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PAC/COM/NEWS(2001)108

Paris, 12 December 2001

ODA Steady in 2000; Other Flows Decline

Final ODA figures for 2000

Net aid to developing countries (official development assistance, or ODA) from DAC Members in 2000 was USD 53.7 billion, slightly higher than the preliminary figure of USD 53.1 billion. In real terms the flow was little changed from 1999: down 0.4%. There would have been a slight rise if some countries had not been removed from the list of countries eligible to receive ODA (see Table 1, Chart 1 and Annex).

Robust economic growth of 3.7% in DAC Members during 2000 boosted GNI and pushed the ODA/GNI ratio down from 0.24% to 0.22%. Luxembourg joined Denmark, the Netherlands, Norway and Sweden as the only countries meeting the long-standing UN target for ODA of 0.7% of national income.

Among other notable features of the 2000 data are:

- Fourteen of the 22 Member countries of the DAC reported a rise in ODA in real terms in 2000, and the average effort of DAC countries (the unweighted average of their ODA/GNI ratios) remained at 0.39%.
- Japan's aid fell by USD 1.8 billion (15% in real terms), but adjusting for an exceptional USD 3 billion contribution in the wake of the Asian financial crisis in 1999, there was an underlying rise in Japan's ODA of approximately 8% between 1998 and 2000.
- France's aid fell by USD 1.5 billion (16% in real terms). However, most of this is due to the removal of French Polynesia and New Caledonia from the list of ODA-eligible countries and territories, and to exchange rate movements. Allowing for these factors, the fall would have been 3.2% in real terms. France, joined in 2000 by the United Kingdom, continues to have the highest ODA/GNP ratio (0.32%) among G7 countries.
- Aid from the United Kingdom rose by 38%, partly as a result of the timing of contributions to multilateral agencies that had artificially reduced ODA in 1999, but also reflecting the UK government's commitment to substantially increasing aid. The real increase over the last two years totalled 22%.
- ODA to the least developed countries rose slightly, from 19% of the DAC total in 1999 to 22% in 2000, but it remains well below the 1989-90 level of 27%. The forthcoming DAC *Development Co-operation Report* will provide further data and analysis on the poverty focus of aid.

JT00118369

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The broader picture of resource flows to aid recipients

Table 2 gives a broader view of resources flowing to developing and transition countries over recent years.

This shows that all kinds of **official funding** for development -- totalling USD 65.5 billion -- was the lowest since 1990. ODA flowing to developing countries has averaged USD 50 billion over the past four years. Official aid to countries on Part II of the DAC List was USD 7.8 billion in 2000, unchanged from the previous year despite the fact that several former ODA recipients joined this group. But other official development finance to aid recipients fell sharply in 2000, from USD 26.1 billion to USD 8.1 billion. This reflected both reduced new official lending at market rates, and increased repayments as Asian borrowers recovered somewhat from the crisis of 1998-9.

Export finance picked up to register a net flow of USD 7.7 billion.

Net **private flows** -- at USD 117 billion -- were at their lowest level since 1993. The most striking feature was a drop of some USD 50 billion in equity flows (other than foreign direct investment – FDI) as investors retreated from emerging markets. DAC Members' FDI in aid recipient countries fell somewhat to USD 120 billion, but remained easily the largest category of flow. Net bank lending remained negative for the third consecutive year.

Outlook

Several DAC Members, including Canada, Greece, Ireland, Sweden, Switzerland and the United Kingdom, have specific targets for raising ODA in the short to medium term. Others, including the Netherlands and Norway, have fixed targets for ODA/GNI which imply real increases that match economic growth, and Germany has announced a real increase in ODA in budgetary outlays for development in 2002, continuing the recent upward trend.

In the second largest donor, the United States, ODA rose by 7% in real terms in 2000 without affecting the ODA/GNP ratio of 0.10%, and proposals have been advanced in Congress to increase aid spending in the medium term. A lively debate continues in the US over how aid can be made more effective, especially through strengthened partnership with the private sector, including foundations. In the largest donor, Japan, ODA is expected to fall as a result of overall efforts to reduce the budget deficit.

A wide variety of opinions has been expressed about the contribution that ODA might make to the broader effort to reduce terrorism. There is widespread agreement among DAC Members both on the continuing need for aid to combat poverty, and on the special needs of Afghanistan and countries in its region.

The International Conference on Financing for Development, to be held at Monterrey, Mexico, in March 2002, will seek broad agreement on an integrated approach to development finance, with good governance as the foundation for building strong flows of public and private finance from both domestic and external sources, including foreign investment and sustainable debt financing. The Conference will also consider calls for significant increases in ODA volume and effectiveness to underpin efforts to reach the Millennium Development Goals.

The recent Ministerial conference of the WTO in Doha launched a new round of trade negotiations with a key focus on promoting development, including emphasis on support for trade capacity building in developing countries.

The short-term outlook for private flows to developing countries remains uncertain. Developing country equity markets have not performed well in 2001, foreign direct investment has been hit by the slowdown in industrial countries, and developing country bond issues have been constrained by continued debt overhang in major borrowers.

Measuring debt relief

A major effort is under way to reduce the repayment burden of Heavily Indebted Poor Countries (HIPCs). Most of these are least developed countries in sub-Saharan Africa. A substantial part of their debt is owed to international financial institutions, but ODA loans, bank loans and export credits from DAC countries are also involved.

The HIPC process is explicitly designed to reduce debt to manageable levels and eventually enable countries to access international finance on a sustainable basis. To this end, the initiative has been expanded to provide additional relief and speeded up to reduce the period between "decision point" and "completion point". Relief will be "front-loaded" to take effect more quickly and this should lead to somewhat higher debt relief in ODA in the next few years.

The relationship between debt relief/cancellation and ODA is complex. Press reports of debt relief provided to HIPCs often highlight the total amount of debt likely to be covered by the initiative, currently estimated at up to USD 50 billion. This reflects the present value of the amount of debt that will not have to be repaid. However, HIPC debt relief is only a very small share of DAC Members' annual net ODA (see Table 3) because:

- The total debt relief provided to HIPC countries will be implemented over several years.
- International financial institutions are reducing HIPCs' repayment obligations to them using (1) their own net income from other loans and (2) special contributions, mostly from DAC Members, to the HIPC Trust Fund. The latter count towards total DAC ODA. But the institutions' use of their own net income does not enter ODA data.
- DAC Members' forgiveness of non-ODA loans generates new net ODA. But forgiveness or rescheduling of the principal of ODA loans does not generate new net ODA, since the loans have already been reported as ODA when they were originally disbursed.

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Table 1. Net Official Development Assistance Flows from DAC Members

	2000		Real Percent	<i>Real Percent change 1999 to 2000 (2) excluding effect of changes to List of ODA recipients (3)</i>	1999		Real Percent
	ODA USDm	ODA/GNI % (1)	change 1999 to 2000 (2)		ODA USDm	ODA/GNI % (1)	change 1998 to 1999 (2)
Australia	987	0.27	8.4	8.4	982	0.26	-1.5
Austria	423	0.23	-8.3	-8.3	527	0.26	19.6
Belgium	820	0.36	22.8	22.8	760	0.30	-11.1
Canada	1 744	0.25	-1.4	-1.4	1 706	0.28	-1.5
Denmark	1 664	1.06	7.3	7.3	1 733	1.01	2.9
Finland	371	0.31	0.1	0.1	416	0.33	9.1
France	4 105	0.32	-16.3	-3.2	5 639	0.39	2.3
Germany	5 030	0.27	5.9	6.2	5 515	0.26	2.2
Greece	226	0.20	35.0	35.0	194	0.15	8.9
Ireland	235	0.30	5.6	5.6	245	0.31	25.2
Italy	1 376	0.13	-13.8	-13.4	1 806	0.15	-18.4
Japan	13 508	0.28	-15.1	-16.1	15 323	0.34	27.1
Luxembourg	127	0.71	18.7	18.7	119	0.66	8.3
Netherlands	3 135	0.84	12.2	18.8	3 134	0.79	5.6
New Zealand	113	0.25	-3.1	-2.9	134	0.27	4.2
Norway	1 264	0.80	-9.6	-9.6	1 370	0.90	0.5
Portugal	271	0.26	10.5	10.5	276	0.26	7.7
Spain	1 195	0.22	-2.1	-2.1	1 363	0.23	0.7
Sweden	1 799	0.80	21.4	21.4	1 630	0.70	7.2
Switzerland	890	0.34	0.4	0.4	984	0.35	13.0
United Kingdom	4 501	0.32	37.9	37.9	3 426	0.24	-11.2
United States	9 955	0.10	6.7	6.3	9 145	0.10	2.5
TOTAL DAC	53 737	0.22	-0.4	0.9	56 428	0.24	6.5
Average Country Effort		0.39				0.39	
<i>Memo items included in the above total :</i>							
1. EC outflows	4 912		13.4	13.7	4937		-0.6
2. EU countries combined	25 277	0.32	5.8	9.7	26784	0.32	-0.5
3. G7 countries	40 219	0.19	-3.0	-1.7	42561	0.21	7.2
4. Non-G7 countries	13 519	0.45	7.5	8.9	13867	0.44	4.3

(1) DAC Members have progressively introduced the new System of National Accounts, which replaced GNP by GNI.

As GNI has generally been higher than GNP, ODA/GNI ratios are slightly lower than previously reported ODA/GNP ratios.

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

(3) Aruba, French Polynesia, Gibraltar, Korea, Libya, Macao, the Netherlands Antilles, New Caledonia, Northern Marianas and the Virgin Islands (UK) transferred from Part I of the DAC List of Aid Recipients (ODA recipients) to Part II of the List (Official Aid recipients) on 1 January 2000 -- see Annex.

Chart 1: Net Official Development Assistance Flows from DAC Members

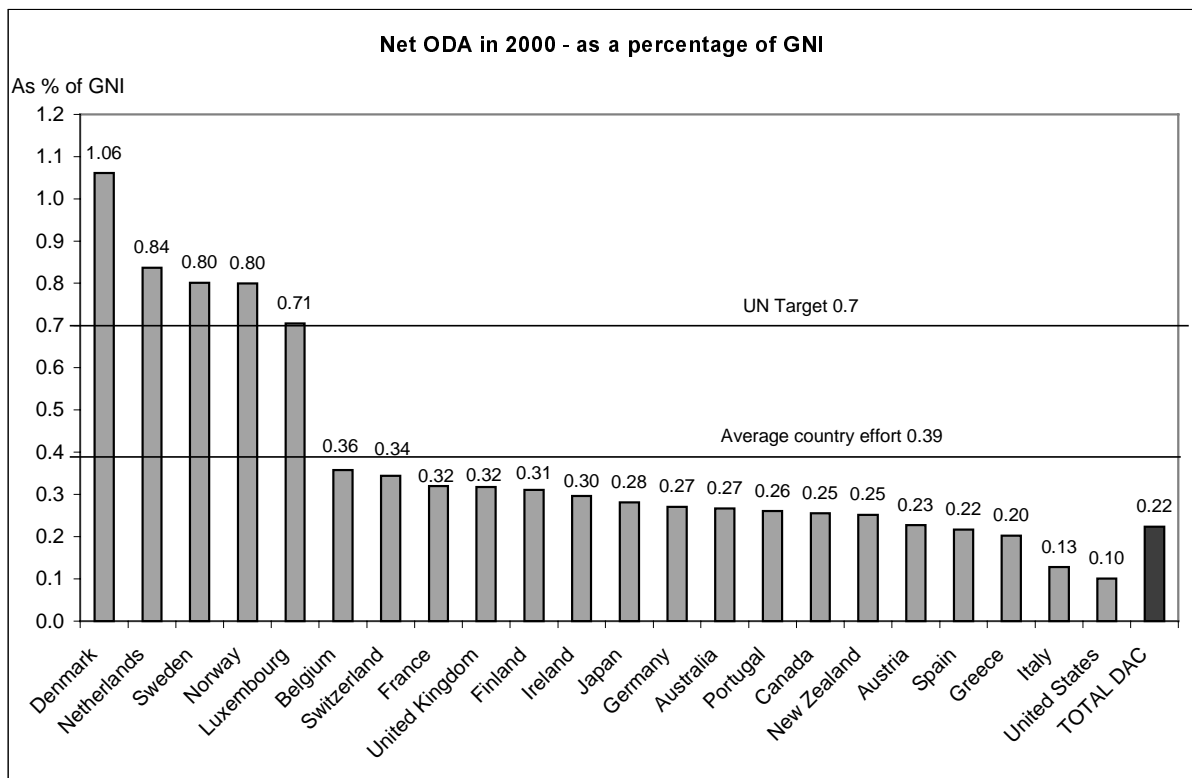
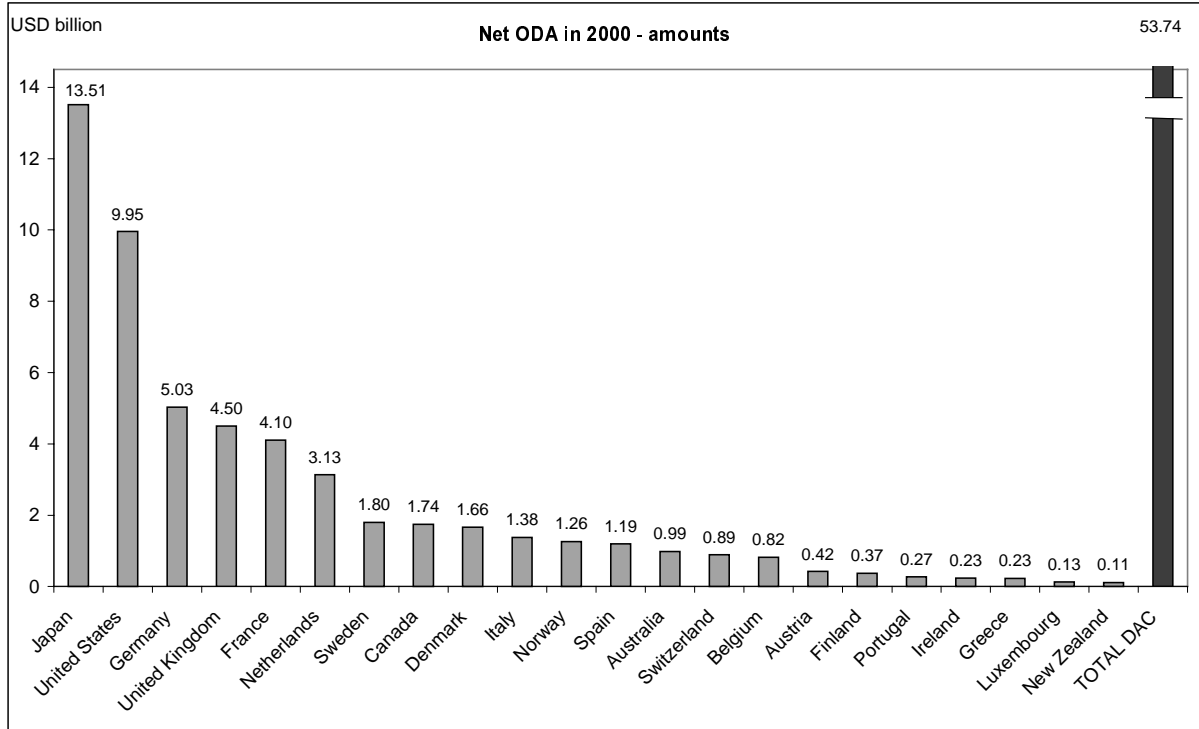


Table 2. Total Net Resource Flows from DAC Member Countries and Multilateral Agencies to Aid Recipients

	Current \$ billion							
	1993	1994	1995	1996	1997	1998	1999	2000 (p)
I. OFFICIAL DEVELOPMENT FINANCE (ODF)	82.4	84.5	87.6	73.5	75.4	88.8	85.9	65.5
1. Official development assistance (ODA)	55.5	59.6	59.1	55.8	47.9	50.1	52.1	49.5
of which: Bilateral	39.4	41.3	40.6	39.1	32.4	35.2	37.9	36.0
Multilateral	16.1	18.3	18.4	16.7	15.4	14.9	14.2	13.5
2. Official Aid (OA)	6.0	6.9	8.4	5.6	5.6	7.0	7.8	7.8
of which: Bilateral	5.2	5.5	7.1	4.0	4.0	4.5	4.9	4.9
Multilateral	0.7	1.3	1.3	1.5	1.6	2.5	2.9	2.9
3. Other ODF	21.0	18.1	20.1	12.2	22.0	31.7	26.1	8.2
of which: Bilateral	11.4	12.2	14.0	5.7	5.9	12.8	10.4	-1.4
Multilateral	9.6	5.8	6.1	6.5	16.0	18.9	15.6	9.7
II. TOTAL EXPORT CREDITS	-3.0	6.3	5.6	4.0	4.8	8.3	4.0	7.7
III. PRIVATE FLOWS	86.3	134.7	170.7	272.8	240.2	131.8	161.1	117.0
1. Direct investment (DAC)	41.6	52.1	59.6	68.9	102.3	119.8	145.6	119.5
of which: to offshore centres	9.4	10.8	6.3	16.7	19.1	20.3	37.9	29.8
2. International bank lending (a)	4.8	32.1	76.9	86.0	12.0	-76.3	-79.6	-36.0
3. Total bond lending	28.7	32.0	24.7	78.5	83.7	34.2	28.8	18.9
4. Other (including equities) (b)	5.5	12.5	3.5	33.8	37.0	48.4	59.5	7.8
5. Grants by non-governmental organisations	5.7	6.0	6.0	5.6	5.2	5.6	6.7	6.9
TOTAL NET RESOURCE FLOWS (I+II+III)	165.7	225.5	263.8	350.3	320.4	229.0	251.0	190.3
Memorandum items (not included):								
Net Use of IMF Credit (c)	3.3	0.6	15.6	0.3	14.4	18.8	-12.8	-10.6
Non-DAC donors (ODA/OA)	1.3	1.0	0.8	0.9	1.0	0.9	0.8	1.0
For reference								
Total DAC net ODA	56.5	59.2	58.9	55.6	48.5	52.1	56.4	53.7
of which: Bilateral grants	33.4	35.2	36.2	36.5	31.3	32.5	33.9	33.0

a) Excluding bond lending by banks (item III.3.), and guaranteed financial credits (included in II).

b) Incomplete reporting from several DAC countries (including France, the United Kingdom and the United States). Includes Japan from 1996.

c) Non-concessional flows from the IMF General Resources Account.

p) Provisional.

NOTE: Multilateral flows shown in this table are the **disbursements from** multilateral organisations. This is different from Table 1 and Chart 1, which include DAC Members' **contributions to** multilateral agencies.

Table 3: Share of Debt Relief in DAC Members' Total Net ODA in 2000

	Net ODA (US\$ million)	Net ODA Debt Relief ^(a) (US\$ million)	of which: <i>Bilateral</i> (US\$ million)	Debt Relief as per cent of Net ODA	Net ODA Debt Relief for HIPC Countries ^(b) (US\$ million)	HIPC Debt Relief as per cent of Net ODA
Australia	987	13	8	1.3	4	0.4
Austria	423	56	56	13.2	-	-
Belgium	820	41	32	5.0	41	5.0
Canada	1744	87	12	5.0	78	4.5
Denmark	1664	27	11	1.6	20	1.2
Finland	371	-	0	-	-	-
France	4105	498	498	12.1	175	4.3
Germany	5030	235	211	4.7	150	3.0
Greece	226	-	0	-	-	-
Ireland	235	3	0	1.5	3	1.5
Italy	1376	239	217	17.3	204	14.8
Japan	13508	460	414	3.4	254	1.9
Luxembourg	127	-	0	-	-	-
Netherlands	3135	165	154	5.3	48	1.5
New Zealand	113	2	0	1.4	2	1.4
Norway	1264	28	9	2.2	19	1.5
Portugal	271	26	26	9.6	19	7.0
Spain	1195	17	17	1.4	8	0.6
Sweden	1799	38	38	2.1	-	-
Switzerland	890	21	6	2.3	15	1.7
United Kingdom	4501	155	155	3.4	113	2.5
United States	9955	125	125	1.3	27	0.3
DAC Total	53737	2236	1988	4.2	1180	2.2

(a) Comprises: (1) *Bilateral*: grants for forgiveness of ODA, Other Official Flows (OOF) or private claims; other action on debt such as debt conversions, debt buybacks or service payments to third parties; and new ODA resulting from concessional rescheduling operations; net of offsetting entries for the cancellation of any ODA principal involved and (2) *Multilateral*: contributions to the HIPC Trust Fund (*source*: World Bank).

(b) Bilateral debt relief to HIPC countries (includes all items described in footnote (a), except for grants for other action on debt), plus multilateral contributions to the HIPC Initiative.

Annex: DAC List of Aid Recipients - as at 1 January 2000

Part I: Developing Countries and Territories (Official Development Assistance)					Part II: Countries and Territories in Transition (Official Aid)		
LLDCs	Other LICs (per capita GNP < \$760 in 1998)	LMICs (per capita GNP \$761-\$3030 in 1998)		UMICs (per capita GNP \$3031- \$9360 in 1998)	HICs (per capita GNP > \$9360 in 1998) ¹	CEECs/NIS	More Advanced Developing Countries and Territories
Afghanistan Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Republic Chad Comoros Congo, Dem.Rep. Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea-Bissau Haiti Kiribati Laos Lesotho Liberia Madagascar Malawi Maldives Mali Mauritania Mozambique Myanmar Nepal Niger Rwanda Samoa Sao Tome and Principe Sierra Leone Solomon Islands Somalia Sudan Tanzania Togo Tuvalu Uganda Vanuatu Yemen Zambia	*Armenia *Azerbaijan Cameroon China Congo, Rep. Côte d'Ivoire ▪ East Timor Ghana Honduras India Indonesia Kenya Korea, Democratic Republic *Kyrgyz Rep. *Moldova Mongolia Nicaragua Nigeria Pakistan ² Senegal ² *Tajikistan *Turkmenistan Viet Nam Zimbabwe	*Albania Algeria Belize Bolivia Bosnia and Herzegovina Colombia Costa Rica Cuba Dominica Dominican Republic Ecuador Egypt El Salvador Fiji *Georgia Guatemala Guyana Iran Iraq Jamaica Jordan *Kazakhstan Macedonia (former Yugoslav Republic) Marshall Islands Micronesia, Federated States Morocco Namibia Niue	Palestinian Administered Areas Papua New Guinea Paraguay Peru Philippines South Africa Sri Lanka St Vincent & Grenadines Suriname Swaziland Syria Thailand ▪ Tokelau Tonga Tunisia *Uzbekistan ▪ Wallis and Futuna Yugoslavia, Federal Republic	Botswana Brazil Chile Cook Islands Croatia Gabon Grenada Lebanon Malaysia Mauritius ▪ Mayotte Mexico Nauru Palau Islands Panama ▪ St Helena St Lucia Trinidad and Tobago Turkey Uruguay Venezuela ----- Threshold for World Bank Loan Eligibility (\$5280 in 1998) ----- ▪ Anguilla Antigua and Barbuda Argentina Bahrain Barbados ▪ Montserrat Oman Saudi Arabia Seychelles St Kitts and Nevis ▪ Turks and Caicos Islands	Malta ¹ Slovenia ¹	*Belarus *Bulgaria *Czech Republic *Estonia *Hungary *Latvia *Lithuania *Poland *Romania *Russia *Slovak Republic *Ukraine	▪ Aruba Bahamas ▪ Bermuda Brunei ▪ Cayman Islands Chinese Taipei Cyprus ▪ Falkland Islands ▪ French Polynesia ▪ Gibraltar ▪ Hong Kong, China Israel Korea Kuwait Libya ▪ Macao ▪ Netherlands Antilles ▪ New Caledonia Northern Marianas Qatar Singapore United Arab Emirates ▪ Virgin Islands (UK)

* Central and Eastern European countries and New Independent States of the former Soviet Union (CEECs/NIS)

▪ Territory

1. These countries and territories will transfer to Part II on 1 January 2003 unless an exception is agreed.

2. Senegal became an LLDC in 2001.