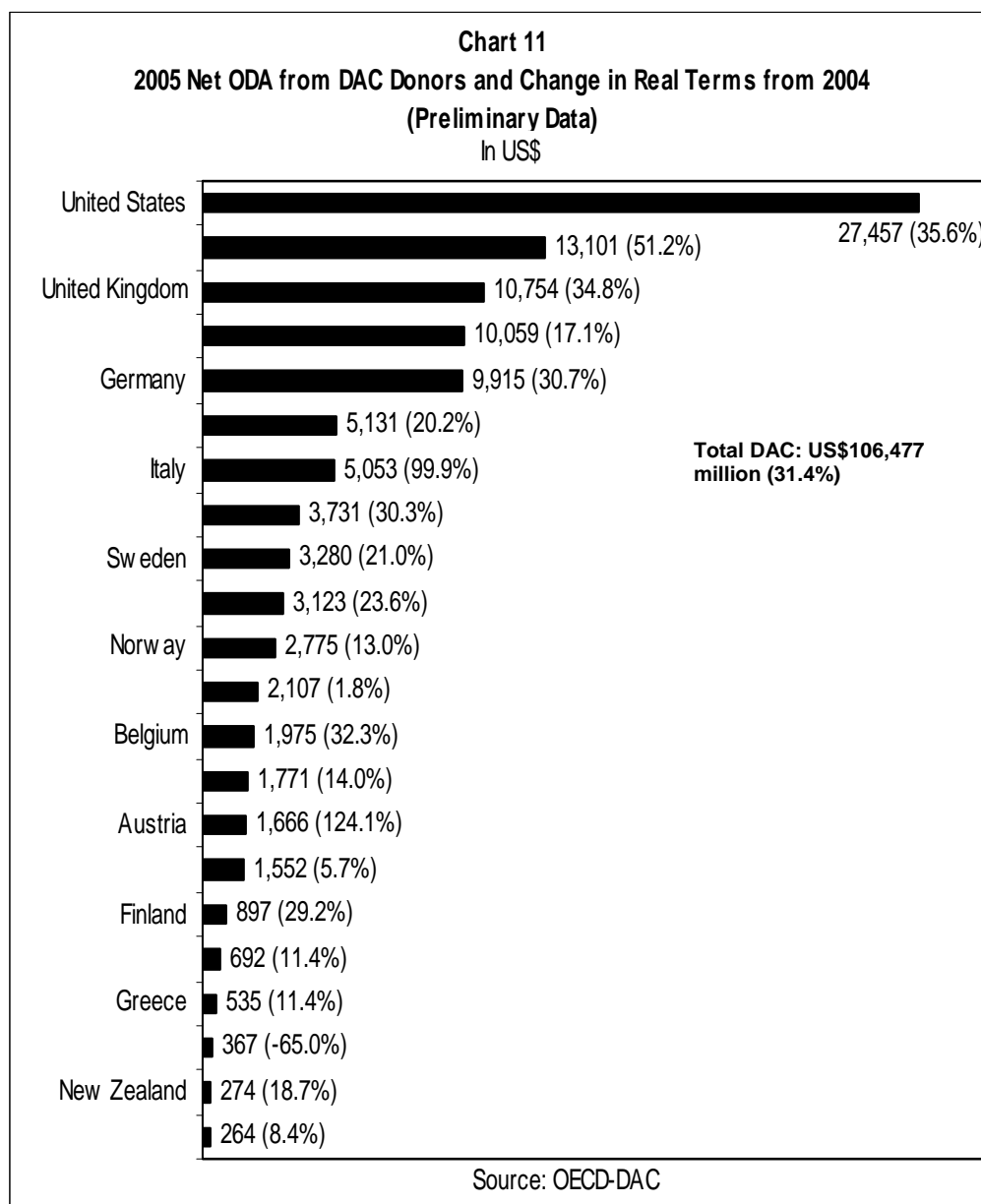


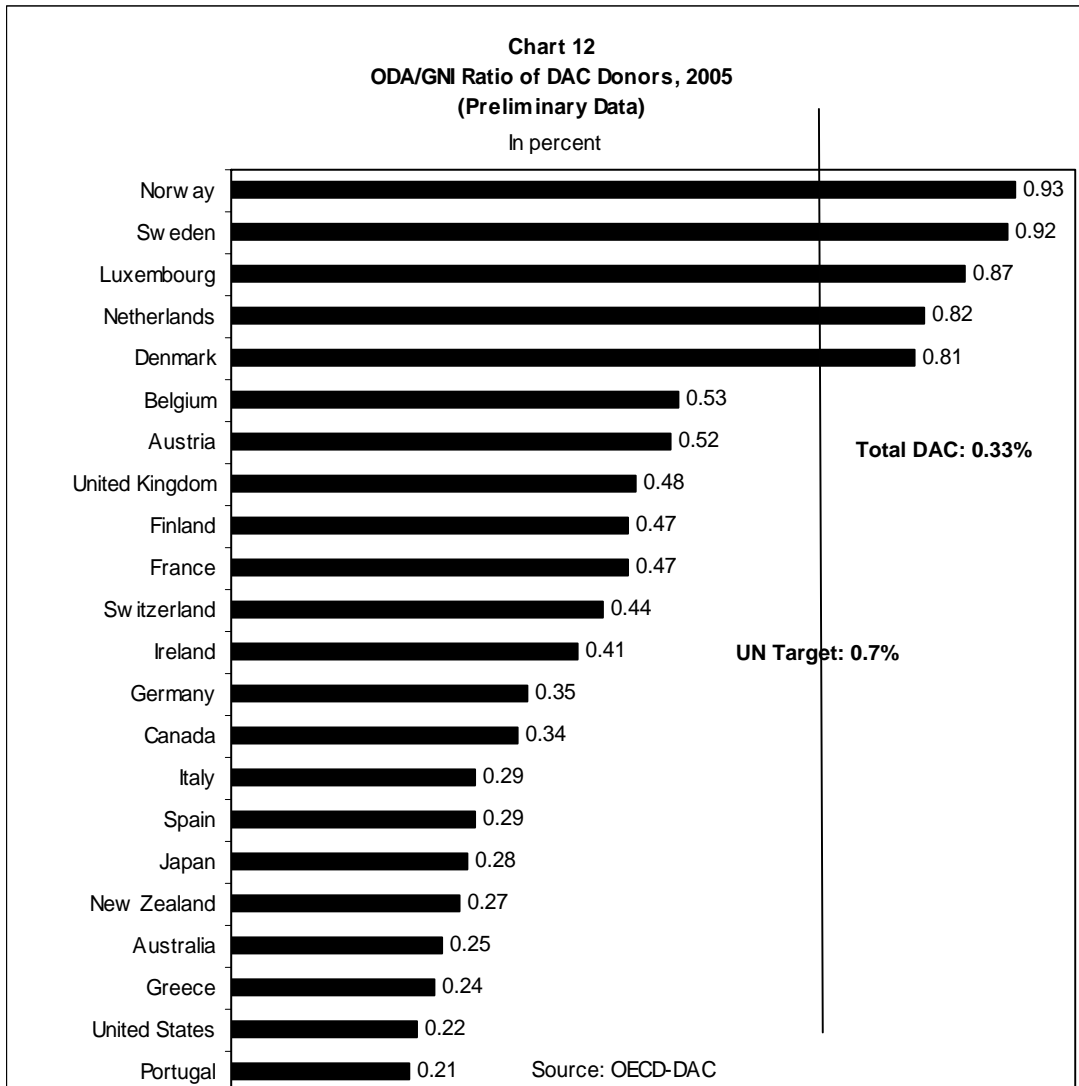
## **ARTIFICIAL INCREASES: DEBT RELIEF PUSHES ODA TO EXCEED THE US\$100 BILLION MARK IN 2005**

*As this report of the Reality of Aid goes to press, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) released the preliminary figures on official development assistance (ODA) for 2005 on April 4, 2006. This section was included to update the discussion in the World Aid Trends chapter on ODA volume and ODA as a percentage of the donors' gross national income (GNI). It also updates the discussion on the contentious debt relief grants, considering that such form of aid substantially contributed to the overall increase in net ODA in 2005.*

Behind an unusual 400%-increase in debt relief grants, ODA from DAC donors reached an unprecedented US\$106.5 billion in 2005. In real terms, this amount is 31.4% higher than its level in 2004. Eighteen of the 22 DAC donors registered a double-digit growth rate in ODA led by Austria (124.1%); Italy (99.9%); Japan (51.2%); the United States (35.6%); and the United Kingdom (34.8%); while only Portugal posted a decline (-65%). (See **Chart 11.**)



In spite of these substantial increases, only Denmark (0.81%); Luxembourg (0.87%); Norway (0.93%); the Netherlands (0.82%); and Sweden (0.92%), as in previous years, met the UN target for ODA of 0.7% of GNI. Collectively, DAC donors' ODA represented 0.33% of their combined GNI in 2005. (See **Chart 12**.)



Furthermore, the gap between the wealth of DAC donors and what they allocate for ODA continues to widen as major donors led by the US continue to spend tens of billions of dollars for the war on terrorism campaign. Such priorities indicate that available resources are not being fully maximized for the global campaign against poverty as represented by the MDGs.

Worse, a substantial portion of the increases in ODA in 2005 may be considered paper increases, as suggested in the world aid trends chapter.” Total debt relief grants in 2005 (primarily for Iraq and Nigeria) reached US\$22.9 billion, which accounted for 21.6% of DAC donors’ ODA. The UK, which posted an impressive 34.6%-increase in ODA, would have registered a 1.7% decline if its debt relief grants were not added. The same scenario applies to Germany, which would have seen its ODA fall by 9.8% instead of rising by 30.7 percent. Overall, net ODA from DAC donors should have only increased by a much lower 8.7% instead of 31.4% if aid had not been inflated by the total face value of debt cancellation in this year. (See **Table 5.**) It is expected that large debt cancellations will continue to affect the aid figures for 2006 and possibly 2007. As these are one-off increases, they bring into serious question the commitments of major donors to meet their aid targets in 2010.

**Table 5**  
**Share of debt relief grants to net ODA from DAC donors, 2005 (Preliminary data)**

**Amount in \$ Million**

<b>Donors</b>	<b>Net ODA</b>	<b>Debt relief</b>	<b>Debt relief as% of net ODA</b>	<b>% change (2004-2005) without debt relief grants</b>
Australia	1,552	9	0.6%	6.1%
Austria	1,666	901	54.1%	9.0%
Belgium	1,975	471	23.8%	17.2%
Canada	3,731	455	12.2%	17.8%
Denmark	2,107	20	0.9%	0.8%
Finland	897	150	16.7%	11.6%
France	10,059	3,199	31.8%	0.0%
Germany	9,915	3,573	36.0%	-9.8%
Greece	535	-	-	11.4%
Ireland	692	0	0.0%	11.4%
Italy	5,053	1,680	33.2%	40.0%
Japan	13,101	3,553	27.1%	12.1%
Luxembourg	264	-	-	8.4%
Netherlands	5,131	410	8.0%	16.6%
New Zealand	274	-	-	18.7%
Norway	2,775	25	0.9%	12.6%
Portugal	367	3	0.8%	-65.1%
Spain	3,123	498	15.9%	13.7%
Sweden	3,280	53	1.6%	20.3%
Switzerland	1,771	224	12.6%	0.1%
United Kingdom	10,754	3,699	34.4%	-1.7%
United States	27,457	4,073	14.8%	16.2%
<b>Total DAC</b>	<b>106,477</b>	<b>22,995</b>	<b>21.6%</b>	<b>8.7%</b>

Source: OECD-DAC