

HISTORY OF THE 0.7% ODA TARGET

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By far the best known international target in the aid field is that of raising official development assistance (ODA) to 0.7% of donors' national income.

The target grew out of an earlier suggestion to transfer 1% of donor countries' income to developing countries. According to Indian economist Jagdish Bhagwati, this "was the idea of Sir Arthur Lewis, the economist who was adviser to Hugh Gaitskell, leader of the British Labour Party, who wanted a target for his political platform in the 1950s."¹ The proposal was first advanced for international consideration by the World Council of Churches in 1958. The definitions of its numerator and denominator were refined through the 1960s, and all the then DAC members subscribed to it in 1968. But once it became defined as including net private flows, a major flaw became evident – governments had no means of programming or even predicting the private part of the flows, which even then made up nearly half the total.²

This drawback stimulated efforts to define a separate sub-target for official flows. At the second meeting of UNCTAD, held in New Delhi in 1968, its Secretary-General, Raúl Prebisch, proposed that "a minimum figure of 0.75% [of GNP] could be established for net official aid". Some but not all developed countries accepted this target.³

Developing countries were also pressing for increased *concessional* financing. At the first ministerial meeting of the G-77, at Algiers in 1967, they called for "a separate minimum target...for the official component of aid flows, net of amortisation and interest payments".⁴

This idea was taken up by the Pearson Commission, appointed by World Bank President McNamara in 1968. The Commission found good arguments for a new target for the concessional part of official flows, or ODA. In considering its level, the Commission built on the 0.75% target for total official flows. Since the non-concessional component of these flows is repayable, its net volume is small.

¹ Jagdish Bhagwati, "A Chance to Lift the Aid Curse", Wall Street Journal, 22 March 2005, available at http://www.columbia.edu/~jb38/papers/pdf/WSJ_Foreign_Aid_Op_Ed.pdf. The Labour Party's 1959 manifesto (available at <http://www.politicsresources.net/area/uk/man/lab59.htm>) indeed stated that "This is why we have solemnly pledged ourselves to devote an average of 1 per cent of our national income each year to helping the underdeveloped areas." The first mention of the commitment was a couple of years earlier: "As long ago as 1957, the Labour Party announced in its Colonial Policy pamphlet on Economic Aid that 'the next Labour Government would therefore at once announce plans to expand Britain's aid by allocating an average of 1% of our national income over a period of years as Britain's contribution.'" ["One Per Cent and All That", Development Policy Review, volume A1, issue 1, page 68; available at <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-7679.1966.tb00206.x/full>]

² For further background on the 1% target, see Development Co-operation, 1999 Report, OECD, Paris, 2000, pp. 45-6, available at <http://www.oecd.org/dac/stats/documentupload/OnePercentTarget.pdf>.

³ The Proceedings of the United Nations Conference on Trade and Development (UNCTAD), Second Session, Annex 1, Decision 27(II), paragraph 7, specified that some developed countries declared their willingness, within the framework of the 1% target for total flows, to provide 0.75% of GNP in net flows of official resources. The decision was adopted by 69 votes to nil, but with 8 abstentions. See http://unctad.org/en/Docs/td97vol1_en.pdf, pp. 38-9.

⁴ First Ministerial Meeting of the Group of 77: Charter of Algiers, 1967, Section C.1(a).

The Commission's 1969 Report therefore proposed that ODA "be raised to 0.70% of donor GNP by 1975, and in no case later than 1980".⁵

This suggestion was taken up in intense negotiations in the United Nations over a development strategy for the 1970s – where aid volume was a key sticking point between developed and developing countries. For most of the course of the negotiations, developing countries pressed for the UNCTAD target of 0.75% of GNP in total official flows. But when negotiations stalled a couple of weeks before the General Assembly was due to vote on the Resolution, they substituted the Pearson Commission target of 0.7% of GNP in official development assistance.⁶

This broke the impasse, and although most donor countries expressed some continuing reservations, the 0.7% target was formally recognised on 24 October 1970 when the UN General Assembly adopted a Resolution which included the goal that "Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the Decade."⁷

The adoption of the 0.7% target for ODA built on the definition of this concept by the DAC in 1969 as the flow of grants and soft loans from the donor's public sector for developmental purposes, net of repayments of capital, but disregarding interest. This definition was tightened in 1972 by the addition of a minimum level of grant element that loans would have to meet to qualify as ODA.⁸

Through the 1970s, the new target gained in acceptance, but there remained some exceptions. The United States made clear that, while it supported the general aims of the Resolution, it did not subscribe to specific targets or timetables.⁹ Switzerland was not a Member of the United Nations at the time, and did not adopt the target. Most other DAC Member countries have at one time or another accepted it, at least as a long-term objective, and it has been repeatedly re-endorsed at international conferences on aid and development down to the present day.

Sweden became the first country to meet the target in 1974, although on revised GNP figures, the achievement was postponed to 1975, by which year it was joined by the Netherlands. Norway and Denmark reached it in 1976 and 1978 respectively, and all four countries met it for many years afterwards, though the Netherlands has slipped below it since 2013. Finland achieved it once, in 1991. Luxembourg reached it in 2000 and continues to do so. The United Kingdom attained it in

⁵ "Partners in Development -- Report of the Commission on International Development", Lester B. Pearson (Chairman), New York, Washington and London, 1969, p. 18.

⁶ United Nations General Assembly, Twenty-Fifth Session, Second Committee: compare documents A/C.2/L.1104 of 25 September 1970 and A/C.2/L.1104/Rev.1 of 14 October 1970.

⁷ "International Development Strategy for the Second United Nations Development Decade", UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.

⁸ Cf. Development Co-operation, 1969 Report, OECD, pp. 241-3; 1972 Report, p. 208. For a more detailed account of the origin of the ODA concept, see Simon Scott, "The accidental birth of 'official development assistance'" OECD Development Co-operation Working Paper no. 24, September 2015, DOI [10.1787/22220518](https://doi.org/10.1787/22220518).

⁹ At the 1971 DAC Aid Review of the United States, its representative stated that "... developed countries should endeavour to provide a substantial part of financial resource transfer by way of net official development assistance and should make their best efforts to increase the volume of such official development assistance ... [the United States] is not, however, in a position to accept specific targets or dates in this respect."

2013. But no other DAC country has met the target since it was established, and the weighted average of DAC members' ODA has never exceeded 0.4% of GNP.¹⁰

The version of the System of National Accounts (SNA) promulgated in 1993 discontinued the term "gross national product" and replaced it with "gross national income" (GNI), an equivalent concept. The 2008 SNA has continued this approach. DAC members' performance against the target is therefore now shown in terms of ODA/GNI ratios.

¹⁰ France reached the target from 1981 to 1987 on the basis current at the time, which included flows to France's overseas departments and territories. In 1992, France withdrew the overseas departments, as well as St Pierre and Miquelon, from the historical data. On the new basis, the highest ratio reached by France since the adoption of the target was 0.64% in 1994. Retrospective calculations suggest that, had the ODA concept existed in earlier years, both France and Belgium would have had ODA/GNP ratios exceeding 0.7% during the 1960s, and the total DAC ODA/GNP ratio would have been close to 0.5%.