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Chapter 2

Trends in Aid Flows

This chapter analyses the evolution of aid flows to developing countries, and more specifically recent trends in the volume and allocation of DAC members' aid. It attempts to isolate the factors that determine the size of their efforts, and to assess the impact of policy ideas in shaping their development co-operation programmes.

The past two years have been a turning point for aid volume, which increased by 7.2% in 2002. In a longer perspective, technical co-operation and aid to the social sectors have grown, whereas aid lending and capital project financing have declined. Prospects are good for improved aid volume and effectiveness, despite gathering fiscal pressure in member countries.

Introduction

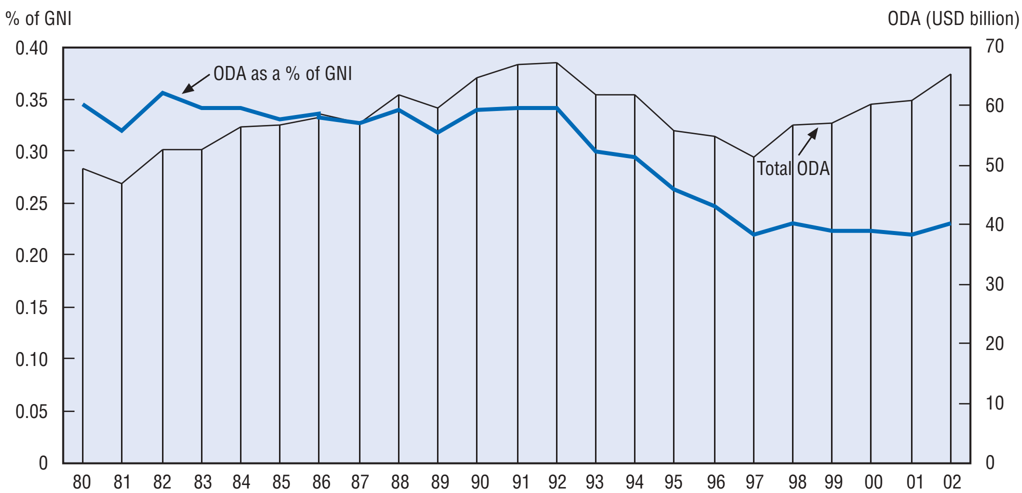
The last two years have been a turning point in the evolution of aid flows to developing countries. After maintaining a steady level through the 1980s, aid fell sharply after the end of the Cold War and of superpower rivalry in the Third World. By 1997, and in three of the subsequent four years, it was at an all-time low of 0.22% of donors' combined national income. But in 2001-2 the trend reversed (see Chart 2.1). By 2002, there was a 7.2% real increase, and if current plans are met, similar annual increases are likely up to 2006.

Two events are responsible for the turnaround. The first was the wave of terrorist attacks on the United States on 11 September 2001. These outrages led to a fundamental reassessment of all aspects of US policy towards developing countries, including its security, diplomatic and development co-operation dimensions. One outcome has been a broad consensus in the Administration and Congress that significant and effective foreign aid is both morally justified and an important contribution to US national security.

The second major event that has affected thinking on aid was the International Conference on Financing for Development in Monterrey, Mexico in March 2002. Planning for this had taken several years, and its status had been the subject of considerable discussion and negotiation. Many doubted whether it would have much impact. But in fact it led to significant new initiatives by most DAC members to improve both the quantity and quality of their aid.

This chapter analyses recent trends in the volume and allocation of DAC members' aid, using the latest data available at the time of writing. It attempts to isolate the factors that determine the size of their efforts, and assess the impact of policy ideas in shaping

Chart 2.1. **DAC members' total net ODA at 2001 prices as a share of GNI, 1980-2002**



Source: OECD.

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their development co-operation programmes. Chapter 3 looks at future volume prospects and the outlook for meeting the Millennium Development Goals (MDGs), while individual members' programmes are discussed in more detail in Chapter 4.

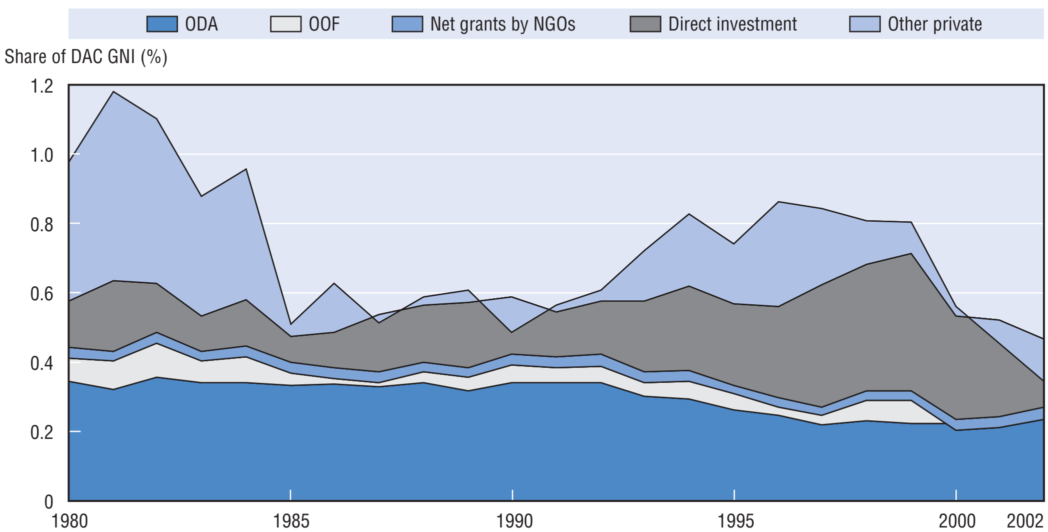
The overall flow picture

Official development assistance (ODA) consists of donors' grants and soft (*i.e.* low-interest) loans to developing countries. With the possible exception of workers' remittances,[1] it is the least volatile component of capital flows to developing countries, since it expresses government programmes for development that are largely independent of the individual decisions of economic actors.

Chart 2.2 shows the evolution of ODA over the past 20 years, in the context of other resource flows for development. The categories are those used in DAC statistics. They include grants and loans with a maturity of more than one year, excluding interest payments, military credits, and transfer payments to individuals.

The sharp fall in private flows from the early 1980s reflects the collapse in international bank lending following Mexico's announcement in 1982 that it was unable to meet its debt service obligations. The 1990s saw a revival in private investment in developing countries. Although total private flows have not regained their levels of the early 1980s as a share of DAC members' GNI, the composition of these flows suggests they may be of more durable benefit. Direct investment, though not maintaining the peaks reached in the late 1990s, is becoming a much more significant element of private flows, reflecting longer-term confidence in developing countries' growth prospects. By contrast, bank lending, which adds to debt burdens, has been much lower than 20 years ago, and there is some evidence that the financial viability of the investments it funds is being more carefully scrutinised.

Chart 2.2. **DAC members' resource flows to developing countries, 1980-2002**



Note: Net OOF flows were negative in 2000-2002, and other private flows were negative in 1987, 1990, 2001 and 2002.
Source: OECD.

Many factors contributed to the 1990s trend of rising private flows and falling ODA. As already mentioned, the end of superpower rivalry reduced the political incentives to aid giving from the early 90s. Aid was thus particularly vulnerable to cuts at a time when recession had reduced government revenue and most countries were introducing stringent fiscal consolidation programmes. There was also reduced need for aid in some rapidly advancing economies in Asia and Latin America, while flows to strife-torn countries in central and west Africa fell sharply as it became impossible to deliver effective aid there.

Private flows rose through the 90s as interest rates fell, increasing the profitability of investment. Excessive lending led to debt sustainability problems in east Asia, Russia, and other emerging economies from 1998, but the effects have been less severe than in 1982, since several of the major destination countries for private investment – including China and India – were little affected.

DAC and non-DAC donors

Twenty years ago, non-DAC donors were giving almost half as much aid as DAC countries combined. While political attention focused on aid from the Soviet bloc, this was actually rather modest, being heavily concentrated in a few client states dotted throughout the developing world. Soviet bloc aid rarely exceeded one-tenth of DAC ODA. More important was the effort of the Arab countries as they recycled the petrodollars gained from the oil price spikes of 1974 and 1979. Much of this was done through the banking system, but Arab aid also rose sharply to about a third of DAC ODA in the late 70s and early 80s. It was concentrated in Muslim countries, but was also instrumental in setting up the International Fund for Agricultural Development, the only significant United Nations fund for providing ODA loans.

The early 90s saw the collapse of the Soviet bloc and its aid efforts, and a sharp curtailment of Arab aid as oil prices continued to fall from their earlier peaks. By the late 90s, DAC countries were providing roughly 95% of all known ODA flows.

These figures may be somewhat misleading in suggesting a sharp contraction in the diversity of aid donors. Two factors mitigate this trend. One is the rise in the number of DAC members, from 18 in the early 80s to 23 today. The other is the increase in a number of smaller aid programmes by individual, mostly middle-income countries. These include one founder member of the OECD – Turkey; most of the new OECD members – the Czech Republic, Hungary, Korea, Mexico, Poland, the Slovak Republic; and several non-OECD members, including China, Chinese Taipei, India and Israel.[2] Iceland, a high-income OECD member, also has a small development co-operation programme.[3] In addition, several non-OECD countries in Central and Eastern Europe, including Russia, are now starting to develop or revive their development co-operation efforts.

The balance of aid effort within the DAC has also shifted substantially. The 1980s saw a steady decline in the share of the United States, from about 30% of the DAC total at the beginning of the decade to around 20% at the end – a level that still applies today. The fall was matched by rising aid from EU countries and Japan. At the beginning of the 1980s, Japan was only the fourth largest DAC donor, behind France and Germany as well as the United States. As a share of its national income, Japan's aid did not rise much over the subsequent decade, but during the 1990s, Japan's efforts to raise the level of its ODA budget, along with its solid growth record and the rising value of the yen against the dollar, propelled it ahead of the United States as the world's largest aid donor, a position it held until 2000.

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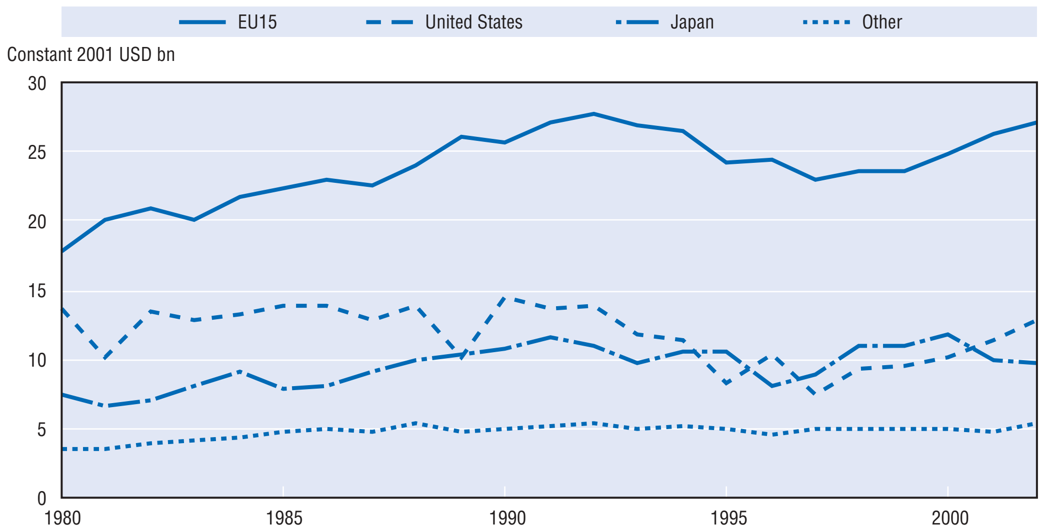
Chart 2.3. **Donor breakdown of DAC members' ODA in real terms, 1980-2002**



Source: OECD.

Relative to national income, the most consistent and impressive aid performance has come from Denmark, the Netherlands, Norway and Sweden. By 1980, all these countries surpassed the UN target for ODA of 0.7% of national income, and they never slipped below it thereafter. In recent years, Luxembourg has joined this group, Ireland has committed to do so by 2007, and Belgium and France aim to join them by 2010 and 2012 respectively.

Donors' economic performance is a key determinant of the volume of aid they can achieve. The late 80s saw short-lived economic booms in Finland and Italy that allowed those countries to lift their aid effort substantially. By 1991, Finland even reached the UN ODA target. But both countries faced economic crises in the early 90s which severely curtailed their aid efforts. As the 1996 edition of this Report pointed out, aid is a largely discretionary expenditure that is particularly sensitive to the donor's fiscal position.[4] Surpluses or small deficits often presage a rise in aid, whereas high fiscal deficits have almost always been followed by sharp contractions in aid budgets.

Aid from other DAC members has generally stagnated in recent years in real terms, and declined as a share of growing national income. By the latter measure, Australia and Canada showed two of the largest falls. Both had an ODA/GNI ratio of over 0.5% in at least one year in the early 80s, but in recent years their ratios have been around half that figure. Aid from Belgium and Germany has shrunk by about one-third over the same period. There has been less change in aid from Austria, New Zealand and Switzerland; aid from the United Kingdom, after falling significantly, has now recovered (Chart 2.3).

Aid by region and income group

While total ODA fell substantially up to 2001, the picture varies by recipient region. After the 1970s, Asia saw a major drop in ODA as its need for aid declined, whereas Africa's share increased rapidly. Aid to Latin America retained its relatively minor share. Then, in the late 1990s, a series of financial crises in middle-income countries partly reversed the trends, with disbursements to Asia and Latin America rising again at Africa's expense.

Several factors contributed to the fall in aid to Africa. The most important and distressing was the increasing difficulty in delivering aid in many strife-torn countries in the Horn of Africa, the Congo basin and parts of West Africa. Human rights concerns led to policy decisions to reduce aid to other countries – most recently Zimbabwe. On a somewhat more positive note, the devaluation of the CFA and Comorian francs in 1994 enabled a substantial reduction in French assistance to meet deficits in the countries using those currencies.[5]

The aggregates conceal large differences in donor and recipient relationships. On the donor side, the African focus is strongest among European donors. In 2000-01, African countries accounted for eight of the top ten recipients of gross ODA from Belgium, France and Ireland, and for seven of the United Kingdom's top ten.

Asian and Pacific countries accounted for all of Australia and New Zealand's top ten recipients in 2000-01, and for nine of Japan's top ten. Spain was the only donor with a majority (six out of ten) of its top recipients in Latin America. Other donors' programmes show a fairly even mix of regions. Chapter 1 discusses in more detail the factors guiding country allocations of ODA.

The 1990s also saw the first aid programmes to former Soviet bloc states in eastern and central Europe. These have differed markedly from traditional development assistance, and are not counted within ODA.[6] They have concentrated on debt relief and technical help to smooth the transition to a market economy. The main donors have been the United States, France and Germany, with Austria, Canada and Denmark also making substantial contributions. Details are given in the last three tables of the Statistical Annex to this volume.

There has been little change through the 1990s in the shares of ODA accounted for by the various income groupings of countries. Roughly 30% of aid goes to each of the three main groups: the least developed countries (total population: 660 million), the other low-income countries (including China and India; total population 3 billion), and the lower-middle income countries (650 million).[7] Flows to upper-middle income and high-income countries combined have not exceeded 10% of net ODA for the last 20 years.

Multilateral share of ODA

Chart 2.4 compares donors' shares of multilateral assistance in 1992 and 2002 (the dates are chosen so as to be able to compare all DAC members except Greece, which joined the DAC in 1999). Most countries have made shifts and for some, notably Italy and Ireland, the changes have been substantial.

In general, however, shifts in the multilateral shares of aid are mainly an indirect result of decisions affecting donors' bilateral programmes. Multilateral aid itself varies only slowly because donors' contributions to each multilateral agency replenishment are typically linked to their respective national income. But decisions to boost or curtail the overall level of aid are quickly reflected in a donor's bilateral programme, and this affects the balance between their bilateral and multilateral aid. Thus Ireland and Luxemburg, which increased their total aid substantially over the period, saw large reductions in the multilateral share. By contrast, sharp cuts in aid by France and Italy have boosted their multilateral shares.

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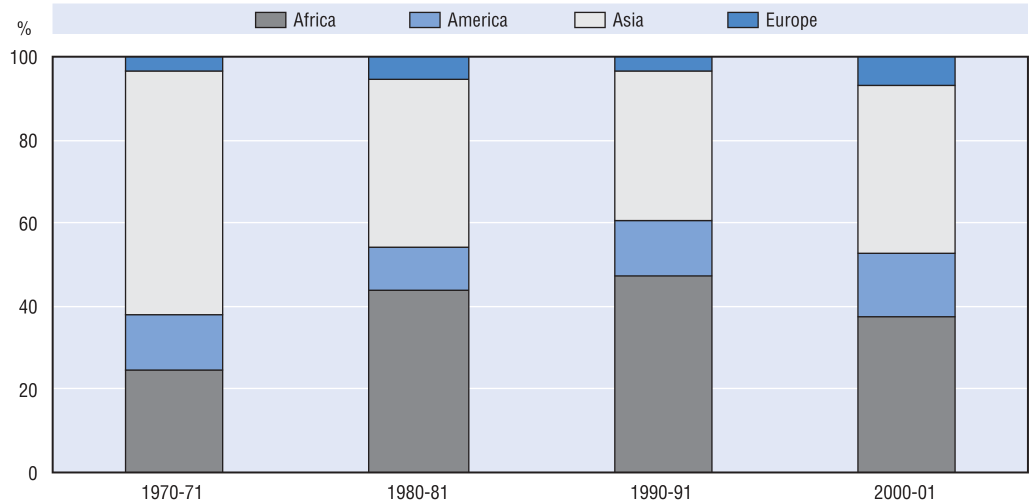
Chart 2.4. **Share in net DAC bilateral ODA by recipient region, 1970-71 to 2000-01**



Source: OECD.

Special factors explain some other substantial shifts. For example, Portugal's bilateral ODA was unusually high in 1992 due to substantial forgiveness of private debt. This reduced the multilateral share of its total ODA that year. By contrast, 1992 was also the year in which Switzerland joined the World Bank, so its multilateral share was unusually high, reflecting the value of its initial capital subscription.

Charts 2.5 to 2.8 show that, while the overall share of multilateral aid in DAC members' programmes has remained constant at about 30%, there have been substantial shifts within the total. Aid delivered through EC agencies[8] and the UN has increased steadily, while payments to IDA and the regional development banks have declined as they have been able to fund an increasing share of their lending from repayments.

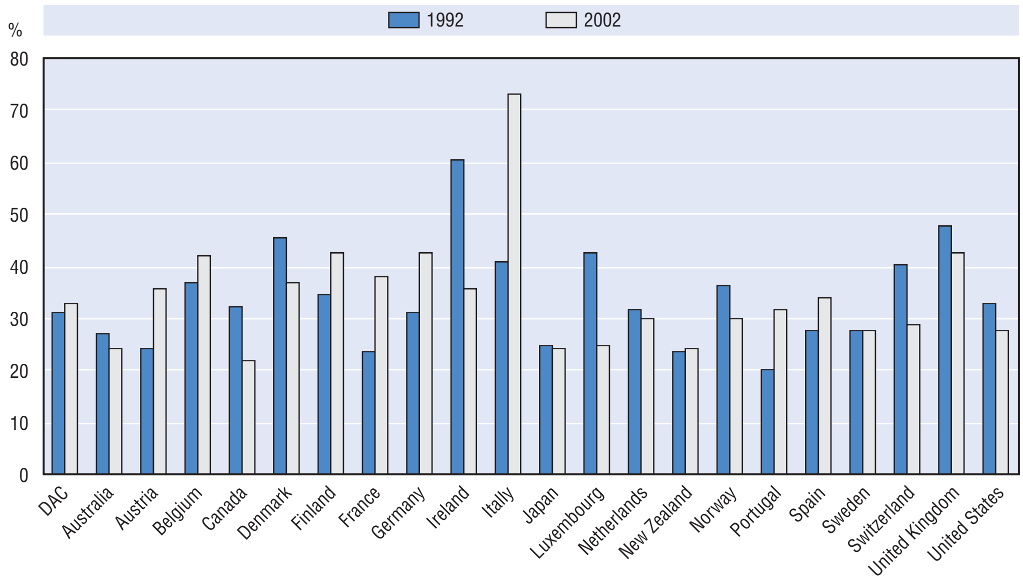
Chart 2.6 presents the share of DAC members' multilateral aid going to European Commission agencies. This has been increasing since the 1980s, partly due to the accession of new EU members (Spain and Portugal in 1986; Austria, Finland and Sweden in 1995).

Chart 2.7 shows the share of multilateral ODA provided by DAC members to the UN agencies. This has increased a little in the most recent years. The data relate only to contributions to the core budgets of UN bodies, and do not include non-core contributions, which have become an increasingly important source of financing for UN and other international organisations.

Chart 2.8 shows IDA's share of DAC multilateral ODA. (IDA, the International Development Association, is the arm of the World Bank group that makes low-interest loans to the poorest countries.) The falling trend has been offset by a rise in loan repayments as IDA's lending portfolio matures, so that its total resources for new lending have actually grown in recent years (see Chart 2.10).

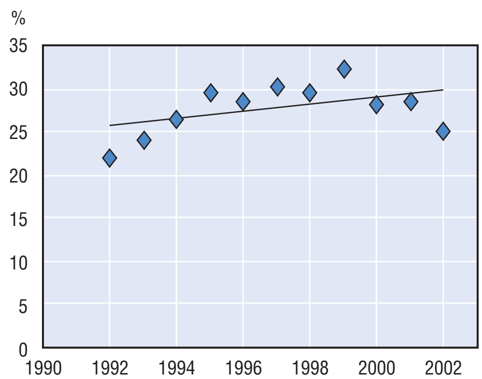
Chart 2.9 gives the share of regional development banks in DAC members' multilateral ODA. The trend is more erratic, reflecting the near-collapse of the African Development Bank in the mid-1990s, and its subsequent revival with a recapitalisation at the end the decade. As with IDA, an increasing repayments stream (especially to the Asian

Chart 2.5. **DAC members' ODA shares to multilateral agencies, 1992 and 2002**



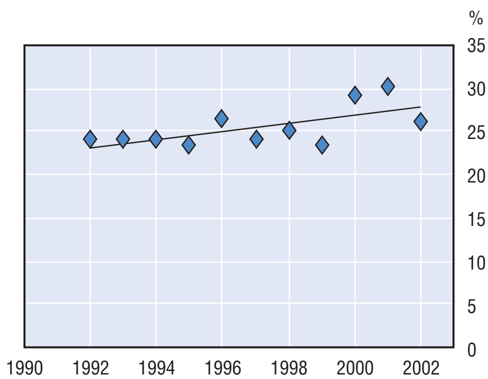
Source: OECD.

Chart 2.6. **Share of multilateral ODA to the EC**



Source: OECD.

Chart 2.7. **Share of multilateral ODA to the UN**



Source: OECD.

Development Bank) has maintained and even increased the overall level of regional development banks' resources.

A somewhat different picture emerges if we consider the outflows of multilateral agencies. Chart 2.10 shows the change in gross concessional disbursements from the core resources of the EC, UN, IDA and regional development banks between 1992 and 2001. EC outflows have increased substantially. UN outflows have fallen, although this has been partly offset by increases in supplementary funding directed to specific purposes.[9] The figure also shows the importance of reflows in maintaining and even increasing IDA disbursements, over a period when donors' new subscriptions of capital to IDA have fallen. Regional development banks' concessional lending has risen slightly.

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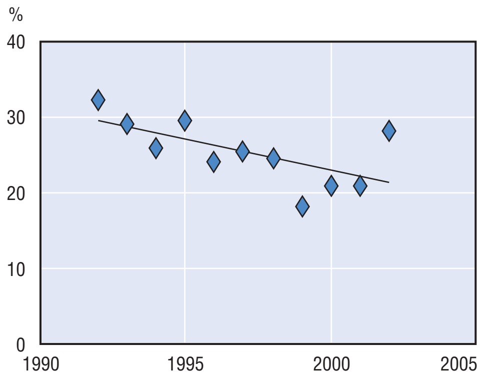
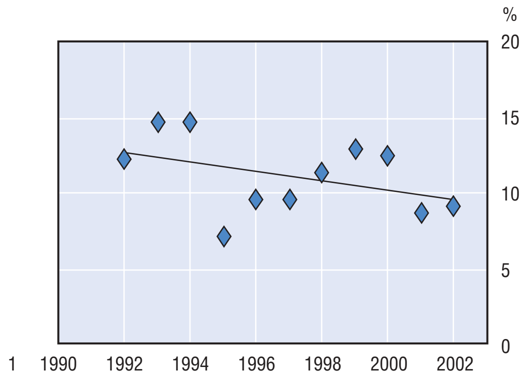
Chart 2.8. **Share of multilateral ODA to IDA**



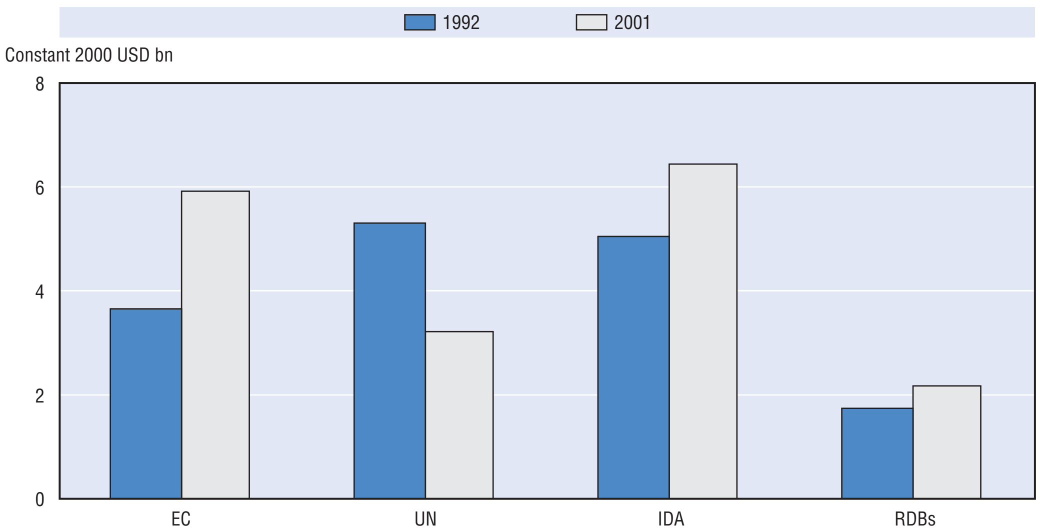
Source: OECD.

Chart 2.9. **Share of multilateral ODA to RDBs**



Source: OECD.

Chart 2.10. **Gross concessional disbursements by multilateral agencies in 1992 and 2001**



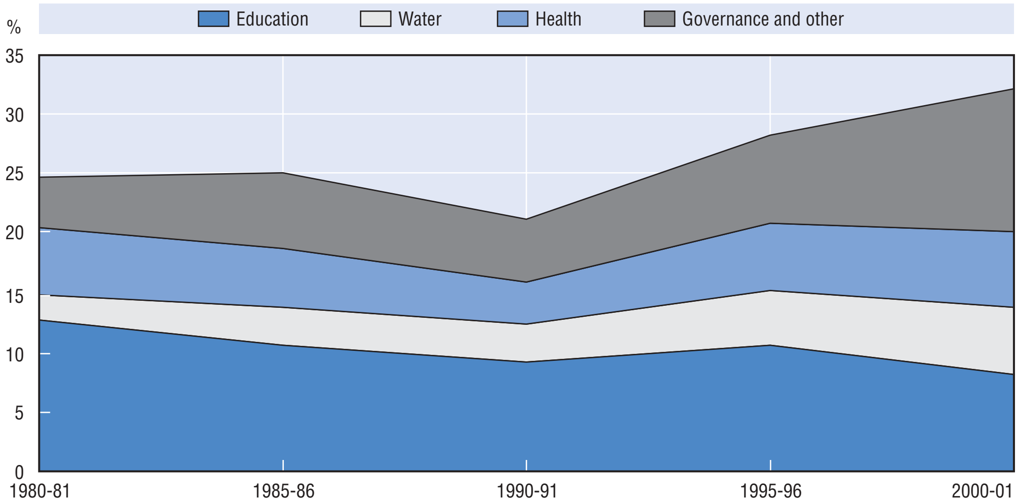
Source: OECD.

Aid by sector

Charts 2.11 to 2.14 show trends in the sectoral allocation of aid over the past 20 years.

The increasing overall share of the **social sectors** (Chart 2.11) reflects the policy focus on these aspects of development that emerged in the late 1970s. In particular, the International Conference on Primary Health Care held at Alma-Ata in 1978 declared the goal of health for all by the year 2000, and the International Drinking Water Supply and Sanitation Decade, inaugurated in 1981, aimed at safe drinking water and appropriate sanitation for all by 1990. These initiatives stimulated major campaigns of childhood immunisation and rural water supply through the 1980s and early 1990s, which made significant contributions to reduced infant mortality. Even so, the goals set were far from

Chart 2.11. **Share of social sectors in DAC members' bilateral ODA, 1980-2001**



Source: OECD.

being met. This was particularly the case for water supply, where renewed aid effort is apparent in the last few years.

Within both the education and health sectors, there has been a trend towards funding primary services. Thus, while total aid to education has fallen slightly, the share of basic education within the total rose from around 15% in 1996 to nearly 25% in 2001. Similarly, aid to basic health services has now risen to over half of total aid to health.

Particularly striking is the increase in aid to **governance** and other social programmes through the 1990s. This covers a wide variety of activities ranging from human rights promotion and election monitoring, through community development and government functions such as taxation, to the developmental aspects of drug control programmes.

The trend towards aid to the governance sector reflects both historical and intellectual developments. The stagnation and fall of communism in eastern Europe stimulated reflection on the role of market transparency and well-functioning institutions in facilitating balanced economic expansion. Then in 1992-95, humanitarian emergencies in Rwanda, Somalia and Yugoslavia showed how failure to manage ethnic tension could tear nations apart and set back development by many years. Academic and OECD work has also stressed the governance factor. In particular, the vogue for the theories of Robert Putnam focused attention on the importance of social capital to development, while World Bank studies by Dollar and Burnside stressed the role of policies and institutions in aid effectiveness.

Moving to the production sectors, the fall in aid to **agriculture** (see Chart 2.12 and the Annex at the end of this chapter) is a matter of increasing policy concern. The sector had been a major area of aid activity in the 1970s, with the expansion of the Consultative Group for International Agricultural Research and the establishment of the International Fund for Agricultural Development. But by the early 1980s, the perceived failure of some large-scale integrated rural development projects had dented enthusiasm. Progressive increases in world grain production and steadily falling prices may also have helped to obscure the fact

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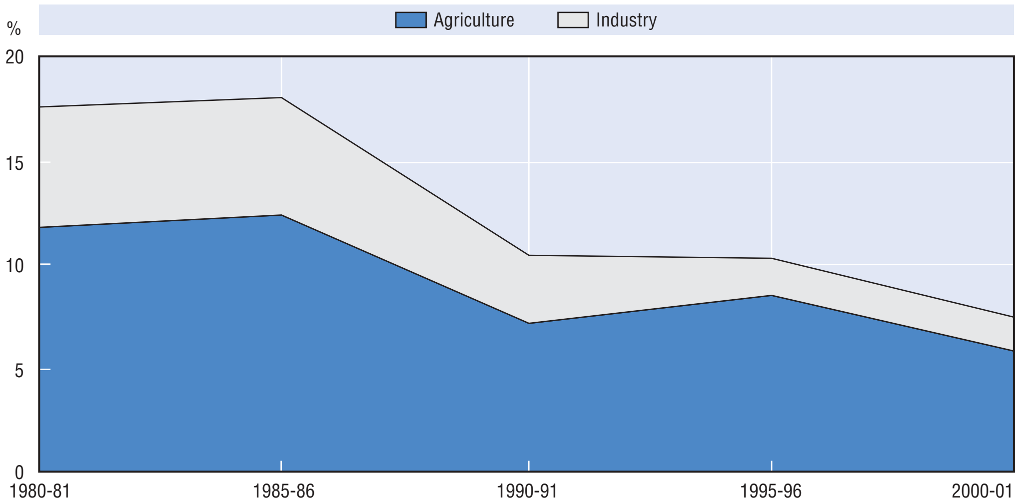
Chart 2.12. **Share of production sectors in DAC members' bilateral ODA, 1980-2001**



Source: OECD.

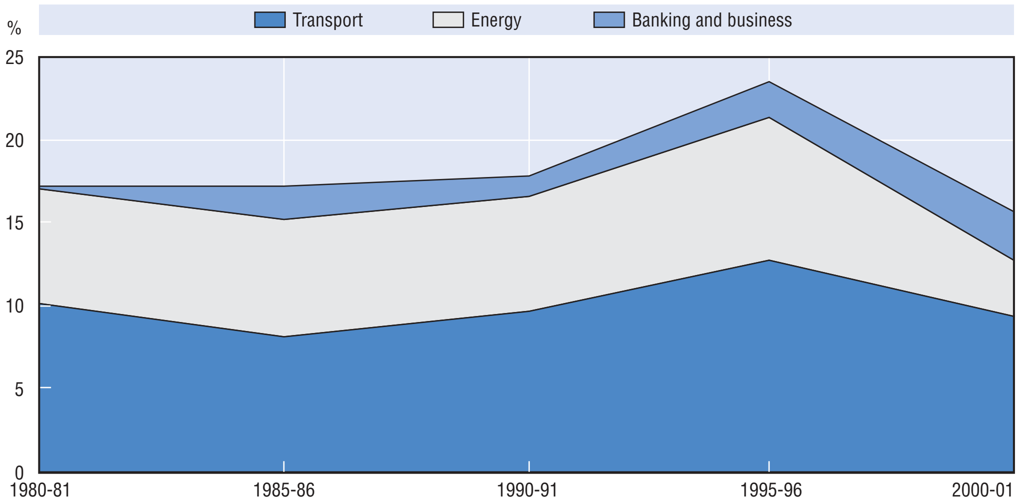
that 15% of the world's population was still malnourished in the mid-1990s. The emphasis on the social sectors may also have played a role, food production having been excluded from the definition of Basic Social Services developed in the run-up to the World Summit on Social Development held in Copenhagen in 1995.

Aid to **industry** has also fallen since the restrictions on the use of tied aid credits under the 1987 DAC Guiding Principles for Associated Financing[10] and especially the so-called Helsinki package of 1991. The package aimed to prevent aid being applied to projects that could attract commercial financing. At least at a global level, the surge in private foreign direct investment during the 1990s has no doubt compensated many times over for the reduction in the use of aid funds for industrial development.

The fall in aid to the **energy sector** (Chart 2.13) is something of a puzzle. As with aid to industry, the Helsinki package restrictions may have played a role, although the fall does not occur until some years after the package. Detailed data show sharp reductions in aid lending to this sector in recent years from France, Germany and Japan, which had been the main sources. Obviously the general cuts in those donors' programmes are having an effect across all sectors. Somewhat lower real oil prices in recent years may also be reducing the expected returns from energy projects, and the privatisation of energy supply in some middle-income countries is perhaps playing a role. It will be interesting to see whether, if the Kyoto Protocol enters into force, its Clean Development Mechanism (CDM) stimulates investment in energy projects in developing countries. Whether CDM expenditures will be eligible to be reported as ODA is currently under discussion in the DAC.

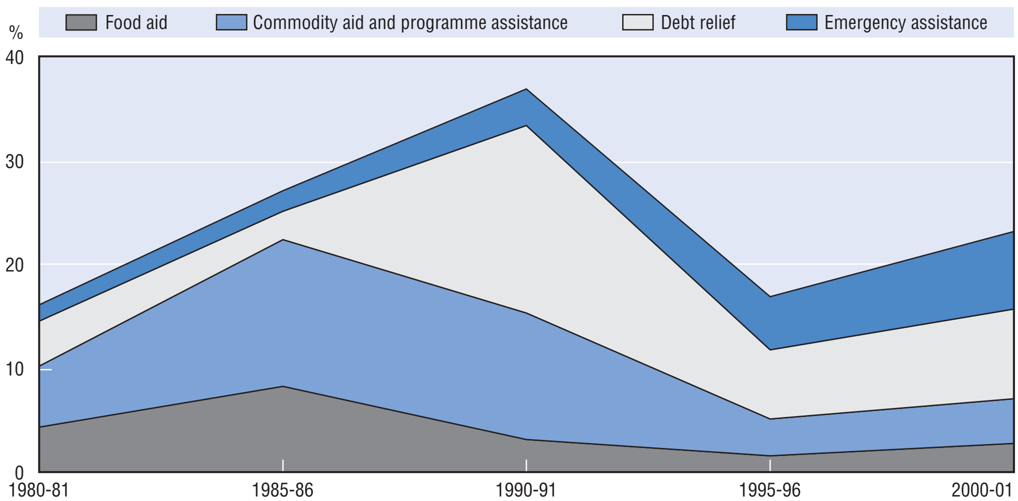
Turning to non-sector aid (Chart 2.14), the 1985-86 spike in commodity assistance and programme aid[11] reflects the peak in structural adjustment assistance as well as a surge in commodity aid, especially by the United States. Food aid was also at a high point in the mid-80s, both in support of development projects and as famine relief, especially in the Horn of Africa.

Chart 2.13. **Share of infrastructure sectors in DAC members' bilateral ODA, 1980-2001**



Source: OECD.

Chart 2.14. **Share of non-sector aid in DAC members' bilateral ODA, 1980-2001**



Source: OECD.

The rise in emergency aid during the 1990s reflects the increased number of humanitarian crises, especially in eastern Europe and Africa. In general, these "complex humanitarian emergencies" have required considerably more aid funds than even the largest natural calamities, with the limited exception of Hurricane Mitch, which devastated large areas of Central America in 1998.

Debt relief was unusually high in 1990-91 when the United States forgave billions of dollars of Egyptian military debt at the time of the Gulf War.

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Trends in forms of aid delivery

Several long-term trends are apparent in the forms in which aid is given. First, the **grant share** has increased (see Chart 2.15). This has been a focus of attention in the DAC since its inception. In the 1960s and 1970s, a series of recommendations on the terms of aid successively increased the target "grant element" of total ODA. The grant element is a measure of the overall "softness" of aid, having regard to both the share of grants and the concessionality of any aid loans (see Technical Notes for details).

The last and most demanding version of the DAC Recommendation on the Terms and Conditions of Aid, approved in 1978,[12] required:

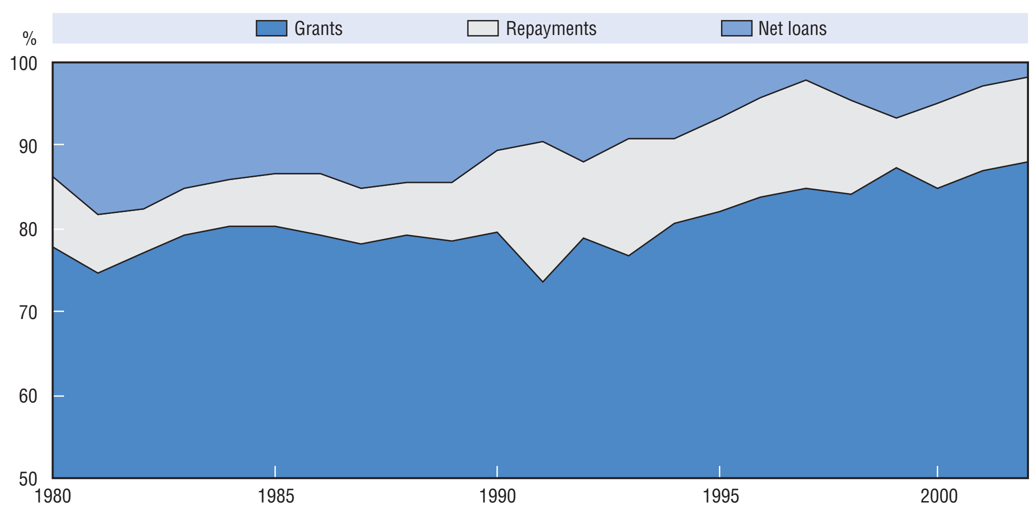
- At least an 86% average grant element for ODA commitments.
- And in the case of least developed countries (LDCs), either a 90% grant element in each year for the group as a whole, or an 86% grant element for every individual LDC over a three-year period.

In the last few years, all DAC members have met these recommendations, although since the total commitments of Italy and the United States were significantly below the DAC average, these countries did not meet the associated ODA volume test in 2002.

Several DAC members curtailed or abolished their ODA lending programmes in the 1980s or 1990s in response to concerns that they were increasing the debt burdens of recipients already facing falling prices for their commodity exports or other external "shocks". Lending is therefore heavily concentrated among a few donors. In 2002, Japan alone lent USD 5 billion of the total of 7 billion in DAC members' total new ODA development lending, while Germany (USD 0.6 billion) and France (USD 0.6 billion) accounted for most of the rest. Among other DAC members, only Spain gave more than 5% of its total gross ODA in the form of new development loans.

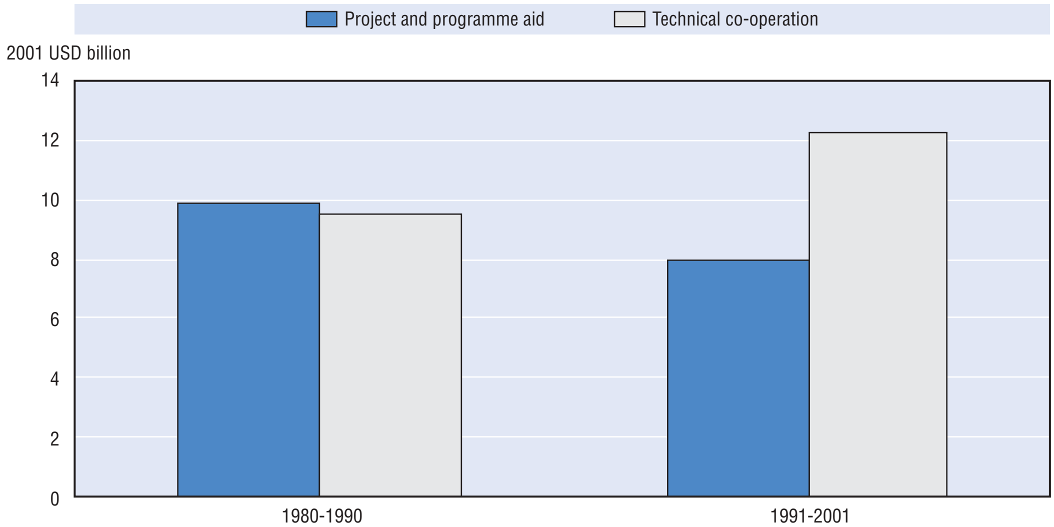
A second tendency in forms of aid is towards reduced **tying** of aid commitments to procurement of goods and services in the donor country. This is largely the result of a conscious effort by DAC members, who have agreed progressive restrictions on the use of

Chart 2.15. **Structure of gross ODA, 1980-2002**



Source: OECD.

Chart 2.16. **DAC members' average annual net flows of project and programme aid and technical co-operation, 1980-2001**



Source: OECD.

tied aid since the 1970s. Excluding technical co-operation,[13] untied aid is estimated to have risen from nearly 60% of DAC donors' bilateral commitments in the early 1980s to an average of over 80% in recent years. Although there are some problems of data comparability, these do not invalidate the overall trend. Progress towards even greater untying is likely to continue since DAC members agreed that all their financial aid to least developed countries would be untied from the beginning of 2002.

These two trends suggest a progressive improvement in aid quality according to long-accepted criteria. This is hardly surprising, as the political clientelism that dominated aid allocations during the Cold War has gradually given way to a sharper focus on development results.

A third major trend in forms of aid delivery is the shift away from projects and programme aid and towards **technical co-operation** (see Chart 2.16). This is linked to the increasing share of the social sectors in total ODA, since contributions to those sectors (*e.g.* education, health and governance) are generally in the form of technical co-operation inputs such as experts, teachers, training programmes and associated equipment.

But the shift from capital projects to technical co-operation also reflects deeper changes in the development financing architecture. Middle-income countries have increasingly been able to raise private financing for infrastructure projects, particularly in the context of widespread privatisation of their public utilities. In poorer countries, there is still some bilateral aid lending for infrastructure, but the task has passed largely to multilateral development banks.

Whether the increase in the share of technical co-operation should count as an improvement in overall aid quality is hard to assess in the absence of firm information on its effectiveness. Clearly, transferring skills and knowledge is fundamental to capacity development, and individual examples of technical co-operation may well have exceptionally high returns. On the other hand, critics have charged that technical

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co-operation expenditure has often focused on high-cost expatriate consultants, and can tend to capture local expertise for use in aid projects, rather than enhance overall capacity. The DAC Network on Governance is currently undertaking case studies to try to identify the factors underpinning successful capacity development, including the role of technical co-operation.

Aid is back

The last two years have seen a modest but noticeable revival of confidence and enterprise in the aid effort. The focus on poverty reduction has sharpened, development goals have been clarified, and new forms of partnership and shared responsibility are evolving. Some of the pessimism about development prospects that characterised the 1980s and 1990s has given way to a realisation that, though many challenges remain, the overall development record is quite impressive. Each decade has shown progress in relieving poverty – whether this is measured by income or access to services.

While the contribution of aid to this process is difficult to isolate, there is an increasing realisation that the poorest countries can only advance with a combination of sound policies and effective assistance. Studies by the World Bank and by DAC members suggest that the quality and effectiveness of aid is improving, and there are clear signs that aid volume, which had been falling, has turned around.

Chapter 3 will review the medium-term prospects for ODA. Further increases and improvements are clearly required to meet the Millennium Development Goals, and most donors have made specific undertakings. Whether they will be able to meet them in a likely climate of fiscal stringency remains to be seen.

ANNEX

Falling Aid to Agriculture

DAC statistics allow detailed examination of the fall in aid to agriculture illustrated in Chart 2.12.

The annual aggregate DAC statistics contain data on total aid to agriculture by donor. The CRS Aid Activity database provides for analysis of aid to agriculture by recipient and by sub-sector. Both can be accessed through the International Development Statistics online (*www.oecd.org/dac/idsonline*).

Aid to agriculture by donor

Over the last 15 years the share of aid to agriculture in total aid (Table A.1) has decreased practically for all donors, bilaterals and multilaterals alike. In absolute terms, the United States accounts for most of the fall, but in relative terms cuts in the projects and programmes of Canada, the Netherlands, New Zealand, Norway and Switzerland were as large or larger. Multilateral aid to agriculture has declined even more than bilateral aid. Non-concessional lending for agriculture by the World Bank, the regional development banks and IFAD decreased by two-thirds in real terms in the same period. In recent years, total aid allocations to the agricultural sector have averaged about USD 4.1 billion a year and non-concessional loans about USD 1.8 billion a year.[14]

Aid to agriculture by recipient

The world's poorest – Sub-Saharan Africa and South and Central Asia – have borne the brunt of the falls in aid to agriculture (Chart A.1). Conflict has interrupted programmes to some countries (Somalia, Sudan), while governance concerns prompted reductions in aid to others (Bangladesh, Kenya, Myanmar and Tanzania). However, the biggest drop in aid to agriculture relates to India. Several donors that supported India's agricultural development at the beginning of the 1980s no longer give assistance to that sector. This could be due to the Green Revolution and a subsequent decline in the demand for aid to agriculture, although overall aid flows to India have also declined.

Far East Asia is the only region receiving increased aid to agriculture. This relates to China and reflects a change in the regional focus of DAC members' aid within that country. Along with steady increases of aid to China in the 1990s, industrial development in the coastal regions has been largely taken over by the private sector, and donors have redirected their financing to the more rural interior. Japanese ODA lending provides a large share of these funds.

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Table A.1. **Aid to agriculture by donor and share in total aid; commitments, 1980-2001**

	1980-81	1985-86	1990-91	1995-96	2000-01	2000-01
	% of donor total[1]					USD million
Australia	7	10	13	4	8	60
Austria	1	4	3	2	1	7
Belgium	4	12	10	13	9	44
Canada	22	19	9	4	4	50
Denmark	10	15	9	7	10	90
Finland	14	15	12	8	6	16
France	7	10	7	6	6	210
Germany	8	10	7	7	4	141
Greece	. .	. .	. .	2	1	1
Ireland	0	18	14	5	8	13
Italy	10	14	11	5	4	25
Japan	11	14	11	12	9	1 140
Luxembourg	. .	..	. .	5	4	4
Netherlands	21	19	12	9	3	91
New Zealand	25	20	4	13	3	3
Norway	25	14	7	5	5	46
Portugal	. .	. .	. .	2	1	4
Spain	. .	. .	1	7	3	36
Sweden	11	6	11	9	3	35
Switzerland	20	24	15	9	4	26
United Kingdom	6	10	10	10	5	148
United States	18	11	3	6	4	379
Total DAC	**12**	**12**	**7**	**8**	**6**	**2 569**
AfDF	31	31	24	29	14	143
AsDF	35	26	43	21	9	108
EC	. .	24	. .	7	7	426
IDA	34	34	22	14	10	660
IDB Sp Fund	29	11	16	9	8	32
IFAD	59	83	54	76	50	172
Total multilateral	**35**	**30**	**25**	**16**	**10**	**1 541**
Total	**16**	**16**	**10**	**10**	**7**	**4 110**

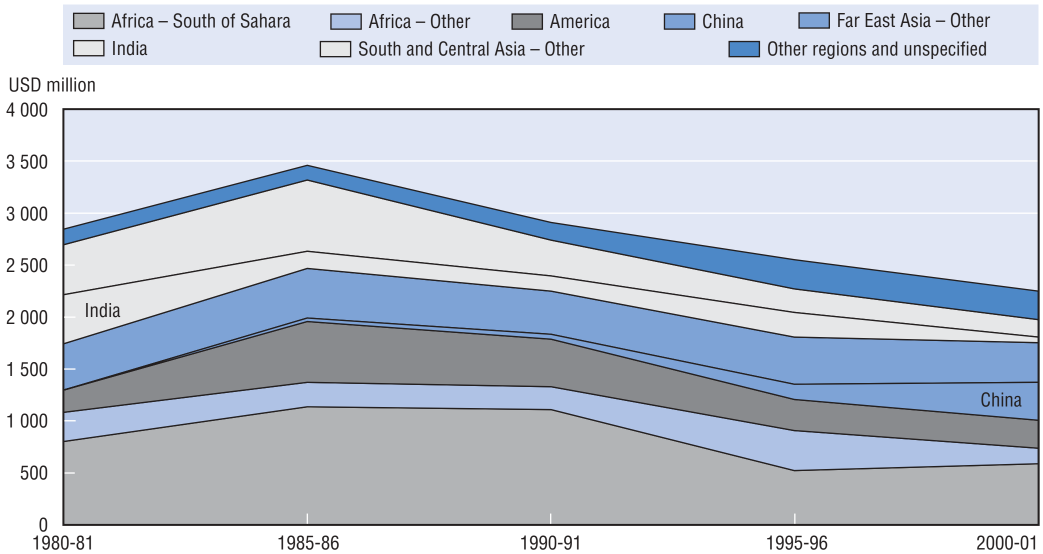
1. Aid from each donor to agriculture as per cent of aid from each donor to all sectors.

Definitions: Aid to agriculture comprises agricultural sector policy, planning and programmes, agricultural land and water resources, agricultural development and supply of inputs, crops and livestock production, agricultural services, agricultural education, training and research as well as institutional capacity building and advice. Forestry and fishing are also included (identified as separate sectors only from 1996 onwards). The definition excludes rural development (classified as multi-sector aid) and developmental food aid (a sub-category of general programme assistance).

Note: In DAC reporting (as well as in most donors' internal reporting systems), each activity can be assigned only one sector code. For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the activity is used. It follows that DAC statistics on aid to agriculture only relate to activities which have agriculture as their main purpose and fail to capture aid to agriculture delivered within multi-sector programmes. Aid to agriculture through NGOs may also be excluded, since this is not always sector coded in as much detail as project and programme aid. At present, using a single sector code is the only practical method of standardising reporting on a basis that permits valid donor comparisons. It is not likely to bias analyses of trends and orders of magnitude.

Source: DAC statistics for DAC members, CRS aid activity database for multilaterals.

Chart A.1. **DAC countries' bilateral aid to agriculture by region, 1980-2001, constant 2001 prices**



Source: CRS aid activity database.

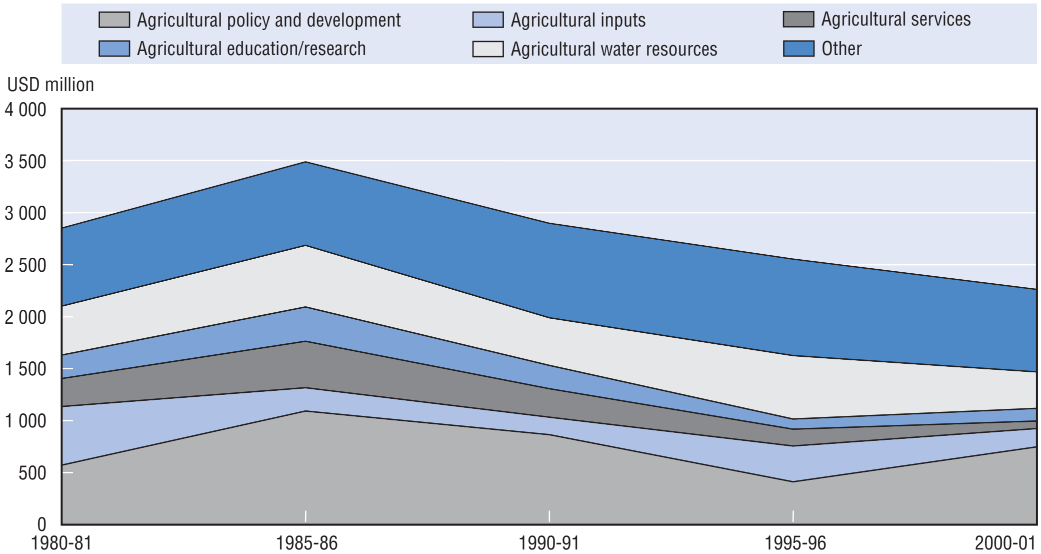
Aid to agriculture by sub-sector

There has been a shift from project to programme aid by many donors and the separate identification of components of wider sector programmes is not possible, which may explain the share of "agricultural policy and development" in Chart A.2 increasing since 1995 while several other sub-sectors declined. Aid for the provision of agricultural inputs, agricultural services and agricultural education/research has halved in real terms over the last 20 years. This has been part of a broader reassessment of the role of the public sector in agriculture. All donors except Japan have stopped financing agricultural inputs (*i.e.* fertilisers, seeds, machinery and equipment). Very few projects in support of agricultural services (storage and transportation, marketing, financial intermediaries) have been reported in recent years.

Agricultural education, training and research activities have increased in number (partly due to improvements in donors' reporting on technical co-operation activities) but declined in volume. Donors are increasingly financing agricultural research multilaterally, through the Consultative Group on International Agricultural Research (CGIAR) (Chart A.3). CGIAR research focuses on improving the productivity of crops (*e.g.* rice, wheat, maize, cassava, potato) and livestock. If successful, donors might be encouraged to further increase their investment in the sector to spread the benefits of the new products.

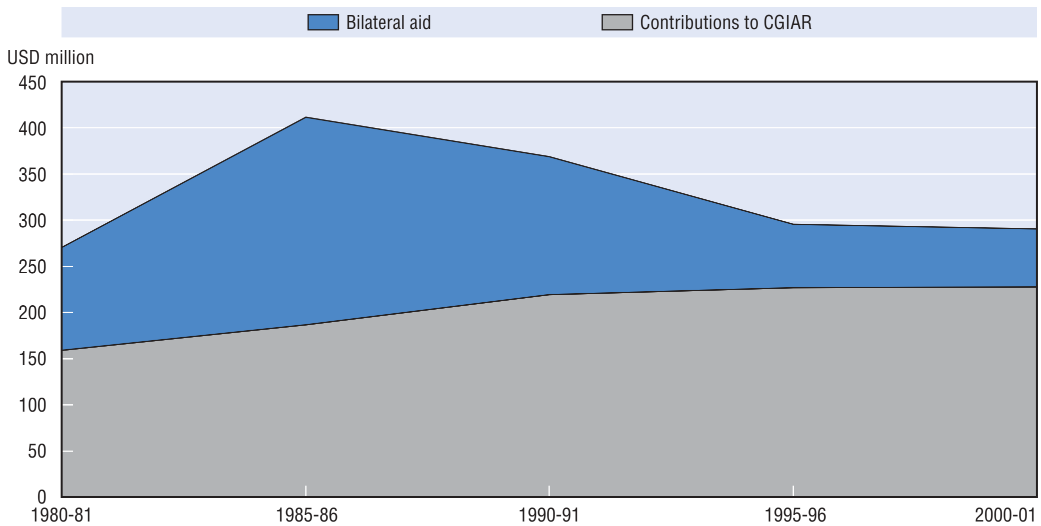
Aid for agricultural water resources has remained relatively stable, as increased amounts by Japan have compensated for decreases from other donors. But if multilateral outflows are taken into account, aid for irrigation has halved since the mid-1980s, mainly because of reduced IDA lending for this purpose.

Chart A.2. DAC countries' bilateral aid to agriculture by sub-sector, 1980-2001, constant 2001 prices



Source: CRS aid activity database.

Chart A.3. DAC countries' aid for agricultural research, 1980-2001, constant 2001 prices



Source: CRS aid activity database and CGIAR Financial Report 2001.

Do the data for 2002 confirm the trend?

Data on aid flows in 2002 show no signs of recovery in aid to agriculture. Bilateral allocations to the sector amounted to USD 2.3 billion representing 5% of aid to all sectors combined. Multilateral commitments summed up to a further USD 1 billion (6% of their total aid). In comparison with 2000-01 (Table A.1), aid to agriculture declined in 2002 for most donors. Finland, Germany, the Netherlands, Norway, Spain, Switzerland, the African Development Fund and the Asian Development Fund reported slightly larger amounts, but only the last two substantially increased their aid to agriculture in relative terms.

Notes

1. Workers' remittances, along with official transfer payments to individuals, have traditionally been regarded as primarily financing consumption in developing countries, and have therefore not been counted within DAC statistics on resource flows for development. However, a recent study (D. Ratha, "Workers' remittances: An important and stable source of development finance" in *Global Development Finance*, World Bank, 2003, pp. 157-175) suggests that improved policies and relaxed foreign exchange controls may have encouraged recipients to use remittances for investment. Ratha estimates workers' remittances to developing countries at USD 72 billion in 2001, but acknowledges formidable data problems (*ibid.*, pp. 171-172).
2. See the data in Table 33 of the Statistical Annex.
3. Further details of the aid programmes of non-DAC members are provided in Chapter 4.
4. *Development Co-operation, 1996 Report*, pp. 95-7.
5. Total ODA to CFA and Comorian franc countries fell by about USD 2.5 billion from its peak in 1994 to its current level of around USD 3 billion. For a succinct history of these currencies, see A. Konate, "Challenges Facing the CFA Franc", in *Conjoncture*, BNP-Paribas, October 2001, p. 2f.
6. By contrast, aid to Albania and the successor states of the former Yugoslavia has been counted as ODA, since they, unlike the Soviet Union and the countries that remained its allies, joined the then unitary list of ODA recipients before the fall of communism in Central and Eastern Europe. For details of the evolution of the DAC List of Aid Recipients, see the Technical Notes at the end of this volume.
7. It will be noted that lower-middle income countries (LMICs) as a group receive about the same aid per head as least developed countries (LDCs), even though they are better off. The relatively high share of aid to LMICs reflects the large number of smaller Latin American and Pacific countries in the group, several of which have high aid per head. The picture differs if one considers aid as a share of recipients' national income. In 2001, ODA represented 8.3% of LDCs' national income, but only 1.2% of the national income of LMICs. Note that the latest data show that China has become a LMIC. This will be reflected in the DAC List of Aid Recipients for flows in 2003.
8. EC aid is classified as multilateral in DAC statistics. The Commission is a full member of the DAC.
9. There are several reasons for the fact that, although the EC and the UN have each retained a 25-30% share of donors' multilateral aid, EC disbursements have increased while UN disbursements have fallen. The first is that there has been a considerable improvement in the disbursement rate of EC resources. These had lagged significantly behind its members' contributions in the early 1990s, but now exceed contributions. It should be remembered in this context that the EC has a concessional loans programme, administered by the European Investment Bank, the repayments from which generate additional resources that can be used for new lending, in the same way as for IDA and the regional banks. A further factor is statistical. The outflows in Chart 2.10 are expressed in constant dollars at the 2000 exchange rate, whereas – in order to show the true shares at the time – the inflows in Charts 2.6 to 2.9 are calculated in current dollars at the exchange rate for the relevant year. The exchange rate of the then European Currency Unit in 1992 averaged USD 1.29; in 2001, its successor, the Euro, fetched only USD 0.92. Thus the relatively high exchange rate of the European unit at the beginning of the period boosts the apparent share of the EC in total multilateral aid inflows around that time. If Chart 2.6 had been presented in constant dollars, the share of the EC in total multilateral contributions would have been lower, and the apparent rise in this share in subsequent years would have been steeper.

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10. The full name is the DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance: they are set out the 1987 edition of this Report at pp. 177-181. The Helsinki package led to a strengthening of these Principles: see the 1992 edition of this Report, pp. 10-11.
11. General programme aid mainly consists of budget and balance of payments support. Note that it does not include sector programme aid, which is counted against the sector concerned.
12. See the 1978 edition of this Report, pp. 171-173.
13. Technical co-operation, which currently accounts for about a third of bilateral ODA, is largely sourced from the donor country, but is no longer covered in tying status statistics. "Raw" tying status data for the early 1980s include technical co-operation, and suggest an untying ratio then of about 50%. The 60% estimate presented here assumes that practically all technical co-operation was tied. For current data on tying status, see Tables 23 and 24 of the Statistical Annex. It will be noted that at present, four donors, including the largest, are unable to report on tying status at the aggregate level.
14. The DAC definition of aid to agriculture excludes rural development which is classified as multi-sector aid. Bilateral aid for rural development has been more stable than aid to agriculture and has in recent years averaged about USD 500 million a year. Lending in support of rural development by the multilateral development banks has, in contrast, followed the downward trend. The data show a 75% decrease in real terms between 1980 and 1995. In 2000-01, these allocations increased slightly to an average of USD 500 million a year.

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Technical Notes

Glossary of Key Terms and Concepts

(Cross-references are given in CAPITALS)

AID: The words "aid" and "assistance" in this publication refer only to flows which qualify as OFFICIAL DEVELOPMENT ASSISTANCE (ODA) or OFFICIAL AID (OA).

AMORTISATION: Repayments of principal on a LOAN. Does not include interest payments.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with other official or private funds to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as TIED AID credits.

BILATERAL: See TOTAL RECEIPTS.

CLAIM: The entitlement of a creditor to repayment of a LOAN; by extension, the loan itself or the outstanding amount thereof.

COMMITMENT: A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of DISBURSEMENTS. Commitments to multilateral organisations are reported as the sum of *i)* any disbursements in the year in question which have not previously been notified as commitments and *ii)* expected disbursements in the following year.

CONCESSIONALITY LEVEL: A measure of the "softness" of a credit reflecting the benefit to the borrower compared to a LOAN at market rate (*cf.* GRANT ELEMENT). Technically, it is calculated as the difference between the nominal value of a TIED AID credit and the present value of the debt service as of the date of DISBURSEMENT, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume. Further details are given in the DAC at Work section of this volume.

DAC LIST OF AID RECIPIENTS: For statistical purposes, the DAC uses a List of Aid Recipients which it revises every three years. The "Notes on Definitions and Measurement" below give details of revisions in recent years. From 1 January 2000, Part I of the List is presented in the following categories (the word "countries" includes territories):

- ***LDCs:*** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

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- ***Other LICs:*** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI $760 or less in 1998 (World Bank Atlas basis).
- ***LMICs:*** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between $761 and $3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.
- ***UMICs:*** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between $3 031 and $9 360 in 1998.
- ***HICs:*** High-Income Countries, *i.e.* with GNI per capita (Atlas basis) more than $9 360 in 1998.

Part II of the List comprises "Countries in Transition". These comprise *i)* more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and *ii)* more advanced developing countries. See also OFFICIAL AID.

DEBT REORGANISATION (also: **RESTRUCTURING**)**:** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include **forgiveness** (extinction of the LOAN), or **rescheduling** which can be implemented either by revising the repayment schedule or extending a new **refinancing** loan. See also "Notes on Definitions and Measurement" below.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of LOAN principal or recoveries on GRANTS received during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

GRACE PERIOD: See GRANT ELEMENT.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a COMMITMENT: interest rate, MATURITY and grace period (interval to first repayment of capital). It measures the concessionality of a LOAN, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the **grant equivalent** of that loan (*cf.* CONCESSIONALITY LEVEL). (Note: in classifying receipts, the grant element concept is not applied to the operations of the multilateral development banks. Instead, these are classified as concessional if they include a subsidy ("soft window" operations) and non-concessional if they are unsubsidised ("hard window" operations).

GRANT-LIKE FLOW: A transaction in which the donor country retains formal title to repayment but has expressed its intention in the COMMITMENT to hold the proceeds of repayment in the borrowing country for the benefit of that country.

LOANS: Transfers for which repayment is required. Only loans with MATURITIES of over one year are included in DAC statistics. The data record actual flows throughout the lifetime of the loans, not the **grant equivalent** of the loans (*cf.* GRANT ELEMENT). Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total NET FLOWS over the life of the loan is zero.

LONG-TERM: Used of LOANS with an original or extended MATURITY of more than one year.

MATURITY: The date at which the final repayment of a LOAN is due; by extension, the duration of the loan.

MULTILATERAL AGENCIES: In DAC statistics, those international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (*e.g.* World Bank, regional development banks), United Nations agencies, and regional groupings (*e.g.* certain European Community and Arab agencies). A contribution by a DAC member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are presented on a **deposit** basis, *i.e.* in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, *i.e.* at the date and in the amount of each drawing made by the agency on letters or other instruments.

NET FLOW: The total amount disbursed over a given accounting period, less repayments of LOAN principal during the same period, no account being taken of interest.

NET TRANSFER: In DAC statistics, NET FLOW minus payments of interest.

OFFICIAL AID (OA): Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES).

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) that are: undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a GRANT ELEMENT of at least 25%).

In addition to financial flows, TECHNICAL CO-OPERATION is included in aid. Grants, loans and credits for military purposes are excluded. For the treatment of the forgiveness of loans originally extended for military purposes, see "Notes on Definitions and Measurement" below.

OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes *a)* bilateral ODA, *b)* GRANTS and concessional and non-concessional development lending by multilateral financial institutions, and *c)* those

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OTHER OFFICIAL FLOWS which are considered developmental (including refinancing LOANS) but which have too low a GRANT ELEMENT to qualify as ODA.

OFFSHORE BANKING CENTRES: Countries or territories whose financial institutions deal primarily with non-residents.

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID, either because they are not primarily aimed at development, or because they have a GRANT ELEMENT of less than 25%.

PARTIALLY UNTIED AID: Official Development Assistance for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries. Partially untied aid is subject to the same disciplines as TIED AID credits and ASSOCIATED FINANCING.

PRIVATE FLOWS: Consist of flows at market terms financed out of private sector resources (*i.e.* changes in holdings of private LONG-TERM assets held by residents of the reporting country) and private grants (*i.e.* grants by **non-governmental organisations**, net of subsidies received from the official sector). In presentations focusing on the receipts of recipient countries, flows at market terms are shown as follows:

- **Direct investment:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES). "Lasting interest" implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.
- **International bank lending:** Net lending to countries on the DAC List of Aid Recipients by banks in OECD countries. LOANS from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under OTHER PRIVATE or BOND LENDING (see below) in these presentations.
- **Bond lending:** Net completed international bonds issued by countries on the DAC List of Aid Recipients.
- **Other private:** Mainly reported holdings of equities issued by firms in aid recipient countries.

In data presentations which focus on the outflow of funds from donors, private flows other than direct investment are restricted to credits with a MATURITY of greater than one year and are usually divided into:

- **Private export credits:** See EXPORT CREDITS.
- **Securities of multilateral agencies:** This covers the transactions of the private non-bank and bank sector in bonds, debentures, etc., issued by multilateral institutions.
- **Bilateral portfolio investment and other:** Includes bank lending and the purchase of shares, bonds and real estate.

SHORT-TERM: Used of LOANS with a MATURITY of one year or less.

TECHNICAL CO-OPERATION: Includes both *a)* GRANTS to nationals of aid recipient countries receiving education or training at home or abroad, and *b)* payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries. Tied aid loans, credits and ASSOCIATED FINANCING packages are subject to certain disciplines concerning their CONCESSIONALITY LEVELS, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value. Details are given in the **Development Co-operation Reports** for 1987 (pp. 177-181) and 1992 (pp. 10-11).

TOTAL RECEIPTS: The inflow of resources to aid recipient countries (see Table 1 of the Statistical Annex) includes, in addition to ODF, official and private EXPORT CREDITS, and LONG- and SHORT-TERM private transactions (see PRIVATE FLOWS). Total receipts are measured net of AMORTIZATION payments and repatriation of capital by private investors. **Bilateral** flows are provided directly by a donor country to an aid recipient country. **Multilateral** flows are channelled via an international organisation active in development (*e.g.* World Bank, UNDP). In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

UNDISBURSED: Describes amounts committed but not yet spent. See also COMMITMENT, DISBURSEMENT.

UNTIED AID: Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries. See also Chapter 3, Box 3.5, which outlines progress with the 2001 Dac Recommandation on Untying ODA to the Least Developed Countries.

VOLUME (real terms): The flow data in this publication are expressed in US dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period. A table of combined conversion factors (deflators) is provided in the Statistical Annex (Table 36) which allows any figure in the Report in current USD to be converted to dollars of the reference year ("constant prices").

Notes on Definitions and Measurement

The coverage of the data presented in this Report has changed in recent years. The main points are:

Changes in the ODA concept and the coverage of GNI

While the definition of Official Development Assistance has not changed since 1972, some changes in interpretation have tended to broaden the scope of the concept. The main ones are the recording of administrative costs as ODA (from 1979), the imputation as ODA of the share of subsidies to educational systems representing the cost of educating students from aid recipient countries (first specifically identified in 1984), and the inclusion of assistance provided by donor countries in the first year after the arrival of a refugee from an aid recipient country (eligible to be reported from the early 1980s but widely used only since 1991).

Precise quantification of the effects of these changes is difficult because changes in data collection methodology and coverage are often not directly apparent from members' statistical returns. The amounts involved can, however, be substantial. For example, reporting by Canada in 1993 included for the first time a figure for in-Canada refugee support. The amount involved ($184 m) represented almost 8% of total Canadian ODA. Aid flows reported by Australia in the late 1980s, it has been estimated, were some 12% higher than had they been calculated according to the rules and procedures applying fifteen years earlier.*

The coverage of national income has also been expanding through the inclusion of new areas of economic activity and the improvement of collection methods. In particular, the new System of National Accounts (SNA) co-sponsored by the OECD and other major international organisations broadens the coverage of GNI, now renamed GNI – Gross National Income. This tends to depress donors' ODA/GNI ratios. Norway's and Denmark's ODA/GNI ratios declined by 6 to 8% as a result of moving to the new SNA in the mid-1990s. Finland and Australia later showed smaller falls of 2 to 4%. All DAC members are now using the new SNA.

Recipient country coverage

Since 1990, the following entities have been added to the list of ODA recipients at the dates shown: the Black Communities of South Africa (1991 – now simply South Africa); Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Georgia and Azerbaijan (1993), Palestinian Administered Areas (1994), Moldova (1997). Eritrea, formerly part of Ethiopia, has been treated as a separate country from 1993. The former United States Trust Territory of the Pacific Islands has been progressively replaced by its independent successor states, *viz*. Federated States of Micronesia and Marshall Islands (1992); Palau Islands (1994).

* S. Scott, "Some Aspects of the 1988/89 Aid Budget", in *Quarterly Aid Round-up*, No. 6, AIDAB, Canberra, 1989, pp. 11-18.

Over the same period, the following countries and territories have been removed from the ODA recipient list: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion and St Pierre and Miquelon (1992), Greece (1994).

From 1993, several CEEC/NIS countries in transition have been included on Part II of a new List of Aid Recipients (the List is given on the next page). Aid to countries on Part II of the List is recorded as "Official Aid", not as ODA. To avoid overlap, Part II of the new List does not include those CEEC/NIS countries which have been classified as ODA recipients.

From 1996, the following High-Income Countries were transferred from Part I to Part II of the List: Bahamas, Brunei, Kuwait, Qatar, Singapore and United Arab Emirates. From 1997, seven further High-Income Countries were transferred to Part II: Bermuda, Cayman Islands, Chinese Taipei, Cyprus, Falkland Islands, Hong Kong (China), and Israel. From 1 January 2000, Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and Northern Marianas progressed to Part II. In 2001, Senegal transferred to the group of LDCs, and Northern Marianas left the List.

Data on total aid to Part I countries (ODA) and total aid to Part II countries (OA) follow the recipient list for the year in question. However, when a country is added to or removed from an income group in Part I, totals for the groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

Donor country coverage

Spain and Portugal joined the DAC in 1991, Luxembourg joined in 1992 and Greece joined in 1999. Their assistance is now counted within the DAC total. ODA flows from these countries before they joined the DAC have been added to earlier years' data where available. The accession of new members has added to total DAC ODA, but has usually reduced the overall ODA/GNI ratio, since their programmes are often smaller in relation to GNI than those of the longer-established donors.

Treatment of debt forgiveness

The treatment of the **forgiveness of loans not originally reported as ODA** varied in earlier years. Up to and including 1992, where forgiveness of non-ODA debt met the tests of ODA it was reportable as ODA. From 1990 to 1992 inclusive it remained reportable as part of a country's ODA, but was excluded from the DAC total. From 1993, forgiveness of debt originally intended for **military** purposes has been reportable as "Other Official Flows", whereas forgiveness of other non-ODA loans (mainly **export credits**) recorded as ODA is included both in country data and in total DAC ODA in the same way as it was until 1989.

The **forgiveness of outstanding loan principal originally reported as ODA** does not give rise to a new net disbursement of ODA. Statistically, the benefit is reflected in the fact that because the cancelled repayments will not take place, net ODA disbursements will not be reduced.

Reporting year

All data in this publication refer to calendar years, unless otherwise stated.

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DAC List of Aid Recipients – For 2002 Flows

Part I: Developing Countries and Territories (Official Development Assistance)					Part II: Countries and Territories in Transition (Official Aid)	
LDCs	Other LICs (per capita GNI < $760 in 1998)	LMICs (per capita GNI $761-$3 030 in 1998)	UMICs (per capita GNI $3 031-$9 360 in 1998)	HICs (per capita GNI > $9 360 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 São Tomé and Principe Senegal Sierra Leone Solomon Islands Somalia Sudan Tanzania Togo Tuvalu Uganda Vanuatu Yemen Zambia	* Armenia * Azerbaijan Cameroon China Congo, Rep. Côte d'Ivoire Ghana Honduras India Indonesia Kenya Korea, Dem. Rep. * Kyrgyz Rep. * Moldova Mongolia Nicaragua Nigeria Pakistan * Tajikistan Timor-Leste * 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 Serbia and Montenegro South Africa Sri Lanka St Vincent and Grenadines Suriname Swaziland Syria Thailand ● Tokelau Tonga Tunisia * Uzbekistan ● Wallis and Futuna	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 ($5 280 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 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 transfer to Part II on 1 January 2003.
As of July 2002, the **Heavily Indebted Poor Countries (HIPCs)** are : Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo (Dem. Rep.), Congo (Rep.), Côte d'Ivoire, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Laos, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Viet Nam, Yemen and Zambia.
Source: OECD.

List of Acronyms*

ACP	AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES
AfDB	AFRICAN DEVELOPMENT BANK
AfDF	AFRICAN DEVELOPMENT FUND
AsDB	ASIAN DEVELOPMENT BANK
AsDF	ASIAN DEVELOPMENT FUND
ASEAN	ASSOCIATION OF SOUTH-EAST ASIAN NATIONS
BIS	BANK FOR INTERNATIONAL SETTLEMENTS
CCA	COMMON COUNTRY ASSESSMENT
CDF	COMPREHENSIVE DEVELOPMENT FRAMEWORK
CDM	CLEAN DEVELOPMENT MECHANISM (Kyoto Protocol)
CEC	COMMISSION OF THE EUROPEAN COMMUNITIES
CEECs	CENTRAL AND EASTERN EUROPEAN COUNTRIES
CGIAR	CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH
CPE	COUNTRY PROGRAMME EVALUATION
CPIA	COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT
CRS	CREDITOR REPORTING SYSTEM (of the DAC)
CSOs	CIVIL SOCIETY ORGANISATIONS
DAC	DEVELOPMENT ASSISTANCE COMMITTEE
DDR	DOHA DEVELOPMENT ROUND
DCD	DEVELOPMENT CO-OPERATION DIRECTORATE (OECD)
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EC	EUROPEAN COMMUNITY
ECA	ECONOMIC COMMISSION FOR AFRICA
EDF	EUROPEAN DEVELOPMENT FUND
EU	EUROPEAN UNION
FDI	FOREIGN DIRECT INVESTMENT
GNI	GROSS NATIONAL INCOME
HIPCs	HEAVILY INDEBTED POOR COUNTRIES
HPI	HUMAN POVERTY INDEX
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ICTs	INFORMATION AND COMMUNICATIONS TECHNOLOGIES
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
IDB	INTER-AMERICAN DEVELOPMENT BANK

* This list is not exhaustive. See also Chapter 4 of this Report for country-specific acronyms.

IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
IFC	INTERNATIONAL FINANCE CORPORATION
ILO	INTERNATIONAL LABOUR ORGANISATION
IMF	INTERNATIONAL MONETARY FUND
IRTA	INVESTMENT-RELATED TECHNICAL ASSISTANCE
ITC	INTERNATIONAL TRADE CENTRE
JCLA	JOINT COUNTRY LEARNING ASSESSMENTS
LDCs	LEAST DEVELOPED COUNTRIES
MDBs	MULTILATERAL DEVELOPMENT BANKS
MDGs	MILLENNIUM DEVELOPMENT GOALS
NEPAD	NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
NGO	NON-GOVERNMENTAL ORGANISATION
NIS	NEW INDEPENDENT STATES (of the former Soviet Union)
NSSDs	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT
ODA	OFFICIAL DEVELOPMENT ASSISTANCE
ODF	OFFICIAL DEVELOPMENT FINANCE
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
OOF	OTHER OFFICIAL FLOWS
PDGG	PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE
PRGF	POVERTY REDUCTION AND GROWTH FACILITY (IMF)
PRSP	POVERTY REDUCTION STRATEGY PAPER/PROGRAMME
RBM	RESULTS-BASED MANAGEMENT
SAF	STRUCTURAL ADJUSTMENT FACILITY
SDR	SPECIAL DRAWING RIGHT
SNA	SYSTEM OF NATIONAL ACCOUNTS
SPA	STRATEGIC PARTNERSHIP WITH AFRICA
SPS	SECTOR PROGRAMME SUPPORT
SSA	SUB-SAHARAN AFRICA
SWAPs	SECTOR-WIDE APPROACHES
TC	TECHNICAL CO-OPERATION
TRPM	TRADE POLICY AND REVIEW MECHANISM (WTO)
TRTA	TRADE-RELATED TECHNICAL ASSISTANCE
UN	UNITED NATIONS
UNCED	UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT, RIO DE JANEIRO, 1992
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNDAF	UNITED NATIONS DEVELOPMENT ASSISTANCE FRAMEWORK
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
UNEP	UNITED NATIONS ENVIRONMENT PROGRAMME
UNESCO	UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANISATION
UNFCCC	UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
UNFPA	UNITED NATIONS FUND FOR POPULATION ACTIVITIES

UNHCR	UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
UNICEF	UNITED NATIONS CHILDREN'S FUND
USD	UNITED STATES DOLLAR
WHO	WORLD HEALTH ORGANISATION
WSSD	WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (Johannesburg, 2002)
WTO	WORLD TRADE ORGANIZATION

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