



DEVELOPMENT AID AT ITS HIGHEST LEVEL EVER IN 2008

Total ODA in 2008

In 2008, total net official development assistance (ODA) from members of the OECD's Development Assistance Committee (DAC) rose by 10.2% in real terms to USD 119.8 billion. This is the highest dollar figure ever recorded. It represents 0.30% of members' combined gross national income (GNI, see Table 1 and Chart 1).

Bilateral development projects and programmes have been on a rising trend in recent years; however, they rose significantly by 12.5% in real terms in 2008 compared to 2007, indicating that donors are substantially scaling up their core aid programmes (see Chart 2).

In 2008, preliminary data show that net bilateral ODA from DAC donors to Africa totalled USD 26 billion, of which USD 22.5 billion went to sub-Saharan Africa. Excluding volatile debt relief grants, bilateral aid to Africa and sub-Saharan Africa rose by 10.6% and 10% respectively in real terms. (The increases including debt relief were 1.2% and 0.4% respectively).

Donor Performance

The largest donors in 2008, by volume, were the United States, Germany, the United Kingdom, France and Japan. Five countries exceeded the United Nations target of 0.7% of GNI: Denmark, Luxembourg, the Netherlands, Norway and Sweden.

The largest volume increases came from the United States, the United Kingdom, Spain, Germany, Japan and Canada. In addition, significant increases were recorded in Australia, Belgium, Greece, New Zealand and Portugal.

In 2008, net ODA by the United States was USD 26 billion, representing an increase of 16.8% in real terms. Its ODA/GNI ratio rose from 0.16% in 2007 to 0.18% in 2008. The United States' net ODA levels increased to practically all regions, particularly sub-Saharan Africa (+38.3% in real terms to USD 6.5 billion). Net ODA also increased substantially to the group of Least Developed Countries (+40.5% in real terms to USD 6.9 billion), and humanitarian aid also rose significantly (+42.5% in real terms to USD 4.4 billion) due mainly to increased relief food aid.

Japan's net ODA was USD 9.4 billion, representing an increase of 8.2% in real terms over 2007. Its net ODA/GNI ratio rose from 0.17% in 2007 to 0.18% in 2008. The increase is mainly due to a rise in contributions to international financial institutions. This reverses the downward trend in Japan's ODA since 2000 (excluding peaks in 2005 and 2006 due to high levels of debt relief).



The combined net ODA of the fifteen members of the DAC that are EU members rose by 8.6% in real terms to USD 70.2 billion, representing 59% of all DAC ODA. As a share of GNI, net ODA from DAC-EU members rose to 0.42%.

In real terms, net ODA rose in fourteen DAC-EU countries as follows:

- Belgium (+13.4%), due to an increase in bilateral aid as well as contributions to multilateral organisations;
- Denmark (+0.3%), practically unchanged;
- Finland (+6.7%), due to the general scaling up of its aid;
- France (+2.9%), as it increased its contributions to the EC and bilateral lending;
- Germany (+5.7%), due to an increase in bilateral co-operation and larger contributions to the EC;
- Greece (+26.9%), due to an increase in bilateral aid, notably to Africa, as well as multilateral contributions to the EC and IDA;
- Ireland (+6.4%), reflecting a general scaling up of its aid in order to reach the UN target of 0.7% by 2012;
- Italy (+2.2%) due to increased debt relief;
- Luxembourg (+1.8%), reflecting an increase in bilateral aid;
- Netherlands (+4.8%), as it increased its bilateral aid;
- Portugal (+ 21.1%), due to an increase in bilateral aid, notably to Africa;
- Spain (+19.4%), reflecting increased bilateral aid, especially to Africa, as well as larger contributions to multilateral institutions;
- Sweden (+3.9%), Sweden budgets for an ODA level of 1% of GNI, but fell short this year, partly because expected debt relief did not materialise;
- United Kingdom (+24.1%), reflecting a general scaling up of its aid.

Net ODA fell in Austria (-14.0%), due to a lower level of debt relief grants provided in 2008 compared to 2007.

Net ODA by the European Commission rose by 6.8% in real terms to USD 13.4 billion, mainly due to an increase in technical cooperation activities and humanitarian aid.

Net ODA from other DAC countries rose or fell between 2007 and 2008 as follows:

- Australia (+13.8%), reflecting an overall scaling up of its aid;
- Canada (+12.2%), due to an overall scaling up of its aid and increased contributions to the World Bank;
- New Zealand (+11.0%), reflecting an increase in bilateral ODA;
- Norway (-2.4%);
- Switzerland (+6.5%), as it increased its bilateral aid.



On a gross basis (i.e. without any deductions for loan repayments), ODA reached USD 133.9 billion in 2008, reflecting an increase of 9.1% in real terms. The largest donors of gross ODA were the United States (USD 26.9 billion), Japan (USD 17.4 billion), Germany (USD 15.9 billion), France (USD 12.4 billion) and the United Kingdom (USD 11.8 billion) (see Table 3).

Amongst the non-DAC members, the following donors reported changes in net ODA in 2008 as follows:

- Czech Republic (-0.4%);
- Hungary (-7.4%);
- Korea (+31.5%), which plans to become a member of the DAC in 2010, increased its ODA mainly through larger contributions to regional development banks and funds;
- Poland (-9.0%), as debt relief fell;
- Slovak Republic (+14.4%).

Aid commitments within reach?

In 2005, donors committed to increase their aid at the Gleneagles G8 and UN Millennium +5 summits. The pledges made at these summits, combined with other commitments, implied lifting aid from USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices. While a few countries have slightly reduced their targets since 2005, the bulk of these commitments remain in force. However, reduced growth in 2008 and the prospect of economic contraction in 2009 reduces the dollar value of commitments expressed as a percentage of national income. Overall, the current commitments imply an ODA level of USD 121 billion in 2010, expressed in 2004 dollars, or an increase of USD 20 billion from the 2008 level (see Chart 3). Table 4 shows these commitments in 2008 dollars.

Some further increases in aid can be expected. A new survey of donors' forward spending plans suggests an 11% increase in programmed aid between 2008 and 2010, including larger disbursements by some multilateral agencies. Debt relief may also increase slightly as the debt of the remaining Heavily Indebted Poor Countries is treated in the Paris Club. However, the current outlook suggests that at least USD 10-15 billion must still be added to current forward spending plans if donors are to meet their current 2010 commitments.



The 2008 ODA data as well as forward spending plans suggest that with some further effort, most donors are within reach of their 2010 targets. The countries that have already met the UN ODA target of 0.7% of GNI are expected to continue to do so. Most other DAC members are expected to meet, or nearly meet, their 2010 targets. However, there are likely to be large shortfalls in a few countries. For example, ODA in 2008 from Austria, Italy and Greece, excluding debt relief, is well under half their ODA/GNI target for 2010. Only a special crisis-related effort can ensure that the 2010 targets for aid are met, which is even more important now that the economic crisis is reducing developing countries' growth prospects and their ability to make progress towards the Millennium Development Goals.

The need for aid to counter the development impact of the crisis

The current global financial crisis is having a serious impact on low income countries. World trade is experiencing its largest decline since 1929 and commodity prices, particularly for the exports of low income countries, are falling. Foreign direct investment and other private flows are on the decline, and remittances are expected to drop significantly in 2009. Budgets of many developing countries were hit hard by the rises in food and oil prices in the last two years. Many countries are not in a strong fiscal position to address the current financial crisis.

Whilst the full effects and duration of the financial crisis are still to be seen, it is important for aid to play a countercyclical role to help balance the sharp reversal in overall flows to developing countries.

ODA has played a positive countercyclical role during some previous financial crises. After the Mexican debt crisis in 1982, commercial lending was significantly reduced for about a decade, yet ODA rose slightly during this period, playing a strong role in maintaining flows to Latin America. However the global economic recession in the early 1990s produced large fiscal deficits in donor countries that led to deep cuts in ODA, which fell from 0.33 per cent of gross national income in 1992 to 0.22 per cent in 1997.

Aid cuts at this point in time would place a dangerous additional burden on developing countries already faced with restricted sources of income and increased poverty, and perhaps undo some of the progress already made towards meeting the Millennium Development Goals.

At the end of 2008, the OECD Secretary General, Angel Gurría, and the Chair of the DAC, Eckhard Deutscher, launched an Aid Pledge¹ inviting DAC members to reaffirm their aid commitments, and DAC members did confirm these commitments at the OECD in

¹ http://www.oecd.org/document/2/0,3343,en_2649_33721_41601282_1_1_1_1,00.html



November. The World Bank and IMF have more recently launched new calls for increased aid funding.

Ensuring that aid acts as a countercyclical force will require strong political priority and coordination at the global and country level. Participants of the DAC High Level Meeting will meet at the end of May to discuss the effects of the financial crisis on development in 2009 and thereafter, and how to create and support initiatives to support developing countries during the crisis.



TABLE 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2008
Preliminary data for 2008

	2008		2007		2008	
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	ODA USD million (1) At 2007 prices and exchange rates	Percent change 2007 to 2008 (1)
Australia	3 166	0.34	2 669	0.32	3 038	13.8
Austria	1 681	0.42	1 808	0.50	1 555	-14.0
Belgium	2 381	0.47	1 953	0.43	2 214	13.4
Canada	4 725	0.32	4 080	0.29	4 577	12.2
Denmark	2 800	0.82	2 562	0.81	2 570	0.3
Finland	1 139	0.43	981	0.39	1 047	6.7
France	10 957	0.39	9 884	0.38	10 168	2.9
Germany	13 910	0.38	12 291	0.37	12 994	5.7
Greece	693	0.20	501	0.16	636	26.9
Ireland	1 325	0.58	1 192	0.55	1 269	6.4
Italy	4 444	0.20	3 971	0.19	4 059	2.2
Japan	9 362	0.18	7 679	0.17	8 310	8.2
Luxembourg	409	0.92	376	0.91	382	1.8
Netherlands	6 993	0.80	6 224	0.81	6 522	4.8
New Zealand	346	0.30	320	0.27	355	11.0
Norway	3 967	0.88	3 728	0.95	3 638	-2.4
Portugal	614	0.27	471	0.22	570	21.1
Spain	6 686	0.43	5 140	0.37	6 138	19.4
Sweden	4 730	0.98	4 339	0.93	4 508	3.9
Switzerland	2 016	0.41	1 685	0.37	1 794	6.5
United Kingdom	11 409	0.43	9 849	0.35	12 217	24.1
United States	26 008	0.18	21 787	0.16	25 439	16.8
TOTAL DAC	119 759	0.30	103 487	0.28	113 999	10.2
Average Country Effort		0.47		0.45		
<i>Memo Items:</i>						
EC	13 412		11 634		12 425	6.8
DAC-EU countries	70 168	0.42	61 540	0.39	66 848	8.6
G7 countries	80 815	0.25	69 539	0.23	77 763	11.8
Non-G7 countries	38 944	0.54	33 948	0.51	36 236	6.7
<i>Non-DAC economies:</i>						
Czech Republic	213	0.11	179	0.11	178	-0.4
Hungary	106	0.07	103	0.08	96	-7.4
Korea	797	0.09	699	0.07	919	31.5
Poland	386	0.08	363	0.10	330	-9.0
Slovak Republic	92	0.10	67	0.09	77	14.4

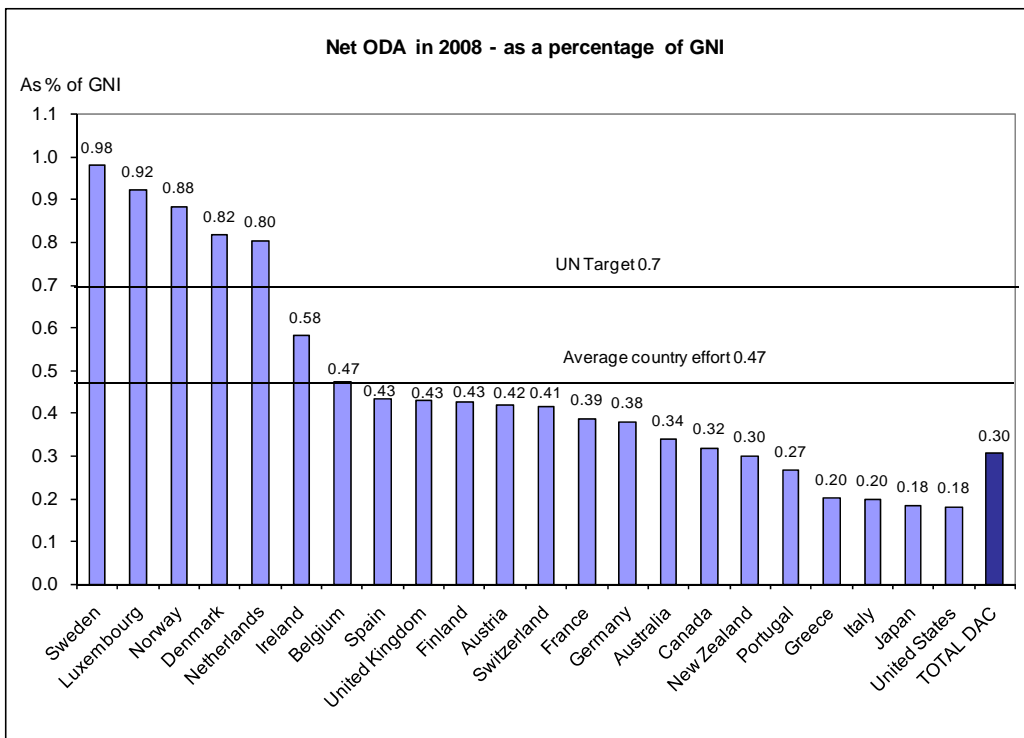
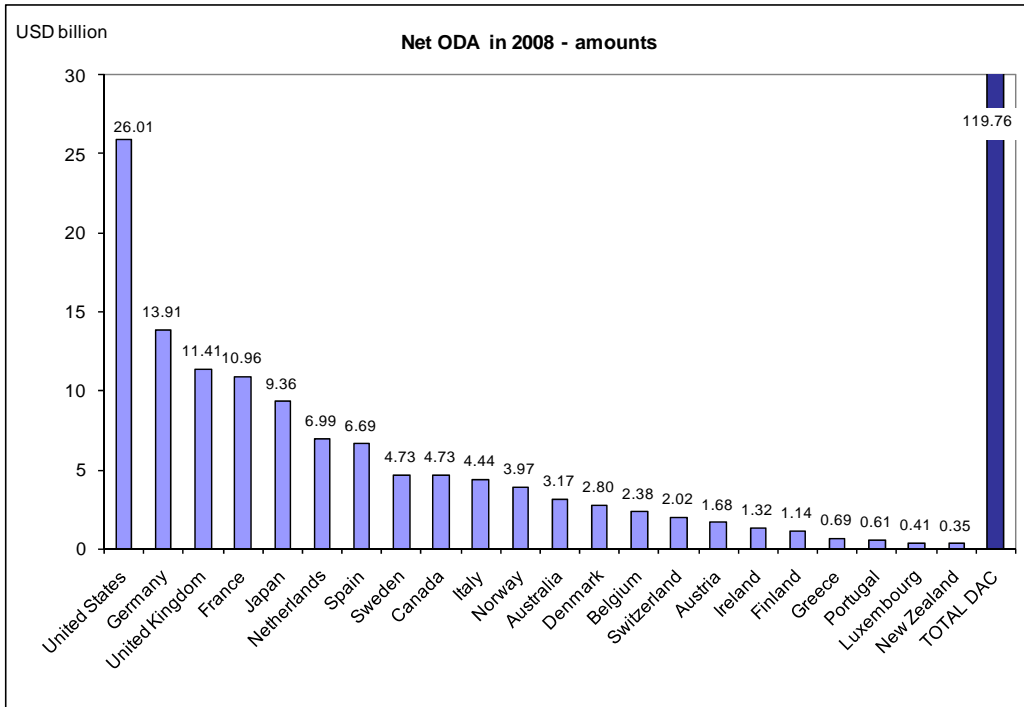
(1) Taking account of both inflation and exchange rate movements.

Note: The data for 2008 are preliminary pending detailed final data to be published in December 2009. The data are standardised on a calendar year basis for all donors, and so may differ from fiscal year data available in countries' budget documents.

Source: OECD, 30 March 2009.



CHART 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2008



Source: OECD, 30 March 2009.



TABLE 2: SHARE OF DEBT RELIEF GRANTS IN NET OFFICIAL DEVELOPMENT ASSISTANCE
Preliminary data for 2008

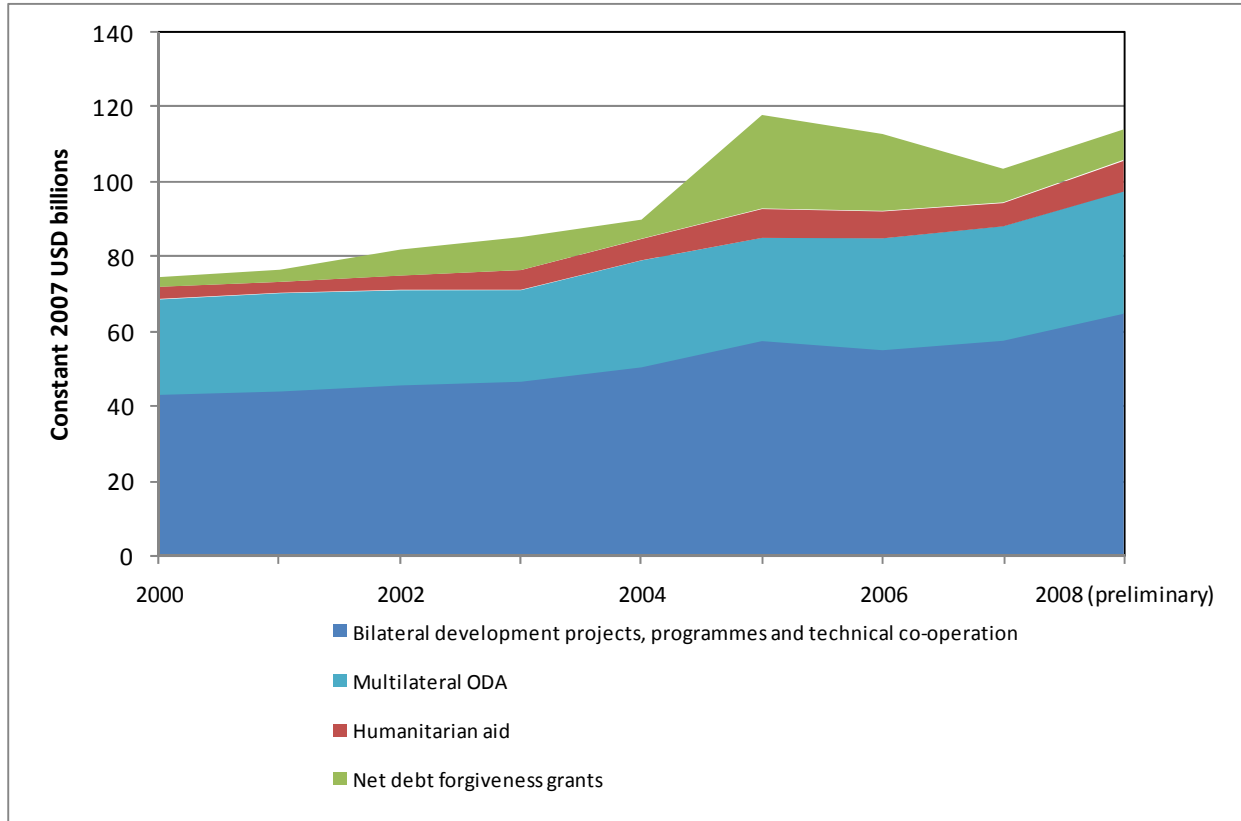
	2008		2007		Percent change Without debt relief grants 2007 to 2008 (1)
	ODA USD million current	of which: Debt relief grants	ODA USD million current	of which: Debt relief grants	
Australia	3 166	33	2 669	292	26.5
Austria	1 681	733	1 808	925	-0.8
Belgium	2 381	101	1 953	185	19.9
Canada	4 725	133	4 080	15	9.4
Denmark	2 800	96	2 562	123	1.8
Finland	1 139	-	981	-	6.7
France	10 957	899	9 884	1 485	11.1
Germany	13 910	2 598	12 291	2 867	12.1
Greece	693	-	501	-	26.9
Ireland	1 325	-	1 192	-	6.4
Italy	4 444	889	3 971	570	-4.5
Japan	9 362	1 573	7 679	1 576	13.3
Luxembourg	409	-	376	-	1.8
Netherlands	6 993	252	6 224	392	7.8
New Zealand	346	-	320	-	11.0
Norway	3 967	53	3 728	61	-2.1
Portugal	614	0	471	1	21.2
Spain	6 686	342	5 140	243	18.9
Sweden	4 730	-	4 339	74	5.7
Switzerland	2 016	99	1 685	64	5.3
United Kingdom	11 409	655	9 849	70	17.8
United States	26 008	232	21 787	40	15.9
TOTAL DAC	119 759	8 687	103 487	8 983	12.1
<i>Memo Items:</i>					
EC	13 412	123	11 634	-	5.8
DAC-EU countries	70 168	6 564	61 540	6 934	11.1
G7 countries	80 815	6 978	69 539	6 623	13.2
Non-G7 countries	38 944	1 709	33 948	2 360	9.7

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

Source: OECD, 30 March 2009.



CHART 2: COMPONENTS OF DAC DONORS' ODA



Source: OECD, 30 March 2009.



TABLE 3: GROSS OFFICIAL DEVELOPMENT ASSISTANCE IN 2008
Preliminary data for 2008

	2008 ODA USD million current	2007 ODA USD million current	2008 ODA USD million (1) At 2007 prices and exchange rates	Percent change 2007 to 2008 (1)
Australia	3 166	2 669	3 038	13.8
Austria	1 685	1 837	1 558	-15.1
Belgium	2 432	2 032	2 262	11.3
Canada	4 764	4 119	4 614	12.0
Denmark	2 863	2 666	2 628	-1.4
Finland	1 139	981	1 047	6.7
France	12 386	11 498	11 494	0.0
Germany	15 891	13 687	14 844	8.5
Greece	693	501	636	26.9
Ireland	1 325	1 192	1 269	6.4
Italy	4 680	4 290	4 274	-0.4
Japan	17 401	13 566	15 445	13.8
Luxembourg	409	376	382	1.8
Netherlands	7 282	6 620	6 792	2.6
New Zealand	346	320	355	11.0
Norway	3 967	3 728	3 638	-2.4
Portugal	621	477	576	20.8
Spain	7 354	5 442	6 751	24.1
Sweden	4 730	4 339	4 508	3.9
Switzerland	2 027	1 696	1 804	6.4
United Kingdom	11 789	11 626	12 625	8.6
United States	26 930	22 691	26 340	16.1
TOTAL DAC	133 879	116 351	126 882	9.1
<i>Memo Items:</i>				
EC	13 527	11 743	12 532	6.7
DAC-EU countries	75 278	67 562	71 647	6.0
G7 countries	93 840	81 477	89 636	10.0
Non-G7 countries	40 039	34 874	37 246	6.8

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

Source: OECD, 30 March 2009.



TABLE 4: OECD-DAC SECRETARIAT SIMULATION OF DAC MEMBERS' NET ODA VOLUMES IN 2008 AND 2010

In constant 2008 USD million

The data below are not forecasts, but Secretariat projections based on public announcements by member countries of the OECD's Development Assistance Committee (DAC). The key figures from such announcements are shown as "Assumptions". To calculate net ODA and ODA/GNI ratios requires projections for GNI for 2010. For 2009 and 2010, the projections of real growth are taken from the OECD Economics Department interim projections to be published on 31 March. Pending updated country specific figures which will be available in June 2009, country specific real growth projections are available and used for each G7 country, whereas Euro area or total OECD real growth projections are used for most other countries. While calculations have been discussed at technical level with national authorities, the DAC Secretariat is responsible for the methodology and the final published results.

Country	2008 (preliminary)		Assumptions (ODA/GNI ratios)	2010			
	Net ODA (2008 USDm)	ODA/GNI		Net ODA (2008 USDm)	ODA/GNI	Real change in ODA compared with 2008	
						(2008 USDm)	Per cent
Austria	1 681	0.42%	0.51% in 2010	1 945	0.51%	264	16%
Belgium	2 381	0.47%	0.7% in 2010	3 361	0.70%	980	41%
Denmark ¹	2 800	0.82%	Minimum 0.8%	2 623	0.80%	- 177	-6%
Finland	1 139	0.43%	0.51% in 2010	1 300	0.51%	161	14%
France	10 957	0.39%	0.51% in 2010 and 0.7% in 2015	13 909	0.51%	2 952	27%
Germany	13 910	0.38%	0.51% in 2010	17 687	0.51%	3 777	27%
Greece ²	693	0.20%	0.35% in 2010	1 145	0.35%	452	65%
Ireland	1 325	0.58%	0.6% in 2010 and 0.7% in 2012	1 307	0.60%	- 17	-1%
Italy ³	4 444	0.20%	0.51% in 2010	10 866	0.51%	6 423	145%
Luxembourg	409	0.92%	0.93% in 2010 and 1% in following years	395	0.93%	- 14	-3%
Netherlands	6 993	0.80%	Minimum 0.8%	6 647	0.80%	- 346	-5%
Portugal	614	0.27%	0.51% in 2010	1 119	0.51%	505	82%
Spain	6 686	0.43%	0.56% in 2010 and 0.7% in 2012	8 271	0.56%	1 585	24%
Sweden	4 730	0.98%	1%	4 625	1.00%	- 105	-2%
United Kingdom ⁴	11 409	0.43%	0.56% in 2010-11 and 0.7% in 2013	14 243	0.56%	2 834	25%
DAC EU members, total	70 168	0.42%		89 441	0.56%	19 273	27%
Australia ⁵	3 166	0.34%	See footnote 5	3 266	0.37%	100	3%
Canada ⁶	4 725	0.32%	See footnote 6	4 875	0.34%	150	3%
Japan ⁷	9 362	0.18%	See footnote 7	13 310	0.28%	3 948	42%
New Zealand ⁸	346	0.30%	See footnote 8	415	0.35%	69	20%
Norway	3 967	0.88%	1% over 2006-09	4 295	1.00%	327	8%
Switzerland ⁹	2 016	0.41%	See footnote 9	1 862	0.40%	- 154	-8%
United States ¹⁰	26 008	0.18%	See footnote 10	27 647	0.20%	1 639	6%
DAC members, total	119 759	0.30%		145 110	0.39%	25 351	21%

¹ Over the coming years, the Danish government will strive to increase ODA as a percent of GNI from the current level of 0.8%.

² Due to budgetary constraints, Greece has deferred its EU ODA target of 0.51% to 2012. Greece estimates it will reach an ODA/GNI ratio of 0.35% in 2010.

³ The Italian authorities advise that Italy's ODA trend will be influenced by the constraints on Italy's public finance.

⁴ This Secretariat simulation of 2010 ODA applies its previous estimate of the ODA/GNI ratio in 2010 (0.56%) to its current projections of UK GNI in 2010, expressed at 2008 prices and exchange rates.

⁵ Australia expects to continue increasing its ODA. Australia has announced it intends to reach an ODA/GNI target of 0.5% by 2015-16 and in 2008 the Australian Government announced interim targets of 0.35% in 2009-10, 0.37% in 2010-11 and 0.38% in 2011-12. The figure here is discounted for inflation.

⁶ Canada intends to double its 2001 International Assistance Envelope (IAE) level by 2010 in nominal terms. The Canadian authorities estimate ODA (composed in large part from the IAE) will be 5.1 billion Canadian dollars in 2010. The ODA figure shown here is adjusted for inflation and converted to USD at the 2008 exchange rate.

⁷ Japan intends to increase its ODA by USD 10 billion in aggregate over the five years 2005-2009 compared to 2004. The Secretariat's estimate assumes USD 4.39 billion extra in 2009, compared to 2004, and uses this figure for 2010, supposing that the volume of net ODA in 2009 will be maintained. No adjustment is made for inflation.

⁸ New Zealand has indicated an intermediate target of NZD 600 million. The Secretariat estimates an ODA/GNI ratio of 0.35% in 2010.

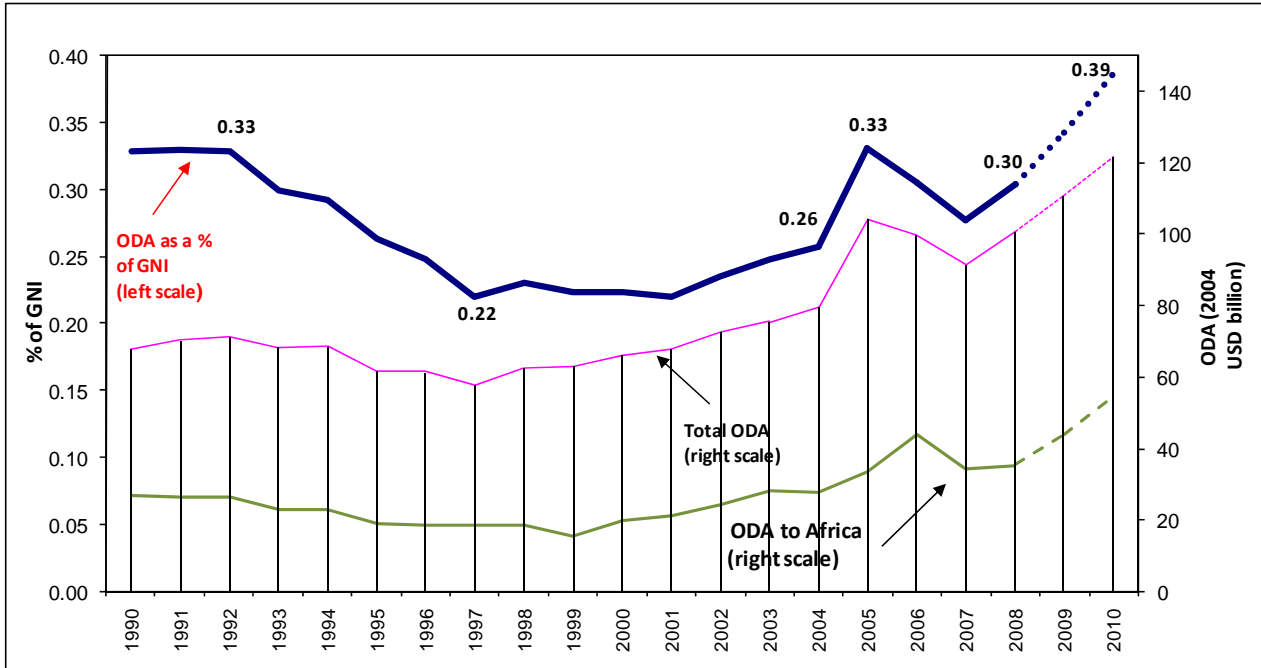
⁹ The Swiss Parliament (the Council of States in September 2008 and the National Council in December 2008) has decided to increase ODA to 0.5% of GNI by 2015. The provision of additional resources to meet this objective will be decided after the approval of the additional frame credit in 2009. In the actual financial plan, the ODA/GNI ratio of 0.40% will be maintained from 2009 onwards.

¹⁰ The United States does not issue or approve forecasts on projected ODA. The amount shown here is purely a Secretariat estimate. It is based on 2004 ODA plus USD 5 billion nominal per annum to cover the Gleneagles G8 commitments on increased aid to sub-Saharan Africa, Millennium Challenge Account, and initiatives on HIV/AIDS, malaria and humanitarian aid.

Source: OECD, 30 March 2009.



CHART 3: DAC MEMBERS' NET ODA 1990 - 2008 AND DAC SECRETARIAT SIMULATIONS OF NET ODA TO 2009 AND 2010



Source: OECD, 30 March 2009.