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OECD Report Shows Rising Aid Flows but More Effort Needed to Reach Monterrey Goals

Major aid donors still have a long way to go if they are to reach the levels of aid pledged at the UN Financing for Development Conference in Monterrey, Mexico, even though they have increased outlays in the last few years, according to the latest edition of the OECD's annual **Development Co-operation Report**.

Aid flows are set to rise to \$75 billion by 2006, from \$52 billion in 2001, according to pledges made in Monterrey. But attaining this level will depend crucially on decisions to be taken in five OECD countries - the U.S., the U.K., France, Italy and Germany - as their funding for 2004 leaves them with a considerable further effort to make in the next two years if their commitments are to be met.

The proposed increase in aid outlays, if it materialises, would be the largest in the 43-year history of the OECD's Development Assistance Committee (DAC), which co-ordinates the development aid policies of the world's principal aid donors. Even at the proposed 2006 level, however, aid would still be under 0.3% of DAC members' aggregate Gross National Income, compared with the UN target of 0.7%.

The 2004 edition of the OECD's Development Co-operation Report provides extensive details of aid flows in 2002, a year when international aid rose significantly (from \$52 billion in 2001 to \$58 billion in 2002, at current prices and exchange rates) for the first time in several years.

Evaluating progress in developing countries towards the Millennium Development Goals set at the UN Millennium Summit in 2000 for achievement by 2015, the Development Co-operation Report concludes that many of these goals will not be met – for health in most regions and in sub-Saharan Africa for many others.

It underlines the need for developing countries to make efforts on a range of fronts, including by creating an environment where the private sector can thrive. In parallel, it stresses that OECD countries must do more to promote economic growth in poor countries through coherent economic policies that take account of these countries' needs.

Against this background, the report notes some positive long-term trends, for example towards more support for governments that delivering results, more untied aid, more support for policies "owned" by developing countries rather than imposed upon them through conditionality, and a greater emphasis on governance and health. However, it also notes a sharp decline in aid for agricultural development, and a rising share in total aid outlays of humanitarian aid in response to emergencies as opposed to long-term development and aid to the poorest countries.

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In response to such trends, the report calls for faster progress in harmonisation of donors' practices and more support for developing countries' own systems of resource management. It argues for a stronger and more co-ordinated evaluation effort, aimed at giving greater insight into the effectiveness of aid as a whole at country level. And it makes the case for a constructive dialogue among donors on issues such as the relation between growth and poverty reduction, productive and social sectors, public and private sectors, and forms of aid.

The Development Co-operation Report also sets out the work that the DAC and its various sub-bodies are carrying out to address this challenging international development agenda.

To receive a copy, journalists are invited to contact the Media Relations Division (news.contactercd.org).

TABLE 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2002

	2002		2001		Percent change 2001 to 2002 in real terms (1)
	ODA US\$m current	ODA/GNI %	ODA US\$m current	ODA/GNI %	
Australia	989	0.26	873	0.25	4.9
Austria	520	0.26	533	0.29	-8.4
Belgium	1 072	0.43	867	0.37	14.8
Canada	2 006	0.28	1 533	0.22	31.2
Denmark	1 643	0.96	1 634	1.03	-5.8
Finland	462	0.35	389	0.32	11.5
France	5 486	0.38	4 198	0.32	22.1
Germany	5 324	0.27	4 990	0.27	-0.2
Greece	276	0.21	202	0.17	25.5
Ireland	398	0.40	287	0.33	25.7
Italy	2 332	0.20	1 627	0.15	32.6
Japan	9 283	0.23	9 847	0.23	-1.2
Luxembourg	147	0.77	139	0.76	0.2
Netherlands	3 338	0.81	3 172	0.82	-3.3
New Zealand	122	0.22	112	0.25	-1.1
Norway	1 696	0.89	1 346	0.80	12.7
Portugal	323	0.27	268	0.25	9.2
Spain	1 712	0.26	1 737	0.30	-10.3
Sweden	1 991	0.83	1 666	0.77	10.9
Switzerland	939	0.32	908	0.34	-5.0
United Kingdom	4 924	0.31	4 579	0.32	0.0
United States	13 290	0.13	11 429	0.11	15.0
TOTAL DAC	58 274	0.23	52 335	0.22	7.2
Average Country Effort		0.41		0.39	
<i>Memo Items</i>					
1. EC	6 561		5 961		2.1
2. EU countries combined	29 949	0.35	26 288	0.33	5.8
3. G7 countries	42 646	0.20	38 202	0.18	9.2
4. Non-G7 countries	15 627	0.47	14 133	0.47	1.8
5. Korea	279	0.06	265	0.06	0.4

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

CHART 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2002

