



# CONCORD AIDWATCH 2018

## EU AID: A BROKEN LADDER?

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European NGO confederation for relief and development



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## ABOUT THE AIDWATCH REPORT

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. With the AidWatch publications, CONCORD members want to hold EU leaders accountable for their commitments to dedicate 0.7% of their Gross National Income to development assistance and to use this aid in a genuine and effective way. 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

The quantity and quality of European official development assistance (ODA) spending is at a critical crossroad. Three years after adopting the 2030 Agenda for Sustainable Development, the EU and its member states are no closer to meeting the collective target of 0.7% ODA as gross national income (GNI). In 2017 the EU recommitted to the development effectiveness agenda, as confirmed by the revised European Consensus on Development. But latest European trends for ODA spending, which indicate increasing emphasis on domestic objectives, seem to be at odds with the key principles of this agenda. This year's CONCORD AidWatch report takes stock of what the EU has achieved in 2017 and analyses whether the latest European practices for ODA delivery comply with effectiveness principles and ensure no-one is left behind.

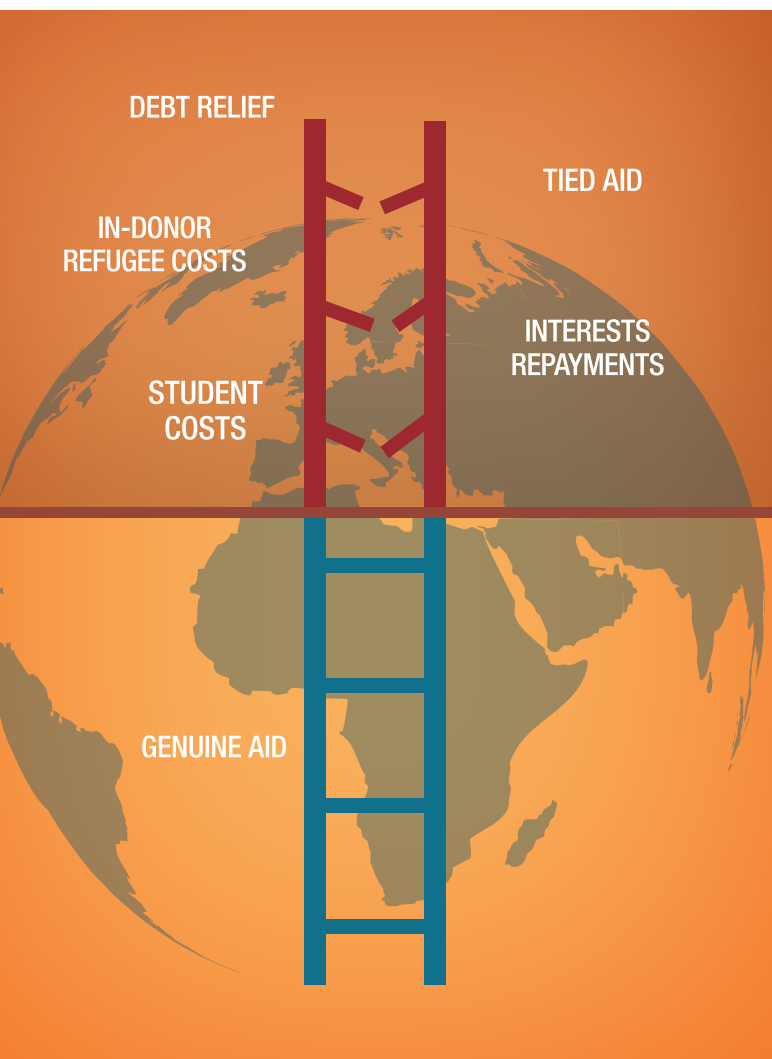
In 2017, the EU and its 28 member states (EU28) remained the biggest development donor worldwide. However, the level of ODA decreased for the first time in six years. In 2017, EU

member states disbursed €72.65 billion of ODA, almost 3% less than in 2016. This decrease is justified by the reduction in debt relief and in-donor refugee costs, two elements that, together with imputed student costs, tied aid and interest repayments, do not contribute to positive development in partner countries. This “inflated aid”<sup>1</sup> in 2017 represented 0.09% of EU28 GNI, putting the EU's ODA contributions even further below their collective 0.7% ODA/GNI commitment. At this rate, once inflated aid is discounted, the EU28 will not be able to close the gap to 0.7% before 2057: almost 30 years later than the target for 2030. Trends on ODA to least developed countries (LDCs) are not reassuring either: EU contributions to LDCs across the years have only marginally improved and are far from keeping up with the overall increase in EU's ODA. It is difficult to observe the commitment to leaving no-one behind in this trend.

EU's commitment to finance sustainable development, confirmed in the new Consensus, might be further undermined considering the ongoing modernisation of ODA at Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) level. Different reporting reforms that can impact the quality of ODA have been ongoing since 2016, namely for in-donor refugee costs, private sector instruments and tied aid, concessional loans and debt relief, and peace and security. These can bring both opportunities and risks towards genuine aid and the hard-fought development effectiveness principles. Particularly in view of the important discussion on the upcoming EU multiannual financial framework (MFF), it is now fundamental to take stock of European ODA practices that prioritise non-development objectives, such as migration control, addressing security threats and commercial expansion, at the expense of effective development cooperation. These are against the key principles of ownership by developing countries, focus on results, inclusive development partnerships and transparency and accountability. And they can ultimately undermine the commitment to leave no-one behind – a pledge to put the most marginalised people first in global development, by combatting discrimination and tackling inequalities in and between countries.

How ODA is delivered can significantly impact poverty and inequality. The role of development professionals in EU institutions and member states is vital in addressing existing risks and upholding development effectiveness principles. Some countries are managing to guarantee the quantity and quality of their ODA, reaching the 0.7% target while keeping inflated aid levels low. So, this is feasible and needed. It is crucial to avoid any further shifts by EU governments that undermine the integrity of ODA and development cooperation, ensuring no-one is left behind.

<sup>1</sup> See Annex 1 for a full explanation of CONCORD's methodology for counting inflated aid.





# RECOMMENDATIONS FROM CONCORD EUROPE FOR LEAVING NO-ONE BEHIND

CONCORD calls on the EU and its member states to uphold their treaty obligations on development cooperation, and their international development commitments, by taking the following steps.

## REPORTING OF ODA AND ENGAGEMENT IN THE OECD DAC

1. Take the opportunity of modernising ODA to exclude inflated aid components from the coming DAC directives on private sector instruments and debt relief or, in the case of already decided directives, lead the way by not reporting such components or phasing them out. Such components of inflated aid include in-donor refugee costs, imputed costs, interest repayments, tied aid and debt relief.
2. Ensure that ODA is always used to end poverty, combat inequalities and promote sustainable development, based on democratically defined local priorities. OECD DAC rules are a minimum requirement rather than the standard rule, so donors should always aim at the highest possible quality and effectiveness of ODA from the perspective of people living in poverty.
3. Improve transparency and alignment in overall OECD reporting, including through stronger EU engagement in and the encouragement of more peer reviews and in collective efforts to improve quality and transparency of aid.
4. Fully untie ODA, including to lower-middle-income countries, middle-income countries and all sectors, going beyond the minimum requirement of the OECD DAC.
5. Improve the quality of information for both ODA allocation and ODA reporting, including in the case of calculations for in-donor refugee costs, as agreed in the DAC High Level Communiqué from 2017, and for peace and security.
6. Lead the way for the development of an OECD marker for youth, and for the adoption and full implementation of the recently agreed marker on persons with disabilities.

## THE CONTINUED IMPLEMENTATION OF THE EUROPEAN CONSENSUS ON DEVELOPMENT IN LINE WITH THE INTERNATIONAL PRINCIPLES OF EFFECTIVE DEVELOPMENT COOPERATION

1. Make sure the EU and its member states fill the gaps in realising aid commitments to support LDCs, including reaching at least 0.15% of GNI to LDCs by 2020 and 0.2% by 2025. The EU and its member states should improve the quality and quantity of ODA while meeting the 0.7% ODA/GNI target to reaffirm their role as a world leader for global sustainable development in line with the values and principles on which the EU is founded.
2. Develop through a participative and inclusive process an EU Action Plan for LDCs that encompasses the Istanbul Programme of Action. This can be used as a roadmap to advance the 0.2% joint target of GNI to these countries in the next financial framework.
3. Guarantee EU leadership in advancing the objectives of the Global Partnership for Effective Development Cooperation (GPEDC). The EU should lead by example on the GPEDC Steering Committee and in its development cooperation.
4. Align ODA with recipients' national development strategies and avoid donor conditionality based on trade, migration or military policy interests. The EU's joint programming processes should always encourage the partner country's leadership in the process, with meaningful participation of civil society and other actors.
5. Ensure decisions on blending facilities and trust funds are always taken together with partner countries as well as safeguarding participation of civil society in this decision-making process. This can be done by ensuring partner countries have a seat in the strategic boards of the European Fund for Sustainable Development Plus (EFSD+) or trust funds, rather than just being observers.

## THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK

- 1.** The 2030 Agenda for Sustainable Development, the Paris Agreement on Climate Change and human rights conventions form the guiding framework for the whole EU budget including external action. This guiding framework must clearly influence the objectives, thematic focus, partnerships and ways of working in all headings, regulations and programmes.
- 2.** Establish transparent governance mechanisms in the instruments' regulations to ensure accountability towards Lisbon Treaty principles and objectives, including development objectives, and to counterbalance the risk of overemphasis on flexibility.
- 3.** Ensure that the whole of Heading VI is at least 92% ODA eligible, and actions under Heading VI are aligned with development effectiveness principles.
- 4.** Across the external action heading, commit to:
  - a) devoting 20% of the budget, through ring-fencing, to human development and social inclusion, understood as education, health and social protection; this should not include gender-targeted actions that deserve separate commitments and funding, although of course they are not mutually exclusive;
  - b) allocating 85% of ODA to programmes with gender as a principal or significant objective (G1 and G2 on DAC gender marker) and 20% specifically to targeted actions (G2);
  - c) setting 50% for climate- and environment-relevant spending; applying a two-track holistic approach (mainstreaming and specific action);
  - d) providing at least 0.2% of GNI to LDCs by 2025.
- 5.** Apply strong standards to blended finance and guarantees to make sure financial and, more importantly, development additionality are assessed and demonstrable; development effectiveness principles are respected; risks to people's rights and livelihoods and the environment are effectively minimised; women's and girls' rights, economic opportunities and decent work creation for all are effectively promoted; the public sector and public goods are not undermined, but rather strengthened; and debt sustainability and accountability are always factored in when designing new financing mechanisms.
- 6.** Establish a clear commitment to working in dialogue and partnerships with civil society in all external action instruments through adequate modalities for civil society participation in EU development policy-making and thematic and geographic programmes and operations. Establish budget targets or specific civil society facilities in all geographic programmes.





# PART ONE

## Overview

# 1. INTRODUCTION

European official development assistance (ODA) budgets have been increasingly under pressure from a shift of political priorities and diversion of aid funding to emerging non-development objectives. According to early figures for 2017, the volumes of European ODA have decreased for the first time since 2012, with a drop of almost 3%<sup>2</sup> from 2016. The decrease is mostly due to a decline in in-donor refugee costs and debt relief operations, two modalities of ODA which do not necessarily contribute to genuine development in countries most in need.

Following the analysis of official data, the AidWatch 2018 report includes a section explaining the need to distinguish genuine from inflated ODA. Accordingly, it highlights the most important trends of European aid in 2017. This is followed by an analysis of how the current ODA modernisation can further impact the effectiveness and objectives of aid.

The AidWatch 2018 report measures EU and member states' commitments to both ODA quantity and quality; the report then analyses the compliance of European ODA with internationally agreed principles of effective development cooperation reasserted in the Nairobi Outcome Document on development effectiveness. This includes a broader assessment of the impact on least developed countries (LDCs). The report also reviews relevant elements proposed by the European Commission for the next EU multiannual financial framework (MFF).

The AidWatch 2018 report considers European ODA in the context of the 2030 Agenda for Sustainable Development (the 2030 Agenda)'s overarching pledge to “leave no-one behind” – a commitment to put the most marginalised people first in global development, by combatting discrimination, tackling inequalities in and between countries and ensuring everyone, especially those who historically have been most excluded, can enjoy their rights to the full.<sup>3</sup> A complete assessment of the extent to which European ODA is leaving no-one behind would require a separate piece of research, but this report picks up some key elements, including the degree of coherence between some of EU's wider policies and the leave no-one behind principle; and the EU's approach to including youth and persons with disabilities in its development cooperation.

One other novelty in this year's AidWatch is the inclusion of Norway in the financial and political analysis. While Norway is not an EU member, the overview of its ODA helps provide a more complete overview of European ODA, especially when considering the country supports some joint and coordinated efforts, such as the EU Trust Fund for Africa. In addition, Norway's assessment can lead to identifying good practices.

## DISCLAIMER

Preliminary data for 2017 was still unavailable for several items at the time of writing of this report. This affects the analysis of inflated aid as three out of the five analysed items had to be subject to a forecast method: tied aid, interests received and spending with international students in donor countries.

<sup>2</sup> Note this is based on constant prices, thus reaching a different conclusion from official preliminary data.

<sup>3</sup> For reference: [www.bond.org.uk/sites/default/files/resource-documents/leave\\_no\\_one\\_behind\\_how\\_the\\_development\\_community\\_is\\_realising\\_the\\_pledge.pdf](http://www.bond.org.uk/sites/default/files/resource-documents/leave_no_one_behind_how_the_development_community_is_realising_the_pledge.pdf)

## 2. WHERE THE EU'S OFFICIAL DEVELOPMENT ASSISTANCE STANDS

### 2.1. UNDERWHELMING ODA FIGURES IN 2017

According to preliminary data for 2017, the volumes of global ODA decreased for the first time since 2012. As stated by the Organisation for Economic Co-operation and Development (OECD), this reduction is mainly due to a decline in in-donor refugee costs and debt relief operations, which had inflated the aid numbers in previous years.

Similarly, a decrease in ODA was observed in EU member states, whose collective ODA amounted to €72.65 billion: almost 3% less than in the previous year, or 4%, considering EU collective ODA, adding contributions from EU institutions.<sup>4</sup> This has, however, not impacted the EU's position as the world's largest donor. Eleven member states have improved their ODA performance, of which Croatia, France, Malta, Portugal and Romania have increased significantly at between 15 and 20%. Among the 15 EU donors who reduced development assistance, Spain made the biggest cut (45%),<sup>5</sup> followed by the EU institutions (32%),<sup>6</sup> Austria and Hungary (both around 30%).

### 2.2. AND AGAIN, DELAYING PROMISES

First agreed on in 1970 and with the original aim to be achieved in the same decade,<sup>7</sup> the 0.7% target refers to the proportion of gross national income (GNI) that donor countries commit to ODA. The EU later agreed to reach the target by 2015, but then postponed it to 2030. Recently, the Council of the EU “recalled” this pledge and confirmed joint action to achieve the target.<sup>8</sup>

The decreasing trend in the 2017 statistics puts EU28 donors' efforts well below their collective 0.7% commitment, having dropped to 0.49% from 0.51% in 2016.<sup>9</sup> Only Luxembourg, Sweden, Denmark and the UK fulfilled their promises in 2017, in addition to Norway, with the first two providing 1% of their GNI to global development. Germany stayed below the target in 2017 after having reached it for the first time in 2016. Figures show that the target was reached then mainly due to Germany's high use of ODA for refugee costs in the country, amounting to 25% of total ODA.

Available data indicates that EU efforts also stayed below the long-standing target of providing at least 0.15–0.2% of GNI as ODA to least developed countries (LDCs). Although preliminary figures for 2017 are not available yet, the EU's collective commitment has been lagging behind in recent years, reaching only a total of 0.11% ODA/GNI between 2014 and 2016.<sup>10</sup> Data from 2016 shows that only six member states reached or exceeded the target that year: Belgium, Denmark, Luxembourg, Netherlands, Sweden and UK.

Such ODA levels and decreasing trends are at odds with the EU's commitment to finance sustainable development, confirmed in the new European Consensus on Development (2017). Because of this, the Council of the EU expressed concern about the decreasing levels of European ODA. Two years after adopting the Addis Ababa Action Agenda and the Sustainable Development Goals (SDGs), the Council affirmed that “more efforts are needed towards meeting [the 0.7%] target”<sup>11</sup> and successfully implementing the 2030 Agenda.

To better prepare and assess this adequate implementation of the 2030 Agenda, the Development Assistance Committee (DAC) of the OECD established a working group in 2015 to improve ways of tracking resource flows allocated to the different SDGs. With the aim of updating the current system, this working group has been identifying and reviewing relevant purpose codes and policy markers against SDGs goals and targets, as well as introducing new ones. As changes will be adopted gradually by DAC members and are expected to be fully applied only in 2020, this year's AidWatch report does not capture EU ODA focus per SDG.<sup>12</sup>

4 Updated data from National Platforms and the use of constant prices puts EU ODA at a different level, exactly 3.85%, than originally foreseen in EU Council conclusions on Investing in Sustainable Development, May 2018, which indicated a decrease of 2.4%. The 3.85% decrease includes both ODA from member states and EU institutions (not imputed to EU member states).

5 This decrease is however unsurprising as in 2016 Spain had augmented its ODA by almost 200%, due to a debt relief commitment to Cuba.

6 Considering only ODA not imputed to EU member states: Total EU institutions ODA reduced by only 8%.

7 As per UN resolution: [www.un-documents.net/a25r2626.htm](http://www.un-documents.net/a25r2626.htm)

8 <http://data.consilium.europa.eu/doc/document/ST-8959-2018-INIT/en/pdf>

9 Reported percentage of GNI in 2016 differs from AidWatch 2017 report due to updated figures.

10 As per Council conclusions May 2018 (<http://data.consilium.europa.eu/doc/document/ST-8959-2018-INIT/en/pdf>)

11 Idem

12 For more information, please consult: [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2018\)41/REV1&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2018)41/REV1&docLanguage=En)

### 3. DOES IT REALLY COUNT? DISTINGUISHING GENUINE FROM INFLATED ODA

In CONCORD's view, not all financial flows currently reported as ODA genuinely contribute to development. Some of the aid reported by donors is "inflated" in the sense that it does not represent a genuine transfer of resources to low-income countries and middle-income countries (MICs),<sup>13</sup> nor does it show a positive development impact. For a more accurate picture of EU development cooperation, it is crucial to distinguish between the share of aid budgets that is focused on reducing poverty and promoting sustainable development from those that serve donors' self-interests or do not bring new or additional assistance to partner countries.

CONCORD believes the following items, albeit some of them valid and justifiable costs, should be discounted from ODA and reported as other flows:

- *spending on receiving refugees in the donor country;*
- *the reduction in development effectiveness associated with the additional cost of tied aid, in this report estimated at 15% of partially tied aid and 30% of tied aid;*
- *spending on international students in the donor country;*
- *interest repayments on concessional loans, which should instead be considered a "negative" budget item;*
- *debt relief and future interest on cancelled debts.*

**Tied aid** is assistance provided on the condition that it is used to procure goods or services from the provider of the aid. Evidence shows<sup>14</sup> that this practice increases the cost of purchase by between 15% and 30%. It is this percentage that CONCORD considers to be inflated. Although increased costs are not the only problem linked to tied aid, this percentage is considered to be a good proxy to assess the shortcomings of tied aid.

**Debt relief:** Cancelling debt is important, but it should not be considered as aid; it does not generate actual outflows to partner countries and it can distort ODA levels, by including interest payments that would have been due long into the future. Furthermore, research shows that most debt relief is for non-ODA flows such as export credits, which do not necessarily translate into positive development impact.

Although the ultimate development objective of the above elements has been challenged for years, these can be officially accounted for as ODA according to OECD DAC rules. Some of these items have since become prominent in donors' ODA reporting.

Using CONCORD's calculation methodology, which discounts the listed items, the 2017 aid figures reveal a different picture of EU spending from the one officially reported.

In 2017, around 19% of European aid was inflated, the equivalent of almost €14 billion. Compared with 2016, when levels amounted to €16.4 billion or 22%,<sup>15</sup> European inflated aid decreased by around 18% due to the reduction in debt relief and in-donor refugee costs. In 2016, European debt relief was significantly inflated due to Spain's exceptional debt relief for Cuba. The decrease in numbers of arrivals of refugees across many of the EU countries also led to a 10% decrease of total in-donor refugee costs.<sup>16</sup> The biggest changes in this type of costs are observed in Austria, Bulgaria and Latvia. In 2016, these costs represented over 50% of the countries' bilateral ODA and were cut by half or a third in the following year. On the other hand, some countries did increase this type of costs: Spain reported a more-than-double increase from 2016 to 2017 and Malta increased this type of spending by 80%.

However, according to forecasts, expected interest repayments, tied aid and spending on international students in EU countries seem to have increased.<sup>17</sup> The increase in interest repayments can illustrate the growing use of concessional loans by some EU member states, namely France and Germany.<sup>18</sup> EU institutions, on the other hand, are expected to remain the donor that reports the highest amounts of partially or fully tied aid, both in absolute terms and as a share of its ODA. Finally, EU spending on imputed student costs slightly increased in 2017 by 1%. But it is important to note that these conclusions rely on projections, besides the cognition that figures may in reality be independent from a linear evolution but rather attributed to political will.

<sup>13</sup> In CONCORD's view, the exception to this criterion is development education. This is an educational process that fosters relations and solidarity between donor and recipient countries and has a crucial role for ensuring policy coherence for sustainable development.

<sup>14</sup> According to Clay EJ et al (2008) *The Developmental Effectiveness of Untied Aid*: [www.oecd.org/derec/dacnetwork/41538129.pdf](http://www.oecd.org/derec/dacnetwork/41538129.pdf). Although this publication is 10 years old, it is still the most relevant available literature on the topic and respective findings are still in line with current practices.

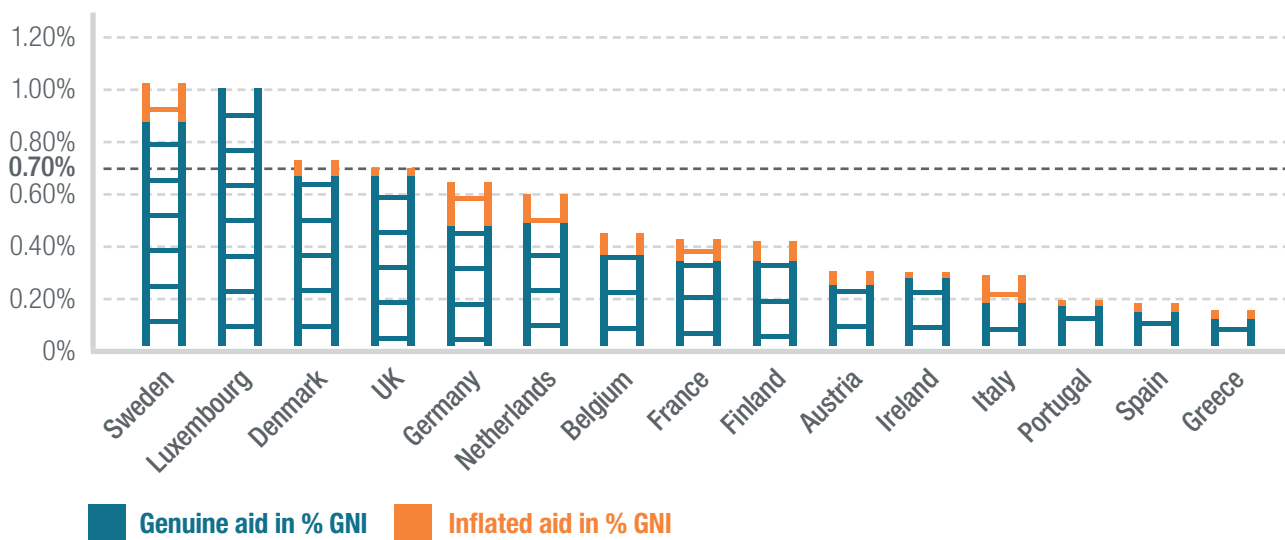
<sup>15</sup> Inflated aid in 2016 differs from AidWatch 2017 report due to updated figures.

<sup>16</sup> This percentage is different from official sources, due to updated figures and the use of constant instead of current prices.

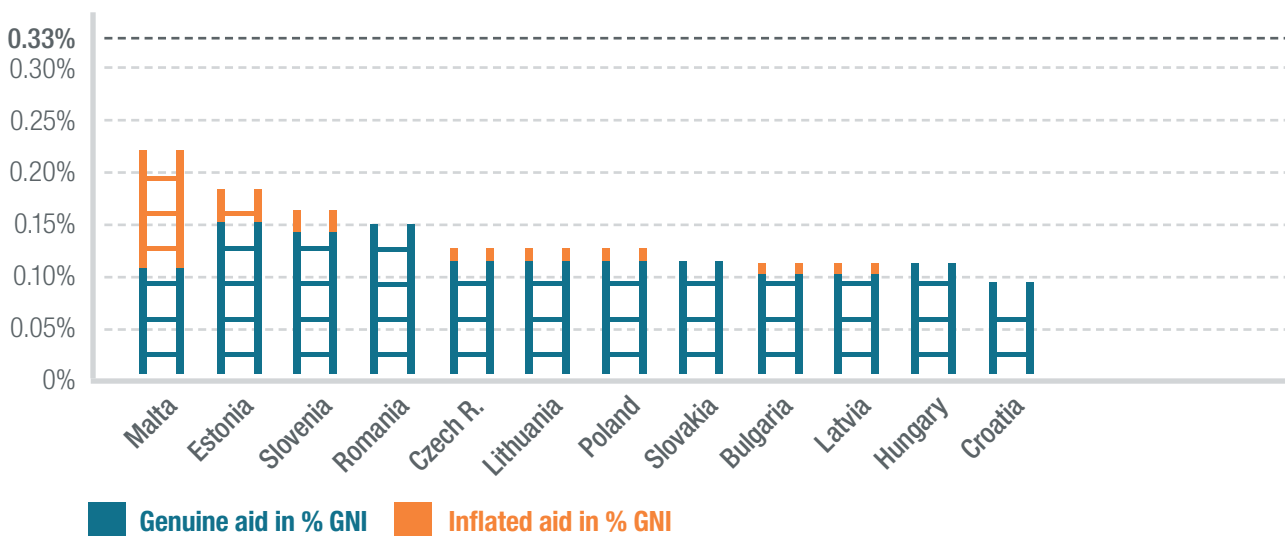
<sup>17</sup> Due to unavailability of data for these three elements, forecast methods were used. For more information, please see Annex 1.

<sup>18</sup> Together with France and Germany, the UK, Japan and the Republic of Korea are the five OECD DAC countries that provided the majority of ODA loans in 2016.

Graph 1: Genuine vs total ODA as % of GNI in the EU15, 2017

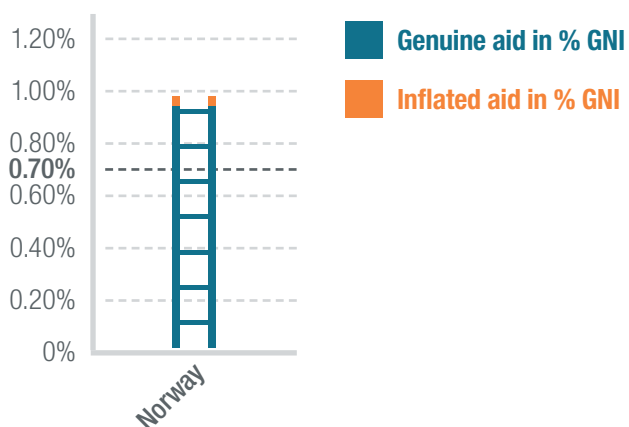


Graph 2: Genuine vs total ODA as % of GNI in the EU13, 2017\*



\* Cyprus is missing due to lack of available data.

Graph 3: Genuine vs total ODA as % of GNI in Norway, 2017

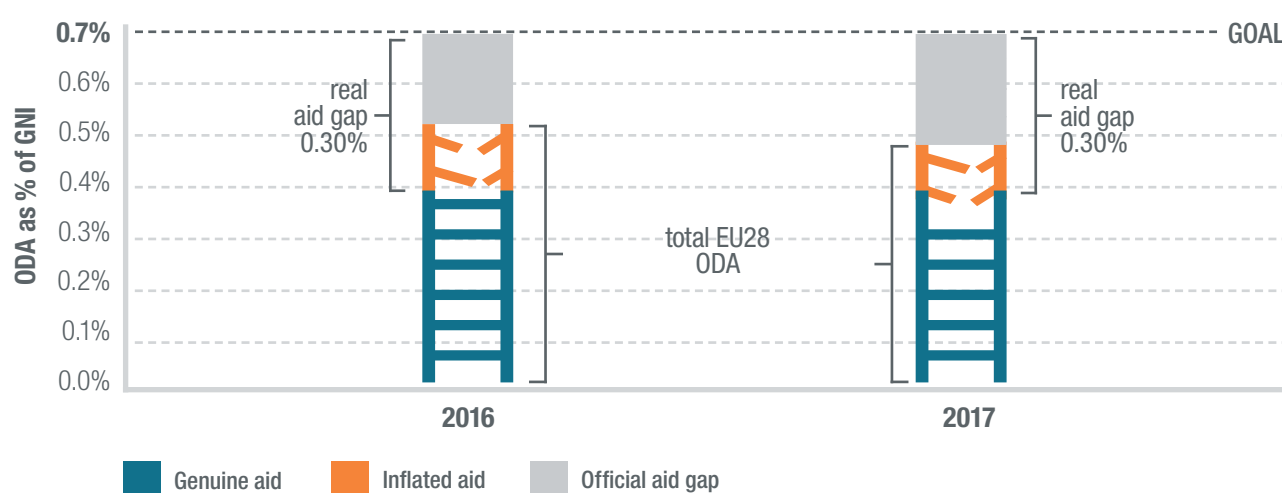


In 14 EU countries,<sup>19</sup> more than 90% of total ODA in 2017 was genuine. This was the same figure as in 2016, although with some changes in the ranking: while Bulgaria and Denmark are part of this ranking only in 2017, the Czech Republic and the Netherlands are no longer in the list, with the latter decreasing to a level of 80% of genuine aid. On the other hand, the percentage of genuine development assistance was less than 80% of total ODA in six EU countries.<sup>20</sup> Two EU countries show significant decreases in genuine aid, Malta and Netherlands, having both almost doubled the share of inflated components – Malta (27% in 2016 to 52% in 2017) due to an increase of in-donor refugee costs and imputed student costs, and the Netherlands (10% to 21%), due to almost double spending in these two categories, in addition to debt relief.

While it is very welcome that overall EU inflated ODA levels are decreasing, this is not enough: the levels of genuine ODA should also increase at a high and stable level to reach the 0.7% target.

The scale of inflated EU ODA widens the gap to reach the EU28 0.7% ODA/GNI target, officially reported to be 0.21% in 2017.<sup>21</sup> In line with CONCORD's methodology, the real gap is 0.30%, the same as in 2016, and now considering that EU GNI has also increased from 2016 to 2017.

**Graph 4: Inflated vs genuine aid, 2016 and 2017**



**Table 1: The gap to the 0.7% aid goal in 2017: official vs real gap**

Total EU28 GNI	14,900,975	How much of the EU28 GNI does it represent?
EU28 ODA Commitment (0.7% of GNI)	104,306.8	0.7%
Total EU28 ODA	72,648.3	0.49%
Genuine aid	59,052.6	0.40%
Portion of inflated aid	13,576.9	0.09%
Aid Gap to 0.7% (considering all reported aid)	31,658.5	0.21%
Aid Gap to 0.7% (only considering genuine aid)	44,809.4	0.30%

<sup>19</sup> According to preliminary data: Bulgaria, Croatia, Denmark, Estonia, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Poland, Romania, Slovakia, UK and EU institutions. Norway was also such a case.

<sup>20</sup> Idem: Austria, Germany, Greece, Italy, Malta, Netherlands.

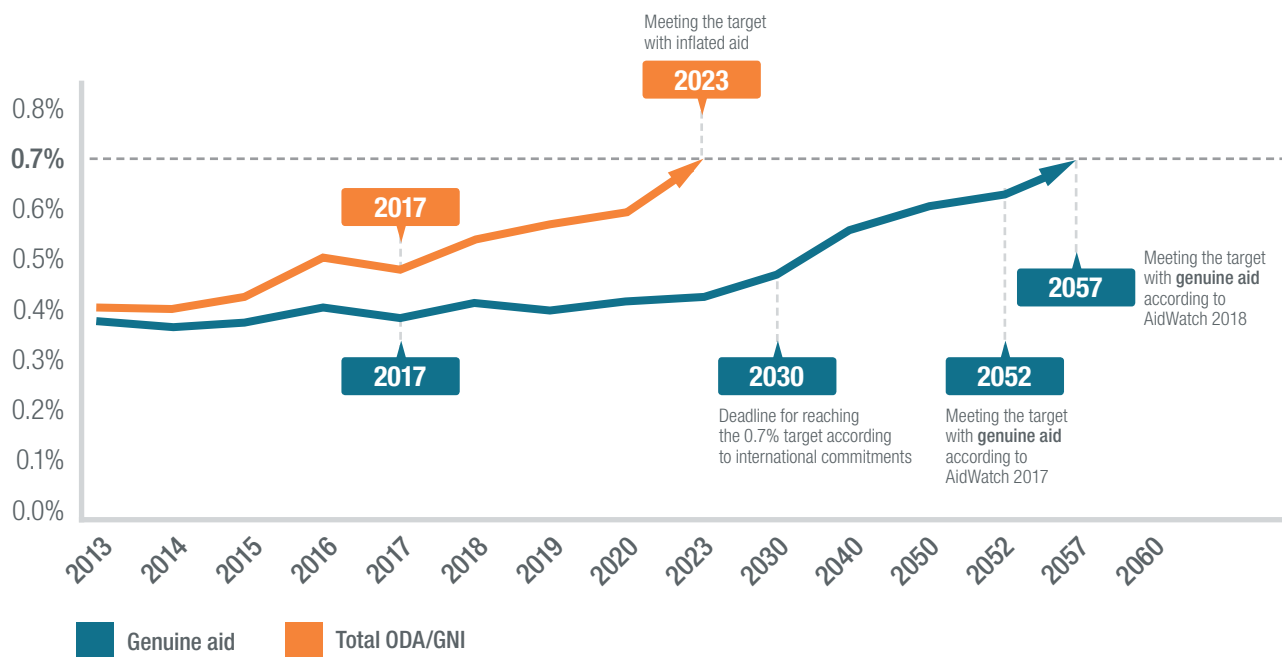
<sup>21</sup> Note official data for EU collective ODA/GNI, comprising EU member states and EU institutions, refers to 0.2% instead.

This puts EU efforts towards sustainable development even further from the long-standing target. In fact, at the current rate of increase of total reported ODA, Europe would not meet the goal of average 0.7% EU GNI until the year 2023. If genuine aid increases at the current rate, however, the 0.7% target will not be met before 2057 – this represents an even bigger delay compared with forecasts from 2017.

In addition, the self-serving trends in EU development cooperation threaten to increase ODA inflation in the future and perpetuate the delay of promises. Some parts of the new Consensus confirm this trend and legitimise the instrumentalisation of European ODA to address emerging non-development

objectives. In CONCORD's view, the eligibility of ODA under DAC rules should not replace the discussion on whether these resource flows genuinely contribute to ending poverty, reducing inequalities and achieving development impact. OECD DAC rules are a minimum requirement, but what is most effective to address the needs and priorities of people living in poverty is usually compliant with the average standards of what can be reported as ODA. The EU can also use its position in the OECD DAC as a full member and major donor to champion effective development cooperation principles as the OECD DAC finalises and continues implementing modernisation of the international aid system.

**Graph 5: Estimated timescale for keeping the 0.7% promise: genuine vs inflated EU aid**



## 4. MODERNISATION OF THE INTERNATIONAL AID SYSTEM: OPPORTUNITIES AND RISKS

While the definition of ODA is decades old, discussions on the appropriateness of the reporting instructions have endured. The so-called DACability of resource flows – what is eligible as ODA under the DAC – has always been subject to debate. Considering the overlap of development policy objectives with other political issues such as curbing migration, serving national security, or commercial purposes, and an unprecedented diversification of financial tools, the DAC began working in 2012 to modernise its statistical system with the stated aim of improving reporting accuracy. As rules have been redefined only recently, this report is not able to capture changes in volumes for 2017, but rather identifies trends. The following items are currently or have been subject to new reporting rules, expected to impact the level of genuine ODA in the future.

### 4.1. IN-DONOR REFUGEE COSTS

OECD DAC members never reached consensus on whether in-donor refugee costs align with ODA objectives: promoting the economic development and welfare of developing countries. In CONCORD's view, for ODA to be genuine, it should imply a transfer of resources to partner countries and have a positive development impact.

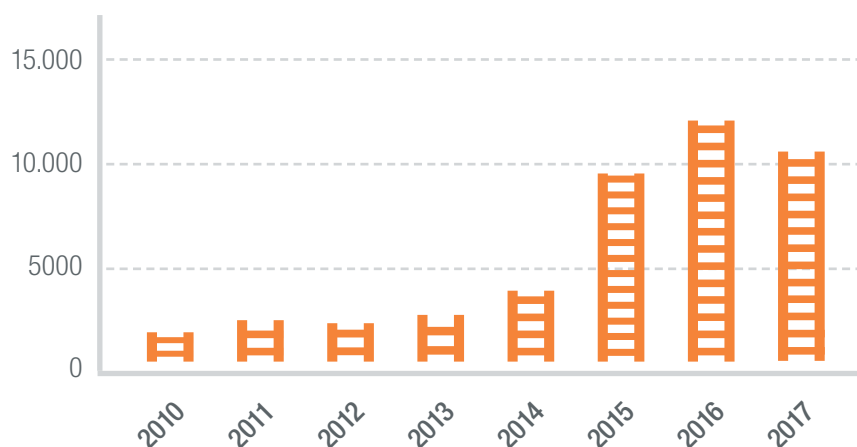
Nonetheless, the share of these flows has been rapidly increasing among the EU: in 2017, EU donors, plus Norway, reported 75 times more in-donor refugee costs than in 2010. In some cases, such as Germany, Italy and Sweden, EU

member states became the largest recipient of their own ODA. Moreover, this type of cost has not been consistently reported among governments.<sup>22</sup>

New reporting standards for in-donor refugee costs were clarified by the DAC at the High Level Meeting in October 2017. The guidelines restate the eligibility rule of covering only the first 12 months of stay; they also clarify eligible categories of refugees and cost items. However, not only did these discussions not address the debate on whether these costs belong in ODA at all, but the guidelines also do not provide a clear-cut methodology on reporting. Rather, the new guidelines urge donors to be “conservative” in their estimates and calculation approaches if they choose to report in-donor refugee costs in ODA. To ensure consistency and transparency, DAC members are asked to share their calculations and estimates with the DAC Secretariat for validation.

It is important to prevent continued inflation of aid. This is even more relevant considering that the “refugee crisis” has been commonly identified by the European institutions as the one area for which flexibility to reallocate funds should be ensured;<sup>23</sup> hence exacerbating the risk of diverting funds from other objectives that could have been instrumental in leaving no-one behind.

Graph 6: EU28 Spending on in-donor refugee costs 2010-2017



<sup>22</sup> To see how much methodologies for calculating costs can differ, please visit: [www.oecd.org/dac/stats/RefugeeCostsMethodologicalNote.pdf](http://www.oecd.org/dac/stats/RefugeeCostsMethodologicalNote.pdf)

<sup>23</sup> As introduced in the presentation of the future EU multiannual financial framework for development cooperation: [https://ec.europa.eu/europeaid/sites/devco/files/budget-proposals-neighbourhood-world-may-2018\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/budget-proposals-neighbourhood-world-may-2018_en.pdf)



## 4.2. PRIVATE SECTOR INSTRUMENTS (PSI) AND TIED AID

The EU has increasingly used development assistance to support the private sector's contribution to development. This is considered by its proponents to be key to advancing the 2030 Agenda. Yet it can also entail risks that donors divert ODA away from other uses critical to leaving no-one behind or sidestep their traditional ODA commitments, to focus instead on stimulating private financing flows. To help engage the private sector in financing for development, new mechanisms have been established for blended finance (the combination of concessional public finance with non-concessional private finance). In 2017, the EU launched the European External Investment Plan (EIP) and the European Fund for Sustainable Development (EFSD), supported by a new guarantee instrument that will protect private investors operating in challenging environments. Similarly, several EU member states have either created new blending mechanisms or increased the ODA amount allocated to national development finance institutions.<sup>24</sup>

There is still little research on blending of concessional public finance with non-concessional private finance. What evidence there is suggests that some blended finance efforts have lacked in effective contribution to developmental objectives and been poorly suitable to LDCs. Also, blended finance operations can risk undermining the debt sustainability of many developing countries. Accordingly, the EU and its member states have emphasised the need to ensure that blending considers debt sustainability and accountability.<sup>25</sup>

The negotiations on PSIs and the increased use of blended finance bring into focus the issue of tied aid, since many fear that increased involvement of the private sector will tempt donors to devise new ways of tying the aid to companies in their own country. This makes it even more urgent for the DAC to accelerate its work on untying. At the moment, OECD DAC members have agreed to untie aid to LDCs and to heavily indebted poor countries (HIPC), but not all donors have met this target nor made commitments to untie aid to all recipients of assistance, including MICs and lower middle-income countries (LMICs). In addition, the agreement does not cover all sectors (it does not cover some kinds of technical cooperation, and leaves it to members' discretion whether to untie food aid). What is more, informal tying (through de facto restrictions such as the contract language or where it is advertised) means that true levels of tying are even higher than those reported.<sup>26</sup>

Recent research findings show that some blended finance facilities are even likely to have exacerbated inequalities.<sup>27</sup> This is the case for universal access to essential public services, which can be undermined in the case of privatisation. Blending mechanisms using ODA such as the EIP have not yet consistently demonstrated financial additionality – that investments would not have taken place otherwise – nor a robust and evidence-based link to development results, ending poverty and reducing inequalities.

Reporting guidelines for PSIs, which are ODA-eligible investments, were supposed to be agreed in 2017 by the OECD DAC. However, no consensus has been reached about the details of PSI implementation yet due to different positions on the matter,<sup>28</sup> and, until rules are in place, donors have a lot of leeway as to how they report loans, guarantees and other funds to the private sector as ODA. This uncertainty can undermine even further the key role that ODA can have. Leveraging investments from development finance institutions and the private sector must imply impact assessments that demonstrate additionality and a positive contribution to the 2030 Agenda's core objective of leaving no-one behind.

## 4.3. CONCESSIONAL LOANS AND DEBT RELIEF

Loans have always been part of ODA. However, to be counted as such, they must be concessional and have a "grant element" (or gift element from the donor) of at least 25%. Until recently, the definition of what made a loan concessional was open to interpretation. What is more, the reporting rules left room for ODA inflation. Donors reported full value – and not only the grant element – of concessional loans as positive ODA; they then report the value of repayments as negative ODA. However, they do not make any negative adjustment when recipients repay loan interest – one of the reasons why CONCORD considers ODA to be inflated. These rules are changing and, from 2018 onwards, the grant equivalent element of loans will be counted as ODA, rather than the full amount minus repayments.<sup>29</sup>

These changes are hence expected to have a significant impact on the overall resource flows reported by donors. According to recent reports, if the new rules had been already in place in 2016, Germany and the UK would have reported much less ODA, unable to reach the 0.7% ODA/GNI target. The EU institutions would have also seen their reported ODA down by around 13%.

<sup>24</sup> As per questionnaires from National Platforms.

<sup>25</sup> As per Council conclusions, May 2018 (<http://data.consilium.europa.eu/doc/document/ST-8959-2018-INIT/en/pdf>).

<sup>26</sup> Eurodad. Unravelling Tied Aid: <https://eurodad.org/Entries/view/1546810/2017/09/20/Unravelling-Tied-Aid>

<sup>27</sup> Eurodad (2017) Mixed messages: The rhetoric and the reality of using blended finance to 'leave no-one behind' (<https://eurodad.org/blended-finance-briefing>). This explains how independent evaluations of EU or Dutch blending facilities have showed vulnerable groups were 'hard to reach' or excluded.

<sup>28</sup> HLM Communiqué 2017

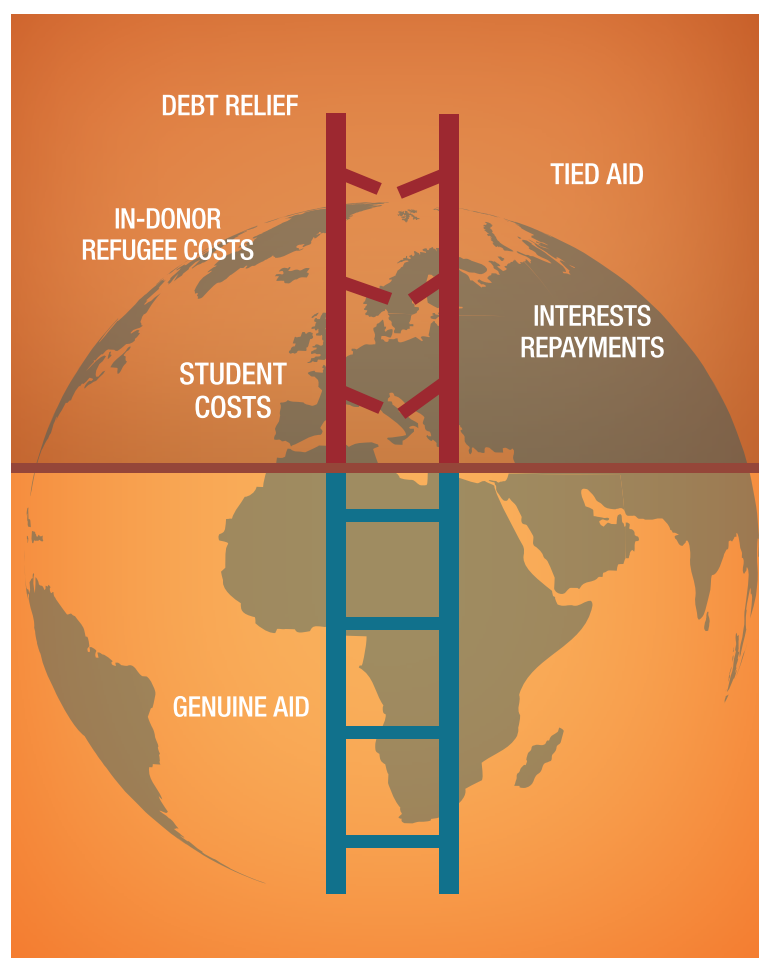
<sup>29</sup> For more information, see: [www.oecd.org/dac/stats/documentupload/ODA%20Before%20and%20After.pdf](http://www.oecd.org/dac/stats/documentupload/ODA%20Before%20and%20After.pdf)

The shift from net flows to grant equivalents has triggered the need to change the basis on which debt relief of ODA loans is reported to avoid double-counting the cost of risk. The challenge of debt unsustainability is not new and has become more visible recently as debt relief tends to oscillate over the years, hampering long-term predictability and causing volatility in reported ODA levels. Many low-income developing countries are in debt distress, a burden which has increased since 2013 and is affecting the countries' positive growth.<sup>30</sup> It is plausible that reported debt relief might increase in coming years if debt relief continues to be included in ODA. The ongoing OECD discussions offer an opportunity to exclude this type of channel from ODA to avoid inflation of aid.

#### 4.4. PEACE AND SECURITY

The reinforcement of state security in partner countries has been rising as a political priority for EU donors, as the new Consensus and the Global Strategy for the European Union's Foreign and Security Policy show. In 2016, the OECD DAC agreed to update reporting rules for this area, on the grounds that this would ensure consistency and acknowledge the developmental role that military actors can play.<sup>31</sup> In line with the new rules, limited engagement with partner country military will be allowed in the form of non-military training of military actors and that military can be used as a last resort to deliver development services and humanitarian aid. However, the changes have opened space to factor in expenses that would otherwise not have been admitted as ODA, such as funding counterinsurgency programmes or subsidising military aggression. This is worrisome, considering that most EU member states have reported increased contributions to peace and security for the last three years. While the level of contributions to this sector is still relatively low compared with overall ODA at around 1% (2016 and 2017 indicative data), donors should refrain from increasing and capture resources that could otherwise be applied in critical areas to leave no-one behind, including investments in social and human development. Investments in peace and security should have development purposes at their core and be properly monitored to avoid both safety risks to civilians and aid inflation, given the highly sensitive nature of these areas of intervention. Monitoring could be strengthened by reporting codes to track donor spending in these newly agreed areas, or developing DAC guidelines for conflict-sensitive approaches to delivering aid.

The global community came together at the end of 2016 to strengthen commitments under the Global Partnership for Effective Development Cooperation (GPEDC) to advance the 2030 Agenda. The resulting Nairobi Outcome Document reiterates the four key principles of the development effectiveness agenda: Ownership by developing countries, Focus on results, Inclusive development partnerships and Transparency and accountability. While the EU's provision of ODA should follow these principles to ensure its effectiveness, as stated most recently in the revised European Consensus on Development, there is still much room to improve. This is even more evident now that some of the EU domestic political priorities are overshadowing development objectives.



<sup>30</sup> As per [www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs](http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs).

<sup>31</sup> For more information, see: [www.oecd.org/dac/DAC-HLM-2017-Communique.pdf](http://www.oecd.org/dac/DAC-HLM-2017-Communique.pdf)

# 5. EFFECTIVE DEVELOPMENT COOPERATION

## 5.1. OVERARCHING COMMITMENT: LEAVING NO-ONE BEHIND

The 2030 Agenda sets out the overarching pledge for development at the global level that no-one should be left behind “recognizing that the dignity of the human person is fundamental... the Goals and targets [should be] met for all nations and peoples and for all segments of society” (paragraph 4). In this vein, the EU has designed a series of policies to further the leave no-one behind agenda.<sup>32</sup> To meet the objectives set out in these initiatives, the EU must ensure the coherence of **all** its policies, so that no part of them undermine the leave no-one behind principle.

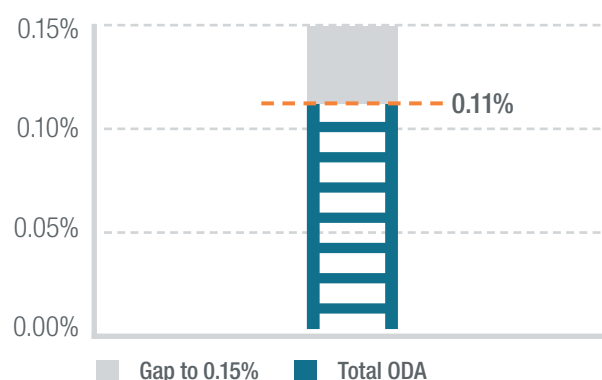
### 5.1.1. TAKING STOCK OF ODA TO LDCs

All the changes in ODA reporting mentioned in the previous chapter can directly impact the quantity and quality of effective ODA transferred to the people most in need. If the EU aims to ensure that no-one is left behind, as the new Consensus reiterates, it should ensure ODA is focused on critical areas for effective, people-centered, sustainable development, particularly in LDCs.

Acknowledging that special attention should be given to LDCs is not new. The group was created in the 1960s under the UN and has since grown in number. It is estimated that nearly half of the population in LDCs live in extreme poverty, compared with 12% in other developing countries. With the 2011 Istanbul Programme of Action for LDCs, donors confirmed commitments to providing 0.15–0.20% of their GNI as ODA to these countries by 2020. European commitments to the Addis Ababa Action Agenda and the SDGs have been reinforced with the adoption in 2017 of the new European Consensus on Development, which re-commits to placing LDCs as key recipients of ODA.

But while ODA from DAC members has been increasing over the past few years, this has not been matched by a corresponding focus on LDCs; despite the long-standing global commitment to these countries, the percentage of total global net ODA spending in LDCs has been decreasing since 2013. This trend finally reversed in 2017: more global ODA was targeted to LDCs, rising by 4% from 2016.

Graph 7: EU28 ODA to LDCs - in 2016<sup>33</sup>



It is still to be confirmed if this increase is also reflected among EU donors: OECD preliminary data seems to indicate that most EU member states that are DAC members increased their funding to LDCs.<sup>34</sup> But EU contributions to LDCs across the years have only marginally increased and are far from keeping up with the overall increase in the EU's ODA. It is difficult to observe the commitment to leave no-one behind in this trend. If less attention is given to the most vulnerable and marginalised groups than to those better off, it is likely that the worst-off will be kept lagging behind. The current 47 LDCs face acute levels of deprivation; it is hence unsurprising that the 2030 Agenda includes specific targets for LDCs to lay the path to achieving the SDGs.

Looking at the last three years, the approach of EU member states to LDCs is very diverse. Only a handful of donors prioritise LDCs: countries including Belgium, Ireland and Sweden include at least seven LDCs among their top 10 recipients of ODA; meanwhile Finland and the Netherlands prioritise five or six LDCs. On the other hand, most of the EU13 tend to focus on other countries, primarily those in the EU's neighbourhood. Poland is an exception, having moved from three LDCs as priority countries in 2015 to four the following year. The same reduced focus can be observed with, for example, Austria, France and Germany, who include either one or two LDCs in their list of top 10 recipients.

<sup>32</sup> For example, the Spotlight Initiative is designed to end all forms of violence against women and girls; Scaling Up Nutrition to address stunted growth in children; and an initiative with the International Labour Organization to monitor the violation of indigenous peoples' rights and increase their access to justice. Source: [https://ec.europa.eu/commission/commissioners/2014-2019/mimica/blog/agenda-leave-no-one-behind\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/mimica/blog/agenda-leave-no-one-behind_en), accessed 18/08/2018.

<sup>33</sup> Note that, differently to previous AidWatch editions, this assessment of EU contribution to LDCs relies on EU compiled data. This differs from OECD DAC, which measures only bilateral input, while this also adds multilateral. Figures have been changed to constant prices.

<sup>34</sup> According to OECD DAC preliminary data, the following EU member states increased funding to LDCs compared with the last two years: Austria, Belgium, Czech Republic, Denmark, Greece, Netherlands, Slovak Republic, Spain and Sweden.

In the European Council Conclusions of 22 May 2018, “the Council takes note with concern that the EU is no closer to meeting its collective target to provide 0.15–0.20% of GNI to LDCs”. This is worrisome considering that LDCs continue to rely heavily on ODA, particularly for sectors that are key to sustainable development, due to limited domestic resources and limited capacity to attract other types of flows.

For the LDCs to be able to overcome some of the most severe structural impediments to their sustainable development, development cooperation must be effective – this implies a genuine transfer of resources that matches the 0.15–0.20% target and can bring positive development impact. In addition to meeting the target, as stated in the EU Report “Investing in Sustainable Development”, the EU and its member states should also upgrade the quality of development assistance, in line with their own commitments, including through attention to the following areas.

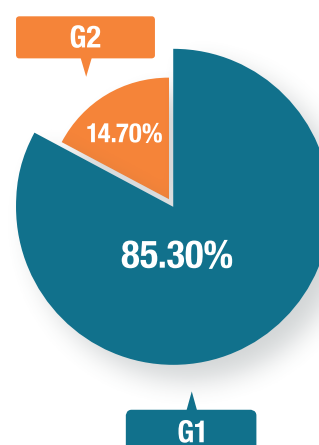
### 5.1.2. EUROPEAN FUNDING FOR GENDER EQUALITY AND THE EMPOWERMENT OF WOMEN AND GIRLS

In line with the 2030 Agenda and the Nairobi Outcome Document, the new Consensus states that gender equality and the empowerment of women and girls is a precondition for sustainable development. The current Gender Action Plan (GAP II, 2016–2020) includes important commitments for 85% of all EU external assistance to be gender targeted or mainstreamed (with gender equality as a main or significant objective) by 2020. However, the EU’s GAP II commitment fails to recognise the importance of the G2 marker for gender-targeted actions, with gender as the main objective. CONCORD and other organisations call for a separate target of 20% of EU ODA to be earmarked for the G2 marker, to make sure that gender-specific actions are funded.

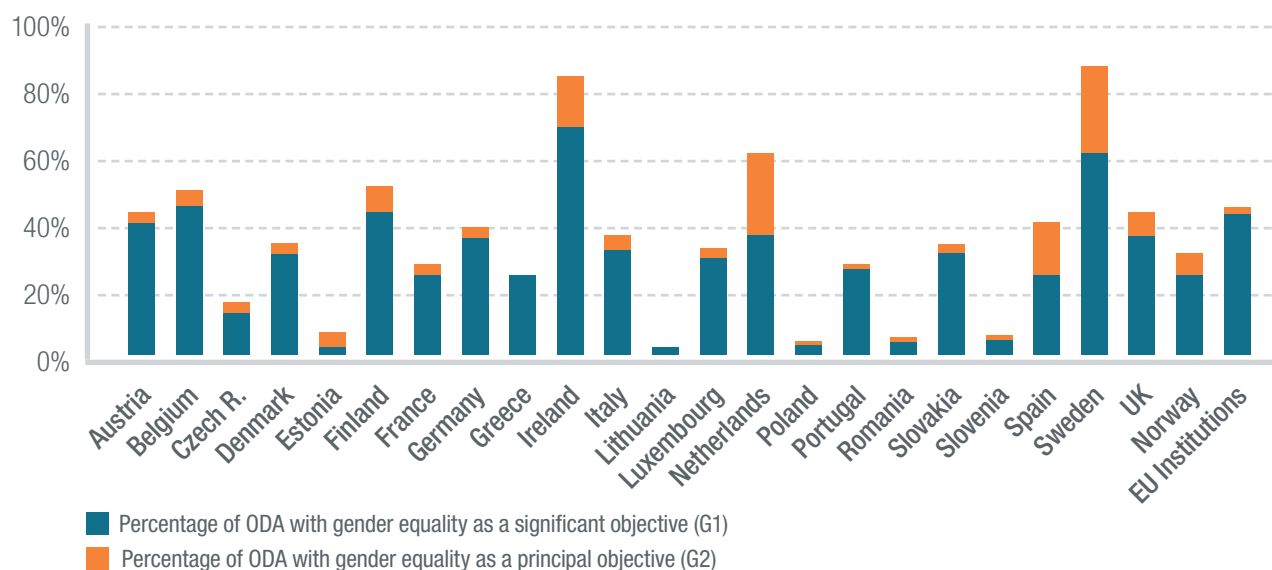
The implementation of the predecessor, GAP I, has shown that the gender marker has been poorly understood and inconsistently applied by the EC and EU member states. Although challenges in reporting on the gender marker are not directly mentioned in the first GAP II implementation report, this does highlight that there is room for improvement in reporting mechanisms (indicators, systems and tools).

At the time of writing, it is possible to extract information on gender funding in 2015 and 2016 from most European donors, except Bulgaria, Croatia, Cyprus, Hungary, Latvia and Malta. Data analysis also shows that collective ODA with gender equality as a significant objective (G1) tends to be six times higher than ODA with gender equality as a principal objective (G2). Estonia is the exception, as the country reports five times more in projects that have gender as a principal rather than significant objective.

**Graph 8: EU spending on gender equality marker in 2015 and 2016**



**Graph 9: Spending on gender quality marker as % of ODA, as reported to OECD DAC in 2016\***



\* These percentages refer only to screened and targeted bilateral allocable aid, hence excluding aid marked as G0 or aid not subject to review, as per the DAC. For more information, see: [www.oecd.org/dac/stats/aidinsupportofgenderequalityandwomens empowerment.htm](http://www.oecd.org/dac/stats/aidinsupportofgenderequalityandwomens empowerment.htm). Calculations also include data from 22 EU member states, including non-DAC members, such as Estonia, Lithuania and Romania, as well as Norway.

### 5.1.3. POSITION ON SPECIFIC GROUPS: YOUTH AND PERSONS WITH DISABILITIES

The 2030 Agenda states that while SDG goals and targets must be met for all peoples and segments of society, those furthest behind must be reached first (para 4); among the people listed as in need of prioritisation, children and youth as well as people with disabilities are highlighted and reaffirmed in the Nairobi Outcome document. The GPEDC has committed to urgently improving reporting on targeted spending for these groups, be it under international or domestic finance. For the first time, the EU has prioritised these groups in its new Consensus and is pursuing endeavours to develop youth policy markers that can better track allocated funds to this group.

The EU is the first regional body to sign and ratify the UN Convention on the Rights of Persons with Disabilities; all of its member states have also signed and ratified the convention, legally binding them to its implementation and obliging them to report on it to the UN. Furthermore, the EU has taken an active role in promoting including the rights of persons with disabilities in the intergovernmental negotiations leading to the adoption of the 2030 Agenda and in the financing for development follow-up process.<sup>35</sup> In line with such commitments, the EC is proposing to include disability policy markers in EU ODA.

### 5.1.4. ADDRESSING THE MIDDLE-INCOME COUNTRIES TRAP

The European Consensus for Development does little to safeguard MIC's leadership of their development processes – an aim reasserted by several international declarations over the last few years, including the Busan Partnership Agreement in 2011. With MICs, the EU promotes partnerships that combine potentially conflicting objectives relating to political, security, economic and financial matters. This raises concerns that issues such as country ownership of sustainable development strategies and donors' alignment with those strategies may be superseded by other political priorities. It is crucial that ODA disbursements to MICs target fighting inequalities, particularly in support of minorities and discriminated groups, and promote human rights, democracy and civic space rather than leveraging funds from development finance institutions and private investments that are already made abundantly available to these countries.<sup>36</sup>

It is also important for the EU to maintain its role as a donor responsibly and not withdraw funding abruptly, allowing MICs, especially those who have recently graduated to this category, to build up funding flows and generate resources to replace the disappearing ODA income. While several EU member states prioritise upper-middle-income countries in their list of largest recipient countries, it is not clear if solid and responsible phase-out strategies are in place. For example, Brazil, China and

South Africa received ODA from France, Germany and Portugal between 2015 and 2017. Moreover, Turkey is now also a major MIC recipient of EU ODA, both due to its pre-accession status and for hosting the Facility for Refugees in the context of the Syrian crisis.

## 5.2. OWNERSHIP BY PARTNER COUNTRIES

For the success and efficiency of development programming, it is vital to ensure full ownership from national governments of partner countries as well as their citizens. Programming processes should ensure ownership of the development agenda and democratic participation by enabling people to influence the development of their country. However, while several of the EU's policies promote this ownership, there are aspects of its approach that hinder it. There is room for improvement in terms of EU member states aligning their development objectives with partner country priorities. While 10 countries declare that they aim to set development objectives with partner countries, it is noted that this is not always a firm commitment.

### 5.2.1. TIED AID

Tied aid, that is the practice of requiring that ODA be used to purchase goods and services from the donor country's own domestic companies, puts the commercial interests of firms in donor countries ahead of the priorities of people living in developing countries. In the short term, tied ODA can mean supplying goods and services that are anywhere between 15–30% more expensive than on the local market. In the long term, tying means that ODA cannot be used to support local suppliers, thereby impairing the “double dividend” that local procurement can bring by building up sustainable local businesses and potentially increasing tax revenues. The EU and its member states have kept a stable high level of untied aid to LDCs and non-LDC HIPC, as per the OECD untying recommendation, averaging a score in the past two years above 92%, compared with the rest of DAC members on 77–81%. In particular, the EU institutions have fully untied all EU aid instruments in LDCs and non-LDC HIPC with the adoption of new financial regulations.<sup>37</sup>

The EU member states have a mixed record on tied aid overall, as some members are vocally against the practice (e.g. Belgium and Sweden), and others, like the Czech Republic and Finland, have been increasingly applying it.

Donors have not yet made commitments to untie aid to all recipient countries, including MICs and LMICs. As an example, while EU institutions do not tie aid to LDCs or HIPC, they still report significant levels of tied aid elsewhere. Even if applied in countries that do not suffer from acute structural vulnerabilities such as LDCs, tied aid still means subordinating the priorities of local people to the interests of donor country companies – hence holding back effective development.

<sup>35</sup> [www.un.org/esa/ffd/ffdforum/](http://www.un.org/esa/ffd/ffdforum/)

<sup>36</sup> According to the World Bank, the World Bank Treasury raises US\$50 billion – US\$60 billion annually from investors in the capital markets for the International Bank for Reconstruction and Development to lend to middle income countries. Source: [www.worldbank.org/en/news/speech/2018/05/15/leveraging-innovative-finance-for-realizing-the-sustainable-development-goals](http://www.worldbank.org/en/news/speech/2018/05/15/leveraging-innovative-finance-for-realizing-the-sustainable-development-goals)

<sup>37</sup> Concord interview with the European Commission, 1 August 2018.



Even if aid is reported as untied in principle, it may still be tied in practice, through informal barriers that prevent firms from competing. Such barriers may include only advertising the tender in the donor country's language or setting very specific eligibility criteria that only a handful of firms can fulfil. OECD figures for 2015 and 2016 show that the UK, Finland, Denmark and France awarded between 50 and 90% of the total value of aid contracts back to firms in the donor country.<sup>38</sup> It is fundamental to open up a discussion on fully untying aid, going beyond the minimum requirement of the OECD DAC. Current discussions at DAC level offer a good opportunity to widen the scope of the Recommendation on Untying, so it covers ODA to all countries and all sectors. The EU can lead by example and encourage this step.

### 5.2.2. DONOR CONDITIONALITY – MIGRATION FLOWS/SECURITY

Existing analysis<sup>39</sup> shows that European ODA has been increasingly instrumentalised in three fundamental ways to manage refugees and migrants arriving in Europe: 1) as explained earlier, inflating aid by spending ODA in donor countries to host refugees; 2) diverting aid, by investing ODA in poor countries to stop migration rather than reduce poverty, and 3) enforcing conditionality of aid through agreements pushing control and return policies. This latter point particularly undermines partner countries' ownership of development policies.

Conditionality targeting migration flows is being implemented in many of the regions that are either sources of or transit points for migrants coming to Europe. This is primarily done through the New Partnership Framework (Migration Compacts) introduced in June 2016, which allows the EU to apply positive and negative conditionality for cooperation with third countries in the field of migration, thus effectively externalising EU migration policy. While delivering on these compacts depends on the institutional capacity of the partner country, they all include a combination of objectives in which border control and development interventions are interlinked. The new reporting rules for peace and security have also allowed donors to progressively commit aid to the purposes of preventing extremism or controlling insurgency. While clamping down on such realities may help protect people in developing countries from fear or harm, the definition of extremism and insurgency is contentious and potentially open to abuse. Donors should align their aid efforts with development effectiveness principles to ensure positive and sustainable development outcomes for people in partner countries. Most EU member states' ODA has no formal conditionality linked to migration or security. But these issues are frequently raised in political narratives,<sup>40</sup> perpetuating a harmful dialogue linking them to the provision of ODA. Furthermore, at EU level, it could be argued that this approach will target some specific countries and groups at the expense of others, resulting in flawed development programmes.

Adding conditions to ODA provision impacts negatively on the effectiveness of European development activities as it can lead to deviation from stated development objectives and from countries most in need, such as LDCs. It can result in little local ownership of development efforts, delegitimisation of local authorities, increased instability coupled with growing militarisation, and shrinking of civil society space.

### 5.2.3. LESS ACCESSIBLE DECISION-MAKING: NEW PRIVATE SECTOR INSTRUMENTS AND TRUST FUNDS

Given the state's primary responsibility for its own economic and social development, as stated in the 2030 Agenda, the Addis Ababa Action Agenda and the Nairobi Outcome Document, partner countries should be provided with a seat at the table in decision-making on European blending facilities. In 2017, the EU launched the EIP and the EFSD. To replenish this Fund, the EC diverted resources from the European Development Fund (EDF), which is in principle co-managed with the partner country. The EFSD Strategic Board consists of the EC, EU member states and the European Investment Bank, as well as the European Parliament as observer. It fails to include partner countries in the decision-making process for allocation of funds.

EU donors are also increasingly resorting to trust funds, which combine resources from different donors. Although partner countries can play a role in the needs assessment stage, depending on each trust fund's organisational arrangements, decisions tend to be made only between EU donors and rarely together with the partner country. This has also been the case of the EU Trust Fund for Africa (EUTF), which was established with the aim to address the root causes of migration and control borders. The EUTF was also replenished with funds diverted from the EDF, which are often decided together with the partner country and originally allocated to objectives that are not necessarily migration related. However, the Strategic Board and Operational Committee of the EUTF include a seat for partner countries only as observers. According to recent reports, partner countries are responsible for implementing only 5% of the EUTF, while EU member states implement 42%. EU member states are actively participating in the EUTF initiative. Only three Central European countries are reported as having increased their participation in the last three years: the Czech Republic, Poland and Slovakia. Luxembourg is a member state that has issued a statement calling for caution in the use of trust funds.

While these instruments may to some extent contribute to advancing national development strategies, concerns remain: the lack of democratic and grass-roots country ownership and limited room for civil society to influence decisions; the influence that migration policy may have in the long-term objectives of the EFSD; and weak coherence with international commitments such as the 2030 Agenda and the Paris Climate Agreement.

<sup>38</sup> Analysis of the 2018 Report on the DAC Untying Recommendation (Table 6), which covers reported contracts in the scope of the OECD Recommendation on Untying: [www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCD-DAC\(2018\)12-REV2.en.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCD-DAC(2018)12-REV2.en.pdf)

<sup>39</sup> [https://concordeurope.org/wp-content/uploads/2018/03/CONCORD\\_AidWatchPaper\\_Aid\\_Migration\\_2018\\_online.pdf?2c156e&2c156e](https://concordeurope.org/wp-content/uploads/2018/03/CONCORD_AidWatchPaper_Aid_Migration_2018_online.pdf?2c156e&2c156e)

<sup>40</sup> For example, see <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex%3A52015DC0240>

### 5.3. INCLUSIVE PARTNERSHIPS

The EU's efforts to include partners, most notably civil society, in development processes are in line with the principle of inclusive partnerships. Further progress has been made on the harmonisation of the EU and its member states' efforts in countries through the Joint Programming initiatives to ensure the development agenda pursued by the different donors in the country is coherent and recognises the priorities of the partner government and society. Nonetheless, concerns remain over the EU's focus on promoting interests of the private sector over those of people in developing contexts, as evidenced by the significant efforts to leverage private investments as a means for promoting development.

#### 5.3.1. ENABLING SPACE FOR MULTIPLE STAKEHOLDERS

Civil society is a main player in ensuring basic principles of effective development, such as: a rights-based approach, the leave no-one behind principle of the 2030 Agenda and addressing the multiple dimensions of poverty and inequality. Civic participation in public policies from their elaboration to implementation, delivery and monitoring is essential to the effectiveness, ownership and sustainability of development pathways. In this context, EU support to civil society is a key prerequisite for sustainable development. The new Consensus on Development and the Nairobi Outcome Document include commitments to supporting an enabling environment for civil society. EU member states report working with civil society organisations (CSOs) on the ground; and it appears that the perception of civil society as a funding recipient rather than a development partner is slowly beginning to shift although efforts to change this approach must continue.

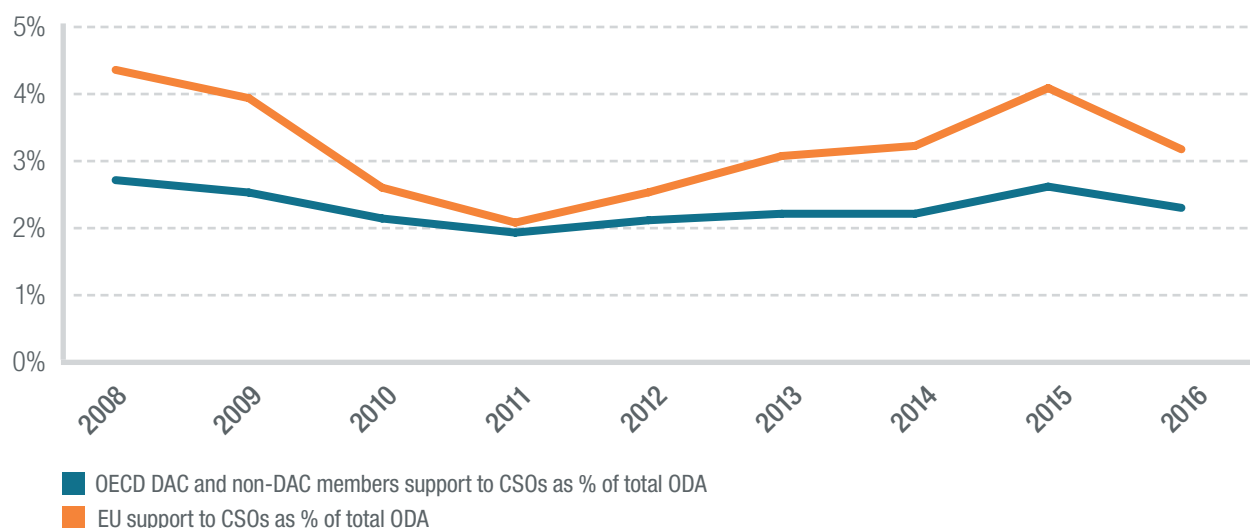
Accordingly, while the EU tends to provide a bigger percentage of its ODA to civil society than the global donor community, this level of engagement has not been steady across the years.<sup>41</sup>

Turning to the private sector, the EU and its member states have been promoting a growing role for various categories of private sector actors in development policy since 2011. The EU aims to support a stronger local private sector in developing countries; it also seeks to leverage private investments (by private sector actors from developed countries) for development projects in partner countries, while promoting an enabling business environment through policy dialogue. While the private sector may have a positive role in fulfilling the 2030 Agenda, the assumption by donors that it is an inherently efficient means of achieving development results has not been substantiated by the available evidence.<sup>42</sup> Nonetheless, EU cooperation with private sector entities is increasing in both political and financial support, sometimes disproportionate to that granted to civil society.

#### 5.3.2. HARMONISATION OF EFFORTS

The EU's 2009 Lisbon Treaty promised more joint working and "whole-of-Europe" approaches, including on development policy. Joint programming is one of the key aid effectiveness commitments of EU development partners, which has been restated in the 2017 European Consensus for Development. As a result, EU development partners and national authorities develop joint strategies aligned to the partner country's national development plan when assessing ODA needs on the ground. This helps reduce ODA fragmentation and can help align ODA better to partner countries' development priorities. With joint programming strategies present in 60 countries, with 21 finalised

Graph 10: EU support to CSOs as % of total ODA



41 Based on OECD data: 1) core support to donor country-based NGOs and civil society and 2) core support to international NGOs. Note that core support means core contributions programmed by the NGOs, including contributions to finance the NGO's projects. This is different from ODA channelled through NGOs, which are funds channelled through NGOs and other actors to implement donor-initiated projects (earmarked funding).

42 [www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm](http://www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm)

joint documents, the EC aims to expand this work across the geographical spectrum in the next MFF.<sup>43</sup> EU member states are slowly beginning to get on board with this approach, with some reporting to work through joint programming in selected countries only, with just Luxembourg and Sweden reporting unreserved support to the scheme.

However, a recent EC evaluation shows that joint programming “has so far had little effect on synchronising programming with national programming cycles” and that it “has, in most countries, not yet led to ownership of the process and of its results by the partner country”.<sup>44</sup> So, while joint programming has been welcomed in its attempt to reduce fragmentation, the process should ensure a reinforced dialogue with national governments and other stakeholders, including civil society, that tends to be excluded from these discussions.

## 5.4. TRANSPARENCY AND ACCOUNTABILITY

The EU's performance on this goal has been mixed as, while it is improving transparency and accountability, the EU can still often be seen as designing development policy dictated by internal political and policy objectives rather than the impact its activities may have on the ground in developing countries. In development cooperation, the EU is accountable to people living in poverty. A basic condition for accountability is that information on ODA is reported and published in the most transparent way possible.

### 5.4.1. AVAILABILITY OF REPORTING INFORMATION BY GOVERNMENTS

All European DAC donors now publish information on their ODA and development finance activities in an open and comparable format. The EU institutions' record on providing monthly information to the OECD DAC is good in general and excellent when providing it to the Forward Spending Survey.<sup>45</sup> The three EC general directorates managing aid (Directorate-General for International Cooperation and Development (DEVCO), the Department of Humanitarian Aid and Civil Protection (ECHO) and Directorate-General for Neighbourhood and Enlargement Negotiations (NEAR)) are increasingly transparent about their funding,<sup>46</sup> which is a marked improvement on past performance, marred by difficult-to-use databases. Considering EU member states, more European organisations provide timely information on their development activities: twelve organisations now publish data monthly, up from seven in 2016.<sup>47</sup> Ten EU member states provide data towards the OECD DAC Forward Spending Survey. However, only four EU member states and Norway are known to have reported to the OECD secretariat on the exact

calculations for their in-donor refugee costs. The requirement to account for how these costs are calculated was agreed in the 2017 OECD DAC High Level Meeting, since this type of expenditure has been notably non-transparent.

## 5.5. FOCUS ON RESULTS

ODA must be focused on real and measurable development impact for people rather than the internal policy objectives of donors. The Nairobi Outcome Document reaffirms the importance of aligning donors' programmes with the partner countries' objectives to deliver sustainable development results. According to the EC report “Effective Development Cooperation”, all EU member states refer to country-level results frameworks or similar documents to plan new initiatives. However, only eight member states are considered to align 100% of their programmes with partner countries' objectives.<sup>48</sup>

### 5.5.1. RESULTS FOR PEOPLE IN POVERTY OR FOR EU SECURITY POLICY?

As touched on in the section on the conditionalisation of ODA, migration and security overlap in the context of ODA, as migration-source countries are often also the countries where more aid security spending takes place.<sup>49</sup> As donors are keen to use aid to contain threats, migration policy priorities (e.g. border controls, readmission) are becoming more and more closely tied to security aid priorities (more military spending, police and security forces and preventing violent extremism). Recent EU development cooperation initiatives such as the EIP, the EFSD and the EUTF are good illustrations of the challenges to the EU achieving development effectiveness when its objectives may clash with its internal interests.

### 5.5.2. RESULTS FOR PEOPLE IN POVERTY OR FOR PRIVATE PROFITS?

As already mentioned, there is still a lack of robust evidence on the quality of EFSD projects and their developmental impact, which leads to the question of whether the aim is support to the private sector or development results. According to an EC evaluation on EU blending facilities, “In many cases the nature of the blending projects and the comparative advantage of blending meant that blending projects aimed at macroeconomic development rather than direct poverty alleviation”. It also states, “Large scale infrastructure aiming at improving the macro scale economic development can be an important and also essential contribution to poverty alleviation – but the linkages are not automatic and... the consideration of alternatives to better serve the poor need to be informed and justified by more in-depth analysis than was usually available.”

<sup>43</sup> <https://europa.eu/capacity4dev/joint-programming/documents/global-state-play-joint-programming>

<sup>44</sup> [https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015\\_en](https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015_en)

<sup>45</sup> <http://effectivecooperation.org/monitoring-country-progress/explore-monitoring-data/>

<sup>46</sup> [www.publishwhatyoufund.org/the-index/2018/](http://www.publishwhatyoufund.org/the-index/2018/)

<sup>47</sup> *Idem*

<sup>48</sup> According to the report, Austria, Czech Republic, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic and Slovenia

<sup>49</sup> [https://concordeurope.org/wp-content/uploads/2018/02/CONCORD\\_AidWatchPaper\\_Securitisation\\_2018.pdf](https://concordeurope.org/wp-content/uploads/2018/02/CONCORD_AidWatchPaper_Securitisation_2018.pdf), p. 7.



### 5.5.3. RESULTS FOR PEOPLE IN POVERTY OR FOR EU BORDER CONTROL?

Similarly, the EUTF – launched in 2015 as an innovative tool allowing for a more flexible response to the challenges posed by irregular migration – is the main financial instrument for the EU's political engagement with African partner countries on migration. It makes predominant use (90%) of ODA, mostly from the EDF, and as such, its implementation should be guided by the key principles of development effectiveness. The EUTF has since shifted its focus to address the root causes of destabilisation, displacement and irregular migration in Africa, but continues to support activities that bolster efforts to contain perceived threats to the EU.<sup>50</sup> This rhetoric remains problematic: it suggests not only that migration is a solely negative phenomenon which needs to be contained, but also shifts focus from the true causes and motivations for migration, of which a primary one is poverty.

Unfortunately, these developments suggest that the EU is currently promoting solutions with uncertain added value for development in the long-term horizon and which primarily target short-term political objectives and needs (its own and its member states and their private sectors). Considering that blending instruments are better suited to the economic and institutional environment of MICs, there is also a valid concern that, through the scaling-up of these aid modalities, financial assistance for LDCs will be further compromised.<sup>51</sup> In future years, close monitoring and public scrutiny will be paramount in comparing the reality with the stated objectives of the new financial tools.

<sup>50</sup> Of the four strategic priorities of the EUTF, as of 31 December 2017, "Improved migration management" (€555 million) and "Improved governance and conflict prevention" (€493 million) accounted for nearly 44% of all programming. In North Africa, "Improved migration management" was the only priority being financed. Source: [https://ec.europa.eu/trustfundforafrica/sites/euettfa/files/2017\\_tffa\\_en\\_web\\_lowres\\_final05.pdf](https://ec.europa.eu/trustfundforafrica/sites/euettfa/files/2017_tffa_en_web_lowres_final05.pdf), p. 15

<sup>51</sup> [https://concordeurope.org/wp-content/uploads/2017/10/CONCORD\\_AidWatch\\_Report\\_2017\\_web.pdf?864408&864408](https://concordeurope.org/wp-content/uploads/2017/10/CONCORD_AidWatch_Report_2017_web.pdf?864408&864408), p. 19

# 6. THE FUTURE OF EU INSTITUTIONS' ODA

In May 2018 the EC proposal for the future EU Multiannual Financial Framework (MFF)<sup>52</sup> 2021–2027 was published. It includes establishing six budget headings up from four in the current MFF, creating a new external action instrument under Heading VI “Neighbourhood and the World”, attempting to simplify and increase of flexibility of EU financing, and shifting towards new priorities such as migration, defence and research. All aspects of the new framework concerning resources, expenditures and details of each financing instrument are now up for negotiations with the EU member states and the European Parliament.

## 6.1. A NEW ARCHITECTURE

A significant feature of Heading VI is the establishment of the Neighbourhood, Development and International Cooperation Instrument (NDICI), an external instrument unifying 12 instruments set out under the current MFF, including the European Development Fund, which finances the EU's cooperation with African, Caribbean and Pacific states and is until 2020 outside the EU budget. On the one hand, this is a positive step to simplify the complex management and architecture of the EU budget. On the other hand, there is a major risk that certain political priorities, objectives or geographical areas of importance to European self-interests take precedence over other strategic global development priorities key to upholding and promoting the Union's values and interests worldwide.

This concern is reinforced by the fact that sustainable development, the SDGs and poverty reduction are not mentioned in the objectives in the first public draft of the proposed instrument. With a budget of €89.2 billion, NDICI would receive the biggest share of external action funds, 92% of which would be reported as ODA. This increase from 90% to 92% ODA eligibility benchmark is welcome but should be applied to the whole external action heading, as in the current MFF.

## 6.2. SHIFTS IN FOCUS

Under the current proposal,<sup>53</sup> NDICI will have the following components: “geographical pillar” (€68 billion), “thematic pillar” (€7 billion) and “rapid-response pillar” (€4 billion). Although the main focus is on geographic programmes, the effectiveness of a more targeted thematic approach should not be overlooked. Downsizing the thematic approach may have negative impacts on key areas such as human rights, democracy and civil society space, human development and social inclusion, gender equality, environment and climate change. The NDICI proposal

should include guarantees that those themes are balanced and fully integrated in the geographic pillar. It should also exclude any conditionality based on migration or security under the geographic pillar, as this directly contravenes development effectiveness principles. Moreover, development effectiveness principles should not be applied only “where applicable/appropriate”, as the proposal suggests, as working according to these principles is a basic requisite to achieving effective and sustainable impact of EU development cooperation.

An additional aspect of the NDICI is the “flexibility cushion” (€10.2 billion), which aims to financially address unforeseen circumstances. Little has been disclosed about the rules and accountability of the “flexibility cushion” and it remains unclear what role the European Parliament and member states will play and what criteria will be used in deciding the allocation of these funds. The current MFF already featured the contentious diversion of funds from programmable ODA to security-related “emerging challenges and priorities” that do not always meet the ODA criteria, and the ongoing modernisation of ODA rules might exacerbate this practice. The EU must ensure that flexibility does not come at the cost of sustainable development. The purpose of development assistance is not to serve the EU's economic and policy interest through quick-fix solutions.

## 6.3. LEAVE NO-ONE BEHIND

Although human rights and democracy are well represented in the specific objectives of both geographic and thematic programmes, the proposed regulation of the new instrument provides relatively weak policy guidance at a time when human rights are under pressure globally. Moreover, references to gender equality are limited to gender mainstreaming with a lack of clear direction in how it should be effectively implemented. More needs to be done to ensure that the NDICI is more assertive on meeting existing commitments of spending a minimum of 85% of EU's ODA on gender, with 20% of these funds being allocated to more targeted actions. The regulation also needs to make stronger references to the 20% benchmark for social inclusion and human development agreed in the European Consensus on Development, in addition to the important role of civil society in development and in EU international cooperation, which should not be restricted only to annexes of the regulation. Moreover, while the prioritisation of LDCs is welcomed, the regulation should reaffirm the 0.15–0.2% of GNI target to this group of countries as a minimum and not ultimate objective. All these elements are essential for the NDICI to live-up to the 2030 Agenda commitment to leave no-one behind reiterated in the guiding principles for implementing the instrument.

<sup>52</sup> The MFF determines the budget spending of the EU under different priorities. For more information, see: [http://ec.europa.eu/budget/mff/index\\_en.cfm](http://ec.europa.eu/budget/mff/index_en.cfm)

<sup>53</sup> [https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-neighbourhood-development-international-regulation\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-neighbourhood-development-international-regulation_en.pdf)

#### 6.4. EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT PLUS

By integrating the European Fund for Sustainable Development Plus (EFSD+) in the NDICI instrument, the EU intends to subsidise more private investments and increasingly rely on investment guarantees and blending of loans and grants as modalities of cooperation in future geographical programmes. Before moving forward with the new EFSD+, an evaluation of the existing EFSD should be carried out, and this type of modality should be expanded if and where it brings development additionality and contributes to the overarching aim of leaving no-one behind.

Under the EFSD+ proposal, operations up to €60 billion could be guaranteed, with a provisioning rate ranging from 9 to 50%. This large range in provisioning rate means that it is difficult to know how much funding EFSD+ will be given compared with other funding modalities. Additionally, EFSD+ should be guided by aid effectiveness principles and important safeguards from the current EFSD should be included in the new EFSD+. These are eligibility criteria that integrate the UN guiding principles on business and human rights and other international standards applying to the corporate sector; details on reporting and accounting; provisions on transparency and public disclosure of information; language on grievance and redress mechanisms; and language on the exclusion of certain activities and of non-cooperative jurisdiction.<sup>54</sup> EFSD+ must also avoid any type of tied aid to LMICs and MICs and go beyond the current minimum requirements of the OECD DAC recommendation.<sup>55</sup>

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<sup>54</sup> [https://concordeurope.org/wp-content/uploads/2018/09/CONCORD\\_regulation\\_NDICI\\_amendments\\_Annexes\\_Sept2018.pdf](https://concordeurope.org/wp-content/uploads/2018/09/CONCORD_regulation_NDICI_amendments_Annexes_Sept2018.pdf), 19-20.

<sup>55</sup> DAC Recommendation on Untying ODA to LDCs and HIPC: [www.oecd.org/dac/financing-sustainable-development/development-finance-standards/untied-aid.htm](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/untied-aid.htm)

# 7. CONCLUSIONS AND RECOMMENDATIONS FOR LEAVING NO-ONE BEHIND

The EU has vowed to leave no-one behind on the path to a sustainable global development. Despite this repeated commitment, recent changes in the direction of EU development cooperation present risks as well as opportunities. The recommendations in the CONCORD AidWatch 2018 report call on the EU and its member states to fulfil their commitments and obligations to contribute to ending poverty and to a more equal, democratic and sustainable world for the benefit of all. To reach that goal, the EU institutions and member states must address the risks and problems highlighted in this report, by taking clear steps towards increased quantity and quality of aid in the following processes.

## REPORTING OF ODA AND ENGAGEMENT IN THE OECD DAC

1. Take the opportunity of modernising ODA to exclude inflated aid components from the coming DAC directives on private sector instruments and debt relief or, in the case of already decided directives, lead the way by not reporting such components or phasing them out. Such components of inflated aid include in-donor refugee costs, imputed costs, interest repayments, tied aid and debt relief.
2. Ensure that ODA is always used to end poverty, combat inequalities and promote sustainable development, based on democratically defined local priorities. OECD DAC rules are a minimum requirement rather than the standard rule, so donors should always aim at the highest possible quality and effectiveness of ODA from the perspective of people living in poverty.
3. Improve transparency and alignment in overall OECD reporting, including through stronger EU engagement in, and the encouragement of, more peer reviews and in collective efforts to improve quality and transparency of aid.
4. Fully untie ODA, including to LMICs, MICs and all sectors, going beyond the minimum requirement of the OECD DAC.
5. Improve the quality of information for both ODA allocation and ODA reporting, including in the case of calculations for in-donor refugee costs, as agreed in the DAC High Level Communiqué from 2017, and for peace and security.
6. Lead the way for the development of an OECD marker for youth, and for the adoption and full implementation of the recently agreed marker on persons with disabilities.

## THE CONTINUED IMPLEMENTATION OF THE EUROPEAN CONSENSUS ON DEVELOPMENT IN LINE WITH THE INTERNATIONAL PRINCIPLES OF EFFECTIVE DEVELOPMENT COOPERATION

1. Make sure the EU and its member states fill the gaps by realising aid commitments to support LDCs, including reaching at least 0.15% of GNI to LDCs by 2020 and 0.2% by 2025. The EU and its member states should improve the quality and quantity of ODA while meeting the 0.7% ODA/GNI target to reaffirm their role as a world leader for global sustainable development in line with the values and principles on which the EU is founded.
2. Develop through a participative and inclusive process an EU Action Plan for LDCs that encompasses the Istanbul Programme of Action. This can be used as a roadmap to advance the 0.2% joint target of GNI to these countries in the next financial framework.
3. Guarantee EU leadership in advancing the objectives of the GPEDC. The EU should lead by example on the GPEDC Steering Committee and in its development cooperation.
4. Align ODA with recipients' national development strategies and avoid donor conditionality based on trade, migration or military policy interests. The EU's joint programming processes should always encourage the partner country's leadership in the process, with meaningful participation of civil society and other actors.
5. Ensure decisions on blending facilities and trust funds are always taken together with partner countries, as well as safeguarding participation of civil society in this decision-making process. This can be done by ensuring partner countries have a seat in the Strategic Boards of EFSD+ or trust funds, rather than just being observers.

## THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK

- 1.** The 2030 Agenda, the Paris Agreement on Climate Change and human rights conventions form the guiding framework for the whole EU budget including external action. This guiding framework must clearly influence the objectives, thematic focus, partnerships and ways of working in all headings, regulations and programmes.
- 2.** Establish transparent governance mechanisms in the instruments' regulations to ensure accountability towards Lisbon Treaty principles and objectives, including development objectives, and to counterbalance the risk of overemphasis on flexibility.
- 3.** Ensure that the whole of Heading VI is at least 92% ODA eligible, and actions under Heading VI are aligned with development effectiveness principles.
- 4.** Across the external action heading, commit to:
  - a) devoting 20% of the budget, through ring-fencing, to human development and social inclusion, understood as education, health and social protection; this should not include gender-targeted actions that deserve separate commitments and funding, although of course they are not mutually exclusive;
  - b) allocating 85% of ODA to programmes with gender as a principal or significant objective (G1 and G2 on DAC gender marker) and 20% specifically to targeted actions (G2);
  - c) setting 50% for climate- and environment-relevant spending; applying a two-track holistic approach (mainstreaming and specific action);
  - d) providing at least 0.2% of GNI to LDCs by 2025.
- 5.** Apply strong standards to blended finance and guarantees to make sure financial and, more importantly, development additionality are assessed and demonstrable; development effectiveness principles are respected; risks to people's rights and livelihoods and the environment are effectively minimised; women's and girls' rights, economic opportunities and decent work creation for all are effectively promoted; the public sector and public goods are not undermined, but rather strengthened; and debt sustainability and accountability are always factored in when designing new financing mechanisms.
- 6.** Establish a clear commitment to working in dialogue and partnerships with civil society in all external action instruments through adequate modalities for civil society participation in EU development policy-making and thematic and geographic programmes and operations. Establish budget targets or specific civil society facilities in all geographic programmes.



# PART TWO

## Country pages

# EU INSTITUTIONS



**“Achieving sustainable development requires a persistent collective effort. We know we need to do more. As the world’s leading ODA provider, the EU must show leadership and responsibility.”**

Neven Mimica, Commissioner in charge of International Cooperation and Development, 10 April 2018

## MAIN CHANGES IN 2017

In 2017 the EU institutions remained the fourth biggest global donor, and the third among member states, contributing €14.6 billion.<sup>1</sup> Total ODA, however, decreased by almost 4% from 2016. EU institutions report on only two elements of inflated aid: tied aid and interest rates. Of European donors, the EU ties the most aid: between 25–30% of all European tied aid in 2016 and 2017. In 2017 it adopted the External Investment Plan and the European Fund for Sustainable Development, based on a guarantee scheme that will protect private investment in challenging environments. In June 2017, EU institutions and member states adopted the new European Consensus on Development, a non-legally-binding framework that directs EU development policy in line with the 2030 Agenda. It reinstates the objective of fighting poverty and fostering sustainable development in lower-middle income countries, in line with the principles of ownership and inclusive partnership. But it also formally acknowledged that ODA can be used to meet short-term security, commercial and migration objectives.<sup>2</sup>

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

EU ODA disbursements in 2018 are expected to slightly decrease, in line with the current Multiannual Financial Framework (MFF) and annual budget agreements. Yet ODA is expected to increase until 2020.

In 2018, the EC published the report Investing in Sustainable Development, aimed at assessing the EU’s role in advancing the Addis Ababa Action Agenda. This concludes that the EU and its member states are performing relatively well on development effectiveness, but there is room to improve. Moreover, they are performing poorly in their ODA target for least developed countries (LDCs) and should strive to reverse their declining proportion of ODA going to these countries. The upcoming Joint Synthesis Report and the review of the Consensus’ implementation will allow the EU to review its performance on these fronts.

The External Investment Plan is expected to increase operations with ODA funds; using funds to promote public commercial investment raises serious concerns about the impact they

<sup>1</sup> Including ODA imputed to member states, as reported to the OECD.

<sup>2</sup> [https://concordeurope.org/wp-content/uploads/2017/10/CONCORD\\_AidWatch\\_Report\\_2017\\_web.pdf?1bf6b0&1bf6b0](https://concordeurope.org/wp-content/uploads/2017/10/CONCORD_AidWatch_Report_2017_web.pdf?1bf6b0&1bf6b0)

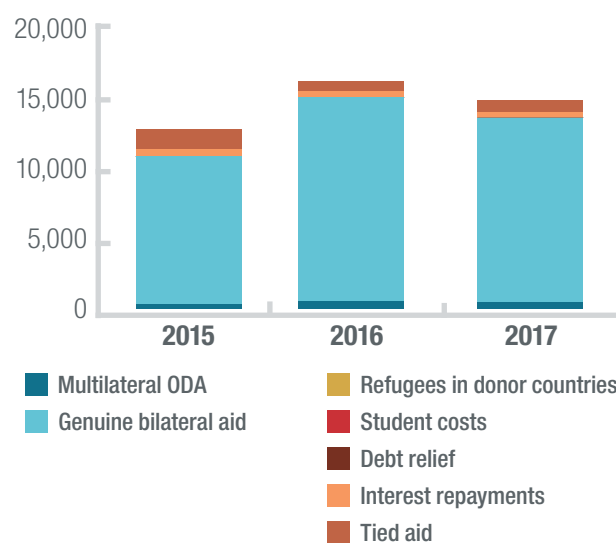
may have on quality of aid, reducing funding for LDCs and withdrawing resources from non-profit sectors.

The proposed MFF for 2021–2027 suggests creating a single EU mechanism for external action, the Neighbourhood, Development and International Cooperation Instrument, allocating €89.2 billion. The EC claims this increases the overall external action budget despite the planned withdrawal of the UK and its contributions. It is yet to be seen whether negotiations on the new MFF will close before the new European Parliament and EC are elected and appointed in 2019. This creates opportunity and risk, as negotiations on the MFF’s final allocations and shape of its instruments may be strongly (positively or negatively) impacted by the outcome of those political processes.

## RECOMMENDATIONS TO THE EU AND ITS MEMBER STATES

- *Meet its existing ODA commitments of 0.15–0.20% of GNI allocated to ODA to LDCs and 0.7% of GNI as ODA. Develop through a participative and inclusive process an EU action plan for LDCs that encompasses the Istanbul Programme of Action.*
- *Focus development cooperation on reducing poverty, not national security priorities. Stop using aid or any other development policy instruments (such as trust funds) as tools to deter migration, and establish safe, legal migration channels.*
- *Ensure policy coherence for human rights and sustainable development across EU policies, for more effective development cooperation.*
- *Contribute to reforming the OECD Development Assistance Committee (DAC) to ensure the overarching goals of development aid remain ending poverty and fighting against inequality, with a special focus on gender inequality.*

## EU INSTITUTIONS - GENUINE AND INFLATED AID (€ million, constant 2016)





**0.23%** GENUINE AID/GNI

**0.30%** TOTAL AID/GNI

# AUSTRIA



**“Development cooperation is also an instrument for promoting enlightened self-interest of Austria, in particular with the aim of preventing migration flows.”**

Austrian Government Accord, December 2017

## MAIN CHANGES IN 2017

Due to a steep decline in the number of refugees arriving in Austria, ODA dropped significantly from 0.42% of GNI in 2016 to 0.30% in 2017. After the national elections in October 2017, a right-wing government was formed in December. The new government accord commits to reaching the 0.7% goal in the long term but developing a legally binding timetable to reach this goal is not mentioned anymore. While there was previously no reference to migration in the development chapter, development cooperation is now considered an instrument to prevent migration. In 2017 the budget of the Austrian Development Agency (ADA) was increased from €79 million to €93 million. Most of this went to countries that are not priority countries of Austrian development cooperation, due to humanitarian needs. Implementing the 2030 Agenda is still lacking political commitment as well as an overarching strategy. The Federal Ministry of Agriculture and Forestry, Environment and Water Management was renamed the Ministry of Sustainability and Tourism, but there is still no leadership for sustainable development.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

The official forecast indicates that ODA will decrease to 0.24% by 2022 – the lowest level since 2004. The predicted increases in ODA for 2018, 2019 and 2020 are highly unlikely, since they would be caused by major debt relief for Sudan, which the Paris Club has not yet agreed. Though the OECD DAC peer review criticises this practice, Austria still includes debt cancellations in the forecast.

While the government accord of 2017 announces an increase in the foreign disaster relief fund, the 2018 budget does the opposite. The government cut the fund by 25% for 2018 and 2019. Also, the promised “doubling” of the Austrian Development Agency (ADA)’s budget from €77 million in 2016 to €154 million by 2021 is not foreseen. According to the budget forecast, ADA’s budget will be €113 million in 2021 – a moderate increase, but far from what was announced.

In 2018, a new “Three Year Programme on Austrian Development Policy 2019–2021” will be adopted. This is meant to provide strategic guidance through a whole-of-government approach. Yet clear objectives, responsibilities and budget allocations are missing.

Austria’s political priorities are expected to have a direct impact on the European agenda. The country’s focus on security

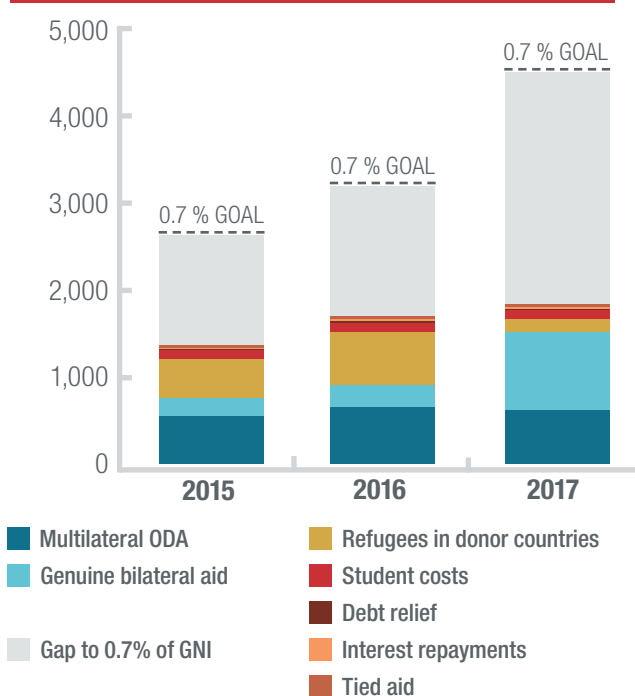
and preventing migration is well represented in its official programme for the presidency of the Council of the EU, in the second half of 2018. In the development chapter, the Austrian programme states, “a closer link with the willingness of third countries to cooperate in the readmission of asylum seekers whose applications were rejected will be sought”.

Only in 2020 will Austria report on its implementation of the 2030 Agenda in front of the UN High-level Political Forum – the last EU member state to report.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- *Implement the commitment to raise ODA to 0.7% of GNI, to reach the LDC target of 0.15–0.20% and draw up a binding timetable for reaching these goals.*
- *Focus all development programmes exclusively on the goal of fighting multidimensional poverty and inequalities.*
- *Fight root causes of forced migration by implementing the 2030 Agenda on a political level, assist refugees in partner countries with a needs-based, principled approach and underline the positive role of migration and mobility for development.*
- *Develop a whole-of-government strategy to implement the SDGs, addressing policy coherence for sustainable development and including broad participation of civil society.*
- *Develop a strategy for the Foreign Disaster Relief Fund to provide predictable financing for long- and short-term relief.*

**AUSTRIA - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



# BELGIUM

**0.38%** GENUINE AID/GNI

**0.45%** TOTAL AID/GNI



**“We share the objective of contributing 0.7% ODA/GNI by 2030. But I don’t think the priority is to increase ODA. The priority is to make Belgian development cooperation more efficient.”**

Alexander De Croo, Deputy Prime Minister and Minister for Development Cooperation, Digital Agenda, Telecom and Postal Services, January 2018

## MAIN CHANGES IN 2017

The recent trajectory of Belgian ODA confirms that the quantity of aid is not a government priority, although the commitment of 0.7% is a legal obligation in Belgium. Linear cuts were decided on in 2014 (€1,125 billion) and levels of under-spending in the budget have increased (€560 million to date). So in 2017, Belgium contributed only 0.45% of its GNI to ODA, down from 0.50% in 2016. Belgium is thus moving further away from the objective of contributing 0.7% of its GNI to development aid. According to latest estimates, in 2017 the Department for Development Cooperation was responsible for managing only 55% of Belgian ODA, down from 67% in 2013. This is mainly due to increased ODA spending by the Federal Agency for the Reception of Asylum Seekers. Such spending accounted for almost 17% of ODA in 2016 – five times that in 2010 – and around 14% in 2017. Belgium is therefore still the first beneficiary of its own development aid.

Belgium is increasingly focusing on the role of the private sector in reaching the SDGs. In 2017, Belgium launched the first “Humanitarian Impact Bond”. However, these types of bonds have shown no evidence of respective additionality. Within the context of declining ODA, it is important to ensure that the overall cost of new instruments does not further reduce public budgets for development. Given this combination of disproportional savings on international solidarity in Belgium (€1.5 billion since 2014) and the increasing use of ODA to tackle challenges not directly linked to development cooperation, the Development Minister’s political discourse on the importance of aid effectiveness is less and less credible. Without sufficient budgets, the results-oriented policy advocated by the Minister will remain wishful thinking.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

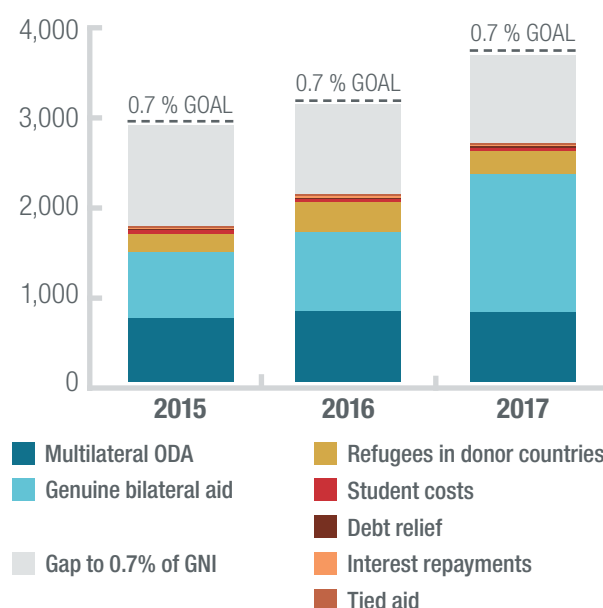
This ODA decreasing trend is expected to continue. The OECD DAC predicts Belgium will spend only 0.38% of its GNI in 2019. And figures need to be considered alongside rising inflated aid in Belgium. With federal elections in Belgium in May 2019, the political priorities of the Minister for Development Cooperation may change. But it is expected that Belgium will still prioritise support to LDCs and fragile states especially in sub-Saharan Africa, while strongly encouraging support to the private sector

– which may seem paradoxical. In 2017, the government also approved a new strategy paper on the so-called comprehensive approach to increase the coherence and efficiency of the different instruments of foreign policy, including development cooperation. However, this does little to safeguard the objectives of development cooperation and to retain developing countries’ leadership of their development processes. Given current trends, there is a legitimate concern that instrumentalising development cooperation to meet security, commercial and migration objectives risks undermining the fight against global poverty as its primary objective.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Stop development budget cuts and acknowledge that an efficient development cooperation policy, growing international challenges and realising the SDGs by 2030 call for increased budgets.
- Adopt a budgetary plan ensuring Belgium will respect its commitment to allocate 0.7% ODA/GNI.
- Adopt a comprehensive strategy for engaging in LDCs and fragile states.
- Ensure the funding used to leverage private sector investments provides additional sources of funding, meets transparency rules and respects development effectiveness principles.
- Ensure the objectives of development cooperation, ending poverty and fighting against inequalities, are safeguarded in implementing the comprehensive approach at Belgian level.

**BELGIUM - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



0.10% GENUINE AID/GNI

0.11% TOTAL AID/GNI

# BULGARIA



“Bulgaria's Foreign Ministry is responsible for development policy and wants to help its neighbours in the Western Balkans and Black Sea area. Under development policy, money is not much, but projects that are not included in other programs are funded... A European perspective is needed for the countries of the Western Balkans, and this will be a priority during the Bulgarian Presidency of the EU Council on 1 January 2018.”

Ekaterina Zaharieva, Deputy Prime Minister and Minister of Foreign Affairs of Bulgaria (excerpts of a media interview, August 2017)

## MAIN CHANGES IN 2017

Bulgarian aid was decreased both in absolute terms and as a percentage, reaching 0.11% of GNI in 2017 (compared with 0.13% of GNI in 2016). The share of bilateral aid decreased substantially: from 18.03% in 2016 to 15.88% in 2017. A considerable share of this decrease in 2017 is in the funds allocated to expenditure on migrants and refugees.

The priority regions for Bulgaria's bilateral aid spending are the Western Balkans and the Black Sea area. The sectoral expenses include strengthening beneficiaries' administrative capacity and spending on social infrastructure.

The portion of the aid reported through multilateral channels is 84.12%, including contributions to the EU, UN, World Bank, regional development banks and funds.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

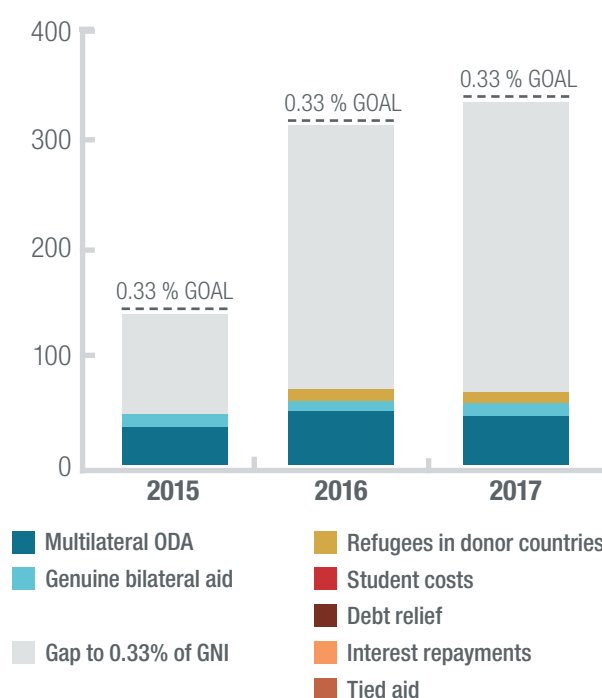
The government continues to implement the mid-term programme for humanitarian aid and development cooperation and humanitarian aid (2016–2019). Civil society organisations (CSOs) expect to be more engaged in the programme's implementation. But the legislative framework and new law are still not adopted by the Bulgarian Parliament, and CSOs' participation in the implementation of development assistance initiatives is not yet regulated.

The Bulgarian Platform for International Development, in partnership with the Bulgarian Ministry of Foreign Affairs (MFA), implemented the project “Civil dialogue for development” funded by the EC, and linked with the Bulgarian presidency of the Council of the EU during the first half of 2018. It launched the initiative in October 2017 and activities are going on until October 2018. The objective of the action is to ensure strong understanding and commitment of the CSOs and general audience towards the EU role in implementing the 2030 Agenda and the SDGs for poverty eradication and sustainable development, linked to the priorities of the Bulgarian presidency of EU.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Ensure that state institutions implement the development cooperation plans and programmes that have been adopted.
- Introduce specific regulations to improve the involvement of CSOs, using their capacity in the implementation phase of development cooperation programmes.
- Implement a communication strategy that highlights the mutual benefits of participation in development cooperation policies for both donors and beneficiaries.

## BULGARIA - GENUINE AND INFLATED AID (€ million, constant 2016)



# CROATIA

0.09% GENUINE AID/GNI

0.09% TOTAL AID/GNI



“Today, and throughout the history, the recipe for lasting and sustainable progress is far more complex than direct foreign investment and increasing employment rates only. Understanding the deep causes of conflict is a prerequisite for sustainable development, as well as an understanding of the historical, cultural and religious contexts of non-European countries.”

Marija Pejčinović Burić, Croatian Deputy Prime Minister and Minister of Foreign and European Affairs

## MAIN CHANGES IN 2017

In 2017, Croatian ODA slightly increased from the previous year, now amounting to €44 million, 0.09% of its ODA.

On 27 October 2017, the Croatian Parliament adopted the new “National Strategy for International Development Co-operation for the period 2017–2021”. Its goal is for Croatia to continue to embed its own transitional experiences in the development instruments of the EU, while at the global level transfer experiences of its own development process to countries experiencing similar transitional challenges. Its strategic goals and expected outcomes include promoting peaceful conflict resolution and international security. Croatia also plans to promote and use its own unique experiences of war and post-war democratic transition, as well as the experience of joining the EU, in its international development activities and projects. Another strategic goal is to create the basis for closer cooperation and global recognition of new and smaller donor countries. Finally, the strategy states that Croatia will continue to work on synchronising its legal framework and state budget, aiming to fulfil its international obligations towards ODA.

The communication between CROSOL (Croatian Platform for International Citizen Solidarity), as the national platform of CSOs for international development, and the Ministry of Foreign and European Affairs has remained weak and sporadic. The data for monitoring the ODA delivery in 2017 has not been released publicly in a transparent manner.

In terms of aid delivery, the situation has not changed significantly since 2014. The capacity to implement and deliver development projects at national level remains weak, both for governmental and non-governmental sectors.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

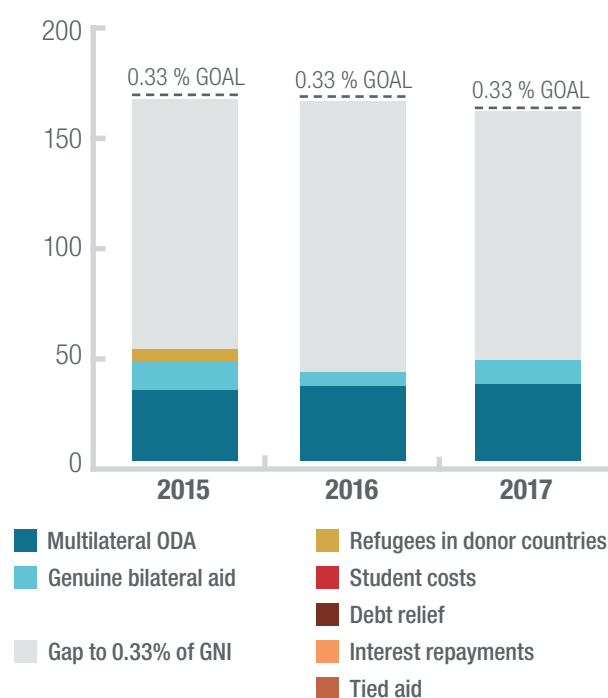
The ongoing political situation in Croatia makes it extremely difficult to predict the ODA situation for 2018 and beyond.

CROSOL will continue with the attempts to renew cooperation and communication with the Ministry of Foreign and European Affairs and monitor the implementation of the ODA target. In light of the upcoming 2020 Croatian EU Presidency, CROSOL expects this collaboration will intensify, particularly considering Ministry officials have repeatedly emphasised the significant role of civil society in all the processes related to international development cooperation and other international affairs.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Make development spending data for the previous year available by the middle of the current year, to ensure transparency and accountability.
- Step up efforts to increase aid and to honour Croatia's commitments to ODA financing.
- Develop and adopt a concrete timetable to reach ODA targets.
- Rebuild communication and collaboration with CSOs in activities and projects related to international development cooperation and aid.

CROATIA - GENUINE AND INFLATED AID  
(€ million, constant 2016)



0.09% GENUINE AID/GNI

0.09% TOTAL AID/GNI

# CYPRUS



**“There is no security without development, and there is no development without security.”**

Nicos Anastasiades, President of the Republic of Cyprus at the 72st Session of the UN General Assembly in New York, September 2016

## MAIN CHANGES IN 2017

In 2017, Cyprus directed most of its ODA on institutional responsibilities towards the EU, including to the European Development Fund and European Investment Bank. Only a small percentage (€130,000 of €16 million) was spent on humanitarian assistance, namely in Sri Lanka and Cuba and towards the UN Central Emergency Response Fund. Overall ODA remained at the same level as in previous years, amounting to 0.09% ODA/GNI. The Cypriot Government focused on enhancing the resilience of societies as a key aspect of its multilateral endeavours during the UN General Assembly in 2016, and thus, remains determined to implement the 2030 Agenda. Sustainable development was at the heart of addressing the causes of the forced migration, which had dominated the global agenda for two years, putting pressure on government and society alike, and changing the way political dialogue was carried out. During this session, the President of the Republic of Cyprus, Nicos Anastasiades, underlined the need for solidarity and burden-sharing — as well as for a just and effective global governance system — and expressed support for the Secretary-General's reform priorities to ensure that, at a time of growing skepticism and isolationist tendencies, multilateralism remained relevant and effective.

Cyprus remains one of the few EU members that does not publish timely and quality data on its ODA expenditure and development finance activities in an open and comparable format. This makes it difficult to make an appropriate analysis for the purpose of this report.

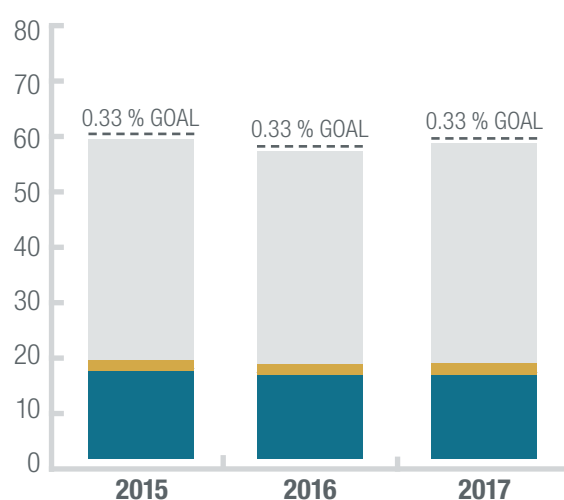
## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

With the country successfully exiting its adjustment programme in 2016, it is expected to reassume its ODA obligations gradually. Furthermore, the stabilisation of the financial system now allows the government to develop long-term planning and policies. It is expected that a comprehensive National Strategy on Development Cooperation will be drawn up. This strategy is expected to provide the roadmap and the means for the implementation of the SDGs at national level, and to contribute to their implementation internationally through the country's external assistance programme. As regards the MFA's relations with civil society, it is expected that good communication and collaboration will continue, while efforts still need to be made to strengthen the institutional aspect of this collaboration.

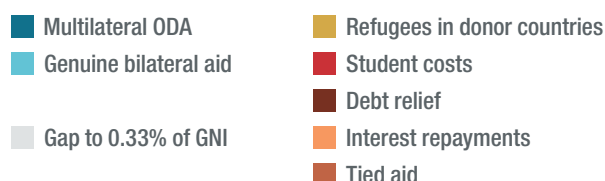
## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Publish a new national strategy on development cooperation — one that fosters the SDGs and is developed in consultation with civil society and other relevant stakeholders.
- Increase aid commitments to reach and surpass the target of 0.33% of GNI.
- Commit to transparency and accountability by endorsing the International Aid Transparency Initiative (IATI) standard and ensure that ODA expenditure is made available, consistently and transparently, on a yearly basis.

## CYPRUS - GENUINE AND INFLATED AID (€ million, constant 2016) \*



\* Incomplete data for the country





# CZECH REPUBLIC

0.12% GENUINE AID/GNI

0.13% TOTAL AID/GNI



“EU is among the most generous foreign and development aid donors. It is definitely right to help, yet, there should be conditions on aid. Czech Republic must be strongly advocating for this position, together with like-minded Member States, in Brussels.”<sup>1</sup>

Jan Hamacek, First Deputy Prime Minister, with responsibility for the Ministry of Foreign Affairs

## MAIN CHANGES IN 2017

The Czech Republic disbursed €241.7 million in ODA in 2017, a slight increase in real terms from 2016. Nevertheless, Czech ODA as a share of GNI fell 0.01% from 2016 to 0.13%.

Multilateral ODA continues to represent the lion's share (71%) of Czech ODA. Like in previous years, it provided ODA in the form of grants. Yet, this is about to change, as it is keen to start using new “market-like instruments”, such as guarantees.

Contrary to 2016, the share of bilateral ODA to LDCs increased in 2017 by nearly a third. This is positive, however, there must be guarantees that resources are spent in line with LDCs' needs and priorities for reducing poverty. With 54% share of tied aid to LDCs and heavily indebted poor countries, Czech Republic remains among the worst DAC performers around untied aid in line with the DAC recommendation. In-donor refugee costs' share of bilateral ODA grew from 25% to 28%.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

In 2016, the government approved a mid-term annual state development cooperation budget increase by around 10% per year until 2019. However, the future of this increased bilateral ODA spending is uncertain, as the development cooperation budget is expected to stagnate. Czech Republic thus continues to lack a concrete plan on how to meet the 0.33% ODA/GNI target.

The main concern around Czech ODA, besides quantity, remains its quality. In the Czech political context, the risk of ODA instrumentalisation is high. Despite ongoing government support, it is still unclear how to measure development impact of private-sector instruments or the contribution to the EU Trust Fund (EUTF) for Africa in Libya, which is on the edge of development–security activities. In general, Czech Republic does not monitor its development effectiveness. There are no action plans for particular commitments, including on CSO-enabling environment, as decision-makers consider the declarations on compliance with key principles sufficient. The country has still not joined IATI, but is working on a complex ODA database, which should be operational in 2019.

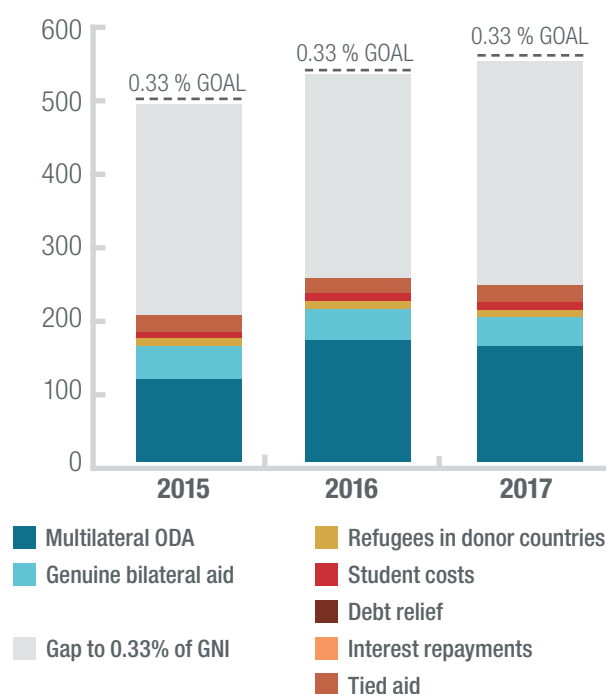
Czech Republic will only adopt the Implementation plan of the Strategic Framework for Sustainable Development “Czechia 2030” in autumn 2019. Therefore, it is still unknown whether and how over-sectorial policy coordination under the new

government will take place. Hence awareness-raising and educational work are needed at home too.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Ensure progressive and long-term increase of the ODA budget to meet the commitment of 0.33% GNI by 2030 and increase the bilateral ODA share in general.
- Do not dissolve limited and scarce resources of Czech ODA to finance components other than those supporting sustainable development, poverty eradication and humanitarian assistance in partner countries, and global development education in the Czech Republic, while monitoring closely the development impact of new modalities.
- Increase effectiveness and transparency of the Czech development cooperation system by introducing indicators and monitoring frameworks directly related to the development effectiveness principles, and by becoming a full member of IATI.
- Support development of the strategic framework on cooperation with CSOs in development cooperation and humanitarian assistance, to ensure full participation and democratic ownership from partner countries, target groups and relevant actors.
- Put in place working assessments and correction tools for policy coherence for sustainable development implementation and find effective *modus vivendi* between the Council on Development Cooperation and Governmental Council for Sustainable Development in this area.

## CZECH REPUBLIC - GENUINE AND INFLATED AID (€ million, constant 2016)



<sup>1</sup> <http://blog.aktualne.cz/blogy/jan-hamacek.php?itemid=28638> (in Czech)

0.69% GENUINE AID/GNI

0.72% TOTAL AID/GNI

# DENMARK



**"Danish development aid must also strengthen Danish security and the Danish society. We must make demands concerning how aid is spent. This is nothing new. What is new, is that aid will also be used to strengthen the economic situation in the home countries of rejected asylum seekers."**

Ulla Tørnæs, Minister for Development Cooperation

## MAIN CHANGES IN 2017

For the first time, a development strategy has locked Danish ODA at a minimum of 0.7% of GNI in a five-year political settlement agreed on by all parliament parties except one. Positively, this brings overall stability to the minimum level of aid until 2022.

Using aid to cover costs of receiving refugees was the subject of continuous political debate in 2017. Following the trend of Denmark itself being a top recipient of its own ODA for refugee costs, the government set aside almost 20% of ODA for refugees in 2017, only to realise that costs would be lower than expected due to a decline in refugee arrivals. At the end of the year, two thirds of these funds were sent back to the MFA to be distributed as aid. Addressing these fluctuating costs for receiving refugees, the government introduced a mechanism that regulates aid on a rolling average over a three-year period to accommodate the ambition of having aid rest at exactly 0.7% of GNI. This means that unexpected costs for refugees can be accounted for in the following finance bill, entailing that Denmark may report ODA below 0.7% in some years.

The MFA launched a new CSO modality and, with effect from 2018, entered into four-year strategic partnerships with selected Danish CSOs for both long-term development and humanitarian action. While the process for selection was extensive for the organisations, it resulted in overall recognition of the work of CSOs by increasing support for their activities by €30 million.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

Danish aid priorities are increasingly linked to its own interests, not least around the migration agenda and the role of the Danish private sector. In its development cooperation strategy, aid is directly linked to stemming migration flows. This entails a focus on economic development in the home countries of migrants and discussions about making aid conditional on partner countries' willingness to cooperate on readmission of rejected asylum seekers.

Danish aid is also dominated by a focus on the SDG framework. Many stakeholders are streamlining their work in line with the goals. A top political priority is to promote partnerships to increase

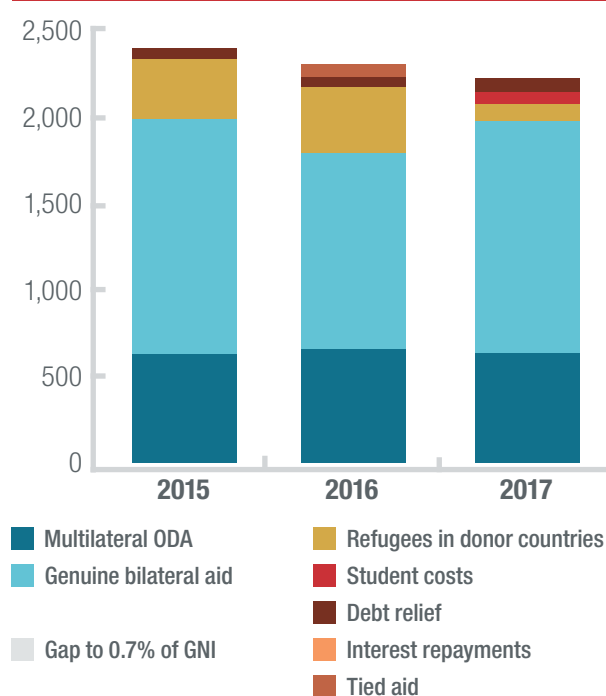
the role of the Danish private sector to fuel economic growth in developing countries. More and more CSOs are picking up the torch and establishing partnerships with private companies to reach the SDGs.

To further leverage private sector resources, the government launched an SDG Fund in 2018 comprising a mix of ODA, state capital and investments from pensions funds. Expected to reach €4 billion in investments by 2030, the Fund aims at mobilising large quantities of private capital to invest in sustainable development projects in developing countries where Danish industry can have commercial interests.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- *Guarantee a minimum of 0.7% of genuine ODA, and ensure predictability of ODA funds for aid purposes.*
- *Put pressure on the EU to reach the 0.7% target in the next MFF and on all EU member states to agree on binding timetables for reaching their individual aid quantity targets.*
- *Ensure poverty reduction and human rights are the guiding principles of development cooperation, and of when aid is used in relation to migration flows towards Europe and in cooperation with the Danish private sector.*
- *Make climate finance additional to development flows and targets.*

**DENMARK - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



# ESTONIA

0.15% GENUINE AID/GNI

0.17% TOTAL AID/GNI



**“We must engage in development cooperation that is future-oriented and be aware of the added value that digital technologies and solutions can provide for the development of countries.”**

Sven Mikser, Minister of Foreign Affairs of Estonia at the informal meeting of EU development ministers in Tallinn, 11 September 2017

## MAIN CHANGES IN 2017

In 2017, Estonian ODA fell from 0.19% to 0.17% GNI. As the national budget strategy foresees ODA level to be 0.17% of GNI until 2021, this 0.02% fall was not unexpected. The reduction in development assistance compared with 2016 was due to overall cuts in the aid programmes. The main areas that saw increased funding were refugee costs and security and aid. But the overall sum from ODA targeting gender equality also decreased.

In the second semester of 2017, Estonia held the Presidency of the Council of the EU, chairing the development cooperation working groups on development cooperation (CODEV) and African, Caribbean and Pacific (ACP). The priority topic was digital for development, while council conclusions on Aid4Trade were agreed on and the European Fund for Sustainable Development was launched. Besides this, Estonia mobilised over €150 million of commitments from member states to the EUTF for Africa during the presidency.

The only top 10 recipient of Estonian ODA that falls in the LDC category is Afghanistan, which is also a priority country for Estonian development cooperation. In 2017 Estonia directed €1.35 million ODA to LDCs, a small decrease compared with the €1.5 million allocated in 2016.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

While Estonian ODA has decreased from the previous year, there is no further reduction foreseen. The commitment to achieving 0.33% ODA is within the timeframe of the 2030 Agenda, however, there is no indication of strategy on how the funding will be increased to reach the target. Estonian development cooperation continues to be concentrated in the EU's Eastern Neighbourhood. Digital for development will increasingly be the field where Estonia can offer value added around the world.

The main trends include increasing payments to the EUTF for Africa. Estonia has contributed €1.45 million to the fund, with payments to the funds North Africa window and a promise to add another €150,000 by Prime Minister Ratas during the European Council on 29 June 2018. Aid effectiveness is still an area of attention, as a mechanism to measure impact had not been put in place in June 2018.

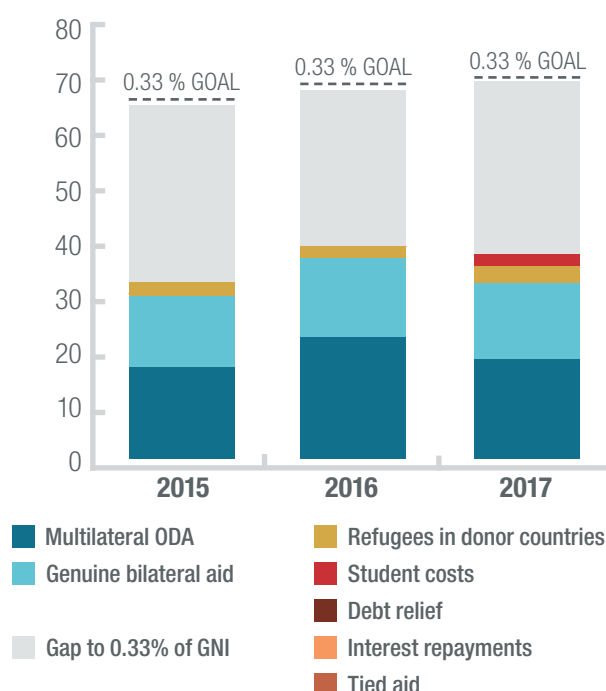
A new Foreign Policy Development Plan 2030 is planned for February 2019; however, the changes it will bring are not yet known.

Estonia opposes the one single funding instrument for global affairs, as foreseen by the new architecture of the MFF. Its main fear is that it will undermine the neighbourhood financing capabilities, as most of the priority countries for Estonian development cooperation lie in the Eastern Neighbourhood of the EU. There is also strong support for coherence between EUTF and other financial instruments, increased flexibility, transparency and a stronger role for private sector.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Demonstrate the commitment to 0.33% ODA by increasing the share of development cooperation in national budget strategies.
- Show stronger political support to reaching the SDGs at national level, but also in the upcoming MFF.
- Put clearer focus on and an action plan together for policy coherence for sustainable development, to strengthen the coordination in reaching the 2030 Agenda. Setting up a mechanism for policy coherence for sustainable development is necessary to increase aid effectiveness and reach the SDGs by 2030.

**ESTONIA - GENUINE AND INFLATED AID**  
(€ million, constant 2016)





**0.38%** GENUINE AID/GNI

**0.41%** TOTAL AID/GNI

# FINLAND



“The current momentum in Finland’s development cooperation is in promoting women and girls and sexual and reproductive health and rights, as well as in risk-sharing investments, in which we are becoming an important player in Europe with an extra investment of half billion.”

Kai Mykkänen, Minister for Trade and Development, 18 September 2016

## MAIN CHANGES IN 2017

In 2017, Finland’s ODA continued to crawl at around 0.41% of GNI – down from 0.44% in 2016 and 0.55% in 2015. Disbursements continued the downward trend originating in the 2015 cuts, while commitments started to increase slowly, yet at a more modest rate than the economy at large. The share of Finland’s development cooperation funding to the poorest countries continues to drop steeply from the 2014 level, when it was 0.21% of GNI.

Finland continues to commit funds according to four thematic priorities: 1) women and girls, 2) economic development and jobs, 3) democracy and functioning societies, and 4) food, water and energy. Despite being the first priority, only 35% of Finnish ODA contributed to gender equality (against the 85% target of the Gender Action Plan II). Since adopting the new development policy, ODA to and through civil society has been dwarfed by financial investments to the private sector reported as ODA.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

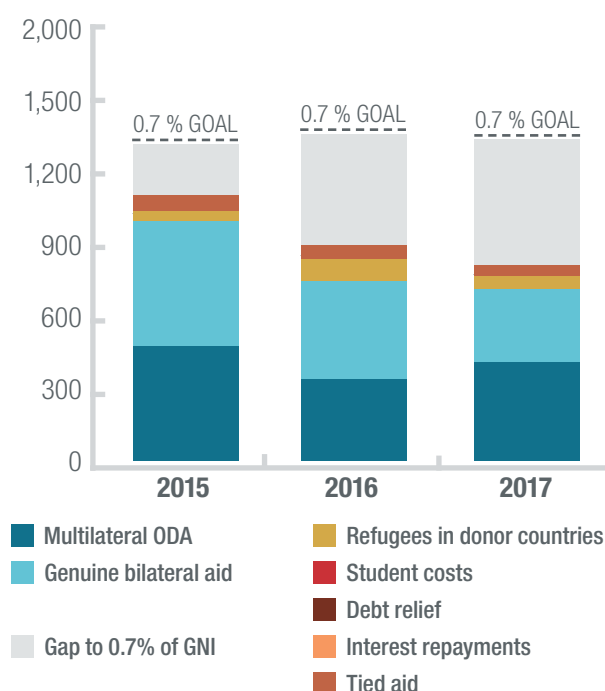
There are no signs that the current government would return ODA commitments to the level of the previous governments; current projections seem to point in a different direction, with a decrease of around 5% of total ODA disbursed in 2017. However, several parties are including commitments to increasing ODA in their manifestos for the next national elections taking place in 2019. The MFA is supporting this trend by developing scenarios for reaching the 0.7% target by 2030.

Contributions through the private sector will remain important for the current government, while civil society funding has been steady, despite evidence of their added value as development actors. This funding is increasingly targeted for the larger NGOs receiving programme-based support from the MFA. This trend to concentrate on bigger actors threatens the work of a traditionally wide range of small and medium-sized development NGOs.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Prepare a clear timeline with milestones for reaching the 0.7% ODA/GNI target and at least 0.2% of GNI to LDCs.
- Continue the good practice of reporting refugee costs as additional ODA.
- Channel the income from the emission trade scheme to development and climate financing.
- Respect the commitments on gender and LDCs.

**FINLAND - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



# FRANCE

0.36% GENUINE AID/GNI

0.43% TOTAL AID/GNI



“France is leading its partnership and international solidarity’s policy towards the achievement of UN SDGs. In order to be up to these goals, I have decided that, after a long period of decline, our new policy will benefit from increased resources, so it reaches 0.55% of the GNI by 2022.”

President Emmanuel Macron in his speech to the French ambassadors, 27 August 2018

## MAIN CHANGES IN 2017

The preliminary figures published by the OECD in April 2018 showed that, in 2017, France spent 0.43% of its GNI on ODA. This 15% increase in ODA contribution was the most important among DAC members. Coordination SUD welcomed this shift in the evolution of French ODA, which had been strongly decreasing since 2010 when it reached 0.50% of its GNI. This was made possible because of the orientations of the previous executive and the involvement of members of the former parliament.

2017 was marked by the presidential and legislative elections. During his campaign, the new French President, Emmanuel Macron, committed to reach the 0.7% of French GNI/ODA by 2025. Nevertheless, the new government reduced the scope of the financial transactions tax and cut the international solidarity budget. Coordination SUD then criticised this incompatibility between the campaign commitments and these first measures restraining the increase.

Moreover, this raise is mainly composed of loans, which do not necessarily benefit the people most in need. France also increased its ODA to the private sector, bringing concerns over tied aid and public–private partnerships, which have not yet proved their added value for efficiency and effectiveness. Progress is also still to be made in transparency and accountability.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

The 2017 increase, along with the announced trajectory, is an encouraging sign for French ODA. Reaching 0.55% by 2022 and then 0.7% in 2025 would represent a major increase of French contribution to ODA.

Nonetheless, commitments are not always respected and the new President has not re-endorsed his campaign’s promises on the 0.7% target. Furthermore, with most of the increase planned for the end of the mandate, the feasibility of this growth remains subject to caution. Coordination SUD will be attentive to the budgetary translations of the trajectory and to the quality of aid.

As the orientation and planning law on development and international solidarity (LOP-DSI) is supposed to be revised

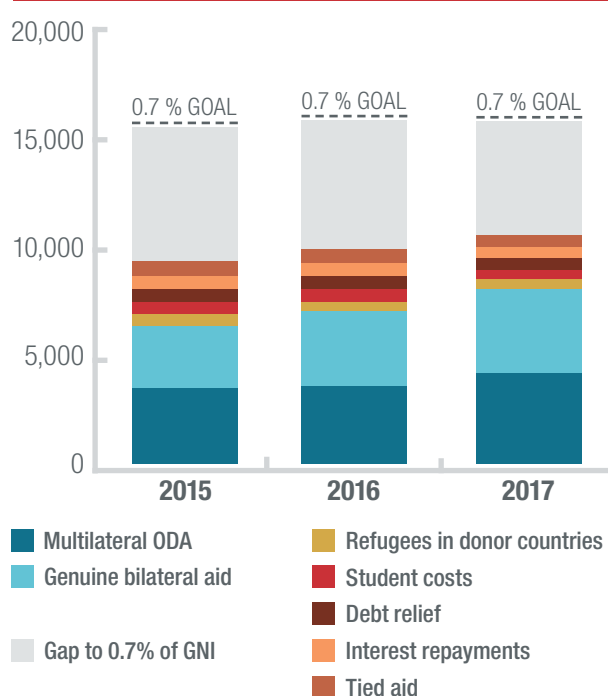
in 2019, this could be an opportunity to insert this trajectory and the 0.7% objective into French legislation. This law could also allow CICID’s (the Interministerial International Cooperation and Development Committee) conclusions to be enforced, and especially the objective of dedicating more ODA, as grants, to LDCs.

It will also be essential that this increase is not going along with more conditionality of the assistance, as a means of regulating migrations or pursuing a goal of security in donor countries.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Increase budgetary allocations to ODA by €500 million in 2019.
- Guarantee an ambitious financial transaction tax for international solidarity and climate by affecting 100% of the revenue of this tax in favour of ODA.
- Support achieving an agreement on the European financial transaction tax by 2019.
- Increase further France’s support for civil society by passing €1 billion through NGOs by 2022.
- Improve the transparency and accountability of French aid and allow genuine control of innovative financing.
- Refuse any conditionality of aid to the economic, migration and security interests of France and the EU.
- Initiate a revision of the LOP-DSI and integrate a budgetary trajectory toward the 0.7% target.

FRANCE - GENUINE AND INFLATED AID  
(€ million, constant 2016)



0.45% GENUINE AID/GNI

0.66% TOTAL AID/GNI

# GERMANY



“Our goal is to achieve the 0.7 percent commitment.”

German coalition treaty from 12 March 2018

## MAIN CHANGES IN 2017

Germany's ODA reached 0.66% in 2017. This was a fall-back from the 0.7% it reached in 2016 for the first time. Germany reached the 0.7% target in 2016 because of a change in the way of reporting in-donor refugee costs, making Germany the biggest recipient of its own ODA. This continues to be true for 2017: 25% of Germany's ODA stayed in the country.

On the other hand, genuine ODA increased in 2017 and has been increasing in recent years in Germany – unlike in many other OECD DAC countries. Priorities of German development aid were addressing the root causes of migration and development, the role of the private sector in development and food security. In October 2017 Germany elected a new parliament, which made any political advancement in 2017 difficult. Coalition building took a long time and a government was only elected in February 2018. The final budget for 2018 will only be adopted in July 2018.

The 2017 G20 took place in Germany. VENRO – together with the Forum on Environment and Development – accompanied the German presidency in a critical and constructive way. Alongside the classic topics, new topics including global health, and combatting the causes of migration were on the agenda. The German government also focused on partnerships with Africa, establishing for example the Compacts with Africa and the so-called Marshall Plan with Africa. The latter was welcomed by VENRO but criticised for its inconsistency. The compacts have been assessed rather critically by the NGO sector: with their focus on major projects, the compacts set the wrong emphasis, as they should rather support regional economic cycles and small and medium-sized enterprises.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

The beginning of 2018 was characterised by the debates around establishing the new German government. The new Minister for Economic Cooperation and Development is also the old one, Minister Mueller from the Christian Social Union, a conservative party.

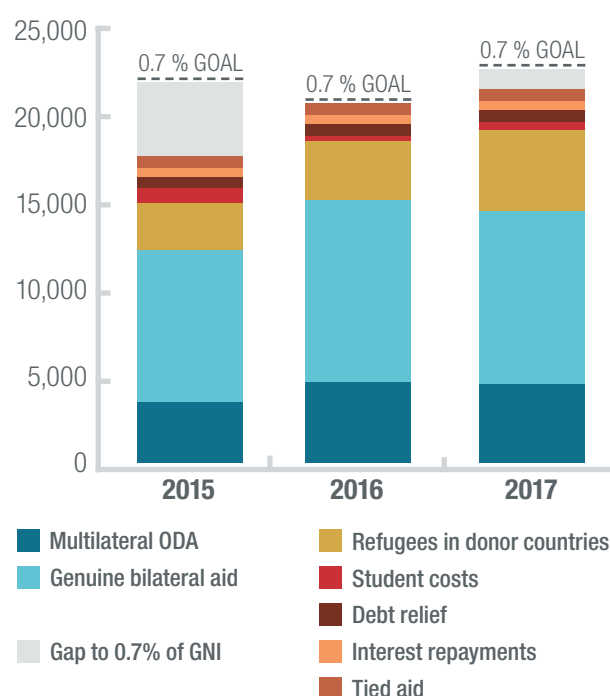
Beneath this, German CSOs have focused on implementing the SDGs; for which the German National Sustainable Development Strategy is one of the main instruments in Germany. Set up in 2017 and partly revised in 2018, it details the measures taken by the German Government in specific policy areas to contribute to reaching the 17 SDGs at home and abroad. The strategy, however, falls short in two important aspects: it only measures the international impacts of German policies through 10 out of 69 indicators (2017) and 11 out of 75 indicators (2018).

Crucial questions on financing the global partnership – apart from accounting for ODA – and following the development effectiveness principles are not touched. NGOs are now looking forward to the results of the first review of the strategy, which will be presented in late 2019. They intend to push for strengthening the strategy's global perspective and its contribution to effective sustainable development in the global partnership.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Commit additional resources to development cooperation to keep the ODA level at 0.7% of GNI beyond 2017. Exclude in-donor refugee costs from ODA calculations, and deliver climate finance on top of the 0.7% target.
- Stop using aid as a tool for migration management, and instead adopt a development-oriented and rights-based migration approach, which includes establishing safe, legal migration routes.
- Use ODA for supporting small businesses and further regional trade in developing countries. For more effective development cooperation in line with the 2030 Agenda, ensure policy coherence for human rights and sustainable development across ministries.

GERMANY - GENUINE AND INFLATED AID  
(€ million, constant 2016)



# GREECE

0.12% GENUINE AID/GNI

0.16% TOTAL AID/GNI

## MAIN CHANGES IN 2017

In 2017, Greek ODA represented 0.16% of GNI, a decrease of around 16% of total contributions from 2016. As in previous years, CSOs have witnessed lower levels of engagement with the MFA. 2017 was another very difficult year for Greek society because of the continuing economical and humanitarian crises. Unfortunately, the year was marked by complete silence on the part of the MFA. NGOs had once more to deal with negative publications and distrust from the media. The Greek Government's initiatives on refugees mostly focused on creating new refugee camps, but took away CSOs' rights to be involved, except in local initiatives.

Greek ODA levels remained very low. This is because it continues to be channelled to control the refugee crisis and refugee flows to Greece, and the EU–Turkey agreement, which imposed guidelines to control the flows of refugees and migrants mostly to Greek islands.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

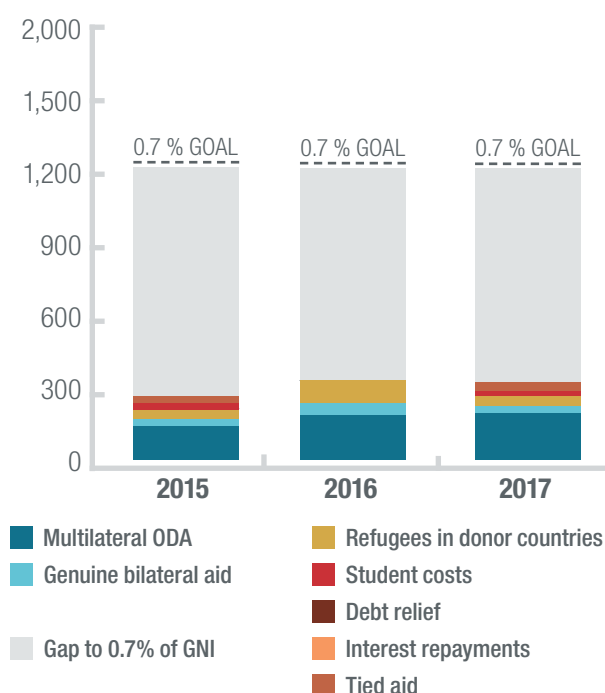
In 2017 the cooperation level with the Greek MFA was very meagre, lacking cooperation and almost no communication. The refugee crisis that Greece continues to face seems to lead to a “lost” chance for strong cooperation between the state and the CSOs. The Hellenic Platform for Development strongly believes that the government must open dialogue with CSOs and combine the considerable existing experience and capacities for a common cause.

Greece was part of the 2018 Voluntary National Review of the High-level Political Forum. While this prompted a better communication with the focal point to the Prime Ministers' office to exchange best practices, CSOs are still not official stakeholders for the government and not invited to common meetings on planning, evaluating or monitoring the SDGs process in Greece.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- 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 to increase the transparency and accountability of Greek ODA.

**GREECE - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



0.11% GENUINE AID/GNI

0.11% TOTAL AID/GNI

# HUNGARY



“Hungary is committed, within its capabilities, to continue and develop the work started within the framework of the Hungary Helps Initiative in order to create new cooperations with new partners, to search for long-term solutions for the migration crisis, solutions that in our belief do not result in the import of the problems into Europe, but start by taking the help to the crisis areas.”

Special envoye Péter Heltai

## MAIN CHANGES IN 2017

Hungarian ODA shrank in 2017, from €180 million in 2016 to €132 million. This means that ODA as a share of GNI decreased dramatically from 0.17% to 0.11% in a year, due to significant cuts in the overall aid programme.

Bilateral ODA decreased to 26% of total ODA in 2017 from 27.5% in 2016 and suffered a major decrease in absolute terms. In 2017, Hungary allocated only €34.6 million for bilateral programmes, compared with €49 million in 2016 and €42.3 million in 2015.

Hungarian development cooperation policy shifted its priority focus to the Middle East in 2017, with Syria, Iraq, Lebanon and Palestine as well as Nigeria receiving the most bilateral aid. Under the auspices of the Deputy State Secretariat for the Aid of Persecuted Christians in the Ministry of Human Capacities, the Hungarian government also launched a special programme, Hungary Helps. This has a special envoy and supports Christian communities through settlement, school and hospital reconstruction programmes in the Middle East.

It is welcomed, that, compared with other European countries, the in-donor refugee costs remained relatively low, with Hungary allocating ‘only’ US\$3.33 million USD for this purpose in 2017 – even lower than in 2016 (US\$9.8 million).

In December 2017, an inter-ministerial committee reviewed the country’s 2018–2020 National Action Plan on International Development Cooperation. According to the Ministry of Foreign Affairs and Trade, the committee decided to act on 17 areas, such as the OECD DAC recommendations to Hungary, participation in the EU decision-making processes and visibility of the Hungary Helps programme. Neither the reviewed Action Plan nor the detailed decisions are publicly available yet. Civil society was not consulted in the process.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

According to recent declarations, the Hungarian government remains committed to increasing efforts under Hungary Helps. Major bilateral programmes, mostly in the form of tied aid, are also expected to be realised in 2018 (in 2017, government decisions on tied aid programmes in Viet Nam, Lao People’s

Democratic Republic and the Republic of Kosovo were announced).

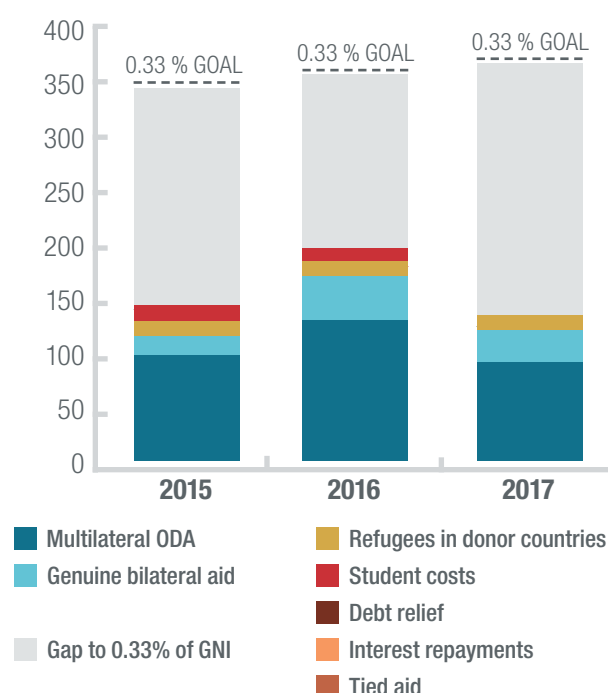
Hungary presented its volunteer national review on SDG implementation in July 2018, incorporating the opinion of the Civil Roundtable for Sustainable Development Goals (coordinated by the Hungarian Association of NGOs for Development and Humanitarian Aid (HAND)). The review projects to increase the ODA/GNI ratio. As a follow-up, the Roundtable has started negotiating with the Ministry of Foreign Affairs and Trade on SDG implementation, including reforming processes for public consultation and the institutional set-up for aid delivery.

After the 2018 national elections, major changes were carried out in the structure of the Ministry of Foreign Affairs and Trade, with the Department of Development Cooperation now belonging to the Deputy State Secretariat responsible for export increase.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Make government actions around development cooperation policy and programmes more transparent.
- Step up efforts to increase genuine aid and bilateral ODA, as well as ODA to LDCs.
- Increase untied aid according to OECD recommendations.
- Establish more open and transparent cooperation with CSOs based on real partnership.
- Ensure assessment and correction tools for policy coherence for sustainable development.

HUNGARY - GENUINE AND INFLATED AID  
(€ million, constant 2016)





# IRELAND

0.29% GENUINE AID/GNI

0.30% TOTAL AID/GNI



**“We must not forget that Ireland’s aid programme is not just good policy because we know how aid works, but is also a reflection of our values, our belief in our common humanity and solidarity and our understanding that wealth and opportunity are not spread equally across the world.”**

Simon Coveney TD, Tánaiste and Minister for Foreign Affairs, April 2018

## MAIN CHANGES IN 2017

Despite reaching a high point of 0.59% of GNI to ODA in 2008, Ireland dropped from 0.32% in 2016 to 0.3% in 2017. However, Ireland’s aid programme has maintained its integrity in how it spends its development budget, and has kept pace with the need for increased humanitarian spending, which stands at 27% of its overall ODA budget in 2016.

Globally bilateral ODA to LDCs was €23 billion (up 4% from 2016) in 2017,<sup>1</sup> a welcome development. Ireland has traditionally but not consistently been a core donor to countries that fall into the LDCs bracket. Even though eight of the top ten ODA recipients in recent years are LDCs, in both 2016 and 2017, Ireland’s spend on LDCs has fallen to just over 0.10% of ODA.<sup>2</sup>

## TRENDS AND PROJECTIONS FOR 2018

At a time of enormous change globally, it is welcome news that Ireland will develop a new international development policy in 2018, reiterating the intention to reach 0.7% ODA/GNI by 2030.<sup>3</sup> Other good news is the government’s plan to double Ireland’s worldwide scope and impact by 2025, as presented in “Global Ireland: Ireland’s Global Footprint to 2025”.<sup>4</sup>

Also welcome is the recent parliamentary report on Irish Aid by the Joint Committee on Foreign Affairs, Trade and Defence which demonstrated strong cross political party support for the importance of restoring Ireland’s ODA budget. The Committee unanimously and unequivocally supported calls for a multiannual plan to increase the aid budget on an incremental, phased basis. The Committee further proposed that the government submits a clear, multi-annual plan to the Committee on Budgetary Oversight for consideration.<sup>5</sup>

<sup>1</sup> <http://www.oecd.org/dac/financing-sustainable-development/development-aid-stable-in-2017-with-more-sent-to-poorest-countries.htm>

<sup>2</sup> <http://devinit.org/wp-content/uploads/2018/04/Aid-spending-by-DAC-donors-in-2017.pdf>

<sup>3</sup> <https://www.irishaid.ie/about-us/policy-for-international-development/>

<sup>4</sup> <https://www.ireland.ie/en/stories/global-ireland-irelands-global-footprint-2025>

<sup>5</sup> [https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint\\_committee\\_on\\_foreign\\_affairs\\_and\\_trade\\_and\\_defence/reports/2018/2018-02-22\\_report-review-of-the-irish-aid-programme\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_foreign_affairs_and_trade_and_defence/reports/2018/2018-02-22_report-review-of-the-irish-aid-programme_en.pdf)

As Ireland develops its new development policy, it will be crucial to spell out how commitments to spend on countries in the LDC bracket will be maintained, so Ireland can regain the position of leading on reaching the 0.15% spending target.

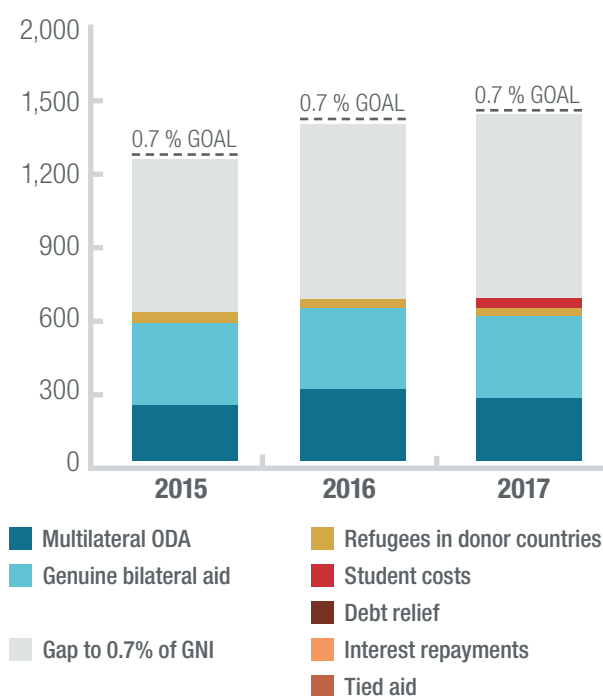
Expectations are that – notwithstanding a small monetary increase – the ODA percentage will hover around the 0.3% GNI (0.36 GNI\*)<sup>6</sup> mark for 2018.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Fully implement the commitment to reach 0.7% ODA/GNI by 2025 to ensure the surest path to achieving the SDGs by 2030.
- Publish a roadmap with year-on-year increases to ensure 0.7% can be reached by 2025. For the 2019 budget, increase the ODA spend by 0.05% to reach 0.41% of GNI\*.
- Protect the poverty-focused definition of ODA, ensure that ODA remains untied to trade and that ODA is not used for any other purpose than to alleviate poverty and promote respect for human rights, dignity and equality.

<sup>6</sup> The CSO published a measurement of national income in July 2017 called Modified GNI (known as GNI\*) this is intended to be a more realistic measure of size and growth in the Irish economy.

**IRELAND - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



0.19% GENUINE AID/GNI

0.29% TOTAL AID/GNI

ITALY



## NGOs in the middle of the storm

### MAIN CHANGES IN 2017

2017 marked the end of the legislature that started in 2013 and in which major changes to the Italian development cooperation system were introduced in its early years, including a comprehensive reform of the sector in 2014. 2017 was also the second year of operations for the new Italian Agency for Development Cooperation, which made disbursements reaching €502 million, up from €340 million in 2016.<sup>1</sup> Resources for CSOs increased by €30 million, reaching a total of €95 million. And the guidelines for the Register of the CSOs accredited with the Agency were revised through a participatory process that led to a framework that better acknowledges the diversity in the CSO community.

Despite this apparently rosy scenario, changes were in the making. The landscape was in reality moving quickly: the migration crisis which had been brewing since at least 2011, with the EU's response matching the reality only to a remarkably limited extent, exploded and NGOs found themselves at the centre of the storm. From April 2017, they were caught in the middle of a political and media campaign; they started being called "the taxi of the sea", or migrant taxi, to allude to their colluding with the migrant traffickers. In such a context, the government in place reacted by introducing a code of conduct on search and rescue, which implied that NGOs were at least partially culpable of some wrong-doing. A few months later, the demonisation of NGOs is still one of the hot topics of political debate.

### TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

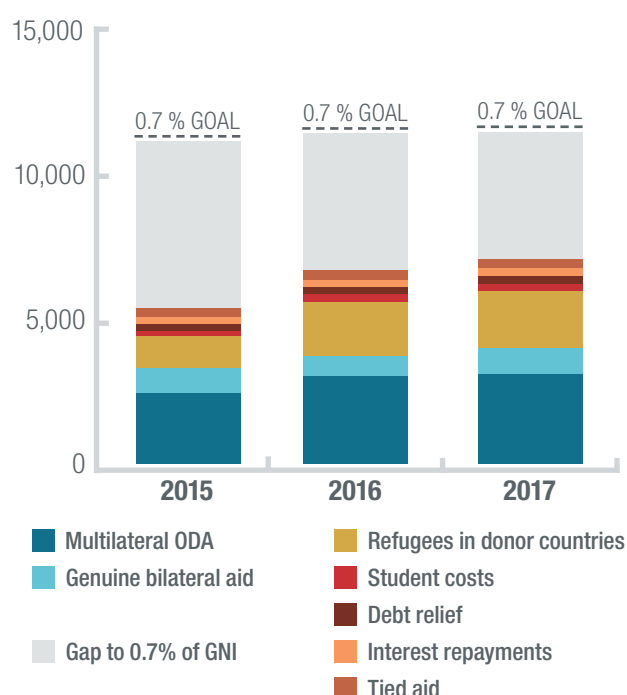
In terms of volume commitments, we can expect that Italy's performance will get closer to nationally agreed targets by 2020, namely 0.30%. Still, according to official projections, Italian ODA will be highly inflated with in-donor costs to manage refugees, which may well edge to 40% of total aid.

On a different level, the general elections on 4 March 2018 marked a significant change in the Italian political landscape. While the sector legislation was introduced in 2014 with no notable objections, since then the narrative has dramatically changed for the worse. NGOs is now a catch-all term used to demonise a whole community in the public debate on migration. Thus, it will be critical to closely watch if and to what extent a change of heart at the government level will have an impact on decisions around development cooperation, including on priorities and resources.

### RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Keep ODA volumes on track so as to realise the agreed calendar of increases, which includes reaching 0.30% by 2020.
- Endorse a new effectiveness plan that fully reflects a reality comprising ODA and other forms of development cooperation, particularly finance for development.
- Uphold and improve the provisions from the sector legislation that institutionalise the space for CSOs and other stakeholders to be consulted on key decisions around, for instance, multi-year plans and programmes.
- Refrain from using development cooperation as a stopgap to stem migration flows to Italy and Europe, which instead require a multi-level and coherent approach from cooperation to search and rescue to integration policies.
- Support decisions on the EU multi-year budget for 2021–2027 that safeguard the nature of development cooperation from attempts to use it to serve short-term concerns in security and migration.

ITALY - GENUINE AND INFLATED AID  
(€ million, constant 2016)



<sup>1</sup> Data from annual reports by the Italian Agency for Development Cooperation.

# LATVIA

0.10% GENUINE AID/GNI

0.11% TOTAL AID/GNI



“All member states should be involved in the EU’s cooperation for development by making use of their comparative advantages. In Latvia’s case, it is the experience of reform and transition which is highly valued in the Eastern Partnership countries and Central Asia.”

Zanda Kalniņa-Lukaševica, Parliamentary Secretary of the Ministry of Foreign Affairs of the Republic of Latvia at a meeting with Stefano Manservigi Director-General of DG DEVCO, and Monique Pariat, 9 February 2018

## MAIN CHANGES IN 2017

While Latvia’s ODA rose by about 7% in 2017, it remained at 0.11% of GNI – well below the 0.33% target.

The overall amount of the bilateral aid funding managed by the Latvian MFA slightly increased from 2016. The transparency of the distribution of bilateral aid, however, posed concern. The bilateral funding available through an open grant competition decreased by 30%. About 60% of bilateral aid was distributed by the MFA or other managing institutions through a non-competitive process. 32% of overall bilateral aid was disbursed through training programmes in Latvia for public officials and other professionals from Eastern Partnership countries and Central Asia. The share of funding available through an open grant competition only slightly exceeded the earmarked funding for training programmes in Latvia.

The competition for acquiring grant funding continued to grow in 2017, and the MFA was able to support only a quarter of the projects submitted. It continued the practice of earmarking a minimum of 50% of funding available through open calls for proposals to be dispersed to CSOs.

Despite the drop in numbers for the funding available to development partners through open competition, the cooperation and dialogue among the MFA, CSOs and other development partners continued to improve.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

2018 will see a slight increase in overall ODA, while its bilateral share is planned to remain at the level of 2017. The only significant changes are foreseen in the distribution of the bilateral aid managed by the MFA. Nearly half of total bilateral aid is to be disbursed through an open grant competition, based on needs expressed by partner countries and the priorities set out in Latvia’s foreign affairs policy. The priority areas and geographic allocation of aid will remain the same as in 2017, with a strong focus on Eastern Partnership countries and Central Asia.

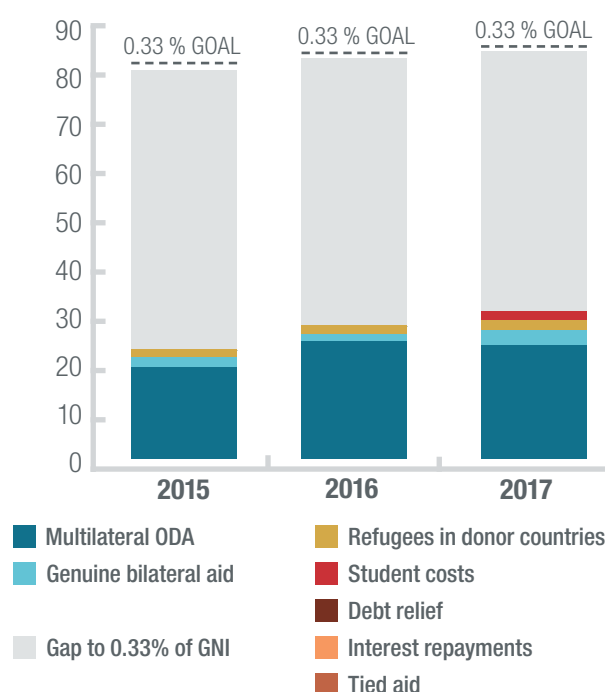
Latvia’s 2018 development cooperation plan foresees the strengthening of transparency of its ODA and its compliance with international reporting standards. MFA is planning to improve its reporting capacity to the OECD.

## RECOMMENDATIONS TO THE LATVIAN GOVERNMENT

The suggestions for the Latvian Government remain largely the same as in 2017:

- Continue increasing ODA and deliver on commitments.
- Direct a significant portion of ODA towards LDCs and fragile states.
- Ensure transparency of the process of how bilateral aid is distributed and reconsider the earmarked funding without an open call for proposals.
- Assess the effectiveness of scholarships and training courses as a high priority area for bilateral development policy-making.
- Continue to strengthen cooperation with development partners.

LATVIA - GENUINE AND INFLATED AID  
(€ million, constant 2016)





0.12% GENUINE AID/GNI

0.13% TOTAL AID/GNI

# LITHUANIA



**“We must support people around the world who strive for freedom, human rights and democracy today. We owe it to the heroes who sacrificed their lives for justice and liberty in the past, and to our future generations.”**

HE Dalia Grybauskaitė, President of the Republic of Lithuania, 4th Congress of the World Conference on Constitutional Justice

## MAIN CHANGES IN 2017

In 2017, Lithuanian aid reached €52.6 million, with a modest increase of 3%. This came after a significant rise of 20% in 2016. The ODA percentage of GNI hence decreased from 0.14% in 2016 to 0.13% in 2017. While bilateral aid represented 22% of total ODA, multilateral aid increased by 10% and represented 78% of total ODA in 2017. Due to increased in-donor refugee costs, Lithuania augmented the percentage of inflated bilateral aid – from around 10% in 2016 to 30% in 2017.

Lithuanian development cooperation policy is set by a resolution from September 2016, the Inter-Institutional Action Plan on Development Cooperation. This sets out areas for 2017–2019 development cooperation policy, aiming to ensure Lithuania's enhanced role as a reliable and dependable donor in the region, EU, UN and the international community. The plan is reassuring that it will take steps to guarantee that ODA meets its international commitments, to reach the 0.33% GNI target by 2030.

Lithuania prioritises six SDGs: end poverty (SDG1), ensure inclusive and equitable quality education (4), achieve gender equality (5), take urgent action to combat climate change (13), promote peaceful and inclusive societies (16), and revitalise the Global Partnership for Sustainable Development (17). It focuses on Eastern Europe, serving as origin and transit of migration. In line with the goals of the EU Policy on Eastern Partnership, the country focuses its bilateral aid in neighbouring countries and parties to the association agreements with the EU, including Ukraine, Georgia and Moldova.

With the entry into force of the amendments to the Law on Development Cooperation and Humanitarian Aid in January 2017, the management of development cooperation projects has been partially transferred to the Central Project Management Agency.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

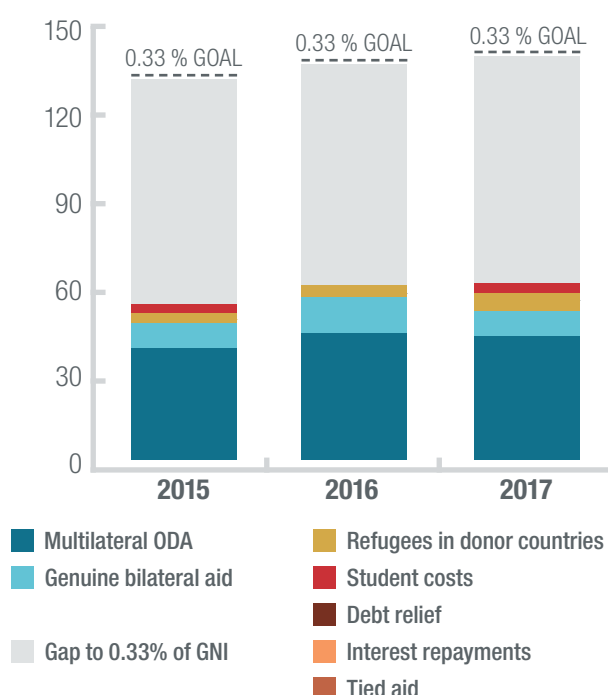
Lithuania's participation in international development cooperation is increasingly focused on national institutions taking part in EU Twinning and TAIEX programmes. Contradicting the political declarations to increased national ODA volume, the financial allocations for bilateral aid show only decreases of around 14%, from €14.4 million in 2018 to €12.4 million in 2019. One way to explain this contradiction seems to be that in the coming years Lithuania will be obliged to

rely more on multilateral aid mechanisms. ODA/GNI is expected to grow from 0.13% in 2017 to 0.14% in 2019. This is far too low to catch up with the general commitment to reach 0.33% in 2030. The growing awareness of Lithuanian innovative financing to contribute to the SDGs has prompted the MFA to assist companies to become more familiar with the fast-growing financial technology sector in Africa. In the MFA's perspective, bilateral support for development cooperation can meanwhile pave the way for mutually beneficial exchanges with African countries around civil society, culture, tourism, investment and trade.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Develop an action plan on policy coherence for development, empowering the National Commission for Development Cooperation and engaging NGOs, companies and other partners in development cooperation activities.
- Raise the level of funding for development and global education to 2% of aid flows.
- Continue improving aid quality in line with Lithuania's existing commitment and the obligation of being a member of the OECD.
- Report refugee costs and scholarships in Lithuania separately from aid flows.
- Conduct an independent, external evaluation of the Development Cooperation and Democracy Promotion Programme.

## LITHUANIA - GENUINE AND INFLATED AID (€ million, constant 2016)



# LUXEMBOURG

1.00% GENUINE AID/GNI

1.00% TOTAL AID/GNI



“In addition to steps taken to increase the effectiveness of official development assistance (ODA), the OECD (as a result of the DAC peer review of Luxembourg) appreciates the fact that climate funding and refugee costs are not included in ODA. This underlines our credibility in the international context and confirms Luxembourg as important player for the implementation of the Agenda 2030.”

Romain Schneider, Minister for Development Cooperation and Humanitarian Aid, Annual Report 2017

## MAIN CHANGES IN 2017

The European Consensus on Development, adopted in 2017, aims to provide an outline for development action at European level with a view to poverty reduction and sustainable development. Luxembourg regrets that this text perceives development assistance mainly as an instrument to achieve foreign policy objectives other than reducing poverty, and asked the EU to include this written position in the final council report. As well as taking this stand, Luxembourg did the OECD DAC peer review, which confirmed the country as a reliable and long-term partner for development.

By having committed to annually provide ODA beyond 0.7% of GNI and to not use this funding to cover national costs related to refugees, Luxembourg became in 2017 – purposely or not – an advocate for international solidarity. In this light, Luxembourg exceeded again the 0.7% ODA/GNI target, as has been the case for over a decade.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

Luxembourg is currently finalising a new strategy for development assistance and reconfirms the self-imposed 1% GNI/ODA commitment. Even though a new government will be elected in October this year, this commitment is not likely to change.

Considering the current trends toward nationalist populism, Luxembourg needs to reinforce its advocacy role in the different European and international fora, inspiring other nations to at least not pull out of previously made engagements towards international solidarity.

At national level, adaptations made around multi-stakeholder engagement and intergovernmental collaboration, especially in the 2030 Agenda framework and the Paris Agreement, are likely to continue to advance and bring about the necessary preconditions to tackle policy coherence for development issues concretely.

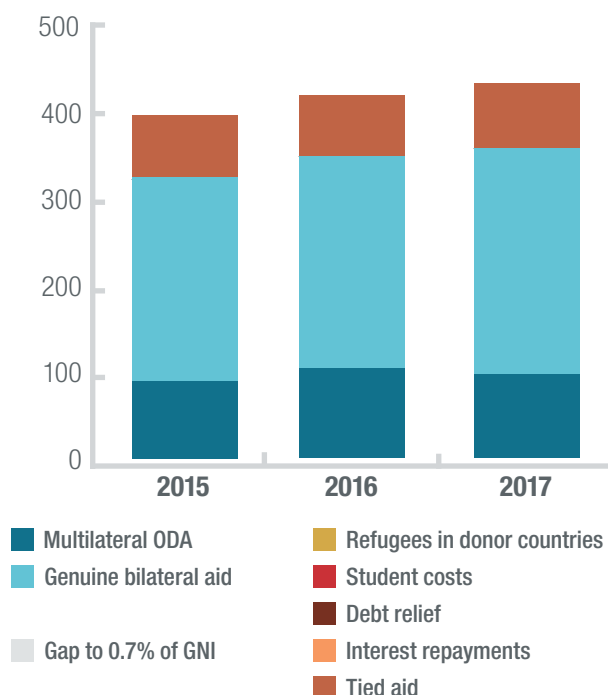
Mounting human rights violations affecting partner countries and projects financed by ODA, such as in Nicaragua and Niger lately, will pose new challenges and demand better coordination

between development, diplomacy and humanitarian decisions. In addition to this, Luxembourg's efforts to involve more private sector players in development assistance will force the government to deal with financial and economic stability questions to encourage those private investments, and hopefully also to promote due diligence and human rights responsibilities of these companies.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Put the concept of policy coherence for development into practice, with policy checks and impact assessments.
- Publicly disclose how much ODA is provided in support to the private sector and, given the increased involvement of that sector, support due diligence for protecting and promoting human rights as well as result tracking.
- Continue to push for good governance of trust funds (e.g., track disbursement levels to avoid dormancy).
- Adapt a comprehensive new action plan for development effectiveness considering commitments made at The Second High-Level Meeting of the Global Partnership for Effective Development Cooperation in Nairobi 2016 and accordingly encourage European leadership to advance that agenda.

LUXEMBOURG - GENUINE AND INFLATED AID  
(€ million, constant 2016)



0.11% GENUINE AID/GNI

0.22% TOTAL AID/GNI

# MALTA



**“On 18 July 2018, Malta presented its first Voluntary National Review on its implementation of the SDGs at the UN High-level Political Forum in New York. The Government of Malta is determined to continue giving priority to development assistance and humanitarian aid. In this respect, a revised Implementation Plan on Malta’s Official Development Assistance Policy, running up to 2030, has been launched.”**

Development Unit, Ministry for Foreign Affairs and Trade Promotion, Government of Malta

## MAIN CHANGES IN 2017

Malta’s ODA for 2017 reached €23 million (0.22% of GNI), almost €4.4 million more than in 2016 (and more than double 2010). The increase in GNI percentage was registered even though Malta’s economy increased by €1.1 billion from 2016. AidWatch Malta welcomes these achievements as the country continues investing in efforts to improve its performance around official aid. While multilateral aid decreased marginally (2%), bilateral aid increased by €4.5 million (or 47% from 2016). However, AidWatch Malta notes with concern that much of this increase is attributed to in-donor refugee and student costs and may be a result of increased capacities in identifying in-donor expenses considered eligible under DAC rules. Arguably, the increase could also be seen as increased awareness of the SDG agenda.

Another long-standing concern is the space provided for NGOs to implement projects in the global South. The €252,156 allocated in 2017 was a one-off reversal of a decline in the funds allocated to NGOs (compared with €133,500 in 2016, €235,000 in 2015 and €248,000 in 2014). This is expected to go down again in 2018, to €140,347. Transparency in selecting project proposals remains low, as the evaluation criteria is not made clear and the results of the assessments are not communicated to applicants. Moreover, applicant NGOs cannot claim any human resources, administration or evaluation costs directly related to the approved projects, straining further their capacities.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

AidWatch Malta looks forward to the opportunity as stated recently by the Ministry for Foreign Affairs and Trade Promotion to involve SKOP (the National Platform of Maltese Development NGOs) in a consultation process to reform the call for ODA project applications. It is hoped that selection criteria will be clearer and direct costs for the projects will now include human resources, administration and evaluation costs.

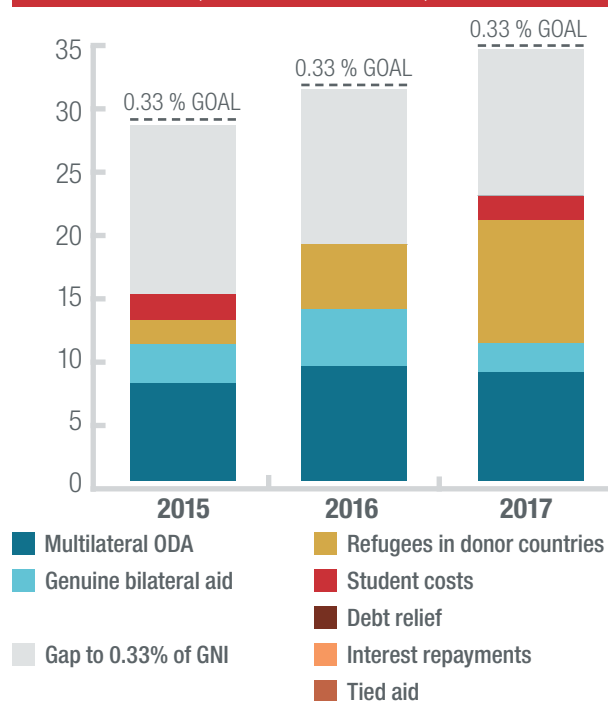
The Ministry’s decision to prioritise a few geographic areas for its ODA is shared by AidWatch Malta. But its intention to potentially link ODA to its political priorities for promoting trade in certain regions of Africa could turn out to be controversial

and troublesome. Recent political dynamics in the EU could potentially impact Malta’s ODA policy and implementation. Eventual populist reactions and potential lack of cooperation between EU member states on protecting asylum seekers might have direct consequences on the level of genuine aid as in-donor refugee and imputed student costs already make up 52.6% of expenditure (as of 2017).

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Increase the amount and proportion of genuine aid to meet the objectives set at EU level and make refugee costs additional to the ODA levels previously committed to. Due to Malta’s profile, small island developing states should be added to its ODA priorities.
- Increase the transparency of ODA reporting by an in-depth and comprehensive report on Malta’s overall ODA spending.
- Make the national call for proposals for NGO-implemented projects more transparent by publishing the selection criteria and detailed results of the evaluation process.
- Improve aid effectiveness by increasing the funds allocated to high-quality poverty eradication projects proposed by Maltese CSOs, and commit to progressively allocate 2%, 3% and then 5% of ODA budget over the next five years (i.e. 2019 – 2%, 2020 and 2021– 3% and 2022 onward 5%).
- Progressively allocate 1%, 2% and then 3% of ODA budget over the next five years for DEAR (Development Education and Awareness Raising) projects in Malta that contribute to attaining target 4.7 of the SDGs.

## MALTA - GENUINE AND INFLATED AID (€ million, constant 2016)



# THE NETHERLANDS

0.48% GENUINE AID/GNI

0.60% TOTAL AID/GNI



“I will first argue that ODA funds, that have been fought hard for in the negotiations – one of its advocates, so to speak, sitting here with us, Mr Voordewind – are well spent for the goals it is meant for. Should the definition of ODA change, then we will talk about it. For the time being this is not the case.”

Sigrid Kaag, Minister for Foreign Trade and Development Cooperation

## MAIN CHANGES IN 2017

After the parliamentary elections in March 2017 came a long period of government formation in the Netherlands. Migration was a central theme in the negotiations. After the negotiations with the Greens collapsed over this issue, VVD (liberal conservatives), CDA (Christian Democrats) and D66 (progressive liberals) started negotiations with the Christian Union, a traditional strong supporter of development assistance. In 2017, the new government increased the ODA budget by €1.75 billion. This was mainly used to fill the gaps created by the previous government to cover refugee costs in 2015 and 2016 and on other migration-related spending. However, the expected yearly cut of €1.4 billion (which is deducted from the 0.7% target of GDP), and that was initiated by the previous government, stays in place.

The new government also marked the start of minister Sigrid Kaag for Foreign Trade and Development. She has long experience in international affairs, most recently as special coordinator of the UN in Lebanon (UNSCOL).

In 2017, the percentage of Dutch-inflated ODA nearly doubled. This was mainly due to increased spending in in-donor refugee costs, imputed student costs and debt relief compared with 2016.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

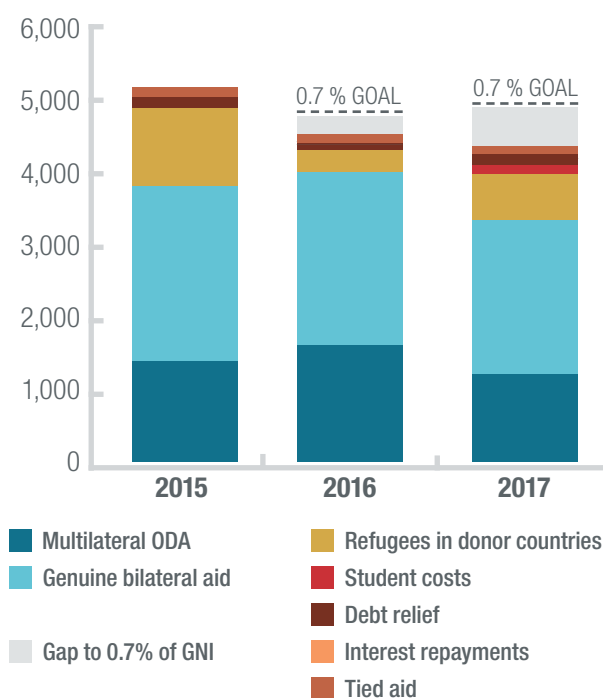
Minister Kaag announced an SDG check ('SDG-toets') that will be further developed later in 2018. This check should help to take the interests of developing countries into account in the initial stages of formulating new policy, legislation and regulations.

Kaag also announced her new policy for foreign trade and development, in which the SDGs take a central role.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Make the Netherlands an international champion in the fight against shrinking civic space.
- Show leadership in the international community by returning to the delivery of the 0.7% aid target.
- Make sure that neither Dutch nor EU Aid is used for border control.
- Introduce a ceiling for covering asylum costs with the ODA budget.
- Ensure that the policy conditions for trade-related activities are respected (to ensure their relevance to inclusive, sustainable development).

## THE NETHERLANDS - GENUINE AND INFLATED AID (€ million, constant 2016)



0.12% GENUINE AID/GNI

0.13% TOTAL AID/GNI

# POLAND



**“Development aid is an investment in the world’s stability and security, and thus in the stability and security of Poland.”**

Jacek Czaputowicz, Minister of Foreign Affairs, Information of the Minister of Foreign Affairs on Polish foreign policy tasks in 2018, 21 March 2018

## MAIN CHANGES IN 2017

Poland provided €603 million in ODA in 2017. As a percentage of GNI, Polish aid in 2017 decreased from 0.13% from 0.15% in 2016.

The value of bilateral ODA addressed to LDCs was €12.6 million in 2017. Poland reports about €5.35 million in refugee costs as ODA (0.8% of total ODA). Only €20.4 million was channelled through NGOs: 3% of total ODA and 10% of bilateral ODA.

The significant increase in humanitarian aid programmes (mainly for Syria and Syrian displaced people) seen in 2016 was continued in 2017 and reached €41.5 million (up from €29 million in 2016), but still humanitarian aid is only 7% of total ODA.

On the other hand, in 2017 the Polish government announced a stark 47% reduction in funds allocated to global education, and temporary termination of its volunteering programme. The official explanation is that both measures were based on the need to increase humanitarian aid. Changes in the 2017 Development Cooperation Plan and the ODA budget were made “overnight”, with no prior consultation, or communication, with the Development Cooperation Policy Council (the official advisory body). Moreover, because of budget cuts in 2017 in the regranting scheme for “democracy support” projects in Eastern Partnership countries, most Polish CSOs that operate there were left without funding to continue their activities.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

In accordance with Poland’s international commitments, the volume of Polish aid should reach 0.33% of GNI by 2030. The Polish aid budget grew slowly until 2016 (to 0.15% of GNI), but in 2017 fell to 0.13% of GNI. To meet its commitments, Poland needs to increase its spending on Polish development cooperation to almost 13 billion Polish zloty (PLN) in 2030. This means a systematic annual growth of total Polish ODA by about 840 million PLN. At this point it seems to be unrealistic, even if humanitarian aid is doubled in 2018 from 2017, as was declared by the Prime Minister in July 2018. Increasing ODA has rather low priority, however, some efforts of the MFA to increase ODA were supported by MPs from the Foreign Affairs Committee.

The position of the Polish government on hosting asylum seekers in Europe has been unchanged since 2015: “Poland helps on the spot”. To show contribution to humanitarian aid, at

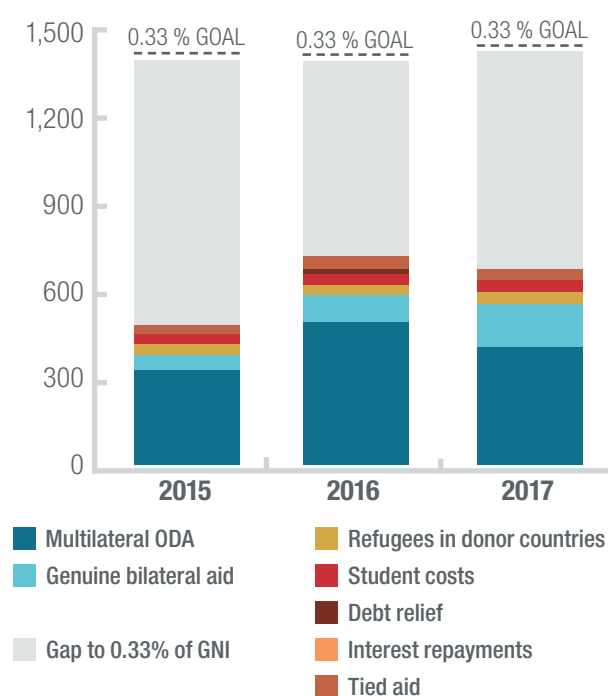
the start of 2018 the Prime Minister created a new Department of Humanitarian Aid in his office and declared further increase of related spending. The department distributes additional sources (i.e. for humanitarian projects led by NGOs) to enrich the ODA pool.

In 2018 the MFA commissioned a mid-term evaluation of the Multiannual Development Cooperation Policy Council 2016–20. The results will be available in autumn 2018 and used for drafting the next multi-annual programme after 2020. Consultation of this new strategy should start in late 2018.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Present an operational plan for increasing the level of ODA to 0.33% of GNI by 2030.
- Include core support and capacity building for NGOs and other social partners in a comprehensive cooperation programme for civil society development.
- Strengthen the role of the Development Cooperation Policy Council, to enable this body to be in a position to fulfil its mandate.
- Get more involved in monitoring the implementation of development cooperation policies.

### POLAND - GENUINE AND INFLATED AID (€ million, constant 2016)





# PORTUGAL

0.18% GENUINE AID/GNI

0.20% TOTAL AID/GNI



**“Cooperation is one of the central dimensions of Portugal’s foreign and European policy, delegated cooperation is not our Californian gold nor our ATM machine, it is just a new responsibility, that complements and develops other equally crucial dimensions of the Portuguese cooperation.”**

Augusto Santos Silva, Minister of Foreign Affairs, Institute of National Defence, September 2017

## MAIN CHANGES IN 2017

According to preliminary data provided by Camões IP, the Portuguese Development Cooperation Agency, ODA increased slightly from €310 million in 2016 to €384 million in 2017, representing 0.20% ODA/GNI in 2017 (this differs from the OECD, which reports 0.18%). The OECD DAC Portugal Mid-term Review states, “this modest turnaround is out of step with Portugal’s economic growth rate of around 2% since 2015”. This slight increase in ODA relates to greater contributions to multilateral ODA (around €236 million) instead of bilateral ODA (€148 million), demonstrating the government’s prioritisation of new options of financing, such as delegated cooperation and trust funds. Camões IP has assumed the role of implementing actor in EU aid projects, namely through delegated cooperation. The Portuguese Non-Governmental Development Organizations (NGDO) Platform believes this new role poses risks of diverting national priorities to concentrating ODA in Portuguese-speaking countries, especially LDCs. There is still no clear information about these projects and what CSOs’ role will be. The constant reference to the private sector’s role is also a concern, since it is not accompanied by a clear statement on the importance of having guidelines for the sector’s participation based on human rights principles or environmental protection. According to Camões IP, the support to Portuguese CSOs totalled €7.5 million in 2017. However, CSOs feel there is a growing tendency to attribute funds through CSOs and not for CSOs. This may risk CSOs’ autonomy and independence to define their programmes’ strategies and CSOs may become dependent on donors’ agendas and programmes. Available data indicates that, until 2016, only 1% of ODA was channelled for CSOs’ projects.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

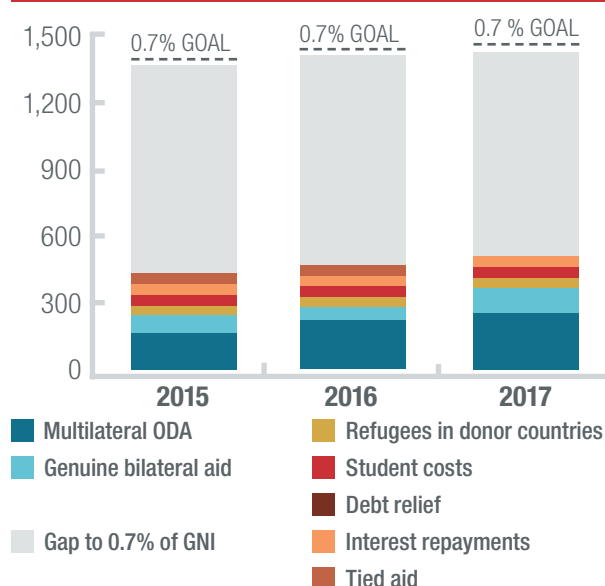
The Portuguese NGDO Platform is concerned that the tendency to prioritise external funding will be strengthened in 2018, leaving civil society behind. Also of great concern is the revised concept of ODA – widening the standards for contributions considered as ODA by the OECD DAC, including those of national interest, such as in-donor refugee and security costs. The lack of predictability, harmonisation, results orientation and alignment with aid effectiveness principles is likewise worrisome.

This is clearly shown by the lack of information from the government on future commitments for ODA, notably for 2018. In its implementing role, as EU aid partner for delegated cooperation projects of over €190 million, Camões IP may face important challenges in coordinating a national complex development cooperation system. This role may also divert national priorities on bilateral cooperation. Structured dialogue with CSOs must be improved, to guarantee their participation at strategic level as development partners and to ensure an opportunity for them to influence processes and decisions.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- *Redefine realistic ODA commitments, consistent with Portugal’s economic recovery and in terms of untying aid. Ensure ODA is not instrumentalised to serve objectives such as in-donor refugee costs, security and the internationalisation of national companies and remains focused on ending poverty in developing countries.*
- *Develop a clear communication strategy to ensure both accountability and strategic programming by its partners.*
- *Provide the necessary resources to Camões IP and guarantee public disclosure of information on delegated cooperation projects. Simultaneously assure that bilateral programmes and support for CSOs’ projects stay relevant, and do not reduce financial envelopes.*
- *Strengthen CSOs’ space for action by developing effective partnerships with CSOs and the Portuguese NGDO Platform, increasing the budget and implementing an inclusive and participative institutional dialogue.*
- *Implement policies and requirements to ensure that businesses respect human rights and do no harm.*

**PORTUGAL - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



0.15% GENUINE AID/GNI

0.15% TOTAL AID/GNI

# ROMANIA



**“Romania will commit for multilateralism, a dimension in which the UN hold the central role, and guaranteed that this approach will be also endorsed when holding the Presidency of the Council of the European Union in the first semester of 2019.”**

Prime Minister Viorica Dăncilă, June 2018

## MAIN CHANGES IN 2017

2017 was a challenging year due to delays in implementing the institutional changes approved back in November 2016, when the new national development agency, RoAid, was established under the MFA. In April 2017 the implementation norms were officially launched for public consultation and CSOs provided recommendations based on their expertise. Despite these efforts, the operationalisation process was finalised only towards the end of 2017. The delays in setting up RoAid had negative effects on the CSOs relying on the funding allocated yearly by the MFA for development projects. The traditional call for proposals launched yearly since 2012 was cancelled, jeopardising the sustainability of the CSOs projects previously supported. However, the major decrease in the implementation of the bilateral budget managed by the MFA (quite small compared with the other multilateral contributions counted as ODA) was not noticeable in the national budget, despite its negative consequences for CSOs.

According to the preliminary information received from MFA, Romania provided €284.76 million (0.155% ODA/GNI) in ODA in 2017: €124.57 million in bilateral and €160.19 million in multilateral ODA.

A new Department for Sustainable Development, under the Prime Minister's Office, was created in April, having as main responsibilities coordinating the implementation of the 2030 Agenda at national level and revising the National Sustainable Development Strategy (from 2008).

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

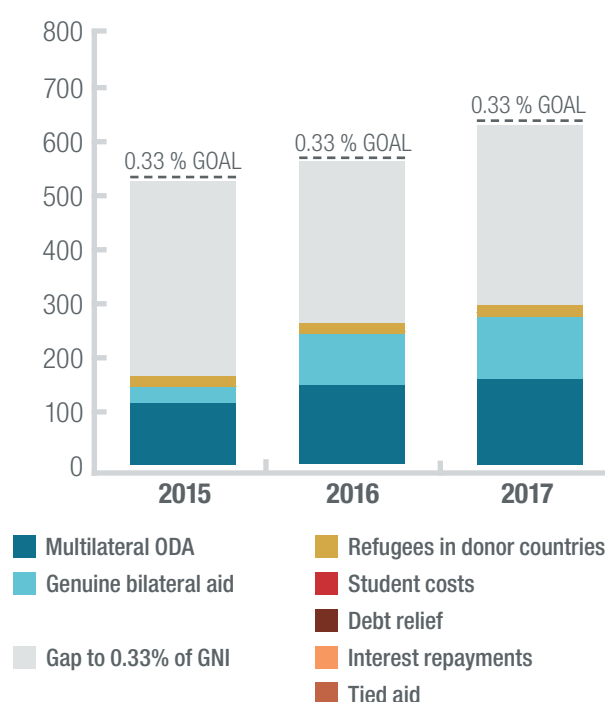
In 2018, the ODA national budget is likely to remain at a similar level. However, the bilateral budget from the MFA currently managed by RoAid should be given more attention. There is no information so far on a new call for proposal for CSOs to be launched by RoAid and even if one is launched in the second part of 2018, the implementation period would be too short to deliver effective results. This will continue the negative trend started last year affecting the development projects previously initiated by CSOs with support from the MFA and thus preventing CSO access (both Romanian and from partner countries) to funding or co-funding for EU projects from the national ODA budget.

On a more positive note, Romania will report in July 2018 for the first time the progress in implementing the 2030 Agenda at the UN High-level Panel Forum in New York. Interested CSOs were able to provide input on the draft Voluntary National Review and the Ministry of Environment accepted the request put forward by the Romanian NGDO Platform (FOND) to have a CSO representative in the national official delegation to the Forum. Also, according to the Department for Sustainable Development, the new revised national sustainable development strategy will be finalised in 2018 after public consultations with relevant stakeholders.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Advance with implementing the Annual Action Plan by RoAid, including launching the call for proposals for CSOs.
- Initiate a consultation with relevant national stakeholders (including CSOs) for elaborating the 2019 Annual Action Plan, with references to activities related to the Romanian Presidency of the EU Council Presidency, which will start in January 2019.
- Allocate adequate funding for implementing the development cooperation strategic framework and the 2030 Agenda, according to development effectiveness principles and international commitments.
- Ensure the monitoring and implementation of policy coherence for sustainable development in the framework of the 2030 Agenda and engage all relevant stakeholders in this process, including CSOs.

## ROMANIA - GENUINE AND INFLATED AID (€ million, constant 2016)





# SLOVAKIA

0.12% GENUINE AID/GNI

0.12% TOTAL AID/GNI



“In general, there is a huge competition for funding within all EU financial instruments. I see the future of development cooperation right now in the possibility of linking business sector with the NGO sector to maximise joint expertise and added value of the Slovak Republic.”

Karla Wursterova, General Director, Directorate General for International Organizations, Development Assistance and Humanitarian Aid

## MAIN CHANGES IN 2017

Several positive changes took place in Slovakia in 2017. In January, the government adopted a Concept of the Implementation of Agenda 2030 in the International Environment developed by the Ministry of Foreign and European Affairs. This was followed by the approval of a Draft Procedure for the National Implementation of Agenda 2030. The Government Council for Agenda 2030, an advisory body, has since been formed and met for the first time in December 2017. Meanwhile a participatory process aiming to facilitate space for defining SDG priorities in Slovakia was launched at the start of 2018. Another positive development has been the ongoing dialogue between the Slovak Agency for International Development Cooperation and development NGOs on how to simplify templates and financial regulations for development and humanitarian projects. Several changes were made in 2017, with a follow up in 2018, when new financial regulations were introduced. The most challenging issue still lies with the limited ODA funding resources for development and humanitarian projects. These meagre available ODA funds do not allow for continued development of financial capacities of the Slovak CSOs, thus limiting them in their work.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

In 2018 several positive changes are expected:

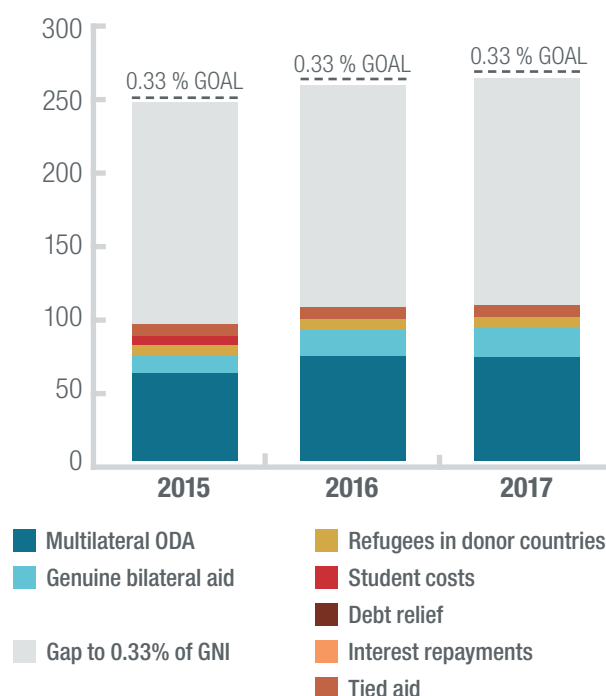
- Formulation of the National Priorities of the 2030 Agenda through a participatory process, as a baseline for the national strategy for the 2030 Agenda.
- Mapping of global education activities in formal and non-formal education sectors in Slovakia along with the National Seminar on Global Education 2018, which should both lead to more coordination between the Ministry of Foreign and European Affairs and the Ministry of Education, Science, Research and Sport. These activities could also fuel further development of the next National Strategy of Global Education.
- ODA peer review and preparation of the new Medium-Term Strategy for Development Cooperation for 2019–2023, with potential introduction of new financial modalities. A new modality for development projects – framework contracts –

is expected to be introduced. This should further strengthen cooperation between NGOs and private sector.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Increase ODA funding, by:
  - strengthening coordination and cooperation among different ministries leading to increased support of their sectoral priorities within the national development cooperation agenda
  - further developing capacities of the Slovak Agency for International Development Cooperation, giving it the ability to administer larger amounts of development funding.
- Introduce new financial instruments (financial contracts) for bilateral development cooperation actions, which would also have larger multiannual funding.
- Fight the root causes of migration also through raised funding, so that efforts are not reduced to border control.

## SLOVAKIA - GENUINE AND INFLATED AID (€ million, constant 2016)



**0.14%** GENUINE AID/GNI

**0.16%** TOTAL AID/GNI

# SLOVENIA



**“Two years ago we achieved a milestone in agreeing on our development road map. Achieving sustainable development is only possible if the global community works together in a firm partnership between governments, international organisations, civil society, academia and the private sector.”**

Dr Miro Cerar Jr, Prime Minister of Slovenia, September 2017

## MAIN CHANGES IN 2017<sup>1</sup>

Slovenia provided €68.05 million in ODA in 2017 representing 0.16% of GNI, a decrease from 0.19% in 2016. This significant fall was mainly due to diminishing refugee costs' eligibility and 5% GNI growth (some ODA spending is fixed and not attached to percentage of GNI). Another significant change in 2017 was an increase in imputed student costs, by €2.58 million annually (up 45.9% from 2016). This places Slovenia as the EU member state that allocates the biggest percentage of its ODA to this type of cost (around 12% of bilateral ODA). Imputed student costs are mainly reported for undergraduate students coming from Western Balkan countries to study in Slovenia. A system for monitoring the progress and contribution of those students to their countries of origin should be developed.

In 2017, the amount of bilateral ODA with gender equality as principle objective stayed the same as in the previous years (around 1%). Meanwhile guidelines for mainstreaming gender equality and empowerment of women in international development cooperation were prepared for adoption at national level.

In early 2018, Slovenia published a Third Biennial report on UN Climate Change, recognising an increase in Slovenian climate finance of 26% between 2015 and 2016. Nevertheless, Slovenian NGOs point out that Slovenia is double-reporting some of the results and spending under ODA and climate finance due to lack of more transparent international reporting guidelines.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

Based on projections and in accordance with 2030 Agenda implementation, ODA should start increasing again after 2020. The Slovenian national NGO platform SLOGA fears that “genuine” aid may still decrease in 2018 and 2019 due to expected further increase of imputed student costs and forecasted Slovenian GNI growth.

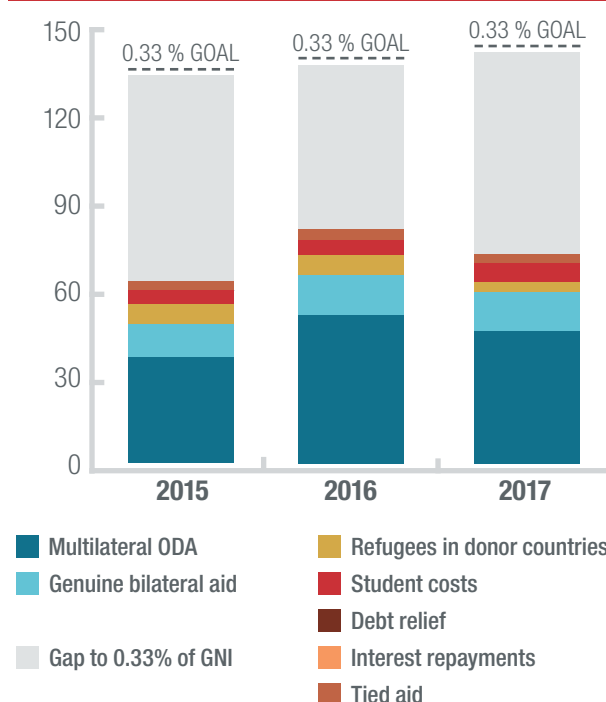
The government has been preparing a national strategy on development cooperation and humanitarian aid as well as a national action plan for implementing the strategy. Slovenian NGOs are emphasising the risk of linking domestic security and economic interests that might override the principles of aid effectiveness. On private sector participation, strengthened awareness-raising about possible best practices of private sector

contributions to development cooperation would be needed as well as strengthening of multi-stakeholder partnerships among different sector ODA implementers. The lack of progress and political will for corporate social responsibility in Slovenia around developing national policies and documents, and the MFA not yet considering anything beyond awareness raising and promotion of public-private partnerships, raise concern.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Increase ODA to 0.33% of GDP and ensure adequate organisational structure of governmental bodies for ODA implementation are in place, and focus programmes on reducing poverty and upholding human rights in LDCs.
- Extend bilateral ODA to become at least half of total ODA and strengthen the financial support to development projects of NGOs in development cooperation and education and humanitarian aid.
- Develop mechanisms for monitoring the brain drain concerns directly connected with raising imputed student costs from ODA-recipient countries and ensure continuity/follow-up cooperation with foreign supported students to extend their contribution to their countries' development.
- Prepare clear guidelines and safeguards for including the private sector while strengthening its involvement in reducing poverty; strengthen the respect of human rights in LDCs and ensure adequate financial resources for strengthening cross-sectoral and multi-stakeholder partnerships.

### SLOVENIA - GENUINE AND INFLATED AID (€ million, constant 2016)



<sup>1</sup> This analysis is based on preliminary data (available August 2018).

# SPAIN

0.17% GENUINE AID/GNI

0.19% TOTAL AID/GNI



**“We envision the 2030 Agenda as the core project for the country with a reinforced Cooperation Policy focused in a gender, humanitarian and multilateral leadership.”**

President Pedro Sánchez in the National Congress, 17 July 2018

## MAIN CHANGES IN 2017

Spanish ODA fell from 0.33% in 2016 to 0.19% in 2017; this was expected after the exceptional Cuban debt operation of €1.9 billion in 2016. The trend shows a recovery of 23.5%, from €1.7 billion to €2.1 billion (0.16% to 0.19%), that is not enough to overcome the low ODA effort of the last six years (below 0.2%) and to align with the UE-15 or DAC donors. In 2017, some crucial issues impacted the effectiveness and quality of aid:

- The former government failed to recover the Cooperation Policy in the 5th Master Plan and approved it without the support of most stakeholders.
- SDG implementation remained delayed and in a secondary stage.
- Again, the budget was under-executed – €2.4 billion against €2.1 billion – because the financial cooperation Instrument FONPRODE undermined the 2014 reform.
- The NGO-administration strategic relation framework did not move forward, while NGO resources remained stagnant.
- The quality of the system of accountability and transparency worsened from 2016 to 2018 as did Spain's 2018 Aid Transparency Index ranking (from “fair” to “poor”).
- The Business and Human Rights plan was approved in July 2017 – on the eve of the Human Rights Council Candidature – but has not yet left the desk.
- The effectiveness is affected by Spain not complying with the LDC aid target, underinvesting in humanitarian aid and awareness-raising and continuing to inflate and tie aid.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

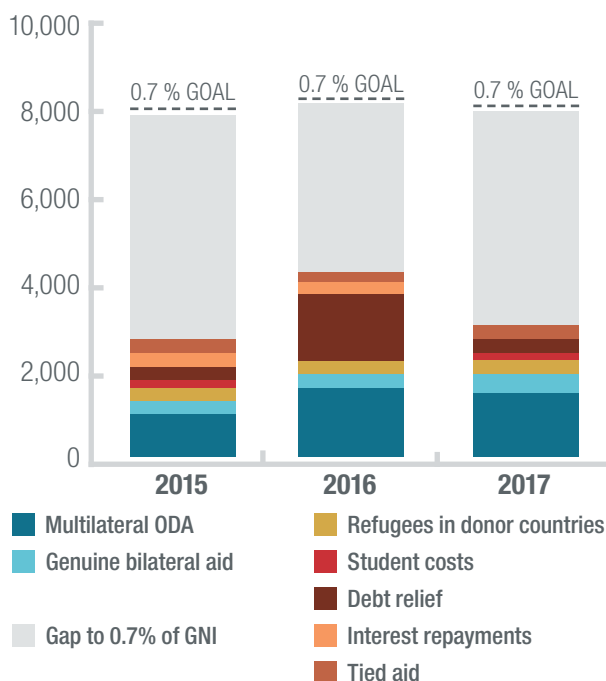
A motion of censure driven by the corruption scandals has provoked the fall of conservative Rajoy and the arrival of socialist Sánchez in June. On the development cooperation outlook, Foreign Affairs Minister Borrell committed during the High-level Panel Forum to recover the Cooperation Policy with more resources – “but never at the level before the crisis (0.5%)”. And reframing its priorities and relevance in the External Action in the context of the 2030 Agenda. President Sánchez backed this commitment in Parliament in July, envisioning the 2030 Agenda as the core project for the country with a reinforced Cooperation Policy focused around gender, humanitarian and multilateral leadership. It is too soon to know to what extent the government will be able to fulfil these commitments and approve the national budget for 2019, considering the two-year legislature and its

minority of deputies in parliament (84/350). For 2018 there is a strong inertia of low ODA, since the socialists must run the country with the former government's budget that established a goal of 0.22% of GNI/€2.6 billion ODA. Therefore, there is a strong possibility of missing the target.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Build up a national sustainable development strategy through a broad, meaningful policy dialogue to deliver the 2030 Agenda in its internal and external dimensions.
- Improve the 5th Master Plan with a long-term vision, review of priorities and credible roadmap of reforms and resources for delivering the external dimension of the 2030 Agenda.
- Establish a credible roadmap for achieving 0.4% in the short term – and 0.7% in the long term – considering effectiveness and quality.
- Ensure that fighting poverty and inequality and upholding human rights remain the focus of the Cooperation Policy, avoiding diversion and tied aid; make migration and security management and private-sector involvement consistent with this objective.
- Define an NGO/administration strategic relationship framework.
- Take practical steps to advance a policy-coherence-for-sustainable-development mechanism in the context of the 2030 Agenda. This requires a multilateral focus on systemic issues such as business and human rights, climate action, strong requirements and control of the weapons trade, gender and fiscal justice for fighting inequalities.

**SPAIN - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



**0.86%** GENUINE AID/GNI

**1.01%** TOTAL AID/GNI

# SWEDEN



**“We continue to stay with the goal of spending 1 percent of GNI on aid, which we think is very important at a time when formerly like-minded donors are decreasing their funding. But we focus on both quantity and quality of aid, in line with the principles that were decided in the Busan Partnership for Effective Development Cooperation — which means emphasizing the importance of local ownership and coordination with others.”**

Ulrika Modéer, Sweden's secretary of state for international development

## MAIN CHANGES IN 2017

Swedish ODA increased in 2017 from 2016, reaching 1% of GNI. Thematically, there were few changes in the government's priorities from the previous year. The government developed various thematic aid strategies, including strategies on democracy, human rights and the rule of law, gender equality, sustainable social development, and sustainable environmental development and climate. Assignments to the national development agency Sida included supporting partner countries to reach climate commitments, and counteracting the closing democratic space for civil society and other actors. Sweden continues to mobilise support to compensate for the large funding gap left when the United States withdrew funds for sexual and reproductive health and rights. In the negotiations on the EU's new European Consensus on Development, Sweden promoted a clear focus on reducing poverty. Some EU members wanted more integration of aid and military interventions, which Sweden opposed.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

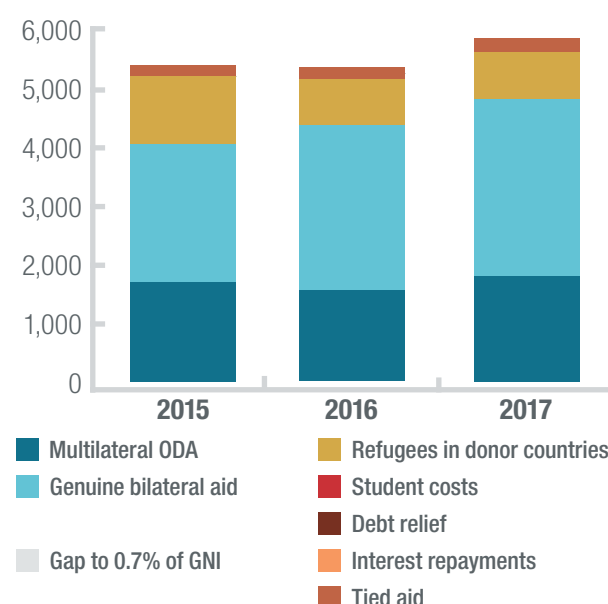
September 2018 is the time for Sweden's parliamentary elections, so the future of Swedish development cooperation is hard to predict. A likely outcome of the elections is a weak minority government, which might affect decision-making ability. The right-wing opposition parties want to replace the current aid policy framework, as well as the new action plan to implement the 2030 Agenda. Regardless of which type of coalition takes government after the elections, there is likely to be internal negotiations on development policy. In quantitative terms, 2018 seems a record year, with the highest Swedish aid budget ever. Some items receiving a high relative increase are: peace and conflict prevention, global efforts for sustainable development and the capital to the development finance institution Swedfund. The increase meant an additional half a billion Swedish Krona in the aid budget. Also, because fewer refugees can reach Sweden with the temporary migration policy, less than half of in-donor refugee costs were deducted from the aid budget in 2018 compared with 2017. The government's review of Sweden's model for reporting

in-donor refugee costs as aid is ongoing since late 2016, and no public information is yet available. Sweden's funding to and through multilateral institutions has increased over several years and this trend continues in 2018 and beyond. Some strategies for multilateral support were also reviewed in 2018.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Continue to dedicate 1% of GNI to international aid.
- Put people living in poverty and oppression at the centre of the priorities for aid. Among other things, this means long-term support for gender equality, democracy, human rights and support to people's own initiatives to organise, as well as a strong child-rights perspective.
- Ensure all actors who implement development efforts, whether public agencies, organisations or private companies, live up to the same standards of transparency, respect for human rights, the environment, decent working conditions and development effectiveness. Mitigate risks of negative effects caused by development efforts.
- Uphold the focus on ending poverty in aid's definition, as agreed in the OECD DAC, and work against attempts to weaken this focus. Continue to abide by the principles on effective development cooperation.
- Phase out the counting of in-donor refugee costs as aid. Meanwhile, apply the most conservative interpretation of OECD DAC guidelines to minimise deductions from aid programmes.
- Do not allow aid to be used for military purposes or attempts to limit migration to the EU, or to be conditional on donors' military, economic or migration agenda. This is important not least in the negotiations on the next long-term budget of the EU.

**SWEDEN - GENUINE AND INFLATED AID**  
(€ million, constant 2016)





# UNITED KINGDOM

0.68% GENUINE AID/GNI

0.70% TOTAL AID/GNI



“I would like to have projects which deliver a much more explicit win for the UK’s interests as well, because without that we won’t be doing aid well.”<sup>1</sup>

Rt Hon Penny Mordaunt MP, Secretary of State for International Development

## MAIN CHANGES IN 2017

In 2017, the UK met for the fifth consecutive year the 0.7% ODA/GNI target. Following the UK general election in June 2017, the Conservative Party which formed the government stated “We do not believe that international definitions of development assistance always help in determining how money should be spent, on whom and for what purpose, so we will work with like-minded countries to change the rules so that they are updated and better reflect the breadth of our assistance”. Nonetheless, the new government recommitted to the 0.7% target.

At the High-level Meeting of the OECD DAC in October, the UK proposed a change to the aid rules: a “three-year waiver” for high-income countries struck by disasters to temporarily qualify for ODA. Although the DAC secretariat committed to working on this, concerns were raised about distorting existing robust OECD DAC rules on ODA spending and diverting money away from the world’s poorest countries and people and toward the national interest of donor countries.

In November 2017, the International Development Secretary of State resigned after breaching the ministerial code.<sup>2</sup> Her and her successor’s tenure have been characterised by an increased focus on aid in the national interest into and beyond 2018.

This has included establishing the cross-government Prosperity Fund. This was set up to promote global prosperity, working in middle income countries to remove the barriers to economic growth, but with the explicit secondary benefit that reforms brought about by the programmes would create opportunities for international business including UK companies.<sup>3</sup>

The government had also created the Conflict, Stability and Security Fund in 2015, whose programmes and ODA budget spend increased in 2017 and is projected to again in 2018. Its budget in 2016/17 was £1.1 billion and a mix of ODA and non-ODA.<sup>4</sup> The fund supports security, defence, peacekeeping, peacebuilding and stability activities in the name of UK national security interests.

<sup>1</sup> [https://www.devex.com/news/new-dfid-leadership-team-sets-out-priorities-91997?utm\\_source=article&utm\\_medium=92981&utm\\_campaign=line](https://www.devex.com/news/new-dfid-leadership-team-sets-out-priorities-91997?utm_source=article&utm_medium=92981&utm_campaign=line)

<sup>2</sup> <https://www.theguardian.com/politics/2017/nov/08/priti-patel-forced-to-resign-over-unofficial-meetings-with-israelis>

<sup>3</sup> <https://www.gov.uk/government/publications/cross-government-prosperity-fund-programme/cross-government-prosperity-fund-update>

<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/630077/conflict-stability-security-fund-annual-report-2016-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630077/conflict-stability-security-fund-annual-report-2016-2017.pdf)

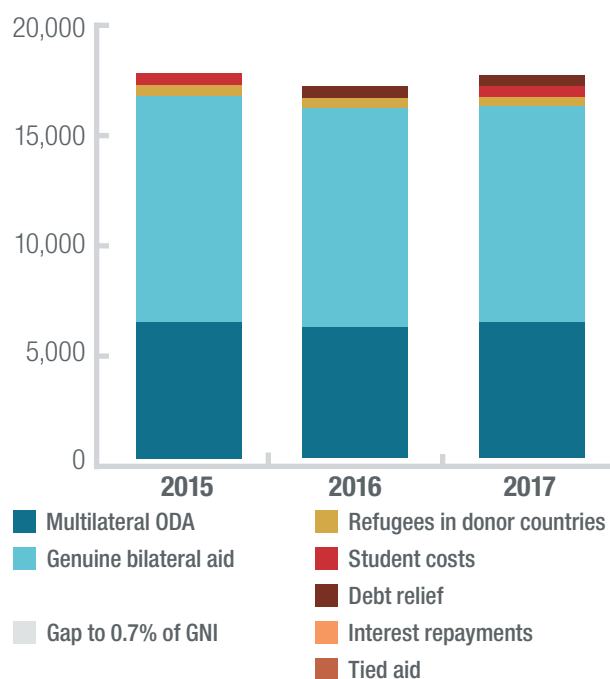
## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

While the Department for International Development (DFID) remains the UK’s primary aid channel, the 2015 UK Aid Strategy committed that “to respond to the changing world, more aid will be administered by other government departments, drawing on their complementary skills”. By 2020, 30% of all UK ODA will be spent by other government departments outside of DFID. This intention was accompanied by a commitment that also by 2020, all UK ODA spend, regardless of what department spends it, will be ranked as either “good” or “very good” on the Aid Transparency Index. However, in July 2017, while DFID was rated “very good” on the index, the Foreign and Commonwealth Office was rated as “poor”.

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- Make all ODA conform with the UK International Development Act 2002, while improving coherence, transparency and poverty focus of cross-government fund projects before increasing their share of UK ODA any further.
- Continue to honour the commitment to spending 0.7% of GNI on ODA. This needs to be in line with the International Development Act, OECD aid rules and the development effectiveness agenda, with a clear focus on tackling poverty.
- Prioritise collective action. The UK should not “go it alone” outside the OECD DAC framework. This could weaken the vital independent scrutiny and standard-setting role played by the DAC, and heighten the risk of misuse of aid.

## UNITED KINGDOM - GENUINE AND INFLATED AID (€ million, constant 2016)



**0.95%** GENUINE AID/GNI

**0.99%** TOTAL AID/GNI

# NORWAY



**“The aims of the Government’s development policy are to save lives, promote democracy and human rights, and contribute to lasting poverty reduction... The Government will seek to ensure that Norwegian aid efforts are effective and will retain the goal of allocating 1% of Norway’s gross national income (GNI) to development aid.”**

Government’s 2018 political platform

## MAIN CHANGES IN 2017

In 2017 Norway contributed 0.99% of its GNI to ODA.

The government published a white paper on development policy and the SDGs in April 2017, which led to some key agreements in parliament, such as:

- agreement to keep aid to health and education at high levels towards 2030;
- five continued priority areas for Norwegian aid (education, health, private sector/job creation, climate/environment and humanitarian assistance);
- establishment of the Knowledge Bank set-up: an umbrella for aid programmes promoting knowledge sharing and technical expertise;
- increased aid to the private sector and job creation;
- increased acceptance of risks associated with prioritising more aid to fragile and conflict-affected countries (that are severely off-track to meeting the SDGs by 2030).

Norwegian ODA to in-donor refugee costs dramatically reduced from 2016 to 2017. This was not due to changes in the government’s ODA policies, but a more restrictive immigration policy.

## TRENDS AND PROJECTIONS FOR 2018 AND BEYOND

In January 2018 the Liberal Party (‘Venstre’) joined the Solberg Cabinet. With the new government, Norway once again has a Minister for Development (having gone without since 2013). The government’s political platform (2018) includes pledges that may impact aid. The government pledges to protect aid spending at 1% of GNI, to use aid to secure repatriation agreements (this policy is supported by a majority in parliament), to use aid to catalyse additional development finance (private and public), and to reform the organisation of Norwegian development cooperation (this process is expected to conclude by end 2018). In June 2018, the government published a white paper proposing 16 partner countries (10 with a long-term focus and 6 in fragility). The bulk of bilateral aid is expected to go to these countries; however, Norway does not put geographical restrictions on support to strengthen civil society, to Norfund or humanitarian aid.

It can be expected that:

- Bilateral aid will be concentrated in partner countries (and given that many of these are defined as fragile, there may

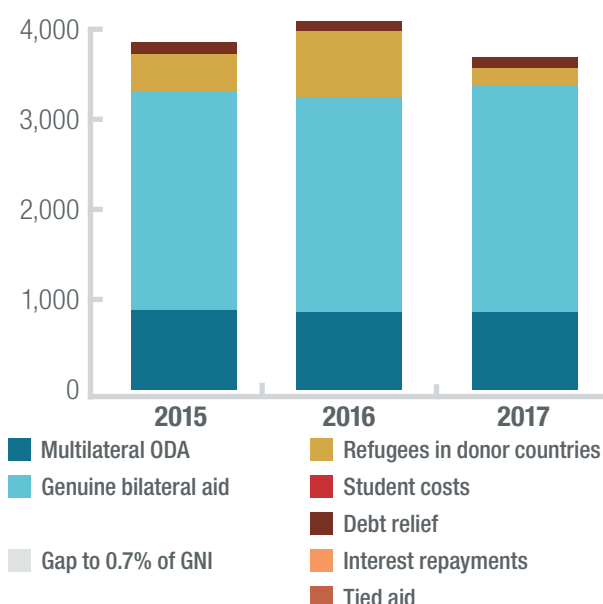
be increased emphasis on security and stability efforts).

- A continued high share of ODA will be channelled through multilaterals.
- Aid to the five priority areas will be maintained or increased; aid to the private sector will be increased (including the planned 50% rise in support to Norfund between 2017 and 2021).
- Coordination with the EU on migration and security, including support to EUTF will continue or increase.
- The focus on knowledge cooperation will increase (through the newly established Knowledge Bank) – including increased aid to tax administration strengthening (Norway has pledged to double this aid between 2015 and 2020, in line with Addis Tax Initiative).

## RECOMMENDATIONS TO THE NATIONAL GOVERNMENT

- *Keep aid at 1% of GNI, but ensure it is genuine and supports poverty reduction and sustainable development – not Norwegian interests related to security or migration.*
- *Stop reporting in-donor refugee costs as ODA (or put in place a ceiling to minimise the impact of the unpredictability of in-donor refugee costs on long-term aid).*
- *Do not use aid to secure repatriation agreements.*
- *Use Norway’s board seat in the EUTF to call for improvements to the fundamental weaknesses of the fund – including lack of transparency and implementation of development effectiveness principles; ensuring that (often short-term) interests of donor countries are not prioritised above developing countries’ national development plans and long-term development needs, and hold off further contributions until improvements are made.*

**NORWAY - GENUINE AND INFLATED AID**  
(€ million, constant 2016)



# ANNEXES

## ANNEX 1 – METHODOLOGY

### HOW THE COMPONENTS OF INFLATED AID ARE CALCULATED

Under the OECD DAC's official definition of aid, donors can report a number of financial flows that, in the view of CONCORD AidWatch, do not genuinely contribute to the objectives of development cooperation. To give a more accurate picture of donors' efforts to reduce poverty and inequality, the AidWatch methodology discounts the following items from net ODA flows (for more information, see the relevant sections that follow):

- spending on students in the donor country;
- spending on refugees in the donor country;
- interest repayments on concessional loans, which should instead be considered a 'negative' budget item;
- debt relief and future interest on cancelled debts;
- the additional cost of tied aid, in this report estimated at 15% of partially tied aid and 30% of tied aid.

The rationale for discounting these items is based on two principles: an assessment of whether or not they contribute to development, based on the aid effectiveness principles, and whether or not they represent a genuine transfer of resources to developing countries. Measuring aid inflation in relation to an 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, because it is only possible to estimate it in relation to the expenses managed directly by donors. Consequently, 'genuine aid' is the sum of all multilateral aid and 'genuine bilateral aid' (meaning bilateral ODA disbursements, in constant 2016 prices, minus the already-mentioned inflated aid items).

### 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.<sup>56</sup> In theory, only the cases in which foreign affairs ministries or aid agencies are involved should be counted towards student costs, but the methodology for estimating these costs is not well defined by the OECD.<sup>57</sup> Reporting practices also seem to differ by country, especially when it comes to the level of involvement of aid authorities and the types of costs that are eligible.

As data on imputed student costs in 2017 was not available at the time of writing, the figures used in this report are based on projections calculated with the official data available for 2013–2016 – except when National Platforms were able to access updated data. For more details on the how the projections were calculated, see the “Quantitative data” section.

### REFUGEE COSTS

According to OECD DAC rules, resources spent on supporting refugees arriving in the donor country are eligible as ODA for the first 12 months of their stay. Eligible expenditure includes payments for refugees' transport to the host country, temporary sustenance (food, shelter and training) and some of the costs of resettlement.<sup>58</sup> In CONCORD's view, while it is vital for countries to support refugees arriving at their borders, labelling these kinds of expenditure as ODA is misleading, given that they provide no resources for developing countries and are not linked to the core purpose of ODA – which is to promote the economic development and welfare of developing countries.<sup>59</sup> In addition, donors show considerable differences in their reporting practices. To obtain the genuine aid figure, therefore, in-donor- refugee costs must be removed from net ODA flows.

New reporting standards for in-donor refugee costs were clarified by the DAC at the High Level Meeting in October 2017.<sup>60</sup> The guidelines reinstate the eligibility rule of covering only the first 12 months of stay; they also clarify eligible categories of refugees and cost items. However, the outcome of this review process did not address CSOs' demand for donors to phase out entirely the reporting of in-donor refugee costs as ODA.

### DEBT RELIEF AND FUTURE INTEREST ON CANCELLED DEBTS

When donors cancel or reschedule bilateral debts, the amount cancelled can be reported as aid in the year the debt is restructured.<sup>61</sup> The cancellation of unpayable debts is important, but it should not be counted as aid. In the first place, in their cancellation donors can count both the principal and future interest; and 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

<sup>56</sup> The CRS DAC line used in this report for student costs is I.A.5.2.

<sup>57</sup> OECD DAC (2010) *Statistical Reporting Directives – purpose and structure*, DCD/DAC(2010)40/REV1

<sup>58</sup> The CSR DAC line used in this report for in-donor refugee costs is I.A.8.2.

<sup>59</sup> [https://www.oecd.org/dac/CSO\\_recommendations\\_to\\_the\\_DAC\\_on\\_IDRC\\_May\\_2017.pdf](https://www.oecd.org/dac/CSO_recommendations_to_the_DAC_on_IDRC_May_2017.pdf)

<sup>60</sup> <http://www.oecd.org/dac/DAC-HLM-Communique-2017.pdf>

<sup>61</sup> The CRS DAC line used in this report for debt relief is I.A.6.



and 2009 were debts resulting from export credit guarantees.<sup>62</sup> The mandate of export credit agencies is to support national (donor-country) 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 that debt in 2006.<sup>63</sup>

## TIED AID<sup>64</sup>

The problem with tied aid is that making aid conditional on the purchase of goods and services from one donor country, or a restricted set of countries, reduces its development impact. Firstly, this is because it increases the cost of purchasing goods and services (by between 15–30%), undermining affordability for poor countries.<sup>65</sup> It acts as an expensive subsidy for donor-country industries. And secondly, because it may actually increase the net resource flow from developing to donor countries. By preventing developing countries from procuring local goods and services, it undermines local job generation and economic development. To reflect the financial impact of tying, the CONCORD AidWatch methodology discounts 30% of the flows that are recorded as fully tied and 15% of the flows that are partially tied.

As data on tied aid in 2017 was not available at the time of writing, the figures used in this report are based on projections calculated with the official data available for 2013–2016. For more details on how the projections were calculated, see the “Quantitative data” section.

## INTEREST PAYMENTS ON CONCESSIONAL LOANS

When donors estimate their net ODA, they discount the repayment of the principal by recipient governments, but not interest payments, which are counted as aid.<sup>66</sup> CONCORD AidWatch counts 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 billion (€1.8 billion) in “concessional” loans to developing countries at interest rates above their own borrowing costs.<sup>67</sup>

As data for 2017 on interest repayments was not available at the time of writing, the figures used in this report are based on projections calculated with the official data available for 2013–2016 – except when National Platforms were able to access updated data. For more details on how the projections were calculated, see the “Quantitative data” section.

## RESEARCH SOURCES

### QUALITATIVE FINDINGS

The main source for the qualitative findings in the report was a review of CONCORD’s position papers and desk-based research drawing on both official and non-official analysis. Other sources include the European Commission, OECD and the GPEDC. This was complemented by inputs from the CONCORD AidWatch team. The main source for the country examples in the report was a standardised questionnaire survey, conducted by the consultants among all of CONCORD’s 29 National Platforms, at the start of the report drafting period.

The National Platforms themselves drafted the country pages. In the case of the EU institutions, the country page was drafted by the consultants and the main sources used were official European Commission documents, the EU Aid Explorer website and the OECD DAC Creditor Reporting System (CRS).<sup>68</sup>

### QUANTITATIVE DATA

The report relies on the OECD CRS dataset,<sup>69</sup> including preliminary OECD DAC CRS data for 2017. This data has been complemented by updated figures provided by CONCORD’s National Platforms. In some cases, data provided by the European Commission and Eurostat has been used (for example to complement the deflators provided by the OECD, which do not cover all EU28 countries and are applicable mainly against US dollars). Data for 2016 was also compiled using the OECD CRS dataset, now confirmed and which might slightly differ from preliminary data used in last year’s edition.

Except where indicated otherwise, all figures in Part One and given in euros are expressed in “2016 constant prices”, as is the case for all the figures obtained from a primary source. The use of constant prices justifies the difference of official preliminary figures, particularly with regards to the gap towards the ODA/GNI target. All figures in Part Two are expressed in current prices.

62 <https://eurodad.org/files/pdf/4735-exporting-goods-or-exporting-debts-export-credit-agencies-and-the-roots-of-developing-country-debt-.pdf>

63 *Idem*

64 The CRS DAC line used in this report for tied aid is DAC7b.

65 <https://www.oecd.org/derec/dacnetwork/41538129.pdf>

66 The CRS DAC line used in this report for repayments of interest on concessional loans and future interest on cancelled debts is DAC2a.

67 [www.ft.com/content/b3d73884-a056-11e2-88b6-00144feabdc0](http://www.ft.com/content/b3d73884-a056-11e2-88b6-00144feabdc0).

68 For more information about the EU Aid Explorer see: <https://euaidexplorer.ec.europa.eu>

69 [www.stats.oecd.org](http://www.stats.oecd.org)

Since data for 2017 on imputed student costs, tied aid and interest repayments was not published by the OECD or in general not accessible to the National Platforms at the time of writing, some projections, based on official data available for 2013–2016, have been used to fill these data gaps. Note that in previous years projections were only used for tied aid and interest repayments, as preliminary data for imputed student costs had been available. The projected data is the average of two functions commonly used to predict future values by using existing ones: linear regression<sup>70</sup> and the Holt-Winters method.<sup>71</sup> This projecting method has proved to be reliable when comparing the result of projecting the figures for 2016 using data for 2012–2015 with the figures already published by the OECD for ODA in 2016. Nonetheless, CONCORD AidWatch is cognisant that the conclusions taken from forecasts are mainly indicative of a somehow linear evolution, as the political context may significantly change the outcome.

This same projection method was also used to calculate the estimated timescale for keeping the 0.7% promise, based on both total ODA and genuine ODA.

In addition, the quantitative analysis of ODA provided to LDCs relies on EU compiled data for 2013–2016. To ensure consistency of the report, the figures were changed to constant prices. This differs from the OECD DAC, which measures only bilateral input, while this adds also multilateral. This is hence a different approach from the one used in previous AidWatch reports.

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<sup>70</sup> For more information about the linear regression method see: <https://support.office.com/en-us/article/FORECAST-function-50ca49c9-7b40-4892-94e4-7ad38bbda99ht>

<sup>71</sup> For more information about the Holt-Winters method see: <https://grisha.org/blog/2016/01/29/triple-exponential-smoothing-forecasting> and [https://en.wikipedia.org/wiki/Exponential\\_smoothing#Triple\\_exponential\\_smoothing](https://en.wikipedia.org/wiki/Exponential_smoothing#Triple_exponential_smoothing)

## ANNEX 2 – ABBREVIATIONS

<b>CRS</b>	Creditor Reporting System
<b>CSO</b>	Civil society organisation
<b>DAC</b>	Development Assistance Committee
<b>EFSD</b>	European Fund for Sustainable Development
<b>EFSD+</b>	European Fund for Sustainable Development Plus
<b>EU</b>	European Union
<b>EUTF</b>	EU Trust Fund for Africa
<b>GNI</b>	Gross national income
<b>GPEDC</b>	Global Partnership for Effective Development Cooperation
<b>LDC</b>	Least developed country
<b>LMIC</b>	Lower-middle-income country
<b>MFF</b>	Multiannual Financial Framework
<b>MIC</b>	Middle-income country
<b>NDICI</b>	Neighbourhood, Development and International Cooperation Instrument
<b>ODA</b>	Official development assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PSI</b>	Private sector instrument
<b>SDG</b>	Sustainable Development Goal

## ANNEX 3 – TABLES

**TABLE 1: EU-15. 2016 AND 2017 GENUINE AND TOTAL ODA AS PERCENTAGE OF GNI (IN 2016 CONSTANT PRICES)**

	Genuine aid in % GNI in 2017	Total aid in % GNI in 2017	Genuine aid in % GNI in 2016	Total aid in % GNI in 2016
Luxembourg	1.00%	1.00%	1.00%	1.00%
Sweden	0.86%	1.01%	0.78%	0.94%
Denmark	0.69%	0.72%	0.62%	0.75%
UK	0.68%	0.70%	0.68%	0.70%
Netherlands	0.48%	0.60%	0.58%	0.65%
Germany	0.45%	0.66%	0.47%	0.70%
Belgium	0.38%	0.45%	0.40%	0.50%
Finland	0.38%	0.41%	0.38%	0.44%
France	0.36%	0.43%	0.31%	0.38%
Ireland	0.29%	0.30%	0.32%	0.32%
Austria	0.23%	0.30%	0.23%	0.42%
Italy	0.19%	0.29%	0.18%	0.27%
Portugal	0.18%	0.20%	0.14%	0.17%
Spain	0.17%	0.19%	0.14%	0.34%
Greece	0.12%	0.16%	0.11%	0.19%

**TABLE 2: NORWAY. 2016 AND 2017 GENUINE AND TOTAL ODA AS PERCENTAGE OF GNI (IN 2016 CONSTANT PRICES)**

	Genuine aid in % GNI in 2017	Total aid in % GNI in 2017	Genuine aid in % GNI in 2016	Total aid in % GNI in 2016
Norway	0.95%	0.99%	0.91%	1.12%

**TABLE 3: EU-13. 2016 AND 2017 GENUINE AND TOTAL ODA AS PERCENTAGE OF GNI (IN 2016 CONSTANT PRICES)**

	Genuine aid in % GNI in 2017	Total aid in % GNI in 2017	Genuine aid in % GNI in 2016	Total aid in % GNI in 2016
Estonia	0.15%	0.17%	0.18%	0.19%
Romania	0.15%	0.15%	0.15%	0.15%
Slovenia	0.14%	0.16%	0.16%	0.19%
Czech Republic	0.12%	0.13%	0.13%	0.14%
Lithuania	0.12%	0.13%	0.14%	0.14%
Poland	0.12%	0.13%	0.14%	0.15%
Slovakia	0.12%	0.12%	0.12%	0.12%
Malta	0.11%	0.22%	0.15%	0.20%
Hungary	0.11%	0.11%	0.16%	0.17%
Bulgaria	0.10%	0.11%	0.12%	0.13%
Latvia	0.10%	0.11%	0.10%	0.11%
Croatia	0.09%	0.09%	0.07%	0.07%
Cyprus	0.09%	0.09%	0.09%	0.09%

**TABLE 4: EU 2017 INFLATED AND GENUINE AID (CONST. 2016)**

	TOTAL AID		BILATERAL AID		INFLATED AID		GENUINE AID	
	€ million	%GNI	€ million	% total aid	€ million	% bilateral aid	€ million	% total aid
Austria	1,053.90	0.30%	500.38	47.48%	246.73	49.31%	807.17	77%
Belgium	1,872.92	0.45%	1,085.00	57.93%	322.95	29.77%	1,550.26	83%
Bulgaria	54.29	0.11%	8.62	15.88%	3.70	42.92%	50.59	93%
Croatia	43.21	0.09%	8.62	19.95%	0.00	0.00%	43.21	100%
Cyprus	15.76	0.09%	0.00	0.00%	0.00	0.00%	0.00	0%
Czech Republic	228.97	0.13%	66.29	28.95%	26.25	39.59%	202.72	89%
Denmark	2,052.75	0.72%	1,430.89	69.71%	108.02	7.55%	1,944.33	95%
Estonia	35.26	0.17%	16.87	47.85%	2.84	16.85%	32.43	92%
Finland	908.39	0.41%	448.09	49.33%	68.18	15.22%	840.30	93%
France	9,808.66	0.43%	5,643.73	57.54%	1,765.75	31.29%	8,042.03	82%
Germany	21,152.01	0.66%	16,662.40	78.77%	6,758.05	40.56%	14,393.96	68%
Greece	275.34	0.16%	76.50	27.79%	71.30	93.20%	204.03	74%
Hungary	124.10	0.11%	32.56	26.23%	2.78	8.54%	121.31	98%
Ireland	695.17	0.30%	398.05	57.26%	9.71	2.44%	685.52	99%
Italy	4,972.20	0.29%	2,505.17	50.38%	1,760.50	70.27%	3,210.80	65%
Latvia	27.50	0.11%	4.06	14.77%	0.88	21.64%	26.63	97%
Lithuania	49.36	0.13%	11.12	22.54%	3.37	30.31%	45.99	93%
Luxembourg	362.60	1.00%	264.49	72.94%	0.76	0.29%	361.83	100%
Malta	22.44	0.22%	13.88	61.87%	11.64	83.84%	10.80	48%
Netherlands	4,277.60	0.60%	3,049.85	71.30%	895.91	29.38%	3,381.69	79%
Poland	569.13	0.13%	186.04	32.69%	46.04	24.75%	523.09	92%
Portugal	372.23	0.20%	143.46	38.54%	39.51	27.54%	332.72	89%
Romania	277.10	0.15%	121.22	43.75%	0.05	0.04%	277.06	100%
Slovakia	97.17	0.12%	25.26	26.00%	2.60	10.31%	94.56	97%
Slovenia	65.14	0.16%	22.03	33.82%	9.52	43.22%	55.66	85%
Spain	2,117.81	0.19%	713.20	33.68%	246.12	34.51%	1,872.08	88%
Sweden	4,772.34	1.01%	3,258.32	68.28%	722.51	22.17%	4,049.21	85%
UK	16,344.99	0.70%	10,203.74	62.43%	451.24	4.42%	15,892.57	97%
<b>Total EU-28 member states</b>	<b>72,648.32</b>	<b>0.49%</b>	<b>46,899.88</b>	<b>64.56%</b>	<b>13,576.93</b>	<b>28.95%</b>	<b>59,052.55</b>	<b>81.29%</b>
<b>% GNI</b>								<b>0.40%</b>
Norway	3,497.09	0.99%	2,650.67	75.80%	147.90	5.58%	3,349.18	96%
								0.95

**TABLE 5: EU28 2017 INFLATED AID COMPONENTS**

	Total inflated aid	Student costs as % of total inflated aid	Refugee costs as % of total inflated aid	Tied aid as % of total inflated aid	Interest received as % of total inflated aid	Debt relief as % of total inflated aid
Austria	246.73	37.19%	53.24%	6.02%	0.02%	3.53%
Belgium	322.95	11.69%	83.17%	3.65%	0.01%	1.48%
Bulgaria	3.70	0.00%	100.00%	0.00%	0.00%	0.00%
Croatia	0.00	N/A	N/A	N/A	N/A	N/A
Cyprus	0.00	N/A	N/A	N/A	N/A	N/A
Czech Republic	26.25	16.83%	69.58%	13.59%	0.00%	0.00%
Denmark	108.02	3.64%	94.55%	0.00%	0.00%	1.82%
Estonia	2.84	21.99%	78.01%	0.00%	0.00%	0.00%
Finland	68.18	0.00%	100.00%	0.00%	0.00%	0.00%
France	1,765.75	30.40%	27.68%	4.15%	35.44%	2.33%
Germany	6,758.05	14.22%	77.15%	1.05%	7.48%	0.10%
Greece	71.30	12.41%	87.50%	0.10%	0.00%	0.00%
Hungary	2.78	0.00%	100.00%	0.00%	0.00%	0.00%
Ireland	9.71	0.08%	99.92%	0.00%	0.00%	0.00%
Italy	1,760.50	0.02%	88.80%	0.11%	0.48%	10.61%
Latvia	0.88	17.06%	82.94%	0.00%	0.00%	0.00%
Lithuania	3.37	4.28%	95.72%	0.00%	0.00%	0.00%
Luxembourg	0.76	0.00%	0.00%	100.00%	0.00%	0.00%
Malta	11.64	16.76%	83.24%	0.00%	0.00%	0.00%
Netherlands	895.91	4.63%	81.76%	2.42%	0.00%	11.19%
Poland	46.04	26.99%	6.77%	43.20%	0.00%	0.00%
Portugal	39.51	26.43%	6.63%	0.00%	66.24%	0.00%
Romania	0.05	0.00%	100.00%	0.00%	0.00%	0.00%
Slovakia	2.60	0.00%	48.88%	51.12%	0.00%	0.00%
Slovenia	9.52	82.39%	12.17%	5.44%	0.00%	0.00%
Spain	246.12	0.30%	76.64%	6.90%	0.00%	16.15%
Sweden	722.51	0.00%	99.25%	0.75%	0.00%	0.00%
UK	451.24	0.10%	99.14%	0.00%	0.00%	0.75%
EU institutions	1,198.85	0.00%	0.00%	69.21%	30.79%	0.00%
<b>Total EU-28 member states</b>	<b>1,3576.9</b>	<b>12.78%</b>	<b>74.21%</b>	<b>1.80%</b>	<b>8.62%</b>	<b>2.60%</b>

Norway	147.90	0.00%	85.99%	0.00%	0.00%	14.01%
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