

The influence of official development assistance on economical development of the selected groups of developing countries around the World

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The Structure of Paper

- **Introduction**
- **Aim and methodology**
- **Analysis and Discussion**
 - From where to whom and the basic data about aid
 - The implications of ODA
 - ODA recipient
 - ODA donors
 - The analysis of the relationship between GDP and ODA assistance
 - The influence of current financial crisis on ability of donors to provide development assistance and the impact of development assistance slowdown on developing countries economy
- **Conclusion**
- **Literature**

Motivation

- The main aim of the paper is to analyse the official development assistance (ODA).
- The paper try to analyse the main development trends which have appeared in the last five decades.
- The main targets of the analysis are donors of the developing aid – DAC (development assistance committee) members - and on the other hand the main developing aid recipients – mainly the least developed countries.
- The paper is going to find out how the official development assistance has influenced the main recipients' economies and in contrast also the ability of developed countries to provide developing aid.
- The paper also analyses the relationship between donors respectively recipient countries' GDP development and ODA value provided respectively received.
- The main idea is to find out if any relationship between ODA and GDP exists both in case of developed countries and developing countries.

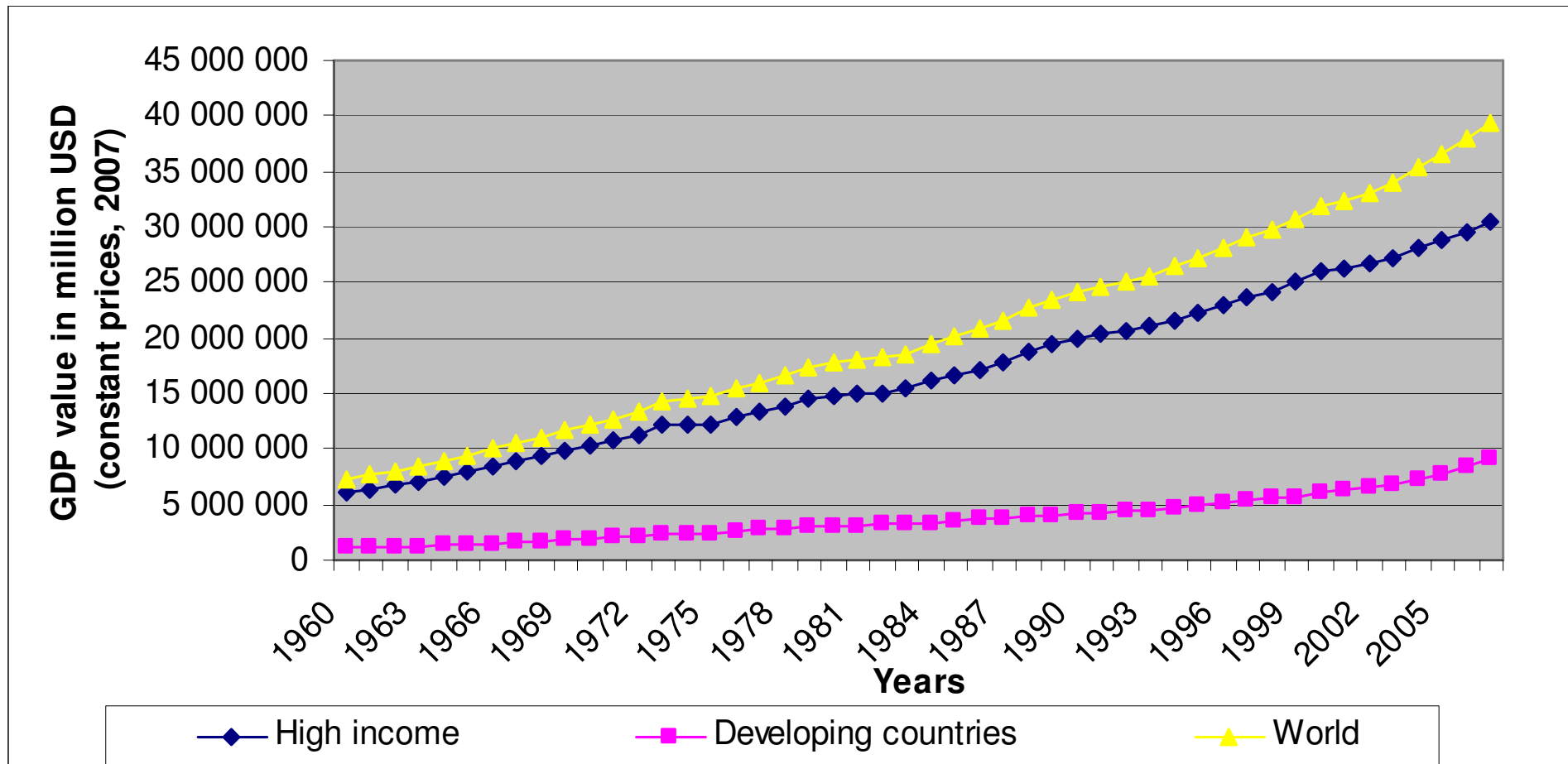
Methods

- For the purpose of our analyses we have decided to analyze the relationship between GDP and ODA.
- All data for the analyses were conducted in current and constant prices.
- The fundamental data come from OECD database and WDI database.
- We have used regression analysis as the basic analytical methods, elasticity analysis and basic and chain indices analysis. We also used linear regression analysis.

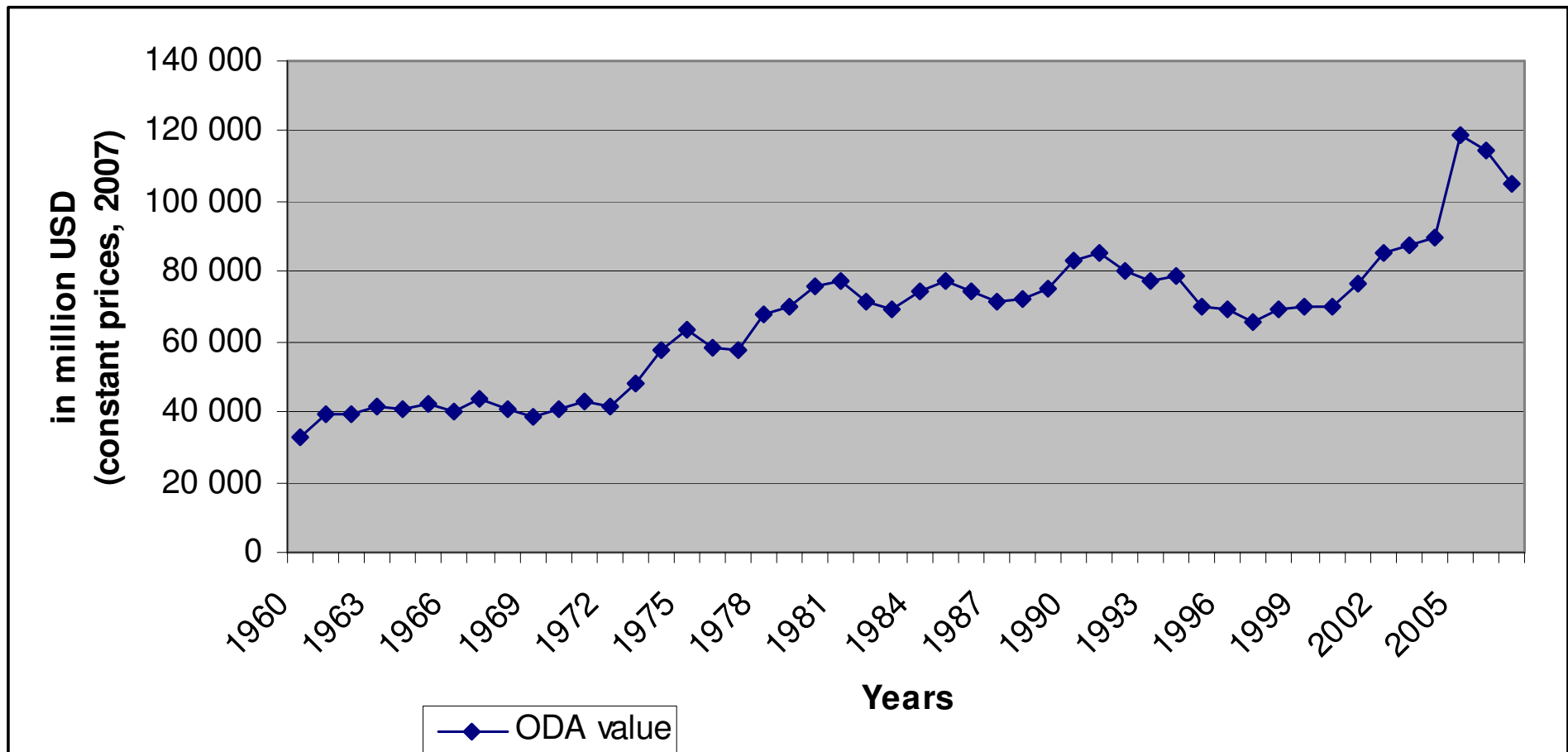
Introduction

- The value of ODA which is distributed around the world represents more than 100 billion USD and during the last almost five decades the value of ODA increased by more than 200 %.
- Targets of ODA are especially developing countries with low level of economy growth. The main targets of ODA are countries situated in Africa and Asia.

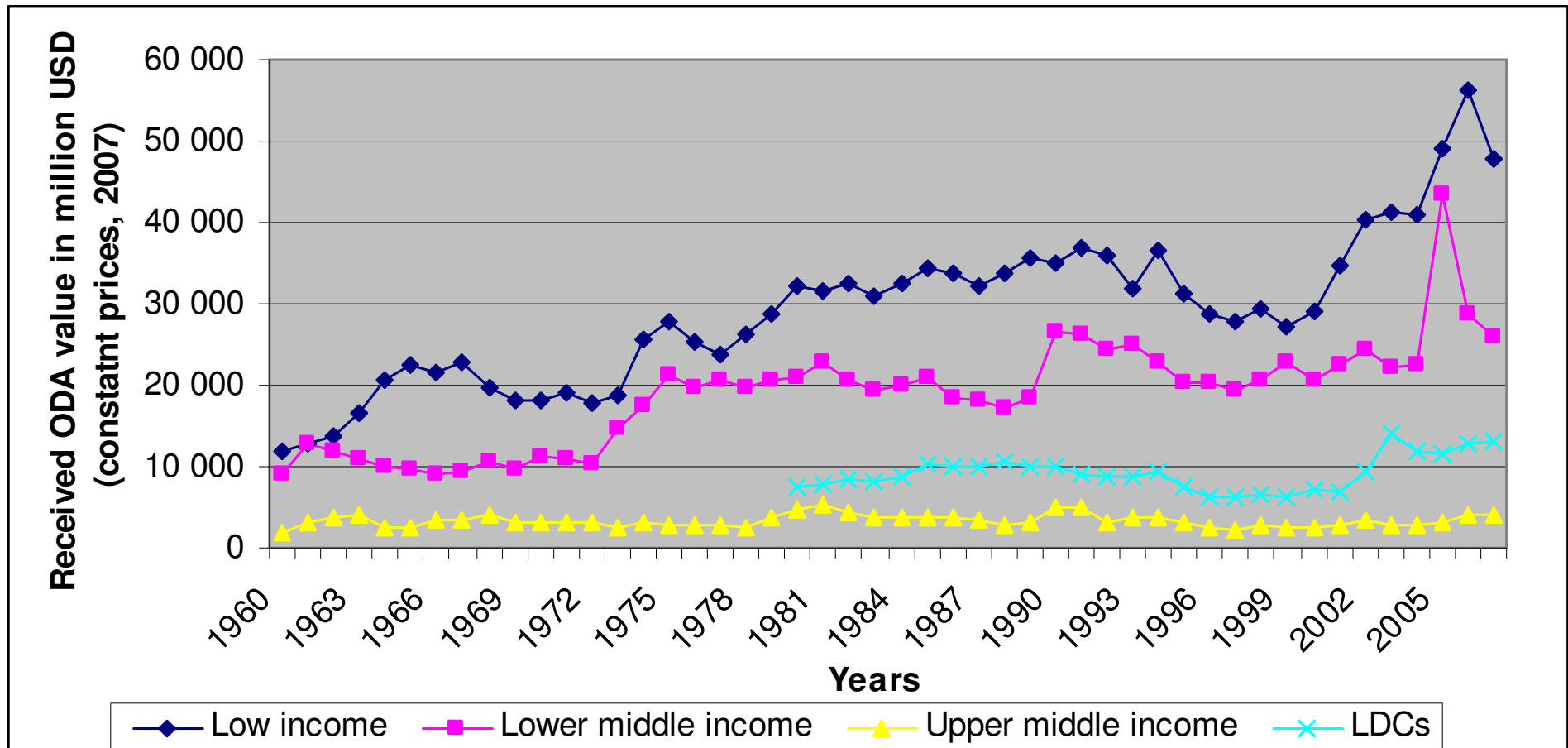
GDP value development in 1960 – 2007



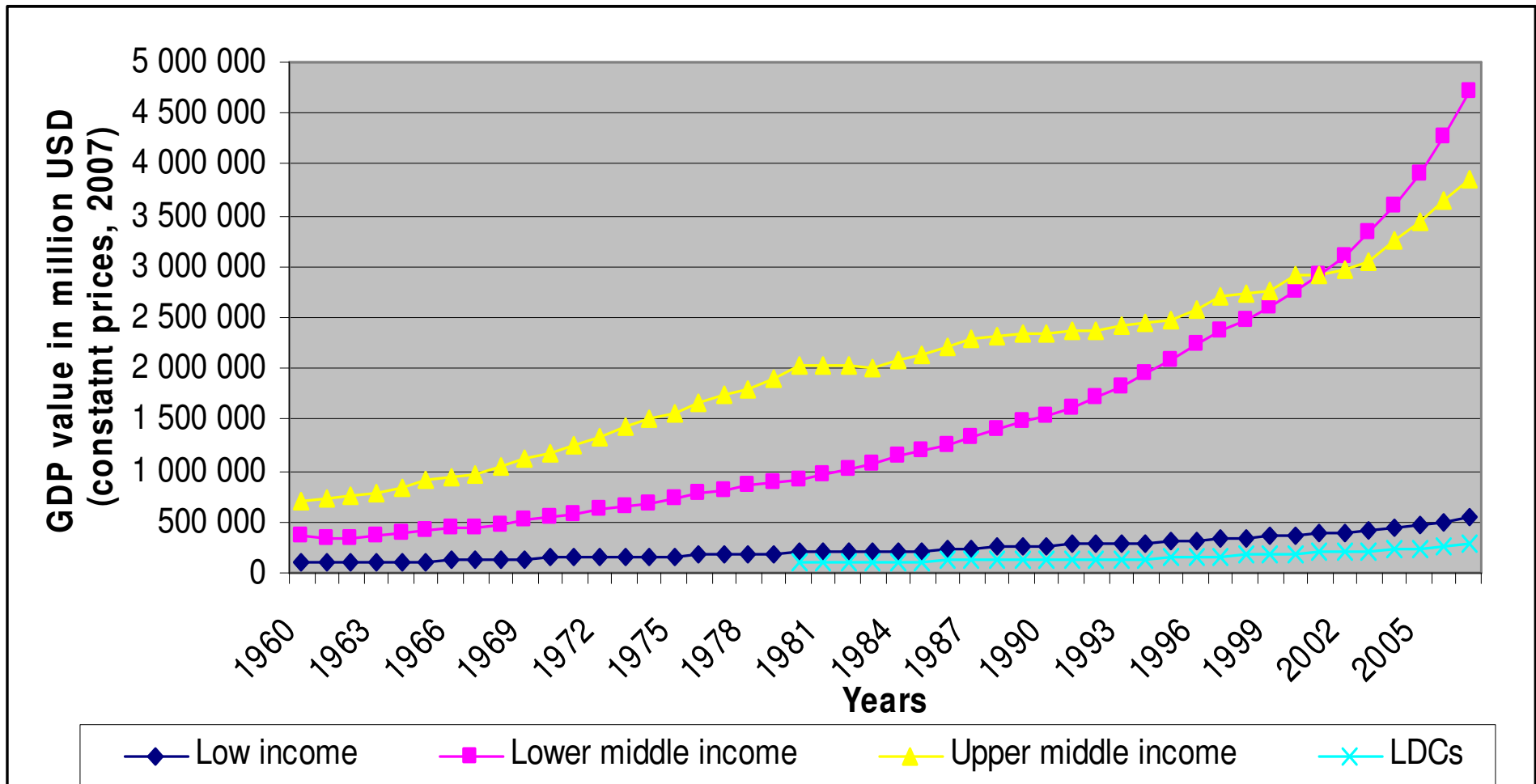
ODA value – Net disbursement (1960 – 2007)



Received ODA value development



Selected groups of countries GDP development



The main donors and the value of ODA

Net Disbursement - Official development assistance	Value of ODA				Share in total ODA			
	Constant Prices (2007 USD millions)		Current Prices (USD millions)		Current Prices (USD millions)		Constant Prices (2007 USD millions)	
	1960	2008	1960	2008	1960	2008	1960	2008
All donors	36 345	113 999	4 676	119 759	100.00%	100.00%	100.00%	100.00%
G7	34 015	77 763	4 460	80 815	95.40%	67.50%	93.60%	68.20%
Australia	531	3 038	59	3 166	1.30%	2.60%	1.50%	2.70%
Austria	1	1 555	2	1 681	0.00%	1.40%	0.00%	1.40%
Belgium	1 016	2 214	101	2 381	2.20%	2.00%	2.80%	1.90%
Canada	440	4 577	65	4 725	1.40%	3.90%	1.20%	4.00%
Denmark	74	2 570	5	2 800	0.10%	2.30%	0.20%	2.30%
Finland	18	1 047	2	1 139	0.00%	1.00%	0.00%	0.90%
France	8 028	10 168	823	10 957	17.60%	9.10%	22.10%	8.90%
Germany	2 616	12 994	224	13 910	4.80%	11.60%	7.20%	11.40%
Italy	986	4 059	77	4 444	1.60%	3.70%	2.70%	3.60%
Japan	1 368	8 310	105	9 362	2.20%	7.80%	3.80%	7.30%
Netherlands	519	6 522	35	6 993	0.80%	5.80%	1.40%	5.70%
New Zealand	86	355	9	346	0.10%	0.30%	0.00%	0.30%
Norway	73	3 638	5	3 967	0.10%	3.30%	0.20%	3.20%
Sweden	58	4 508	7	4 730	0.10%	3.90%	0.20%	4.00%
Switzerland	56	1 794	4	2 016	0.10%	1.70%	0.20%	1.60%
United Kingdom	4 862	12 217	407	11 409	8.70%	9.50%	13.40%	10.70%
United States	15 716	25 439	2 760	26 008	59.00%	21.70%	43.20%	22.30%

Change in ODA between the years 1960 and 2008

	Current Prices (USD millions)		Constant Prices (2007 USD millions)	
	Absolute change 1960/2008	Average inter annual growth rate - 1960-2008	Absolute change 1960/2008	Average inter annual growth rate - 1960-2008
DAC Countries	2461.3%	7.5%	213.7%	2.7%
G7	1712.1%	6.8%	128.6%	2.1%
Australia	5275.6%	10.1%	472.1%	4.8%
Austria	55933.3%	20.7%	4102.1%	14.2%
Belgium	2259.4%	8.7%	117.8%	2.9%
Canada	7183.9%	11.1%	940.5%	6.5%
Denmark	52730.6%	15.5%	3352.5%	8.6%
Finland	56856.0%	18.9%	5716.9%	12.5%
France	1231.2%	6.5%	26.7%	0.9%
Germany	6123.8%	10.1%	396.8%	4.0%
Italy	5701.0%	16.0%	311.6%	9.0%
Japan	8807.8%	12.6%	507.6%	5.7%
Netherlands	19708.8%	13.3%	1156.4%	6.5%
New Zealand	4229.0%	9.5%	312.8%	3.9%
Norway	76192.1%	16.2%	4869.2%	9.3%
Sweden	70494.6%	16.8%	7667.8%	11.1%
Switzerland	57493.7%	17.7%	3075.9%	10.2%
United Kingdom	2704.5%	8.3%	151.3%	2.9%
United States	842.4%	6.6%	61.9%	2.7%

ODA Total Net disbursements All donors (Constant Prices (2007 USD millions))

	1960	1970	1980	1990	2000	2004	2007
LDCs	10.1%	13.6%	25.9%	29.5%	26.7%	32.3%	30.8%
LMICs	27.9%	27.4%	27.6%	32.1%	29.7%	25.1%	24.7%
Other LICs	26.4%	30.5%	16.6%	12.8%	14.8%	13.4%	14.7%
UMICs	5.9%	7.5%	6.1%	6.0%	3.7%	3.3%	3.9%
MADCTs	10.7%	7.9%	5.5%	4.4%	0.3%	0.1%	x
Developing Countries	32702.2	40753.8	75892.6	82934.6	69799.9	89679.9	105284

ODA distribution between chosen groups of countries (Net disbursements)

million USD		1960	1970	1980	1990	2000	2004	2007	Absolute change 1960-2007	Inter annual change 1960-2007
G7 (CoP)	LDCs	2246	3195	7567	10134	7220	11983	13135	484.80%	4.90%
All Donors (CoP)	LDCs	3291	5548	19638	24465	18633	29011	32470	886.50%	5.60%
G7 (CoP)	LMICs	8556	7114	8094	14980	10549	12918	14517	69.70%	3.20%
All Donors (CoP)	LMICs	9122	11182	20953	26616	20710	22509	25956	184.60%	3.70%
G7(CoP)	Other LICs	8653	9537	3262	4800	4369	5104	6890	-20.40%	2.70%
All Donors (CoP)	Other LICs	8619	12442	12630	10576	10340	12018	15468	79.50%	3.00%
G7 (CoP)	UMICs	2267	1870	2468	2989	1057	1297	1891	-16.60%	2.90%
All Donors (CoP)	UMICs	1939	3037	4657	4984	2614	2922	4099	111.40%	3.90%
G7 (CoP)	MADCTs	3528	2806	3373	3112	34	2		-100.00%	-9.40%

ODA Total - All Donors - Net disbursements in %

Constant Prices (2007 USD millions)			Current Prices (USD millions)		
	1960	2007		1960	2007
Europe	8.37%	3.97%	Europe	9.04%	3.97%
Africa	37.13%	36.62%	Africa	30.90%	36.62%
North of Sahara	18.76%	3.02%	North of Sahara	16.86%	3.02%
South of Sahara	18.34%	32.38%	South of Sahara	14.02%	32.38%
America	4.93%	6.50%	America	5.22%	6.50%
North & Central America	1.81%	3.30%	North & Central America	1.88%	3.30%
South America	1.84%	2.72%	South America	2.31%	2.72%
Asia	45.63%	33.50%	Asia	51.00%	33.50%
Far East Asia	16.39%	6.84%	Far East Asia	19.50%	6.84%
South & Central Asia	22.64%	12.24%	South & Central Asia	24.82%	12.24%
Middle East	6.55%	13.52%	Middle East	6.64%	13.52%
Oceania	0.65%	1.23%	Oceania	0.55%	1.23%
Developing Countries unspec.	3.29%	18.19%	Developing Countries unspec.	3.29%	18.19%

ODA development trends for group of countries (constant prices 2007, USD millions)

	Inter annual change - average value 1960-2007	Absolute change 1960/2007
Africa	3.16%	217.48%
America	5.21%	324.40%
Asia	3.04%	136.32%
Developing countries	2.86%	221.95%
Europe	8.33%	52.61%
Oceania	7.39%	508.38%

Main recipients of the ODA (total current prices, USA millions)

1977		1997		2007	
Egypt	2343.99	China	2053.55	Iraq	9176.31
India	988.81	Egypt	1984.77	Afghanistan	3951.08
Syria	823.37	India	1645.09	Tanzania	2810.84
Israel	797.4	Bangladesh	1010.63	Viet Nam	2496.73
Bangladesh	783.57	Viet Nam	998.25	Ethiopia	2422.48
Pakistan	585.52	Mozambique	948.11	Pakistan	2212.42
Morocco	566.24	Tanzania	943.71	Sudan	2104.19
Indonesia	512.92	Bosnia- Herzegovina	861.45	Nigeria	1947.46
Yemen	403.37	Madagascar	833.06	Cameroon	1904.61
Jordan	368.29	Uganda	812.97	Palestinian Adm.	1875.8

The structure of ODA distribution

Current Prices (USD millions)	1971	1981	1991	2001	2005	2007	Absolute change 1971/2007	Inter annual change - 1971-2007
SOCIAL INFRASTRUCTURE & SERVICES	2 249	5 575	11 215	13 707	29 494	37 599	1571.9%	9.3%
- Education	1 888	2 596	4 947	3 672	5 689	8 430	346.5%	6.1%
- Health	65	1 336	1 424	1 706	3 448	4 339	6594.4%	25.2%
- Water Supply & Sanitation	107	636	1 835	1 973	4 466	4 360	3970.5%	19.3%
- Government & Civil Society	85	312	1 380	2 949	9 218	11 565	13436.0%	20.2%
- Other Social Infrastructure & Services	103	695	1 232	2 291	3 497	3 253	3051.8%	14.8%
ECONOMIC INFRASTRUCTURE, SERVICES	542	3 716	12 157	6 293	10 458	11 794	2074.4%	11.9%
- Transport & Storage	193	1 730	4 950	3 660	5 017	3 862	1896.4%	14.5%
- Communications	104	362	1 158	208	342	274	163.7%	13.8%
- Energy	245	1 623	5 063	1 590	3 238	3 834	1465.5%	15.7%
PRODUCTION SECTORS	670	6 030	6 188	3 701	5 140	5 626	739.4%	10.2%
- Agriculture, Forestry, Fishing	283	2 741	3 798	2 820	3 270	4 245	1399.2%	11.5%
- Industry, Mining, Construction	387	1 406	1 885	606	1 379	812	109.8%	8.3%
MULTISECTOR / CROSS-CUTTING	34	627	1 524	3 000	5 974	6 546	19106.4%	38.6%
TOTAL SECTOR ALLOCABLE	3 496	15 947	31 084	26 700	51 067	61 564	1661.2%	9.2%
COMMODITY AID / GENERAL PROG. ASS.	1 937	2 268	9 349	2 907	2 575	4 211	117.4%	10.6%
- Dev. Food Aid/Food Security Ass.	1 409	568	1 781	1 242	890	1 081	-23.3%	14.7%
ACTION RELATING TO DEBT	763	662	7 303	4 156	25 997	9 761	1179.8%	42.6%
HUMANITARIAN AID	128	330	2 700	1 932	7 973	6 996	5364.3%	20.8%
ADMINISTRATIVE COSTS OF DONORS			1 582	2 754	3 872	4 884	530.9%	13.8%
SUPPORT TO NGO'S			700	1 448	1 252	2 140	200.7%	14.0%
UNALLOCATED/UNSPECIFIED	1 725	3 536	4 325	1 366	1 742	1 265	-26.7%	11.0%
TOTAL ODA (all donors)	7 723	32 381	60 877	51 909	107 671	105 284	1263.2%	8.2%

Relationship between ODA and donor's GDP

ODA in dependence on donor's GDP	R	R2	alfa=0.01
SOCIAL INFRASTRUCTURE & SERVICES	0.91	0.84	positive
- Education	0.87	0.76	positive
- Health	0.89	0.79	positive
- Water Supply & Sanitation	0.9	0.82	positive
- Government & Civil Society	0.8	0.64	positive
- Other Social Infrastructure & Services	0.96	0.92	positive
ECONOMIC INFRASTRUCTURE AND SERVICES	0.8	0.64	positive
- Transport & Storage	0.77	0.6	positive
- Communications	0.066	0.0044	positive
- Energy	0.66	0.45	positive
PRODUCTION SECTORS	0.25	0.065	negative
- Agriculture, Forestry, Fishing	0.49	0.24	positive
- Industry, Mining, Construction	0.05	0.0025	negative
MULTISECTOR / CROSS-CUTTING	0.94	0.87	positive
ADMINISTRATIVE COSTS OF DONORS	0.96	0.93	positive
COMMODITY AID / GENERAL PROG. ASS.	0.13	0.018	negative
- Dev. Food Aid/Food Security Ass.	0.19	0.037	negative
ACTION RELATING TO DEBT	0.71	0.5	positive
HUMANITARIAN AID	0.86	0.75	positive
SUPPORT TO NGO'S	0.65	0.42	positive
UNALLOCATED/UNSPECIFIED	0.4	0.15	positive

Impact of ODA received on developing countries' GDP

GDP in dependence on ODA value	R	R2	alfa=0.01
SOCIAL INFRASTRUCTURE & SERVICES	0.96	0.92	positive
- Education	0.87	0.76	positive
- Health	0.93	0.87	positive
- Water Supply & Sanitation	0.89	0.8	positive
- Government & Civil Society	0.89	0.79	positive
- Other Social Infrastructure & Services	0.96	0.92	positive
ECONOMIC INFRASTRUCTURE AND SERVICES	0.75	0.56	positive
- Transport & Storage	0.69	0.48	positive
- Communications	0.034	0.0012	negative
- Energy	0.62	0.39	positive
PRODUCTION SECTORS	0.195	0.038	negative
- Agriculture, Forestry, Fishing	0.41	0.17	negative
- Industry, Mining, Construction	0.016	0.0002	negative
MULTISECTOR / CROSS-CUTTING	0.96	0.93	positive
ADMINISTRATIVE COSTS OF DONORS	0.98	0.96	positive
COMMODITY AID / GENERAL PROG. ASS.	0.048	0.002	negative
- Dev. Food Aid/Food Security Ass.	0.24	0.0588	negative
ACTION RELATING TO DEBT	0.75	0.57	positive
HUMANITARIAN AID	0.91	0.83	positive
SUPPORT TO NGO'S	0.71	0.51	positive
UNALLOCATED/UNSPECIFIED	0.39	0.15	negative

Relationship between GDP value development and development of ODA value

Elasticity - 1% change in GDP value means ?? change in ODA (constant prices) (1971-2007)	High income (%)	World (%)	Developing countries (%)
SOCIAL INFRASTRUCTURE & SERVICES	6.25	3.61	2.19
- Education	4.10	2.29	1.35
- Health	13.29	7.43	4.70
- Water Supply & Sanitation	9.21	5.53	3.13
- Government & Civil Society	10.55	9.40	6.70
- Other Social Infrastructure & Services	13.95	7.08	4.01
ECONOMIC INFRASTRUCTURE AND SERVICES	6.71	4.86	2.55
- Transport & Storage	4.26	4.27	2.99
- Communications	14.05	10.84	5.46
- Energy	12.36	7.25	3.29
PRODUCTION SECTORS	4.46	2.75	1.72
- Agriculture, Forestry, Fishing	5.44	3.06	2.07
- Industry, Mining, Construction	3.66	2.44	1.28
MULTISECTOR / CROSS-CUTTING	8.58	7.64	6.88
ADMINISTRATIVE COSTS OF DONORS	2.65	2.26	1.81
COMMODITY AID / GENERAL PROG. ASS.	23.32	10.22	4.40
- Dev. Food Aid/Food Security Ass.	25.45	9.03	3.21
ACTION RELATING TO DEBT	18.85	12.47	11.11
HUMANITARIAN AID	16.38	9.73	5.95
SUPPORT TO NGO'S	5.96	4.93	3.25
UNALLOCATED/UNSPECIFIED	0.77	1.85	1.87

Relationship between ODA and GDP – donor countries

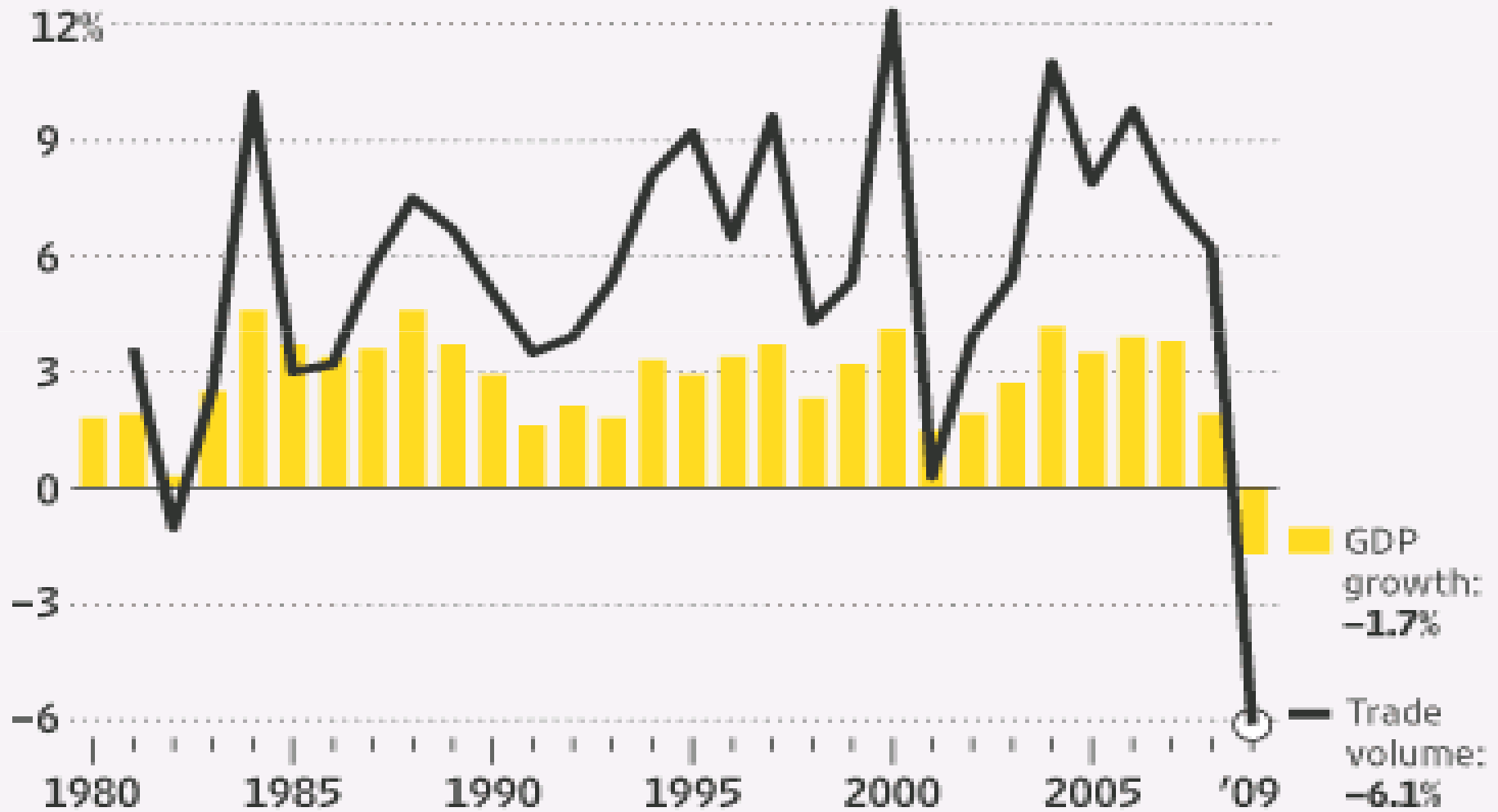
	Elasticity - 1% change in GDP value means ?? change in ODA (constant prices) in 1960-2007	R	R2	alfa = 0.01
World	1.74	0.92	0.86	positive
G 7	0.71	0.82	0.66	positive
Australia	1.99	0.86	0.75	positive
Austria	3.97	0.82	0.67	positive
Belgium	0.25	0.8	0.63	positive
Canada	1.71	0.8	0.62	positive
Denmark	0.34	0.97	0.95	positive
Finland	4.71	0.88	0.76	positive
France	1.19	0.63	0.4	positive
Germany	1.61	0.85	0.73	positive
Ireland	2.05	0.96	0.92	positive
Italy	5.84	0.72	0.52	positive
Japan	-0.11	0.93	0.87	positive
Netherlands	-0.46	0.95	0.91	positive
New Zealand	-4.32	0.81	0.66	positive
Norway	16.51	0.97	0.95	positive
Portugal	2.45	0.85	0.72	positive
Spain	4.04	0.93	0.87	positive
Sweden	3.19	0.95	0.9	positive
Switzerland	0.73	0.97	0.94	positive
United Kingdom	0.21	0.73	0.53	positive
United States	-2.25	0.11	0.013	negative

Relationship between ODA and GDP growth

	Elasticity - 1% change in ODA causes ?? Change in GDP (1960-2007)	R	R2	alfa = 0.01	alfa = 0.5
America	X	0.78	0.54	positive	positive
Europe	X	0.55	0.3	positive	positive
Asia	X	0.53	0.28	positive	positive
Africa	X	0.85	0.72	positive	positive
Oceania	X	0.3	0.1	negative	positive
LICs – low income countries	0,013	0.86	0.74	positive	positive
LMICs – low middle income countries	0,05	0.74	0.55	positive	positive
UMICs – upper middle income countries	0,013	0.123	0.015	negative	negative
LDCs – least developed countries	0.27	0.49	0.24	positive	positive
Developing countries	0.25	0.88	0.78	positive	positive

Gloomier Outlook

The World Bank expects the global economy to contract by 1.7% and global trade by 6.1% in 2009. Annual change:



Source: World Bank

Conclusion

- The analyses proved that direct relationship between ODA value provided and growth of individual donor countries economy exists.
- It was also proved that there direct relationship between received ODA value and GDP development in recipient countries exist.
- The results of above mentioned analyses are the following: If world and main donor countries GDP change by 1 %, the value of ODA provided will change by about 1,7 %. If provided ODA value change by 1 %, the GDP value in developing countries will change by 0,25 %.

Conclusion

- Distributed ODA can just help to solve the most critical situation and it can also help to improve the quality of life of those people who are targets of ODA distribution.
- The positive relationship between ODA value received and GDP value was proved especially in case of African countries and also for the group of low income countries.
- The most vulnerable groups are low income countries and the least developed countries. In case of the former the high level of dependency between ODA received and GDP development exists. In case of the later the relationship between ODA and GDP was not proved.
- The current crisis has been affecting certain donors' decision about ODA value provided.
- The main donors are countries with high share in world economy. The most important donors are G 7 members.
- In case of the majority of the donors the final decision about ODA value provided is connected with their economies performance. The analysis proved that in case of fifteen from the most important ODA donors the relationship between GDP value development and ODA value provided has exist. Only in case of seven donors the relationship was not proved.

Conclusion

- We can say that the global economy decline will probably affect donor countries' altruism. Their main priority will be stabilization of their own economies and resuscitation of their (GDP) growth.
- Some countries which are the main engines of world economy and main policy makers will be independent in their ODA policy (USA, France, Italy, UK), but those countries (especially small developed countries) which were affected by the crisis and which do not have sufficient internal sources, will probably freeze their ODA. The own ODA value decline will not significantly affect individual developing economies growth, but it is possible to expect that some target groups of people in developing countries will be in much worse situation than they were before the crisis appeared.
- Developing aid is not automatically connected with GDP growth, many developing countries has almost no relationship between ODA received and GDP performance. The effect of ODA on GDP development usually depends on structure of developing activities financed. Pro-growth activities are usually those which are connected with social infrastructure and services development, environmental protection and other multisector activities and economic infrastructure and services development.
- Current crisis has been influencing the world economy. It has been influencing the ability of donors to provide ODA and on the other hand crisis has been also increasing demand of developing countries for additional ODA. We proved that positive relationship between ODA provided and GDP development of main donor exist. It is possible to say that current crisis has affected the willingness of donors to pay additional money, while on the other hand some developing countries are more and more dependant on developing assistance.

Thank you very much for your attention,

If you are interested in any question connected with the mentioned problem of ODA, please do not hesitate to ask me.

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