Progress among DAC members towards improved targeting of ODA

The DAC has undertaken strong commitments to improve the targeting of concessional resources. Incentivising increased levels of concessional resources for countries most in need is a clear priority for the DAC. At the 2014 High Level Meeting (HLM), DAC members committed to “allocate more of total ODA to developing countries most in need, such as least developed countries (LDCs), low-income countries (LICs), small island developing states (SIDS), land-locked developing countries (LLDCs) and fragile and conflict-affected states”. DAC members also committed to “reversing the declining trend of ODA to LDCs”. The Addis Ababa Agenda for Action (AAAA) in July 2015 reinforced these commitments, recognising “the importance of focusing the most concessional resources on those with the greatest needs and least ability to mobilize other resources”.

Countries most in need are numerous and highly diverse. The five country groupings highlighted in the 2014 DAC HLM agreement comprise a total of 104 (or about three quarters of) ODA-eligible countries. The majority of these countries are low or lower middle-income countries. The remainder are upper middle-income countries, including many SIDS that face considerable economic, social and environmental challenges. Figure 1 presents all the countries most in need as well the overlap across the five groups.

Figure 1. Countries most in need
As specified in the 2014 DAC HLM agreement

Sources: OECD, World Bank, UN-OHRLLS
Implementation strategies across DAC member agencies

Most DAC members are taking steps to deliver on their commitment to improve the targeting of ODA to countries most in need. Although it is too early to register the impact on actual ODA, it is important to assess members’ future intentions and subsequent changes following the 2014 DAC HLM agreement. A recent DAC survey revealed that many DAC members have or are in the process of refocusing their allocations in accordance with international agreements. New policies and strategies have been developed in 2015 by members, such as:

- New Zealand completed its new five-year strategic plan to reflect the 2014 HLM commitment through a greater focus on LDCs and SIDS.
- Korea has placed greater emphasis on countries most in need, in particular LDCs and other LICs, in its recently completed mid-term ODA policy (2016-2020).
- The UK presented its aid strategy for the coming year, which includes a refocus of funding towards fragile and conflict-affected states and countries with high levels of extreme poverty.
- The USA updated and designed new policies that highlight the central role of development cooperation as a critical pillar of national security and foreign policy and underline the need to partner with fragile states and other countries to end extreme poverty.

It is important to emphasise that these developments in 2015 followed on efforts by other DAC members (e.g., EU institutions, France, Ireland, Italy and the Slovak Republic) in previous years to strengthen their focus on countries most in need. A few others are currently in the process of revising their development policies and strategies, e.g. Canada, the Czech Republic, Finland, Slovenia, Sweden and Switzerland.

Regarding specific country categories, two-thirds of DAC members have now developed specific policies, guidelines and/or strategies guiding their support to fragile and conflict-affected states. Half of the DAC members have similar frameworks regarding their support to LDCs, and a few have specific policies for their co-operation with LICs and/or SIDS. Only two members have specific policies towards LLDCs.

**New targets set by DAC members.** Several DAC members have committed or set internal targets to increase the share of their overall ODA provided to specific country groups.

- Following the 2014 DAC HLM agreement, Belgium and Ireland committed to allocate at least 50% of their ODA to LDCs.
- The UK announced that it will allocate 50% of its aid budget to fragile states and regions.
- In 2015, New Zealand committed to spend close to 60% of its aid in Pacific SIDS.
- The Czech Republic intends to allocate 50% of its bilateral ODA to LDCs over the long term.
- Korea has set tentative internal indicative targets for disbursing grant aid to partner countries over the next five years, with 50% of grants going to LDCs and other LICs.

Furthermore, in line with the 2014 DAC HLM agreement to incentivise more concessional lending to countries most in need with limited access to international capital markets, several members have set additional targets to increase their concessional lending to these countries, for example:

- Austria’s Development Bank (OeEB) aims to allocate at least 20% of its portfolio to LDCs by 2017.
- Korea’s Economic Development Co-operation Fund (EDCF) has set an internal indicative target for the next five years of 40% of ODA loan commitments to LDCs.

**These new policies and strategies are expected to shift allocation patterns over the medium-term.** The forthcoming DAC Survey on Forward Spending Plans for 2016-2019 will shed further light on the extent to which ODA re-allocations are occurring, and how different members’ policy efforts are generating greater concessional resources for the countries most in need.

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1 Individual member responses to the survey have been summarised in a compendium accessible on http://www.oecd.org/dac/financing-sustainable-development/countries-most-in-needs.htm