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

I. Pokorná, L. Smutka

Department of Economics, FEM CULS in Prague

### Abstract

The current financial crisis influenced the whole economy around the world. Almost all sectors of human activities and all countries are affected by its impacts. While in the past all kinds of crises had an effect on developing countries and in case of developed countries only selected sectors of the national economy were involved, the current crisis, which started in the second half of 2008, seriously affected not only developing countries but also developed countries. During the last several decades, we became witnesses of a permanently increasing gap between developing and developed countries. While only few developed countries with about 1.2 billion people produced about 80 % of the world GDP, the rest of the world represented by developing countries with about 5.8 billion people produced only 20 % of the world GDP. Many different ideas were proposed to improve the situation in case of developing countries and to eliminate the gap between the rich "North" and the poor "South". All initiatives are based on a cooperation between developed and developing countries. This cooperation is based not only on the economical and political cooperation, but also on a very intensive developing aid provided by developed countries and international institutions. The aid is offered in many forms (financial, food or development aid). The main aim of our paper is to evaluate the value and flows of possible forms of aid which were offered to developing countries in the period before the financial crisis and the next step is to estimate how the current financial crisis affects developing aid flows.

Pieces of knowledge introduced in this paper resulted from solution of an institutional research intention MSM 6046070906 „Economics of resources of Czech agriculture and their efficient use in frame of multifunctional agri-food systems“.

### Key words

Aid, development assistance, economic growth, developing countries.

### Anotace

Současná finanční krize ovlivnila ekonomiku celého světa. Téměř veškeré sektory lidské činnosti a většina zemí byly a jsou ovlivňovány jejími dopady. Zatímco v minulosti většina krizí dopadla zejména na rozvojové státy a v případě vyspělých ekonomik pouze některé sektory národní ekonomiky byly postiženy, současná krize, která s plnou silou odstartovala v druhé polovině roku 2008, velmi výrazně dopadla jak na země vyspělé, tak i na země rozvojové. Během několika posledních dekád jsme se stali svědky kontinuálně se zvětšující mezery mezi vyspělými a rozvojovými zeměmi. Zatímco několik málo vyspělých zemí představujících 1,2 miliardy světové populace generuje 80% světového HDP, zbytek světa představující více než 5 miliard lidí generuje pouze 20% světového HDP. Během posledních let bylo navrženo mnoho přístupů za účelem zlepšení postavení rozvojových zemí zejména za účelem eliminace rozdílů mezi bohatým „Severem“ a chudým „Jihem“. Veškeré iniciativy jsou postaveny na ekonomické a politické spolupráci mezi rozvojovými a vyspělými zeměmi. Rozvojová spolupráce probíhá v mnoha formách (např. finanční, potravinová a rozvojová pomoc). Hlavním cílem našeho článku je zhodnotit hodnotu a toky vybraných forem rozvojové pomoci, které byly poskytovány vyspělými zeměmi zemím rozvojovým v období před krizí a následně analyzovat jak současná krize ovlivnila toky rozvojové pomoci.

Článek je součástí projektu zaměřeného na analýzu vývoje světové nabídky a poptávky po potravinách na, kterém autoři dlouhodobě pracují v rámci VZ MSM 6046070906 („Ekonomika zdrojů českého zemědělství a jejich efektivní využívání v rámci multifunkčních zemědělskopotravinářských systémů“).

## **Klíčová slova**

Pomoc, rozvojová spolupráce, hospodářský růst, rozvojové země.

## **Introduction**

Since the success of the Marshal Plan in the reconstruction of the Europe at the post-war period, nobody doubts the significance of development aid. This aid was the corner stone of prosperity of the original member states of the European Union. Due to that, many authors take in consideration the importance of the development assistance for underdeveloped nations and also the synergic effect on the overall economy. Another exceptionally successful example is Korea. However, the development aid has also some failures, it is necessary to mentioned the problem of a former Democratic of Congo (originally Zaire) when due to the massive flow of foreign aid, the personal income and possession of head of the state has increased enormously.

There are many official definitions of the aid and also different kinds of help. When we are talking about aid, we also have to distinguish between the official development assistance and the official development finance as well as between development aid, humanitarian aid, technical aid etc. The World Bank (1998) defines the official development assistance as a subset of the official development finance and comprises grants plus concessional loans that have at least a 25 percent grant component.

Another definition is by the World Health Organisation: "Development aid or development cooperation (also development assistance, technical assistance, international aid, overseas aid or foreign aid) is aid given by governments and other agencies to support the economic, social and political development of developing countries. It is distinguished from humanitarian aid as being aimed at alleviating poverty in the long term, rather than alleviating suffering in the short term".<sup>3</sup>

For better understanding of the text we are going to use the term aid instead of distinguishing between the development assistance and finance.

Ones of the very first authors, who tried to deal with the impact of aid to economic growth, were Harrod and Domar with the well known growth model based on savings and capital. Boone (1995) used the growth model in the connection of the public choice under alternative political regimes. His conclusion is rather alarming. His output shows that there is no connection between aid and economic development due to the absent relation between poverty and capital shortage; the second reason is the unwillingness of politicians to change the policies when they have guaranteed amount of aid.

Lensink and White (2001) oppose to the outcomes of the World Bank (1998) that the aid is more effective, if the country has a good policy.

Probably one of the most important studies in the field of measurement of the development aid was done by Burnside and Dollar (1997 and 2000). They used the growth regression to show that the foreign aid has an insignificant effect in countries which have poor macroeconomic policies and, on the other hand, it leads to economic growth in countries which are capable of managing their macroeconomic policies well. Their model was often used and also criticized by many authors though it is rather difficult to test this presumption on cross country data. Many authors based their research on the above mentioned model. Ones of them are Hansen and Tarp (2000) whose found out that it is the diversity of developing countries in their natural endowments and cultural and socioeconomics characteristics which play one of the most important role in the output of the regression. Abegaz (2005) dealt with three different models of development aid and their application to African Sub-Saharan countries. His conclusion belongs between the straightforward ones. He stresses the importance of good governance and strong partnership between the donors and recipients. Another question is the influence of international organizations which are in same way responsible for the development. Dreher, Sturm an Vreeland (2008) tried to find an answer on the question, if the World Bank decision can be influence by UN membership. They concluded that the World Bank does not fulfill its role to promote development and economic growth. They

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<sup>3</sup> W.H.O. glossary of terms, "Development Cooperation" Accessed 25 January 2008 (and still there in 2009!)

emphasized the fact that these institutions are mostly driven by their major shareholders and due to that the used tools are mostly just extended hand of the largest states. This output supports the idea of Friedman (1958) who was strictly against the development aid because of this idea “the donors always use the aid to win allies”. This idea was

expanded by Balla and Reinhardt (2008) who employ conflict as a measure of a donor’s interests. Their findings show that there are some countries (such as Scandinavian countries) which try to protect neighbours instead of giving aid to the country of conflict.

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%
All donors – bilateral ODA	31 217	81 241	4 094	85 187	87.60%	71.10%	85.90%	71.30%
G7 – bilateral ODA	29 506	55 726	3 932	57 769	84.10%	48.20%	81.20%	48.90%
All donors – multilateral ODA	5 129	32 758	582	34 572	12.40%	28.90%	14.10%	28.70%
G7 – multilateral ODA	4 509	22 037	528	23 046	11.30%	19.20%	12.40%	19.30%
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%

Source: WDI, OECD, own processing

Table 1: The main donors and the value of ODA.

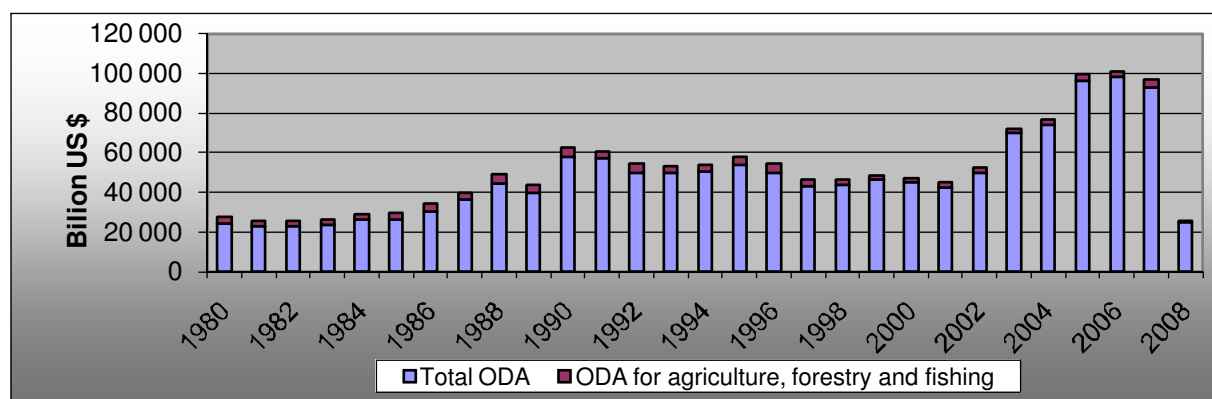
	Current Prices (USD millions)		Constant Prices (2007 USD millions)	
	Absolute change 1960/2008	Average inter annual growth rate - 1960-2008	Absolute change 1960/2008	Average inter annual growth rate - 1960-2008
DAC Countries	2461.3%	7.5%	213.7%	2.7%
G7	1712.1%	6.8%	128.6%	2.1%
Australia	5275.6%	10.1%	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%

Source: WDI, OECD, own processing

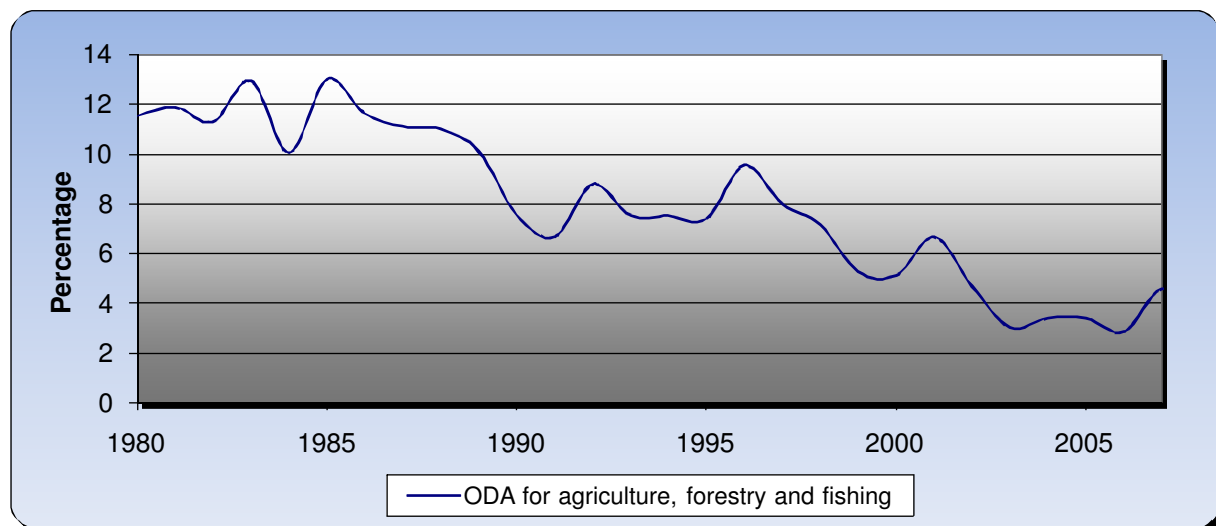
Table 2: Change in ODA between the years 1960 and 2008.

Claessens, Cassiomn and Van Campenhout (2009) observed that most of donors really care about potential recipients as their results show that the biggest group of recipients belongs to the group of the lowest income level countries. This means that poorer countries receive more aid. A problem of this tendency is the growing dependency on the aid. Many countries calculate with the aid but they cannot use it efficiently because mostly long term aid agreements do not exist here and owing to that the aid cannot be used for a long term planning. Eifert and Gelb (2008) tried to find a solution for an unstable aid and how to deal with it. They came with a proposal based on a performance-based

allocation rule on a year-to-year basis. Minoiu and Reddy (2009) divided the development aid into two main parts; a development component which consists of growth-promoting expenditures, and a non-development component which includes other expenditure. They sought to find an effectiveness of the aid. They proved that some expenditures promote growth while the others have no impact on the economic development. Torsvik (2005) used Nash equilibrium and showed that a cooperation among donors increase the effectiveness of the given aid.



Graph 1.



Graph 2.

The question is, if the received aid has just a positive aspect, or if we can find some negative evidence as well. One of them was introduced by Nyoni (1998) who modelled the influence of foreign aid on exchange rates in Tanzania. His results show that the currency of receiving country can also depreciate under some conditions.

### Aim and methodology

The main aim of the paper is to analyse an official development assistance (ODA). The paper tries to analyse the main development trends which appeared in the last five decades. The main targets of the analysis are donors of 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 influenced the main recipients' economies, and in contrast, also the ability of developed countries to provide the developing aid. The paper also analyses a relationship between donors, respectively GDP development and ODA value of recipient countries provided, respectively received. The main idea is to find out, if any relationship between ODA and GDP exists, both in case of the developed countries and the developing countries.

For the purpose of our analyses we 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 used a regression analysis as the basic analytical methods,

an elasticity analysis and a basic and chain indices analysis. We also used a linear regression analysis.

### From where to whom and the basic data about aid

Most of the development aid comes from the Western industrialized countries but some poorer countries contribute aid, too. The aid may be bilateral: given from one country directly to another; or it may be multilateral: given by a donor country to an international organization such as the World Bank or the United Nations Agencies (UNDP, UNICEF, UNAIDS, etc.) which then distributes it among the developing countries. The proportion is currently about 70% bilateral 30% multilateral. About 80 to 85 per cent of development aid come from government sources. The remaining 15 to 20 per cent come from private organizations such as "Non-governmental organizations" (NGOs) and other development charities (e.g. Oxfam). This is not counting remittances by individuals in developed countries to family members in developing countries.<sup>4</sup>

The official development assistance or the official aid from high-income members of the OECD are the main source of official external finances for the developing countries, but the official development assistance (ODA) is also disbursed by some important donor countries which are not members

<sup>4</sup> OECD Stats. Portal >> Extracts >> Development >> Other >> DAC1 Official and Private Flows. Retrieved April 2009.

(USD millions)	1960	1970	1980	1990	2000	2007	ABSOLUTE CHANGE
Africa (CuP)	1 315	1 681	10 422	25 077	15 577	38 550	2831.70 %
America (CuP)	222	1 026	2 242	5 233	4 850	6 842	2983.10 %
Asia (CuP)	2 170	3 338	13 614	17 998	15 950	35 267	1525.20 %
Developing Countries (CuP)	4 255	6 838	33 426	56 959	49 877	105 284	2374.40 %
Developing Countries unspec. (CuP)	140	351	4 927	5 854	8 968	19 153	13569.20 %
Europe (CuP)	385	179	1 198	1 424	3 716	4 175	985.60 %
Oceania (CuP)	23	264	1 023	1 373	816	1 296	5478.60 %
Africa (CoP)	12 143	11 174	23 676	37 179	23 167	38 550	217.50 %
America (CoP)	1 612	5 680	5 061	7 680	6 702	6 842	324.40 %
Asia (CoP)	14 924	18 999	30 842	25 330	20 138	35 267	136.30 %
Developing Countries (CoP)	32 702	40 754	75 893	82 935	69 800	105 284	221.90 %
Developing Countries unspec. (CoP)	1 075	1 999	11 314	8 699	12 758	19 153	1681.90 %
Europe (CoP)	2 736	1 179	2 663	1 961	5 814	4 175	52.60 %
Oceania (CoP)	213	1 723	2 336	2 086	1 221	1 296	508.40 %

Notice: CuP – current prices

CoP – Constant prices (2007 USD)

Source: WDI, OECD, own processing

Table 3: ODA Total - All Donors - Net disbursements.

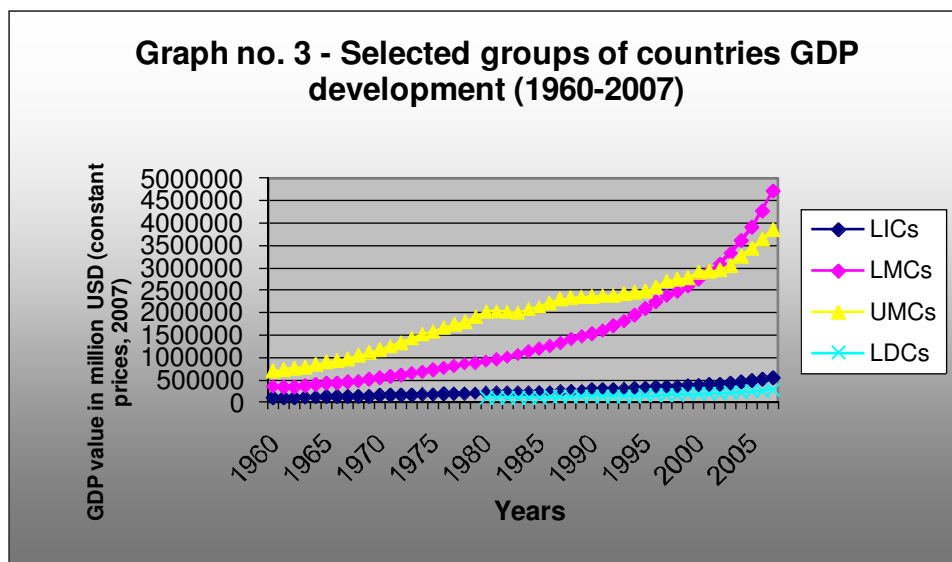
	Constant Prices (2007 USD millions)		Current Prices (USD millions)		
	1960	2007	1960	2007	
Europe	8.37%	3.97%	Europe	9.04%	3.97%
Africa	37.13%	36.62%	Africa	30.90%	36.62%
North of Sahara	18.76%	3.02%	North of Sahara	16.86%	3.02%
South of Sahara	18.34%	32.38%	South of Sahara	14.02%	32.38%
America	4.93%	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%

Source: WDI, OECD, own processing

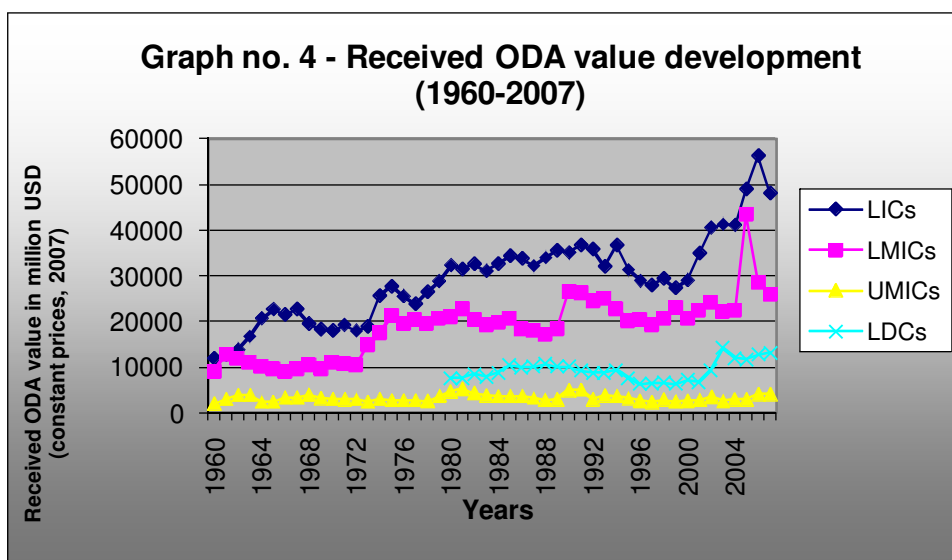
Table 4: ODA Total - All Donors - Net disbursements in %.

of OECD's Development Assistance Committee (DAC). DAC has three criteria for ODA: it is undertaken by the official sector; it promotes economic development or welfare as the main objective; and it is provided on concessional terms, with a grant element of at least 25 percent on loans (calculated at a 10-percent discount rate). Official development assistance comprises grants and loans,

net of repayments, that meet the DAC definition of ODA and are made to countries and territories on of the DAC list of aid recipients. The new DAC list of recipients is organized on more objective needs-based criteria than its predecessors, and includes all low- and middle-income countries, except those that are members of the G8 or the EU (including



Graph 3.



Graph 4.

countries with a firm date for EU admission). (Source OECD).<sup>5</sup>

In 2008, total net official development assistance (ODA) from members of the OECD's Development Assistance Committee (DAC) rose by 10.2 % in real terms to USD 119.8 billion. This is the highest dollar figure ever recorded. It represents 0.30% of members' combined gross national income. The largest donors in 2008, by volume, were the United States, Germany, the United Kingdom, France and Japan. Five countries exceeded the United Nations target of 0.7% of GNI: Denmark, Luxembourg, the Netherlands, Norway and Sweden. The largest volume increases came from the United States, the

United Kingdom, Spain, Germany, Japan and Canada. In addition, significant increases were recorded in Australia, Belgium, Greece, New Zealand and Portugal.<sup>6</sup>

During the last few decades, the value of official development assistance, which is provided by developed countries (especially OECD members) to developing countries, increased significantly. The following figure 1 illustrates the official development assistance value development in the period 1980-2007 which is provided by OECD countries.

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[http://www.oecd.org/document/35/0,3343,en\\_2649\\_34487\\_42458595\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/35/0,3343,en_2649_34487_42458595_1_1_1_1,00.html)

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[http://www.oecd.org/document/35/0,3343,en\\_2649\\_34447\\_42458595\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/35/0,3343,en_2649_34447_42458595_1_1_1_1,00.html)



During the last almost thirty years, the value of official development assistance, which is provided by OECD members, increased approximately by 300 %. While in the year 1980 the total value of ODA was about 25 billion USD, in 2007 it was almost 100 billion USD. A very interesting feature of ODA structure development is a fact that agriculture – one of the main parts of the developing countries' economy does not represent an important part of ODA. As it is perceptible from the figure 2, the share of agricultural sector in the total ODA decreases. While in the year 1980 the share of agriculture in total ODA value was more than 10 %, nowadays, it is less than 5 %. The main target of current ODA assistance is a financing of following activities: a social infrastructure and services (about 41% of total ODA), an economic infrastructure and services (13 %), actions relating to debt (11%), a humanitarian aid (8 %), a multisector/cross cutting (7 %), and agriculture as a part of production sector (5 %).

The fall in resources devoted to agriculture has largely been caused by the sharp reduction in external assistance to agriculture. The total official development assistance (ODA) – combined bilateral and multilateral flows – increased sharply from US \$ 43 949 million in 1997 to US \$ 120 942 million in 2006 (all values in current US dollars). ODA directly earmarked for expenditure in the agriculture sector also rose, albeit more slowly, from just over US \$ 3 000 million to about US \$ 4 000 million in 2006. However, as a proportion of total ODA, ODA for agriculture continued to decline, falling from 7 percent in 1997 to less than 4 percent from 2002 onwards.<sup>7</sup>

In 2008, the total net ODA from members of the OECD's DAC rose by 10.2% in real terms to USD 119.8 billion. This is the highest dollar figure ever recorded. Bilateral development projects and programmes had a rising trend in recent years; however, they rose significantly by 12.5% in real terms in 2008 compared to 2007, indicating that the donors are substantially scaling up their core aid programmes. In 2005, the donors committed to increase their aid at the Gleneagles G8 and UN Millennium +5 Summits. The pledges, combined with other commitments, implied lifting aid from USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices. While a few countries have slightly reduced their targets since 2005, the bulk of these commitments remain in force.<sup>8</sup> Overall, the current commitments imply an ODA level of USD

121 billion in 2010, expressed in 2004 dollars, or an increase of USD 20 billion from the 2008 level.<sup>9</sup>

The current global financial crisis has a serious impact on all countries around the world and especially on so called „low income countries“. The world trade experiences its largest decline since 1929 and commodity prices, particularly for the exports of low income countries, fall. The foreign direct investment and other private flows are on a decline, and remittances are expected to drop significantly in 2009. Budgets of many developing countries were hit hard by the rises in food and oil prices in the last two years. Many countries are not in a strong fiscal position to address the current financial crisis.<sup>10</sup>

ODA has played a positive countercyclical role during some previous financial crises. After the Mexican debt crisis in 1982, commercial lending was significantly reduced for about a decade, yet ODA rose slightly during this period, playing a strong role in maintaining flows to Latin America. However, the global economic recession in the early 1990's produced large fiscal deficits in donor countries that led to deep cuts in ODA, which fell from 0.33% of gross national income in 1992 to 0.22% in 1997. Aid cuts at this point in time would place a dangerous additional burden on developing countries already faced with restricted sources of income and increased poverty, and perhaps undo some of the progress already made towards meeting the Millennium Development Goals.<sup>11</sup>

## **The implications of ODA**

During the last 50 years, ODA changed significantly its structure and value. It also changed its priorities. The following part of the paper gives a brief overview about ODA development. If we take in consideration the current prices, the value of ODA increased from 4,7 billion USD in 1960 to 120 billion USD at the end of 2008. It means, that during 49 years the total value of ODA in the world increased by 2461 % and the average inter annual growth rate reached 7,5 %. However, these numbers are misleading – they do not provide realistic information about the current state and the past development of ODA. Due to that reason, the analysis was done in constant prices of the year 2007. During the last almost fifty years, the value of ODA increased from approximately 36 billion USD to 114 billion USD.

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<sup>9</sup> <http://www.reliefweb.int/rw/rwb.nsf/db900SID/PSLG-7QMJ6T?OpenDocument>

<sup>10</sup> [www.oecd.org/dac](http://www.oecd.org/dac)

<sup>11</sup> aid for trade at a glance 2009: maintaining momentum – © oecd/wto 2009

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<sup>7</sup> FAO, Commodity reports  
<sup>8</sup>

[http://www.actionforglobalhealth.eu/news/record\\_oda\\_levels\\_still\\_short\\_of\\_targets](http://www.actionforglobalhealth.eu/news/record_oda_levels_still_short_of_targets)

	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%

Source: WDI, OECD, own processing

Table 5: ODA development trends for group of countries (constant prices 2007, USD 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-Herze govina	861.45	Nigeria	1947.46
Yemen	403.37	Madagascar	833.06	Cameroon	1904.61
Jordan	368.29	Uganda	812.97	Palestinian Adm.	1875.8

Source: WDI, OECD, own processing

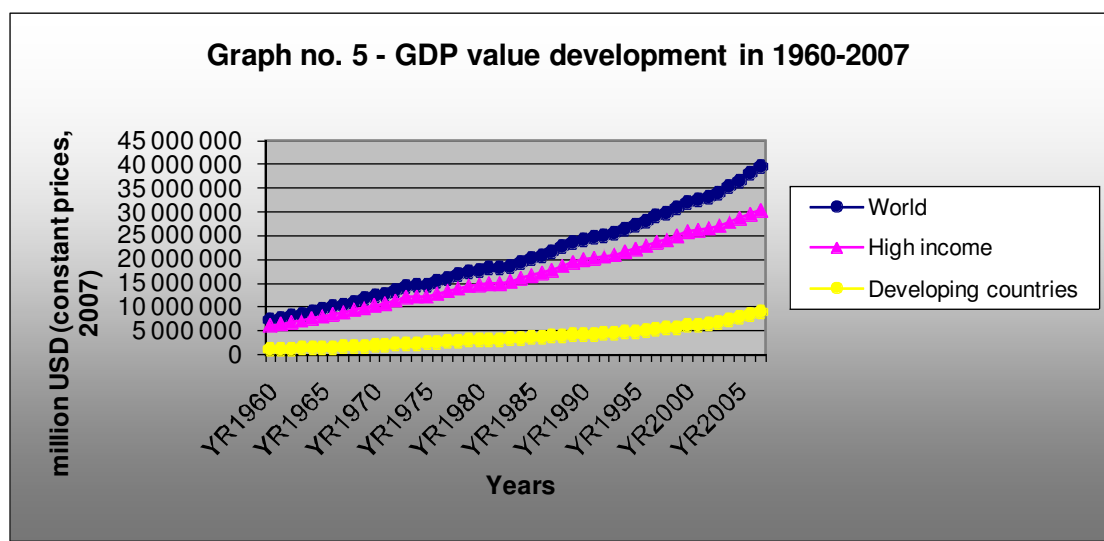
Table 6: Main recipients of the ODA (total current prices, USA millions).

Current Prices (USD millions)	1971	1981	1991	2001	2005	2007	Absolute change 1971/2007	Inter annual change - 1971-2007
<b>SOCIAL INFRASTRUCTURE &amp; SERVICES</b>	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%
<b>ECONOMIC INFRASTRUCTURE, SERVICES</b>	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%
<b>PRODUCTION SECTORS</b>	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%
<b>MULTISECTOR / CROSS-CUTTING</b>	34	627	1 524	3 000	5 974	6 546	19106.4%	38.6%
<b>TOTAL SECTOR ALLOCABLE</b>	3 496	15 947	31 084	26 700	51 067	61 564	1661.2%	9.2%
<b>COMMODITY AID / GENERAL</b>	1 937	2 268	9 349	2 907	2 575	4 211	117.4%	10.6%

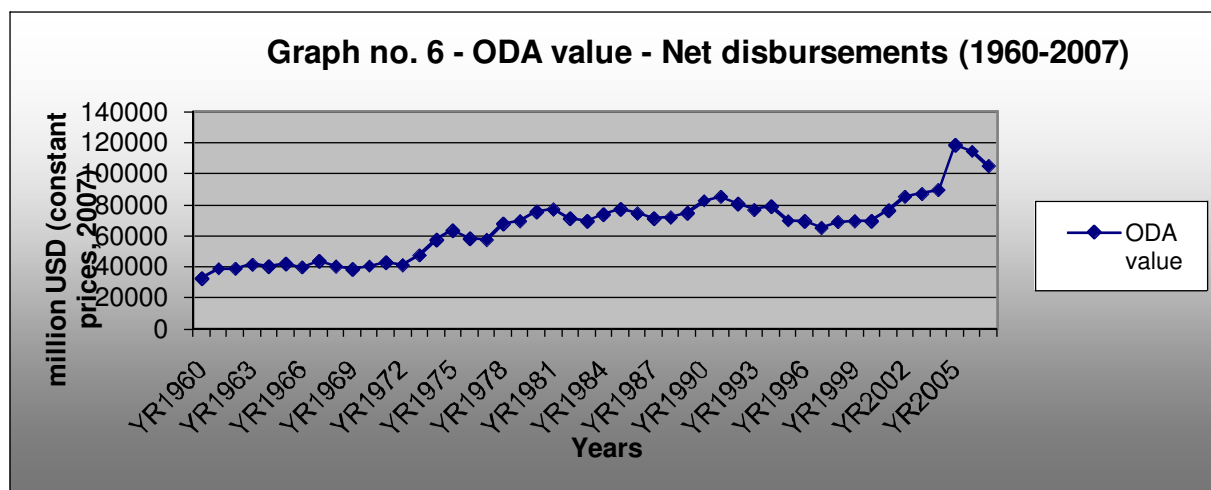
<b>PROG. ASS.</b>								
- Dev. Food Aid/Food Security Ass.	1 409	568	1 781	1 242	890	1 081	-23.3%	14.7%
<b>ACTION RELATING TO DEBT</b>	763	662	7 303	4 156	25 997	9 761	1179.8%	42.6%
<b>HUMANITARIAN AID</b>	128	330	2 700	1 932	7 973	6 996	5364.3%	20.8%
<b>ADMINISTRATIVE COSTS OF DONORS</b>			1 582	2 754	3 872	4 884	530.9%	13.8%
<b>SUPPORT TO NGO'S</b>			700	1 448	1 252	2 140	200.7%	14.0%
<b>UNALLOCATED/UNSPECIFIED</b>	1 725	3 536	4 325	1 366	1 742	1 265	-26.7%	11.0%
<b>TOTAL ODA (all donors)</b>	7 723	32 381	60 877	51 909	107 671	105 284	1263.2%	8.2%

Source: OECD, own processing

Table 7: The structure of ODA distribution.



Graph 5.



Graph 6.

It means that the value of ODA increased by c. 214 % and the average inter annual growth rate reached cc 2,7 %. The OECD members have the main share in total ODA which is provided around the world – more than 95% of total net disbursements. But it has to be emphasized that in reality about 70 % of ODA is provided by only 7 countries (G7 members – USA, Japan, Germany, Italy, France, Canada and

United Kingdom). Although their share in the total ODA value slowly decreases, they are the main pillars of current ODA system.

The following table 1 gives brief information about ODA value development and changes which happened in period 1960 - 2008. The dominant role of G7 countries is quite visible and also we can see

that more than 70 % of the total ODA value is realized through the bilateral agreements and just 30 % is realized through multilateral agreements. Notwithstanding it has to be emphasized that the role of multilateral activities on ODA constantly increases. While in 1960 the share of multilateral agreements in total ODA value was about 14 %, nowadays it is almost one third. EU members together with USA, Japan, Canada, Australia and New Zealand are the most important donors. But while in 1960 the most important donors were USA (their share in total ODA was 40 %) and France (more than 20 %), the current situation is a little bit different. USA are still the most important donor country but their share is about 22 %. The share of France is 9 %. The other important donors are the United Kingdom, Germany, Japan and the Netherlands.

The following table 2 offers information about the main development trends in ODA between the years 1960-2008. Data show that ODA is mostly connected with G7 and DAC member states. There are huge differences between values of ODA expressed in current prices and in constant prices. DAC countries, which are the most significant ODA donors around the world, increased their value of ODA by more than 200 %; G7 countries increased their value of ODA by about 130 % in the same period. The share of G7 countries in the total ODA value constantly decreased vice versa with the share of other donors. The inter annual growth rate of ODA provided by G7 members is lower in comparison with other DAC members. Austria, Finland, Sweden, Switzerland, Norway, Italy, Denmark and Canada belong to the group of donors with increasing level of ODA. The mentioned countries significantly increased the ODA value. These countries with a high level system of social solidarity dramatically increased their share in the total DAC countries ODA value. On the other hand, these countries, which are traditional cornerstones for ODA, lost their shares. However, it has to be emphasized that all DAC countries constantly increased the value of ODA.

A distribution is a very important phenomenon connected with ODA. In the last century, a major part of ODA was distributed on base of bilateral agreements. A value of ODA, which is distributed through the bilateral relationships, increased by 160 % and an average inter annual growth rate of bilateral ODA value reached 2,4 %. On the other hand, the share of ODA value, which is provided on a multilateral base, increases due to the growing role of globalization and internationalization. In comparison with the year 1960, the current value of multilateral ODA increased by more than 500 % and during the analyzed time period the average

inter annual growth rate of multilateral ODA reached 6,4 %. However, ODA real value grew much slower than if it is expressed in nominal values.

### **ODA recipient**

The main ODA recipients are developing countries around the world. While the value of ODA constantly increases, the share of ODA in the total GDP value of developing countries decreased. While in sixties the share of ODA in developing countries' GDP was more than 3 %, in 2007 it was just 1.1 %. Expressed in constant prices – ODA value for developing countries increased during the analyzed time period by more than 200 %. The most significant growth of ODA can be seen in a case of Oceania, Latina America and Africa.

The territorial structure of ODA changed. While in 1960 more than 45 % of the total ODA was distributed among Asia countries, nowadays it is just 33 %. While Far East and South and Central Asia lost their shares in the total ODA. The Middle East region share significantly increased. There are no changes for Africa over the last fifty years. The only exception is North Africa that stopped to be the main target of distributed ODA. The position of Europe as one of the main donors is declining when comparing the decreasing share in total value of ODA. The same situation is evident in both Central and South America (Table 4).

Huge differences in main development trend exist over the world. While Asia and Africa are the main recipients of ODA and their inter annual growth rates of ODA received are about 3,04 % respectively 3,16 %, the other regions except for Europe also significantly increased the value of ODA received. Their inter annual growth rates of ODA received are much higher in comparison with Africa and Asia. American inter annual growth rate reached in monitored time period the average value about 5.2 % and Oceania inter annual growth rate reached the value about 7.4% (Table 5).

The following table 6 informs us about the main recipients of ODA during the last 30 years. The structure of recipients has been changed. It is very hard to find the same countries among first 10 recipients in selected years. ODA value has changed in case of all countries. Almost no country has a fluent flow of ODA. The political, economic and social situation constantly changed. We are witness of the whole chain of changes which happened during the last few decades. Many of events are connected with the development of only

(in 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%
All Donors (CoP)	MADCTs	3510	3214	4159	3634	209	65		-98.10%	-3.30%
G7 (CuP)	LDCs	261	494	3353	6991	5306	10600	13135	4934.10%	10.30%
All Donors (CuP)	LDCs	369	843	8601	16518	12618	25215	32470	8711.30%	11.10%
G7(CuP)	LMICs	1070	1238	3643	10956	9139	11982	14517	1256.10%	8.10%
All Donors (CuP)	LMICs	1116	1866	9296	18751	15371	20112	25956	2226.50%	8.80%
G7(CuP)	Other LICs	1245	1774	1422	3330	3878	4666	6890	453.40%	7.00%
All Donors (CuP)	Other LICs	1240	2205	5535	7147	7842	10632	15468	1147.40%	7.40%
G7 (CuP)	UMICs	325	326	1111	2196	783	1188	1891	481.20%	8.90%
All Donors (CuP)	UMICs	288	513	2067	3537	1726	2566	4099	1323.40%	8.70%
G7 (CuP)	MADCTs	513	474	1536	2118	20	1		-99.70%	xx
All Donors (CuP)	MADCTs	509	531	1881	2460	131	57		-88.70%	xx

Notice: CuP – current prices

CoP – Constant prices (2007 USD)

Source: WDI, OECD, own processing

Table 8: ODA distribution between chosen groups of countries (Net disbursements).

selected part of the world. However, their impact on the other parts of the world is obvious. ODA has to be able to react to all changes and it should be flexible. This is the reason why the ODA value flows changed year by year.

In general, a ODA is distributed among the following activities: a social infrastructure and service (e.g. education, health, water supply, sanitation etc.), an economic infrastructure and services (e.g. transport, storage, communications, energy, etc.), a production sector (e.g. agriculture, forestry, fishing, industry, mining, construction, etc.), a multisector (e.g. environment protection etc.), a commodity aid (e.g. budget support, food aid, a commodity assessment, etc.), actions related to debt, a humanitarian aid (e.g. an emergency response, a reconstruction relief and rehabilitation, a disaster prevention, etc.) and so on.

For a different kind of economic, humanitarian and social activities, donor countries around the world have spent more than 100 billion USD a year. Only between the years 1971 and 2007, the value of ODA received by individual sectors increased more than 12 times (expressed in current prices). The average inter annual growth rate of ODA is about 8

% per year. The one half of total ODA is allocated to sectors connected with social infrastructure and development of economic activities. Second half of the sum is determined for humanitarian activities, protection of living environment, administration costs, supports of NGO'S etc.

The majority of provided ODA is connected with programmes for social infrastructure and services development. In 2007, more than 35 % of total ODA was allocated into the above mentioned activities. Just for economic infrastructure development it was allocated more than 11 % of the total ODA. The support of production sectors represents about 5 % of total ODA. Multisector activities represents about 6 % of total ODA value. For the purpose of commodity aid, only 4 % of the total ODA value are provided.

Table 7 gives us information about the structure of ODA provided. There are individual activities which are connected with ODA distribution and the development of ODA value which was allocated into different programs since 1971. During the last three decades, the most progressive development was recorded in case of financing of those activities which are connected with a debt control

(year by year, the average inter annual growth rate was more than 40%), an environmental protection and other actions connected with the multisectoral development. This is also connected with a high value of inter annual growth rate (on average 38,6 %).

The high level of ODA inter annual growth rate was also recorded in case of those developing activities connected with health, water supply and sanitation and humanitarian aid. The average inter annual growth rate of developing assistance, in case of the other developing activities supported by ODA, fluctuated between 5 - 15% a year.

It must be emphasized that more than 65 % of the total ODA is intended for those projects which are connected with individual countries' infrastructure development. The share of ODA, projected for above mentioned purposes, constantly increases, while in 1970 it was only 44 % of the total ODA; nowadays the share is much higher. Compare to that, the humanitarian and anti-crisis activities represented in 2007 only about 20 % of the total ODA value. The share of money used for these activities has decreased (in 1970 the share of ODA for humanitarian and anti-crisis was about 37 %).

During the last more than three decades, the trends and priorities of ODA distribution has significantly changed. While the programs for humanitarian aid and anti-crisis activities recorded the average inter annual growth rate of ODA only about 20 %, those activities which are connected with economic and social infrastructure development recorded the average inter annual growth rate about 40 %. It means that donor countries changed their attitude to developing priorities and they stopped to support the activities which are not connected with the future growth rate of economic and social potential of individual countries. But not all money, which are planned for ODA, are in fact used for developing activities. Administrative costs represented about 5 % of the total ODA value and in 2007 it was about 5 billion USD. The detailed information about the structure of ODA distribution are contained in the following table 7.

The following tables 8 and 9 contain information about ODA distribution among the following four groups of countries which are the main target of ODA (the least developing countries – LDCs, low middle income countries – LMICs, upper middle income countries – UMICs and more advanced developing countries and territories – MADCTs).

More than 1 758 billion USD was distributed among the all developing countries around in the world (it was 3 181 billion USD in constant prices of the year 2007) during the last 47 years. During the same time period, the developed countries

increased their GDP by 400 % and the developing countries increased their GDP even by 680 %.

At the beginning of the sixties, the low middle income countries and the low income countries were the main target of ODA (together about 70 % of total ODA value). Nowadays, countries which are included in the list of the least developed countries are the main target of ODA. During the last five decades, the significant changes in ODA value distribution was also recorded in a case of the upper middle income countries and more advanced developing countries and territories. The share of ODA projected for upper middle income countries decreased from 7 % to 5 % and in the case of more advanced developing countries and territories we witnessed even a decrease from 13 % in 1960 to almost zero percent at the beginning of 21st century.

During the last five decades, the priorities of ODA distribution changed. The donor countries decided to support especially those developing countries with high pro-growth potential (low middle income countries) and the countries which have to face the humanitarian and economy collapse (the least developed countries). These countries became the main target of ODA while the other countries lost their importance (but it does not mean that developed countries do not care about these territories. Although the other countries are not the main target of ODA, they have possibility to growth especially through a permanent process of internationalization and globalization and through a process of world trade liberalization and etc.).

The majority of ODA was distributed by G7 countries. These countries are the main engine of ODA. In sixties, they share in the total ODA distributed around the world was almost 90 %; nowadays, it is about 50 %. While at the beginning of the sixties, G7 countries supported especially low and low middle income countries, nowadays, they support especially the least developed and the low middle income countries.

During the above mentioned period, the least developed countries witnessed the most significant growth of received ODA (almost 900 %). The other groups of countries recorded the inter annual growth about 3-4 % except for those countries which are included between more advanced developing countries and territories. These territories recorded negative growth rate -3,3 % per year and the current value of ODA received is almost zero.

	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

Source: WDI, OECD, own processing

Table 9: ODA Total Net disbursements All donors (Constant Prices (2007 USD millions)).

	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	<b>0.72</b>	positive	positive
Oceania	X	0.3	0.1	negative	positive
LICs – low income countries	0,013	0.86	<b>0.74</b>	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	<b>0.25</b>	0.88	<b>0.78</b>	positive	positive

Source: WDI, OECD, own calculations

Table 10: Relationship between ODA and GDP growth.

## The analysis of the relationship between GDP and ODA assistance

We have to analyze the development of ODA from two different points of view. Firstly, we have to mention an impact of ODA on economy of individual countries (GDP) – in case of countries receiving ODA. Secondly, the relationship between ODA value and the development of donors economies (development of donor countries' GDP) has to be taken in consideration.

Nowadays, ODA value distributed around the world represents more than 100 billion USD. The above mentioned money are distributed among individual parts of the world and group of countries. The provided ODA has different impact on individual groups of ODA recipients states. The table 10 offers information about a relationship between the growth of ODA and GDP growth of individual groups of countries and territories.

We can confirm the general relationship between ODA value received and developing countries GDP. Results of processed regression and elasticity analyses follow. The results of our analyses show that if ODA value changes by 1 %, developing countries GDP should

change by 0,25 %. During the monitored time period, the most progressive relationship between ODA and GDP can be find out in case of the least developed countries.

From statistical point of view, the relationship between ODA received and GDP was recorded in case of Africa and low income countries. These two subjects (recipients of ODA) represent areas which are the main targets of international ODA. The value of ODA influenced their economy growth. On the other hand, there are some regions (e.g. Asia, Oceania) and groups of countries (LMICs, UMICs) whose economies are not really dependant on ODA received. Although these economies are the target of ODA, their economies are not dependant on ODA and ODA is not an engine of their economy growth.

The following table 11 provides information about a relationship between ODA value provided and GDP development from donor countries point of view. The value of ODA provided around the world depends on GDP. If the value of GDP around the world increases about 1 %, the value of ODA should growth by 1.74 %. This relationship was also proved through a statistical analyses of the relationship between ODA and GDP value development.

Compare to that, the DAC countries, which represent the most important donors of ODA, have a positive relationship between GDP value development and provided ODA value. The positive relationship was proved in case of the following countries (Australia, Denmark, Finland, Germany, Ireland, Japan, Luxemburg, the Netherlands, Norway, Spain, Sweden, and Switzerland). In case of other countries, the relationship was not proved. The important result is the fact that in case of the main ODA donors (the USA, the United Kingdom, France, Italy) and some other donors (Canada, Belgium, Austria, New Zealand and Portugal) the relationship between their GDP and ODA provided was not proved.

In case of these countries, the ODA value does not depend on an economy performance of individual countries, but probably the value of ODA provided depends on some other factors (social, political, strategic etc.). While the majority of the analysed countries has a positive relationship between GDP growth and the growth of ODA, there are some countries with even a negative value of growth rate

(USA, New Zealand, the Netherlands, Japan). The mentioned results demonstrate that the final value of ODA do not depend just on donor countries' GDP value development, but also on some other factors (especially in case of the most important donors).

The table 12 presents information about how the growth of economy influenced the growth of ODA distributed into individual sectors in case of high income and developing countries and also the world average. The most progressive relationship can be to find in case of the following activities: debts assistance, commodity aid, humanitarian aid, food aid, environmental protection programs and activities connected with development in the following areas – communications, government and civil society, healthy and energy.

The financing process of the mentioned activities is the most sensitive to GDP value development. In case of other activities, the growth of GDP is not connected with so high percentage of value growth.

	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
DAC Countries	1.62	0.91	0.84	positive
G 7	0.71	0.82	<b>0.66</b>	positive
Australia	1.99	0.86	0.75	positive
Austria	3.97	0.82	<b>0.67</b>	positive
Belgium	0.25	0.8	<b>0.63</b>	positive
Canada	1.71	0.8	<b>0.62</b>	positive
Denmark	0.34	0.97	0.95	positive
Finland	4.71	0.88	0.76	positive
France	1.19	0.63	<b>0.4</b>	positive
Germany	1.61	0.85	0.73	positive
Ireland	2.05	0.96	0.92	positive
Italy	5.84	0.72	<b>0.52</b>	positive
Japan	-0.11	0.93	0.87	positive
Luxembourg	1.38	0.97	0.94	positive
Netherlands	-0.46	0.95	0.91	positive
New Zealand	-4.32	0.81	<b>0.66</b>	positive
Norway	16.51	0.97	0.95	positive
Portugal	2.45	0.85	<b>0.72</b>	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	<b>0.53</b>	positive
United States	-2.25	0.11	<b>0.013</b>	negative

Source: WDI, OECD, own calculations

Table 11: Relationship between ODA and GDP – donor countries.



Elasticity - 1% change in GDP value means ?? change in ODA (constant prices) (1971-2007)	High income (%)	World (%)	Developing countries (%)
<b>SOCIAL INFRASTRUCTURE &amp; SERVICES</b>	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
<b>ECONOMIC INFRASTRUCTURE AND SERVICES</b>	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
<b>PRODUCTION SECTORS</b>	4.46	2.75	1.72
- Agriculture, Forestry, Fishing	5.44	3.06	2.07
- Industry, Mining, Construction	3.66	2.44	1.28
<b>MULTISECTOR / CROSS-CUTTING</b>	8.58	7.64	6.88
<b>ADMINISTRATIVE COSTS OF DONORS</b>	2.65	2.26	1.81
<b>COMMODITY AID / GENERAL PROG. ASS.</b>	23.32	10.22	4.40
- Dev. Food Aid/Food Security Ass.	25.45	9.03	3.21
<b>ACTION RELATING TO DEBT</b>	18.85	12.47	11.11
<b>HUMANITARIAN AID</b>	16.38	9.73	5.95
<b>SUPPORT TO NGO'S</b>	5.96	4.93	3.25
<b>UNALLOCATED/UNSPECIFIED</b>	0.77	1.85	1.87

Source: WDI, OECD, own calculations

Table 12: Relationship between GDP value development and development of ODA value.

The positive relationship between ODA value provided and donor countries GDP value was proved in case of the following activities of financing: social infrastructure and services (especially - education, health, water supply and sanitation), multisector and cross cutting (especially – environmental protection), administration and humanitarian aid. The mentioned activities really depend on GDP values (in fact, the financing of these activities is connected with free sources in donor countries budgets), while the others are independent on the GDP value development.

Sectors not connected with a long-term development of supported economies (economy infrastructure and services, production sectors, commodity aid, debt assistance and the support of NGO's) belong among sectors which are not dependant on GDP development in donor countries. The mentioned activities are objects of a long term developing assistance and they represent the main key through which it is possible to solve a problem of developing countries. The financing of above mentioned activities is connected with a reconstruction of economies of developing countries.

The relationship between ODA provided and donors' GDP was proved. The relationship was also proved in case of such activities as social infrastructure development, environmental protection and humanitarian aid – these activities are strongly related with GDP growth. On the other hand, such activities like economic infrastructure development, production sectors support, commodity and food aid do not depend on GDP growth.

The last table 14 provides information about the impact of ODA received on developing countries' GDP. The mentioned tables provide data about the distribution of ODA among individual developing activities. The positive relationship was proved in case of social infrastructure and services activities, economic infrastructure and services, multisector activities and humanitarian aid. On the contrary, the negative relationship was recorded in the case of production sectors, communications and commodity aid. GDP development is connected especially with financing of activities connected with creation of convenient environment for developing of economic activities.

## **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**

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

The current financial crisis makes situation worse in the case of majority of countries. The gap between developed and developing countries will grow. The current level of ODA is unable to improve the economic situation of all developing countries. The majority of developing countries economies will have to face problems connected with the world economy slowdown,

However, the impact of ODA slowdown will be possible to experience in areas connected with the developing assistance distribution (not all part of individual developing countries economy are targets of ODA). The amount of current ODA provided to developing countries does not have any ambition to improve or to stabilize the economy of developing countries. The current level is just able to help those sectors and especially to the most vulnerable people.

The following figures 3 - 6, illustrate that the general trends of received ODA value and GDP development both increase. A decline in ODA value received is not connected with a decline in GDP value. The decline of ODA value is accompanied by a certain decline in growth rate of individual groups of developing countries GDP. Graphs also illustrate that ODA value development (received and provided) is not really closely related with GDP development in developed and developing countries. There is a common development trend but we can see that the decline of provided ODA value is not accompanied by a

decline of developing or developed countries GDP. Therefore, we can say that slowdown of the decline of ODA value provided does not affect GDP development (from recipients countries point of view) so much and on the other hand, we can say that the slowdown of world GDP will have only a minimal impact on the provided ODA value (from donors point of view).

The 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 most vulnerable groups are the 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. However, due to the situation of these countries, which are target of the high share of humanitarian assistance, if the value of ODA declines, we can expect a deterioration of living conditions of their inhabitants. In case of other groups (the upper middle income and the low middle income countries) of developing countries, the direct relationship between ODA value and GDP was not confirmed and on the base of our results we can say that the provided ODA is not significant stimuli for economy growth.

The current crisis affected a decision of certain donors' about ODA value provided. 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 of the most important ODA donors, the relationship between GDP value development and ODA value provided existed. Only in the case of seven donors, the relationship was not proved. However, these countries belong to the most important world economy engines and they represent the main ODA pillars.

We can say that the global economy decline will probably affect altruism of the donor countries'. Their main priority will be a stabilization of their own economies and a resuscitation of their (GDP) growth. Some countries, which are the main engines of world economy and the main policy makers, will be independent on their ODA policy, but the countries (especially small developed countries) which were affected by the crisis and

<b>ODA in dependence on donor's GDP</b>	<b>R</b>	<b>R2</b>	<b>alfa=0.01</b>
<b>SOCIAL INFRASTRUCTURE &amp; SERVICES</b>	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
<b>ECONOMIC INFRASTRUCTURE AND SERVICES</b>	0.8	0.64	positive
- Transport & Storage	0.77	0.6	positive
- Communications	0.066	0.0044	positive
- Energy	0.66	0.45	positive
<b>PRODUCTION SECTORS</b>	0.25	0.065	negative
- Agriculture, Forestry, Fishing	0.49	0.24	positive
- Industry, Mining, Construction	0.05	0.0025	negative
<b>MULTISECTOR / CROSS-CUTTING</b>	0.94	0.87	positive
<b>ADMINISTRATIVE COSTS OF DONORS</b>	0.96	0.93	positive
<b>COMMODITY AID / GENERAL PROG. ASS.</b>	0.13	0.018	negative
- Dev. Food Aid/Food Security Ass.	0.19	0.037	negative
<b>ACTION RELATING TO DEBT</b>	0.71	0.5	positive
<b>HUMANITARIAN AID</b>	0.86	0.75	positive
<b>SUPPORT TO NGO'S</b>	0.65	0.42	positive
<b>UNALLOCATED/UNSPECIFIED</b>	0.4	0.15	positive

Source: WDI, OECD, own calculations

Table 13: Relationship between ODA and donor's GDP.

<b>GDP in dependence on ODA value</b>	<b>R</b>	<b>R2</b>	<b>alfa=0.01</b>
<b>SOCIAL INFRASTRUCTURE &amp; SERVICES</b>	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
<b>ECONOMIC INFRASTRUCTURE AND SERVICES</b>	0.75	0.56	positive
- Transport & Storage	0.69	0.48	positive
- Communications	0.034	0.0012	negative
- Energy	0.62	0.39	positive
<b>PRODUCTION SECTORS</b>	0.195	0.038	negative
- Agriculture, Forestry, Fishing	0.41	0.17	negative
- Industry, Mining, Construction	0.016	0.0002	negative
<b>MULTISECTOR / CROSS-CUTTING</b>	0.96	0.93	positive
<b>ADMINISTRATIVE COSTS OF DONORS</b>	0.98	0.96	positive
<b>COMMODITY AID / GENERAL PROG. ASS.</b>	0.048	0.002	negative
- Dev. Food Aid/Food Security Ass.	0.24	0.0588	negative
<b>ACTION RELATING TO DEBT</b>	0.75	0.57	positive
<b>HUMANITARIAN AID</b>	0.91	0.83	positive
<b>SUPPORT TO NGO'S</b>	0.71	0.51	positive
<b>UNALLOCATED/UNSPECIFIED</b>	0.39	0.15	negative

Source: WDI, OECD, own calculations

Table 14: Impact of ODA received on developing countries' GDP.

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 had been before the crisis appeared.

## **Conclusion**

At the end of our paper we can say that the development assistance provided by developed countries represents a certain kind of stimuli for development of developing countries. The value of ODA 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 a low level of economy growth. The main targets of ODA are countries situated in Africa and Asia. The positive relationship between ODA value received and GDP value was proved especially in the case of African countries and also for the group of the low income countries. The main donors are countries with the high share in world economy. The most important donors are G7 members. The analyses conducted proved that the value of ODA provided is closely related with GDP development of donor countries. The majority of donors makes a decision about ODA provided on the base of GDP development, but it has to be emphasized that some donors, whose decision making process connected with ODA value provided is not dependant on their GDP development (USA, France, Italy, UK), also exist.

The total value of ODA is distributed among many developing activities and while some of them are closely related to the donor countries' GDP growth, some of them are quite independent. The same can

be said about the influence of ODA received on recipients countries' GDP.

Developing aid is not automatically connected with GDP growth; many developing countries have almost no relationship between ODA received and GDP performance. The effect of ODA on GDP development usually depends on a structure of developing activities financed. Pro-growth activities are usually those which are connected with a social infrastructure and services development, an environmental protection and other multisector activities, and economic infrastructure and services development.

It is very difficult to make some prediction about a future development of ODA value now. The current crisis influenced the world economy. It influenced the ability of donors to provide ODA and on the other hand, the crisis also increased a demand of developing countries for additional ODA. We proved that a positive relationship between ODA provided and GDP development of main donor exists. It is possible to say that the current crisis 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. The developing assistance will be probably still grow, but the inter annual growth rate of ODA will be lower in comparison with last decades. It is also possible to expect that the donor countries will change their priorities – in case of ODA allocation process and also they will be more strict in case of ODA distribution. The demand of developing countries for ODA will not be satisfied for sure and it is possible to expect the growing competition between individual developing countries to receive additional sources for their economy development.

*Corresponding author:*

*Ing. Irena Pokorná, Ph.D.*

*Czech University of Life Sciences Prague, Department of Economics*

*Kamýcká 129, 165 21 Prague-Suchdol, Czech Republic*

*Phone: +420 224 382 076, e-mail: pokornai@pef.czu.cz*

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