

OECD - Paris, 10 April 2019

Development aid drops in 2018, especially to neediest countries

OECD adopts new methodology for counting loans in official aid data

In 2014, members of the OECD's Development Assistance Committee (DAC) decided to modernise the reporting of concessional loans by assessing their concessionality based on discount rates differentiated by income group, and introducing a grant-equivalent system for calculating ODA figures. Instead of recording the actual flows of cash between a donor and recipient country, DAC members agreed that the headline figure for official development assistance (ODA) would be based on the grant equivalents of aid loans, i.e. the "gift portion" of the loans, expressed as a monetary value¹. The grant equivalent methodology would provide a more realistic comparison of the effort involved in providing grants and loans and encourage the provision of grants and highly concessional (or soft) loans, especially to low-income countries.

In 2016, DAC members also decided to apply the grant equivalent measure to other non-grant instruments, such as equities and private sector instruments (PSI) to better reflect the donor effort involved. Whilst DAC members agreed on a methodology for counting the grant equivalent of official loans and loans to multilateral institutions, they have yet to reach agreement on how to calculate ODA grant equivalents for equities, PSI and debt relief. Pending an agreement, DAC members have decided on provisional reporting arrangements for PSI whereby either contributions to Development Finance Institutions (DFIs) and other PSI vehicles may be counted at face value (using an institutional approach), or loans and equities made directly to private sector entities may be counted on a cash-flow basis (using an instrument approach)², with any equity sale proceeds capped at the value of the original investment. DAC members will continue to work with the support of the OECD Secretariat in 2019 to find an agreement, and make the reporting of PSIs and debt relief consistent with the new grant equivalent method.

This change in the ODA methodology takes effect in 2019 with the publication of preliminary 2018 ODA.

The implementation of the ODA grant equivalent methodology adds 2.5% to 2018 ODA levels for all DAC countries combined, with impacts on individual country figures ranging from 40.8 % for Japan, 14.2% for Portugal and 11.4% for Spain to -2.7% for Korea , -2.8% for France, -2.9% for Belgium, and -3.5% for Germany.

The new "grant equivalent" headline ODA figures are no longer comparable with the historical series on "cash basis". In the cash basis, the net capital flow over the lifetime of a loan is nil because repayments of principal are deducted when made; interest payments are not taken into account³. In the grant equivalent method, both principal and interest payments are taken into consideration, but discounted to the value they represent in today's money.

¹ For further information see: www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm.

² For further information see: https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD3/FINAL/en/pdf

³ Deducting interest payments yields a measure called "net transfers".

In order to be fully transparent, the OECD will continue to also publish ODA data on a cash basis, but not as the headline ODA figure to measure donors' performance in volume or as a percentage of gross national income (GNI).

Preliminary ODA levels in 2018 on a grant equivalent basis

In 2018, ODA by DAC members totalled USD 153.0 billion, representing 0.31% of their combined GNI (see Table 1 and Chart 1). This comprised USD 150.4 billion in the form of grants, official aid loans or contributions to multilateral institutions (calculated on a grant-equivalent basis); USD 1.5 billion to development-oriented PSI vehicles, USD 1.0 billion in the form of net loans and equities to private companies operating in ODA-eligible countries and USD 0.2 billion of debt relief.

The United States continued to be the largest donor (USD 34.3 billion), followed by Germany (USD 25.0 billion), the United Kingdom (USD 19.4 billion), Japan (USD 14.2 billion) and France (USD 12.2 billion).

ODA, on the grant equivalent basis as per cent of GNI met or exceeded 0.7% for Sweden (1.04%), Luxembourg (0.98%), Norway (0.94%), Denmark (0.72%) and the United Kingdom (0.70%). Many providers of development cooperation beyond the DAC also report their data to the OECD. Turkey and the United Arab Emirates both exceeded 0.7% ODA as a share of GNI, with 1.10% and 0.95% respectively.

G7 countries provided three-quarters of total ODA on the grant equivalent basis. DAC-EU countries provided 56.5% of the total, which represented 0.47% of their combined GNI.

ODA allocations on a cash basis

As noted above, the "grant equivalent" headline figures are not comparable with the historical series on a "cash basis". For the sake of transparency and analysis of trends over time, the OECD will continue to publish ODA data on a cash basis. The following data in this note all refer to net ODA flows on a cash basis.

Net ODA flows by DAC member countries were USD 149.3 billion in 2018, representing a fall of 2.7% in real terms compared to 2017 (see Table 2). The fall reflects a reduction in in-donor refugee costs for many DAC members; excluding these costs, net ODA levels were stable compared to 2017.

The number of refugees entering Europe has dropped since its peak in 2015 and 2016. DAC countries reported USD 10.6 billion in 2018 for in-donor refugee costs, a fall of 28.4% in real terms compared to 2017. These costs represented 7.1% of total net ODA compared to 9.6% in 2017 and 11.0% in 2016, when indonor refugee costs were at their highest. For seven countries, these costs represented more than 10% of their total ODA and for two of them it was over 20% (see Table 3).

Net ODA flows for bilateral projects, programmes and technical assistance, which represent just over half of total net ODA, rose slightly by 1.3% in real terms in 2018 compared to 2017. Contributions to multilateral organisations, which represent about a third of total ODA, were stable. Humanitarian aid was USD 15.3 billion, a fall of 8% in real terms and debt relief grants rose to USD 801 million (see Chart 2).

The bulk of ODA is provided in the form of grants, but preliminary data show that the volume of gross loans extended to developing countries represented 17% of gross bilateral ODA (see Chart 3), and fell by 2.1% in real terms compared to 2017.

The preliminary data show that net bilateral aid flows to Africa were USD 29.7 billion, representing a fall of 4.0% in real terms compared to 2017. Within this total, USD 25.9 billion were for sub-Saharan Africa, a fall of 4.4% in real terms.

By income group, net bilateral ODA flows to low-income countries were USD 24 billion and fell by 6% in real terms compared to 2017. Aid to lower-middle income and upper-middle income countries, which stood at USD 21 billion and USD 10 billion respectively, fell by 11% and 19% in real terms. Net ODA to high income countries was USD 158 million in 2018.

Preliminary data show that net bilateral ODA from DAC countries to the group of least developed countries, which had been on a falling trend before rebounding in 2017, fell by 2.7% in real terms to reach USD 27.6 billion.

Bilateral donor performance

On a flow basis, net ODA rose in seventeen countries, with the largest increases in Hungary, Iceland and New Zealand, by contrast it fell in twelve countries, with the largest falls recorded in Austria, Finland, Greece, Italy, Japan and Portugal. Most of these falls were due to lower in-donor refugee costs.

Net ODA flows from DAC-EU countries were USD 87.4 billion, representing a fall of 1.2% in real terms compared to 2017. If in-donor refugee costs are excluded, their ODA flows increased by 3.9% in real terms. Net ODA flows rose or fell in real terms in the following DAC-EU countries as follows:

- Austria (-11.7): partly due to a lower volume of in-donor refugees;
- Belgium (1.0%): due to a slight increase in its bilateral and multilateral aid;
- Czech Republic (-3.2%): due to less support for in-donor refugees;
- Denmark (0.0%): stable;
- Finland (-14.6%): partly due to lower in-donor refugee costs aid and a smaller contribution to the EU development budget;
- France (4.4%): due to an overall increase in its aid programme;
- Germany (-3.0%): due to lower in-donor refugee costs;
- Greece (-14.5%): due to lower in-donor refugee costs;
- Hungary (20.7%): due to an increase in its bilateral aid;
- Ireland (5.6%): mainly due to an increase in Ireland's share of the EU development cooperation budget and contributions to UN agencies;
- Italy (-21.3%): partly due to lower costs for refugees in Italy;
- Luxembourg (3.7%): due to an increase in its bilateral and multilateral aid;
- Netherlands (5.8%): due to an increase in contributions to the World Bank group;
- Poland (5.4%): as it increased its contributions to the EU development budget;
- Portugal (-15.6%): due to a decrease in bilateral loans as well as contributions to multilateral organisations (which had been exceptionally high in 2017);
- Slovak Republic (4.4%): due to increased multilateral contributions which offset cuts in its bilateral aid:
- Slovenia (2.8%): due to an increase in its bilateral aid as well as contributions to the EU;
- Spain (-4.6%): due to lower volumes of debt relief compared to 2017;
- Sweden (4.5%): as it increased its multilateral aid;
- United Kingdom (1.8%): due to an increased capitalisation of its development finance institution, as well as increased contributions to the World Bank.

Net disbursements by EU Institutions fell by 1.9% due to a lower level of loans disbursed.

Net ODA flows in other DAC countries rose or fell in real terms as follows:

- Australia (3.8%): as it increased its contributions to the World Bank;
- Canada (5.0%): due to a first capitalisation of its new development finance institution as well as payments to multilateral organisations;
- Iceland (17.4%): due to an increase in its contributions to international organisations;
- Japan (-13.4%): mostly due to a decrease in its contributions to multilateral institutions;
- Korea (6.1%): mainly due to an increase in its bilateral aid programme;
- New Zealand (25.6%): as it increased its ODA budget;
- Norway (-4.2%): due to lower in-donor refugee costs;
- Switzerland (-2.9%): mainly due to lower costs for in-donor refugees;
- United States (-5.0%): mainly due to decreased disbursements in its multilateral ODA.

Other provider countries also report their development finance flows to the OECD, and indicated the following changes:

- Bulgaria (5.6%): due to an increase in multilateral contributions;
- Croatia (-1.8%);
- Estonia (4.1%): due to an increase in multilateral contributions, mainly to the EU;
- Israel (6.5%): due to increased contributions to regional development banks;
- Latvia (-2.1%);
- Lithuania (-7.4%): mainly due to a decrease in its bilateral aid projects;
- Malta (17.5%): due to increased in-donor refugee costs;
- Romania (10.1%): due to an increase in its bilateral aid;
- Russia (-14.3%): due to reductions throughout its aid programme;
- Chinese Taipei (1.4%): due to an increase in multilateral contributions;
- Turkey (20.5%): due to an increase in its bilateral aid;
- United Arab Emirates (1.5%): due to increased contributions to multilateral organisations.

TABLE 1: DAC MEMBERS' OFFICIAL DEVELOPMENT ASSISTANCE IN 2018 ON A GRANT EQUIVALENT BASIS ^a USD million
Data for 2018 are preliminary

			of which:									
			GRANT EQUIVALENTS				FLOWS b				Memo:	
			Bil	ateral	Multila	toral			Private instru	e sector		Volume of
			, Dil	Grant	Grants and	Grant	ODA grant		Institu-	Instru-	Debt and PSI	total ODA
	Total ODA		Grants	equivalents of loans	capital subscriptions	equivalents of loans	equivalent sub-total	Debt relief	tional approach	ment approach	sub-total - flow basis	flows - net disbursements
DAC countries:	(1)+(2)	%					(1)				(2)	
Australia	3 119	0.23	2 442	_	676	_	3 119					3 119
Austria	1 178	0.26	464	-	688	-	1 152	13	-	13	26	1 175
Belgium Canada	2 294 4 655	0.43 0.28	1 246 3 172	17	919 1 148	33	2 216 4 321	7	71 77	257	78 334	2 361 4 616
Czech Republic Denmark	323 2 582	0.14 0.72	91 1 728	-	232 826	-	323 2 554	3	- 25	-	28	323 2 568
Finland	983	0.36	419		512	_	931			52	52	983
France	12 155	0.43	4 555	1 623	4 800	682	11 660	76	-	419	495	12 504
Germany Greece	24 985 282	0.61 0.13	17 205 31	1 457	6 219 252	-	24 881 282	4	-	100	104	25 886 282
Hungary Iceland	190 81	0.14 0.31	108 54	-	83 27	-	190 81	-	-	-	-	190 81
Ireland	928	0.31	509		419		928					928
Italy	5 005	0.24	1 931	75	2 984	-	4 990	15	-	-	15	4 900
Japan Korea	14 167 2 351	0.28 0.15	5 252 1 126	6 149 602	2 642 623	-	14 043 2 351	24	-	101	124	10 064 2 417
Luxembourg	473	0.98	335	-	138	-	473	-	-	-	-	473
Netherlands	5 616	0.61	3 602	-	2 015	-	5 616	-	-	-	-	5 616
New Zealand Norway	556 4 257	0.28 0.94	463 2 997	-	93 1 027	-	556 4 024	26	207	-	233	556 4 257
Poland	763	0.14	165	78	520	_	763					754
Portugal	390	0.17	104	6	254	-	365	25	-	-	25	341
Slovak Republic Slovenia	133 83	0.13 0.16	18 29	-	115 54	-	133 83	-	-	-	-	133 83
Spain	2 874	0.20	1 044	4	1 869	-	2 917	5	-	- 48	- 43	2 581
Sweden	5 844	1.04	3 771	-	2 004	-	5 775	-	69	-	69	5 843
Switzerland	3 094	0.44	2 300	-	763	-	3 064	-	31	-	31	3 091
United Kingdom United States	19 403 34 261	0.70 0.17	11 237 30 400	-	7 040 3 856	34	18 311 34 256	5 5	990	97	1 091 5	19 455 33 741
TOTAL DAC	153 025	0.31	96 798	10 012	42 799	749	150 358	207	1 470	990	2 667	149 323
			,									
Average Country Eff	ort	0.38										
Memo items: EU Institutions	16 388		14 643	1 240	362	_	16 245			143	143	17 131
DAC-EU countries	86 484	0.47	48 590	3 261	31 944	749	84 545	152	1 154	633	1 939	87 382
G7 countries	114 631	0.47	73 752	9 305	28 690	716	112 462	128	1 067	974	2 169	111 167
Non-G7 countries	38 394	0.29	23 046	708		33	37 896	79	403		498	38 156
Non-G7 countries 38 394 0.36 23 046 708 14 109 33 37 896 79 403 16 498 38 OECD non-DAC members: c									30 130			
Estonia	49	0.16	19	-	29	-	49	-	-	-	-	49
Israel ^d	434	0.12	384	-	50	-	434	-	-	-	-	434
Latvia	34	0.10	4	-	30	-	34	-	-	-	-	34
Lithuania	59 9.612	0.11	12 8 433	-	47 180	-	59 8 612	-	-	-	-	59 8 562
Turkey DAC Participants: e	8 612	1.10	8 433	-	180	-	8 612	-	-	-	-	8 302
Bulgaria	69	0.11	10	-	59	-	69	-	-	-	-	69
Romania	252	0.11	60	-	192	-	252	-	-	-	-	252
United Arab Emirates		0.95	3 644	106	185	-	3 935	-	-	-	-	4 188
Other Non-OECD members: f												
Croatia Malta	55 31	0.10 0.23	35 20	-	20 10	-	55 31	-	-	-	-	55 31
Russia	1 036	0.23	625	-	411	-	1 036	-		-	-	1 036
Chinese Taipei	336	0.06	303		33	-	336	-	-	-	-	337

a) Total ODA in 2018 includes USD 10.0 billion of loans to ODA-eligible sovereign entities, USD 1.5 billion of assistance provided to and any reflows including profits from developmentoriented PSI vehicles, and USD 1.0 billion of loans and equities provided to and repayments and reflows from private companies operating in ODA-eligible countries.
b) Net disbursements. Items not yet included in grant equivalent measure as reporting directives have not yet been agreed: debt reorganisation and use of private sector instruments.

Notes: The data for 2018 are preliminary pending detailed final data to be published in December 2019. The data are standardised on a calendar year basis for all countries, and so may differ from fiscal year data available in countries' budget documents.

https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD3/FINAL/en/pdf c) Chile and Mexico do not provide data on their official development finance to the OECD.

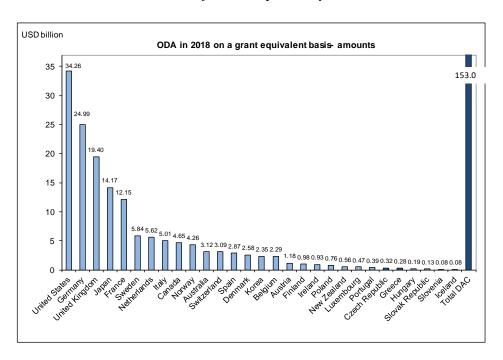
d) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

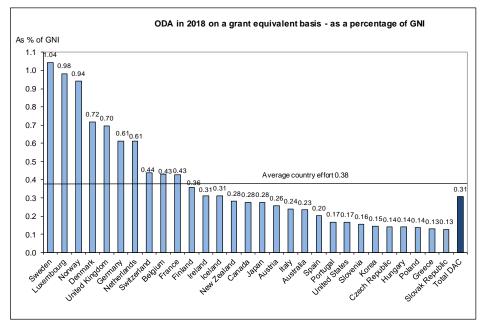
e) Kuwait, Qatar and Saudi Arabia are also Participants to the DAC. Kuwait and Saudi Arabia did not provide preliminary 2018 ODA figures to the OECD, and Qatar does not report on its official development finance to the OECD.

f) Countries that have provided preliminary data on their 2018 development finance.

CHART 1: DAC MEMBERS' OFFICIAL DEVELOPMENT ASSISTANCE IN 2018 ON A GRANT EQUIVALENT BASIS $^{\rm a}$

Data for 2018 are preliminary





a) Total ODA in 2018 includes USD 10.0 billion of loans to ODA-eligible sovereign entities, USD 1.5 billion of assistance provided to and any reflows including profits from development-oriented PSI vehicles, and USD 1.0 billion of loans and equities provided to and repayments and reflows from private companies operating in ODA-eligible countries.

Source: OECD, 10 April 2019.

TABLE 2: NET OFFICIAL DEVELOPMENT ASSISTANCE DISBURSEMENTS FROM DAC AND OTHER COUNTRIES IN 2018
Preliminary data for 2018

	2018	20	017	2018		
	ODA		emo:	ODA	Percent change	
	USD million	USD million	ODA/GNI	USD million (1)	2017 to 2018 (1)	
	current	current	%	At 2017 prices and	d exchange rates	
DAC countries:						
Australia	3 119	3 036	0.23	3 151	3.8	
Austria	1 175	1 251	0.30	1 104	-11.7	
Belgium	2 361	2 196	0.45	2 219	1.0	
Canada Craab Banublia	4 616	4 305 304	0.26	4 521 294	5.0 -3.2	
Czech Republic Denmark	323 2 568	2 448	0.15 0.74	2 449	-3.2	
Finland	983	1 084	0.42	925	-14.6	
France	12 504	11 331	0.43	11 832	4.4	
Germany	25 886	25 005	0.67	24 266	-3.0	
Greece	282	314	0.16	268	-14.5	
Hungary	190	149	0.11	180	20.7	
Iceland	81	68	0.28	80	17.4	
Ireland	928	838	0.32	885	5.6	
Italy	4 900	5 858	0.30	4 613	-21.3	
Japan	10 064	11 463	0.23	9 921	-13.4	
Korea	2 417	2 201	0.14	2 336	6.1	
Luxembourg	473	424	1.00	440	3.7	
Netherlands	5 616	4 958	0.60	5 246	5.8	
New Zealand	556	450	0.23	565	25.6	
Norway	4 257	4 125	0.99	3 952	-4.2	
Poland	754	679	0.13	716	5.4	
Portugal	341	381	0.18	322	-15.6	
Slovak Republic	133	119	0.13	124	4.4	
Slovenia	83	76	0.16	78	2.8	
Spain	2 581	2 560	0.19	2 442	-4.6	
Sweden	5 843	5 563	1.02	5 812	4.5	
Switzerland	3 091	3 138	0.46	3 048	-2.9	
United Kingdom	19 455	18 103	0.70	18 429	1.8	
United States	33 741	34 732	0.18	33 000	-5.0	
TOTAL DAC	149 323	147 160	0.31	143 218	-2.7	
Average Country Effort			0.38			
Memo Items:						
EU Institutions	17 131	16 440	_	16 126	-1.9	
DAC-EU countries	87 382	83 642	0.50	82 643	-1.2	
G7 countries	111 167	110 797	0.30	106 581	-3.8	
Non-G7 countries	38 156	36 363	0.36	36 637	0.8	
OECD non-DAC members (2):	30 130	30 303	0.50	30 037	0.0	
Estonia	49	43	0.16	45	4.1	
Israel (3)	434	408	0.12	435	6.5	
Latvia	34	32	0.11	31	-2.1	
Lithuania	59	59	0.13	55	-7.4	
Turkey	8 562	8 121	0.95	9 782	20.5	
DAC Participants (4):						
Bulgaria	69	62	0.11	66	5.6	
Romania	252	220	0.11	242	10.1	
United Arab Emirates	4 188	3 957	1.03	4 017	1.5	
Other Non-OECD members (5):						
Croatia	55	54	0.10	53	-1.8	
Malta	31	25	0.21	29	17.5	
Russia	1 036	1 190	0.08	1 019	-14.3	
Chinese Taipei	337	319	0.06	324	1.4	
		/	~~~		***	

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

Notes: The data for 2018 are preliminary pending detailed final data to be published in December 2019. The data are standardised on a calendar year basis for all countries, and so may differ from fiscal year data available in countries' budget documents.

⁽²⁾ Chile and Mexico do not provide data on their official development finance flows to the OECD.

⁽³⁾ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

⁽⁴⁾ Kuwait, Qatar and Saudi Arabia are also Participants to the DAC. Kuwait and Saudi Arabia did not provide preliminary 2018

ODA figures to the OECD and Qatar does not report on its official development finance flows to the OECD.

⁽⁵⁾ Countries that have provided preliminary data on their 2018 flows.

TABLE 3: SHARE OF IN-DONOR REFUGEE COSTS IN TOTAL NET ODA Preliminary data for 2018

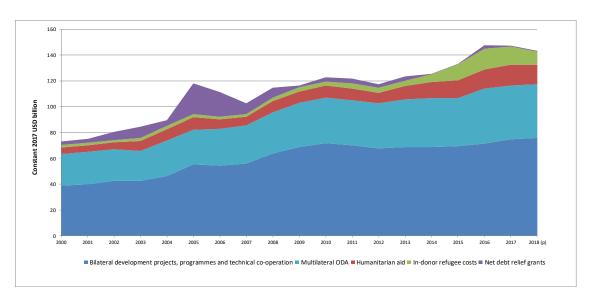
		2018						
	ODA	of which: In-donor refugee costs	In-donor refugee costs as a share of total net ODA	ODA	of which: In-donor refugee costs	In-donor refugee costs as a share of total net ODA	Percent change ODA excluding in-donor refugee costs 2017 to 2018 (1)	
	USD million	USD million		USD million	USD million			
	current	current	9/0	current	current	%	At 2017 prices and exchange rates	
DAC countries:								
Australia	3 119	-	-	3 036	-	_	3.8	
Austria	1 175	64	5.4	1 251	153	12.2		
Belgium	2 361	262	11.1	2 196	316	14.4	4.9	
Canada	4 616	506	11.0	4 305	467	10.8	4.9	
Czech Republic	323	25	7.7	304	22	7.1	-3.8	
Denmark	2 568	71	2.8	2 448	117	4.8		
Finland	983	57	5.8	1 084	77	7.1	-13.4	
France	12 504	723	5.8	11 331	623	5.5	4.1	
Germany	25 886	4 062	15.7	25 005	6 058	24.2	8.0	
Greece	282	21	7.6	314	68	21.7	1.0	
Hungary	190	4	2.1	149	3	2.2	20.9	
Iceland	81	21	26.3	68	22	32.5	28.2	
Ireland	928	36	3.9	838	41	4.9	6.7	
Italy	4 900	1 125	23.0	5 858	1 804	30.8	-12.3	
Japan	10 064	0	0.0	11 463	0	0.0	-13.4	
Korea	2 417	-	-	2 201	-	-	6.1	
Luxembourg	473	-	-	424	-	-	3.7	
Netherlands	5 616	569	10.1	4 958	835	16.8	14.4	
New Zealand	556	17	3.0	450	17	3.9	26.7	
Norway	4 257	102	2.4	4 125	150	3.6	-3.0	
Poland	754	5	0.6	679	6	0.9	5.7	
Portugal	341	1	0.4	381	6	1.5	-14.6	
Slovak Republic	133	0	0.0	119	1	1.1	5.5	
Slovenia	83	2	2.9	76	1	1.2	1.1	
Spain	2 581	272	10.5	2 560	217	8.5	-6.7	
Sweden	5 843	525	9.0	5 563	828	14.9	11.7	
Switzerland	3 091	282	9.1	3 138	330	10.5	-1.4	
United Kingdom	19 455	492	2.5	18 103	492	2.7	2.0	
United States	33 741	1 384	4.1	34 732	1 456	4.2	-4.9	
TOTAL DAC	149 323	10 627	7.1	147 160	14 112	9.6	0.0	
Memo Item:	_							
DAC-EU countries	87 382	8 315	9.5	83 642	11 669	14.0	3.9	

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

Source: OECD, 10 April 2019.

CHART 2: COMPONENTS OF DAC COUNTRIES' NET ODA

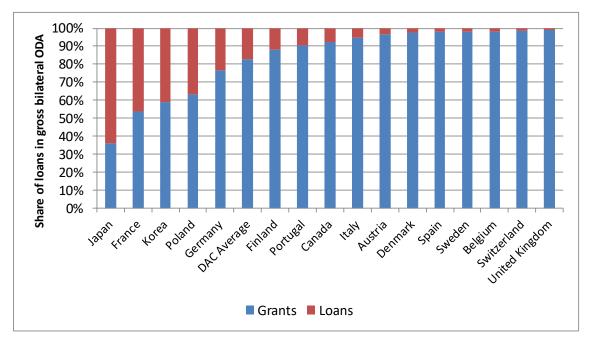
Data for 2018 are preliminary



Source: OECD, 10 April 2019.

CHART 3: SHARE OF LOANS IN GROSS BILATERAL ODA FOR LOAN GIVING DAC COUNTRIES

Data for 2018 are preliminary



Source: OECD, 10 April 2019.