

International Development Days 2007

Global Market Outlook

Development Cooperation at Glance

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OECD Development Assistance Committee



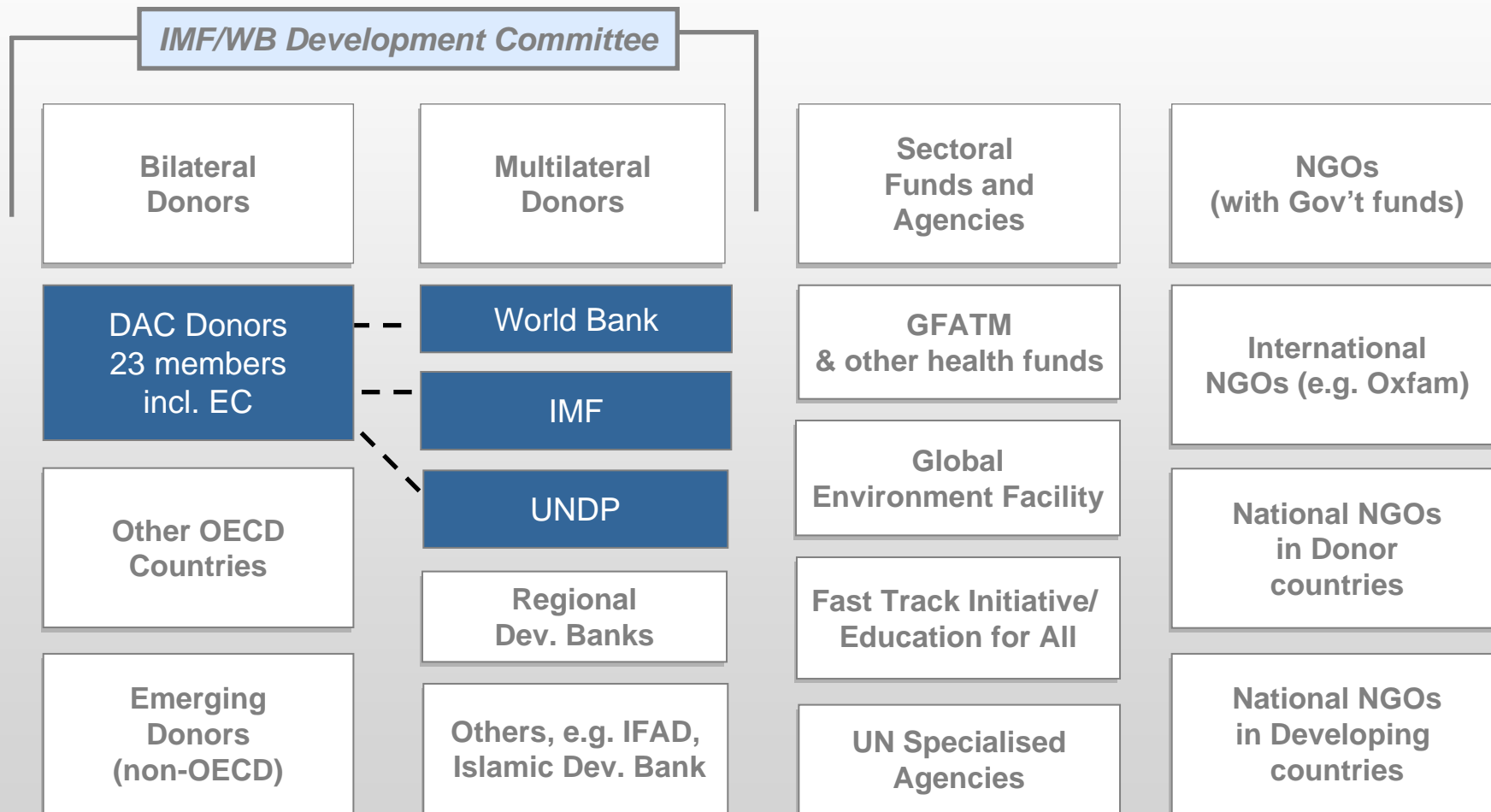
Development Cooperation at a Glance

- **The OECD DAC**
- Volume of ODA
- New sources of ODA
- Trends in aid allocation
- Aid untying

OECD's Development Assistance Committee...

- is the forum where bilateral donors, and key multilateral actors, work together to help developing countries,
- seeks to improve aid effectiveness through mutual accountability, management for results, country ownership, donor alignment and harmonisation,
- provides guidance and good practice on policies,
- conducts Peer Reviews of Members' aid systems,
- is the authoritative source of ODA statistics.

The International Aid Architecture



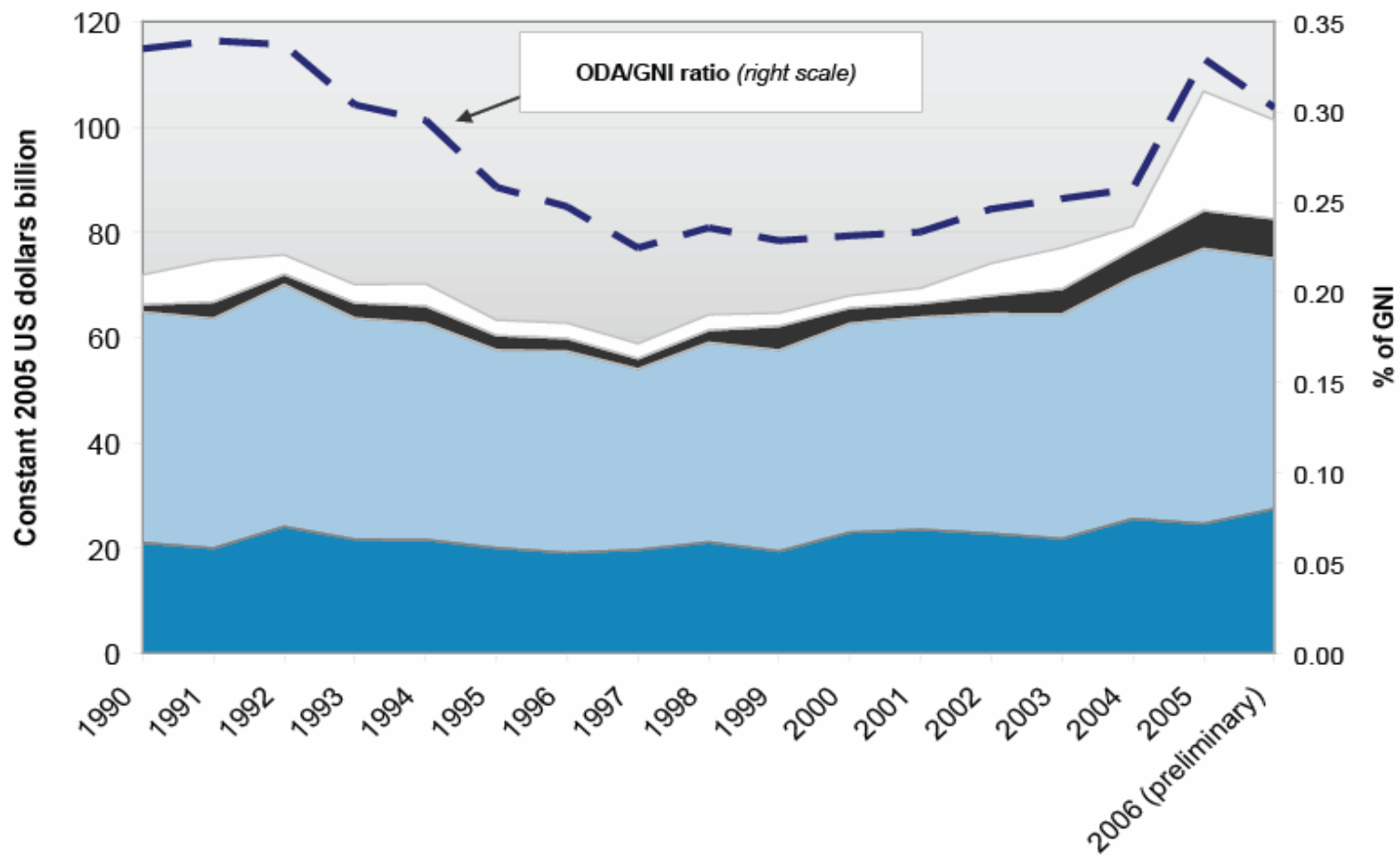
--- Indicates observer status in DAC

Development Cooperation at a Glance

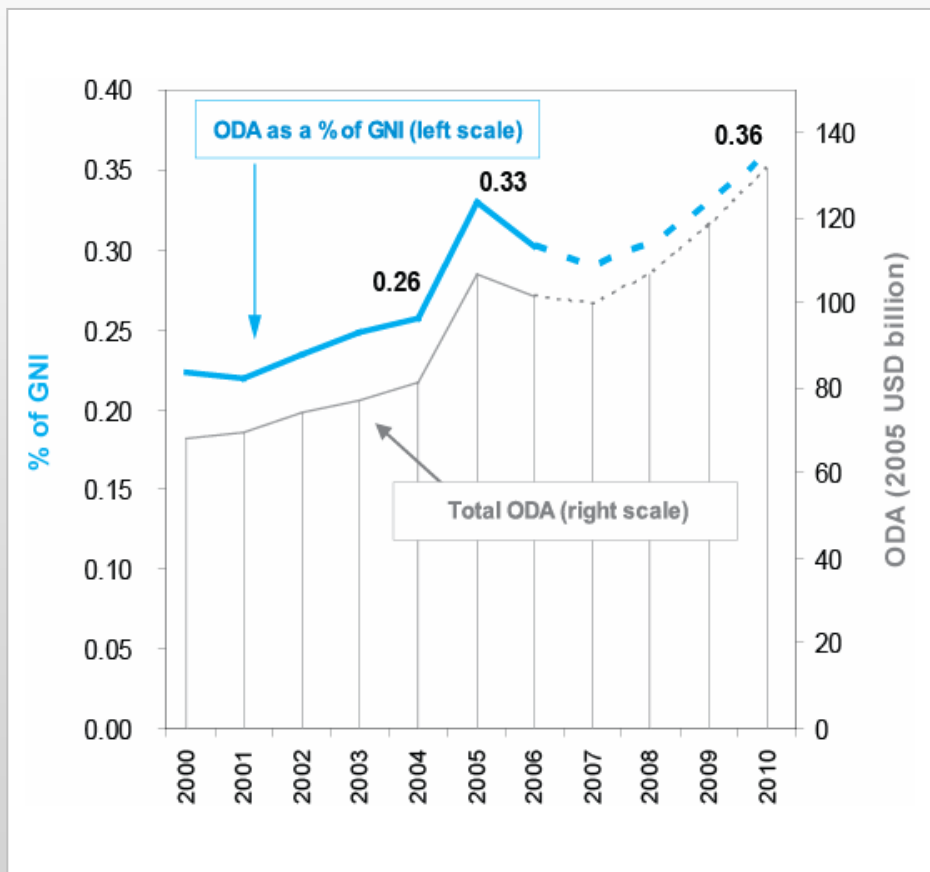
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Volume of ODA

Looking Back



Volume of ODA *Looking Forward*



Scaling up ODA to 2010

- Monterrey (2002)
Financing for Development
- Barcelona (2005)
EU Council
- Gleneagles (2005)
G8
- Hong Kong (2005)
WTO MC

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New Sources of Aid Flows

Innovative Finance

- Three major initiatives, all health related
- Relatively modest, but significant addition to health-related ODA flows

Non-DAC Donors

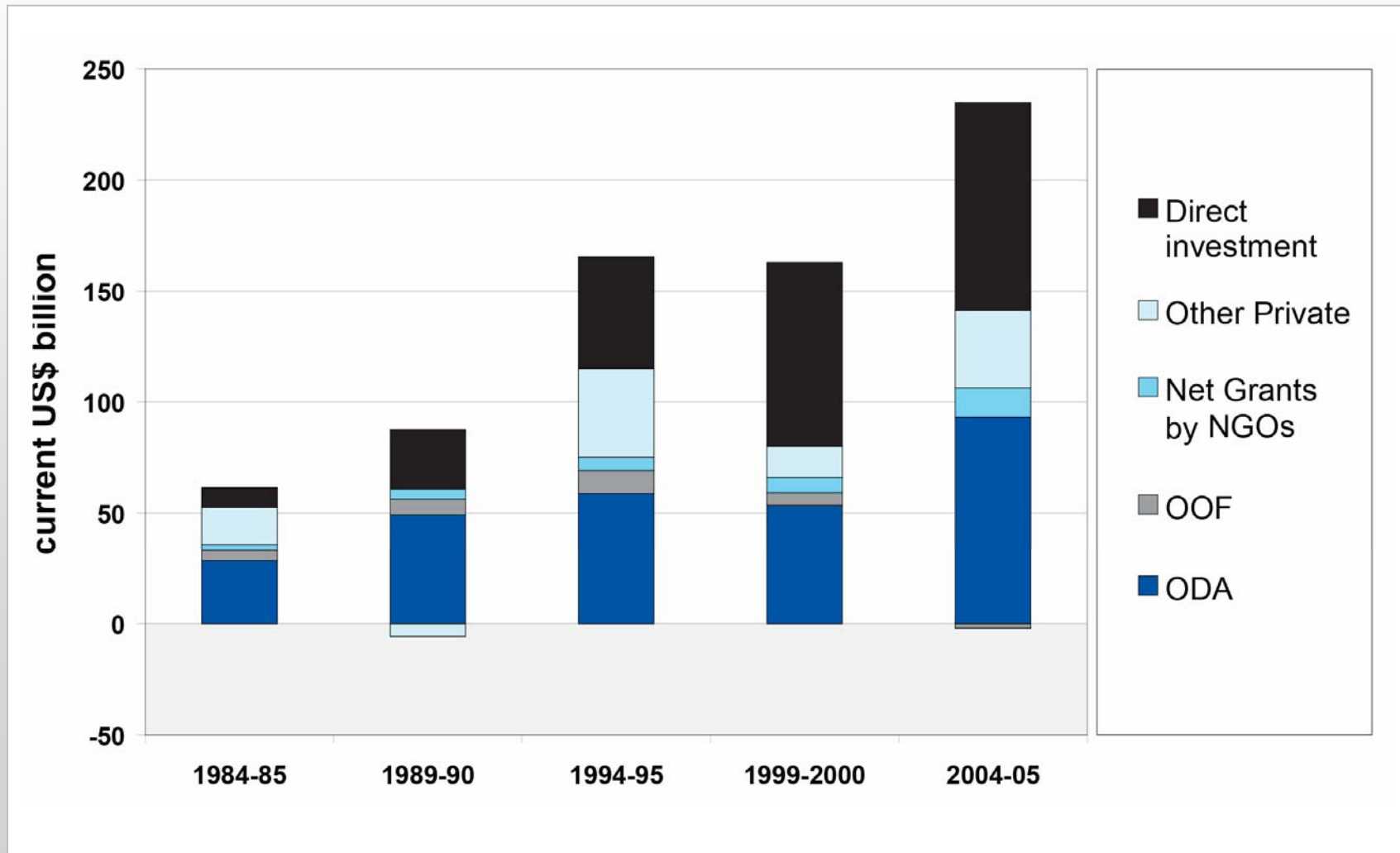
- Significant increases from OECD non-DAC members, DAC still likely to account for 90% of all ODA to 2015

Non-ODA Flows

- Commercial flows far more important than aid for middle-income and resource rich countries
- Remittances important in many countries
- Flows from Foundations increasing rapidly (perhaps USD 3 billion a year from US Foundations)

Non-ODA Flows

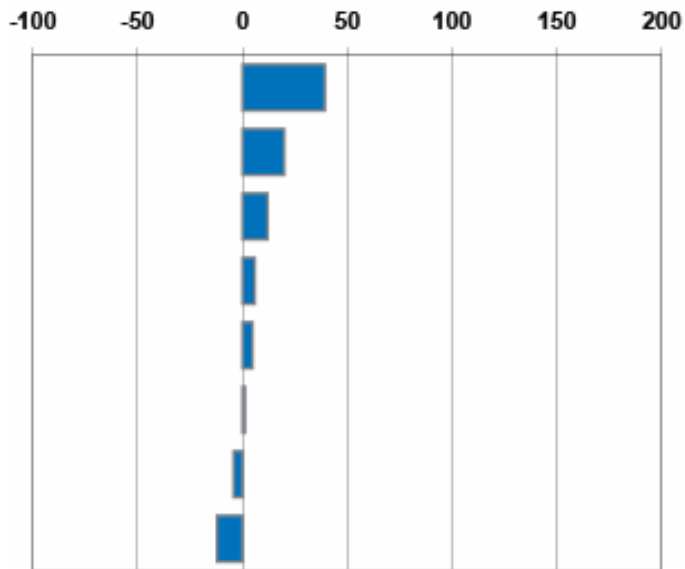
Private Volatility and Public Reliability?



Non-ODA Flows

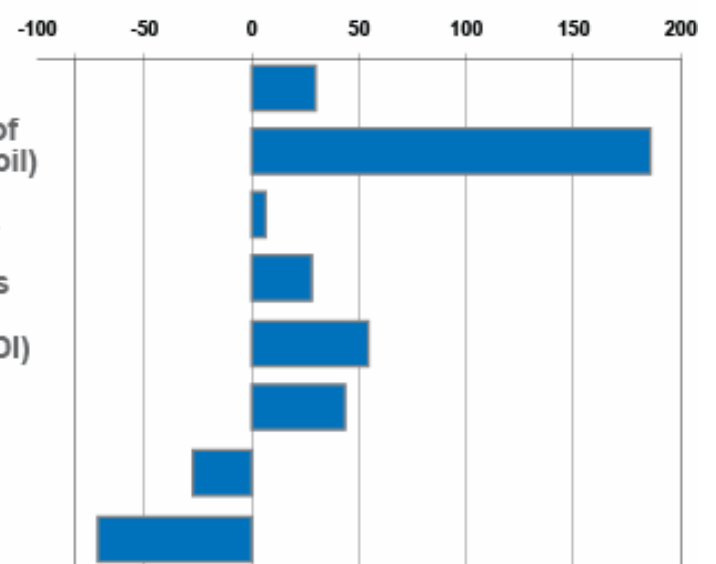
Aid for the Poor – Trade for Others?

LDCs and other Low Income Countries



Average 2002-03,
US\$ billion

Middle Income Countries



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Major Trends in Aid Allocation

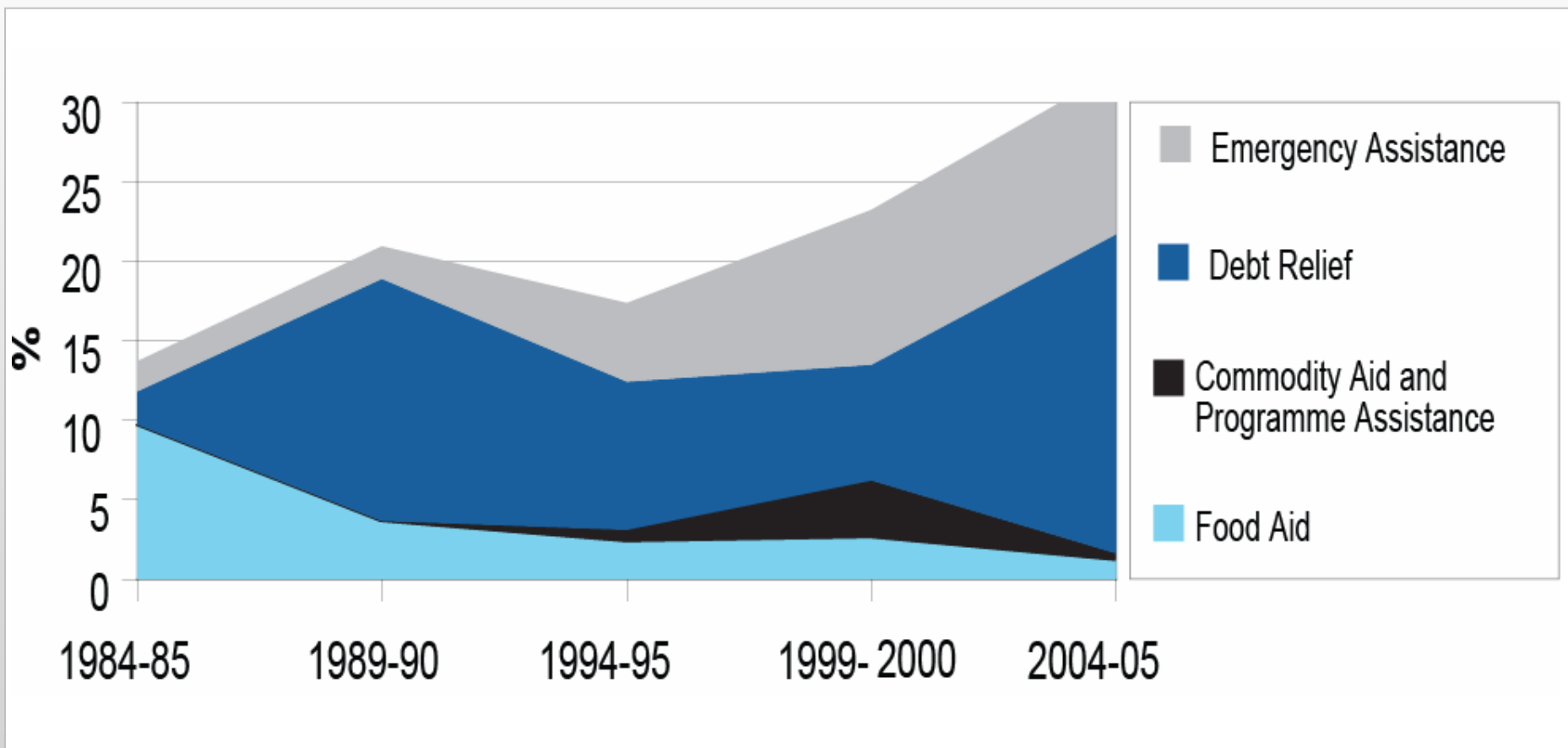
Major aid flows to Iraq and Afghanistan and debt relief can obscure long term trends

But...

-
- 96% of ODA goes to the least-developed, other low income and lower middle income countries
 - Signs of declining aid to East Asia and Europe as countries progress (Thailand, Philippines, Bosnia out of Top 25)
 - “Good performers” attract more aid (Vietnam, Tanzania, Ghana)
 - Crises are very expensive for donors

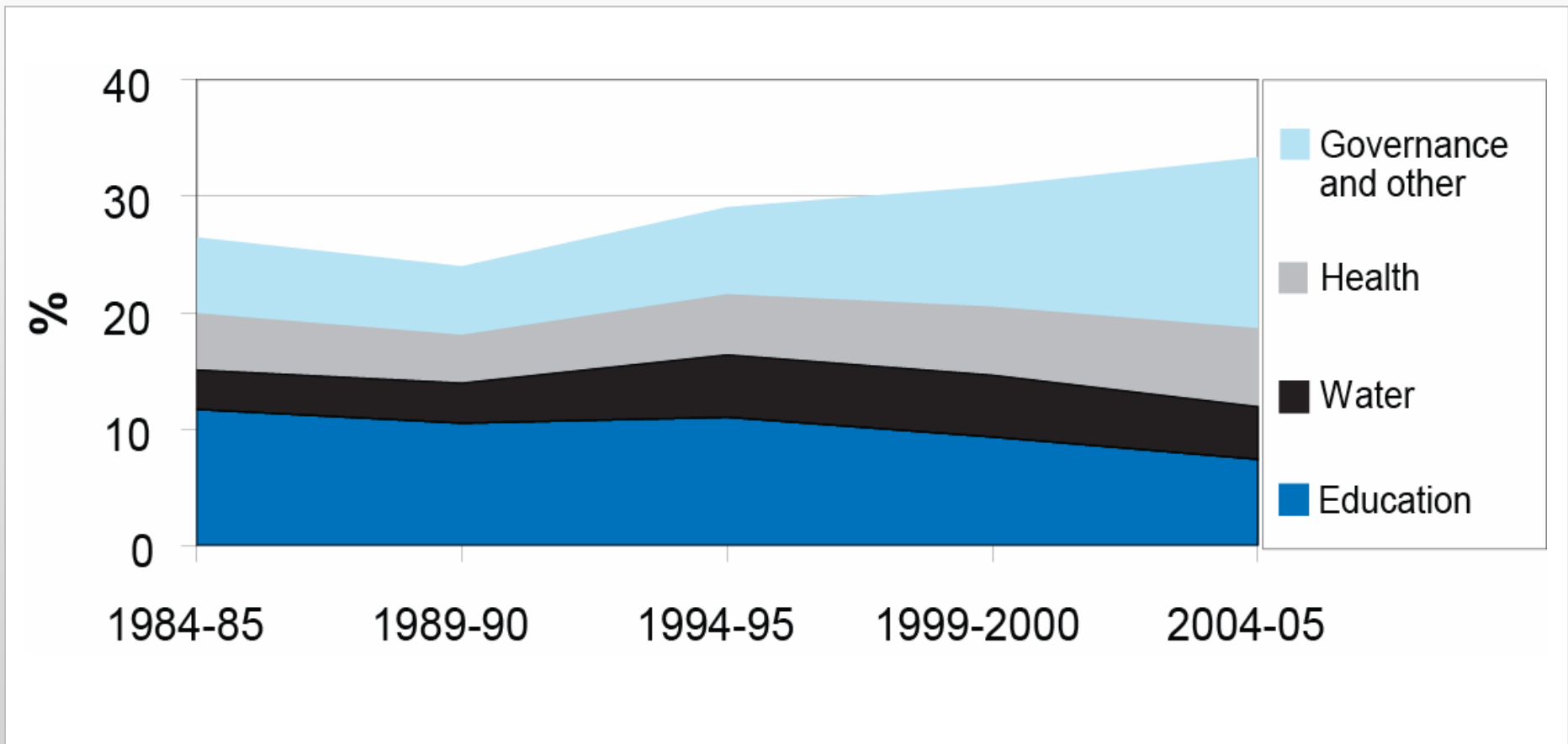
Major Trends in Aid Allocation

Humanitarian aid and debt relief more than doubled...



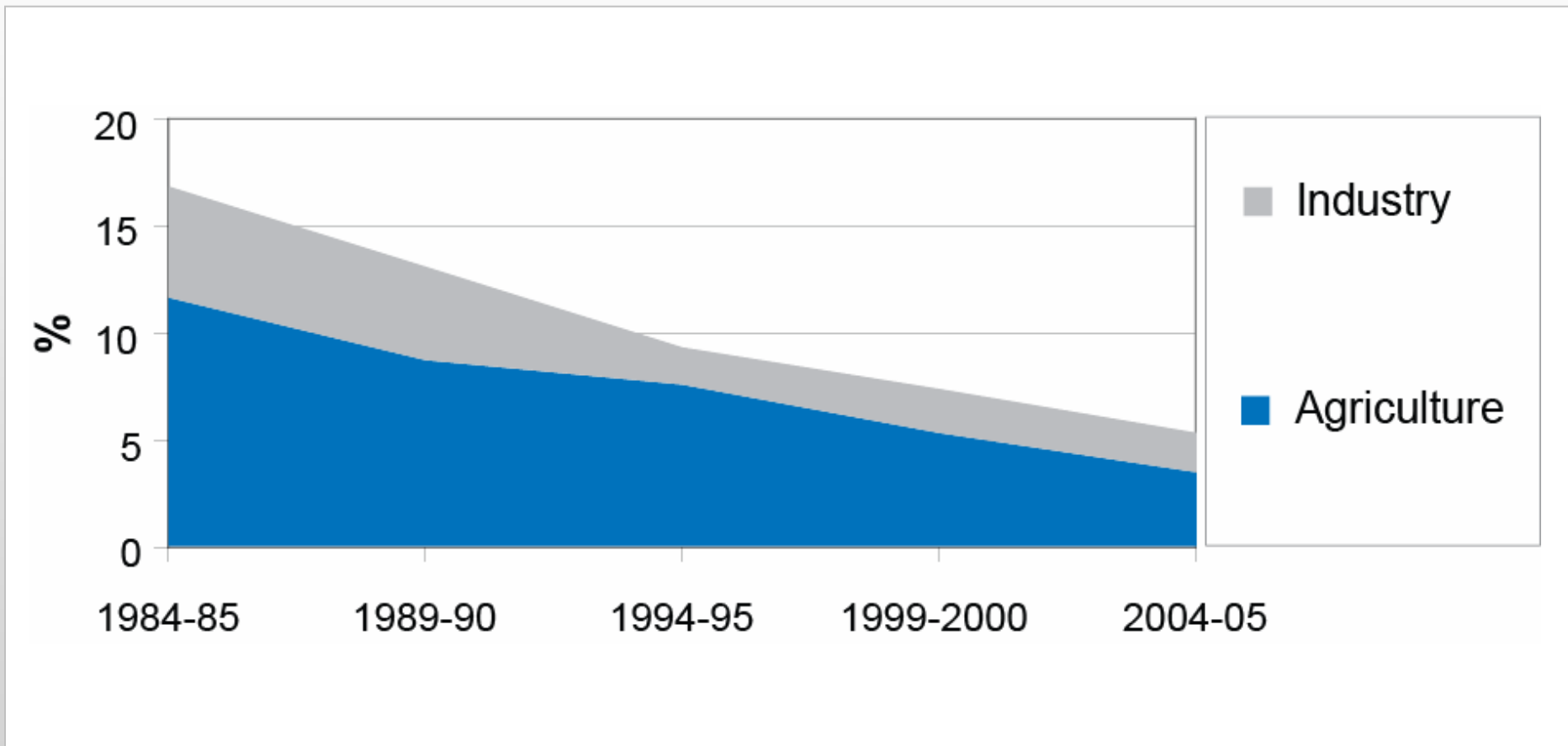
Major Trends in Aid Allocation

... as aid for governance is also going ...



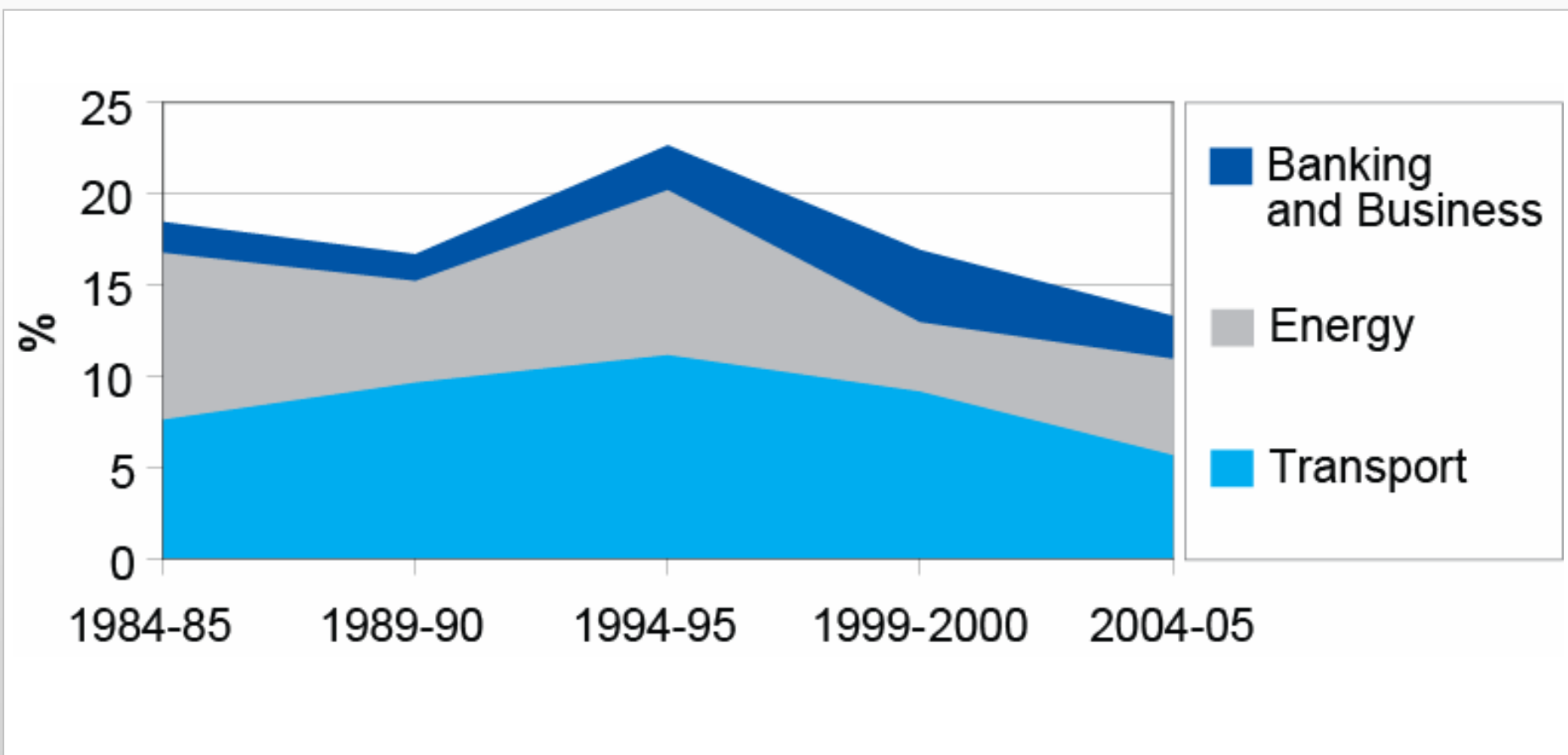
Major Trends in Aid Allocation

*... at the expense of production sectors,
including agriculture and industry ...*



Major Trends in Aid Allocation

and transport, energy, banking and business



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- **Aid untying**

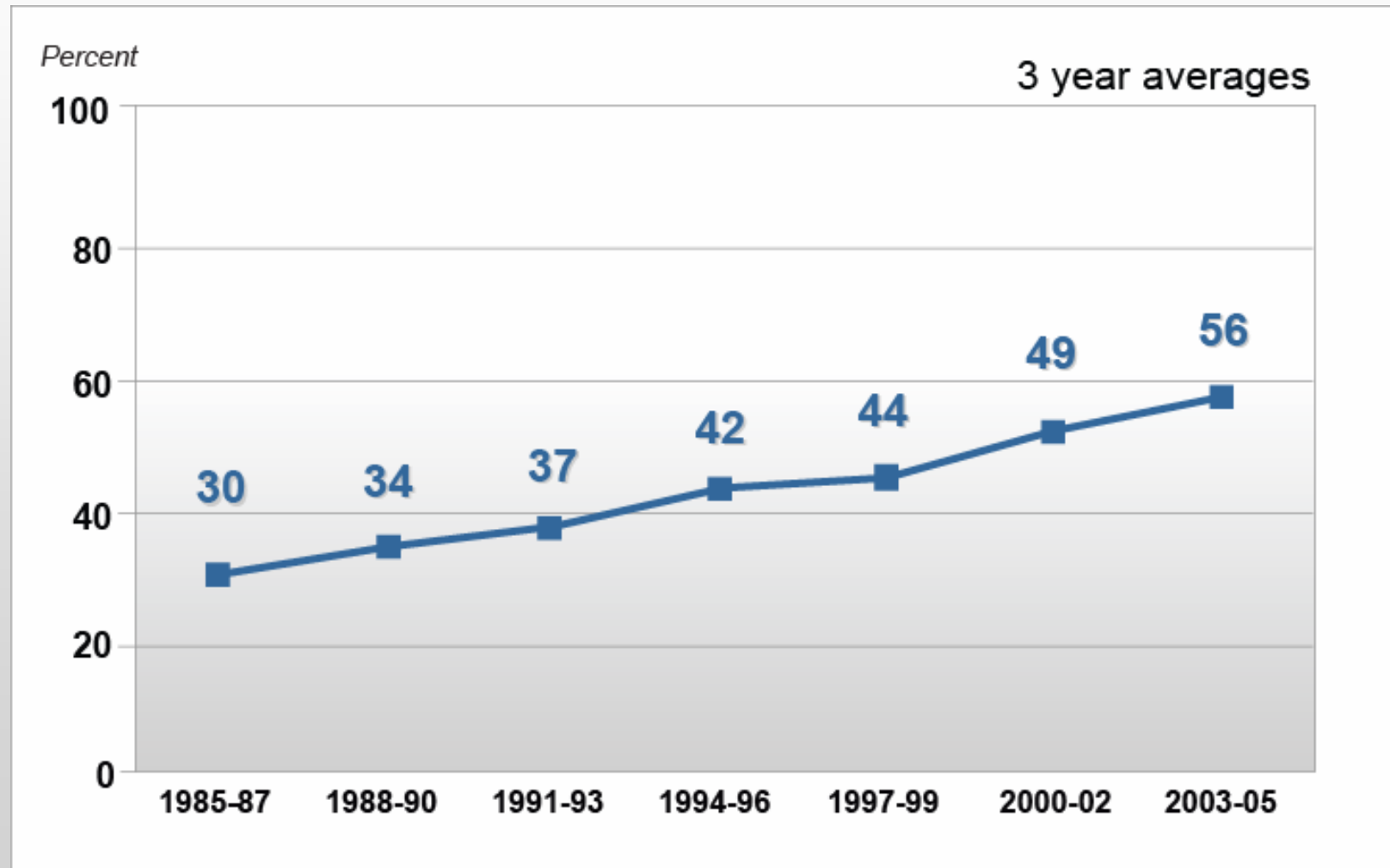
Aid Untying

The rules are getting stricter...

WHO	WHAT	WHEN
DAC	Official flows split into: <ul style="list-style-type: none"> • ODA, and • Other Official Flows 	1969
	Introduction of 25% Grant Element (10% discount rate)	1972
Participants	Tied aid credits <ul style="list-style-type: none"> • LDCs 50% concessionality • Others 35% concessionality Differentiated discount Rate (cost of money)	1987
Participant/ DAC	Tied Aid Disciplines <ul style="list-style-type: none"> • No tied aid loans for commercially viable projects 	1992
DAC	Recommendation to Untie ODA to LDCs (exc. TC and Food Aid)	2001

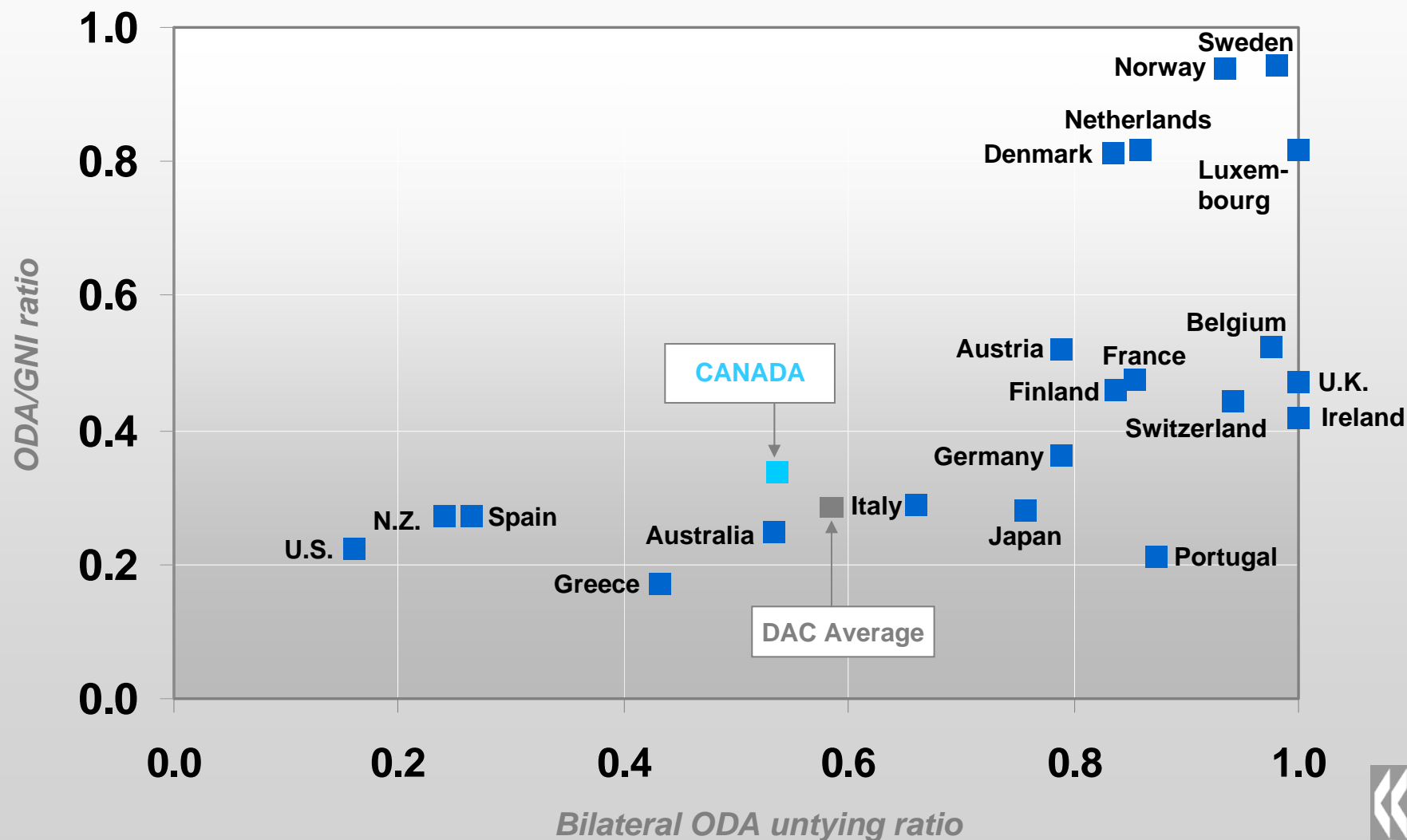
Aid Untying

... increasing the share of aid that is untied ...



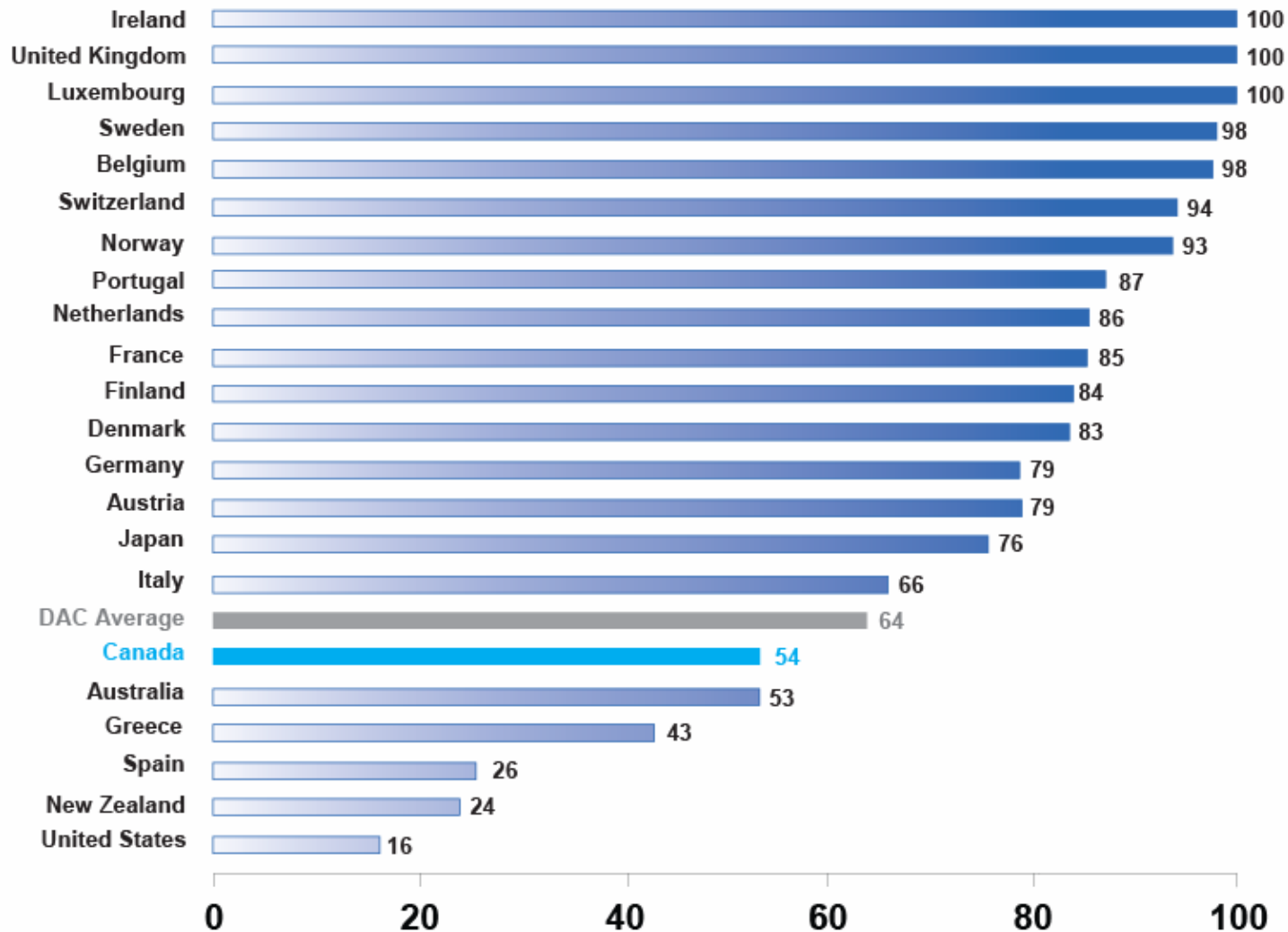
Aid Untying

Aid budgets seem to be related to aid effectiveness.



Aid Untying

Canada's untying share remains below the DAC average.



The Future of Aid

- Extending the Tied Aid Disciplines to untied aid?
- Broadening the coverage of the Recommendation on untying?
- WTO disciplines and disputes