DEVELOPMENT
POLICY CENTRE

POLICY BRIEF 13
APRIL 2016

Aid's new contours:
an exploration of global aid flows in 2014

Robin Davies

SUMMARY

The record global aid spending outcome in 2014 was a solid achievement for OECD countries, not much assisted by the inclusion of contested flows such as onshore refugee costs. However, half of OECD aid came from just three leading donors. Aid to poor countries fell in 2014, in part because the share of aid attributed to specific countries is declining, but remained close to its five-year average. Measured non-OECD aid increased by more than half and total non-OECD aid might now be as high as $30 billion per annum. Consequently, total aid available to developing countries increased by around 20% over the period 2013-14. Economic infrastructure is accounting for an increasing share of aid. General budget support has collapsed.

KEY POINTS

- The 1.2% real increase in OECD aid in 2014, to $136.5 billion, was somewhat assisted by increased spending on onshore refugee costs and a decrease in repayments on concessional loans. However, the impact of these factors was almost entirely offset by reduced claims for action relating to debt.
- Half of OECD aid is now provided by three leading donors: the United States, the United Kingdom and Germany. Measured non-DAC aid, which goes largely to the Middle East and Egypt, increased by 56% to $25 billion in 2014. Aid from unmeasured bilateral sources was estimated to be about $5 billion.
- Around one-third of all aid is neither contributed to multilateral organisations nor attributed to specific countries or regions, suggesting a shift toward thematic and transaction-based funding mechanisms. General budget support has collapsed and project-type aid is increasing. Sector budget support is stable but low.

The Development Policy Centre is part of Crawford School of Public Policy at The Australian National University. We undertake analysis and promote discussion on Australian aid, Papua New Guinea and the Pacific and global development policy.

Aid's new contours:
an exploration of global aid flows in 2014

1. INTRODUCTION

On the basis of preliminary estimates, in April 2015 the OECD reported a slight fall in Official Development Assistance (ODA) from 2013 to 2014. However, when the final numbers were released at the end of the year, it emerged that ODA from the 28 member countries of the OECD Development Assistance Committee (DAC)[1] had actually increased by $1.6 billion or 1.2% in real terms in 2014, setting a new record of $136.5 billion at 2013 prices.[2] This might come as a surprise to anybody who believes that most DAC donors have been busily slashing their aid budgets. It might come as less of a surprise to people who believe that DAC donors have been sneaking domestic costs into their aid budgets. What is actually going on here? Who is cutting and who is not, and are donors really adopting performance enhancing techniques to inflate their spending figures?

The short answer is that aid cuts are mainly being imposed by some smaller donors and that, while the counting of more onshore refugee costs did assist the growth in OECD aid from 2013 to 2014, aid would have been maintained at almost exactly the record level achieved in 2013 even without this. Debt relief, which in some years has distorted aid levels, was at a very low level in 2014 but a fall in repayments on ODA loans contributed more than a little to the overall ODA increase.

Overall, the result was a solid one, but it does bear analysing. This policy brief pulls apart the numbers on OECD aid but also, drawing on some less-used OECD statistics, looks at the striking growth in aid from countries that are neither DAC members nor members of the BRICS bloc (Brazil, Russia, India, China and South Africa). Given this growth, which has brought about a 20% real increase in the quantity of aid available to developing countries over the two years 2013-14, it might be argued that the numbers on DAC aid are not as relevant as they used to be. However, non-DAC aid is volatile and directed mainly to the Middle East and Egypt.

It is unwise to make too much of year-to-year variations in aid levels so, wherever possible, information on 2014 flows has been placed in a long-term (three-decade) context. In some cases, though, detailed data are only available from 2002 or, in one instance, 2007. In addition, spending outcomes in 2014 are sometimes compared not only to 2013 outcomes but also to average outcomes over the previous five years. All amounts are in US dollars unless otherwise specified.

2. TOTAL OUTFLOWS FROM DAC COUNTRIES

The headline global ODA outcome figure announced each year by the OECD represents the amount of money that exits the treasuries of DAC countries and is destined either for developing countries, more or less directly (bilateral aid), or for multilateral organisations (multilateral aid). It is a measure of outflows from this set of donors and therefore of their aid effort. The 1.2% increase after inflation in DAC aid outflows in 2014 reflected 0.8% growth on the bilateral side of the ledger and 2.2% on the multilateral side. Figure 1[3] gives a three-decade perspective on ODA outflows from DAC countries, with amounts expressed in constant 2013 prices.

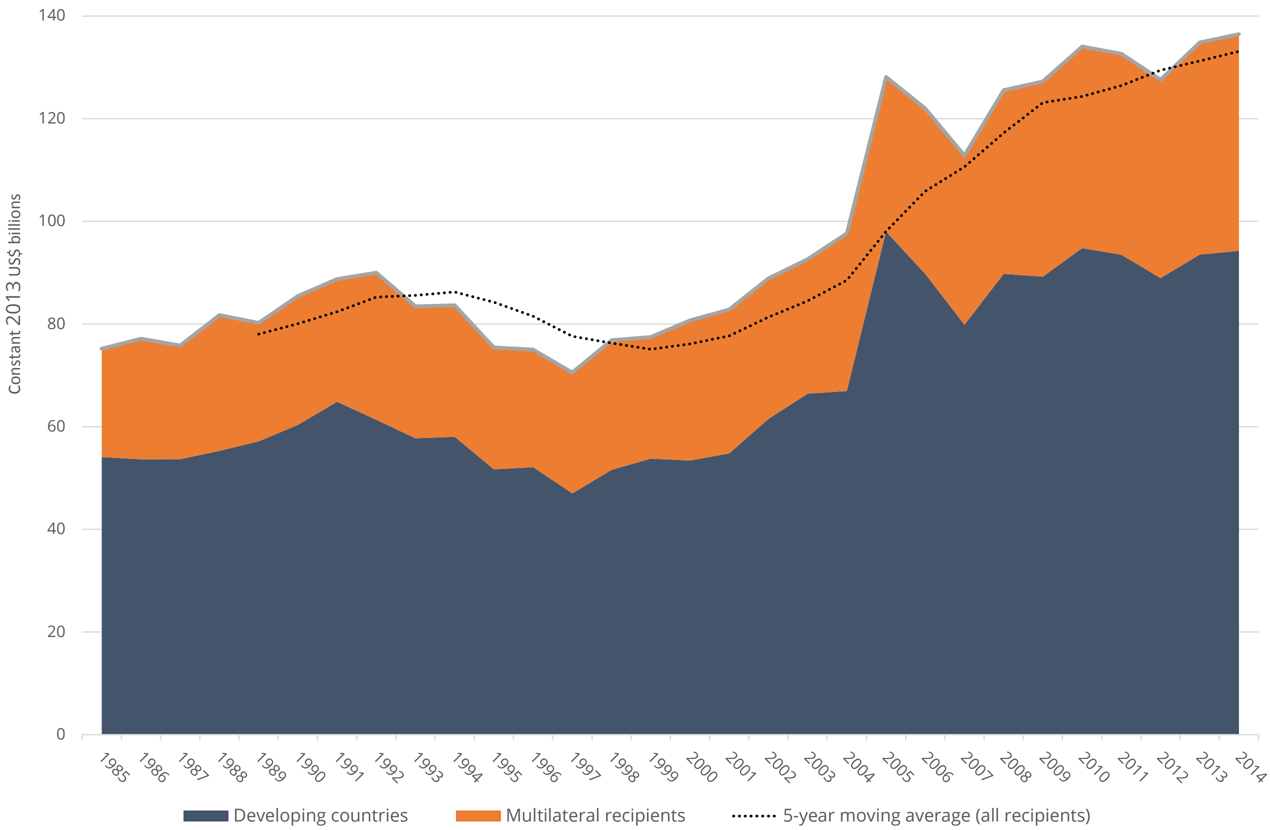
Only about half of the DAC's members are significant donors, so it is convenient to look at the 14 main individual donors and lump the rest together as a composite donor, 'Other'. Of these 15 donors, nine, accounting for 67% of ODA in 2014, increased their aid by a total of

1 Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States. The European Union is also a member of the committee in its own right. The United Arab Emirates, though not a member of the OECD, participates in its discussions.

2 The previous estimate had been $134.4 billion.

3 Unless stated otherwise, the data source for all figures in this brief is the OECD's Query Wizard for International Development Statistics (QWIDS) portal.

Figure 1: DAC ODA



$5.2 billion in 2014. The largest increases were those by Germany at $2 billion, the United States at $1.3 billion, Sweden at $650 million and Italy at $560 million. The other six cut their aid by a total of $3.6 billion. The biggest cut was made by Japan ($1.7 billion), followed by France ($790 million), Canada ($480 million) and Other ($320 million).[4] In short, more countries increased than decreased and several of the largest donors increased, so the increases more than offset the decreases.

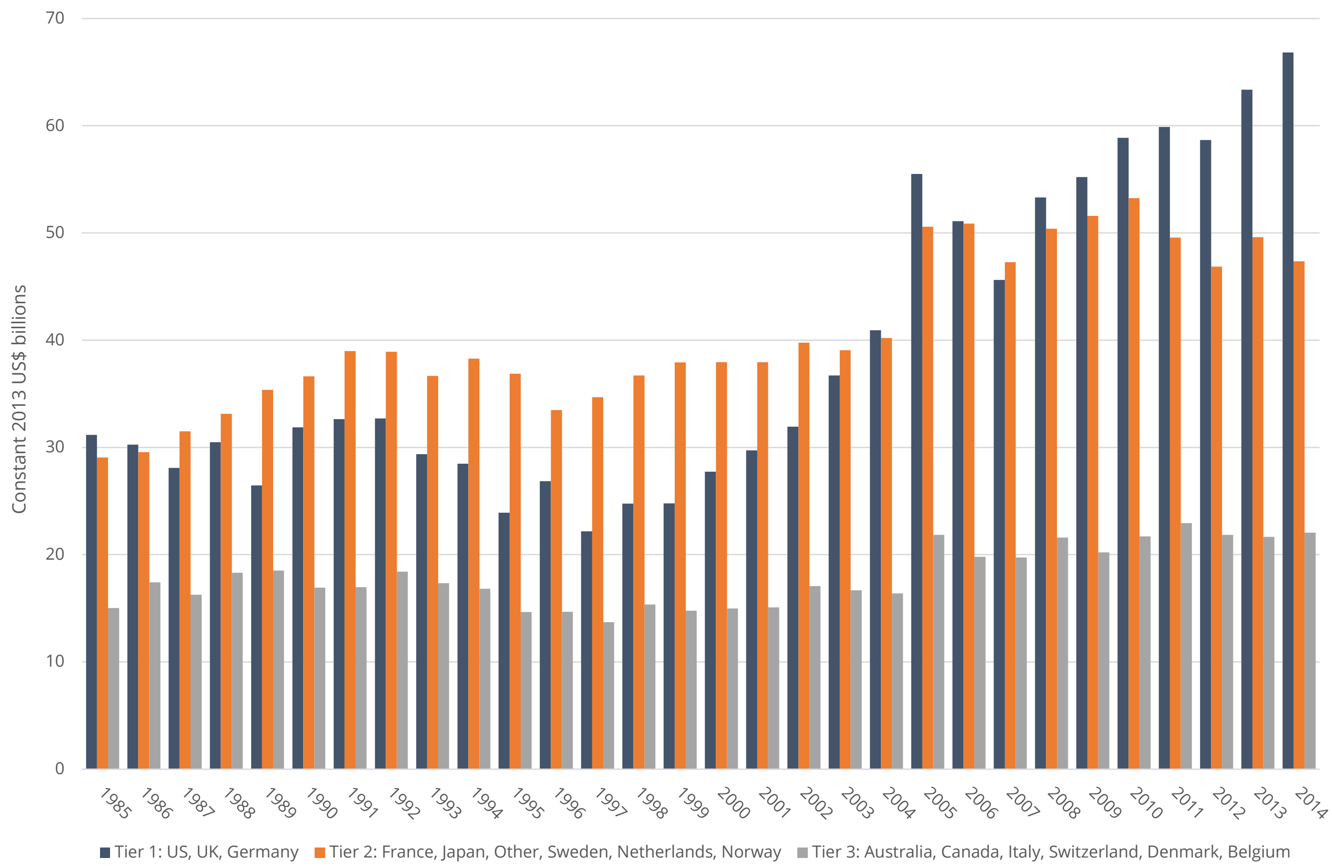
There are now broadly three tiers of DAC donors. In a top tier above $15 billion per annum are, in order of volume, the United States, the United Kingdom and Germany, all of whom increased aid in 2014. In a second tier between $5 billion and $10 billion are France, Japan, Other, Sweden, the Netherlands and Norway. The first three donors in this group, and the last, all reduced their aid in 2014. In a third tier below $5 billion we have Australia, Canada, Italy, Switzerland, Denmark and Belgium. The first two donors in this group reduced their aid in 2014; the others increased theirs.

4 Australia showed a relatively modest fall of $155 million for the calendar year 2014. The impact of the A$1 billion aid cut which was applied in mid-2015 will begin to show when the preliminary numbers for 2015 are announced by the OECD in December 2016.

The cuts in the second tier are of the most significance. France's aid has fallen in each of the four years 2011-14 and could well be heading into a trough of the kind last seen around the turn of the century when its aid stood at around 50% of the peak levels achieved in 1994 and 2010. Combined aid from Other (DAC donors outside the top 14) appears to have peaked in 2008 at $14 billion, and in the three years 2012-14 was under $10 billion. Less significance can be attributed to the 2014 fall in Japanese aid given that flows on its ODA loan portfolio are always volatile—Japanese aid increased by $3 billion in 2013, so the $1.7 billion fall in 2014 still leaves it around $1 billion above the average level achieved over the years 2007-12.

It is noteworthy that the three countries in the top tier in 2014 provided about one-third of DAC aid in the late 1990s, but now provide just under half, or $67 billion. The shifting balance between the first and second tiers over time is illustrated in Figure 2. The performance of individual donors within each tier is shown in Figures 13-15 in the Appendix.

Figure 2: ODA from three DAC donor groupings



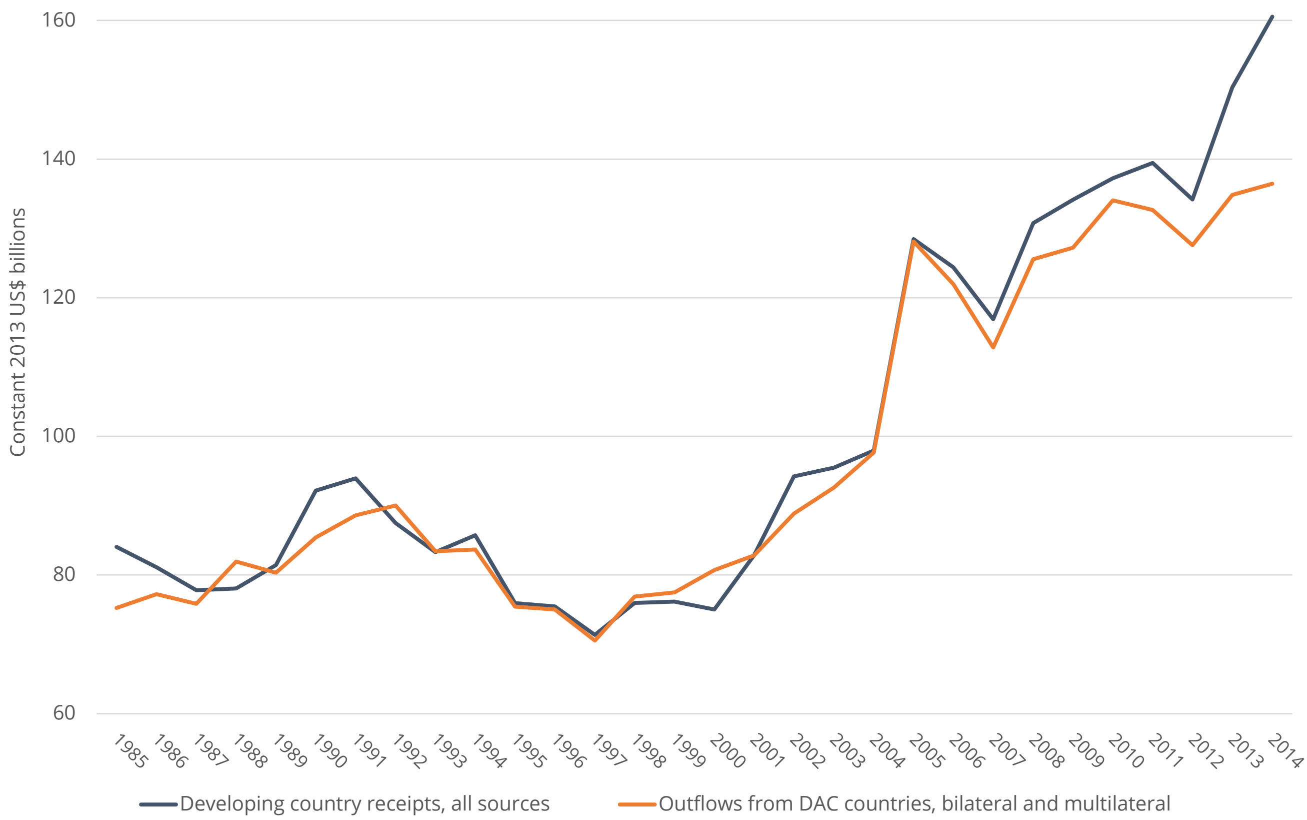
3. TOTAL INFLOWS TO DEVELOPING COUNTRIES

It is not always well understood that the term ODA is defined in such a way that, strictly speaking, it can only be applied to outflows from donor governments (though not necessarily DAC member governments). In practice, the term is often used more loosely to cover also inflows to recipient governments from any official source, whether bilateral or multilateral, provided the flows meet criteria relating to motivation and concessionality. This outflow/inflow ambiguity is convenient, but can be confusing. From a developing country perspective, what really matters is not how much money exits the treasuries of DAC countries but rather how much money is available from all sources—DAC bilateral, non-DAC bilateral and multilateral.

Until about a decade ago, this was generally a distinction without a difference. DAC outflows to multilateral organisations were about the same as outflows from those organisations to developing countries, and non-DAC bilateral aid was in most years negligible. Since 2005, however, there has been a growing divergence between DAC ODA and the total aid receipts of developing countries, as illustrated in Figure 3.

Up to 2010, DAC ODA and total developing-country aid receipts at least moved in the same directions. But in 2011, a year in which DAC aid fell and was widely assumed to have passed its peak, the amount of non-DAC bilateral aid reported to the OECD more than compensated for the reduction in DAC aid. The total level of ODA received by developing countries actually increased by several billions of dollars. Both quantities fell in 2012, presumably reflecting the lagged impact of the global financial crisis, but both recovered in 2013 and grew again in 2014, with the growth in non-DAC bilateral aid being far more dramatic than that in DAC aid. If one looks only at DAC aid outflows, aid has fallen in three of the last 10 years and has increased by a net

Figure 3: DAC ODA outflows vs total aid receipts of developing countries



$10 billion over that period. If one looks at total aid received by developing countries, aid has fallen only twice in the last 10 years and has increased by some $32 billion to a high of $161 billion.

Figure 4 shows total aid to developing countries broken down by major source (DAC bilateral, non-DAC bilateral and multilateral). DAC bilateral aid has been relatively flat in the $90-$100 billion range for the last seven years. Aid from multilateral sources, which is made possible mainly by DAC donors' contributions to multilateral organisations but also increasingly by private donations and internally generated resources, has quite smoothly increased by some 25% over the last decade, including 2.7% in 2014. Aid from non-DAC bilateral sources took two very big jumps in 2012 and 2013. After increasing by 200% in 2013, it increased by a further 56% in 2014 to reach a high of $23.4 billion. (The same numbers for DAC countries were 1% and 5%, respectively.) As a result of this growth in non-DAC aid, total concessional resources available to developing countries increased by 7% in 2014 and 20% over the past two years. Most of this money comes from Saudi Arabia, the United Arab Emirates and Turkey, and most of it (around $20 billion) goes to the Middle East and Egypt.

It is important to stress that the figures on non-DAC aid discussed above are based only on data that is actively reported to the OECD by the relevant donor countries. Among the BRICS, only Russia reports to the OECD on its aid. However, while the OECD does not receive aid data from all possible sources, it does collate publicly available information on aid from many non-reporting countries, which it makes available in this spreadsheet, updated annually. Based on these admittedly rubbery estimates, total aid from the BRICS other than Russia was probably around $5 billion in 2014 and therefore total aid from all non-DAC sources was probably around $30 billion. Figure 5, based on an accumulation of such OECD estimates, shows the growth in all

Figure 4: Aid receipts of developing countries by major source

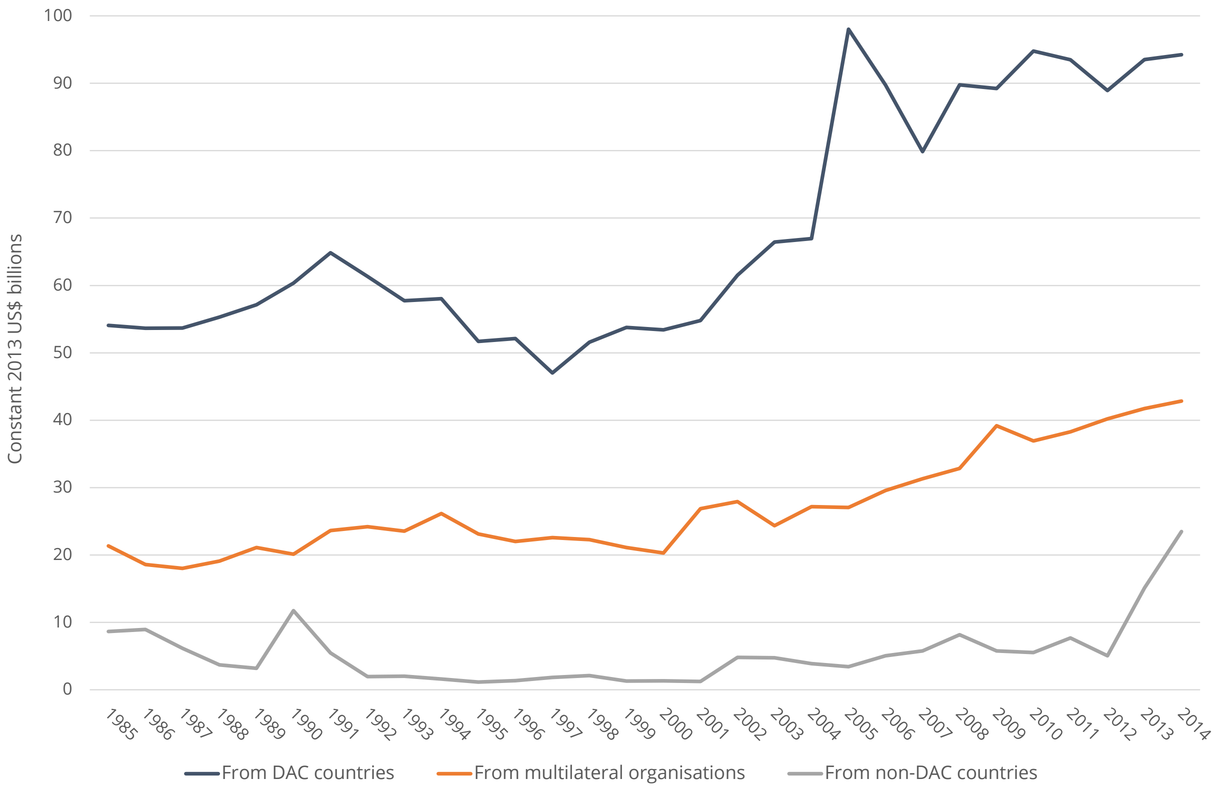
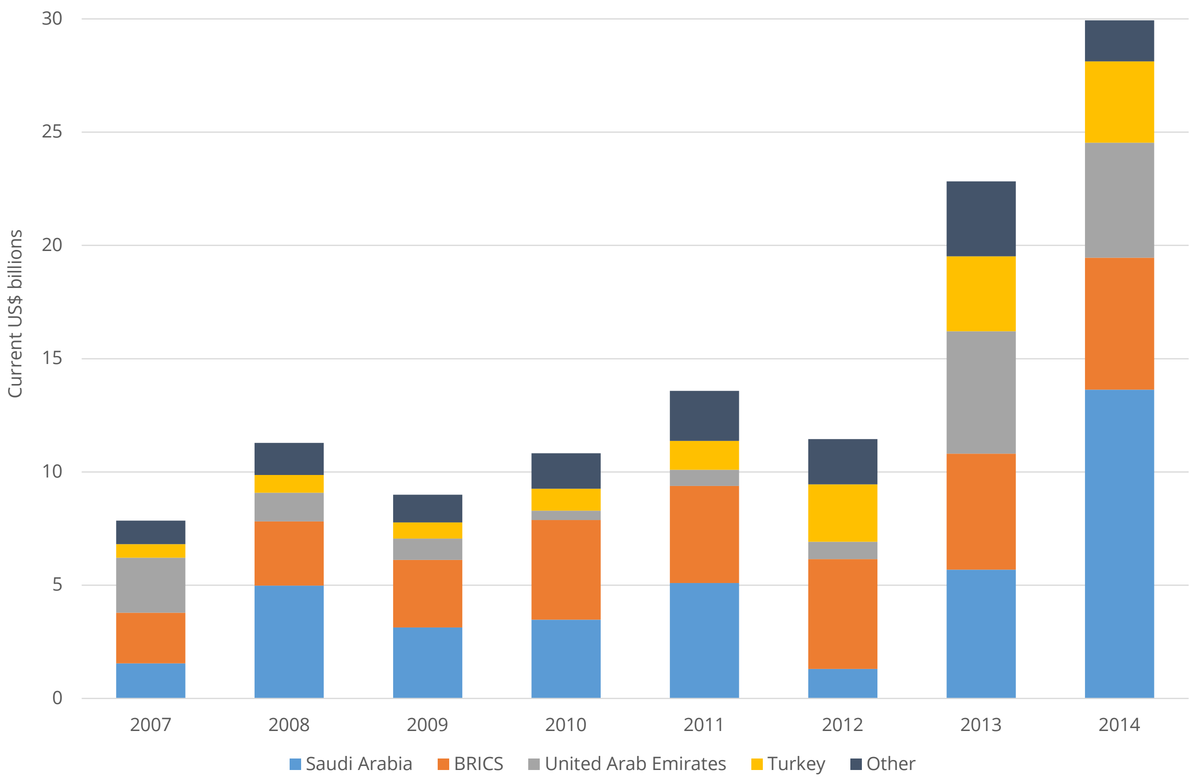


Figure 5: Aid from non-DAC countries



non-DAC countries' aid outflows in current–price terms since 2007.

If one were to ignore DAC membership and construct a league table of the main donor countries in 2014, Saudi Arabia would occupy fourth position, after the three top-tier DAC donors. The United Arab Emirates would be in 10th position, after Norway but above Australia and Canada. Turkey—despite being the seventh-largest recipient of ODA in 2014—would occupy 14th position, ahead of Switzerland and Denmark.[5] As for China, if the OECD estimate of its ODA-like assistance in 2014 is about right, it would sit a fraction of a rung below Turkey.

4. THE DISTRIBUTION OF ODA TO DEVELOPING COUNTRIES

This section and the following section examine the distribution of aid to groupings of developing countries and multilateral organisations in 2014, with some discussion of trends over time.

First, consider the geographic allocation of ODA, taking—as per the previous section—the recipients' perspective. The pattern of distribution over time, for aid from DAC bilateral, non-DAC bilateral and multilateral sources, is provided in Figure 6.

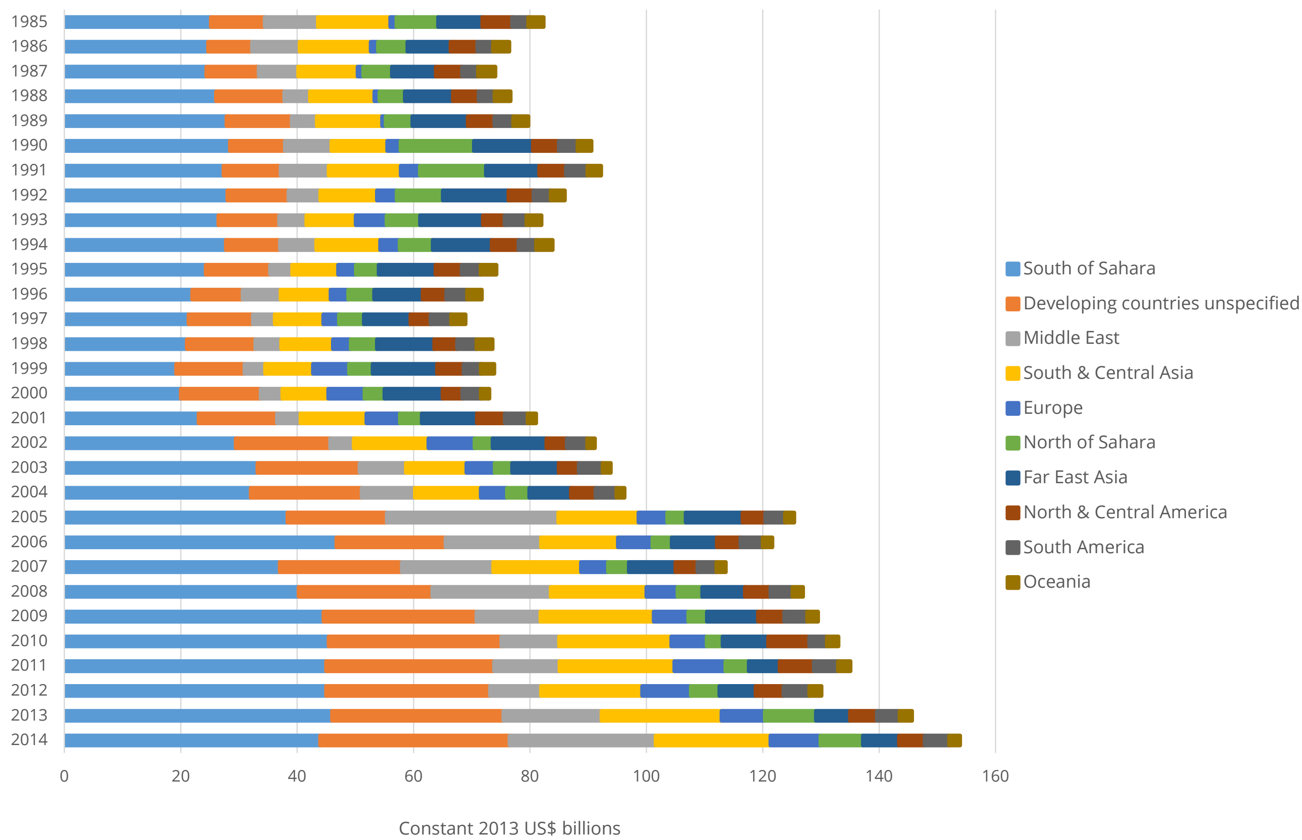
While aid to sub-Saharan Africa still exceeds aid to any other region by a factor of two, it dipped by about \$2 billion to \$44 billion in 2014.[6] However, it has been oscillating in a fairly narrow band around \$45 billion for the past six years or so and it is not possible to read anything into this one-year variation. Aid to South and Central Asia has likewise been oscillating around \$20 billion for the past six years and remained at that level in 2014. By contrast, aid to the Middle East, which looked to be settling at around \$10 billion in the period 2009 to 2012, jumped to \$17 billion in 2013 and then as much again to \$25 billion in 2014. Of this, around \$15 billion came from two non-DAC bilateral donors, Saudi Arabia and Turkey.

Aid to the mysterious region known as 'developing countries unspecified' continued its long-term growth in 2014, reaching \$33 billion. Aid in this category now accounts for 28% of all bilateral aid outflows and fully one-third of DAC bilateral aid outflows. Part of this increase, though by no means all of it, is due

5 As a point of interest, if the Bill & Melinda Gates Foundation (a benefactor of the Development Policy Centre) were a country, it would occupy 17th position, after Denmark but above Belgium, Spain and Korea.

6 If one looks only at DAC bilateral aid, flows to sub-Saharan Africa have fallen in each of the last three years.

Figure 6: Regional distribution of aid receipts



to the increased reporting of onshore refugee costs, as DAC rules do not allow these costs to be attributed to refugees' countries of origin. (These costs are examined more closely in section 7.) A much larger part of the increase appears to be due to increased contributions to geographically unrestricted specific-purpose funds managed by international organisations, such as thematic funds, which stood at $15.7 billion in 2014.[7]

As for the more minor regions, aid to developing countries in Europe has increased quite substantially since 2007, rising from $5 billion to over $8 billion with a substantial increase in 2014. Aid to North Africa stayed above $7 billion in 2014 after a jump to that level in 2013, owing mainly to large import-finance transfers from the United Arab Emirates to Egypt. Aid to South and Central America has been quite stable at around $4 billion per annum for each of these two sub-regions. Aid to Far East Asia had been following a downward trend from $10 billion in 2002 to a little over $5 billion in 2011, but rose in two of the last three years, reaching a little over $6 billion in 2014. Finally, aid to Oceania, which had been showing a smooth but slowly increasing trend from around $1.5 billion in 2002 to just over $2 billion in 2011, plateaued at that level for two years but in 2014 fell slightly below $2 billion.

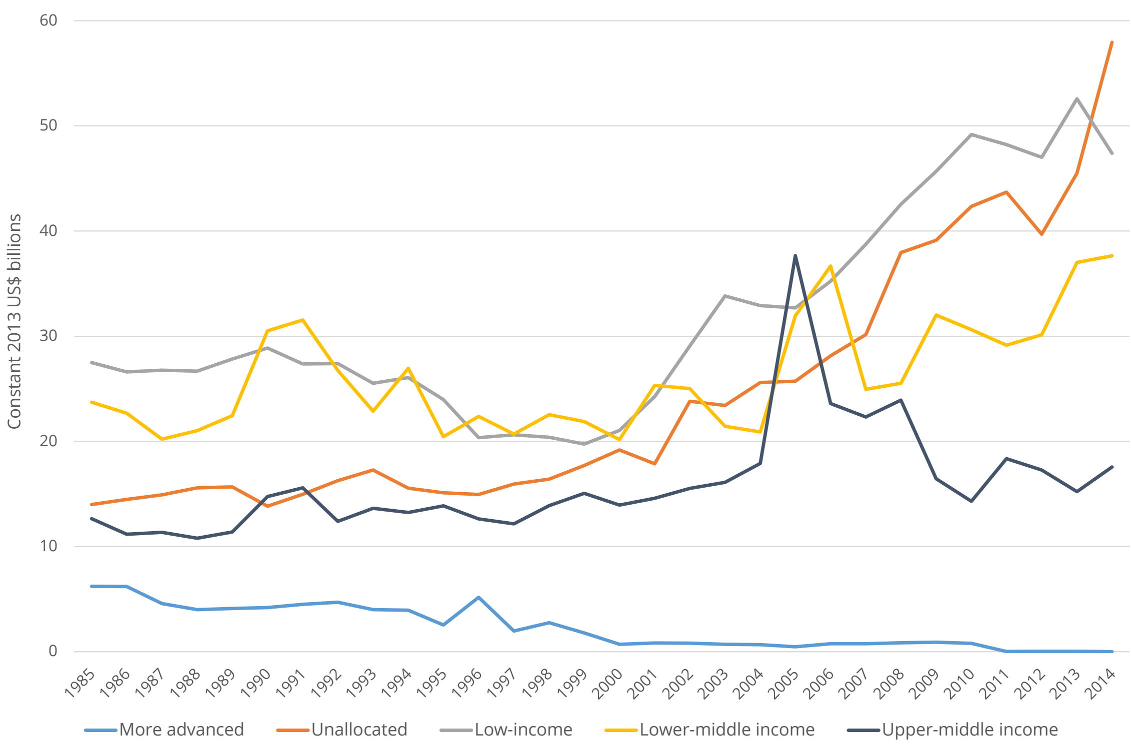
Overall, then, we are seeing the most noticeable increases in those regions in which the non-DAC bilateral donors tend to concentrate their aid, the Middle East and North Africa, and also in the 'region' in which DAC donors are tending to concentrate their aid, 'developing countries unspecified'.

Now consider aid receipts by income grouping. The long-term picture is shown in Figure 7.

Aid to upper-middle income countries continues to oscillate around $18 billion per annum. Aid to lower-middle income countries grew in each of the three years 2012-14 but not by much in 2014. Aid to low-income countries bounced around in the same three-year period and fell by $5.2 billion in 2014 relative to its 2013 historic high of $52.6 billion. As Owen Barder has pointed out, low-income countries' share of global aid receipts fell from 35% in 2013 to 30% in 2014. However, it still sits close to its previous highest level, $50 billion, which was reached in 2009. It is also close to the average level achieved over the previous five years, which was $48.5 billion. It should further be noted that a

7 Contributions to 'vertical' funds such as the Global Fund to Fight AIDS, Tuberculosis and Malaria are not included here. They are classed as multilateral aid in DAC statistics. The specific-purpose contributions here referred to are held in trust by multilateral organisations, as for example in the case of the several Climate Investment Funds managed by the World Bank, but are classed as bilateral aid.

Figure 7: Aid receipts by 2014 income category



substantial proportion of the fall in 2014 related to a reduction in debt relief claims for Myanmar, which fell from $3.8 billion in 2013 to $1.1 billion in 2014.

The most striking change is in the category 'unallocated by income'. The amount of aid in this category jumped by around $12 billion in a single year in 2014, to just under $60 billion. Its share in global aid receipts jumped from 30% to 36%. This is even greater than the increase noted above in the amount of aid which is not attributed to specific countries. In fact, it is really the same increase except that aid unallocated by income includes aid attributed to specific regions but not to specific countries within those regions. This large increase in aid unallocated by income explains the seeming paradox that, despite the overall growth in aid, the only income grouping to avoid a fall in its share of global aid receipts in 2014 was the upper-middle income grouping, whose share increased just a jot from from 10% to 11%.

What about the several, overlapping fragility-related groupings? Figure 8 shows the long-term allocation trends.

The least-developed country (LDC) grouping now almost entirely contains the low-income country grouping[8], therefore aid to LDCs fell substantially, in fact by $4.5 billion or so, to $43.5 billion. However, as in the case of aid to low-income countries, aid to LDCs was still close to the average level achieved over the previous five years, which was $44.8 billion. Aid to fragile states, defined as those countries appearing on the OECD's informal list of fragile states, dropped by $4 billion. This also reflected the fall in aid to LDCs, half of which appear on the OECD's fragile states list. However, this drop followed a $10 billion increase in 2013 and, at $57 billion dollars, aid to fragile states is still close to its second-highest level ever.[9] Aid to landlocked countries stayed flat at about $2.6 billion, as it has been since 2009 after a decade of quite substantial growth. Aid to small island states has been showing a slight declining trend since 2011. This continued in 2014, with receipts falling from $4.5 billion to $4.3 billion.

On the basis of these data, it does not seem possible to substantiate the thesis that aid to the poorest countries is in decline. Yes, aid to low-income countries, and therefore to LDCs

8 The only non-LDC low-income countries are the Democratic People's Republic of Korea, Kenya, Tajikistan and Zimbabwe.

9 The highest level, $65 billion, was reached in 2005, the year of the Indian Ocean tsunami response.

Figure 8: Aid receipts by fragility category

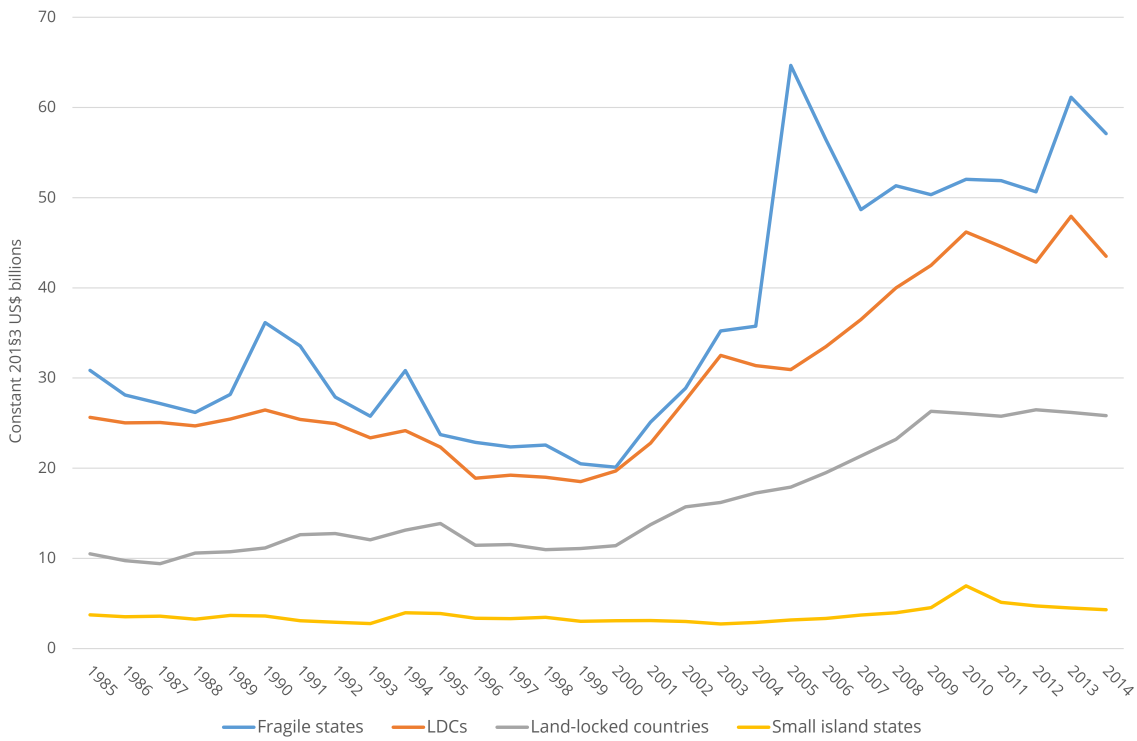
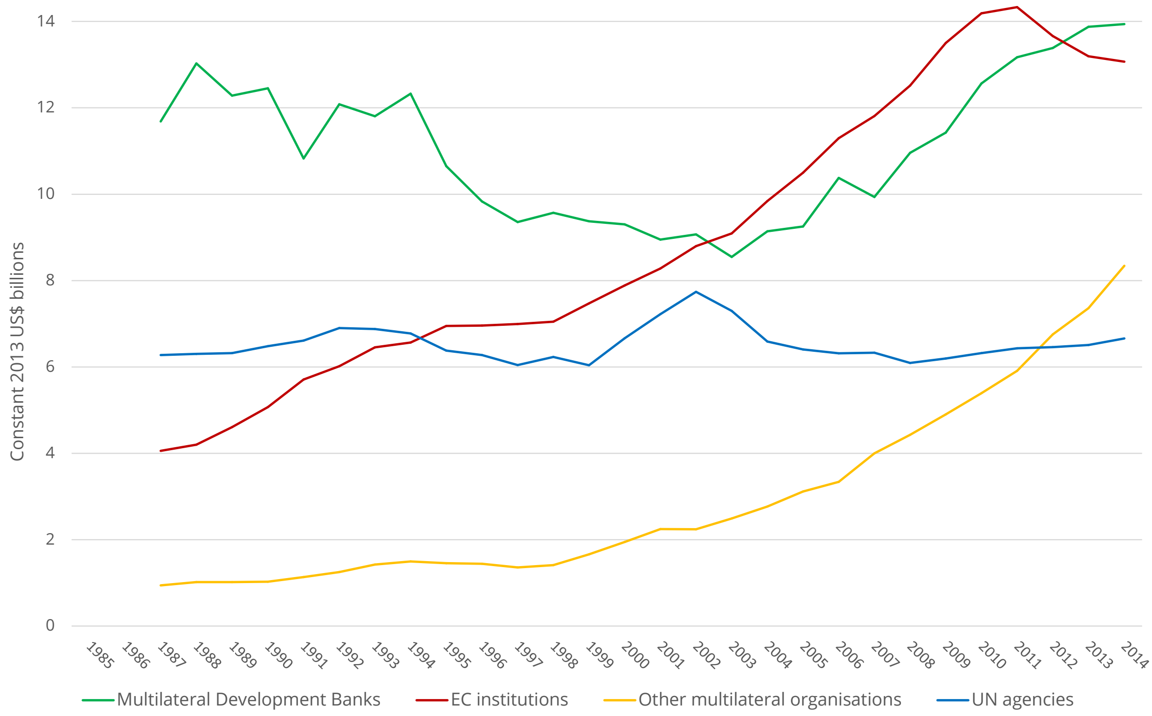


Figure 9: Aid receipts of multilateral organisations (three-year moving averages)



and fragile states, did decline in 2014 compared with 2013, but 2013 looks to have been a spike year. Aid to the poorest countries tends to bounce around more than aid to middle-income countries because they are more vulnerable to shocks and their aid is more likely to be drawn from short-term, emergency and humanitarian financing sources. It is prudent to take a medium-term perspective on aid flows in general and to these countries in particular, and to give greater weight to moving averages than to single-year variations. In addition, clearly some non-trivial proportion of the now very large share of aid that is unallocated by region and income will be flowing to low-income countries. Unallocated aid increased by more than aid to low-income countries fell in 2014.

5. THE DISTRIBUTION OF AID TO MULTILATERAL ORGANISATIONS

Flows from bilateral donors to multilateral organisations over the past three decades, broken down by the major categories of organisation, are shown in Figure 9.[10]

The multilateral development banks and the EC institutions received $14 billion and $13 billion, respectively, in 2014. Other multilateral organisations, outside the UN, received over $8 billion, and their income continued to accelerate as it has since 1998. The main recipients of this funding are the 'vertical' funds, most notably the Global Fund to Fight AIDS, Tuberculosis and Malaria.

The UN institutions, by contrast, received only $6.5 billion. Their income has long stagnated at about this level in real terms while funding for other multilateral organisations has substantially increased, by around 50% in real terms over the last few decades. The income of the UN agencies was overtaken by that of the vertical funds in 2011. If one looks at flows of aid from bilateral donors to the main geographic regions and categories of multilateral organisation, in 1985 the UN organisations collectively were the fourth-largest recipient, after sub-Saharan Africa, the multilateral development banks and 'developing countries, unspecified'. Thirty years on, in 2014, the UN had fallen to 8th position, having been overtaken by the EC institutions, South and Central Asia, the vertical funds and the Middle East.

10 This includes aid from all measured sources, both DAC and non-DAC. However, non-DAC sources contribute quite small amounts of multilateral aid—only $1.3 billion in 2014.

6. THE USES OF AID

This section and section 7 examine how aid was allocated to sectors and purposes in 2014 and identify some emerging or accelerating allocation trends.

As can be seen in Figure 10, the level of aid for social infrastructure and services from all sources—DAC bilateral, measured non-DAC bilateral, and multilateral—grew very strongly in the period from 2002 to 2010, then more or less plateaued at around $62 billion per annum. Aid for economic infrastructure and services did not grow as strongly in the period 2002-10, but nor did it plateau after 2010. It kept growing at about the same rate, rising from $8 billion in 2002 to over $30 billion in 2014. As a result, aid for social infrastructure and services is now only about twice the size of aid for economic infrastructure and services, whereas in 2002 it was three times the size.

The most notable other recent shifts, aside from those relating to refugees in donor countries and debt relief which are discussed in section 7, relate to humanitarian aid and to budget support from DAC countries. Humanitarian aid increased by 25% in 2014 to $17 billion, almost 40% higher than the average of the previous five years. General budget support, on the other hand, appears to be collapsing. The total level of such support fell by 62% to just $3.6 billion, which is 44% below the five-year average. The majority of this was from multilateral sources. General budget support from DAC donors fell by over 70% to only $1.1 billion, 60% below the five-year average. Sector budget support from all sources was more stable: despite a 14% drop to $5.9 billion, it remained 13% above the five-year average. Reflecting the fall in general budget support, the level of aid provided via 'project-type interventions' was 21% above its five-year average for all donors, and 12% above for DAC donors.

Overall, changes in the allocation of aid to the main sectors in 2014 were quite substantial and, in the case of the social/economic balance,

Figure 10: Aid by major sector

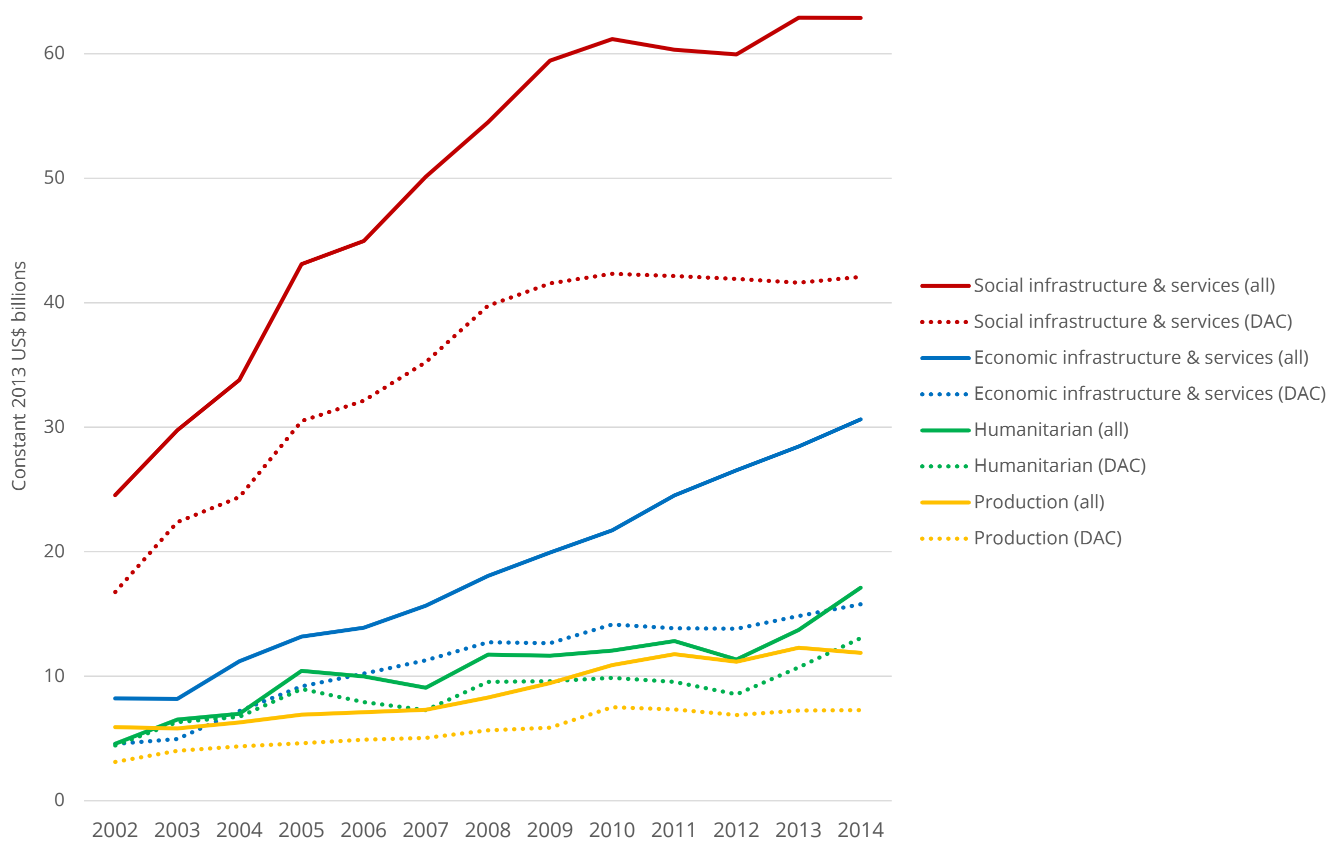
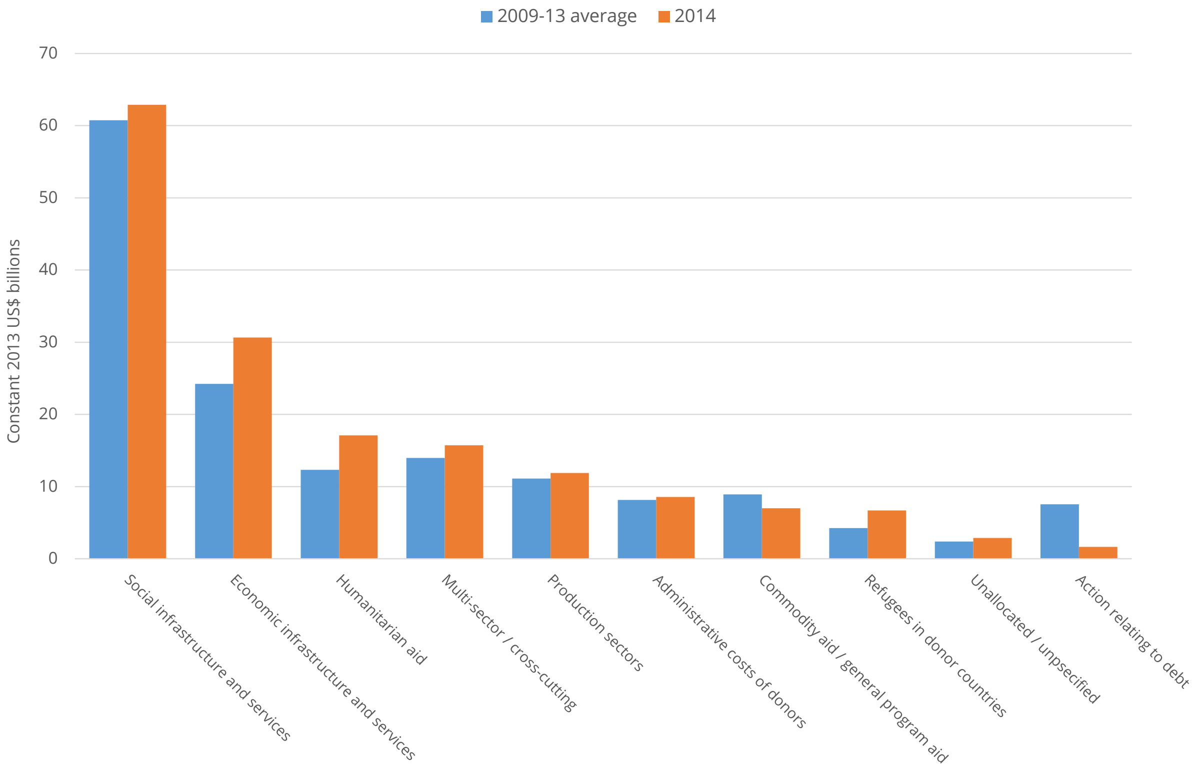


Figure 11: Aid by sector in 2014



humanitarian aid and budget support, appeared to accelerate medium-term trends. This is clearly illustrated in Figure 11, which compares 2014 flows from all sources to average flows over the previous five years.[11]

7. CONTESTED FLOWS

Various categories of ODA are contested in varying degrees, on the basis that they are not 'real' aid or are not correctly accounted for. Prominent among these are debt relief, concessional lending and costs associated with refugees and asylum-seekers in donor countries. Net flows in these three categories since 2002 are shown in Figure 12, together with their collective net contribution to total ODA (yellow bar).

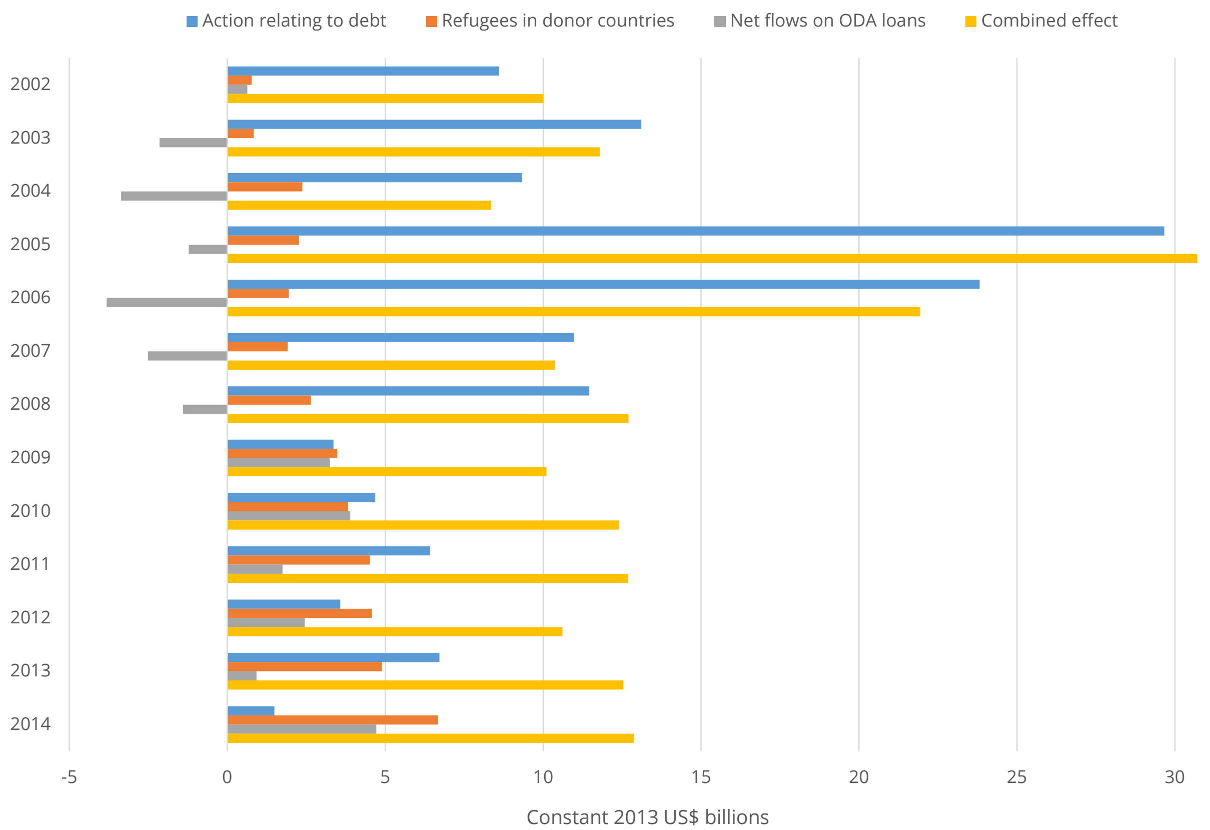
Debt relief can almost be ignored in 2014, as it barely figured. Total debt relief was just $1.5 billion, 76% below the 2013 level and 70% below the five-year average.

While there is nothing inherently questionable about classifying concessional loans as ODA, provided they are genuinely concessional, the current accounting treatment of these loans is such that surges in lending can look like surges in ODA even though, in the long run, some of the flows counted will flow back to donors as repayments of principal and figure as negative ODA. New accounting arrangements have recently been agreed which will see only the present-day grant equivalent of the loan counted as ODA, but these arrangements will not take effect for some time yet. So, was the 2014 ODA outcome a result, at least in part, of increased concessional lending?

No, but also yes. The total level of DAC concessional lending moved up from $14 15 billion per annum in the 2009–12 period to $17.9 billion in 2013 and then increased a little more to $18.6 billion in 2014. The total volume of grants provided in 2014 was $2.2 billion less than in 2013. However, for unclear reasons, repayments on concessional loans fell by a very substantial amount, $3 billion, in 2014. A fall in repayments has the same effect on the bottom line as an increase in disbursements, so the net impact of the several factors just mentioned was a $1.6 billion increase in total DAC ODA disbursements. Almost no ground was gained by increasing lending in 2014, but the lucky fall in repayments meant that donors' loan portfolios did do them a modest favour.

11 Budget support is included under 'general program aid'.

Figure 12: Contested DAC ODA flows



The counting of onshore refugee and asylum-seeker costs as ODA is regarded by many as highly questionable. This is in fact debatable, but there are certainly valid questions about the rules that should be applied in determining the eligibility of specific costs. At present, the relevant rules are vague and interpreted variously.[12] The amount of expenditure reported in this category has risen substantially in recent years. For some individual DAC donors, the increases have been quite dramatic. Most notably, Italy and Greece reported increases of 58% and 46%, respectively, in 2014. For Sweden and the Netherlands, the increases were 25% and 22%, respectively. However, overall, only around 6% of DAC donors' ODA is spent on onshore refugee costs. The increase on this reporting line in 2014 was $1.8 billion, almost the same as the overall increase in DAC ODA. In other words, all else being equal, DAC aid would have approximately maintained its 2013 level, which was a record up to that time, even without any additional spending on onshore refugee costs.

12 Rules relating to the ODA-eligibility of onshore expenditure on refugees and asylum-seekers are stated in paragraphs 73 and 74 of the DAC Statistical Reporting Directives.

More generally, the combined net contribution made by these several types of contested flow to the total level of DAC ODA has been quite stable over recent years, at around $12.5 billion, and there was no significant increase from 2013 to 2014.

8. CONCLUSION

The record global aid spending outcome in 2014 was a solid achievement for OECD countries, not much assisted by the inclusion of contested flows. While the 1.2% real increase to $136.5 billion owed something to increased spending on onshore refugee costs and a decrease in loan repayments, the impact of these factors was almost entirely offset by reduced claims for action relating to debt.

It is striking that half of OECD aid is now provided by just three leading donors, the United States, the United Kingdom and Germany. The 56% increase in measured non-DAC bilateral aid in 2014 was also remarkable but future falls could easily be as large given past volatility, especially in aid from Saudi Arabia. Future movements in the volume of aid, from both DAC and non-DAC sources, are at present impossible to predict with anything approaching precision. However, it is hard to imagine that reductions in aid from DAC sources would exceed increases in aid from non-DAC bilateral sources during the next few years. The total volume of concessional finance available to developing countries is therefore likely to remain stable or grow.

There seems to be a definite trend, which accelerated in 2014, toward increased expenditure on economic infrastructure and services, combined with a flattening, though not a reduction, of the much larger expenditure on social infrastructure and services. More aid is being provided in project form, and almost none as general budget support. Humanitarian aid is rising as a share of aid, and now accounts for around 11% of all aid.

Aid specifically attributed to poor countries fell in 2014, owing in part to reduced debt relief for Myanmar, but remained close to five-year averages. At least part of the fall reflects another long-term trend: aid seems to be becoming less country focused, and more often allocated to geographically unrestricted (non-multilateral) funding mechanisms that support specific projects or transactions. Multilateral aid grew modestly overall but contributions to 'vertical' funds continued to rise steeply. Contributions to UN agencies, which have barely increased in thirty years, continued to stagnate.

In sum, the news about aid in 2014 is genuinely good news, and the short- to medium-term outlook for aid volume is reasonably promising. However, too little is known about the uses and the quality of aid from most non-DAC bilateral sources. Only the United Arab Emirates reports its aid to the OECD at activity level. It is perhaps time for the OECD to begin placing much greater emphasis on the recipient-country perspective in the way it presents global aid flows, and to intensify its efforts to understand the nature of non-DAC bilateral aid. It is becoming increasingly anachronistic that the OECD announces each year an aid total that is not in fact a global aid total.

ABOUT THE AUTHOR

Robin Davies is the Associate Director of the Development Policy Centre at The Australian National University, and an Honorary Professorial Fellow of the university. He formerly worked for the Australian Agency for International Development (AusAID) in a range of policy and program management roles, with postings in Jakarta and Paris. He was AusAID's first representative on the OECD Development Assistance Committee from 1999 to 2002.

devpolicy.anu.edu.au

Appendix: ODA performance of individual DAC donors, 1985-2014

Figure 13: ODA from 2014 top-tier DAC donors

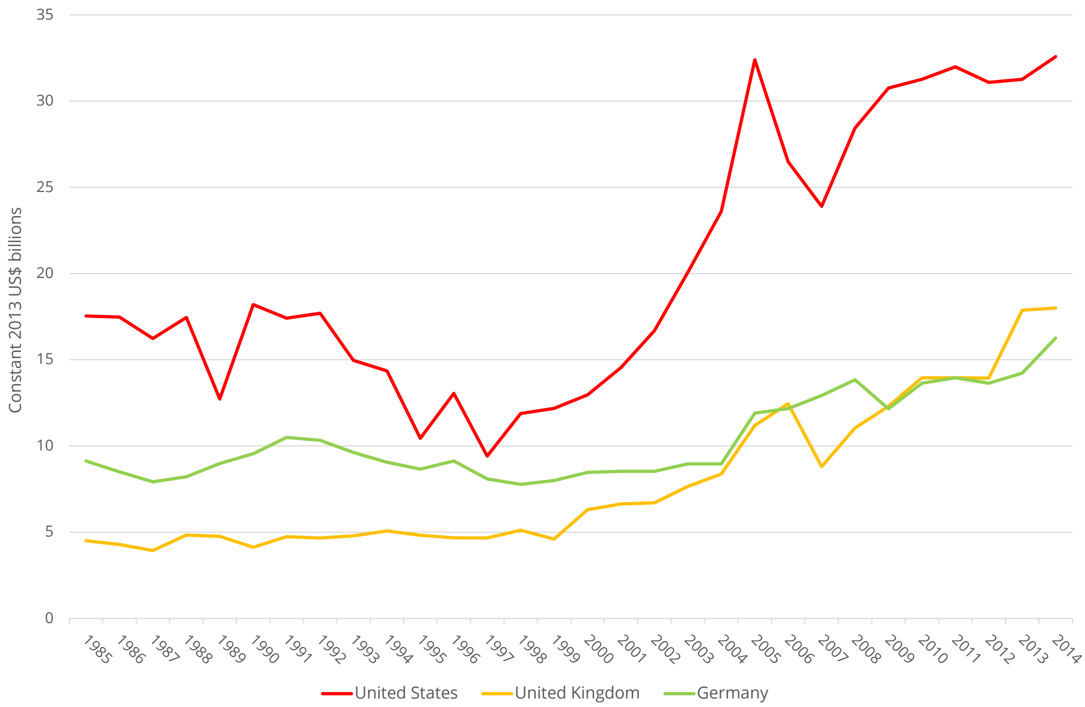


Figure 14: ODA from 2014 second-tier DAC donors

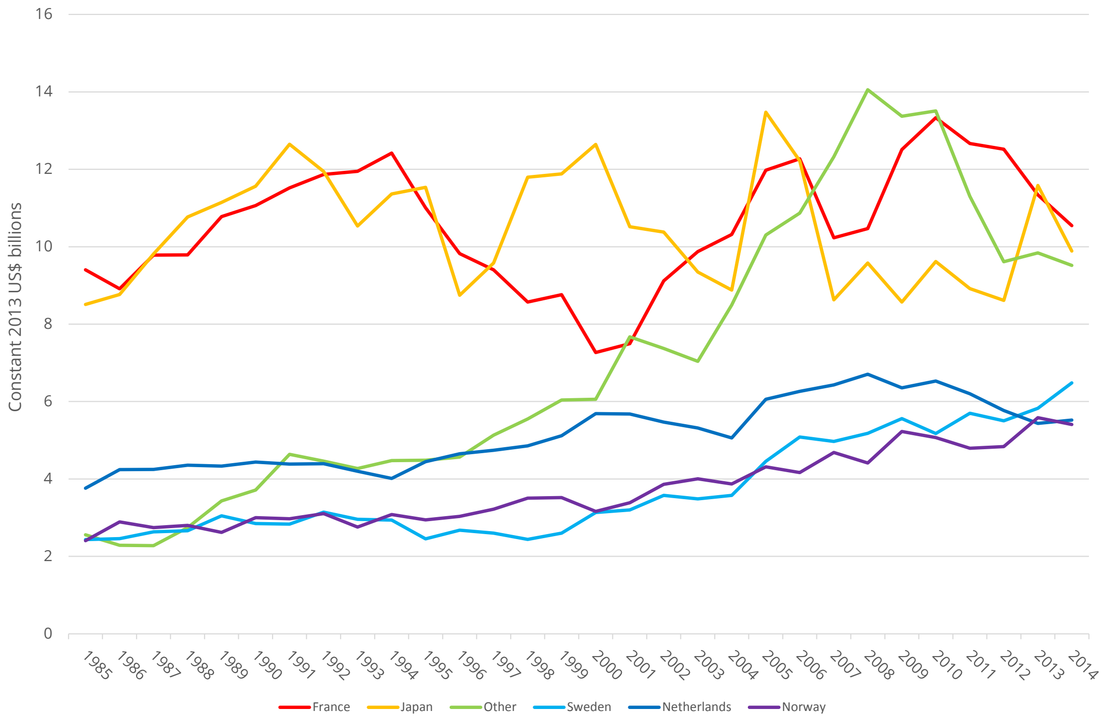


Figure 15: ODA from 2014 third-tier DAC donors