

INTER-AGENCY TASK FORCE
ON FINANCING FOR DEVELOPMENT

Issue Brief Series

Official Development Assistance

Organisation for Economic Co-operation and Development (OECD)
Financing for Development Office, UN-DESA (FFDO/UNDESA)

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More Information

<http://www.un.org/esa/ffd/ffd-follow-up/inter-agency-task-force.html>

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1. Introduction

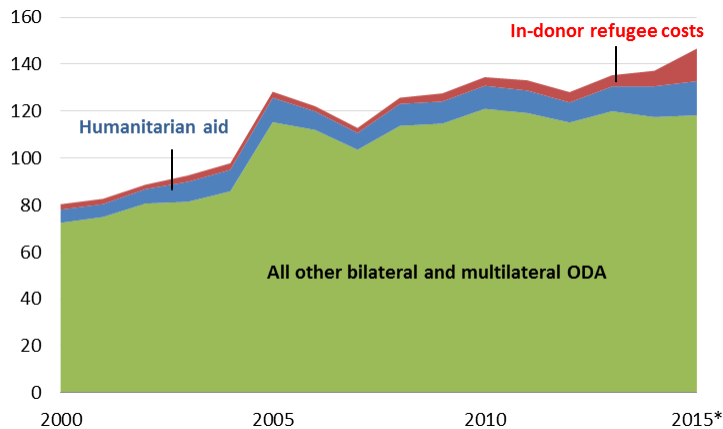
The Addis Agenda reaffirms official development assistance (ODA) commitments contained in both the Monterrey Consensus and the Doha Declaration on Financing for Development, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI and 0.15-0.2 per cent of ODA/GNI to the least developed countries. The Addis Agenda also goes beyond earlier international agreements. It highlights the importance of ODA for the poorest and most vulnerable countries and includes a commitment to reverse the recent decline in ODA to LDCs, to encourage ODA of 0.2 per cent of GNI to LDCs, and to recognize those countries that allocate at least 50 per cent of ODA to LDCs. It also commits to prioritizing the allocation of concessional international public finance to those with the greatest needs and least ability to mobilize other resources.

2. Stocktaking

2.1. ODA trends

Development aid totalled USD 131.6 billion in 2015, representing a rise of 6.9 per cent from 2014 in real terms, as aid spent on refugees in host countries more than doubled in real terms to USD 12 billion. Stripping out funds spent on refugees, aid was up 1.7 per cent in real terms, according to official data collected by the OECD Development Assistance Committee (DAC). This increase continued a long-term rising trend in ODA, which has increased by 83 per cent in real terms since the adoption of the Millennium Declaration in 2000. Despite these increases, net ODA, at 0.3 per cent of donor gross national income (GNI) fell short of the commitment by many donors to achieve the target of 0.7 per cent of ODA/GNI.

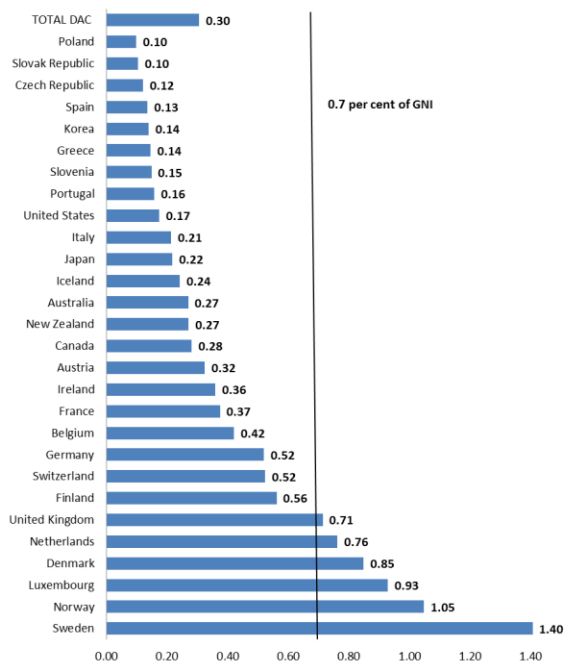
Figure 1: Net ODA by DAC donors, in constant 2014 dollars



Source: OECD

ODA from the 28 countries in the DAC averaged 0.30 per cent of gross national income, the same level as in 2014. Six countries (United Kingdom, Netherlands, Denmark, Luxembourg, Norway and Sweden) met the target of 0.7 per cent of donor GNI. Of the six countries that met the 0.7 target in 2015, the three Scandinavian countries (Sweden, Norway and Denmark) have a long history of providing high levels of ODA and have in fact met the target continuously since the 1970s, underwritten by a broad political consensus in support of generous development assistance. The Netherlands have also met the target since the 1970s, while Luxembourg and the United Kingdom have attained it since 2000 and 2013, respectively.

Figure 2: Net ODA in 2015 as a percentage of GNI

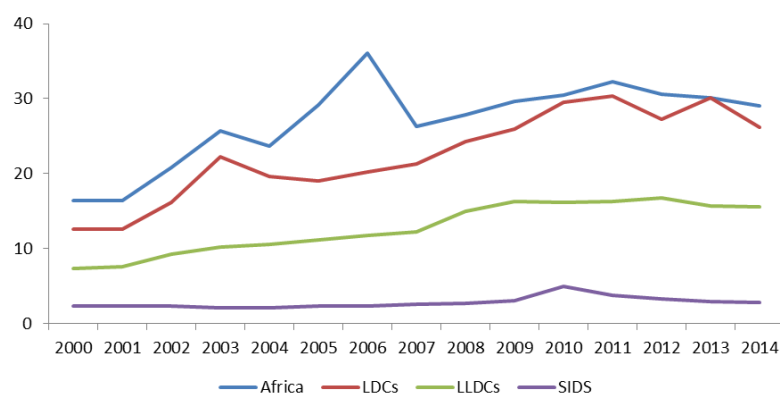


Source: OECD

2.2. ODA to LDCs

ODA providers committed in the Addis Agenda to reverse the declining trend of ODA to the least developed countries (LDCs) and other countries most in need, many of whom will continue to rely on highly concessional finance to meet sustainable development needs. In 2014, ODA to LDCs decreased by 9.3 per cent in real terms compared to 2013, and aid to other priority groups fell as well. However, in 2015, bilateral aid to Africa and least developed countries (LDCs) rose by 1 per cent and 4 per cent, respectively. On average over 2013-2014, ODA to LDCs represented 0.09 per cent of DAC countries' gross national income which is below the established target of 0.15-0.20 per cent ODA/GNI to LDCs. However, 9 countries met the commitment on average over the 2013-2014 period (Luxembourg, Sweden, Norway, Denmark, United Kingdom, Ireland, Finland, Belgium, and Netherlands).

Figure 3: Net ODA received by priority groups of countries from DAC donors, in constant 2013 dollars



Source: OECD

2.3. ODA projections

A [survey of donor spending plans](#)¹ through 2019 suggests flows to the poorest countries should continue to rise. This trend aligns with commitments made by DAC members to more effectively distribute ODA to countries most in need. According to the OECD survey, aid is also projected to rise to other countries most in need, such as low-income countries, fragile and conflict-affected states and economies, landlocked developing countries and small island developing states.

¹ See: <http://www.oecd.org/dac/financing-sustainable-development/global-aid-prospects-and-projections.htm>

3. Policy options and recommendations for corrective action

3.1. Meeting global commitments

ODA increased significantly since 2000 globally, in part in response to renewed commitments to meet ODA targets in support of the MDGs. As laid out above, a broad political consensus in support of aid was critical in Scandinavian countries that meet the 0.7 target. Cross-party political support has also been an important factor in the UK, which has enshrined the commitment to spend 0.7 per cent of GNI on aid every year in law in 2015. This experience suggests that ***mobilization of domestic public support in donor countries***, as recognized in the Addis Agenda, is important. Such support can include communication of a vision and clear goals (such as the MDGs and the SDGs), greater transparency, demonstration of results, and other measures.

A more far reaching and ambitious proposal would be to delink the raising of funds from annual budgeting processes or to earmark funds raised from a specific source. Existing examples include the solidarity levy on airline tickets, where resources raised are allocated to aid budgets in France and the Republic of Korea. Such measures to ***automatically allocate resources raised by a specific tax, levies, royalties or other to aid*** are also sometimes discussed under the banner of innovative development finance. Other proposals include a financial transaction tax (10 members of the European Union are currently negotiating to introduce an FTT, and some have announced that they would partially allocate revenue to aid), a global lottery, and an international billionaire's tax.

3.2. Avoiding aid orphans

Bilateral ODA allocation is decided by providing countries individually. As a result, global aid allocations are characterized by aid fragmentation and the existence of [donor darlings and aid orphans](#)². Addressing aid fragmentation has been part of the development agenda since 2008.³ The OECD-DAC has called for ***increased transparency and predictability of providers' forward intentions*** in order to mitigate aid fragmentation. The Intergovernmental Committee of Experts on Sustainable Development Financing has proposed that donors ***increase joint planning and programming on the basis of country-led strategies and coordination arrangements***.⁴ Bilateral aid allocations are determined to some extent by historical and geopolitical ties, which may

² <http://www.oecd.org/dac/aid-architecture/fragmentation-orphans.htm>

³ In the [Accra Agenda for Action \(AAA\)](#) donors committed to "improve allocation of resources across countries" and to "work to address the issue of countries that receive insufficient aid".

⁴ See: <http://www.un.org/esa/ffd/wp-content/uploads/2014/12/ICESDF.pdf>

explain that in aggregate, they generate a larger number of under-aided countries than multilateral aid. ***Increasing the share of multilateral aid*** may thus contribute to a more 'rational' overall allocation of aid resources.