border flows (development research in the donor country, promotion of development awareness, imputed students' costs, refugees in donor countries, administrative costs), does not form part of co-operation agreements between governments (food aid, aid extended by local governments in donor countries) or is not county programmable by the donor (core funding to national and international NGOs).

**Table 2. Country programmable aid to DAC members' priority recipients, 2005**

Gross disbursements, millions of USD

| | **CPA 2005 (validated baseline)** | | | ***For reference:*** | | Estimated share of CPA for which forward plans to 2010 |
|---|---|---|---|---|---|---|
| | CPA to priority recipients | Total estimated CPA 2005 | A as a share of B | *Total bilateral ODA 2005* | *B as a share of D* | |
| | A | B | C | *D* | *E* | F |
| Australia | 857 | 933 | 92% | *1,449* | *64%* | 92% |
| Austria | 49 | 68 | 73% | *1,246* | *5%* | 100% |
| Belgium | 295 | 503 | 59% | *1,360* | *37%* | 100% |
| Canada | 419 | 929 | 45% | *2,853* | *33%* | 100% |
| Denmark | 673 | 947 | 71% | *1,423* | *67%* | 71% |
| EC[1] | 5,113 | 6,573 | 78% | *9,022* | *73%* | 100% |
| Finland | 103 | 256 | 40% | *602* | *43%* | 100% |
| France | 1,552 | 2,496 | 62% | *8,524* | *29%* | 62% |
| Germany | 1,477 | 1,874 | 79% | *8,960* | *21%* | 100% |
| Greece | 98 | 134 | 73% | *207* | *65%* | 68% |
| Ireland | 210 | 302 | 69% | *482* | *63%* | 69% |
| Italy | 413 | 528 | 78% | *2,443* | *22%* | 78% |
| Japan | 7,006 | 8,431 | 83% | *15,900* | *53%* | 0% |
| Luxembourg | 95 | 140 | 68% | *187* | *75%* | 68% |
| Netherlands | 887 | 1,075 | 82% | *3,769* | *29%* | 100% |
| New Zealand | 91 | 122 | 74% | *224* | *55%* | 100% |
| Norway [2] | 762 | 1,155 | 66% | *2,033* | *57%* | 66% |
| Portugal | 130 | 168 | 77% | *224* | *75%* | 88% |
| Spain | 606 | 1,074 | 56% | *2,362* | *45%* | 100% |
| Sweden[3] | 642 | 1,119 | 57% | *2,256* | *50%* | 100% |
| Switzerland | 378 | 568 | 67% | *1,407* | *40%* | 68% |
| United Kingdom | 2,362 | 3,225 | 73% | *8,509* | *38%* | 100% |
| United States [1] | 13,085 | 14,265 | 92% | *26,085* | *55%* | 0% |
| **Total DAC** | **37,304** | **46,884** | **80%** | ***101,526*** | ***46%*** | **47%** |

**Notes:**

1. For the European Commission and the United States, the data on CPA to priority recipients relate to recipients that accounted for 90% of total CPA in each region.
2. Norway will abolish the system of main partner countries starting in 2008.
3. Based on DAC Peer Review 2005. Includes long-term and substantial partner countries, which is different from priority countries. The Swedish government has started a country focus process and during 2007 decided upon a number of focus countries.
4. Austria, Greece and Switzerland provided forward information up to 2008 and Italy up to 2009. Forward planning data of Germany on a commitment basis relate to aid implemented by GTZ and KfW up to 2008, with data for a few priority recipients to 2009 or 2010.

17. An overview of DAC members' priority recipients is given in the map below and Table 3 which indicates the most popular priority recipients. It is in particular for these countries that DAC members make forward spending plans.

**Map 1. Priority recipient countries for DAC members' bilateral aid**

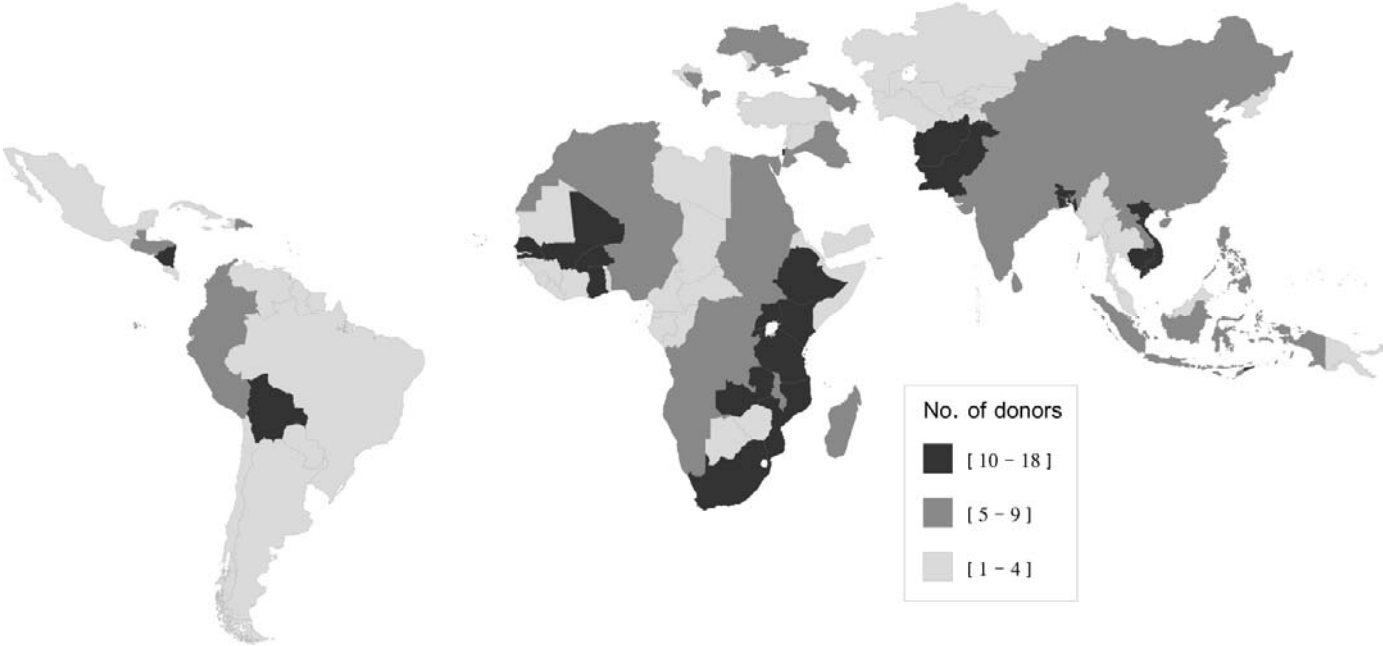


**Table 3. Priority recipient countries for DAC members' bilateral aid**

| Priority for N donors | Recipient | Priority for N donors | Recipient | Priority for N donors | Recipient |
|---|---|---|---|---|---|
| 18 | MOZAMBIQUE | 9 | BENIN | 6 | SERBIA |
| 18 | VIET NAM | 9 | NEPAL | 6 | UKRAINE |
| 15 | TANZANIA | 9 | INDONESIA | 6 | ALGERIA |
| 14 | ETHIOPIA | 8 | ALBANIA | 6 | MOROCCO |
| 14 | NICARAGUA | 8 | BOSNIA-HERZEGOVINA | 6 | ANGOLA |
| 13 | MALI | 8 | MACEDONIA (FYROM) | 6 | CAPE VERDE |
| 12 | KENYA | 8 | EGYPT | 6 | CONGO, DEM.REP. |
| 12 | ZAMBIA | 8 | NIGER | 6 | NAMIBIA |
| 12 | BOLIVIA | 7 | TUNISIA | 6 | COLOMBIA |
| 12 | AFGHANISTAN | 7 | MADAGASCAR | 6 | ECUADOR |
| 12 | BANGLADESH | 7 | MALAWI | 6 | IRAK |
| 11 | BURKINA FASO | 7 | NIGERIA | 6 | JORDAN |
| 11 | UGANDA | 7 | SUDAN | 6 | GEORGIA |
| 11 | PALESTINIAN ADMIN.AREAS | 7 | GUATEMALA | 6 | SRI LANKA |
| 10 | GHANA | 7 | HONDURAS | 6 | CHINA |
| 10 | RWANDA | 7 | PERU | | |
| 10 | SENEGAL | 7 | INDIA | | |
| 10 | SOUTH AFRICA | 7 | LAOS | | |
| 10 | PAKISTAN | 7 | PHILIPPINES | | |
| 10 | CAMBODIA | | | | |
| 10 | TIMOR-LESTE | | | | |

18. Multilateral agencies' forward planning covers all recipients of their aid. Table 4 shows for reference data on selected multilateral agencies' CPA (gross disbursements) in 2005. The data comprise core-funded expenditure on operational activities in ODA recipient countries. For multilateral development banks, the data comprise project and programme related transactions (not debt relief) and cover only concessional credits and grants.

**Table 4. Country programmable aid of selected multilateral agencies, 2005**

Gross disbursements, millions of USD

| | Total estimated CPA 2005 | Estimated share of CPA for which forward plans to 2010 |
|---|---|---|
| World Bank (IDA) | 8,172 | 100% |
| African Development Bank | 988 | 100% |
| Asian Development Bank | 1,293 | 100% |
| Inter-American Development Bank | 535 | 0% |
| UNDP | 394 | 100% |
| UNICEF | 459 | 100% |
| UNFPA | 302 | 100% |
| International Fund for Agricultural Development | 299 | 0% |
| Global Environmental Facility | 165 | 0% |
| Global Fund to fight AIDS, Tuberculosis and Malaria | 1,005 | 0% |
| **Total multilateral** | **13,611** | 85% |

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# APPENDIX. COMPENDIUM OF DONOR PRACTICES ON FORWARD PLANNING OF AID EXPENDITURES

## Australia

*Overall budget framework for development co-operation*

The Australian Government's development co-operation budget proposal is contained in the Foreign Affairs and Trade Portfolio Budget Statement (PB Statement), which is submitted to the Parliament each year in May, in advance of the fiscal year which begins on 1 July. In addition to the PB Statement, there is a ministerial budget statement which details the activities underpinning the budget proposal. The most recent one (*Australia's Overseas Aid Program 2007-08)* provides details on planned ODA allocations, by recipient and by sector, in FY 2007-08.

Once the budget is adopted by the parliament, resources are allocated to agencies through the annual appropriations acts. The development co-operation budget is managed by the Australian Agency for International Development (AusAID), an autonomous agency under the aegis of the Department of Foreign Affairs and Trade.

The ODA budget for FY 2007-08 is AUD 3.2 billion, corresponding to 0.3% of GNI. Australia supports the UN target of 0.7% ODA/GNI as an aspiration; it does not support a time bound target to reach this goal. In 2005, the Prime Minister announced scaling up of Australia's ODA to around AUD 4 billion by 2010. The Government expects to continue increasing development assistance, to AUD 3.5 billion in 2008-09, AUD 3.8 billion in 2009-10 and AUD 4.3 billion in 2010-11. The strategic framework for scaling up is given in the Aid White Paper '*Australian Aid: Promoting Growth and Stability*'.

*Planning at operational level*

Australia has development partnership strategies with 32 countries, with a geographic focus on the Asia–Pacific region. For each partner country or in some cases regions, Australia develops a multi-year strategy, which typically covers a period of up to 4 years. The country strategies provide the overall policy and implementation framework for Australia's aid programme but do not include multi-year financial plans. Aid allocations are determined during the annual budget process.

*Availability of forward information*

- Information on the development co-operation budget becomes publicly available in May (for the fiscal year starting on 1 July).
- Country strategies provide a multi-year planning framework. Aid allocations are determined in the annual budget process.

## Austria

*Overall budget framework for development co-operation*

Austria's development co-operation policy and thematic priorities are outlined in a 3-year programme, revised every year on a rolling basis. The programme is endorsed by the Council of Ministers and communicated to the Parliament for information. A large number of ministries, agencies and institutions (as well as the federal provinces and municipalities) provide funds for development co-operation. The 3-year programme presents ODA forecasts (projections from the existing expenditure rates) by institution.

The development co-operation budget, contained in the ministerial budgets, is approved once a year in the Federal Finance Act. The core bilateral programme is included in the budget of the Ministry of Foreign Affairs. The budget is submitted to the Parliament each year in November, in advance of the fiscal year which begins on 1 January.

Austria has endorsed the overall UN ODA/GNI target of 0.7% by 2015 and the EU agreed target of 0.51% by 2010.

*Planning at operational level*

The Austrian Development Agency (ADA) is responsible for administering and contracting out the core bilateral programme which represents a relatively small share of Austria's total ODA.

The core bilateral programme is allocated to 13 priority recipients (Nicaragua, Cape Verde, Burkina Faso, Ethiopia, Mozambique, Uganda, Bhutan, Albania, Bosnia-Herzegovina, Macedonia, Montenegro, Moldova and Palestinian administered areas) and 20 other co-operation countries. Bilateral co-operation agreements with these countries are multi-year and in some cases include the level of funding over the 3-4 year period.

*Availability of forward information*

- Next year's overall budget for development co-operation is available in the Federal Finance Act which is submitted to the parliament in November.
- The 'Three-year programme of Austrian Development Policy' includes projections of ODA by institution.
- Allocations to focus countries are planned over 3-4 years.

## Belgium

*Overall budget framework for development co-operation*

The *Direction générale de la coopération au développement* [General Directorate for Development Co-operation] (DGCD), which is part of the Federal Office of Foreign Affairs, External Trade and Development Co-operation (SPFAE), manages the bulk (around 55%) of Belgium's ODA. The *Service public fédéral des Finances* [Federal Finance Office] manages about 11% of ODA, including government-to-government loans, while the *Office national du Ducroire* [the official trade and investment insurance agency] handles debt issues. The regions, the "communities", the provinces and a great number of communes account for an additional 4% of ODA.

Belgium has instituted an integrated "development co-operation" budget. It includes budgetary items that formerly appeared in the budgets of other departments (for example statutory contributions to international institutions). However, the budget for co-operation loans is still organisationally distinct. The budget for each year is submitted to parliament by the end of October of the previous year, for approval no later than 31 December.

Belgium is committed to bringing ODA up to 0.7% of GNI by 2010. This commitment (which goes beyond the European undertaking to achieve 0.51% in 2010 and 0.7% in 2015) was recorded in the programme-law of 24 December 2002, and confirmed in the Government Accord of July 2003. The established growth framework calls for steady increases of 0.05% of GNI each year.

*Planning at operational level*

Belgium's bilateral assistance is provided through both direct and indirect co-operation channels. Direct assistance is governed by specific co-operation agreements between governments. The programmes are prepared and financed by the DGCD, but are carried out by a public corporation, *Coopération Technique Belge* (CTB). Indirect aid consists of programmes co-financed by the DGCD but prepared and implemented by NGOs, universities, scientific institutions etc.

Direct bilateral aid is targeted at 18 countries: Algeria, Benin, Bolivia, Burundi, Democratic Republic of Congo, Ecuador, Mali, Morocco, Mozambique, Niger, Palestinian administered areas, Peru, Rwanda, Senegal, South Africa, Tanzania, Uganda, and Viet Nam. The law of 25 May 1999 instituted the principle of geographic concentration for direct bilateral aid. As well, Belgium concentrates its aid within each country on a limited number of sectors: basic health needs, including reproductive health; education and training; agriculture and food security; basic infrastructure; and conflict prevention and social cohesion.

The co-operative relations between Belgium and its bilateral co-operation partner countries are governed by joint commissions, which adopt the Indicative Co-operation Programmes (PICs). The joint commissions meet normally every three or four years. At the end of each session, a financial envelope is determined as the basis for preparing the co-operation programmes, leading to signature of specific co-operation agreements.

*Availability of forward information*

- Multiyear country envelopes are available in the PIC.
- The annual co-operation budget is submitted to parliament each year no later than 31 October.

## Canada

*Overall budget framework for development co-operation*

Canadian development co-operation activities are mainly funded from the International Assistance Envelope (IAE). The IAE consists of five pools - development, international financial institutions, peace and security, crisis, development research. It provides for both ODA and non-ODA activities. The Cabinet is responsible for the allocation of incremental funds from the IAE to departments and institutions implementing the international assistance programme. The IAE is jointly managed by the Canadian International Development Agency (CIDA), the Department of Foreign Affairs & International Trade (DFAIT) and the Department of Finance, in collaboration with the Treasury Board Secretariat and the Privy Council Office.

In 2002, Canada announced its intention to scale up aid by doubling its IAE from FY 2001-02 level by FY 2010-11, with planned annual increases of 8%. This commitment was reconfirmed in the 2007 Federal Government's Budget. Federal budgets are typically tabled in February prior to the fiscal year starting on 1 April.

The bulk of the IAE is included in the budgets of CIDA, DFAIT and the Department of Finance. Detailed information on the activities to be financed is presented to Parliament in the Estimates which includes the 'Reports on Plans and Priorities', submitted by each agency/department implementing development co-operation.

*Planning at the operational level*

The 2007 Federal Government's Budget lays out a three-point program for enhancing the focus, efficiency and accountability of Canada's international assistance efforts. Canada will concentrate its traditional bilateral aid in fewer countries in a manner consistent with its foreign policy objectives. Canada will also work to increase efficiency and examine options to ensure the independent evaluation of its aid programme.

The IAE is managed by CIDA (68% of total planned aid resources for FY 2007-08), DFAIT (assessed contributions to multilaterals, peace and security programs), Department of Finance (IDA, multilateral debt relief), International Development Research Centre (IDRC), and some other government departments. About 40% of the total budget can be broken down by recipient.

At CIDA, planning at the operational level is multi-year with financial allocations by channel (region and institutional). CIDA further develops country strategies with its partners that serve as a basis for strategic engagement and business planning for a period of 5-10 years.

*Availability of forward information*

- Information on the following financial year's overall development co-operation budget becomes publicly available in the spring in the Report on Plans and Priorities. The breakdown is by "strategic outcome".

## Denmark

*Overall budget framework for development co-operation*

The annual development co-operation budget is included in the annual Finance Act proposal (Finanslovsforslag), under the Ministry of Foreign Affairs (MFA) chapter. The proposal is submitted to the Folketing (Parliament) each year, by end August at the latest, and is approved before the beginning of the fiscal year on 1 January. The development co-operation budget is submitted on an accrual basis, i.e. it encompasses total annual commitments (rather than the planned annual disbursements). Once allocated, the funds are managed by the South Group in the MFA (commonly known as Danida).

Annexed to the annual budget proposal is a rolling five year plan of Danish development co-operation (commitments and disbursements). This plan includes information at country level (e.g. sectoral breakdown by recipient) for Denmark's 16 programme (priority) countries.

The Danish Government has announced that it will not allow development assistance dip below the level of 0.8 per cent of GNI in the years ahead. The approved ODA budget for 2007 was DKK 13.895 billion.

*Planning at operational level*

For each programme country (Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Egypt, Ghana, Kenya, Mali, Mozambique, Nepal, Nicaragua, Tanzania, Uganda, Viet Nam and Zambia), Denmark elaborates a 'Strategy for Danish Co-operation' which covers up to 5 years in advance. These provide a framework for planning at operational level (including the identification of new phases of Danish support to sector programmes and other priority areas), together with an outline of the planned distribution of resources between the sectors and focus areas for each year of the strategy period.

The country strategies are prepared by the Danish embassies in programme countries. They are endorsed both by the Danish Minister for Development Co-operation and the partner country authorities. They form the basis for the statutory rolling five-year plan of Denmark's total development co-operation budget.

*Availability of forward information*

- A given year's budget for development co-operation is available in the budget proposal submitted during August of the previous year.
- Multi-year financial plans are available in the annual Finance Act and in the country strategies. The latter are negotiated every 5 years.

## European Community

*Overall budget framework for development co-operation*

Following a reform of the European Community's financial instruments in 2006, the majority of EC ODA is funded through the European Development Fund (EDF), the Development Co-operation Instrument (DCI) and the European Neighbourhood Instrument (ENPI). The EDF is a multi-annual programme under the responsibility of the Directorate General for Development and Relations with African, Caribbean and Pacific countries (DEV) as regards multi-annual strategies and programming and the EuropeAid Cooperation Office as regards the identification and implementation specific projects and programmes. It is funded by contributions from EU member states (outside the Community budget). For the DCI and the ENPI, elaboration of multi-annual strategies and programming is the responsibility of the Directorate General for External Relations (RELEX) with EuropeAid Cooperation Office identifying and implementing specific projects and programmes. The DCI and ENPI are financed directly from the Community's annual budget. The DCI supports development programmes in Latin America, Asia, Central Asia, Middle East and South Africa. The ENPI provides financial assistance to development in neighbouring countries of the Mediterranean basin and Eastern Europe.

The $10^{th}$ EDF will run from 2008-13. The total amount available is EUR 22.7 billion. This is divided into two distinct envelopes. The "A-envelope" is an allocation for programmable assistance and the "B-envelope" covers unforeseen needs. The current DCI funding envelope for 2007 – 2013 amounts to EUR 16.9 billion and includes indicative financial allocations per region and thematic programme.

Other EC funding programmes include the Instrument for Pre-Accession, the Instrument for Stability and the European Instrument for Democracy and Human Rights.

*Planning at operational level*

Most Community aid to a country is outlined in the country strategy papers (CSPs) which currently have a medium-term perspective of 6-7 years. The CSP provides the strategic framework for the EC's involvement in the country, analysing needs and setting out the rationale of the interventions, listing the various activities and the specific objectives for each sector. They do not include thematic and regional funds. The CSPs are supplemented with National Indicative Programmes (NIPs). The NIP is a shorter, focused document listing the sectors of intervention, activities and indicative financial plans.

The CSPs concerning the EDF (ACP countries) are communicated to the country. They run for the same period as the EDFs, so CSPs for 2008-13 are being finalised. In the case of DCI and ENPI, mixed commissions are used to discuss overall aid levels. The CSPs of the countries covered by the DCI and ENPI cover the period 2007-13.

For both the EDF, DCI and ENPI funds, in addition to the overall multi-year financial framework, the EC adopts annual action programmes based on the strategy papers.

*Availability of forward information*

- Information on the $10^{th}$ EDF overall envelope covering years 2008-13 became available in October 2006. Country allocation process is being finalised as part of the CSPs. Information on the DCI overall envelope covering the years 2007-13 became available in October 2006 when the Council adopted the EC budget for 2007.
- Country allocation processes for EDF, DCI and ENPI are being finalised as part of the CSPs.
- In 2007 most annual action programmes per country shall be adopted in the last quarter of the year.

## Finland

*Overall budget framework for development co-operation*

Finland's development co-operation budget, which comprises the bulk of its ODA, is determined by the economic plan of the central government. Each new government agrees on a budget framework (spending limits) for development co-operation, covering the whole parliamentary period. The present budget framework covers years 2008-11. The announced levels of the development co-operation budget are: € 582m (2007), € 685m (2008), € 753m (2009), € 820m (2010) and € 928m (2011).

The formulation of the annual development co-operation budget starts each year in March. The MFA submits a draft proposal to the Ministry of Finance in May. The budget proposal is finalised in June-August and submitted to the Parliament in September. The Parliament approves the budget in December. It decides on annual aid allocations by main category of expenditure: multilateral ODA, bilateral country/region specific ODA, European Development Fund, humanitarian aid, planning and support functions, evaluation/audit, NGOs, concessional credits. For the first two categories, the budget proposal includes a breakdown by recipient (organisation, country or region as the case may be). For each main category of expenditure, the Parliament also approves so-called budget authorities for future years. This enables the MFA to make multi-year commitments.

*Planning at operational level*

In parallel with budget drafting and negotiations, the regional and policy departments prepare their 4-year 'operating and financial plans'. The regional departments handling ODA funds (Africa/Middle East and Latin America/Asia) plan expenditure at the country level for Finland's eight long-term partner countries (Mozambique, Tanzania, Ethiopia, Zambia, Kenya, Nicaragua, Viet Nam and Nepal). Allocations on "regional programmes", "other countries" and "local co-operation funds" are included in the plan at the aggregate level. The current operating and financial plan goes up to 2012.

*Availability of forward information*

- Forward information on next year's overall budget for development co-operation becomes publicly available in August.
- The budget includes forward information at country level for one year but only on Finland's long-term partner countries.
- Forward information on planned annual expenditure in Finland's long-term partner countries is available for four years ahead. Aggregate figures on planned annual expenditure in other countries, regional co-operation and local co-operation funds are also available for the same period.

## France

*Overall budget framework for development co-operation*

The *Comité Interministériel de la Coopération Internationale et du Développement* [Inter-Ministerial Committee for International Co-operation and Development] (CICID) defines development co-operation policies and identifies the zone of concentration ("*zone de solidarité prioritaire*", ZSP). The CICID is chaired by the Prime Minister and embraces the 12 ministries most directly concerned with development issues. Support services are provided jointly by the Ministry of Foreign and European Affairs (MAEE) and the Ministry of Economy, Finance and Employment (MINEFE).

All programmes involving official development assistance (ODA) covered by the budget law are grouped together in a comprehensive policy document (*document de politique transversale*). The draft budget law is submitted in September to the National Assembly, which has 70 days to adopt the budget. The two main programmes that constitute French ODA (programmes 110 and 209, and since 2007 programme 301 for "co-development") represent an interministerial "mission" that is presented in an integrated format in the budget law. Programme 110 ("economic and financial aid to development") is managed by the MINEFE, programme 209 ("solidarity with developing countries") by the MAEE, and programme 301 ("co-development") by the Ministry of Immigration, Integration, National Identity and Co-development. These programmes include bilateral and multilateral financing. The fiscal year begins on 1st January.

*Planning at operational level*

The *Agence Française de Développement* [French Development Agency] (AFD) is the pivotal operator for bilateral assistance, in sectors related directly to the Millennium Development Goals (agriculture and rural development, health, basic education, vocational training, environment, private sector, urban infrastructure and development) and for implementing global budgetary assistance. AFD reports jointly to MINEFE, MAEE and the *Ministère de l'Outre-Mer* [Ministry of Overseas Territories]. According to DAC statistics, the funds managed by AFD, MINEFE and MAEE accounted for 83% of France's bilateral ODA in 2005 (on a commitment basis). Programme implementation also involves France's representatives in the partner countries (diplomatic offices, co-operation and cultural action services (SCAC), research centres such as the *Institut de recherche pour le développement* [Development Research Institute] (IRD), the *Centre de coopération internationale en recherche agronomique pour le développement* [Centre for International Research in Agricultural Development] (CIRAD) etc.).

The ZSP currently embraces 55 countries in Africa, the Middle East, Asia, the Americas and Oceania. The main instrument for programming assistance to these countries is the *Document Cadre de Partenariat* [Partnership Framework] (DCP). The DCP presents the indicative financing envelope for French support, by sector of intervention, and spells out agreed activities over a five-year period. The DCPs are negotiated with the partner countries and confirmed in the "Strategic Orientation and Programming Conference" (COSP). France has now signed 30 DCPs.

*Availability of forward information*

- Information on the ODA budget is available in the draft budget law submitted in September. The budget shows funding allocations by "mission" and by programme.
- The multiyear ODA forecasts are contained in the DCPs, of which there are currently 30. The DCPs establish an indicative five-year framework.

## Germany

*Overall budget framework for development co-operation*

The budget for development co-operation of the federal government is established on the basis of the annual federal budget and the rolling financial plan covering a 4-year period ahead. The draft budget for 2008 has been submitted together with the financial plan for the period up to 2011. This announces an increase of 750 million Euros. The augmented level is intended to be maintained over the next four years. As an EU-15 member, Germany has also committed to raise its ODA/GNI ratio to 0.51% by 2010.

Germany's aid allocation policy is debated in the Parliament's Committee for Economic Co-operation and Development and the Budget Committee. The budget for development co-operation is administered for the most part by the Federal Ministry for Economic Co-operation and Development (BMZ). Other Ministries administering the budget for development co-operation are the Federal Ministry of Finance (EC budget, debt relief), the Federal Foreign Office (humanitarian aid) and other federal ministries. Part of German ODA is provided by the federal states (Bundesländer).

*Planning at operational level*

The BMZ budget for bilateral co-operation is in turn allocated to KfW (financial co-operation), GTZ (technical co-operation) and other implementing agencies in the field of technical cooperation such as INWENT, DED and CIM. In addition, funds are channelled through non-governmental organisations, including churches and political foundations. A multi-year framework for the BMZ aid budget is in place and broken down by countries and by sector. Country strategies, a system requirement for partner countries, are generally valid for three to five years. They are binding for financial and technical co-operation agencies (KfW, GTZ, INWENT, DED and CIM) and serve as guidance for other agencies. In addition allocation targets are set to meet Germany's international sectoral commitments (e.g. education, HIV/AIDS).

Germany negotiates aid levels with partner countries and informs them of multi-year commitment plans with regard to financial and technical co-operation projects and programmes. Commitments are made up to three years ahead.

*Availability of forward information*

- Within BMZ budget, the main part of bilateral funds (being implemented by GTZ and KfW) are committed to partner countries for a fixed multi-year period. New commitments are made at the end of the fixed period.

- It is possible to make projections on a commitment basis, whereas projecting disbursements depends on the progress of programme/project implementation and is therefore less predictable.

## Greece

*Overall budget framework for development co-operation*

The Greek parliament approves the budget for development co-operation on an annual basis in December. The budget is managed by several ministries, in particular the Ministry of Foreign Affairs (Hellenic Aid), the Ministry of National Education and Religions, and the Ministry of National Defence.

As an EU-15 member, Greece had committed to raise its ODA/GNI ratio to 0.51% by 2010. Due to budgetary constraints the target of 0.51% has been deferred to 2012. The approved development co-operation budget for 2007 is EUR 400 m.

*Planning at operational level*

The Hellenic Aid programme is outlined in a 5-year strategy paper. The '*3rd Five- year Programme of Official Development Cooperation and Assistance of Greece 2008-2012'* is under preparation.

Greece allocates funds to 18 priority countries, namely Albania, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia (FYROM), Moldova, Montenegro, Serbia, Ukraine, Egypt, Democratic Republic of Congo, Ethiopia, South Africa, Jordan, Lebanon, Palestinian administered areas, Syria, Armenia, Azerbaijan and Georgia. Every year, priority sectors within each priority country are identified further to proposals from diplomatic missions and bilateral agreements. On this basis, Hellenic Aid then invites expressions of interest from ministries, legal entities, NGOs, universities, etc., for project proposals, which, if approved, will be financed by the development co-operation budget. Funds are allocated on an annual basis (i.e. for the time being no multi-year commitments are made).

Greece has signed multi-year bilateral development co-operation agreements with the countries in the Balkans in the framework of the 'Hellenic Plan for the Economic Reconstruction of the Balkans' (HiPERB). The HiPERB was originally planned to cover years 2002 – 2006, but as funds were not fully used the programme has been extended to 2011. Financial allocations to each recipient are specified in the HiPERB budget (totalling EUR 550 million). (Also included are activities in Romania and Bulgaria which do not count as ODA). HiPERB funds are committed on an annual basis.

*Availability of forward information*

- Information on the next fiscal year's development co-operation budget is available in the annual budget voted by the parliament in December.

- The funds for development co-operation are committed on an annual basis.

## **Ireland**

*Overall budget framework for development co-operation*

Irish Aid, a division of the Department of Foreign Affairs (DFA), is responsible for the management, oversight, policy direction and administration of Ireland's development co-operation programme. Most of the Irish ODA budget originates from Vote 29 – Development Co-operation. This covers Ireland's bilateral ODA and most of its voluntary contributions to multilateral agencies. (The components of ODA not included in the vote are the pro-rata share of the European Community's ODA and contributions made by other government departments, e.g. by the Department of Finance to international financial institutions.)

The Minister for Finance publishes a pre-Budget Outlook in November of each year. This contains estimates of the coming year's expenditure for each Government programme on an "existing level of service" basis. The Minister for Finance then presents the annual exchequer budget to Dáil Éireann (parliament) in the first week of December. This includes the final estimate allocations for the various Government expenditure programmes, including Vote 29, for the coming year. These final estimates provide for any planned changes in level of service. The estimates are subsequently approved by a vote of the Dáil.

The ODA budget for 2007 is EUR 814 million which corresponds to 0.5% of GNI. The Irish Government is committed to reaching the UN target of spending 0.7% of GNI on official development assistance by 2012.

*Planning at operational level*

Once voted, the budget is managed directly by Irish Aid through its programme country offices, or implemented through key partners including Irish missionaries and NGOs and multilateral institutions.

Ireland's development cooperation programme is focused on nine priority programme countries – Ethiopia, Lesotho, Mozambique, Tanzania, Uganda, Zambia, Malawi (which was added in 2007), Timor-Leste and Viet Nam. Operations in these programme countries are outlined in Country Strategy Papers (CSP), which cover a 3-year period and provide indicative multi-year funding approvals. Ireland is aiming to align its CSPs with the programme countries' PRSP cycles. Other key countries and areas include South Africa, Sierra Leone, Zimbabwe, Palestine administered areas, Liberia and the western Balkans.

Irish Aid has a structured relationship with five partner NGOs (Concern, Trócaire, GOAL, Christian Aid and Self Help Development International). Irish Aid uses Multi Annual Programme Schemes (MAPS) to underpin structured relationships with key NGO partners. These schemes are based on predictable levels of financial support from Irish Aid and agreed programmes of development activity. The current MAPS cover the period 2007-11 and the 2007 tranche is estimated at EUR 64 million.

*Availability of forward information*

- Forward planning information is available through the country strategy papers, MAPS approvals and other commitments with development partners.

## **Italy**

*Overall budget framework for development co-operation*

Italy's development co-operation budget is established in the yearly national budget plan (*Legge Finanziaria)* and other specific laws (e.g., law on international missions). The Government presents the budget plan to the Parliament in September for approval in December.

As an EU member, Italy is committed to an ODA/GNI target of 0.51% by 2010. (Preliminary data for 2006 indicate it missed the Barcelona commitment of 0.33% for 2006.)

*Planning at operational level*

The Ministry of Foreign Affairs (MFA) oversees development co-operation and manages most of the resources, but a few other institutional entities [e.g. Ministry of Economics and Finance (MEF)] are involved. The *Direzione Generale per la Cooperazione allo Sviluppo* [General Directorate for Development Co-operation (DGCS)] of the MFA, is in charge of programming Italian aid. Country offices work with 3-year financial plans which are revised every year. Plans are made at the level of regions in January-February and countries in March.

Early 2007 Italy introduced a first multi-year programming framework (DGCS deliberation no. 23) with guidelines for aid allocation in 2007-09. The document states that, geographically, priority will be given to Sub-Saharan African, Mediterranean and Latin American countries as well as areas in conflict situations (Afghanistan, Iraq, Palestinian administered areas).

At present Italian aid activities are regulated by the 1987 law no. 49 and subsequent amendments. A major reform of Italian development co-operation is underway. A proposal presenting the guiding principles of the reform and delegating the implementation of the reform to the Government ('*disegno di legge delega*') was made in April 2007 and is being discussed in both chambers of the Parliament. It proposes creation of a new Agency for Development Cooperation and International Solidarity with an autonomous budgeting process.

*Availability of forward information*

- Italy's annual aid budget is presented to the Parliament in September for approval in December.
- Country offices work with 3-year financial plans, revised every year in March.

## Japan

*Overall budget framework for development co-operation*

Japan has an annual development co-operation budget. The Cabinet submits the draft budget to the Diet (parliament) usually in the latter half of January, for approval before the beginning of the fiscal year on 1 April. The announced ODA level for the current financial year 2007/08 is 729.3 billion Yen.

*Planning at operational level*

The Ministry of Foreign Affairs (MOFA) and Ministry of Finance (MOF) accounted for 88% of the total ODA budget in FY 2006 and FY 2007. A part of budget is administered directly by MOFA and MOF; a part is allocated to Japan International Cooperation Agency (JICA) and Japan Bank for International Cooperation (JBIC - loans and debt relief). MOFA has the central coordinating role among the ODA-related government ministries and agencies. JICA and JBIC are to be merged in 1st October 2008.

The prior region of Japan's ODA is Asia. The ODA charter states that "Asia, a region with close relationship to Japan and which can have a major impact on Japan's stability and prosperity, is a priority region for Japan".

Aid allocations to partner countries are based on so-called Country Assistance Programs (CAPs). A CAP is generally designed around a 5-year cycle. It specifies the priority in sectors in the medium term taking into account political, economic, and social conditions of the recipient country as well as its development needs and own development plans. Japan has been in the process of developing rolling multi-year indicative financial plans (covering loans, grant aid and technical cooperation) which it shares with the partner countries on a non-committal, informal basis.

*Availability of forward information*

- Information on the next fiscal year's draft development co-operation budget is publicly available at the latest in January preceding the fiscal year.

## Luxembourg

*Overall budget framework for development co-operation*

Luxembourg manages its ODA primarily through the Ministry of Foreign Affairs and Immigration (MAEI), which is responsible for around 80% of total ODA. The co-operation budget is voted annually by parliament, under sections 01.7 and 31.7, "Development Co-operation and Humanitarian Action", allocated to the MAEI.

The 2008 draft budget for development co-operation and humanitarian action amounts to €296 million. As proposed in the budget law, ODA should represent 0.91% of GNI in 2008. The objective is to achieve a level of 1% of GNI in coming years.

*Planning at operational level*

Luxembourg's bilateral ODA is implemented primarily by Lux-Development, which formulates and carries out co-operation projects with partners in developing countries. The agency handles about 90% of the bilateral programmes financed by the Luxembourg government.

Luxembourg allocates most of its assistance to 10 countries of concentration ("*partenaires privilégiés*"): Burkina Faso, Cape Verde, Mali, Namibia, Niger, Senegal, El Salvador, Nicaragua, Laos and Viet Nam. In 2006 these countries together represented 51% of bilateral aid.

For each of these target countries an indicative co-operation programme (PIC) is adopted by the governments of Luxembourg and the partner country. The PIC is a multi-year programme (five years) that defines the broad areas of co-operation (sectors, geographic zones, forms of intervention) as well as the multi-year budget earmarked for the programme.

*Availability of forward information*

- Information on the ODA budget is available in the draft budget law submitted to parliament in October.
- Multiyear ODA forecasts for the target countries are contained in the PICs.

## Netherlands

*Overall budget framework for development co-operation*

The overall budget framework for Dutch development co-operation is given in the Homogenous Budget for International Co-operation (HGIS). The HGIS presents an overview of ODA and non-ODA activities in a multi-year framework (currently covering the years 2005 to 2010). The MFA is responsible for co-ordination and preparing proposals on the allocation of funds under the HGIS according to foreign policy priorities. Decisions are made by the Cabinet and these are further converted into budgets for the various ministries concerned. Each ministry prepares its budget based on the HGIS and the allocation decision made by the Cabinet. The budgets are annual, submitted to the Parliament in September each year for approval before the beginning of the calendar year. The MFA administers most of the HGIS funds (75% in 2005).

The ODA level of the Netherlands will be 0.81% of GNI in 2007, and will slightly increase from 2009 onwards. The approved ODA budget for 2007 is € 4.65 billion.

*Planning at operational level*

The HGIS provides the basis for multi-year financial planning at operational level. Multi-Annual Strategic Plans (MASPs) are prepared for the Netherlands' development co-operation partner countries. MASP allocations are updated annually and partly based on country performance and need, expressed in the Embassies' Annual Reports and substantiated at the MFA with the help of an aid allocation model. Within each country, aid is focused on two to three sectors at most.

The MASP constitute an internal process through which the Embassies set out a country strategy in agreement with the Headquarters. Only multi-year aid levels in relation to budget support are discussed with partner countries.

*Availability of forward information*

- Information on the next year's development co-operation budget becomes publicly available latest in November.
- Multi-year indicative planning data are available in HGIS (up to 2010) and the Embassies' MASPs (4-year financial envelopes). Multi-year aid levels are discussed with partner countries only in relation to budget support.

**New Zealand**

*Overall budget framework for development co-operation*

New Zealand's development co-operation budget is a separate Vote for Official Development Assistance. The majority of funds (92% for the financial year 2007/08) are managed by New Zealand's International Aid and Development Agency (NZAID), which is a semi-autonomous body within the Ministry of Foreign Affairs and Trade (MFAT).

The development co-operation budget is approved once a year but it is based on a three-year funding envelope as provided in the "Statement of Intent" (SOI). The SOI provides information about the overall planning framework over 3-5 years as well as the projected annual financial plans**.** The Annual Budget proposal ("Estimates" document) is presented to Parliament in May and adopted before the beginning of the fiscal year, which starts on 1 July.

The announced ODA level for FY 2007/08 is NZD 466 millions corresponding to 0.28% of GNI. According to the 2007/08 Statement of Intent, the medium term forecast of New Zealand's ODA is NZD 638 millions, equivalent to 0.35% of GNI.

*Planning at operational level*

The voted annual budget is in turn detailed by country programme and is presented on NZAID website.

At the operational level planning takes place through country strategies. These set out the direction to NZAID's assistance to each country over a multi-year period. They are complemented by implementation plans that detail NZAID's activity in each country.

NZAID's programmes are focused on the Pacific and South East Asia region: NZAID operates eighteen[6] core bilateral programmes, of which eight have been targeted for the majority of growth in future (these are Viet Nam, Indonesia, Solomon Islands, Vanuatu, Papua New Guinea, Fiji, Tokelau and Niue).

*Availability of forward information*

- Next year's overall budget for development co-operation is available in May following the delivery of the Budget Speech.
- Overall multi-year financial plans are available in the SOI and the Estimates.

6 . Cook Islands, Fiji (currently subject to sanctions), Kiribati, Niue, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Cambodia, Indonesia, Laos, Philippines, Timor-Leste, Viet Nam, South Africa.

## Norway

*Overall budget framework for development co-operation*

The development co-operation budget is submitted to the Storting (Parliament) once a year as part of the budget of the Ministry of Foreign Affairs (MFA). The budget proposal is presented in October and approved not later than 20 November before the beginning of the fiscal year on 1 January. The Storting appropriates budgets for one year at a time but has information on multi-year budgetary consequences. Once voted the MFA's financial allocation is translated into operational budgets at country level.

The ODA budget for 2008 amounts to NOK 22.3 billion which corresponds to 0.98 % of Norway's estimated gross national income (GNI).

The budget proposal specifies the policy priorities of the Government. The budget for 2008 specifies the extent to which the aid increase (NOK 1.5 billion) will be allocated to the Government's main priority areas: Climate Change and Sustainable Environment; Peace Building, Human Rights and Humanitarian Aid; Women's Rights and Gender Equality; Petroleum Development and Clean Energy; Good Governance and Corruption and the Health Related Millennium Development Goals. A significant part of the budget increase will be spent in Africa.

*Planning at operational level*

The programming document that officially formalises Norway's co-operation with its development partners is the Memorandum of Understanding (MOU), negotiated by MFA and embassy staff. The MOU specifies the objectives and principles of Norway's assistance to a given country, including sector focus.

Since 2005 Norway has been able to enter into multi-year development co-operation agreements with selected partner governments and organisations. The agreements specify aid allocations for up to five years. They do not cover all partner countries. Starting in 2008 the system of main partner countries will be abolished.

*Availability of forward information*

- Information on the next fiscal (calendar) year's development co-operation budget is available in October each year. For some countries tentative projections on aid levels beyond this are given in bilateral MOUs.

## Portugal

*Overall budget framework for development co-operation*

Portugal has a highly decentralised aid programme spread over 15 different ministries plus universities, other public institutions and 308 municipal governments. The bulk of ODA is administered by the Ministry of Foreign Affairs, the Ministry of Finance (debt relief) and the Ministry of Science, Technology and Higher Education (scholarships and imputed students' costs). The Portuguese Institute for Development Support (IPAD) – a part of the MFA – is responsible for co-ordination.

The Parliament approves the integrated budget for development co-operation on a yearly basis.

As an EU-15 member, Portugal is committed to raise its ODA/GNI ratio to 0.51% by 2010.

*Planning at operational level*

The country programming process is managed by IPAD. The main programming instrument is the triennial Indicative Co-operation Programme (ICP), prepared every three years for Portugal's six priority countries: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tomé & Principe and Timor-Leste. ICPs are drafted by IPAD in collaboration with embassy staff and agreed with the partner countries. (A copy of the Memorandum of Understanding is attached to each ICP.) The ICPs are binding for the line ministries and serve as guidance for other public agencies.

The annual co-operation plan is an internal planning instrument, which complements the ICPs with practical (including budgetary) information on all projects that will be implemented in the following year. The annual plans are prepared between September and December with a view to signing agreements on the year's projects with the recipient in January. All projects not completed in the first year have to re-authorised by the Ministry of Finance.

*Availability of forward information*

- The Indicative Co-operation Programmes provide three-year financial envelopes for aid to Portugal's six priority countries.
- The exact financial allocations are subject to annual approval in the budgetary process.

**Spain**

*Overall budget framework for development co-operation*

A key feature of Spanish development co-operation is the large number of development agents involved. Within the General State Administration (central government) three ministries mainly manage ODA (although virtually all ministries are involved being responsible of different projects): The Ministry of Foreign Affairs and Co-operation (MAEC), through the State Secretary for International Co-operation (SECI), is responsible for development policy, oversees the Spanish International Co-operation Agency (AECI) and administers contributions to non-financial international organisations. The Ministry of Economy and Finance (MEH) is responsible for Spain's participation and co-ordination with international and national financial institutions. The Ministry of Industry, Tourism and Trade (MITC) is responsible for managing Spain's development assistance loans. Moreover, an important share of Spanish ODA is extended by regional governments and local authorities in the 17 autonomous regions, some of which have their own aid agencies. There are three important spaces of co-ordination: the Inter-Territorial Development Co-operation Commission, the Inter-Ministerial Commission for International Co-operation, and the Development Co-operation Council.

The Ministries and related bodies obtain their annual allocations in the general state budget. The budget is generally presented to the Parliament at latest in October for approval at the end of December. The budget proposal includes a three-year income and expenditure scenario.

The Spanish Government has expressed its commitment to reach an ODA/GNI ratio of 0.5% by 2008, and 0.7% by 2012.

*Planning at operational level*

Planning and country programming involves different levels of government. Planning tools include the Master Plan, the Yearly International Co-operation Plan (PACI in Spanish), policy/sector strategy papers and country strategy papers. The Master Plan is a 4-year indicative plan that sets the general guidelines for strategy and aid allocations. The PACI develops the strategic goals and intervention criteria of the Master Plan and specifies the horizontal, sectoral and geographic priorities of Spanish ODA as well as its intervention channels. Currently there are 23 priority recipients. The formulation of country strategies is based on wide consultations in partner countries and at headquarters. The drafts are submitted to the three co-ordinating spaces and the final versions are presented to the parliament. Once the strategic planning process is completed, AECI prepares annual operational plans. Projects and programmes and their estimated budgets are determined in Joint Commissions with the recipient countries.

AECI is currently undergoing a process of reform within the legal framework of the new Law 28/2006, giving it greater autonomy in the planning and allocation of resources. One of the main characteristics of this new regulatory framework is a management agreement between the AECI and the state public administration, to be established for 4 years (only two years in the first agreement) and including a multi-annual results-based budget.

*Availability of forward information*

- Information on the next year's budgets becomes publicly available in October.
- The planning documents contain only minimal budget information;
- A system of multi-annual financial envelopes will be implemented in over the period 2007-09.

## Sweden

*Overall budget framework for development co-operation*

The consolidated annual development co-operation budget is included in the Government's budget bill proposal (International development co-operation policy area 8: expenditure areas 7 International Development Co-operation, and 49 Reform Cooperation in Eastern Europe) submitted to the Riksdagen (parliament) once a year in September. The budget bill is approved latest in December.

The budget bill also includes an indicative 3-year budget framework for development co-operation. The announced ODA level for the period 2008-10 is 1% of GNI. The budget for 2008 amounts to SEK 32.0 billion and projections for 2009 and 2010 are SEK 33.8 billion and SEK 35.4 billion respectively.

*Planning at operational level*

Once the budget bill is approved, the Government gives "appropriation directives" to the spending authorities in terms of objectives, expected results and financial conditions for the operations. Bilateral development co-operation appropriations are primarily managed by Sida and multilateral appropriations by the Ministry for Foreign Affairs.

Bilateral co-operation is governed by multi-year country strategies prepared for Sweden's 67 "long-term and more substantial" recipient countries. During 2007 Sweden initiated a country focus process – a means of making development cooperation more effective. The result of the country focus approach is that bilateral development cooperation will focus on just over 30 regular partner countries. In addition, annual country plans are made. These lay out the financial allocations for the year and planning figures for the next 2 years. The country plan is when possible discussed with the partner country on a yearly basis.

*Availability of forward information*

- A given year's budget for development co-operation is available in the Government's budget bill proposal submitted during September of the previous year.
- Multi-year financial plans are available in the country strategies and in the annual country plans. The latter include indicative planning figures for three years.

**Switzerland**

*Overall budget framework for development co-operation*

The objectives of Swiss international co-operation are defined by parliament on the basis of proposals ("messages") submitted by the Federal Council. The messages specify priorities in terms of the geographic and thematic breakdown of assistance, as well as the respective shares of bilateral and multilateral co-operation. The funds allocated to international co-operation take the form of "framework credits" (*crédits-cadre*) that extend over four or five years. These "framework credits" cover various kinds of measures. The framework credit for "technical and financial co-operation in favour of developing countries" for the period 2004-2007 amounted to CHF 4.2 billion, and the credit for "economic and commercial policy measures" for the period 2003-2008 is CHF 970 million. The current framework credit for international humanitarian aid, CHF 1.5 billion, runs until 2011, while the framework credit for co-operation with the states of Eastern Europe and the CIS for the years 2007-2010 is CHF 650 million. Payment allocations flowing from these framework credits are approved annually in the budget of the Confederation. The budget is submitted to parliament in the fall session and is voted before the beginning of the fiscal year on 1st January.

The Federal Council has confirmed its intention to bring ODA up to 0.4% of GNI in 2010. A new target will be set in 2009.

*Planning at operational level*

The Development and Co-operation Directorate (DDC) within the Federal Department of Foreign Affairs (DFAE) and the Economic Co-operation and Development Office of the Secretariat of State for the Economy (SECO), under the Federal Department of the Economy (DFE), are jointly responsible for implementing development policy. The DDC handles development co-operation and humanitarian aid, while the SECO is responsible for economic and trade policy measures. The DDC administers around 65% of ODA, and SECO 10%.

In co-operation with the coordination offices, the central services of the DDC and the SECO draw up multi-year co-operation programmes for priority countries or regions. The DDC is now co-operating closely with five countries of Eastern Europe (Albania, Bosnia-Herzegovina, Macedonia (FYROM), Serbia and Ukraine) and 17 countries and regions in the South (Benin, Burkina Faso, Chad, Mali, Mozambique, Niger, Tanzania, Nicaragua/Central America, Bolivia, Ecuador, Peru, Bangladesh, Bhutan, India, Nepal, Pakistan, Viet Nam/Mekong). The SECO works with 20 priority countries and regions (11 of which it shares with the DDC).

Country programmes are prepared on the basis of consultation with the principal Swiss partners. These programmes constitute the required frame of reference for all Swiss co-operation activities (strategic and sectoral/thematic guidelines, aid management procedures) and provide medium-term financial planning data for Swiss co-operation (DDC and SECO).

*Availability of forward information*

- The global indicative multi-year envelopes are available within the framework credits. Country-specific information can be found in the country programmes that are prepared about every five years, and are revised in the annual programmes for priority countries.
- The annual budget is based on the framework credits and the country programmes. Country allocations depend on the budget envelope for development assistance.
- The annual co-operation budget is presented to parliament each year in the fall session and approved in December.

**United Kingdom**

*Overall budget framework for development co-operation*

The UK has an annual development co-operation budget with financial year running from April to March. The Chancellor of the Exchequer presents the Budget usually in March to the Parliament for approval before the beginning of the financial year. Forward planning is based on the Treasury's Spending Reviews and the Public Service Agreements (PSA). The former defines limits for Government departments' expenditure and the latter the key results of the expenditure, over a period of three years.

Spending Reviews are usually carried out every third year, and a Comprehensive Spending Review every ten years. The Spending Review in 2004 set plans for FY 2006-07 and FY 2007-08 and confirmed the plans for FY 2005-06 established in the 2002 Spending Review. The 2007 Comprehensive Spending Review covers departmental allocations for FY 2008-09, 2009-10 and 2010-11.

The announced ODA level for FY 2010-11 is 0.56 per cent of GNI. The Government has expressed its wish to continue to increase UK ODA to reach 0.7 per cent of GNI by 2013.

*Planning at operational level*

The PSA for International Poverty Reduction 2008-09 to 2010-11 specifies UK contribution towards the achievement of the MDGs. The PSA is led by DFID, supported by the Department for Environment, Food and Rural Affairs (DEFRA), the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD), and covers the entirety of DFID's operations. It is translated into DFID's corporate planning framework, which is reviewed annually by the DFID Management Board. The corporate plan is in turn translated into Divisional Performance Frameworks and 3 to 5 year Country Assistance Plans (CAPs) and Regional Assistance Plans (RAPs). Country-level allocations are specified in the CAPs and the RAPs. Financing and programming decisions are taken by the Head of Office in country.

For countries supported through a bilateral programme, DFID uses a resource allocation model based on population, GNI per capita (PPP) and CPIA scores. Resource allocations are reviewed annually and there is some flexibility for changing allocations within the overall three-year expenditure framework. The priority countries listed in the 2008-2010 PSA are: Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia, Zimbabwe, Afghanistan, Bangladesh, Cambodia, China, India, Nepal, Pakistan, Viet Nam and Yemen. DFID can make longer-term arrangements with countries committed to poverty reduction and good governance, and has already signed ten-year Development Partnership Arrangements (DPAs) with Afghanistan, Mozambique, Pakistan, Rwanda, Sierra Leone, and Yemen.

*Availability of forward information*

- Next year's overall budget for development co-operation is available usually in March, when the Chancellor of the Exchequer presents the Budget.
- Forward information of the budget framework over the medium term is contained in the Spending Reviews. The 2007 Comprehensive Spending Review covers departmental allocations for FY 2008-09, 2009-10 and 2010-11.
- Forward information on planned annual expenditure in the UK partner countries is published in DFID's Departmental Report and in the CAPs, RAPs and DPAs.

**United States**

*Overall budget framework for development co-operation*

A large number of agencies manage development co-operation funds. USAID is the largest institution (administering about 40% of US total bilateral ODA), followed by the State Department (including the Office of the Global AIDS Coordinator, which administers the President's Emergency Plan for AIDS Relief [PEPFAR]), the Department of Defense, the Millennium Challenge Corporation (MCC) and the Department of Agriculture. Relatively small amounts are managed by some 20 other agencies.

The development co-operation budget, covering all agencies managing development co-operation funds, is presented in a single document "*The Budget of the United States Government"* which is built up from individual agency requests, as reviewed and modified by the President. All budget request documents include ODA as well as non-ODA expenditures and some include information about allocations at country level where applicable.

In early February, the President submits the budget request of the United States Government (USG) to Congress for enactment and appropriation. Ideally, the budget is voted on during the summer, although this has rarely happened in recent years. The US fiscal year runs from October to September. Development co-operation funds are requested and appropriated in the form of different accounts, often with their own distinct purposes and management and reporting requirements.

The announced level of foreign operations for the current fiscal year, as included in the budget request for 2008, is USD 36.2 billion (of which USD 20.3 billion is to be allocated to the State Department and USAID for Bilateral Economic Assistance, USD 4.4 billion to Independent Department and Agencies Bilateral Assistance, USD 1.8 billion for Multilateral Economic Assistance and finally USD 9.8 billion for Department of State Operations and Related Programs) but ODA amounts cannot be separately identified.

The United States has never committed to the UN target of 0.7% of GDP, but has more than doubled its ODA since 2000: not, however, with the aim of meeting that target.

*Planning at operational level*

Each USG agency managing development assistance has its individual approach to planning, agreeing with the partner country and implementing its assistance. These range from single-year planning and reporting systems to multi-year compacts (in the case of the MCC) with an agreed disbursement schedule, based on performance. For USAID and State Department (including the Office of the Global AIDS Coordinator, which has a separate operational plan) an annual operational plan is prepared. The operational plan provides a comprehensive overview of all the resources planned for implementation in country (at activity and project level) and is developed in response to Congressional appropriations.

There is no list of priority recipients shared by all agencies that manage foreign assistance. The USG has recently introduced a '*foreign assistance framework*' to organise and prioritise strategic and budgetary planning for the State Department and USAID among categories of countries and global interests. The MCC has a transparent, empirical rating of countries grouped by income that is carried out annually, and those countries that meet the criteria are prioritized as eligible for the development of multi-year compacts.

*Availability of forward information*

- For all agencies whose appropriation comes from the Foreign Assistance Act of 1961, as amended[7], a given year's development co-operation budget request, including information on country allocations, is available in the previous February.
- Until recently, forward information at country-level has been available for ODA managed by USAID (Strategic Objective Grant Agreements).
- Multi-year funding and disbursement schedule are included in MCC compacts with partner countries.

7 . This would not include the MCC, which does not yet know which countries will be eligible two years in advance; the Department of Defense, or the Department of Agriculture, whose funding is appropriated in other acts of Congress.

**World Bank (IDA)**

*Overall budget framework for development co-operation*

The amount of funds available for credits and grants by IDA (i.e. IDA's commitment authority) under a given replenishment is dependent on the volume of contributions to IDA from donor governments and contributions from the World Bank Group net income, complemented by credit reflows (principal repayments on IDA credits) and other internal resources of IDA (investment income on IDA's liquid assets). Within the original IDA14 financing framework (total commitment authority of USD 32.1 billion), donor contributions represented 55% of the total commitment authority, IDA's internal resources 40% and IBRD transfers 5%.

IDA15 replenishment negotiations were completed at the end of 2007. The financing framework during IDA15 will provide a commitment authority of USD 41.6 billion, of which USD 22.3 billion through regular donor contributions and USD 9.1 billion of donor financing of debt relief costs. The latter include contributions to the HIPC initiative, Multilateral Debt Relief Initiative (MDRI), and arrears clearance operations.

IDA15 replenishment affects IDA's commitment authority in fiscal years (FY) 2009-2011 (i.e. from July 2008 to June 2011) and IDA disbursements in FY 2009-2019. (For IDA14, the commitment period is FY 2006-2008 and disbursement period FY 2006-2016.)

*Planning at operational level*

Three criteria are used to determine which countries are eligible to borrow IDA resources: relative poverty (defined as GNI per capita below an established threshold, which is updated annually); lack of creditworthiness to borrow on market terms; and good policy performance (defined as the implementation of economic and social policies that promote growth and poverty reduction). The latter is assessed by the Country Policy and Institutional Assessment (CPIA), which is aggregated into an overall country score referred to as the IDA Resource Allocation Index (IRAI). The IRAI together with portfolio performance and governance constitute the IDA Country Performance Rating (CPR).

The allocation of IDA resources is determined primarily by each borrower's rating in the annual country performance and institutional assessment. Individual country performance-based allocations serve as an anchor for the formulation of Country Assistance Strategy (CAS) lending programmes. The CAS papers include information on the indicative annual IDA envelope during the CAS period (5 years). Actual lending may be more or less depending on country performance, the quality of the IDA portfolio and the availability of IDA resources.

*Availability of forward information*

- The Country Assistance Strategy papers include information on the indicative annual IDA envelope during the CAS period.

- IDA's commitment authority over the period covered by the Survey is not entirely fixed. IDA-15 replenishment affects allocations from July 2008 onwards.

## African Development Fund

*Overall budget frame for development co-operation*

The amount of funds available for credits and grants by the African Development Fund (AfDF) – the concessional lending window of the African Development Bank (AfDB) - is dependent on the volume of contributions to AfDF by donor governments (17 DAC member countries, Argentina, Brazil, China, India, Korea, Kuwait, Saudi Arabia, South Africa and United Arab Emirates), contributions by the AfDB and resources derived from operations or otherwise accruing to the Fund. The tenth Replenishment (AfDF-10) covered allocations in 2005-2007, with an encashment schedule running up to 2014. Negotiations on AfDF-11(allocations in 2008-2010) have been completed as at end 2007.

*Planning at operational level*

Three criteria are used to determine which countries are eligible to receive AfDF resources: country creditworthiness (same criteria as the World Bank), performance and per capita GNI. In practice, three country categories have been identified. Category A comprises 38 countries deemed not creditworthy for non–concessional financing ("ADF–only countries"): Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Congo, Democratic Republic, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tomé and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, and Zambia. Category B comprises 2 countries eligible for blend financing (Nigeria and Zimbabwe). Category C – remaining 13 countries deemed creditworthy for non–concessional financing– cannot borrow from the AfDF.

AfDF resources are allocated on the basis of a Country Performance Assessment (CPA), consisting of Country Policy and Institutional Assessment (CPIA) and Country Portfolio Performance Rating (CPPR). Under ADF-10, the CPIA (including governance) accounted for 70 percent of the rating and the CPPR for 30 percent. Under ADF-11, a simplified PBA formula was adopted by Deputies in which a revised CPIA accounts for 26 percent, CPPR accounts for 16 percent, and Governance accounts for 58 percent, similar to the effective weight of governance under ADF-10. Programme choices at country level are based on Country Strategy Papers (CSPs).

*Availability of forward information*

- The Country Strategy Papers include information on future disbursements of approved credits and grants. They do not cover projects yet to be approved.

## Asian Development Fund

*Overall budget framework for development co-operation*

The amount of funds available for loans and grants by the Asian Development Fund (AsDF) – the concessional lending window of the Asian Development Bank (AsDB) – is dependent on the volume of contributions to AsDF by donor governments, contributions from the AsDB, and resources derived from operations. The ninth Replenishment of the AsDF (AsDF-IX) and third regularised Replenishment of the Technical Assistance Special Fund were agreed in 2004 for a total value of $7 billion, of which 21% was in the form of grants. The AsDF-IX replenishment covers years 2005-2008. AsDB is now discussing with donors the AsDF-X round, covering the period 2009-2012. AsDB also manages a number of grant funds on behalf of bilateral donors, as well as certain international organisations.

*Planning at operational level*

The allocation of AsDF resources is primarily performance based. To determine entitlements, ADB conducts Country Performance Assessments (CPAs) for AsDF-eligible developing member countries (DMC). These examine the coherence of the country's macroeconomic and structural policies, the quality of its governance and public sector management and the degree to which its policies and institutions promote equity and inclusion. In addition to the CPAs, the aid allocation formula takes into account country needs (as measured by GNI per capita), country size (as measured by population), absorptive capacity and portfolio quality. For certain DMCs in post-conflict situations, a fixed allocation of resources is made available, and which is not subject to performance-related factors. In addition, 5% of total AsDF-IX resources are dedicated for cross-border regional operations, and 2% are channelled for operations to address HIV/AIDS and other communicable diseases.

AsDF-IX provides funding and technical assistance to countries in Asia and the Pacific. The eligible countries are Afghanistan, Armenia, Azerbaijan, Bangladesh, Bhutan, Cambodia, Cook Islands, Federated States of Micronesia, Georgia, Indonesia, Kiribati, Kyrgyz Republic, Laos, Maldives, Mongolia, Nepal, Pakistan, Palau, Papua New Guinea, Marshall Islands, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Timor-Leste, Tonga, Tuvalu, Uzbekistan, Vanuatu and Viet Nam.

The utilisation of AsDF resources is determined in Country Partnership Strategies (CPS), which AsDB concludes with DMCs and prepared in close co-operation with other development agencies, civil society and the private sector. The CPS includes rolling business plans covering a 3-year period and which define the individual projects for approval within that time frame. AsDF resources are used primarily for investment operations, with around 20% used to finance the adjustment costs of policy-based operations. Priority sectors for AsDF-IX are rural infrastructure, road transport and agriculture and natural resources.

*Availability of forward information*

- The Work Program and Budget Framework gives bank wide planning data, including country and regional breakdown of operations, disaggregated also by sector and theme.

- The Country Partnership Strategies include information of the funding envelope (annual commitments) over a three-year period.

**Inter-American Development Bank (pending verification by IADB)**

*Overall budget framework for development co-operation*

The Inter-American Development Bank (IDB) was established in 1959 to promote economic development throughout Latin America. The Bank's financial resources comprise the Ordinary Capital (OC), the Fund for Special Operations (FSO), the Intermediary Financing Facility (IFF) and around 50 trust funds established by individual countries or groups of countries. The IDB obtains its financial resources from its members (currently 47), borrowings on the financial markets and through co-financing ventures.

Most IDB lending is from the OC. Concessional loans and grants are extended from the FSO to the weakest economies of the region (Bolivia, Guyana, Haiti, Honduras and Nicaragua). The IFF is used to reduce interest rates on certain loans from the OC to low-income countries, such as Ecuador, El Salvador, Guatemala, Paraguay and Surinam.

*Planning at operational level*

The IDB works in four priority areas: fostering competition to increase the potential for development in an open global economy, modernizing the State by strengthening the efficiency and transparency of public institutions, investing in social programs that expand opportunities for the poor, and promoting regional integration.

The IDB prepares multi-annual (4-5 years) Country Strategies, which are approved by the Board of Executive Directors, and which include an overview of IDB's projected lending program in a given country for the strategy period.

*Availability of forward information*

- The country strategies include annual projections of IDB lending and technical co-operation programmes.

## **United Nations Children's Fund** (UNICEF)

*Overall budget framework for development co-operation (allocations of regular resources)*

UNICEF is funded exclusively from voluntary contributions. Its resources are composed of regular [donors' contributions to UNICEF's regular (core) budget] and other resources (earmarked contributions). Total expenditures on core resources amounted to USD 744 million in 2007. UNICEF's medium-term strategic plan provides financial estimates[8] for regular resources for 2008-2010 as follows: USD 780 million in 2008, USD 838 million in 2009, and USD 881 million in 2010. Although the MTSP is a fixed 4-year plan, financial estimates are updated each year and therefore can span more than one MTSP period.

*Planning at operational level*[9]

UNICEF cooperated with 155 countries, areas and territories in 2007. Allocations of regular (core) resources are made using the methodology described in UNICEF's Executive Board document E/ICEF/1997/P.L.17 and its associated resolution 97/18. In summary, allocations are made to country programmes according to the following criteria:

1. At least two-thirds of regular resources for programmes will be allocated on the basis of three core criteria – Under 5 Mortality Rate (U5MR), GNI per capita and Under-18 child population.
2. Each country receives an allocation on the basis of the three core criteria, using the existing formula and refined weighting system given in Annex 1 of E/ICEF/1997/P.L.17;
3. LDCs receive 60% of the total allocation to countries; countries in Sub-Saharan Africa receive at least 50% of the total allocation.

**United Nations Development Assistance Framework (UNDAF)**

UN agencies' operational planning at the country level takes place within the UNDAF. The UNDAF is inclusive of all UN agencies that are members of the UN Development Group (UNDG) and that constitute the United Nations Country Team (UNCT). This means that agencies (funds, programmes and specialised agencies) are involved in the joint programming process even if they have no core-funded country programmes.

In brief, the UNDAF describes the collective response of the UNCT to the priorities of the national development framework. It defines, over a 5-year period, how the UN agencies aim to support these through various projects and programmes. At an early stage in the UNDAF preparation process an assessment of the UN position (including the comparative advantage) in the country is carried out. Analytical work for UNDAF is either government-led or based on the UN's Common Country Assessments; the UNDAF cycles are aligned, whenever possible, with the national planning frameworks.

The UNDAF is made operational trough a results matrix, which constitutes a "live tool" used iteratively as changes will usually emerge from the UNDAF Annual Review or from the findings of surveys or studies conducted as part of the UNDAF monitoring and evaluation plan. A costing of the UNDAF results matrix is carried out and covers the estimated financial resources required by the UN system for its contribution to the achievement of each expected UNDAF outcome. Each agency identifies the resources that it plans to contribute, covering both core and non-core funded activities including those for which funding has not been secured. Resources are subsequently committed according to the procedures and approval mechanisms of each agency.

8 . E/ICEF/2007/AB/L.4 Medium-term strategic plan: planned financial estimates for the period 2007-2010.

9 . See also description of UNDAF.

## **United Nations Development Programme (UNDP)**

*Overall budget frame for development co-operation (allocation of core resources)*

UNDP is funded exclusively from voluntary contributions. Its resources are composed of regular and other resources. Regular resources represent contributions to the UNDP core budget which follows the criteria and appropriations established by the UNDP Executive Board. Other resources are comprised of contributions earmarked to themes, countries, regions and/or specific projects, and are broken down into three distinct categories based on their source, namely, bilateral donor contributions, multilateral contributions and resources provided by programme countries for domestic development activities. UNDP's total income (voluntary contributions, interest and other income) in 2006 amounted to USD 5.1 billion, of which USD 924 million were contributions to regular (core) resources and USD 3.8 billion contributions to other (non-core or earmarked) resources.

UNDP’s core funding target for 2007 - the last year of the current multi-year funding framework (MYFF) covering the period 2004 to 2007 – was USD 1.1 billion, which the organization has met in nominal terms. A growing number of donor governments have adhered to multi-year core commitments, which helped to increase the predictability of UNDP's regular funding base. The MYFF 2004-2007 is succeeded by UNDP’s Strategic Plan for the planning period 2008-2011.

*Planning at operational level*[10]

UNDP follows a 4-year programming cycle within which programming resources are allocated in accordance with programming arrangements (DP/2007/44 for 2008-11) approved by the UNDP Executive Board (decision 2007/33). In accordance with UNDP Executive Board legislation, UNDP allocates at least 85 % of its core programming resources to Low-Income Countries (LICs) and at least 60% to Least Developed Countries (LDCs).

80% of core programming resources are allocated directly to country programmes. Of these resources, 50% are entitlement-based and allocated following a formula established by the UNDP Executive Board (TRAC-1 with TRAC = ‘target for resource assignment from the core’). This formula takes into account GNI per capita, population size and other key indicators as laid out in the UNDP programming arrangements (DP/2007/44). The other 50% are incentive-based and allocated with a focus on supporting and enhancing national capacity towards achieving the MDGs (TRAC-2). These allocations are aimed at high-impact, high-leverage activities.

*Availability of forward information*

Based on its resources planning framework and the relevant decisions of the UNDP Executive Board, indicative TRAC-1 and TRAC-2 allocations are available for the new four-year planning cycle covering the period 2008-2011. TRAC-1 resources can be broken down by country. TRAC-2 resources can only be estimated per region at this stage. Given the voluntary nature of all contributions to UNDP, allocations for future years remain indicative estimates only.

10 . See also description of UNDAF.

**United Nations Fund for Population Activities (UNFPA)**

*Overall budget framework for development co-operation (allocation of regular resources)*

UNFPA is funded exclusively from voluntary contributions. Its resources are composed of regular resources [donors' contributions to UNFPA's regular (core) budget] and other resources (earmarked contributions). In 2007, regular resources represented approximately three-quarters of UNFPA's total income from governments. The Integrated Financial Resources Framework for 2008-2011 estimates UNFPA's total income at USD 2.6 billion, of which USD 1.8 billion from regular resources and USD 800 million from other resources.

Regular resources are allocated to UNFPA's country programmes and the Global and Regional Programme (in 2008-2011, USD 1 billion and USD 200 million respectively), together referred to as "total programme resources". They are also used to cover programme support costs (estimated at USD 500 million over 2008-2011).

*Planning at the operational level*[11]

UNFPA's country programming is based on a Resource Allocation System (RAS) which has been in place since 1996. The current version endorsed by the UNFPA Executive Board in September 2007. It is based on eight indicators on the country's level of achievement of ICPD[12] goals (births with skilled attendants, contraceptive prevalence rate, adult HIV prevalence, adolescent fertility rate, under-5 mortality rate, maternal mortality ratio, literacy rate among 15-24 year old females, proportion of population aged 10-24 years) and a number of basic principles. The latter include: adherence to the principles of the ICPD Programme of Action; focusing financial assistance to countries with the lowest level of achievement of ICPD goals and phasing out assistance to countries that have attained or are close to attaining these goals; special attention to LDCs and other LICs, sub-Saharan Africa and countries in emergencies, transition and recovery; promotion of national capacity-building through South-South co-operation; and provision of technical assistance to all countries requesting it.

The current RAS classifies UNFPA's programme countries into three groups:

A. Countries in greatest need for assistance (have met 0-4 of the thresholds for the eight indicators);
B. Countries that have made considerable progress towards achieving ICPD goals (have met 5-7 of the thresholds); and
C. Countries that have made significant progress towards achieving ICPD goals (have met all eight thresholds).

Group A countries receive 71-73 % of UNFPA's total programme resources, whereas groups B and C receive 21-22% and 6-7% respectively. RAS allocations are subject to a series of consultations between the Strategic Planning Office and the Geographic Divisions. The distribution to individual countries is approved by UNFPA's Executive Director.

*Availability of forward information*

Information on the country-level allocations for 2008-2011 are available in UNFPA's Integrated Financial Resources Framework.

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11 . See also description of UNDAF

12. International Conference for Population and Development.

**<u>Global Fund to fight AIDS, Tuberculosis and Malaria</u> (Global Fund)**

*Overall budget framework for development co-operation*

The Global Fund to fight AIDS, Tuberculosis and Malaria is a financial instrument, not an implementing entity. It was created in 2002 as a global public/private partnership dedicated to attracting and disbursing additional resources to prevent and treat HIV/AIDS, tuberculosis and malaria. To date (November 2007), it has approved funding for 450 programs in 136 countries. Its work is guided by seven principles:

- Operate as a financial instrument, not an implementing entity.
- Make available and leverage additional financial resources.
- Support programs that reflect national ownership.
- Operate in a balanced manner in terms of different regions, diseases and interventions.
- Pursue an integrated and balanced approach to prevention and treatment.
- Evaluate proposals through independent review processes.
- Establish a simplified, rapid and innovative grant-making process and operate transparently, with accountability.

Since the establishment of the Global Fund, more than 45 countries as well as private foundations, corporations and individuals have pledged resources to support its work. However, the system of ad hoc contributions made it difficult to provide sustained support for the programs. The Board therefore introduced periodic replenishments. The first replenishment cycle covered the years 2006 to 2007 and mobilized USD 4.7 billion. USD 9.7 million have been pledged so far for the 2008 – 2010 replenishment. Donors committed to consider additional contributions up to USD 12-18 billion for the three years, with the ultimate target dependent on country demand.

*Planning at operational level*

The Global Fund is financing programmes in all regions of the world. It awards grants through a yearly application and approval process (so-called funding round) in response to proposals developed by Country Coordination Mechanisms (CCMs), which include representatives from governments, bilateral and multilateral agencies, NGOs, academic institutions, private businesses and people living with or affected by the diseases. The Global Fund Secretariat reviews the proposals and an independent Technical Review Panel then recommends them for approval by the Board. Approved grants have a multi-year implementation schedule.

The amount available for each round depends on donor pledges. For the first six funding rounds, grants totaling USD 8.7 billion have been approved. Proposals for Round 7 are under review and will be decided upon by the Global Fund Board in November 2007. Round 8 will be launched in March 2008.

A core principle for the Global Fund is performance-based funding. Initial funding is awarded solely on the basis of the technical quality of the applications, but continued and renewed funding depends on proven results and targets achieved. Disbursement volume is increased based on requests from recipients.

*Availability of forward information*

- Information on donors' pledges made so far for the replenishment covering up to 2010 is available. The overall amount of resources for the period 2008-2010 will depend on additional funding decisions made annually by donors, and in the mid-term replenishment review in 2009.

- Forward information is also given for approved grants. The grant life cycle usually covers five years.

**<u>Global Environment Facility</u> (GEF)**

*Overall budget framework for development co-operation*

The Global Environment Facility (GEF) was established in 1991 to help developing countries fund projects and programmes in six focal areas - biodiversity, climate change, international waters, land degradation, the ozone layer, persistent organic pollutants - in line with the objectives of and guidance from the respective Conventions (the Convention on Biological Diversity, the UN Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants, and the United Nations Convention to Combat Desertification). The GEF has 177 member countries. All members participate in the GEF Assembly (governing body). The GEF Council (board) is comprised of 32 members.

Donor countries allocate funds to the GEF through the replenishment process every four years. The 4$^{th}$ GEF Replenishment in August 2006 amounted to USD 3.1 billion and will fund operations up to 2010.

The GEF is structured as a trust fund. The World Bank is the Trustee (responsible for financial management, disbursement of funds, and monitoring and reporting on the use of resources).

*Planning at operational level*

In 2005, the GEF Council adopted the new Resource Allocation Framework (RAF) for allocating GEF resources. It applies to two-thirds of the GEF resources that are available to fund biodiversity and climate change projects during fiscal years 2007-10. The remaining one-third of GEF resources, used to fund other sectors/themes, is allocated on a project by project basis. The RAF specifies at the beginning of each 4-year replenishment period the resources each eligible country can expect from the GEF and how these initial allocations will be updated at the middle of the replenishment period. The RAF uses two indexes to calculate the country allocation: GEF Benefits Index, which measures the potential of a country to generate global environmental benefits, and GEF Performance Index, which measures a country's capacity, policies and practices relevant to successful implementation of GEF projects. The RAF implementation started in July 2006 and is limited to biodiversity and climate change projects. For projects that are not covered by the RAF, funds are allocated on a "first to come, first served" basis, based on project proposals that are submitted for funding.

GEF finances the "incremental" costs associated with transforming a project with national benefits into one with global environmental benefits. GEF resources can be extended to countries eligible to receive IDA/IBRD loans or UNDP technical assistance but eligibility criteria are defined separately for each focal area. The GEF implements its projects through UNDP, UNEP and the World Bank as well as IFAD, FAO, UNIDO and the regional development banks.

*Availability of information*

- Information of resources with each focal area is an outcome of the Replenishment process.
- Information of the country allocation for the fourth Replenishment period related to the areas of biodiversity and climate change should be available through the RAF.

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