

Chapter 3: Allocating Poland's official development assistance

Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

At the 2015 Financing for Development Conference in Addis Ababa, Poland reiterated its commitment to providing 0.33% of its gross national income as official development assistance (ODA) by 2030. Delivering on this commitment will require strong political leadership and an ambitious plan for increasing ODA. Poland is improving its statistical reporting to the DAC's Creditor Reporting System. It should increase the grant element of bilateral aid to least developed countries, untie this aid and improve aid predictability.

Poland's ODA is largely multilateral

In 2015, Poland provided USD 442 million in net ODA, according to preliminary data (OECD, 2016a). Net ODA increased by 16.8% in real terms between 2014 and 2015 (from USD 452 million to USD 528 million in 2014 constant prices) and the ODA-to-gross national income (GNI) ratio increased from 0.09% to 0.10%.

Poland's ODA is characterised by a high share of multilateral aid (78% of total gross ODA in 2014, going mainly to the EU); a high share of bilateral loans (37% of gross bilateral aid or 8% of total gross ODA in 2014) and imputed student costs (19% of bilateral aid or 4% of total gross ODA in 2014); and a relatively small and stable special reserve budget dedicated to implementing the multi-annual programme (approximately 29% of gross bilateral aid or 6% of total gross ODA) (Table A.2, Annex A). Changes in Polish aid volumes tend to be determined by increases in multilateral aid to the EU (which are linked to Poland's economic growth) and by extending new credit lines (Figure 3.1).

Poland needs stronger political will and public support to achieve its ODA/GNI target by 2030

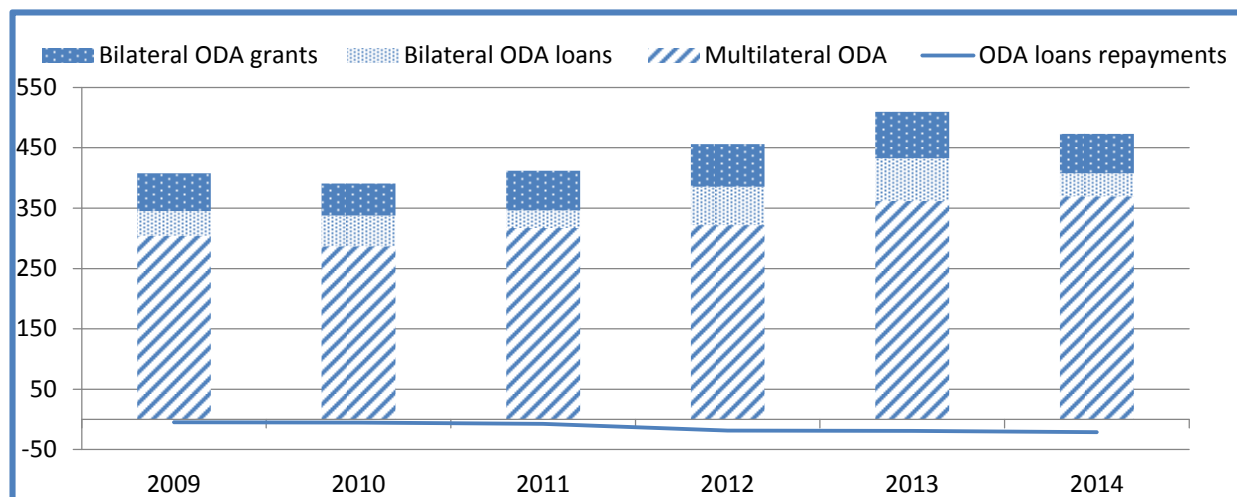
At the 2015 Financing for Development Conference in Addis Ababa, Poland re-committed to providing 0.33% of GNI as ODA by 2030. Delivering on this commitment will be challenging for Poland on the basis of current trends. Poland's ODA/GNI ratio has been stagnating around 0.08% to 0.10% since 2006. According to the Polish authorities, the special reserve fund managed by the Ministry of Foreign Affairs will increase from PLN 100 million to PLN 130 million between 2015 and 2016 (approximately from USD 26.5 million to USD 34.5 million).¹ Over the medium-term, changes in the ODA volume will be mainly driven by increasing contributions to EU special funds which are unlikely to raise the ratio of ODA to GNI as the Polish economy continues to grow (see Context).

Poland has yet to deliver a road-map and timeline for increasing its ODA/GNI in line with its commitments. It will need strong political will and cross-government buy-into backed by public support to scale up its ODA to reach the target. These factors seem to be lacking at present. However, there appears to be growing awareness in Poland of the need to address the root causes of the global public risks that are affecting Poland in the form of the refugee and migrant crisis. This could be an opportunity for Poland to raise public and political interest and understanding – including through its global education programme – of the role that development co-operation plays in addressing development challenges and

global public risks (Chapter 6). Raising public and political awareness can also help Poland to gain support for increasing aid. The Polish NGO community also has an important advocacy role to play.

Figure 3.1 Composition of Polish gross ODA, 2009-2014

USD million, 2014 constant prices



Source: authors' calculations based on OECD (2016), "Detailed aid statistics: Official and private flows", OECD International Development Statistics (database), accessed 5 July 2016, <http://dx.doi.org/10.1787/data-00072-en>.

Poland is working on improving its reporting to the DAC

Since joining the DAC in 2013, Poland has improved its statistical reporting to the Creditor Reporting System and it started reporting against gender and environment markers in 2013.

The extent to which Poland meets the DAC Recommendation on Terms and Conditions of Aid (OECD-DAC, 1978) is linked to its lending to LDCs in particular. For example, in 2014 the grant element of bilateral aid commitments to LDCs was 82% which is lower than the minimum of 90% required by the recommendation, while it was 100% in 2013 (see Table A.7, Annex A). This reflects the new credit extended to Ethiopia in 2014. The rationale for this DAC recommendation is to provide LDCs with the softest terms of aid, that is, grants or extremely soft loans so that DAC members do not increase LDCs' debt burden and to provide ODA with the softest terms to the countries most in need. There is scope, therefore, for Poland to bring its ODA into line with these terms and conditions. Moreover, in 2014 just 10.6% of Polish bilateral aid was untied which contravenes another DAC Recommendation - on Untying ODA to the LDCs and HIPC (OECD, 2014; see Chapter 5; Table A.6, Annex A).

Meeting commitments to making aid predictable is a challenge. Poland provides forecasts on ODA spending for the year ahead in its annual development co-operation plans (Chapter 5). It started responding to the DAC Survey on Donors' Forward Spending Plans in 2015, but provides information only for the current year. To improve predictability of its aid Poland would need to provide regular, timely, indicative three-to-five-year forward expenditure plans for its partner countries or territories, as agreed in Busan.

Bilateral ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

Poland's geographic allocations broadly reflect its priorities at the regional level but are less evident in country allocations. Poland is committed to increasing funding to least developed countries to reach the UN target of 0.15-0.20% of gross national income, and to allocate 50% of total ODA to least developed countries in the medium term. There is scope for Poland to increase the budget envelope for its priority countries or territories, several of which are LDCs, now that has decided to focus on fewer (10) partners. Sectoral allocations concentrate on productive sectors and post-secondary education which reflect the large share of aid spent on imputed student costs and the credit lines rather than the thematic priorities of the 2012-2015 multiannual programme: democracy and human rights, and political and economic transformation.

Geographic allocations broadly reflect Poland's regional priorities; allocations to priority countries are less focused

Poland's gross bilateral aid amounted to USD 104 million in 2014, or 22% of total gross ODA (Table A.2, Annex A). To ensure the special reserve funds are allocated according to the Multiannual Development Cooperation Programme, the Ministry of Foreign Affairs attaches a breakdown of how these funds will be used to the annual development co-operation plans.² This breakdown includes specific lines to be allocated to calls for proposals, government department projects and activities implemented by the Solidarity Fund.³ The 2016-2020 Multiannual Development Cooperation Programme also states that "Every year, no more than 10% of the special purpose reserve administered by the MFA will be allocated to bilateral development co-operation with countries other than priority countries" (MFA, 2015a). Allocations to credit lines and scholarships are discussed with the MFA but are not required to follow thematic and geographic priorities (Chapter 2).

Total bilateral ODA allocations are concentrated in Europe and Africa, which received respectively 47% and 41% of gross bilateral allocable aid in 2014 (Table A.3, Annex A). This broadly reflects Poland's commitment in its Multiannual Development Cooperation Programme 2012-2015 to focus on Eastern Partnership countries and Africa (MFA, 2011). The significant increase in bilateral aid to Africa between 2012 and 2013 (from USD 4 million to USD 45 million) is explained by the payment of a tied aid loan to Angola in 2013 (Table A.3, Annex A). This level was sustained in 2014 by an additional USD 14.6 million to Angola and the first payment under the tied loan agreement signed with Ethiopia (USD 23.2 million). The significant decrease in aid to Asia between 2012 and 2014 (from USD 82 million to USD 9 million) is due to expiring disbursements of loan agreements for China and Vietnam in 2012 and 2013.

Polish bilateral aid was concentrated in its top 10 recipients countries in 2013-14, which received 83% of gross bilateral ODA (8% was unallocated by country). Six of these were priority countries and territories for Poland (Belarus, Ukraine, Ethiopia, Georgia, Moldova and Afghanistan), together receiving half of all gross bilateral aid (Table A.4, Annex A). The impact of credit lines on Poland's bilateral ODA allocations at country level is evident: Angola was the top recipient of Polish ODA in 2013-14, receiving 22% of gross bilateral aid which was almost entirely comprised of loans from the Ministry of Finance. Poland's aid to China (Poland's fourth ODA recipient, receiving 11% of gross bilateral aid) also consisted almost entirely of loans from the Ministry of Finance (Table A.4, Annex A and OECD, 2016b). While Angola was a priority country for Poland's development co-operation at the time that the loan was approved, China has not been a geographic priority.

In 2014, 41% of gross bilateral allocable aid (49.5% in net disbursements) was allocated to least developed countries (LDCs) (Table A.3 and A.7, Annex A). Total ODA to LDCs amounted to 0.02% of GNI in 2014, and to 28.8% of total net ODA. The majority of funds to LDCs were channelled through multilateral agencies (Table A.7, Annex A). Poland is committed to increasing funding to LDCs to 0.15-0.20% of GNI and to allocate 50% of total ODA to LDCs in the medium term (MFA, 2016). In its new Multiannual Development Cooperation Programme 2016-2020, Poland halved its priority countries and territories from 20 to 10. Four of these (Ethiopia, Myanmar, Senegal and Tanzania) are LDCs (compared to 7 out of 20 in the previous programme) (MFA, 2015a). Poland will need to increase the bilateral budget envelope for these priority LDCs to help meet its 50% target.

Sector allocations do not reflect Poland's priorities

Poland's Multiannual Development Cooperation Programme 2012-2015 prioritised democracy, human rights and political and economic transformation. However, it is difficult to see this prioritisation in the latest ODA allocations, partly due to the make-up of bilateral aid. In 2013-14, the highest share of Polish bilateral ODA (49%) went to the productive sector of agriculture, forestry and fishing, financed mainly through Ministry of Finance credit lines. Education, mostly post-secondary education financed through scholarships, received 16%, while government and civil society received only 10% (Table A.5, Annex A). However, according to DAC Creditor Reporting System (CRS) data, at least 43% of the MFA's funds were allocated to government and civil society in 2014, showing its focus on this sector, in accordance with Polish Aid priorities.

Multilateral ODA channel

Indicator: The member uses the multilateral aid channels effectively

Seventy-eight percent of Poland's total gross ODA was channelled through the multilateral system in 2014. Multilateral allocations mainly fulfil assessed contributions – largely to the EU. There is scope, however, to allocate Poland's contributions to UN agencies, funds and programmes more strategically: at present USD 20.8 million is allocated to 28 UN agencies or funds. While small, earmarked contributions are directed strategically to multilateral agencies which operate in geographical areas that Poland cannot reach as a bilateral donor.

Poland's multilateral ODA is mainly driven by mandatory assessed contributions to the EU

Poland's core multilateral allocations amounted to 78% of total gross ODA in 2014 (Table A.2, Annex A), mainly mandatory assessed contributions to the EU institutions (91.6%). Polish authorities expect these contributions to increase further in 2016 and 2017, especially in response to current developments (e.g. to resource the EU Regional Trust Fund to aid the Syrian crisis).

An additional 3.3% of Polish bilateral ODA was allocated to projects implemented by multilateral organisations (earmarked contributions) in 2014, for a total use of the multilateral system amounting to 78.8% of gross bilateral ODA. According to the Polish authorities, Poland uses earmarked contributions to pursue objectives that it cannot pursue as a bilateral donor (e.g. to reach non-government controlled areas in conflict-affected countries and territories). In 2014, these earmarked contributions mainly went to the World Bank and the International Committee of the Red Cross (ICRC) for activities in Afghanistan; to the ICRC, the Office of the United Nations High Commissioner for Refugees (UNHCR) and Organization for Security and Co-operation in Europe (OSCE) for

activities in Ukraine; to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and UNHCR for activities in Syria; and to the United Nations Relief and Works Agency for Palestine Refugees to support activities in the Middle East. According to the MFA's 2016 Development Cooperation Plan, Poland will continue using earmarked contributions to reach conflict-affected areas (MFA, 2015b).

In 2014, Poland made several contributions to the UN system, accounting for 5.6% of total core and earmarked contributions and spread across 28 different agencies and funds (Table 3.1). These allocations reflect its membership of and commitment to the UN. However, allocating such a small share to 28 organisations risks diluting its focus. Poland should consider reallocating these contributions to where they can achieve greatest impact in pursuing Polish development priorities (Chapter 2).

Table 3.1 Poland's total use of the multilateral system in 2014

	Core and earmarked contributions (USD million, 2014 constant prices)	In % of total core and earmarked contributions	Number of agencies/funds financed
United Nations agencies, funds and commissions	20.8	5.5%	28
European Union institutions	339.1	90.2%	2
World Bank Group	7.13	1.9%	3
Regional development banks	0.01	0.0%	1
Other multilateral institutions	8.7	2.3%	6
Total	375.7	100%	

Source: authors' calculations based on OECD (2016), "Creditor Reporting System: Use of the multilateral system", International Development Statistics (database), accessed 5 July 2016, <http://dx.doi.org/10.1787/data-00828-en>.

Notes

1. Calculated using the 2015 USD/PLN exchange rate of 1 USD= 3.7702 PLN.
2. Polish aid's annual development co-operation plans can be found at www.polskapomoc.gov.pl/Documents,And,Publications,208.html. The table below shows a (simplified) breakdown of the special reserve fund as presented in Poland's 2016 Development Cooperation Plan (MFA, 2015b).
3. The solidarity Fund is a State Treasury Foundation with a narrow mandate to work on democracy and human rights.

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