

UNITED NATIONS DEVELOPMENT PROGRAMME

Official Development Assistance: The Status of Commitments, Projections for 2010, and Preliminary 2009 Figures

A UNDP/ODS Discussion Paper

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Note: The views expressed in this paper are those of the author and do not necessarily reflect those of UNDP. Please send comments and suggestions to the following e-mail address: nergis.gulasan@undp.org

Synopsis

(All net ODA figures in this note are in 2004 US dollars unless indicated otherwise.)

The Status of Commitments

- At the Gleneagles G8 and Millennium +5 summits in 2005, donors made specific pledges to increase their net ODA¹ levels. Many of the donors had targets for the year 2010 or intermediate targets to achieve by 2010 before achieving a larger target by 2015 (e.g. the EU's 0.7% ODA/GNI target for 2015).
- OECD estimates in 2005 indicated that these commitments were equivalent to an increase by \$48.7 billion² a year in the 2004 levels of net ODA by the year 2010. It would thus imply that net ODA level would be increased from \$79.4 billion a year in 2004 to \$128.1 billion a year by 2010.
- The recent global economic and financial crisis has affected the real value of commitments since most commitments were expressed as a share of donor GNI. When commitments are recalculated based on revised GNI figures and GNI projections, the real value of commitments decreases from \$48.7 billion to \$46.4 billion a year increase by 2010 over 2004 levels.

Net ODA Projections for 2010

- According to the most recent OECD projections, net ODA in 2010 will be \$17.7 billion below the revised real value of commitments estimated at \$46.4 billion a year increase by 2010 over 2004 levels.
- African countries are among the ODA recipient countries that are expected to be hit the most. OECD estimates that Africa as a whole is expected to receive only \$11 billion of the \$25 billion a year increase in net ODA envisaged at Gleneagles in 2005.

¹ Net ODA comprises grants or loans to developing countries and territories on the OECD/DAC's list of aid recipients which are (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective and (c) at concessional financial terms. In addition to financial flows, technical co-operation is included. Grants, loans, and credits for military purposes are excluded.

² This figure was rounded up to "around \$50 billion" in the Gleneagles Communiqué's section on Africa, paragraph 28.

Preliminary Net ODA Figures for 2009

- On 14 April 2010, the OECD released the preliminary net ODA figures for 2009:
 - Net ODA increased by 0.7% in real terms from 2008 to 2009 (as opposed to the 11.7% real increase from 2007 to 2008). Net ODA reached \$119.6 billion (2009 dollars) representing 0.31% of donors' combined GNI.
 - Net ODA excluding debt relief increased by 6.8% in real terms over 2008 levels.
 - Net bilateral ODA to Africa increased by 3% in real terms, while sub-Saharan Africa had a real increase in net bilateral ODA by 5.1% over 2008 levels.

I. The Status of Commitments

a. Real Value of Overall ODA Commitments

At the Gleneagles G8 and Millennium +5 summits in 2005, donors made specific pledges to increase their net ODA levels. Some commitments were made in absolute 2004 dollar terms (e.g. Japan); some were made as a percentage of Gross National Income (GNI) (e.g. the EU countries); and some others included doubling aid to Africa (e.g. Canada and Japan³) or more specifically doubling aid to sub-Saharan Africa (e.g. the US) (See annex for a list of commitments by country).

Many of the donors had targets for the year 2010 or intermediate targets to achieve by 2010 before achieving a larger target by 2015 (e.g. the EU's 0.7% ODA/GNI target for 2015).

OECD estimates in 2005 indicated that these commitments were equivalent to an increase by \$48.7 billion a year in the 2004 levels of net ODA by the year 2010. It would thus imply that net ODA level would be increased from \$79.4 billion a year in 2004 to \$128.1 billion a year by 2010 (See Table 1).

The recent global economic and financial crisis has affected the real value of commitments since most commitments were expressed as a share of donor GNI. When commitments are recalculated based on revised GNI figures and GNI projections, the real value of commitments decreases from \$48.7 billion to \$46.4 billion a year increase by 2010 over 2004 levels. This implies a \$2.3 billion reduction in the value of the total net ODA pledged at Gleneagles from \$128.1 billion to \$125.8 billion a year by 2010 (OECD 2010a) (See Figure 1).

b. Net ODA Commitments to Africa

At the Gleneagles, donors estimated that their total commitments would lead to an “increase in official development assistance to Africa of \$25 billion a year by 2010, more than doubling aid to Africa compared to 2004.”⁴

At the time of Gleneagles G8 Summit, only preliminary figures on net ODA to Africa in 2004 were known (around \$25 billion). However, the final figures on net ODA to Africa in 2004 amounted to \$29.5 billion (OECD 2008, p.3). Therefore, instead of “more than doubling aid to Africa compared to 2004,” donor commitments are interpreted as implying an increase in net ODA of \$25 billion a year and reaching at least \$54.5 billion in 2010. As presented in the next section, donors are not expected to achieve even half of this pledged increase.

³ Canada and Japan's target dates for doubling aid to Africa were 2009 and 2007, respectively.

⁴ Gleneagles Communiqué's Section on Africa, paragraph 27.

II. Net ODA Projections for 2010

According to the new forecasts released by OECD (2010a), total net ODA to developing countries will reach \$108 billion in 2010. The growth of net ODA between 2004 and 2010 is projected at 36% in real terms, which is the highest rate for any 6 year period and corresponds to an increase of \$28.7 billion in annual net ODA. The ODA/GNI ratio in DAC members is also projected to increase from 0.26% in 2004 to 0.32% in 2010 (see Table 1).

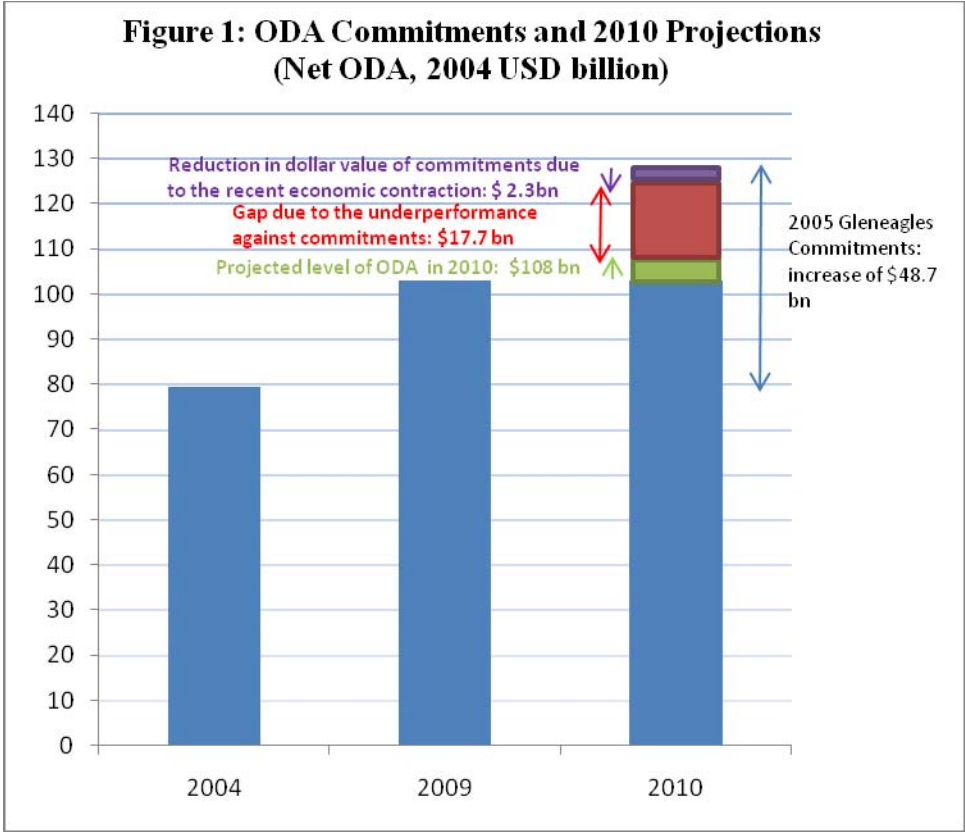
Table 1: DAC Members' Commitments and Performance: Summary Table of OECD Secretariat Projections

Country	Actual ODA 2004	Net ODA (2004 USD m)			ODA/GNI		
		2005 projection for 2010	Growth-adjusted 2005 projection for 2010	Current projection for 2010	Actual 2004	2005 projection for 2010	Current projection for 2010
Austria	678	1 673	1 621	1 178	0.23%	0.51%	0.37%
Belgium	1 463	2 807	2 706	2 706	0.41%	0.70%	0.70%
Denmark	2 037	2 185	2 213	2 299	0.85%	0.80%	0.83%
Finland	680	1 475	1 379	1 112	0.37%	0.70%	0.56%
France	8 473	14 110	13 474	10 130	0.41%	0.61%	0.46%
Germany	7 534	15 509	14 906	11 691	0.28%	0.51%	0.40%
Greece	321	1 196	1 275	525	0.16%	0.51%	0.21%
Ireland	607	1 121	951	824	0.39%	0.60%	0.52%
Italy	2 462	9 262	8 892	3 426	0.15%	0.51%	0.20%
Luxembourg	236	328	304	304	0.79%	1.00%	1.00%
Netherlands	4 204	5 070	5 323	5 323	0.73%	0.80%	0.80%
Portugal	1 031	933	912	608	0.63%	0.51%	0.34%
Spain	2 437	6 925	6 552	5 652	0.24%	0.59%	0.51%
Sweden	2 722	4 025	3 865	3 915	0.78%	1.00%	1.01%
United Kingdom	7 905	14 600	13 873	14 185	0.36%	0.59%	0.60%
DAC EU members, total	42 789	81 221	78 245	63 877	0.35%	0.59%	0.48%
Australia	1 460	2 460	2 518	2 460	0.25%	0.36%	0.35%
Canada	2 599	3 648	3 648	3 542	0.27%	0.33%	0.33%
Japan	8 922	11 906	11 906	8 501	0.19%	0.22%	0.18%
New Zealand	212	289	282	324	0.23%	0.28%	0.32%
Norway	2 199	2 876	2 849	2 849	0.87%	1.00%	1.00%
Switzerland	1 545	1 728	1 646	1 881	0.40%	0.41%	0.47%
United States	19 705	24 000	24 705	24 705	0.17%	0.18%	0.19%
DAC members, total	79 432	128 128	125 799	108 139	0.26%	0.36%	0.32%

Source: OECD (2010a).

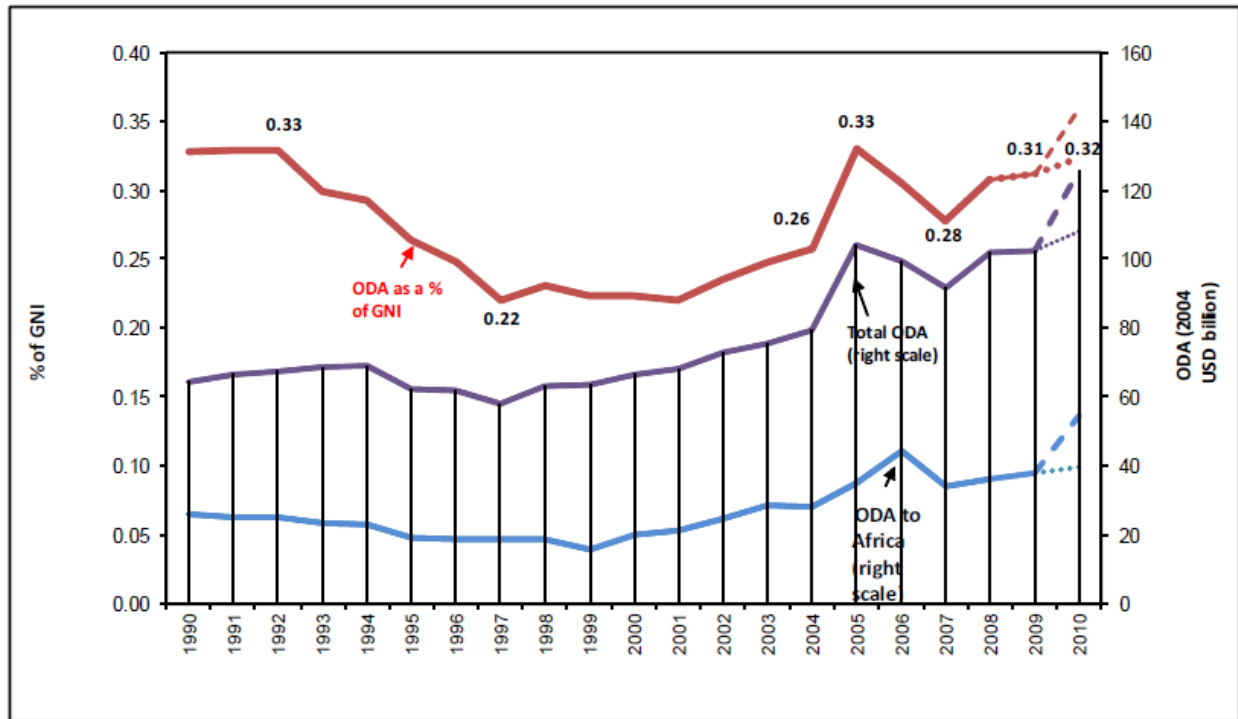
As discussed in Section I, the recent global economic and financial crisis has reduced the real value of commitments by \$2.3 billion since most commitments were expressed as a share of donor GNI.

When the revised real value of commitments is taken into account (\$46.4 billion a year increase in net ODA by 2010 over 2004 levels), net ODA will still be \$17.7 billion short of what donors pledged in 2005 (see Figures 1 and 2).



Source: Own elaboration based on OECD (2010a).

Figure 2: Net ODA from 1990 to 2009 and Simulations of Net ODA to 2010

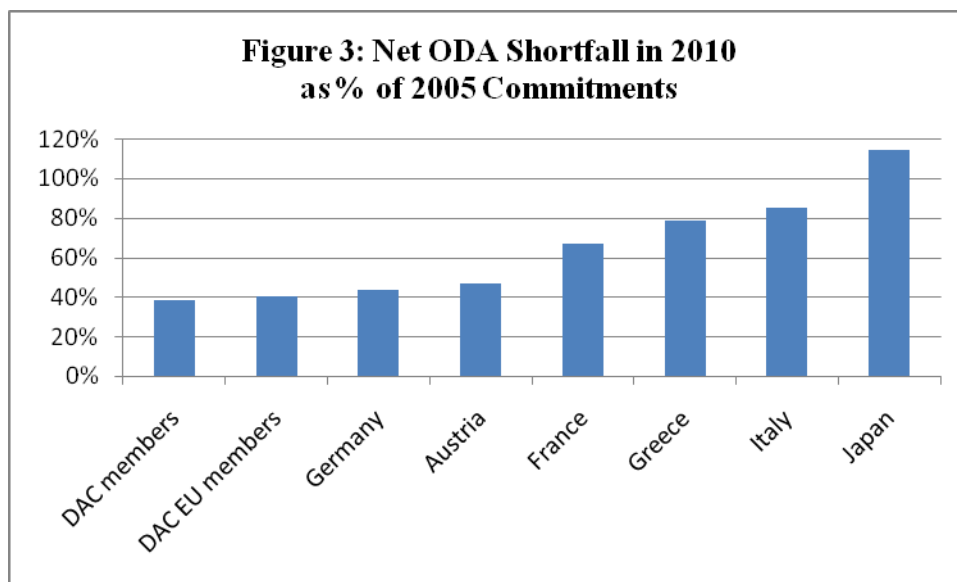


Note: — dashed line indicates the growth-adjusted trajectory envisaged at Gleneagles.
dotted line indicates estimates based on reported intentions or current 2010 budget plans made by DAC members.
dotted line for Africa indicates a Secretariat estimate of likely actual spending.

Source: OECD (2010a).

The total projected shortfall (i.e. \$17.7 billion gap due to the underperformance against commitments) corresponds to 38% of the revised real value of 2005 commitments (\$46.4 billion a year increase in net ODA by 2010 over 2004 levels) (see Figure 3).

Among DAC members who are expected to miss their aid targets for 2010, there are four large donors that are G8 members: France, Germany, Italy, and Japan. Cumulatively, these four countries account for 87% of the \$17.7 billion shortfall. The projected shortfalls of their commitments are respectively around \$3.3 billion, \$3.2 billion, \$5.5 billion, and \$3.4 billion.



Source: Own computation based on OECD (2010a).

In the 15 EU countries that are DAC members, net ODA levels by the end of 2010 are projected to be \$14.4 billion below their real value of 2005 commitments.⁵ The total DAC-EU shortfall corresponds to 41% of the total real value of DAC-EU commitments made for 2010 over the 2004 levels (see Figure 3). This is also equivalent to 81% of the \$17.7 billion shortfall against the total Gleneagles commitments.

In addition to France, Germany, and Italy, other DAC-EU members that are expected to miss their commitments are Austria, Greece, and Portugal.⁶ Their ODA/GNI ratios are projected at 0.37%, 0.21%, and 0.34%, respectively.

At the Gleneagles G8 Summit, the DAC-EU members set an interim *collective* target of 0.56% ODA/GNI by 2010 before achieving the 2015 target of 0.7%.⁷ The projected collective ODA/GNI ratio for the DAC-EU members is 0.48% in 2010.

In addition to the collective target, the DAC-EU members set a minimum *country* target of 0.51% ODA/GNI by 2010 (See Table 2 for a summary of EU targets). Whereas net ODA levels in Finland, Ireland, and Spain are also forecasted to fall behind the projections made in 2005; these countries are expected to achieve or surpass the minimum target of 0.51%.

⁵ France, Germany, and Italy together account for 84% of the total DAC-EU shortfall.

⁶ Note that Portugal's real value of 2005 commitment would actually imply a reduction in its net ODA by \$119 million a year by 2010 over the 2004 level. Current projection for Portugal's net ODA level by the end of 2010 is further \$304 million below the real value of its commitment.

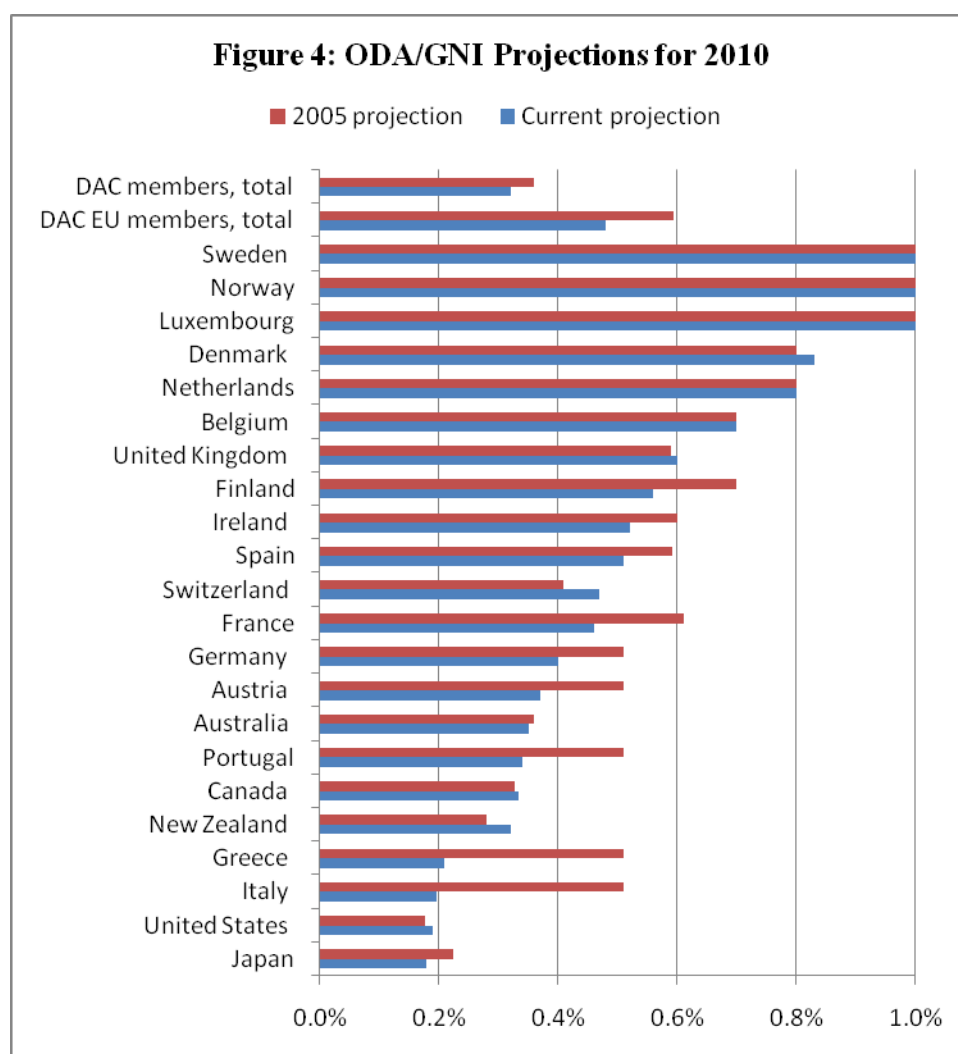
⁷ The Gleneagles Communiqué, Annex II.

Table 2: Summary of the European Union’s ODA targets

Target Year	Countries	ODA/GNI Target
2010	Collective Target (for 15 DAC-EU members)	0.56%
2010	Minimum Target (for each 15 DAC-EU member)	0.51%
2010	Minimum Target (for each member state which joined the EU after 2002)	0.17%
2015	15 DAC-EU members	0.7%
2015	Member States which joined the EU after 2002	0.33%

Source: Based on Council of the European Union (2005), p. 22.

Five DAC members (Denmark, New Zealand, Sweden, Switzerland, and the UK) are expected to achieve slightly higher ODA/GNI ratios than the ones projected in 2005 (see Figure 4).



Source: Based on OECD (2010a).

Net ODA Projections for Africa

Africa is projected to receive \$11 billion a year increase in net ODA by 2010 over 2004 levels as opposed to \$25 billion a year increase envisaged at Gleneagles. The shortfall corresponds to around 80% of the global shortfall and it mainly stems from the underperformance of some European donors who direct large shares of their ODA contributions to Africa.

For instance, during the period 2000-2008, net bilateral disbursements allocated to Africa as a percentage of each donor's aid corresponded to 74% in Portugal, 70% in France, 51% in Italy, and 41% in Germany (OECD 2010b, p. 5).

According to the 2006-2008 average net bilateral disbursements, France and Germany together with Japan (which are expected to have a big shortfall by 2010) were among the top 5 donors to Africa (see Table 3). These three G8 countries together provided 32% of the total DAC net bilateral disbursements to Africa between 2006 and 2008.

**Table 3: Top 10 Donors to Africa by amount
(USD million, net bilateral disbursements)**

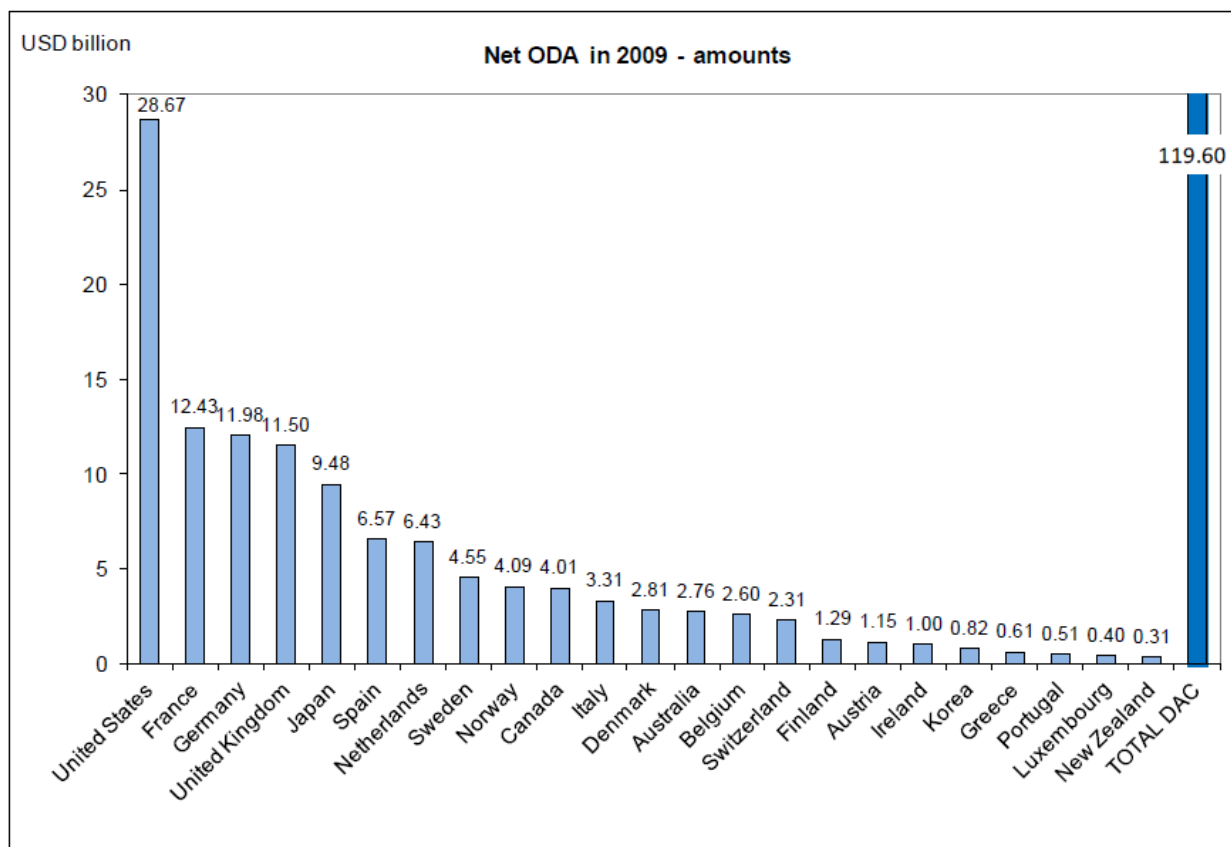
	2006	2007	2008	3-year average	% of DAC countries
1 United States	5 805	5 031	7 202	6 013	22%
2 France	5 159	3 558	3 370	4 029	15%
3 United Kingdom	5 462	2 457	2 594	3 504	13%
4 Germany	3 463	2 415	2 703	2 860	10%
5 Japan	2 596	1 766	1 571	1 978	7%
6 Netherlands	1 342	1 677	1 516	1 512	5%
7 Canada	1 067	1 195	1 346	1 203	4%
8 Sweden	886	1 001	1 026	971	4%
9 Norway	777	913	1 028	906	3%
10 Denmark	762	896	917	858	3%
Other DAC countries	4 171	3 616	3 935	3 907	14%
Total DAC countries	31 490	24 525	27 209	27 742	100%

Source: OECD 2010b, p.4.

III. Preliminary Net ODA Figures for 2009⁸

According to the preliminary ODA data released by OECD-DAC on 14 April 2010, net ODA increased by 0.7% in real terms from 2008 to 2009 (as opposed to the 11.7% real increase from 2007 to 2008). Net ODA reached \$119.6 billion in 2009 dollars (See Figure 5) representing 0.31% of DAC members' combined GNI (up from 0.26% in 2004).

Figure 5: Net ODA in 2009 (current USD billion)

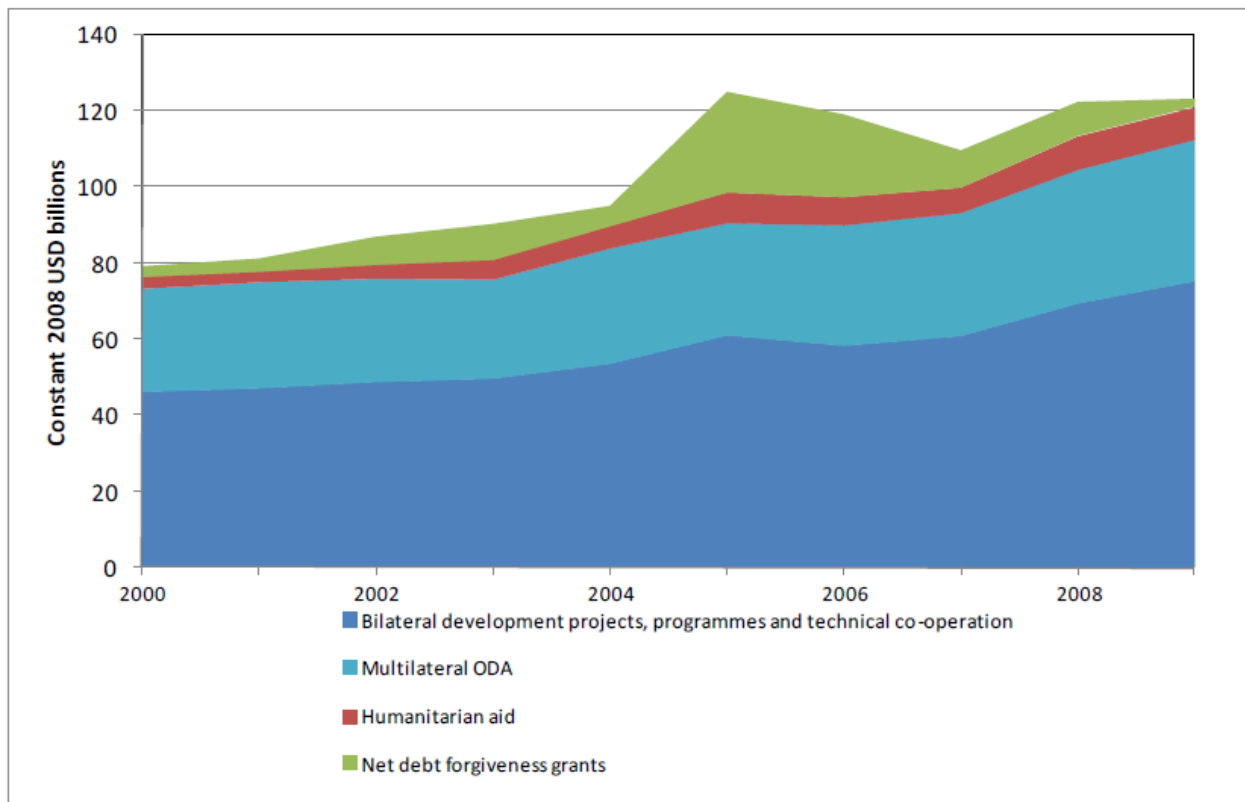


Source: OECD (2010a).

Net ODA levels in 2005 and 2006 had included large Paris Club debt relief operations for Iraq and Nigeria. Since then, debt relief has decreased substantially (see Figure 6). Net ODA excluding debt relief increased by 6.8% in real terms from 2008 to 2009.

⁸ All figures in Section III are from OECD (2010a).

Figure 6: Components of DAC Donors' Net ODA

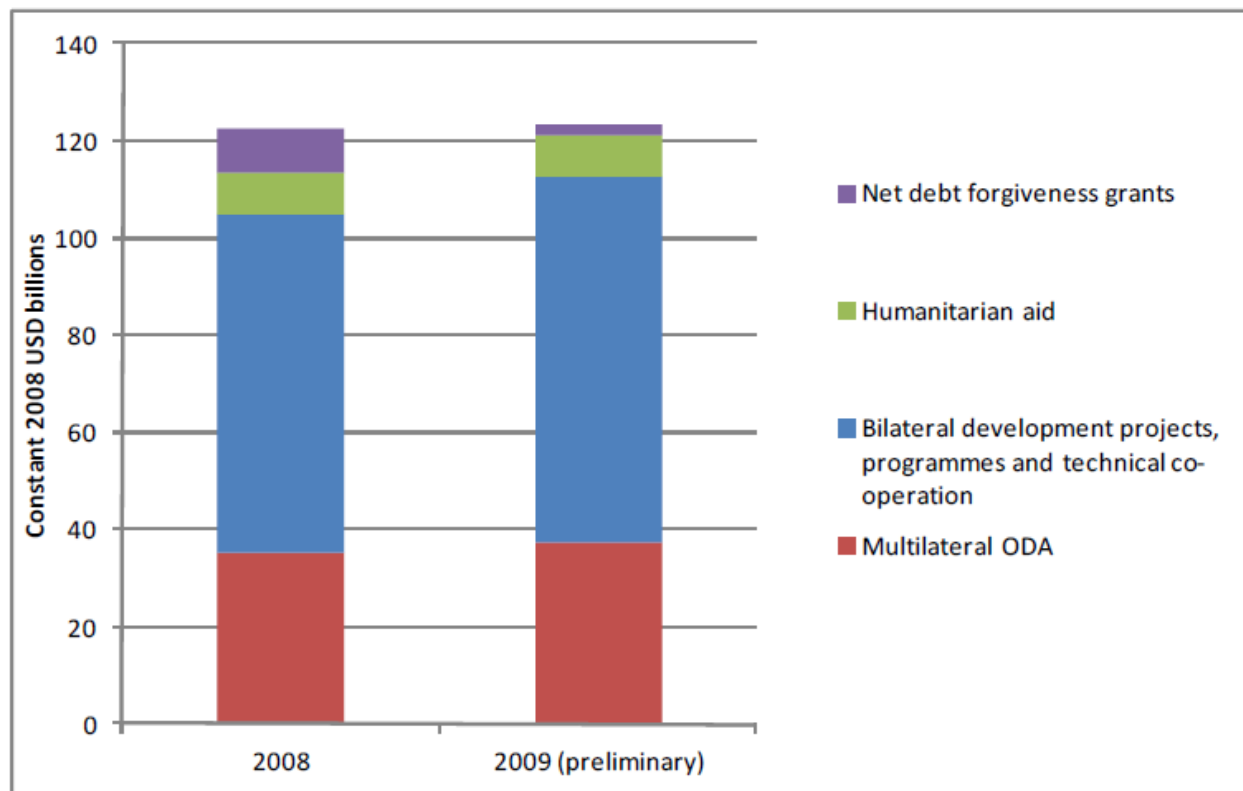


Source: OECD (2010a).

When both debt relief and humanitarian aid are excluded, bilateral aid for development projects, programmes, and technical cooperation in 2009 increased by 8.5 % in real terms (See Figure 7). Whereas new lending increased by 20.6%, grants excluding debt relief increased by 4.6%.

Net bilateral ODA to Africa increased by 3% in real terms, while the increase in net bilateral ODA to sub-Saharan Africa corresponded to 5.1% in real terms over 2008 levels.

Figure 7: Components of DAC Donors' Net ODA in 2008 and 2009



Source: OECD (2010a).

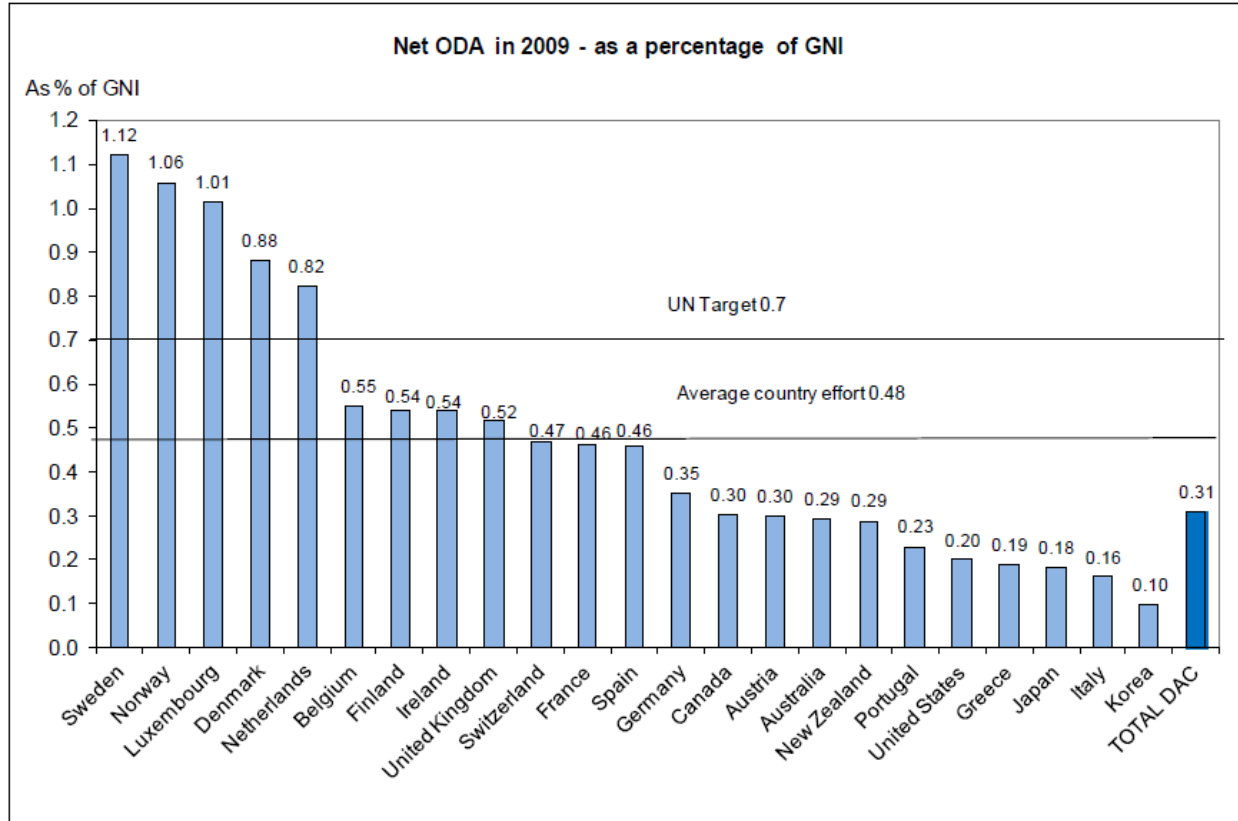
Donor Performance

The US, France, Germany, the UK, and Japan were the largest donors by volume in 2009 (see Figure 5). However Japan's net ODA decreased by 10.7% in real terms mainly because of the decrease in its debt relief for Iraq.

Norway, France, the UK, Korea, Finland, Belgium, and Switzerland achieved the largest percentage increases in net ODA (ranging from 11.5% to 17.3%).

The total net ODA of the DAC-EU members decreased slightly by 0.2% and reached 0.44% of their combined GNI.

Figure 8: Net ODA in 2009 (As a percentage of GNI)



Source: OECD (2010a).

According to OECD (2010a), apart from Japan, net ODA fell in the following countries:

- “Australia (-1.4%) due to high debt relief levels in 2008 which did not continue into 2009;
- Austria (-31.2%), due to reduced levels of debt relief compared with 2008;
- Canada (-9.5%), following a large contribution to IDA in 2008 and a reduction in debt relief ;
- Germany (-12.0%), as reduced debt relief outweighed significant increased bilateral aid;
- Greece (-12%), reflecting tightening ODA budgets due to fiscal pressure;
- Ireland (-18.9%), due to budgetary pressures;
- Italy (-31.1%), due to a decrease in overall aid and reduced debt relief;
- New Zealand (-3.2%);
- Netherlands (-4.5%);
- Portugal (-15.7%);⁹
- Spain (-1.2%) though significant spending approved late in 2009 will only take effect in 2010, maintaining the increasing trend of its ODA.” (OECD 2010a).

⁹ OECD did not specify the reason for the fall in net ODA in New Zealand, the Netherlands, and Portugal.

Annex: Gleneagles ODA Commitments¹⁰

Financing commitments (as submitted by individual G8 members)

- The EU has pledged to reach 0.7 per cent ODA/GNI by 2015 with a new interim collective target of 0.56 per cent ODA/GNI by 2010. The EU will nearly double its ODA between 2004 and 2010 from €34.5 billion to €67 billion. At least 50% of this increase should go to sub-Saharan Africa.
- Germany (supported by innovative instruments) has undertaken to reach 0.51 per cent ODA/GNI in 2010 and 0.7 per cent ODA/GNI in 2015.
- Italy has undertaken to reach 0.51 per cent ODA/GNI in 2010 and 0.7% ODA/GNI in 2015.
- France has announced a timetable to reach 0.5 per cent ODA/GNI in 2007, of which 2/3 for Africa, – representing at least a doubling of ODA since 2000 - and 0.7 per cent ODA/GNI in 2012.
- The UK has announced a timetable to reach 0.7 per cent ODA/GNI by 2013 and will double its bilateral spending in Africa between 2003/04 and 2007/08.
- A group of the countries above firmly believe that innovative financing mechanisms can help deliver and bring forward the financing needed to achieve the Millennium Development Goals. They will continue to consider the International Financing Facility (IFF), a pilot IFF for Immunisation and a solidarity contribution on plane tickets to finance development projects, in particular in the health sector, and to finance the IFF. A working group will consider the implementation of these mechanisms.
- The US proposes to double aid to Sub-Saharan Africa between 2004 and 2010. It has launched the Millennium Challenge Account, with the aim of providing up to \$5 billion a year, the \$15 billion Emergency Plan for AIDS Relief, an initiative to address Humanitarian Emergencies in Africa of more than \$2 billion in 2005, and a new \$1.2 billion malaria initiative. The US will continue to work to prevent and mitigate conflict, including through the 5-year, \$660 million Global Peace Operations Initiative.
- Japan intends to increase its ODA volume by \$10 billion in aggregate over the next five years. Japan has committed to double its ODA to Africa over the next three years and

¹⁰ Annex II of the Gleneagles Communiqué

launched the \$5 billion 'Health and Development Initiative' over the next five years. For the "Enhanced Private Sector Assistance (EPSA) for Africa" facility, Japan will provide more than \$1 billion over 5 years in partnership with the AfDB.

- Canada will double its international assistance from 2001 to 2010, with assistance to Africa doubling from 2003/4 to 2008/9. As well, the 2005 Budget provided an additional C\$342 million to fight diseases that mainly afflict Africa. The C\$200 million Canada Investment Fund for Africa, will provide public-private risk capital for private investments and Canada will provide C\$190 million to support the AU's efforts in Darfur, as well as C\$90 million for humanitarian needs.
- Russia has cancelled and committed to cancel \$11.3 billion worth of debts owed by African countries, including \$2.2 billion of debt relief to the HIPC Initiative. On top of this, Russia is considering writing off the entire stock of HIPC countries' debts on non-ODA loans. This will add \$750m to those countries debt relief.

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