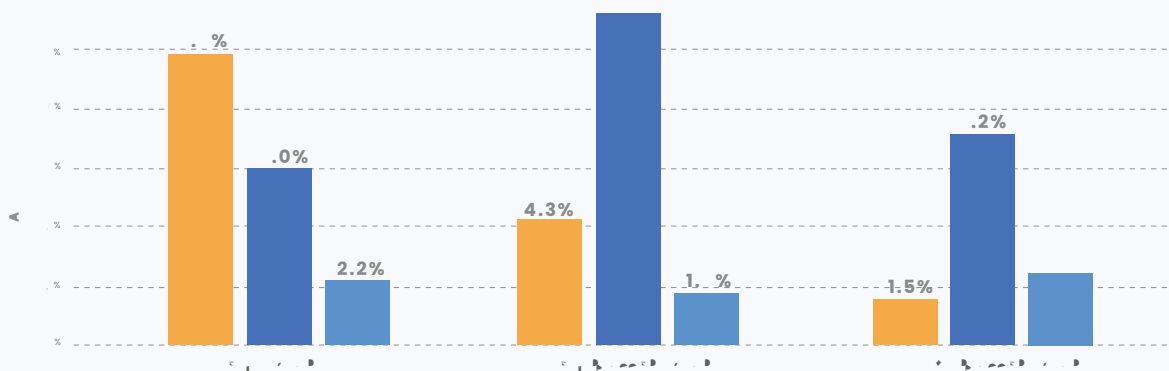


FIGURE 1: FINANCIAL FLOWS TO 43 CONFLICT-AFFECTED SETTINGS, 2009-2019 (IN BILLIONS OF CURRENT US\$)

Overall financial flows, however, are very unequally distributed among countries. From 2014 to 2018, overall **ODA steadily increased, but only for a small subset of conflict-affected settings**. The top six aid recipients (Chad, El Salvador, Gambia, Syria, Venezuela and Yemen) comprised 46 per cent of the total ODA increase between 2014 and 2018, with Yemen being the largest recipient (from US\$1.6 billion in 2014 to US\$7.9 billion in 2018). For the majority of the 43 conflict-affected settings, ODA declined, with Bosnia and Herzegovina, Kosovo, Sierra Leone and Sri Lanka seeing the sharpest decreases.

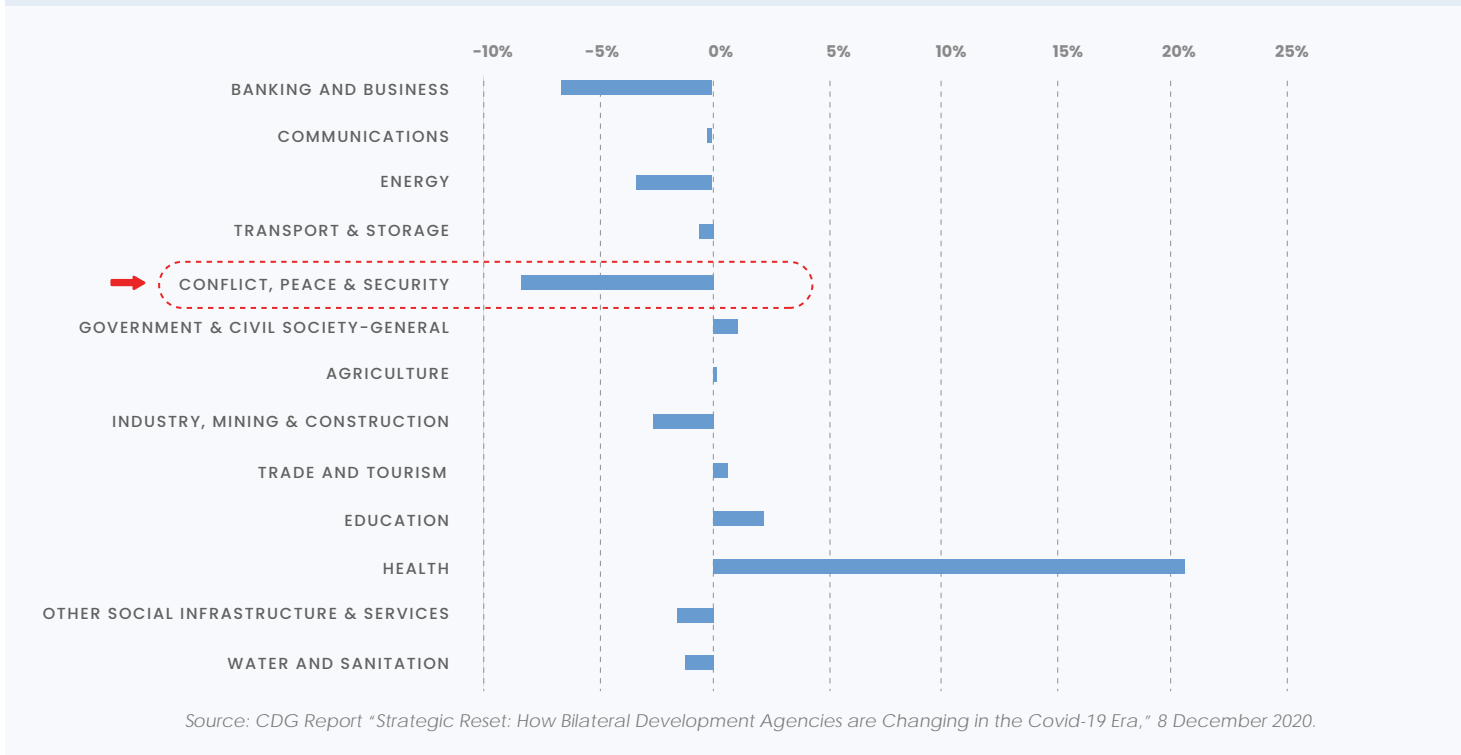
For **low-income countries, ODA remains the main source of inflows, while lower middle and upper middle-income countries rely more on remittances** (see Figure 2). FDI inflows to conflict-affected countries is concentrated in a few upper middle- and high-income conflict affected-countries with 65 per cent of total FDI going to Colombia, Cyprus, Lebanon, Albania, Guatemala, Venezuela, Bosnia and Herzegovina and Kosovo. Furthermore, FDI in low-income conflict-affected countries is typically concentrated in the extractive industries, which is capital intensive and provides generally only limited job opportunities.

FIGURE 2: AVERAGE SHARE OF GNI FOR ODA, FDI, AND REMITTANCES IN 43 CONFLICT-AFFECTED COUNTRIES IN 2018



Widely seen as a powerful way to help mobilize larger pools of capital, ideally from the private sector, blended finance is a type of innovative financing mechanism aimed to bridge the investment gap for the achievement of

FIGURE 5: SECTOR PERCENTAGE CHANGES IN SHARE OF TOTAL BILATERAL ODA, JANUARY–SEPTEMBER 2020 COMPARED TO 2019



Based on Figure 5 above, aid commitments to health from bilateral donors increased by over 20 per cent in 2020 compared to 2019 due to the COVID-19 response and recovery. This increase in spending on health has been associated with a **fall in other sectors, largely for conflict, peace and security**, as well as banking and business, energy, and industry, mining, and construction.

These trends are also apparent in the latest IATI data,⁸ which shows that bilateral donor commitments to health have increased by 73 per cent (equal to US\$3.3 billion) in 2020 compared to the same period in 2019, driven primarily by the US. This increase has come at the cost of other economic, governance, and productive sectors, where commitments are falling in volume and percentage terms.

While bilateral donors are decreasing aid commitments, **IFIs have increased their aid commitments by 31 per cent in 2020**, driven by a more than doubling (139 per cent growth) in grants and loans that qualify as ODA. As a result, ODA makes up over half (52 per cent) of IFI commitments in the first seven months of 2020, up from 28 per cent in 2019.

In the context of conflict-affected settings, **neither bilateral donors nor IFIs are increasing the share of aid to low-income countries (LICs)**, which make up the majority of the settings where peacekeeping and programmatic funds from PBF are active.

As described above, remittances have become the largest external financial flow in conflict countries. In Haiti and South Sudan, the share of remittances in Gross Domestic Product (GDP) is more than 35 per cent.⁹ Remittances end up being economic saviors for millions of households of international migrants and refugees – which are among the most vulnerable populations hit by the COVID-19 pandemic. Typically, remittances are responding to disasters and crises on countries of origin, and showing significant increases, but because the pandemic is global and employment of migrants and refugees in host countries is severely affected, remittances are expected to decline. For 2020-2021, the pandemic is forecasted to cause a decline in remittance flows by 7 per cent globally – with the drop expected to be even sharper (approximately 9 per cent) in countries impacted by medium-intensity conflict (World Bank classification).¹⁰

8. <https://devinit.org/resources/how-aid-changing-covid-19-pandemic/>

9. Data Source: Migration and Development Brief 33, World Bank-Knomad Report, October 2020

10. Countries in medium-intensity conflict are defined as (i) countries with lower intensity conflict, as measured by (a) an absolute number of conflict deaths above 250 according to ACLED and 150 according to UCDP vii; and (b) between 2 and 10 per 100,000 population according to ACLED and between 1 and 10 according to UCDP; or (ii) countries with a rapid deterioration of the security situation, as measured by (a) an absolute number of conflict deaths above 250 according to ACLED and 150 according to UCDP; (b) a lower number of conflict deaths relative to the population between 1 and 2 (ACLED) and 0.5 and 1 (UCDP) and (c) more than a doubling of the number of casualties in the last year.

11. Sources: World Bank--KNOMAD staff estimates. See appendix in World Bank, Migration and Development Brief 32 (2020) for forecast methods. Note: e = estimate; f = forecast; IDA = International Development Association

12. United Nations-World Bank, Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict (Washington, D.C., 2018).

13.