

REALITY OF AID 2006 REPORT FACTS AND FIGURES

POST-9/11 AID TRENDS

Aid and War in Afghanistan and Iraq

- In 2004, for the first time since the end of the Cold War, military spending globally exceeded US\$1 trillion.
- According to the 2005 *Human Development Report*, just the increase in military spending since 2000 would have been more than sufficient for all donors to reach the 0.7% target for aid spending.
- United States (US) Official Development Assistance (ODA) is a mere 4% of what it spent for its military in 2004. The United Kingdom's ODA is 17% of its military spending.
- The US budget allocation for the war in Iraq to date is \$320 billion. US "Operation Enduring Freedom" in Afghanistan has cost well over \$100 billion. The US government is now spending nearly \$10 billion a month in Iraq and Afghanistan.
- The US spends 76 times more for its war in Iraq than its total ODA for health, 196 times compared to education and 480 times what it allocates to water and sanitation worldwide.
- Donors have pledged \$40.2 billion for relief and reconstruction in Afghanistan and Iraq and had disbursed \$16.7 billion as of November 2005. On top of aid allocations, in November 2004, donors have agreed to cancel up to 80% or nearly \$40 billion of debt owed by Iraq.
- Since 2001, there has been a combined increase to the aid budgets for the US and the UK of \$22 billion. One-third of this increase was allocated to just Afghanistan and Iraq.

US Military and Counter-Terrorism Spending

- Almost all of the increase in US assistance (including military, economic and aid) between 2002 and 2004 (some \$20 billion) went to strategically important countries in the Middle East, the Fertile Valley (Israel, Egypt, Iraq, and Turkey) and Afghanistan and its neighbours.
- This \$20 billion for strategically important countries is roughly equal to the total US aid to the rest of the world combined.
- Of the 47 low income countries, those considered major allies of the US "war on terror" received 90% of the military and police aid provided by the US between 2000 and 2004.
- U.S. military assistance in Asia increased by 1,614% between 2000 and 2003, with the emphasis on Pakistan, Indonesia and the Philippines.

OVERALL TRENDS IN AID

Donor Aid Decreases to "Poor Performing" Countries

The World Bank estimates that between 1992 and 2002, "poor performing" countries, according to their definition, received 43% **less** aid than predicted by their poverty and population levels.

- These countries receive less aid despite the fact that 28% to 35% of the population is estimated to live on less than \$1 a day, one in three persons are malnourished and up to 50% of children die before their fifth birthday.

Generosity Gap Grows

- Since 1961 wealth per capita has increased by about 230%, while aid per person has grown by only 50%. Donor countries can well afford to meet the UN target for aid spending of 0.7% of Gross National Income (GNI).

Getting to 0.7% by 2015

- In 2005, five donors achieved or exceeded the UN target (Denmark, Luxembourg, Netherlands, Norway and Sweden).
- Six donors have stated their intent to reach 0.7% before 2015 (Belgium, France, Ireland, United Kingdom, Finland and Spain). In May 2005, the European Union (EU) set itself a collective average target of 0.7% by 2015, with an intermediate target of a 0.56% average by 2010. The EU collective commitment is based on a minimum commitment to reach 0.51% by the 15 'old' Member States, and an average of 0.17% for the so-called 10 'new' Member States.

Aid Increases – Misleading

- ODA for 2005 increased by 31% or \$26.9 billion to \$106.5 billion. However, 85% of the \$26.9 billion increase (or \$22.9 billion) was made up of the face value of cancelled debts primarily for Iraq and Nigeria. When this amount is removed the actual increase in aid spending is not 31%, but only 9%.
- For some countries, such as Denmark and Germany, aid spending in 2005 was actually lower than 2004 when debt cancellation is removed from its figures.
- Donor countries are not doing enough to meet the United Nations Millennium Development Goals by 2015. Currently, it is estimated that there is a financing gap of \$50 billion. If there is no change in funding, by 2015 this gap will be approximately \$75 billion.

Quality of Aid Not Improving

- Aid to Sub-Saharan Africa, as a proportion of total world-wide ODA, increased from 25% in 2000 to 33% in 2004. However, reaching the 33% mark means that aid spending for Sub-Saharan Africa is back to where it was in 1990. Almost half of this increase is due to debt cancellation.
- According to the DAC, aid tying has declined from 41% in 1990 to a low of 9% in 2004. This is misleading. If technical assistance and food aid, which are highly tied to purchases in donor countries, is included more than 36% of aid in 2004 remained tied. This number is still understated as the United States does not report on tying aid but it is estimated that 72% of its ODA is tied.
- The proportion of bilateral aid under local ownership is declining. After removing funding for donor-directed technical cooperation, refugees in donor countries, foreign student costs in donor countries, the cost of tied aid, emergency relief and administration costs, which have often little to do with in-country development, only 32% of bilateral aid in 2004 was potentially available to poor country partners to implement their own development strategies, down from 39% in 2000. Donors are still largely paying lip service to the principles of "local ownership" of development.