

AID TO DEVELOPING COUNTRIES FALLS BECAUSE OF GLOBAL RECESSION

Paris, 4 April 2012

Major donors' aid to developing countries fell by nearly 3% in 2011, breaking a long trend of annual increases. Disregarding years of exceptional debt relief, this was the first drop since 1997. Continuing tight budgets in OECD countries will put pressure on aid levels in coming years.

OECD Secretary-General Angel Gurría encouraged donors to meet their commitments, "The fall of ODA is a source of great concern, coming at a time when developing countries have been hit by the knock-on effect of the crisis and need it most. Aid is only a fraction of total flows to low income countries, but these hard economic times also mean lower investment and lower exports. I commend the countries that are keeping their commitments in spite of tough fiscal consolidation plans. They show that the crisis should not be used as an excuse to reduce development cooperation contributions."

Key aid totals in 2011

In 2011, members of the Development Assistance Committee (DAC) of the OECD provided USD 133.5 billion of net official development assistance (ODA), representing 0.31 per cent of their combined gross national income (GNI). This was a -2.7 % drop in real terms compared to 2010, the year it reached its peak. This decrease reflects fiscal constraints in several DAC countries which have affected their ODA budgets (see Table 1 and Chart 1).

J. Brian Atwood, Chair of the OECD's Development Assistance Committee observed that, "While I am disappointed that some countries have failed to maintain their commitments, the overall level reflects the growing awareness that global challenges – from disease to security threats to climate change – cannot be resolved without development progress."

The quality of the aid is also important – making it more effective through stronger partnerships with developed and developing countries is crucial. The new Global Partnership forged in Busan and the OECD's new Development Strategy, to be released in May, set a new path to future development.

Within total net ODA, aid for core bilateral projects and programmes (i.e. excluding debt relief grants and humanitarian aid) fell by -4.5% in real terms (see Chart 2).

Bilateral aid to sub-Saharan Africa was USD 28.0 billion, representing a fall of -0.9% in real terms compared to 2010. By contrast, aid to the African continent increased by +0.9% to USD 31.4 billion, as donors provided more aid to North Africa after the revolutions in the region.

The group of Least Developed Countries (LDCs) also saw a fall in net bilateral ODA flows of -8.9% in real terms to USD 27.7 billion.

Donor performance

In 2011, the largest donors were the United States, Germany, the United Kingdom, France and Japan. Denmark, Luxembourg, the Netherlands, Norway and Sweden continued to exceed the United Nations' ODA target of 0.7% of GNI. In real terms, the largest rises in ODA were registered in Italy, New Zealand, Sweden and Switzerland. By contrast ODA fell in sixteen DAC countries, with the largest cuts recorded in Austria, Belgium, Greece, Japan and Spain. G7 countries provided 69% of DAC ODA; EU countries, 54% of DAC ODA.

The United States continued to be the largest donor by volume with net ODA flows amounting to USD 30.7 billion, representing a fall of -0.9% in real terms from 2010. As a share of GNI, ODA was 0.20%, a decrease from the 2010 level of 0.21%. US bilateral ODA for Africa rose to a record level of USD 9.3 billion (+17.4%), and its aid to LDCs amounted to USD 10.0 billion (+6.9%).

ODA from the fifteen EU countries that are DAC members was USD 72.3 billion in 2011. As noted above, this represented 54% of total net ODA by all DAC donors. DAC-EU members' ODA was 0.45% of their combined GNI, above the DAC average of 0.31%. ODA volume rose or fell in real terms in DAC-EU countries as follows:

- Austria (-14.3%): mainly due to a decrease in debt forgiveness grants;
- Belgium (-13.3 %): as bilateral debt forgiveness grants fell compared to 2010;
- Denmark (-2.4%);
- Finland (-4.3%);
- France (-5.6%);
- Germany (+5.9%): reflecting an increase in bilateral grants;
- Greece (-39.3%): following the country's severe fiscal crisis;
- Ireland (-3.1%);
- Italy (+33.0%): because of an increase in debt forgiveness grants as well as an upsurge in refugee arrivals from North Africa;
- Luxembourg (-5.4%);
- Netherlands (-6.4%): reflecting the decision to fix the 2011 ODA budget at 0.75% of GNI;
- Portugal (-3.0%);
- Spain (-32.7%): because of severe cuts in bilateral aid resulting from the financial crisis;
- Sweden (+10.5 %): as Sweden continued to allocate 1 % of GNI to ODA;
- United Kingdom (-0.8%): a slight fall after exceeding its target in 2010; however, the UK remains on track to achieve an ODA/GNI ratio of 0.7% by 2013.

Total net ODA by all 27 EU member states was USD 73.6 billion in 2011, representing 0.42% of their combined GNI, down from 0.44% in 2010. Grants by EU Institutions to developing countries and multilateral organisations with a developmental focus totalled USD 12.6 billion, representing a fall of -6.4% in real terms compared to 2010, due mainly to the extension of policy dialogues for budget support operations with some countries.

Net ODA rose or fell in other DAC countries as follows:

- Australia (+5.7%): reflecting an increase in bilateral grants;
- Canada (-5.3%);
- Japan (-10.8%): after a significant rise in ODA in 2010;
- Korea (+5.8%);
- New Zealand (+10.7%): reflecting the overall scaling up of its aid towards an ODA level of \$NZ 600 million;
- Norway (-8.3%);
- Switzerland (+13.2 %): reflecting the scaling up of its ODA to reach 0.5% of GNI by 2015.

In 2011, DAC countries' gross ODA (i.e. without deducting loan repayments) amounted to USD 147.7 billion, a fall of -2.0% in real terms compared to 2010. The largest donors were the United States, Japan, Germany, France and the United Kingdom (see Table 2).

Net ODA rose or fell in non-DAC OECD members as follows:

- Czech Republic (+4.2%);
- Estonia (+21.1%);
- Hungary (+16.2%);
- Iceland (-18.2%);
- Israel (+14.9%);
- Poland (+5.6%);
- Slovak Republic (+10.1%);
- Slovenia (+1.7%);
- Turkey (+38.2%).

ODA outlook

Until 2011, aid had been steadily increasing for more than a decade. Net ODA rose by +63% between 2000 and 2010, the year it reached its peak. ODA has long been a stable source of development financing and has cushioned the immediate impact of previous financial crises (e.g. after the Mexican debt crisis in the early 1980s or the recession of the early 1990s). However, a recession in several DAC donors has already severely squeezed their aid budgets and pressure may mount on other donors in the years ahead.

Some aid transits through international organizations and so is not received immediately. A useful measure of receipts by developing countries in 2011 - country programmable aid (CPA¹) - is provisionally estimated at USD 93.1 billion, a fall of -2.4% compared to 2010, similar to the fall in ODA. This decline represented nearly USD 2.3 billion in real terms and mostly affected countries in Central America as well as some large aid recipients in Far East Asia (e.g. Indonesia and the Philippines). The

¹ CPA is measured on a gross receipts basis and excludes non-programmable items such as humanitarian aid, debt relief and in-donor costs like administrative and refugees in donor countries. For more details on CPA see http://www.oecd.org/document/38/0,3746,en_2649_3236398_46022758_1_1_1_1,00.html.

decline in CPA between 2010 and 2011 is a reversal of previous trends and of initial increases in multilateral funding to cushion the effect of the financial crisis on developing countries.

Looking ahead, the OECD-DAC Survey on Donors' Forward Spending Plans for 2012 to 2015² suggests that global CPA may rise somewhat (6% in real terms) in 2012. However, this is mainly because of expected increases in soft loans from multilateral agencies funded from capital replenishments during 2009-2011. From 2013, global CPA is expected to stagnate, and could thus confirm earlier findings that it takes several years from the onset of a recession for the full impact to be felt on aid flows.³ Based on donors' current projections, there may be a slow-down from 2013 that differs between regions, with CPA to countries in Latin America continuing to fall, while it may rise somewhat for South and Central Asian countries including Bangladesh, Myanmar and Nepal. For Africa, the Survey projects few changes in CPA, though recent events in Sahel and North African countries may result in some reprogramming of donor efforts. For countries in fragile situations (46 countries in 2011), the Survey projects little change in total CPA, with the largest increases expected in the Democratic Republic of Congo and Kenya, and the largest falls expected in Haïti and Afghanistan.

Last year, members of the DAC approved a Recommendation on Good Pledging Practice, designed to help providers of development assistance make credible and feasible commitments and enhance the accountability and transparency of aid. This Recommendation may provide a useful reference point in upcoming conferences on global goals and their financing.

This document is based on OECD members' responses to the DAC advance questionnaire on main ODA aggregates. Data may be subject to revision. For further information and dynamic graphics please see: www.oecd.org/dac/stats or contact dac.contact@oecd.org.

² See http://www.oecd.org/document/30/0,3746,en_2649_3236398_46010014_1_1_1_1,00.html. The final 2012 Survey results will be available in June 2012, and will include for the first time detailed programming information for those countries that have agreed to make these data available. It is expected that these results will shape donor headquarter-level discussions on future aid allocations.

³ See Development Co-operation Report 1996, pages 95-97.

TABLE 1: NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC AND OTHER OECD MEMBERS IN 2011 (1)
Preliminary data for 2011

	2011		2010		2011	
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	ODA USD million (2) At 2010 prices and exchange rates	Percent change 2010 to 2011 (2)
<i>DAC countries:</i>						
Australia	4 799	0.35	3 826	0.32	4 044	5.7
Austria	1 107	0.27	1 208	0.32	1 036	-14.3
Belgium	2 800	0.53	3 004	0.64	2 605	-13.3
Canada	5 291	0.31	5 209	0.34	4 930	-5.3
Denmark	2 981	0.86	2 871	0.91	2 803	-2.4
Finland	1 409	0.52	1 333	0.55	1 275	-4.3
France	12 994	0.46	12 915	0.50	12 195	-5.6
Germany	14 533	0.40	12 985	0.39	13 746	5.9
Greece	331	0.11	508	0.17	308	-39.3
Ireland	904	0.52	895	0.52	867	-3.1
Italy	4 241	0.19	2 996	0.15	3 987	33.0
Japan	10 604	0.18	11 021	0.20	9 829	-10.8
Korea	1 321	0.12	1 174	0.12	1 242	5.8
Luxembourg	413	0.99	403	1.05	381	-5.4
Netherlands	6 324	0.75	6 357	0.81	5 950	-6.4
New Zealand	429	0.28	342	0.26	379	10.7
Norway	4 936	1.00	4 580	1.10	4 197	-8.3
Portugal	669	0.29	649	0.29	630	-3.0
Spain	4 264	0.29	5 949	0.43	4 007	-32.7
Sweden	5 606	1.02	4 533	0.97	5 008	10.5
Switzerland	3 086	0.46	2 300	0.40	2 604	13.2
United Kingdom	13 739	0.56	13 053	0.57	12 951	-0.8
United States	30 745	0.20	30 353	0.21	30 086	-0.9
TOTAL DAC	133 526	0.31	128 465	0.32	125 060	-2.7
Average Country Effort		0.46		0.49		
<i>Memo Items:</i>						
EU Institutions (3)	12 627		12 679		11 870	-6.4
DAC-EU countries	72 315	0.45	69 661	0.46	67 748	-2.7
G7 countries	92 148	0.27	88 533	0.28	87 724	-0.9
Non-G7 countries	41 378	0.46	39 933	0.49	37 336	-6.5
<i>Non-DAC OECD members:</i>						
Czech Republic	256	0.13	228	0.13	237	4.2
Estonia	25	0.12	19	0.10	23	21.1
Hungary	140	0.11	114	0.09	133	16.2
Iceland	26	0.22	29	0.29	24	-18.2
Israel (4)	176	0.07	145	0.07	166	14.9
Poland	417	0.08	378	0.08	399	5.6
Slovak Republic	87	0.09	74	0.09	81	10.1
Slovenia	63	0.13	59	0.13	60	1.7
Turkey	1 320	0.17	967	0.13	1 337	38.2

(1) Chile and Mexico do not yet report their ODA statistics to the DAC.

(2) Taking account of both inflation and exchange rate movements.

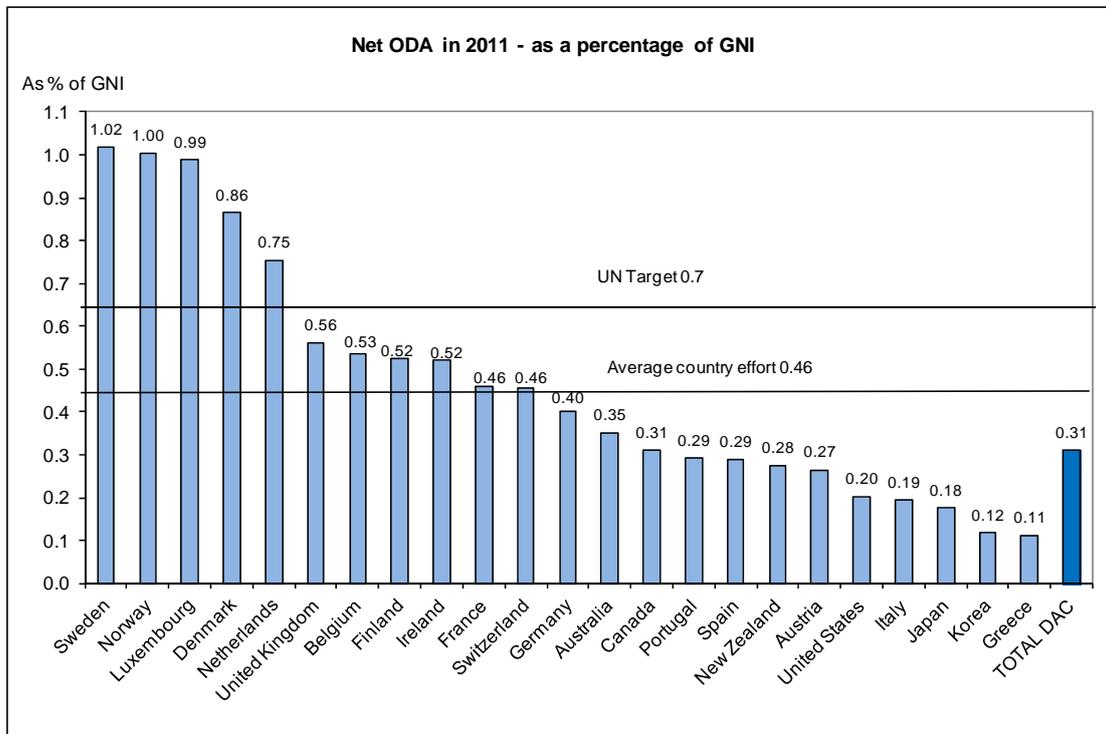
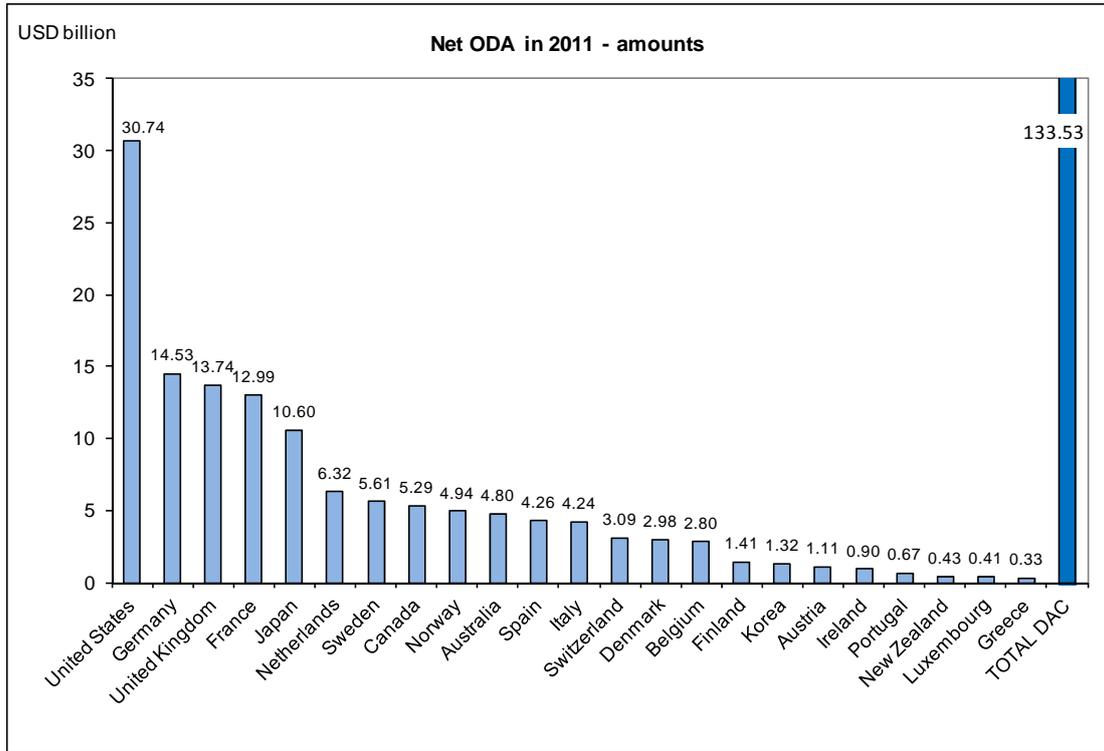
(3) Grants only.

(4) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note: The data for 2011 are preliminary pending detailed final data to be published in December 2012. The data are standardised on a calendar year basis for all donors, and so may differ from fiscal year data available in countries' budget documents.

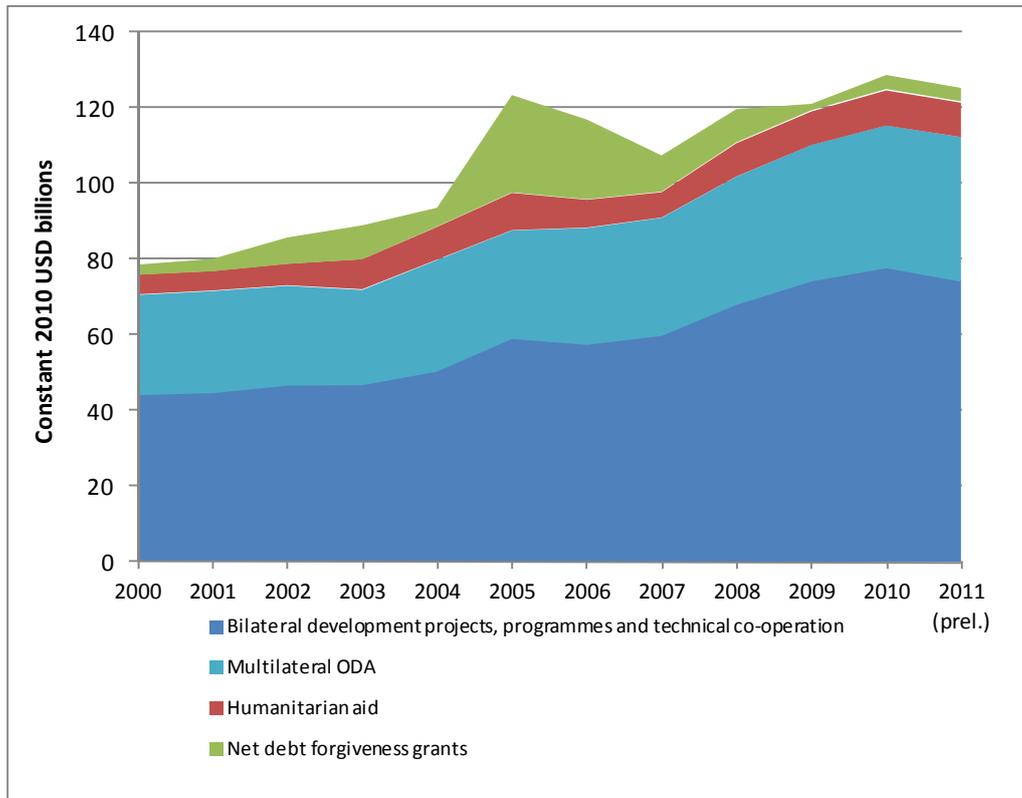
Source: OECD, 4 April 2012.

CHART 1: NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC MEMBERS IN 2011
Preliminary data for 2011



Source: OECD, 4 April 2012.

CHART 2: COMPONENTS OF DAC DONORS' NET ODA



Source: OECD, 4 April 2012.

TABLE 2: GROSS OFFICIAL DEVELOPMENT ASSISTANCE IN 2011
Preliminary data for 2011

	2011 ODA USD million current	2010 ODA USD million current	2011 ODA USD million (1) At 2010 prices and exchange rates	Percent change 2010 to 2011 (1)
Australia	4 799	3 826	4 044	5.7
Austria	1 111	1 214	1 040	-14.4
Belgium	2 839	3 052	2 641	-13.4
Canada	5 337	5 252	4 973	-5.3
Denmark	3 014	2 976	2 834	-4.8
Finland	1 409	1 333	1 275	-4.3
France	14 444	14 375	13 555	-5.7
Germany	15 922	14 386	15 059	4.7
Greece	331	508	308	-39.3
Ireland	904	895	867	-3.1
Italy	4 542	3 180	4 269	34.3
Japan	19 765	18 828	18 320	-2.7
Korea	1 368	1 206	1 286	6.6
Luxembourg	413	403	381	-5.4
Netherlands	6 545	6 468	6 158	-4.8
New Zealand	429	342	379	10.7
Norway	4 936	4 580	4 197	-8.3
Portugal	707	685	666	-2.8
Spain	4 300	6 317	4 040	-36.0
Sweden	5 606	4 541	5 008	10.3
Switzerland	3 114	2 316	2 628	13.5
United Kingdom	13 913	13 401	13 115	-2.1
United States	31 992	31 159	31 308	0.5
TOTALDAC	147 740	141 243	138 352	-2.0
<i>Memo Items:</i>				
EU Institutions	12 764	12 821	11 999	-6.4
DAC-EU countries	76 000	73 733	71 218	-3.4
G7 countries	105 916	100 581	100 599	0.0
Non-G7 countries	41 825	40 662	37 753	-7.2

(1) Taking account of both inflation and exchange rate movements.

Source: OECD, 4 April 2012.