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**FINAL ODA FLOWS IN 2006**

**Room Document 2**

**DAC Senior Level Meeting, 11-12 December 2007**

*This document is for the INFORMATION of the SLM participants.*

*Table 3 and Figure 2 in the Annex have been revised.*

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## FINAL ODA FLOWS IN 2006

### Overview

1. Total official development assistance (ODA) from member countries of the Development Assistance Committee (DAC) fell by 4.5% in 2006 to USD 104.4 billion. This represents 0.31% of members' combined gross national income (GNI). 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.

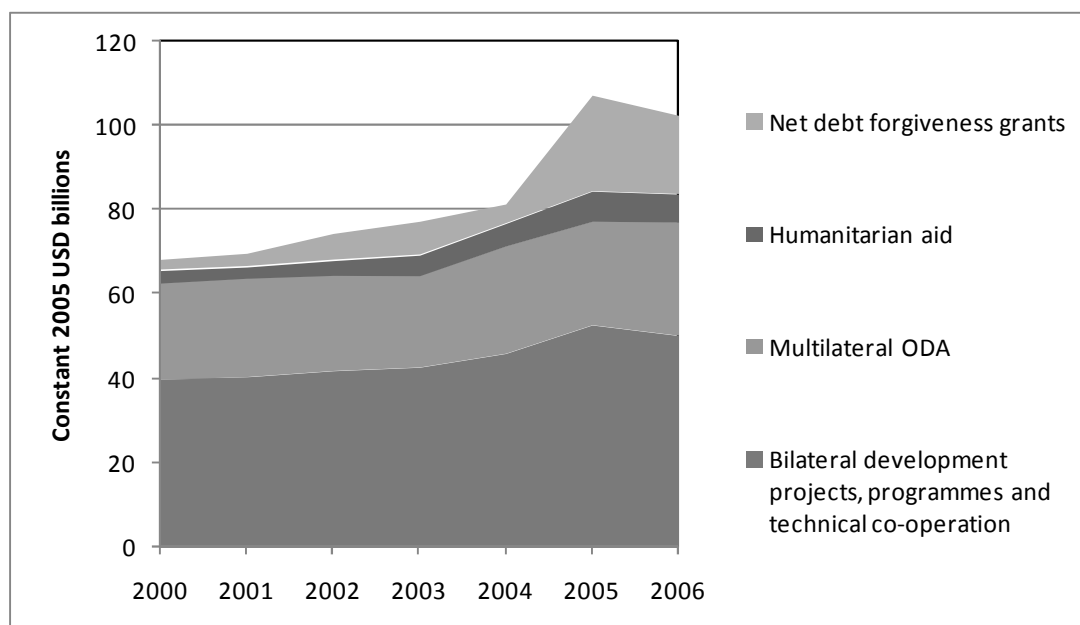
2. The fall was predicted. ODA was exceptionally high in 2005 due to large Paris Club debt relief operations (notably for Iraq and Nigeria) which boosted ODA to its highest level ever at USD 107.1 billion. In 2006, net debt relief grants still represented a substantial share of net ODA, as members implemented further phases of the Paris Club agreements, providing USD 3.3 billion for Iraq and USD 9.4 billion for Nigeria. Excluding debt relief, ODA fell by 0.8%.

3. This result is a matter of some concern in the light of the 2005 G-8 and Millennium+5 Summit commitments, to increase aid by USD 50 billion in real terms between 2004 and 2010, and to double aid to Africa over the same period. As debt relief is expected to continue to decline over the next couple of years, the annual increases in other forms of aid will have to be very substantial if there is to be a realistic prospect of meeting the 2010 targets through planned and manageable increases.

4. Figure 1 shows that the sharp increase in total ODA since 2004 is primarily due to debt relief, with some increase also in humanitarian aid following the devastating Indian Ocean tsunami on 26 December 2004. Net ODA for development projects and programmes fell slightly as for the fourth consecutive year loan repayments exceeded new disbursements (by USD 1.2 billion); see also Table 2 in Annex on gross ODA disbursements.

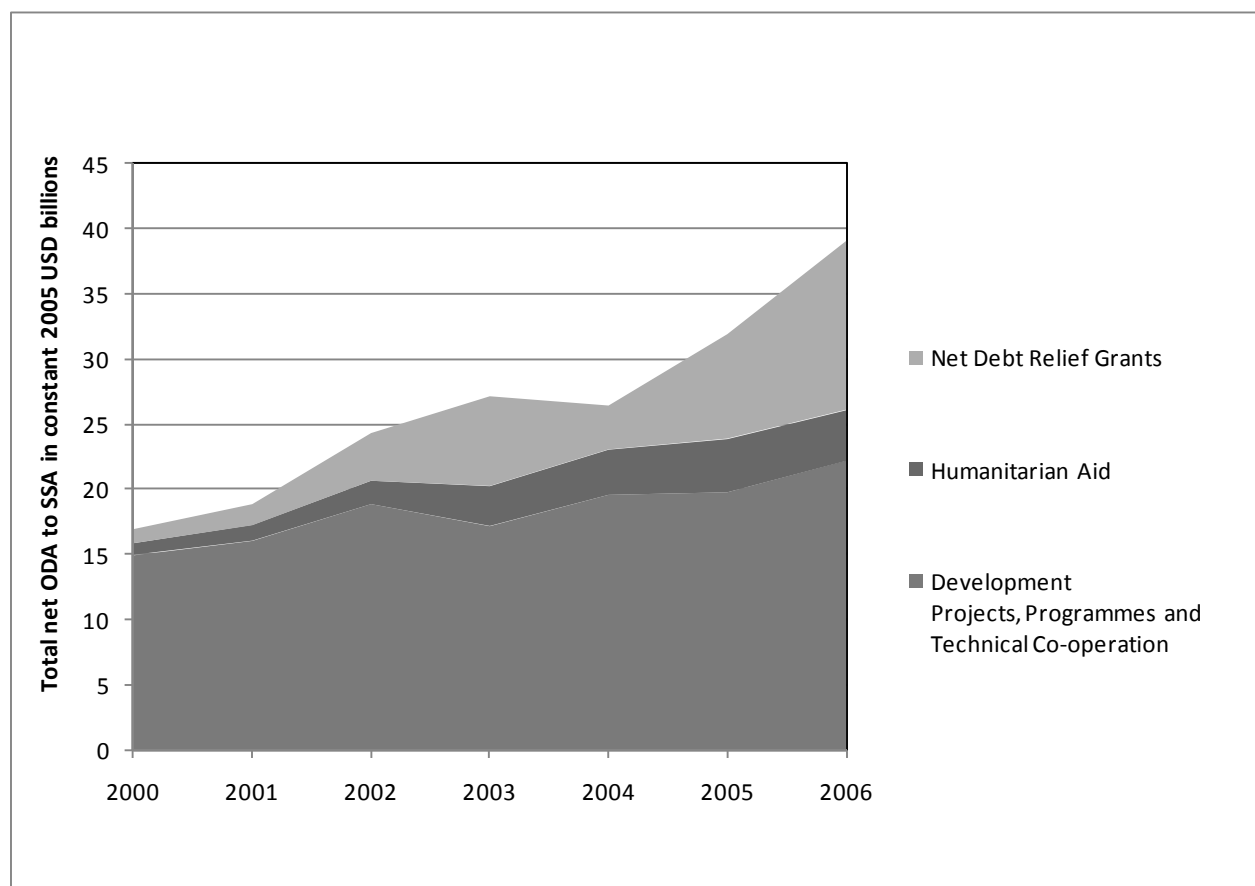
**Figure 1: Components of DAC donors' net ODA**

Most of the recent increase in aid is due to debt relief



5. The largest recipients of bilateral ODA from DAC donors were Nigeria, which received USD 10.8 billion in net disbursements, (of which USD 9.4 were net debt forgiveness grants), followed by Iraq with USD 8.5 billion (of which USD 3.3 billion were net debt forgiveness grants). The next largest recipient countries were Afghanistan (USD 2.4 billion), Sudan, Cameroon and the Democratic Republic of Congo (USD 1.5 billion each, including net debt forgiveness of USD 1.2 billion for Cameroon and USD 0.8 billion for the Democratic Republic of Congo).

6. ODA to Africa rose to an all time high of USD 43.4 billion (41% of total), of which USD 39.9 billion was to sub-Saharan Africa. Bilateral net ODA to sub-Saharan Africa was USD 29.2 billion. Figure 2 shows that most of the increase was due to debt relief. Net debt forgiveness (USD 12.4 billion) was mostly for Nigeria. If debt forgiveness is excluded, then aid to the region increased by nearly 13%. Although this is positive, it nevertheless highlights the need for donors to accelerate their plans to scale up aid to Africa so as to maintain momentum towards meeting their promises to double aid to the continent over the next four years.

**Figure 2: Components of total net ODA to sub-Saharan Africa**

### DAC members' aid performance in 2006

7. The only countries to reach or exceed the United Nations ODA target of 0.7% of Gross National Income (GNI) were Denmark, Luxembourg, the Netherlands, Norway and Sweden. 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.

8. In 2006, net ODA by the United States was USD 23.5 billion, a fall of 18.2% in real terms. Its ODA/GNI ratio also fell to 0.18% from 0.23% in 2005. 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 then, rather than spreading it over several years. United States disbursements to sub-Saharan Africa (USD 5.6 billion) reached a record high mainly due to debt forgiveness grants (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), aid to Afghanistan increased (USD 1.4 billion) and aid to the least developed countries reached its highest level ever (USD 5.3 billion).

9. Japan's net ODA was USD 11.2 billion, representing 0.25% of its GNI. The 9.1% fall in real terms since 2005 was partly due to exceptionally large expenditures in 2005, including humanitarian relief following the Indian Ocean tsunami and debt relief grants to Iraq. On a gross basis, Japan was the second largest donor (see Table 2 in Annex). 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.

10. The combined ODA of the fifteen DAC-EU members rose slightly by 2.9% in real terms, from USD 55.8 billion in 2005 to USD 59.0 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.

11. Aid rose in eleven DAC-EU member countries as follows:

- Ireland (+36.9%), reflecting increasing bilateral aid as well as large multilateral contributions;
- Spain (+20.7%), 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 (+14.7%), due to general scaling-up of its aid and debt relief;
- United Kingdom (+11.7%), due to a substantial increase in contributions to international organisations;
- aid also rose in Denmark (+3.0%), France (+2.9%), Germany (+1.7%), Greece (+5.9%), Luxembourg (+4.8%), Netherlands (+4.2%) and Portugal (+2.0%).

12. Falls were noted in Austria (-6.9%), Belgium (-2.2%), Finland (-9.0%) and Italy (-30.6%, mainly due to the timing of its contributions to international organisations).

13. Aid provided by the European Commission rose by 6.2% to USD 10.2 billion reflecting increased budget support and improved disbursement capacity.

14. Official development assistance from other DAC countries rose, or fell, from 2005 to 2006 as follows:

- Australia (+22.5%), primarily due to debt relief, notably to Iraq and the Multilateral Debt Relief Initiative;
- Canada (-9.9%), due to the decline in debt relief and lower levels of humanitarian aid compared to the extraordinary response in 2005 to the Indian Ocean tsunami;
- New Zealand saw practically no change (+0.5%);
- Norway (-1.9%);
- Switzerland (-7.4%), due to the lower volume of debt relief grants provided.

#### **Aid from non-DAC donors**

15. Among the non-DAC OECD countries, the following changes in net ODA were noted:

- Czech ODA (+10.4%), due to contributions to the EU development budget, debt forgiveness, reconstruction relief in Asia and the Middle East, as well as an increase in the core budget for bilateral projects;

- Hungary (+ 52.1%), reflecting an increase in both bilateral and multilateral aid, with debt relief to Iraq accounting for nearly 80% of bilateral flows;
- Iceland (+60.1%), due mostly to multilateral contributions which nearly doubled from 2005;
- Korea (-43.5%), reflecting decreases in both bilateral and multilateral aid;
- Poland (+38.2%), due mainly to large increases in bilateral aid;
- Slovak Republic (-9.1%);
- Turkey (+12.2%), in line with the new strategy applied by the Turkish International Cooperation and Development Agency.

### **Did members meet their 2006 targets?**

16. 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.

17. 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 the target 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.

18. Since 2002, some EU members set, and reached, even higher goals for 2006. Belgium met its ODA target of 0.5% of GNI; Sweden surpassed its target of 1%; Denmark committed to maintain a minimum ODA/GNI ratio of 0.8%; and Ireland attained a level of expenditure of EUR 734 million in 2006.

19. 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 announce 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**

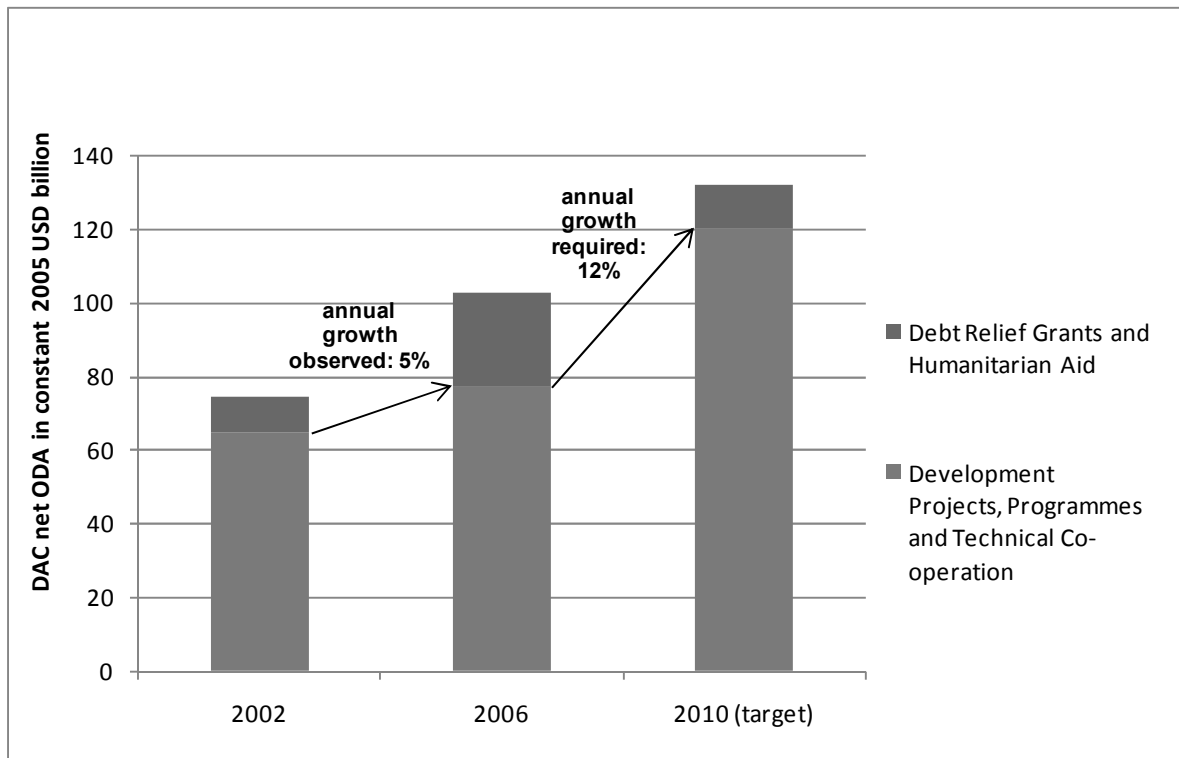
20. ODA is expected to fall back slightly again in 2007 as debt relief for Nigeria and Iraq tapers off. It is expected that other types of aid should then increase as donors move to fulfil their more recent pledges.

21. DAC-EU countries agreed in 2005 to scale up their aid to a minimum country target of 0.51% GNI by 2010, or 0.56% overall. 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.

22. Australia has announced that it will double its ODA to about AUD 4.3 billion by 2010-11; Canada estimates its ODA will be CAD 5.1 billion in 2010; Japan has indicated it will increase its ODA volume by USD 10 billion in aggregate over 2005-09, compared to its ODA levels in 2004; New Zealand has announced its commitment to reach 0.35% ODA/GNI in 2010-11; Norway to attain a target of 1% ODA/GNI over 2006-09 and Switzerland's ODA is to reach 0.4% of GNI in 2010.

23. Figure 3 compares ODA in 2002, the year donors committed to substantial aid increases at the Monterrey Conference, with the 2006 outturn and the level required in 2010 if donors are to meet their current aid pledges. Given that debt relief and humanitarian aid are likely to fall back to their historical averages by 2010, the present rate of increase in core development programmes will have to more than double over the next four years to fulfil the pledges.

**Figure 3: Growth in core development aid needs to speed up**



## ANNEX

Table 1. DAC Members' Net Official Development Assistance in 2006

	2006		2005		2006	Percent change 2005 to 2006 (1) At 2005 prices and exchange rates
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	ODA USD million (1)	
Australia	2 123	0.30	1 680	0.25	2 058	22.5
Austria	1 498	0.47	1 573	0.52	1 465	-6.9
Belgium	1 978	0.50	1 963	0.53	1 921	-2.2
Canada	3 684	0.29	3 756	0.34	3 385	-9.9
Denmark	2 236	0.80	2 109	0.81	2 173	3.0
Finland	834	0.40	902	0.46	820	-9.0
France	10 601	0.47	10 026	0.47	10 313	2.9
Germany	10 435	0.36	10 082	0.36	10 257	1.7
Greece	424	0.17	384	0.17	407	5.9
Ireland	1 022	0.54	719	0.42	984	36.9
Italy	3 641	0.20	5 091	0.29	3 533	-30.6
Japan	11 187	0.25	13 147	0.28	11 946	-9.1
Luxembourg	291	0.89	256	0.86	269	4.8
Netherlands	5 452	0.81	5 115	0.82	5 329	4.2
New Zealand	259	0.27	274	0.27	275	0.5
Norway	2 954	0.89	2 786	0.94	2 732	-1.9
Portugal	396	0.21	377	0.21	385	2.0
Spain	3 814	0.32	3 018	0.27	3 643	20.7
Sweden	3 955	1.02	3 362	0.94	3 854	14.7
Switzerland	1 646	0.39	1 772	0.44	1 641	-7.4
United Kingdom	12 459	0.51	10 772	0.47	12 034	11.7
United States	23 532	0.18	27 935	0.23	22 863	-18.2
<b>TOTAL DAC</b>	<b>104 421</b>	<b>0.31</b>	<b>107 099</b>	<b>0.33</b>	<b>102 287</b>	<b>-4.5</b>
Average Country Effort		<b>0.46</b>		0.47		
<i>Memo Items included in the above:</i>						
EC	10 245		9 390		9 969	6.2
DAC-EU countries	59 035	0.43	55 750	0.44	57 387	2.9
G7 countries	75 539	0.27	80 809	0.30	74 331	-8.0
Non-G7 countries	28 882	0.51	26 290	0.50	27 957	6.3
<i>Non-DAC OECD Countries:</i>						
Czech Republic	161	0.12	135	0.11	149	10.4
Hungary	149	0.13	100	0.11	153	52.1
Iceland	41	0.27	27	0.18	44	60.1
Korea	455	0.05	752	0.10	425	-43.5
Poland	297	0.09	205	0.07	283	38.2
Slovak Republic	55	0.10	56	0.12	51	-9.1
Turkey	714	0.18	601	0.17	675	12.2

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

Note: 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, 26 November 2007.

Figure 1. DAC Members' Net Official Development Assistance in 2006

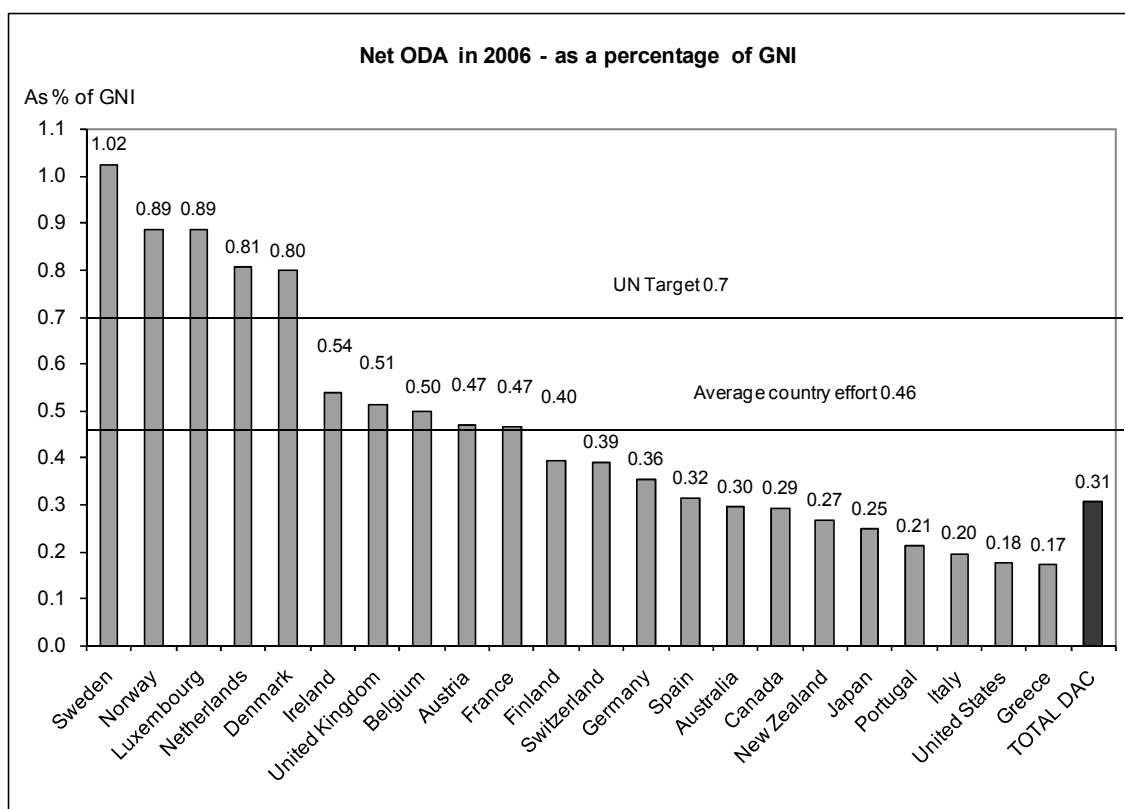
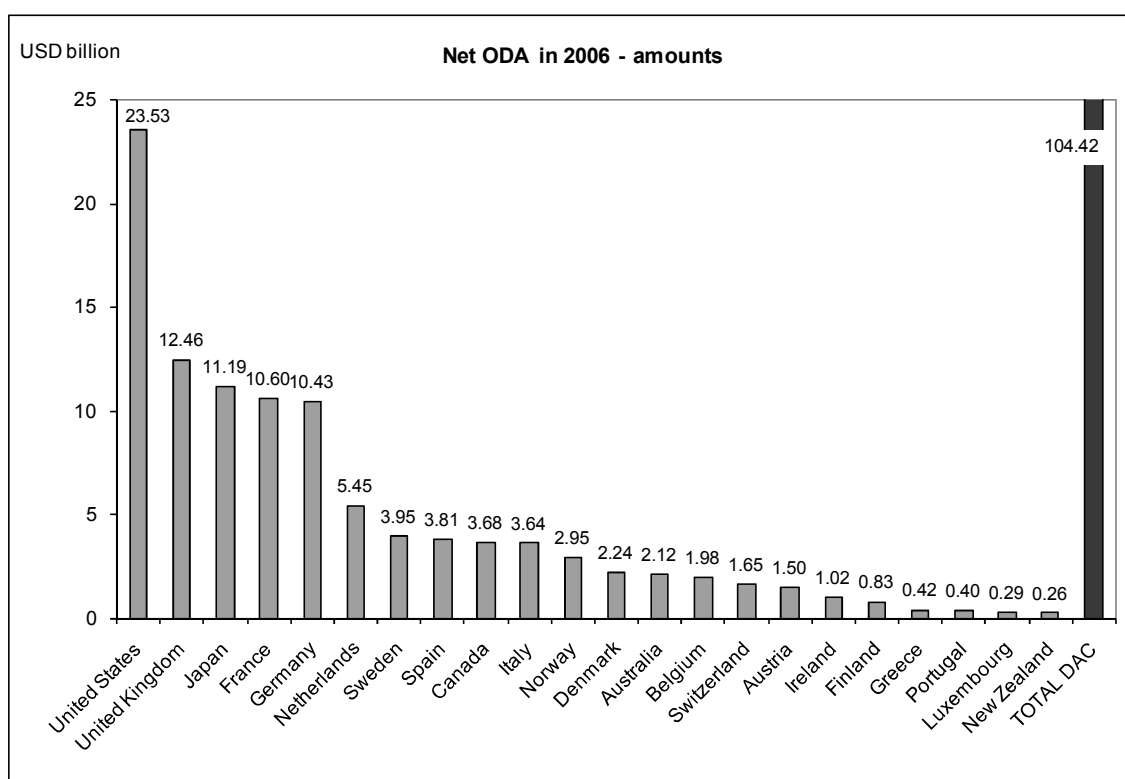


Table 1.A. Share of Debt Relief Grants in DAC Members' Net Official Development Assistance

	2006		
	ODA USD million current	of which: Debt relief grants	Percent change 2005 to 2006 <sup>a</sup> Without debt relief grants
Australia	2 123	277	7.8
Austria	1 498	757	8.3
Belgium	1 978	396	2.9
Canada	3 684	260	-4.7
Denmark	2 236	113	-0.8
Finland	834	0	9.2
France	10 601	3 433	2.3
Germany	10 435	2 722	14.2
Greece	424	-	5.9
Ireland	1 022	0	37.0
Italy	3 641	1 596	-42.0
Japan	11 187	3 003	-8.9
Luxembourg	291	-	4.8
Netherlands	5 452	312	4.9
New Zealand	259	-	0.6
Norway	2 954	23	-2.6
Portugal	396	0	2.8
Spain	3 814	503	31.5
Sweden	3 955	292	7.9
Switzerland	1 646	98	-0.3
United Kingdom	12 459	3 503	19.5
United States	23 532	1 585	-10.6
<b>TOTAL DAC</b>	<b>104 421</b>	<b>18 874</b>	<b>-0.8</b>
<i>Memo Items included in the above:</i>			
EC	10 245	-	6.2
DAC-EU countries	59 035	13 629	6.7
G7 countries	75 539	16 102	-4.1
Non-G7 countries	28 882	2 772	7.5

a) Taking account of both inflation and exchange rate movements.

Table 2: Gross ODA in 2006

	2006 ODA USD million current	2005	2006 ODA USD million (1) At 2005 prices and exchange rates	Percent change 2005 to 2006 (1)
Australia	2 123	1 680	2 058	22.5
Austria	1 510	1 587	1 476	-7.0
Belgium	2 047	2 015	1 988	-1.4
Canada	3 730	3 777	3 426	-9.3
Denmark	2 315	2 174	2 249	3.5
Finland	838	907	824	-9.2
France	12 764	11 530	12 417	7.7
Germany	12 049	11 595	11 844	2.2
Greece	424	384	407	5.9
Ireland	1 022	719	984	36.9
Italy	4 003	5 264	3 884	-26.2
Japan	17 115	18 640	18 276	-2.0
Luxembourg	291	256	269	4.8
Netherlands	5 889	5 201	5 757	10.7
New Zealand	259	274	275	0.5
Norway	2 954	2 786	2 732	-1.9
Portugal	402	383	390	1.9
Spain	4 160	3 518	3 974	13.0
Sweden	3 955	3 362	3 854	14.7
Switzerland	1 657	1 778	1 652	-7.1
United Kingdom	13 075	11 168	12 630	13.1
United States	24 532	28 750	23 834	-17.1
<b>TOTAL DAC</b>	<b>117 112</b>	<b>117 749</b>	<b>115 201</b>	<b>-2.2</b>

*Memo Items included in the above:*

EC	10 678	9 726	10 390	6.8
DAC-EU countries	64 743	60 064	62 947	4.8
G7 countries	87 267	90 724	86 311	-4.9
Non-G7 countries	29 845	27 025	28 889	6.9
<i>Non-DAC OECD Countries:</i>				
Czech Republic	161	135	149	10.4
Hungary	149	100	153	52.1
Iceland	41	27	44	60.1
Korea	513	778	479	-38.5
Poland	300	205	286	39.5
Slovak Republic	55	56	51	-9.1
Turkey	714	601	675	12.2

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

Source: OECD, 26 November 2007.

**Table 3. OECD-DAC Secretariat Simulation of DAC Members' Net ODA Volumes in 2006 and 2010**  
**In constant 2006 USD million**

The data below are not forecasts, but Secretariat projections based on public announcements by member countries of the OECD's Development Assistance Committee (DAC). The key figures from such announcements are shown as "Assumptions". To calculate net ODA and ODA/GNI ratios requires projections for GNI for 2010. For 2007 and 2008 the projections of real growth for each country are taken from the OECD Economic Outlook No. 81 (May 2007) Annex Table 1. For the period 2009-10, real annual GNI growth of 2% is assumed for all countries. While calculations have been discussed at technical level with national authorities, the DAC Secretariat is responsible for the methodology and the final published results.

Note that debt relief levels are exceptionally high in 2006, assisting some donors to meet or exceed their 2006 targets.

Country	2006			Assumptions	10 December 2007				
	Net ODA (2006 USDm)	GNI (2006 USDm)	ODA/GNI		Net ODA (2006 USDm)	Estimated GNI (2006 USDm)	ODA/GNI	Real change in ODA compared with 2006	
								(2006 USDm)	Per cent
Austria	1 498	319 586	0.47%	0.51% in 2010	1 796	352 100	0.51%	297	20%
Belgium	1 978	395 971	0.50%	0.7% in 2010	3 025	432 082	0.70%	1 047	53%
Denmark	2 236	280 148	0.80%	Minimum 0.8%	2 423	302 912	0.80%	187	8%
Finland	834	210 778	0.40%	0.51% in 2010	1 183	231 900	0.51%	348	42%
France <sup>1</sup>	10 601	2 266 600	0.47%	0.42% in 2007 and 0.7% in 2015	12 519	2 461 149	0.51%	1 919	18%
Germany	10 435	2 930 802	0.36%	0.51% in 2010	16 355	3 206 871	0.51%	5 920	57%
Greece	424	245 109	0.17%	0.51% in 2010	1 402	274 946	0.51%	978	231%
Ireland	1 022	188 888	0.54%	0.6% in 2010 and 0.7% in 2012	1 294	215 703	0.60%	273	27%
Italy	3 641	1 846 855	0.20%	0.51% in 2010	10 163	1 992 755	0.51%	6 522	179%
Luxembourg	291	32 760	0.89%	1% in 2009	376	37 576	1.00%	85	29%
Netherlands	5 452	676 089	0.81%	Minimum 0.8%	5 962	745 208	0.80%	510	9%
Portugal	396	187 162	0.21%	0.51% in 2010	1 031	202 172	0.51%	635	160%
Spain <sup>1,2</sup>	3 814	1 210 297	0.32%	0.5% in 2008 and 0.7% in 2012	7 920	1 338 773	0.59%	4 107	108%
Sweden	3 955	385 922	1.02%	1%	4 331	433 095	1.00%	376	10%
United Kingdom <sup>1,2</sup>	12 459	2 423 548	0.51%	0.37% in 2007-08, 0.56% in 2010 and 0.7% in 2013	14 856	2 652 796	0.56%	2 397	19%
<b>DAC EU Members, Total</b>	<b>59 035</b>	<b>13 600 514</b>	<b>0.43%</b>		<b>84 636</b>	<b>14 880 038</b>	<b>0.57%</b>	<b>25 600</b>	<b>43%</b>
Australia <sup>3</sup>	2 123	719 553	0.30%	See footnote 3	2 934	798 480	0.37%	810	38%
Canada <sup>4</sup>	3 684	1 253 807	0.29%	See footnote 4	4 162	1 377 726	0.30%	478	13%
Japan <sup>5</sup>	11 187	4 486 031	0.25%	See footnote 5	10 092	4 880 395	0.21%	-1 095	-10%
New Zealand <sup>6</sup>	259	96 551	0.27%	See footnote 6	344	104 185	0.33%	85	33%
Norway	2 954	332 681	0.89%	1% over 2006-09	3 661	366 117	1.00%	707	24%
Switzerland <sup>7</sup>	1 646	421 081	0.39%	See footnote 7	1 828	456 950	0.40%	181	11%
United States <sup>8</sup>	23 532	13 259 900	0.18%	See footnote 8	24 705	14 439 724	0.17%	1 173	5%
<b>DAC Members, Total</b>	<b>104 421</b>	<b>34 170 118</b>	<b>0.31%</b>		<b>132 361</b>	<b>37 303 616</b>	<b>0.35%</b>	<b>27 940</b>	<b>27%</b>

<sup>1</sup> ODA/GNI ratios interpolated between 2007 and/or 2008 and the year to be attained.

<sup>2</sup> Spain is aiming for a minimum of 0.5% by 2008, with the intention then to aim for 0.7% by 2012; the UK has announced 0.56% in 2010 and 0.7% by 2013.

<sup>3</sup> Australia expects to continue increasing its ODA. Funding has been set aside in Australia's Budget to allow Australia to increase its ODA to about 4.3 billion Australian dollars by 2010-11, and Australia intends to reach an ODA/GNI target of 0.5% by 2015-16. The figure here is discounted by 2.5% per annum for inflation.

<sup>4</sup> Canada intends to double its 2001 International Assistance Envelope (IAE) level by 2010 in nominal terms. The Canadian authorities estimate ODA will be 5.1 billion Canadian dollars in 2010. The ODA figure shown here is adjusted for 2 percent annual inflation and converted to USD at the 2006 exchange rate.

<sup>5</sup> Japan intends to increase its ODA by USD 10 billion in aggregate over the five years 2005 - 2009 compared to 2004. The Secretariat's estimate assumes USD 1.17 billion extra in 2010, compared to 2004, no adjustment being made for inflation.

<sup>6</sup> New Zealand has announced commitments of 0.30% in 2007-08 and 2008-09, 0.32% in 2009-10 and 0.35% in 2010-11 on a fiscal year basis. This is translated into a commitment of 0.33% in 2010 on a calendar year basis.

<sup>7</sup> The current financial projections assume that 0.4% will be reached by 2010.

<sup>8</sup> The United States does not issue or approve forecasts on projected ODA. The amount shown here is purely a Secretariat estimate. It is based on 2004 ODA plus USD 5 billion nominal per annum to cover the Gleneagles G8 commitments on increased aid to Africa, Millennium Challenge Account, and initiatives on HIV/AIDS, malaria and humanitarian aid.

**Figure 2. DAC Members' net ODA 1990 - 2006 and DAC Secretariat simulations of net ODA to 2007 and 2010**

