Global ODA Trends

In "Transforming our world: the 2030 agenda for sustainable development," adopted by the UN General Assembly in September 2015, "ODA providers reaffirm their respective commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 per cent to 0.2 per cent of ODA/GNI to least developed countries." [§43]

According to UN Secretary-General Ban Ki-moon, "Official Development Assistance [ODA] will continue to be critical source of development finance after 2015. ... ODA can be better targeted than other sources to help ensure inclusive access to public services; leverage other sources of development finance or improve their targeting; and put the world on the pathway to sustainability."

NOTE: The statistics and commentary below has been derived from Brian Tomlinson, Global Aid Trends: Fit for Purpose: ODA and the Financing of the Post-2015 Development Agenda, published in the 2014 Reality of Aid Report. A more in-depth analysis of these trends can be found in this Report. The statistics will be updated as they become available through the publication of detailed aid statistics for 2014 by the DAC in December 2015.

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1. Global trends

ODA has great potential to be an essential resource, within a broader range of development finance, to catalyze investment in achieving the Sustainable Development Goals. **What do current trends in global ODA reveal about the potential of this resource?**

In April 2014, the OECD's Development Assistance Committee (DAC) headlined a significant increase in the value of ODA in 2013, reversing a two-year trend of declining ODA in 2011 and 2012 (2013 prices). At US$134.4 billion, the value of global ODA declined marginally in 2014. (Calculations on this page are by AidWatch Canada based on statistics published by the OECD DAC.)

### DAC Donors' Official Development Assistance (ODA)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Current Prices (US$)</th>
<th>2013 Prices (US$)</th>
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<tbody>
<tr>
<td>2005</td>
<td>$108.3 billion</td>
<td>$128.1 billion</td>
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<tr>
<td>2010</td>
<td>$129.1 billion</td>
<td>$134.8 billion</td>
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<td>2011</td>
<td>$134.7 billion</td>
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<td>2012</td>
<td>$126.9 billion</td>
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<td>2014</td>
<td>$135.2 billion</td>
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2. Achieving the 0.7% target

If all DAC donors honored the UN target to devote 0.7% of their Gross National Income (GNI) to ODA, ODA would have been US$322.8 billion in 2013, about 138% more than the level reached. Even if the EU donors had achieved their collective goal of 0.56% of GNI (announced in 2005), there would have been US$25.3 billion extra resources for aid in 2013. Achieving the 0.7% UN target would provide significant resources for developing countries as a resource that can be targeted to people living in poverty or who are otherwise marginalized in their society.

In 2013, the United Kingdom was the first G7 donor to achieve the 0.7% target, despite sharing the economic hardships of many of other G7 countries, such as Canada. In 2014, the UK provided US$19.4 billion in ODA, compared to US$13.9 billion in 2012. Still only 5 traditional DAC donors have met this UN target in 2014 – the UK (0.71%), Denmark (0.85%), Luxembourg (1.07%), Norway (0.99%) and Sweden (1.1%). The Netherlands, a long-standing country devoting more than 0.7% of its GNI to ODA since the 1970s, cut its ODA below the UN threshold, with a performance ratio of 0.64%.

According to the DAC, in 2014 Canada provided US$4.9 billion in ODA, down from US$5.7 billion in 2013. Canada's DAC performance ratio was 0.29% in 2014. [These aid statistics are reported by Canada on a calendar year basis and differ from total disbursements in DFATD's Statistical Report, which is based on Canada's fiscal year - April to March].

3. Growth in global real ODA

The DAC allow donors to include the costs of refugees living in their country for their first year, the inputed costs of education institutions for students from developing countries studying in their country, and the full value of debt cancellation in the year that it is cancelled. These inclusions, while very welcome policies, distort the true value of ODA for developing countries.
The calculation of "Real ODA" removes these three amounts from annual disbursements for DAC donors.

The calculation of Real Aid provides a more optimistic perspective on the growth of ODA since 2000. The value of Real Aid (in 2013 dollars) grew strongly from 2000 to 2010, by more than 65%, and by 30% between 2005 and 2010. After declining by a modest 5.4% from 2010 to 2012, the value of Real Aid at US$124.2 billion in 2013 is at its highest level since 2000. It represents an increase of 5.8% over Real Aid in 2012.

4. Future projections for global ODA

AidWatch Canada undertook a review of future trends for ODA in 14 donor countries in 2014. Of these donors, only 6 are expecting to increase their ODA in 2014 and beyond, and most these donors are suggesting that these increases will be modest. The remaining 8 donors will see their aid decline. Among these eight, for five donors (Australia, Canada, France, Ireland, the Netherlands) future declines will build upon existing declines between 2010 and 2013. The UK's widely celebrated achievement of the UN target of 0.7% accounted for a significant share of ODA's increase in 2013.

Evidence suggests, therefore, that aid will fall in the coming few years, or at best stagnate at 2013 levels, as it did in 2014.

5. ODA as a dedicated resource for poverty eradication

Despite global attention since 2000 to the MDGs, there has never been a measure to track ODA dedicated to the MDGs. The Reality of Aid Network, in their biannual global reports, has developed an indicator based on DAC sector codes [see the Methodological Note below]. According to this indicator, ODA directed to the MDGs has been improving, albeit modestly, since 2000, but the indicator still remains below 35% of sector allocable aid.

All aid actors accept that strengthening country ownership through developing country governments and other development actors at the country level is essential for effective programs to address poverty. An important DAC measure in this regard is "country programmable aid" (CPA). CPA is the portion of DAC bilateral aid disbursements over which developing country partners have a significant say.

While "country ownership" for directing aid is the first principle of the 2005 Paris Declaration on Aid Effectiveness, still in 2012, just over half of DAC bilateral aid is potentially available to developing country partners in ways that respond to their priorities and needs. Country Programmable Aid (CPA) has been declining since 2010.

Foreign policy priorities relating to anti-terrorism continue to drive country priorities, with at least 10% of real bilateral aid dedicated to Afghanistan, Iraq and Pakistan since 2008, limiting a fair allocation to other low-income and lower middle-income countries for their poverty reduction goals.
6. Allocation of global ODA to country-income groups

Aid to low-income countries has increased steadily since 2000 and in 2012 was 53% of country allocable aid. However, aid has been shifting somewhat towards upper middle-income countries since 2010. Also since 2010 the value of aid to Least Developed Countries (in 2012 dollars) has decreased for the first time in the decade. The value of aid to lower middle-income countries has also shrunk by 14% since 2005, while the value of aid to upper middle-income countries has increased 30%, just in the period 2010 to 2012.

As a proportion of total bilateral DAC aid to LDCs, Afghanistan’s share rose from 15% in 2005 to 21% in 2010, and has remained at this level up to 2012. This foreign policy priority, related to the war in Afghanistan, has clearly affected the degree to which other LDCs have benefited from increased attention to low-income countries since 2005.

7. Humanitarian assistance

Humanitarian assistance from DAC donors has remained at approximately 10% of Real ODA (ODA net of debt cancellation, students and refugees in donor countries) since 2008. Preliminary DAC figures suggest a slight increase in the proportion of Real ODA in 2013 (10.1%) from 2012 (9.0%), likely due to the humanitarian needs in Syria and the responses to typhoon Haiyan in the Philippines and to the needs of the Central African Republic.

Private sources of finance are a growing source of funding for humanitarian assistance. The NGO, Development Initiatives, in a 2014 report on humanitarian assistance estimates private funding through CSOs for these purposes at US$5.6 billion in 2013 (up from US$4.1 billion in 2012), with over a quarter of humanitarian assistance between 2008 and 2012 from private donors. The NGO, Médecins Sans Frontières (MSF), raises about 26% of all private funds raised by the NGOs monitored by this Report.


8. Climate finance and aid

The political commitment for both Fast Start Finance (Copenhagen 2009) and longer-term climate financing is that it was to be both new money and public funding additional to existing ODA commitments. While developed countries honoured their Copenhagen commitment to invest US$30 billion in Fast Start Finance for climate change mitigation and adaptation, donor reporting of ODA made it impossible to determine if this financing was additional to ODA commitments. Donors have reported more than 80% of climate financing to the DAC as part of their ODA. Only 30% of this financing was for adaptation, affecting the impacts of climate change on poor and vulnerable populations.

DAC statistics for 2012 records a total of US$15.6 billion for mitigation and US$10.1 billion for adaptation from sector-allocated donor bilateral aid. Of these amounts, US$10.5 billion was spent on activities where mitigation was the principal objective, but only US$2.7 billion was spent on
activities where adaptation was the principal objective. The remaining funds were spent on activities where mitigation or adaptation were among other objectives for the activity. [AidWatch Canada calculation]

According to the DAC, just three donors – Japan, Germany and the EU institutions -- provided half of the recorded adaptation finance between 2010 and 2012 and only 25% of adaptation financing is directed to least developed and low-income countries.

About 65% of mitigation aid goes to middle-income countries, with a large proportion of activities in Asia. Five donors -- Japan, Germany, France, EU Institutions and Norway – account for 80% of mitigation aid activities.

For an analysis of Fast Track Finance for climate change in the Canadian context see Brian Tomlinson, "An Assessment of Canada’s Commitments to Fast Start Climate Finance, 2010 to 2012." Prepared for the Canadian CSO Climate Change and Development Coalition (C4D), October 2013.

9. ODA directed to gender equality

As a share of screened ODA, gender equality as a principal objective of development activities remains at 2.4% in 2012. Official donor support for women’s rights organizations has shrunk in value since 2008. In 2012, donors reported to the DAC that they invested a mere US$477 million to support for women’s equality organizations and institutions on average. This amount represents less than 2% of all activities with a gender marker in that year.

For an analysis of the gender equality marker in the Canadian context see Brian Tomlinson, Canada’s Aid Marker for Gender Equality, Aid Watch Canada Briefing Paper #4, November 2013

10. Civil society as aid providers in global development cooperation

DAC donors channeled US$15.4 billion of their ODA through CSOs in 2012, down from a peak of US$18.5 billion in 2010. ODA through CSOs was 17% of real bilateral ODA for 2012 (net of refugees in donor countries, imputed student costs, and bilateral debt cancellation). For several donors such as Ireland, Sweden, Switzerland, and the Netherlands, aid delivery through CSOs is more than 30% of their bilateral aid. For Canada, according to DAC statistics, the proportion is 15.6%.

When these donor resources channeled through CSOs are combined with their non-governmental donations, CSOs are managing approximately US$65 billion in development assistance annually, mainly from DAC countries. This amount is equal to about 60% of DAC donors’ Real ODA in 2012 (net of the amount transferred through CSOs).

Financial flows from the largest International NGO families (INGOs) make up a significant and growing amount of aid from CSOs. Eight global INGOs had combined global revenue from all their affiliates of over US$11.7 billion in 2011, up more than 40% since 2005. These eight INGO
families would make up almost a fifth (18%) of the estimated total CSO development assistance noted above. [AidWatch Canada calculation based on INGO annual reports.]

The call for inclusive partnerships to implement the post-2015 agenda require not only the inclusion of CSO resources for development, but also addressing the deteriorating enabling environment for CSOs as development actors in many developing, and some developed, countries.

For a detailed analysis of ODA financing of Canadian CSOs involved in development cooperation go to AidWatch Canada’s CSOs in development web page.

11. Aid and the private sector

Measurement of the extent of private sector contributions to development cooperation is also not captured in DAC databases, with the exception of public private partnerships (PPPs). According to DAC statistics, allocations to PPPs peaked in 2010 at US$886 million, but since then PPPs have declined sharply to US$361 million in 2012. In 2013 these investments increased back to $684 million (DAC CRS Database). ODA for PPPs seems to be highly volatile.

Without similar comprehensive data, particularly on partnerships with the private sector at the country level, the reality and nature of private sector partnerships remain elusive. Much of the growing roles of the private sector in development cooperation are indirect via support for these roles through multilateral development banks and other development finance institutions (DFIs). The latter enable the private sector to collaborate and invest in development through public financed subsidies, investment guarantees and innovative risk mitigation products. See the work of Eurodad on DFIs.

Donors are now pro-actively engaging the corporate private sector, not only as economic actors, but also as development partners in their own right. This preoccupation is focused often on an open enabling environment for business, with the implication that dialogue with this sector assumes development roles by the private sector, which is seldom defined. Greater analytical distinctions between different private sector actors and inclusive dialogue on the normative foundation for the private sector's contributions to development, should explicitly inform the private sectors' roles in the post-2015 agenda and SDGs.

12. South-South aid providers

South-South aid-providers will be playing a crucial role in financing and knowledge exchange for the SDGs. The 2014 High Level Meeting of the Global Partnership's in Mexico noted that South-South Cooperation (SSC) should not be a substitute for, but rather a complement to North-South co-operation. Middle-income aid providers for SSC are estimated to contribute approximately $23.6 billion to development cooperation, an amount that has been growing significantly in the past five years, during a period when many North-South donors have flat-lined or reduced their aid. These flows are now about one-third of DAC donors' Country Programmable Aid. However, South-South assistance is also highly concentrated, with four SSC aid-providers (Turkey, Saudi
Arabia, the UAE, and China) accounting for 90% of these flows.

South-South Cooperation has taken many forms – bundling investment opportunities, technical assistance, provision of appropriate technology, training and education exchange – and different modalities through grants, concessional and non-concessional loan finance. The US$23.6 billion identified above focuses on a smaller set of SSC development assistance activities that are supported through grants and concessional loans on terms approximately comparable to the DAC requisites for ODA.