

# Foreign Aid “101”

Global Classroom  
Integrated Approaches to Sustainable Development  
Practice

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What is “Aid?”

# Two Main Types of Aid

- **Humanitarian aid**

Given for emergency relief or to prevent or alleviate a humanitarian crisis

- e.g. food aid, emergency shelter

- **Development Aid**

Aims to address the economic, social, and political factors that contribute to long-term economic growth

- e.g. primary education, health systems

# What Counts as Aid?

- **Official Development Assistance (ODA)**

Government aid for the purpose of promoting economic development and welfare in low- and middle-income countries. Resources given as either (1) grants or (2) loans with a minimum 25% grant component.
- **Private giving**

Aid from the private sector (e.g. business), charities (e.g. Oxfam, CARE), and philanthropic foundations (e.g. Gates, Rockefeller, Soros) to aid recipient countries and projects and programs in recipient countries

# What Does *Not* Count as Aid?

- **Military support**
- **Market-based flows**
  - FDI
  - Portfolio investment
  - Export credits
- **Remittances**

# Types of ODA Delivery Systems

- **Bilateral**

Aid flows provided directly by a donor country to a recipient country (e.g. government to government)

- OECD-DAC: Club of 23 “rich” countries
- Emerging donors: Korea, China, Gulf States, etc.

- **Multilateral**

International development-focused institutions with governmental membership that pool and disperse aid to recipient countries

- e.g. ADB, AfDB, European Commission, World Bank, UNICEF, UNDP, WFP

**How is ODA Directed?**

# Types of ODA Transfers

- **Grants**

Transfers for which no repayment is required

- **Concessional Loans (credits)**

Transfers for which repayment is required under terms beneficial to the borrower compared to a loan at market rates

- e.g. Long-term, interest-free loans provided through IDA to low-income countries; loans provided to middle-income countries through IBRD

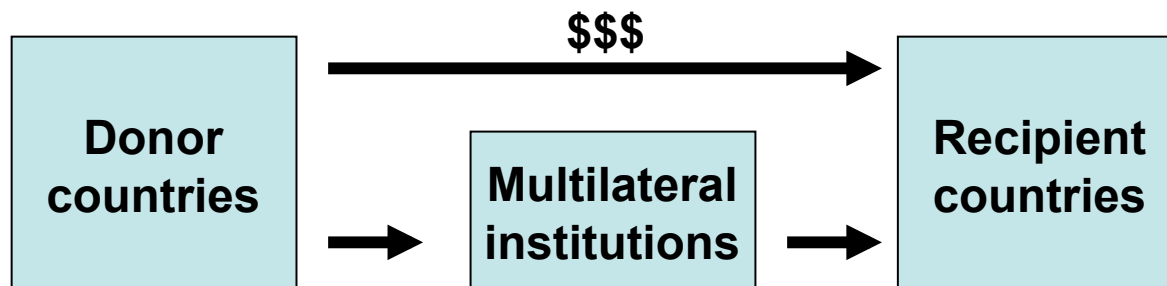
- **Debt relief**

Partial or total forgiveness of the repayment of existing or outstanding loans; NOTE: not a “real” transfer



# Forms of ODA

- **Project aid**  
Aid given for a discrete purpose (e.g. an irrigation project)
- **Sectoral aid/budget support**  
Aid directed to support a specific sector (e.g. education, health)
- **Technical co-operation**  
Grants to support advisory services for the implementation of a capital project (e.g. engineers to build a road)
- **International research**  
e.g. CGIAR

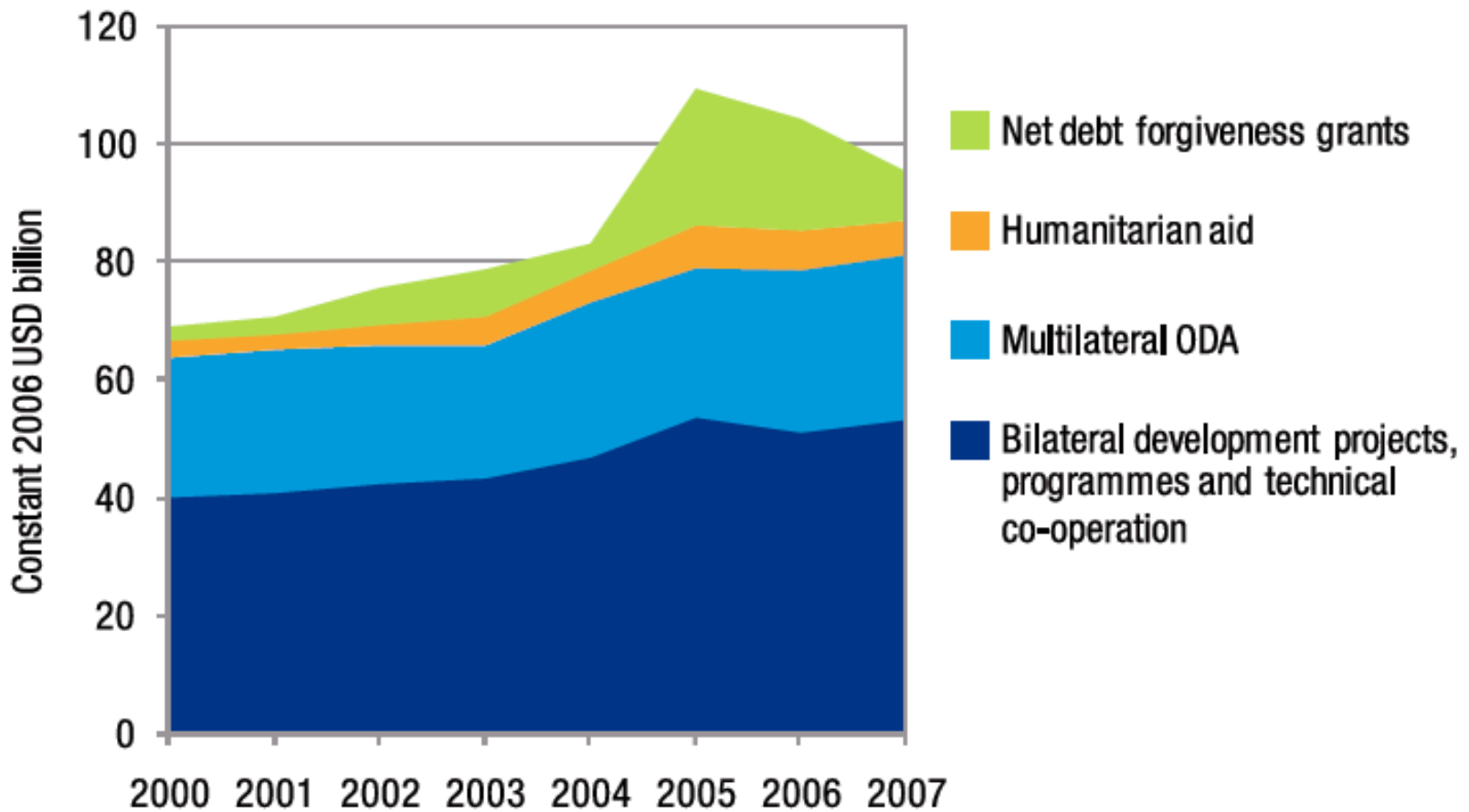


# Many Aid Paths to Many Places

	Grant equivalent of total ODA as % of GNI	Aid to Low-Income Countries as % of GNI	Aid by NGOs as % of GNI
Australia	0.31	0.14	0.08
Canada	0.29	0.15	0.09
Denmark	0.83	0.49	0.03
Germany	0.39	0.17	0.04
Ireland	0.55	0.35	<b>0.16</b>
Italy	0.21	0.09	0.00
Japan	0.31	0.12	0.01
Netherlands	0.86	0.33	0.04
New Zealand	0.27	0.10	0.05
Sweden	0.98	0.41	0.01
Switzerland	0.38	0.17	0.10
United Kingdom	0.48	0.29	0.02
United States	0.17	0.06	<b>0.08</b>
<b>TOTAL DAC</b>	<b>0.32</b>	<b>0.14</b>	<b>0.05</b>

Note: Data are averages for 2006-07

## COMPONENTS OF DAC DONORS' NET ODA



# Conditionality of Aid

- **Untied**

ODA for which the associated goods and services may be fully and freely procured in substantially all countries

- **Tied**

ODA for which the goods and services must be procured in the donor country or among a restricted group of other countries but not all aid recipient countries (e.g. building a road with Caterpillar equipment and U.S. contractors)

**Bilateral ODA**

	<b>Untied</b>	<b>Partially Untied</b>	<b>Tied</b>	<b>Total</b>
Canada	74.6	0.1	25.4	100
France	92.6	-	7.4	100
Germany	93.4	-	6.6	100
Greece	42.3	10.4	47.4	100
Italy	59.8	7.9	32.2	100
Japan	95.1	-	4.9	100
Norway	99.9	-	0.1	100
Portugal	58.0	11.0	30.9	100
Sweden	100.0	-	-	100
United Kingdom	100.0	-	-	100
United States	68.5	-	31.5	100
<b>TOTAL DAC</b>	<b>84.6</b>	<b>0.2</b>	<b>15.2</b>	<b>100</b>

# System Efforts on Aid Quality

## 2005 Paris Declaration on Aid Effectiveness set key principles

- Ownership - Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- Alignment - Donor countries align behind these objectives and use local systems.
- Harmonisation - Donor countries coordinate, simplify procedures and share information to avoid duplication.
- Results - Developing countries and donors shift focus to development results and results get measured.
- Mutual Accountability - Donors and partners are accountable for development results.

## 2008 Accra Agenda for Action then emphasized

- Predictability – donors will provide 3-5 year forward information on their planned aid to partner countries.
- Country systems – partner country systems will be used to deliver aid as the first option, rather than donor systems.
- Conditionality – donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives.
- Untying – donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best quality at the lowest price.

# Some Famous Aid Successes

- Korean post-war support; Mozambique post-war support
- Green Revolution in South Asia
- Eradication campaigns against smallpox, guinea worm, polio
- Debt relief ... and education improvements
- AIDS treatment post-2001
- Malaria control

# ODA for Health: Major Success Since 2000

2000: Launch of GAVI Alliance

- Supported by Gates, UN, World Bank, private sector

2002: Launch of Global Fund to Fight AIDS, TB, Malaria

- Developing countries submit plans for independent technical review and funding

2003: “3 by 5” target for AIDS treatment

- WHO set ambitious 2005 delivery target

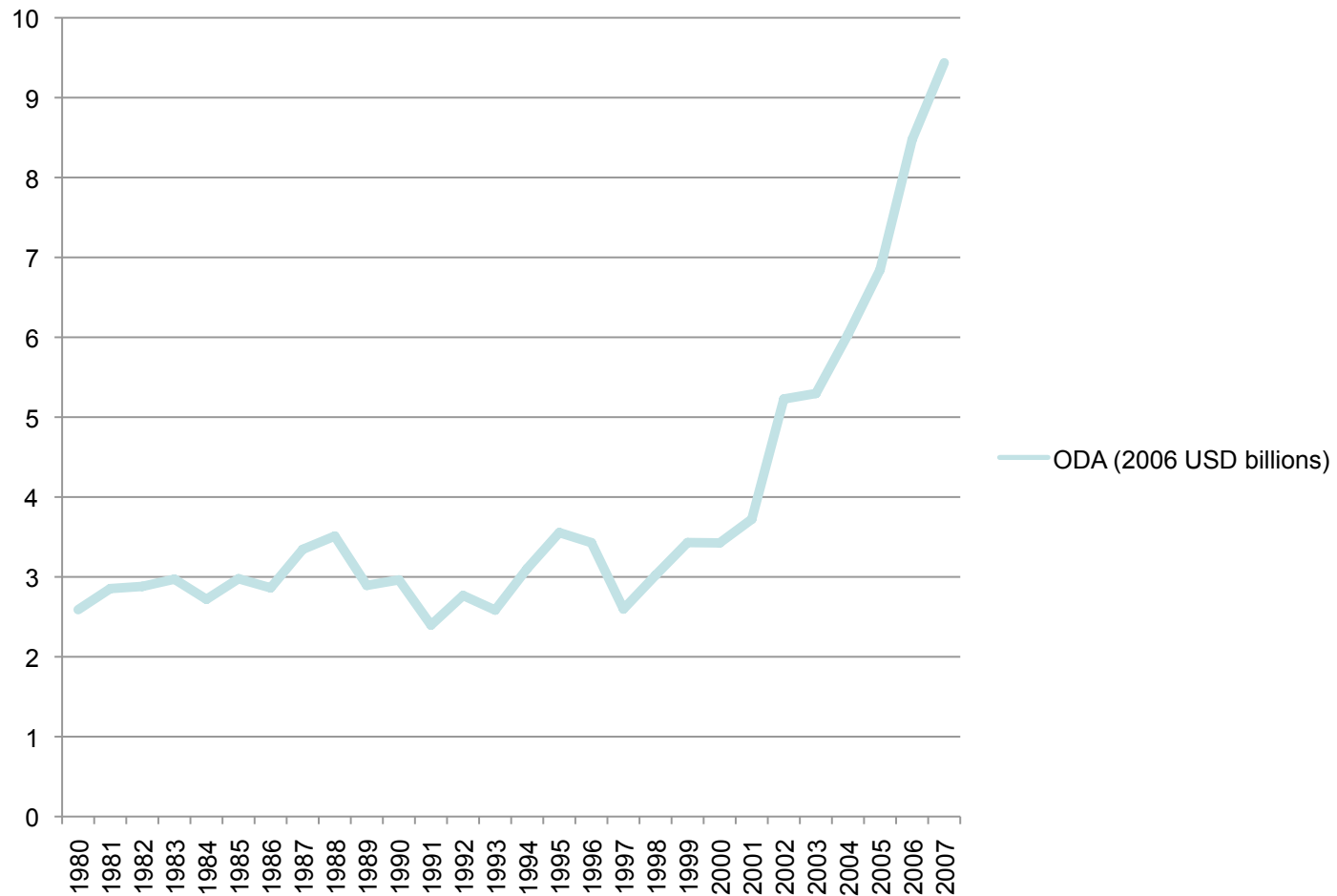
2003/2005: USA programs for AIDS, Malaria

- Bilateral program anchored in performance targets

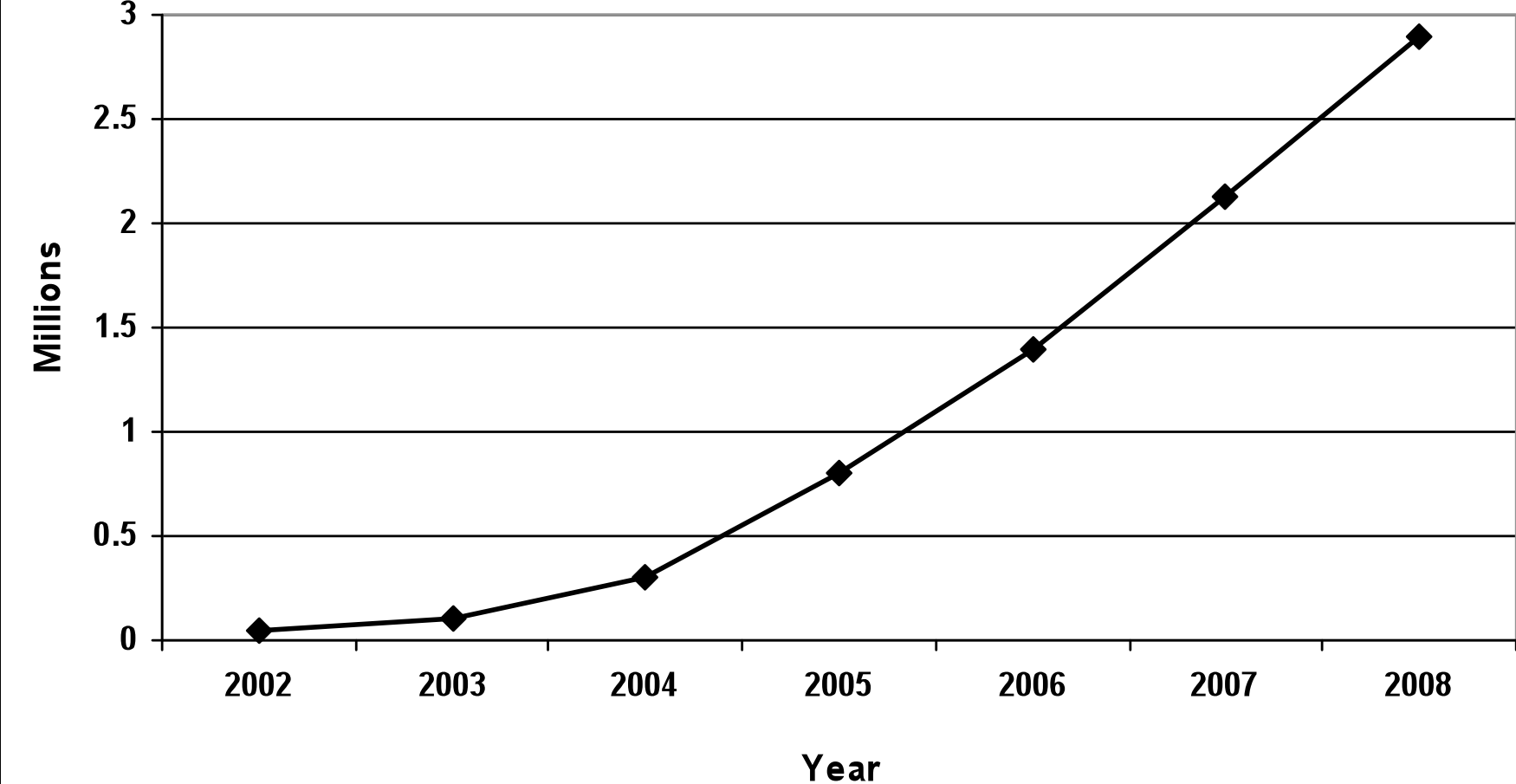


# The Lift-Off Since 2000 in Global Financing for Health (yet still only 1/3 of recommended levels)

## Aid for Health and Population



**Number of Patients on ARVs in Sub-Saharan Africa**



# Key Elements of Success

- Clear performance targets
- Known technologies
- Adequate finance
- National and Global mechanisms for achieving scale
- Auditable and accountable systems

What Aid Has Been  
Promised?

# Quick History of 0.7

1969 Pearson Commission: 0.7% Public+ 0.3% Private

1970 UN General Assembly Resolution

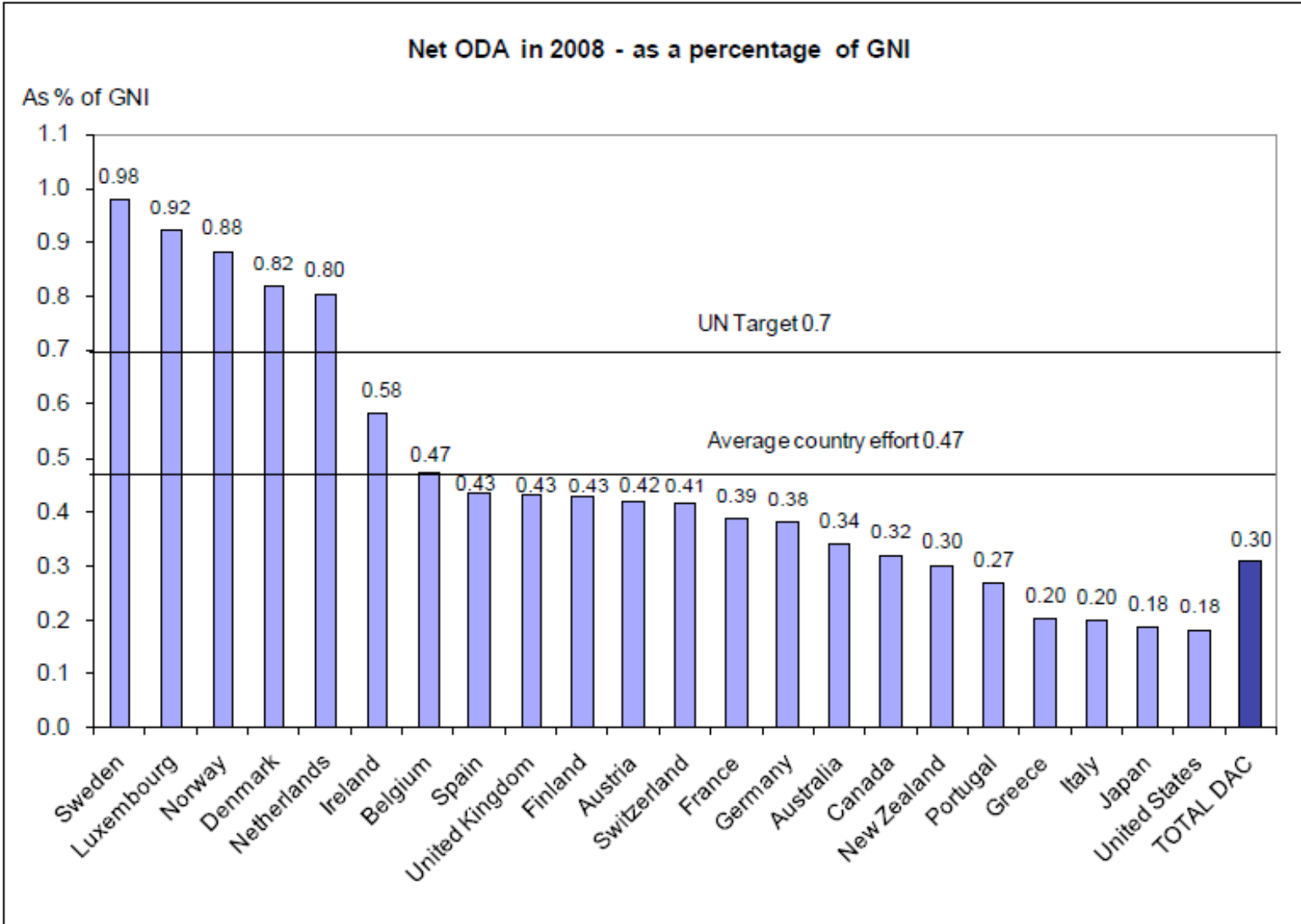
2002 Monterrey Consensus

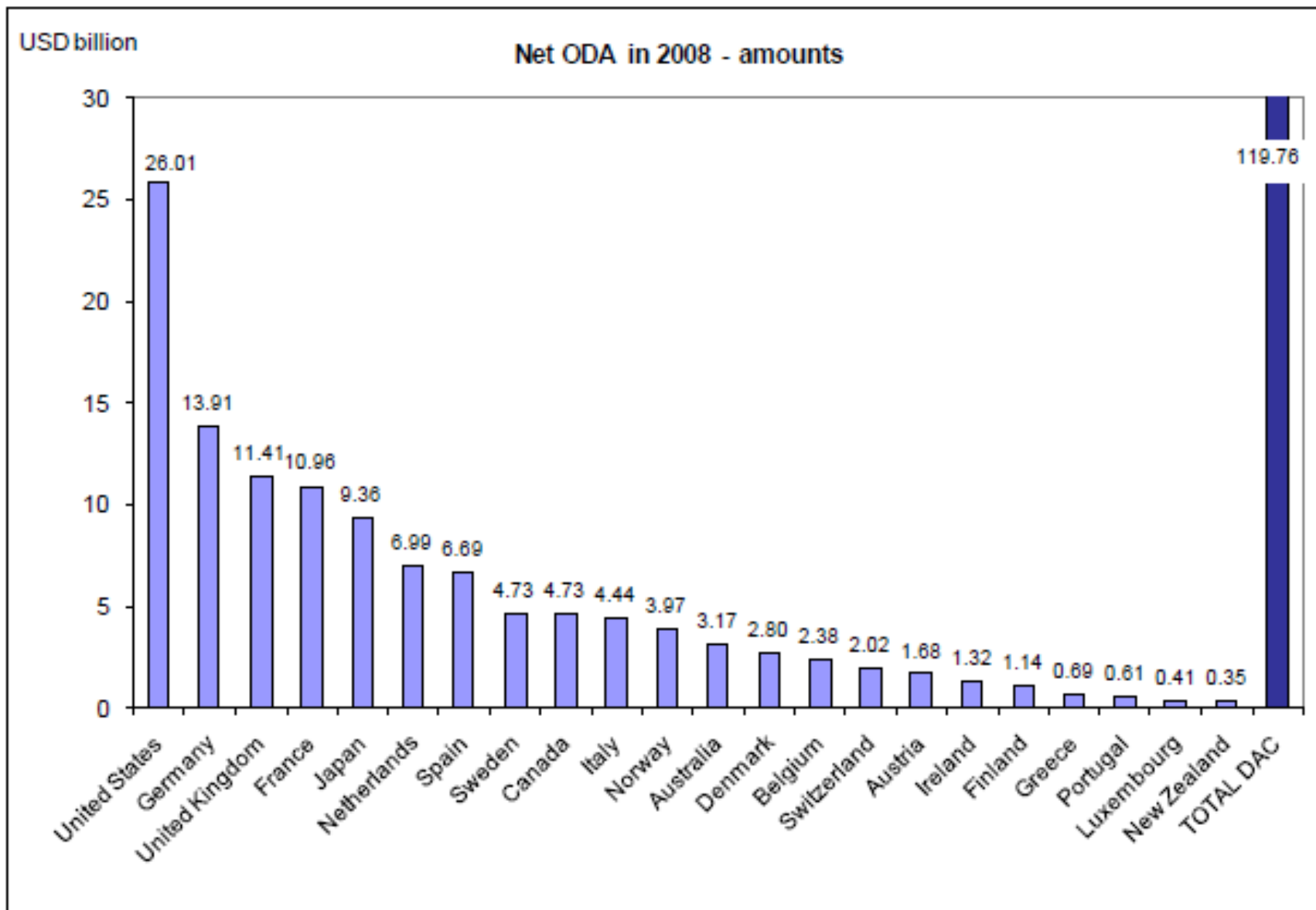
“We urge developed countries that have not done so to make concrete efforts toward the target of 0.7 percent of gross national product (GNP) as ODA to developing countries.” (para 42)

2005 EC-15 commitments for 0.7 by 2015

Today we are the first generation in which the world can afford to halve extreme poverty within 0.7 envelope

# CURRENT GLOBAL INVESTMENTS

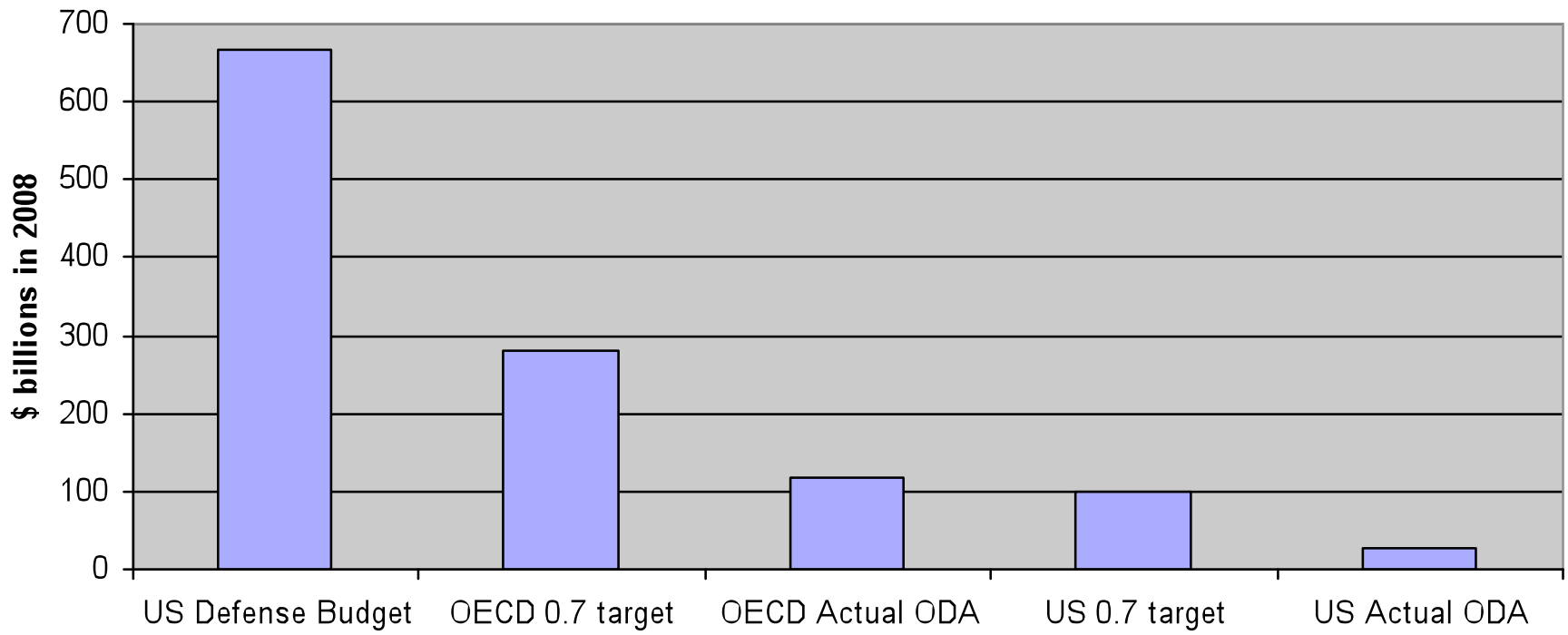




How to Interpret All These  
Numbers?



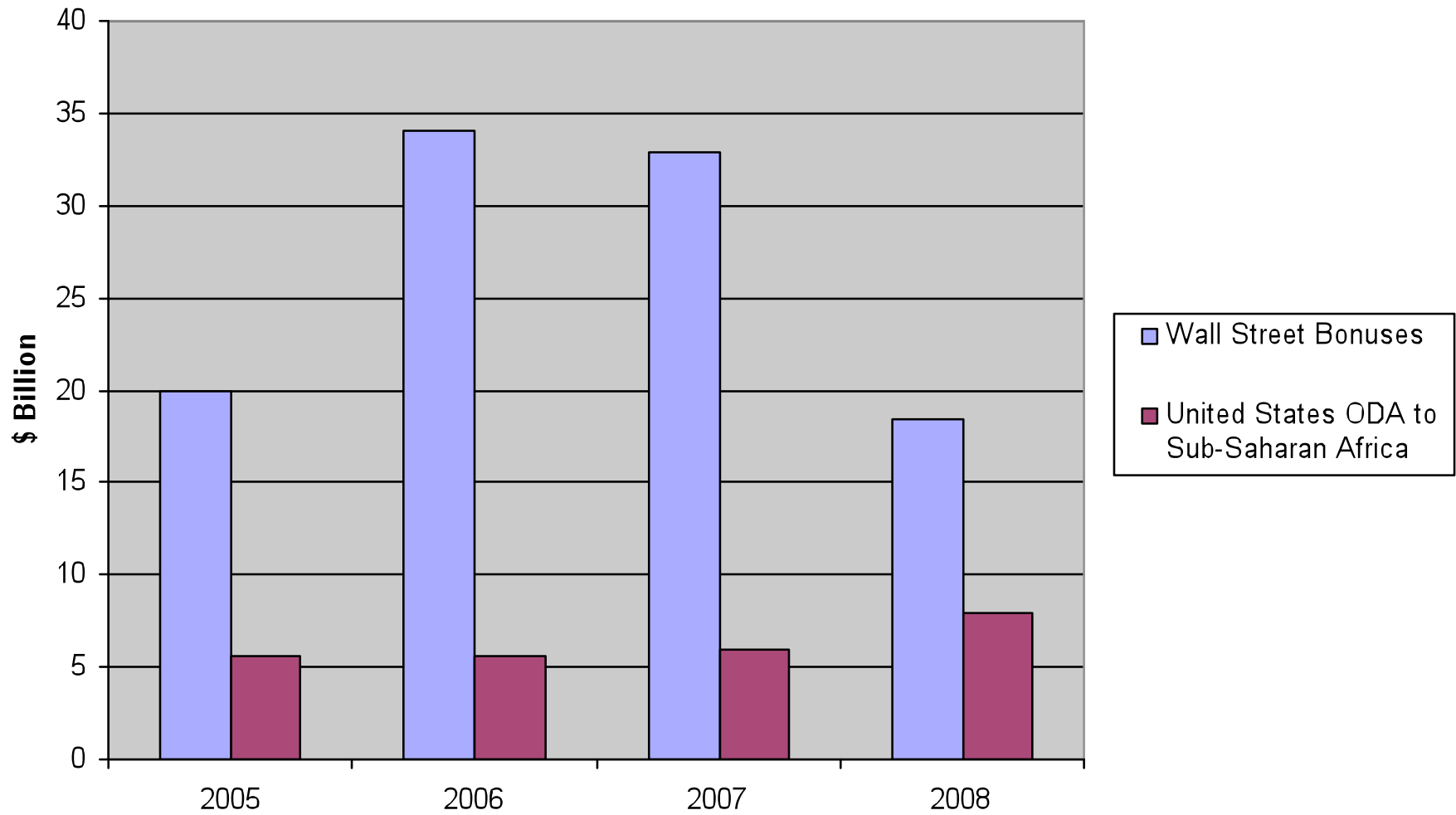
### 0.7 in a Global Context: 2008 Figures



## Average ODA per capita of donor country in 2006-07 (\$2006)

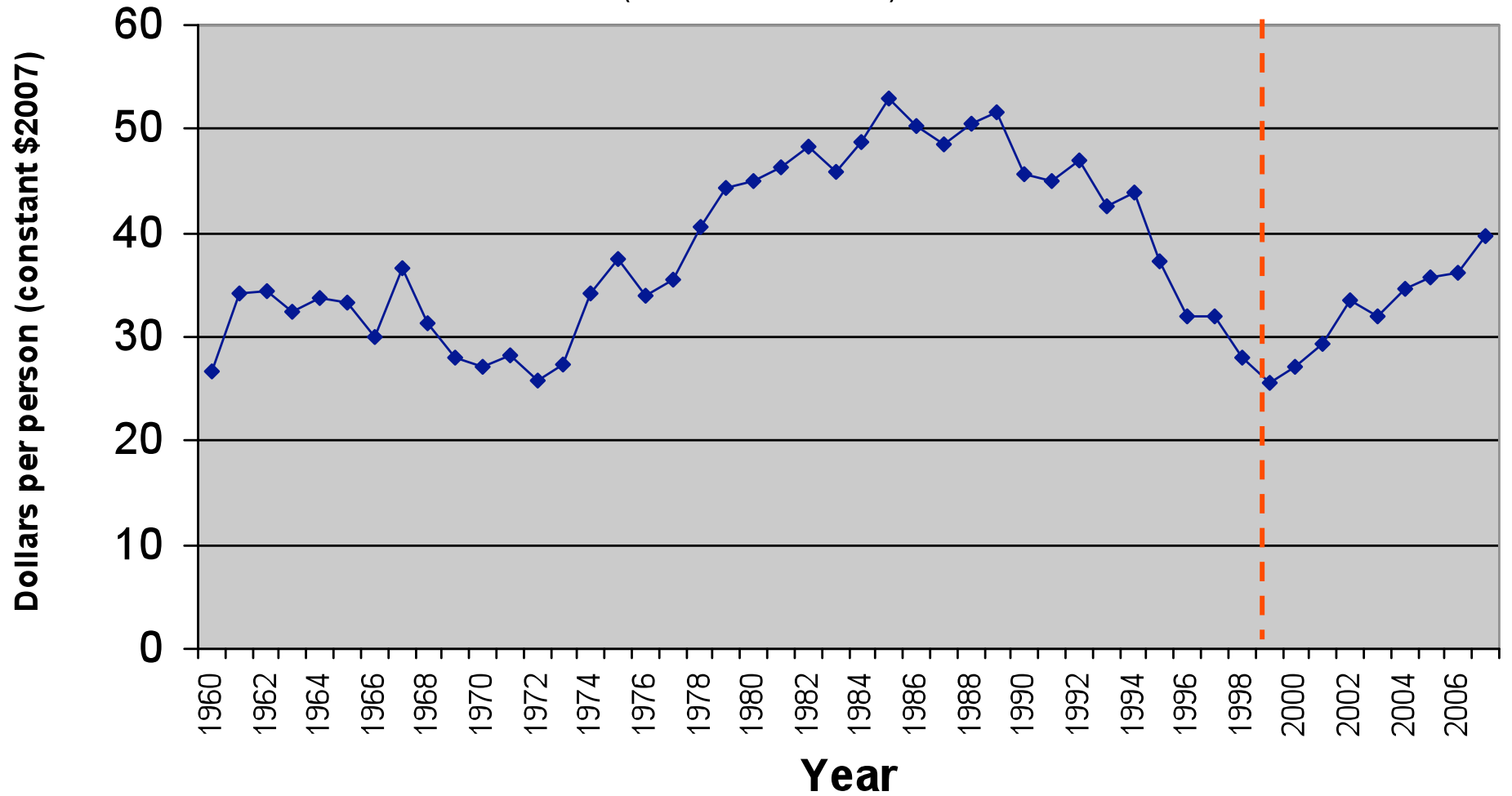
Australia	107	Japan	74
Austria	188	Luxembourg	679
Belgium	177	Netherlands	338
Canada	113	New Zealand	63
Denmark	415	Norway	669
Finland	163	Portugal	39
France	156	Spain	93
Germany	131	Sweden	427
Greece	39	Switzerland	215
Ireland	244	United Kingdom	176
Italy	61	United States	74
		<b>TOTAL DAC</b>	<b>112</b>

## United States Aid to Africa in Context



# NET ODA PER SUB-SAHARAN AFRICAN

(net of debt relief)



# Most Important Aid Questions

- Which programs have worked well and which have not?
- What lessons do the successes have?
- How can the successes be scaled and replicated in other areas?
- How much aid is needed to achieve that scale?

# To Study The Numbers in Detail

[www.oecd.org/dac/stats/data](http://www.oecd.org/dac/stats/data)

**Thank you!**