CONCORD AidWatch 2015

LOOKING TO THE FUTURE, DON'T FORGET THE PAST – AID BEYOND 2015

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ABOUT THIS REPORT

Since 2005, development NGOs from all 28 EU countries have come together every year through the AidWatch initiative, under the umbrella of CONCORD, to produce the annual AidWatch report. CONCORD is the European NGO Confederation for Relief and Development. Its 28 national associations, 20 international networks and two associate members represent over 2,600 NGOs which are supported by millions of citizens across Europe. CONCORD leads reflection and political actions, and regularly engages in dialogue with the EU institutions and other civil society organisations. At the global level, CONCORD has been actively involved in the Beyond 2015 campaign, the CSO Partnership on Development Effectiveness and the International Forum of NGO platforms.

More at: www.concordeurope.org.

CONCORD AidWatch has monitored and made recommendations on the quality and quantity of aid provided by EU member states and the European Commission since 2005. The AidWatch initiative carries out ongoing advocacy, research, media activities and campaigns on a wide range of aid-related issues throughout the year.

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EXECUTIVE SUMMARY

2015 has been marked by important international decision-making moments, including the Financing for Development Conference in Addis, the Sustainable Development Goals Summit in New York and the lead-up to the climate negotiations in Paris. Given the importance of these events for the existing development framework, it is no surprise the EU declared 2015 the European Year for Development. The tenth CONCORD AidWatch Report takes stock of what the EU has achieved this year and, more importantly, it warns member states that the real work starts now. It is long past time for the EU to deliver on its commitments. This report looks to the future, but it does not forget the past.

The role of aid in the new development agenda

The 2015 CONCORD AidWatch Report looks at the new development framework and what the EU can do to ensure it delivers real benefits for those suffering from poverty and inequality. Aid will remain a key development flow for years to come because it can reach farther than any other flows and is more flexible, predictable and accountable. Aid is also bound to play an enabling role in many issues on the future development agenda. It is increasingly being presented as a way to leverage private resources for development. Existing tools for measuring the development impact of leveraged private flows, however, make it very difficult to ascertain the real impact of these flows and compare results across projects.

In addition, this report discusses aid and domestic resource mobilisation. Many developing countries collect very little money in taxes, and aid can strengthen tax systems and build the capacity of domestic tax agencies. To ensure the new development framework delivers as expected, EU member states should take on board the following recommendations:

- Reach the 0.7% target by 2020. If the EU increases its aid and delivers it as effectively as possible, it will change the lives of millions of people across the world and help put many countries on track to meet the Sustainable Development Goals (SDGs) by 2030.
- Launch a consultation on how to develop a common methodology to measure the additionality of private-sector flows supported through blending mechanisms. This methodology should lead to a better understanding of the development impact of these flows and ensure that results are comparable between projects.
- Use aid to support developing countries in mobilising additional domestic resources for development, in line with the commitment made in Addis. EU member states need to state publicly how they plan to support pro-poor fiscal systems in developing countries. Major improvements could also be achieved if the EU were to take steps to tackle tax avoidance and evasion in partner countries, in line with the principle of policy coherence for development.

Delivering genuine aid

The report strongly emphasises the importance of meeting the aid quantity target, but not without ensuring that the aid is of a high-quality. Some of the expenditure items EU countries report as aid do not translate into a real transfer of resources to developing countries or, ultimately, to people who are poor and marginalised. This is the basic principle behind the CONCORD AidWatch "genuine aid" methodology (see Section 3.3). Some member states, such as Ireland, Luxembourg and Poland, have excluded all or some of these items from their aid reporting. More concerning is the fact that some EU countries are misreporting some of these expenses by including costs which, under existing guidelines, should not have been counted. The reporting of non-eligible migration-related expenses in Spain and Malta, or the misreporting of refugee costs in Hungary, are some examples included in this report.

In addition, climate finance is often double-counted towards climate and development targets, when in practice the EU aid budget has stagnated for the last few years and is clearly insufficient to meet either development or climate needs individually. EU member states should ensure that the aid they deliver focuses on issues that matter in developing countries, by implementing the following recommendations:

- Stop inflating aid, and exclude inflated aid items from ODA reporting: refugee costs, imputed student costs, tied aid, interest on loans and debt relief.
- Agree on a joint EU definition of "climate finance" so that aid and climate commitments can be measured accurately and independently, and are financed additionally. Climate finance can be reported as ODA if it complies with existing guidelines, but EU countries should not count it towards aid targets if it is also being reported in the context of climate-finance commitments.
- Stop inflating refugee costs with non-reportable expenses. CONCORD AidWatch is also concerned that the refugee crisis could be used as an excuse to count non-eligible expenditure relating to general migration flows as ODA. Refugees and migrants have a different legal status. According to the OECD, migration-related expenses cannot be reported as aid, though this has not stopped countries such as Spain and Malta from doing so.

Making aid and other development flows more effective

How aid is delivered, and the policies and practices of donor governments, can have a huge influence on its impact on poverty and inequality. This is the rationale behind the development effectiveness agenda. Evidence from developing countries shows that the EU is failing to make sufficient progress on the implementation of effectiveness principles, especially ownership and conditionality (see Section II). Development effectiveness principles are also applicable beyond the realm of aid and

official development cooperation. But if both aid and non-aid development cooperation efforts are to be effective and leave no one behind, they must be coordinated. They must be organised under the umbrella of development strategies designed and owned by developing countries, based on a sharing of information and on the coordination of goals, beneficiaries and target sector. It is also important to make all this information publicly available in order to allow mutual accountability. This is as true for aid as it is for any other development flow. Development effectiveness was one of the EU's priorities in the lead-in to the Addis conference and the SDGs, but member states have failed to back up this priority with actions.

This is a pending task, and EU and its member states should implement the following recommendations:

- Explain how and when, at a national and institutional level, they are going to deliver on the development effectiveness targets and demonstrate progress, measured against the indicators devised by the Global Partnership for Effective Development Cooperation (GPEDC). The GPEDC's second monitoring round, which will be completed in 2016, provides an opportunity to review progress, but only if it is based on sound data and an objective critical analysis. When insufficient progress is recorded in relation to these indicators, individual countries should devise and carry out corrective action to get back on track.
- Promote the development effectiveness principles in the context of other development flows. This would entail strengthening the GPEDC. In order to make the GPEDC a truly influential body, EU countries should also throw their support behind the GPEDC and ensure that the upcoming high-level meeting, due to take place in Kenya in 2016, has an ambitious, action-oriented agenda and high profile representatives who can take it to the next level.
- Work towards a definition of total support for sustainable development (TOSSD) that will help to improve the quality of non-aid flows in the future. To do this, it should capture only flows that are relevant from a development perspective, and the negotiation process should be opened up to all countries. The development effectiveness agenda can provide some useful principles to help differentiate between developmental and non-developmental flows. Flows reported as TOSSD should include a description of how they comply with the development effectiveness principles (e.g. measures taken to increase the ownership of a project by developing countries).
- The effectiveness of EU aid depends on how well it follows development effectiveness principles – with a particular focus on country ownership and reducing formal or informal conditionality – whilst also ensuring that it includes civil society and improves predictability.

PART ONE – OVERVIEW

I. INTRODUCTION

Throughout the year, much has been discussed and agreed: at the Financing for Development Conference in Addis, the Sustainable Development Goals Summit in New York and the lead up to the climate negotiations at the end of the year. At the same time, substantial issues such as aid quantity targets and improving global tax governance were less successful than expected, or were significantly weakened, during the negotiations. As the European Year for Development draws to a close, it is time to start taking stock of what it has achieved.

In 2015, global leaders have reviewed many of the key pillars of the global development framework (including through the European Commission's public consultation on the SDGs). These will set development priorities for next 15 years, while the Addis Ababa Action Agenda provides the financial framework required for achieving these goals. Whether the new framework created by these two documents will mark a turning point for better or worse will depend on the willingness of all actors to deliver on their commitments, identify and rectify weaknesses, and revisit the issues they could not agree on.

The European Union (EU) can be a positive force of change. Despite progress in the last 15 years, the world continues to face major challenges on development, from reaching those hardest to reach with development to tackling conflict and its consequences – including, most notably, the refugee crisis we have seen in Europe. What the EU does in the coming year to fulfil the commitments it has made, to implement the international development agenda, and to respond to the pressing needs of developing countries and refugees, will define its place as a potential leader and a credible partner on sustainable development in the eyes of the world.

The EU's commitment to ambitious amounts of high-quality aid will remain central to the whole development agenda. Aid is a unique development flow that can reach communities and areas which other types of finance usually ignore. Aid is also extremely flexible and less sensitive to external shocks, and can help initially to build the minimum conditions necessary to kick-start development. In this context, aid needs to be seen as a pivotal flow on the development agenda - one that enables and increases the development impact of other sources of finance, rather than as a resource used to fill gaps.

As this report shows, overall performance is poor. Political commitment has also weakened, as reflected in the Council Conclusions that set the official EU position for the Financing for Development Conference,[1] and several EU member states have severely cut their aid budgets. Nevertheless, the gloomy aggregate figures and lacklustre average performance hide some inspiring examples. Some European countries have taken their aid quantity and quality commitments very seriously. Their experience should open up a path for others to follow. The European Union has also pioneered important concepts such as policy coherence for development, and a division of labour, which have enormous potential for delivering change to people living in poverty. These initiatives have often suffered from partial or slow implementation, but they remain particularly relevant in a complex, post-2015 development and financial landscape.

This report is at the same time both a warning and a message of hope. It reviews the many weaknesses and strengths of development cooperation in the European Union's 28 member states and its institutions. The first chapter reviews the EU's performance from the perspective of developing countries. This shows whether, on the ground, existing policies and commitments are actually translating into real improvements for the intended recipients. The second chapter discusses what the EU has achieved in international conferences and assesses whether there has been progress in the delivery of the aid quantity and quality agenda. It evaluates the overall political commitment of the EU countries, and their individual progress on delivery. The fourth and last chapter provides a detailed analysis of development cooperation and aid levels for each of the EU member states and the European Commission.

1 "Member States which joined the EU before 2002 reaffirm their commitment to achieve the 0.7% ODA/GNI target, taking into consideration budgetary circumstances, whilst those which have achieved that target commit themselves to remain at or above that target; Member States which joined the EU after 2002 strive to increase their ODA/GNI to 0.33%." European Council (2015) A New Global Partnership for Poverty Eradication and Sustainable Development after 2015. Council conclusions, 9084/15

II. A VIEW FROM THE SOUTH

By Vitalice Meja – Reality of Aid (RoA) Africa

The EU remains one of the most important development partner in the continent of Africa, but its policy and programmes have had mixed results owing to a myriad of factors which include conditionality, unresponsive funding instruments and the lack of an inclusive framework at the strategy development phase of the partnership. A new way of working has recently been introduced by the European Union, which should help make aid more effective, but it still has to prove that it can deliver.

This chapter examines the past performance of the European Union's policies and programmes in sub-Saharan Africa. As a concrete example, it focuses on the implementation of the European Development Fund (EDF). This exercise highlights some important areas where improvements are needed. The last section summarises these lessons and discusses them in the context of the new EU aid architecture.

EU aid in Africa: key figures

The EU Institutions are an important actor in Africa – not least as a donor. Member states give, on average, one-fifth of their development funds to the EC's aid programme, which is managed by the EU institutions including the European Commission, in particular DG DEVCO (ODI 2014). The EC is one of Africa's largest donors, with the EDF alone accounting for €30.5 bn in aid for the period 2014-2020[2]. On average, the European Commission support to sub-Saharan Africa has expanded from €3.1 bn in 2003 to €3.8 bn in in 2013[3]. Despite its importance for the budgets of most sub-Saharan countries', funding from the EU remains just as volatile as that from other development partners across Africa (see Annex II and III).

The sectors of intervention are mainly infrastructure and energy while recent trend suggests a revival of interest in investment in the rural economy and governance. The EC's strategy for Africa[4] is based on a strong partnership between the ACP countries and the European Union. Their agreement guides its partnership with the continent, while national strategies are developed individually with each African nation. The partnership is underpinned by the principles of the unity of Africa, the interdependence between Africa and Europe, ownership and joint responsibility, and respect for human rights, democratic principles and the rule of law, as well as the right to development. Other key elements that inform the EU-Africa partnership include political dialogue, co-management and co-responsibility in bilateral cooperation and on global issues, burden-sharing and mutual accountability, solidarity and mutual trust, equality and justice, common security and human security, respect for international law and agreements, gender equality and non-discrimination (EU: 2014). Article 130u of the Treaty of Maastricht, which deals with development cooperation,[5] is the main source from which the European Commission must derive its mission statement. Its strategy is defined by legal communications, mainly the Agenda for Change (2012), which revises the previous European Consensus on Development, adopted in 2005. The Commission also takes part in international initiatives such as the Millennium Development Goals of the United Nations. The main priority areas for EU development cooperation include human rights, democracy and governance on the one hand and inclusive economic growth on the other. The EU's economic reform package mainly covers the effectiveness of economic governance in the areas of the investment climate and macro-economic performance.

Lessons from the past

Power imbalances in the planning process

Like that of many other multilateral and bilateral aid agencies, the EU's aid comes with a reform agenda reflecting the EU's strategic interests in respect for human rights, democratic principles and the rule of law, as well as the right to development. Most of its programmes are therefore geared towards achieving reforms in these areas[6]. But even though this remains a noble ideal, how they are sequenced and prioritised should at least be discussed by the partner countries. This, however, has not always been the case.

Up until 2014, when seeking to access EU funds, at the programming stage, every partner country needed to sign a Country Strategy Paper (CSP) that was drafted mainly by the EU. These strategy papers set out the priority development areas and the percentage of aid provided for each of them, prescribing how to achieve reform and sustainable development. The role of the partner country in this case was that of a recipient and not a partner.

Furthermore, local CSOs and parliamentarians were not consulted during the design of the CSPs or projects, thereby compromising the democratic ownership of both development programmes and inclusive partnerships. Citizen participation was limited to collecting the views of the communities and consumers who would be affected. Since they were not seen as stakeholders, the projects appeared to lack a human face during their implementation. In some cases this led to a violation of the rights (land rights) of communities in areas around the EU-funded projects, were conflicts of interests were not dealt with in a humane manner.

2 Mikaela Gavas, ODI Research Fellow; Raphaëlle Faure, ODI Research Officer; Elize Hefer, ODI Project Officer; and Nick Scott, ODI Digital Manager, 10 things to know about EU Aid, 2014

3 Figures in € constant 2013. Based on the analysis of the OECD Development Assistance database, available at stats.oecd.org

4 See: http://www.africa-eu partnership.org/sites/default/files/documents/eas2007_joint_strategy_en.pdf

5 See: http://ec.europa.eu/development/body/theme/rurpol/outputs/policy/html/2.htm#_ftn2

6 SAIIA: Aid to Africa: What can the EU and China Learn from Each Other?, and occasional paper 2010

EU funding undermining country leadership

The EU's linking of budget support to the eligibility criteria[7] has usually compromised its ability to respond to changes in country priorities as a result of new governments or development strategies, or to financing gaps in national programmes occasioned by delays or changes of priorities by other development partners. It is generally not easy for the EU to take on board areas that are not amongst the agreed priorities.

Furthermore, the EU has not been flexible in responding to exogenous shocks that change the financing needs of partner countries, because its performance criteria supersede the needs of its partners. For example, the EU has been slow in responding to Africa's call for support during the global financial and food/petroleum price crises, and to national crises in fragile and post-conflict states such as Liberia and Sierra Leone during the Ebola outbreak. In places where the EU has chosen to intervene, its intervention has not been systematic for all countries, and has depended too much on political-level discussions, to the exclusion of fundamentals for development. In addition, in some cases it has taken over a year to approve and disburse rapidly-agreed "emergency" funding.

While the EU remains one of the most improved of Africa's development partners, its performance in moving programmes and projects from country strategy to development effectiveness principles has been poor. The preparation, appraisal and approval periods of the CSPs and projects have generally been extremely variable and have undermined the relevant country's ability to plan and execute development projects that depend on EU funding. The EU has also failed to set a deadline to move to 100% use of government financial management and procurement systems in all countries where these are rated moderate or high according to Paris Declaration-related assessments, as stipulated in Paris Declaration. The EU has also failed to comply with the Busan Global Partnership for Effective Development Cooperation and to publish a plan in each country for increasing the use of national systems and government monitoring and evaluation systems.

Ownership versus democratic ownership questioned

While direct budget support remains the preferred mode of support of most African countries, evidence suggests that the EU has used this instrument to leverage its reform agenda in Africa. It has used it as a tool for imposing conditions on both institutional and policy reforms that the EU would like to see in place. While these are not quite the negative policy conditionalities espoused by the IMF and the World Bank, the instrument appears to give countries more autonomy in using the money, so it is more attractive to them and they are therefore more willing to agree to the preconditions set for gaining access budget support. Under the umbrella of budget support, the EU has used its reform package to pressurise its partner countries into carrying out reforms internally. The pressure has included sets of policy and institutional reforms that cover a variety of issues including governance, human rights and macro-economic reforms. While this does prompt action on the part of the partner country, it raises questions about the true ownership of reforms at the national level. Countries appear to comply in response to financial inducements rather than from a desire for true change.[8] Serious questions are raised about the democratic ownership of both policy and programme reforms by the citizens pushed by the EU. Their input is not usually sought into either the EU's reform package or their government's agenda. In addition, the EU's benchmarks and preconditions for accessing direct budget support appear paternalistic in nature. If a country's reform efforts are not considered adequate for direct budget support, the funds can be withdrawn and the evaluation report arising from the assessment can be used to warn off other development partners who might have wanted to give direct budget support.

Continued use of conditionality

The EC has traditionally used a combination of economic and political conditionality to push for policy and structural changes, driven from its headquarters. This has caused the EC to be regarded as "invisible" in country-level policy dialogue on macro-economic and sectoral conditions. EU delegations are not empowered to negotiate on policy issues, or to take decisions on behalf of the EC based on country situational analyses. This forces the EU to rely heavily on other development partners, who participate actively in these discussions, especially the World Bank and the IMF.

The result is that in the EU's economic reforms conditionality has been too closely tied to the Bretton Woods Institutions. Government officials complain that, when they negotiate for emergency loans, the EU's conditions become more numerous and more intrusive. The potential development impact of such emergency support becomes secondary in the negotiations. Furthermore, when the EU operates in combination with other development partners, through multi-donor budget support and sectoral frameworks, the conditions become much more onerous, their number and the strength of their enforcement causing delay and unpredictability in disbursements. The EU does have the capacity to conduct its own independent assessment of whether a country has complied with conditions, so it can increase its flexibility in disbursing funds, but this has rarely happened in practice.

EU support for the private sector

There is evidence on the ground that the EU is increasing its support to the private sector. It has provided funding (and continues to do so) to companies venturing into public-private partnership (PPP) programmes with African governments in the areas of energy and infrastructure. However, the EU has not de-

7 Variable tranches are also linked to progress in meeting the agreed targets (e.g. on health, education or public financial management)

8 Reality of Aid: "Aid and Development Effectiveness: Towards Human Rights, Social Justice and Democracy", Abridged Edition, 2010

veloped a policy framework for supporting the private sector in PPPs, even though there are structures that allow for participation by citizens who are not direct consumers of their products but who are also are impacted by them. Local investors have also been left out by financing instruments that deliberately target only EU investors.

Looking to the future: new EU aid architecture in Africa

Up until 2014, the EU drafted country strategy papers (CSPs) that set out the priority areas for each partner country. In order to follow the development effectiveness agenda, however, the EU changed this practice when the 11th EDF came into force in January 2014. At this point the EU started using National Indicative Programmes (NIPs) based on partner counties' existing development plans, and CSPs were now to be drawn up only in very exceptional cases.

According to the guidelines followed by EU delegation staff, all stakeholders – government, parliament, CSOs, trade unions and the private sector – are considered important and must be consulted during the programming process. This new way of doing programming is a very welcome change.

Nevertheless, civil society in many partner countries has not yet seen a transformative change in the way development cooperation is implemented. For example, the new architecture has introduced EU roadmaps for engaging with civil society in partner countries. A recent report looking at the experience of six different countries shows that CSOs have been participating rather more in the planning process, but there is still room for progress, especially when it comes to implementation.[9] In addition, it is not clear how these roadmaps can influence NIPs or increase the democratic ownership of them.

As discussed in the page devoted to the European institutions, there is still a difference between agreeing a common strategy in theory, and harmonising EU aid in practice. Little progress has been made on practical aspects such as joint modalities for delivering aid, delegated cooperation, or monitoring and evaluation mechanisms. The power delegated to the EU delegations is already quite extensive on paper, but their capacity needs to be increased so that they can play a more important role and effectively coordinate all the different processes at country level.

It is crucial for the potential of the new aid architecture to be used to its fullest extent. The EU's experience with the EDF in sub-Saharan Africa (reviewed in this chapter) identifies some problems the new architecture should address in order to deliver the best possible development outcomes.

First, the EU needs to remain faithful to the development effectiveness principles and genuinely promote a rights-based agenda when it is providing programmatic aid and financing specific projects. The support framework must be set inside an empowerment framework that is locally initiated and based on what the local people decide. People living in poverty must have the power to make choices and take decisions on development programmes supported by the EU.

Secondly, sector allocations and economic reform packages should be decided by African countries themselves through their own national political processes. This idea of ownership has been accepted in international agreements on aid effectiveness. Where these country systems are strong the EU should use them, and where they are weak it should help strengthen them. Rather than looking for quick results to show value for its money, the EU's focus should remain on assessing the impact of its support on issues of concern such as human rights, justice, gender equality and sustainability.

Thirdly, conditionality is a two-fold problem, involving both interference and deeply compromised democratic ownership of development programmes. The economic conditionalities used to date by the EU run counter to the commitment it gave at the Accra conference on aid effectiveness, and should be eliminated.

9 CONCORD (2015). "Analysis of six EU Country Roadmaps for Engagement with Civil Society and recommendations for the future." CONCORD, Brussels

III. WHAT DOES THE FUTURE HOLD?

Aid is no longer the "popular kid on the block" on the global development agenda. The outcome document of the Financing for Development conference held in July – the Addis Ababa Action Agenda[10] – failed to make a strong defence of aid (see section below). Instead, the document promoted and sanctioned the centrality of other flows such as domestic resource mobilisation, the role of the private sector in development, trade, and the rise of emerging and philanthropic donors.

While all resource flows are important and have a unique role to play in achieving sustainable development, playing down the importance of aid, or even trying to replace it with other flows, is a grave mistake. Aid will remain a unique and central source of finance, helping to advance the struggle against poverty and inequality for many years to come because of its flexibility and its ability to reach people whom other flows would bypass. Aid can help fill the enormous gap in the public-sector budget of the poorest countries, for example. Data from the World Bank shows that low-income countries (LICs) mobilise very few domestic resources,[11] which makes it very difficult for them to finance investment in public services. Aid therefore continues to be essential to the development of these countries.

Something similar happens with private flows. While aid can be targeted at the poorest and most marginalised people, the private sector reaches only those who it can be profitable to serve because they pay for services or goods. This point is well illustrated by the painful experiences of developing countries with introducing user fees (a feature of private-service provision) in education and health in recent decades, which has led to the poor being excluded.[12] In Kenya, for example, the introduction of user fees for health services in Nairobi led to an almost immediate drop in attendance of over 50%,[13] enough to halt progress on the SDGs at a local or regional level.

The role played by other donors is a welcome addition to the fight against poverty, but it can only complement, not substitute for, the efforts of the European Union. Moreover, during the Addis negotiations, holding the EU aid commitment hostage to others "doing their fair share" was both inappropriate and politically challenging. It stalled the negotiations on the issue of aid and made it more difficult to reach agreements on other equally pressing issues. South-South cooperation was estimated by the UN to represent US$16.1-19 bn in 2011,[14] an amount equivalent to no more than one-eighth of all ODA provided by developed countries.[15] It is also important to continue working to improve the quality of South-South flows. The lack of accurate data illustrates the need to increase the transparency and accountability of these flows, which are still far from meeting the basic requirements of the development effectiveness agenda.

Aid should undoubtedly remain an essential source of development funding. The following sections analyse the role of the EU in the light of recent developments, assess the quantity and quality of EU aid, and discuss what the EU can do to ensure that aid delivers for those in need. More and better EU aid would not only benefit its beneficiaries, but would also encourage other donors to step up their efforts.

3. 1. HOW TO MAKE THE ADDIS AGENDA PRO-POOR

The Addis Ababa Action Agenda lays the foundation for an updated financing for development framework that will take donors and developing countries into the post-2015 world. This document is not the end of the road, but the starting point of a long process to develop and implement concrete commitments so that the flows of financing for development become more effective tools for fighting poverty and inequality.

This section does not only deal with the aid chapter of the outcome document. It also examines other areas where aid has an important role to play. As argued below, the EU's experience with the aid agenda contains many valuable lessons that are key to unlocking the potential of other development flows and maximising their development impact, while preventing their capture by political or economic interests.

Clear timelines for reaching 0.7% by 2020

The Addis Ababa Action Agenda contains no global commitment to a minimum level of development assistance, or of any other flows. Given the unique features of aid discussed above, this is potentially a serious blow to global development efforts and could jeopardise the future of the SDGs. Aid is not only flexible, pro-poor and able to reach populations that other flows cannot: it is also the most traceable and accountable development flow. At present it is the only one whose impact we can trace and record with a reasonable level of accuracy.

The EU has been more ambitious than other countries, but now it needs to prove it can deliver. The EU's official position at the Addis conference merely recommitted member states to a collective 0.7% target within the timeframe of the post-2015 agenda.[16] Meanwhile, individual country commitments have

10 UNGA (2015). Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda). A/RES/69/313

11 LICs account for just 2% of domestic revenues mobilised by developing countries in 2012. See CONCORD (2015). "What's in the Commitment? Unlocking 0.7%." May 2015

12 See: Lagarde, M. & Palmer, N. (2008). "The impact of user fees on health service utilization in low- and middle-income countries: how strong is the evidence?" Bulletin of the World Health Organization, 86(11), 839–848; and Rabinowitz, G. & Prizzon, A. (2015). "Financing for development: lessons from Development Progress case studies." Overseas Development Institute.

13 Ibid.

14 UNSG (2014). "Trends and progress in international development cooperation – Report of the Secretary-General." United Nations Economic and Social Council, 15 May 2014

15 Based on gross ODA reported by OECD DAC members in 2011

16 European Council (2015). "A New Global Partnership for Poverty Eradication and Sustainable Development after 2015." Council conclusions, 9084/15

been diluted and weakened. Old member states now have to meet their 0.7% commitment "taking into consideration budgetary circumstances", while new member states merely have to "strive" to reach their 0.33% target.[17] The European Union has collectively reaffirmed the UN target of allocating at least 0.15% of its GNI to least-developed countries (LDCs) in the form of ODA, increasing to 0.20% within the timeframe of the post-2015 agenda.[18]

For years the EU has upheld – but failed to deliver on – joint and national aid quantity targets to be met by 2015: a collective 0.7% of GNI targets, an individual one of 0.7% for older member states and a less ambitious one of 0.33% for the countries that joined the EU after 2002. With some notable exceptions, the EU has blatantly failed to deliver on these commitments or to make any significant progress. Out of its 28 member states, only four countries have met their commitments or are on track to do so in 2015. But the EU is not only failing to make progress towards the overall aid targets. EU aid to LDCs, the poorest of all developing countries, has contracted significantly. In 2010, EU member states and the EU institutions provided €13 bn in aid for LDCs.[19] In 2013, the latest year for which data is available, the figure had decreased to €11 bn. When measured as a percentage of GNI, the EU countries' effort in support of LDCs also decreased the same period from 0.14% to 0.10% in.[20]

The failure of the EU to meet its targets has eroded its reputation and credibility as a development actor. Both within the EU and among other donors it has also failed to create positive pressure for stepping up efforts. Examples such as the UK have not inspired others, while traditionally ambitious countries such as Finland, the Netherlands and Denmark have recently reduced their ambitions. Other member states, such as Spain, Italy and Portugal, have been making drastic cuts to their aid budgets for years. The result is that, in 2014, two-thirds of EU member states (18 countries) provided less than 0.2% of their GNI in aid.

Current aid levels are clearly insufficient. A recent report by the UN Conference on Trade and Development (UNCTAD) finds that, even if donor countries were to meet the 0.7% target, funds would be insufficient to fill the infrastructure gap and meet the needs arising from climate change.[21] Given that aid is measured as a percentage of GNI, the economic crisis is no excuse for this poor performance. It is simply a matter of political will.

There is still some value in these commitments if the EU can take them seriously and agree on a binding timetable for delivering on them. If the EU builds on the example of some of its members, and increases its aid and delivers it as effectively as possible, it will change the lives of millions of people across the world and help put many countries on track to meet the SDGs. Events like the upcoming EU consultation on how to implement the SDGs will provide an opportunity for the EU to restore its leadership in terms of aid quantity.

Using aid and policy coherence to build a fairer global tax system

Effective aid, coupled with greater policy coherence for development on fiscal issues, could provide a great boost to development efforts in developing countries. In the long term, aid is only one cog in the wheel, which will turn only if we make all the other parts work as they should. The Addis Ababa Action Agenda recognises the importance of effective, progressive and fair tax systems in the fight against poverty and inequality. It also includes a commitment to support tax administrations in developing countries.

Tax revenues are important sources of public money in developing countries, where they represent around 20% of GDP in higher-income countries and approximately 13% in low-income ones.[22] As a consequence, they are one of the most important development flows available to these countries. These tax revenue figures for developing countries, however, are still a long way off the 30%-40% achieved in developed countries.[23] This is partly due to internal problems such as capacity issues and weaknesses in tax administrations. EU member states could help developing countries to mobilise additional resources for development by delivering on the Addis commitment and increasing aid to support domestic resource mobilisation. Agreements such as the Addis Ababa Tax Initiative could be extremely powerful from a development perspective. Unfortunately, this initiative is currently limited to 25 countries, only seven of which are developing countries.[24] Building partnerships with additional countries, and using aid to improve country-owned, progressive, fiscal systems, should be priorities for the EU's development cooperation. Major improvements could also be achieved if the EU were to take steps to tackle tax avoidance and evasion, in line with the principle of policy coherence for development. International tax evasion and avoidance play a major role in reducing tax collection in developing countries. It is extremely difficult to provide a precise figure, but different sources put the cost of tax avoidance and evasion in developing countries at well over €100 bn.[25]

17 Ibid.
18 Ibid.
19 The figures in this paragraph are based on the data available in the OECD database. Analysis by the author. Figures in constant euros 2013
20 Ibid.
21 UNCTAD (2015). Trade and Development Report 2015. UNCTAD, Geneva

22 Mascagni, G.; Moore, M. and McCluskey, R. (2014). "Tax Revenue Mobilisation in Developing Countries: Issues and Challenges." Policy Department, DG External Policies. EXPO/B/DEVE/2013/35
23 Ibid.
24 Full text and other information available at http://cap.africa-platform.org/news/addis-tax-initiative-launched [last accessed 07/10/2015]
25 See: EP (2015). "Report on tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries." Committee on Development, European Parliament, 2015/2058(INI). See also discussion in the following website: http://www.christianaid.org.uk/pressoffice/pressreleases/comment/the-price-of-tax-dodging-in-the-developing-world.aspx

The EU is a conduit or destination for a large proportion of international private finance. Actions undertaken by the EU alone to make private flows (especially those of multinational companies) more transparent could be extremely helpful to developing countries. This would be in addition to the benefits it would have in member states, where tax dodging is estimated to cost the EU €1 tr a year.[26] The impact of these measures could be increased if the EU were to work to improve global tax governance so that tax rules were not set by rich countries alone. The Addis conference missed an opportunity to set up an international tax body where global taxation issues could be discussed and agreed. The outcome document mentions the OECD-led Base Erosion and Profit Shifting project: this is a significant effort, but it fails to provide comprehensive solutions, and developing countries were essentially excluded from the negotiations on it.[27]

3.2. DEVELOPMENT EFFECTIVENESS – FOCUS ON COUNTRY OWNERSHIP

Development effectiveness remains a concept that is primarily used in the context of aid flows. Development effectiveness was one of the EU's priorities for the Addis conference and the SDGs. The Addis Ababa Action Agenda (AAAA) contains a commitment to implement development effectiveness principles, and it recognises the role of the Global Partnership for Effective Development Cooperation and the UN Development Cooperation Forum,[28] but it does so in the section devoted to aid flows.

The EU has missed a great opportunity to make development effectiveness principles a global standard for all development flows: while the principles were reiterated in the AAAA, and were thus in a sense recommitted to at the global level, both language and actions fall well short of what is needed. It is true that development effectiveness was a concept based on the experience of aid flows, but the principles of democratic ownership, inclusive partnerships, transparency, accountability and results all remain completely relevant in the international debate about the future of development finance. How aid is delivered, and the policies and practices of donor governments, can have a huge influence on what the aid achieves. For example, they determine how poor people are included in – or excluded from – decisions about priorities and resource allocation that affect their lives. Moreover, development efforts can only be effective if they can be coordinated and brought under the umbrella of development strategies designed and owned by developing countries. To do this, it is necessary to share information about the goals, beneficiaries and target sector so that different projects can be coordinated and no one is left behind. It is also important to make all this information publicly available, to allow mutual accountability. This is as true for aid as it is for any other development flow. Development effectiveness principles should therefore be seen as a framework that all development flows should aim to comply with in order to maximise development results.

Only a handful of EU countries are taking serious steps to put the development effectiveness principles into practice. According to CONCORD AidWatch members, less than half the EU member states have included or are planning to include the development effectiveness commitments in their development frameworks and strategies.[29] And even where they already have included them (or are planning to), it is not yet clear how they will implement these measures in practice. Germany has an "effectiveness" department within the relevant ministry. Italy, Austria and Romania are including development effectiveness commitments and implementation mechanisms in new development cooperation laws recently passed or currently under discussion. So far, though, only Italy seems to have a clear plan: a multi-stakeholder national council for development cooperation with working groups on development effectiveness. Luxembourg has an official action plan on development effectiveness, while Spain and Slovakia include some principles in their development strategies. In these cases, there is limited information about progress and implementation. Other countries, such as Sweden, have a good dialogue on aid effectiveness going on, but no formally regulated process or institutional space. Hungary and Malta have a strong focus on transparency, but not much emphasis on other development effectiveness principles.

EU member states are also failing to lead by example and promote development effectiveness principles beyond the realm of traditional aid flows. Private-sector flows, including projects supported with aid, help to illustrate this point. EU member states rely increasingly on development finance institutions to deliver aid in support of development projects. But these institutions have a poor track record when it comes to implementing basic development effectiveness principles. Transparency, for example, is often weak (see section on reporting, above), and a look at their decision-making and due diligence procedures shows that EU institutions do not include formal mechanisms for involving beneficiary countries or communities in the decision-making process.[30] Without these basic elements, it is hard to see how private-sector projects can be coordinated with other development efforts and aligned with the national development policies and public investment on which they often rely for success.

26 Murphy, R. (2013). "Closing the European Tax Gap. A report for the Group of the Progressive Alliance of Socialists & Democrats in the European Parliament." Tax Research, UK

27 ActionAid (2014). "The BEPS process: Failing to deliver for developing countries." ActionAid UK, London

28 UNGA (2015). Para 58, Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda). A/RES/69/313

29 The analysis in this paragraph is based on CONCORD AidWatch questionnaires and country pages filled out by the national platforms

30 Griffiths, J.; Martin, M.; Pereira, J. and Strawson, T. (2014). "Financing for development post-2015: Improving the contribution of private finance." Policy Department, DG External Policies, EXPO/B/DEVE/2013/36

The emergence of other donors also highlights the importance of actively promoting the development effectiveness principles. The principles summarise the lessons learned in many years of development cooperation and are the result of debate between development partners and their shared learning and research. By using them as a starting point, other donors can avoid repeating the mistakes of the past and prevent aid flows from becoming a foreign and economic policy tool, instead of an expression of solidarity and a commitment to eradicating poverty and inequality.

In this context, the ultimate goal of the EU should be to put development effectiveness principles at the centre of the development debate, where they belong. To this end, all EU member states need to explain how they are going to reach the development effectiveness targets and demonstrate progress against the indicators devised by the GPEDC. The second GPEDC monitoring round will be completed in 2016, and will provide an opportunity to review progress, but only if it is based on sound data and an objective critical analysis of the performance of individual countries. When insufficient progress is recorded in relation to these indicators, individual countries should devise and implement corrective action to get back on track.

At the international level, the EU needs to promote the development effectiveness principles by strengthening the GPEDC. Given its constituency and the nature of this role, the GPEDC needs to be better connected to other international development bodies and processes. In order to make the GPEDC a truly influential body, EU countries should throw their support in behind it and ensure that the upcoming GPEDC high-level meeting, due to take place in Kenya in 2016, has an ambitious agenda and high-profile representatives to take it to the next level.

3.3. GENUINE AID

Genuine aid

In 2014, only four EU countries met the 0.7% target: Luxembourg, Sweden, Denmark and the UK. As a group, the EU is a long way off the target, delivering 0.42% of its GNI in ODA, compared to 0.43% in 2013, although in nominal terms aid increased slightly, from €56.9 bn to €58.3 bn. The largest increases in EU aid were in the EU13 countries, namely Romania (65% increase), Croatia (41%), Estonia, (21%), Hungary (13%) and Malta (13%). The small amount of aid delivered by these countries, however, made the overall impact almost negligible. As shown in the table below, these countries are also far from meeting their targets.

Significant increases were also recorded in Germany (14%), Finland (14%), the UK (9%) and Sweden (7%), although aid is expected to contract significantly in Finland in 2015 (see country page). Major cuts were recorded in other countries, including Lithuania (21% cut), Spain (20%), Portugal (14%), France (8%) and Poland (7%). Of these countries, Spain, Portugal and France are a source of serious concern, because they have continued on a downward trend for the last few years.

In 2014 the EU28 member states and the European institutions inflated their aid by €7.1 bn, which represents 12% of all aid flows. CONCORD AidWatch genuine aid methodology counts as ODA only those reported items which represent a real transfer of resources to developing countries (for more information see Annex on Methodology). Measuring aid inflation in relation to the overall aid budget, however, tends to minimise the real extent of the problem.

The level of aid inflation is best perceived as a share of the bilateral aid budget, the reason being that it is only possible to estimate it in relation to the expenses managed directly by donors. Available data shows that that most EU countries present high levels of inflated aid (see table below): Malta (81%), Greece (78%), Austria (64%), Hungary (59%), Romania (52%), Poland (48%), Portugal (48%), the Czech Republic (37%), France (29%), Italy (28%), Slovenia (28%), the Netherlands (27%), Slovakia (24%), Latvia (22%), Belgium (19%), Spain (19%), Sweden (18%), Denmark (17%), Germany (16%) and the EU institutions (10%).

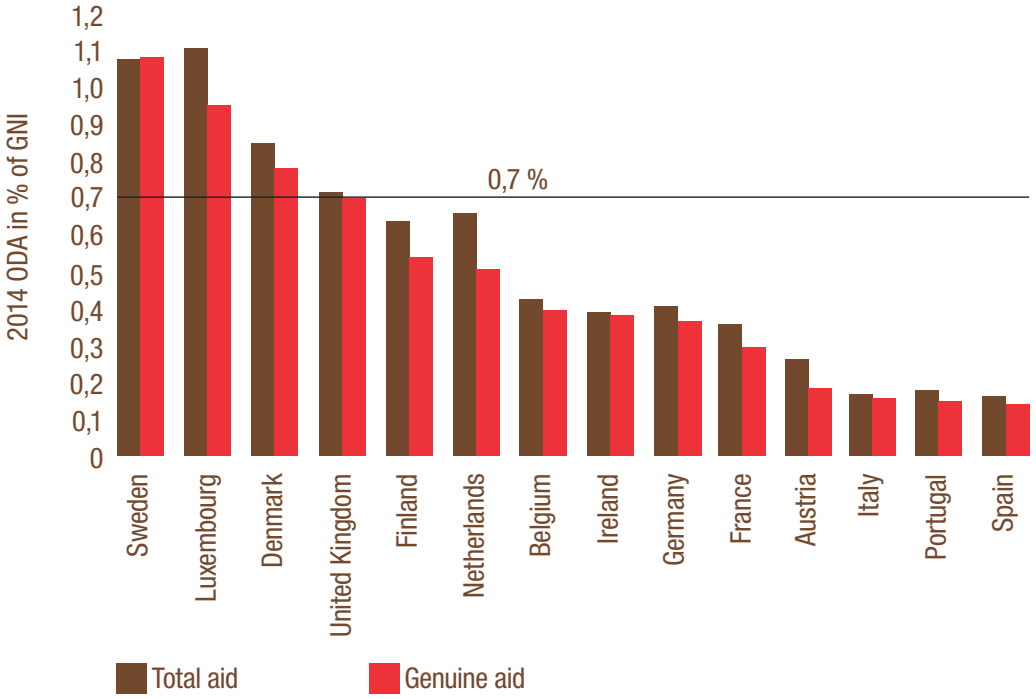
Table 1. EU's 2014 inflated and genuine aid, ranked by level of genuine aid in % of GNI

	TOTAL AID		BILATERAL AID		INFLATED AID			GENUINE AID	
	€ m	% GNI	€ m	% total aid	€ m	% bilateral aid	% total aid	€ m	% GNI
Luxembourg	321.6	1.07%	226.4	70.4%	0.8	0.4%	0.3%	320.8	**1.07%**
Sweden	4689.9	1.10%	3299.0	70.3%	593.1	18.0%	12.6%	4096.9	**0.96%**
Denmark	2258.1	0.85%	1650.8	73.1%	282.8	17.1%	12.5%	1975.2	**0.75%**
United Kingdom	14611.6	0.71%	8407.0	57.5%	80.0	1.0%	0.5%	14531.6	**0.70%**
Finland	1232.0	0.60%	715.7	58.1%	31.2	4.4%	2.5%	1200.8	**0.59%**
Netherlands	4199.6	0.64%	3011.0	71.7%	812.9	27.0%	19.4%	3386.7	**0.52%**
Belgium	1797.2	0.45%	1067.3	59.4%	202.5	19.0%	11.3%	1594.7	**0.40%**
Ireland	609.6	0.39%	394.1	64.6%	2.1	0.5%	0.4%	607.5	**0.38%**
Germany	12246.6	0.41%	8602.7	70.2%	1366.4	15.9%	11.2%	10880.2	**0.37%**
France	7816.5	0.36%	4741.9	60.7%	1352.4	28.5%	17.3%	6464.1	**0.30%**
Austria	877.0	0.27%	420.8	48.0%	271.0	64.4%	30.9%	606.0	**0.18%**
Italy	2518.9	0.16%	561.2	22.3%	156.3	27.9%	6.2%	2362.6	**0.15%**
Estonia	28.1	0.15%	11.2	39.9%	0.5	4.4%	1.7%	27.6	**0.14%**
Portugal	315.8	0.19%	180.7	57.2%	85.9	47.5%	27.2%	229.9	**0.13%**
Spain	1427.0	0.14%	372.3	26.1%	70.3	18.9%	4.9%	1356.7	**0.13%**
Slovenia	46.4	0.13%	15.2	32.8%	4.2	27.8%	9.1%	42.1	**0.11%**
Croatia	47.9	0.11%	-	-	0.1	-	0.1%	47.9	**0.11%**
Lithuania	34.6	0.10%	-	-	0.2	-	0.7%	34.4	**0.10%**
Malta	15.5	0.20%	9.7	62.3%	7.9	81.2%	50.6%	7.7	**0.10%**
Czech Republic	157.5	0.11%	48.1	30.6%	17.7	36.7%	11.2%	139.8	**0.10%**
Hungary	108.6	0.11%	22.7	20.9%	13.4	59.1%	12.3%	95.2	**0.09%**
Bulgaria	36.7	0.09%	0.7	2.0%	0.0	0.0%	0.0%	36.7	**0.09%**
Romania	166.4	0.11%	56.6	34.0%	29.3	51.8%	17.6%	137.1	**0.09%**
Greece	187.2	0.11%	34.8	18.6%	27.3	78.4%	14.6%	160.0	**0.09%**
Slovakia	61.2	0.08%	13.0	21.2%	3.1	23.6%	5.0%	58.2	**0.08%**
Latvia	18.5	0.08%	1.6	8.4%	0.3	21.8%	1.8%	18.2	**0.08%**
Poland	329.4	0.08%	60.7	18.4%	29.4	48.4%	8.9%	300.0	**0.08%**
Cyprus	15.0	0.10%	-	-	3.8	-	25.6%	11.2	**0.07%**
EU Institutions*	**12138.9**	**-**	**12096.6**	**99.7%**	**1203.4**	**9.9%**	**9.9%**	**10935.5**	**-**

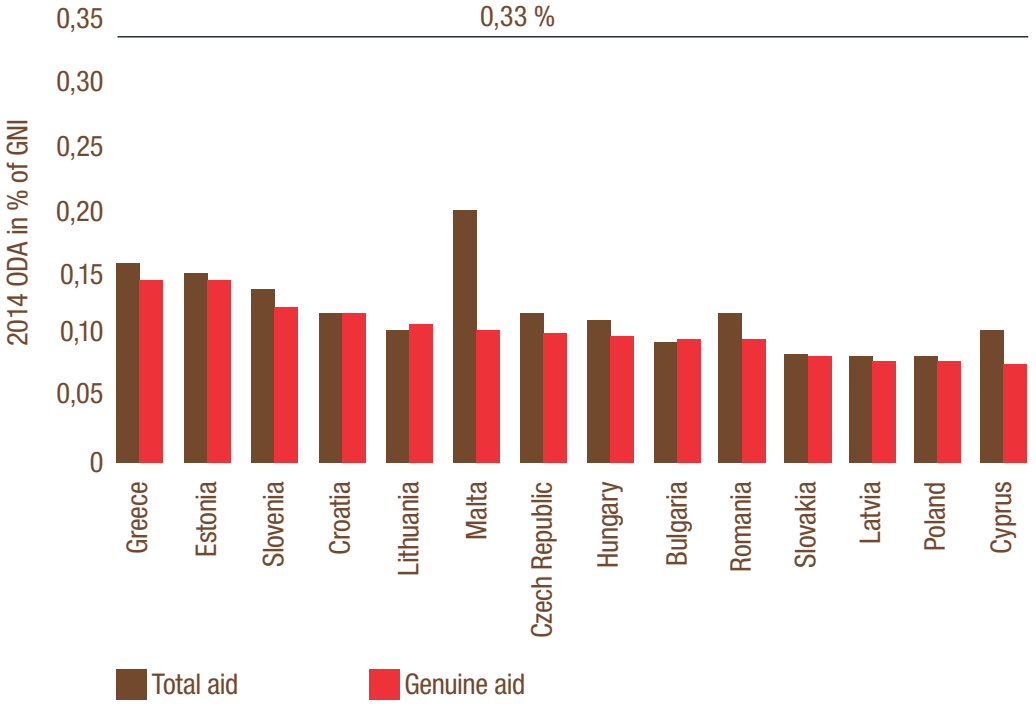
Source: CONCORD AidWatch, based on the OECD CRS online database as of 31 Oct. 2015, and CONCORD AidWatch country-consultation questionnaires

* This figure includes expenses charged to the aid budget of the EU member state, but managed by the EU institutions. The non-chargeable amount of aid provided by the EU institutions was €2.1 bn in 2014.

Graph 1. EU15 2014: genuine and total ODA as %age of GNI



Graph 2. EU13 2014: genuine and total ODA as %age of GNI



Refugee costs: something to watch in 2015

Refugee costs is one item of aid expenditure that is discounted in order to estimate the amount of genuine aid. Data for 2014 shows significant increases in some countries (the Netherlands 145%, Italy 107%, Cyprus 65% and Portugal 38%), and figures are expected to rise very sharply again in 2015 as a result of the refugee crisis.[31]

CONCORD AidWatch recognises the urgent nature of the current refugee crisis, but remains convinced that aid should be used to support development in third countries. While helping people arriving in great need in Europe is a moral imperative, this does not mean that funding refugees in-country is something that should be reported as ODA, and certainly not in the long term. Luxembourg, Poland and Bulgaria have already decided not to report refugee costs as ODA. In addition, the reporting of refugee costs as aid presents a number of challenges. There is evidence that some EU member states are reporting, or could report, non-eligible costs under existing guidelines.[32] For example, Hungary does not differentiate between costs relating to the first year (which are eligible to be reported as ODA) and those relating to subsequent years, which should not.[33] The fact that refugee costs are reported bundled together makes it extremely difficult to ensure that member states are complying with existing guidelines. Another challenge is that, if EU countries use ODA to pay refugee costs, there is a risk that it might be at the expense of people in developing countries. As well as following the reporting guidelines, any ODA for refugee costs should be provided in addition to previous aid commitments, so that projects and people in developing countries are not impacted by the crisis. Continuing to invest in combating poverty and inequality in developing countries is ultimately the most sustainable way of dealing with the crisis in the long term.

CONCORD AidWatch is also concerned that the refugee crisis might be used as an excuse to count as ODA non-eligible expenditure relating to general migration flows. The EU is merging the refugee crisis and migration issues from a policy and budgetary perspective,[34] when in fact the two issues are completely different from a legal and aid-reporting point of view. Refugees are governed by international law and human rights conventions. As discussed above, refugee costs can be counted as aid under certain conditions. Migrants have a different legal status and the costs incurred in limiting arrivals cannot be counted as aid. This, however, does not seem to deter countries such as Spain or Malta. Spain is using ODA to support and equip security forces in transit countries,[35] essentially building a wall beyond the Spanish horizon. Malta has also traditionally used almost half its aid budget to pay for migrant detention centres. This expenditure should not be reported as ODA under existing guidelines, and more importantly, using aid to stop migration without addressing the underlying causes of poverty and inequality does little to provide a long-term solution to the problem, and merely shifts the burden of the problem onto someone else.

Climate finance, or how to count the same money twice

In the absence of an agreement or clear criteria on how to report climate, many donors are counting the same ODA flows towards both their development and their climate finance targets. CONCORD AidWatch has shown that many EU donors report climate finance as ODA, and that ODA has remained stagnant over the last few years (at around €65-66 bn since 2010).[36] When donors claim progress towards the US$ 100 bn climate target, this does not prevent them from including a significant share of ODA in that progress.[37] Although the OECD has failed to provide a breakdown of the data by country, it is clear – since the aid budget of EU donors has not increased – that either progress towards the US$ 100 bn target must have been thanks to non-EU donors, or to double-counting the same flows, or else the increases in climate finance must have come at the expense of ODA flows intended for other purposes.

Whatever the answer, the conclusion is clear. EU donors are not stepping up their game and providing development assistance and climate finance in line with their stated ambitions and international commitments. To avoid double-counting, and misleading public opinion, climate finance should not be counted towards aid targets. After all, even on their own, both development and climate finance require aid levels far higher than the existing ones. A recent report estimates that low-income countries alone would require aid amounting to around US$ 130-160 bn a year (€116-143 bn)to meet the climate and development needs referred to in the SDGs.[38] This is roughly the amount of aid currently provided by OECD DAC donors (€120 bn in 2014).[39]

31 CONCORD (2015). "EU Members States Should Agree to Keep Refugee Cost Out of the Excessive Deficit Procedure." CONCORD, Brussels

32 See OECD DAC (2013). Converged Statistical Reporting Directives for the Creditor Reporting System and the Annual DAC Questionnaire. OECD, DCD/DAC(2013)15/FINAL

33 Based on the information collected by the national platform

34 See the press release from the European Commission entitled "Managing the Refugee Crisis: Budgetary measures under the European Agenda on Migration", 30 September 2015. Available at: http://europa.eu/rapid/press-release_IP-15-5729_en.htm

35 See the article from The Economist entitled "Forward Defence. What other Europeans can learn from Spanish efforts to limit illegal migration", Oct 15th 2015

36 In constant euros 2013. See CONCORD AidWatch Reports 2013 and 2014, available at: www.concordeurope.org; and calculations based on the OECD online database

37 OECD (2015). "Climate Finance in 2013-14 and the USD 100 billion goal." OECD, Paris

38 Schmidt-Traub, G. (2015). "Investment Needs to Achieve the Sustainable Development Goals: Understanding the Billions and Trillions." Sustainable Development Solutions Network

39 OECD online database, available at www.stats.oecd.org. Figure transformed from USD to EUR using the average exchange rate from 1 Jan to 18 Oct, available at: http://www.x-rates.com/average/?from=USD&to=EUR&amount=1&year=2015

Blending

Although there is no agreed definition, blending is the use of aid as a catalytic flow in order to leverage additional investment for development from either public or private sources. For example, a small amount of aid can be used to subsidise the interest rate on a loan provided by a third party, in order make a project more affordable. In this section we will focus on the leveraging of private flows, because it is a particularly sensitive area. Blending is increasingly seen as one of the ways in which aid can be used to support – and, in theory, maximise – the private sector's contribution to development. Nevertheless, many questions about the use of blending mechanisms remain unanswered.

It is difficult to measure the real impact of a small aid grant linked to a large investment. In practice, this requires measuring the improvement that results from the aid grant – the so-called additionality – from the financial and development perspectives. Any blending project should indicate the degree to which the aid grant made the project financially viable, or even possible, as well as the increased development impact that can be attributed to the use of aid flows. The latter can be demonstrated through improvements to due diligence procedures, for example, or stronger social and environmental standards. Recent research on the topic suggests that this important issue is poorly understood, and that existing methodologies are completely inadequate to measure additionality.[40]

Another major obstacle is the lack of transparency and comparable information. It is currently impossible to track aid flows relating to blending activities in the OECD database. Many individual projects are reported inconsistently by different countries, and/or the information provided makes it impossible to reconcile different sources of data. These problems have been highlighted by the OECD itself in official documents.[41]

Partial data from 12 EU member states shows that aid for blending targeted private investments stood at €2.8 bn when measured in actual disbursements.[42] The use of blending instruments is expected to increase significantly in the coming years, as the private sector is portrayed as a key development actor. This increasing relevance has been obvious in the Financing for Development Conference in Addis Ababa and in national strategies. Supporting the private sector is currently a central element in the development cooperation strategy of the European institutions and several EU member states, including Austria, Belgium, Germany, Netherlands, Spain, Sweden and the UK.[43] In many cases, support for national private-sector actors is explicitly included in the strategies, which also raises some concerns about the potential subordination of aid flows to national economic interests. Sweden, for example, is using ODA to support projects involving national champions such as H&M, Volvo, Scania and Tetra Pak.[44]

The lack of accurate data on blending and private-sector support in general makes it extremely difficult to track the impact of these flows on the aid budget. Nevertheless, partial data collected by CONCORD AidWatch members seems to confirm a growing trend. The UK, for example, has announced the recapitalisation of CDC, its national development finance institution (DFI), to the tune of GBP 735 m, which would add to existing aid funds. Similarly, Sweden also injected €58 m into Swedfund, its national DFI. New international initiatives will help reinforce this growing trend, one example being the Sustainable Development Investment Partnership, which aims to mobilise US$ 100 bn in private finance over five years through blending.[45]

Given the lack of information about the real development impact and the nature of blending projects and other support to the private sector, the EU should refrain from increasing its funding for these facilities until it has introduced mechanisms to maximise their contribution to development. In particular, the EU needs to ensure that private finance supported by official aid flows delivers the best possible outcomes for sustainable development by applying best practice and complying with international standards. A report prepared by a number of development NGOs contains valuable guidance in this regard.[46]

Moreover, the EU needs to take immediate action to improve the reporting of aid relating to blending mechanisms and the private sector in general. At the very least it needs to start collecting and reporting data on: i) the amount of aid ; ii) the type of instrument (grant, loan, type of blended finance); iii) a description and the objectives of the project; iv) private-sector partners involved, including final beneficiaries when financial intermediaries are used; v) the number, type and source of complementary financial partners (other public/private entities providing finance or which have been leveraged); vi) due diligence and evaluation frameworks. Information about many of these items (i, ii and to certain degree iii and iv) is already supposed to be collected in the OECD database, but many donors fail to report consistently on these aspects.

40 Pereira, J. (2015). "Leveraging Aid: A literature review on the additionality of using ODA to leverage private investments." UK Aid Network, London

41 OECD (2015). "Current reporting on private-sector instruments in DAC statistics. DAC Informal meeting on ODA modernisation of private-sector instruments." DCD/DAC(2015)27

42 Data for selected institutions in Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Portugal, Sweden and the European Institutions

43 CONCORD AidWatch national questionnaires and Pereira, J. (2015), "Understanding donor engagement with the private sector in development." In Business Accountability for Development: Mapping business liability mechanisms and donor engagement with private sector in development. CPDE in cooperation with ITUC-TUDCN and EURODAD

44 Information collected by CONCORD AidWatch members in Sweden

45 https://agenda.weforum.org/news/new-partnership-to-catalyse-sustainable-development-investments-for-developing-countries/

46 ActionAid, Bond, CAFOD, Eurodad, Oxfam, WWF (2015). "Delivering Sustainable Development: A principled approach to public–private finance"

Measuring development flows - TOSSD (Total Official Support for Sustainable Development)

The OECD is working on a new concept which will be used to measure different development flows: total official support for sustainable development (TOSSD). This concept will comprise both ODA and significant parts of other official and private flows with a link to development. Discussions are ongoing, and TOSSD is not expected to be completed until 2019.

The TOSSD concept provides opportunities to improve the amount and quality of the data on non-ODA development flows, which – as discussed in previous sections – is often an appealing prospect. In order to be useful, TOSSD should capture other flows in a transparent and comparable manner, and make them publicly available. This would ultimately help to increase accountability and enable stakeholders to gain a better understanding of the real contribution different flows make to development. TOSSD is an initiative of the OECD DAC, and as such it will only measure the flows of its members. As a consequence, its benefit will be somewhat limited.

In developing the TOSSD concept, a number of risks need to be properly managed. It is important for TOSSD to confine itself to flows that are really relevant from a development perspective. This first requires a clear definition of what it is that aid flows contribute to development. At the moment the TOSSD concept can potentially be very broad, as it includes "flows that support one or more of the three dimensions [environmental, social, economic] of sustainable development".[47] Narrower boundaries need to be drawn, because as it currently stands any public expenditure in developed countries relating to climate or other public goods, such as education, could be part of TOSSD.

Within each flow, TOSSD should count only those funds that are relevant from a development perspective, and experts would need to introduce conditions to differentiate between "developmental" and "non-developmental" flows. This is a very sensitive discussion, which is also key to making TOSSD a useful tool for development. For example, export credit guarantees have often been linked to increased debt levels in developing countries. It is therefore important to differentiate between good and bad guarantees. In practice, this can be very difficult, especially given the current veil of secrecy surrounding most export credit operations.

The development effectiveness agenda can provide some useful principles for differentiating between developmental and non-developmental flows. Rather than a check-list for compliance, which most flows would fail to pass, flows reported under TOSSD would need to be providing information in the form of a description of their compliance with development effectiveness principles (e.g. measures taken to ensure increased ownership of the project by developing countries). This would give an indication of their relevance to development efforts as well as an incentive to improve on those aspects that are important from a development perspective.

47 http://www.oecd.org/dac/financing-sustainable-development/Addis%20flyer%20-%20TOSSD.pdf

PART TWO – COUNTRY PAGES

EU INSTITUTIONS

"The EU should collectively recommit to the target of spending 0.7% of GNI on ODA. That would actually leverage our negotiating position at the UN when encouraging other developed countries to make the same level of financial commitment. It would also encourage emerging donors from upper-middle-income countries to take their fair share of commitments on implementing the new development agenda." Neven Mimica, EU Commissioner for International Cooperation and Development

Will your government meet the 2015 aid target? NO

Main changes in 2014

In 2014, the EU institutions managed €12.1 bn in development assistance. This makes them one of the world's largest donors. Of this amount, €2.1 bn were own resources, while the rest came from the EU's 28 MS. Despite the ambition stated in the quote above, the EU institutions have failed to persuade MS to make significant progress towards their aid targets. In particular the European Commission failed to generate enough momentum or peer pressure among MS to get them to deliver. When the EU committed itself to delivering 0.7% of its GNI back in 2005, aid accounted for 0.42% of aggregate GNI. Nine years later, in 2014, aid had actually decreased to 0.41% of GNI. As discussed in the overview chapter, these commitments have now been weakened and postponed for another 15 years. The EU institutions advocate the use of aid-blending modalities to leverage public and private investment for development. The agenda that defends a catalytic role for aid is partly rooted in the EU's inability to increase aid quantity and a stronger alignment of aid with the EU's economic interests. The main concern is that to date no reliable impact assessment or review comparing developmental impact to other modalities or alternatives has been conducted. Moreover they seem to run counter to the aid effectiveness principles, or at least make it more difficult to implement them. The EU's blending facilities, for example, are not as transparent as aid grants and, when private actors are involved, decisions are made without the participation of the recipient countries. The EU institutions are failing to implement joint programming in a way that leads to greater harmonisation of development efforts in partner countries. Progress has been made in some areas, such as by developing a single strategy for partner countries throughout the EU, identifying priority sectors and agreeing some form of division of labour among member states. Little progress, however, has been made on more practical aspects such as joint modalities for delivering aid, delegated cooperation, or monitoring and evaluation mechanisms. Budget support, which is a delivery mechanisms that could help to overcome some of these difficulties, has decreased significantly across the EU and within the EU institutions themselves. In 2013, the institutions provided €2.2 bn in aid through budget support, but in 2014 the figure dropped to €1.6 bn (figures in € constant 2013). Across member states, the amount of budget support dropped from €1.8 bn in 2010 to €0.8 bn in 2014 (figures in € constant 2013).

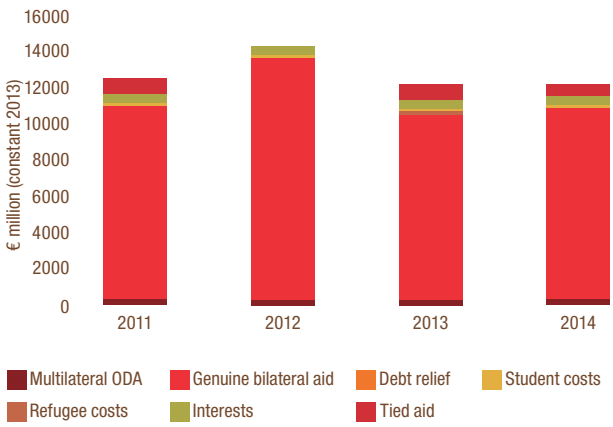
Trends and projections for 2015 and beyond

Looking forward, the EU institutions should focus their efforts on translating Agenda 2030 into a concrete implementation plan and meet existing commitments. As mentioned in the overview chapter, the new development framework still needs a good deal of work in order to deliver for the poor. This will require leadership and the confidence to go one step beyond the ideas outlined in the Addis Ababa Action Agenda. Delivering on such an ambitious agenda entails building effective mechanisms that can hold MS and the EU institutions accountable for delivering on their commitments. Neither the EU nor millions of people across the world suffering from poverty and inequality can afford the EU to backpedal again. The EU Accountability Report on Financing for Development needs to be strengthened in order to become an effective tool to encourage MS to work in the right direction. This means more consistent monitoring of commitments across years, identifying areas for improvement, and proposing corrective measures and follow-up mechanisms for the latter.

Recommendations

- Meet existing aid commitments (0.7% for EU-15; 0.33% for EU-13) by 2020, and allocate 50% of aid budgets to LDCs by the same deadline.
- Freeze the amount of aid being channelled through blending mechanisms until there has been an independent review of their development impact and comparative advantages vis-à-vis other modalities or alternatives.
- Turn the EU Accountability Report into an effective mechanism for making development cooperation work for the poor. The report should monitor and support EU member states' implementation of the aid quantity commitment and the Busan principles, and should include clear recommendations for getting countries back on track.
- Continue to recognise the unique role of aid, and prioritise pushing MS to meet their commitments and to improve the quality of aid over other forms of financing for development.

EU institutions – genuine and inflated aid (€ million, constant 2013)



AUSTRIA

0.18% Genuine aid/GNI

0.27% Total Aid/GNI

"We need a time table"
Federal Chancellor Werner Faymann announcing a timetable for increasing ODA to 0.7%

Will your government meet the 2015 aid target?
NO

Main changes in 2014

At the end of 2013 Sebastian Kurz became minister for foreign affairs, a portfolio that includes development cooperation. Soon after being appointed he cancelled planned cuts to the budget of the Austrian Development Agency (ADA) (planned even though it had already been cut in previous years). ODA stagnated at 0.27% 2014, the same figure as the year before. Another feature of Austrian ODA is that programmable aid remains exceptionally low. The Austrian Development Agency's budget for operational measures is less than 8% of total ODA.

In 2014 Austria was peer-reviewed by the OECD-DAC. Even though, in his presentation of the results of the peer review, DAC Chairman Erik Solheim missed the chance to give a thorough critique of the composition of Austrian ODA, he did make it clear that Austria needs to improve in many areas, especially as regards aid quantity. The review also confirmed that Austria had fully implemented only 7% of the recommendations made in the previous peer review, back in 2009.

In 2014, the Ministry of Foreign Affairs launched a consultation process on the three-year programme for Austrian Development Policy 2016-2018. To increase its ownership by the whole government, civil society and the private sector, the process involved a large number of stakeholders. Whether the new programme/strategy will lead to a more coherent government approach to development and increased policy coherence for development – and if so, how - is yet to be proven.

Trends and projections for 2015 and beyond

Austria seems to be happy with the Addis Ababa Action Agenda and the postponement of the 0.7% ODA target to 2030. The level of genuine aid is not expected to change significantly. Planned cuts to the 2015 budget of the Austrian Development Agency were postponed at the last minute, preventing the worst-case scenario. The increase in the foreign disaster relief fund from €5m to €20m in 2016 is a welcome step in the right direction. None of these measures, however, will help change the overall aid trend. The 2016 budget shows that the increase in humanitarian aid is achieved partly by shifting funds from long-term aid and UN contributions, while overall bilateral development cooperation remains very low. The longer-term financial framework envisages strict limits and decreasing budgets for the Ministry of Foreign Affairs in charge.

The refugee crisis has intensified the political debate about how to fight the root causes of forced migration. In this context, several government representatives called for increased development cooperation and humanitarian aid. Earlier in the year, Federal Chancellor Werner Faymann announced a timetable to reach the ODA target "by summer 2015", which turned out to be an empty promise. The only foreseeable consequence of the refugee crisis is that inflated aid is expected to rise significantly in 2015 in line with the reporting of refugee costs.

After the presentation of the DAC peer review, it was announced Austria would no longer include debt cancellations in aid forecast before the cancellation was agreed by the Paris Club. Austria was the only DAC member who used this approach. Despite this commitment, Austrian ODA is expected to increase by 50% in 2016 as a result of debt cancellation to Sudan, although this has not yet been confirmed by the Paris Club.

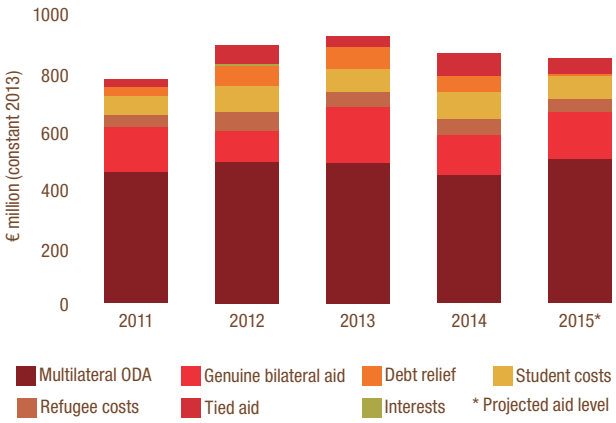
In 2015, Austria became one of the founding members of the Asian Infrastructure Investment Bank. This is expected to result in increases to the multilateral ODA budget in the coming years. The real impact on overall ODA is not yet clear.

Recommendations

The Austrian government should:

- Focus on poverty reduction and allocate adequate funding in line with international, European and Austrian goals and strategies
- Implement the government commitment to raise ODA to 0.7% of GNI and draw up a binding timetable for reaching this goal
- Increase the amount of programmable aid in line with aid effectiveness commitments by reversing recent budget cuts to ADA and increasing its budget to € 300m by 2018
- Put in place a national SDG strategy and allocate sufficient financial and non-financial resources for its implementation
- Increase the transparency of Austrian ODA by reporting adequately and in good time on ODA-related activities. In particular, the government should break down the information about what is counted as refugee costs.

Austria – genuine and inflated aid (€ million, constant 2013)



AG Globale Verantwortung – *Jakob Mussil, Michael Obrovsky* (ÖFSE), *Hilde Wipfel* (KOO)

BELGIUM

0.40% Genuine aid/GNI

0.45% Total Aid/GNI

"We must certainly talk about ODA too, otherwise the rest is not credible" Alexander De Croo, Minister for Development Cooperation, UN Conference on Financing for Development

Will your government meet the 2015 aid target?
NO

Main changes in 2014

Belgian development policy is currently focused on two main areas: sustainable economic growth and human rights. While growth is important, especially in low-income countries, it is no guarantee of development. There is a private-sector strategy, but it is not clear how it will be implemented. Regarding the second policy area, the Belgian development minister has announced that he will seek a 'more for more' approach, but it is not clear what this means in reality. In general, it is still unclear how policy will be put into practice in either of the two areas. In addition, CSOs are concerned about the weak gender dimension of the existing policy.

To make aid more effective, Belgium has taken steps to concentrate on a reduced number of countries. The minister recently shortened the list of partner countries for direct bilateral development from 18 to 14. This will entail discontinuing bilateral cooperation with six middle-income countries and starting cooperation with two new low-income countries Following this reform, most of Belgium's partner countries are now Least Developed Countries (LDCs) and/or fragile states. Multilateral cooperation has also been reduced; however this seems to be the result of an ongoing reshuffle in priorities. Furthermore, Belgium has negotiated a framework for cooperation with indirect actors (NGOs). The whole reshuffle will have an impact on how Belgian development cooperation is organised at the national level. Although performance on aid quantity is poor, Belgium has officially called for a stronger focus on LDCs and fragile states. Belgium has committed to allocate at least 50% of its aid to LDC.

Trends and projections for 2015 and beyond

In the coming years, Belgium wants to focus on increasing the positive impact of aid. At the same time, the country is moving towards almost exclusive cooperation with LDCs and fragile states. Delivering on both fronts could prove difficult. Meeting both goals means changing the way bilateral development cooperation is handled in order to make it more flexible and less risk averse. Belgium still needs to take steps to achieve this in practice. Development cooperation in fragile states also has an important political dimension. This approach does not mean using aid to serve donors' diplomatic interests, but rather that interventions should take into account both the political context and the power relations of partner countries.

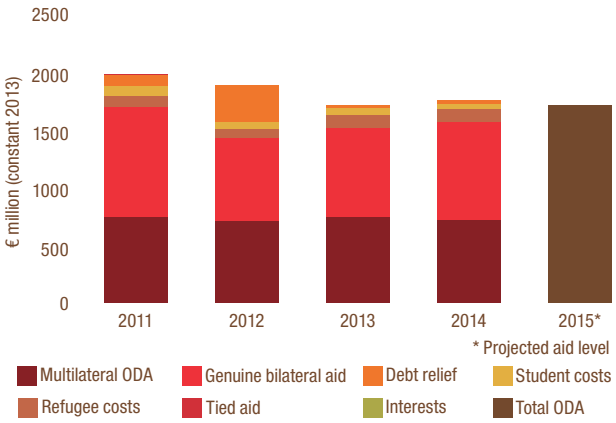
The minister is particularly keen to improve digitalization in order to boost economic, social and political development, but again, what this means in practice has been rather vague up to now. As NGOs, we are hoping for more clarity soon. PCD mechanisms have been created to ensure that other policies are in line with development goals, but the proof of the pudding is in the eating. Political will is needed to make these mechanisms work. Austerity cuts seriously jeopardize Belgians credibility. Since 2012, aid has been cut by more than €900 m. Future prospects look even grimmer. The new Development Minister, Alexander De Croo, has announced a cut of one billion euro over the next five years. In previous years a large proportion of the cuts were not officially announced, but were quietly implemented through underspending. It is very likely that this will happen again.

Recommendations:

The Belgian government should:

- Include a pragmatic approach to poverty eradication and sustainable human development in foreign relations with all developing countries. Development should be considered in the context of other global challenges such as climate change, equality, fiscal justice, and trade.
- Adapt development cooperation for working with fragile states and LDCs. This means introducing more dynamic, flexible practices which take into account the fact that working in these contexts inevitably entails additional risk.
- Concentration is not a 'conditio sine qua non' for greater impact. Belgium should not lose sight of the bigger development challenges and needs because it is itself in a political situation be devilled by a scarcity of funds and human resources.
- Make PCD a political reality. The challenge is to make full use of the potential of PCD mechanisms.
- Belgium should allocate sufficient funds to meet its stated ambition. A new way of doing development cooperation requires investment. Belgium must increase aid quantity to meet the targets of delivering 0.7% of GNI in ODA and 0.25% of GNI in ODA to LDCs.

Belgium – genuine and inflated aid (€ million, constant 2013)



BULGARIA

0.09% Genuine aid/GNI

0.09% Total Aid/GNI

"Our goal is to intensify our bilateral and regional cooperation in the field of development aid in accordance with the geographic and thematic priorities set out in the mid-term programme and the commitments made in the EU context."
Daniel Mitov, Minister for Foreign Affairs of Bulgaria

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Bulgaria more than doubled its bilateral aid budget, although at €750,000 it represents only 2% of total ODA spending (€ 36.7m). Multilateral channels account for most of Bulgaria's ODA, in particular the UN and its specialised agencies and EU and international financial institutions. Compared to the previous year, ODA remained at approximately the same level in 2014. When measured as a percentage of GNI, ODA decreased from 0.10% of GNI in 2013 to 0.09% in 2014. On the positive side, it is worth highlighting that Bulgaria is one of the few countries that do not report refugee costs as ODA. In this regard, Bulgaria is an example to other EU countries, many of which continue to inflate refugee costs artificially and misreport them (see overview chapter).

International cooperation was not one of the government's priorities in 2014. Different factors help to explain this. First, the political situation in 2014 was rather unstable and there was a focus on internal issues. Secondly, there is not much support for aid spending in Bulgaria owing to the overall economic situation. And thirdly, in the absence of a clear legal framework for development cooperation it is hard to build a stronger relationship with the private sector and bring other stakeholders on board.

Trends and projections for 2015 and beyond

In 2015, the Bulgarian government's interaction with CSOs was intensified. One of the results of this dialogue was the signing of a memorandum of understanding between the Ministry of Foreign Affairs and the Bulgarian Platform for International Development (BPID) on the exchange of information and support for implementing actions in other countries. CSOs and other stakeholders feel there is still room for closer cooperation, but the lack of a legal framework regulating development cooperation limits any further progress.

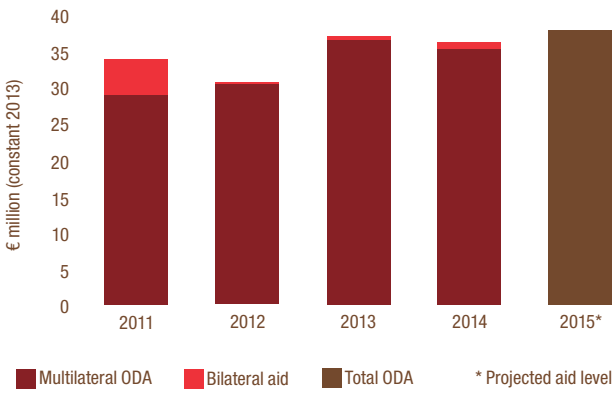
The mid-term strategy for Bulgarian participation in international development will expire at the end of 2015. The new strategy, currently in development, is expected to integrate international commitments better, strengthen regional actions and reinforce thematic areas such as the environment, health and education. In 2015, the government has already made some efforts to expand the geographical and thematic scope of Bulgarian aid.

Recommendations:

The Bulgarian government should:

- Adopt a dedicated legal framework for international development as basis for fully including all partners in the implementation of the policies set.
- Ensure there are enough human resources within the specialised government units for planning, implementing, monitoring and reporting on development activities.
- Increase and sustain the visibility of Bulgarian efforts in relation to development cooperation.

Bulgaria – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: BPID – *Ventzislav Kirkov*

CROATIA

0.11% Genuine aid/GNI

0.11% Total Aid/GNI

"Most international development cooperation actors come from small or medium-sized donors and their importance is impossible to ignore […]. Small donors are usually more cautious about allocating aid and monitoring its implementation, and this leads to concrete results."
Vesna Pusić, Deputy Prime Minister and Minister for Foreign and European Affairs

Will your government meet the 2015 aid target?
NO. Croatian aid stood at 0.11% of GNI in 2014 and it is expected to increase to 0.13% in 2016, if the current budget figures are approved by the parliament.

Main changes in 2014

Since Croatia joined the EU in 2013 there has been a significant increase in aid quantity. In 2012, Croatia provided €16m in aid, a figure that was doubled in 2013 (€34m) and increased substantially again in 2014 (€48m). This trend is the result of Croatia's contribution to the joint EU budget, which is partially reportable as aid. Despite the increases, Croatia still needs to consolidate and formalise the share of the budget dedicated to development cooperation.
Concerning aid delivery, Croatia has made progress in reducing of the amount of small-scale projects and increasing the size of approved ones. However, Croatia still faces a number of structural problems. At national level, the capacity to implement and deliver development projects remains weak. This problem affects both the governmental and non-governmental sectors.
At the policy level, efforts have been made to direct more aid towards priority countries and sectors. Nonetheless, the government still needs to align the existing development policy with those of other government departments in order to make them more coherent and mutually reinforcing.

Trends and projections for 2015 and beyond

Croatia has launched the so-called "small donor initiative", whose aim is to highlight the importance countries with smaller ODA can have for the development of other countries. The initiative argues that smaller donors can help bridge the gap between traditionally "large" donors and developing countries. It is based on the idea that many smaller donors have gone through similar development processes not long ago and can share useful knowledge and experiences with developing countries.

One of the main challenges Croatia faces in the context of development cooperation is to find its space as a donor in the global context. This challenge is common to other smaller donors, and is one of the reasons why the "small donor initiative" was launched.

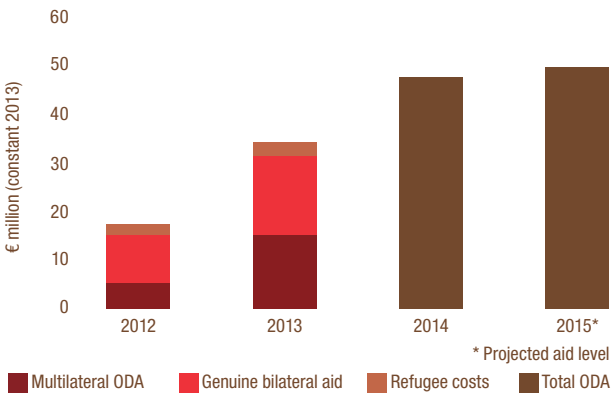
Croatia is currently in the process of adopting a new *National Strategy for International Development Cooperation and Humanitarian Assistance* for the period 2015-2020. This could be an important step in addressing some of the shortcoming identified above and increasing the quality of aid. Among other things, the strategy will try to link development cooperation with economic diplomacy, especially trade, and to increase participation by CSOs.

Recommendations

The Croatian government should:

- Make development spending data for the previous year available by the middle of the current year, so that the national platform, CROSOL, can produce a full AidWatch report.
- Step up efforts to increase aid and to honour Croatia's commitments.
- Support the development effectiveness commitments agreed at Busan and adopt a strategy to implement them across all aspects of Croatia's development cooperation policy.

Croatia – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: CROSOL – *Gordan Bosanac, Branka Juran*

CYPRUS

0.07% Genuine aid/GNI

0.10% Total Aid/GNI

"The UN has evolved in order to enhance its added value and influence in a globalized era, by recently adopting the "2030 Agenda of Sustainable Development". [...]. Cyprus, a country that has been actively involved in this process since its very beginning, feels proud of this achievement as it reflects the high principles of effective multilateralism and close cooperation of the nations of the world."
Nicos Anastasiades, President of the Republic of Cyprus, 70th Session of the General Assembly of the UN

Will your government meet the 2015 aid target?
Unlikely. The government of Cyprus has announced that it will make efforts to meet the aid target, but financial constraints and lack of progress suggest otherwise.

Main changes in 2014

In 2014, Cyprus allocated approximately €15m to ODA, though the official figure has not yet been released by the government. This is approximately the same amount of aid as in the previous year, both in volume and as a percentage of the country's GNI (0.10%). Traditionally, Cyprus has spent a significant share of its bilateral aid on refugee costs. In 2013, more than 90% of the bilateral aid budget was reported as refugee costs. The situation in 2014 is likely to be very similar, though official figures have yet to be released.

Transparency is a major concern for CSOs in Cyprus, as no detailed data on ODA expenditure has been made available since 2013. It is also quite remarkable that even the European Commission has been fed previous projections and forecasts instead of the real expenditure in 2014.

The lack of progress of Cyprus's ODA is partially explained by the measures taken following the onset of the financial crisis in 2013, which led to the establishment of the Economic Adjustment Programme for Cyprus. One of the consequences of this programme was the suspension of their development cooperation programmes and the freezing of the budget for CyprusAid (bilateral aid agency).

The crisis has also had an impact on coordination structures. With the establishment of Cyprus Aid in 2005, a national coordinating body was established in order to set targets for development cooperation on the basis of international obligations, EU policy recommendations and national priorities. A second, consultative body was also to be created, with representatives of civil society included among its members. As a result of the small size of the budget available for development activities, no meetings of a coordinating body have been convened in the last couple of years, and such a body was never formally created.

Trends and projections for 2015 and beyond

Budget projections up to 2017, available from the Ministry of Finance, do not envisage any increases in aid. According to the officials in the Department of Development Cooperation at the Ministry of Foreign Affairs (MFA), the government provides only the financial contributions necessary for fulfilling its institutional obligations to the EU, i.e., those to the EDF (European Development Fund) and the EID (European Investment Bank).

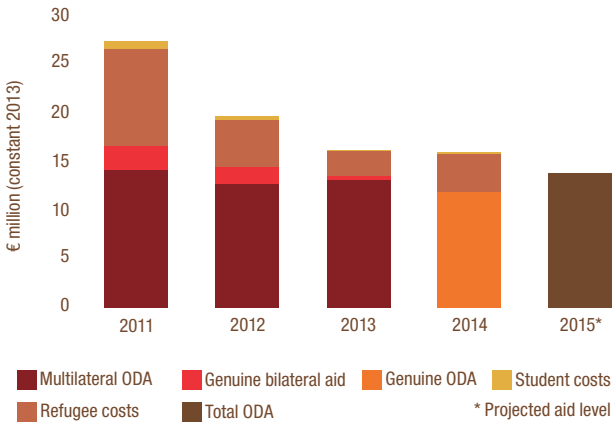
Despite the budget constraints, CYINDEP, the island-wide NGO Development Platform, has established a good working relationship with the government over the past three years. One of the results of this collaboration is the implementation of the European Year for Development National Programme, in which the MFA acts as the national coordinator and CYINDEP as the national beneficiary. There is also a constructive dialogue around the priorities for development cooperation activities. However, the lack of aid represents a major obstacle and is having a significant impact on the quality of programmes.

Recommendations

The government of Cyprus should:

- Reconvene meetings of coordinating body and establish the consultative body, including representatives of civil society. This is essential to ensure closer collaboration between the government institutions and civil society organisations.
- In collaboration with civil society organisations, develop a new mid-term strategy in line with the principles set out in the Busan Partnership Agreement and based on the Sustainable Development Goals
- Endorse the International Aid Transparency Initiative (IATI) Standards and ensure that ODA expenditure is accessible and transparent.
- CyprusAid needs to promote their principles and policies on development cooperation. This can be done through development education and by raising awareness among citizens, as set out in the European Consensus on Development (2005) and the European Consensus on Development: The contribution of Development Education and Awareness Raising (2007).

Cyprus – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: CYINDEP – *Sophia Arnaouti*

CZECH REPUBLIC

0.10% Genuine aid/GNI

0.11% Total Aid/GNI

"Our ODA does not correspond to the economic situation of the Czech Republic. It is my task/objective to persuade the government and the public that there is a need to increase it."
Minister for Foreign Affairs, Lubomir Zaoralek, on his Twitter account, 18 March 2015

Will your government meet the 2015 aid target?
NO

Main changes in 2014

The total Czech ODA disbursement amounted to €163m and stood at 0.11% of the GNI in 2014, slightly less than in 2013. In general, the ODA/GNI ratio has not changed much since 2004. Multilateral aid continues to represent the lion's share of the aid budget (70% in 2014). Only about 49% of total bilateral ODA counts as project-type operations implemented in selected countries under the Czech Development Agency, MFA and other ministries (this includes development projects, relief, transformation cooperation and democracy support, technical assistance etc.). The share of bilateral ODA allocated to LDCs increased to 23%. Refugee costs amounted to 19% of bilateral ODA in 2014, and scholarships for students from developing countries to universities in the Czech Republic were 8% of bilateral ODA. In 2014, the mid-term review of the 2010-2017 Development Cooperation Strategy was completed successfully. The MFA commissioned an external "meta-evaluation" which reviewed 20 evaluations and also evaluated development cooperation's evaluation system. For the first time, four sector evaluations were conducted in 2014. The Czech Development Agency (CzDA) joint forces with EUNIDA to produce two pilot sector strategies: for water and sanitation in Moldova, and for agriculture in Ethiopia. The development cooperation unit at the MFA has been transformed into the unit for non-European countries and economic and development cooperation.

Trends and projections for 2015 and beyond

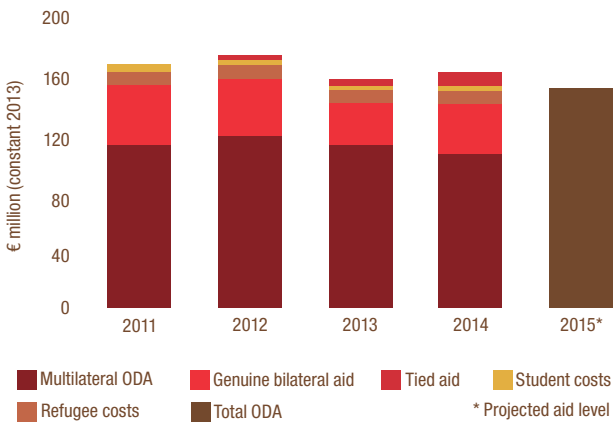
As seen in the mid-term review of the Czech ODA plan which runs until 2018, the Czech Republic will not be on track to meet its ODA commitment. Genuine bilateral ODA components such as development projects and humanitarian aid will remain underfinanced. Changing this trend will require high-level political commitment. As of the end 2015, little progress has been made in the accession process to the IATI and there is still no clear action plan for implementing the Busan commitments. Meanwhile, the Czech Republic has continued to increase the number of diplomats with a development portfolio in priority countries. By the end of 2014, they were present in Cambodia, Georgia, Moldova, the Palestinian Autonomous Territories, and Ethiopia. The discussion is still ongoing, however, with regard to the CzDA offices in the priority countries, which should help increase the effectiveness of Czech development projects. Nor has much progress been made with implementing policy coherence for development through the inter-sectoral Development Cooperation Council. Nonetheless, the government has reconvened the Inter-ministerial Government Council for Sustainable Development (RVUR) under the responsibility of the Office of the Government and under the presidency of the prime minister himself. This should become the central body for coordination on policy coherence for sustainable development, both in Czech domestic policy-making and in the formulation of positions for EU decision-making. A number of important policy documents will be reviewed in 2015-16, including the Development Cooperation Strategy, the National Global Development Education Strategy and the Multilateral Development Cooperation Strategy. The review processes should be open to all stakeholders and should consider the role of development cooperation and aid in the implementation of Agenda2030. It should also be ensured that development cooperation remains focused on the fight against poverty and inequality.

Recommendations

The Czech government should:

- Ensure the progressive, long-term increase of the ODA budget in order to meet the commitment to 0.33% GNI by 2030, and increase the share of bilateral ODA in general and of humanitarian aid in particular.
- Keep the elimination of poverty and inequality, in all their complexity, at the core of Czech development cooperation, both in strategic documents and in implementing policy.
- Introduce a concrete implementation plan for fulfilling development effectiveness commitments within the Global Partnership for Effective Development Cooperation (GPEDC).
- Become a full member of the IATI.
- Increase the capacity of the development cooperation systems in order to ensure participation by partner countries and target groups in all stages of the project cycle and to improve the ownership and sustainability of Czech development cooperation results.

Czech Republic – genuine and inflated aid (€ million, constant 2013)



DENMARK

0.75% Genuine aid/GNI

0.85% Total Aid/GNI

"If there are elements of Danish development assistance that do not support our foreign and security policy interests, they have to be cut."
Jakob Ellemann-Jensen, Venstre's spokesperson on development, 2014

Will Denmark meet the 2015 aid target?
In 2014, Denmark was still well above the 0.7% target. However, the change of government in 2015 has significantly lowered ambitions for the years to come.

Main changes in 2014

Denmark's ODA level remained fairly stable, at around 0.83-0.85%, through the years of the social-democratic government (2011-15). The development cooperation minister of the time seemed very keen to engage and cooperate with the Danish private sector. As a result, that government set up a new strategic platform, including several new instruments for various private-sector initiatives. Some of these instruments involved creating partnerships with civil society. In general, the new government puts even greater emphasis on the inclusion of the private sector in development cooperation.

At the end of 2014, negotiations that were important from the aid quantity perspective were held. In addition to the government budget for 2015, there were talks on how to finance hosting refugees, following the increase in arrivals in 2014. A deal was reached that provided new resources for covering a large proportion of the unexpected costs, though it entailed downscaling several development initiatives, including cooperation initiatives in East Africa.

Trends and projections for 2015 and beyond

In June 2015 a new government took power after an election campaign in which they promised to bring Denmark's ODA down to 0.7% of its GNI. The budget for 2016, presented in late September 2015, fulfilled this campaign pledge. The budget, including aid, is currently being negotiated. During negotiations, it emerged that the new government had already cut vast parts of Danish aid in 2015, bringing it down to about 0.73% of GNI from an expected level of 0.87% which took into account the increase in the costs of incoming refugees.

The reductions proposed for the 2016 development budget include big cuts to international organisations, especially the UN agencies, and the winding up of operations in several former priority countries (Bolivia, Pakistan, Indonesia, Mozambique, Nepal, Zimbabwe and Vietnam). Support to the development activities of Danish civil society organisations will be cut by 27% across the board.

In terms of strategy, the government's plans are to focus Danish development assistance on countries where migration to Europe can be mitigated or where Danish industry has long-term commercial interests. The whole set of government priorities in relation to foreign policy are currently being reviewed.

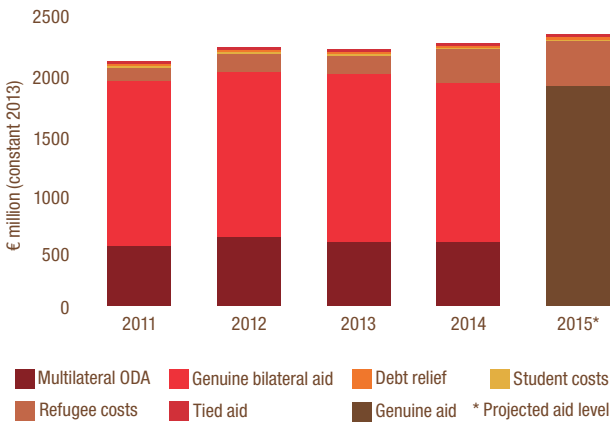
The new government has commissioned a high-level diplomat to examine Danish foreign policy and interests and bring forward recommendations for future priorities in all policy areas, including defence, trade and development.

Recommendations

The Danish government should:

- Bring Denmark back to the forefront of the fight against poverty and inequality by bringing aid back up to previous levels, and stop losing decades of expertise and experience in international development as a result of aid cuts.
- Put pressure on all EU member states to agree on binding timetables to reach their individual and collective aid quantity targets.
- Ensure that poverty reduction and human rights become the guiding principles of development cooperation, including in those cases in which aid is used in cooperation with the Danish private sector.
- Do not increase refugee costs at the expense of cuts to long-term development priorities and objectives.
- Make climate finance additional to development flows and targets.

Denmark – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: Global Focus – *Mathias Ljørring*

ESTONIA

0.14% Genuine aid/GNI

0.15% Total Aid/GNI

"It is our moral duty to support people in need. Ten years ago, Estonia and Latvia were aid recipients, now we have become donors and it is our opportunity to help others. We can use our own experience when working in development. What matters is the motivation and willingness of our partners to develop and reform their societies […]. For this, we must set specific goals and work on achieving them."
Minister for Foreign Affairs, Keit Pentus-Rosimannus, 9 January 2015, Riga

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Estonia managed to increase its aid slightly to 0.14% of GNI, from 0.13% in 2013. Estonia also signed its first bilateral agreement with one of its key partners in bilateral aid, Moldova. This precedent should help to advance the use of long-term development plans. Smaller changes also were made to the financing regulations for bilateral aid, simplifying the grant procedures for applicants, including CSOs. One of the major shortcomings of development cooperation in Estonia is that civil society is not yet systematically consulted and its views are not necessarily taken into account.

Trends and projections for 2015 and beyond

In 2015, the government is expected to come up with a new national strategy for development cooperation and humanitarian aid. This is an opportunity to address some of the main strategic challenges. While the final strategy is still being discussed, the draft document contains suggestions for ways to improve how the impact of development cooperation is measured, and for creating a national framework to work on increasing the coherence between other policies and development. In addition, Estonia's new strategy is more coherent with OECD DAC reporting and Estonia is preparing to join the DAC. This means taking steps to increase aid transparency. Also on the positive side, civil society has been relatively well included in the discussions, although some decisions are likely to go ahead despite opposition from NGOs.

Important challenges remain to be addressed, however. Plans agreed in the national strategy need ambitious implementation. The quality and amount of technical aid needs to be improved. From an aid effectiveness point of view, it is also important to commit to long-term development plans in partner countries. Governance on development cooperation leaves room for improvement, in particular where the quality and transparency of the decision-making process is concerned.

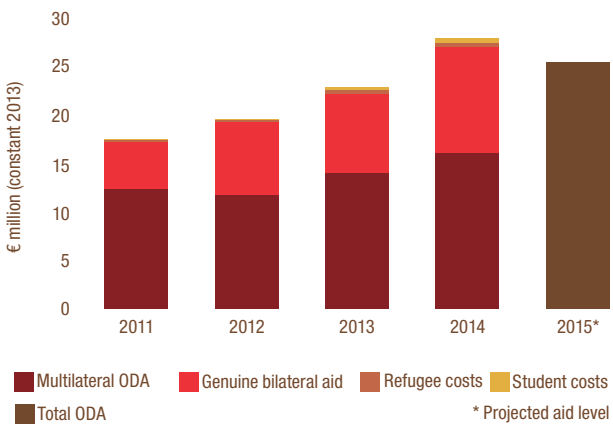
In 2015 and beyond, major geopolitical factors will have an impact on Estonia's aid allocation and priorities. First, the coalition government resulting from the last election has agreed to implement budgetary discipline, maintain tax breaks and increase spending on defence and social protection. Secondly, the conflict in Ukraine and the refugee crisis in Europe have introduced a strong political component into aid expending, especially in the case of humanitarian aid. A number of challenges emerge from the combination of these two factors: aid is unlikely to increase to meet existing goals for aid quantity; the transparency of aid allocation might become more political and less transparent, thereby reducing the quality of long-term aid; and increased refugee costs could lead to more inflated aid, possibly at the expense of cooperation in the least developed countries.

Recommendations

The Estonian government should:

- Commit to achieving aid quantity targets of 0.17% and 0.33% of GNI and set binding deadlines for this.
- Integrate Estonian development cooperation into and coordinate it with other policy fields, in order to achieve the sustainable development goals.
- Implement strategic plans for increasing policy coherence for development, including the plan to increase active international work and have fewer priority areas.
- Draw up long-term aid plans and follow them when delivering aid.
- Increase the transparency of decision-making on aid projects.

Estonia – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: Estonian Roundtable for Development Cooperation (AKÜ) - *Anna Karolin*

FINLAND

0.59% Genuine aid/GNI

0.60% Total Aid/GNI

"Finland needs to get a virtuous cycle of development going. We still have a lot of money, know-how and attitudes to offer developing countries."
Minister for Trade and Development Lenita Toivakka, speaking at a "post-2015" event in October 2015.

Will your government meet the 2015 aid target?
NO

Main changes in 2014

2014 will signal a peak in Finland's development cooperation as the new government elected in 2015 has decided to cut aid dramatically. In 2014, disbursements increased by 14% compared to 2013 and Finland's ODA reached a record level of 0.6% of GNI, the highest since the early 1990s. In 2015 Finnish aid is expected to start contracting (see below). The new government has also cancelled the earmarking of income from the emissions trading scheme for development cooperation – in 2014, this income amounted to €69 m. The cuts were announced despite strong support for development cooperation in Finland. A survey conducted by the Ministry of Foreign Affairs (MFA) shows that 82% of the population in 2014, and 87% in 2015, thought development cooperation was important,

The cuts are partly the result of a report commissioned by the parliament, whose Foreign Affairs Committee requested the MFA to examine the effectiveness and coherence of Finland's development policy. The MFA's report was presented to the committee in December 2014 and aroused great interest and debate in the parliament. The Foreign Affairs Committee called for more critical introspection on the achievements and shortcoming of Finland's development policy, and this paved way for the reallocations and massive cuts in 2015.

The government has remained committed to the human rights-based development policy and priorities approved in 2012. The possibility that the policy might be abandoned was a major concern when the Green Party left the coalition government in September 2014 and the ministry in charge of development cooperation was handed over to the Social Democrats.

Trends and projections for 2015 and beyond

While 2014 will be remembered as a good year for Finland's development cooperation, 2015 will be the year everything changed. The conservative government took office after the elections in April and announced massive cuts to ODA as part of the austerity package. Other sectors faced large cuts too, but by comparison, the cuts in the ODA sector will be the largest in absolute terms in 2016 and in relative terms throughout the four-year government programme.

Finnish ODA will decrease by 43% between 2014 and 2016, from around €1.2 bn to around €715 m. At the same time, ODA to the private sector is expected to increase by at least €140 m. This means that the impact on other sectors will be much greater than what the cuts themselves suggest. Multilateral aid will decrease by 55%, bilateral by 38% and aid to CSOs by 43%.

The cuts will deal a serious blow to the CSO sector, as two key instruments for smaller and medium-sized CSOs – project funding and support for development education, communications and awareness raising – have been completely frozen in 2015.

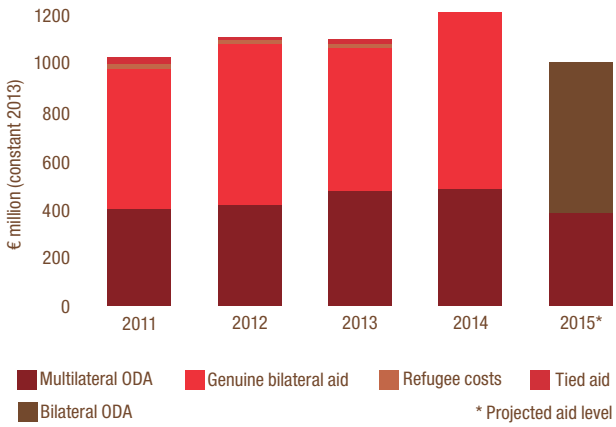
The government retains a vague "longer-term" commitment to 0.7%, although it has not indicated any increase from 0.35% over the next four years.

Recommendations

The Finnish government should:

- Provide a concrete, credible plan showing how to reach the 0.7% target and meet climate finance commitments. This should include milestones for the current government's tenure.
- Adopt a policy for private-sector engagement in developing countries. This policy should align Finland's support to the private sector with international social and environmental standards, a human rights-based approach and the Busan principles for aid effectiveness and transparency.
- Restore the practice of channelling income from the emissions trading scheme to international climate and development cooperation activities, and introduce new, innovative sources of public finance for sustainable development such as carbon taxes, the reallocation of fossil fuel subsidies or a financial transaction tax.
- Stop reporting climate funding as a contribution to the 0.7% ODA target, and respect the additionality of climate finance.
- Refrain from using increased refugee costs to inflate ODA reporting.

Finland – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: Kepa – *Niina Mäki, Kehys – Jussi Kanner*

FRANCE

0.30% Genuine aid/GNI

0.36% Total Aid/GNI

On 27 September 2015 President Hollande announced *"an increase of four billion euros of French public development aid from 2020"*. On 28 September he also announced *"an increase in annual funding for climate, from three billion euros today to five billion euros in 2020"*.
President François Hollande, UN General Assembly, 25-28 September 2015

Will your government meet the 2015 aid target?
NO. In 2014, French ODA accounted for 0.36% of GNI, down from 0.41% in 2013.

Main changes in 2014

In 2014, France adopted a new law setting out guidance and programming devoted to the international development and solidarity policy. Implementing the law, however, is proving challenging. Funds committed to ODA have followed a downward trend since 2010, and fell sharply in 2014: a 9% drop from the 2013 level. The decrease contradicts the official government rhetoric which suggests the stabilisation of ODA funds. The decrease was accompanied by a significant reduction in budget lines for the most vulnerable groups.

One of the priorities of France's development cooperation programme is to support the social sectors in poor countries, but this ambition is not matched by a minimum level of financial support. Concessional loans to emerging countries have increased sharply at the expense of project funding and bilateral grants. It appears the French development agency is trying to minimise the cost of state commitments and has decided to focus on lending to creditworthy countries. Meanwhile, the poorest countries are seeing their access to aid grants being reduced every year.

Trends and projections for 2015 and beyond

Following the commitment given by François Hollande, climate finance is expected to increase from €3 bn a year today to €5 bn in 2020. Most of the new funds will be provided in the form of loans. The annual lending capacity of the French Development Agency is expected increase to €4 billion in 2020. Grants will also increase, but to a much lesser extent. Climate finance grants are expected to account for €370 m in 2010. These commitments have not yet been translated into the next budget law, something CSOs hope will happen soon so that they are formalised and will definitely be delivered on in the future.

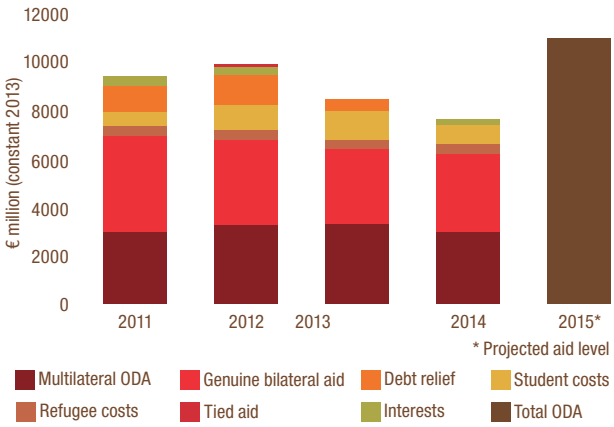
To be effective, the increase in climate finance needs to be provided as additional to the aid budget, and not by counting double or reallocating aid funds. It is also essential for the aid budget to increase at the same pace as climate finance in order to meet France's international commitments.

Recommendations

The French government should:

- Fulfil the commitment to allocate 0.7% of its GNI to ODA by 2020.
- Rebalance the amount of aid provided as grants and loans.
- Double the amount of funds channelled through NGOs by 2020.

France – genuine and inflated aid (€ million, constant 2013)



GERMANY

0.37% Genuine aid/GNI

0.41% Total Aid/GNI

"Germany stands by its commitment to provide 0.7 % of GNI for development cooperation. Our budget for development cooperation will increase substantially over the coming years."
Chancellor Angela Merkel in her speech at the United Nations Sustainable Development Summit, 2015

Will your government meet the 2015 aid target?
NO. In 2014, German aid stood at 0.41% of its GNI, far from the 0.7% target.

Main changes in 2014

In a broad participatory process the Federal Ministry for Economic Cooperation and Development (BMZ) developed the so-called Zukunftscharta ("charter for the future"), which according to the ministry, will set the political priorities for putting the 2030 Agenda into practice. The "charter for the future" sets eight priorities for German development cooperation, among them "a new global partnership and multi-stakeholder partnerships" and "peace and human security". The process of drafting the "charter for the future" and setting priorities was broadly welcomed by German NGOs, although the charter itself is strongly criticised for not defining roles and responsibilities to ensure the ideas on paper are put into practice. To this day, how the charter will be implemented remains unclear. Germany was also actively involved in the consultation process for the 2030 Agenda, and the German government shared a place on the Open Working Group with Switzerland and France.

The current political priorities of the BMZ are food security, fighting the root causes of flight and migration, and the stabilisation of North Africa. The ministry initiated three special budget initiatives to finance further the different development instruments already in progress.

A third important political project is the launch of a broad alliance for social and environmental standards for transnational corporations within the textile industry. The alliance started its work in October 2014 but received hardly any attention. It was only after a serious lowering of standards that major transnational companies such as Aldi, Adidas and H&M joined the alliance in June 2015. Whether the initiative will deliver any positive results remains to be seen.

Trends and projections for 2015 and beyond

In 2015 Germany held the G7 presidency and facilitated a variety of positive decisions. However, they were based on a neoliberal growth model. This was hardly a surprise for many NGOs. On the positive side, the government announced its intention to increase investment in responsible supply chains, emphasising the UN's Guiding Principles on Business and Human Rights. Another positive outcome of the G7 summit was the recognition of the important role of women, health, food security and education in development. On the negative side, it is worth highlighting the ongoing determination to pass bilateral and regional free-trade agreements such as TiSA, TTIP and the EPA and the failure to make any serious financial commitments at the Third International Conference on Financing for Development in Addis Ababa.

In terms of aid quantity, in March 2015 the government declared it would increase German ODA by €8.3 bn by 2019. This would be the highest increase in ODA in German history, and the announcement was widely welcomed within civil society. Nevertheless, even with this large increase, the government expects German ODA to stagnate at 0.4% because of a high rate of economic growth. The aid question may gain further momentum during the budget debate because of the ongoing discussions on the need to resolve the refugee crisis.

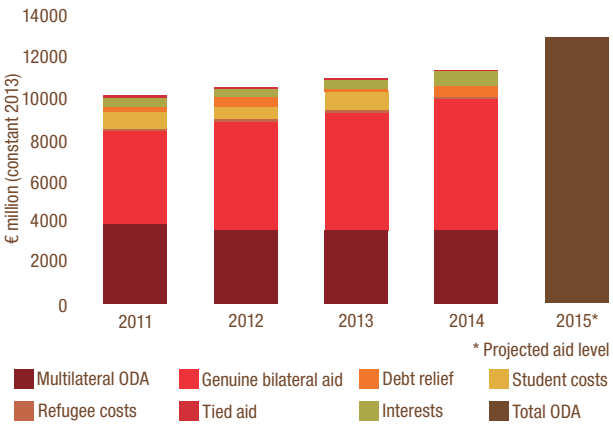
To put the 2030 Agenda into practice, the German government announced that the national sustainability strategy would be revised and brought into line with the 17 Sustainable Development Goals. It is yet not clear how such a revision process will be implemented, or how civil society can participate.

Recommendations

The German government should:

- Adopt a comprehensive implementation plan for the 2030 Agenda at the national level. The drafting of the plan should involve broad participation by civil society.
- Increase ODA to 0.7% of GNI by 2020, following a binding, credible timetable. Climate finance should be delivered over and above the 0.7% target.
- Advocate for a comprehensive financial transaction tax (FTT) that would provide substantial revenue for development and climate finance.
- Lead the fight for global tax justice and push for the establishment of a sovereign debt restructuring mechanism.
- Develop a coherent policy, based on sustainable development and human rights, that involves all German ministries working together on this.

Germany – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: VENRO – Association of German Development NGOs – *Jana Rosenboom*

GREECE

0.09% Genuine aid/GNI

0.11% Total Aid/GNI

"We have to realise that we need a global financial and economic system oriented to fostering national growth strategies and our post-2015 development agenda. We have to discuss the issue of debt restructuring in all competent forums – including this one – in relating to developing growth and not austerity strategies."
Alexis Tsipras, Prime Minister of Greece, 25 September 2015, UN SDGs Summit.

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, the dialogue between the government and CSOs on development related issues was very good. This was mainly thanks to the Greek Presidency of the EU. The Greek government provided access to all policy papers and communications. The government was also more open to considering and adopting the views and ideas of CSOs. The Greek National Platform, for example, supported the Ministry of Foreign Affairs (MFA) in the lead-up to the Global Partnership meeting in Mexico. The government also engaged in discussions about issues such as migration, refugees and the financial crisis, which were not openly discussed with CSOs in the past. However, we are concerned that these might have been one-off events prompted by the Greek Presidency. In 2015, CSOs have witnessed lower levels of engagement with the MFA.

In 2014, the Greek government also recommitted to the 0.7% target, but Greek ODA levels remained very low. Greek ODA increased slightly, to €187 m, up from €180 m in 2013. When measured as a percentage of GNI, aid represented 0.11%, compared to 0.10% of GNI in 2013. Bilateral aid accounts for less than 20% of all Greek ODA and it is heavily inflated. Although official data has yet to be released, calculations based on data from previous years show that around 70% of bilateral aid is accounted for by student and refugee costs. CSOs have discussed this issue with the government and the MFA was openly sceptical of the concept of inflated aid and the CONCORD AidWatch methodology.

Trends and projections for 2015 and beyond

2014 was a really good year for cooperation with the Hellenic MFA, based on the fact that there was the Hellenic Presidency on the EU and also a serious common action between the Hellenic Platform and the MFA. Unfortunately, from the beginning of 2015, this cooperation level has diminished, and the cooperation face constant denial of direct communication and discussion, even though Hellenic Platform has asked a personal meeting with the Minister and the head of the Humanitarian and Development Aid Department.

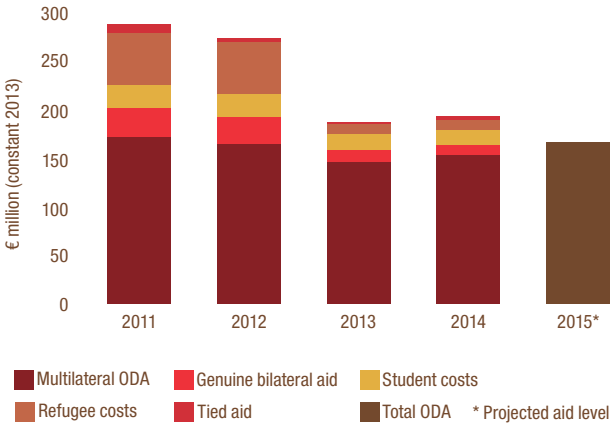
In the present time, Greece faces not only a major social and economic crisis, but also a huge migrant and refugees flow. CSOs strongly believe that the new government must open the dialogue in order to combine huge joint experience and capacities for the common cause. Finally, due to the social and economic conditions described, it is very difficult to mark a trend in aid quantity for the future (at least for 2015 and 2016).

Recommendations

The Greek government should:

- Include CSOs as stakeholders in the aid strategy, and expand cooperation with them through participation in the inter-ministerial committee for the development and monitoring of the SDG strategy.
- Evaluate the 0.7% commitment under the current fiscal conditions in order to recommit to a realistic and binding timetable to meet it in the future.
- Adopt and implement the IATI standard in order to increase the transparency and accountability of Greek ODA.

Greece – genuine and inflated aid (€ million, constant 2013)



HUNGARY

0.09% Genuine aid/GNI

0.11% Total Aid/GNI

"Increasingly accelerated changes in the world have a lot of negative consequences and time and again pose new challenges for the countries of the world… All these changes and their adverse consequences make aid more important than ever; therefore more resources need to be mobilised around the world to counteract, or at least relieve, the tension and suffering."
Péter Szijjártó, Minister for Foreign Affairs and Trade, 3 February 2015, Budapest, World Humanitarian Summit, Regional Consultation

Will your government meet the 2015 aid target?
NO

Main changes in 2014

Aid from has increased slowly but steadily over the last decade, but this is mainly because of multilateral aid resulting from contributions to the EU budget and EDF, combined with increases in bilateral disbursements arising from the increasing amount of refugee and student costs. In 2014, total ODA spending in absolute numbers increased to €108.6 million, which represents 0.11% of GNI. At €22.7m, bilateral ODA accounted for 21% of total ODA in 2014. Multilateral ODA increased to €85.9 m in 2014, up from €70 m in 2013.

The year 2014 saw important advances in Hungary's development cooperation policy framework. In March, Hungary's first-ever development cooperation strategy was approved by the government. The strategy was followed in December by the adoption of the country's first law on development cooperation. These positive developments have raised great hope in civil society that Hungary may eventually start to deliver on its long-delayed commitments. The strategy projects an increase in aid, including bilateral aid. However, the government has not produced any kind of plan to deliver on this commitment, either in the strategy or in any other documents. The strategy merely envisages concrete and significant increases in the aid budget of the Ministry of Foreign Affairs (MFA), but it represents only 2-3% of bilateral aid. Furthermore, since the strategy was adopted, two key budgets have been cut, bringing the MFA's aid budget down to between €100,000 and €200,000. This drastic cut reduces the MFA's aid budget to about one-fifth of what it was in 2014 and one-tenth of the amount projected in the strategy.

Trends and projections for 2015 and beyond

As reported above, in 2015 the government has continued to decrease the funding for the only programmed development budget (the MFA's budget), much to the dismay of NGOs. This move was particularly surprising given that it took place during the European Year for Development. Nonetheless, the influx of refugees to Hungary and Europe generally seems to have opened the eyes of the government to the fact that the only way to tackle the root causes of migration is to work locally in developing countries. In combination with the new framework for the SDGs adopted by the UN, this might generate enough political momentum to push Hungary to start acting in a globally responsible manner and delivering on its aid promises.

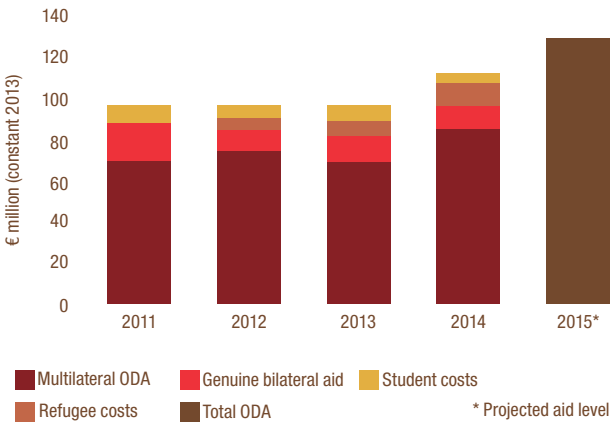
After more than 10 years of Hungarian development cooperation it is essential to assess its contribution to development in a systemic manner. The need is even more pressing given the importance of aligning development cooperation with the new SDG framework and the interim evaluation of Hungary's new development strategy, due in 2017. No mechanism exists, however, for systematically monitoring or evaluating development cooperation. This casts some doubt on the government's ability to perform this exercise in a satisfactory manner.

Recommendations

The Hungarian government should:

- Draw up and adopt a roadmap for increasing Hungarian ODA, paying particular attention to the bilateral component, in order to fulfil Hungary's ODA commitments.
- To reduce the fragmentation of the development cooperation system, reform the existing system based on the foundations outlined in the new development cooperation strategy and law.
- Introduce a monitoring and evaluation system for Hungarian ODA that will allow stakeholders to track and increase the effectiveness of development efforts.
- Introduce and implement plans for the SDGs which also create the conditions necessary for policy coherence for development at all levels.

Hungary – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: HAND – *Réka Balogh*

IRELAND

0.38% Genuine aid/GNI

0.39% Total Aid/GNI

"On our small Atlantic island, the Irish people carry the generational memory of occupation, hunger, conflict, mass emigration. As a result of our history, we have a deep commitment to addressing suffering and hardship wherever they are found. Our past has taught us that no one country can stand alone in an interconnected world."
Taoiseach Enda Kenny, 25 September 2015

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Ireland's ODA continued to fall, both in euro terms and as a percentage of national income. In 2014, Irish ODA levels fell below 0.4% of GNI, a level last seen in 2001. In 2014, the aid budget was reduced by approximately €28 m. This is a small drop in absolute terms, but rather significant in relation to the size of the economy. Aid as a percentage of GNI stood at 0.39% in 2014, compared to 0.46% of GNI in 2013. The government continues to state that Ireland is "committed" to achieving the 0.7% ODA/GNI target, but has to date neglected to present a plan of action for how this target is to be achieved.

Ireland also has a very low level of other inflated aid items. The analysis of existing figures shows that over 99% of Ireland's bilateral ODA is genuine. The OECD DAC Peer Review of Irish Aid confirmed that Ireland is one of the best performing donors, when it comes to directing its development aid to the Least Developed Countries (LDCs). The report, published in 2014, shows that 0.24% of Ireland's gross national income was spent as Official Development Assistance (ODA) in LDCs, exceeding the UN target of 0.15% and outperforming many other donors.

Trends and projections for 2015 and beyond

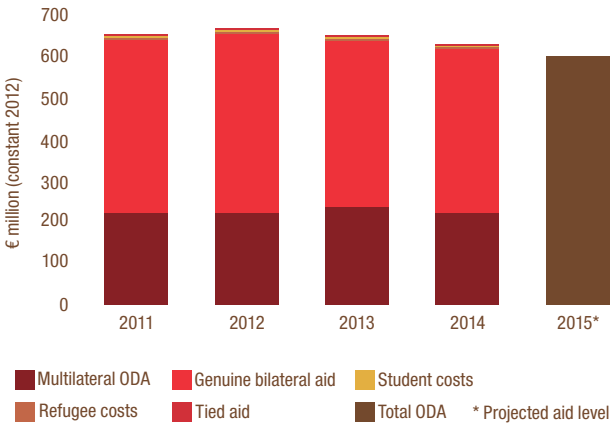
The Government continues to state that Ireland is "committed" to the achievement of the 0.7% ODA/GNI target, but has to date neglected to present a plan of action on how this target is to be achieved.

Recommendations

The Irish government should:

- The Government of Ireland should present a strong, credible plan, in light of a series of missed deadlines, for how Ireland will keep its commitment to the Sustainable Development Goals and bring its spending on Official Development Assistance (ODA) up to the agreed UN target of 0.7% of its gross national income.

Ireland – genuine and inflated aid (€ million, constant 2013)



ITALY

0.15% Genuine aid/GNI

0.16% Total Aid/GNI

"Italy will increase its share of international responsibilities in the areas human rights, security and growth and it will step up its support for development cooperation. The three year budget for development, …, will introduce radical changes in this direction and we expect that, by 2017, when Italy hosts the G7 summit, national ODA will be among the most conspicuous in the G7."
Prime Minister Renzi, FfD3 Conference, Addis Ababa, July 2015

Will your government meet the 2015 aid target?
NO, the ODA is expected to reach 0,18% of GNI in 2016, far from the 0.7% target.

Main changes in 2014

2014 was an important year for Italian development cooperation. It saw the introduction of new legislation, which is designed to overhaul the national cooperation system completely and bring it into a new era after more than 20 years under the previous legal framework, endorsed long ago in 1987, when the Cold War blocks were still a reality. Also, the new national political leadership seems to acknowledge the importance of Italy's development cooperation policy as vital to its role in the global community. CSOs have been associated with the reform process in various ways and some of their concerns were incorporated into the legislation.

Some of the innovations in the law: development cooperation has been moved to the centre of the political agenda by being included in the name of the ministry (now Ministry of Foreign Affairs and Development Cooperation) and through the creation of a permanent Deputy Minister for Development Cooperation who will sit in on all cabinet discussions that may have an impact on development. Other positive elements include: space for multistakeholder participation (the National Council for Development Cooperation); a dedicated agency to lead on the implementation of the multi-year plans; and a consolidated budget to track resources from all government departments with development cooperation programmes. There are also some areas of concern, in particular the acknowledgement of the private sector as a development cooperation actor in its own right and the creation of an international financial institution under the umbrella of the Cassa Depositi e Prestiti. On both counts, CSO monitoring will be vital to make sure development cooperation values and goals are respected.

Trends and projections for 2015 and beyond

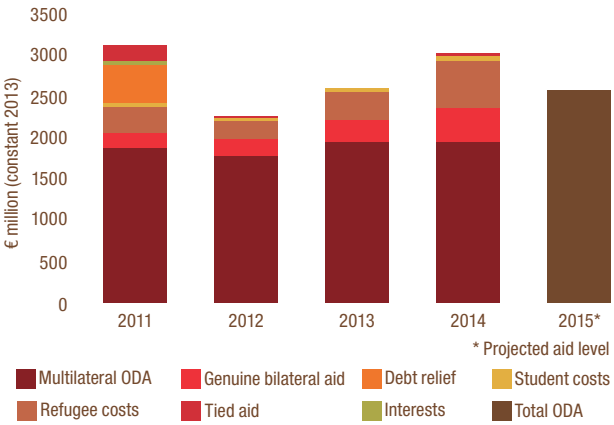
The next two years, 2015 and 2016, will be crucial to the full realisation of a reformed Italian development cooperation system. The government will have to ensure that stakeholders are associated with the implementation process. In this regard, the National Council for Development and its working groups offer a unique opportunity for making all voices and perspectives heard. The planning process should be consistently improved to incorporate views and expertise from different constituencies. Another key area of improvement is the newly established agency, which, once it is up and running can become a hub providing both management capacity and forward-thinking skills. The expectation that the Italian private sector can play a pivotal role will be put the test, and national policies will have to make sure that the values and goals of development cooperation are not jeopardised by the ambition to bring in new actors. Last but not least, reforms to development cooperation will never materialise without much-needed resources.

Recommendations

The Italian government should:

- Fully implement the new legislation on development cooperation, including improved space for stakeholder participation, increased policy coherence for development and greater effectiveness.
- Secure a steady, predictable increase in ODA as per commitments by Prime Minister Renzi at the Financing for Development Conference in July 2015, so that aid represents no less than 0.30% of GNI by 2020.
- Report refugee costs in a timely manner and stop counting them as ODA.
- Improve strategic and project planning in order to reduce fragmentation in developing countries
- Be more vocal when EU development policies are discussed. A significant proportion of Italian aid is channelled through the European institutions.

Italy – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: CONCORD Italia – *Luca De Fraia (ActionAid)*

LATVIA

0.08% Genuine aid/GNI

0.08% Total Aid/GNI

"2015 is a year when Europe especially focuses on the role of development cooperation, its advantages and common efforts to achieve growth and peace in the world."
Zanda Lukaševica Kalniņa, Parliamentary Secretary at the Ministry of Foreign Affairs

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Latvian ODA increased by 6% compared to 2013. Significant growth was also recorded in the amount of bilateral aid in 2014, which rose by almost 50% to €1.5 m. The amount of bilateral aid is still small compared to multilateral aid, but the increase is a welcome development. Approximately 22% of bilateral aid is inflated by refugee and student costs. Scholarships have increased significantly over the last few years and they currently represent 12% of bilateral aid and 38% of the bilateral aid coordinated by the Ministry of Foreign Affairs (MFA). This money is used to fund scholarships for public officials from countries in the Eastern Partnership. Only 0.06% of bilateral aid is distributed through open competition and a transparent process. The rest is distributed by the MFA or one of the other managing institutions through executive and non-competitive processes.

Too little money goes to supporting NGOs. The 2014-2020 National Development Plan includes an increase in support for projects implemented by NGOs, and in NGO co-financing. However, despite the increase in the bilateral aid budget, the funds available for NGOs have remained at the same level and are accessible only through competitive processes that also involve other stakeholders. In 2014, the MFA managed €213,813 in bilateral aid. Out of this amount, €25,813 were used to co-finance NGO projects, and €70,000 to fund projects implemented by NGOs, public institutions and private companies. An additional €200,000 were received in 2014 and distributed by the MFA.

The lack of adequate funding for national NGOs is having a detrimental impact on their capacity and participation. In this climate LAPAS, the national NGOs platform, managed to compete successfully for €14,000 in funding which helped to co-finance its projects and its membership fee for CONCORD. Moreover, LAPAS was chosen as the national beneficiary of a European Year for Development 2015 grant. All these things combined to ensure the short-term sustainability of the platform's work.

Trends and projections for 2015 and beyond

The situation is expected to remain similar in 2015, especially where NGOs are concerned. Total ODA is expected to increase slightly, but the amount of aid available to support NGOs is not expected to grow. This is a major concern, because the longer the funding remains inadequate the more likely it is many NGOs will become financially unsustainable. NGOs have tried to discuss this issue with the government, and have even managed to get it discussed in the Committee of the Cabinet of Ministers, but to no effect.

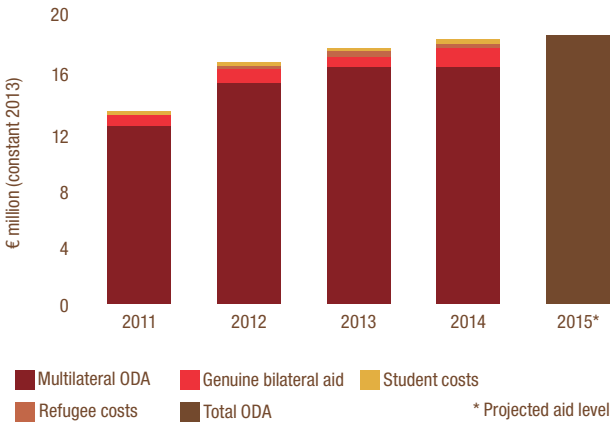
There is hope that the strong performance by Latvian NGOs in 2015 could help to reverse the downward trend in their financing. In 2015, the Latvian Presidency of the EU, combined with the discussions around a new international development framework, have helped to raise the profile of Latvian NGOs. As a result, the Latvian government and the public have become more aware of the activities of NGOs and their important role in development cooperation.

Recommendations

The Latvian government should:

- Continue increasing bilateral aid flows and deliver on existing commitments.
- Ensure the process for distributing bilateral aid managed by the MFA is open, transparent and accountable. The MFA should also coordinate and monitor the entire bilateral aid budget to ensure consistency and coherence in the implementation of the development policy.
- Assess the effectiveness of scholarships as a high priority area for bilateral development policy.
- Increase co-financing to projects that have already received the support of international organisations, and in the future use open calls for proposals to encourage multi-stakeholder projects.
- Create responsible mechanisms, based on the principles of transparency, accountability and integrity, to stimulate the private sector to play a greater role in development cooperation.

Latvia – genuine and inflated aid (€ million, constant 2013)



LITHUANIA

0.10% Genuine aid/GNI

0.10% Total Aid/GNI

"Lithuania has undergone big changes in recent decades and is ready to share its experience and knowledge with other countries, near and far."
Linas Linkevičius, Minister for Foreign Affairs of the Republic of Lithuania

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Lithuanian aid decreased by 9% to €34.6 m, down from €37.7 m in 2013. Bilateral aid contracted significantly, from €13 m in 2013 to €4.7 m in 2014. The drop was partly offset by an increase in multilateral flows. As a percentage of GNI, Lithuanian ODA decreased from 0.11% in 2013 to 0.1% in 2014. The most likely explanation for the drop in the aid budget is the end of the Lithuanian Provincial Reconstruction Team (PRT) mission in Afghanistan in 2013, which led to lower volumes of aid being reported by the Ministry of Defence.

The EC Twinning programme is increasingly portrayed as a successful model of cooperation with countries in transition and is an important part of Lithuanian development cooperation and foreign policy. In 2014, Lithuanian institutions, as project leads or in partnerships, won seven EC Twinning projects in Croatia, Kosovo, Ukraine, Montenegro, Turkey and Macedonia. The Ministry of Foreign Affairs (MFA) assumes the role of coordinator of the activities of government institutions engaged in these projects. Lithuania's main contribution to the projects is sharing the national experience of transition.

As regards aid planning and effectiveness, several important steps were taken in the right direction in 2014. The government approved the development cooperation policy for 2014-2016, set up the National Commission for Development Cooperation and approved its regulations. Moreover, in January Lithuania joined the Global Partnership for Effective Development Cooperation (GPEDC) and endorsed the Global Partnership Principles.

The issue of global education was addressed for the first time at Government level. The very term global education was accepted and, under the auspices of the MFA and the Ministry of Science and Education, the working group composed of government institutions and NGO representatives and experts began to draft the Concept of Global Education. Moreover, the MFA coordinated EYD 2015 activities in Lithuania.

Trends and projections for 2014 and beyond 2015

In 2014, Lithuania celebrated the tenth anniversary of its development cooperation. This was a good time to take stock of what has been achieved and make new plans. A number of reports and policy documents highlight the major transformation development cooperation has gone through in the last decade, and the importance of sharing Lithuania's own experience and knowledge with other countries. Discussions on the post-2015 agenda and the SDGs were also a key part of the reflection process.

However, having learnt from the challenges in making and implementing an effective national development assistance policy, Lithuania believes that contributing to a well-functioning multilateral system is a good way to maximize its input into international development.

By endorsing the GPEDC and the EU positions, Lithuania has made ambitious commitments, including one to increase aid to 0.33% of GNI by 2015. The lack of progress in aid quantity contradicts Lithuania's stated ambition. The future remains unclear, as an increase in aid volumes does not feature in any binding documents or strategies.

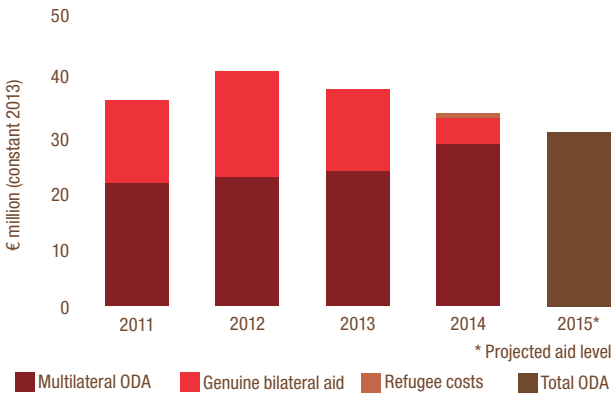
In terms of regional focus, Lithuania's development cooperation efforts will target Eastern Europe, where it plans to support democratic and economic reforms. Its partner countries include Belarus, Georgia, Moldova and Ukraine. Strengthening the principles of democracy, the rule of law and solidarity in the neighbourhood is key to the future of Europe and its neighbouring countries.

Recommendations

The Lithuanian government should:

- In planning development policy after 2016, plan the benchmarks to increase the quantity of aid to 0.33%.
- Develop an action plan on policy coherence for development, following the establishment of the National Commission for Development Cooperation.
- Raise the level of funding for development and global education to 2% of aid flows.
- Continue improving aid quality in line with existing commitments, with a view to OECD membership
- Do count refugee costs as aid flows and report them separately.

Lithuania – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: LU Lithuanian Umbrella – *Julius Norvila*

LUXEMBOURG

1.07% Genuine aid/GNI

1.07% Total Aid/GNI

"For Luxembourg, ODA remains a priority both as a programmatic cornerstone and as leverage to generate additional funding, including domestic resource mobilisation and funding stemming from the private sector."
Romain Schneider, Minister for Development Cooperation and Humanitarian Aid, Addis Ababa, July 2015

Will your government meet the 2015 aid target?
YES

Main changes in 2014

In 2014 the Luxembourgish government introduced the so-called "Zukunftspak" (future package). The document is a set of budgetary measures, some of which will have a direct impact on development NGOS, in particular on their financing. These measures are encouraging Luxembourgish development NGOs to have a stronger focus on LDCs and the official partner countries of Luxembourg's cooperation. They also aim at reducing the public co-financing of NGOs' administrative costs. The exact terms of these measures are still being negotiated.

Trends and projections for 2015 and beyond

Luxembourg is increasingly looking at the private sector as a partner and important actor in development cooperation and humanitarian action. Luxembourg's government is in favour of public-private partnerships (PPPs) and leveraging private-sector financing through ODA (as the minister stated in Addis Ababa in July). This position was illustrated by an event organised by the Directorate for Development Cooperation and Humanitarian Aid, in collaboration with the Chamber of Commerce, on 20 April 2015 in the context of the European Year for Development. The event's title was "Developing countries – an opportunity for Luxembourg's private sector" and it was the first time the government invited the private sector to a conference on development.

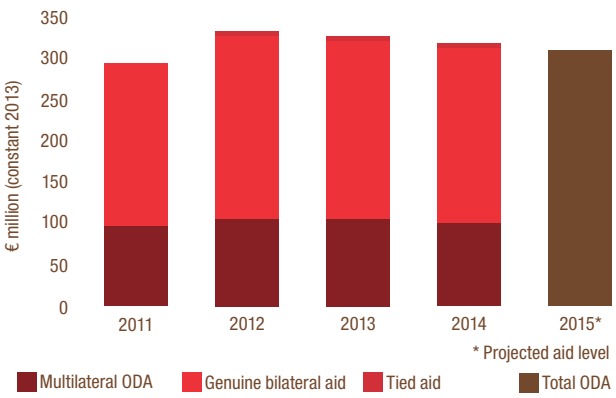
There are concerns that increasing collaboration with the private sector might result in more tied aid, although at the conference the State Secretary for Economic Affairs, Francine Closener, made it clear that where ODA is concerned the principles of untied aid must be adhered to. Nonetheless, initiatives such as the Business Partnership Programme – announced by the Minister for Development Cooperation and Humanitarian Aid, Romain Schneider – should be carefully monitored. This initiative will allocate €1 m in support to proposed investment in developing countries, though it is unclear whether these funds will be reported as ODA.

Recommendations

The Luxembourg government should:

- Implement the concept of policy coherence for development across government departments in order to increase the quality and impact of development activities.
- Make public and easily accessible all information on ODA provided in support to the private sector. This should include, but not be restricted to, information on ODA used to support PPPs, to leverage private sector funds or to provide technical assistance for private-sector actors.
- Come up with a strategy for working with the private sector that minimises the risks of tied aid and ensures sufficient levels of transparency and accountability.
- In the medium term, increase from 0.58% to 1% the proportion of ODA allocated to awareness-raising and policy advocacy work done by NGOs.

Luxembourg – genuine and inflated aid (€ million, constant 2013)



MALTA

0.10% Genuine aid/GNI

0.20% Total Aid/GNI

"Aid is about empowering people to improve the world they live in. It seeks to give tangible meaning to important concepts such as equity, accountability and partnership."
Hon. Dr George W. Vella, Minister for Foreign Affairs, 28 March 2014

Will your government meet the 2015 aid target?
NO. In 2014, aid from Malta accounted for 0.20% of its GNI, the same level as in 2013.

Main changes in 2014

Maltese civil society is concerned about the lack of real progress in increasing aid quantity and quality. The lack of progress on aid quantity has been recognises by the government. According to the Ministry of Foreign Affairs (MFA): "every year, every effort is made to meet our target and the results have not been unsubstantial, however we expect this year's target to be at a level similar to that of the past three years". Malta is also failing to make progress on aid effectiveness. The country is not taking steps to implement the development effectiveness commitments or to participate in the initiative launched at the last meeting of the Global Partnership for Effective Development Cooperation (GPEDC) in Mexico. According to the MFA, this is due to the lack of financial and human resources.

The lack of transparency and participatory processes in relation to aid flows are two major weaknesses of Maltese development cooperation. The Maltese government is currently making efforts to improve transparency. A few months ago, the MFA made available a more detailed breakdown of aid flows, though data needs to be still more detailed in order to increase accountability. Moreover, the government is not always open to requests for information, such as those made by CONCORD AidWatch, and sometimes they remain unanswered. In general, the dialogue between civil society and government about development policies is almost non-existent. There are also concerns about the transparency of the call for proposals relating to projects funded with aid, as the selection process and the evaluation criteria are not completely clear. The results of evaluations are not always communicated to the applicants.

Trends and projections for 2015 and beyond

The Maltese government has approved a second development cooperation policy, which contains major flaws in both the process and the actual results. The strategy is quite rudimentary and inadequate. Development cooperation does not have clear objectives and priorities, nor is there a clear plan for addressing the weaknesses in the Maltese system. Similarly, there is no long-term vision of where or how aid should contribute to development. Regarding the process, the policy was developed and approved without any prior consultation with civil society or other key stakeholders. This raises questions about the government's commitment to make development cooperation more transparent.

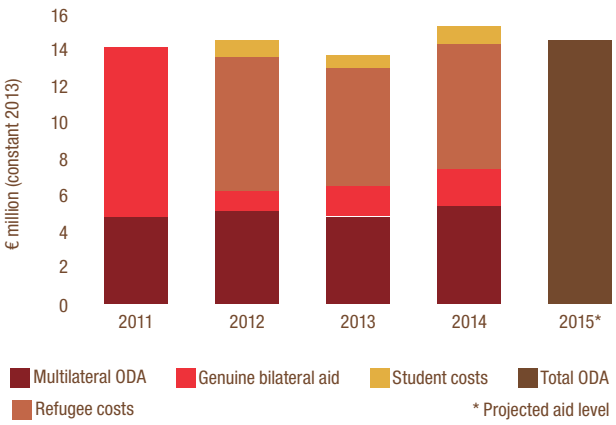
Malta has traditionally reported high levels of refugee costs, which usually represent around 50% of its aid budget. However, reported refugee costs are expected to decrease in 2015, despite the increase in refugee arrivals. One reason for this trend is that the government is moving away from a systematic detention system for handling refugees and is setting up Initial Reception Centres, in line with EC Reception Directives. This is change that will be closely followed by civil society because the quality of inclusion, educational and vocational services for refugees has traditionally been very poor.

Recommendations

The government of Malta should:

- Increase the transparency of aid projects in Malta by publishing a full, comprehensive report on Malta's ODA expenditure.
- Increase the amount and proportion of genuine aid, starting by defining an allocation strategy based on a multi-stakeholder approach.
- Make the national call for proposals for overseas development projects more transparent by publishing all the details of the selection process, including the criteria by which the proposals would be evaluated, and giving the detailed results to the applicants.
- Improve the development impact of aid funds by increasing the amount of funds for high-quality projects on poverty eradication proposed by local CSOs; including an educational or awareness-raising component for CSOs working in Malta; and considering co-financing mechanisms for larger grants, especially those from the EC.
- Introduce a development cooperation policy that is fit for purpose, including a detailed multi-annual strategy, an annual action plan, and monitoring and evaluation mechanisms.

Malta – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: SKOP – *Paola Prinzis*

THE NETHERLANDS

0.52% Genuine aid/GNI

0.64% Total Aid/GNI

"I regard my unique mandate for development cooperation and foreign trade as a catalytic combination. Traditional Official Development Assistance remains crucial for the poorest of the poor. But that can never be enough. So wherever possible, we must ensure that ODA billions spark trillions in private-sector resources and domestic resource mobilisation."
Lilianne Ploumen, Minister for Foreign Trade and Development at the International Conference on Financing for Development, Addis Ababa, 15 July 2015

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Dutch ODA increased slightly in terms of volume from €4.1 bn in 2013 to €4.2 bn, but it failed to keep pace with economic growth. When measured as a percentage of GNI, aid decreased from 0.67% in 2013 to 0.64% in 2014. Inflated aid has also increased significantly in the same period, mainly because refugee costs more than doubled. Inflated aid represented 27% of bilateral aid flows from the Netherlands in 2014. When inflated aid is discounted, genuine aid levels stood at 0.52% of GNI.

Trends and projections for 2015 and beyond

In 2015, ODA levels are expected to rise as a result of a significant increase in refugee costs, which were met by bringing forward aid budgeted for the following years. The increase in refugee costs may ripple through future aid budgets, as it is now expected that the budget for refugee costs will have to be topped up again in 2016. Aid inflation is thus likely to increase in the coming years, possibly at the expense of genuine aid.

In 2016 the new funding scheme for civil society will start. Twenty-five strategic partnerships will be formed on dialogue and dissent. The start of this new funding scheme means a cut of more than 60% in the budget for civil society, compared to 2010.

Policy coherence for development is a priority issue for Dutch CSOs. In March 2015, the national platform of development NGOs, Partos, and its members, launched a PCD monitoring exercise entitled "let's walk the talk together". As a result of this event, the Minister for Foreign Trade and Development announced she would report on PCD issues to parliament. By late 2015, no such report had yet been presented to parliament.

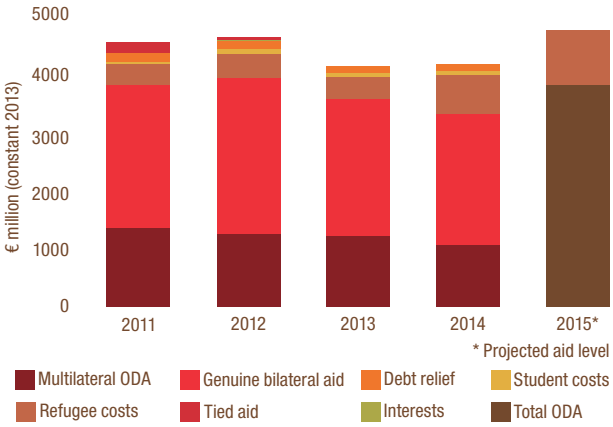
The Netherlands will hold the EU presidency for the first semester of 2016. The current migration crisis will be one of the major agenda items during the presidency.

Recommendations

The government of the Netherlands should:

- Regain leadership by reinstating the 0.7% aid target, at least until a target better suited to the new post-2015 goals is agreed upon internationally;
- Develop a practical policy on coherence for development and implement it in order to improve the effectiveness of aid;
- Make sure that the conditions for trade-related activities are respected in order to ensure their relevance to inclusive, sustainable development;
- Adhere to the international agreement to make climate finance additional to (and not subtracted from) aid flows. Climate finance should not be counted towards both aid and climate finance targets.

Netherlands – genuine and inflated aid (€ million, constant 2013)



POLAND

0.08% Genuine aid/GNI

0.08% Total Aid/GNI

"(…) Two years ago Poland was admitted to the OECD Development Assistance Committee. This membership serves to confirm the position of our country which does not shirt its responsibility to help less affluent and less developed countries. In my capacity as the President of the Republic of Poland, I wish to declare full openness and readiness for cooperation with our partners in order to achieve the Sustainable Development Goals by 2030 (…)"
Andrzej Duda, President of Poland, UN Summit for the Adoption of the Post-2015 Development Agenda, 27 September 2015

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, Polish ODA contracted by approximately €26 million. The entire drop was due to a 33% decrease in the amount of bilateral aid provided by the country. Aid as a percentage of GNI stood at 0.08%, compared to 0.10 % in 2013, and it is now one of the lowest percentages in the EU. In order to fulfil the 2005 0.33% aid target, Poland would need to increase its aid almost fourfold. Regarding aid inflation, tied aid is major problem in Poland, although the way Poland reports to the OECD means that it has not been included in the graph on this page. Estimates suggest that around 50% of Polish bilateral aid is tied, with the biggest share being preferential loans directed to Ethiopia and Angola. On the positive side, Poland is one of the few countries not reporting refugee costs as ODA. Last year, the Ministry of Foreign Affairs (MFA) began to work on a Multiannual Development Cooperation Programme for 2016-20. A consultation process was opened in 2014 and ended in September 2015. The final text was adopted by the government in October. In the opinion of CSOs, the new strategy is better than the previous one: it is more precise and realistic in the selection of priority partners, sectors and objectives. The new strategy refers to international commitments in relation to SDGs, policy coherence for development (PCD) and aid effectiveness. The MFA has become more active on PCD. In 2014 the Polish government adopted a position on the European Commission Communication entitled "Decent life for all" which agreed there was a need to improve policy coherence at both the national and the local levels. Moreover, the MFA co-organised a series of workshops on PCD together with the OECD and the Swedish MFA. Also, following a focused advocacy action by Grupa Zagranica in 2014, the new official guidelines on impact assessment, resulting from the new legislation, now include a question on the potential "impact of Polish development cooperation on the social and economic development of priority countries". The updating of the impact assessment guidelines provided an opportunity for incorporating PCD into the Polish legislative process.

Trends and projections for 2015 and beyond

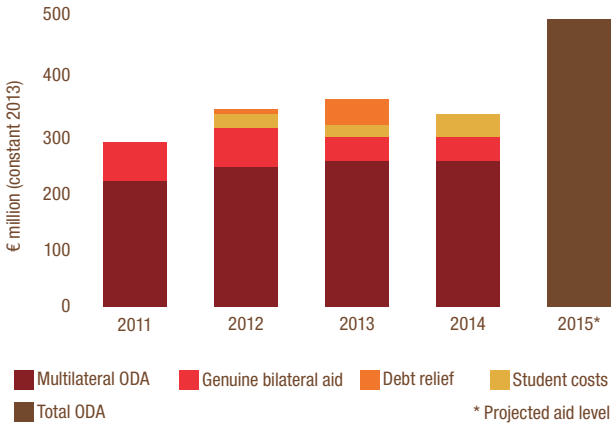
One of the challenges for the MFA is to ensure the implementation of multiannual strategy (2016-2020), which was approved by the government in October 2015. CSOs have started discussing solutions (in particular, institutional support), which could be incorporated into the Polish development aid system. The present document, entitled "Principles of cooperation between the MFA and social partners", does not give space for building long-lasting, valuable partnerships. Although government officials are aware of PCD, there is still insufficient understanding among policy-makers of what PCD means, and this translates into a low level of commitment to it. Most officials do not regard PCD as important, but rather as an administrative burden imposed by the European Commission. Finally, recent political change in Poland presents a crucial challenge. It is safe to say that the results of the parliamentary elections of October 2015 (together with June's presidential elections) will lead to a new, more conservative and more EU-sceptical government, which could change the cooperation policy in the long term. Also, campaign declarations suggest a rather hostile attitude to refugee/migrant challenges and a rather limited awareness of Poland's obligations in terms of ODA levels. We expect it will be a struggle to convey the message on this issue to new parliamentarians and the new government.

Recommendations

The Polish government should:

- Develop a comprehensive programme for cooperation with NGOs that includes financial support programmes and capacity-building activities for NGOs and other social partners.
- Increase the level of ODA to 0.33% of GNI.
- Eliminate tied loans while increasing the general level of bilateral ODA.
- Do not report scholarships or foreign student costs as ODA without an analysis/estimates indicating suggest that they translate into well-being in the students' countries of origin.
- Ensure that policy coherence for development is not confined to policy areas directly connected to development, but extends also to other areas such as finance, education and climate policy.

Poland – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: Grupa Zagranica – *Jan Bazyl, Magdalena Trojanek;*

PORTUGAL

0.13% Genuine aid/GNI

0.19% Total Aid/GNI

"The fact that we can, today, discuss a comprehensive development agenda, which addresses the need for a real joint effort and objectives on a global scale, is, in itself, a historic turning point […] and a clear recognition that no country can face its own development in isolation. An agenda of this magnitude and ambition can only be achieved if accompanied by a similar approach in terms of the means of implementation."
Secretary of State for Foreign Affairs and Cooperation, Luís Campos Ferreira, Seminar on Financing for Development, June 2015

Will your government meet the 2015 aid target?
NO. Portuguese ODA has decreased by 35% since 2011 and we estimate that it will continue to fall in the coming years.

Main changes in 2014

In 2014, Portuguese ODA declined by 14%, adding to the significant drop registered in 2013 (20.4%). Portuguese ODA represents 0.13% of the country's GNI, and there are serious concerns about its quality. Tied aid accounts for 65% of total bilateral aid. It has reduced slightly compared to the previous years, but is still one of the highest among EU donors. At the policy level, a year and a half after approving a new Strategic Framework for Portuguese Development Cooperation the government has yet to devise an operational plan for implementing its objectives or helping to monitor and evaluate its impact and effectiveness. Furthermore, there are still few concrete details on how the national Busan Action Plan has been implemented.

The transparency of aid information continues to be improved. Data is now more detailed, up–to-date and accessible, even though breaking down the data available continues to be difficult. Portugal reports aid data through OECD systems – the CRS ++ criteria and Forward Spending Survey (FSS) – as it has not endorsed the IATI standard.

Public funding continues to be accessible to NGDOs but the small budget, and the limitations imposed by some of the existing criteria and priorities, continue to exclude many high-impact projects from funding opportunities.

Trends and projections for 2015 and beyond

Official projections for 2015 predict that ODA levels will continue to fall. One of the government's main priorities should be to commit to realistic ODA targets in order to reverse the trend. The government should also discuss the implementation of different mechanisms (apart from delegated cooperation) that allow the use of alternative sources of funding (such as taxing financial transactions, diaspora bonds and other mechanisms). Additional input and ideas for improvement might come from the OECD. Throughout 2015, the OECD's Development Assistance Committee has been conducting a peer review of Portuguese development cooperation, analysing its evolution over the last four years. This will result in a final report with specific recommendations that the Portuguese government will have to take into account, and try to implement in the coming years.

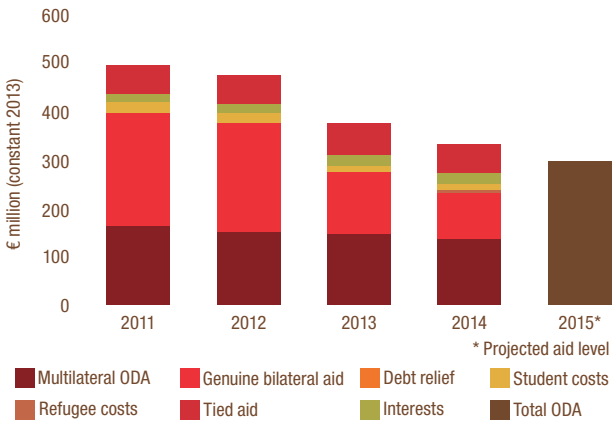
Following the approval on the 2030 Agenda, the government faces the challenge of adapting all national strategies in order to ensure they form a coherent operational framework that can respond to the SDGs and promote the actions needed to implement them. Given that the SDGs are a universal agenda, another big challenge that has to be met is how to involve all relevant organisations (public, private and different kinds of CSOs) in achieving them.

Recommendations

The government of Portugal should:

- Make realistic, achievable commitments in relation to ODA levels, based on a timetable specifying the anticipated progress and milestones that will enable Portugal to allocate 0.35% of its GNI to ODA by 2020. The overall goal of 0.7% should remain an important commitment, with Portugal aiming to achieve it in the longer term;
- Review and adapt the Action Plan for the Global Partnership for Effective Development Cooperation (Busan) to the current Portuguese situation;
- Draw up an action plan for implementing the Strategic Concept of Portuguese Cooperation, involving all relevant stakeholders in this process in order to ensure broad ownership. The action plan should make reference to resources (financial and other), and to monitoring and evaluation tools, and it should take into account the recently approved SDGs;
- Without delay, implement the 2010 Council of Ministers' resolution on policy coherence for development, by creating and promoting a network of focal points that includes participation by civil society organizations;
- Continue to reinforce the constructive institutional dialogue with NGDOs and with the Portuguese Platform, in particular by co-promoting a consultation process that involves all relevant stakeholders in drawing up a joint action plan for implementing the 17 SDGs.

Portugal – genuine and inflated aid (€ million, constant 2013)



ROMANIA

0.09% Genuine aid/GNI

0.11% Total Aid/GNI

"The 17 Sustainable Development Goals and 169 targets confirm the comprehensiveness of our agenda. The work ahead of us in the next 15 years will demonstrate that we, all the UN Member States, are fully committed to the achievement of the ambitious and noble aspiration to free people from the scourge of poverty."
President Klaus Iohannis at the UN General Assembly, 27 September 2015.[1]

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014 the Romanian Ministry of Foreign Affairs (MFA) continued the reviews of the legislative framework for the national policy on development cooperation. The new draft law on development cooperation, which included inputs from all the national stakeholders gathered at the sixth Romanian Development Camp (organised by FOND, the Romanian NGDO Platform, in July 2013) was formally launched for public consultation in June 2014. Afterwards, the draft law was sent to the line ministries for the formal consultation – this is a mandatory stage before it is sent to the parliament for approval. Currently, the new draft law is again being revised by the Romanian MFA, based on the recommendations received from the line ministries. The process, however, is taking much longer than anticipated initially. The draft law is expected to be discussed in parliament in early 2016. As regards the budget, total ODA in 2014 was 0.11% of GNI, which is higher than national figure for 2013, which was 0.07% of GNI. This increase in the ODA budget is caused by additional funding for development projects in the Republic of Moldova (Romania's main aid recipient), approved in October 2014. Is it important to note that the second half of last year was also marked by a presidential campaign in Romania (the new president, Klaus Iohannis, was elected in November 2014). The Romanian MFA continued to launch a single public call for proposals to all institutions (NGOs, academia, etc.). Approximately 30% of the 2014 budget was allocated to the Republic of Moldova. In 2014, the Aid Transparency Index ranked Romania 39th out of 50 bilateral stakeholders with a score of 10.6%.[2]

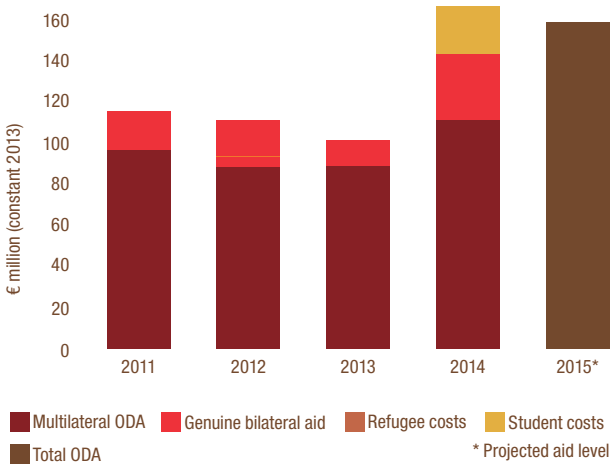
Trends and projections for 2015 and beyond

Romania's ODA policy is still guided by the 2006 National Strategy on Development Cooperation, adopted before its accession to the EU, despite the efforts to produce a new national strategy and the consultations on this organised in 2012 and 2013. The process has been delayed partly because of the ongoing work on the draft law on development cooperation, which remains the highest priority for 2015. The main challenges identified in previous years still remain. First, there is no multi-annual programming approach to funding or the predictability of aid. Secondly, the Romanian public has little knowledge or awareness of the development agenda, despite awareness-raising activities organised as part of the European Year for Development. This has a negative impact on the prospects for increasing the national ODA budget and the institutional capacity of the MFA (insufficient human resources). In 2015, awareness-raising and aid transparency have been improved in relation to ODA. This year, Romania became the first EU-13 country to publish data in IATI. Moreover, the MFA's bilateral aid budget for 2015 increased slightly, to approximately €2.2 m (10 million RON), of which 35% will be allocated to the Republic of Moldova and 15% to Georgia, Egypt, Tunisia, Libya, Ukraine and Afghanistan. This small increase is insufficient to bring Romania any closer to its aid targets, and ODA will most probably stagnate at around 0.08% of GNI.

Recommendations

- Fully support the adoption of the draft law on development cooperation and resume consultations on the national development cooperation strategy in line with the new international context post 2015.
- Increase the national aid budget adequately, in line with international commitments.
- Allocate or mobilise more resources for consolidating the capacity of the Romanian MFA to exercise its prerogatives effectively.
- Launch a separate call for proposals targeting NGOs from Romania and partner countries.
- Raise awareness at the national level on the Sustainable Development Goals and other relevant issues, such as policy coherence for development (PCD).

Romania – genuine and inflated aid (€ million, constant 2013)



[1] http://www.presidency.ro/pdf/date/15997_ro.pdf
[2] http://www.aidtransparency.net/news/romania-publish-to-iati#sthash.LhLKIXEc.dpuf

Authors of the country page: Fond – *Adela Rusu, Adriana Zaharia*

SLOVAKIA

0.08% Genuine aid/GNI

0.08% Total Aid/GNI

"These Goals represent an opportunity to bring real and sustainable changes looking ahead to 2030 and beyond. The role of the global community, and all of us, is to ensure that all people in the world benefit from improved living conditions."
Miroslav Lajčák, Deputy Prime Minister and Minister for Foreign and European Affairs at the UN Sustainable Development Summit in New York

Will your government meet the 2015 aid target?
NO. In 2014, Slovakia´s ODA amounted to € 61 million, which represents 0.08% of its GNI.

Main changes in 2014

Policy coherence for development seems to have moved up on the agenda of the Ministry of Foreign and European Affairs. In November 2014, it set up an inter-ministerial working group on policy coherence. The aim of the working group is to contribute to the elaboration of a national strategy on policy coherence for development by the end of 2016. This was a milestone included in the mid-term strategy of Slovak Development Cooperation for 2014-2016. Unfortunately, the group has met only once since it was set up, and it is unclear how much progress has been made since.

The lion's share of the aid budget was made up of multilateral aid (79%), while the bilateral component was 21 %. The largest proportion of bilateral cooperation focused on middle-income and neighboring countries (Western Balkans, Eastern Partnership – 69 %) rather than on poverty reduction in low-income countries (East Africa, Afghanistan – 31 %). A significant amount of humanitarian aid was also allocated to Ukraine.

The management of the aid budget is quite decentralised in Slovakia, and this poses some challenges in terms of coordination and broader aid effectiveness. In 2014 the amount of development cooperation channelled through the Slovak Agency for International Development Cooperation was €2 m, which represents 15% of total bilateral aid. In comparison, in 2011 the agency channelled €6 m, or 40% of bilateral aid.

Trends and projections for 2015 and beyond

The government is expected to pass a new law on development cooperation in the coming months. Work on it began in 2014 and stakeholders, including CSOs, were consulted on the draft in 2015. The legislation will introduce new financial procedures for bilateral development cooperation. As the current budget for bilateral development cooperation would not be enough to cover the new procedures, this could result in a potential increase in the overall development cooperation budget in the future. One of the new procedures – long-term contracts with NGOs – could help improve programming in partner countries and might help increase development effectiveness.

European Year for Development 2015 has had a positive impact in Slovakia. More attention has been paid to the issue of global education and awareness raising, an area in which Slovakia still has significant room for improvement. In the second half of 2016, Slovakia will hold the EU Presidency. As a result, greater commitment by the Slovak government to the post-2015 agenda is expected. The first step will be the discussion on the implementation of the new Sustainable Development Goals (SDGs), which is to take place by the end of 2015.

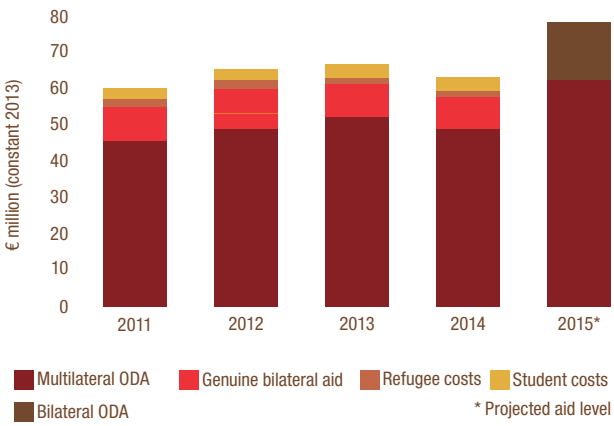
In the context of the current refugee and migration crisis, development cooperation is coming onto the agenda of a wider group of policy makers, NGOs, media and the public. It is expected that migration will continue to be an issue influencing Slovakia's internal and external policies in the coming years.

Recommendations

The Slovak government should:

- Increase aid quantity and agree a timetable to meet the 0.33% target. It is particularly important to increase the amount of bilateral aid.
- Sign up to the International Aid Transparency Initiative and adopt an implementation schedule in order to put it into practice by December 2015.
- Adopt a national strategy on PCD and engage in the European discussion on the issue.
- Adopt a national implementation plan for the SDGs and develop a comprehensive and inter-ministerial approach to address post-2015 challenges.
- Provide funding for awareness raising and capacity building so that CSOs, academia and the private sector can increase both their contribution to development cooperation and their impact.

Slovakia - genuine and inflated aid (€ million, constant 2013)



SLOVENIA

0.11% Genuine aid/GNI

0.13% Total Aid/GNI

"Slovenia will strive, in line with its budget capacities, to increase its ODA contributions and to improve the quality of this aid, and will thus prepare a national plan. ODA will remain key element of development financing."
Miro Cerar, Prime Minister of Republic of Slovenia

Will your government meet the 2015 aid target?
NO

Main changes in 2014

There have been no significant changes to Slovenia's performance in 2014. The government of Slovenia has maintained the level of ODA at 0.13% GNI for the last five years and has given no genuine indication that it will actually increase ODA in the coming years, despite its pledge to reach the 0.33% target by 2015. There was a slight increase in the proportion of ODA channeled multilaterally, and a slight decrease in bilateral aid. Of more concern is the increase in inflated aid, which in 2014 accounted for almost 29% of the bilateral aid budget, up from 20% in 2013. The biggest inflated aid item was expenditure relating to the education of foreign students. This item is 38% higher than in 2013. Tied aid remains a significant problem, although reporting to the OECD makes it difficult to discount it. In 2013, an estimated 90% of bilateral aid was tied, and no significant changes are expected in 2014.

Trends and projections for 2015 and beyond

Despite the steady level of ODA, there have been several changes in political and policy developments which could have a huge effect on Slovenia's contribution to international development cooperation in the future. The government has decided to shut down the dedicated Directorate for Development Cooperation and Humanitarian Assistance. Since July 2015, international development cooperation has been merged with the Foreign Ministry's Directorate for Multilateralism, Development Cooperation and International Law, which now contains a section for Development Cooperation and Humanitarian Assistance.

As the reorganisation took a good deal of time to crystallise (it was officially implemented by the Ministry of Foreign Affairs (MFA) at the beginning of October), it is not clear how this will affect Slovenia's development cooperation. On the one hand it seems to reduce the importance of development cooperation within the government. On the other, according to above statement by the Slovenian prime minister, Slovenia is determined to increase its ODA contributions and improve the quality of its aid. In 2015 the new Slovenian foreign policy strategy was adopted. The strategy singles out development cooperation as one of five thematic priority areas, but as stated before, there are limited indications that both funding and aid quality will somehow be improved.

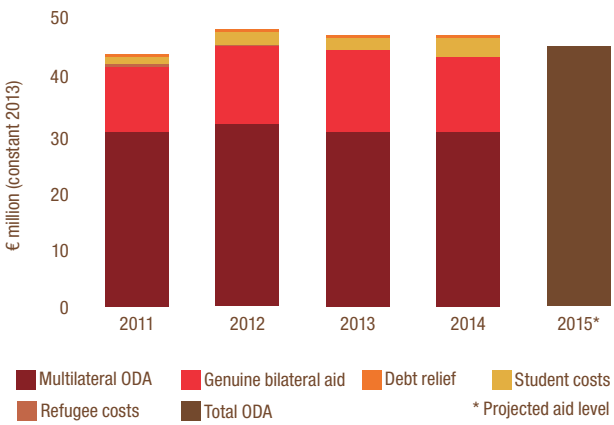
It is also important to mention that two fundamental documents on this issue – the Development Cooperation Act and the Resolution on the International Development Cooperation of the Republic of Slovenia after 2015– are not expected to be adopted before the end of 2016.

Recommendations

The Slovenian government should:

- Increase bilateral ODA contributions and minimise the proportion of tied aid, in order to increase aid to the least developed countries.
- Increase cooperation and harmonisation between different MFA sectors and other relevant ministries, while striving for better policy coherence for development.
- Clarify the role of the private sector in development cooperation, including by developing a clear framework that would require the private sector to act responsibly and to respect and implement the existing principles of development aid effectiveness.
- Under the new post-2015 funding for development agenda strive for a reform of development cooperation which will focus on reducing poverty and inequality, and will be based on the principles of development aid effectiveness.
- Ensure that new strategic documents, such as the Development Cooperation Act and the Resolution on international development cooperation, are drafted in an inclusive and comprehensive manner, while further increasing the inclusion and financing of relevant civil society stakeholders.

Slovenia – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: SLOGA – *Vid Tomic, Adriana Aralica*

SPAIN

0.13% Genuine aid/GNI

0.14% Total Aid/GNI

"As soon as the Spanish economy grows, the government will again support generous, intelligent and effective investment in development cooperation."
Mariano Rajoy, Prime Minister of Spain, 68th UN General Assembly

Will your government meet the 2015 aid target?
NO

Main changes in 2014

In 2014, total Spanish aid stood at €1.4 bn, or 0.14% of GNI = 241 m less than in 2013. The drop was mainly felt in the bilateral ODA budget, in particular the grants provided by the Spanish aid agency, AECID, which continued to lose resources for assisting the 23 partner countries prioritised in the strategy, and for responding to worldwide humanitarian crises. Up to 70% of Spanish aid consists of compulsory contributions to multilateral institutions, including the EU – which shows a lack of political commitment to development cooperation.

PCD has also been weakened by the reforms in the regulatory framework introduced in 2014. Both the Law for External Action and the reform of the Development Promotion Fund (FONPRODE) have shifted the focus of development cooperation policy towards national economic interests. Decisions on financial cooperation, mainly channelled through FONPRODE, will now rely on COFIDES, whose main mandate includes the internationalisation of Spanish enterprises and the Spanish economy. Combined with the declared interest in focusing Spanish assistance on middle-income countries, this decision could lead to an increasing amount of informally tied aid, as the reform does not include clear provision to ensure that decisions on operations will be driven poverty-inspired development criteria.

Public support for CSOs continued to decrease. The AECID 2014-2017 multiannual call had a total budget of €170 million, three times smaller than the previous one. As a result, the work of civil society in both Spain and its partner countries depends on Spanish regional and local authorities. These actors also remain the primary supporters of Education for Global Citizenship.

Trends and projections for 2015 and beyond

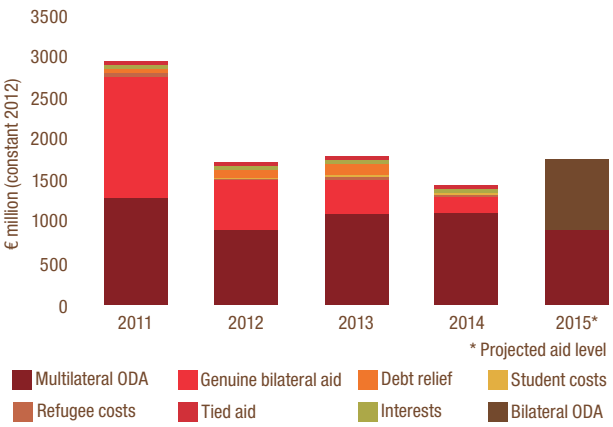
Despite the promise made by Mariano Rajoy, there is no good news for ODA in 2015, irrespective of the government's claims that the Spanish economy is back on track. In fact, 2015 will mark the end of a government term that has been downright harmful for development cooperation. Not only have financial resources dropped by 70% in real terms, but the quality of aid has been reduced and the institutional reforms put in place have not led to better aid management = a worrying plunge in the political relevance of development cooperation which needs to be reversed if Spain is to be regarded as a credible development actor within the framework of the 2030 Agenda. Democratic ownership should also be a priority for the new government emerging from the elections in December 2015, as it is crucial to achieving development effectiveness. Over the last few years, both the parliament and CSOs have lost capacity to influence decision-making on policy, and all the relevant decisions are being taken without meaningful involvement by the Development Cooperation Council. As regards CSOs engagement in the policy, the government failed to follow the 2011 DAC Peer review recommendation to introduce an explicit policy framework for building a strategic relationship with CSOs which takes into account the diverse functions they perform.

Recommendations

The Spanish government should:

- • Acknowledge the major role ODA and development cooperation can play in achieving SDGs as well as the importance of implementing policies that are consistent with sustainable development. In particular, the government should adopt concrete measures to advance the global fight against tax evasion and avoidance.
- Establish a credible roadmap for implementing the Addis Ababa Action Agenda, including scaling up quality ODA to at least 0.4% of GNI by 2019.
- Ensure that fighting inequality and upholding human rights remain the primary focus of development assistance in the ongoing discussion about modernising ODA. Any aid instrument focused on private-sector involvement has to be consistent with this objective.
- Put into practice all the institutional reforms needed to improve the performance of development cooperation in line with the 2030 Agenda. Those reforms should be defined through a broad and meaningful policy dialogue capable of informing decision-making.
- Resume the negotiations to build a new strategy for working with Spanish CSOs that will take into account the diverse roles of civil society, and that will create new financing instruments that reflect these roles.

Spain – genuine and inflated aid (€ million, constant 2013)



SWEDEN

0.96% Genuine aid/GNI

1.10% Total Aid/GNI

"I do of course wish for us to lower the share that goes to the hosting refugees so that we can work more with long-term development aid"
Isabella Lövin, Sweden's Minister for International Development Cooperation

Will your government meet the 2015 aid target?
NO, in 2016 Sweden will only reach 0.98%, and thus will not meet its national target of 1%, as it is adjusting to the new system for calculating GNI in accordance with the European System of National and Regional Accounts (ESA 2010).

Main changes in 2014

In 2014 Sweden spent 1.10 % of GNI on ODA, exceeding its target of spending 1%. However, €548 m, or 13 % of the 2014 aid budget, was used to cover the cost of hosting refugees. In 2015 the cost of hosting refugees is expected to reach €947 million, the equivalent of 22% of the total aid budget. According to current budget proposals Sweden will take 19% of the aid budget to cover refugee costs in 2016. However, when this report goes to print in Nov 2015, the Swedish government is considering to take as much as 50% of the aid budget to cover refugee costs. Swedish CSOs are very supportive of an increased budget for refugee reception in order to meet the current needs, but are critical of the government using the aid budget to cover these costs. By misusing the aid budget the government is forcing the world's poorest to foot the bill of refugee reception in Sweden.

Trends and projections for 2015 and beyond

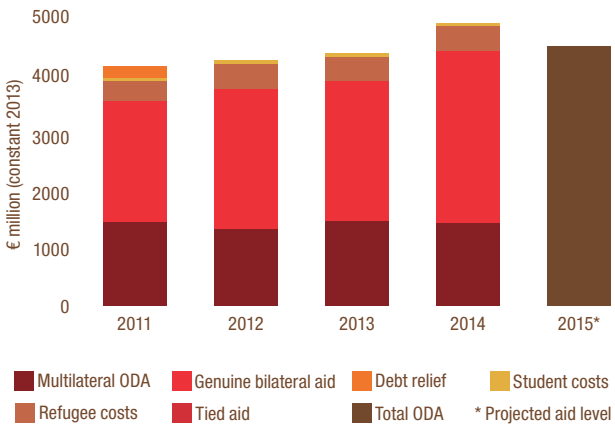
In 2016 Sweden will start reporting on its aid target in accordance with the new European System of National and Regional Accounts (ESA 2010). With the new calculation methods, Swedish ODA as a percentage of GNI will only reach 0.98 % in 2016. The ambition of the government is to get back to 1% in accordance with the new system, but it is uncertain when this will happen. In 2014 a new government came into power in Sweden. It has made a greater commitment to providing climate financing than its predecessor. In the 2015 budget, the government included €26.6 m as new and additional climate financing. In the 2016 budget, the figure has increased to €53 m. However, as Sweden will not reach its aid target in 2016 owing to the new calculation method, climate financing for 2016 will be included into the aid budget and cannot be counted as additional. Swedish civil society does however recognise that this money is new and an important contribution to climate financing, but it reminds the government that it is necessary to return to the 1% target in order to comply with the definition of additionality.The government is currently drawing up a new development policy framework which, amongst other things, will outline how Sweden plans to make progress on aid effectiveness. Swedish CSOs hope this will lead to a more systematic approach to the follow-up and assessment of Sweden's progress on the commitments given in Paris and Busan. In 2015 the new government has also relaunched Sweden's policy coherence for development (PCD) and has ordered all government departments to draw up an action plan for how best to integrate PCD into their work. These action plans will also outline how each department will contribute to Agenda 2030. The government is also currently drafting an action plan for its new Feminist Foreign Policy. Although Sweden has a good track record of prioritising gender equality in development cooperation, we welcome the intention to broaden the work to include all areas of foreign policy, and to use the term "feminist foreign policy", as it sends a strong political signal. The Swedish government has continued to explore how to leverage private-sector contributions for development. So far, the amount of aid allocated directly to the private sector is still modest – accounting for approximately 0.8 % of the total aid budget in 2013. Nonetheless, Swedish civil society would like to see more transparency, as well as clear conditions and criteria for this type of joint development initiative.

Recommendations

The Swedish government should:

- Stop using the aid budget to cover costs for refugee reception, debt relief and student costs.
- Ensure that the development effectiveness agenda is integrated into the new development policy framework and that progress is followed up and systematically assessed at national level.
- Improve the transparency of and define clear conditions and criteria for aid flows that are channelled through the private sector.
- Ensure that the aid budget is increased to reach the target of 1% in accordance with the new European System of National and Regional Accounts.
- Allocate climate financing that is additional to the aid budget.

Sweden – genuine and inflated aid (€ million, constant 2013)



Authors of the country page: CONCORD Sweden – *Jessica Poh-Janrell*

UNITED KINGDOM

0.70% Genuine aid/GNI

0.71% Total Aid/GNI

"In 2014–15 Britain continued to lead the world on international development. Our development programmes and humanitarian responses have no equal for their breadth, speed, innovation and effectiveness. We are achieving incredible results for the poorest people on the planet, helping people to lift themselves out of poverty and end dependency on aid. Ultimately our goal is to create a more levelled-up world where, whoever you are and no matter where you are born, you have a chance to succeed."
Rt Hon Justine Greening, Secretary of State for International Development, Foreword to DFID Annual Report and Accounts 2014-15

Will your government meet the 2015 aid target?
YES

Main changes in 2014

The UK has continued to play a strong role as a champion and advocate for aid and the 0.7% target, including in the global and European negotiations ahead of the Addis Ababa Financing for Development Conference. In 2015, it also became the first country to pass legislation to protect the commitment to 0.7% and enshrine it in law. The UK has also continued to lead in some development effectiveness areas, notably around aid transparency, where the UK strongly supported transparency commitments and the IATI during the negotiations leading to Addis. However the UK still does not have a plan to implement its development effectiveness commitments. In theory, the government claims to mainstream these principles though this is currently difficult to verify and is not supported by the UK's relatively weak performance in the last GPEDC monitoring round. In practice, this means the UK does not monitor specific indicators or goals in an externally verifiable way. As part of a continued focus on economic development, and in a major announcement post-Addis, the UK has announced a £735 m recapitalisation of the CDC Group over the next two years (CDC is the country's development finance institution which focuses on private-sector development). This is thus a significant and historic reinvestment in the CDC – a clear sign of the UK government's continued commitment to private-sector development – however, civil society in the UK has expressed concerns and reservations about the scale of the recapitalisation and the CDC's ability to deliver real development impact.

Trends and projections for 2015 and beyond

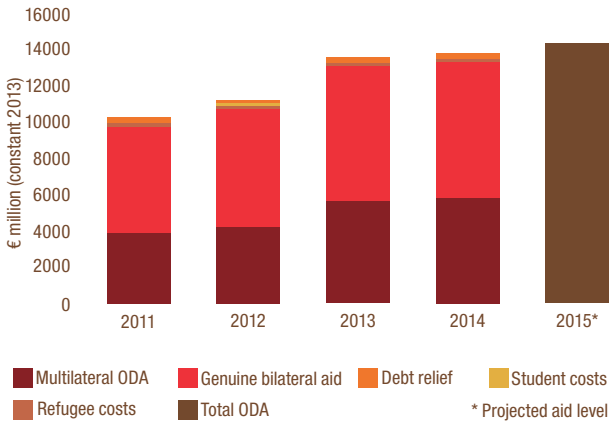
The general election and absolute majority won by the Conservative Party suggest there may be some changes to UK aid in the near future. The UK is likely to continue to deliver on the 0.7% promise, but the quality of aid could be affected. There are concerns that ODA will be increasingly directed towards the security and economic agendas where the development impact and benefit are questionable. More aid could be used to reduce migration – as will be seen in 2016 with approximately £1 bn of UK aid spent on meeting refugee costs in country – and to tackle problems such as terrorism. This could also result in an increase in the amount of tied aid, at least informally. The private sector and economic development will remain important but challenging areas of focus, given for example the continuing political imperative to use aid to mobilise and leverage more resources, but the evidence to support such policies is relatively weak. Equally, the government's policies and programmes on economic development have come in for some criticism over their lack of strategic design, lack of a clear theory of change and weak links between capital-based policy and country-level work.[1] Within these areas, the UK government will focus particularly on job creation in developing countries. It is possible that the greater focus on the private sector and the economic sector will result in a shift of modalities within the aid portfolio from grants to loans or non-grant-based aid. The Secretary of State has also clearly stated that gender and women and girls will remain a key focus for UK aid and development work.

Recommendations

The UK government should:

- Take concrete and transparent steps to deliver on its aid and development-effectiveness commitments, particularly in the area of ownership, by ensuring that more UK aid aligns to national development strategies and uses country systems.
- This should also include a look at procurement processes to ensure that all UK aid is untied in practice as well as in principle.
- Continue to advocate for 0.7% at the EU level, including, in particular, with those member states who are cutting their aid.

UK – genuine and inflated aid (€ million, constant 2013)



[1] *See, for example, ICAI's report on DFID's private-sector development work here: http://icai.independent.gov.uk/report/dfids-private-sector-development-work/*

ANNEX I. METHODOLOGY

Bilateral and multilateral

Inflated aid is calculated on the bilateral component of EU aid. Many of the components – imputed student costs, refugee costs, interest and tied aid – do not apply to multilateral aid. In cases where the bilateral aid budget was not known, inflated aid has been discounted from the total aid budget. There are only a couple of cases of this in the country pages.

How the components of inflated aid are calculated

Imputed student costs
Imputed student costs include the costs of tuition less any fees paid by the students, and are calculated as a percentage of public expenditure on higher education, weighted by the number of foreign students.[48] In theory, only the cases in which foreign affairs ministries or aid agencies are involved should be counted towards student costs.

The methodology for estimating student costs is not well defined by the OECD, and reporting practices seem to differ from one country to another, especially when it comes to the level of involvement of aid authorities and the types of costs that are eligible.

Refugee costs
Refugee costs include expenditure on refugees' transport, food, shelter and training. However, donor reporting practices show considerable differences between countries. According to the OECD, only money spent during the first 12 months of stay should be reported – but there are discrepancies as regards when the period starts and when a refugee can be defined as such.[49] Some countries include all the costs relating to asylum seekers, regardless of whether they are granted refugee status or not. In most cases, they stop counting once a decision has been made. In other cases, only the costs incurred after a decision has been made are included.

Debt relief
When donors cancel or reschedule bilateral debts, the amount cancelled can be reported as aid in the year the debt is restructured. The cancellation of unpayable debts is important, but it should not be counted as aid. Firstly, donors can count in their cancellation both the principal and future interest; since many of the debts are long-term, counting future interest can inflate the figure significantly. Secondly, the relationship between the debt and development objectives is often unclear. Research conducted by Eurodad shows that 85% of the bilateral debts cancelled between 2005 and 2009 were debts resulting from export credit guarantees.[50] The mandate of export credit agencies is to support national (donor) companies by encouraging international exports, not to support development. Moreover, donor countries often lend irresponsibly and can contribute to increasing the debt of developing countries. The Norwegian government, for example, admitted its co-responsibility for the debt generated by export credits extended to five developing countries, and cancelled their debt in 2006.[51]

Tied aid
The problem with tied aid is that it prevents developing countries from maximising the developmental impact of aid. First, they cannot procure goods and services openly in the market. This makes tied aid between 14% and 40% more expensive.[52] Secondly, tied aid also prevents developing countries from procuring local goods and services, which can support development by generating jobs and helping to develop the local economy. CONCORD AidWatch methodology discounts 30% of the flows that are recorded as fully tied and 15% of the flows that are partially tied, to reflect the financial impact of tying. Data on tied aid in 2014 was not available at the time of writing; the figures are thus based on the average for the two previous years.

Interest payments on loan principals
When donors estimate their net ODA, they discount the repayment of the principal by recipient governments, but not interest payments. CONCORD AidWatch includes these interest payments as inflated aid. The recent decisions by the OECD DAC mean that as of 2018 loans will be reported in a different fashion, but this will not impact on figures until then. These changes were made after it was noted that France, Germany and the European Investment Bank had extended over US$ 2.5 bn (€1.8 bn) in "concessional" loans at interest rates above their own borrowing costs.[53]

Data sources

The report relies on the OECD CRS dataset which is accessible online at www.stats.oecd.org. This data is complemented by updated figures provided by national platforms. In some cases, data from the European Commission and Eurostat is used, for example to complement the deflators provided by the OECD, which do not cover all EU28 countries. Since data on 2014 inflated aid items was not always accessible to national platforms or in the OECD database, some projections have been used to fill the data gaps for some of the countries. Linear models have been constructed based on data from the last three years.

48 OCED DAC (2010). Statistical Reporting Directives – purpose and structure, DCD/DAC(2010)40/REV1
49 The following discussion is based on the OECD note entitled "ODA reporting of in-donor country refugee costs. Members' methodologies for calculating costs"
50 Eurodad (2011). "Exporting goods or exporting debt? Export Credit Agencies and the roots of developing-country debt"
51 Ibid.
52 United Nations Commission on International Trade Law (UNCITRAL): UNCITRAL Model Law on Procurement of Goods, Construction and Services with Guide to Enactment
53 Manning, R. (2013). "OECD is ignoring its definition of overseas aid", Financial Times, Letters, 9 April 2013

ANNEX II. - Net disbursements of ODA to sub-Saharan Africa by donor (multilateral)

MULTILATERAL	1997 -98	2002 -03	2009	2010	2011	2012	2013
AfDB group	816	891	1 980	1 629	1 953	1 710	2 163
EU Institutions	2 515	3 087	4 578	4 694	4 229	4 844	4 292
GAVI	-	-	230	329	505	596	859
Global Fund	-	82	1 460	1 972	1 488	2 160	2 512
IDA	3 074	4 133	5 149	5 442	4 650	4 758	6 120
IFAD	71	101	129	136	165	286	282
UNDP	400	204	302	282	210	218	211
UNFPA	103	130	155	151	139	150	149
UNHCR	209	376	90	55	95	161	121
UNICEF	232	257	480	512	465	401	465
WFP	152	300	179	130	162	230	230
WHO	-	-	109	-	58	57	75
Other UN	108	157	97	92	100	96	92
Arab Agencies	- 6	95	517	443	385	298	252
Other Multilateral	233	649	2 352	1 340	1 147	977	643
TOTAL MULTILATERAL	**7 906**	**10 462**	**17 807**	**17 207**	**15 752**	**16 941**	**18 465**
Other Countries	**149**	**165**	**187**	**221**	**344**	**426**	**385**
OVERALL TOTAL	**20 967**	**30 733**	**43 918**	**45 078**	**44 515**	**44 619**	**44 904**

Source: OECD 2014

ANNEX III. - Net disbursements of ODA to sub-Saharan Africa by donor (DAC bilateral)

	1997-98 average	2002-03 average	2009	2010	2011	2012	2013
DAC BILATERAL							
Australia	103	74	128	175	301	374	330
Austria	102	142	123	219	102	162	78
Belgium	360	998	736	1 186	729	751	532
Canada	521	760	1 376	1 494	1 399	1 704	1 430
Czech Republic	0	3	9	7	7	7	7
Denmark	646	637	822	798	788	730	609
Finland	97	126	260	292	257	260	274
France	2 686	3 669	3 179	3 464	3 257	3 047	2 056
Germany	1 259	1 867	1 507	1 556	1 865	2 255	1 530
Greece	3	3	22	16	7	6	1
Iceland	3	5	15	12	10	10	14
Ireland	134	283	429	387	368	345	336
Italy	558	1 128	397	343	731	102	109
Japan	1 146	743	1 447	1 779	1 574	1 673	2 446
Korea	9	11	90	123	148	231	241
Luxembourg	59	90	135	118	112	102	109
Netherlands	929	1 342	1 094	1 324	871	698	794
New Zealand	9	17	13	12	14	6	4
Norway	941	942	1 022	960	939	850	939
Poland	1	1	11	3	3	3	42
Portugal	253	151	140	280	375	285	235
Slovak Republic	-	2	0	2	2	3	2
Slovenia	-	-	1	1	1	1	1
Spain	292	246	941	847	399	251	359
Sweden	533	726	966	878	1 207	983	1 022
Switzerland	298	353	521	360	441	442	464
United Kingdom	959	1 512	2 725	3 076	3 211	3 155	3 593
United States	1 010	4 274	7 815	7 937	9 302	8 816	8 497

Source: OECD 2014

ABBREVIATIONS

CRS	Creditor Reporting System
CSOs	Civil Society Organisations
DAC	Development Assistance Committee of the OECD
DCD-DAC	Development Co-operation Directorate (DCD-DAC)
DG DevCo	Directorate-General for Development Cooperation
DFI	Development Finance Institution
EDF	European Development Fund
EC	European Commission
EU	European Union
EU MSs	European Union member states
EU-13	The 13 relatively recent EU member states
EU-15	The 15 longer-standing EU member states
EU-28	All EU member states
EYD2015	European Year for Development 2015
GDP	Gross Domestic Product
GNI	Gross National Income
GPEDC	Global Partnership for Effective Development Cooperation
HLM (Mexico)	The first High-Level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in Mexico (Mexico HLM)
IATI	International Aid Transparency Initiative
LDCs	Least developed countries
LIC	Low-income country
MFA	Ministry of Foreign Affairs
MICs	Middle-income country
ODA	Official Development Assistance
OECD DAC	OECD Development Assistance Committee (DAC)
PPPs	Public private partnerships
PWYF	Publish What You Fund
SMEs	Small and medium-sized enterprises
TOSD	Total Official Support for Development
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

CONCORD AidWatch 2015

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The European Confederation
of Relief and Development NGOs

MEMBERS LIST

Key

AS	Associate Member
NP	National Platform
NW	Network

NW	Action Aid International
NW	ADRA
AS	ALDA
NW	ACT Alliance EU
NP	Austria: Globale Verantwortung
NP	CONCORD Belgium
NP	Bulgaria: BPID
NW	CARE International
NW	Caritas Europa
NW	CBM International
NW	ChildFund Alliance
NW	CIDSE
NP	Croatia: CROSOL
NP	Cyprus: CYINDEP
NP	Czech Republic: FoRS
NP	Denmark: Global Focus
AS	EAEA
NP	Estonia: AKU
NW	EU-CORD
NP	Finland: Kehys
NP	France: Coordination SUD
NP	Germany: VENRO
NP	Greece: Hellenic Platform
NW	Habitat for Humanity
NW	Handicap International
NP	Hungary: HAND
NW	IPPF European Network
NW	Islamic Relief Worldwide
NP	Ireland: Dochas
NP	CONCORD Italia
NP	Latvia: Lapas
NP	Lithuania: LU
NP	Luxembourg: Cercle
NP	Malta: SKOP
NP	Netherlands: Partos
NW	Oxfam International
NW	Plan International
NP	Poland: Grupa Zagranica
NP	Portugal: Plataforma ONGD
NP	Romania: FOND
NW	Save the Children International
NP	Slovakia: MVRO
NP	Slovenia: SLOGA
NW	Solidar
NW	SOS Children´s Villages International
NP	Spain: Coordinadora ONGD
NP	CONCORD Sweden
NW	Terre des hommes IF
NP	United Kingdom: Bond
NW	World Vision International
AS	World Wide Fund for Nature

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