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Development aid stable in 2014 but flows to poorest countries still falling

Detailed summary

Key aid totals in 2014

In 2014, net official development assistance (ODA) flows from member countries of the Development Assistance Committee (DAC) of the OECD totalled USD 135.2 billion, level with the all-time high in 2013 of USD 135.1 billion, though marking a slight decline of 0.5% in real terms if price rises and exchange rate moves are factored in. Net ODA as a share of gross national income (GNI) was 0.29%, also on a par with 2013 once small upward revisions to several member countries' GNI due to methodological changes are accounted for (see Table 1 and Chart 1).

In the past 15 years, net ODA has been rising steadily and has increased by 66% since 2000. It has long been a stable source of financing for development. Despite the recession in several DAC member countries which has led to reductions in their aid budgets, it is encouraging that overall levels of ODA remain high and stable.

Net ODA allocations

Net aid for core bilateral projects and programmes, which accounts for about 60% of total ODA, was stable. Debt relief grants fell by 87% in real terms from USD 3.6 billion in 2013 to USD 476 million in 2014 (in constant prices). Humanitarian aid rose by 22% in real terms from USD 11 billion in 2013 to about USD 13 billion in 2014, (in constant prices, see Chart 2).

Preliminary estimates show that within net bilateral aid, grants fell by 4% in real terms from 2013; however excluding debt relief, they rose by 1%. Non-grant net flows rose by 41% in real terms.

Bilateral aid to the group of least developed countries was USD 25 billion, a decrease of 16% in real terms compared to 2013. Much of this was the result of lower levels of debt relief, which was relatively high in 2013 due to assistance to Myanmar. Excluding debt relief grants, ODA to the least developed countries fell by about 8%. Bilateral aid is channelled directly by donors to partner countries and equates to roughly two-thirds of total ODA (see Chart 3).

Bilateral ODA to sub-Saharan Africa was USD 25 billion, a decrease of 5% in real terms from 2013. Excluding debt relief, the decrease was nearly 2%. Bilateral aid to the African continent as a whole also fell by 5% to USD 28 billion; excluding debt it fell by 2%.

Bilateral donor performance

The largest donor countries by volume were the United States, the United Kingdom, Germany, France and Japan. Denmark, Luxembourg, Norway, Sweden and the United Kingdom continued to exceed the United Nations' ODA target of 0.7% of GNI.

Net ODA rose in thirteen countries, with the largest increases recorded in Finland, Germany, Sweden and Switzerland. By contrast it fell in fifteen countries, with the largest decreases in Australia, Canada, France, Japan, Poland, Portugal and Spain.

Net ODA as per cent of GNI was 0.29% in 2014, down from 0.30% in 2013. However, DAC members are progressively introducing the new System of National Accounts (SNA08), which is leading to slight upward revisions of GNI levels, and corresponding falls in reported ODA/GNI ratios. Calculated on this basis, ODA as per cent of GNI in 2013 would be 0.29%.

G7 countries provided 71% of total net DAC ODA in 2014, and the DAC-EU countries 55%.

The United States continued to be the largest donor by volume with net ODA flows amounting to USD 32.7 billion in 2014, an increase of 2.3% in real terms compared to 2013. US ODA as a share of GNI was 0.19%. Most of the increase was due to humanitarian aid, especially to sub-Saharan Africa and Jordan. US contributions to international organisations also increased in 2014.

ODA from the nineteen EU countries that are DAC members was USD 73.9 billion in 2014, representing an increase of 1.6% in real terms, and 0.42% of their combined GNI. ODA rose or fell in DAC-EU countries as follows:

- Austria (-3.8%) due to a slight decrease in contributions to multilateral agencies;
- Belgium (+3.3%) as bilateral aid to sub-Saharan Africa and the least developed countries increased slightly;
- Czech Republic (+2.5%);
- Denmark (+1.6%);
- Finland (+12.5%) reflecting an increase in bilateral aid as well as contributions to multilateral organisations;
- France (-9.2%) due to lower levels of debt relief and loans to multilateral institutions compared to 2013;
- Germany (+12.0%) due especially to an increase in bilateral lending to middle income countries;
- Greece (+6.3%) as it increased its contributions to EU Institutions and other multilateral organisations;
- Ireland (-4.5%) reflecting a slight decrease in its bilateral ODA and a reduction in multilateral contributions ;
- Italy (-2.9%) due to reductions in bilateral ODA;
- Luxembourg (-1.1%);
- Netherlands (+1.6%) reflecting a slight increase in bilateral grants;
- Poland (-8.3%) due to a decrease in loans;
- Portugal (-14.9%) as it decreased its lending;
- Slovak Republic (-5.1%) due to a decrease in contributions to multilateral organisations;
- Slovenia (-0.3%);

- Spain (-20.3) due to lower levels of debt relief provided in 2014 compared to 2013;
- Sweden (+11.0%) reflecting an increase in bilateral grants;
- United Kingdom (+1.2%) as it had put into place firm budget allocations to keep the 0.7% ODA/GNI target.

In 2014, total net ODA from the 28 EU member states was USD 74.5 billion, representing 0.41% of their GNI. Net disbursements by EU Institutions were USD 16.1 billion and stable compared to 2013. However within this total, there was an increase in grants for sub-Saharan Africa and the group of least developed countries.

Other DAC countries reported changes in their ODA as follows:

- Australia (-7.2%) representing cuts in bilateral aid to sub-Saharan Africa and the timing of contributions to multilateral organisations;
- Canada (-10.7%) due to the timing of certain contributions to international organisations and planned cuts in aid as budget saving measures;
- Iceland (-3.8%);
- Japan (-15.3%) due to lower levels of debt relief in 2014 compared to 2013;
- Korea (+0.8%);
- New Zealand (+6.8%) due to an increase in bilateral grants, primarily for least developed countries;
- Norway (-4.3%) as there had been exceptional contributions in 2013 for Brazil;
- Switzerland (+9.2%) reflecting an overall scaling up of its ODA to reach 0.5% of GNI by 2015.

Other providing countries reported preliminary net ODA figures as follows:

- Estonia (+19.2%) due to overall increases in its development cooperation;
- Hungary (+24.4%) due to an increase in contributions to multilateral organisations;
- Israel (+0.1%);
- Latvia (+3.0%);
- Turkey (+8.2%) due to an increase in humanitarian aid, and in particular a response to the crisis in Syria;
- United Arab Emirates (-10.0%) due to lower lending levels to Egypt compared to 2013; its ODA/GNI ratio was 1.17%, the largest reported share for any donor in 2014.

In 2014, DAC countries' gross ODA (i.e. without deducting loan repayments) was USD 148.9 billion, a decrease of 2.3% in real terms over 2013. The largest donors in terms of gross ODA were the United States, the United Kingdom, Germany, Japan and France (see Table 2). Within gross ODA, bilateral non-grants rose by 6.0% in real terms, representing USD 18.4 billion.

Country Programmable Aid: impact on income groups and geography

Preliminary results from the 2015 DAC Survey on Donors' Forward Spending Plans suggest a steeper fall in 2014 of country programmable aid (CPA)¹. CPA from all sources (DAC members, non-DAC

¹ Country Programmable Aid (CPA), also known as "core" aid, is the portion of aid donors programme for individual countries, and over which partner countries could have a significant say. CPA is much closer than ODA to capturing the flows of aid that goes to the partner country, and has been proven in several studies to

providers and multilateral agencies) decreased by 7.0% in real terms to an estimated USD 105.3 billion.

DAC members' CPA fell by USD 4.7 billion to USD 63.9 billion. CPA from multilateral agencies (excluding EU Institutions) fell by USD 600 million to USD 31.1 billion, in large part due to falls in funding provided by vertical funds.

The overall decline of CPA in 2014 was driven by a significant drop in aid to top aid recipient countries such as Afghanistan, Kenya, Myanmar and Tanzania, thus affecting overall ODA levels for both least developed countries and other low-income countries. By contrast, CPA to lower-middle income countries rose by USD 500 million (1.3%), mainly due to concessional loans to countries in Asia and Eastern Europe. Programmed aid to upper-middle income countries dropped by USD 250 million (1.5%), but with large fluctuations across countries.

CPA levels projected to increase in 2015

Looking forward, Survey results suggest a moderate increase in CPA allocations. In 2015, CPA is projected to increase by USD 2.7 billion as a result of recent replenishments that will increase disbursements by multilateral agencies. Least developed countries and other low-income countries will benefit mostly from this increase, with aid levels expected to grow by 5.7% in real terms (see Chart 4). This positive trend is consistent with the December 2014 decision taken by DAC ministers to allocate more of total ODA to countries most in need of concessional finance.

Overall CPA to lower-middle income countries is projected to remain stable in 2015, signalling that allocation of concessional finance to this group of countries is safeguarded. Specifically, increases have been projected for: Bolivia, Cameroon, Republic of Congo, Ghana, Moldova, Nigeria, Samoa, Syrian Arab Republic and Uzbekistan. In the case of the upper-middle income countries, overall CPA levels are, on the other hand, expected to fall by 4.4%, mostly to higher income countries.

On a geographical basis, CPA flows to sub-Saharan Africa and South and Central Asia are projected to grow more than other regions in 2015. Overall CPA to sub-Saharan Africa is expected to grow by 5.8% in real terms due to a rise in concessional lending. The projected increase of 6.6% for South and Central Asia is due to larger flows to several least developed countries such as Afghanistan, Bangladesh and Myanmar.

Stable outlook over the medium-term to 2018

Global CPA is projected to increase slightly up to 2018 with a continued upward trajectory for the least developed countries, reflecting the December 2014 decision to reverse the declining trend of aid to countries most in need. Two thirds of the least developed countries will see an increase in CPA (with significant increases to Ebola-affected countries such as Guinea; to Small Island Developing States such as Comoros, Sao Tomé and Príncipe and Vanuatu and to populous LDCs such as Bangladesh, Ethiopia and Myanmar). Allocations to lower-middle income and upper-middle income countries are expected to remain stable over the medium-term with large variations among countries, most likely due to volatile disbursements of concessional loans.

be a good proxy of aid recorded at country level. Read more on CPA at: <http://www.oecd.org/dac/aid-architecture/cpa.htm>.

Longer-term projections are difficult to predict due to political and economic uncertainties in many DAC countries. The post-2015 Open Working Group proposal for Sustainable Development Goals (SDG) envisages an end to absolute poverty and a new era in global development characterised by economic and social progress, environmental sustainability and peaceful and inclusive societies. The historic agreement by OECD DAC ministers in December 2014 to modernise the DAC statistical system is an important input to the nascent post-2015 financing agenda to be agreed at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, in July 2015: it provides for a more robust ODA definition, measures to incentivise more and better terms of concessional finance for countries most in need, more use of ODA in a catalytic way to help leverage additional resources, both external and domestic, and greater scope for ensuring that all financial instruments are recognised in order to maximise resources for sustainable development.

For further information and dynamic graphics, see <http://www.oecd.org/dac/stats/>.

Survey data on donors' latest spending plans disaggregated by country and donor participating in data disclosure policy is available at: www.oecd.org/dac/aidoutlook