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Operational activities of the United Nations for international development cooperation

Review of trends and perspectives in funding for development cooperation

Note by the Secretary-General**

Summary

The present note is submitted in accordance with General Assembly resolution 59/250, in which the Economic and Social Council was requested to undertake a comprehensive triennial review of trends and perspectives in funding for development cooperation. The note reviews recent funding trends in six major areas: (a) United Nations operational activities for development, (b) multilateral and regional development banks, (c) global funds, (d) innovative sources of financing for development, (e) South-South and triangular development cooperation, and (f) private philanthropy.

In 2008, official development assistance (ODA) by the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee countries was $119.8 billion, the highest dollar figure ever recorded. However, at least $10 billion-$15 billion must still be added to the most recent forward spending plans of donors if the 2010 commitment of $130 billion in ODA (at constant 2004 prices) is to be met. With extra effort, the 2010 target may be within reach.

The Council may wish to take note of the present note and request the Secretary-General to submit it to the biennial Development Cooperation Forum, beginning in 2012.

* E/2009/100.

** The delay in the submission of the present report was due to extensive consultations with various organizations.

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List of Acronyms

AfDB	African Development Bank
AfDF	African Development Fund
AIDS	Acquired immunodeficiency syndrome
AsDB	Asian Development Bank
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
G-7	Group of Seven
G-8	Group of Eight
GAIN	Global Alliance for Improved Nutrition
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environment Fund
GFATM	Global Fund to fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IADB	Inter-American Development Bank
IFFIm	International Finance Facility for Immunization
ILO	International Labour Organization
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
TB	Tuberculosis
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNITAID	International Drug Purchase Facility
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme
WHO	World Health Organization

Contents

I. Introduction

1. The General Assembly, in resolution 59/250, paragraph 23, requested the Economic and Social Council to undertake a comprehensive triennial review of trends and perspectives in funding for development cooperation. The present note has been prepared in response to that request.

II. Major trends in funding of development cooperation

Uncertainty characterizes the current funding environment

2. The global partnership for development has moved centre stage as the international community grapples with policy responses to the current global economic and financial crisis as well as other major challenges, such as food security, climate change and the need to step up the implementation of the Millennium Development Goals. Funding for global development cooperation, as a result, may be entering a period of some uncertainty. The global economic and financial crisis and the need for major fiscal stimulus in many developed countries, for example, may put downward pressure on development cooperation budgets as Governments attempt to shore up domestic demand and employment. At the same time, there is renewed recognition among Governments that addressing the current global economic and financial crisis as well as other threats will require strengthening the international partnership for development, including meeting commitments on aid volume and quality.

3. This was the message of several major global conferences that took place in 2008, such as the new Development Cooperation Forum of the Economic and Social Council, the high-level event on the Millennium Development Goals, the Doha Review Conference on financing for development and the Third High-level Forum on Aid Effectiveness. These events all stressed the importance of Governments meeting commitments on aid volume and quality if the internationally agreed development goals, including the Millennium Development Goals, are to be realized. In April 2009, the Heads of State and Government at the Group of Twenty (G-20) summit in London reaffirmed their commitments to meeting the Millennium Development Goals and to achieving the respective official development assistance (ODA) pledges.

Aid commitments are within reach

4. According to Organization for Economic Cooperation and Development (OECD) Development Assistance Committee figures released on 30 March 2009, ODA by Development Assistance Committee countries in 2008 was $119.8 billion, an increase in real terms of 10.2 per cent over the previous year. However, since 2005, the ODA/gross national income (GNI) ratio has declined from 0.33 per cent to 0.30 per cent for Development Assistance Committee countries. A key factor explaining the recent volatility of ODA flows has been debt relief, which rose from $7.1 billion in 2004 to $25 billion in 2005, declined to $18.6 billion in 2006 and again to $9.6 billion in 2007 and then increased to $11.3 billion in 2008. The 2008 ODA level of nearly $120 billion for Development Assistance Committee countries remains short of the estimate of $150 billion deemed necessary to attain the Millennium Development Goals.

5. Against the 2008 ODA level, the pledges made by donors at the World Summit on Sustainable Development and the Group of Eight (G-8) summit at Gleneagles in 2005 offer some cause for optimism that the ODA target of $130 billion by 2010, at constant 2004 prices, can be reached. The European Union, for example, has set a collective ODA target of 0.56 per cent of GNI by 2010 and 0.7 per cent by 2015 for the 15 countries that joined the European Union before 2004, with a target of 0.33 per cent by 2015 for its 12 other members. Many European countries have also established more ambitious individual targets.[1]

6. Aid to Africa, however, remains significantly short of the 2005 pledge of the international community to double annual development assistance to the region by 2010 from $25 billion to $50 billion per year. According to preliminary OECD Development Assistance Committee figures released in March 2009, net bilateral ODA from Development Assistance Committee donors to Africa in 2008 totalled $26 billion, of which $22 billion went to Sub-Saharan Africa. Excluding volatile debt relief grants, in 2008 bilateral aid to Africa and Sub-Saharan Africa rose in real terms by 10.6 per cent and 10 per cent respectively.

Current plans indicate some shortfall

7. Temporary peaks in debt relief do not reflect real transfers of programmable aid to developing countries. Taking this into account, OEDC Development Assistance Committee estimates in March 2009 indicate that overall ODA in 2010 will reach $121 billion, expressed in 2004 dollars, an increase of $20 billion from the 2008 level. A new survey of donors' forward spending plans suggests an 11 per cent increase in programmable aid between 2008 and 2010, including larger disbursements by some multilateral agencies.[2] Debt relief may also increase slightly as the debt of the remaining heavily indebted poor countries is addressed in the Paris Club.

8. The current outlook suggests that at least $10 billion-$15 billion must still be added to current forward spending plans if donors are to meet the 2010 commitment of $130 billion in ODA (at constant 2004 prices). This indicates, however, that with some further efforts the 2010 target may be within reach.

Aid allocation needs to become more effective

9. The current aid allocation system is increasingly criticized for not being sufficiently conducive to maximizing progress towards achievement of the internationally agreed development goals, including the Millennium Development Goals. This applies to allocation among developing country groups, regions, individual countries and regions within countries, as well as among sectors and types of aid.

10. A considerable number of countries, for example, receive far more aid than would be expected on the basis of need or performance ("donor darlings"), and an

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[1] A number of countries have committed themselves to staying above 0.7 per cent ODA/GNI, including Denmark (0.8); Luxembourg (1.0); the Netherlands (0.8); Norway (1.0); and Sweden (1.0). Several other countries have committed themselves to achieving 0.7 per cent ODA/GNI at an earlier date, including: Belgium (2010); France (2012); Ireland (2012); Spain (2012); and the United Kingdom of Great Britain and Northern Ireland (2013).

[2] See OECD Development Assistance Committee "Development aid at its highest level ever in 2008" (30 March 2009).

almost equal number receive much less than anticipated ("donor orphans"). In 2006, 15 programme countries received 60 per cent of bilateral aid. On the other hand, non-post-conflict countries, which, nevertheless, are facing severe internal pressures, receive, on average, less than one third of other countries' per capita aid levels. This largely reflects the lack of an international system for assessing whether allocation is responding to needs or results and for balancing allocation in order to ensure that countries are evenly assisted so that the international community maximizes results from aid.

Long-term decline experienced in support for production and economic infrastructure, including agriculture

11. In the past 25 years, there has been dramatic increase in allocation to the social sector, including health, education and other services (up from 10-15 per cent to 30 per cent). Aid to governance has also risen from virtually zero to 10 per cent. This has been mirrored by decreasing allocation to economic infrastructure (down from 25-30 per cent to less than 15 per cent) and production (from 27 per cent to only 7 per cent, with a particularly sharp fall in the allocation to agriculture from 19 per cent to 4 per cent). The recent food crisis has exposed the frailty of the strategy of underinvesting in agriculture if the Millennium Development Goals are to be realized. At the same time, there are indications that the 2008 High-level Conference on World Food Security and the high-level event on the Millennium Development Goals helped to mobilize greater international support in this area.

New sources of funding are helping to revitalize official development assistance flows

12. Recent years have seen rapid growth in sources of funding for development cooperation from outside the regular OECD Development Assistance Committee channels, notably South-South cooperation and private philanthropy for development, which have grown, respectively, to $12.6 billion (9 per cent of total development cooperation flows) and $14.8 billion (11 per cent) in 2006.[3] Global and vertical multilateral funds (largely funded by OECD Development Assistance Committee donors) account for around 3 per cent of the global flows. Nevertheless, Development Assistance Committee donors and international organizations continue to account for around three quarters of global flows. Several new innovative financing mechanisms have also begun to generate significant resource flows for development, as discussed in section VI below.

Aid delivery is highly fragmented

13. Recent developments include an acceleration in the proliferation of donor agencies, which are currently estimated at more than 1,000, including 56 bilateral and 230 multilateral agencies. The Governments of more than 30 developing countries currently have to deal with more than 40 agencies providing development aid. Proliferation has some important advantages, including wider choice by Governments in programme countries, which can enhance stability and

[3] For further information on South-South cooperation, please refer to the background study for the 2008 Development Cooperation Forum of the Economic and Social Council entitled "Trends in South-South and triangular development cooperation" (see www.un.org/ecosoc/newfunct/2008dcfbckgrd.shtml). Private grants amounted to $18.5 billion in 2007, or almost 18 per cent of official development assistance flow.

predictability of flows by diversifying risk, especially for countries with relatively few funding sources.

Large transaction costs imposed on programme countries

14. Proliferation, however, has many more potential disadvantages, including conflicts over development priorities and conditionalities, increased earmarking by global funds and a dramatic increase in transaction costs. As of 2005, there were more than 65,000 donor activities worldwide, up from 20,000 in 1997, with some countries having hosted more than 1,000 donor activities. The proliferation of actors in this field has been accompanied by a reduction in the average size of the contribution from each donor (from $2.5 million to $1.5 million).[4] Proliferation also undermines the capacity of developing countries by diverting Government staff to work as project counterparts or donor staff and spending funds on technical assistance to manage projects or on parallel project implementation units, thus increasing the cost of coordination with donors at both the global and country levels.

III. United Nations operational activities for development

Contributions peaked in 2005, then stagnated, leaving the future uncertain

15. From 1995 to 2005, contributions to United Nations operational activities for development grew at a more rapid rate than total ODA, or 9.9 per cent annually, compared to 2.6 per cent for non-United Nations multilateral ODA and 6.9 per cent for bilateral ODA (in constant 2006 United States dollars).[5] Overall contributions received by the United Nations development system in 2006, however, decreased, in real terms, by 1.1 per cent, though this was followed by a 2.4 per cent increase in 2007. Some operational agencies continued to experience growth in contributions throughout the 1995-2007 period.

16. In the 2002-2007 period, the annual growth in contributions to United Nations operational activities for development slowed notably to 5.6 per cent, while non-United Nations multilateral ODA grew at the faster rate of 6.6 per cent and bilateral ODA at 6.1 per cent (in constant 2006 United States dollars).

17. There are also first indications that the global financial and economic crisis that started in 2008, which has led to severe fiscal constraints in donor capitals and has fuelled significant exchange rate fluctuations, is beginning to affect the funding allocated to international development cooperation, including the United Nations development system.

Fragmentation of United Nations operational activities for development remains an issue

18. In 2007, 37 entities of the United Nations system received nearly $19.1 billion (in current United States dollars; $17.6 billion in constant 2006 United States dollars) of the estimated contributions for operational activities for development, with five organizations (United Nations Development Programme (UNDP), United

[4] E/2008/69, para. 28.

[5] See A/63/71-E/2008/46.

Nations Children's Fund (UNICEF), World Food Programme (WFP), World Health Organization (WHO), United Nations High Commissioner for Refugees (UNHCR)) accounting for 73 per cent of the total. The top 11 organizations in terms of contributions (including United Nations Population Fund (UNFPA), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Labour Organization (ILO) and United Nations Environment Programme (UNEP)) accounted for 90 per cent and the remaining 26 organizations for 10 per cent of the total.

Core resources as a share of overall contributions are rapidly declining

19. A notable long-term trend in the funding of United Nations operational activities for development has been the continuous decline in core resources as a share of overall contributions, from 37.1 per cent in 2002 to 28.8 per cent in 2007. In this period, core resources for United Nations operational activities for development grew on average by 7.6 per cent annually in nominal terms and 0.4 per cent in real terms, compared to 15.9 per cent and 8.2 per cent respectively for other resources.

20. Data on long-term trends in core resources as a share of overall contributions to the United Nations development system are available for only a small number of organizations. These data reveal that the share of core resources in the overall funding of UNDP, UNFPA and UNICEF, as a group, dropped from 79.7 per cent in 1991 to 31.8 per cent in 2007, whereas for UNFPA the ratio is much higher, above 60 per cent.

21. Some donors have made efforts to formulate multi-year core resource commitments to United Nations organizations and are also supporting reform of funding modalities to ensure better balance between core and non-core resource flows. A significant number of donors, however, continue to make annual commitments, a factor that makes effective medium-term planning by United Nations entities more difficult. Only a small number of donors have also started contributing to the relatively new and innovative core voluntary accounts established by ILO, WHO, FAO and other United Nations agencies.

Non-core resource flows are highly fragmented

22. The reliance on non-core resources, with corresponding unpredictability of funding and timing of payments and the restricted use for which voluntary contributions may be earmarked, has made the management and programme implementation of United Nations operational activities for development more challenging.

23. The growth in non-core funding in the past decade is also an important factor in increasing transaction costs for United Nations entities. Negotiating individual funding agreements, tracking and reporting programming and financial data for hundreds or even thousands of individual projects, and reporting according to widely varying sets of requirements, for example, all add significant costs that fall outside of the organizations' basic operating systems.

24. While most United Nations organizations try to ensure that supplementary funding is aligned with strategic priorities, all such financing to some extent distorts the substantive direction set by the respective governing bodies. This poses a particular challenge for the standard-setting specialized agencies, which, as a group, have seen the share of core funding decline from 36.8 per cent of overall contributions in 2003 to 29 per cent in 2007.[6] In addition, activities funded by extrabudgetary financing are often not subject to full cost recovery, which, de facto, means that they are being subsidized by core resources.

Table 1
Contributions to United Nations operational activities for development: 2002-2007

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*Percentage change 2006 to 2007*	*Annual average percentage change 2002 to 2007*
(Millions of current United States dollars)								
Core resources	3 820	4 030	4 547	4 538	4 938	5 501	11.4	7.6
Non-core resources	6 489	8 735	10 172	12 449	12 241	13 576	10.9	15.9
Total contributions	**10 309**	**12 765**	**14 719**	**16 987**	**17 179**	**19 078**	**11.1**	**13.1**
Annual increase (percentage)	..	23.8	15.3	15.4	1.1	11.1		
(Millions of constant 2005 United States dollars)								
Core resources	4 966	4 604	4 766	4 640	4 938	5 074	2.8	0.4
Non-core resources	8 437	9 980	10 661	12 729	12 241	12 522	2.3	8.2
Total contributions	**13 403**	**14 584**	**15 427**	**17 369**	**17 179**	**17 596**	**2.4**	**5.6**
Annual increase (percentage)		8.8	5.8	12.6	-1.1	2.4		
Percentage core	37.1	31.6	30.9	26.7	28.7	28.8		

Despite volatile resource flows, targeting of support to least developed countries has increased

25. Despite growing volatility in resource flows and the declining United Nations share of overall multilateral ODA in recent years, the targeting of funds has increased. Total expenditure of the United Nations system on operational activities for development in least developed countries has more than doubled since 2002, reaching $5.9 billion in 2007. This share, as a percentage of total country expenditure, has also increased from 40.3 per cent in 2002 to 49 per cent in 2005, followed by a slight reduction to 46.2 per cent in 2007. Eight out of the top 10 programme countries in terms of expenditure of United Nations operational

[6] The ratio of regular/extrabudgetary resources among specialized agencies varies greatly. For the International Labour Organization, for example, this ratio is much higher than the above figure, or above 60 per cent.

activities for development are all least developed countries. Africa has consistently received the largest share of expenditure, reaching 46.4 per cent in 2006 and 43.7 per cent in 2007.

Major growth in inter-agency-pooled funds

26. By March 2009, approximately $4 billion in contributions from 40 donors and programme countries had been channelled to the United Nations development system through inter-agency-pooled funds administered by the UNDP Multi-donor Trust Fund Office. Several other United Nations agencies also administer inter-agency-pooled funds. The multi-donor trust funds are being used to address various humanitarian, recovery, reconstruction and development challenges that have emerged at the country level as the result of "horizontal" programming, including the United Nations development assistance frameworks.

Thematic funds have improved the flexibility and predictability of resource flows and reduced transaction costs

27. Almost all United Nations organizations have created some types of thematic funds as part of a broader strategy to address the long-term declining trend in core resources. These thematic funds allow donors to contribute resources to specific service lines, regions, programme countries and programme categories. The use of thematic funds has improved the flexibility and predictability of funding. Instead of having multiple contributions to manage, there is only one fund per thematic area and one consolidated annual report instead of separate statements for each donor. This lowers transaction costs for the United Nations entity in terms of staff time spent on the management of contributions.

28. No data are currently available on the overall volume of funds channelled to thematic funds linked to strategic plans of United Nations entities. For UNICEF, thematic funding as a share of overall contributions was 1.8 per cent in 2003, 8 per cent in 2004, 12 per cent in 2005, 11 per cent in 2006 and 9.7 per cent in 2007. Thematic contributions to UNICEF have increased from $30 million in 2003 to $294 million in 2007 (in current United States dollars). Thematic contributions are based on existing programmes, such as the country programmes approved by the Executive Board or the thematic priority areas defined in the medium-term strategic plan.

29. Thematic contributions can be considered the most attractive form of funding after regular resources and/or voluntary core funding because such support is aligned with the strategic goals and priorities of the respective United Nations entity, while allowing for longer-term planning and sustainability.

Private funding remains a small but growing part of overall contributions

30. Funding from private sources has also brought in fresh resources to a number of United Nations entities. UNICEF has been particularly adept at leveraging the strength of private contributions. Income from private sources to UNICEF totalled $868 million in 2007, reflecting an increase of 9 per cent over 2006.[7] Other funds and programmes have also benefited from private funding or enhanced cooperation with the private sector. WFP, for example, has recently launched two new

[7] See E/ICEF/2008/10, table 4.

multi-year, multimillion dollar global partnerships to solicit contributions from corporate partners, based on a public-private partnership strategy.

31. However, securing funding from the private sector often comes with high transaction costs. The private sector usually has a strong preference for earmarking funds to projects in specific countries. This, unfortunately, limits the flexibility in the use of funds and can result in donor-driven projects. For the specialized agencies, undue focus on resource mobilization from the private sector may also be fraught with potential conflict of interest, due to their global norm and standard-setting role.

Table 2
Private funding to the United Nations Development Programme, United Nations Population Fund, United Nations Children's Fund and World Food Programme: 2005-2007[a]

(Millions of current United States dollars)

	2005			*2006*			*2007*		
	Overall funding	*Private funding*	*Private overall (percentage)*	*Overall funding*	*Private funding*	*Private overall (percentage)*	*Overall funding*	*Private funding*	*Private overall (percentage)*
UNDP	4 800	23	0.5	4 790	91	1.90	5 190	150	2.89
UNFPA	544.6	11.2[b]	2.06	570.5	16.3	2.86	705.2	21.4	3.03
UNICEF	2 762	1 235	44.71	2 781	799	28.73	3 013	878	28.81
WFP	2 700	27	1.0	2 700	55	2.0	2 700	49.1	1.8

Source: UNDP/UNFPA annual financial reviews and UNICEF annual reports.

[a] Includes contributions from the private sector, foundations and civil society organizations.

[b] The 2005 figure for the United Nations Population Fund includes "other income" of $8.3 million for the regular budget and $2.9 million of co-financing contributions from the private sector. The Fund did not record private contributions to the regular budget for 2005. The "other income" of $8.3 million is used here to illustrate the rough scale of private funding to the regular budget. The actual amount is likely to be lower than presented in table 2. Private funding for 2006 and 2007 includes private endowment trusts to the regular budget and co-financing contributions from the private sector.

32. Except for UNICEF, private contributions are not yet a significant source of income for funds and programmes such as UNDP, UNFPA and WFP, although such contributions are experiencing some growth (see table 2).[8] For UNFPA, for example, private contributions in 2007 remained just over 3 per cent of total income. In the case of UNDP, private funding has increased considerably, but is still an insignificant share of overall contributions. Generally, there is no evidence to suggest that income from private sources received by funds and programmes is distorting the implementation of activities mandated by governing bodies.

Burden-sharing of core resources: too few hands carrying the load

33. The volume of core funding for United Nations operational activities is closely linked to the sharing of the burden by donors. The difference between donors in this regard is quite significant. The 1970s and 1980s saw a trend emerging towards increasingly uneven burden-sharing of core funding for United Nations operational activities for development.[9] This trend largely continued during the 1990s and the

[8] The same applies to specialized agencies.

[9] See *The United Nations in development: reform issues in the economic and social fields: a Nordic perspective: final report by The Nordic UN Project* (1991).

beginning of the new century. From 1995 to 2007, the top 10 donors to UNICEF contributed on average 81 per cent of core contributions; for UNDP the percentage was close to 85 per cent; and for UNPFA it exceeded 93 per cent. The issue of concentration of donor-related funding also applies to specialized agencies. In FAO, for example, the top 10 donors (excluding global funds such as the United Nations Central Emergency Response Fund, but including multilateral contributions) accounted for 53 per cent of total voluntary resources received in 2006-2007, with the top 20 contributing 79 per cent.[10] Of total contributions for United Nations operational activities for development in the years 2004 to 2006, eight donor countries accounted for approximately 65 per cent.

IV. Multilateral and regional development banks

Five major development banks account for about 70 per cent of overall multilateral funding flows

34. The multilateral and regional development banks, here primarily referring to the World Bank Group and the four regional development banks, provide a vast array of financial and non-financial services.[11] These include the provision of loans, credits and grants for development, as well as other services of a non-financial nature and generally not offered by private financial institutions, such as lending-related technical assistance, knowledge generation and brokering, and the provision of global and regional public goods, including, in most cases, support to regional integration processes.[12]

35. The range of services provided by individual development banks reflects the development needs of the particular region they serve. In Africa, for example, disbursements by the African Development Fund, the concessionary lending arm of the African Development Bank, account for nearly half of the bank's overall funding flows to developing countries in 2007. Multilateral development banks in Europe and Central Asia, on the other hand, place more emphasis on supporting private sector development, with the European Bank for Reconstruction and Development regularly partnering with commercial actors.

36. Multilateral development banks are the largest provider of multilateral development financing to developing countries. Total flows from the World Bank and the four regional development banks accounted for 43 per cent and 27 per cent

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[10] See FAO programme implementation report, 2006-2007 (para. 34 and table 4).

[11] The World Bank Group comprises the International Bank for Reconstruction and Development (IBRD); the International Development Association (IDA); International Finance Corporation; Multilateral Investment Guarantee Agency; and International Centre for Settlement of Investment Disputes. The four regional development banks include the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank Group. A number of subregional banks established for development purposes are also classified as multilateral banks, as they are owned by a group of countries (typically borrowing members and not donors). This includes the following banks: Corporación Andina de Fomento; Caribbean Development Bank; Central American Bank for Economic Integration; East African Development Bank; West African Development Bank. The present note focuses mainly on the World Bank (IBRD and IDA) and the four regional development banks.

[12] See *World Economic and Social Survey 2005* (United Nations publication, Sales No. E.05.II.C.1).

respectively of overall flows from all multilateral sources to developing countries in the 2001-2007 period. Overall, multilateral development banks contributed roughly 27 per cent of global official flows in the same period.[13] Repayments from developing countries, however, have in some instances led to negative net transfer of financial resources from the multilateral development banks, particularly the World Bank. For example, between 2002 and 2007 the net transfer of resources from the World Bank to Latin America was negative. The Asia region also experienced similar negative net transfer of resources from the World Bank in several years during this period.

Five major banks also account for around 30 per cent of multilateral official development assistance contributions

37. Multilateral development banks are also a major player in international development cooperation, accounting for around 30 per cent of total multilateral ODA contributions in the 2002-2007 period, with an average annual rate of growth of 12.4 per cent, compared to 13 per cent for overall ODA and 12.2 per cent for multilateral ODA. The European Commission is the largest provider of multilateral ODA, with the multilateral development banks and the United Nations development system in second and third place respectively (see table 3).[14] With the exception of 2004, donor grants and capital subscriptions to multilateral development banks remained under 10 per cent of overall ODA flows. In 2007, multilateral development banks received around $8.5 billion in such contributions or about 8.2 per cent of total ODA flows, a 12.5 per cent decline over the previous year.

Table 3
Donor grants and capital subscriptions to multilateral development banks: 2002-2007[a]

(Millions of current United States dollars)

	2002	*2003*	*2004*	*2005*	*2006*	*2007*
Multilateral development banks	5 584.61	5 299.03	8 608.52	7 312.69	9 668.39	8 463.66
European Commission	5 696.75	6 945.84	8 921.61	9 258.08	9 930.82	11 714.25
United Nations agencies	4 753.76	4 827.73	5 128.68	5 469.18	5 235.08	5 801.44
Multilateral flows	17 539.87	19 329.57	25 127.41	24 653.39	27 457.28	30 597.75
Total ODA flows	58 296.68	69 064.86	79 431.51	107 077.81	104 368.76	103 486.83

[13] Total official flows include ODA and other official flows from multilateral and bilateral sources. Data in this note are collected from OECD International Development Statistics online, which documents financial flows of the World Bank Group and the regional development banks including Caribbean Development Bank. Unless otherwise indicated, data on multilateral development banks also include Caribbean Development Bank.

[14] It is important to note that there is no internationally agreed definition of development aid, which makes comparison of development aid statistics by the Organization for Economic Cooperation and Development Development Assistance Committee, the United Nations system and the European Commission more complicated.

	2002	2003	2004	2005	2006	2007
Multilateral development banks share of total multilateral ODA contributions (percentage)	31.8	27.4	34.3	29.7	35.2	27.7
Multilateral development banks share of total ODA contributions (percentage)	9.6	7.7	10.8	6.8	9.3	8.2

Source: OECD Development Assistance Committee International Development Statistics online.
[a] Includes Caribbean Development Bank data.

Multilateral development banks account for almost half of multilateral official development assistance disbursements

38. Multilateral development banks accounted for between 40 and 50 per cent of overall multilateral ODA disbursements and around 10 per cent of total ODA flows to recipient countries in the 2001-2007 period (see table 4).

39. The International Development Association (IDA) is the single largest provider of development aid among the multilateral development banks. IDA is funded largely by contributions from Governments of developed countries, with additional funds coming from income of the World Bank and repayment of IDA credits. Since 1990, IDA has accounted on average for around 30 per cent of net ODA disbursements by multilateral institutions. The fifteenth replenishment cycle (1 July 2008 to 30 June 2011), resulted in the largest increase in donor funding in the history of IDA, providing $41.6 billion, an increase of $9.5 billion, over the fourteenth replenishment cycle. Forty-five countries, the highest number in the history of IDA, made pledges to the fifteenth replenishment cycle, with six countries contributing for the first time.[15] A record $25.1 billion was pledged for the World Bank to help overcome poverty in the poorest countries of the world, a 42 per cent increase over the fourteenth replenishment cycle.

Table 4
Gross official development assistance disbursements by multilateral development banks: 2001-2007
(Millions of current United States dollars)

	2001	2002	2003	2004	2005	2006	2007
Multilateral development banks	8 266.00	9 760.48	9 755.00	12 002.35	11 582.16	48 319.81	17 603.17
Share of multilateral ODA disbursements (percentage)	42	46	43	45	42	69	48
Share of all donor ODA disbursements (percentage)	10	11	9	10	8	25	11

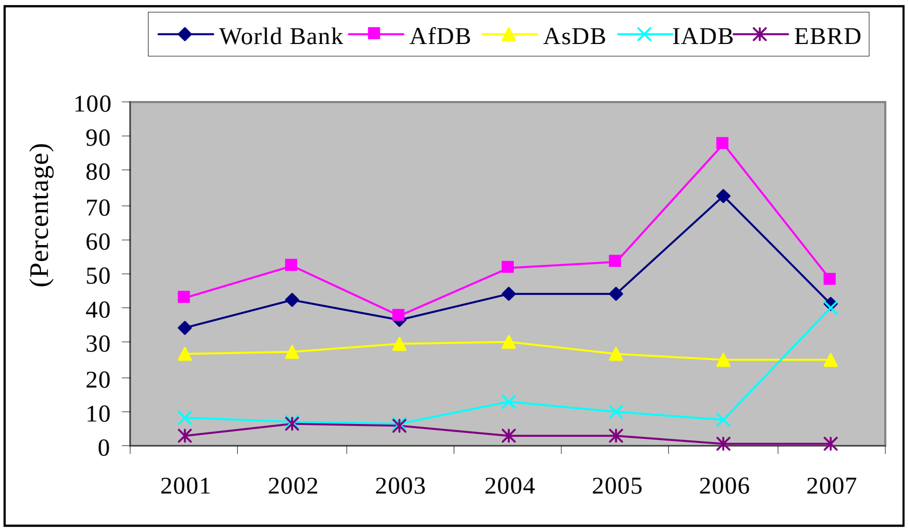
Source: OECD Development Assistance Committee International Development Statistics online.

[15] China, Cyprus, Egypt, Estonia, Latvia and Lithuania.

Concessionality varies greatly among multilateral development banks and across regions

40. Among the multilateral development banks, concessional development cooperation activities constitute a widely different share of resource flows to developing countries. In the 2001-2007 period, the African Development Bank allocated nearly 50 per cent of its annual resources as ODA, as mentioned earlier, while the corresponding ratio for the World Bank and the Asian Development Bank was 40 and 30 per cent respectively (see graph). The European Bank for Reconstruction and Development maintains a small ODA budget, accounting for only 3-6 per cent of the Bank's gross disbursements, reflecting its primary focus on financing investment projects on market terms.

Official development assistance disbursements as percentage of total official flows from multilateral development banks: 2001-2007



Source: OECD Development Assistance Committee International Development Statistics online.

41. The share of net ODA flows from multilateral development banks to Africa grew steadily from about 42 per cent in 2001 to almost 53 per cent in 2007, but the share of net ODA flows to Latin America experienced a decline from almost 9 per cent to 4.4 per cent in the same period (see table 5). Asia has also seen its share of ODA funding from multilateral development banks decline in the 2001-2007 period. The increase in ODA to Africa from multilateral development banks can be explained by higher IDA flows to the continent, as well as more ambitious scaling up of ODA disbursements by the African Development Bank compared to other regional development banks.

Table 5
Net official development assistance flows from multilateral development banks by region: 2001-2007
(Millions of current United States dollars)

	2001	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Africa	2 747.55	3 521.65	3 431.51	4 773.84	4 452.05	4 785.22	5 355.91
Share (percentage)	42.1	46.7	46.5	51.6	51.6	54.3	52.7
Asia	3 052.14	3 262.01	3 028.85	3 347.57	3 375.43	3 454.59	4 157.16
Share (percentage)	46.8	43.2	41.1	36.2	39.1	39.2	40.9
America	582.05	514.2	617.7	628.69	551.37	408.04	444.86
Share (percentage)	8.9	6.8	8.4	6.8	6.4	4.6	4.4
Oceania	12.55	8.38	12.01	11.64	12.15	13.26	10.54
Share (percentage)	0.2	0.1	0.2	0.1	0.1	0.2	0.1

Source: OECD Development Assistance Committee International Development Statistics online.

Regional development banks are growing in prominence

42. Regional development banks currently play a larger role than the World Bank in the Latin America, Asia and Oceania regions in terms of volume of net official flows. The World Bank, on the other hand, remains a bigger source of funding in the African and European regions. In Latin America, the combined net flows from the Inter-American Development Bank and the Caribbean Development Bank have expanded steadily, and since 2001, surpassed those of the World Bank (except in 2004). In Asia, net official flows from regional development banks reached nearly $5.6 billion in 2007, twice as high as those of the World Bank. Regional development banks have particularly expanded funding to middle-income countries, where their combined net flows surpass those of the World Bank.[16]

43. The growing prominence of regional development banks reflects their comparative advantages vis-à-vis the global financial institutions at the regional level. Greater representation of beneficiary countries in the governing bodies of regional development banks compared to the global financial institutions has also fostered enhanced sense of ownership among recipient countries. Regional development banks are also seen as an effective mechanism to coordinate the financing of transborder regional public goods and as being well suited to facilitate transmission and utilization of region-specific knowledge and to design policies that are appropriate to regional economic needs.[17]

Refinancing effort is under way

44. Recent years have seen renewed calls for further strengthening of the development mission of the multilateral development banks, with a view to enabling them to better serve regional development needs, particularly those of low-income countries. A number of proposals have been put forward towards that end, most

[16] See *World Economic and Social Survey 2005* (United Nations publication, Sales No. E.05.11.C.1).
[17] Ibid.

recently at the G20 summit in London in April 2009, to address the immediate impact of the global economic and financial crisis, while prompting long-term reform of the multilateral development banks.

45. An expanded role of multilateral development banks in providing counter-cyclical financing, as well as improved insurance and risk management services at the regional level, would require significant increase in their resource base and/or enhanced access to co-financing and credit guarantee schemes. At the G20 summit in London, it was agreed to increase the financial resource base of regional development banks by $100 billion between 2009 and 2011. At the Doha Review Conference on Financing for Development, held in November/December 2008, Heads of State and Government also called on multilateral development banks to continue to explore innovative ways to leverage additional financing for development, while preserving their capital base and ensuring sustainability of operations.

V. Global funds

Major players in health and environment funding

46. Global programmes, often referred to as “global funds” or “vertical funds”, are defined as partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners reach explicit agreement on objectives, agree to establish a new (formal or informal) organization, generate new products or services, and contribute dedicated resources to the programme.[18] In other words, global funds focus “vertically” on specific issues or themes, in contrast with the “horizontal” approach of the country-based model of development programming.

47. Contributions to global programmes accounted for 3 per cent of total ODA in 2005. Table 6 presents the current level of resources committed to six major global funds. The global funds have proved, in particular, to be an important instrument of the international community in addressing major diseases. The Global Fund to Fight AIDS, Tuberculosis and Malaria, for example, the largest of the six global funds, has provided a quarter of all funding for HIV/AIDS globally, two thirds for tuberculosis and three quarters for malaria.[19]

48. The United Nations was a key actor in the establishment of many of the global funds. However, there is a perception that the global funds must remain focused initiatives and not grow to replace or undermine the broader and more complex programming requirements of the United Nations development system. Resources contributed to the global funds in many instances tap into the same government budget lines as related initiatives of the United Nations development system. Most of the global funds are also seen as depending heavily on traditional sources of ODA and not generating additional contributions from non-traditional partners. In addition, it is felt that although the global funds may reduce transaction costs for donors, their operations often lead to significant increase in administrative burden

[18] See *Aid Architecture: an overview of the main trends in official development assistance flows*: an update: May 2008 (The World Bank Group).

[19] E/2006/60.

on programme country Governments due to weak alignment with national systems and on United Nations system entities.

49. The global funds have adopted a wide range of governance and management arrangements. For example, they may be independent legal entities with autonomous governing bodies and their own management structures such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Other global funds may operate instead as informal associations of partners without legal status. Such funds may be governed by representatives from donor institutions, partner countries, private foundations and members of civil society (for example, the Global Alliance for Vaccines and Immunization and Stop TB Partnership). The global funds therefore vary greatly in the manner governing bodies are constituted and empowered to act. In addition, in many instances, the hosting agencies play the role of implementing partners applying their own management policies and procedures, which may further complicate accountability arrangements.

Table 6
Global funds

	Financial resources			
Global funds	*Latest cycle*	*Pledges*	*Previous cycle*	*Pledges*
GFATM	2008-2010	$9.7 billion[a]	2005-2008	$5.4 billion
GEF	2006-2010	$3.13 billion[b]	2002-2006	$3.0 billion
GAVI[c]	2006-2015	$1.6 billion	2000-2005	$1.7 billion
UNAIDS	2008-2009	$469 million[d]		
IFFIm	20 years since 2006	$5.3 billion[e]		
GAIN[f]	2007-2008	$55.5 million[g]		

[a] Pledges and projected contributions.
[b] GEF-4 replenishment, Global Environment Facility website.
[c] E/2006/60.
[d] Biennial budget.
[e] International Finance Facility for Immunization website.
[f] Global Alliance for Improved Nutrition.
[g] Donations received, Global Alliance for Improved Nutrition financial statement 2007-2008.

VI. Innovative sources of financing for development

Harnessing markets to fund health-related development priorities

50. At an international meeting convened in Paris from 28 February to 1 March 2006, the Leading Group on Solidarity Levies to Fund Development was established as the first international framework for exploring and piloting innovative sources of development financing since the International Conference on Financing for Development held in Monterrey, Mexico, in 2002. The Leading Group currently brings together 55 member countries, 3 observer countries, major international organizations including the World Bank, WHO, UNICEF and UNDP, and non-governmental organizations.

51. The first initiative launched under the auspices of the Leading Group was a special solidarity levy on international air tickets. Revenue from this mechanism is allocated for the most part, to the International Drug Purchase Facility (UNITAID), which aims to reduce the cost of malaria, tuberculosis and HIV/AIDS treatments. The air ticket levy has enabled France to generate an extra 160 million euros in conventional aid. The levy, which is already in implementation in 11 countries with an additional 20 countries committed to its introduction in the near-future, is expected to raise about $1 billion-$1.5 billion a year for development.

52. The International Finance Facility for Immunization (IFFIm), launched in January 2006, is the second major initiative spearheaded under the auspices of the Leading Group. The Facility is a large-scale prefinancing mechanism based on a system of guaranteed bonds. Funds are raised by issuing bonds on the basis of pledges by donors or private foundations. Funds are predictable and stable and can be used directly for projects in the health sector. Donors have pledged more than 5.3 billion euros over 20 years to the Facility in order to fund immunization programmes in developing countries.

53. The third major initiative, known as advanced market commitments brings together market instruments and public financing. Advanced market commitments address two important challenges: first, vaccines are currently not being developed for diseases that affect mainly poor countries and second, vaccines for diseases in rich countries are not made available quickly and affordably to poor countries. In an advanced market commitment, donor Governments commit funds to guarantee the price of vaccines once they have been developed, thus creating the potential for a viable future market.

54. In September 2006, G-8 countries launched a pilot project against pneumococcus, a lethal pneumonia-inducing bacteria which still kills 1.6 million people a year, most of them children. In February 2007, six donors, Italy, the United Kingdom of Great Britain and Northern Ireland, Canada, Norway, the Russian Federation and the Bill and Melinda Gates Foundation, made pledges in the amount of $1.5 billion, the recommended size of the pilot advanced market commitment project for pneumococcal vaccines. The advanced market commitment initiative is expected to catalyse investments by two or three multinational firms and by at least one firm in an emerging country so that new vaccines will be developed, scaled up and licensed and more efficient second-generation technologies promoted for vaccine production tailored to the needs of developing countries.

55. The advanced market commitment initiative has already achieved important results though it is not yet under implementation: it has helped increase pressure on the private sector to devote resources to otherwise unprofitable cures; opened a new frontier in financing the global fight against poverty and endemic diseases; and reinforced the idea that immunization is cost-effective and that health needs to be high on the development agenda. With the arrival of advanced market commitments, private sector companies have started to consider developing a vaccine against pneumococcal disease to save lives in developing countries.

56. The air ticket levy, IFFIm and advanced market commitments have mobilized close to $10 billion for development in developing countries.[20]

[20] Informal note prepared by the Financing for Development Office of the United Nations Department of Economic and Social Affairs, 2009.

57. Another innovative financing mechanism known as Debt2Health was launched in Berlin on 26 September 2007. Under individually negotiated agreements, creditors relinquish the right to repayment of loans against the beneficiary country investing the freed-up resources in approved programmes of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

58. Germany was the first champion creditor in Debt2Health, committing to make available 200 million euros from debt to health conversions by 2010. The first swap agreement was signed between Germany and Indonesia on the occasion of the global launch of Debt2Health for 50 million euros to finance urgent and lifesaving investments in HIV/AIDS services and public health interventions. Another Debt2Health swap was concluded between Germany and Pakistan for 40 million euros at the Doha Review Conference on Financing for Development in November 2008. Additional agreements are under discussion, including the conversion of 75 million Australian dollars of Indonesian commercial export credit debt by the Government of Australia. Based on current Debt2Health negotiations, such debt swaps will have generated an additional $450 million by 2010 to fight the three pandemics.

Diversification into other sectors is under way

59. The use of innovative financing mechanisms is being extended to other development areas, such as climate change. This includes taxation instruments currently under consideration. Carbon saturation and depletion of fossil fuels, two of the planet's major environmental challenges, remain insufficiently incorporated in the pricing of energy. The price of fossil fuels, despite significant increase in recent years, is too low to catalyse change in the behaviour of individual actors. Carbon taxes are promising innovations that may generate the right type of incentives. The European Union, in its 2008 energy and climate package, introduced a bidding mechanism for firms to purchase CO2 emission rights. At least 50 per cent of the revenue generated from auctioning the allowances will be used to reduce greenhouse gas emissions and to develop renewable energies with a view to meeting agreed targets as well as to foster the creation of technologies that promote a low-carbon and energy efficient economy.

60. Payment for environmental services is another innovative scheme devised to channel resources to those delivering important public goods. For instance, downstream users of water cleansed by an upstream forest can pay those who manage the forest to ensure sustainable flow of the service into the future. The clean development mechanism under the Kyoto Protocol is based on a similar concept by allowing industrialized countries or their businesses with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries.

Digital levy is under consideration

61. Discussions are also under way to establish a 1 per cent solidarity levy, initially promoted by Senegal, to finance the Digital Solidarity Fund, aimed at overcoming the digital gap, a major obstacle to development in developing countries. This innovative funding mechanism would be based on voluntary commitment by any public or private institution to introduce such criteria in invitations for tender on public contracts in the information technology sector. The

World Conference on Digital Solidarity and its Financing, which took place in Lyon, France on 24 November 2008, noted the pioneering character of the act passed by the Parliament of Senegal in 2008, where such voluntary funding mechanism was set up, and called upon all countries to support the objectives reflected in the draft international convention on digital solidarity.

VII. South-South and triangular development cooperation

62. South-South and triangular cooperation is of growing importance in international development cooperation. Analytical work conducted for the 2008 Development Cooperation Forum of the Economic and Social Council focused on the scale, scope and quality of South-South and triangular development cooperation, especially the views of 32 programme countries on its contribution to development.[21] This analysis, with support from Governments of the South, has contributed to more comprehensive and reliable information and data on South-South development cooperation.[22]

South-South cooperation is a rapidly growing dimension of global development cooperation

63. The findings of the survey suggest that South-South development cooperation accounted for roughly $12.6 billion in 2006. This form of cooperation has grown significantly in recent years owing to rapid economic development in a number of developing countries, which has increased the availability of funds and helped Governments to play a more active role in development cooperation. Of the total figure, around 20 per cent is provided through multilateral organizations.

64. In terms of its scope and quality, development support for South-South cooperation is currently playing a key role in the international aid architecture, exhibiting considerable strengths as well as some weaknesses. Such support is highly complementary to aid from Development Assistance Committee donors and multilateral institutions.

Triangular development cooperation is growing as well

65. Around 90 per cent of South-South development cooperation comes in the form of project finance and technical assistance, with only around 10 per cent in balance of payments or budget support. Some contributors are planning to move to more programme-based approaches in future.

66. Many contributors to South-South cooperation have programmes that are co-financed by triangular cooperation, whereby Development Assistance Committee donors finance projects executed by institutions of the South. The focus of triangular development cooperation is primarily technical cooperation because contributors are seen as having expertise relevant to meeting developing country needs. However, lack of information makes it difficult to quantify amounts or to

[21] For further information please refer to the background study “Trends in South-South and triangular development cooperation” (see www.un.org/ecosoc/newfunct/2008dcfbckgrd.shtml).

[22] In order to distinguish it from other South-South flows, which are also growing rapidly, development cooperation discussed in the present note covers only flows which match the definition of ODA used by OECD Development Assistance Committee.

conduct detailed analysis of the scope, quality or impact of triangular development cooperation.

67. Contributors to South-South development cooperation allocate most assistance to countries with which they have close political, trade and investment ties. This includes a strong concentration in nearby regions, reflecting cultural and language links, better understanding of needs, trade and investment opportunities and lower administrative costs. The concentration also allows Southern contributors to focus strongly on regional projects, which are a priority of many programme countries.

Two thirds of Southern assistance is provided as loans and one third as grants

68. Around two thirds of Southern assistance is estimated to be provided as loans with approximately one third as grants. However, for most low-income countries, these loans carry little risk of making debt unsustainable, because they are concessional, in line with programme country policies.

69. Programme countries see South-South cooperation as aligned with their priorities in a relatively balanced way, providing considerable funding for infrastructure (for example, energy, telecommunications and roads) and productive sectors, as well as social sectors. Some contributors pass almost all aid through the budget of the programme country, while others channel virtually all aid extrabudgetarily.

Flexibility and predictability characterize South-South cooperation

70. Contributors to South-South cooperation are also seen as being responsive to changing priorities in programme countries and to natural disasters, even though they do not have formal contingency allowances or facilities specifically designed to combat exogenous shocks.

71. South-South development cooperation is seen as relatively predictable because around three quarters of it is disbursed within the scheduled financial year, a process which facilitates fiscal planning. Many projects are also executed more rapidly than non-South projects, accelerating their contribution to development, although some contributors have been less predictable than others and some projects have run into execution delays.

Policy conditionality is largely absent

72. One reason for the predictability of South-South cooperation is that policy conditionalities are largely absent, making it more attractive to programme countries than aid which is tied to policy changes. A second reason for predictability is that it is relatively unencumbered by procedural and administrative delays. This is because most contributors to South-South cooperation activities use their own, largely uncomplicated, financial management and procurement procedures and a few use national financial management procedures.

73. South-South development cooperation is mostly tied to procurement of the contributing country’s goods and services, especially for technical cooperation and emergency aid, which does not necessarily mean it is high cost or poor standard, because goods from the South are often of good value and cost-effective. Some contributors, in particular Arab contributors, give preference to bidders from programme countries.

74. South-South development cooperation is subject to relatively little evaluation beyond scrutiny of the timeliness and completion of projects. This reduces missions and studies, lowering the transaction costs of the Governments of programme countries, yet it also means that there will be a reduced longer-term perspective on the sustainability or wider development impact of the project. South-South development cooperation is also subject to much less evaluation with respect to environmental and social impact, particularly in the case of infrastructure projects.

Contributors to South-South cooperation are little involved in formal harmonization initiatives and policy dialogue at the national level

75. Most contributors to South-South development cooperation do not participate in formal harmonization initiatives with other donors, except through some regional and country-led forums. An interesting exception is the high degree of procedural harmonization among Arab contributors through the Arab Coordination Group, whose members usually co-finance projects.

76. Because of their rejection of policy conditionality, contributors to South-South cooperation have not been deeply involved in policy dialogue with programme country Governments at the national level, although they are participating more regularly in recipient country-led donor coordination meetings (consultative groups, round tables and other meetings), especially on infrastructure issues.

77. While approximately two thirds of contributors to South-South cooperation have signed the Paris Declaration on Aid Effectiveness, they have not been at the forefront of international initiatives on strengthening aid effectiveness and, in spite of OECD efforts at liaison, many remain wary of a forum dominated by donors, where the particular characteristics of South-South cooperation are not taken into account.

VIII. Private philanthropy

Approximately 15 per cent of overall official development assistance flows

78. Private grants are an increasingly significant source of financing for development in developing countries.[23] In 2007, total private grants from donor countries amounted to $18.5 billion, equivalent to almost 18 per cent of overall ODA flows. Private institutions in OECD Development Assistance Committee countries contributed more than 99 per cent of such flows, or approximately $18.3 billion. Throughout the 2002-2007 period, the volume of private grants as a share of overall ODA from OECD Development Assistance Committee countries has averaged an estimated 15 per cent, experiencing faster growth than overall ODA (see table 7).

[23] Defined as grants by national non-governmental organizations and other private sources, including foundations and other private bodies, for development assistance and relief, together with any additional contributions in kind, made to or for developing countries, less support received from official sector (see DAC Statistical Reporting Directives (DCD/DAC(2007)34)).

Table 7
Net private grants and official development assistance flows: 2002-2007
(Millions of current United States dollars)

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*Average growth (percentage)*
ODA	58 296.68	69 064.86	79 431.51	107 077.81	104 368.76	103 486.83	12.98
Annual increase (percentage)		18.47	15.01	34.81	-2.53	-0.85	
Net private grants	8 768.35	10 239.15	11 320.32	14 711.76	14 647.76	18 508.4	16.64
Share of ODA (percentage)	15.04	14.83	14.25	13.74	14.03	17.88	15.00
Annual increase (percentage)		16.77	10.56	29.96	-0.44	26.36	

Source: OECD Development Assistance Committee International Development Statistics online.

Private grants originate in a small number of countries

79. The share of the Group of Seven (G-7) countries of overall private grants ranged between 83 and 86 per cent in the 2002-2007 period, with institutions in the United States of America accounting for more than 60 per cent of total flows. Since 2004, there has been a significant increase in private grants from G-7 countries (see table 8).

Table 8
Major contributors of private grants: 2002-2007
(Millions of current United States dollars)

	2002	*2003*	*2004*	*2005*	*2006*	*2007*
Total	8 768.35	10 239.15	11 320.32	14 711.76	14 647.76	18 508.4
G-7 countries	7 329.41	8 651.23	9 442.85	12 199.86	12 465.71	15 964.01
Share (percentage)	83.59	84.49	83.42	82.93	85.10	86.25
United States	5 720	6 326	6 792	8 628.56	9 037	12 161
Share (percentage)	65.23	61.78	60.00	58.65	61.70	65.71

Source: OECD Development Assistance Committee International Development Statistics online.

Tax incentives have fostered private giving

80. A notable recent trend is the growing volume of private grants from outside the United States. Tax incentives to encourage charitable donations by individuals and corporations have had measurable impact in raising private giving in a number of European and Asian countries, leading to significant growth in the establishment of foundations and to increased contributions. As of early 2007, for example, there were 133 active corporate foundations in France, more than double the number in 2003. This increase is attributed to a new act allowing higher tax deductions for charitable contributions. Tax incentives have also played an important role in raising individual giving in the Netherlands, with household donations amounting to 42.4 per cent of all private contributions to charities in 2005.

Health, relief and environment are primary focus areas of private foundations

81. Foundations in the United States and Europe contributed more than $4.4 billion, or nearly 4 per cent of overall ODA flows, to health and environmental programmes in developing countries in 2005. A small number of private institutions, such as the Bill and Melinda Gates Foundation and the Ford Foundation, accounted for a large share of these grant flows. Excluding the Bill and Melinda Gates Foundation, the volume of funds contributed by United States foundations to international development in the 2002-2004 period, would in fact have declined, with some reduction in the number of institutions recorded as well. In 2006, the expenditure of United States foundations on international development reached $4 billion.[24] According to the World Bank, roughly 45 per cent of grant giving by United States foundations went to emerging developing countries like China, India, South Africa and Brazil, with 55 per cent of contributions allocated to health programmes, 21 per cent to relief initiatives and nearly 8 per cent to environmental projects.[25]

Private grants are heavily concentrated in low-to-middle and middle-income countries

82. Analysis conducted by the World Economic Forum based on extrapolation of company survey data has estimated that Fortune Global 500 companies alone contribute each year $12 billion in cash and somewhere between $10 billion-$15 billion in kind to international development.[26] Much of the corporate philanthropy in developing countries is linked to production or marketing operations, which are more likely to be based in low-to-middle and middle-income countries. An exception may be the current trend of significant grant giving by oil and gas companies in about 40 low- and low-to-middle-income countries, in part, to mitigate against potential business risk.

Remittance flows are slowing down

83. Although generally not regarded as private giving, remittances play an increasingly important role in contributing to poverty alleviation in developing countries by supplementing the income of individuals and providing added resources to communities. Remittances, according to World Bank statistics, have exceeded ODA since the late 1990s. Remittances are estimated to have reached $283 billion in 2008, up 6.7 per cent from $265 billion in 2007. The estimated 2008 figure for remittances constitutes about 1.8 per cent of the gross domestic product of developing countries, compared to 2 per cent in 2007. After several years of strong growth, remittance flows to developing countries began to slow down in the third quarter of 2008. This slowdown is expected to further deepen in 2009 in response to the global economic and financial crisis. Compared to other sources of foreign exchange earnings, recorded remittances have been less volatile and have experienced the most robust growth since 1990. The top 10 remittance-recipient

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[24] Data from Foundation Center, Council on Foundations and the Hudson Institute *Index of Global Philanthropy* (2008).

[25] Olga Sulla. “Philanthropic foundations actual versus potential role in international development assistance” (World Bank Global Development Finance Report Group, 2006).

[26] *Building on the Monterrey Consensus: the growing role of public-private partnerships in mobilizing resources for development* (World Economic Forum, 2005).

countries in 2008 were China, India, Mexico, Philippines, Poland, Nigeria, Egypt, Romania, Bangladesh and Pakistan.[27]

Better data are needed on global philanthropic flows

84. Lack of accurate data is a major constraining factor in attaining a comprehensive overview of private philanthropy. The OECD is currently the only intergovernmental organization that systematically documents global private grant flows. However, while OECD focuses on contributions from private institutions, it excludes individual giving, which may be considerable, especially to humanitarian causes. Furthermore, OECD only documents private flows from its members and other donor countries.[28] OECD reporting, for example, does not include information on the growing philanthropic engagement of private donors in Southern countries. Some Governments, as a result, have started their own initiatives to monitor and report on private giving.

[27] See *Migration and development brief 8* (World Bank, November 2008).

[28] Includes Czech Republic, Hungary, Iceland, Republic of Korea, Poland, Slovakia, Turkey and Arab countries.