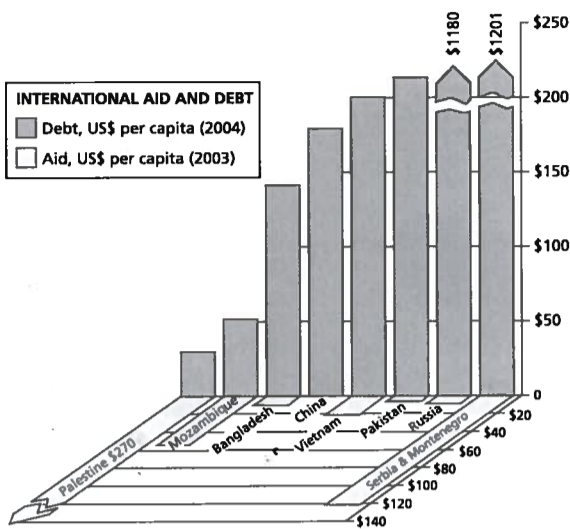


# Financial flows (5) – loans and debt

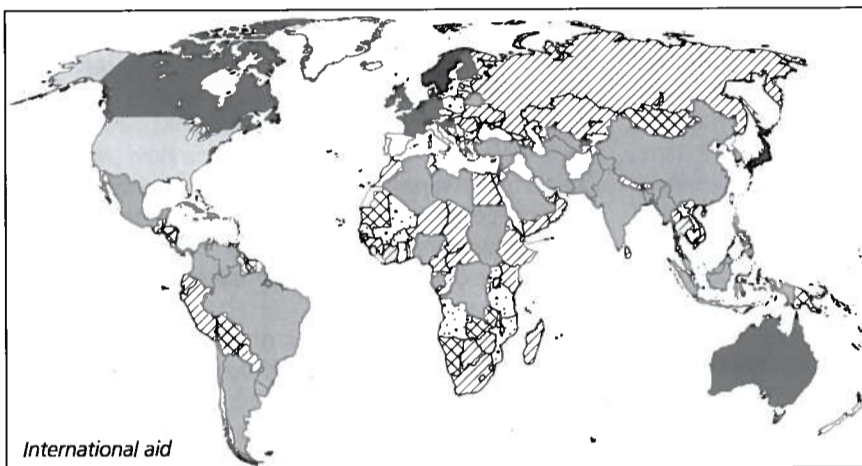
## INTERNATIONAL AID AND DEBT



International aid and debt

The graph shows that there is a wide range in the level of debt per person. The highest debt is found Serbia and Montenegro, closely followed by Russia. There is also a high level of debt in poor countries such as Bangladesh and Mozambique. In addition, some rapidly developing countries such as China and Vietnam have high levels of debt.

The relationship between debt and aid is complex. Of the countries shown on the graph, Palestine, which has the lowest debt per person, receives the most aid, whereas Russia receives very little aid despite its massive debt. Mozambique appears to receive about the same amount of aid as its level of debt. In contrast, China appears to receive very little aid per person. It is important to remember that the statistics here will be affected by population size – the relatively small populations in Palestine and Serbia–Montenegro may inflate their figures compared with the countries that have very large populations, such as China, Pakistan, Bangladesh and Russia.

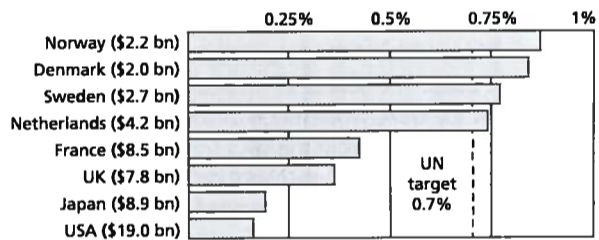


International aid

The world map shows that the main donors are the rich countries in North America, Europe, Australia, New Zealand and Japan. In contrast, the main recipients are in the poor countries. The highest levels of receipts would appear to be in much of sub-Saharan Africa, eastern Europe and Russia, and in South-East Asia.

The largest donors are the USA and Japan, although as a proportion of their GNI each donates less than 0.25%. France and the UK are the next largest donors, donating less than 0.5% of their GNI. The largest donors (in relation to GNI) are the Scandinavian countries, Norway, Denmark and Sweden.

### AID (ODA) provided as % of GNI, 2004 (total aid in brackets)



International aid and GNI

## EXPANDING AID AND INCREASING EMPHASIS ON EFFECTIVE AID

Rich countries have committed to providing more and better aid, especially to the poorest economies that commit themselves to poverty reduction and good governance. After a period of decline and stagnation, aid flows began to rise, particularly after the Financing for Development conference in Monterrey, Mexico, in 2002. Total official

development assistance (ODA) rose to a record high of \$106.8 billion in 2005.

A large amount of aid is earmarked for special purposes such as debt relief, technical cooperation and administrative costs, and emergency relief and food aid.