February 2020

final ODA data for 2018

what does the data tell us?

factsheet

Introduction

This factsheet presents analysis of the OECD DAC's release of final official development assistance (ODA) data for 2018. It shows how much was given and in what form, as well as a breakdown of recipient countries and sectors, and whether donor countries disbursed funds to projects focused on climate or gender.

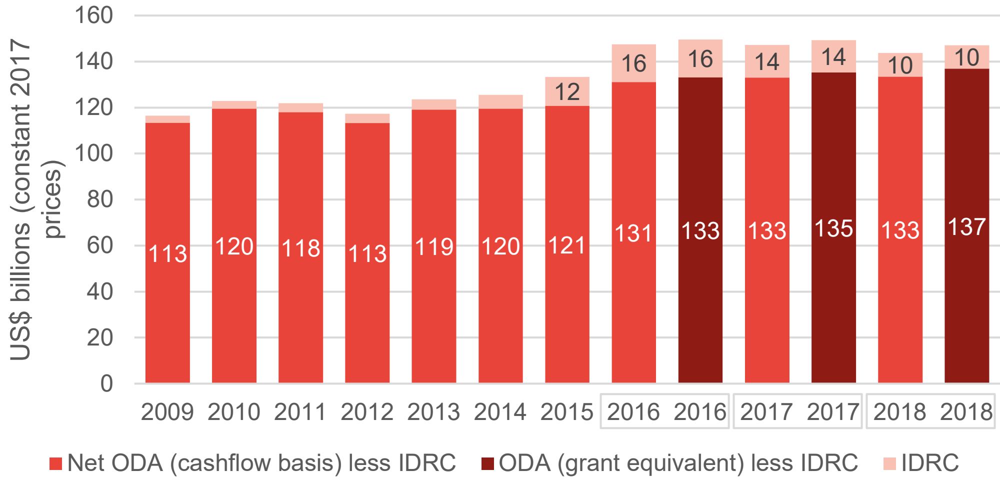
In September 2019 heads of state and government and other high representatives met in New York to review progress on the implementation of Agenda 2030. It was the first UN Sustainable Development Goal (SDG) Summit since the SDGs were adopted in 2015. Emphasising that "eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development"[1] and recognising the need "to do more and faster"[2], they called for a 'Decade of Action' to deliver on the SDGs by the established 2030 deadline.

This presents a unique opportunity for providers of ODA to refocus their efforts and ensure that this vital resource is invested according to where it can have the greatest impact. The final ODA data for 2018 shows some encouraging shifts in allocation, although scope remains for donors to reassess their portfolios and be sure that they are effectively addressing the needs of the most vulnerable people and places through a balanced and context-specific mix of instruments and sectors[3].

Key facts

- Overall ODA volumes continue to fall, from US$149 billion in 2017 to US$147 billion in 2018; however, excluding in-donor refugee costs, they show a marginal increase (Figure 1).
- The 2018 data confirms the continuing trend of more ODA leaving donor countries, which started in 2017. In 2018 the figure stands at 86% (Figure 2).
- For the first time since 2010, ODA to non-LDCs decreased; however, compared to 2010 levels, ODA to non-LDCs is still growing faster than ODA to LDCs (Figure 3).
- Much of the (relatively slower) growth in ODA to vulnerable countries such as LDCs has been driven by increases in bilateral and multilateral loans: these rose from 13% of total ODA to LDCs in 2010, to 30% in 2018. Long-term developmental grants have decreased in share from 75% to 55% over the same period (Figure 4).
- ODA spending to sectors key for strengthening human capital – health, education and social protection – is decreasing as a share of total ODA (Figure 7).

Figure 1: Headline volumes continue to fall, though excluding in-donor refugee costs they show a marginal increase since 2016



Source: Development Initiatives based on OECD DAC data
Note: IDRC = in-donor refugee costs.

- Final data confirms DI's April 2019 preliminary finding that in 2018, ODA volumes fell for the second consecutive year. Net ODA fell by US$3.4 billion, or 2.3%. Under the new grant equivalent measure ODA fell by US$2.2 billion, or 1.5%. This was largely due to a reduction in in-donor refugee costs (IDRCs) which had inflated aid figures in previous years.
- Excluding IDRCs, aid has increased marginally between 2017 and 2018 with net ODA up by US$421 million, or 0.3%, and, according to the new grant-equivalent measure, rising by US$1.6 billion, or 1.2%.[4]
- As shown in Table 1, increases in ODA volumes reported by several (mostly small) donors – totalling US$2.7 billion – were not enough to counter the substantive decreases reported by other DAC members (many of them large donors), which amounted to US$6.3 billion.
- Additionally, most donors continue to fall short of the long-standing 0.7% gross national income (GNI) target. In 2018 this was met by only the same five donors that met it in 2017 (Denmark, Luxembourg, Norway, Sweden and the UK).

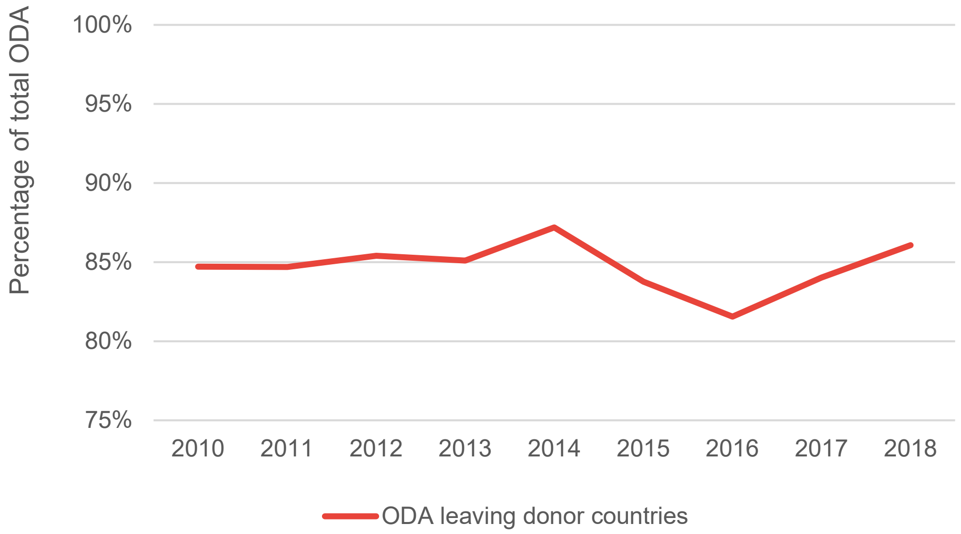
Table 1: Several large donors reported significant falls in net ODA

Donor	Net ODA 2018 (US$m)	Net ODA 2017 (US$m)	US$ difference	% difference	% difference (excl. IDRCs)
Australia	3,149	3,004	145	4.8%	4.8%
Austria	1,167	1,332	-164	-12.3%	-5.4%
Belgium	2,348	2,337	11	0.5%	5.1%
Canada	4,641	4,396	244	5.6%	5.5%
Czech Republic	305	333	-28	-8.4%	-9.4%
Denmark	2,577	2,567	9	0.4%	2.7%
Finland	984	1,151	-167	-14.5%	-13.3%
France	12,840	11,975	865	7.2%	6.4%
Germany	25,670	26,675	-1,005	-3.8%	7.8%
Greece	290	330	-40	-12.0%	1.6%
Hungary	285	158	127	80.6%	82.4%
Iceland	74	69	5	7.8%	35.6%
Ireland	934	879	55	6.3%	5.0%
Italy	5,098	6,223	-1,124	-18.1%	-7.7%
Japan	10,064	11,627	-1,563	-13.4%	-13.4%
Korea	2,420	2,278	142	6.3%	6.2%
Luxembourg	473	456	17	3.8%	3.8%
Netherlands	5,617	5,308	308	5.8%	14.2%
New Zealand	556	443	113	25.6%	26.7%
Norway	4,258	4,444	-186	-4.2%	-2.9%
Poland	759	715	44	6.2%	6.2%
Portugal	388	404	-16	-4.1%	-5.0%
Slovak Republic	138	128	10	7.8%	8.4%
Slovenia	84	81	3	3.1%	1.3%
Spain	2,540	2,705	-166	-6.1%	-8.6%
Sweden	5,847	5,593	254	4.5%	11.8%
Switzerland	3,097	3,190	-93	-2.9%	-1.4%
United Kingdom	19,462	19,111	351	1.8%	2.0%
United States	33,787	35,512	-1,725	-4.9%	-5.5%
Total DAC	149,852	153,425	-3,573	-2.3%	0.4%

Source: Development Initiatives, based OECD DAC data
Notes: Data in constant 2018 prices. IDRC = in-donor refugee costs.

- Using the net ODA measure, ODA rose in 17 DAC members and fell in 12 – however, the largest percentage rises were among smaller donors.
- The largest falls, in cash terms, were reported by four members of the G7 − the US (US$1.7 billion), Japan (US$1.6 billion), Italy (US$1.1 billion) and Germany (US$1.0 billion).
- German ODA excluding IDRCs actually rose by almost 8%, in contrast to the 3.8% drop in German net ODA when IDRCs are included.

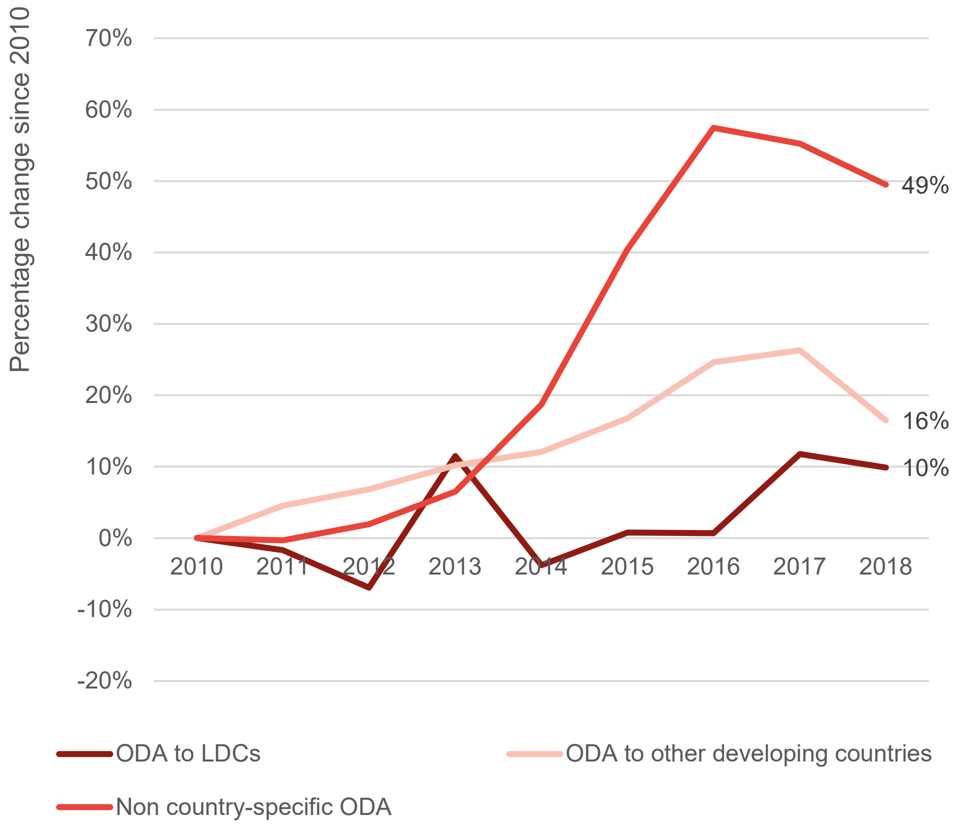
Figure 2: In 2018, 86% of ODA left donor countries, up from 82% in 2016



Source: Development Initiatives, based OECD DAC data

- In 2018, 86% of ODA was transferred from donor countries. This percentage grew for the second year in succession mainly due to the reduction in IDRCs reported by donors.
- US$24 billion, or 14%, of reported gross ODA was not transferred to developing countries, or international initiatives, but was spent within the donor country.
- The largest single factor in non-transfer ODA was IDRCs (US$10.8 billion), but administrative costs (US$9.0 billion) and in-donor costs of students (US$3.7 billion) were also significant.

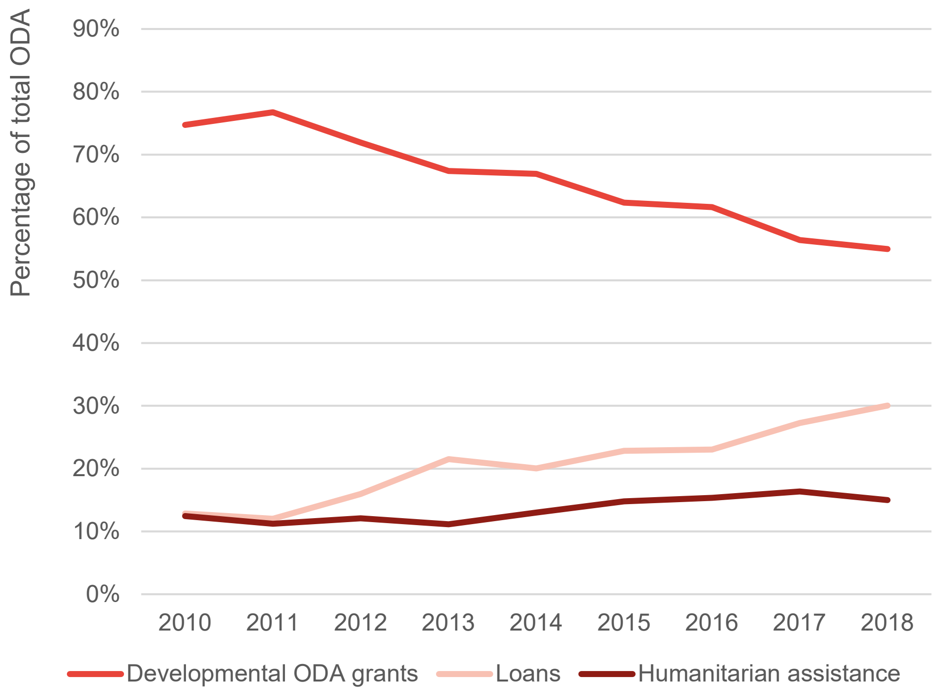
Figure 3: ODA to LDCs has fallen, but at a relatively slow rate



Source: Development Initiatives, based OECD DAC data
Notes: LDC = least developed country.

- Total aid to least developed countries (LDCs), from DAC donors and multilateral organisations combined, fell by more than US$800 million to US$49.2 billion in 2018.
- ODA to non-LDCs also fell, by US$5.5 billion.
- Compared to 2010 levels, growth in ODA to non-LDCs continues to outpace that given to LDCs. In 2010, aid to non-LDC countries was 16% higher than in 2010, while ODA to LDCs rose by 10% over the same period.
- Over the same period, aid with no specified recipient countries rose fastest of all and (despite decreasing by almost US$2 billion in 2018) is 49% higher than the 2010 level.

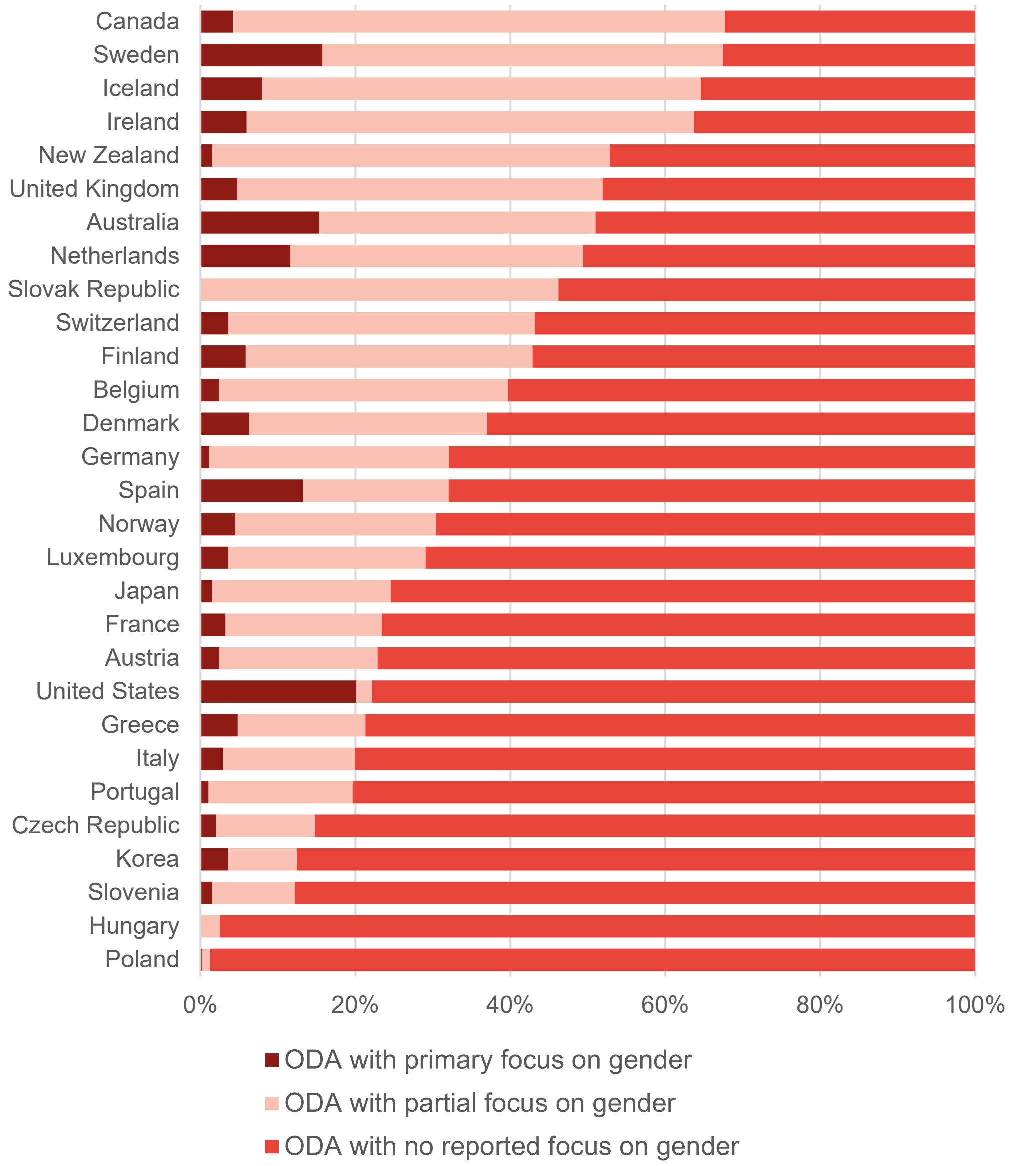
Figure 4: In LDCs, donors have switched some ODA from grants to loans



Source: Development Initiatives, based OECD DAC data
Notes: LDC = least developed country.

- The proportion of ODA to LDCs in the form of loans more than doubled between 2010 and 2018, and now accounts for over 30% of ODA to LDCs (compared to 13% in 2010).
- Humanitarian assistance to LDCs has also been rising as a share of total LDC ODA, though at a slower rate: it rose from 12% in 2010 to 16% in 2017 before dropping back to 15% in 2018.
- Conversely, the share of ODA reaching LDCs in the form of long-term developmental grants has been decreasing, from 75% of total LDC ODA in 2010 to 55% in 2018.

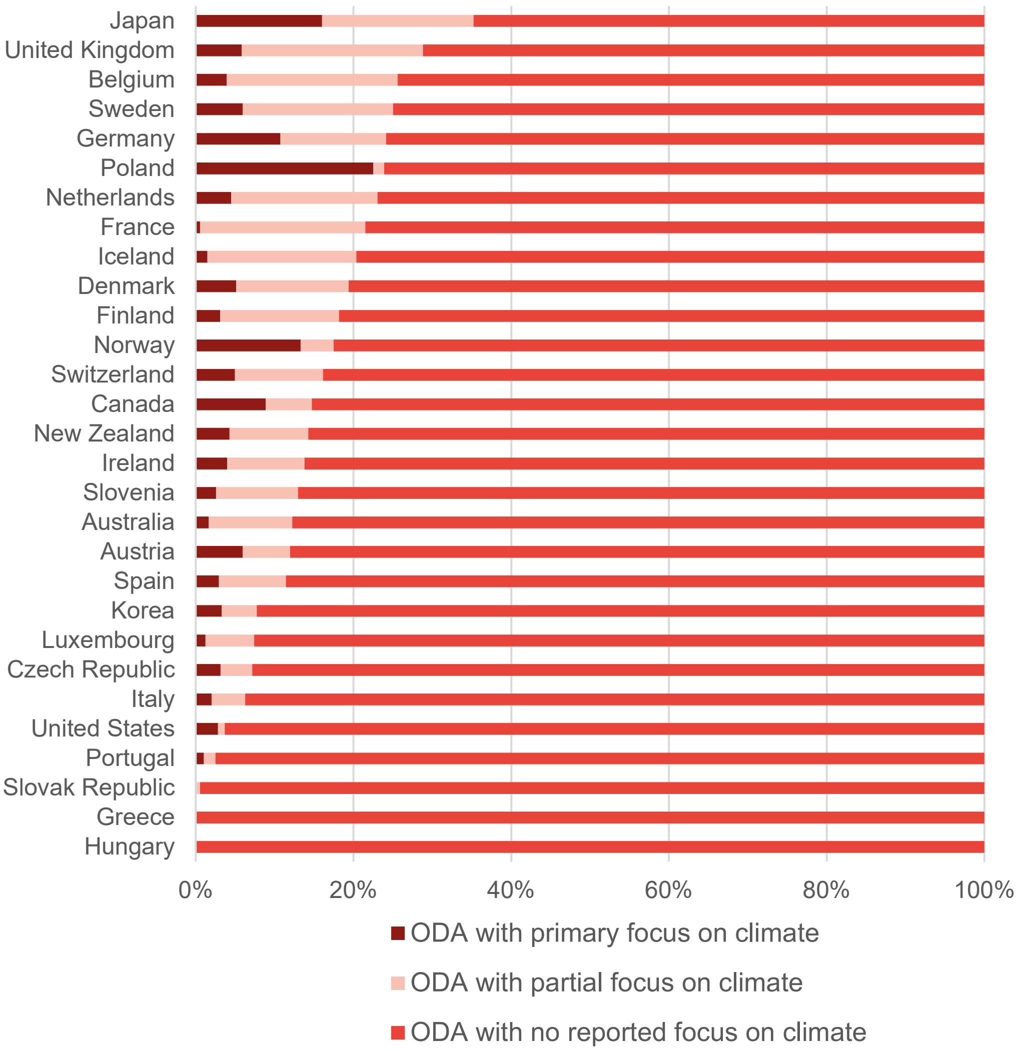
Figure 5: 8% of ODA goes to projects with a primary focus on gender in 2018



Source: Development Initiatives, based OECD DAC data

- In 2018, only 8% of DAC donors' bilateral ODA went to projects with a primary focus on gender. A further 25% went to projects with a partial focus on gender.
- There is a wide disparity between donors – some large donors such as Japan and Germany gave less than 2% of their aid to projects with a primary focus on gender, while the US, Sweden, Australia, Spain and the Netherlands gave over 10% of aid to such projects. The share of US ODA with a primary focus on gender quadrupled between 2017 and 2018, from US$1.5 billion in 2017 to U$6 billion in 2018.

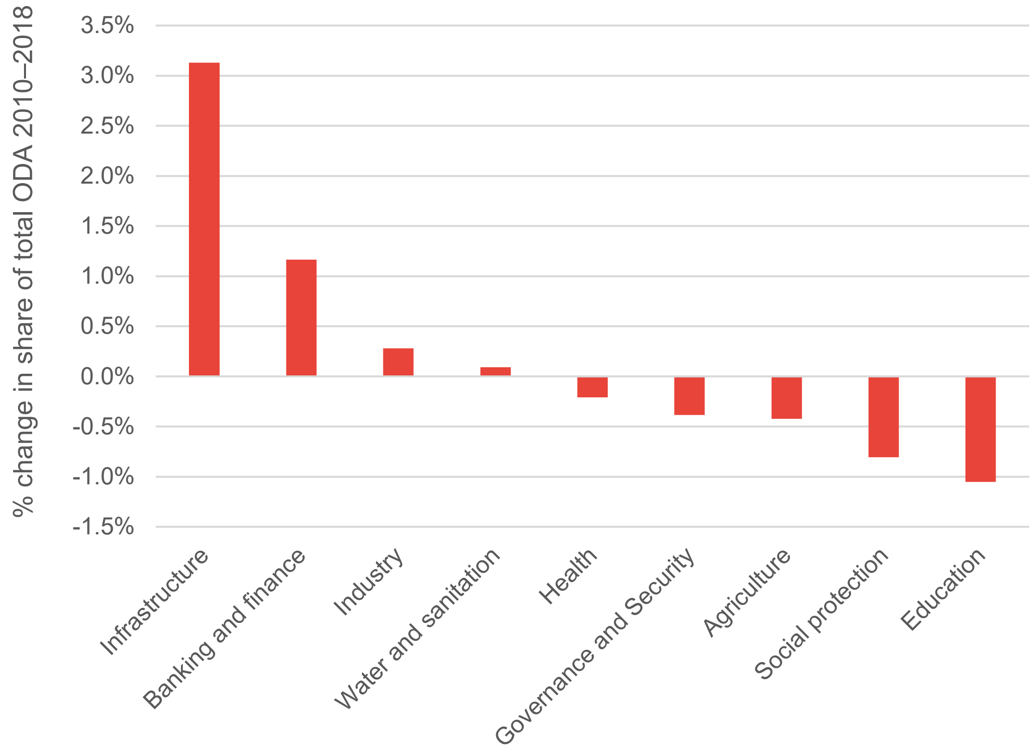
Figure 6: 6.6% of 2018 ODA goes to projects with a principal focus on climate change



Source: Development Initiatives, based OECD DAC data

- Climate-related ODA has risen 28% since 2015, compared to ODA growth of 7% overall. It accounted for 18% of all ODA in 2018.
- In 2018, 7% of DAC bilateral ODA went to projects for which climate mitigation or climate adaptation was the primary policy objective. A further 12% went to projects that had different key policy objectives but incorporated climate concerns (i.e. projects with a partial climate focus).[5]
- ODA spent on projects with either a principal or partial focus on climate totalled US$21.1 billion. About half (51%) of this total went to mitigation activities, 28% to adaptation activities, and 20% to activities addressing both adaptation and mitigation issues.

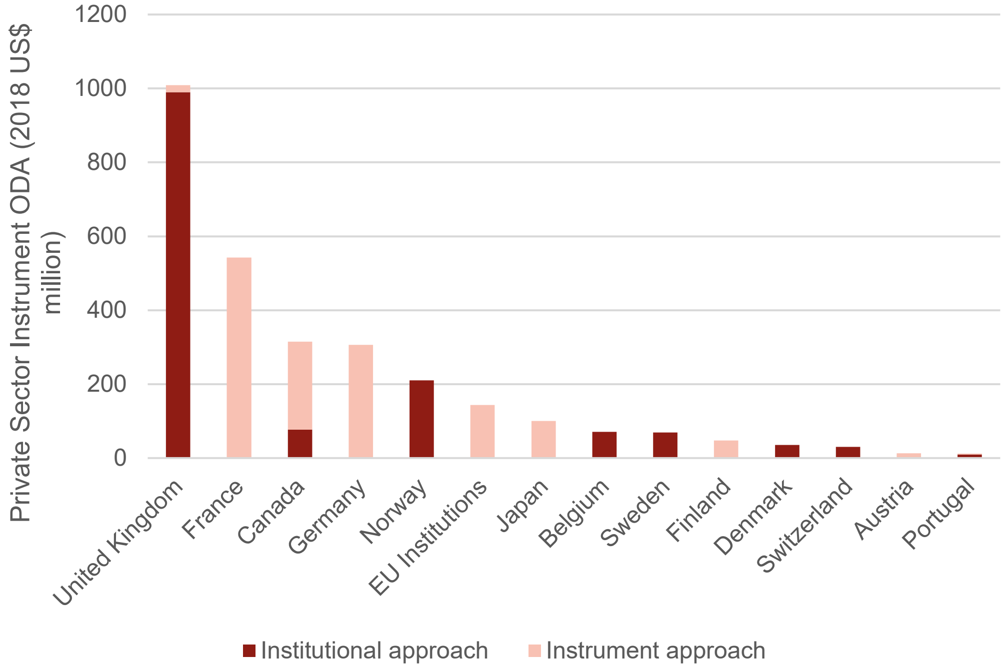
Figure 7: The infrastructure and banking sectors are receiving an increasing share of total ODA, while the proportions going to human capital sectors are decreasing



Source: Development Initiatives, based OECD DAC data

- Human capital sectors (health, education and social protection) are seeing decreases in the share of ODA allocations compared to 2010 levels. ODA to health fell for the first time since 2014. ODA to education as a share of total ODA (while still lower than 2010 level), saw a marginal resurgence in 2018, increasing by US$300 million (or by 0.5% as a share of total ODA over 2017 levels).
- Infrastructure as a share of total ODA has increased the most, from US$19.5 billion in 2010 (14% of total ODA) to US$28.8 billion in 2018 (17% of total ODA).
- Overall, in 2018, economic infrastructure and productive sectors accounted for 30% of total country-allocable ODA, compared to 44% going to social infrastructure and services.[6]

Figure 8: ODA disbursed through private sector instruments totalled US$2.9 billion



Source: Development Initiatives, based OECD DAC data

Note: The institutional approach measures the ODA-eligible share of inflows to development finance institutions (DFIs) and the instrument approach measures the grant equivalent total of individual private sector instrument flows to partner countries. Data is in constant 2018 prices.

- Donors reporting the highest volumes of private sector investments (PSIs) are the UK, France and Canada – with PSI ODA accounting for 5.2%, 4.5% and 6.8% of their total ODA respectively.
- While not substantial, these allocations are expected to increase given the continued momentum in the blended finance market and increasing pressure on donors to support the mobilisation of additional resources for development from the private sector. [7]
- Currently just over half of PSI ODA is being reported according to the institutional approach (US$1.5 billion of the US$2.9 billion reported as total PSI ODA in 2018), meaning that activity-level detail on half of PSI investments is unavailable.
- Unless robust reporting standards for PSIs are agreed, any increase in this use of ODA risks jeopardising both transparency and accountability on the use of scarce concessional public resources, with repercussions on the effectiveness of allocation decision-making too.

Notes

[1] Paragraph 3 https://undocs.org/en/A/RES/74/4

[2] Paragraph 27 https://undocs.org/en/A/RES/74/4

[3] Forthcoming work by Development Initiatives will address the question of ODA allocation across instruments and approaches in more detail and provide a framework to guide donor decision-making in this respect, with the view of ensuring that the progress of the poorest people remains at the core of donor portfolios.

[4] The difference between the old and new measures is to be attributed to the way that ODA loans are accounted for; under the old measure the full face value of the loan is reported with loan repayments subtracted, while under the new measure only the grant equivalent of the loan is reported (and loan repayments are not subtracted).

[5] ODA relevant to climate change is identified using the OECD DAC's Rio markers. Reporters can mark a project as having either a significant or principal climate change adaptation or climate change mitigation policy objective, signalling the extent to which any project is relevant. Projects marked as 'principal' have adaptation or mitigation as a key objective, whereas projects marked as 'significant' have other key objectives and have been adjusted to incorporate climate concerns. There are some known limitations to the use of Rio markers, including but not limited to the coverage and consistency of their use in donors' reporting to the DAC Creditor Reporting System. Not all donors screen each individual project against the markers, leaving gaps in coverage. The criteria for qualifying projects can also be subjective and interpreted differently. Despite these well-known limitations the Rio markers remain an important tool for indicating the amount of ODA relevant to climate objectives.

[6] Country-allocable ODA refers to ODA reported that is intended for a specific country recipient.

[7] See 'How blended finance reaches the poorest people'. Available at https://devinit.org/publications/blended-finance-poorest-people/

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We provide rigorous information to support better decisions, influence policy outcomes, increase accountability and strengthen the use of data to eradicate poverty.

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