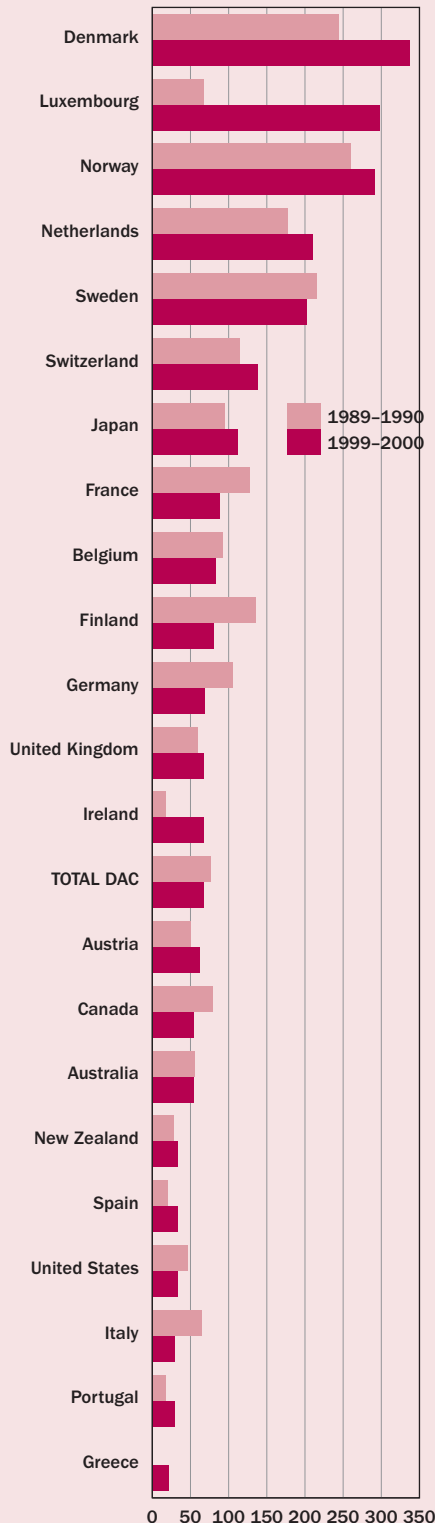


How Much Aid¹ Do We Give?



Note 1: Official Development Assistance (ODA) per capita in 1999 US\$.
 Source: *The DAC Journal: Development Co-operation Report 2001*, OECD, Paris, 2002.

Recent Trends in Foreign Aid

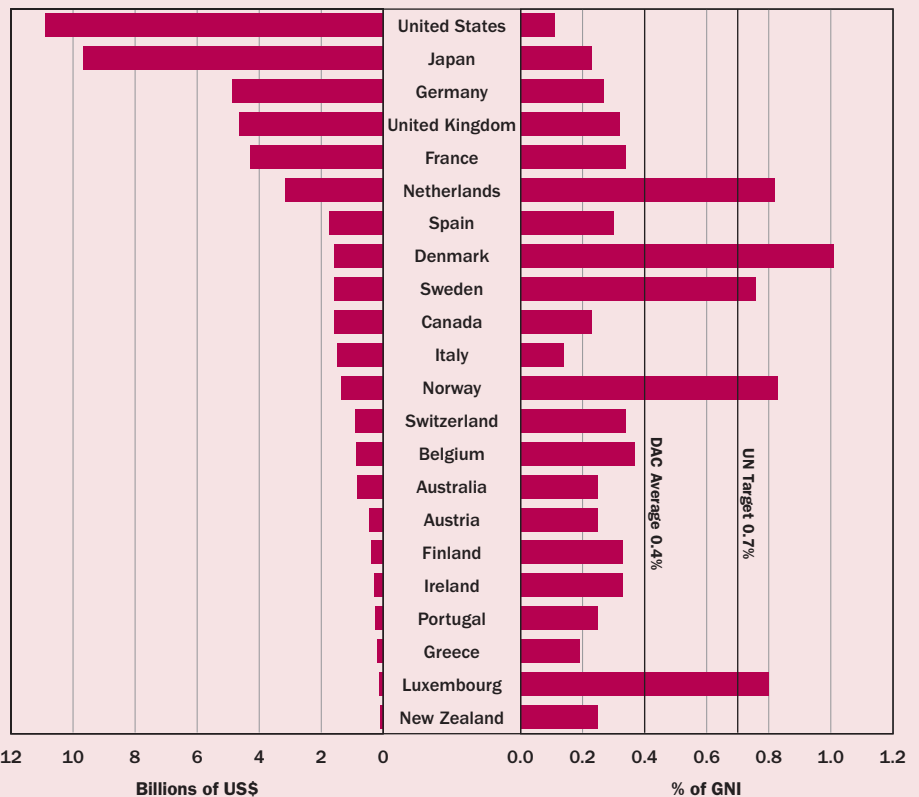
Provisional data for 2001 shows that foreign aid (official development assistance - ODA) has on the whole, remained stable in recent years. Net aid from OECD Development Assistance Committee (DAC) members to developing countries was \$51.4 billion. Total foreign aid as a share of gross national income (GNI) remained constant at 0.22%.

The United States surpassed Japan to become the world's largest aid donor for the first time since 1992, providing \$10.9 billion or 0.11% of GNI. A large part of the increase by the United States was a \$600 million disbursement to Pakistan for economic support in the aftermath of the terrorist attacks of September 11th. Japan's aid decreased by 18%, mainly due to the 12.7% depreciation of the yen that occurred from 2000 to 2001. Despite this large decrease, Japan still provided \$9.7 billion in aid, almost twice as much as Germany, the next largest donor. The EU total was \$26 billion.

Denmark, Norway, the Netherlands, Luxembourg and Sweden continue to be the only countries to meet the United Nations aid target of 0.7% of GNI with Denmark's ratio remaining the highest at 1.01%. All other nations were below the average country effort of 0.40%.

For additional aid information, visit www.oecd.org/dac.

Aid Flows, 2001¹



Notes: 1. Aid refers to net ODA. 2001 data is provisional. 2. DAC Members have progressively introduced the new System of National Accounts, which replaced gross national product (GNP) with gross national income (GNI). As GNI has generally been higher than GNP, ODA/GNI ratios are slightly lower than previously reported ODA/GNP ratios.
 Source: *A Mixed Picture of Official Development Assistance in 2001: The US Becomes the World's Largest Donor Again; Most EU Members' Aid Also Rises*, OECD, Paris, 2002.

Sample List of Aid Recipients¹

**Part I:
Developing Countries and Territories**

Least Developed Countries

Afghanistan	Sierra Leone
Somalia	Tanzania
Uganda	

**Other Low Income Countries,
GNP per capita ≤ \$760**

China	India
Indonesia	Nigeria
Pakistan	Vietnam

**Lower Middle Income Countries,
GNP per capita \$761–3030**

Palestinian Administered Areas	
Bosnia and Herzegovina	
Colombia	Egypt
Iraq	South Africa

**Upper Middle Income Countries,
GNP per capita \$3031–9360**

Brazil	Chile
Mexico	Saudi Arabia
Turkey	

**High Income Countries,
GNP per capita >\$9360**

Malta	Slovenia
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**Part II:
Countries and Territories in Transition**

CEECs/NIS

Czech Republic	Hungary
Poland	Russia

More Advanced Developing Countries

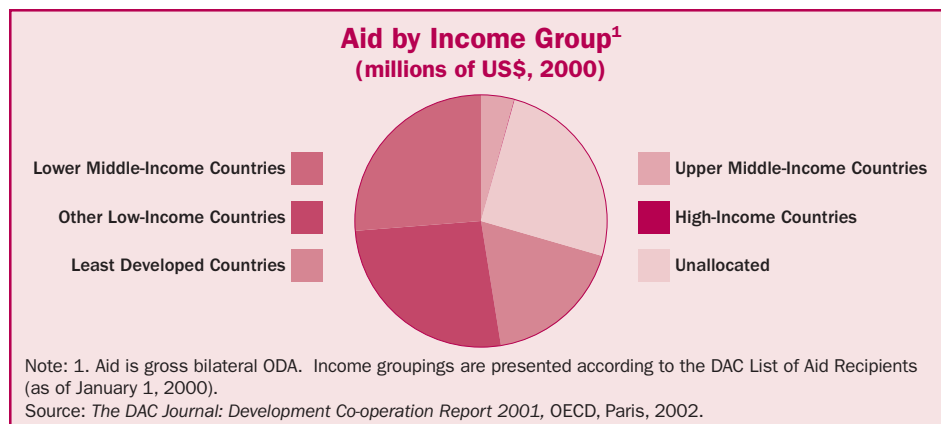
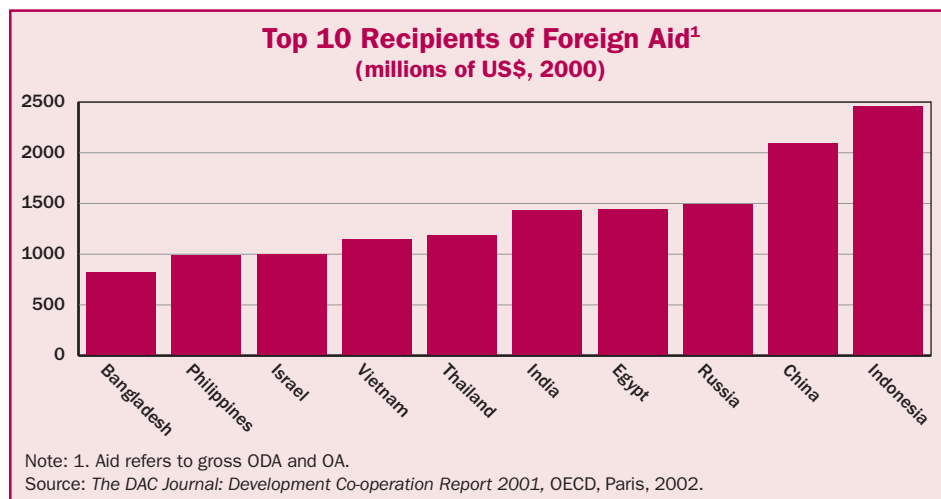
Israel	Korea
Kuwait	Libya
Singapore	

Note: 1. Income groupings are presented according to the DAC List of Aid Recipients (as of January 1, 2000).
Source: *The DAC Journal: Development Co-operation Report 2001*, OECD, Paris, 2002.

What is Foreign Aid and Who Receives It?

Foreign aid is comprised of government grants or loans (at lower than market interest rates) to less developed countries and territories. The main objective of foreign aid is the promotion of economic development and welfare. Uses of foreign aid include production, economic infrastructure, education, health, and other social services. It can include technical cooperation, such as training, administrative, or equipment costs, and is sometimes provided as emergency aid and debt relief; however it does not include any grants, loans, or credits for military purchases.

Recipients of aid from OECD countries are divided into two major categories. The first is developing countries and territories, while the second is countries and territories in transition to a market economy. Only the countries in the first category qualify for official development assistance (ODA). These 152 countries are further divided into five subcategories according to their per capita income. After a country has been on the list of High Income Countries for three years, its status can be upgraded to “in transition.” Countries and territories in transition include Central and Eastern European Countries and New Independent States of the former Soviet Union (CEECs/NIS) and more advanced developing countries and territories (MADCTs). These countries qualify for official aid (OA), rather than official development assistance. In 2000 transition countries and territories received approximately \$6.8 billion in aid, of which \$4.1 billion was provided by the European Union and \$2.5 billion by the United States.



Is Foreign Aid Well Spent?

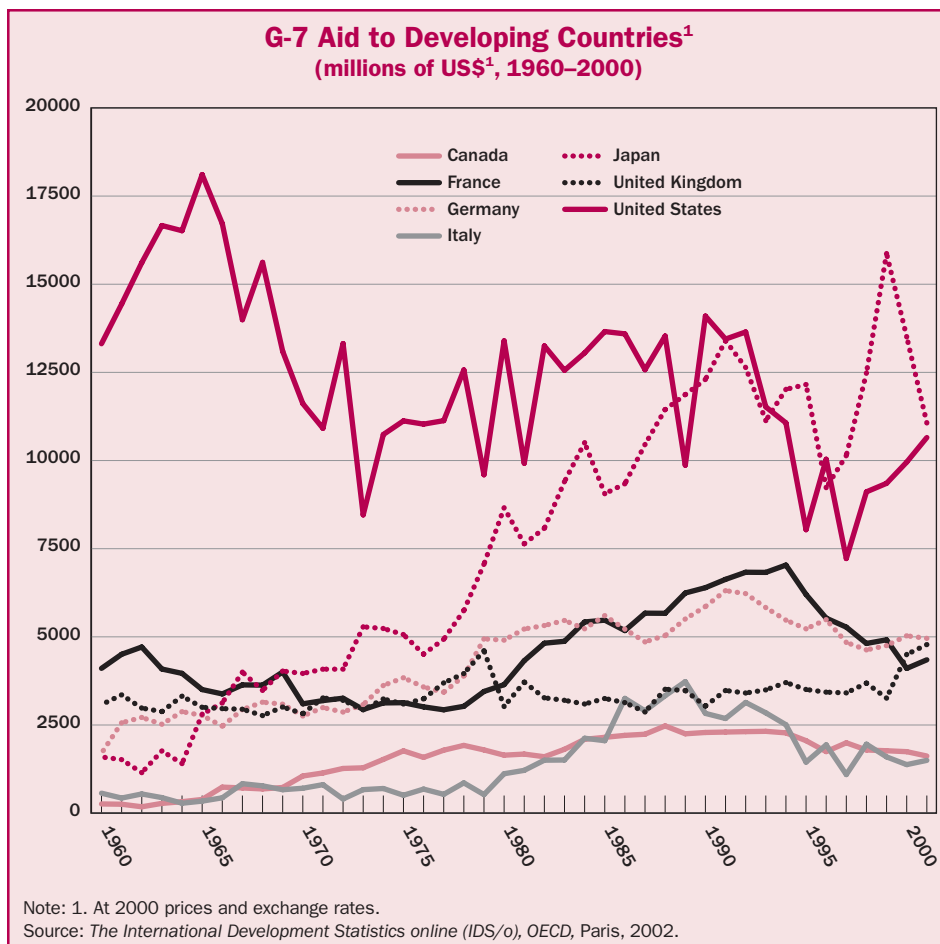
The 22 DAC members undergo peer reviews to monitor their donor efforts and determine if they are following DAC policy guidelines and their own stated objectives. A country's performance is assessed by two examining countries that review DAC statistics and reports provided by both the donor government and civil society, and go on field missions to view operations on the ground. Countries are evaluated on policy foundations of development cooperation, the volume and distribution of aid, policy coherence, organization and management, and operations. Recent evaluations have shown that almost all donors are lacking in either their external accountability or their internal knowledge management. A majority of donors have been increasing foreign aid, but the overall trend is unchanged due in part to weak political support in some large donor countries. Evaluations have most recently been conducted for Spain, Greece, and the European Community. The United States was reviewed this year, please see page six for a summary of the review.

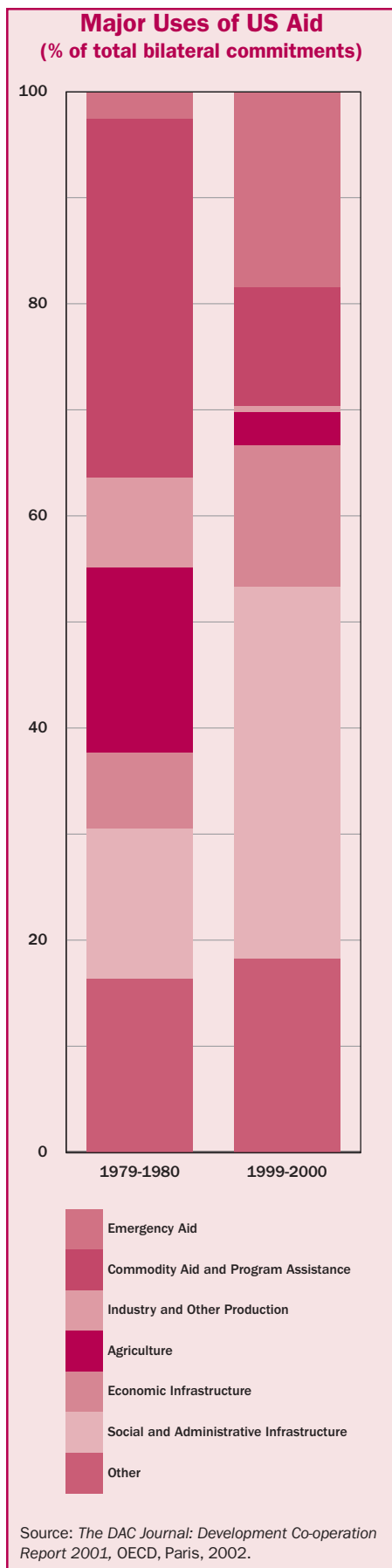
What is Foreign Aid Used For?

Approximately one third of all foreign aid from DAC members was used for social and administrative infrastructure in 2000. This includes education, health, population, and other social expenditures. About 16% went towards economic infrastructure, and the remaining amount was divided fairly equally among production, multisector, program assistance, debt reduction, emergency aid, administration, and other sectors.

Aid by Major Purpose (% of total bilateral commitments, 2000)	
Social and Administrative Infrastructure	31.7
Education ¹	7.8
Health	3.5
Population ²	2.4
Water Supply/Sanitation	6.3
Government/Civil Society	4.9
Other	6.8
Economic Infrastructure	16.5
Transportation/Communications	9.6
Energy	3.1
Other	3.9
Production	7.0
Agricultural	5.1
Industry, Mining, Construction	1.7
Trade & Tourism	0.2
Multisector	8.2
Program Assistance	7.1
Debt Reduction/Relief	7.8
Emergency Aid	7.7
Administration	6.3
Unspecified	7.6

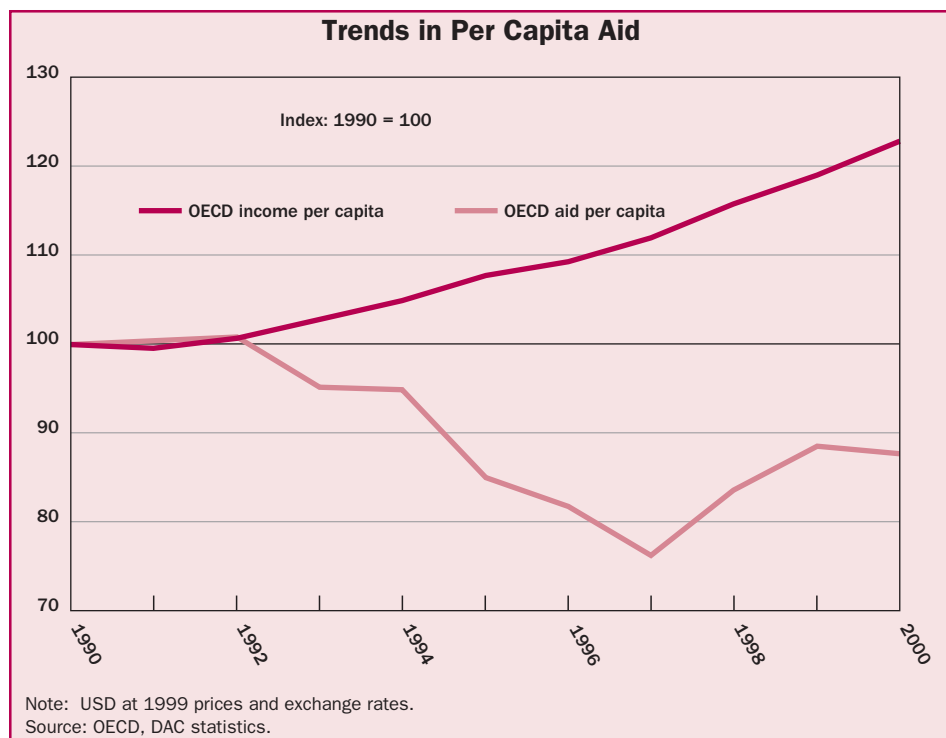
Notes: 1. Including students and trainees. 2. Population and reproductive health.
Source: *The DAC Journal: Development Co-operation Report 2001*, OECD, Paris, 2002.





How is Foreign Aid Measured?

Foreign aid is most often measured in either absolute amounts or as a percentage of gross national income (GNI). When trying to determine which country provides the most aid, the two methods provide very different answers. For example, in 2001 the United States provided almost \$10.9 billion, the most overall. With the exception of Japan, no other country provided even half of that amount. However, \$10.9 billion is only 0.11% of the United States' GNI. Denmark has the highest ratio, giving 1.01% of GNI, even though this only totals \$1.6 billion. In fact, the combined total of aid given by all five countries that meet the United Nations goal of 0.7% of GNI is still \$3 billion less than what the United States gave. Over the past decade OECD countries have steadily decreased their spending on foreign aid as a percentage of total GNI and per capita.



How is Debt Relief Incorporated into Foreign Aid?

The world's Heavily Indebted Poor Countries (HIPCs), most of which are located in sub-Saharan Africa, owe a large portion of their debt to international financial institutions. Some of their debt, however, includes loans and export credits from DAC countries. The HIPC Initiative, designed to reduce debt to manageable levels, will provide an estimated \$50 billion in relief. This does not appear as a large portion of foreign aid (ODA), in part because it will be implemented in smaller amounts over a period of several years. Also, when a DAC member forgives a non-aid loan, this generates new net aid, however if a loan that was originally in the form of aid is forgiven, then new aid is not created. Therefore, of the \$53.7 billion in aid provided by DAC members in 2000, only \$2.2 billion of that was considered debt relief. Only 2.2% of the total, \$1.2 billion, was debt relief for HIPCs. Debt relief in aid is expected to be higher in the next few years, as support continues to increase.

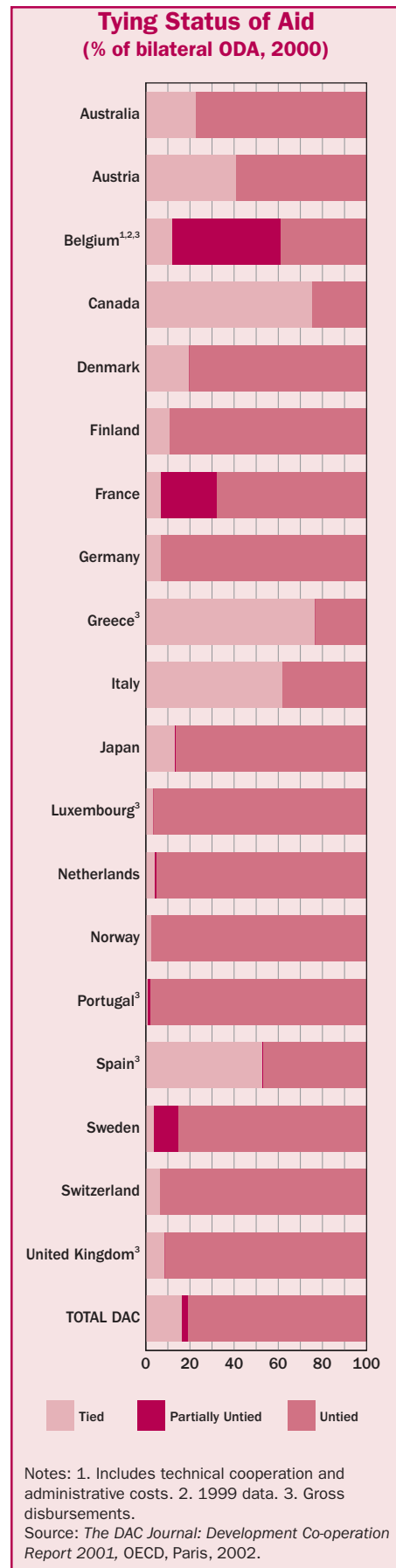
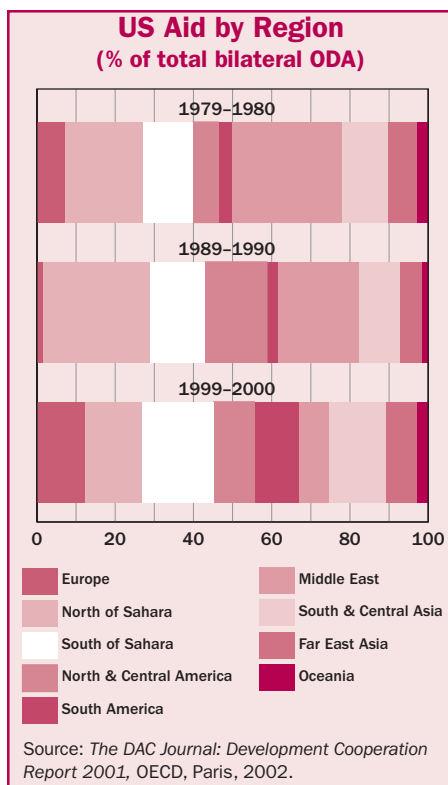
For more information on debt, visit www.oecd.org/dac/stats/debt.

Where does United States Aid Go?

In 2000, the United States provided \$12.5 billion in official development assistance and official aid combined. Russia, Israel, and Egypt together received almost a quarter of this money. In 1980 and 1990, almost half of United States foreign aid went to the Middle East and North Africa. In recent years, however, United States aid has been spread much more widely over geographical regions. Fifty-four percent of United States aid reached lower middle-income countries, while 44% reached low income and least developed countries.

Russia (OA)	1,154
Israel (OA)	967
Egypt	799
Ukraine (OA)	282
Indonesia	194
Jordan	179
Colombia	169
Bosnia and Herzegovina	152
India	148
Peru	136

Note: 1. Aid refers to gross bilateral official development assistance (ODA) and official aid (OA) flows.
Source: *The DAC Journal: Development Cooperation Report 2001 - Volume 3 Issue 1*, OECD, Paris, 2002.



What is Tied Aid?

Tied aid is assistance that must be used to purchase goods and services from the donor country. Countries that provide mostly tied aid, such as Canada and Greece, use it as a way to counter the outflow of aid money from their economies with payments for exports. Countries claim that this practice strengthens overall support of aid efforts. Unfortunately it is also highly detrimental, because it raises the cost of goods and services, increases administrative burdens, hinders donor coordination, and prevents recipients from using the money in the ways they can most efficiently fight poverty. DAC has appealed to its members to untie aid to foster more coordinated and effective partnerships with developing countries and increase the role of the recipient in its own development and integration into the global economy. Success was achieved recently when members agreed to untie aid to least developed countries in balance of payments support, debt forgiveness, program assistance, investment project aid, import and commodity support, commercial services contracts, and aid to NGOs. In 2000, DAC members (minus the United States, Ireland, and New Zealand, for which tying status was not reported) provided a total of \$24.3 billion in bilateral aid to developing countries, of which 80.8% was untied. In 1996, the last year the United States reported its tying status, only approximately 28% of its aid was untied.

Evaluating US Aid

The important role the United States plays in development cooperation extends beyond its financial contributions. Its large economy and ability to influence world opinion offers the United States a unique opportunity to promote economic growth worldwide and reduce poverty. In 2002 the United States underwent a DAC peer review. Some of the recommendations included:

- Have USAID take on greater government-wide leadership in all areas of development cooperation. Currently, there are 50 US government agencies that handle aid responsibilities and USAID is only responsible for one-half of US aid.
- Allow USAID to directly inform the public on the concept of foreign aid and current aid efforts to correct misperceptions and increase public and political support for the United State's role in development cooperation.
- Increase the volume of aid. In this regard, DAC welcomes President Bush's proposal for a "Millennium Challenge Account" which would provide an additional \$5 billion in annual aid by 2006.
- Further untie aid to developing countries.

The DAC's main findings and recommendations for the review will be available in early November at: www.oecd.org/dac

What is DAC?

DAC Members				
Australia	Finland	Italy	Norway	United Kingdom
Austria	France	Japan	Portugal	United States
Belgium	Germany	Luxembourg	Spain	
Canada	Greece	Netherlands	Sweden	
Denmark	Ireland	New Zealand	Switzerland	

The OECD Development Assistance Committee (DAC) is a key forum in which countries work together to increase the effectiveness of their activities to support sustainable development. The DAC concentrates on how international development cooperation contributes to the capacity of developing countries to participate in the global economy and the capacity of people to overcome poverty.



**ORGANIZATION FOR
ECONOMIC COOPERATION
AND DEVELOPMENT**

OECD Washington Center

2001 L Street, N.W., Suite 650
Washington, DC 20036-4922
Phone (202) 785-6323
Fax (202) 785-0350
Book Orders Only (800) 456-6323

OECD Washington Center Contacts

Press & Information Contacts:

Sandra Wilson (202) 822-3866
sandra.wilson@oecd.org

Joachim Doll (202) 887-3466
joachim.doll@oecd.org

Susannah Holmes (202) 822-3873
susannah.holmes@oecd.org

Edited by Kristen Ross

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