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“MODERNISING THE HEALTHY ISLANDS JOURNEY: BUILDING RESILIENT HEALTH SYSTEMS FOR A DIGITAL AGE”

INCREASING VOLATILITY IN EXTERNAL FINANCING: WHAT IT MEANS FOR HEALTH FINANCING AND THE FUTURE OF THE PACIFIC

Agenda Item 2.3 – Paper presented by the Organisation for Economic Co-operation and Development (OECD)

Aid for Health at Risk – Implications for the Pacific

- Across developing countries in the Pacific, external sources finance almost 30% of health spending on average - a larger share than in any other region in the world. Official development assistance (ODA) is a large component of this external financing, of which 71% came from Development Assistance Committee (DAC) country donors and 29% from multilateral organisations, with grants accounting for 90% and loans the remaining 10%.
- This deep commitment to international cooperation reflects the specific circumstances and unique vulnerabilities of the Pacific region, where coordinated approaches are key to advancing national health outcomes and combatting threats to global health security.
- However, OECD projections find that ODA for health is likely to decline by 29-46% from 2024 to 2026, with implications for the future of health financing in the Pacific. These cuts are driven by ongoing aid budget cuts from development co-operation providers.
- As a result, all Pacific countries are projected to see reductions in health aid by 2026. Papua New Guinea (-18.6%) and Tokelau (-17.5%) face the largest declines in percentage terms, followed by Kiribati (-16.9%), while Vanuatu, Samoa, the Marshall Islands and Tuvalu are also projected to see reductions of 15% or more.
- Furthermore, several Pacific countries are expected to graduate from ODA eligibility in the coming years, requiring new strategies for transition to other sources of financing and new frameworks for international co-operation.
- To address these shifts in the health financing landscape and combat future risks, Pacific countries and their partners should step up collaboration efforts, building on their shared vision for the region.

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Context

1. All countries face significant health threats, but the Pacific region is among those most exposed. Pacific countries confront climate-related health shocks, disease outbreaks, non-communicable disease burdens, and workforce shortages. In the past decade, the region has seen outbreaks of avian influenza, Middle East respiratory syndrome (MERS), dengue and a range of other emerging infectious diseases. Pacific countries also contend with unique structural challenges in delivering health care across dispersed islands, including higher transport costs and access to fewer specialist services - challenges compounded by the fact that many Pacific countries are Small Island Developing States (SIDS) (OECD, 2025) (World Health Organization, 2026).
2. Strong and resilient health systems, particularly for primary health care, are the first line of defence against global health threats¹. For the Pacific, this rationale receives particularly strong backing from development cooperation providers, an example of which is demonstrated by the coordinated vaccine purchasing and support from Australia and New Zealand during the COVID-19 Pandemic (OECD, 2025). Regional solidarity and security are recognised in the revised *Healthy Islands Vision 2050* which focuses on strengthening health system resilience, equity and cultural identity while placing communities at the centre of policy and practice (Pacific Islands Forum, 2024).
3. Implementing this vision will require sustainable finance and enduring partnerships. In the current fiscal environment, Pacific countries struggle to raise sufficient public funds for health and sustaining spending over time. Developing countries in the Pacific remain some of the most reliant on external financing for health – on average financing almost 30% of health spending through external sources in 2023. This heavy reliance is concerning in light of recent OECD projections that reveal net official development assistance (ODA) by member countries of the Development Assistance Committee (DAC) is projected to fall again by 6.9% in 2026, following declines of 23.3% in 2025 and 8.5% in 2024. The health sector is seeing the deepest cuts – with a projected decline of 29-46% in ODA from 2024 to 2026 - falling to its lowest levels in almost two decades (OECD, 2026). Further, new OECD analysis shows how these cuts are projected to hit health systems in the Pacific, with ODA for health in the region projected to decline by 16% in 2026 from 2024.
4. Compounding this challenge, four Pacific countries - Marshall Islands, Naoero ², Niue, and Palau — are projected to graduate from the DAC list of ODA eligibility in the coming years. Yet, as the evidence attests, graduation alone is not a signal that vulnerability has ended, or external support is no longer needed. SIDS, for example, have raised concerns that graduation based on income criteria fails to capture their unique vulnerabilities — including geographic isolation and small economy size — and that they remain highly exposed, particularly to the health and fiscal consequences of climate change, even after reaching high-income status (OECD, 2024).
5. These inter-connected challenges have been a focus of the OECD's broader work on the *Future of Development Cooperation*, discussed at the *Future of Development Conference*³ on 11-12 May 2026, informed by expert discussions on international health financing and global health security.

¹ The WHO Pandemic Agreement reflects binding international collaboration on pandemic prevention, preparedness, and response.

² The DAC approved the graduation of Naoero from the DAC list of ODA Recipients but agreed to defer the date of effect of its graduation until 1 January 2027.

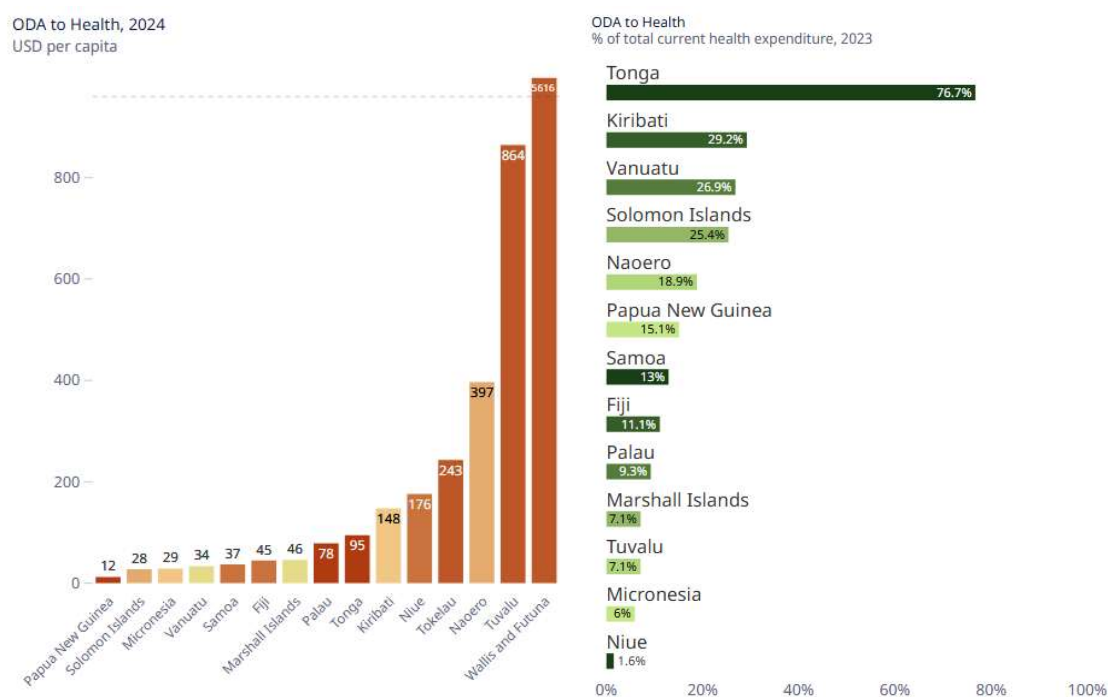
³ See www.oecd.org/en/events/2026/05/the-future-of-international-development-co-operation and [Development assistance for health at a cross-roads.pdf](#)

The aid financing landscape in the Pacific: a snapshot before cuts.

6. External sources⁴ remain a cornerstone of health financing across the Pacific. Government spending on health in developing countries in the Pacific has increased from 5% of GDP in 2010 to 6.8% in 2023. Yet, on average, 29% of health expenditure in Pacific developing countries was financed from external sources in 2023 — above developing countries in Sub-Saharan Africa (26%), and substantially higher than in the Middle East and North Africa (6%), Asia (5%), Latin America and the Caribbean (3%), and Europe (0.7%).

7. ODA has historically been an important source of external financing for health. The Pacific receives 1.2% of total health-related ODA provided to developing countries. On a per capita basis, Pacific countries rank among the highest recipients of health ODA. In 2024, Wallis and Futuna (USD 5 616), Tuvalu (USD 864), and Naoero (USD 397) were the largest recipients of health ODA per capita. As a share of total current health expenditure, health ODA was equivalent to more than three-quarters of health expenditure in Tonga in 2023, 29% in Kiribati, and around one quarter in Vanuatu and the Solomon Islands.

Figure 1. ODA to Health in the Pacific, per capita and as a share of total current health expenditure



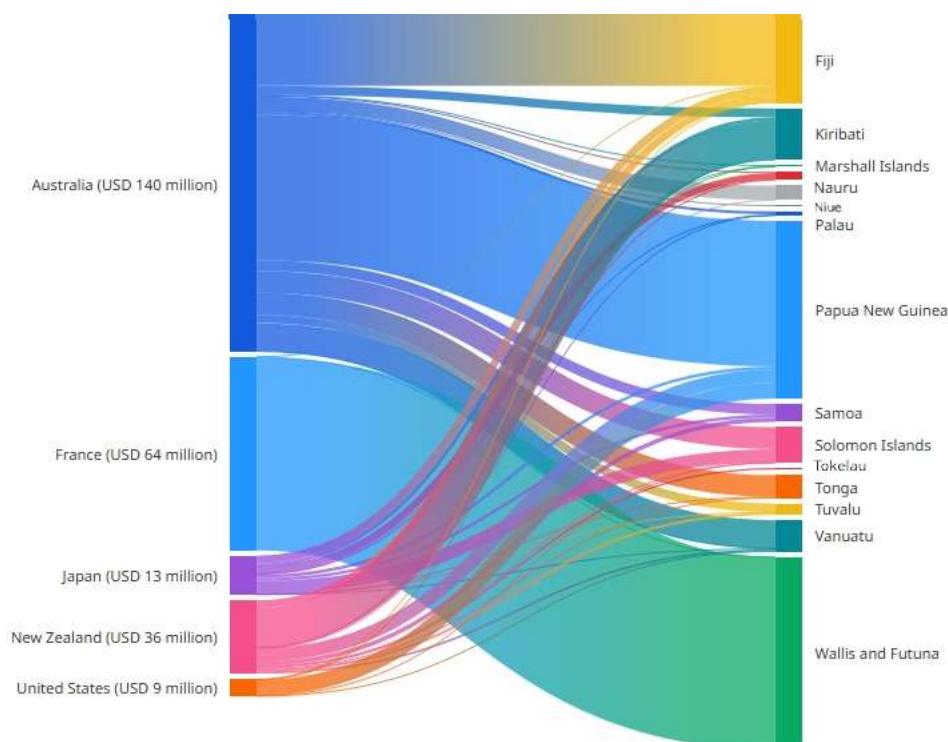
Note: Data for total current health expenditure not available for Tokelau and Wallis and Futuna.

Source: OECD (2026), CRS: Creditor Reporting System (flows) <http://data-explorer.oecd.org/s/52>; World Health Organization (2025), Global Health Expenditure Database; Pacific Community Statistics; World Bank.

⁴ Includes all foreign revenues such as bilateral and multilateral financial transfers, foreign aid in kind, and other foreign financial transfers, provided by international organisations, foreign governments, and other foreign entities (see *A System of Health Accounts 2011*, OECD/WHO/Eurostat).

8. Total health-related ODA from official donors – DAC member countries and multilateral organisations – to the Pacific amounted to USD 380 million in 2024⁵. Australia was by far the largest bilateral donor by volume, providing more than half of health-related ODA from DAC member countries to the region (USD 139.7 million), followed by France (USD 63.8 million, largely to Wallis and Futuna) and New Zealand (USD 36 million) (Figure 2). Together, the top five DAC donors accounted for more than two-thirds of total health-related ODA provided to the Pacific in 2024.

Figure 2. ODA disbursements to health by the five largest DAC country providers, 2024

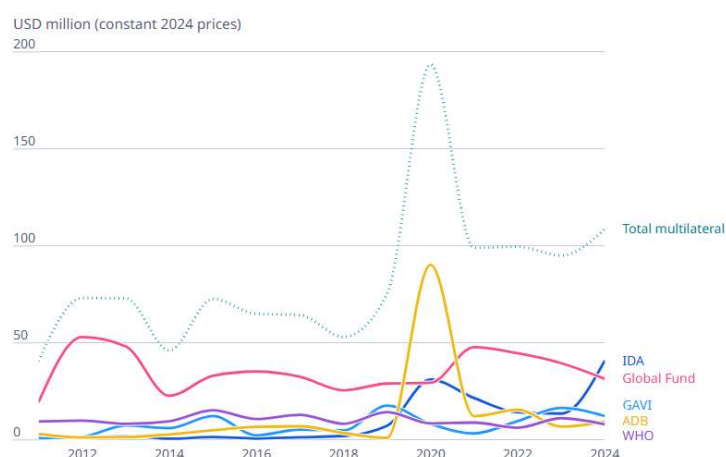


Note: Regional recipient not shown. Number in brackets represent donors' total disbursements in 2024 (constant 2024 prices).

Source: OECD (2026), CRS: Creditor Reporting System (flows) <http://data-explorer.oecd.org/s/52>.

9. Multilateral institutions have become a growing source of health ODA to the Pacific, more than doubling from USD 43 million in 2010 to USD 109 million in 2024 (Figure 3). The World Bank's International Development Association (IDA), the Global Fund, the World Health Organization (WHO) and Gavi, the Vaccine Alliance, have been the largest multilateral providers. Further, the Asian Development Bank (ADB) played a particularly important role during the COVID-19 pandemic, increasing its health ODA from USD 1 million in 2019 to USD 90 million in 2020.

⁵ DAC members provide some forms of development co-operation, including in-kind medical teams, medical equipment, clinical missions and training, that may not be fully captured in ODA/ODF statistics.

Figure 3. ODA disbursements to health by the five largest multilateral providers

Source: OECD (2026), CRS: Creditor Reporting System (flows) <http://data-explorer.oecd.org/s/52>

10. Beyond DAC members, the People's Republic of China (hereafter 'China') provided an estimated USD 255 million in 2024 in total official development finance⁶ in 2024, of which approximately USD 6.3 million was committed to the health sector (Lowy Institute, 2026). Compared to DAC member countries, this estimated dollar figure may seem low but it must be noted that China's approach to development in the region favours grants over loans, particularly small and locally targeted measures aligned with Xi Jinping's "small and beautiful" project approach (Lowy Institute, 2026). An example of this includes the Silk Road Ark, a Chinese naval hospital ship, visiting Fiji and Tonga in late 2025 offering free consultations and surgeries to individuals throughout the mission (Rui, 2026) (Knapp, 2026). This in-kind assistance, including the provision of medical teams, ongoing medical equipment donations, scholarship and training programs, is difficult to quantify financially and would not necessarily be captured estimates of official development finance to the Pacific. This simultaneously serves as an example of how donor countries also engage in the region without necessarily providing direct fiscal support (Lowy Institute, 2026).

⁶ Official development finance refers to public funds provided by governments and international organisations to promote economic and social development in low- and middle-income countries. It is the combination of official development assistance (ODA) and other official flows (OOF).

What are the implications of aid cuts for health in the Pacific?

11. Twenty-six DAC providers decreased their ODA in 2025, with further declines expected to come as major donors implement multi-year cuts planned through at least 2028. These cuts are projected to hit health systems in the Pacific, with net ODA for health from DAC member countries in the region projected to decline by 16% in 2026 compared to 2024⁷ (Figure 4). This is equivalent to a reduction of USD 44 million, from USD 270 million in 2024 to USD 227 million in 2026.

Figure 4. Net bilateral ODA for health to the Pacific, 2002-2024 (official data) and 2025-2028 (projections)



Note: Data from 2002 to 2024 reflect final statistics reported to the OECD. 2025 sectoral breakdowns are estimated based on 2024 shares applied to preliminary total ODA. 2026-28 values are projected ODA.

Source: OECD (2026), Preliminary official development assistance levels in 2025

[https://one.oecd.org/document/DCD\(2026\)8/en/pdf](https://one.oecd.org/document/DCD(2026)8/en/pdf). OECD (2026), CRS: Creditor Reporting System (flows) <http://data-explorer.oecd.org/s/52>

12. All Pacific countries are projected to see reductions in health aid by 2026. Papua New Guinea (-18.6%) and Tokelau (-17.5%) face the largest declines in percentage terms, followed by Kiribati (-16.9%). Vanuatu, Samoa, the Marshall Islands, and Tuvalu are projected to see reductions of 15% in health-related ODA. The remaining Pacific countries are projected to experience decreases of between 13% and 14%.

13. The Pacific's projected decline is comparatively modest next to other regions. For instance, health ODA is projected to fall by 50.2% in Sub-Saharan Africa and 45.7% in Latin America and the Caribbean over the same period. This is due to the relatively lower weight of major donors with announced aid cuts, and the commitment of some donors in the region to maintain ODA budgets.

⁷ Projections are calculated by applying each DAC member's historical share of total ODA by region to its projected total ODA. See OECD (2026), *ODA projections for 2026 and the near-term: Implications for vulnerable countries and sectors* for detailed methodology.

Box 1. Australia's and New Zealand's outlook for ODA to health in the Pacific

In an era of fiscal pressures on aid budgets, development cooperation providers are facing increasingly difficult decisions about where to allocate scarce resources.

Australia's global health strategy will continue to prioritise the Pacific region, recognising that these programmes save lives, underpin economic growth, and protect Australia and the region against the risk of cross-border threats. Australia's health ODA is estimated at USD 452.1 million (AUD 647.6 million) in 2026–27, representing 12.4% of the country's total ODA. Of this, USD 164 million (AUD 235 million) will be allocated to health in the Pacific. This represents a 10.6% decrease on the 2025–26 Pacific health ODA.

According to the 2026 budget, New Zealand will provide approximately USD 693 million (NZD 1.2 billion) on total foreign aid in the 2026 fiscal year, around USD 67 million (10.7%) more than the previous fiscal year. The OECD will continue to track data to inform financing flows to health as this becomes available

12. Aid cuts are troubling given the region's unique vulnerability. Pandemic preparedness, prevention and response (PPR) financing is essential to responding to disease outbreaks and minimising disruptions to essential health services, and a high share of PPR spending in developing countries is funded from external sources, including ODA (OECD, 2025). ODA for infectious disease control (including COVID-19) accounted for 11.6% of total health ODA to the Pacific in 2024 – down from a peak of 46.5% in 2021, but still well above the pre-pandemic average of around 4% in the two decades preceding COVID-19. In comparison, basic health infrastructure accounted for 8.5% of health ODA to the Pacific, non-communicable diseases 7.9%, basic health care 4.4%, and basic nutrition 1.3% of health ODA. This raises questions about the co-benefits and trade-offs between financing PPR systems and domestic health priorities, as well as the complementarity of ODA with the allocation of domestic resources for health.

13. SIDS also face significant challenges in attracting stable sources of external private financing. Private investment flows to SIDS have been volatile. In 2024, official development interventions mobilised USD 486.9 million in private finance for health across developing countries, of which just USD 47 000 was mobilised in the Pacific. Furthermore, evidence suggests that SIDS approaching graduation continue to be highly dependent on ODA flows and private flows to SIDS have struggled to take off (compared to non-SIDS), and tax revenues remain low across the entire development continuum. This risks leaving a widening gap between falling aid and the domestic and private resources available to replace them (OECD, 2024).

Future vision

14. Over the next five years, as Pacific countries continue to implement the Healthy Islands vision towards 2050, it will be critical to strengthen the evidence base for decision-making, starting with providing a more transparent picture of how different financing flows fit together to identify key gaps as they emerge.

15. To support broader global financing reform efforts, the OECD, working closely with its international partners, is developing two tools that could be used by policymakers to inform decision-making in these areas for the health sector:

- The first is a **Health Financing Dashboard** to provide a more complete picture of how health systems in developing countries are financed. By bringing together OECD data on development finance with data on domestic health expenditure, the dashboard will enable policymakers to assess countries' reliance on external aid, understand how resources are channelled, and analyse whether financing aligns with health needs.
- The OECD is also working towards a **Global Health and Resilience Tracker** to strengthen the monitoring of financing for pandemic prevention, preparedness and response (PPR). The tracker will combine domestic spending, development finance, and other international data sources to estimate country-level spending on PPR, identify financing gaps, and improve accountability.

Recommendations

Recommendations for national governments

Recommendation 1: Reinforce regional strategic health priorities through existing Pacific-led mechanisms.

16. Pacific countries and territories, working through existing regional mechanisms and guided by the Healthy Islands Vision 2050, can benefit from a shared vision for health financing in the region. This could be guided by principles anchored in alignment to national health plans, transparency of donor commitments, avoiding duplication, recurrent cost planning, and prioritisation of regional public goods. Alongside this, Pacific-led actions to improve the efficiency and strategic focus of their health spend – with support from development partners – would better enable the region to weather any funding shocks and maintain continuity of health provision and regional health security.

Recommendation 2: Strengthen domestic and regional systems for better health resource tracking.

17. Identifying and tracking the health-specific proportion of Official Development Assistance (ODA) remains a challenge as donor reporting often bundles health with broader social protection, infrastructure, climate resilience, humanitarian assistance or public sector support. This is further complicated by the fact that strengthening systems to combat global health threats requires investment in areas outside the health sector, such as education, water and sanitation. Additionally, in-kind assistance, the provision of medical teams, ongoing medical equipment donations, scholarship and training programmes are difficult to financially quantify. Strengthening work to improve data capture through national data systems will lead to more nuanced analysis and subsequent data-driven decision-making. Furthermore, the resulting datasets could inform and support the OECD Health Financing and Global Health and Resilience Tracker.

Recommendations for development partners**Recommendation 3: Ensure aid allocation priorities are predictable, transparent, and aligned with greatest need.**

18. Recent trends show a growing disconnect between ODA allocations and the global distribution of extreme poverty. As aid budgets shrink globally, and as the poorest countries struggle to find alternative forms of financing, ODA remains an essential source of financing for protecting investments in poverty reduction and human development. Strong and resilient health systems are the first line of defence against global health threats. As COVID-19 demonstrated, existing systems can be scaled up quickly during a crisis but establishing new systems during a crisis can be costly, time-consuming and potentially far less effective. Furthermore, given the risk of infectious diseases and other cross-border health threats is greatest in countries where health systems are weakest, this financing is also critical for regional solidarity and security. It is therefore recommended to strategically evaluate opportunities to channel grants and highly concessional finance to countries and sub-national regions least able to afford basic services, including least developed countries, small island states, and other fragile settings. Capturing better data could further inform and evaluate the effectiveness of allocation decisions.

Recommendation 4: Establish responsible transition strategies from aid.

19. Abrupt withdrawals from aid reverse development gains, break trust, and open gaps in essential services, above all in contexts affected by extreme and high fragility. To facilitate the transition to alternative financing flows, OECD Development Assistance Committee (DAC) members should work with Pacific countries to ensure exits from aid are planned responsibly, with phased reductions and co-ordinated strategies with partner countries and other providers. This approach should also take into consideration repayment schedules of past loans and ongoing debt obligations.

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