

Development aid from OECD countries fell 5.1% in 2006

Main messages

The 22 member countries of the OECD Development Assistance Committee, the world's major donors, provided USD 103.9 billion in aid in 2006, down by 5.1% from 2005, in constant 2005 dollars.

This figure includes USD 19.2 billion of debt relief, notably exceptional relief to Iraq and Nigeria. Excluding debt relief, other forms of aid fell by 1.8%.

Sixteen of the DAC's 22 member countries met the 2006 targets for ODA that they set at the 2002 Monterrey Conference on Financing for Development.

Aid to sub-Saharan Africa, excluding debt relief, was static in 2006, leaving a challenge to meet the Gleneagles G8 summit commitment to double aid to Africa by 2010.

Net ODA in 2006

Total official development assistance (ODA) from members of the Development Assistance Committee (DAC) fell by 5.1% in 2006 to USD 103.9 billion. This represents 0.30% of members' combined Gross National Income (see Table 1 and Chart 1). In real terms this is the first fall in ODA since 1997, though the level is still the highest recorded with the exception of 2005.

The fall was predicted. ODA was exceptionally high in 2005 due to large Paris Club debt relief operations (notably for Iraq and Nigeria) which boosted ODA to its highest level ever at USD 106.8 billion. In 2006, net debt relief grants still represented a substantial share of net ODA (see Table 2), as members implemented further phases of the Paris Club agreements, providing a little over USD 3 billion for Iraq and nearly USD 11 billion for Nigeria. Excluding debt relief, ODA fell by 1.8%.

Preliminary data show that *bilateral* net ODA to sub-Saharan Africa rose by 23% in real terms, to about USD 28 billion. However most of the increase was due to debt relief grants. Excluding debt relief for Nigeria, aid to sub-Saharan Africa increased by only 2%.

The only countries to reach or exceed the United Nations target of 0.7% of GNI were Sweden, Luxembourg, Norway, the Netherlands and Denmark. The largest donor in 2006 was the United States, followed by the United Kingdom, Japan, France and Germany. The combined ODA of the fifteen members of the DAC that are EU members accounted for 57% of total net ODA.

In 2006, net ODA by the United States was USD 22.7 billion, a fall of 20% in real terms. Its ODA/GNI ratio also fell to 0.17%. The fall was mostly due to debt relief which was exceptionally high in 2005 as the United States forgave all its outstanding debt with Iraq in 2005 rather than spreading it over several years. US disbursements to Sub-Saharan Africa (USD 5.6 billion) reached a record high mainly due to debt relief (USD 1.4 billion, of which Nigeria was USD 0.6 billion) and increased disbursements for education, HIV/AIDS and malaria programmes. Net ODA flows to Iraq remained substantial (USD 4.8 billion), to Afghanistan increased (USD 1.6 billion) and to the least developed countries were at their highest level ever (USD 5.5 billion).

Japan's net ODA was USD 11.6 billion, representing 0.25% of its GNI. The 9.6% fall in real terms since 2005 was partly due to exceptionally large expenditures in 2005, including humanitarian relief for the Indian Ocean tsunami and debt relief grants to Iraq. Japan's net ODA has been on a downward trend since

2000, except for an increase in 2005 due to debt relief. The 2006 ODA total includes an increase in Japan's contributions to the International Financial Institutions.

The combined ODA of the fifteen DAC-EU members rose slightly by 2.7% in real terms, from USD 55.7 billion in 2005 to USD 58.9 billion in 2006. This represented 0.43% of their combined GNI, surpassing the EU collective ODA/GNI target of 0.39%. The increase in 2006 was mainly due to debt relief grants.

Aid rose in ten DAC EU member countries as follows:

- Ireland (33.7%), reflecting increasing bilateral aid as well as large multilateral contributions
- Spain (20.3%), due to a large increase in contributions to the UN and other multilateral organisations, as well as an increase in disbursements by AECI, the Spanish Co-operation Agency
- Sweden (15%), due to general scaling up of its aid and debt relief
- United Kingdom (13.1%), due to a substantial increase in contributions to international organisations
- Aid also rose in Denmark (2.9%), France (1.4%), Germany (0.9%), Luxembourg (4.9%), Netherlands (4.2%) and Portugal (0.6%).

Falls were noted in Austria (-6.0%), Belgium (-2.7%), Finland (-9.9%), Greece (-4.1%) and Italy (-30%, mainly due to the timing of its contributions to international organisations).

Aid provided by the European Commission rose by 5.7% to USD 10.2 billion reflecting increased budget support and improved disbursement capacity from the higher level of commitments made in recent years.

ODA from other DAC countries rose, or fell, from 2005 to 2006 as follows:

- Australia (22.8%), primarily due to debt relief, notably to Iraq and the Multilateral Debt Relief Initiative
- Canada (-9.2%), due to the decline in debt relief and lower levels of humanitarian aid compared to the extraordinary response to the Indian Ocean tsunami in 2005
- New Zealand saw no change (0.0%)
- Norway (-2.2%)
- Switzerland (-7%), due to the lower volume of debt relief grants provided.

Net ODA data reported by seven non-DAC countries rose, or fell, from 2005 to 2006, as follows:

- Chinese Taipei (3.6%)
- Czech Republic (6.4%), due to increased contributions to the EC
- Iceland (55.3%), due to a general scaling up of Iceland's contribution to development cooperation
- Korea (-44.6%), due to lower contributions to the World Bank and regional development banks
- Latvia (-1.0%)
- Lithuania (15.2%), as it increased its contributions to the EC
- Slovak Republic (-9.1%), as bilateral aid fell.

Gross ODA in 2006

On a gross basis, ODA represented about USD 116 billion. The largest donors were the United States (USD 24 billion), Japan (USD 18 billion), the United Kingdom (USD 13 billion), Germany and France (USD 12 billion each), the Netherlands (nearly USD 6 billion), Spain and Italy (just over USD 4 billion each) representing 80% of the total.

Did members meet their 2006 targets?

In 2002, DAC members made various announcements before or during the Monterrey International Conference on Financing for Development to increase their aid in 2006 from the levels in 2000 (see Table 3).

In Barcelona, the then fifteen EU members committed to collectively reach an ODA level of 0.39% of their combined GNI, with a minimum country target of 0.33% by 2006. Most members reached the country target, except for Greece, Italy and Portugal. Spain just missed on these provisional data due to recent changes in its national accounting system. The combined result in 2006 was 0.43%, well above the target of 0.39% set in 2002, mainly due to debt relief grants.

Since 2002, some EU members have set, and reached, even higher goals for 2006. Belgium set an ODA target of 0.5% of GNI; Sweden has surpassed its target of 1%; Denmark committed to maintain a minimum ODA/GNI ratio of 0.8%; and Ireland to attain a level of expenditure of EUR 734 million in 2006 (and to reach an ODA/GNI ratio of 0.5% in 2007 and 0.7% in 2012).

Net ODA from the United States in 2006 reached higher levels than expected due to large debt relief programmes and increased aid to sub-Saharan Africa, Afghanistan and Iraq. Due to severe budget restrictions, Japan did not make any announcement of a target for its ODA in 2006. Norway's strong growth in GNI in recent years made it impossible to meet its target of 1% ODA/GNI by 2005.

Future Prospects

ODA is expected to fall back slightly again in 2007 as debt relief for Nigeria and Iraq tapers off. It is expected that other types of aid should then increase as donors fulfil their more recent pledges (see Chart 2).

The EU agreed in 2005 to scale up its aid further to provide 0.56% of its members' combined GNI by 2010, or a minimum target of 0.51% for DAC EU members. The overall EU target takes into account commitments of some DAC EU members to increase or maintain aid levels beyond the minimum country target, as well as pledges by the non-DAC EU countries to participate in the scaling up of aid by moving to specified minimum aid levels.

Australia has announced that it will double its ODA to about 4 billion Australian dollars by 2010. Japan has indicated it will increase its ODA volume by USD 10 billion in aggregate over 2005-2009, compared to its ODA levels in 2004. Switzerland is to determine a new goal for 2009 and thereafter.

TABLE 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2006
Preliminary data for 2006

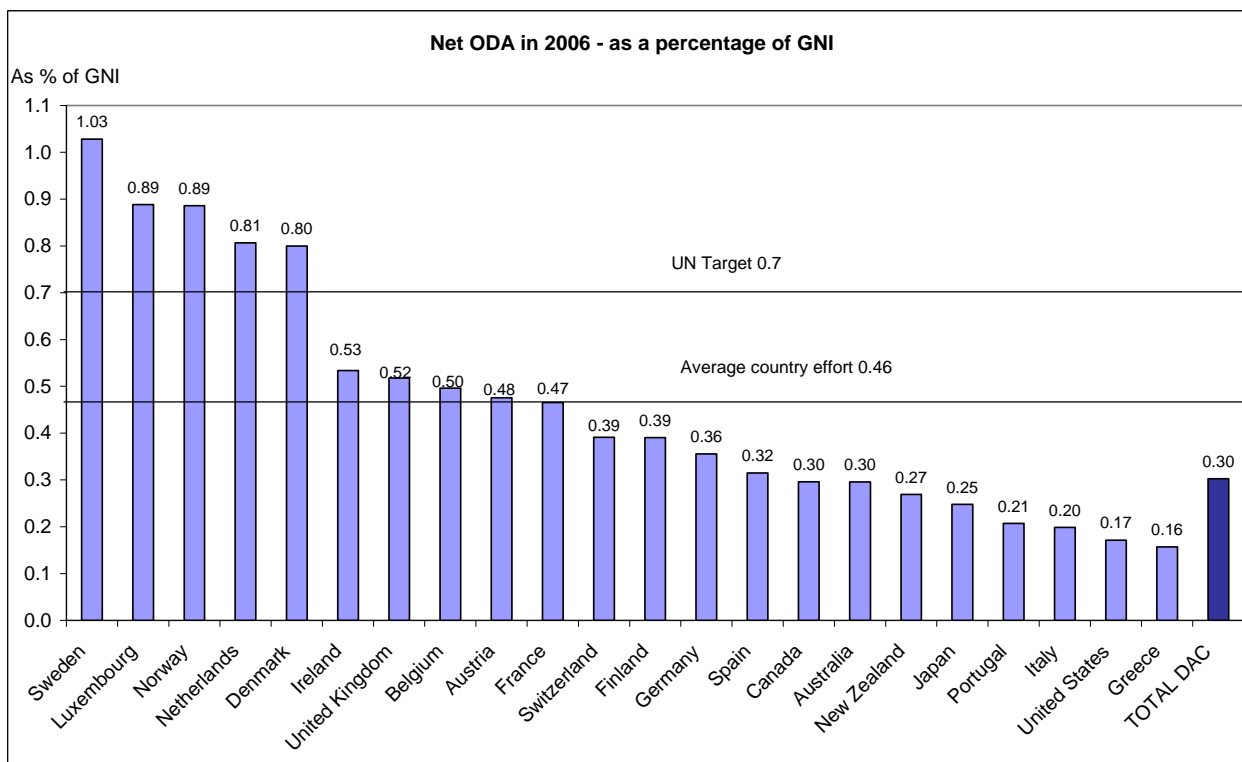
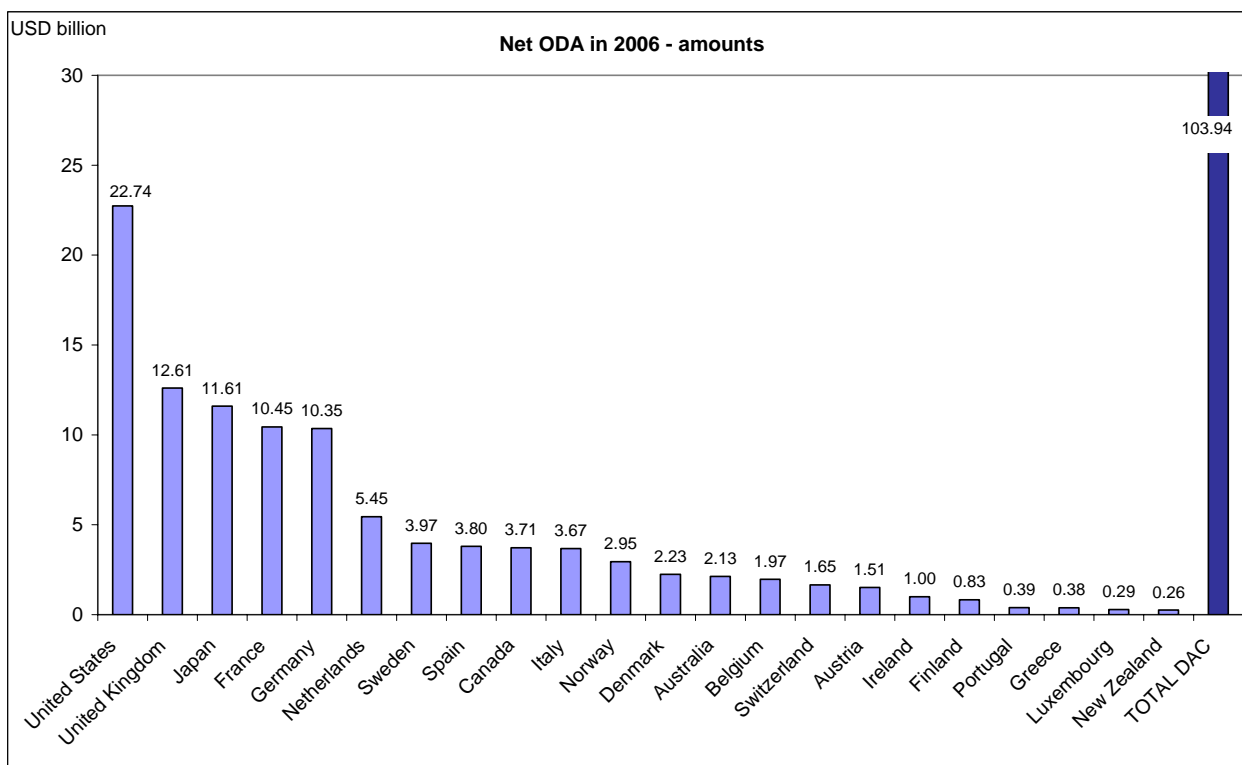
	2006		2005		2006	
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	ODA USD million (1) At 2005 prices and exchange rates	Percent change 2005 to 2006 (1)
Australia	2 128	0.30	1 680	0.25	2 062	22.8
Austria	1 513	0.48	1 573	0.52	1 479	-6.0
Belgium	1 968	0.50	1 963	0.53	1 911	-2.7
Canada	3 713	0.30	3 756	0.34	3 411	-9.2
Denmark	2 234	0.80	2 109	0.81	2 171	2.9
Finland	826	0.39	902	0.46	812	-9.9
France	10 448	0.47	10 026	0.47	10 164	1.4
Germany	10 351	0.36	10 082	0.36	10 175	0.9
Greece	384	0.16	384	0.17	369	-4.1
Ireland	997	0.53	719	0.42	961	33.7
Italy	3 672	0.20	5 091	0.29	3 563	-30.0
Japan	11 608	0.25	13 147	0.28	11 884	-9.6
Luxembourg	291	0.89	256	0.86	269	4.9
Netherlands	5 452	0.81	5 115	0.82	5 329	4.2
New Zealand	257	0.27	274	0.27	274	0.0
Norway	2 946	0.89	2 786	0.94	2 725	-2.2
Portugal	391	0.21	377	0.21	379	0.6
Spain	3 801	0.32	3 018	0.27	3 631	20.3
Sweden	3 967	1.03	3 362	0.94	3 866	15.0
Switzerland	1 647	0.39	1 767	0.44	1 642	-7.0
United Kingdom	12 607	0.52	10 767	0.47	12 177	13.1
United States	22 739	0.17	27 622	0.22	22 092	-20.0
TOTAL DAC	103 940	0.30	106 777	0.33	101 347	-5.1
Average Country Effort		0.46		0.47		
<i>Memo Items:</i>						
EC	10 204		9 390		9 929	5.7
DAC-EU countries	58 902	0.43	55 745	0.44	57 257	2.7
G7 countries	75 138	0.26	80 492	0.30	73 467	-8.7
Non-G7 countries	28 802	0.51	26 285	0.50	27 880	6.1
<i>Non-DAC Countries:</i>						
Chinese Taipei	513	0.14	483	0.14	500	3.6
Czech Republic	155	0.12	135	0.11	144	6.4
Iceland	40	0.27	27	0.18	42	55.3
Korea	447	0.05	752	0.10	417	-44.6
Latvia	11	0.06	11	0.07	11	-1.0
Lithuania	18	0.08	16	0.06	18	15.2
Slovak Republic	55	0.10	56	0.12	51	-9.1

(1) Taking account of both inflation and exchange rate movements.

Note: The data for 2006 are preliminary pending detailed final data to be published in December 2007. The data are standardised on a calendar year basis for all donors, and so may differ from fiscal year data available in countries' budget documents.

Source: OECD, 3 April 2007.

CHART 1: NET OFFICIAL DEVELOPMENT ASSISTANCE IN 2006



Source: OECD, 3 April 2007.

TABLE 2: SHARE OF DEBT RELIEF GRANTS IN NET OFFICIAL DEVELOPMENT ASSISTANCE
Preliminary data for 2006

	ODA USD million current [1]	of which: Debt relief grants [2]	Percent change 2005 to 2006 (1) Without debt relief grants [3]	Memo: Nigeria Buyback (2) [4]
Australia	2 128	363	3.0	-
Austria	1 513	753	11.0	-
Belgium	1 968	409	1.5	50
Canada	3 713	245	-3.5	-
Denmark	2 234	113	-0.9	-
Finland	826	-	8.1	-
France	10 448	3 543	-1.4	528
Germany	10 351	2 722	12.9	429
Greece	384	-	-4.1	-
Ireland	997	1	33.7	-
Italy	3 672	1 604	-41.4	216
Japan	11 608	3 128	-9.5	346
Luxembourg	291	-	4.9	-
Netherlands	5 452	294	5.2	-
New Zealand	257	-	0.0	-
Norway	2 946	23	-2.9	-
Portugal	391	0	1.4	-
Spain	3 801	526	30.1	19
Sweden	3 967	302	7.9	-
Switzerland	1 647	98	0.1	-
United Kingdom	12 607	3 476	21.8	887
United States	22 739	1 575	-12.7	102
TOTAL DAC	103 940	19 175	-1.8	2 579
<i>Memo Items:</i>				
EC	10 204	-	5.7	-
DAC-EU countries	58 902	13 744	6.1	2 131
G7 countries	75 138	16 293	-5.1	2 509
Non-G7 countries	28 802	2 882	6.8	70

(1) Taking account of both inflation and exchange rate movements.

(2) These amounts are included in columns [1] and [2] for those countries that consider the debt buyback for Nigeria met the same development purposes as the rest of the debt treatment (see box). Austria will report EUR 34.8 million for the buyback with its 2007 ODA. Denmark plans to report its net debt relief for Nigeria over a 3-4 year period including DKK 235 million for the debt buyback over 3 years starting 2007.

Source: OECD, 3 April 2007.

A debt buyback is when a donor provides a grant to fund the recipient's purchase of its debt. The amount is usually bought back at a discount.

DAC Statement on the ODA treatment of the discount in the Nigerian debt buyback:

In the absence of an agreed directive on the ODA treatment of a discount offered when a debtor buys back its own debt at the time of the Nigeria Paris Club agreement in October 2005, members that believe that in the case of Nigeria the main objective was developmental have reported the discount as ODA; those that believe that the main objective was commercial have reported the discount as an other official flow (OOF). The statistical reporting directives have been clarified to exclude from ODA any discount involved in future standalone buybacks in the framework of the Paris Club that do not form part of a comprehensive debt treatment for the country concerned. Further, members have agreed that where, in future, a buyback is a complementary element of a package of debt measures covered by a single Paris Club agreement reporters need to consider if the main objective of the agreement is the development and welfare of the debtor country. Factors to consider in such cases include: a) whether the agreement explicitly recognises development and welfare, for example poverty reduction, as its main objective; b) whether the buyback is less than half of the face value of the debt treated by the single agreement; c) in cases where the agreement includes specific measures in support of development outcomes, for example monitoring debt sustainability and increased public expenditure by the debtor to reduce poverty, whether those measures also cover the buyback element.

Statement by the DAC Chair, Richard Manning:

"I have looked closely at the recording by DAC members of the buyback element of the Nigeria Paris Club agreement, since the existing reporting directives did not cover a case of this kind. DAC members have had to decide in these circumstances whether the buyback element was entered into for primarily developmental or commercial reasons. Different members have reached different conclusions on this point, but I am satisfied that all members have acted in good faith. The reporting directives have since been updated to cover any future such cases."

TABLE 3: ODA PERFORMANCE IN 2006 AGAINST THE MONTERREY TARGETS SET IN 2002

	Targets set in 2002			Actual ODA in 2006		Was the target met?
	Commitment/ Announcement/ Assumption	Year to be attained	ODA/GNI in 2006	Total Net ODA USD million	ODA/GNI	
Austria	0.33%	2006	0.33%	1 513	0.48%	✓
Belgium ¹	0.70%	2010	..	1 968	0.50%	✓
Denmark ¹	>0.7%	n.a.	..	2 234	0.80%	✓
Finland ¹	0.40%	2007	..	826	0.39%	✓
France ¹	0.50%	2007	..	10 448	0.47%	✓
Germany	0.33%	2006	0.33%	10 351	0.36%	✓
Greece	0.33%	2006	0.33%	384	0.16%	
Ireland ¹	0.70%	2007	..	997	0.53%	✓
Italy	0.33%	2006	0.33%	3 672	0.20%	
Luxembourg ¹	1.00%	2005 ⁵	..	291	0.89%	✓
Netherlands	0.80%	Already	0.80%	5 452	0.81%	✓
Portugal	0.33%	2006	0.33%	391	0.21%	
Spain ²	0.33%	2006	0.33%	3 801	0.32%	
Sweden	1.00%	2006	1.00%	3 967	1.03%	✓
United Kingdom	0.40%	2005-06	0.40%	12 607	0.52%	✓
EU Members, Total	0.39%	2006	0.39%	58 902	0.43%	✓
Australia	3% real increase	in 2002-03	0.27%	2 128	0.30%	✓
Canada	8% annual increase	to 2010	0.29%	3 713	0.30%	✓
Japan	No target set		..	11 608	0.25%	
New Zealand	Static ODA/GNI		0.25%	257	0.27%	✓
Norway	1.00%	2005	..	2 946	0.89%	
Switzerland ³	0.40%	2010	..	1 647	0.39%	✓
United States ⁴	Increase by USD 5 bn	2006	0.12%	22 739	0.17%	✓
DAC Members, Total				103 940	0.30%	

1. Met or exceeded the EU minimum country target of 0.33% of GNI or remaining above 0.7%.

2. Spain just missed due to a change in GNI accounting.

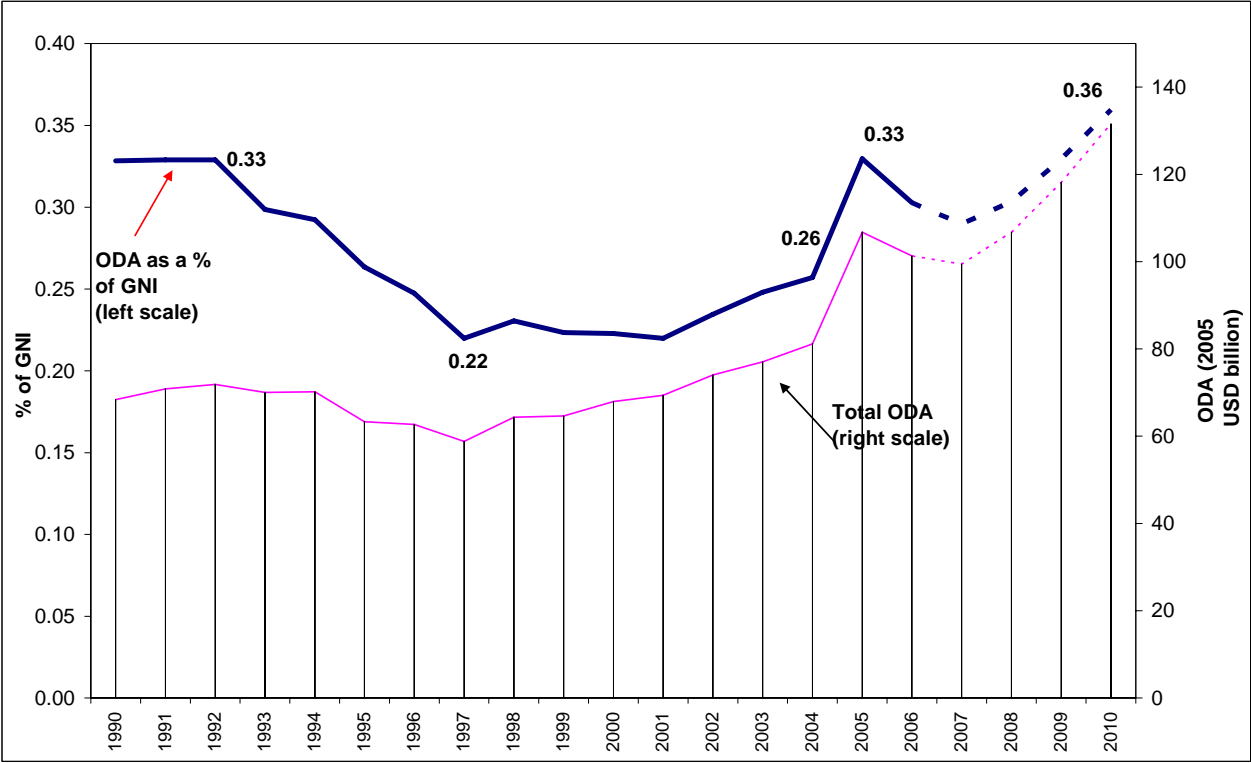
3. Switzerland on track for its 2010 target.

4. USD 5 billion increase from its level in 2000, equal to USD 15 billion in 2006.

5. Subsequently postponed to 2012.

Source: OECD, 3 April 2007.

CHART 2: DAC MEMBERS' NET ODA 1990 - 2006 AND DAC SECRETARIAT SIMULATIONS OF NET ODA TO 2010



Source: OECD, 3 April 2007.