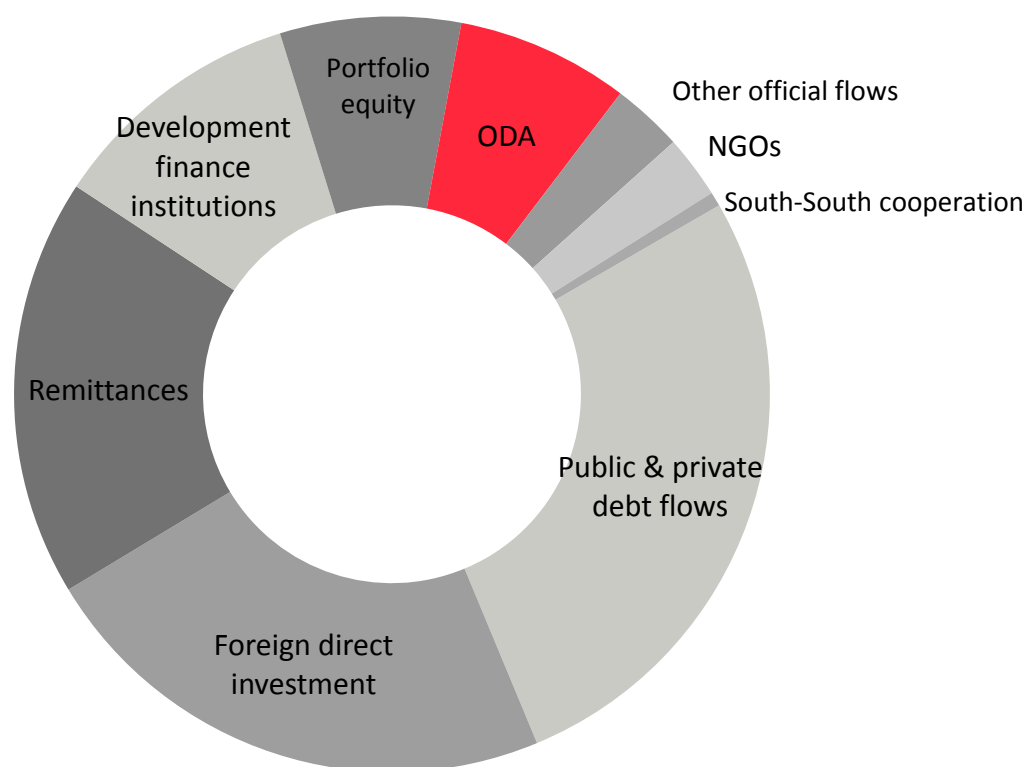


# Official development assistance (ODA)

October 2012



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## What this guide aims to do

*This guide aims to answer some of the basic questions about official development assistance (ODA): how much there is, who provides it, who implements it, where it goes and what it is spent on.*

*ODA has a very specific meaning. It is 'official' funding, which means it is provided by governments of the 23 countries that are members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) plus the European Commission. This group of donors is often referred to as 'the DAC'.*

*To be counted as ODA, the funds must meet strict eligibility criteria, enforced by the DAC. The overarching principals are two-fold: that the primary objective must be the welfare and economic development of developing countries, and that assistance must be concessional either through the provision of grants or soft loans.<sup>1</sup> Funding that comes from DAC donor governments that falls outside this criteria, for instance the enforcement aspects of peacekeeping, is not included.*

*Sixteen of the 23 DAC donors have met or have set a timetable to meet the commitment that 0.7% of their gross national income (GNI) should be spent on ODA. Any funding that meets the ODA criteria can be counted towards the 0.7% target.*

*ODA does not include aid from governments that are not members of the DAC, nor does it include the money given by the public to NGOs or appeals or the funding provided by foundations. Development Initiatives is producing a range of guides on all resources for poverty reduction that will cover these sources of finance.*

*This guide is just about ODA and how it is spent. It doesn't address quality, impact or efficiency.*

*We have deliberately kept the more technical analysis out of the main body of the paper, but notes and explanations are in the annex and we are always happy to answer questions or provide information – just contact us.*

*This guide will be updated in early 2013 when more recent data will be available, but in the meantime, please tell us what you think and how we can make this information more useful. Please go online at [www.devinit.org](http://www.devinit.org).*

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<sup>1</sup> For more detail on aid qualifying criteria see [www.oecd.org/dataoecd/21/21/34086975.pdf](http://www.oecd.org/dataoecd/21/21/34086975.pdf)



## 15 key points

1. Official development assistance (ODA) is official funding provided by governments and official agencies in the 23 countries that are members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) plus the European Commission. The DAC has strict qualifying criteria focused around two key principals: the primary objective must be the welfare and economic development of developing countries; and assistance must be concessional either through the provision of grants or soft loans.
2. Net ODA grew by 63% (almost US\$50 billion) over the last decade, reaching a peak of US\$128.5 billion in 2010. Volumes fell 2.7% in 2011 (US\$3.4 billion) to a preliminary US\$125.1 billion in 2011 (constant prices).
3. ODA constitutes 7% of an estimated minimum of US\$1.7 trillion of international resource flows to developing countries. These include other forms of official financing, public and private borrowing, foreign direct investment and other capital flows, remittances and aid from all countries outside the OECD DAC membership group, together with assistance from international NGOs and foundations. At US\$4.8 trillion, developing countries' own domestic budgets are some 2.8 times greater than all external flows combined.
4. The United States is the largest donor, disbursing an annual average of almost US\$30 billion over 2009-2011. Together with Germany, the United Kingdom, France and Japan, these five countries provide almost two-thirds of ODA. The EU and the World Bank's International Development Agency (IDA) deliver almost 60% of ODA disbursed by multilateral agencies and are among the largest individual donors when compared against the bilateral disbursements of country donors. As a group, the United Nations (UN) received the largest amount of ODA disbursed to multilateral agencies through core and earmarked contributions combined. Together, the UN, World Bank group and EU institutions accounted for 78.5% of ODA to multilateral agencies in 2008-10.
5. DAC donors collectively allocated 0.31% of gross national income (GNI) to ODA in 2011. The 15 EU member states that have committed to reach the international 0.7% GNI target by 2015 allocated 0.47%. Five countries – Sweden, Norway, Luxembourg, Denmark and the Netherlands – have reached, sustained or exceeded the target, a number of them for decades.
6. As a group, DAC donors contributed 0.73% of government expenditure to ODA in 2010. The donors that contribute higher proportions of national income to ODA also allocate larger proportions of government expenditure to aid and have higher levels of aid spending per head of population. A different set of donors perform poorly across all three of these measures.

7. Approximately 40% of ODA is spent through donor and developing country public sectors. Another 40% is channelled through multilateral agencies, of which a third is earmarked for a specific purpose or country. The remaining two-thirds constitutes core contributions to multilateral agencies (termed 'multilateral ODA' by the OECD DAC), with decisions on spending made by the multilateral organisation itself. EU institutions are the largest recipient of core multilateral ODA, receiving an average US\$13.2 billion a year over 2009-2011. Core contributions to the World Bank (IDA) have grown by 63% during the last decade. IDA received an average of US\$7.8 billion a year during 2008-2010 – the second largest multilateral recipient after the EU.
8. Sub-Saharan Africa receives more ODA than any other region with volumes reaching US\$45 billion in 2010 and ODA per poor person averaging US\$97 a year over 2008-2010. The equivalent per poor person volume in Asia is US\$41, because of the high absolute numbers of people living below US\$1.25 a day. While regions such as Europe, the Middle East and North Africa receive lower volumes of ODA overall, small poverty populations in those regions means that the equivalent amount of ODA per poor person is many times higher, reaching US\$27,993, US\$1,164 and US\$611 per poor person respectively.
9. Least developed countries (LDCs) now account for 45% of ODA disbursements and ODA to this group grew at twice the rate of ODA overall during the last decade.
10. Afghanistan and Iraq have been regular top recipients of ODA over the last decade, receiving the highest volumes of ODA across 2009-2011. India and China, both middle income countries but with very large numbers of people living in absolute poverty, have also been significant recipients. Their ODA per poor person averages around US\$6 a year – lower than any other country.
11. Since the early 1970s, growth in ODA has largely been driven by an increase in grant-making. Almost four-fifths of ODA is now delivered as grants with 19% delivered as loans.
12. Grants comprise a wide variety of aid instruments, the largest being financial transfers supporting projects and programmes (29% of all grants in 2010). Grants can also be delivered in kind, the largest being technical cooperation, such as the provision of people and expertise, which accounted for 18% of all grants and 14% of total ODA disbursements in 2010. Budget support, where the donor relinquishes control of the funds to allow the recipient government to spend the ODA according to its own priorities, reached US\$12 billion in 2010, more than 8% of total ODA. Half of this was earmarked for a specific sector.
13. ODA supports a wide range of sectors from social development and economic production, to governance, conflict prevention and emergency assistance. ODA supporting governance and a wider enabling environment accounted for 15% of all disbursements during 2008-2010. Health and infrastructure each represent over 10% of disbursements, with volumes more than doubling over the decade. Health ODA

has grown particularly in sub-Saharan Africa, almost doubling its share of total ODA to the region since 2002-2004, to reach 18% by 2008-2010, and accounting for more than half of all global health ODA.

14. ODA for sectors with large capital costs such as infrastructure and water and sanitation relies substantially more on loans for financing (61% and 45% respectively) compared to other sectors, while ODA for health, food security and social protection and conflict and emergency is delivered almost completely as grants. Equity investments are directed largely at productive sectors (e.g. agriculture, and industry).
15. Donors prioritise sectors differently. The United States, for example, allocates 23% of its bilateral ODA to health (excluding contributions to vertical funds and multilateral agencies) and is by far the largest donor to the sector with bilateral contributions reaching almost US\$6 billion a year (2008-2010). IDA is the largest disburser of agricultural aid (followed by Japan), and allocates almost 13% of its ODA budget to the sector.

## Global trends

Official development assistance (ODA) has grown, from around US\$40 billion a year in the 1960s to over US\$125 billion today. Despite this increase, donor aid disbursements have not kept pace with their own economic growth. The gap between ODA and gross national income (GNI) per capita has widened. In 1970 the international community, under the auspices of the United Nations (UN), set 0.7% of a country's national income as the benchmark for foreign aid, derived from a trade-off between what was considered to be needed and what was politically and economically feasible. It was later estimated as the volume of aid required for developing countries to meet the MDGs and conflict and humanitarian needs. The 0.7% target has endured through numerous reiterations with EU-15 member states setting time-bound targets for 2015. Despite commitments however, donors have failed to reach half this level in aggregate, although five countries have consistently contributed more than 0.7% of GNI.

*Official development assistance (ODA) has grown, particularly since the 1970s to record highs, but its path has not always been smooth*

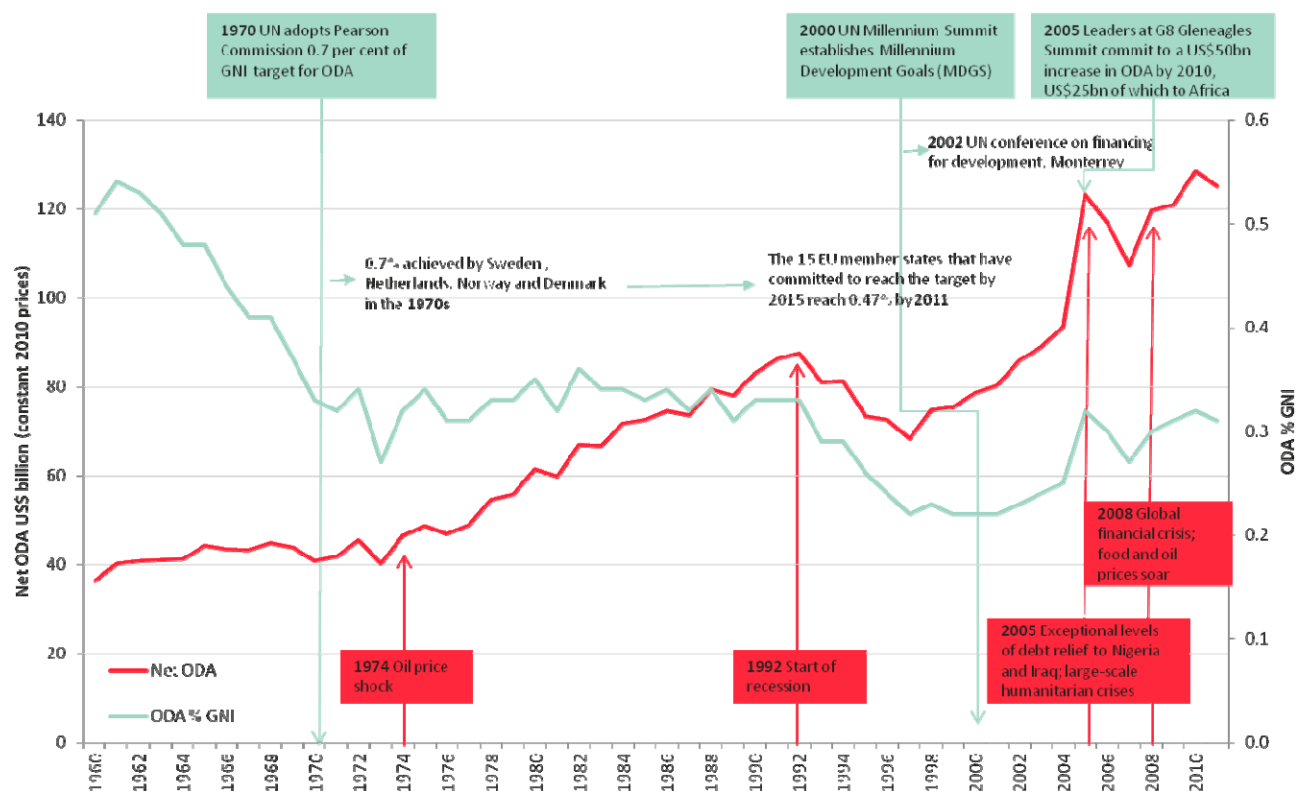
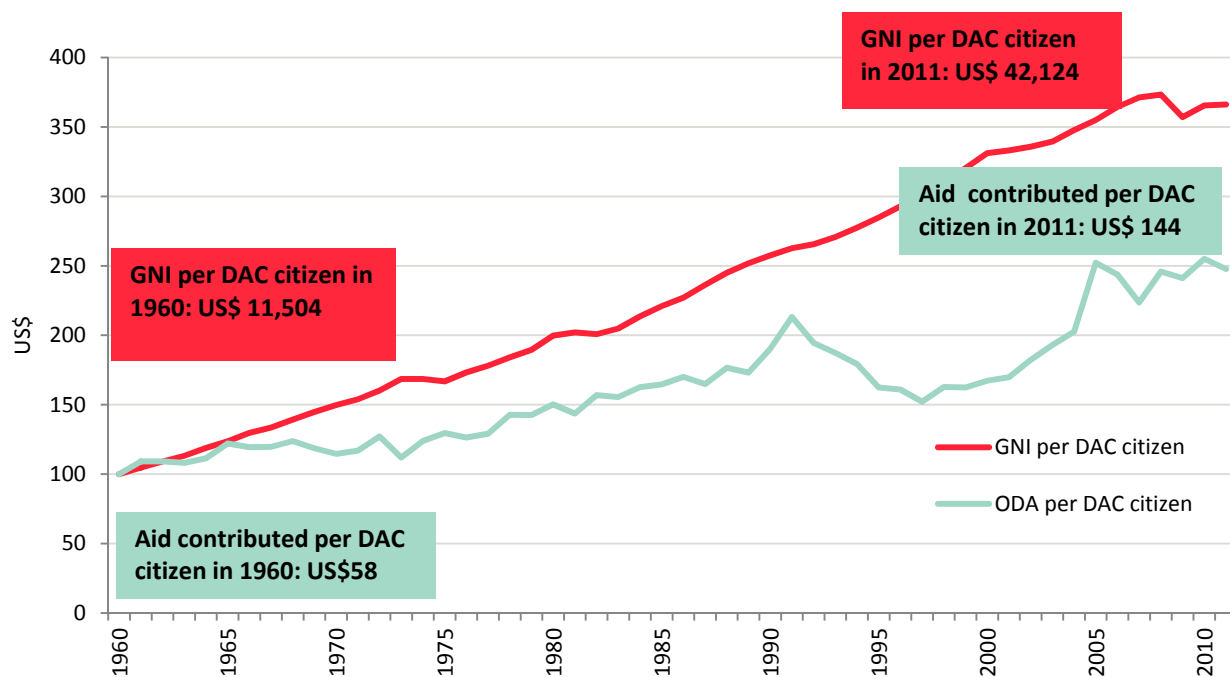


Figure 1: Long-term trend in net ODA from DAC donors and share of gross national income (GNI) since 1960  
[Source: Development Initiatives based on OECD DAC data]

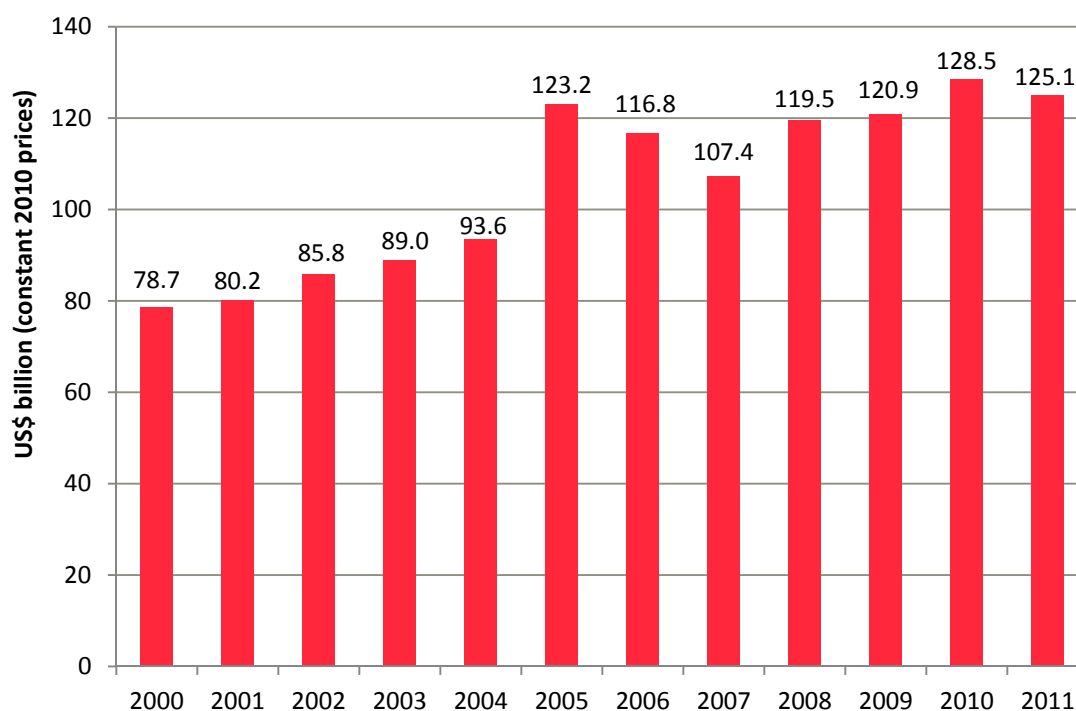


*And the gap between ODA from DAC countries and their own economic growth continues to increase*



**Figure 2: Comparison of DAC ODA and GNI per capita since 1960 [Source: Development Initiatives based on OECD DAC data]**

*ODA has grown by US\$50 billion since 2000 – an increase of 60%. It fell in 2006 and 2007 following periods of exceptional debt relief and again in 2011*

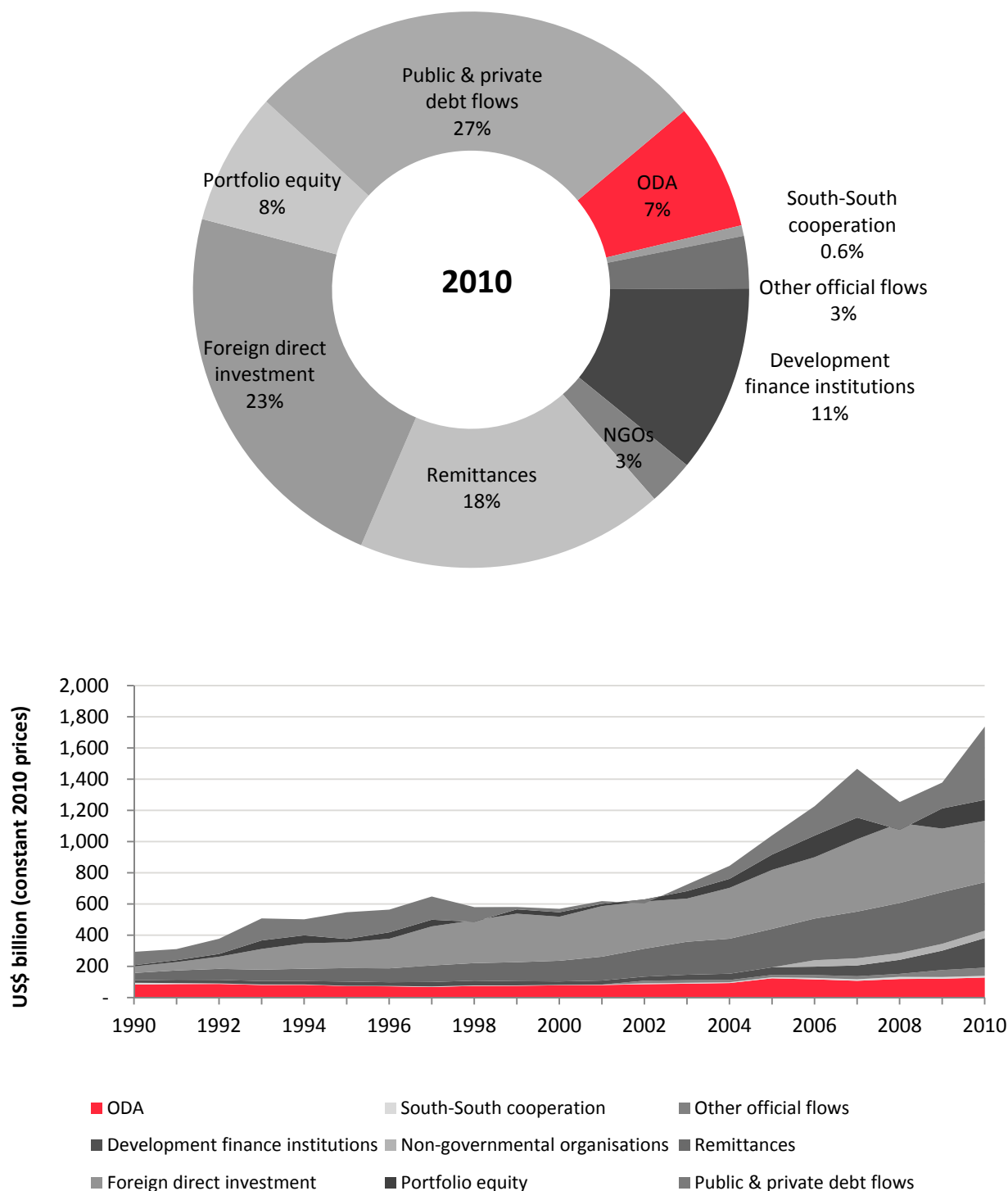


**Figure 3: Net ODA from DAC donors since 2000 [Source: Development Initiatives based on OECD DAC data]**

ODA has increased steadily for more than a decade, growing 63% between 2000 and 2010 to reach a peak of US\$128.5 billion. Spikes in 2005 and 2006 were due to periods of exceptional debt relief (notably for Nigeria and Iraq), where, under the rules of the DAC, the full value of the debt cancelled can be recorded as ODA.

This continued period of growth was interrupted in 2011, when net ODA from DAC donors fell 2.7% in real terms (US\$3.4 billion) to a preliminary US\$125.1 billion. This is the first fall since 1997 if the period of exceptional debt relief is disregarded. Evidence suggests that it is a number of years from the onset of a recession before the full impact on aid flows is felt. The fall in 2011 may therefore reflect budgetary austerity starting to filter through into the development programmes of a number of donors.

*Aid is a small component of resource flows to developing countries but the only source of international finance dedicated to poverty reduction*



**Figure 4: ODA in the context of other resources, 1990-2010.** Note that comparable private giving data is only available from 2006, and data on other official flows from 2002. [Source: Development Initiatives based on OECD DAC, World Bank and UNCTAD data]

Official development assistance is just one of a number of international resource flows available to developing countries. It accounts for approximately 7% of international flows.

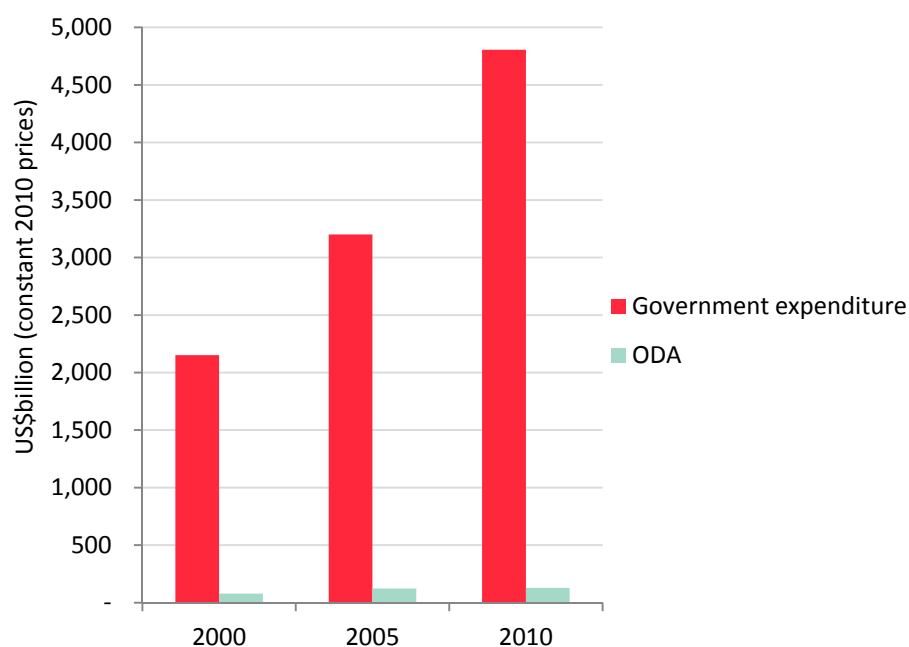
In addition to ODA governments provide other forms of official financing that do not meet ODA criteria, together with a range of international lending mechanisms. Aid beyond the traditional OECD DAC membership group from countries such as China, India, Brazil, the Middle East and Eastern Europe is increasing at a significant rate. Together with increased private capital through foundations and private giving through NGOs, some of which contribute as much as government donors, the donor landscape is changing. Private flows through FDI investments and remittances account for over 40% of the resources available to developing countries. These have also grown rapidly, rising by almost 12% and 10% per annum respectively over the last two decades.

Overall, external resources to developing countries have grown six-fold since 1990, totalling at least US\$1.7 trillion in 2010. But this is dwarfed by developing countries' own domestic budgets, which reached an estimated US\$ 4.8 trillion in 2010, some 2.8 times greater than all external flows combined.

Government expenditure as a whole has grown rapidly across developing countries in recent years, although it has slowed with the economic crisis. However, while this highlights the growing resources available to many governments to combat poverty within their own borders, the trend has not been experienced by all countries. Some developing countries, particularly LDCs, have significantly lower levels of government expenditure than others. This group accounts for less than 2.5% of developing country government expenditures whilst having almost 15% of developing country population.

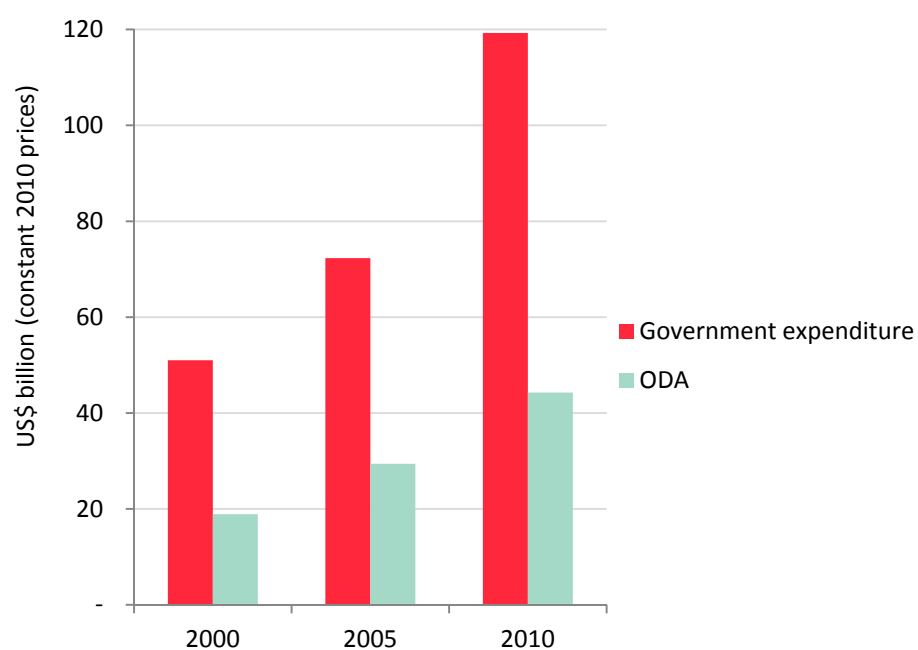
All flows have a role to play in development and each performs a different function with potential to impact on poverty through different channels. Only aid, however, has an explicit objective of reducing poverty. It therefore plays a crucial role in assisting the world's poorest and most vulnerable people, a role that can be maximised if its use is considered within the context of all other resources available.

***ODA to all developing countries grew by US\$50 billion between 2000 and 2010, whilst government expenditure grew by US\$2.7 trillion***



**Figure 5: Net ODA and total government expenditure across all developing countries in 2000, 2005 and 2010**  
[Source: Development Initiatives based on OECD DAC and IMF World Economic Outlook data]

***Government expenditure in least developed countries is significantly lower, and ODA plays a greater role***



**Figure 6: ODA and total government expenditure in 48 LDCs in 2000, 2005 and 2010** [Source: Development Initiatives based on OECD DAC data and IMF World Economic Outlook data]

## Where does ODA come from and who delivers it?

ODA by definition is the aid provided by the 23 countries that are members of the OECD Development Assistance Committee (DAC) and the European Union (EU). Their aid is delivered through numerous channels and institutions on its way to the final beneficiary.

### Which donors provide the most money?

*The five largest donors, all members of the G7, accounted for just over 60% of ODA between 2009 and 2011*

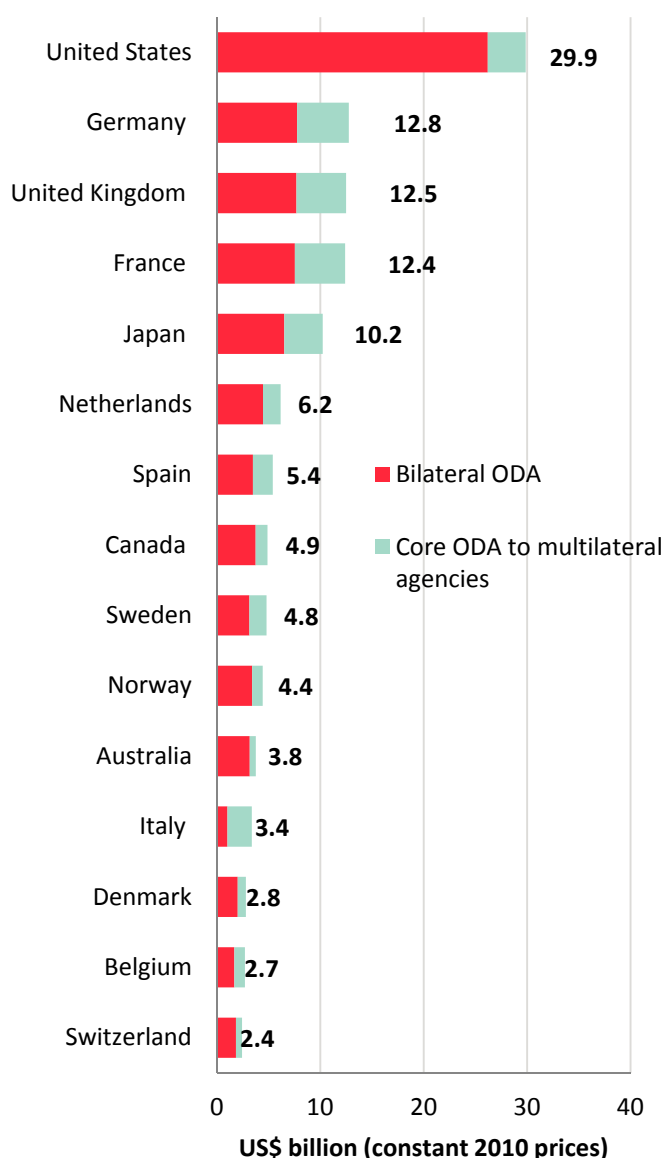


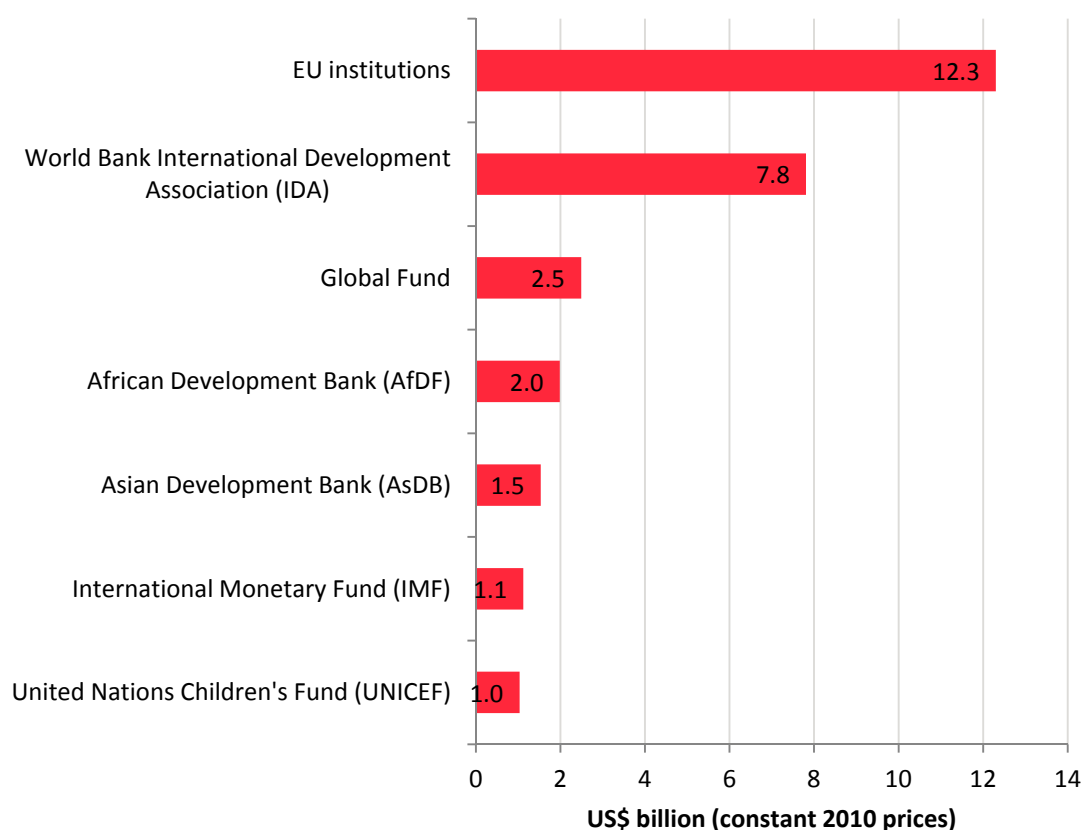
Figure 7: Top 15 ODA donors, 2009-2011 annual average [Source: Development Initiatives based on OECD DAC data]

The United States is consistently the largest donor by volume, with ODA levels averaging almost US\$30 billion a year over 2009-2011, more than double the next largest donor. Four

other countries – Germany, the United Kingdom, France and Japan – have averaged more than US\$10 billion a year over this period. These five countries are consistently the largest donors by volume and combined account for just under two-thirds of total ODA. The top 15 donors over 2009-2011 constitute 95% of ODA.

***Some multilateral agencies disburse funds on the same scale as bilateral country donors***

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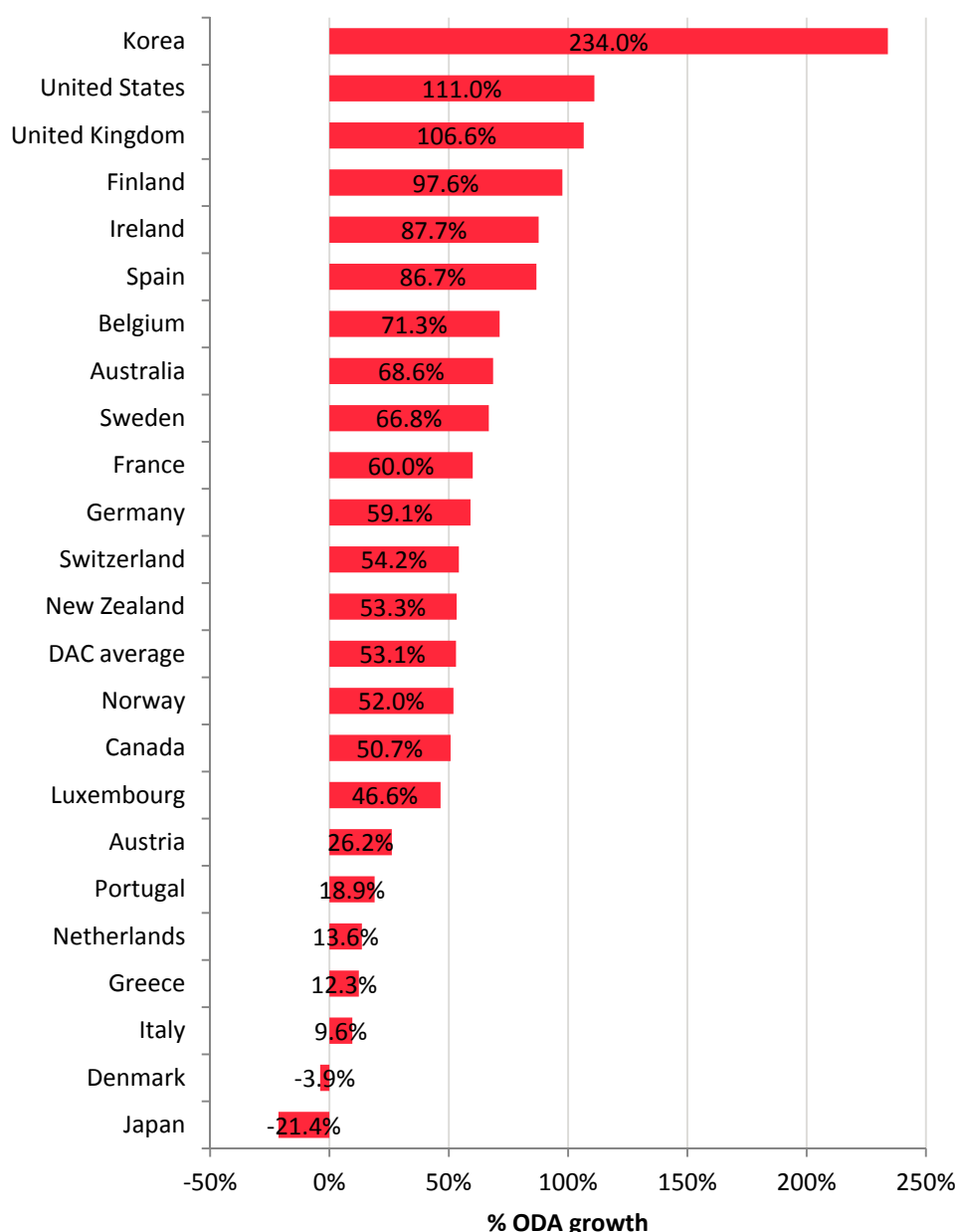


**Figure 8: The seven multilateral agencies disbursing over US\$1 billion, 2008-10 annual average [Source: Development Initiatives based on OECD DAC data]**

Multilateral agencies, such as those under UN, the World Bank, regional development banks and vertical funding mechanisms like the Global Fund to Fight AIDS Tuberculosis and Malaria (Global Fund) disburse significant volumes of aid. Institutions under the EU (disbursements through the European Commission (EC) and the European Development Fund (EDF) in particular) and the International Development Agency (IDA, the World Bank's grant and concessional lending arm), are by far the largest, accounting for just under 60% of the total funds disbursed by multilateral organisations and 16.4% of all ODA disbursements. This puts IDA and the EC among the top three donors, behind only the United States, when compared against the bilateral disbursements of country donors. Other multilateral agencies that

typically disburse more than US\$1 billion a year include the Global Fund, funds under the African and Asian development banks, the IMF and UNICEF.

*Three country donors have more than doubled their ODA in real terms over the last decade, and twelve more have increased at least by half*



**Figure 9: Major contributors to ODA growth, 2000-02/2009-11** [Source: Development Initiatives based on OECD DAC data]

Almost all donors have increased ODA over the last decade, with the United States, the United Kingdom, Germany and France particularly driving aggregate ODA growth. Korea, Finland, Ireland and Spain have witnessed notable growth rates of over 85%. Only Japan, and to a much lesser extent, Denmark, have seen volumes fall in real terms in 2009-2011



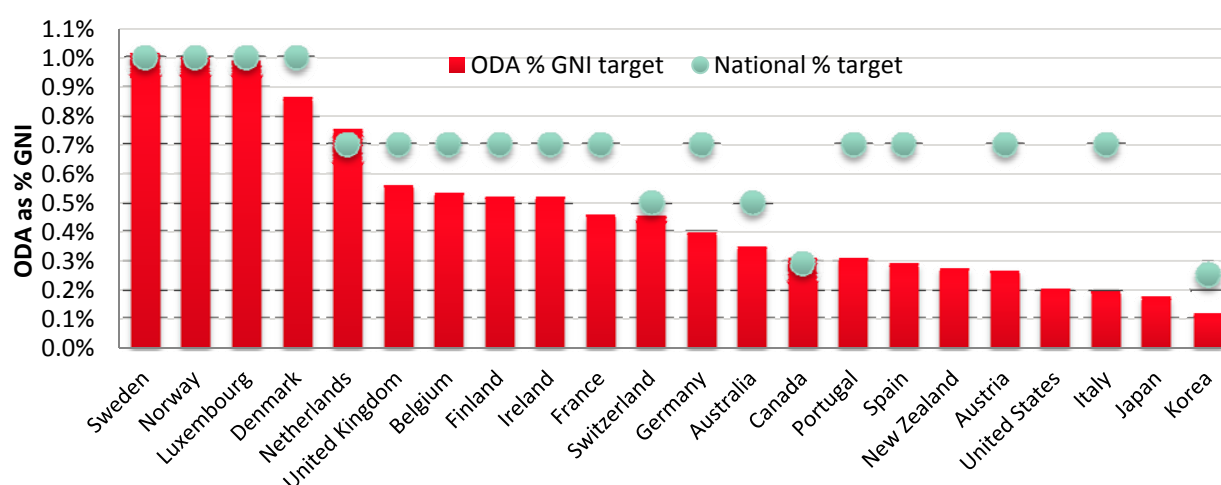
from an annual average 2000-2002 baseline, by 21.4% (US\$2.8 billion) and 3.9% (US\$114 million) respectively. Despite this fall in absolute volume, Denmark is still contributing 0.86% of GNI – more than all but three other DAC donors. Japan's ODA is 0.18% of GNI.

Four of the five largest donors, the United States, the United Kingdom, France and Japan, saw aid volumes fall in 2011 (Japan and France in particular, reduced their aid by 10.8% and 5.6% respectively). Large cuts were also made by Greece (39.3%), Spain (32.7%), Austria (14.3%) and Belgium (13.3%), reacting to the Eurozone crisis.

### Which donor countries give most per capita or as a share of their national income?

Absolute volumes of ODA highlight the major players in the aid landscape, but tell less about the priority that each donor government places on ODA or whether they are contributing their fair share. Comparing aid volumes with national wealth or overall government expenditure brings this more into relief.

*Some countries have already met their commitment to national and international targets for shares of GNI spent on ODA, but most have yet to reach their targets*



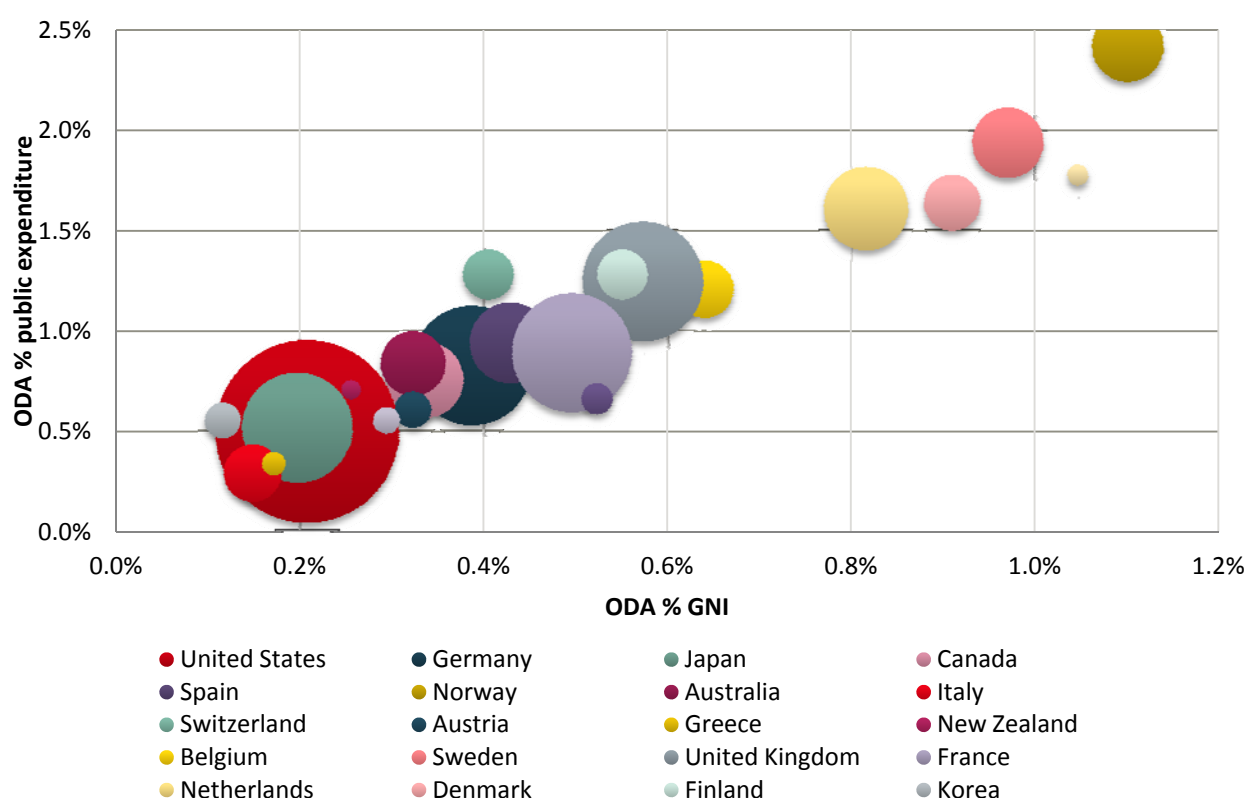
**Figure 10: Progress towards ODA/GNI targets [Source: Development Initiatives based on OECD DAC data]**

Aid targets, both national and the international 0.7% target are commonly expressed as a proportion of gross national income (GNI). Calculating aid as a share of national income means that donor contributions can be compared more fairly. Five countries – Sweden, Norway, Luxembourg, Denmark and the Netherlands – have met the long-standing UN target of 0.7% (although 2012 cuts to the Netherlands budget may result in volumes falling below this level). Further, with the exception of Luxembourg, this group of countries have maintained aid between 0.7% and 1.2% of GNI for at least the last two decades.

EU15 member states committed in 2005 to reach 0.7% by 2015, with a series of targets set for countries already at this level and a separate target of 0.33% for new accession countries. Only the United Kingdom has indicated it will legislate this commitment and, if delivered, it will be the first G8 member to meet this pledge.

Commitments have also been made by donors outside the EU, but some donors have not set targets. Most notable among these are the United States and Japan, who, while among the largest donors by volume, are among the smallest donors relative the size of their economies, with ODA at 0.2% and 0.18% of GNI respectively in 2011.

***Donors allocating a higher share of GNI to ODA also allocate larger shares of government expenditure to aid***



**Figure 11: Net ODA as a share of GNI and public expenditure, 2010 [Source: Development Initiatives based on OECD DAC data and IMF World Economic Outlook]**

As a whole DAC donors allocate 0.73% of public expenditure to ODA. The five donors to have already achieved 0.7% allocate between 1.6% and 2.4% of public expenditure to ODA. At the other end of the range, 14 donors allocate less than 1% of their total public expenditure to ODA. Countries that give higher volumes of ODA relative to national wealth allocate larger proportions of public spending to development assistance, exemplified by countries such as Norway, Sweden, the Netherlands and Denmark. Conversely, countries with low GNI ratios, such as the United States and Japan, give lower priority to ODA in their

national budgets. Italy and Denmark gave comparable volumes of ODA in 2010 (US\$3 billion and US\$2.9 billion respectively). However, because of its smaller economy and domestic budget, ODA as a proportion of government expenditure is five times higher in Denmark than Italy. It is six times higher as a share of GNI.

*Whether ODA is measured as spending per head of donor population or as a share of total public expenditure the same countries score highly.*

#### ODA as a share of public expenditure (2010)    ODA per capita top 15 donors (2010)

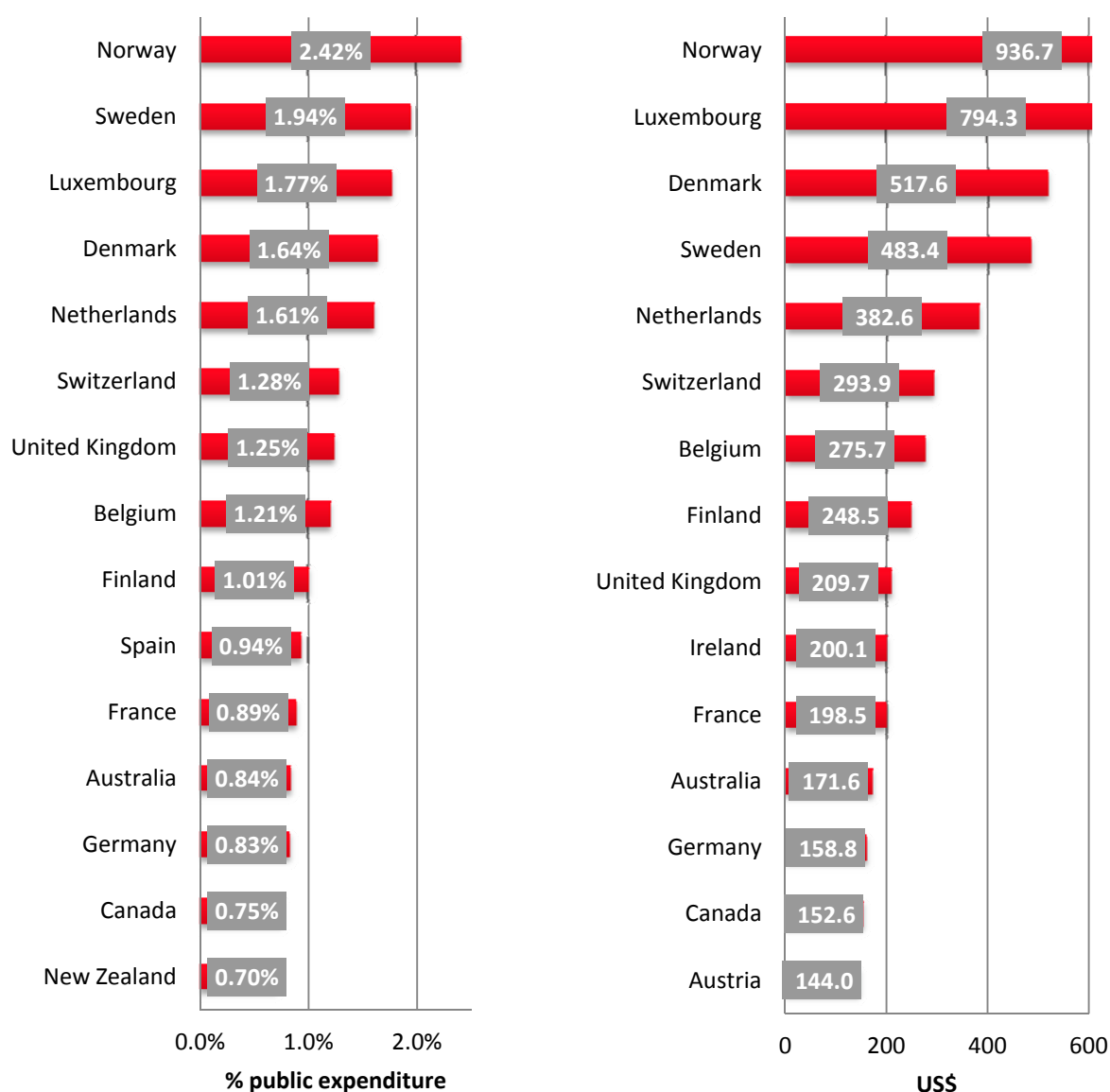


Figure 12: Net ODA as a share of public expenditure and per capita, 2010 [Source: Development Initiatives based on OECD DAC data, IMF World Economic Outlook and World Bank WDI]

## Which organisations does ODA flow through on the journey from donor to recipient?

The path ODA takes *en route* to its final delivery can be a complicated one involving numerous actors and it is difficult to track the flow of financing at each point along the chain. There is a difference between the source of financing and the channels through which ODA is delivered. Around two-fifths of ODA is channelled through projects and investments that are controlled directly by donors or allocated to governments of recipient countries (i.e. the public sector). A further 12% is channelled through NGOs or public-private partnerships.

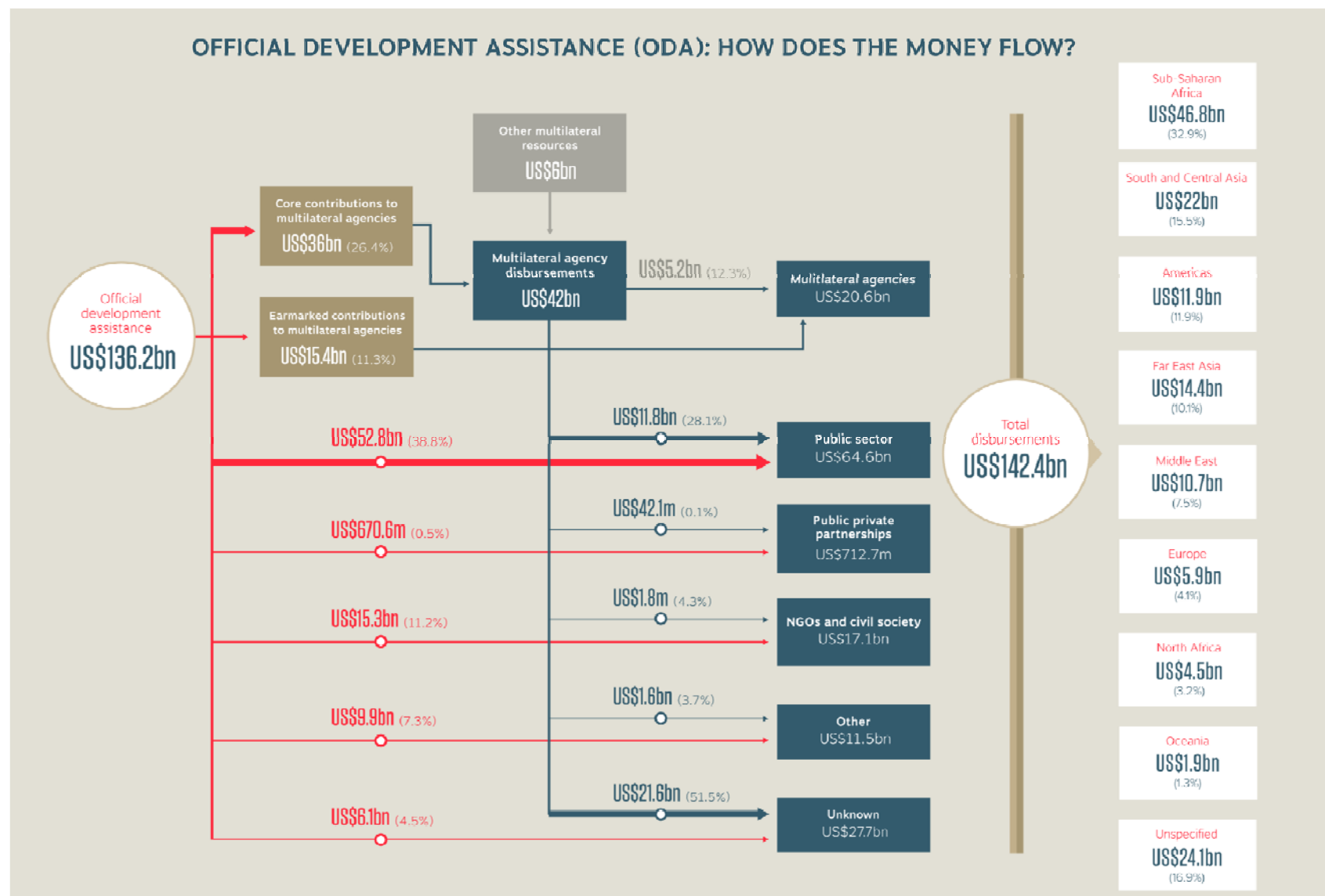
Another 40% of ODA is channelled through multilateral agencies. About a third of this is controlled by the donor in the sense that it is earmarked for a specific purpose or project or country. But the remainder represents core contributions, and decisions on where and how these are spent are made by the recipient multilateral organisations themselves. When the OECD DAC reports on ODA, it is only the core contributions that are considered 'multilateral ODA', and they account for roughly a quarter of all ODA. Earmarked contributions are recorded as a component of donor country bilateral ODA channelled through the multilateral agencies. Of course, multilateral agencies themselves also channel the money they disburse through different organisations and there are numerous intermediaries along the chain.

A number of large multilateral organisations are funded through multi-year replenishment rounds. This, together with the strategic withholding of reserves and the timetable of project cycles, means that disbursements by multilateral agencies will never equal the ODA they receive in any given year.

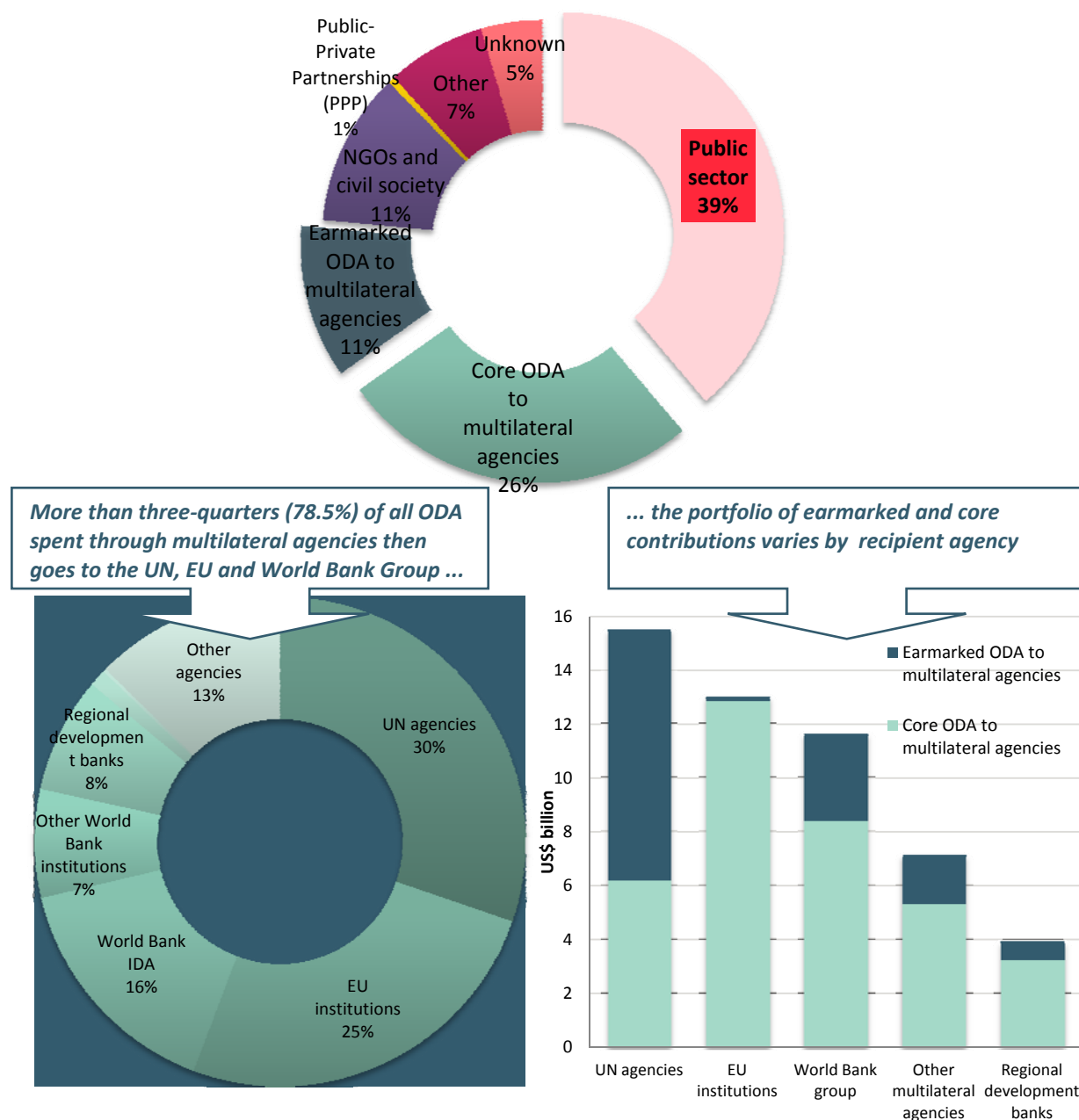
**On the following page: Figure 13: The flow of annual average gross ODA 2008-2010 [Source: Development Initiatives based on OECD DAC tables and OECD DAC Creditor Reporting System (CRS)]<sup>2</sup>**

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<sup>2</sup> The OECD classifies ODA going to countries and regions. The latter includes individual sub-regions (such as North Africa, sub-Saharan Africa, Far East Asia, South and Central Asia Middle East, North America, South and Central America, Europe, Oceania) and multi-regional ODA (Africa, Asia, Americas, Europe, Oceania). Regional ODA in the flow chart above includes ODA to each sub-region, plus a proportionate share of share of multi-regional ODA. See methodology annex for more details.



**Multilateral agencies control about the same amount of ODA as government agencies ('public sector')**



**Figure 14: Gross ODA by channel of delivery, annual average, 2008-2010 [Source: Development Initiatives based on OECD DAC tables and OECD DAC CRS data]**

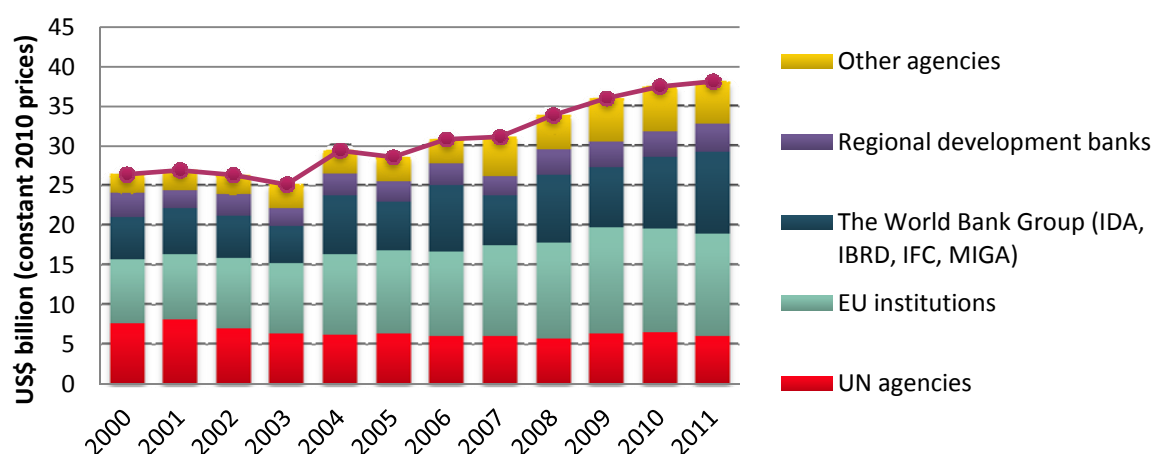
Combined, core contributions (DAC multilateral ODA) and earmarked contributions now account for 38% of ODA, compared to 39% of ODA channelled through the public sector. Approximately one-third of country donor contributions to multilateral agencies are earmarked. 'Other' channels include a wide range of organisations not classified under available categories, such as universities, think tanks and consultancies.

In 2008-10, UN agencies and EU Institutions were the largest multilateral recipients of ODA (core and earmarked contributions). However, IDA was the largest single recipient after the EU, accounting for almost 16% of all core and earmarked contributions (US\$8 billion).

Combined, the UN, EU and World Bank group accounted for 78.5% of ODA to multilateral agencies in 2008-10.

Almost all ODA given to EU institutions are core contributions from EU member states, made via budgetary contributions through the EU Multiannual Finance Framework (MFF) and contributions to the European Development Fund (EDF). Three-fifths of contributions to UN agencies are earmarked for specific purposes or places.

***The EU and World Bank receive 60% of all core contributions to multilateral agencies, and the World Bank's share is growing***



**Figure 15: Core ODA to multilateral agencies, 2000-2011 [Source: Development Initiatives based on OECD DAC data]**

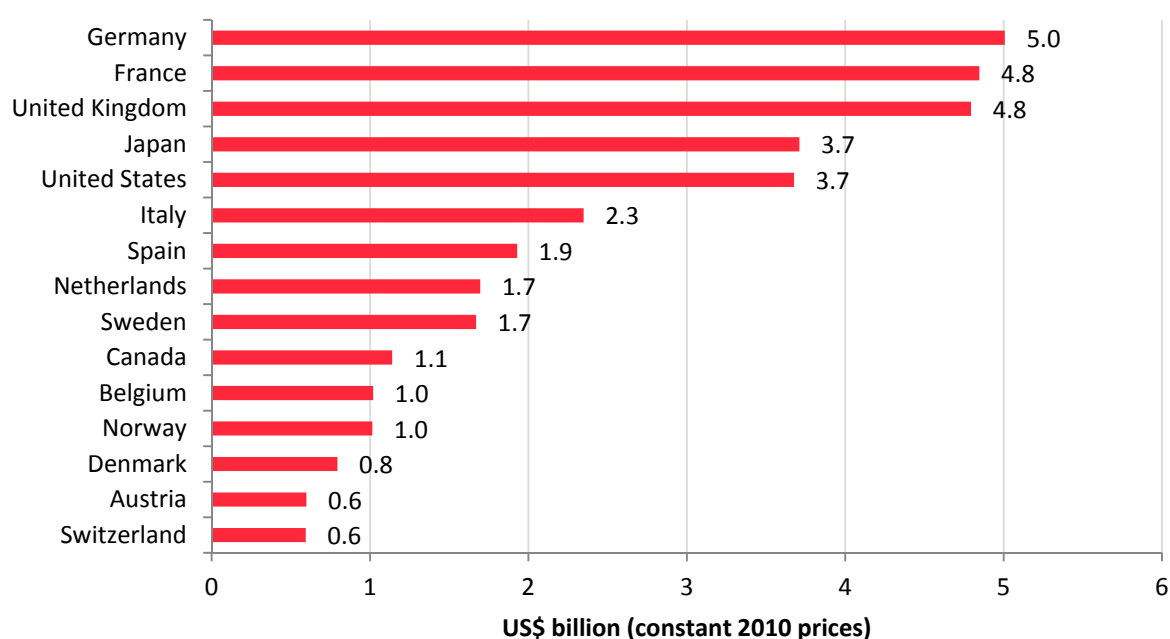
Core contributions to multilateral agencies have grown by 40% between 2000-2002 and 2009-2011, compared with 59.3% growth in bilateral ODA.

While the EU institutions have consistently been the largest recipient of core multilateral ODA, reaching an annual average of US\$13.2 billion in 2009-11, the World Bank Group, driven by contributions to IDA, has seen the largest rate of growth, at 63.2% over the period. Annual contributions to IDA increased from US\$5.1 billion in 2000-02 to US\$7.8 billion in 2008-2010.<sup>3</sup> This compares to 57% growth for the EU, and a 17.2% fall in core contributions to UN agencies as a whole (caused by long-term falls in core contributions to

<sup>3</sup> At the time of writing, data on multilateral ODA to individual agencies was only available up to 2010, with 2011 data presented as group aggregates. Similarly, the latest year for which earmarked contributions to multilaterals was available was 2010. Figures will be updated by the OECD DAC in December 2012, after which this report will be updated.

the World Food Programme (WFP) in particular since the 1990s, and partly attributable to donors increasingly recording contributions as ‘earmarked’ rather than core), between 2000-2002 and 2009-2011. The World Bank’s share of multilateral ODA has increased from 20.7% to 24.2% over the period.

***Five donors disburse an annual average of more than US\$3 billion as core contributions to multilateral agencies – accounting for almost 60% of the total***



**Figure 16: Core ODA to multilateral agencies by country donor, 2009-2011 annual average [Source: Development Initiatives based on OECD DAC data]**

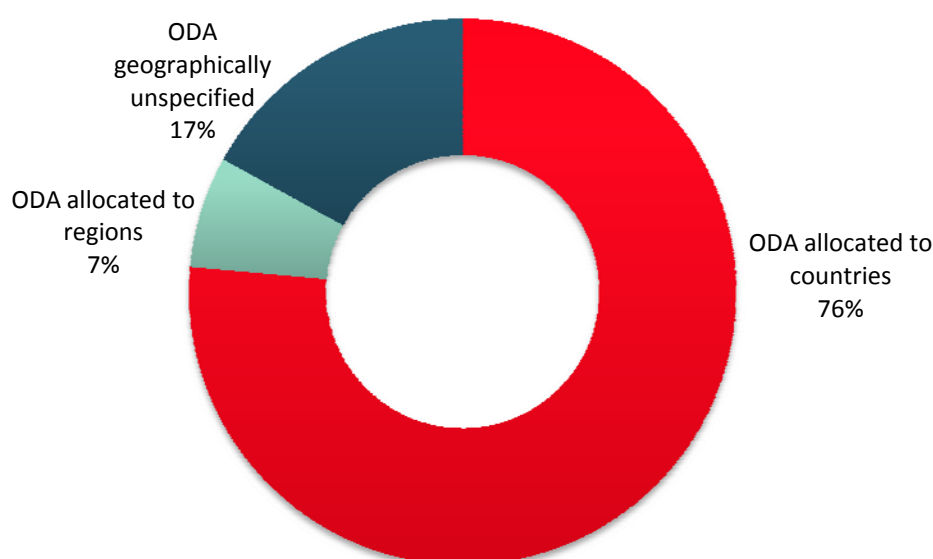
Over 2009-11, the top 15 DAC contributors to multilateral agencies accounted for 93.6% of all multilateral ODA. Five donors - Germany, France and the United Kingdom, followed by the United States and Japan - made up almost 60% of core contributions.



## Where does aid go?

### How much ODA is allocated to specific countries?

*Most ODA is allocated to activities designed to have impact in individual countries; the rest is either for regional initiatives or is geographically unspecified*



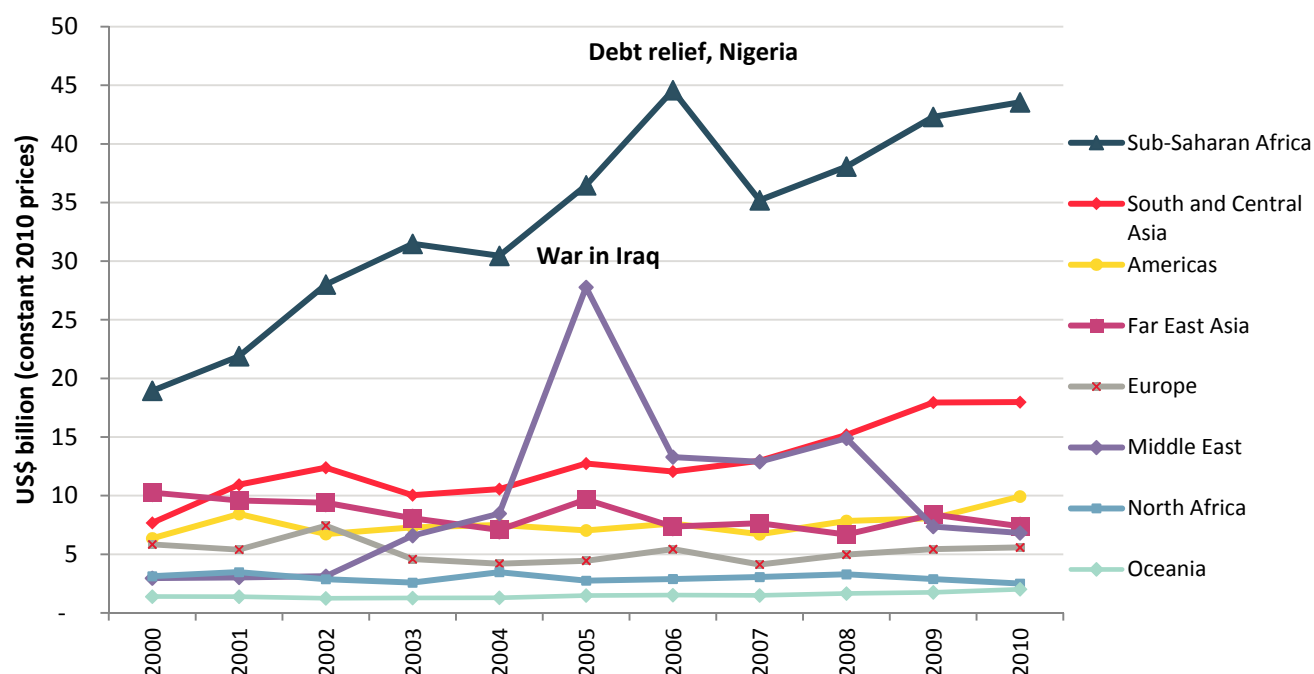
**Figure 17: Gross ODA allocable by country and by region, annual average, 2008-2010 [Source: Development Initiatives based on OECD DAC data]**

The vast majority of aid, more than three-quarters during 2008-2010, is recorded by bilateral and multilateral donors as benefiting individual developing countries. Donors also allocate small proportions of aid to cross-border and regional initiatives, such as aid supporting the African Regional Economic Communities. While volumes of regional aid remain comparatively small, they have increased by 90% over the decade – a higher rise than the 68% increase in aid allocated to countries.

A significant proportion of ODA has no specific geographic destination. Such aid consists of project-type interventions and core contributions to international NGOs, research institutions, multilateral organisations and pooled funds. Some ODA is used to finance donor administrative costs and the costs of supporting refugees in donor countries. ODA reported with no specific geographical destination has increased by 99% over the decade and now accounts for 17% of ODA disbursements.

## Which regions receive most ODA?

*Sub-Saharan Africa is the largest regional recipient of ODA, accounting for roughly one third of net disbursements*

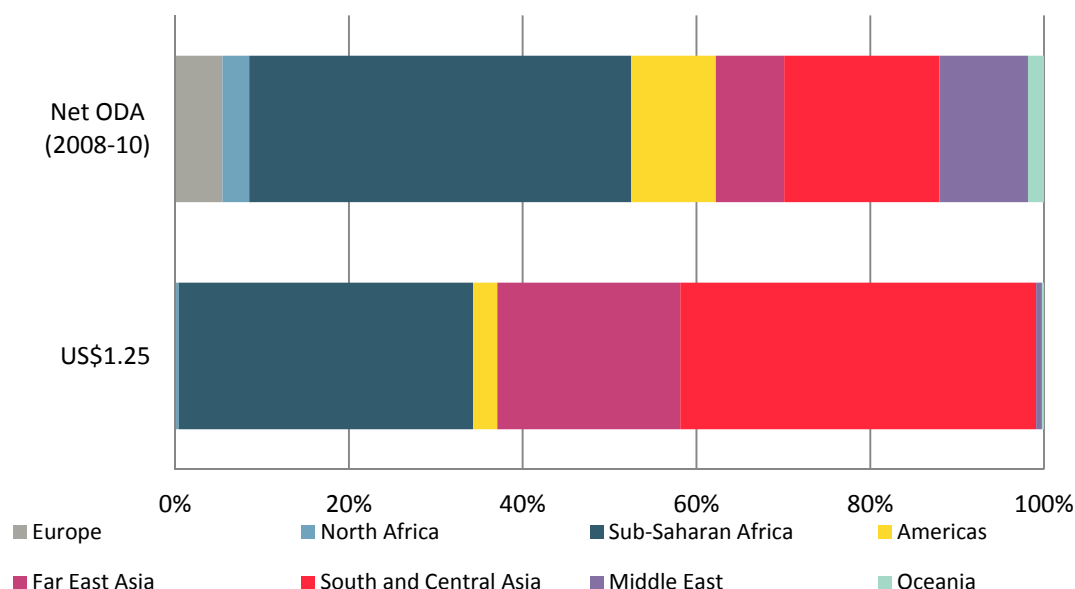


**Figure 18: Net ODA disbursements by region, 2000-2010 [Source: Development Initiatives based on OECD DAC data]**

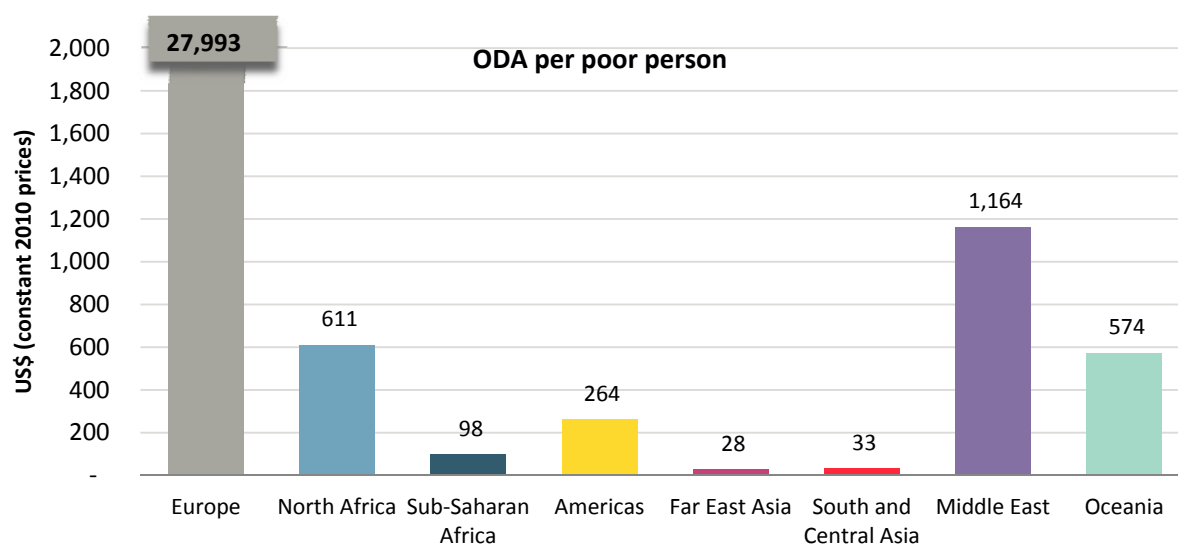
Sub-Saharan Africa receives 34% all ODA disbursements (rising to 35% if ODA allocated to Africa as a whole is distributed proportionately between sub-Saharan and North Africa), followed by South and Central Asia and the Middle East, receiving shares of 14% and 8% respectively over 2008-10.

The Middle East has seen the largest ODA growth rates over the last decade. This has been driven by aid to Iraq, which peaked at US\$24.8 billion in 2005 and subsequently fell to US\$2.1 billion by 2010. Overall, aid to the region has increased 219% between 2000-2002 and 2008-2010, compared with 65% for South and Central Asia (this driven mainly by aid to Afghanistan – see below), and 80% in sub-Saharan Africa.

*Sub-Saharan Africa receives a larger share of ODA than its share of global population below the international poverty line, yet that still amounts to just US\$0.27 per poor person per day, compared with over US\$77 per poor person per day in European recipient countries<sup>4</sup>*



**Figure 19: Share of net ODA and poverty by region, 2008-2010.** Regional proportions include imputations of ODA that are allocated to multiple regions. US\$1.25 regional poverty estimates have been calculated using the latest available estimate for each country. [Source: Development Initiatives based on OECD DAC and World Bank data]



**Figure 20: Net ODA per poor person, by region, 2008-2010.** Regional volumes include imputations of aid that are allocated to multiple regions US\$1.25 regional poverty estimates have been calculated using the latest available estimate for each country. [Source: Development Initiatives based on OECD DAC data and World Bank data]

<sup>4</sup> ODA values in this section include imputations of multi-regional ODA

A different assessment of geographical spending emerges when we look at the size of ODA disbursements relative to absolute numbers of people in poverty. ODA is not allocated per poor person, but such an indicator is a simple measure to see whether volumes are appropriate, proportionate and prioritised in places where the poor are.

Over 2008-2010 Africa, Europe and the Middle East, together with South America and Oceania each received a greater share of total ODA than their share of the global population living under US\$1.25 a day. For example, when excluding ODA that is not geographically allocated, sub-Saharan Africa received 44% of regional ODA disbursements over 2008-2010, but accounts for 34% of the world's poor.<sup>5</sup> Similarly, Europe received 5% of ODA, but countries receiving aid in the region account for just 0.01% of people living under US\$1.25 a day. The prioritisation of sub-Saharan Africa can be considered appropriate given the domestic finance gap faced by the region: annual government expenditures here are around US\$408 per person per year, less than a sixth of the US\$2,499 per capita European governments receiving ODA have to spend.<sup>6</sup> Take out South Africa and this falls to US\$270 per person.

Given the large number of people in poverty, aid volumes per poor person in sub-Saharan Africa equivalent to just US\$98 a year, compared with US\$27,993 in Europe and over US\$1,000 in the Middle East, where poverty populations are considerably smaller, but aid remains relatively high.

Only Asia receives lower aid per poor person than sub-Saharan Africa, with volumes as low as US\$33 per person and US\$28 per person in South and Central Asia and Far East Asia respectively. Large populations here mean domestic government expenditures are among the lowest in the world at around US\$326 per capita, suggesting that, for at least some countries in the region, low government investment is not being supported sufficiently by ODA.

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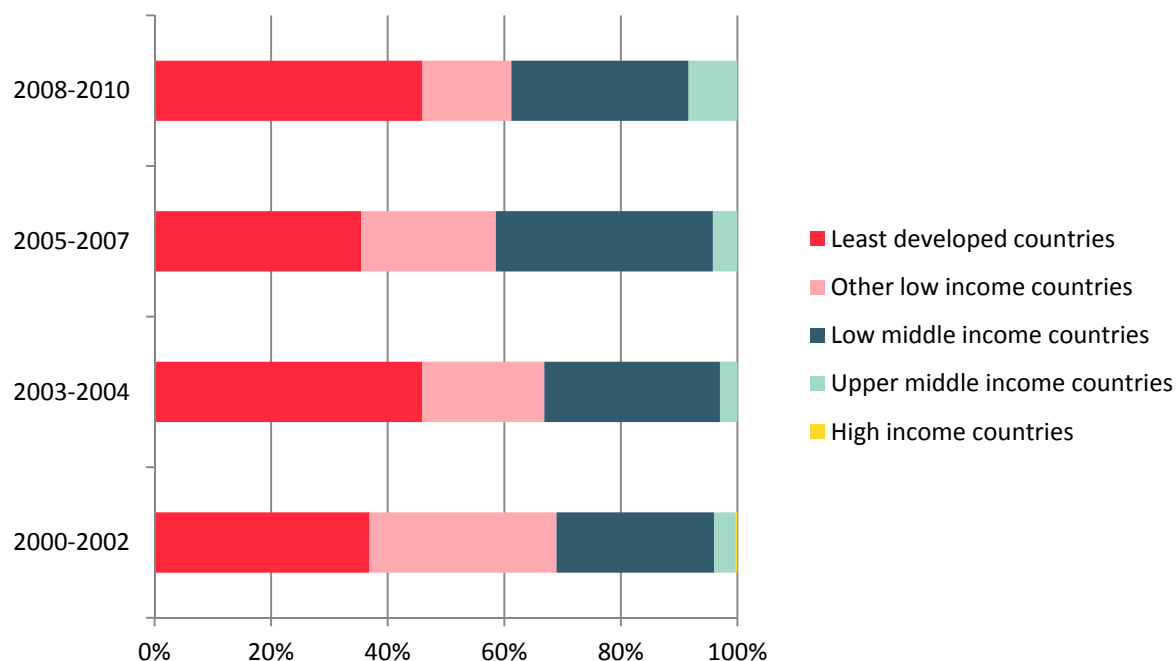
<sup>5</sup> World's poor has been calculated in this analysis as the sum of poor people in ODA recipient countries.

Regional ODA is the sum of ODA to the considered regions, including imputed multiregional ODA. Therefore ODA that is geographically unspecified is not included here.

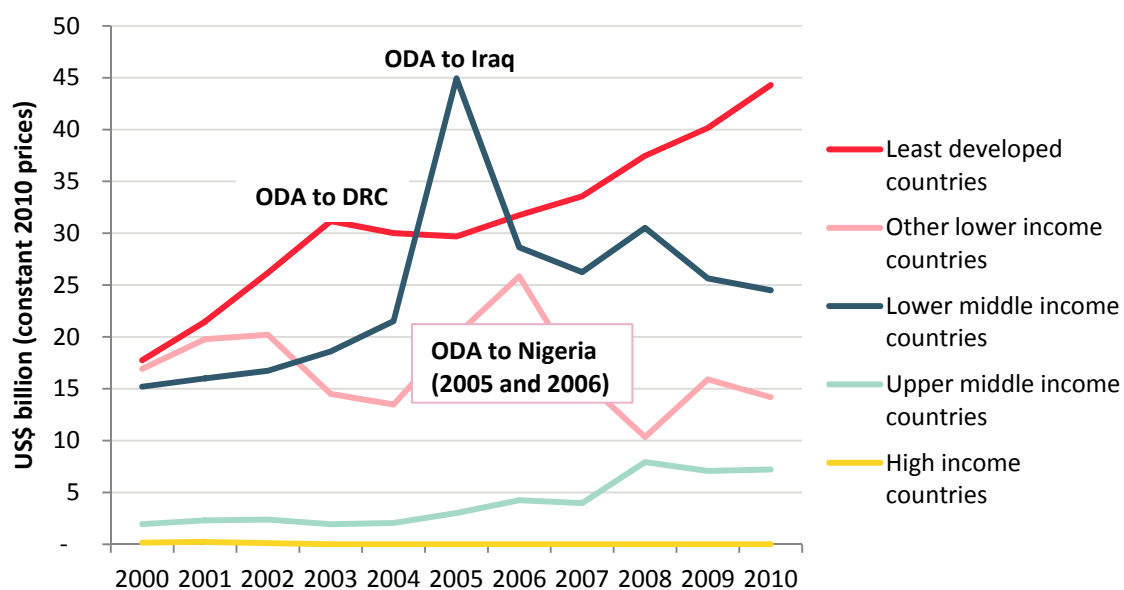
<sup>6</sup> Per capita government expenditure figures are based on the 40 countries in sub-Saharan Africa and the eight countries in Europe for which data is available.

## Does aid go to the poorest countries?

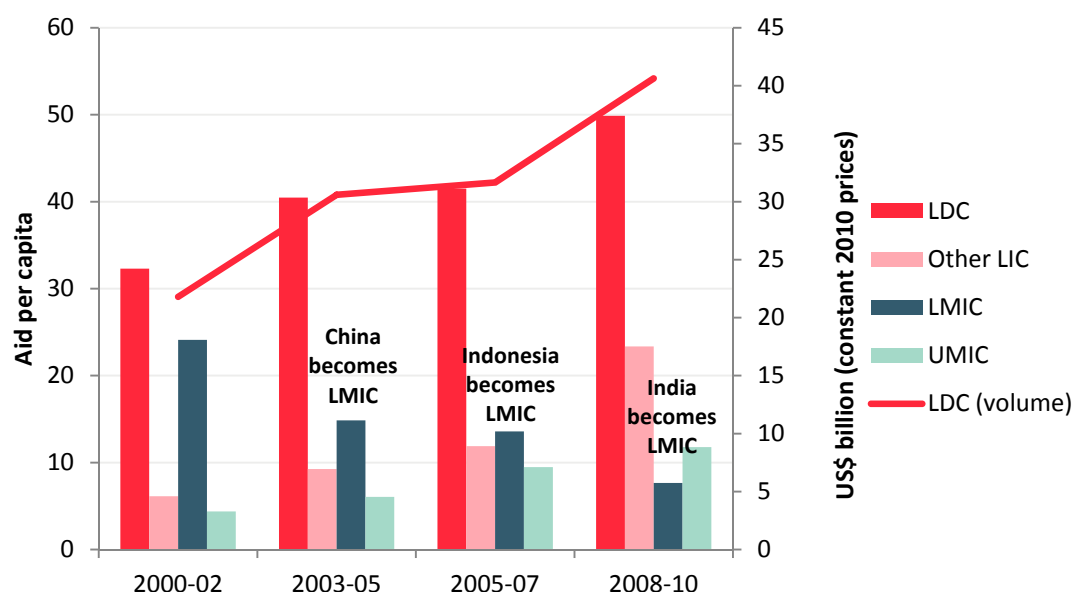
*The share of ODA going to low income and least developed countries combined has fallen slightly but the majority of people in absolute poverty now live in middle income countries*



*ODA to least developed countries, however, has more than doubled since 2000 ...*



*... and ODA per capita in least developed countries has also grown. Growth in per capita volumes to other low income countries is caused by countries with large poverty populations transitioning upwards out of the group*



**Figure 21: Total ODA and ODA per capita by income group (average share) [Source: Development Initiatives based on OECD DAC data and World Bank WDI]**

The proportion of aid directed to the least developed country (LDC) group has grown over the last decade from 37% in 2000-2002 to approximately 46% today.<sup>7,8</sup> Aid to countries classed as LDCs has grown 123.5% (compared to a global average of 61.5%) since 2000. The country composition of the group has been stable over the period (i.e. few countries have transitioned upwards, or fallen back into least developed country status) and aid to these countries has outpaced population growth.<sup>9</sup> Consequently, the amount of aid per capita, received by LDCs has increased overall.

<sup>7</sup> Figures in this section refer to ODA allocated to individual countries and yearly ODA country recipient lists. Proportions exclude geographically unallocated and multiregional ODA.

<sup>8</sup> Least developed countries (LDCs) are countries identified by the UN as having the poorest economic and human development indicators. Low, middle and upper income countries are groups classified by the World Bank based on GNI per capita. An overlap of classifications means that countries can appear in more than one category. There are 12 countries which, according to Word Bank GNI/capita criteria, should be considered 'middle income', but which are also categorised as 'least developed countries' in the 2010 recipients list (see Glossary for the three sets of criteria that define the group, incorporating income, social development indicators and economic vulnerability). Figures presented here on lower middle income countries only include those that are not least developed countries. Such countries still represent over 50% of all people living under US\$1.25 a day

<sup>9</sup> Only one country, Cape Verde has graduated from the LDC group, while East Timor and Senegal have joined it (from the other LIC group). The remaining other 47 countries have remained the same throughout the last decade.

ODA to other low income countries (LICs) has fallen only slightly in real terms over the last decade, while the number of countries in this group has decreased significantly, from 24 in 2000 to 12 in 2010 and again to six in the latest 2011-2013 revision to the ODA recipients list. This includes the graduation of populous countries such as China, India and Indonesia to middle income status. Aid per capita in this group, has, therefore, continued to rise. Conversely, per capita volumes in the lower middle income country (LMIC) group has fallen as countries with large numbers of poor people have joined this group, despite increases in aggregate ODA.

*Half of all poor people live in lower middle income countries outside of the least developed countries group, but with donors prioritising the least developed countries, aid received per poor person here is the lowest of any income group*

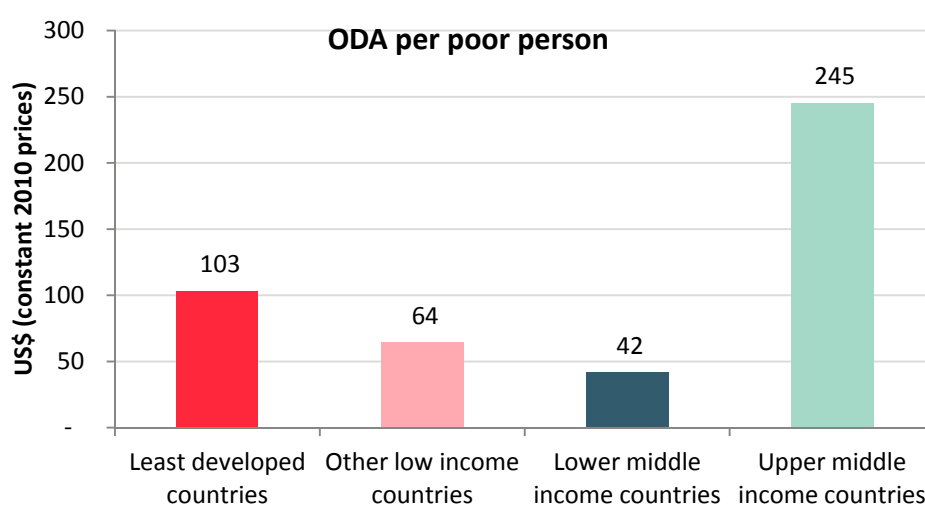
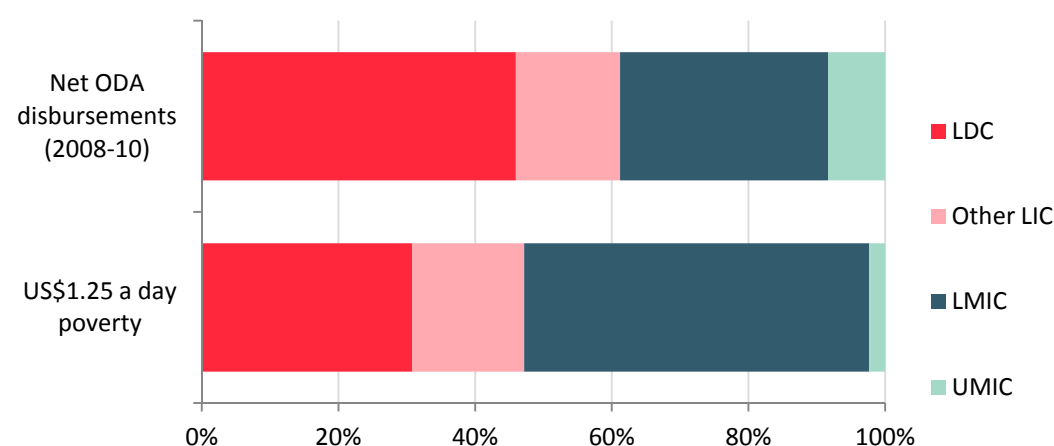
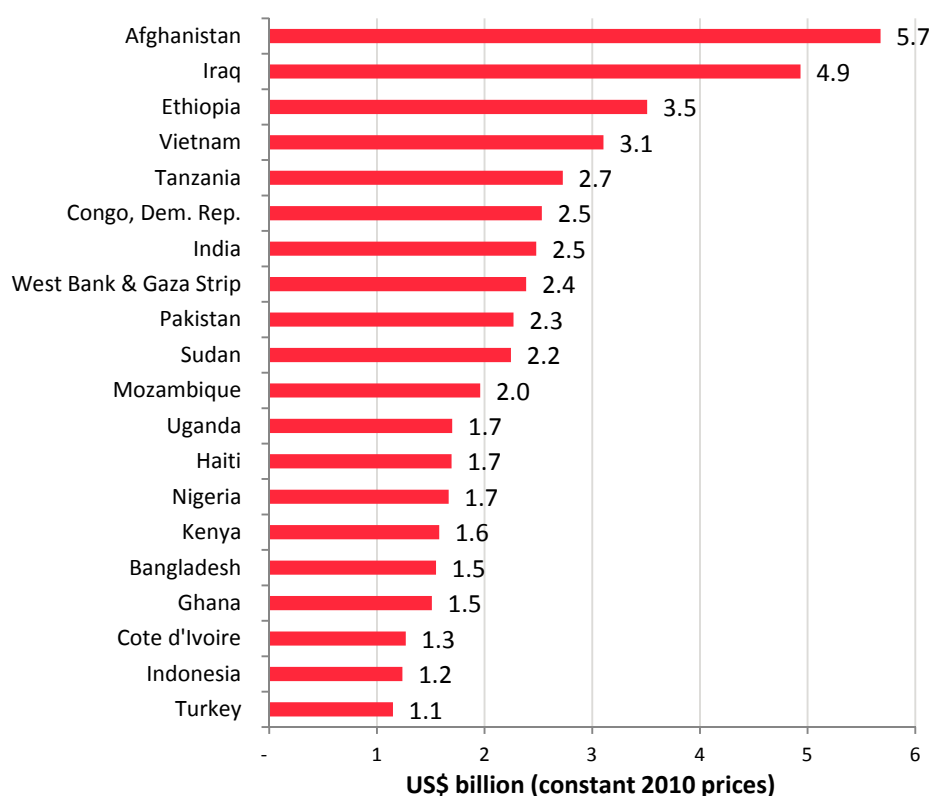


Figure 22: Net ODA by income group, 2008-2010 annual average [Source: Development Initiatives based on OECD DAC data and World Bank WDI]

As countries with large populations living in poverty such as China, India and Indonesia have now joined the ranks of other lower middle income countries (LMICs), the amount of aid received per poor person has now fallen to just US\$42 a year – the lowest of any income group.<sup>10</sup> This has not been offset by increases in ODA to the group overall. Conversely, while absolute volumes of aid to upper middle income countries (UMICs) may be less, poverty rates of 2% or less in the majority of countries in the group result in a much higher equivalent level of ODA per poor person, some US\$245 per year. This is five times the equivalent amount received per poor person in LMICs, and 2.4 times higher than LDCs.

## Which individual countries receive most ODA?

*The top two ODA recipients in 2008-2010 were Afghanistan and Iraq*



**Figure 23: Top 20 net ODA recipients, 2008-2010 annual average** [Source: Development Initiatives based on OECD DAC data and World Bank WDI]

Afghanistan and Iraq accounted for 12% of all ODA disbursed to countries over 2008-2010, despite aid to Iraq tailing off in the latter two years. Nine countries each received more than 2% of flows (Ethiopia, Vietnam, Tanzania, Democratic Republic of Congo, India, West Bank, Pakistan, Sudan and Mozambique), with the top 20 countries accounting for 53% of ODA disbursed to individual countries over the three-year period. Eight of the 20 top recipient

<sup>10</sup> The ODA values referring to income groups exclude multiregional and geographically unspecified aid.



countries have been in sub-Saharan Africa. China, once a significant recipient, has fallen from the top rankings since 2006, while India was the seventh largest recipient of ODA over 2008-2010.

***Top recipients of ODA per poor person are concentrated in Europe and the Middle East where significant volumes are directed to countries with low poverty rates***

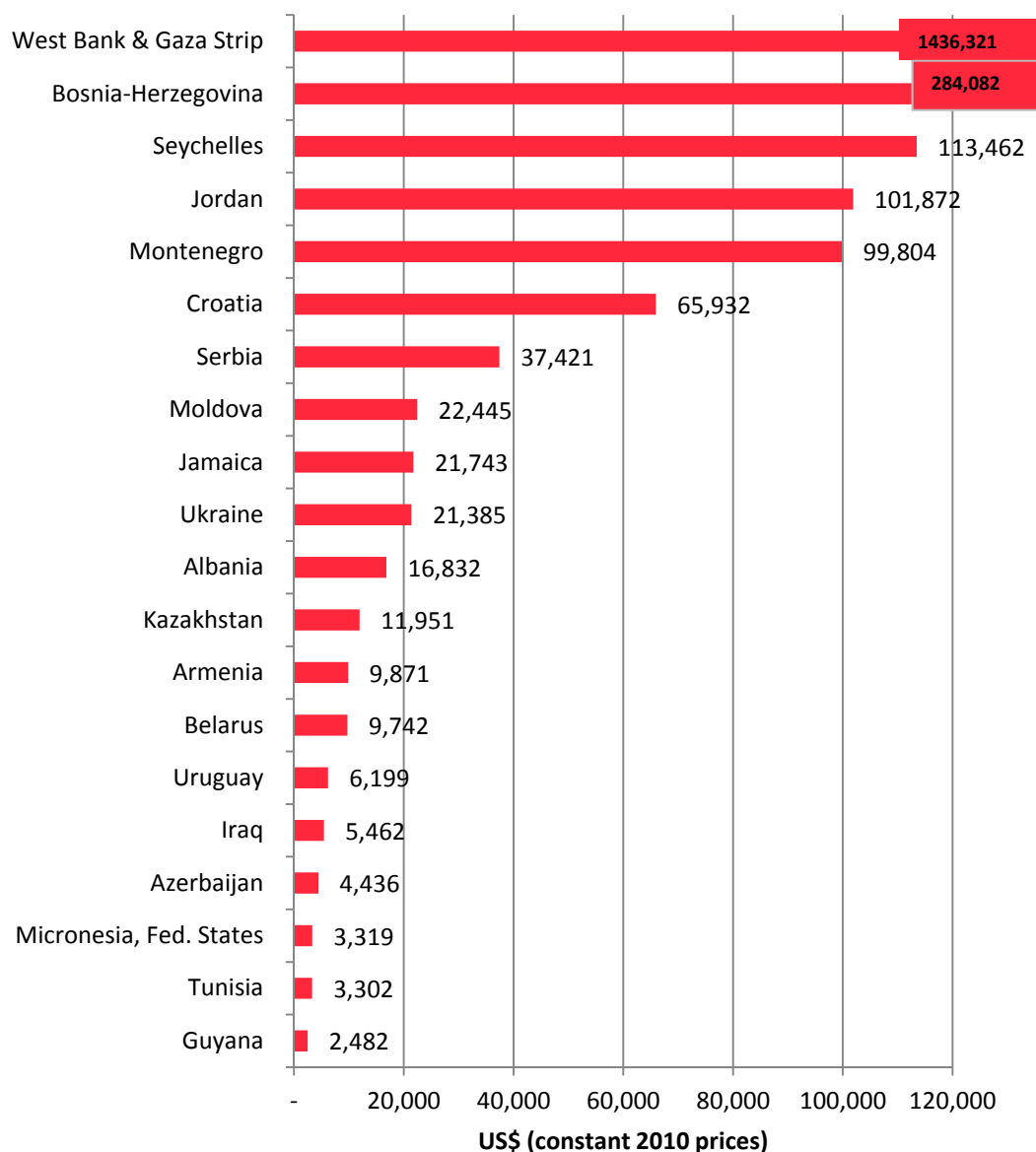
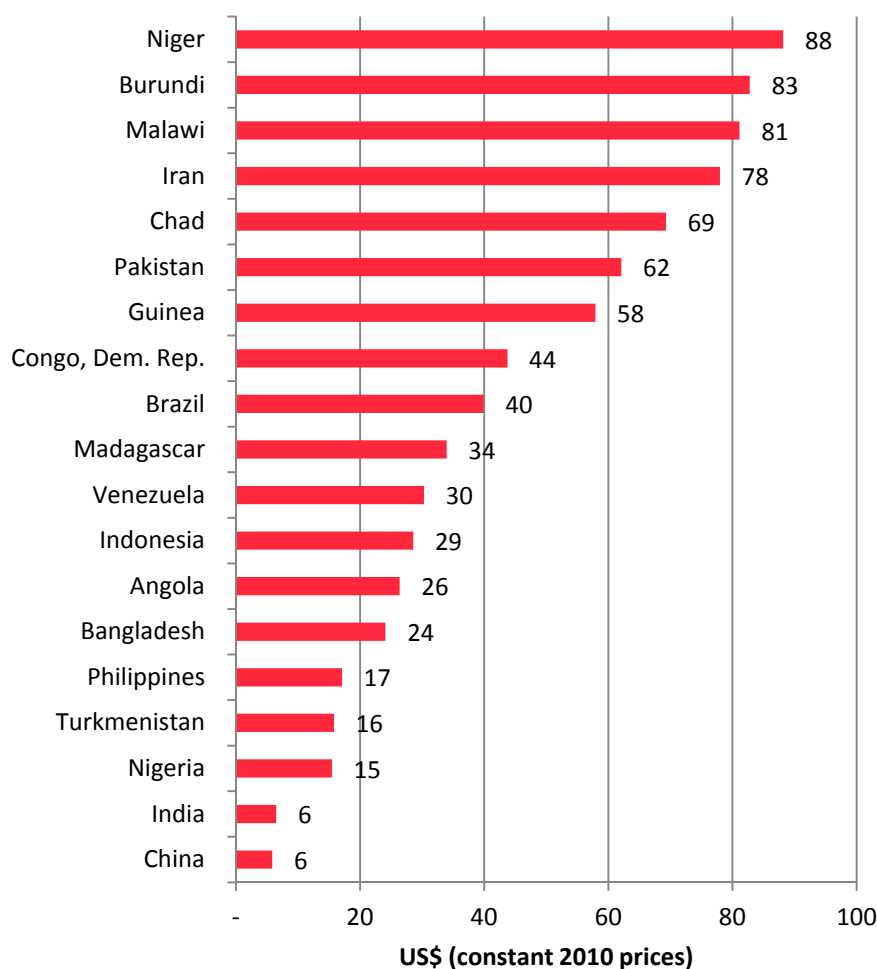


Figure 24: Top 20 recipients of net ODA per US\$1.25 a day poor person (2008-10 average) [Source: Development Initiatives based on OECD DAC data and World Bank WDI]

*Countries in sub-Saharan Africa and Asia receive the smallest amounts of ODA per poor person. China and India, with large populations in poverty, receive the lowest levels*



**Figure 25: Bottom 20 net ODA recipients per US\$1.25 a day poor person (2008-10 average) [Source: Development Initiatives based on OECD DAC data and World Bank WDI]**

Very different countries emerge when volumes of ODA received are considered in light of the number of people living below the poverty line. For example, India and the West Bank received similar amounts of ODA over 2008-2010 (US\$2.5 billion and US\$2.4 billion respectively), falling within the top ten recipients of the three year period. But with just 2,000 people living in poverty in the West Bank (0.04% of the population), this translates to the equivalent of US\$1.4 million per poor person. Conversely, India is estimated to have more than 380 million people living under US\$1.25 a day (almost a third of the population), translating aid to just US\$6 per person a year, the smallest after China.<sup>11,12</sup>

<sup>11</sup> Poverty rates in India 32.5% (2010 data); poverty rates in China, 13.1% (2008 data). Source: World Bank World Development Indicators (WDI).

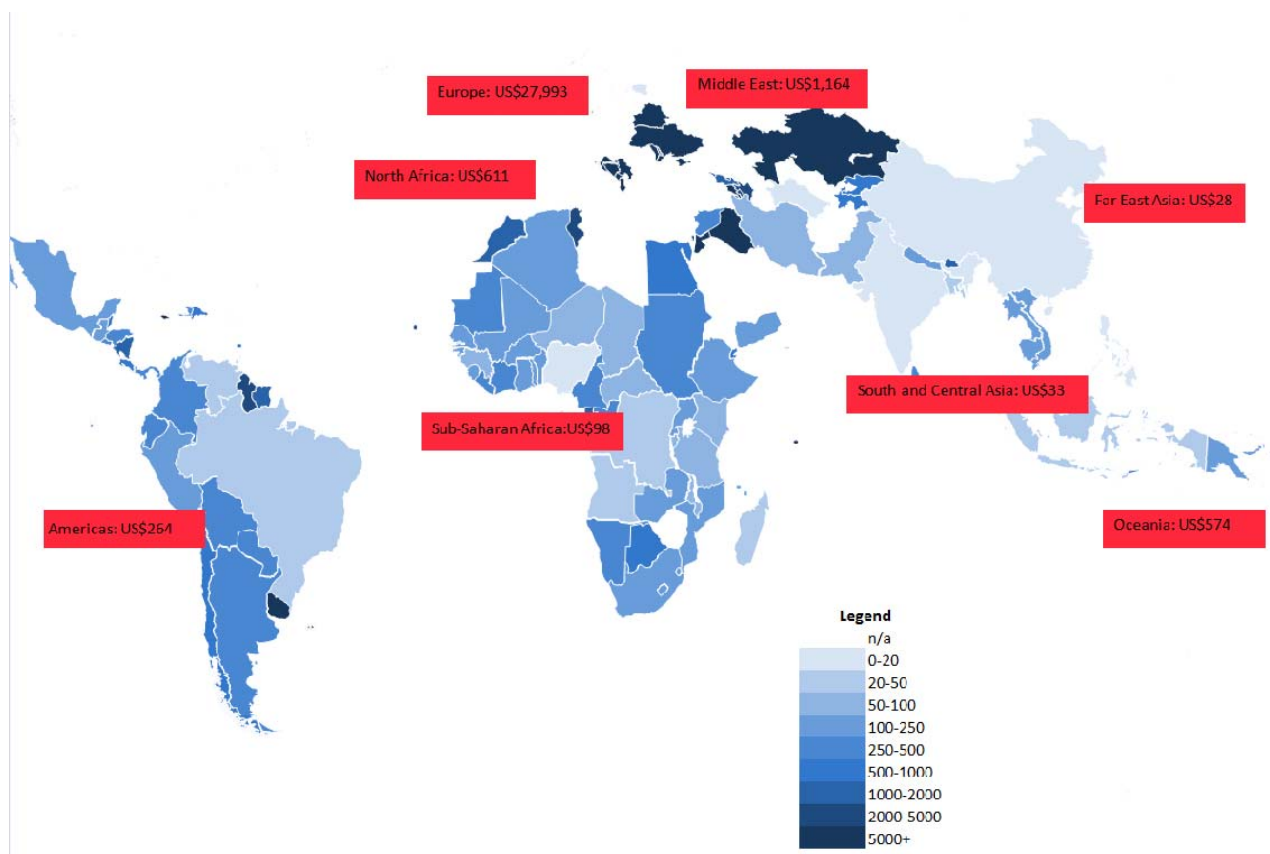


Figure 26: Net ODA per poor person US\$1.25-a-day poverty (2008-2010 average) [Source: Development Initiatives based on OECD DAC data and World Bank WDI]

<sup>12</sup> ODA values to specific recipients here do not include imputations of multilateral or geographically unspecified ODA.

## What is aid made up of and how is it used?

Aid is commonly discussed as a whole package. But it comprises many different components, delivered in numerous ways and used for numerous purposes. Some is delivered as direct financing, some through the provision of people, expertise and know-how. Some is delivered as commodities, such as food. Aid may support countries and regions directly, or focus on global public goods, such as research. It can be delivered as grants, or loans that require repayment. Unpacking the different components of the aid bundle is the first step towards a better understanding of how aid makes an impact.

## How much ODA is in the form of loans?

*Over the long term, ODA growth has been driven by an increase in grants*

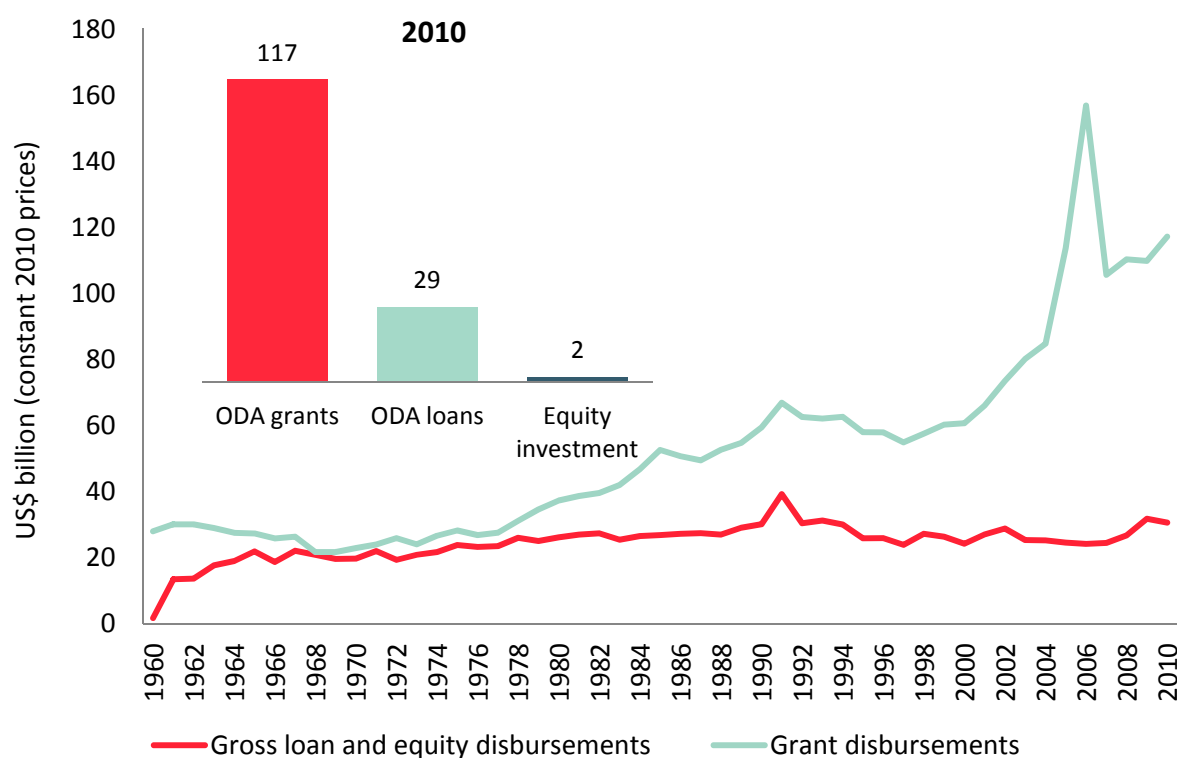


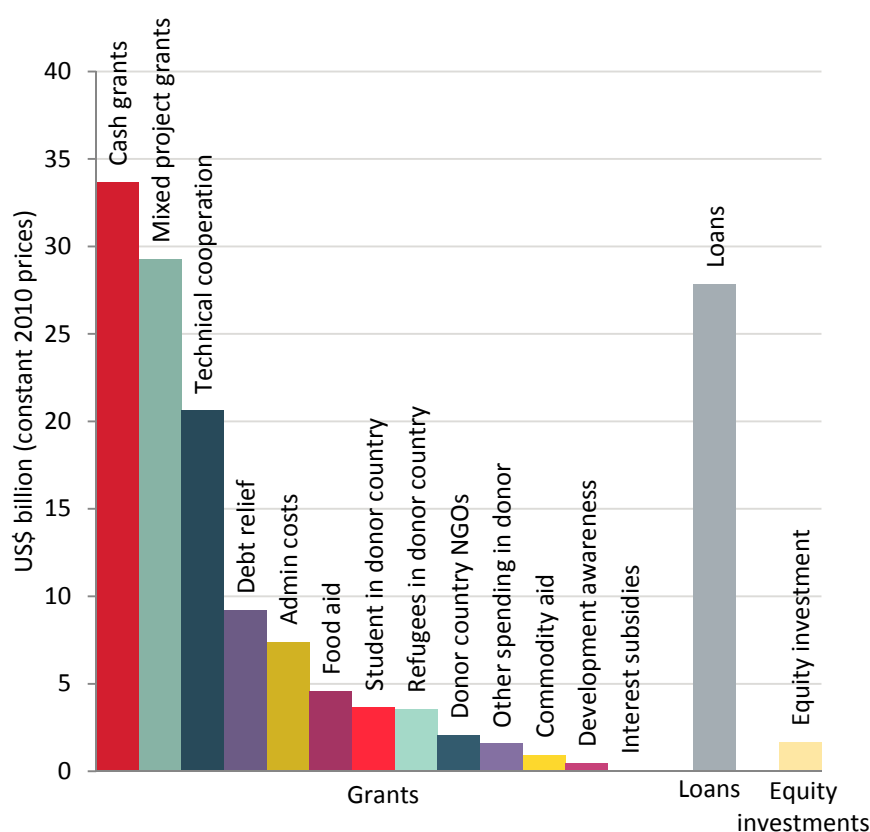
Figure 27: Grants, loans and equity investments, 1960-2010, and 2010 detail [Source: Development Initiatives based on OECD DAC CRS data]

ODA can be given in the form of grants, which do not have to be repaid, and concessional loans. These loans require repayment but at rates below standard market interest rates. Very small volumes are also given as equity investments which qualify as ODA if they have a specific development intention. Since the early 1970s, growth in ODA has largely been driven by a growth in grant-making. By 2010, almost four-fifths of ODA reported by donors

was in the form of grants, almost 19% was in the form of loans and equity investments accounted for just over 1% of the total.

However, in the last few years there has been an increasing trend of favouring loans. Volumes of disbursed loans grew by a quarter from 2007 to 2010, compared with just 11% growth in grants. This trend is particularly marked in the case of three donors: Japan, Germany and France. For each of these donors aid given as grants actually fell between 2007 and 2010, whilst lending significantly increased. Over this period Japan reduced grants by 10% and increased loans by 12%, Germany reduced grants by 14% and increased loans by 104% whilst France cut its grants by 1% at the same time as increasing lending by 148%.

***80% of ODA is delivered as financial grants supporting projects and programmes. 14% takes the form of technical cooperation and 20% constitutes project grants that combine different types of assistance***



**Figure 28: Grants, loans and equity investments, 2010** [Source: Development Initiatives based on OECD DAC CRS data]

ODA grants comprise a wide variety of instruments. The largest component of grants (US\$33.7 billion in 2010, 29% of all grants and 23% of all disbursed ODA) supports projects and programmes through financial transfers. In addition to actual cash disbursed by donors, a large quantity of grant ODA is given in the form of in-kind transfers such as technical

cooperation (provision of expertise or training, 18% of grants and 14% of total 2010 disbursements), food aid or other forms of commodity aid. Other aid grants represent either debt relief or resources that were spent in the donor country (such as housing refugees, grants for international students within the donor country and central administrative costs). A substantial portion of aid (25% of grants and 20% of all ODA in 2010) is disbursed to projects for which support from donors comes as a mixture of cash and in-kind resources – recorded as ‘mixed project grants’ which cannot be further disaggregated.

### *Budget support accounts for more than 8% of ODA disbursements*

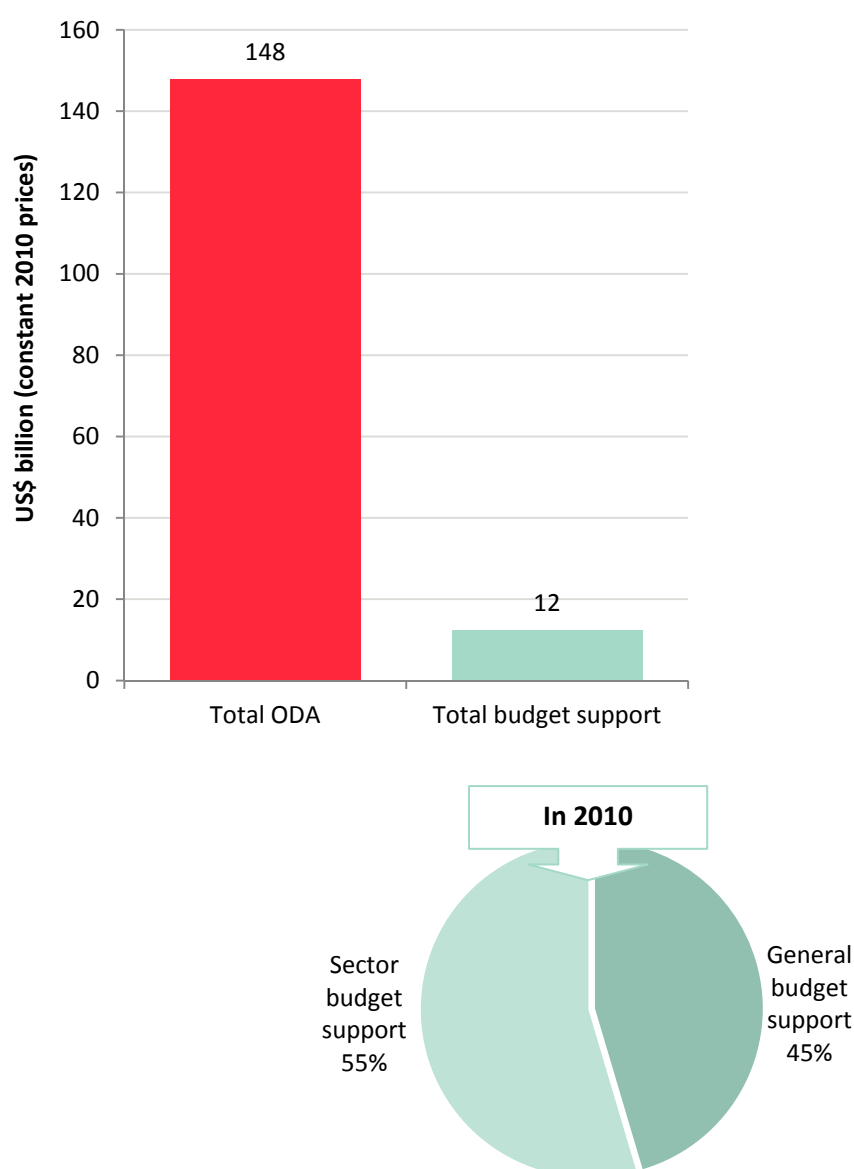


Figure 29: Budget support and gross ODA, 2010 [Source: Development Initiatives based on OECD DAC data]

Budget support is a type of aid in which the donor gives the recipient government control of spending to meet its own priorities.

General budget support is not earmarked in any way, giving the recipient complete freedom to use funds as they see fit. Sector budget support gives freedom to spend aid within certain specific sectors only, such as education.

In 2010 donors disbursed US\$12 billion in budget support, accounting for over 8% of ODA in that year. Slightly more (54%) was given as sector than budget support (46%).

## What is ODA spent on?

*ODA supports a very wide range of activities. Spending on governance, health and education accounts for 36% of ODA*

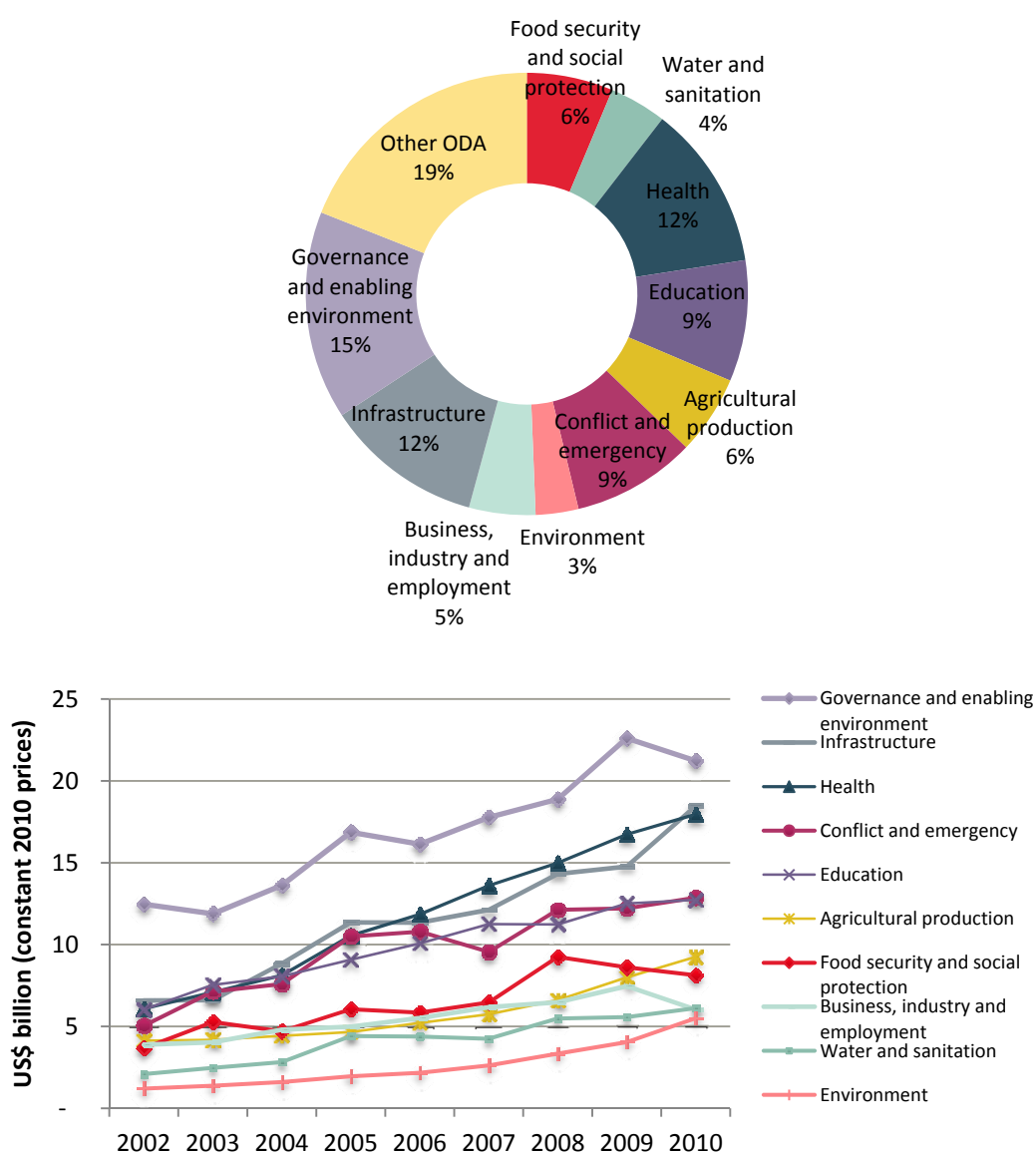
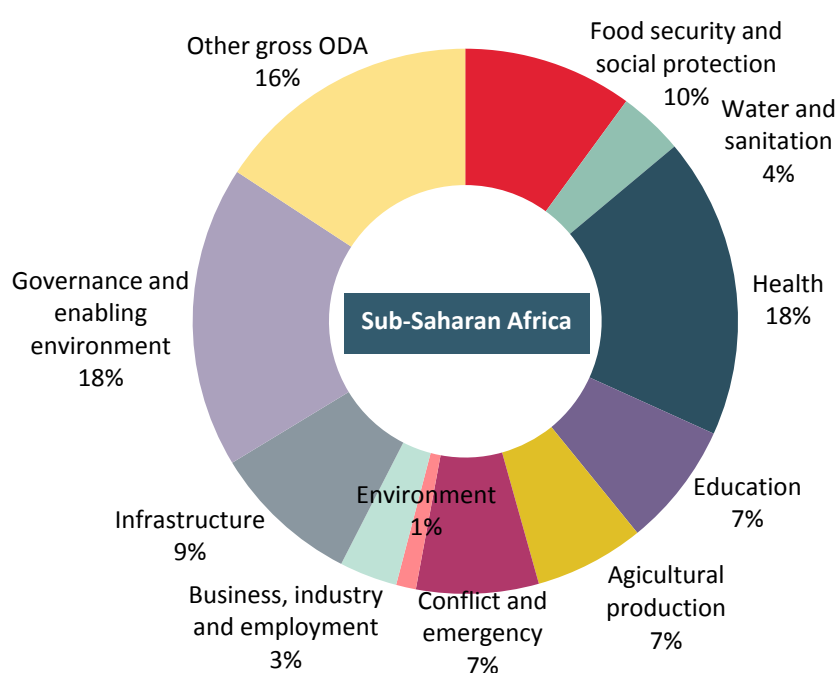


Figure 30: Gross ODA by sector, 2002-2010 [Source: Development Initiatives based on OECD DAC CRS data]

ODA supports numerous purposes, from social development and economic production, to governance, conflict prevention and emergency assistance. These can be sub-aggregated into ten different sectors supporting different areas of development.<sup>13</sup>

Each aggregate sector has grown in real terms over the last decade. Aid supporting governance and a wider enabling environment, incorporating areas such as governance and civil society, as well as monetary institutions, import support and statistical capacity building, has consistently received the most ODA over the period, accounting for 15% of all disbursements in 2008-2010. Health and infrastructure each represent more than 10% of ODA, and have seen some of the highest rates of growth over the decade (133% and 116% respectively). Such rates have only been surpassed by aid supporting environmental initiatives and water and sanitation (growing at 208% and 133% respectively), although these remain the smallest of all aid sectors, accounting for 3% and 4% of ODA respectively over 2008-2010.<sup>14</sup>

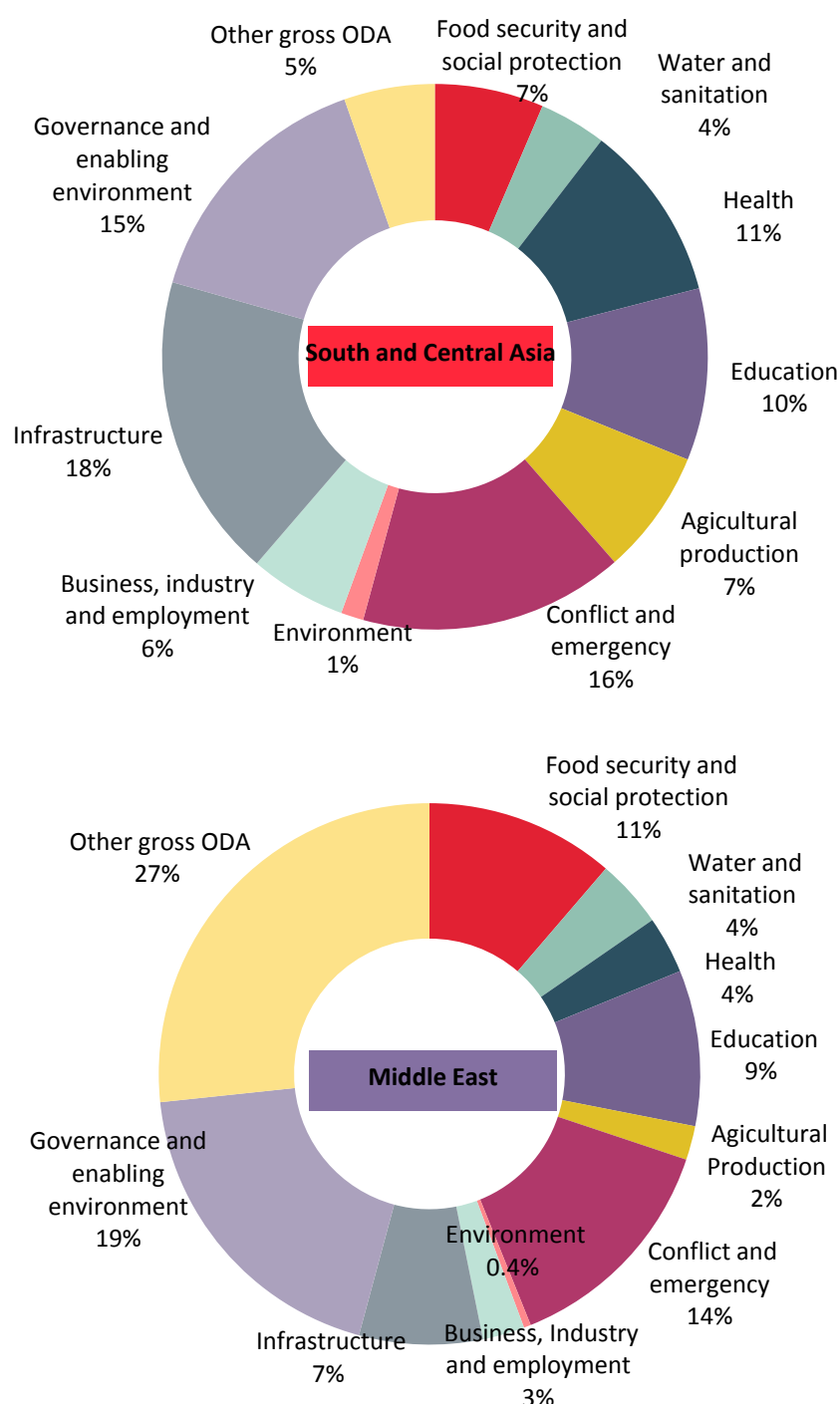
### *Donors prioritise different sectors in different regions*



<sup>13</sup> The ten sector groups considered are closely aligned, but not identical, to aggregate sectors presented by the OECD DAC. See Notes annex.

<sup>14</sup> This section considers gross ODA. Information on sectoral ODA is only available in gross ODA terms. Figures are also for commitments rather than disbursements as trend data is more accurate. Commitments record the total value of the project in the year the commitment is made. This differs from disbursements which represent actual spend for each year.



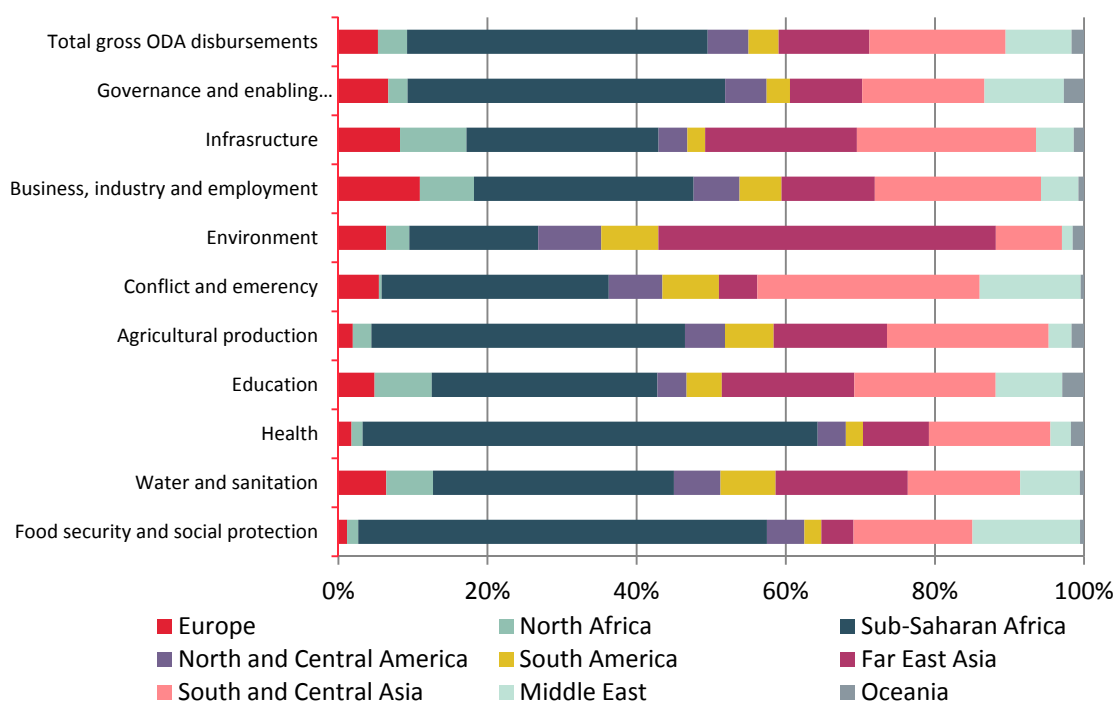


**Figure 31: Annual average gross ODA by sector, 2008-2010** [Source: Development Initiatives based on OECD DAC CRS data]

While governance and the enabling environment is a significant area of investment across the majority of regions, there are regional differences in other important sectors. In sub-Saharan Africa, health as a share of total ODA has almost doubled to be on a par with governance and enabling environment. Infrastructure has the highest funding levels in South and Central Asia (increasing its share from 13.1% in 2002-04 to 18.1% in 2008-10),

while conflict and emergency, notably security and transition-related activities in Iraq, received the greatest amount of sectoral funding in the Middle East after governance and enabling environment, accounting for 14.7% of total ODA disbursements between 2008 and 2010.

*Regional distribution of ODA also varies significantly in some sectors*



**Figure 32: Total regional ODA by region, 2008-2010.** Figures only consider ODA to the selected regions and not geographically unallocated aid or aid that supports more than one region. [Source: Development Initiatives based on OECD DAC CRS data]

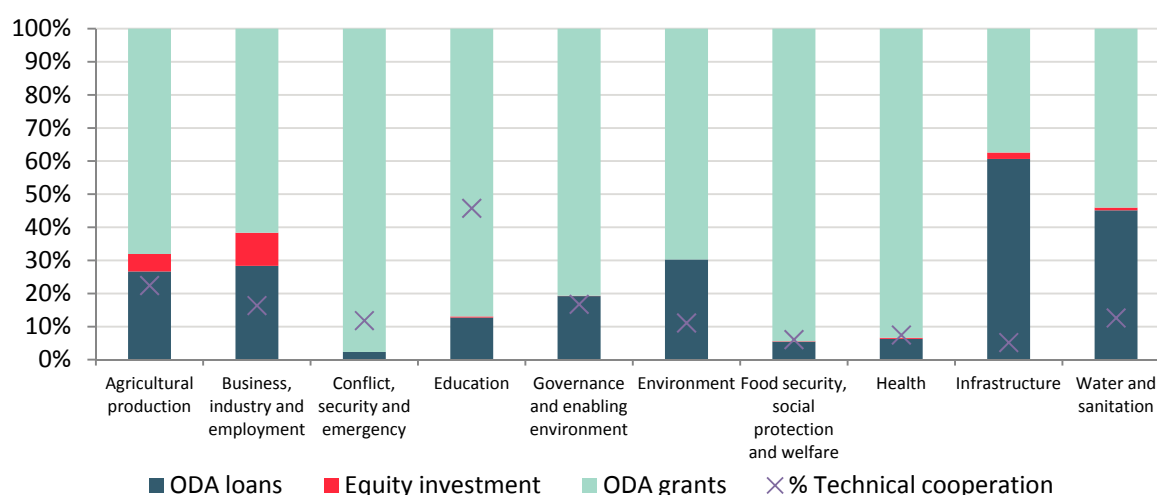
While sub-Saharan Africa received approximately two-fifths of total regional disbursements over 2008-2010, it received more than more than half of all health and food security and social protection ODA over the period.<sup>15</sup> Conversely, North Africa received twice the share of aid for infrastructure, education, water and sanitation and business, industry and employment compared with its share of aid disbursed to regions overall.

South and Central Asia received notably higher ODA shares in areas of conflict and emergency, infrastructure and business, industry and employment compared with its share of ODA overall, while Far East Asia received 45% of regional aid supporting the environment, compared with 12% of all regional aid.

<sup>15</sup> Gross disbursements here exclude multi-regional and geographically unspecified ODA.

## How does the composition and delivery of ODA differ by sector?

*The delivery of aid through grants and loans, and use of technical cooperation varies by sector*

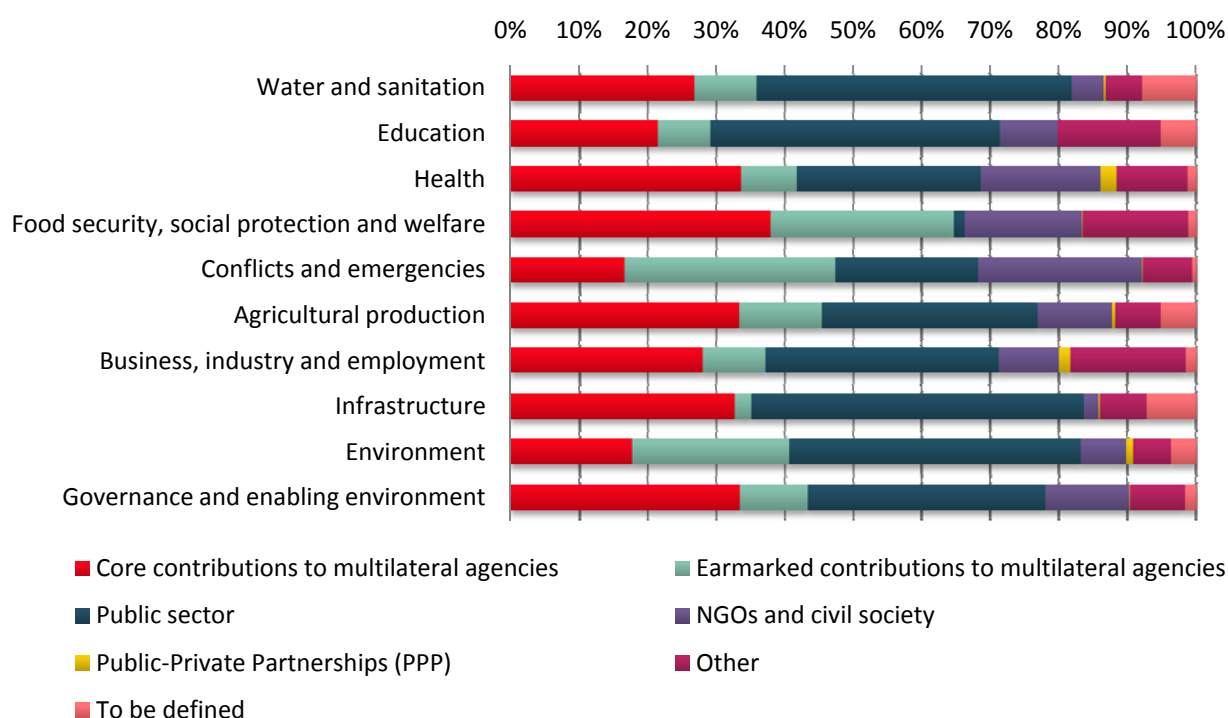


**Figure 33: ODA transfer type by sector, 2010** [Source: Development Initiatives based on OECD DAC CRS data]

ODA for sectors with large capital costs, such as infrastructure and water and sanitation, relies substantially more on loans for financing (61% and 45% respectively) compared with other sectors, while aid for health, food security and social protection and conflict and emergency is delivered almost completely as grants. Equity investments are directed largely at productive sectors (e.g. agriculture, and industry).

The use of technical cooperation – delivery of aid through technical expertise and training rather than finance, is notably high within the education sector (over 45%), although more than half of this (60%) is aid spent in supporting foreign students in donor countries. Technical cooperation is also relatively high in agricultural production, accounting for more than 20% of aid to the sector.

*Donor and partner governments are particularly active in supporting and delivering infrastructural and education programmes, while multilateral agencies and NGOs are key delivery channels for food security and emergency assistance*



**Figure 34: Sectoral DAC country donor ODA disbursements by channel of delivery, annual average, 2008-2010 [Source: Development Initiatives based on OECD DAC CRS data]**

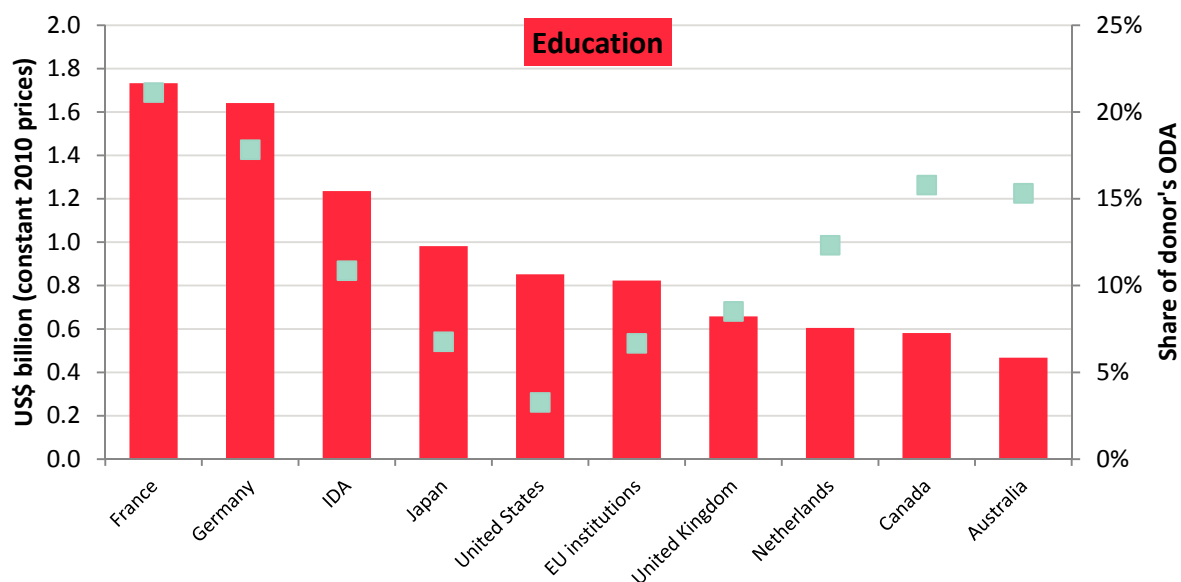
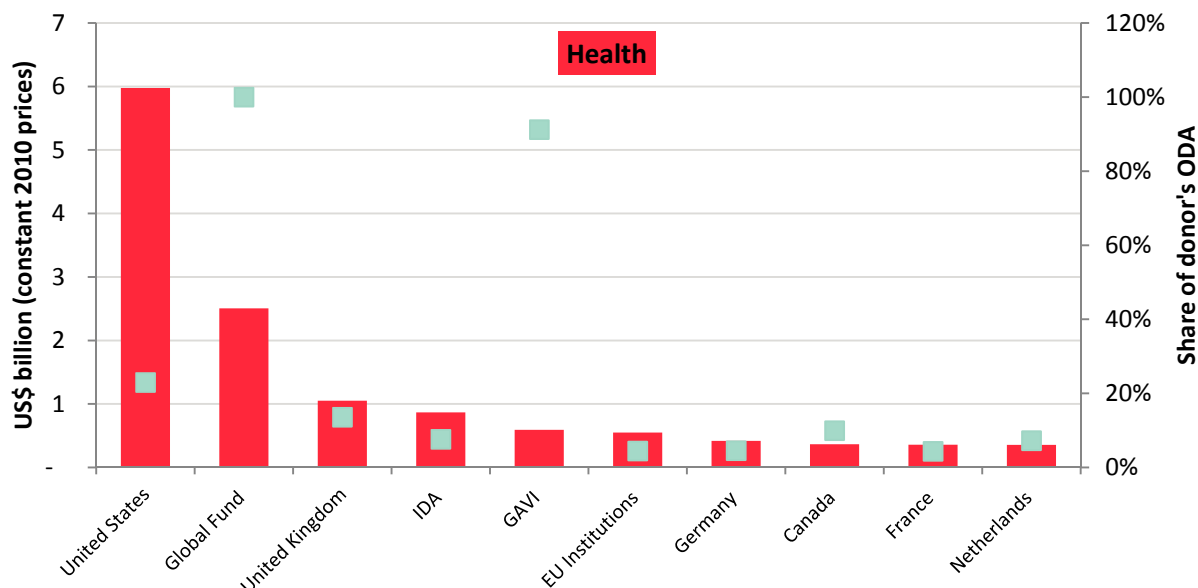
The public sector and multilateral organisations are the primary channels through which most sectoral ODA is disbursed. Water and sanitation, education and infrastructure are sectors where ODA is particularly channelled through donor and recipient governments directly. More than 60% of food security and welfare aid and at least 40% health, conflict and emergencies, agricultural production, environment and governance and the enabling environment assistance is channelled through multilateral agencies.

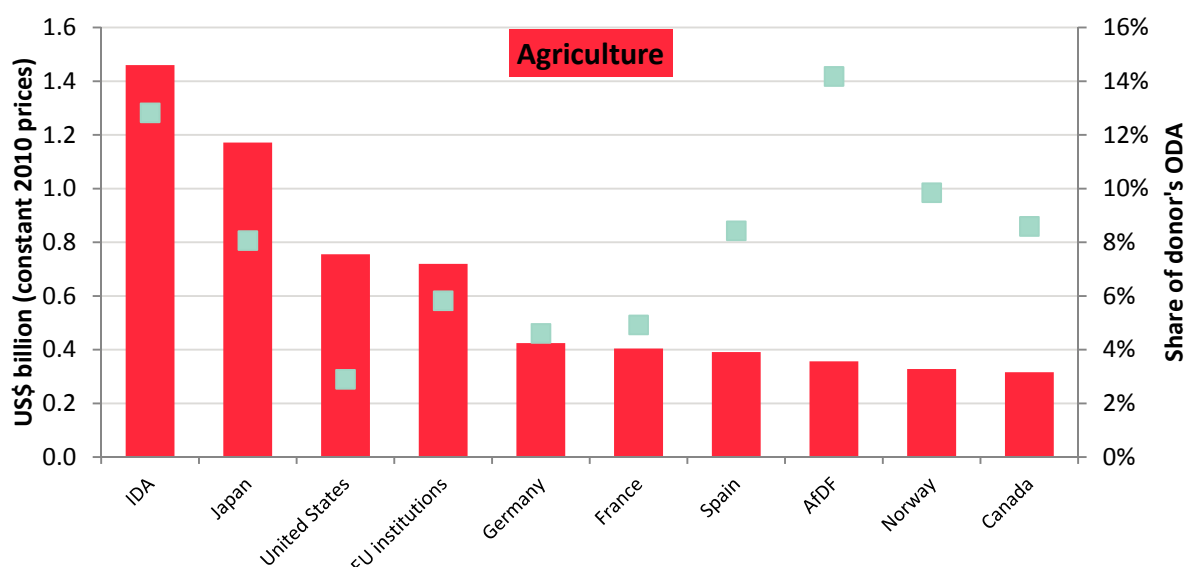
The use of multilateral disbursements varies depending on whether the funds are earmarked or core contributions. ODA channelled as earmarked funds particularly focus on food security, conflict and emergencies, and welfare and the environment, accounting for 36%, 30% and 22% of ODA in these sectors respectively.<sup>16</sup> NGOs and civil society are particularly active in channelling donor government ODA to conflict and emergency sectors (accounting for almost a quarter of all ODA to the sector in 2008-2010) and to a lesser

<sup>16</sup> Core contributions to multilateral agencies are, by definition, unearmarked by sector or destination. Volumes have been calculated by imputing core contributions to multilateral agencies back to each sector according to sector proportions of multilateral agency disbursements.

extent in health and food security social protection and welfare, channelling approximately 16%-17% of the ODA going to these sectors.

*The United States and vertical funds dominate health financing while IDA and Japan are the largest contributors to agriculture*





**Figure 35: Top 10 donors of bilateral and multilateral disbursements to health, education and agriculture, annual average, 2008-2010 [Source: Development Initiatives based on OECD DAC CRS data]**

Donors prioritise different sectors. The United States is by far the largest donor to health, disbursing almost US\$6 billion a year on average over 2008-2010 – 23% of its bilateral aid.<sup>17</sup> Volumes are even larger if its contributions to vertical health funds, such as the Global Fund and GAVI, are included. Such funds are themselves substantial disbursers of health ODA, as is IDA. The United Kingdom is the second largest bilateral donor of health, averaging over US\$1 billion a year (14% of its bilateral aid).

France and Germany record the largest disbursements (and, among major donors, proportion of disbursements) to education. However, these two donors report large expenditures supporting international students in their countries as ODA (known as imputed student costs), which doesn't result in a transfer of resources. In 2010, imputed student costs represented around 60% of both France and Germany's education ODA. Canada and Australia prioritise education, with the sector accounting for 16% and 15% of bilateral disbursements respectively.

IDA and Japan are the largest disbursers of aid to agriculture, with IDA allocating almost 13% of its aid to the sector. The African Development Fund (ADF), while a much smaller donor, disburses similar proportions.

<sup>17</sup> Figures in this section refer to gross ODA disbursements.

## Methodology notes

1. Our figures relate to official development assistance (ODA) expenditure as reported to the OECD DAC aggregate tables and Creditor Reporting System (CRS). The figures reported here are inclusive of debt relief unless expressly stated otherwise. The majority of CRS data was downloaded in July 2012.
2. In this report, ODA is limited to the 23 DAC donor countries and the OECD DAC-approved list of multilateral agencies through which disbursements are made. ODA from non-DAC donors has been excluded.
3. We use three-year averages to calculate shares and trends in order to smooth any annual irregularities in disbursements or commitments. This creates a fairer baseline, and is particularly relevant for contributions to multilateral organisations which are sometimes subject to multi-annual replenishments.
4. We use OECD DAC regional definitions and naming conventions. Sub-regional analysis (North Africa, sub-Saharan Africa, Middle East, South and Central Asia and Far East Asia) incorporates imputed calculations of multi-regional level allocations. Such imputations are allocated according to proportions of ODA. For example, during 2008-10 net ODA to sub-Saharan Africa was an annual average of US\$43.5 billion. This was 95% of the value of ODA to sub-Saharan and North Africa combined. 95% of ODA to 'Africa –regional' (US\$1.5 billion, on average, in 2008-11) is thus allocated to SSA, increasing ODA to sub-Saharan Africa to a total of US\$45 billion.
5. In this report we use the World Bank's US\$1.25-a-day definition of poverty. We have used the World Bank's latest data, applying regional averages to calculate any missing country-level data. Poverty estimates for OECD DAC regions were calculated by aggregating and weighting the country estimates.
6. We use the OECD DAC list of ODA recipients and follow the same country naming conventions. See Glossary for categorisation of countries by income group.
7. Our OECD DAC analysis is based on disbursement rather than commitment data.

## Sector definitions

Our sectoral ODA analysis is based on 10 sector groups, which are closely aligned with, but not identical to, the OECD DAC's sectors.

<i>Agricultural production</i>	All agricultural components (such as policy and administration, agricultural education and research, land and water resources, agriculture and farming and related services) plus forestry, fishing and rural development.
<i>Business, industry and employment</i>	Employment policy and administrative management; banking and financial services; business services and institutions; industry projects (policy, development and production); mineral resources and mining, tourism.

<i>Conflict and emergency</i>	Conflict prevention and resolution, peace and security; humanitarian aid (reconstruction and risk reduction and emergency response, but excluding humanitarian food aid); other services such as narcotics control and projects related to agriculture and non-agriculture alternative development.
<i>Education</i>	All identifiable general education components from policy and administration, to provision at primary, secondary and tertiary level (including multi-sector and vocational training), to all aspects of culture and recreation.
<i>Environment</i>	Multi-sector projects related to general environmental protection.
<i>Food security and social protection</i>	Basic nutrition, development and emergency food aid. Social protection, such as social and welfare services, low-cost housing and basic social services.
<i>Governance and enabling environment</i>	Includes a wide range of activities including: civil society; statistical capacity building; banking and financial services (within monetary institutions); trade policy and regulations; commodity aid and general programme assistance (such as general budget support to import support); aid to scientific institutions and research, where the sector cannot be identified.
<i>Health</i>	General health, reproductive health and population policy and administration; medical education and research; basic health and disease control; and medical and social aspect of HIV/AIDS.
<i>Infrastructure</i>	Transport and storage; energy generation and supply; communication (including information communications technology, printing and publishing); construction; housing policy and administrative management; and urban development and management.
<i>Water and sanitation</i>	Water supply, basic drinking and sanitation facilities, waste management; water and sanitation policy, administration and education.
<i>Other ODA</i>	Any ODA not included in the above categories.



## Glossary

### *Bilateral ODA*

The terms ‘bilateral’ and ‘multilateral’ aid are distinctions used by the Organisation for Economic Co-operation and Development (OECD)’s Development Assistance Committee (DAC) when it records overseas aid from its members. The DAC regards the following as bilateral aid: donor country assistance provided directly to a developing country government; funding to national and international NGOs involved in humanitarian and development activities; development-related spending in a donor country, such as interest subsidies, spending on promotion of development awareness, debt reorganisation and administrative costs; funding to multilateral agencies (e.g. UN agencies) where the donor controls the use of the funds by specifying the recipient or other aspects of the disbursement (for example, the purpose, where the money can be spent, the terms of usage and how any repayments can be used).

### *Budget support*

A direct transfer of resources from a donor government to a partner government’s national treasury. It allows the recipient government control of spending to meet its own priorities.

### *Channel of delivery*

The channel of delivery is the ‘first-level recipient’ of ODA – the implementing partner. In reality there can be several levels of implementation (e.g. the donor agency hires a national implementer who in turn hires a local implementer but this level of detail is not reported in the aggregate figures.)

### *Commitments*

In ODA financing, a commitment is a firm written obligation, backed by an appropriation; the whole value of a commitment is reported in the year in which it was made (c.f. Disbursements).

### *Constant prices Core (unearmarked) ODA*

Amounts adjusted for exchange rate and inflation with respect to a given base year.

Core ODA (labelled as ‘multilateral ODA’ in DAC reporting tables), is that which donors contribute in assessed or voluntary contributions to multilateral agencies as part of their core funding – it is totally unearmarked.

### *Development Assistance Committee (DAC)*

The Development Assistance Committee (DAC) is the principal body through which the Organisation for Economic Co-operation and Development (OECD) deals with issues relating to cooperation with developing countries. The DAC members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Commission. Other countries that are members of the OECD but not the DAC (the

Czech Republic, Hungary, Iceland, Mexico, Poland, the Slovak Republic and Turkey) have full observer status and participate in DAC meetings. World Bank, IMF and UNDP also have permanent observer status.

For the purpose of this report, ODA refers to the aid disbursed by the 23 DAC countries. ODA from the European Institutions is considered as multilateral aid and captured in donor country reporting.

#### *Disbursements*

Money and other resources that the donor has transferred in a given year; aid in kind can be counted as disbursed at time of purchase, receipt, or transfer (c.f. *Commitments*).

#### *Grants*

Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient.

#### *Gross ODA*

Gross ODA is defined as the total ODA given or received, not considering repayment of principal on ODA loans (c.f. *Net ODA*). When measuring outflows from donor countries, it comprises bilateral disbursements of concessional funds to developing countries and multilateral institutions. When ODA receipts by developing countries are measured, ODA comprises disbursement of concessional finance from both bilateral and multilateral sources. Least developed countries are countries identified by the UN as having the poorest economic and human development indicators. Low, middle and upper income countries are groups classified by the World Bank based on GNI per capita. An overlap of classifications means that countries can appear in more than one category. There are 12 countries which, according to World Bank GNI/capita criteria, should be considered 'middle income', but which are also categorised as 'least developed countries' in the 2010 DAC recipients list. Figures presented here on lower middle income countries only include those that are not least developed countries. Such countries still represent over 50% of all people living under US\$1.25 a day.

#### *Least developed countries (LDCs)*

#### *Loans*

Loans are transfers in cash or in kind for which the recipient incurs a legal debt. Official loans are those with fixed maturities made by governments (central and local) or official (non-monetary) agencies, for which repayment is to be made by the recipient country. This includes loans repayable in the borrower's currency whether the lender intends to repatriate the repayments or to use them in the borrowing country.

#### *Low income countries (LICs)*

See '*Least developed countries*'.

#### *Middle income countries*

See '*Least developed countries*'.

### *Net ODA*

Net ODA is defined as the total ODA given or received, net of repayment of principal on ODA loans (c.f. **Gross ODA**).

### *Official development assistance (ODA)*

ODA is a grant or loan from an 'official' source to a developing country (defined by the OECD) or multilateral agency (defined by the OECD) for the promotion of economic development and welfare. It is reported by members of the DAC, along with several other government donors and institutions, according to strict criteria each year. In this report we express our total ODA figures inclusive of debt relief unless expressly stated otherwise.

## **Acronyms and abbreviations**

- African Development Bank (AfDB)
- Arab Fund (AFESD)
- Asian Development Bank (AsDB)
- European Commission (EC)
- European Development Fund (EDF)
- Global Alliance for Vaccines and Immunisation Alliance (GAVI)
- Global Environment Facility (GEF)
- Global Fund to Fight AIDS Tuberculosis and Malaria (Global Fund)
- Inter-American Development Bank (IDB)
- International Development Association (IDA)
- Least developed country (LDC)
- Low income country (LIC)
- Lower middle income country (LMIC)
- Upper middle income country (UMIC)
- United Nations Development Programme (UNDP)
- United Nations Population Fund (UNFPA)
- United Nations High Commissioner for Refugees (UNHCR)
- United Nations Children's Fund (UNICEF)
- United Nations Relief and Work Agency (UNRWA)
- World Food Programme (WFP)
- World Health Organisation (WHO)

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