Development assistance to the Pacific: trends and developments

Matthew Dornan and Jonathan Pryke
Development Policy Centre
The Australian National University

2015 Pacific update

Contact: jonathan.pryke@anu.edu.au
Research questions

• To what extent has the Pacific benefitted from the ‘scale up’ of international ODA?

• Has the international aid effectiveness agenda (Paris, Accra etc):
  a) reduced fragmentation of ODA in the Pacific?
  b) Impacted the volatility or predictability of ODA in the Pacific?
Aid to the Pacific + Timor-Leste

2013 US$ million


$1,562 $2,301 $2,500
Regional growth in aid since 1970

Growth 1970 = 100

- Pacific + Timor-Leste
- Fiji
- Sub-Saharan Africa
- Far East Asia
- Total aid
Regional growth in aid since 2000

Growth 2000 = 100

- Pacific + Timor-Leste
- Fiji
- Sub-Saharan Africa
- Far East Asia
- Total aid
Modest increases in aid across the Pacific have not been shared equally between countries...

2013 US$ million

Average 2001-03
Average 2011-13
ODA per capita is very unequally distributed

2000 - 2002
Pacific region (incl Timor Leste) unweighted average, 2012
Far East Asia unweighted average, 2012

2010 - 2012
Sub-Saharan Africa unweighted average, 2012
It is significant...

Top 20 ODA per capita
2011-2013 average

It is significant...
Along with aid to GNI

Aid to GNI ratios of top 20 aid dependent nations
2009-2011

- Liberia: 50%
- Tuvalu: 45%
- Marshall Islands: 40%
- Micronesia, Fed.: 38%
- Haiti: 21%
- Burundi: 20%
- Sao Tome and Principe: 19%
- West Bank and Gaza: 17%
- Kiribati: 16%
- Malawi: 14%
- Samoa: 12%
- Tonga: 11%
- Congo, Dem. Rep.: 10%
- Mozambique: 9%
- Rwanda: 8%
- Cabo Verde: 7%
- Sierra Leone: 6%
- Gambia, The: 5%
“High fragmentation can have negative implications for aid quality for several reasons: high transaction costs for recipients because more time is taken meeting donor requirements; too many small projects, with consequent limited opportunities to reap scale economies; and smaller or narrower donor stakes in overall country outcomes. A large number of donors also compounds the challenge of donor coordination.”

(IMF and World Bank, 2006)
Aid Fragmentation, Herfindahl-Hirschman Index (higher scores indicate less fragmentation), 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Unweighted average across countries</th>
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<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.297</td>
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<tr>
<td>Far East Asia</td>
<td>0.32</td>
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<tr>
<td>South and Central Asia</td>
<td>0.302</td>
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<tr>
<td>Pacific (including Timor Leste)</td>
<td>0.51</td>
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</table>
Pacific unique in its concentration of donors

Major donors to the Pacific 2013
2013 $US million

- Australia: $1254, 55%
- United States: $236, 10%
- New Zealand: $190, 8%
- Japan: $131, 6%
- AsDB Special Funds: $79, 3%
- EU Institutions: $49, 2%
- IDA: $22, 1%
- Global Fund (GFATM): $20, 1%
- France: $112, 5%
- Germany: $147, 6%
- Other donors: $22, 1%
Aid volatility is a problem in the Pacific
## Significant variation in volatility across PICs

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<td>Cook Islands</td>
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<td>Fiji</td>
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<td>Marshall Islands</td>
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<tr>
<td>Micronesia</td>
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<tr>
<td>Niue</td>
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<td>0.11</td>
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<td>0.44</td>
<td>0.32</td>
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<tr>
<td>Palau</td>
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<td>0.24</td>
<td>0.28</td>
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<td>0.76</td>
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<tr>
<td>Papua New Guinea</td>
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<td>Solomon Islands</td>
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<tr>
<td>Tonga</td>
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<td>0.19</td>
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<td>Tuvalu</td>
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<td>0.19</td>
<td>0.43</td>
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<tr>
<td>Vanuatu</td>
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</table>
Predictability of aid to PICs is very poor...
The Predictability of Country Programmable Aid to Tonga: Planned vs actual disbursements

2012 USD, millions


CPA, actual disbursements
Planned CPA, 2008 forward estimates
Planned CPA, 2009 forward estimates
Planned CPA, 2010 forward estimates
Planned CPA, 2011 forward estimates
Planned CPA, 2012 forward estimates

The Predictability of Country Programmable Aid to Solomon Islands: Planned vs actual disbursements

2012 USD, millions


CPA, actual disbursements
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Planned CPA, 2009 forward estimates
Planned CPA, 2010 forward estimates
Planned CPA, 2011 forward estimates
Planned CPA, 2012 forward estimates

The Predictability of Country Programmable Aid to Tuvalu: Planned vs actual disbursements

2012 USD, millions


CPA, actual disbursements
Planned CPA, 2008 forward estimates
Planned CPA, 2009 forward estimates
Planned CPA, 2010 forward estimates
Planned CPA, 2011 forward estimates
Planned CPA, 2012 forward estimates

The Predictability of Country Programmable Aid to PNG: Planned vs actual disbursements

2012 USD, millions


CPA, actual disbursements
Planned CPA, 2008 forward estimates
Planned CPA, 2009 forward estimates
Planned CPA, 2010 forward estimates
Planned CPA, 2011 forward estimates
Planned CPA, 2012 forward estimates
Summing up

• There has been a clear scale-up of aid in the Pacific
• The Pacific is one of the most aid dependent regions in the world
• On aid effectiveness
  • Fragmentation not as important due to high concentration of donors – still should be addressed because of limited recipient capacity
  • Aid volatility a more important issue, particularly when aid flows are so unpredictable
Thank you

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Additional Slides
ODA disbursed for government sector (percentage of total aid disbursed)

- Fiji
- Papua New Guinea
- Samoa
- Solomon Islands
- Timor-Leste
- Tonga
- Vanuatu

Legend:
- Pacific region (incl Timor Leste)
- All recipients
- Sub-Saharan Africa
- Far East Asia
Surprisingly, there is no correlation between country size (population or aid received) and volatility. But aid from smaller donors is more volatile.
Population and volatility of ODA, 1977-2012

y = -486673x + 740337
R² = 0.0197
The difference between forward estimates and actual CPA flows (ie, predictability) is similar to year-on-year aid volatility.
A note on China

Chinese development assistance in the Pacific, 2006-13