



A Changing Landscape:

**Trends in official financial
flows and the aid architecture**

November 2021

**A CHANGING LANDSCAPE:
TRENDS IN OFFICIAL FINANCIAL FLOWS AND THE
AID ARCHITECTURE**

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ABBREVIATIONS AND ACRONYMS

BRICS	Brazil, Russia, India, China and South Africa
CAGR	Compound Annual Growth Rate
CPA	Country Programmable Aid
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DRS	Debtor Reporting System
DSA	Debt Sustainability Analysis
EBRD	European Bank for Reconstruction and Development
FCS	Fragile and Conflict-affected Situations
FIF	Financial Intermediary Fund
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LDC	Least Developed Country
LIC	Low-Income Country
MDB	Multilateral Development Bank
MIC	Middle-Income Country
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OFF	Official Financial Flows
OOF	Other Official Flows
OECD	Organisation for Economic Co-operation and Development
TA	Technical Assistance
TOSSD	Total Official Support for Sustainable Development
UN	United Nations

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EXECUTIVE SUMMARY

1. **This report updates the World Bank’s analysis of the global aid architecture, which had previously been provided in three reports between 2007 and 2011.** It broadens the focus from Official Development Assistance (ODA) to all public and private sector financing to developing countries. It does so by complementing for the first time data reported by official donors to the OECD Development Assistance Committee (DAC) and Creditor Reporting System (CRS) with data reported by recipient governments to the World Bank Debtor Reporting System (DRS). Despite some methodological limitations, this approach helps to shed light on financial flows from the private sector as well as sovereign donors which do not report consistently to the OECD DAC.
2. **The main objective of the paper is to provide an impartial quantitative overview of changes in the global aid architecture landscape, particularly over the last decade, with a focus on changes in volumes of financing, sources of financing, and delivery mechanisms.** The paper covers financial flows up to the end of calendar year 2019, the limit covered by most public databases at the time of publication unless otherwise indicated. It can thus provide a useful baseline for future assessments of the impact of COVID-19 on development finance. Another objective of this paper is to serve as groundwork for more detailed and qualitative analysis of emerging issues in the global aid architecture, such as the proliferation of donor entities and fragmentation of aid flows, the rising volume of aid offered beyond the country level, and the concessionality of aid. Follow-up papers on these topics would, wherever relevant, discuss policy implications for the global aid community or the World Bank.
3. The main findings of the report can be summarized as follows:
 - **Financial flows to developing countries have grown steadily over the last decade, largely thanks to private sector finance.** During this period, private finance grew by 10 percent a year while official (i.e., public) finance grew by 2 percent a year. While in 2010 public finance represented 64 percent of total financial flows to developing countries, by 2019 public and private flows were almost equal.
 - **Among public lenders, BRICS countries provided significant volumes of loan financing.** Over the last ten years, the BRICS provided 22 percent of loan financing globally. At the donor level, the World Bank Group and China were the two largest individual sources of loan financing. While the World Bank Group also provides a significant amount of grant financing, there is no data source which adequately covers grants provided by BRICS countries.
 - **Middle-Income Countries (MICs) received almost half of total ODA commitments since 2000 and 85 percent of Other Official Flows (OOF).** Least Developed and Low-Income Countries (LDCs/LICs) received 94 percent of their financing as ODA. However, this amount only represented 30 percent of total ODA commitments over the period.

- **The volume of funding which donors have not identified as allocated to specific recipient countries almost quadrupled over the past two decades and now constitutes more than a fifth of official finance to developing countries.** The rising share of resources not assigned to specific recipients indicates a growing focus on global and regional public goods and on support for emergencies (humanitarian aid and support to refugees in donor countries).
 - **Aid concessionality varied significantly across sectors, with grants deployed mostly for social sectors and support for emergencies, and concessional and non-concessional loans favored for infrastructure.** More than two thirds of ODA grant commitments in the past five years were made in the social sectors and in support for emergencies. In contrast, 44 and 43 percent of ODA loans and OOF, respectively, were used for infrastructure investments.
 - **There was a modest growth in the number of official finance providers since 2000, but a 2.5x growth in the number of entities providing official finance.** Between 2000 and 2019, the number of official finance providers around the world grew from 47 to 70 while the number of entities providing official finance expanded from 191 to 502. The rapid increase in the latter may be due partly to the lack of full reporting at the beginning of the period.
 - **Development activities remain highly fragmented; the average size of official finance activities has decreased by approximately one third in value in twenty years.** Fragmentation appears to be mostly concentrated in social sectors and in bilateral activities. The impact on ODA grants, the dominant type of official flows, was particularly strong. The average size of an ODA grant decreased from US\$1.5 million in 2000 to US\$0.8 million today.
4. Findings from this report would benefit from additional analysis in three key areas:
- **Aid Effectiveness.** Considering the limited systematic evidence regarding the impact of proliferation and fragmentation on aid effectiveness and efficiency, additional research could be undertaken to identify discernable patterns between findings from aid quality surveys and the quantitative information on proliferation and fragmentation made available in this report.
 - **Aid Beyond the Country Level.** Given the growing amount of funding unallocated to specific recipient countries, its three main components (i.e., emergencies at home and abroad, regional programs, and global public goods) could be further analyzed.
 - **Evolution of Concessionality.** A more detailed analysis of concessionality of official flows could be useful from various perspectives, including the transition from grant financing to concessional loan financing in selected LDCs/LICs, the continued significant deployment of both grants and concessional loans in selected MICs (particularly those with market access), and the link between changes in terms of financial assistance from the World Bank and the terms offered by other financial providers.

Box 1: Key Data Sources and Terminology Used

Data Sources

The analysis in this paper utilizes two OECD databases which both contain data reported by donor countries and multilateral agencies. The *Development Assistance Committee (DAC)* database contains aggregated data along three dimensions: donor; donor by recipient country; and donor by sector. The *Creditor Reporting System (CRS)* database provides disaggregated transaction-by-transaction data.

In *Section II* of this paper, the World Bank's *Debtor Reporting System (DRS)* database is also utilized to complement the OECD datasets. DRS data includes official loans (i.e., bilateral and multilateral loan commitments) as well as flows from private financiers, as reported by recipient countries themselves.

Terminology Used

Types of Donors:

- *Bilateral donors* include individual governments and their development agencies.
- *Bilateral flows* can either be directly distributed from donor countries to recipient countries, or to multilateral organizations with donor-imposed restrictions on their use (i.e., earmarked for a specific sector, theme, country, or region, also referred to as *non-core* or *multi-bi* flows).
- *Multilateral donors* include international institutions with governmental membership which conduct all or a significant part of their activities in favor of development and aid recipient countries. They include multilateral development banks (e.g., World Bank, regional development banks), United Nations agencies, as well as multinational groupings (e.g., certain European Union and Arab agencies).
- Contributions by bilateral donors to multilateral donors are considered *multilateral flows* if they are pooled with other contributions and disbursed at the discretion of the agency (i.e., without any use of restrictions or non-earmarked, also referred to as *core* flows).

Types of Flows:

- *Official Financial Flows (OFF)* consist of Official Development Assistance and Other Official Flows.
- *Official Development Assistance (ODA)* consists of resource flows (grants, loans and equity) to countries and territories on the DAC List of ODA Recipients (developing countries) and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; and (c) at concessional financial terms. Until 2018, loans were concessional if their Grant Element was at least 25 percent (calculated at a 10 percent discount rate of 10 percent). Since 2019, both grant element and discount rate vary based on the Income Group of the recipient country.¹ In addition to financial flows, Technical Co-operation is included in ODA. Equity provided by the official sector excludes Foreign Direct Investment, which is included under private flows.
- *Other Official Flows (OOF)* consist of transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they have less than the required grant element.
- *Private Flows* consist of flows at market terms financed out of external 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 organizations and other private bodies, net of subsidies received from the official sector).

ⁱ See <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/modernisation-dac-statistical-system.htm>

Terminology Used (Continued)

Commitments vs. Disbursements:

- *Commitments* are firm obligations, 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 organization. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organizations are reported as the sum of (i) any disbursements in the year reported on which have not previously been notified as commitments and (ii) expected disbursements in the following year.
- *Disbursements* correspond to the release of funds to or the purchase of goods or services for, a recipient (i.e., 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. Disbursements 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). It can take several years to disburse a commitment.

Classifications:

- *Country Income Groups*: ODA eligible countries are classified into two groups i.e., Least Developed Countries and Low-Income Countries (LDCs and LICs) and Middle-Income Countries (MICs).ⁱⁱ
- *Country eligibility for IBRD and/or IDA*: Economies are divided into IDA, IBRD, and Blend countries based on the operational policies of the World Bank. International Development Association (IDA) countries are those with low per capita incomes that lack the financial ability to borrow from the International Bank for Reconstruction and Development (IBRD). Blend countries are eligible for IDA loans but are also eligible for IBRD loans because they are deemed to be financially creditworthy.
- *Sector Classifications*: Consists of social infrastructure and services, economic infrastructure and services, production sectors, multi-sector and cross-cutting, commodity aid/general program assistance, actions related to debt, humanitarian assistance, donor administrative costs, costs of refugees in donor countries and unallocated. For purposes of analysis, a category entitled 'emergencies at home and abroad' was created combining humanitarian assistance and costs of refugees in donor countries.
- *Sector Allocable ODA*: ODA flows aimed at fostering a particular sector in the recipient country. Excludes contributions that are not allocable by sector (e.g., balance-of-payments support, actions relating to debt, emergency assistance, administrative costs of donors, support to NGOs and unallocated/unspecified ODA).

ⁱⁱ https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf

I. INTRODUCTION

1. **This paper provides updated data and analysis on the structure and dynamics of the global aid architecture.** It reviews broad trends in overall financing for development and within that, the role of Official Financial Flows (OFF) and more specifically, Official Development Assistance (ODA). The paper analyzes the rising importance of non-concessional financing, the continuing complexity of the global aid architecture, and other phenomena with potential impact on aid effectiveness. The main objective of the paper is to provide an impartial quantitative overview of changes in the aid architecture landscape, particularly over the last decade (through the end of calendar year 2019), with a focus on volumes of financing, sources of financing, and delivery mechanisms. Considering the period covered, the paper provides a useful baseline for future assessments of the impact of COVID-19 on development finance, which recent publications from the UN and the OECD have already started to investigate.¹ Another objective of the paper is to provide the basis for more detailed and qualitative analysis of emerging issues, such as aid concessionality, aid proliferation and fragmentation, and aid beyond the country level. Follow-up papers on these topics would, wherever relevant, discuss policy implications for the global aid community or the World Bank.

2. **The paper builds on prior aid architecture reports published by the World Bank.** The first Aid Architecture report² was prepared in the context of the IDA15 replenishment negotiations, and later updated in May 2008³ for the Third High Level Forum in Accra. The two reports underscored the complexity of the global aid architecture, particularly the proliferation of aid agencies on the supply side (with the average number of donors per recipient country rising from about 12 in the 1960s to about 33 during the 2000s) and the fragmentation of aid on the user side, both contributing to increased transaction costs at the country level. The reports also discussed the prospects and challenges facing the donor community in the perspective of ensuring the effectiveness of aid. A comprehensive update⁴ was prepared in 2011 ahead of the Fourth High Level Forum in Busan; reporting on changes in net financing flows to developing countries before and after the 2008 Global Financial Crisis.

3. **Aid architecture refers to the set of rules and institutions governing aid flows to developing countries.** Systematic measurement of aid has been undertaken over the last 60 years since the establishment of the Organisation of Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) in 1961.⁵ Since then, the OECD DAC has served as the main forum for securing agreements on key definitions and changes thereto (see Box 1). However, the global aid architecture has evolved without a pre-defined blueprint, with most of today's aid principles and institutions resulting from over half a century of debate and joint decision-making. Broadly speaking, two aid "architectures" can be distinguished: the

¹ See United Nations Inter-agency Task Force on Financing for Development, 2021 and OECD, 2021.

² World Bank, 2007.

³ World Bank, 2008.

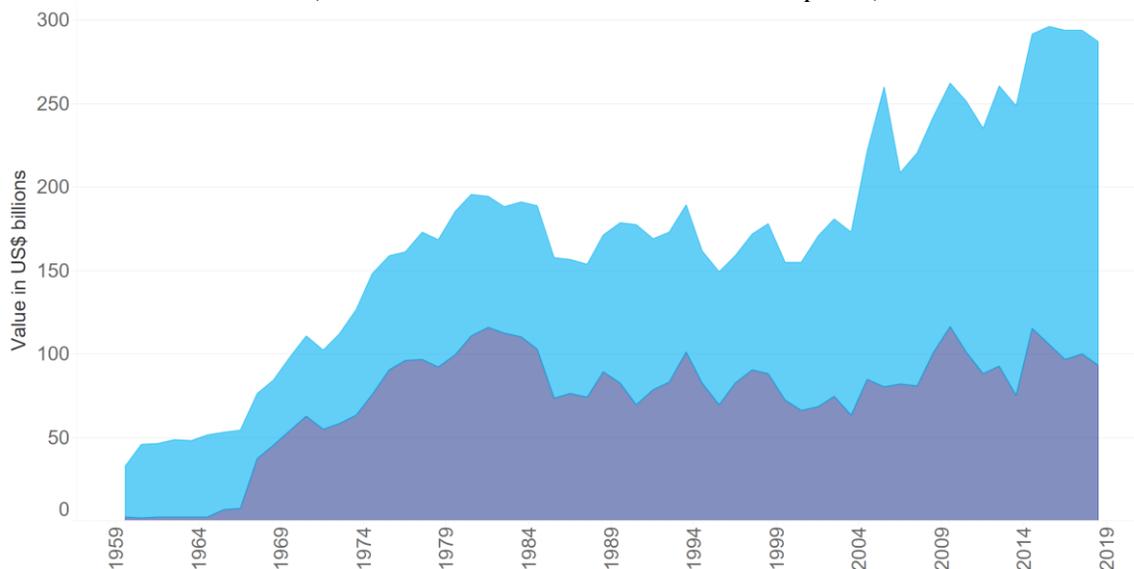
⁴ World Bank, 2011.

⁵ The committee of the OECD which deals with development co-operation matters. The DAC currently has 30 members. More info: <https://www.oecd.org/dac/development-assistance-committee/>.

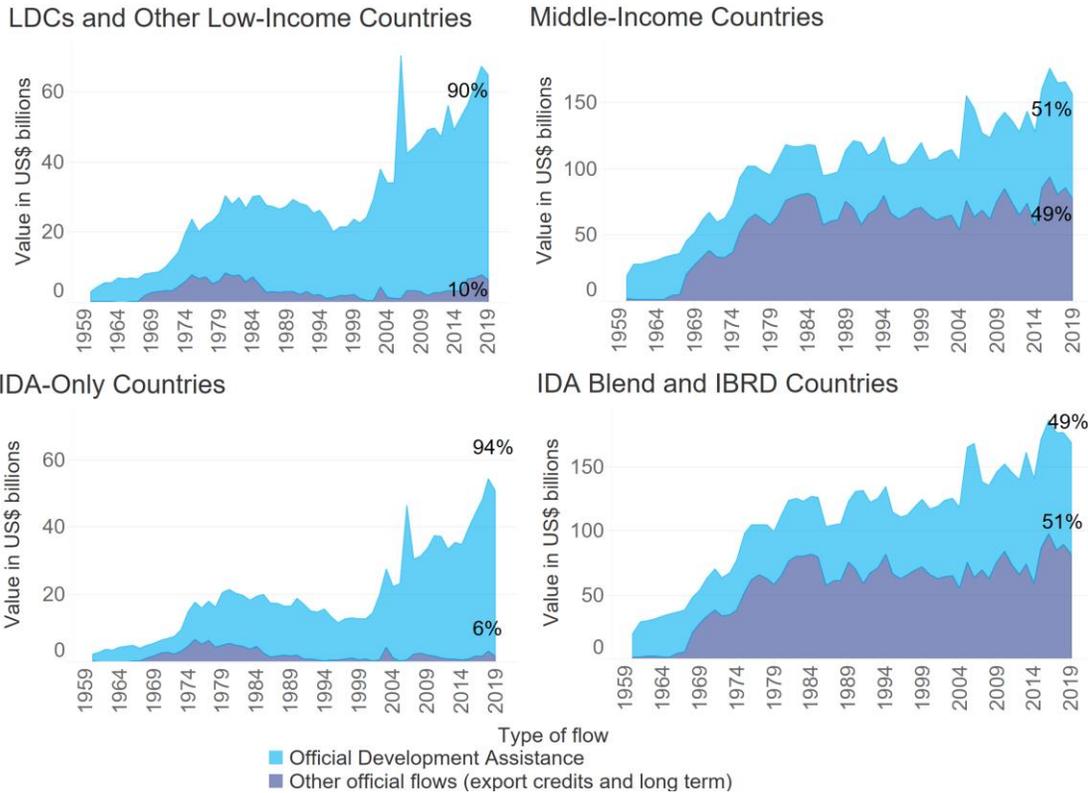
“Cold War Architecture”, which lasted from the end of World War II to the fall of the Berlin Wall in 1989; and the “Post Cold War Aid Architecture”, which started in 1990 and is still evolving in important respects, such as through the global consensus around the Sustainable Development Goals or through the increasing role of non-DAC donors.⁶

4. **This report seeks to go beyond Official Development Assistance (ODA) – the focus of previous Aid Architecture reports – by adding to the analysis other flows that may not meet ODA eligibility criteria.** As a first step, Official Financial Flows (OFF), which include both ODA and Other Official Flows (OOF) reported to the OECD DAC, were examined. Overall, OFF increased substantially over the past 60 years, with an almost tenfold increase between today and 1960. Within OFF, the share of non-ODA flows (i.e., OOF) varied significantly over that period. From a mere 7 percent in 1960, it increased to an all-time high of 60 percent in the beginning of the 1980s, before moderating to just above 30 percent in the last few years (Figure 1). As expected, OOF constitute a higher portion of OFF in Middle-Income Countries (MICs) and IBRD and IDA Blend countries than in Least Developed and Low-Income Countries (LDCs/LICs) and IDA-only countries. In the first group, OOF now constitutes approximately half of the official financing received, while it constitutes only 6 to 10 percent in the second. However, one notable limitation of this approach is that it only captures transactions from donors who report to the OECD, thereby excluding flows from a number of important bilateral providers, such as China or India, as well as from most private financiers.

Figure 1: Official Financial Flows to Developing Countries
(Gross disbursements, US\$ billions, 2019 prices)



⁶ See Annex 1 of the first Aid Architecture paper for a comprehensive review of the historical evolution of the international aid architecture over the last half century. For more information on DAC membership, please see: <https://www.oecd.org/dac/development-assistance-committee/>.



Source: OECD DAC Tables 2a and 2b

5. **To draw a more comprehensive picture of all financial flows to developing countries, this paper proposes to incorporate lending data from financial providers that are not reporting consistently to the OECD DAC.** For the first time, a dataset was constructed by combining loan data reported by developing countries to the World Bank Debtor Reporting System (DRS) – which includes official commitments from a broader set of bilateral lenders as well as loans from private financiers – with ODA grant and equity commitments data reported by official finance providers to the OECD Creditor Reporting System (CRS).

6. **Nonetheless, there remain limitations imposed by the underlying characteristics of the datasets used, with implications for the analysis in this report and the comparison of its findings with previous Aid Architecture papers.** First, while the combination of the OECD datasets with the World Bank DRS allows to supplement the analysis with information on financial flows from sovereign donors not reporting consistently to DAC, it does not include grants from these donors, for which no comprehensive data is available. Second, while the constructed dataset does provide sufficiently robust data for country-level analysis, differences in sector and other definitions imply that additional comparisons should be undertaken with caution. Third, while OECD DAC data is available from 1960 onwards with accuracy in headline trends, changing definitions over the years suggest that a shorter time period (i.e., 2000-2019) would be more prudent for the analysis of sectoral trends. Fourth, trend analysis for country income groups cannot easily be undertaken since the data is based on countries' income status as of 2019, which may have changed from years of previous comparisons.

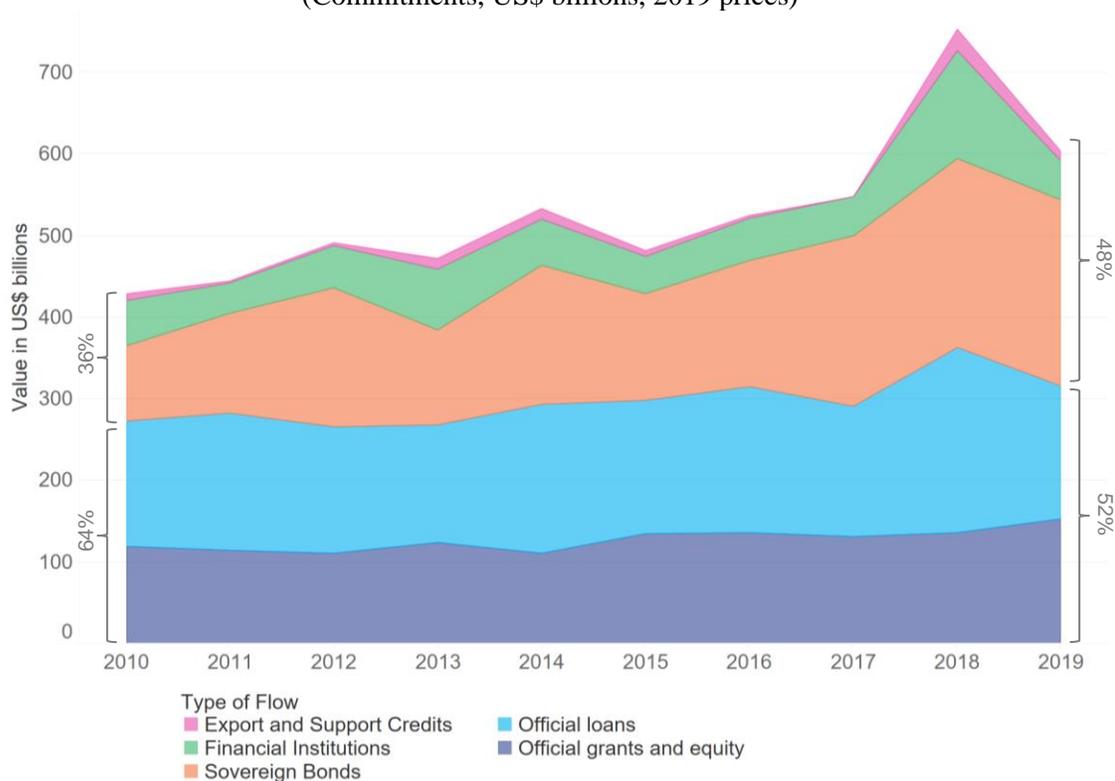
Finally, since convergence between aggregate data in the DAC database and the transaction-by-transaction information in the CRS has improved more significantly in the past ten years, in some cases, trend analysis may be more robust for the most recent decade (i.e., 2010-2019). The paper notes these data limitations in each relevant section.

7. **The paper is organized as follows.** *Section II* looks at the overall financing of the public sector in developing countries, including the rising importance of non-traditional development partners. *Section III* focuses on official finance and analyzes key trends in its distribution by geographic area, income group, and sector. *Section IV* examines the continuing complexity of the global aid architecture through the prisms of proliferation and fragmentation. Finally, *Section V* summarizes the main findings of the paper and identifies potential areas for future research.

II. PUBLIC SECTOR FINANCING IN DEVELOPING COUNTRIES

8. Over the last decade, consistent with concerted efforts by the development community to increase resource mobilization by catalyzing private finance, flows from private sources increased significantly while those from official sources grew more slowly; by 2019, the two sources were almost equal in size. Between 2010-2019, cumulative commitments amounted to US\$5.3 trillion in real terms (i.e., at 2019 prices) with 56 percent provided by official sources and 44 percent from private and non-official sources (Figure 2).⁷ During this period, the development community dedicated a particular focus on leveraging public finance to catalyze additional resources, particularly from the private sector.⁸ Consistent with these efforts, in 2019, commitments from official sources stood at US\$315 billion (52 percent) as compared with commitments of US\$288 billion from private and non-official sources (48 percent).

Figure 2: Total External Financing to the Public Sector in Developing Countries
(Commitments, US\$ billions, 2019 prices)



Source: Authors' calculations based on World Bank DRS and OECD CRS (for official grants and equity only)⁹

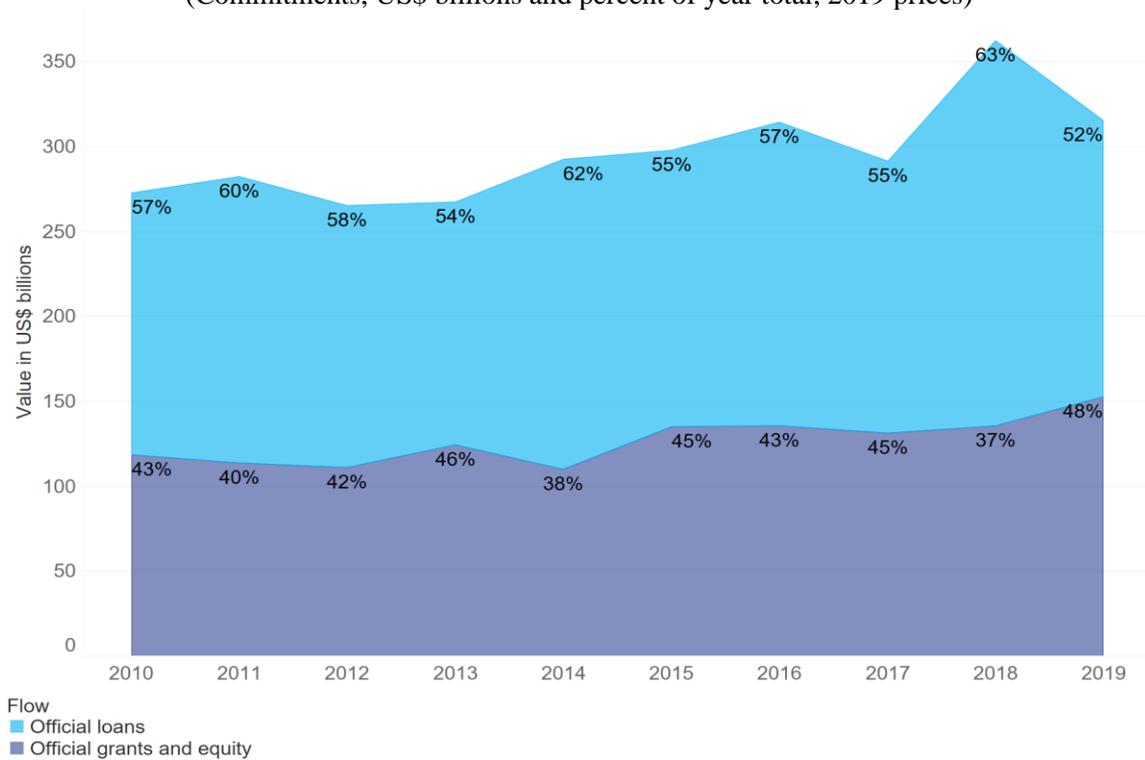
⁷ In addition to private financial institutions, private and non-official sources also cover lending provided by financial institutions with state ownership.

⁸ See, for example, the 2015 Addis Ababa Action Agenda (United Nations, 2015) and the 2015 report "From Billions to Trillions" prepared by six Multilateral Development Banks and the IMF (Development Committee, 2015).

⁹ Data on official loans, sovereign bonds, financial institutions, and export/support credits is based on the DRS database. Rescheduled commitments are not included in the calculations. Data for the following

9. **Within official sources, the respective shares of loans and grants have remained relatively stable over the past decade.** The share of official loans was 57 percent in 2010 and fluctuated between 54 and 63 even since, to reach 52 percent in 2019 (Figure 3).

Figure 3: Official Finance to Developing Countries
(Commitments, US\$ billions and percent of year total, 2019 prices)



Source: World Bank DRS for official loans and OECD CRS for official grants and equity.

10. **In the context of mounting debt pressures in many developing countries,¹⁰ discerning the full extent of official loan financing, its sources and destinations, is particularly important.** The rest of this section looks specifically at the volume of public loans extended to developing countries over the past decade, leveraging the DRS dataset. The comparison of donors based on their lending volume is not intended as a ranking of their total support to developing countries or development efforts. If grants were taken into account, the shares from multilateral institutions and from bilateral donors that provide significant amounts of grant financing would be larger.¹¹ However, there is currently a lack of comprehensive data available on grant financing, particularly from sovereign donors

countries has been estimated for missing years when no report have been received by the World Bank (indicating the last year of data received): Chad (2015), Eritrea (2009), Somalia (1992), Syrian Arab Republic (2010), and partially Tanzania (2015).

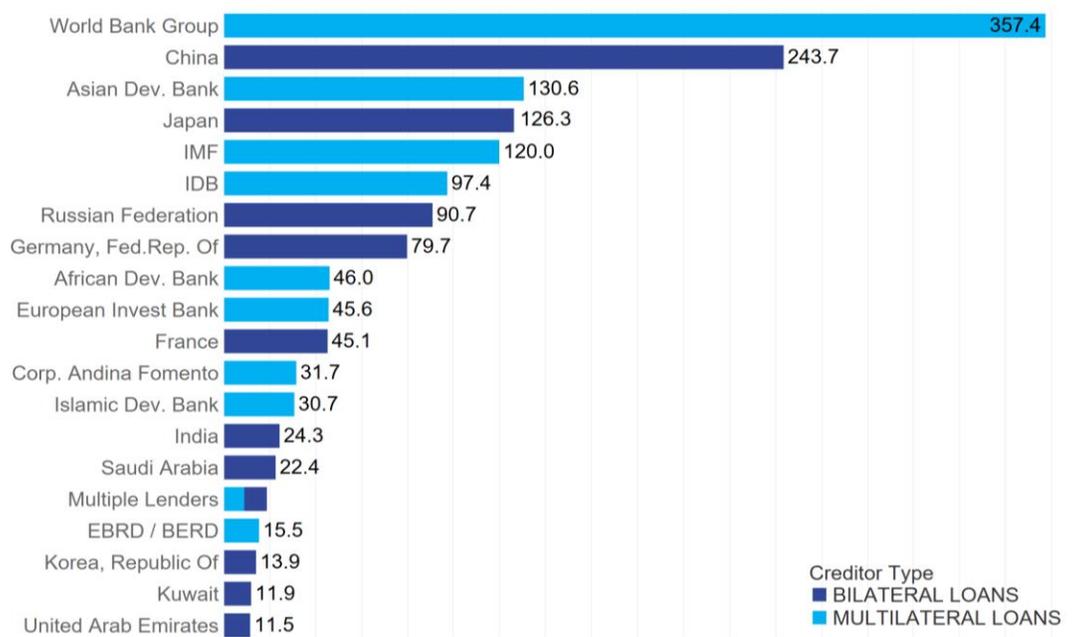
¹⁰ See for instance recent efforts to alleviate debt burdens during the COVID-19 pandemic through the Debt Service Suspension Initiative (<https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>).

¹¹ Similarly, the analysis below in *Section II* may overestimate the role of donors that provide most of their support through lending.

which do not consistently report to the OECD DAC.¹² *Section III* of this paper provides a full overview of all types of flows (grants, concessional and non-concessional loans) to developing countries for the subset of official donors that do report to DAC. In addition, a significant share of bilateral donors' support consists of core contributions to multilateral organizations. *Section III* further examines the share of bilateral aid that is implemented by multilateral organizations.

11. During 2010-2019, official loan commitments by multilateral and bilateral agencies amounted to US\$1.7 trillion. Of this, 57 percent was provided by multilaterals and 43 percent by bilaterals. Over the ten-year period, the share of loans provided by multilaterals compared to bilaterals remained relatively stable, but picked up in most recent years, from 51 percent in 2016 to 71 percent in 2019. At the donor level, the World Bank Group provided the highest volume of loan financing with a combined US\$357 billion globally over the past ten years, followed by China (US\$244 billion), the Asian Development Bank (US\$131 billion), Japan (US\$126 billion), and the International Monetary Fund (US\$120 billion) (Figure 4). In addition, the World Bank provided US\$34 billion of grants during this time frame through IDA, the fund for the poorest countries, basically to countries at high or moderate risk of debt distress.

Figure 4: Official Loan Commitments to Developing Countries
(Cumulative commitments 2010-2019, US\$ billions at 2019 prices, top 20 providers)



Source: World Bank DRS

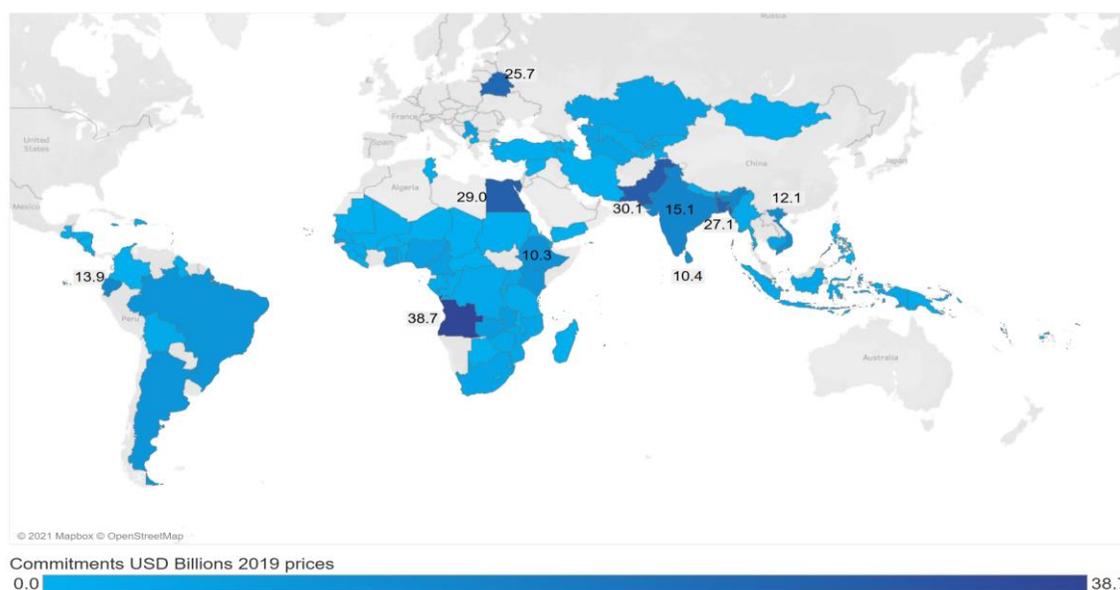
12. Over this period, more than half of bilateral loans to developing countries came from the BRICS, especially from China and Russia and to a lesser extent from India

¹² The World Bank DRS does not cover grant financing, since by definition no repayment is required from recipients.

and Brazil.¹³ Country coverage cut across regions, with largest recipients of BRICS loans being Angola (US\$38.7 billion), Pakistan (US\$30.1 billion), Egypt (US\$29 billion), Bangladesh (US\$27.1 billion), Belarus (US\$25.7 billion), India itself (US\$15.1 billion), Ecuador (US\$13.9 billion), Vietnam (US\$12.1 billion), Sri Lanka (US\$10.4 billion), and Ethiopia (US\$10.3 billion) (Figure 5). Intra-BRICS lending amounted to US\$29 billion (8% of total BRICS lending).¹⁴ Largest destination sectors for BRICS loans were the financial sector, energy production and transmission, and transport.

Figure 5: BRICS Loan Commitments by Recipient Country

(Cumulative loan commitments 2010-2019, US\$ billions at 2019 prices, top 10 recipients labeled)



Source: World Bank Debtor Reporting System (DRS)

13. **The combination of the DRS and CRS datasets provides a broad picture of aggregate flows globally, but holds limitations in the level of analysis possible.** As previously noted, for the first time, this analysis combined data from the World Bank DRS for official loans and private finance and from the OECD CRS for ODA grants and equity commitments. Over the ten-year period analyzed, a larger number of countries and providers of official loans reported to DRS than to the OECD, so that official loans reported to DRS were 19 percent higher than those reported to CRS. While the combined dataset provides a more accurate picture of aggregated financial flows to developing countries, it cannot easily be utilized for a more granular analysis of underlying dimensions of interest, such as donor agencies, transaction channels, or transaction purpose. Consequently, *Section II* drew a number of key insights that could be extracted from the combined dataset and from DRS, while *Section III* leverages the full depth of the CRS dataset to provide a more exhaustive analysis along other categories of interest.

¹³ Recent reports have also identified the growing role of emerging providers. See for instance: OECD, 2020.

¹⁴ The World Bank Debtor Reporting System indicates that over the past ten years, India received US\$15.1 billion in loans from Russia, Brazil received US\$9.8 billion from China, and South Africa received US\$4.1 billion from China.

III. TRENDS IN OFFICIAL FINANCIAL FLOWS

14. **This section examines the composition of official financial support to developing countries using key variables such as country income group, sector, and geographic location.** Trends were analyzed for a slightly longer horizon than in *Section II*, covering the 2000-2019 period, and were reviewed at three levels. First, the analysis reviewed all Official Financial Flows (OFF), that is ODA and OOF combined. Second, the focus was narrowed to ODA only for all developing countries. Finally, it was further narrowed to ODA for IDA-eligible countries only. The analysis in this section was undertaken based on data reported by official bilateral, multilateral, and other agencies to the OECD (i.e., to the DAC and CRS databases).

III.A Distribution of Official Financial Flows¹⁵

15. **Globally, OFF grew from US\$111 billion a year in 2000 to pass the bar of US\$200 billion by 2008 and reach an all-time high of US\$319 billion in 2019.** Over that period, OFF increased in real terms by 187 percent or a compound real growth rate of 5.7 percent per annum. OFF consist of four types of flows – ODA grants, ODA concessional loans, Other Official Flows (i.e., non-concessional loans), and equity investments¹⁶ – which increased at differing rates since 2000.

16. **Seventy percent of global OFF commitments over the 2000-2019 period were concessional ODA (consisting of over 50 percent ODA grants, 19 percent ODA loans and less than 1 percent equity investments) and 30 percent were OOF (Table 1).** Growth patterns varied among the different types of flows. ODA grants grew most rapidly until 2006, before continuing to grow but at a slower pace ever since. ODA loans remained relatively stable until 2006, before starting to pick up until 2017, and have now decreased two years in a row. OOF (i.e., non-concessional loans) also remained stable until 2006 before growing rapidly ever since, at a faster pace than ODA grants and ODA loans. While OOF constituted 27 percent of OFF in 2000, this share increased to 36 percent today.¹⁷

¹⁵ Private philanthropy is excluded from this analysis since data is only available as summary figures (in DAC tables) and flows to recipient governments could not be separately identified. In 2019, \$8.6 billion were reported as financing flows from private philanthropy.

¹⁶ Equity investments for the official sector do not include private-to-private equity flows (i.e., Foreign Direct Investments).

¹⁷ These findings are consistent with recent reports, such as OECD, 2020, which provides additional insights on the rise of non-concessional finance.

Table 1: Official Financial Flows to Developing Countries by Type of Flow
(Cumulative commitments 2000-2019, US\$ billions at 2019 prices)

	Total	
	US\$ bn	%
ODA Grants	2,182	50
ODA Loans	818	19
Equity	25	1
Subtotal ODA	3,024	70
OOF	1,291	30
Total	4,316	100

Source: CRS

III.A.1 Distribution of Official Flows by Country Income Group

17. Over the period 2000-2019, the composition of concessional vs. non-concessional resources and the distribution of concessional resources varied across country income groups, i.e., Least Developed Countries and Low-Income Countries (LDCs/LICs) and Middle-Income Countries (MICs).¹⁸

18. **LDCs/LICs received 94 percent of their financing as concessional resources, whereas MICs received 56 percent as concessional resources.** Specifically, LDCs/LICs received US\$661 billion (69 percent of OFF) of financial resources as ODA grants, US\$241 billion (25 percent) as ODA loans and US\$54 billion (6 percent) as OOF, while MICs received US\$831 billion (33 percent) as ODA grants, US\$556 billion (22 percent) of ODA loans and US\$1.1 trillion (44 percent) as OOF. Flows unallocated to specific recipient countries largely took the form of ODA grants (Table 2).

Table 2: Official Financial Flows by Income Group
(Cumulative commitments 2000-2019, US\$ billions at 2019 prices and % of total OFF per country income group)

	LDCs/ LICs		MICs		Unallocated	
	US\$ billion	%	US\$ billion	%	US\$ billion	%
ODA Grants	661	69	831	33	689	79
ODA Loans	241	25	556	22	20	2
Equity	2	0	9	0	14	2
Subtotal ODA	905	94	1,396	56	723	83
OOF	54	6	1,093	44	144	17
Total	959	100	2,490	100	867	100

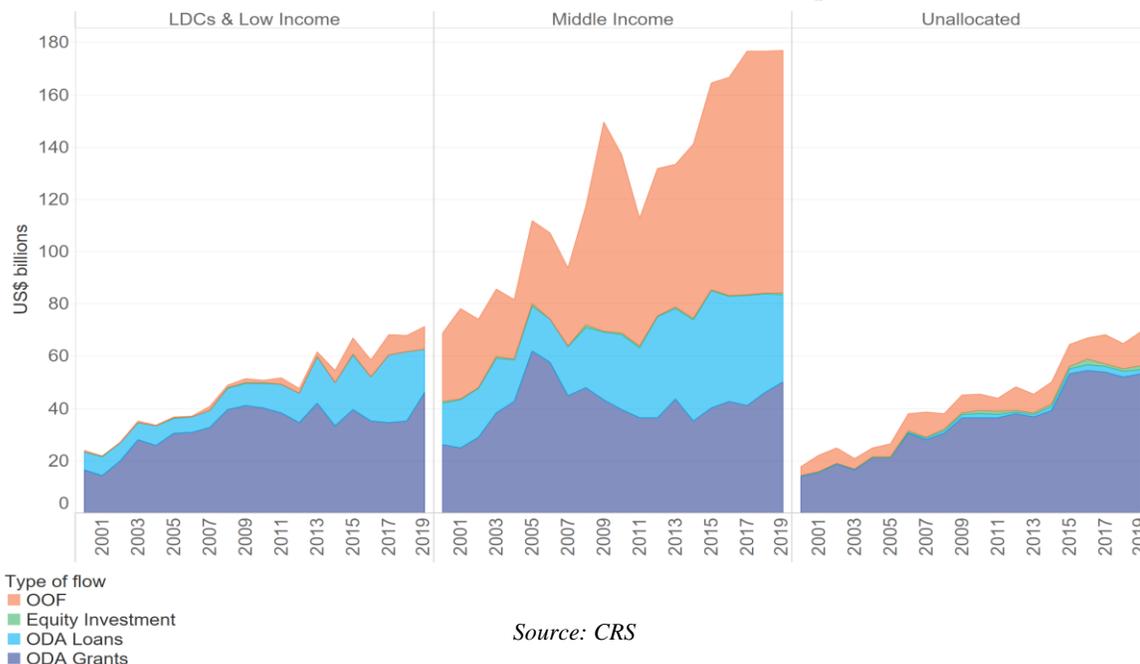
Source: CRS

19. **Over the period, official financing flows increased across all income groups.** For LDCs/LICs, grants increased from US\$16 billion a year in 2000 to US\$46 billion in 2019,

¹⁸ Current (i.e., 2019) Country Income Groups classification used for reporting historical trends. Country Income Group data in this report should not be compared with similar data presented in previous editions of this paper due to changing country composition of each group.

but this increase was proportionally lower than that of ODA loans and OOF, which now constitute 23 and 12 percent of OFF to LDCs/LICS, respectively (with grants still accounting for the remaining 65 percent). For MICs, OOF (i.e., non-concessional loans) increased from US\$26 billion in 2000 to US\$93 billion in 2019, and grew proportionally faster than other type of flows (Figure 6).

Figure 6: Evolution of Official Financial Flows by Country Income Group
(Commitments 2000 to 2019, US\$ billions, 2019 prices)



20. **Looking at the distribution by type of flows, almost half of ODA commitments over the past two decades went to MICs, reflecting their large population size, while LDCs/LICs received one third of ODA.** Specifically, LDCs and LICs received 30 percent of all ODA grants, 30 percent of all ODA loans and 4 percent of OOF commitments. MICs received 38 percent of all ODA grants, 68 percent of all ODA loans and 85 percent of all OOF commitments. Interestingly, 32 percent of grants over the past decade were unallocated to specific recipient countries (Table 3).

Table 3: Distribution of Official Flows by Country Income Group
(Cumulative commitments 2000-2019, percentage of flow type total)

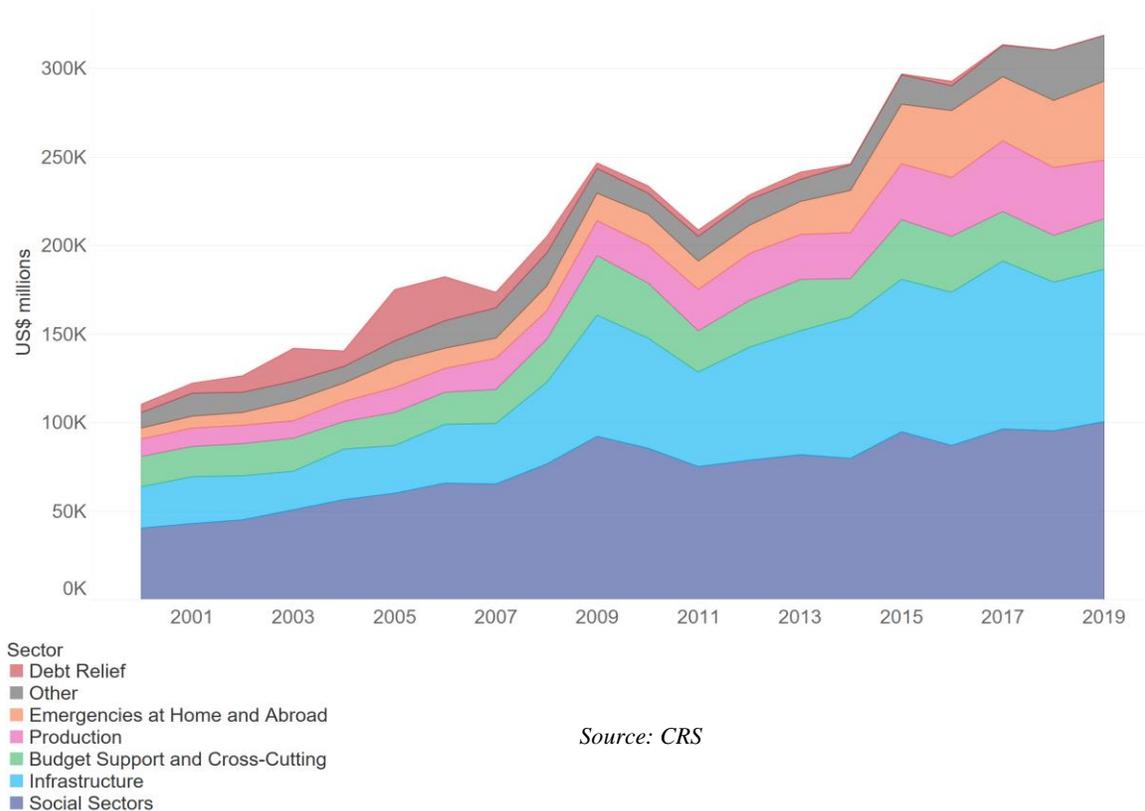
	LDCs/ LICs	MICs	Unallocated	Total
ODA Grants	30	38	32	100
ODA Loans	30	68	2	100
Equity	8	36	57	100
Subtotal ODA	30	46	24	100
OOF	4	85	11	100
Total	22	58	20	100

Source: CRS

III.A.2 Sectoral Distribution of Official Finance

21. **The significant real growth (188 percent) in OFF since 2000 resulted in volume increases for all sectors (Figure 7).**¹⁹ For example, social sectors grew from US\$40 billion to US\$101 billion a year, infrastructure grew from US\$23 billion to US\$86 billion, emergencies at home and abroad grew from US\$6 billion to US\$44 billion and production grew from US\$10 billion to US\$34 billion. Overall, commitments to social sectors constituted a third (34 percent) of all OFF commitments and commitments to infrastructure represented a quarter (26 percent). Eleven percent went to budget support, 10 percent to production, 9 percent to emergencies at home and abroad, 7 percent to other categories, and 4 percent to debt relief.

Figure 7: Sectoral Distribution of Official Financial Flows
(Commitments, US\$ millions, 2019 prices)



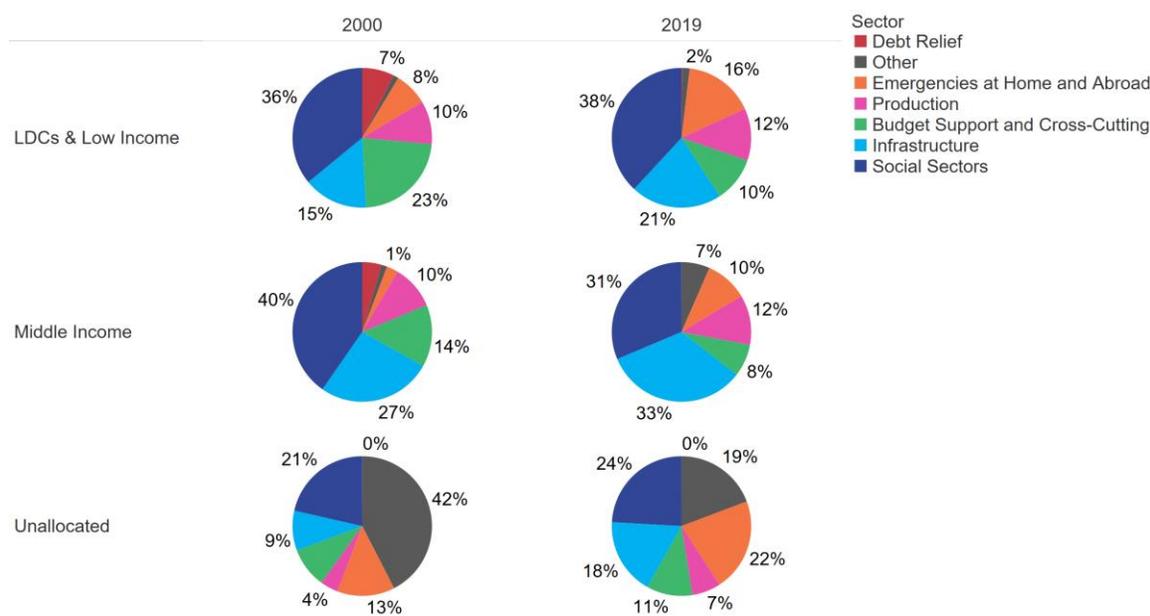
22. **Three sectors grew proportionally faster than others over that period: emergencies at home and abroad (from 5 percent in 2000 to 14 percent in 2019), infrastructure (from 21 to 27 percent) and to a lesser extent, production (from 9 to 11 percent).** In contrast, three sectors experienced declining shares: budget support (from 15 to 9 percent), social sectors (from 36 percent to 32 percent), and debt relief (from 4 to less than one percent). Emergencies include expenditures undertaken for humanitarian aid in developing countries and the cost of refugees incurred in donor countries. Both sub-

¹⁹ Sector definitions in this report draw largely on DAC sector classifications but summarizes them further in some cases. Please see Sector Classifications in the Annex for details.

categories increased over the period, from US\$5 billion to US\$34 billion for humanitarian aid abroad and from US\$1 billion to US\$10 billion for refugees at home. Growth rates were relatively similar from 2000 to 2009, but commitments to refugees in donor countries increased proportionally faster over the last decade, with a Compound Annual Growth Rate (CAGR) of 14 percent versus 10 percent for humanitarian aid.

23. **Changes in OFF sectoral distribution differed across country income groups.** Specifically, commitments to social sectors increased proportionally faster than commitments to other sectors in LDCs/LICs (from 36 to 38 percent of OFF) but decreased proportionally to other sectors in MICs (from 40 to 31 percent). In contrast, commitments to infrastructure, production, and emergencies at home and abroad all proportionally increased across all country income groups, while commitments to budget support decreased (Figure 8).

Figure 8: Sectoral Distribution of Official Flows by Income Group
(Commitments 2000 vs. 2019, % of year total)



Source: CRS

24. **Sectoral distribution of OFF differed significantly between grants and loans, but was similar for concessional and non-concessional loans.** ODA grants commitments focused mostly on social sectors over the past 20 years, and more recently also on emergencies at home and abroad. Together, these two sectors received two thirds of ODA grants commitments over the past five years. Only 13 percent of ODA grants went to the infrastructure and production sectors. In contrast, ODA loans, OOF, and equity investments focused primarily on infrastructure, the share of which increased for each type of flow during the period analyzed, from 33 to 47 percent for ODA loans, from 33 to 45 percent for OOF, and from 51 to 59 percent for equity. Significant shares of ODA loans and OOF also initially went to social sectors, but these decreased proportionally over time while

shares for loans for budget support and for production increased (Figure 9).²⁰ Many MDBs choose to allocate ODA grants primarily based on recipient countries' debt outlook instead of the sector where the commitment is made, although data suggests that the allocation of grants to countries facing high risk of debt distress has decreased in recent years proportionally to other types of flows (Box 2).

Figure 9: Sectoral Distribution by Type of Flows
(% of five-year average)



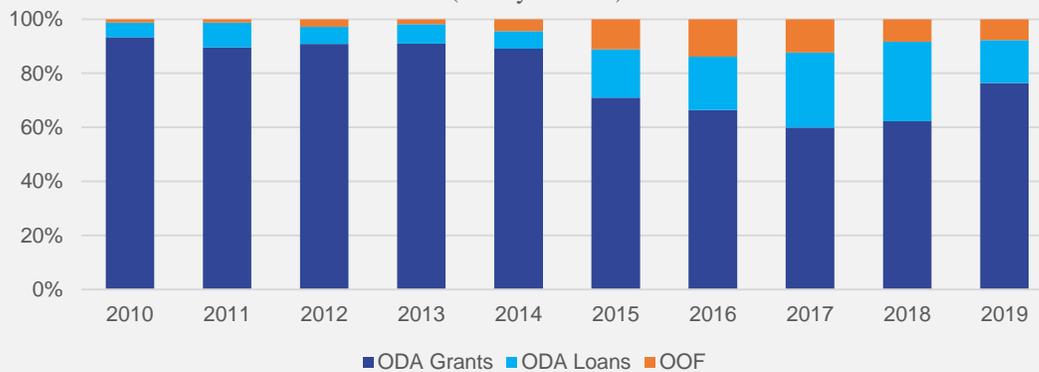
Source: CRS

²⁰ In 2019, the OECD introduced the concept of “transition finance”, which examines the evolution of sources of financing as countries progress through different development stages (Piemonte et al., 2019). The analysis of transition finance provides a dynamic perspective to the sectoral distribution of OFF and suggests that the evolution of types of flows along development stages varies across sectors, with longer dependence on ODA, especially grants, for certain sectors like health.

Box 2: OFF to Countries with Debt Vulnerabilities

Through the joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries, the two institutions produce regular Debt Sustainability Analyses (DSA), whereby countries are classified according to their risk of external debt distress. Over the last decade, the number of countries assessed to be at high risk of external debt distress or in debt distress decreased from 23 in 2010 to 16 in 2014, before increasing progressively up to 33 in 2019.ⁱ During this period, the share of ODA grants in official flows to countries facing high debt vulnerabilities declined from 93 in 2000 to 62 percent in 2018, while the share of ODA loans and other OOF rose from 7 to 38 percent. A reversal in this trend was observed in 2019 with an increase in the proportion of grants to 76 percent. These observations contrast with the approach adopted by most MDBs which allocate grants primarily based on recipient countries' debt outlook, suggesting that many other donors may not have aligned their terms of financing solely based on these considerations, or are doing so only with a lag.

Composition of OFF to countries assessed to be at high risk of external debt distress or in debt distress (% of year total)



Source: CRS and Historical List of Risk of External Debt Distress

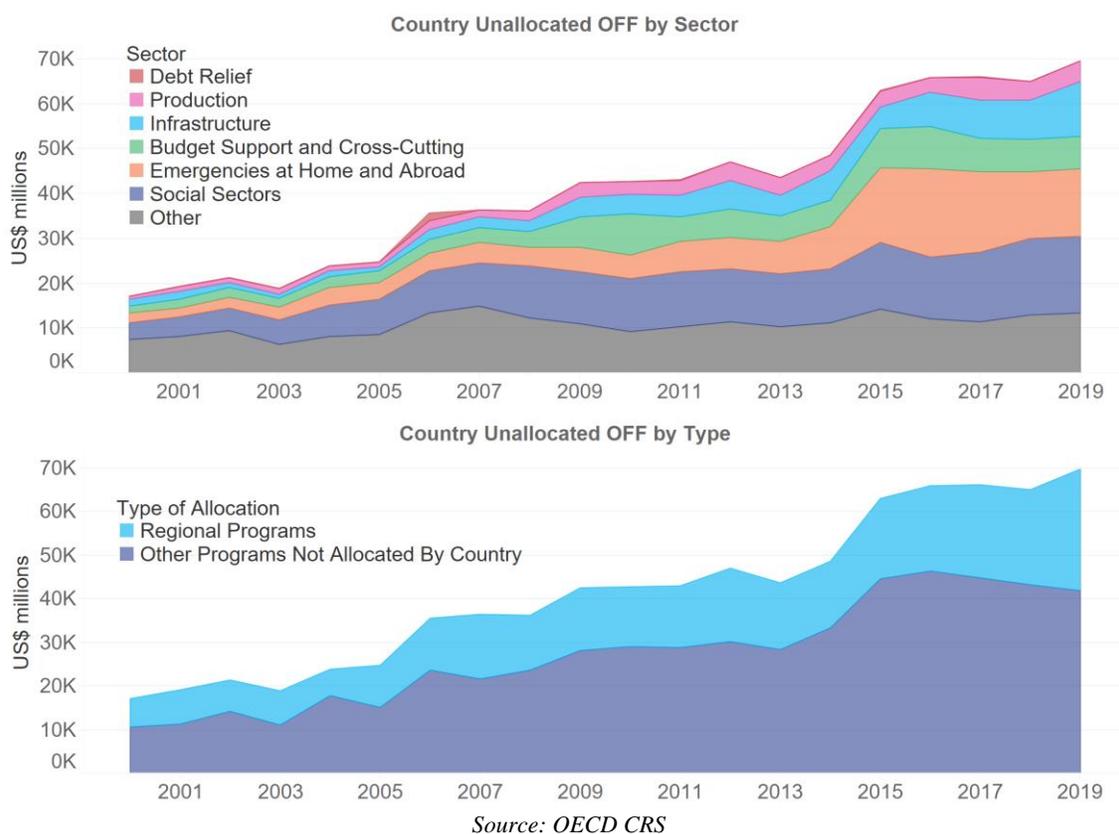
ⁱ The graph reflects the changing composition of the group along the years.

25. **The volume of OFF which donors have not identified as allocated to specific recipient countries almost quadrupled over the past 20 years, mostly due to an increase in commitments for emergencies and for global and regional public goods.** OFF not assigned for specific recipients increased from US\$18 billion a year in 2000 to US\$70 billion a year in 2019, and now represent 22 percent of total OFF to developing countries. There appears to be two main reasons for the observed growth in country unallocated OFF:

- The significant increase of commitments for emergencies at home and abroad (i.e., i.e., humanitarian aid and support to refugees in donor countries, which by definition cannot be easily geographically predicted), which grew significantly over the past two decades, from US\$2.2 billion in 2000 (13 percent of country unallocated OFF) to almost US\$15 billion today (22 percent) (Figure 10 – top graph).
- The increase in commitments “beyond the country level”, e.g., to regional programs, which grew most significantly over the past five years, from US\$15 billion in 2014 (31 percent of country unallocated OFF) to almost US\$28 billion in 2019 (40 percent) (Figure 10 – bottom graph).

Many activities with a global public good or regional approach, including those from MDB regional windows and Financial Intermediary Funds (FIFs),²¹ would ultimately be allocated to individual countries. Despite this, OFF unallocated to specific countries has been on the rise. This may suggest a growing trend of a larger role being given to regional organizations to act on behalf of groups of countries, although additional analysis would be useful to better understand this phenomenon.

Figure 10: Distribution of OFF Unallocated to Specific Recipient Countries
(Commitments, US\$ millions, 2019 prices)



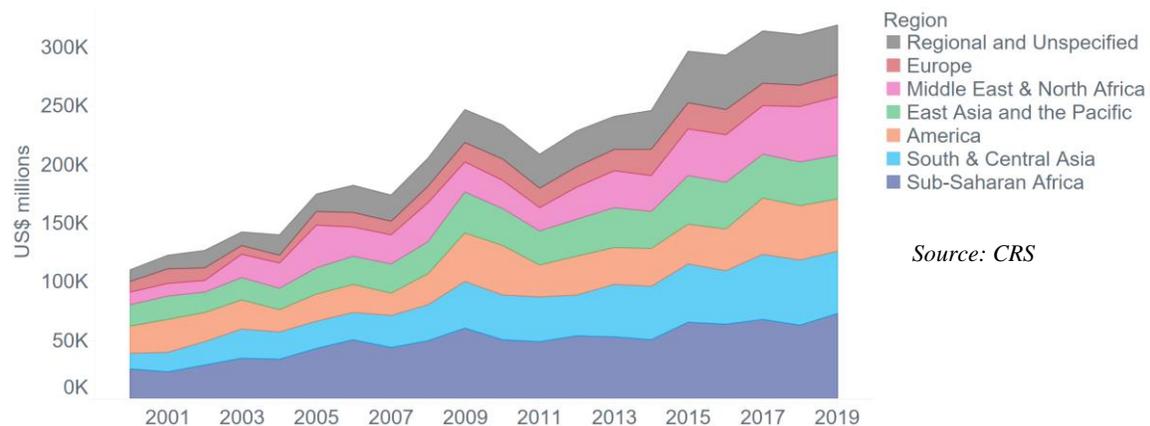
III.A.3 Geographical Distribution of Official Finance

26. The growth in OFF from US\$111 billion in 2000 to US\$319 billion in 2019 benefited all regions. In 2019, Sub-Saharan Africa received US\$73 billion (up from US\$26 billion in 2000), South and Central Asia received US\$53 billion (up from US\$13 billion), Middle East and North Africa received US\$50 billion (up from US\$11 billion), Central and South America received US\$45 billion (up from US\$23 billion), East Asia and Pacific received US\$37 billion (up from US\$19 billion) and Europe received US\$19 billion (up from US\$9 billion). Over the 2000-2019 period, Sub-Saharan Africa received 23 percent of OFF commitments followed by South and Central Asia (16 percent), Central and South America (15 percent), East Asia and the Pacific and Middle East and North

²¹ FIFs are a special type of trust fund that provide large-scale funding for broad, coordinated interventions, usually focused on themes, and typically aimed at achieving global public goods.

Africa (13 percent) and Europe (7 percent). Thirteen percent of commitments were not regionally allocated (Figure 11). OFF to fragile and conflict-affected states, which are spread across all regions of the world, is analyzed in Box 3.

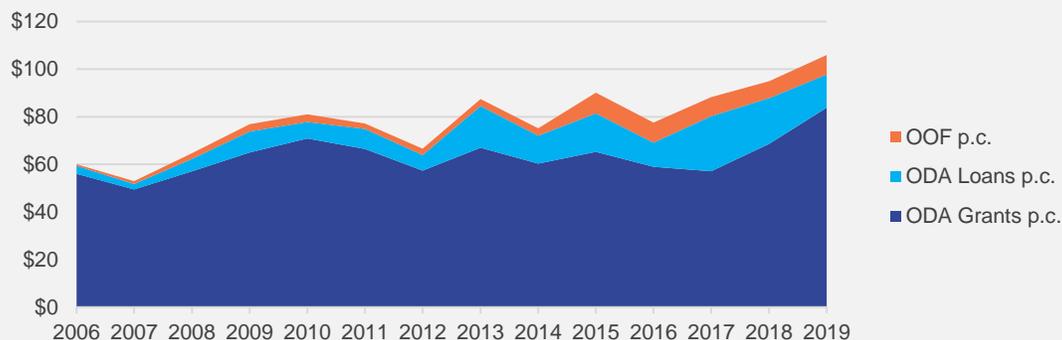
Figure 11: Official Financial Flows by Regions
(Commitments, US\$ millions, 2019 prices)



Box 3: OFF to Fragile Countries

There exist multiple lists of fragile countries, including the OECD’s States of Fragility and the Fund For Peace’s Fragile States Index. Since 2006, the World Bank Group has been releasing a list of fragile and conflict-affected situations (FCS), which include countries affected by violent conflict (based on the number of deaths relative to the population) and countries with high levels of institutional and social fragility (based on indicators measuring the quality of policies and institutions).ⁱ Over the period analyzed, the number of FCS countries on the WBG list remained relatively stable, from 35 in 2006 to 33 in 2012 and 36 in 2019. Official financial flows to these countries have increased globally, particularly in most recent years, reaching US\$106 per capita in 2019.ⁱⁱ This evolution may suggest a growing focus from official donors on the issues of fragility, conflict, and violence which affect development outcomes.

OFF Commitments per capita to FCS
(US\$ at 2019 prices)



Sources: CRS for commitment data, World Development Indicators for population data, and WB List of Fragile and Conflict-Affected Situations

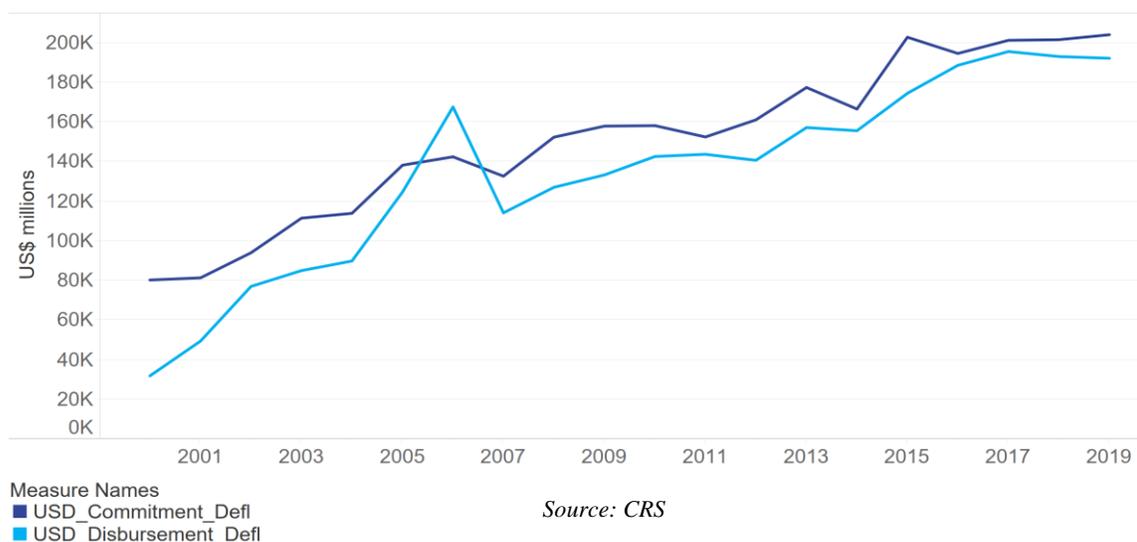
ⁱ See: <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>

ⁱⁱ Per capita amounts used due to evolving nature of the list and its changing composition every year.

III.B Overall Trends in Official Development Assistance

27. **After a protracted decline during the 1990s, ODA has been growing steadily since 2000.** ODA commitments increased from US\$80 billion in 2000 to US\$204 billion in 2019, while disbursements increased from US\$32 billion to US\$192 billion. This positive trend is illustrated in Figure 12 and holds true irrespective of whether aggregate or detailed ODA commitments or disbursements are analyzed.²²

Figure 12: ODA Commitments and Disbursements since 2000
(US\$ millions, 2019 prices)



III.B.1 Main Trends

28. This sub-section primarily utilizes data on ODA grants and loan commitments, but also leverages disbursement data where trends are better reflected (or only captured) this way. To allow for comparability of data across the extended time period, the remainder of the analysis is presented in constant 2019 prices.

29. **Country income group.** As previously noted, 30 percent of ODA commitments between 2000 and 2019 were provided to LDCs/LICs, 46 percent to MICs, and 24 percent were unallocated to specific recipient countries.

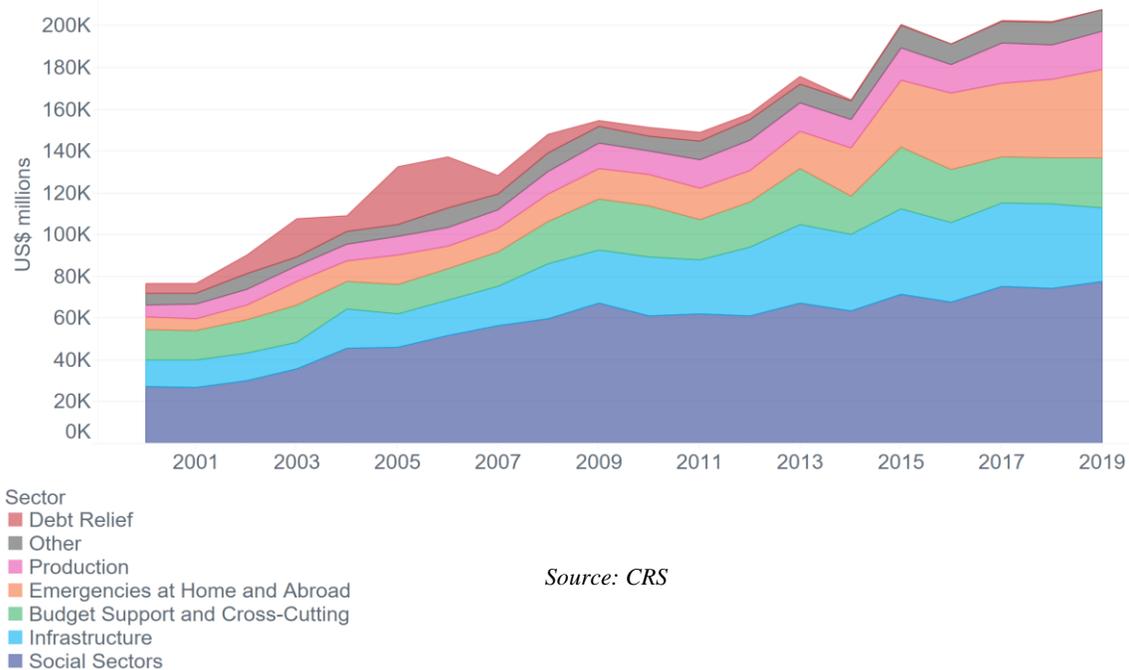
30. **Sectoral distribution.** Between 2000 and 2019, sector allocable ODA²³ increased substantially from US\$76 billion to US\$208 billion. In 2019, social sectors received US\$78

²² At the start of the period, there were significant differences between aggregate reporting (from DAC tables) and detailed reporting (from CRS), particularly for gross disbursements. By the end of the period, divergence between the two had reduced to less than 4 percent.

²³ DAC defines “sector allocable ODA” as all ODA flows aimed at fostering a particular sector in the recipient country, and thus excludes all the contributions that are not susceptible to allocation by sector (e.g., balance-of-payments support, actions related to debt, emergency assistance, internal transactions in the donor country, administrative costs of donors, support to NGOs, as well as unallocated or unspecified ODA).

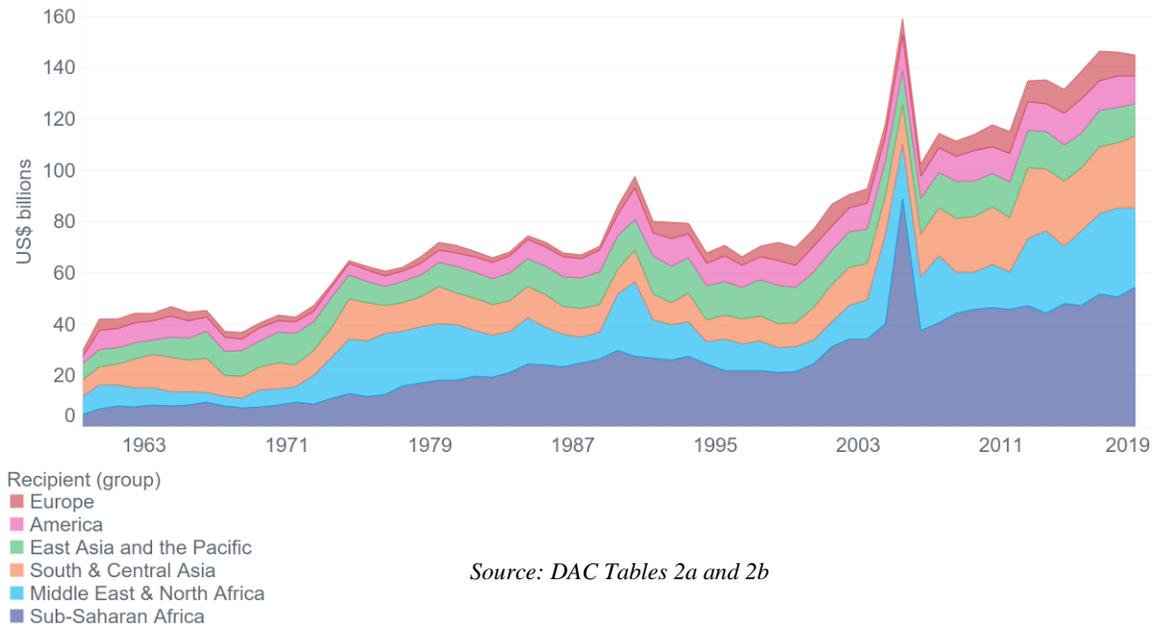
billion (up from US\$27 billion), infrastructure received US\$35 billion (up from US\$13 billion), emergencies at home and abroad received US\$42 billion (up from US\$6 billion), budget support received US\$24 billion (up from US\$15 billion) and production received US\$18 billion (up from US\$6 billion). While all sectors experienced growth over the period analyzed, proportional distribution across sectors varied. Emergencies at home and abroad increased proportionally faster than other sectors (from 7 percent to 20 percent); just as infrastructure (from 16 to 17 percent). In contrast, budget support declined (from 19 percent to 11 percent) as did debt relief (from 6 percent to less than one percent). The proportion of social sector commitments remained largely unchanged from the beginning to the end of the period (at 36-37 percent) though it peaked at 44 percent in 2007 and 43 percent in 2009 (Figure 13).

Figure 13: ODA Commitments by Sector
(US\$ millions, 2019 prices)



31. **Regional distribution.** Sub-Saharan Africa’s share of total ODA has been growing for nearly half a century, from roughly 22 percent in the 1960s and 1970s to about 35 percent in the 2000s, hitting a peak of 56 percent in 2006, before declining to 40 percent in the early 2010’s and landing at 37 percent by 2019 (Figure 14). Several factors contributed to the increases observed. For example, the 2006-increase was due to debt relief operations, including the Multilateral Debt Relief Initiative (MDRI). South and Central Asia, the Middle East and North Africa, and Far East Asia have also remained major ODA recipients over the entire period, although their respective shares have been fluctuating.

Figure 14: Gross Official Development Assistance by Region
(Gross disbursements, US\$ billions, 2019 prices)



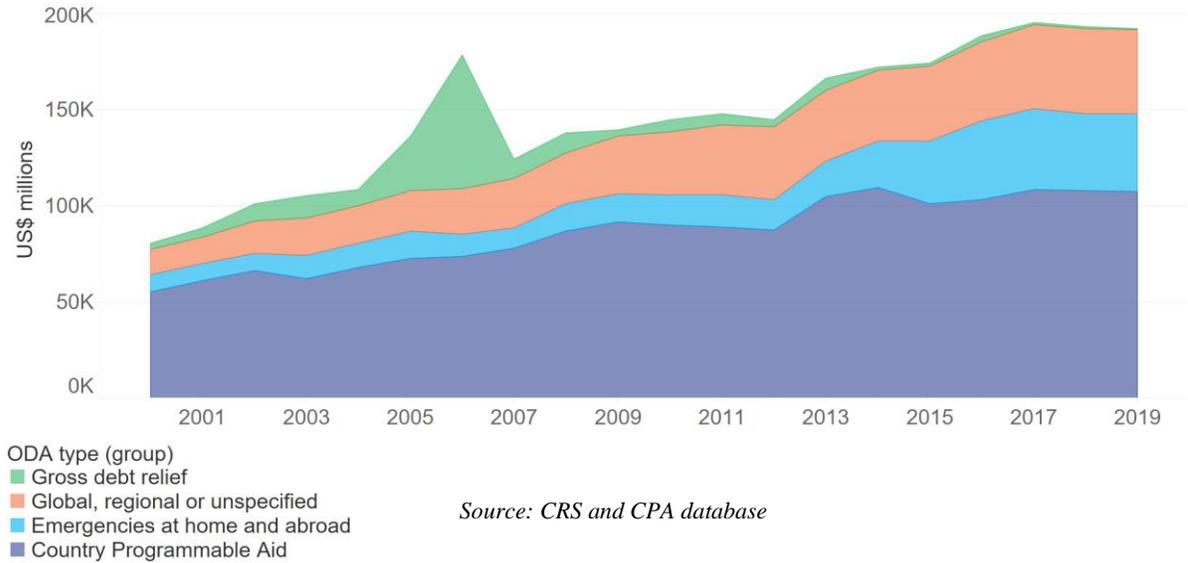
Source: DAC Tables 2a and 2b

III.B.2 Country Programmable Aid

32. **Country programmable Aid (CPA) is a narrower measure introduced in 2007 as a proxy to better estimate ODA over which partner countries have a significant say for programming purposes.**²⁴ Over the 2000-2019 period, the share of CPA in ODA declined from 69 percent to 56 percent due to a slow growth rate of only 3.6 percent per year (Figure 15).

²⁴ CPA consists of gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (humanitarian aid and debt relief); (2) entails no flows to the recipient country (administration costs, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country). In addition, CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions.

Figure 15: Evolution of ODA by Type
(Gross disbursements, US\$ millions at 2019 prices)



33. **Despite accounting for more than half of ODA disbursements, the share of CPA has shown a decline in recent years due to increasing allocations for emergencies at home and abroad and for global, regional, and donor programmed activities.** The share of CPA against non-CPA categories declined from 69 percent in 2000 to 56 percent in 2019. For the purpose of this analysis, non-CPA expenditures were clustered into three categories: emergencies at home and abroad (combining expenditures on refugees in donor countries and humanitarian assistance in recipient countries); global, regional and donor programmed activities (combining all expenditures that could not be allocated to a specific developing country); and debt relief. The share of emergencies at home and abroad grew from 11 percent to 21 percent (8.3 percent annual growth rate) and the share of global, regional or donor programmed activities grew from 16 percent to 23 percent (6.5 percent annual growth rate). Debt relief, which had been significant early in the last decade with a peak of 39 percent of ODA in 2006, has declined substantially to less than one percent by 2019 (Table 4).

Table 4: Growth in ODA categories between 2000 and 2019

	2000 US\$ billion	2000-2019 Real Increase US\$ billion	CAGR 2000- 2019	% share 2000	% share 2019
Country Programmable Aid	55.3	52.2	3.6%	69	56
Emergencies at home and abroad	8.8	31.6	8.3%	11	21
Global, regional or donor programmed activities	13.0	30.4	6.5%	16	23
Debt relief	3.4	-2.6	-7.5%	4	0
Total ODA	80.5	111.6	4.7%	100	100

Source: CRS and CPA database

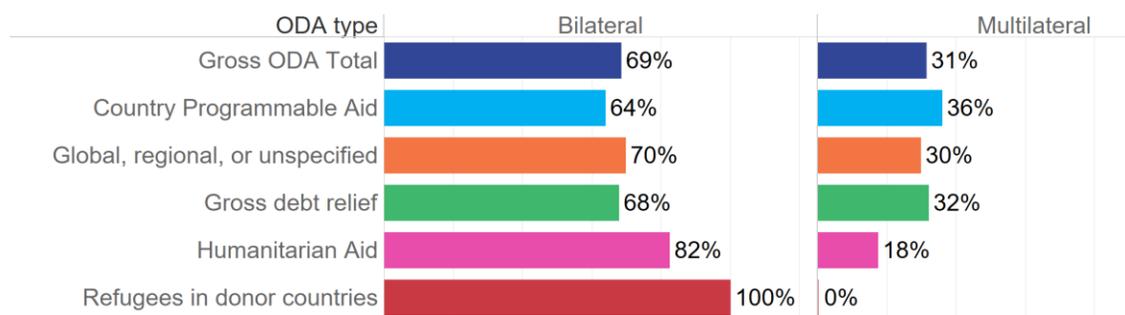
34. **The declining share of CPA is also apparent when disaggregating ODA by country income group.**²⁵ The trend of reducing share of CPA in net ODA is however more pronounced for MICs than for LDCs/LICs. For instance, in 2019 CPA for LDCs/LICs stood at 75 percent (US\$43.7 billion) of net ODA, which is marginally less than the 78 percent (US\$15.9 billion) observed in 2000. CPA for MICs also declined, from 85 percent (US\$34.5 billion) in 2000 to 69 percent (US\$53.9 billion) in 2019.

III.B.3 Bilateral vs. Multilateral ODA

35. **The share of ODA contributed by bilateral donors has remained relatively stable since 2000, at about 69 percent of total aid flows.**²⁶ This relative share of funding has been consistent since the mid-1970s. A breakdown by type of ODA is provided in Figure 16. Bilateral donors contributed 64 percent of total CPA, 70 percent of global, regional, and country unallocated activities, and 82 percent of humanitarian aid.

Figure 16: Distribution of Bilateral and Multilateral ODA by Type²⁷

(Gross disbursements, percent shares, 2000-2019)



Source: OECD DAC Table 2a

36. **A significant share of bilateral ODA is implemented by multilateral organizations, although core (non-earmarked funding) has decreased.** *Core* or *multilateral* ODA refers to donor contributions made to a recipient institution that (i) conducts all or part of its activities in favour of development, (ii) is an international agency, institution or organization whose members are governments or a fund managed autonomously by such agency, and (iii) pools contributions so that they lose their identity and become an integral part of its financial assets. In contrast, *non-core* or *multi-bi* ODA refers to donor contributions earmarked for a specific sector, theme, country or region through a multilateral institution (e.g., through a trust fund). Between 2011 to 2019, the average share of bilateral ODA flows implemented by multilateral organizations amounted to 52 percent, with 30 percent as core contributions and 22 percent as non-core (i.e.,

²⁵ Given the significant amount of funding unallocated to specific recipient countries, CPA – which is computed only at the country level – tends to show a higher proportion when computed by country income category.

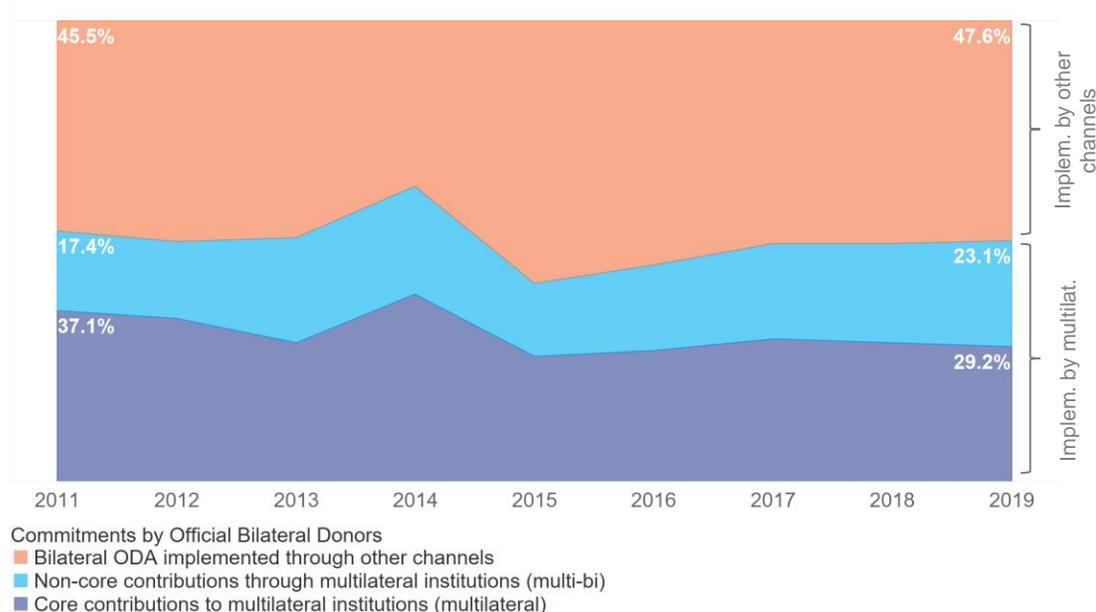
²⁶ Total aid flows include the combined totals of bilateral and multilateral aid flows (excluding debt relief).

²⁷ To allow for comparison of CPA and non-CPA ODA, this Figure uses disbursement data. Other Figures in this sub-section use commitment data. Comparisons should be undertaken with caution.

earmarked or “multi-bi”).²⁸ However, the overall use of multilateral channels by bilateral donors declined over the period, as core contributions dropped from 37 percent of bilateral ODA in 2011 to only 29 percent in 2019, while non-core contributions increased, but more modestly, from 17 percent in 2011 to 23 percent in 2019 (Figure 17).

Figure 17: Implementation Channels for Bilateral ODA²⁹

(Commitments, percentages of total ODA)



Source: OECD DAC – Members' total use of the multilateral system (CRS)

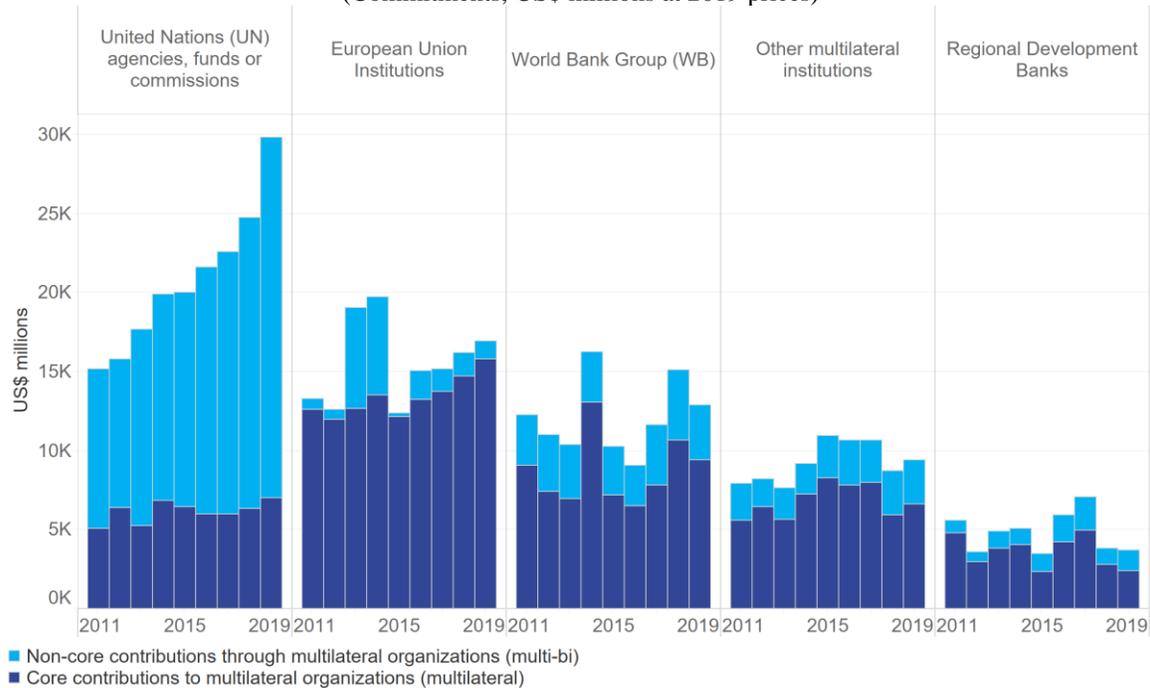
37. **In the 2010s, the largest and fastest growing multilateral channel was the United Nations.** The UN’s share of multilateral ODA increased from 28 percent in 2011 to 40 percent in 2019 as it received US\$14.6 billion of additional funding (CAGR of 8.8 percent). The growth was primarily in non-core (“multi-bi”) contributions (US\$12.6 billion or a CAGR of 10.7 percent) with only a modest increase in core contributions. Core contributions to the EU institutions, the World Bank Group, and other multilateral institutions³⁰ have grown more slowly, with increases balanced across core and non-core contributions (Figure 18).

²⁸ The balance of 48 percent was implemented by other channels such as the recipient country, the donor itself, NGOs, or the private sector.

²⁹ Data is shown only from 2011 onwards since earlier data is not available in a comprehensive fashion.

³⁰ Other multilaterals cover primarily the IMF, WTO, as well as other smaller multilateral institutions.

Figure 18: ODA to and through Major International Organizations
(Commitments, US\$ millions at 2019 prices)



Source: OECD DAC– Members' total use of the multilateral system (CRS)

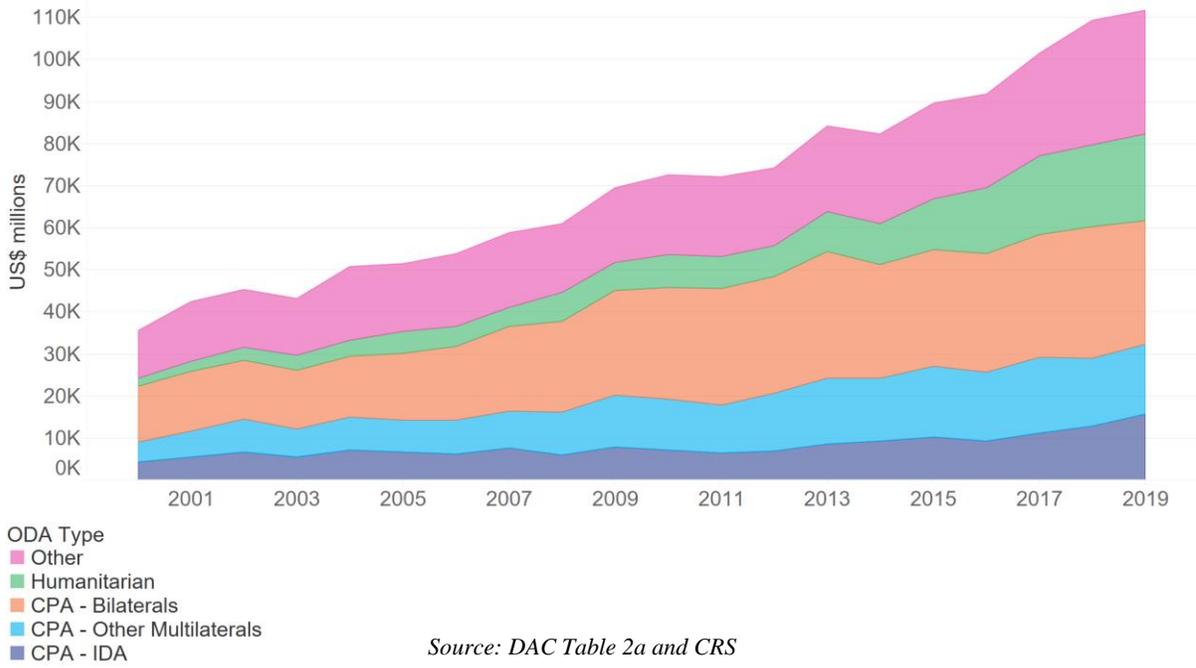
III.B.4 Official Flows to IDA-Eligible Countries

38. **Total ODA to IDA-eligible countries³¹ has increased over time, with IDA's share increasing marginally.** ODA gross flows to IDA-eligible countries nearly tripled in real terms between 2000 and 2019 with a CAGR of 6.2 percent. IDA's share of gross disbursements increased from 12 percent in 2000 to 14 percent in 2019. For IDA-eligible countries, financing from other multilaterals grew at a marginally slower rate compared to IDA's growth during the period (7.1 percent vs. 7.5 percent). Humanitarian aid grew twelve-fold at a CAGR of 15 percent. The share of total debt relief in total ODA for IDA countries peaked at 24 percent in the 2006, then fell back to 14 percent in 2011-12 and became negligible thereafter.

39. **IDA-eligible countries received more ODA as CPA in the 2000s than they did on average during the 1990s, with IDA's share increasing faster than other donors.** IDA's share of country programmable aid for IDA-eligible countries grew, on a gross disbursement basis, between 2000 and 2019, with a peak in 2019 and a low in 2006. Between 2000 and 2019, IDA's cumulative CPA was US\$160 billion (at 2019 prices), or about 19 percent of total CPA to IDA-eligible countries. Over the 2000-2019 period, CPA provided by IDA grew by 270 percent in real terms, which was higher than the 243 percent for other multilateral institutions and the 121 percent for bilateral donors (Figure 19).

³¹ IDA-eligible countries based on World Bank FY20 list.

Figure 19: Gross ODA Disbursements to IDA-eligible Countries by Type and Source
 (US\$ million at 2019 prices, 2000-2019)



IV. PROLIFERATION AND FRAGMENTATION

40. **The global aid architecture has become increasingly complex.** The past two decades have been characterized by a proliferation of bilateral official finance providers and of entities providing official finance in these countries; a growing number of international organizations, funds, and programs, many of which are specialized in a particular sector or theme; and an overall growth in private philanthropy (OECD, 2020).³² These phenomena contributed to the progressive fragmentation of official finance into a larger number of activities of smaller unit size at the recipient country level.³³ The first part of this section discusses trends in proliferation in official finance, while the second reviews trends in fragmentation of official finance.

IV.A Proliferation of Official Financial Channels

41. **The number of official finance providers and of entities providing official finance increased significantly since 2000, largely through the emergence of new bilateral donors and the multiplication of government agencies providing official finance.** The number of bilateral donors increased from a yearly average of 25 providers during the 2000-2004 period to 43 providers during the 2015-2019 period, while the number of multilateral donors increased more subtly from 22 to 27 over the same period.^{34,35} The number of entities providing official finance (i.e., agencies within donor countries or organizations) increased even more dramatically during this period; from 145 bilateral entities in 2000-2004 to 411 in 2015-2019 (a 183-percent increase) and from 46 multilateral entities to 91 (a 98-percent increase) (Figure 20). This may be due partly to the lack of full reporting at the beginning of the period.

42. **The growth in entities providing official finance was a widespread phenomenon, although particularly concentrated among bilateral donors.** During the 2000-2004 period, 12 official finance providers (11 bilaterals and one multilateral, together representing about one fourth of all providers) reported commitments made by more than 5 different entities (for a total of 135 entities). By 2015-2019, this number had increased to 32 providers (27 bilaterals and five multilaterals, now representing almost half of all providers), committing resources through no less than 424 entities (Table 5).

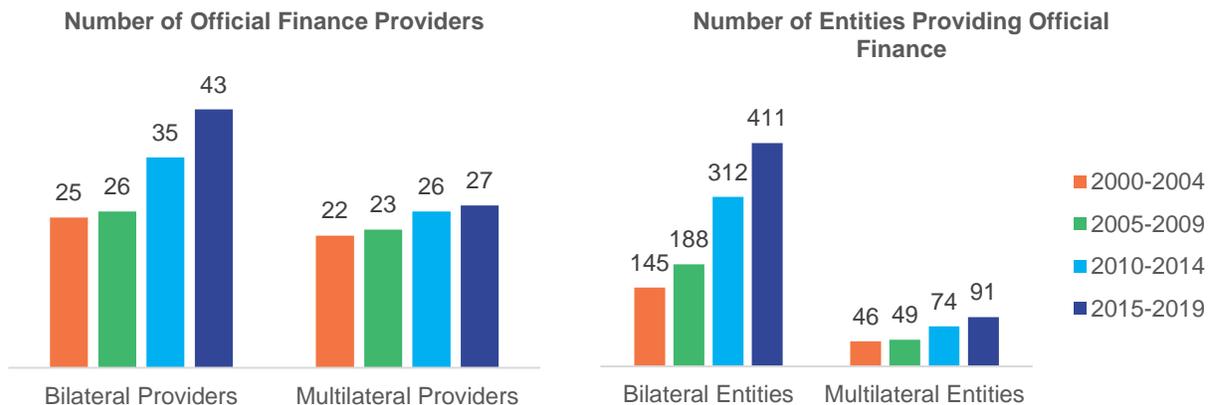
³² About 8 percent of all reported official aid to developing countries has been provided through NGOs and public-private partnerships.

³³ Alternate terminology refers to proliferation of official finance providers and entities providing official finance as *source proliferation* and proliferation of implementing agencies as *use proliferation*. Source proliferation does not necessarily lead to use proliferation if activities are pooled at the country, sub-regional, or regional levels.

³⁴ Donor and entity counts extracted from the CRS database were corrected to address the issue of donors only starting to report to the OECD at the activity level in the later years of the period analyzed. The correction was done by comparing donor reporting at the aggregate level in the DAC database and by analyzing public information on (i) the years when donors officially started their OFF contributions and (ii) when entities were established. This approach reduces the impact of CRS underreporting and ensures that the observed growth in the number of donors and entities is indeed mostly due to proliferation. Despite these efforts, a marginal impact of underreporting, particularly at the entity level, cannot be completely excluded.

³⁵ Calculations were made using five-year averages to reduce year-to-year fluctuations.

Figure 20: Proliferation of Official Financial Providers and Entities



Source: OECD/DAC – CRS, including corrections from authors to address underreporting by official donors in earlier years

Table 5: Official Finance Providers by Number of Entities

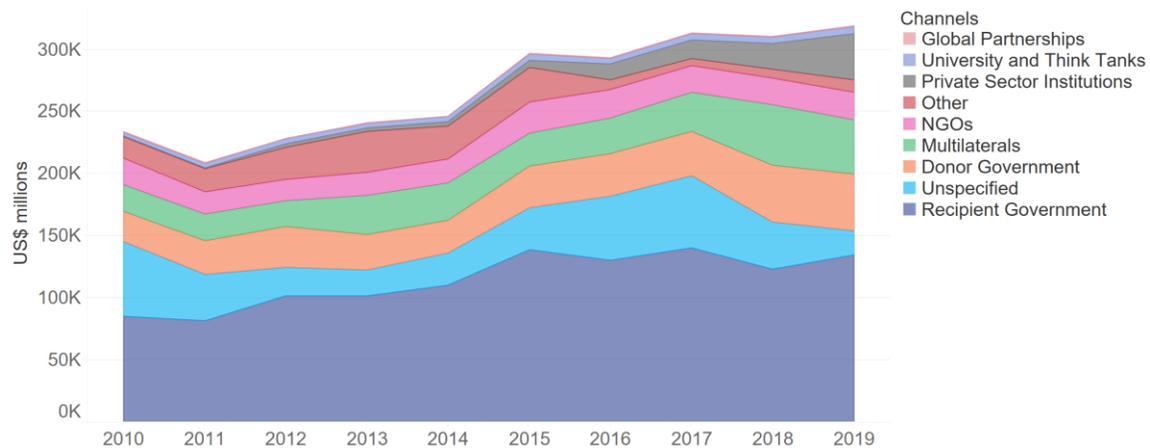
	No. of Official Finance Providers				No. of Entities Providing Official Finance			
	2000-2004	2005-2009	2010-2014	2015-2019	2000-2004	2005-2009	2010-2014	2015-2019
Bilaterals								
1 to 4 entities	14	10	12	16	28	25	26	40
5 to 9 entities	4	8	9	8	30	56	58	53
10 or more entities	7	8	14	19	87	107	228	318
Subtotal Bilaterals	25	26	35	43	145	188	312	411
Multilaterals								
1 to 4 entities	21	22	22	22	28	30	35	38
5 to 9 entities	0	0	3	3	0	0	20	20
10 or more entities	1	1	1	2	18	19	19	33
Subtotal Multilaterals	22	23	26	27	46	49	74	91
All Providers								
1 to 4 entities	35	32	34	38	56	55	61	78
5 to 9 entities	4	8	12	11	30	56	78	73
10 or more entities	8	9	15	21	105	126	247	351
Total	47	49	61	70	191	237	386	502

Source: OECD/DAC – CRS, including corrections from authors to address underreporting by official donors in earlier years

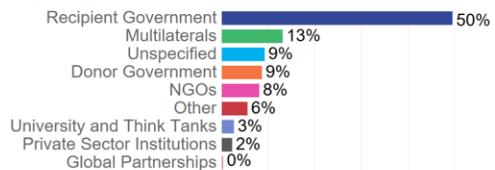
43. A diverse set of delivery channels and implementing agencies also add to implementation complexity, although it is not possible to fully measure the extent of this proliferation. Donor governments themselves implemented only a small portion of the activities they funded; in the 2010-2019 period, they implemented only 12.5 percent of their

commitments.³⁶ Logically, recipient governments were the dominant channel of implementation during this period (43 percent of commitments), followed by donor governments, multilaterals (11 percent), and NGOs (8 percent) (Figure 21). In the later part of the period, more implementation by private sector institutions was reported. Delivery channels varied by sectors based on the underlying characteristics of the activities involved.³⁷

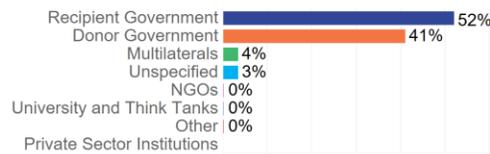
Figure 21: Distribution of Official Finance by Implementation Channel
(Commitments, US\$ millions and % of period total, 2019 prices)



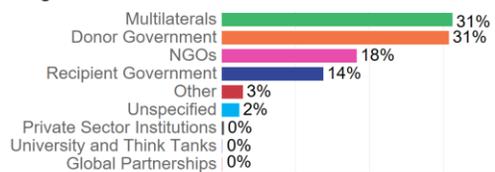
Budget Support and Cross-Cutting



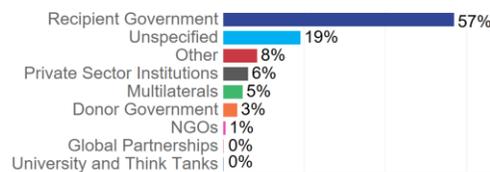
Debt Relief



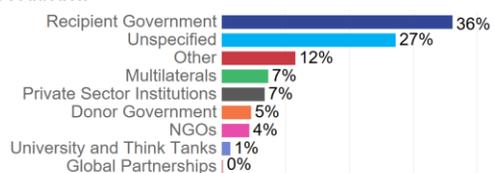
Emergencies at home and abroad



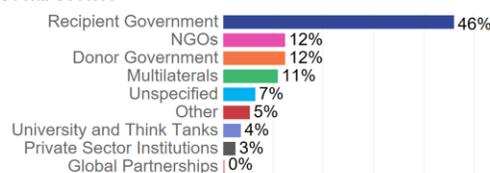
Infrastructure



Production



Social Sectors



Source: CRS

³⁶ The period 2010-2019 was used for this analysis due to the better quality of the delivery channels data available for that timeframe.

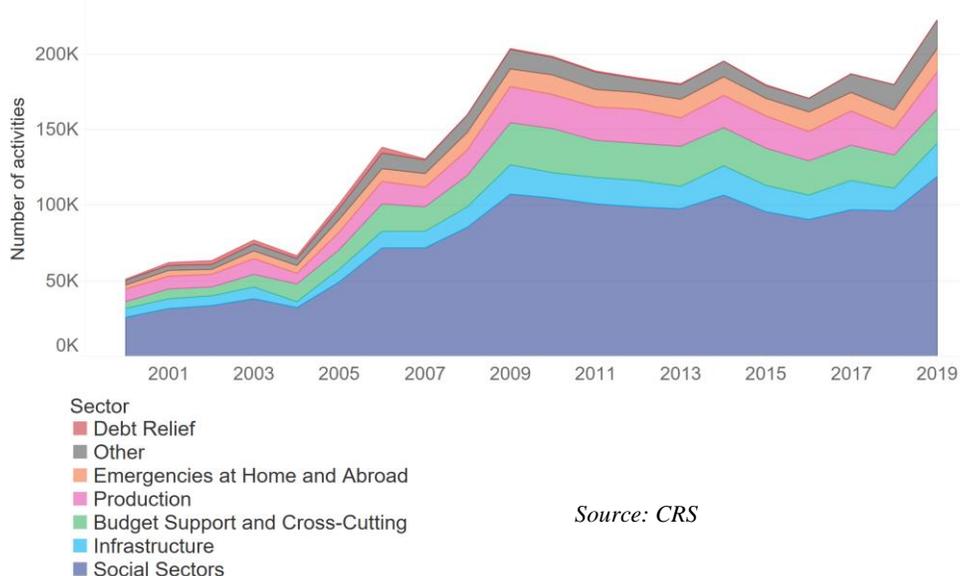
³⁷ For more information on the use of delivery channels and their impact on aid effectiveness, please see the principles from the Global Partnership for Effective Development Co-operation (e.g., GPEDC, 2019).

IV.B Fragmentation of Official Finance

44. **The proliferation of official finance providers and entities providing official finance has been a significant factor explaining the fragmentation of aid.** While in theory an increase in providers and entities could be managed through better programming and coordination at the country level, in practice this has led to a growing fragmentation of official flows (i.e., a larger number of individual commitments each of smaller financial size). This phenomenon has been further exacerbated by a dispersion of small-scale free-standing technical assistance as a modality of delivery.

45. **The number of official finance activities appears to have increased significantly since 2000, with fragmentation mostly concentrated in the social sectors and in bilateral grants.** The total number of official finance activities reported in CRS increased rapidly from around 51,000 in 2000 to more than 203,000 in 2009, before stabilizing and even declining slowly until a marked rebound in 2019 with over 222,000 activities.³⁸ Over this period, the number of bilateral activities increased from 35,000 in 2000 to 156,000 in 2019, while the number of multilateral activities increased from 16,000 to almost 66,000. A significant portion of the observed fragmentation was due to an increase in the number of activities in the social sectors, which increased from 26,000 to 119,000 and represented 54 percent of all activities in 2019 (Figure 22). Looking at the number of activities by type of flow, fragmentation also appears to be concentrated in bilateral ODA grants, which increased in numbers from 35,000 grants in 2000 to 151,000 in 2019 while decreasing in average size (Figure 23).

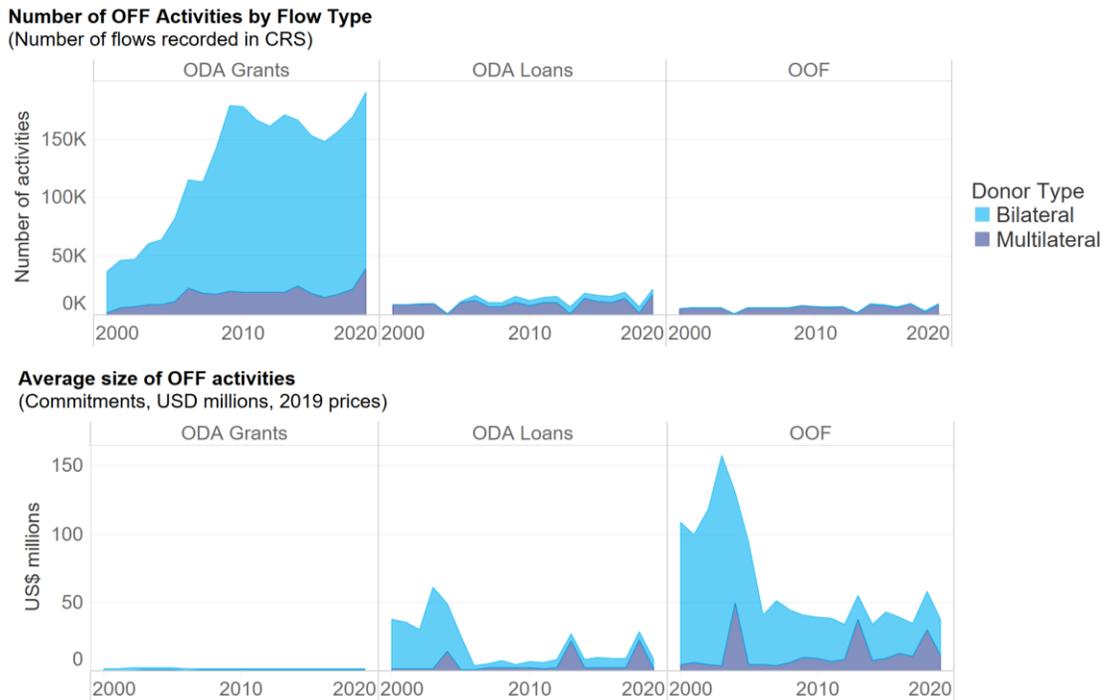
Figure 22: Number of Official Finance Activities by Sector
(Number of flows recorded in CRS)



Source: CRS

³⁸ In general, a “transaction” signifies the allocation of funds to a specific activity (project or program) in a given sector in a given recipient country. However, to improve the accuracy of CRS-based statistics, providers sometimes choose to compile CRS reports at a finer level, in which case a “transaction” represents a component of an activity. However, there are also cases where providers prefer to report at a more aggregated level. A “transaction” can thus also be the sum of several aid activities.

Figure 23: Number and Size of Official Finance Activities by Aid Type



Source: CRS

46. **It should be noted that the observed growth in the number of OFF activities in the CRS database is partly due to historical underreporting by some donors at the beginning of the period.** A number of both bilateral and multilateral donors only started to report all activities to CRS in recent years, particularly since 2010. While correcting the count of official donors and entities as presented in *Section IV.A* was relatively straightforward based on publicly available information, correcting the count of OFF activities is not possible and it is thus challenging to disaggregate the respective impacts of actual proliferation/fragmentation and of underreporting on the observed growth. This analysis should be interpreted with caution, particularly for the 2000-2009 period.

47. **In terms of financial value, the average size of official finance activities in developing countries has decreased by about one third since 2000, and by almost one half for grants.** ODA grants, which represented 86 percent of all individual OFF transactions in 2019, decreased sharply from an average value of US\$1.5 million in 2000 to US\$0.8 million today (a 47-percent decrease). ODA loans decreased by 12 percent in value, from US\$2.6 million to US\$2.3 million. Equity investments also fell, from US\$10.3 million to US\$2.6 million. OOF loans were the only type of flow to increase in value over the past 20 years; with a more than twofold increase from a US\$5.3 million average value in 2000 to US\$12.4 million today (Table 6).

Table 6: Number and Average Size of Donor Funded Activities
(Number of transactions and average size in US\$ millions in 2019 prices)

	2000		2019	
	Transactions	Average Size	Transactions	Average Size
ODA Grants	36,830	1.5	190,319	0.8
ODA Loans	8,662	2.6	21,919	2.3
Equity	49	10.3	870	2.6
OOF Loans	5,688	5.3	9,248	12.4
Total	51,229	2.2	222,356	1.4

Source: CRS

48. **While the data is clear about the proliferation of official finance providers and the fragmentation of flows, there is limited systematic evidence regarding its impact on transaction costs or aid effectiveness.** Anecdotal evidence suggests that transaction costs may be increasing, due to the rising number of implementation channels, providers, and activities; the progressive earmarking of funding through multilateral and bilateral channels; and the widespread use of technical assistance. However, since transaction costs have not been systematically quantified, it is difficult to judge their impact on effectiveness. Further, it is possible that broader engagement across ministries in donor governments could improve the long-term potential for increased aid contributions. Finally, the trade-offs between additional transaction costs and a larger number of options of financial providers and implementing channels for recipient countries has not yet been fully evaluated.

V. SUMMARY OF FINDINGS AND AREAS FOR FURTHER ANALYSIS

V.A Summary of Findings

49. **Financial flows to developing countries have grown steadily but with significant increase in private sector finance and finance from the BRICS.** During the last decade, private finance grew by 10 percent a year while official finance grew by 2 percent a year. In 2010, official finance represented 64 percent of total financial flows to the public sector; a share that decreased to 52 percent in 2019, so that official and private finance were almost equal. Within official finance, the BRICS countries provided 22 percent of official loans to developing countries globally, and 50 percent of loans from bilateral sources.

50. **Most funding for LDCs/LICs was concessional although they received only around one fifth of total official finance. In contrast, most funding for MICs was in the form of non-concessional assistance but larger in volume; MICs received the majority of total official finance.** During the last two decades, LDCs/LICs received 94 percent of financing as ODA, which represented only 30 percent of total ODA (and 22 percent of total official finance). MICs received 46 percent of ODA grants, 68 percent of ODA loans and 85 percent of other official finance commitments.

51. **The volume of funding which donors have not identified as allocated to specific recipient countries grew to constitute a significant share of official finance by 2019** (US\$70 billion or 22 percent of total OFF). Resources not assigned to specific countries were often directed to global and regional public goods and to support for emergencies (i.e., humanitarian aid and support to refugee in donor countries).

52. **Concessional flows varied significantly by sector with grants deployed primarily for social sectors and support for emergencies and loans for infrastructure.** In the past five years, 66 percent of grants were used to support activities in the social sectors and for emergencies. Over the same period, 46 percent of loans were utilized for infrastructure investments.

53. **There was a modest growth in the number of official finance providers over the past 20 years, but a 2.5x growth in the number of entities providing official finance.** Between 2000-2004 and 2015-2019, the number of official finance providers around the world grew from 47 to 70 while the number of entities providing official finance grew from 191 to 502.

54. **Official finance activities remain highly fragmented and continue to reduce in size.** Fragmentation appears to be concentrated in social sectors and in bilateral activities. ODA grants, the dominant type of activity, were subject to the largest decrease: the average size of a grant was US\$1.5 million in 2000 but only US\$0.8 million in 2019.

V.B Areas for Further Analysis

55. **Three topics would benefit from additional research.** First, a detailed review of the impact of donor proliferation and aid fragmentation on aid effectiveness could help shed light on the scope of the issue and its eventual impact on development outcomes. Second, given the significant share of aid flows unallocated to specific recipient countries, an analysis of aid beyond the country level could be useful. Finally, a more detailed examination of the evolution of concessionality over time could help understand the impact of fiscal pressures in donor countries on development financing, and on the availability of grants for development activities, particularly considering the increased focus on debt sustainability.

56. **Proliferation and fragmentation and potential impact on aid effectiveness.** The CRS data already available could be further analyzed to identify potential patterns of increasing proliferation and fragmentation by official finance providers, country income groups, sectors and themes, implementation channels, and delivery modalities. In addition, the analysis could be extended to a broader definition of fragmentation that includes additional measures, such as the growing variety of financing instruments.³⁹ Given the limited systematic evidence on the impact of these issues on aid effectiveness, further work could be undertaken to review if the quantitative information on proliferation and fragmentation and the findings from aid quality surveys (e.g., the Global Program for Effective Development Cooperation or other systematic ratings) demonstrate discernable patterns or drivers.

57. **Aid beyond the country level.** As previously noted, the volume of OFF not allocated to specific countries grew significantly to reach US\$70 billion in 2019. Country unallocated OFF is composed of three main categories, which would benefit from further study:

- Emergencies at home and abroad, which captured 21 percent of country unallocated OFF in 2019. The composition of this type of assistance and its interaction with other development assistance provided at the country level (particularly CPA) could be an interesting topic for further research.
- Regional commitments, which now represent 40 percent of country unallocated OFF. The composition of this type of assistance and its interaction with other development assistance provided at the country level could also benefit from additional investigation.
- Global and regional public goods. Unfortunately, there does not appear to be readily available estimates of their size or a commonly accepted methodology to calculate them. Efforts are underway, including through the OECD DAC's new measure of Total Official Support for Sustainable Development (TOSSD).⁴⁰ Given the growing emphasis on global public goods like crisis response and tackling climate change, this could also constitute an important topic for further research.

³⁹ See for instance the “spaghetti bowl” of development finance instruments in OECD, 2019.

⁴⁰ For more information, consult the TOSSD portal and its online resources at <https://www.tossd.org/>

58. **Evolution of concessionality.** The allocation of concessional funds from donors has been driven by a combination of criteria, including country circumstances (particularly income level and access to market resources), sectors (particularly health), and the leveraging of private sector resources. There is scope to better understand how concessionality has evolved over time with three potential areas for further analysis: (i) examining changes in the supply of concessionality embedded within official finance, differentiating between bilateral and multilateral sources, (ii) analyzing concessional finance from a recipient's perspective, including by country income group and by sector, and (iii) better understanding the link between concessionality of flows received by countries and their level of debt sustainability.

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ANNEX

Data Sources and Terminology Used

OECD DAC Terminology

1. The analysis in this paper utilized two OECD DAC databases which both contain data reported by donor countries and multilateral agencies. The DAC database provides aggregate information and the CRS database provides transaction level information. While there have been substantial differences between the financial information in the two databases in the past, there has been greater convergence in more recent years (see Figure 12 of the main report).
2. Reporting is provided on the Official Development Assistance, Other Official Flows and Private Flows.
3. Official Development Assistance (ODA): Resource flows (grants, loans and equity) to countries and territories on the DAC List of ODA Recipients (developing countries) and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; and (c) at concessional financial terms. Until 2018, loans were concessional if their Grant Element was at least 25 percent (calculated at a 10 percent discount rate of 10 percent). Since 2019, both grant element and discount rate vary based on the Income Group of the recipient country (see <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/modernisation-dac-statistical-system.htm>). In addition to financial flows, Technical Co-operation is included in ODA. Equity provided by the official sector excludes Foreign Direct Investment which is included under private flows.
4. Other Official Flows: Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they have less than the required grant element. These include: i) Grants to developing countries for representational or essentially commercial purposes; ii) Official bilateral transactions intended to promote development but having a grant element less than that required to be treated as concessional; iii) Official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose. This category includes by definition export credits extended directly to an aid recipient by an official agency or institution ("official direct export credits"); iv) The net acquisition by governments and central monetary institutions of securities issued by multilateral development banks at market terms; v) Subsidies (grants) to the private sector to soften its credits to developing countries; and vi) Funds in support of private investment.
5. Private Flows: Consist of: (a) flows at market terms financed out of external private sector resources (i.e. changes in holdings of private long-term assets held by

- residents of the reporting country); and (b) private grants (i.e. grants by non-governmental organizations and other private bodies, net of subsidies received from the official sector).
6. The three types of reported flows are aggregated into other indicators:
 - a. Total Official Flows: Consist of the sum of Official Development Assistance (ODA) and Other Official Flows (OOF).
 - b. Official Development Financing (ODF), measured for recipient countries only, is defined as the sum of their receipts of bilateral ODA, concessional and non-concessional resources from multilateral sources, and bilateral other official flows made available for reasons unrelated to trade, in particular loans to refinance debt.
 - c. Total Receipts, Net: in addition to Official Development Assistance, this includes in particular: other official bilateral transactions which are not concessional or which, even though they have concessional elements, are primarily trade facilitating in character (i.e., "Other Official Flows"); changes in bilateral long-term assets of the private non-monetary and monetary sectors, in particular guaranteed export credits, private direct investment, portfolio investment and, to the extent they are not covered in the preceding headings, loans by private banks. Also includes flows from the multilateral sector which are not classified as concessional.
 7. Data is provided for actual funds transferred (i.e., disbursements) and funds contractually agreed to be transferred in the future (i.e., commitments). A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency.
 - a. Commitments are considered to be made at the date a loan or grant agreement is signed or the obligation is otherwise made known to the recipient (e.g., in the case of budgetary allocations to overseas territories, the final vote of the budget should be taken as the date of commitment). For certain special expenditures, e.g., emergency aid, the date of disbursement may be taken as the date of commitment.
 - b. Bilateral commitments comprise new commitments and additions to earlier commitments, excluding any commitments cancelled during the same year. Cancellations and reductions in the year reported on of commitments made in earlier years are reported in the CRS, but not in the DAC questionnaire.
 - c. Commitments of capital subscriptions, grants and loans to multilateral agencies show the sum of amounts which are expected to be disbursed before the end of the following year and amounts disbursed in the year reported on but not previously reported as a commitment. For capital subscriptions in the form of notes payable at sight, the expected amount of deposits of such notes constitute the amount committed.

OECD DAC Reports

8. The DAC database provides reporting on aggregated data along several dimensions.
 - a. Aggregate ODA, OOF and Private Flows by DAC countries/providers and EU institutions in current and constant prices as well as in the donor's national currency (Table DAC1) with no breakdown by recipient. The conversion from current to constant prices is undertaken using deflators for each donor country.
 - b. ODA disbursements to countries and regions by all bilateral and multilateral donors reporting to DAC in current and constant prices (Table DAC2a).
 - c. OOF and export credit disbursements by DAC countries/providers to countries and regions in current and constant prices (Table DAC2b).
 - d. ODA commitments to countries and regions in current and constant prices (Table DAC3a).
 - e. Private Direct Investment and other private capital (Table DAC4) by DAC and non-DAC reporting countries.
 - f. ODA by donor and sector in current and constant prices (Table DAC5).
 - g. ODA tying status by country (Table DAC 7b).
 - h. Total Official Development Flows by recipient country and region.
 - i. Total Official Flows by recipient country and region. Total disbursements by the official sector by recipient country and region are reported as gross or net flows in current and constant prices.
9. The Creditor Reporting System (CRS) database provides disaggregated transaction-by-transaction data. The CRS Aid Activity database provides a set of readily available basic data that enables analysis on where aid goes, what purposes it serves and what policies it aims to implement, on a comparable basis for all DAC members. Data are collected on individual projects and programmes. Focus is on financial data but some descriptive information is also made available.
10. CRS data can be analyzed in current and constant prices by:
 - a. Official donor.
 - b. Sector.
 - c. Flows (i.e., ODA grants; ODA loans; equity; OOF; and private finance) and flow types (i.e., commitments or gross disbursements).
 - d. Delivery channel (i.e., public sector; Non-Governmental Organizations and civil society; Public-Private Partnerships; multilateral institutions; teaching institutions, research institutes or think tanks; private sector institutions; and other delivery channel).
 - e. Types of aid (i.e., budget support; core contributions and pooled programs and funds; project type interventions; experts and other technical assistance;

scholarships and other student costs in donor countries; debt relief; other in-donor expenditures; and other administrative costs).

11. Given recently introduced changes in reporting methodology, only 2018 data is presented in grant equivalent terms in current and constant prices.
12. CRS also presents projects identified as supporting global environmental objectives and supporting gender equality and women's empowerment.
13. CRS identifies DAC members' total use of the multilateral system as well as private philanthropy for development.

Recipient Country Classifications

14. Country Income Groups: ODA eligible countries are classified in to two groups i.e. Least Developed Countries and Low-Income Countries (LDCs and LICs) and Middle-Income Countries (MICs) (https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_blue_En.pdf).

Sector Classifications

15. Sector Classifications: For the purpose of this analysis, sectors were grouped as follows:
 - a. Infrastructure (inclusive of Transport & Storage; Banking & Financial Services; Business & Other Services; Communications Infrastructure; Energy).
 - b. Production (Agriculture, Forestry, and Fishing; Construction; Industry & Mining; Tourism; Trade)
 - c. Debt Relief.
 - d. Social Sectors (Education; Government & Civil Society; Health; Other Social Infrastructure & Services; Population & Reproductive Health; Water Supply & Sanitation).
 - e. Budget Support and Cross-Cutting (General Budget Support and Assistance; Multi-Sector / Cross-Cutting).
 - f. Emergencies at Home and Abroad (Humanitarian Aid; Refugees in Donor Countries).
 - g. Other (Administrative Costs of Donors; Sectors Not Specified).
16. Sector Allocable ODA: ODA flows aimed at fostering a particular sector in the recipient country. Excludes contributions that are not allocable by sector (e.g., balance-of-payments support, actions relating to debt, emergency assistance, and administrative costs of donors, Support to NGOs and Unallocated/unspecified ODA).

Country Programmable Aid

17. CPA is the proportion of aid that is subjected to multi-year programming at country level, and hence represent a subset of ODA outflows. It takes as a starting point

data on gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration costs, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country); or (4) CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions. CPA is therefore a gross concept.

Debtor Reporting System (DRS) Terminology and Reporting

18. In *Section II* of this report, the World Bank's Debtor Reporting System (DRS) database is utilized. DRS data, reported by developing countries, focuses on official loans (i.e., bilateral and multilateral loan commitments as reported by developing countries) and private finance.
19. The DRS captures detailed information at the loan level for external borrowing of reporting countries using standardized sets of forms. These include:
 - a. Description of Individual External Public and Private Debt Publicly Guaranteed (Form 1); Schedule of Drawings and Principal and Interest Payments for Individual External Public and Private Debt Publicly Guaranteed (Form 1a). This data is reported quarterly within 30 days of the close of the quarter.
 - b. Individual External Public Debts and Private Debts Publicly Guaranteed Current Status and Transactions during Period (Form 2); and Revisions of Forms 1 and 2 (Form 3). This data is reported annually by March 31 of the year following the report year (Form 2) and as needed (Form 3).
 - c. External Private Non-Guaranteed Debt (Form 4). This is reported annually, in a more aggregate way by March 31 of the year following the report year.