



April 2019

aid spending by DAC donors in 2018

A review of the OECD-DAC preliminary data

factsheet

This factsheet contains an initial analysis of the preliminary official development assistance (ODA) data for 2018, released by the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) on 10 April 2019.

The rules governing ODA are changing and these are the first set of ODA statistics published under new rules regarding how ODA is accounted for.¹ Under these rules, only a percentage of each ODA loan is counted as ODA – the percentage is dependent on how concessional the loan is. This is offset by the fact that loan repayments are no longer deducted from the headline ODA figure for each donor.

Donors are also now able to report some additional investments in the private sector of developing nations as ODA – known as private sector instruments (PSIs).

In order to compare data against previous years, the OECD has published ODA figures for 2018 calculated according to the previous 'net ODA' measure as well as the new 'grant equivalent' measure of ODA.

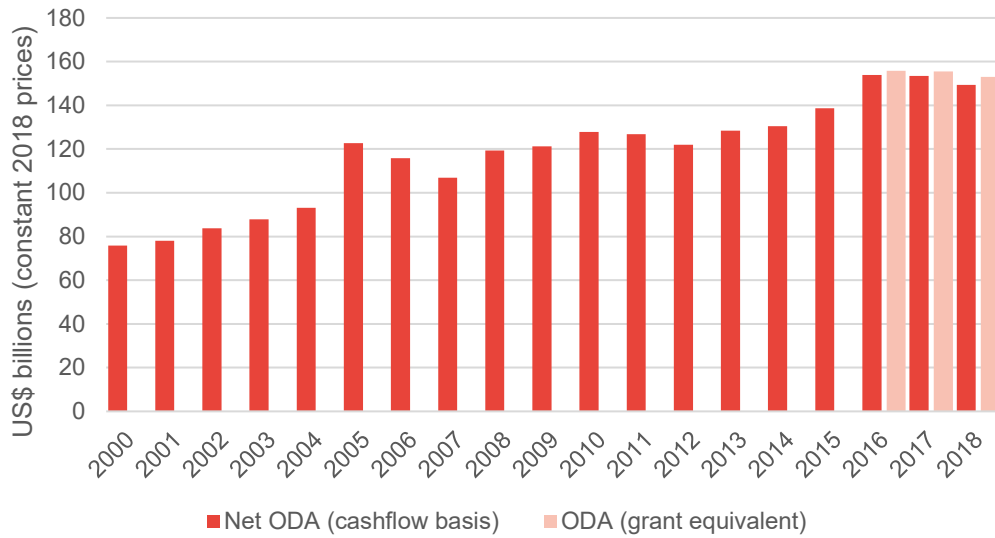
Key findings

The key findings from this preliminary data are:

- Headline ODA has fallen for the second year in a row – down by US\$4.1 billion (2.7%) on the net ODA measure and by US\$2.5 billion (1.6%) according to the new measure
- Lower in-donor refugee costs (IDRCs) is the largest single factor in this fall; however there were also large falls in net ODA from the US and Japan between 2017 and 2018, which were not principally driven by a fall in IDRCs
- ODA to the least developed countries (LDCs) fell by more than 3% and ODA to Africa was down by 4% – in both cases a steeper fall than ODA overall
- The new rules cause Japan's 2018 ODA to appear much higher compared with ODA calculated according to the previous rules – however, the new rules make Germany's 2018 ODA appear significantly lower
- Only five DAC members achieved an ODA-GNI ratio of 0.7% or higher – the same as in 2017 and one fewer than 2016
- There are very wide disparities between the level of concessionality attached to loans from different donors
- The UK reported by far the greatest amount of PSIs in their ODA figures – over US\$1 billion. The vast majority of this was in the form of a capital injection to CDC, the UK's development finance institution (DFI)

ODA falls for the second year running

Figure 1: ODA fell in 2018 on both the new grant equivalent measure and the previous net ODA measure



Source: Development Initiatives, based OECD DAC data

- Using the previous net ODA measure, total ODA fell by US\$4.1 billion or 2.7% in 2018
- After following a rising trend since 2000, ODA levels have fallen since 2016 for the second year in a row
- The main factor in the fall is lower in-donor refugee costs (IDRCs), which were down by US\$4.2 billion
- Under the new grant equivalent measure, total ODA also fell, by US\$2.5 billion between 2017 and 2018

On a net ODA basis, 17 DAC donors reported a rise in ODA but falls in other countries outweighed this

Table 1: Several large donors reported significant falls in net ODA

Donor	Net ODA 2018 (US\$ million)	Net ODA 2017 (US\$ million)	US\$ difference	% difference
Australia	3,119	3,004	114	3.8%
Austria	1,175	1,332	-156	-11.7%
Belgium	2,361	2,337	24	1.0%
Canada	4,616	4,396	220	5.0%
Czech Republic	323	333	-11	-3.2%
Denmark	2,568	2,567	1	0.0%
Finland	983	1,151	-168	-14.6%
France	12,504	11,975	529	4.4%
Germany	25,886	26,675	-789	-3.0%
Greece	282	330	-48	-14.5%
Hungary	190	158	33	20.7%
Iceland	81	69	12	17.4%
Ireland	928	879	49	5.6%
Italy	4,900	6,223	-1,323	-21.3%
Japan	10,064	11,627	-1,563	-13.4%
Korea	2,417	2,278	140	6.1%
Luxembourg	473	456	17	3.7%
Netherlands	5,616	5,308	308	5.8%
New Zealand	556	443	113	25.6%
Norway	4,257	4,444	-186	-4.2%
Poland	754	715	39	5.4%
Portugal	341	404	-63	-15.6%
Slovak Republic	133	128	6	4.4%
Slovenia	83	81	2	2.8%
Spain	2,581	2,705	-125	-4.6%
Sweden	5,843	5,593	250	4.5%
Switzerland	3,091	3,182	-91	-2.9%
United Kingdom	19,455	19,111	344	1.8%
United States	33,741	35,512	-1,771	-5.0%
Total DAC	149,323	153,417	-4,094	-2.7%
EU Institutions	17,131	17,465	-334	-1.9%

Notes: Data in constant 2018 prices

Source: Development Initiatives, based OECD DAC data

- Using the net ODA measure, ODA rose in 17 DAC members and fell in 12 – however, the largest percentage rises were among smaller donors
- The largest falls, in cash terms, were reported by four members of the G7: the US (US\$1.8 billion), Japan (US\$1.6 billion), Italy (US\$1.3 billion) and Germany (US\$0.8 billion)

Under the new rules, ODA in 2018 appears to be US\$3.7 billion higher compared to the previous measure

Table 2: Under the new rules, 2018 ODA from Japan and the US appears higher than under previous rules, while ODA from France and Germany appears lower

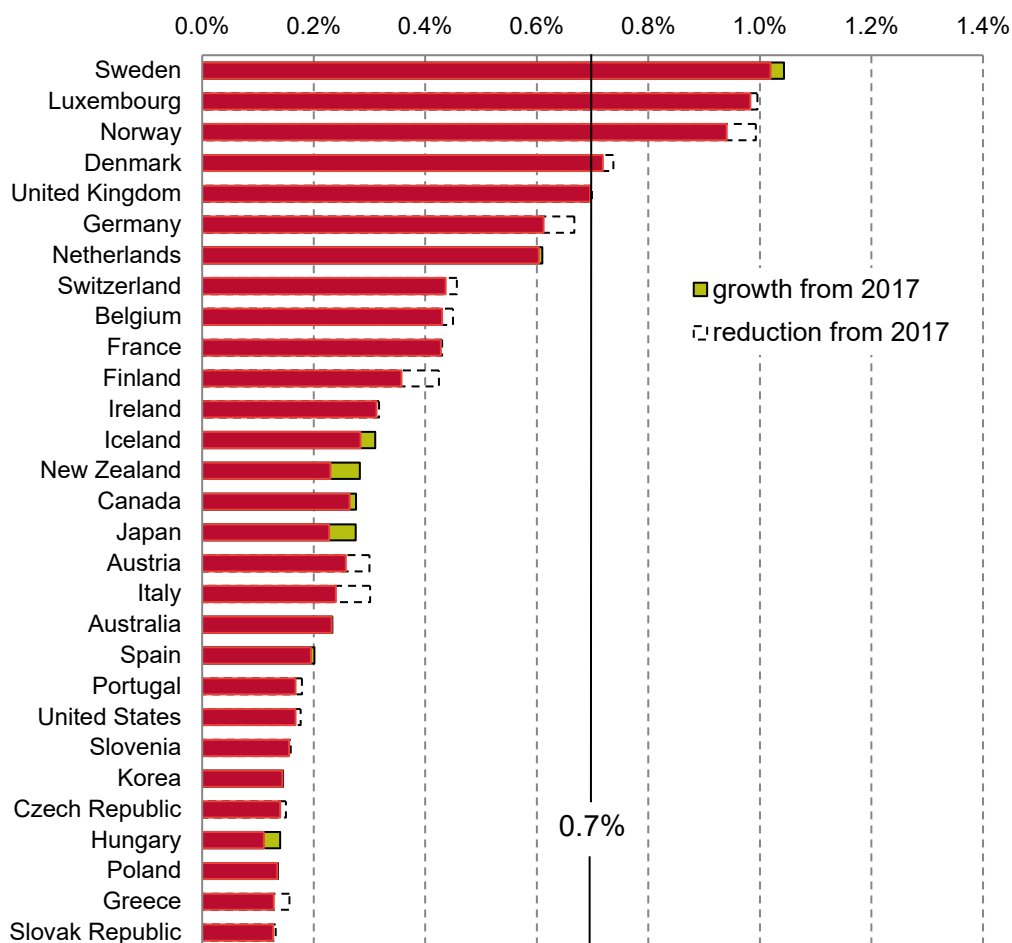
Donor	ODA grant equivalent measure (US\$ million)	Net ODA (US\$ million)	US\$ difference	% difference
Australia	3,119	3,119	0	0%
Austria	1,178	1,175	3	0%
Belgium	2,294	2,361	-67	-3%
Canada	4,655	4,616	38	1%
Czech Republic	323	323	0	0%
Denmark	2,582	2,568	13	1%
Finland	983	983	0	0%
France	12,155	12,504	-350	-3%
Germany	24,985	25,886	-901	-3%
Greece	282	282	0	0%
Hungary	190	190	0	0%
Iceland	81	81	0	0%
Ireland	928	928	0	0%
Italy	5,005	4,900	105	2%
Japan	14,167	10,064	4,103	41%
Korea	2,351	2,417	-66	-3%
Luxembourg	473	473	0	0%
Netherlands	5,616	5,616	0	0%
New Zealand	556	556	0	0%
Norway	4,257	4,257	0	0%
Poland	763	754	9	1%
Portugal	390	341	48	14%
Slovak Republic	133	133	0	0%
Slovenia	83	83	0	0%
Spain	2,874	2,581	293	11%
Sweden	5,844	5,843	1	0%
Switzerland	3,094	3,091	4	0%
United Kingdom	19,403	19,455	-52	0%
United States	34,261	33,741	520	2%
Total DAC	153,025	149,323	3,702	2%
EU Institutions	16,388	17,131	-743	-4%

Source: Development Initiatives, based OECD DAC data

- Japan's ODA appears much higher under the new grant equivalent measure – this means that Japan's headline ODA is now higher, despite a fall in net ODA
- ODA from the US is higher under the new measure because, although the US does not now give ODA loans, it has a large stock of old loans on which it is receiving repayments – under the new rules these repayments are no longer deducted from headline ODA
- France and Germany, who give loans at relatively low levels of concessionality and receive less loan repayments than Japan, both have lower levels of headline ODA under the new measure

The change in measurement of ODA has made no difference to the number of donors achieving 0.7%

Figure 2: Five donors gave at least 0.7% of GNI as ODA in 2018, unchanged since 2017



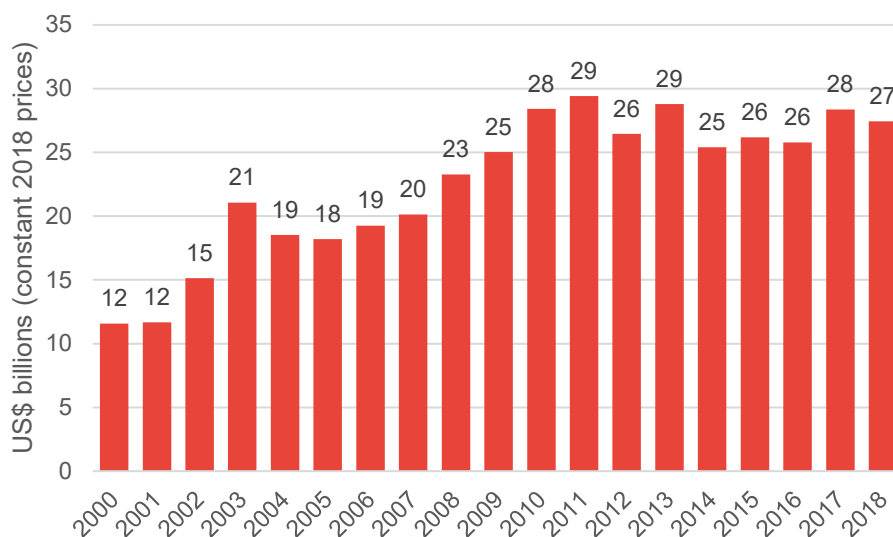
Source: Development Initiatives, based OECD DAC data

Notes: The 2017 ODA/GNI % is based on the previous net ODA measure whereas the 2018 ODA/GNI % is based on the new grant equivalent measure

- In 2018, the same five donors achieved an ODA/GNI level of 0.7% or higher as in 2017, down from six donors in 2016 – Germany achieved 0.7% in 2016 but has reported a fall in ODA in each of the two years since
- Japan's ODA rose to 0.28% of GNI from 0.23%, despite ODA falling by US\$1.6 billion on a net ODA basis – this is due to the fact that Japan's apparent ODA level is much higher under the new grant equivalent measure
- Conversely France remained unchanged at 0.43% despite an increase of US\$0.5 billion in net ODA – this is due to the fact that the grant equivalent measure values French ODA less highly than the previous measure

ODA from DAC donors to LDCs continues to flatline

Figure 3: ODA to LDCs remains below its 2011 peak



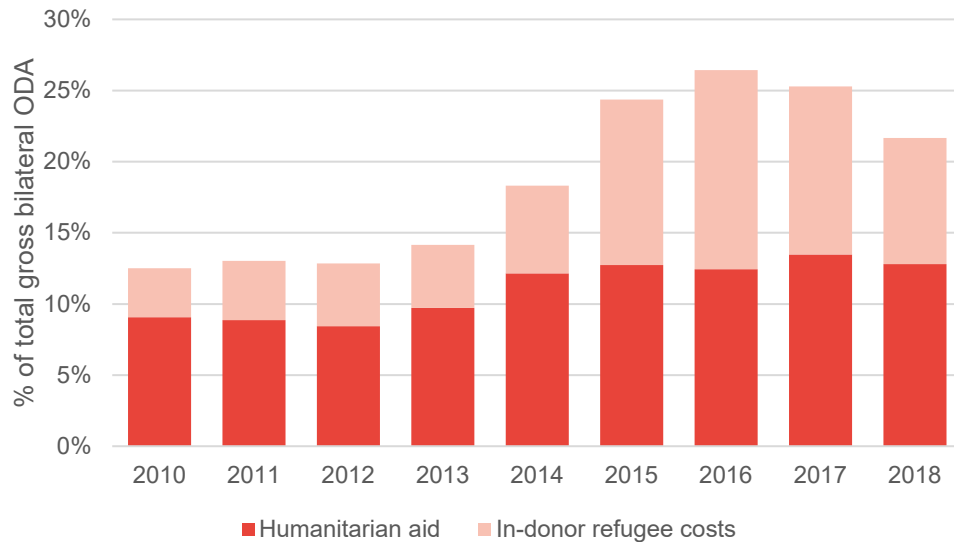
Source: Development Initiatives, based OECD DAC data

Notes: Data on ODA to LDCs is only available on a net ODA basis. Germany failed to report how much of its ODA went to LDCs in 2018 so, in the absence of complete data, this chart assumes that Germany gave the same level of support to LDCs in 2018 as it did in 2017

- After rising in 2017, largely due to increased lending, net ODA to least developed countries (LDCs) fell by US\$0.9 billion, or over 3%, in 2018
- This leaves ODA to LDCs almost US\$2 billion below its 2011 peak, a decline of nearly 7%
- Ireland alone gives over 50% of its bilateral ODA to LDCs. Seven other donors: Belgium, Canada, Korea, Luxembourg, Poland, Sweden and the US all gave over 30% of their bilateral ODA to LDCs in 2018
- ODA to Africa also fell by 4% on a like-for-like basis

ODA to short-term priorities has fallen from its 2016 peak, but remains at historically high levels

Figure 4: The proportion of ODA spent on short-term priorities was almost 22% in 2018 compared with less than 13% in 2010

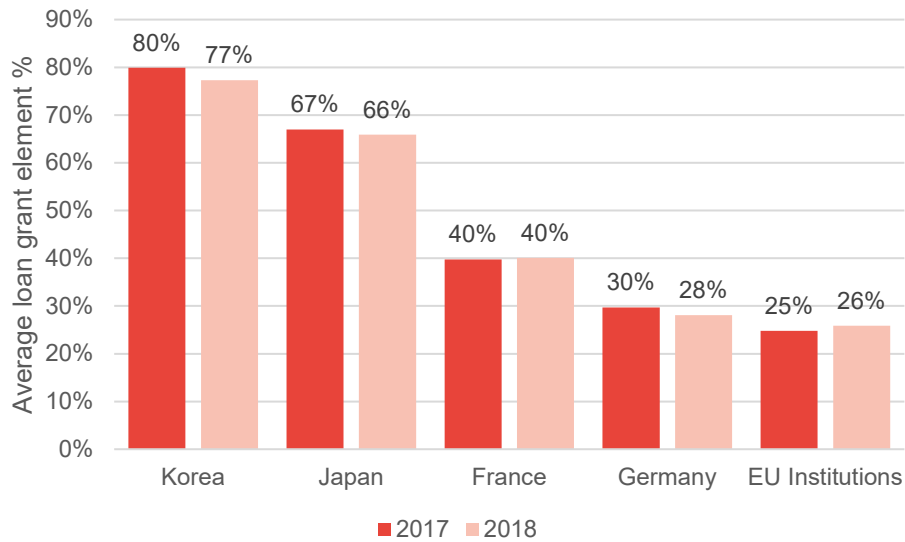


Source: Development Initiatives, based OECD DAC data

- ODA to short-term interventions in humanitarian crises or for refugees in donor countries took an increasingly large share of ODA between 2012 and 2016²
- This trend has somewhat reversed – both IDRCs and humanitarian aid fell in 2018
- IDRCs fell by US\$2.4 billion in Germany, US\$0.8 billion in Italy, US\$0.3 billion in the Netherlands and US\$0.3 billion in Sweden
- The falls in IDRCs since 2016 not only reflect lower rates of refugee arrivals in Europe, but are also due, in part, to a tightening of DAC rules around the reporting of IDRCs
- However, aid to short-term priorities still comprised a much higher proportion of total ODA than was the case prior to 2014

Some donors give loans on much softer terms than others

Figure 5: Loans from Korea are almost three times as concessional as loans from the EU

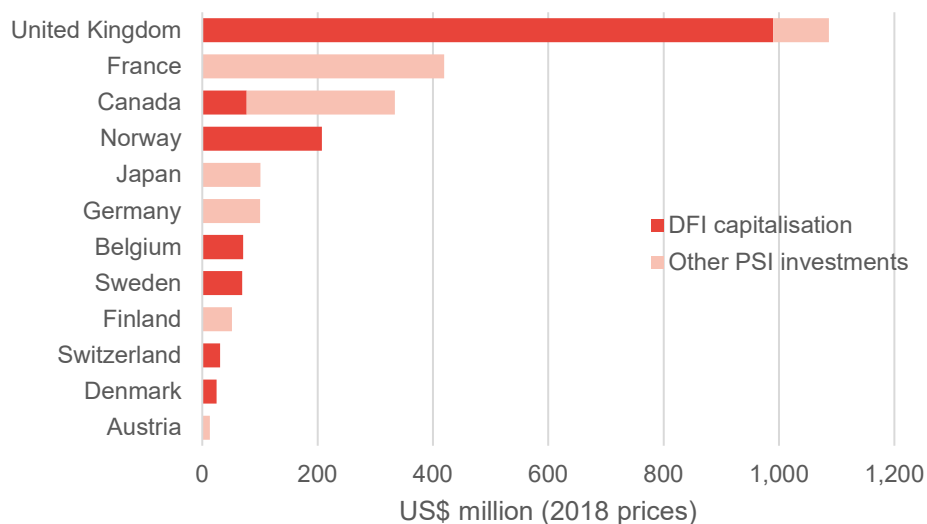


Source: Development Initiatives, based OECD DAC data

- Loans, as a component of ODA, have risen rapidly since 2007 with the vast majority of bilateral lending being carried out by a handful of DAC members
- There are wide disparities in the level of concessionality attached to loans advanced by different donors with loans from Korea and Japan being on significantly softer terms than loans from France, Germany and the EU
- This is a key factor in the apparent reduction in Germany's ODA levels when measured according to the new grant equivalent measure compared with the previous net ODA measure

Three-quarters of ODA-eligible PSIs reported by donors came from three donors

Figure 6: Almost US\$2.5 billion in PSIs was reported as ODA in 2018



Source: Development Initiatives, based OECD DAC data

- Only 12 DAC donors reported giving any ODA in the form of PSIs
- Collectively these donors reported US\$2.46 billion: US\$1.47 billion in the form of increased capital allocations to national DFIs and US\$0.99 billion of loans and other investments to the private sector within developing countries
- 44% of PSIs came from the UK with a further 17% from France and 14% from Canada
- The majority of the UK's reported PSIs was in the form of a capital injection to CDC, the UK's DFI
- The amounts reported as capitalisation of national DFIs pose a transparency problem as no data currently exists to indicate the use that DFIs make of this funding

Notes

¹ For more complete information on the changes to ODA rules see the technical note from the UK's Department for International Development (available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/792460/Grant-Equivalent-Technical-Note.pdf) and Development Initiatives' ODA modernisation background paper:

http://devinit.org/wp-content/uploads/2017/09/Background-paper_ODA-modernisation.pdf

² Development Initiatives, 2019: *Six ways to refocus ODA to end poverty and meet the SDGs* available at:

<http://devinit.org/wp-content/uploads/2019/02/Six-ways-to-refocus-ODA-to-end-poverty-and-meet-the-SDGs.pdf>

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