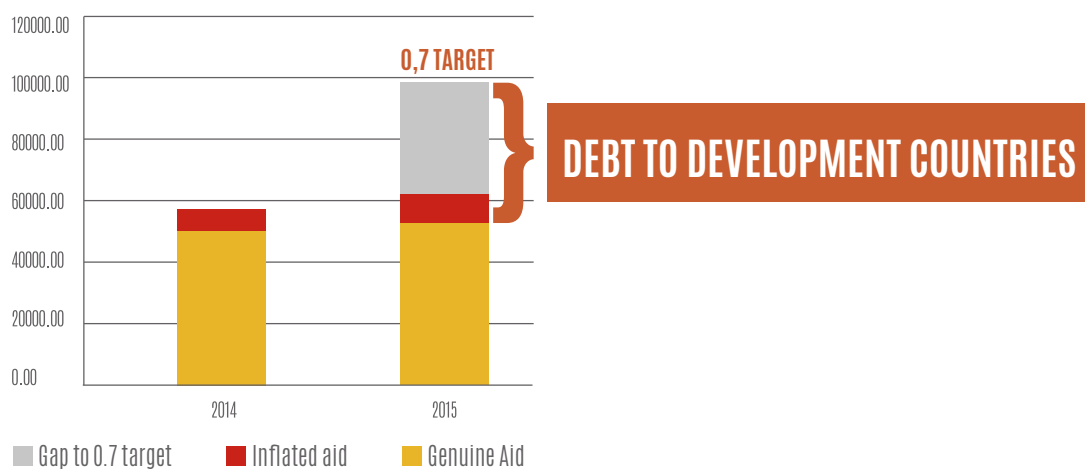


# CONCORD AIDWATCH



## REPORT 2016



**THIS IS NOT ENOUGH**



## **ABOUT THIS REPORT**

Since 2005, development NGOs from all 28 EU countries have come together every year through the AidWatch initiative, under the umbrella of CONCORD, to produce the annual AidWatch report. CONCORD is the European NGO Confederation for Relief and Development. Its 28 national associations, 20 international networks and 3 associate members represent over 2,600 NGOs which are supported by millions of citizens across Europe. CONCORD is the EU institutions' main partner in dialogue on development policy. As a confederation, CONCORD work towards a world where people enjoy their right to live free of poverty and exploitation and their right to enjoy wellbeing and equality.

More at: [www.concordeurope.org](http://www.concordeurope.org).

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

## **CONCORD PERIODIC PUBLICATIONS:**

### **AIDWATCH:**

Since 2005, Aidwatch has monitored and made recommendations on the quality and quantity of aid provided by EU member states and the European Commission. With these publications, we 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.

[www.concordeurope.org/aidwatch-reports](http://www.concordeurope.org/aidwatch-reports)

### **EU DELEGATIONS:**

The EU Delegations reports look at political and policy dialogue and programming processes, including the CSO roadmap process. The objectives of these publications are to contribute on improving the working relationship between the EU delegations and CSOs, gather examples of good practice and lessons learned, and make recommendations to the EU, member states and CSOs.

[www.concordeurope.org/eu-relationships-publications](http://www.concordeurope.org/eu-relationships-publications)

### **SPOTLIGHT REPORTS:**

Every two years since 2009, the Spotlight reports look into the policy coherence of the EU institutions and their impact on the vulnerable communities in countries outside Europe. These reports aim to raise awareness among EU political leaders and citizens on the need to change some domestic and external EU policies to ensure a fairer and more sustainable world.

[www.concordeurope.org/spotlight-publications-policy-coherence-development](http://www.concordeurope.org/spotlight-publications-policy-coherence-development)

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# EXECUTIVE SUMMARY

The past year has witnessed hugely significant political events and trends across Europe which, among other far-reaching implications, affect official development assistance (ODA). Deepening social inequality and ineffective handling of the unprecedented migratory pressures are contributing to huge shifts in Europe's own social, political and economic fabric.<sup>1</sup> This is among the factors which have added to a continued rise in political movements that tend not to value global solidarity for poverty reduction, and rather advocate a reduction in ODA spending. We have seen a rise in political narratives that dehumanise and promote conflict with “outsiders”, including immigrants, refugees and people in other countries, and creating a false competition between domestic interests and foreign aid budgets. Such trends are creating political challenges for the quantity, and indeed the quality of ODA in many European countries, and those making the case for continued ambition to meet Europe's promises to the world's poorest.

## THE STATE OF EU AID

EU aid is backsliding. Having failed to achieve ODA targets by their original deadline of 2015, EU MSs are now pushing the attainment of these targets off into a distant future. Although the EU and its member states reaffirmed their commitment to increasing aid spending, only five EU countries met their target in 2015: Luxembourg, Sweden, Denmark, the Netherlands and the United Kingdom. Some EU member states actually cut ODA. As a group, the EU-28 is a long way off its target, delivering only 0.44% of its gross national income (GNI) in ODA. EU donors are undermining the transparency and accountability of aid by increasing its complexity, inflating its measurements and decreasing civil society access to decision-making processes. All this, despite OECD DAC efforts to “modernise” ODA reporting.

If the EU and its MSs reach their aid targets too late, the sustainable development goals will have little hope of success. The continued failure of the EU and its member states to meet their ODA obligations is contributing to persistent global poverty, hunger, human rights failures, the exacerbation of conflict, increased emergency migration, refugee flight and a great deal of other harm to people and human development. In this context, transparent and accountable aid – achieved with participation by civil society – is absolutely essential.

## RECOMMENDATIONS FROM CONCORD EUROPE

- *The EU and its member states should meet their aid targets and ensure that ODA remains focused on poverty alleviation in developing countries; other types of funding should*

*remain additional to ODA, and should not count towards the 0.7% ODA/GNI target.*

- *Those EU member states that have not yet reached the aid targets need to adopt concrete timetables for doing so.*

## GENUINE VERSUS INFLATED AID

The EU has missed its targets by €36.9 billion in genuine aid. In 2015, 17% of its aid did not reflect a real transfer of resources to developing countries, because it went to “in-donor” refugee spending, debt relief, student costs, tied aid and interest payments. Some EU member states increased their reported aid almost entirely through spending on refugees in their own countries, thereby becoming their own top beneficiaries. It does not help that the EU institutions merge handling of unprecedented numbers of migrants and refugees with migration policy and budgeting, when in fact the two issues are completely different from a legal and aid-reporting point of view. Tied aid – i.e., ineffective, conditional aid – accounted for €1.1 billion in 2015. Worse, aid to least developed countries (LDCs) – the ones that need it most – has been declining. The EU and its member states have decreased their aid for LDCs to €11.8 billion, down from €13 billion in 2010.

## RECOMMENDATIONS FROM CONCORD EUROPE

- *The EU and its member states should pay their aid debts, honour their commitments and achieve the 0.7% ODA/GNI target by 2020, through genuine ODA consistent with the aid effectiveness principles.*
- *EU donors should allocate at least 0.15% of GNI to LDCs by 2020, and 0.2% of GNI by 2025.*
- *Given the scarcity of ODA resources, and the failure of most EU member states to fulfil their aid commitments, these states should put assisting refugees in donor countries at the top of their existing aid commitments.*
- *EU countries must ensure that poverty reduction and the economic development of poor countries are what drive private-sector cooperation, by making businesses in developing countries eligible for funding under the new programmes.*
- *There should be no further erosion of the civilian character of development cooperation and ODA through the inclusion of military or quasi-military expenditures or the channelling of ODA through military actors.*

## EFFECTIVE AID

Key EU donor countries have reduced effective aid modalities that support ownership and the alignment of different country systems, while supporting those that fit in with donors' own external and internal priorities. Budget support to developing countries by the EU DAC members dropped from €3.7 to €2.8

<sup>1</sup> *To avoid duplication, sources and citations are provided only in the main body of the report.*

billion – from 7% to 5% of total aid – largely owing to actions by the UK, France, Germany, Denmark and the Netherlands.

Approaches based on aid effectiveness give “the best value for money” to each partner country, based on its demands and needs. While budget support is declining, emerging financing mechanisms, such as EU trust funds (EUTFs), are also challenging developing-country ownership and alignment. Most European donors are ramping up public support for development financing mechanisms that blend public and private resources and leverage private, commercial investment. Half of EU member states are increasing ODA allocations to the private, commercial sector. Across Europe, private-sector investment with public money is largely non-transparent and unaccountable: only four national private-sector strategies include a focus on accountability and compliance with human rights standards.

### RECOMMENDATIONS FROM CONCORD EUROPE

- *The EU and its member states should agree on an ambitious and action-oriented joint position to ensure that the Nairobi HLM delivers a plan to accelerate progress and foster inclusive development partnerships. Concrete time-tables for meeting the EU’s Paris, Accra and Busan commitments, including fully untying aid, aligning with country budget systems and enhancing inclusive, broad-based models of local and national ownership.*
- *The EU must ensure that new financing mechanisms, such as the EUTFs, are guided by development effectiveness principles, in particular, ownership and alignment.*
- *In 2016, CONCORD and leading CSOs have put forward detailed recommendations to ensure that OECD DAC reform leads to a principled approach to the use of aid in leveraging private finance. The EU and its member states should implement these recommendations, to ensure that ODA remains credible, transparent and accountable.*
- *The EU and its MSs should fund transparent, independent evaluations enabling local stakeholders to assess the cost-effectiveness and the impact of private-sector, commercial, development financing activities. An action plan with clear indicators is required for implementing the recommendations put forward in 2014 by CONCORD<sup>i</sup> and in 2015 by leading NGOs.<sup>ii</sup>*
- *The OECD DAC and EU donors should implement specific CONCORD recommendations, made in 2016, on monitoring and reporting on private-sector development finance.<sup>iii,iv,v</sup> Among other things, the action plan should include implementation guidelines for human rights due diligence as a binding framework for business enterprises, including steps to be taken with respect to their subsidiaries, suppliers and distribution channels.*
- *The EU and its member states should work with the UN’s Development Cooperation Forum (DCF) to develop a review*

*mechanism to assess and monitor progress, identify gaps, and promote accountability for PPPs; and with the GPEDC to establish an accountability architecture that would facilitate engagement by stakeholders, especially civil society, and that would ensure that all development finance reduces poverty and advances sustainable development.<sup>vi</sup>*

### CLIMATE FINANCE AND AID

From 2013 to 2014, the volume of bilateral climate-related ODA increased by more than the overall ODA volume (24% as opposed to 1%), which means that donors are prioritising climate ODA over other forms. EU donors have a mixed record. France, Ireland, Italy and Luxembourg increased climate ODA while decreasing ODA as a whole, but the Czech Republic, the EU institutions, Greece, the Netherlands, Slovenia and the UK did the opposite. Belgium, Denmark, Finland, Germany and Sweden increased both bilateral climate-related ODA and ODA as a whole, while Austria, Poland, Portugal and Spain decreased both ODA and bilateral climate ODA.

To help monitor whether the EU’s climate contributions are “new and additional” or whether they displace its other ODA priorities, CONCORD Europe last year urged the EU and its member states to define climate finance jointly. This was not done, nor is there a commonly agreed definition of what constitutes “effective” climate finance. Climate finance and climate-ODA reporting in the EU are often inconsistent, unclear and/or unreliable.





# PART ONE - OVERVIEW

# A. STATE OF EU AID

Having agreed on sustainable development goals (SDGs) and a framework for development finance, EU decision makers must now integrate and implement them to eradicate poverty and inequality by 2030. The task is complex. The SDGs now include 17 goals and 169 targets, and the Addis Ababa Action Agenda (AAAA) emphasises a growing range of non-traditional financing mechanisms – including blended public and private finance – which are inherently complex.

According to the UN's Sustainable Development Solutions Network, the most detailed needs assessments for the SDGs suggest that 2% of the world's gross domestic product (GDP) is needed to finance them. At least 50% of this amount needs to come from expanding the mobilisation of domestic resources in wealthy and developing countries alike, and an estimated US\$ 220-260 billion from international public finance.<sup>vii</sup>

This report presents detailed CONCORD AidWatch findings regarding recent aid spending by the EU and its member states, together with recommendations for how the EU can provide credible, transparent and accountable leadership for ending poverty.

CONCORD AidWatch is deeply concerned about the actions on development finance taken recently by the European Union (EU) and its member states. Despite reporting nominal aid increases in the past year, EU governments are failing to honour their commitments and are racking up a huge aid debt. They are inflating official development assistance (ODA) and development finance in ways that turn the donors themselves into the main beneficiaries of ODA, while reducing genuine aid to the countries and people that most need help. They are side-stepping proven and agreed effectiveness principles and approaches, increasing the conditionality of aid and reducing its transparency, while at the same time reducing the involvement of civil society and developing countries. Their reporting on climate and development finance is all too often inconsistent, unclear and/or unreliable.

## TRANSPARENCY AND ACCOUNTABILITY: ESSENTIAL FOR AID EFFECTIVENESS

Transparency and clarity in reporting are essential for understanding how much the EU and its member states are actually helping to attain the SDGs, eradicate poverty and promote human rights. To help improve ODA measurement and reporting, the OECD DAC is now working on a long-term process of modernisation. Its high-level meeting in February 2016 agreed on a new definition of ODA which includes more peace and security-related costs, as well as certain costs relating to “countering violent extremism”.<sup>viii</sup> Guidelines for ODA allocations for refugee costs in donor countries will be clarified by the end of 2016.<sup>ix</sup>

The ODA modernisation process launched by the OECD DAC could be used to produce rigorous, demanding criteria and

standards to ensure that aid is not undermined by counter-productive incentives. As CONCORD has insisted for years, ODA should include only resources that focus explicitly on poverty eradication and agreed development effectiveness principles – in particular, ownership by developing countries. These clear and obvious criteria exclude many expenses that the EU and its MSs now count toward development finance, such as many types of commercial risk guarantees; spending in donor countries; resources tied to donor-country prosperity at the cost of developing-country ownership; spending on EU security; and non-sustainable and non-concessional debt.<sup>x,xi</sup> The poorest countries have been found to lose just over US\$ 2 for every US\$ 1 gained since 2008, with most of the losses caused by illicit financial flows, profits taken out by foreign companies, debt repayments and lending to rich countries.<sup>xii</sup>

CONCORD AidWatch finds that the increased complexity of development finance, aid inflation, reduced civil-society access to decision-making processes, and downsized approaches to effective development, are all undermining transparency and accountability.

## DONORS OR RECIPIENTS? AID SPENDING IN DONOR COUNTRIES

Although the EU and its member states reaffirmed their commitment to increasing their aid spending to 0.7% of GNI,<sup>2</sup> only five EU countries met the target in 2015: Luxembourg, Sweden, Denmark, the Netherlands and the UK. As a group, the EU-28 is a long way off target, delivering 0.44% of its GNI in ODA, compared to 0.41% in 2014, although in nominal terms aid did increase: from €57.2 billion to €62.4 billion. The countries receiving the greatest numbers of refugees showed some of the largest increases in EU aid, namely: Greece (39%), Germany (26%) and Hungary (25%). The large share of in-donor refugee costs within that increase benefits the donor countries, however, rather than those most in need (for details, see the section on refugee costs).

The past year has witnessed dramatic political events across the EU that affect ODA trends. With the UK – one of the EU's biggest and best-performing donors – leaving the Union, the future of both its own development aid and the EU's will be affected. It has been estimated that the immediate 10% devaluation of the British pound, in the first week post-Brexit, reduced the value of UK aid by roughly US\$ 1.9 billion.<sup>xiii</sup> In the long run, the UK's future relationship with the EU will affect both their aid budgets and their aid effectiveness, will determine whether the UK remains engaged in EU development instruments and joint programming efforts, and will affect the UK's and the EU's nego-

<sup>2</sup> *High-Level Meeting on Financing for Development, Addis Ababa, Ethiopia, July 2015.*

tiating positions in global processes. The political shifts leading to Brexit may also empower domestic anti-aid critics and put greater pressure on the UK's aid budget and its commitment to 0.7% ODA/GNI.<sup>xiv</sup>

In May 2015 the Finnish government announced a 40% cut in its aid budget, including a 5.7% ODA cut in 2015. Finland has planned a €200 million aid cut for 2016. It has also announced that €130 million of grant aid will be converted into loans for companies committed to corporate social responsibility. The Finnish government should respect its international commitments as regards its level of ODA and development effectiveness, in addition to providing a concrete credible plan for reaching the 0.7 % target and meeting its climate finance commitments. This should include milestones for the current government.

Following parliamentary elections in 2015, Denmark's new centre-right government announced dramatic cuts to ODA. While the main impact of this will not be felt until 2016, the 2015 budget was affected immediately: the planned ODA of 0.87% of GNI in 2015, approved as part of the 2015 budget by the former government, was cut to 0.73% by the new one. From 2016, aid is expected to remain at 0.71% of GNI throughout the term of the current, centre-right government.<sup>xv</sup> In addition to this drastic cut in ODA, the focus of Danish aid has been shifted from developing countries to financing costs for receiving refugees within Denmark. In CONCORD's view, a minimum of 0.7% genuine ODA must be guaranteed, with refugee costs to be additional.

Some major EU donor countries have made no progress on their low ODA levels. In 2015, total Spanish aid stagnated at €1.4 billion, 0.13% of GNI – its lowest since the 1980s – despite economic recovery between 2014 and 2015 (2.49% growth). Official budgetary projections for 2016 show an increase of 32.1% (€582.95 million) from 2015; the bulk of this, however, is composed of accumulated debts to the World Bank, other contributions to international financial institutions and compulsory contributions to the EU.<sup>xvi</sup>

The 0.7% ODA/GNI is one of the most important quantitative targets. In order to be effective, however, it requires binding legislation/regulation backed up by concrete, verifiable national timetables for meeting aid targets by 2020, in time to contribute meaningfully to achieving the SDGs. These timetables should include allocating at least 0.15% of GNI to LDCs by 2020 and 0.2% of GNI by 2025, in order to reverse the trend of declining aid to LDCs. The EU must safeguard partner countries' responsibility and policy space for their own development by fully implementing the effectiveness agenda, starting with country ownership of development assistance.

## RECOMMENDATIONS

- *The EU and its member states should meet their aid targets and ensure that ODA remains focused on poverty alleviation in developing countries; other types of funding should remain additional to ODA, and should not be counted towards the 0.7% ODA/GNI target.*
- *Those EU member states that have not yet reached the aid targets need to adopt concrete timetables for doing so.*

## B. INFLATED VERSUS GENUINE AID

In line with the DAC's official definition of aid, donors may report financial flows that, in the opinion of CONCORD AidWatch, do not genuinely contribute to development. For a more accurate picture of EU aid, the CONCORD AidWatch methodology discounts the following items from net ODA flows:

- Spending on refugees in the donor country;
- Tied aid;
- Spending on students in the donor country;
- Interest repayments on concessional loans, and future interest on cancelled debts;
- Debt relief.

According to aid effectiveness principles, these items do not contribute to international development, nor do they represent a genuine transfer of resources to developing countries. They are added simply to inflate ODA figures. This report focuses on increased allocations for refugees and tied aid because there has been little change from last year's report in terms of spending on students, interest payments or debt relief.

In 2015, the 28 EU member states inflated their aid by almost €10.5 billion, or 17% of all aid flows. Measuring aid inflation in relation to the overall aid budget, however, minimises the real extent of the problem. Aid inflation is best viewed as a proportion of a bilateral aid budget: the expenses managed most directly by donors. Most EU countries present high levels of inflated aid, with Austria top of the list (74% inflated bilateral aid), followed by Italy (65%), Greece (58%) and Portugal (57%). Of the EU-13,<sup>3</sup> those that inflate aid most are Poland (51%), Slovenia (48%) and Malta (46%).

Sweden provides a striking example of how inflated aid raises questions about OECD-reported ODA figures: in 2015, the country reported 0.96 % of GNI to the annual OECD ODA statistics. When CONCORD AidWatch calculates genuine aid, however, Swedish ODA drops from 0.96% to 0.75% of GNI. The results for the UK and the Netherlands are even more worrying, as their respective genuine aid figures drop below the 0.7% of GNI target seemingly achieved in 2015, albeit only by 0.01% in the case of the UK.

In the EU-13, a large share of inflated aid still goes to student costs. In Latvia, a high percentage of bilateral aid is disbursed through scholarships and training programmes for public officials and other professionals from the Eastern Partnership, Central Asian and Western Balkan countries. In 2015, Slovenian aid inflation increased in both absolute and relative terms, from 24% of total bilateral aid to 48%. A large share of this

inflated aid went to imputed student costs and scholarships for foreign students.

Table 1, below, summarises genuine and inflated aid across the EU. Graphs 1 and 2 present genuine and total ODA as a percentage of GNI for the "EU-15"<sup>4</sup> and the "EU-13" in 2015.

<sup>3</sup> Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

<sup>4</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

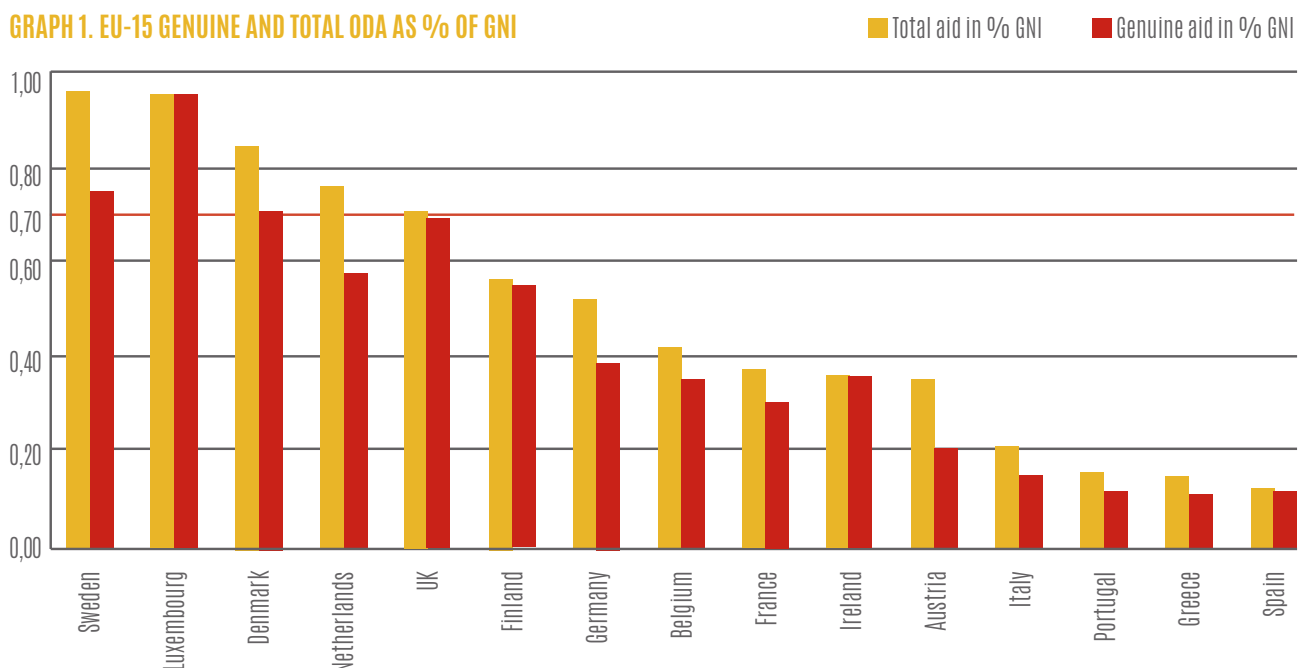
**TABLE 1. EU'S 2015 INFLATED AND GENUINE AID**

|                     | TOTAL AID |       | BILATERAL AID |             | INFLATED AID |                 |             | GENUINE AID |       |
|---------------------|-----------|-------|---------------|-------------|--------------|-----------------|-------------|-------------|-------|
|                     | € m       | % GNI | € m           | % total aid | € m          | % bilateral aid | % total aid | € m         | % GNI |
| Austria             | 1170.86   | 0.35  | 692.24        | 59%         | 509.39       | 74%             | 44%         | 661.47      | 0.20  |
| Belgium             | 1701.03   | 0.42  | 1008.81       | 59%         | 261.86       | 26%             | 15%         | 1439.16     | 0.36  |
| Bulgaria            | 36.88     | 0.09  | 1.26          | 3%          | 0.22         | 17%             | 1%          | 36.66       | 0.09  |
| Croatia             | 43.19     | 0.10  | 13.61         | 32%         | 1.11         | 8%              | 3%          | 42.09       | 0.10  |
| Cyprus <sup>5</sup> | 15.00     | 0.08  | N/A           | N/A         | N/A          | N/A             | N/A         | N/A         | N/A   |
| Czech R.            | 178.17    | 0.12  | 62.72         | 35%         | 20.27        | 32%             | 11%         | 157.90      | 0.11  |
| Denmark             | 2282.14   | 0.85  | 1671.11       | 73%         | 367.14       | 22%             | 16%         | 1915.01     | 0.71  |
| Estonia             | 29.61     | 0.15  | 14.25         | 48%         | 1.13         | 8%              | 4%          | 28.48       | 0.14  |
| Finland             | 1161.15   | 0.57  | 622.56        | 54%         | 47.17        | 8%              | 4%          | 1113.98     | 0.54  |
| France              | 8229.76   | 0.37  | 4768.78       | 58%         | 1456.07      | 31%             | 18%         | 6773.69     | 0.31  |
| Germany             | 15718.36  | 0.52  | 12303.15      | 78%         | 3870.78      | 31%             | 25%         | 11847.58    | 0.39  |
| Greece              | 258.72    | 0.15  | 104.70        | 40%         | 60.28        | 58%             | 23%         | 198.44      | 0.11  |
| Hungary             | 135.70    | 0.13  | 35.20         | 26%         | 11.66        | 33%             | 9%          | 124.04      | 0.12  |
| Ireland             | 626.24    | 0.36  | 374.41        | 60%         | 0.55         | 0%              | 0%          | 625.69      | 0.36  |
| Italy               | 3449.32   | 0.21  | 1475.52       | 43%         | 962.99       | 65%             | 28%         | 2486.33     | 0.15  |
| Latvia              | 20.95     | 0.09  | 1.91          | 9%          | 0.34         | 18%             | 2%          | 20.60       | 0.09  |
| Lithuania           | 39.40     | 0.12  | 8.54          | 22%         | 1.28         | 15%             | 3%          | 38.11       | 0.11  |
| Luxembourg          | 315.10    | 0.95  | 216.95        | 69%         | 0.82         | 0%              | 0%          | 314.28      | 0.95  |
| Malta               | 11.74     | 0.14  | 5.28          | 45%         | 2.41         | 46%             | 21%         | 9.32        | 0.11  |
| Netherlands         | 5224.97   | 0.76  | 3820.46       | 73%         | 1237.95      | 32%             | 24%         | 3987.02     | 0.58  |
| Poland              | 397.75    | 0.10  | 87.99         | 22%         | 45.15        | 51%             | 11%         | 352.60      | 0.09  |
| Portugal            | 271.91    | 0.16  | 126.81        | 47%         | 72.36        | 57%             | 27%         | 199.55      | 0.11  |
| Romania             | 112.13    | 0.07  | 24.18         | 22%         | 0.61         | 3%              | 1%          | 111.51      | 0.07  |
| Slovakia            | 77.32     | 0.10  | 15.88         | 21%         | 3.81         | 24%             | 5%          | 73.51       | 0.10  |
| Slovenia            | 56.15     | 0.15  | 21.40         | 38%         | 10.34        | 48%             | 18%         | 45.81       | 0.12  |
| Spain               | 1435.77   | 0.13  | 513.47        | 36%         | 176.58       | 34%             | 12%         | 1259.18     | 0.12  |
| Sweden              | 4422.51   | 0.96  | 2988.20       | 68%         | 990.19       | 33%             | 22%         | 3432.32     | 0.75  |
| UK                  | 15013.33  | 0.71  | 9447.24       | 63%         | 355.83       | 4%              | 2%          | 14657.50    | 0.69  |

Source: CONCORD AidWatch analysis based on the OECD DAC CRS online database downloaded 25 July 2016, and CONCORD AidWatch country-consultation questionnaires

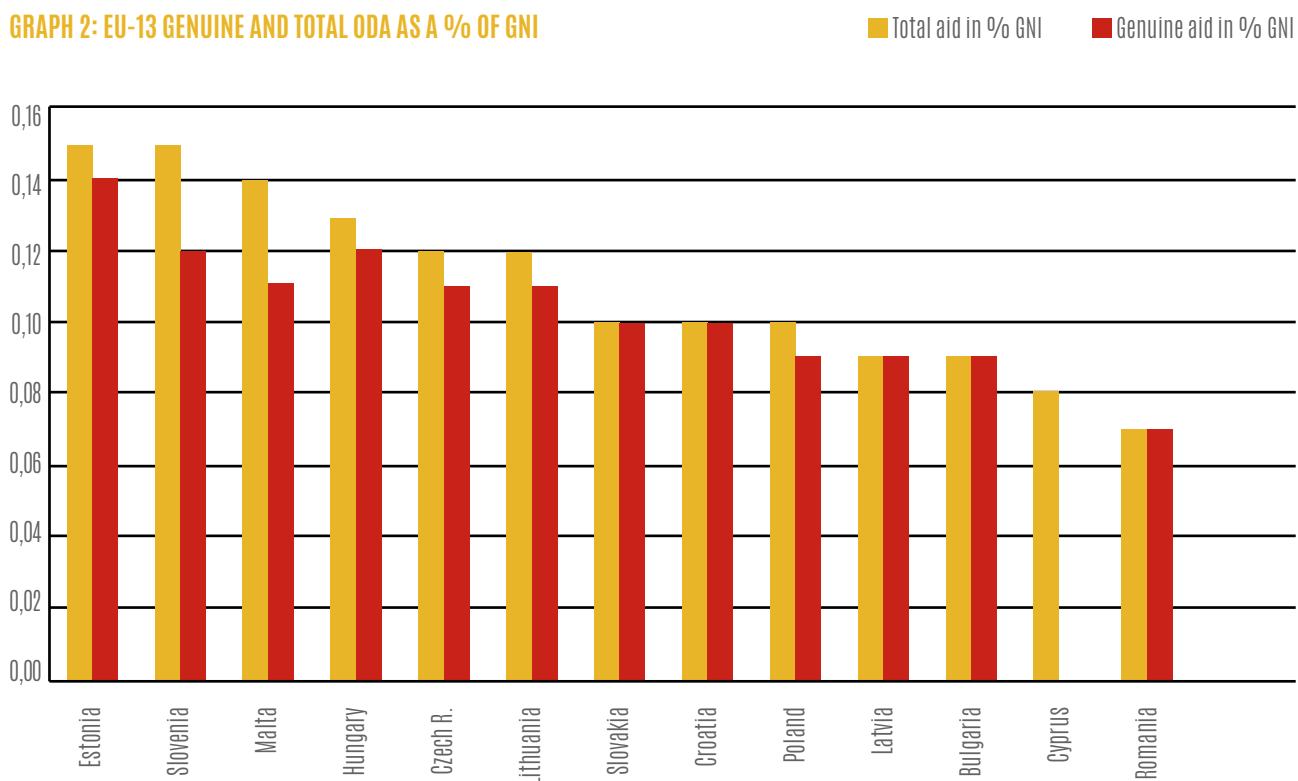
<sup>5</sup> Owing to institutional changes within the Department of Development Cooperation, Humanitarian Assistance and International Financial Organizations of the Ministry of Foreign Affairs of Cyprus, detailed statistics on the Republic of Cyprus's ODA for 2014 and 2015 will be available only by the end of October.

**GRAPH 1. EU-15 GENUINE AND TOTAL ODA AS % OF GNI**



Source: CONCORD AidWatch analysis based on the OECD DAC CRS online database downloaded 25 July 2016, and CONCORD AidWatch country-consultation questionnaires

**GRAPH 2: EU-13 GENUINE AND TOTAL ODA AS A % OF GNI**



Source: CONCORD AidWatch analysis based on the OECD DAC CRS online database downloaded 25 July 2016, and CONCORD AidWatch country-consultation questionnaires

## ARE IN-DONOR REFUGEE COSTS REAL AID?

An unprecedented 1.5 million refugees claimed asylum in OECD countries in 2015, more than a million of them in Europe. Confronted with a severe humanitarian crisis on the one hand, and internal budget restrictions on the other, many EU states are applying the OECD DAC rule allowing member countries to count certain refugee-related expenses as ODA for the first year after their arrival.<sup>xvi</sup> How the rule is applied varies widely from donor to donor, however <sup>xvii</sup>:

- Belgium, France, Portugal and the UK count costs for the period in which asylum seekers await a decision. The year begins when they enter the host country (or upon their official application for asylum). For France, Portugal and the UK, all asylum seekers are included, and no costs are counted after the decision to accept or reject them.
- Germany counts costs after a decision on asylum. The first year counts once refugee status has been established (Convention, temporary protection and humanitarian reasons). Asylum seekers awaiting a decision are not counted.
- Austria, the Czech Republic, Denmark, Italy, Finland, Greece, the Netherlands, Poland, the Slovak Republic, Spain and Sweden count costs both while asylum seekers are awaiting a decision and after the decision has been handed down. The year begins with the official application for asylum and continues after the final decision on asylum refugee status. Countries vary in their counting of costs before and after the decision on asylum, and according to whether applicants are accepted or rejected.

Not all member states participate in quota refugee programmes or count related costs as ODA.

Preliminary data show that ODA for in-donor refugee costs by OECD DAC members more than doubled from 2014-2015, with variations across the EU<sup>xviii</sup>:

- The German government introduced a new way of counting which broadened the definition of eligible refugee costs. In-donor refugee costs increased from 1% to 16% of ODA net disbursements from 2014-2015, while ODA spending remained almost unchanged<sup>xx</sup>.
- Greece and Austria have both increased their respective ODA allocations for in-donor refugee costs, from about 8% in 2014 to 20% (Greece) and 26% (Austria) in 2015.
- Of Sweden's total aid, 22% was spent on hosting refugees. In late 2015 the Swedish government threatened to take as much as 50% of the ODA budget for 2016 to cover refugee costs. When Swedish CSOs protested against this plan, the government finally agreed to 30% as the upper limit on how much ODA could be counted on refugee

costs. This is widely criticised by CSOs, who continue to push for genuine ODA and for in-house refugee costs to be excluded from ODA.

- In 2016, almost 30% of Danish ODA will be spent on receiving refugees – nearly twice as much as the 15% in 2015. The CONCORD AidWatch survey found that in projections for Danish aid in 2016, the largest recipient will be Denmark itself.

In some EU member states, in-donor refugee costs are the main component of ODA that have increased. Germany's ODA share reached an all-time high of 0.52% ODA/GNI in 2015, mainly owing to a substantial increase in in-donor refugee cost disbursements. In Spain, the in-donor refugee cost was the only item amending the 2016 aid budget, increasing it to €200 million.<sup>6</sup>

The drastic increase in in-donor refugee costs has turned some European countries into their own top beneficiaries. For example, inflated aid from Austria, Sweden and Italy (€2.4 billion) represents 10 times the resources going to the top developing country recipients in 2014: Myanmar (Austria: €80.6 million) and Afghanistan (Sweden: €103.3 million and Italy: €23.8 million).<sup>xx</sup>

While CONCORD recognises the urgent need to deal with the migratory pressures, aid should be focused on fighting extreme poverty in developing regions, prioritising those countries and populations currently left furthest behind. Luxembourg, Poland and Bulgaria decided in 2014 not to report refugee costs as ODA, although Poland back-tracked on this commitment, reporting 2% of net ODA as refugee costs in 2015. Some EU member states are reporting, or could report, costs that are not eligible under existing guidelines. Unlike the various legitimate ways in which some member states define "first year" (see above), Hungary does not differentiate between costs relating to the first year of refugees' arrival (ODA-eligible) and those relating to subsequent years (not ODA-eligible). The bundling of refugee costs makes it extremely difficult to ensure that member states comply with reporting guidelines.

The current migratory pressures must not be used as an excuse to count non-eligible expenditure relating to general migration flows or border security as ODA. The EU institutions are merging the handling of unprecedented numbers of migrants and refugees with migration policy and budgeting, when in fact the two issues are completely different from a legal and aid-reporting point of view. The EU has announced that in 2015-2016 €10.1 billion would be spent on the managing the current mi-

<sup>6</sup> This increase may not actually happen, owing to the small number of refugees who have arrived in Spain to date.



gratory pressures both within and outside its borders, doubling the amount available in previous years.<sup>xxi</sup> While much of this funding will be allocated through the EU's new regional trust funds for Syria and Africa (see below), financed by the EDF or the EU development budget, the €10.1 billion also covers the security of the EU's external borders, as well as counter-terrorism measures.

Refugees are governed by international law and human rights conventions. As mentioned above, according to the OECD, refugee costs can be counted as aid under certain conditions. Migrants, however, have a different legal status. The costs incurred in limiting arrivals cannot be counted as aid. In the past, some EU countries used a considerable amount of their aid budget to pay for migrant detention centres or to equip security forces on the borders. Under existing OECD guidelines, this expenditure should not be reported as ODA. Using aid to stop migration, without addressing the instigating factors of poverty and inequality, merely shifts the problem onto someone else, rather than solving it.

All DAC members have agreed to “improve the consistency, comparability and transparency of the reporting of ODA-eligible, in-donor refugee costs, by aligning the respective methods for calculating these costs,”<sup>xxii</sup> and to produce a standardised set of guidelines by the end of 2016. This could be a step in the right direction.

### **RETYING AID THROUGH THE PRIVATE SECTOR**

Making aid conditional on the purchase of goods and services from one donor country, or a restricted set of countries, reduces its development impact. It increases the cost of purchasing goods and services, undermining affordability for poor countries. It acts as an expensive subsidy for donor-country industries. It may also increase the net resource flow from developing to donor countries. It prevents developing countries from procuring local goods and services, undermining local job generation and economic development.

For the past decade, the level of untied aid has been an indicator of progress on development effectiveness, as outlined by the Paris Declaration: “Bilateral aid is not [to be] tied to services supplied by the donor”. Accordingly, CONCORD AidWatch calculations discount 30% of the flows that are recorded as fully tied, and 15% of the flows that are partially tied, from net ODA reported to the OECD DAC, in order to reflect the financial impact of tying.

CONCORD estimates that the inflated part of EU aid (including from the EU institutions) that was linked to tied aid accounted for €1.1 billion in 2015. Tied aid is more expensive than other forms, so CONCORD counts these additional costs

as inflated aid. Using the CONCORD AidWatch methodology for counting the inflated aid, the countries with the highest estimated levels of inflated tied aid were Germany (€50 million), France (€45 million), Portugal (€34 million), Austria (€29 million), Poland (€23 million), Sweden (€17 million), Spain (€15 million) and Denmark (€14 million). Aid provided by the EU institutions was also inflated by €844 million as result of tied aid.

Some major EU donors have made considerable progress with untying their aid. Most of the aforementioned countries have significantly reduced their tied aid levels in recent years. In terms of total bilateral ODA (excluding administrative and in-donor refugees costs), Germany's untied aid increased from 75% in 2010 to 97% in 2014. Germany now plans to make 60% of its technical co-operation available “untied” for procurement or grants in developing countries.

However, the impact of these positive trends on EU tied levels as a whole may be offset by other negative events or trends observed in 2015. At the end of that year the UK, which had performed well in the past, launched a new aid strategy that re-focused UK aid on national interests, raising the question of how effectively its aid can meet that objective while delivering on its core purpose of poverty reduction and sustainable development. An increasing amount of UK ODA will now be spent by a variety of government departments and cross-government funds other than the development ministry (DFID), which may undermine both the quality and the nature of UK ODA and may increase its informally tied aid. To avoid this, the UK's new ODA strategy must be implemented through appropriate procurement processes and guidance, capacity building and support.

In Spain, a country that now has a historically low ODA, the development community has been discussing how best to “sell” development aid to the public, by showing the financial benefits it can bring to the country. This perspective is already reflected both in the Law for External Action and the reform of the Development Promotion Fund (FONPRODE), which have shifted the focus of development cooperation policy towards national economic interests. Decisions on financial cooperation, mainly channelled through FONPRODE, will now rely on an institution called COFIDES, mandated to internationalise Spanish enterprises and the Spanish economy. Combined with the declared interest in focusing Spanish assistance on middle-income countries, this decision could lead to an increasing amount of informally tied aid, as the reform does not include a clear provision on ensuring that decisions on operations will be driven by poverty-inspired development criteria.



Increased EU member-state collaboration with the private sector might also increase tied aid. While announcing a 40% cut in ODA, Finland's support to the private sector – channelled through the development finance institute Finnfund, which provides risk capital for profitable Finnish business ventures in developing countries – increased by 130% as compared to previous years. Luxembourg and Denmark also are using ODA to launch new business partnership programmes which are expected to benefit primarily the donor country's own businesses. These initiatives will need to be carefully monitored to see what impact they have on tied aid.

### WHO GETS AID?

Many countries around the world will probably be able to achieve the SDGs without strong aid intervention. They will do so because their governments, supported by active civil society organisations and civic engagement, are more likely to invest their own tax revenues in public services, and because free, fair, open and functioning markets could attract the capital necessary to fuel growth. The poorest governments, however, can neither raise sufficient revenues domestically nor attract private investment – they will need aid to support the provision of even basic services. But if aid can also be used to support increased revenue collection, and more efficient and accountable service delivery, it could accelerate the end of extreme poverty. In other words, aid is most valuable not for its overall impact, but for the extent to which it can ensure that the most impoverished and most marginalised are not left behind.

The 48 Least-Developed Countries (LDCs) represent 13% of the world's population and an estimated 38% of the world's extreme poor. Up until 2010, aid to LDCs increased faster than global aid. Recent figures, however, indicate an overall decline in OECD DAC aid to LDCs in real terms – from US\$ 31 billion in 2010 to US\$ 26 billion in 2014.<sup>xxiii</sup> While OECD ODA data for 2014-2015 show a slight absolute increase, the share of disbursements to LDCs has dropped from 42% to 39% of total aid from all DAC members in 2015, and levels will not reach the 2010-11 peak.

In 2015, the EU collectively recommitted both to the UN target of allocating at least 0.15% of its GNI to LDCs by 2020 and 0.2% of GNI by 2025.<sup>xxiv</sup> Seven of the eight OECD DAC countries which reached the UN target in 2014 were from the European Union: Belgium (0.16%), Denmark (0.26%), Finland (0.22%), Ireland (0.18%), Luxembourg (0.43%), Sweden (0.29%) and the United Kingdom (0.24%). Belgium and Ireland committed to allocating half of their ODA to LDCs.<sup>xxv</sup> The largest donors performed less well: the UK (0.24%) is the only one of the three largest EU donors to meet the 0.2%

target, while Germany and France each give between 0.06% and 0.10%.

Unfortunately, the EU's resolve to respect its commitments to LDCs seems to be weakening. In 2014,<sup>7</sup> the EU and its member states had reduced their aid to LDCs to €11.8 billion, down from €13 billion in 2010. It will be difficult for Belgium to maintain its good performance in the future, as its ODA to one of its major LDC recipients, Burundi, has already shrunk dramatically because of the decision to suspend several development programmes since the start of the political crisis there. With the political situation in the DRC (the biggest recipient of Belgian development assistance) also rapidly deteriorating, the reduction in aid could become even worse.<sup>xxvi</sup> Denmark reduced its aid to LDCs by one-third in 2015 and is expected to halve it, in real terms, for 2016. Finland is also envisaging decreases in 2015, according to CONCORD NPs. Only the UK, Luxembourg and Ireland seem to be keeping pace in terms of their commitments to LDCs.

For non-DAC EU countries, other factors are affecting the level of funding allocated to LDCs. Estonia's aid to LDCs was significantly higher in 2014 than in 2015, owing to the country's commitment to support the three Ebola-affected countries. The UN target should be seen as a continuous commitment, however, and should not depend on the emergence of sudden crises in particular LDCs.

Echoing UN commitments, the OECD DAC calls on its members to renew their efforts to “reverse the declining trend of ODA to countries most in need, such as least developed countries, low-income countries, small island developing states, land-locked developing countries, and fragile and conflict-affected contexts.”<sup>xxvii</sup> The fact that the OECD added “conflict-affected contexts” to the list is seen as a clear nod to those middle-income countries in the region — such as Jordan, Lebanon and Turkey — that are in need of support and are currently hosting the majority of Syrian refugees and serving as a thoroughfare for refugees seeking a passage to Europe.<sup>xxviii</sup> While this is understandable, putting these countries on the same level as LDCs conflicts with the UN's targets for ODA to LDCs.

The current migratory pressures should not be used as an excuse for donors to forget the poorest populations in low- and middle-income countries. The best aid strategy differentiates according to countries' specific needs. In the case of LDCs, basic service delivery should be emphasised, whereas in middle-income countries, donors could consider focusing more on capacity-building.

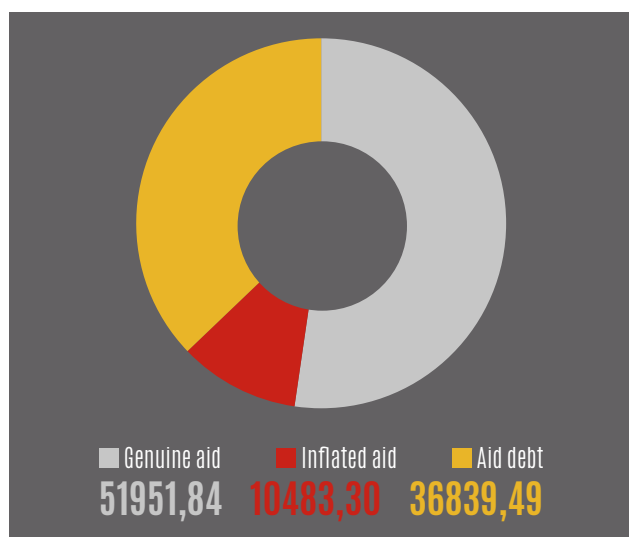
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7 The latest year for which data are available.

## AID DEBT

If all EU Member States met their ODA/GNI targets in 2015, the total volume of aid would be €99.3 billion. The actual volume of genuine aid by EU MSs in 2015 was €51.95 billion. The pie chart below illustrates the €36.9 billion in “debt” that EU member states owe out of their ODA commitments.

**GRAPH 3. EU MEMBER STATES' COLLECTIVE AID DEBT**



Source: CONCORD AidWatch analysis of OECD DAC data downloaded 25 July 2016.

Having failed to achieve these targets by the previous deadline of 2015, the EU has now put off their attainment until the distant future. Ironically, the only EU member state that has recently made the 0.7% ODA/GNI target legally binding – the UK – is now set to exit the EU club – which may, in itself, negatively affect the overall percentage of EU GNI allocated to ODA. Instead of focusing on ways to increase their ODA volumes, 2015 saw some MSs cutting their ODA spending, and all MSs trying out other forms of development financing, such as investing in commercial or blended public-private finance.<sup>xxx</sup> The Addis Ababa Action Agenda made just passing mention of ODA commitments, while focusing almost entirely on other sources of financing for development.<sup>xxx</sup> If the EU and its MSs reach their ODA targets too late, the SDGs will have no hope of success.

## RECOMMENDATIONS:

- *The EU and its member states should pay their aid debts, honour their commitments and achieve the 0.7% ODA/GNI target by 2020, through genuine ODA consistent with the aid effectiveness principles.*
- *EU donors should allocate at least 0.15% of GNI to LDCs by 2020, and 0.2% of GNI by 2025.*
- *Given the scarcity of ODA resources, and the failure of most*

*EU member states to fulfil their aid commitments, these states should put assisting refugees in donor countries at the top of their existing aid commitments.*

- *EU countries must ensure that poverty reduction and the economic development of poor countries are what drive private-sector cooperation, by making businesses in developing countries eligible for funding under the new programmes.*
- *There should be no further erosion of the civilian character of development cooperation and ODA through the inclusion of military or quasi-military expenditures or the channelling of ODA through military actors.*

# C. EFFECTIVE DEVELOPMENT COOPERATION AND THE PRIVATE SECTOR<sup>8</sup>

## STANDING THE TEST OF TIME - EFFECTIVENESS AND “NEW” DEVELOPMENT

Donor and partner governments have a track record of agreeing on development effectiveness principles.<sup>9</sup> These principles have shaped and transformed how aid has been delivered over the past two decades, as they have incentivised donor governments to provide “the best value for money” for each partner country based on its demands and needs. These principles become even more important during an economic crisis, with reduced ODA funding and increased pressure on partner countries to own their own development fully.

Development effectiveness should be at the top of the agenda at the 2<sup>nd</sup> High-Level Meeting (HLM) of the GPEDC in Nairobi, in November/December 2016. The GPEDC’s second monitoring round, which culminates in the HLM, provides an opportunity to review progress against these targets, but only if it is based on sound data and an objective critical analysis. Where insufficient progress is recorded, individual countries should devise and carry out corrective action to get back on track.

CONCORD AidWatch surveys of national platforms<sup>10</sup> show that while most EU countries have made some progress on aid transparency (GPEDC principle) and EU joint programming (joint EU commitment),<sup>xxx</sup> more is needed on country ownership and alignment, as well as aid predictability. Spain, in its recent OECD DAC peer review,<sup>xxxii</sup> was criticised for “the low percentages of aid on budget and aid that uses public financial management and procurement systems – respectively 57% and 48% – which fall short of the 85% and 57% targets agreed for 2015.” Many EU-13 and non-DAC EU countries have not drawn up plans on development cooperation effectiveness, in line with the Busan agreement, nor have they envisaged how to monitor progress on development effectiveness or prepare for the next HLM, in Nairobi.

The CONCORD AidWatch survey reveals that although most EU DAC governments treated the Paris and Accra commitments as binding, support for implementation has weakened since the Busan meeting. The EU must honour its long-standing commit-

ments on development effectiveness by monitoring the progress its institutions and member states have made with these commitments. Some EU member states, such as the Netherlands, have already made this a key national priority for the HLM in Nairobi. Others should follow this example. To that end, the EU should produce detailed country-level data on progress since Busan.

EU governments and civil society must send high-profile representatives to push for greater efforts on monitoring and accountability in relation to the Busan commitments, in accordance with the GPEDC mandate, by establishing a dedicated monitoring framework that is “relevant, efficient and useful at the country level,”<sup>xxxiii</sup> in particular through:

- ensuring full participation by EU MSs in the GPEDC progress reports on the implementation of the Busan agreement;
- submitting a report on the EU’s and member states’ efforts to implement the Busan principles comprehensively on a regular basis, at least every 24 months; and
- making sure that the EU’s institutions and member states join in the efforts by the UN DCF to monitor progress on mutual accountability.

## GIVING AID BACK TO ITS OWNER

The GPEDC’s first principle, “Partnerships for development can only succeed if they are led by developing countries”, respects the primacy of developing countries, provides value for money, delivers results and improves accountability. However, while country ownership is included in key official post-2015 documentation, its essential ingredients were dropped from the final AAAAA and SDG outcome documents, raising questions about donors’ true commitment to it.<sup>xxxiv</sup> The AAAAA recommits all signatories to all the existing principles of effective development cooperation (ownership, alignment, harmonisation, mutual accountability & transparency, and a results focus), but it downplays inclusive participation in national sustainable development plans and financing strategies, compared with previous outcome documents.<sup>xxxv</sup> In addition, it de-emphasises the use of country systems as an important mechanism for delivering external assistance and supporting country capacity, and ownership, post-2015.

In recent years, key EU donor countries have back-tracked on their commitments to using aid modalities that increase ownership and alignment with country systems, in particular budget support, in favour of those that both meet their own external and internal priorities and focus on short-term, tangible results. Between 2011 and 2014,<sup>xxxvi</sup> budget support from the EU DAC members to developing countries dropped from €3.7 to €2.8 billion<sup>xxxvii</sup> – 7% to 5% of total aid – largely because of budget support cuts by the UK, France, Germany, Denmark and the Netherlands.

<sup>8</sup> Research questionnaires filled in and sent back to the CONCORD Aid-Watch Secretariat by CONCORD national platforms (NPs) in June 2016, including a set of questions on aid effectiveness. NPs from all 28 EU member states took part in this survey.

<sup>9</sup> Ownership, focus on results, inclusive development partnerships, transparency and accountability.

<sup>10</sup> Research questionnaires filled in and sent back to the CONCORD AidWatch Secretariat by CONCORD national platforms (NPs) in June 2016, including a set of questions on aid effectiveness. NPs from all 28 EU member states took part in this survey.

In parallel with the decreasing use of budget support, CONCORD has observed both a rise in new financing mechanisms, such as the so-called EU trust funds, and an increased use of non-grant financing mechanisms, such as investment facilities, based on the blending of concessional and non-concessional funding, including private finance. These trends seem to challenge the concepts of ownership and alignment.

In 2015, the Emergency Trust Fund for Africa (EU Africa Trust Fund), which was set up in record time, joined the EU Bekou Trust Fund for the Central African Republic (EU CAR or Bekou Trust Fund – 2014) and the EU Regional Trust Fund for Syria (Madad Fund – 2014) as the first trust funds created and spear-headed by the EU institutions. Together, they now account for a total €2.3 billion from the EDF and EU budgets, in addition to EU member-state contributions. Germany, France, Italy and the Netherlands contributed an initial €28 million to the EU CAR Trust Fund and the Madad Trust Fund. Belgium, Sweden, Finland, Estonia and the Czech Republic contributed in 2015. Italy recently pledged €10 million to the new Africa Emergency Trust Fund and, it is said, strongly supports this new aid mechanism, which it sees as a means of stopping migration flows by tackling the problem at its roots.

The EU is likely to increase the use of trust funds in the future: in March 2016 it (in the shape of DG NEAR) launched an initiative to implement the EU's commitment to provide €3 billion additional resources to assist Turkey in addressing the immediate humanitarian and development needs of refugees and their host communities. €1 billion will be financed from the EU budget and the remaining €2 billion by member state contributions, in line with their share of the EU's GNI. From the initiative's first projects, it appears that the EU Syria Trust Fund will be a key EU funding channel, which raises the question whether this is new, or merely re-labelled old funding. Another EUTF was announced in May 2016, to channel €575 million for Colombia's post-conflict and peace-building efforts.

Designed to be used as a flexible funding delivery mechanism allowing the EU to respond better to emergency situations, the EUTFs are in fact a further challenge to aid and development effectiveness.<sup>xxxviii</sup> Increasing EU visibility and political weight is one of four explicit Trust Fund objectives, which explains the predominant managerial role the EU takes. Instead of being delegated to a third entity, implementation is in the hands of the EU institutions themselves (DEVCO in the case of the Bekou and Africa Trust Funds and DG NEAR in the case of the Madad Fund) and member states, who are represented in their operational committees. This directly breaches internationally agreed development effectiveness principles, such as the alignment of aid with country priorities, as the contributing donors set the

priorities for the funds, and allocations include donor conditionality. Except for the Bekou Trust Fund, where the government of the Central African Republic is said to have been closely involved, there is little evidence that African-Caribbean-Pacific (ACP) countries or institutions have had any say in the design or allocation of EDF funding. Developing country partners are concerned that a significant share of the EU's development funding could, in the future, be channelled away from development and towards humanitarian crises.

The creation of EUTFs also contravenes the development effectiveness principles of channelling aid through country systems and reducing separate donor implementation units. EUTFs have been criticised by member states that prefer to continue channelling emergency funding through existing UN trust funds rather than newly created EUTFs, to avoid additional transaction costs and delays in processing funding for urgent emergency responses. EU member states have also criticised EUTF management fees of up to 5% (Madad Fund). The fact that member states may influence funding allocations only if they provide new targeted funding is criticised by those member states that are already making significant contributions to the EDF and EU budgets. Some EU member states have argued that if resources from the EU general budget or non-budgetary instruments are used, the participation of all EU member states in a trust fund's management should be guaranteed.<sup>xl</sup> Such EU member-state scepticism may undermine trust fund support and jeopardise aid harmonisation by member states at country level.

### **ACCOUNTABILITY VS SHRINKING CSO SPACE TO ENGAGE**

2015 was a dismal year for civil society around the world, with serious threats to one or more civic freedoms in over 100 countries. Particularly for those activists who dare to challenge economic and political elites, the environment in which civil society operates has continued to deteriorate, with the death penalty for many activists simply exercising their rights as citizens to organise and mobilise.<sup>xl</sup> In this context, transparent and accountable aid is absolutely essential, though the EU and its member states are reducing the transparency and accountability of their development finance. CONCORD expects the EU and its member states to establish participatory processes involving all stakeholders at national and regional (e.g., EU-wide) levels to develop implementation plans and to engage systematically in monitoring, accountability and review.<sup>xl</sup> Civil society participation is important for the successful follow-up and implementation of the SDGs, not only at the global but also at the national level, in both developed and developing countries.

Since 2005, CONCORD has monitored relations between EU delegations and CSOs in partner countries. The EU's 2012 policy on "Europe's engagement with Civil Society in external re-

lations” marked the beginning of a new era in its relations with civil society.<sup>XLII</sup> EU joint programming has provided an opportunity to strengthen civil society engagement collectively at partner-country level. In recent years, EU delegations were asked to draw up roadmaps for civil society participation, allowing for a regular, institutionalised and meaningful engagement, including in the EU’s joint programming processes.

In 2016, CONCORD will take a closer look at how these roadmaps have been implemented at the national and EU levels, through a broad survey collecting the views of civil society on trends in the EU delegations’ engagement with it and their support for an enabling environment for civil society. This report will put forward concrete recommendations for the EU and its member states.

### PRINCIPLES AND THE REALITY OF ODA FOR THE PRIVATE SECTOR

Having reaffirmed their commitment to increase ODA, most European donors are ramping up public support for development financing mechanisms that blend public and private resources and leverage private, commercial investment. From 2003 to 2013, the consolidated portfolio of European development finance institutions – a major channel for private-sector investment – increased from €10 to 28 billion, and European government support for private-sector development finance is soon expected to rival ODA.<sup>XLIII XLIV</sup> Private investment in low- and middle-income countries has more than tripled over the past decade, dwarfing official development assistance.<sup>XLV</sup> Half of the EU member states surveyed by CONCORD national platforms do not provide transparent or comprehensive data regarding their use of ODA to (a) encourage private companies to expand their operations in developing countries (through grants, guarantees, etc.); and (b) encourage private actors to put their own financial resources to work in developing countries (i.e., to “leverage” private finance). Among the 12 EU member states where multi-year data could be found, there was significant up-down variation, with half of these states increasing the amounts of ODA allocated to the private sector.<sup>XLVI</sup>

Donors use ODA to support private-sector companies in developing countries for a variety of reasons.<sup>XLVII</sup> Some donors believe that trade is better than aid for reducing poverty, and that companies respond better to individual and community needs through the open market than through pre-programmed grant assistance. The main motivation, though, is to direct off-budget financing<sup>11</sup> (debt) and private assets to increase their overall resources for development.<sup>XLVIII</sup> Aside from grants, the most

common private-sector development finance supported by European donor governments<sup>12</sup> and the EU institutions are loans, risk guarantees, equity and capital.<sup>XLIX</sup>

The EU’s criteria for supporting private-sector actors can be summarised as follows:<sup>L, LI</sup>

1. Private, commercial development finance must advance development goals cost-effectively; this requires transparency in objectives, monitoring, evaluation and results measurement.
2. Without public support, private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard.
3. The support given should not distort the market and should be awarded through an open, transparent and fair system. It should be temporary in nature, with a clearly defined exit strategy.
4. Partnerships with the private sector have to be based on cost effectiveness, shared interest and mutual accountability for results. The risks, costs and rewards of a joint project have to be shared fairly.
5. Private-sector activities should clearly catalyse market development by encouraging other private-sector actors to replicate and scale up development results.
6. Private enterprises receiving support must demonstrate compliance with environmental, social and fiscal standards, including respect for human and indigenous rights, decent work, good corporate governance and sector-specific norms.

These criteria are not being routinely observed. Across the EU, private-sector investment with public money is largely non-transparent and unaccountable.<sup>LII, LIII</sup> According to CONCORD’s national platform surveys, only four national private-sector strategies include a focus on accountability and compliance with human rights standards. This raises several concerns, for example:

- Loans and debt financing by developing country entities can perpetuate the macro-economic dynamics that perpetuate poverty – a risk that is increasing for developing countries.<sup>LIV</sup> Donors, development finance institutions and other institutional investors in commercial activity actually increase economic volatility, rather than ensuring predictable, sustained aid.<sup>LV</sup>
- Transferring public funds to commercial interests may redirect poverty-reduction funds for use and profit by corporate investors rather than by those living in poverty.
- Providing companies with guarantees may reward company

<sup>11</sup> When a government supports debt, only the initial cash infusion from the government shows on public annual budgets/spending. The rest – the largest part – of the loan/debt is “off budget” or “off balance sheet”.

<sup>12</sup> Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom.



failure rather than ensuring poverty-reducing results.<sup>LVI</sup> Without continued support after start-up, businesses and business partnerships themselves have high failure rates, especially when entering a new context, thus wasting public resources that could otherwise be applied directly to poverty reduction. A World Bank evaluation of its investment in companies specialising in information and communications technology found a 70% failure rate due to poor design, excessive complexity and the neglect of the country's social, economic, and cultural context, its capabilities and its needs, among other reasons. When a business fails and start-up funds are gone, the community that has come to rely on those services is left as bereft as before.

CONCORD is discouraged at the lack of attention paid to these issues by EU governments as they increase the use of ODA both to encourage private companies to expand their operations in developing countries and to leverage private capital. Transparency and accountability are absolutely essential for achieving sustainable development results, because public spending on private commercial activity is highly risky and problematic.

According to the CONCORD AidWatch survey, EU-13 member states in particular have prioritised private-sector development as a key aid-effectiveness topic in the run-up to the next HLM in Nairobi. While traditional development actors are held closely accountable, laissez-faire capitalism seems to apply to the private sector.<sup>LVII</sup> Although CONCORD welcomes open and more inclusive partnerships, this should not come at the expense of traditional partners, such as civil society.

Measuring non-ODA amounts as part of a broader effort to measure Total Official Support for Sustainable Development (TOSSD) – a new measurement being developed by the OECD DAC – could be helpful for understanding donor development finance overall. To prevent the dilution and diversion of ODA itself, however, TOSSD accounting needs to remain separate and balanced apart from ODA.<sup>LVIII</sup> Currently, TOSSD conflates all private resources for which there is public support, rather than just the official subsidy component.<sup>LIX</sup>

### **SUSTAINABLE DEVELOPMENT PRINCIPLES FOR PPPs**

In addition to the private-sector concerns described above, Public-Private Partnerships (PPPs) present specific challenges:<sup>LX</sup>

- PPPs are, in most cases, the most expensive form of financing; they drain public budget resources more than other forms of development finance.
- PPPs are time-consuming, complex and costly to negoti-

ate, which both increases costs and reduces transparency. Complex instruments diffuse accountability and make it easy to hide ineffectiveness and corruption.

- PPPs can pose a huge financial risk to the public sector.
- There is very little evidence of PPP impact or efficiency.

Because PPP success is measured mainly by profitability,<sup>LXI</sup> sustainable development and poverty reduction impacts are secondary considerations. Safeguards to mitigate harm are often poorly implemented and enforced, and the absence of civil society consultation and accountability mechanisms makes negative impacts more likely.<sup>LXII</sup>

When using public-backed private finance<sup>LXIII</sup> there is a need to agree and implement sustainable development and development effectiveness principles, as well as human rights obligations, in order to:

- Ensure that all development finance advances sustainable development and reduces poverty;
- Ensure that private commercial interests promote social, economic and environmental development objectives;
- Minimise risks for people and the environment;
- Ensure transparent and accountable processes for the use of all public money;
- Ensure that all development finance builds on development effectiveness principles, including country ownership, untying aid, and strengthening national government systems;
- Contribute to low-emission development pathways and increase the resilience of local community coverage.

Investing public resources in PPPs or blending facilities may represent a significant opportunity cost for both partner countries' budgets and EU ODA, and may lead to a shift in geographic or sectoral priorities.

### **HOW COULD PUBLIC RESOURCES BE USED EFFECTIVELY TO MOBILISE PRIVATE SUPPORT FOR SUSTAINABLE DEVELOPMENT?**

The EU itself, other public bodies (development finance institutions) and the private companies they partner with should honour existing standards and principles which have been developed and agreed based on knowledge of effective practices, including the following:

- OECD Guidelines for Multinational Enterprises;
- ILO conventions and standards;
- Maastricht Principles on the Extraterritorial Obligations of States in the Area of Economic, Social and Cultural Rights;
- FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security; and
- UN Guiding Principles on Business and Human Rights.

## RECOMMENDATIONS:

- *The EU and its member states should agree on an ambitious and action-oriented joint position to ensure that the Nairobi HLM delivers a plan to accelerate progress and foster inclusive development partnerships. Concrete timetables for meeting the EU's Paris, Accra and Busan commitments, including fully untying aid, aligning with country budget systems and enhancing inclusive, broad-based models of local and national ownership.*
- *The EU must ensure that new financing mechanisms, such as the EUTFs, are guided by development effectiveness principles, in particular, ownership and alignment.*
- *The EU and its member states need to follow the recommendations put forward in this report, to honour their commitments to aid quality and quantity, and to improve transparency and ensure accountability for development results, in cooperation with developing countries and civil society. Civil society is a knowledgeable partner, tireless in its pursuit of poverty reduction and sustainable development. EU governments would be well advised to accept our time and expertise in support of Europe's global development aims.*
- *In 2016, CONCORD and leading CSOs have put forward detailed recommendations to ensure that OECD DAC reform leads to a principled approach to the use of aid in leveraging private finance.<sup>13</sup> The EU and its member states should implement these recommendations, to ensure that ODA remains credible, transparent and accountable.*
- *The EU and its member states should fund transparent, independent evaluations enabling local stakeholders to assess the cost-effectiveness and the impact of private-sector, commercial, development financing activities. An action plan with clear indicators is required for implementing the recommendations put forward in 2014 by CONCORD<sup>LXIV</sup> and in 2015 by leading NGOs.<sup>LXV</sup>*
- *The OECD DAC and EU donors should implement specific CONCORD recommendations, made in 2016, on monitoring and reporting on private-sector development finance.<sup>LXVI, LXVII, LXVIII</sup> Among other things, the action plan should include implementation guidelines for human rights due diligence as a binding framework for business enterprises, including steps to be taken with respect to their subsidiaries, suppliers and distribution channels.*
- *The EU and its member states should work with the UN's Development Cooperation Forum (DCF) to develop a review*

*mechanism to assess and monitor progress, identify gaps, and promote accountability for PPPs; and with the GPEDC to establish an accountability architecture that would facilitate engagement by stakeholders, especially civil society, and that would ensure that all development finance reduces poverty and advances sustainable development.<sup>LXX</sup>*

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<sup>13</sup> See Oxfam, CONCORD, et al. *Recommendations on the Development Assistance Committee's Approach to Incorporating Private Sector Instruments in ODA*. June 2016.

# D. CLIMATE FINANCE AND AID

## CLIMATE FINANCE COMMITMENTS OVERVIEW

The United Nations Framework Convention on Climate Change (UNFCCC) Articles 4.3 and 4.4 commit developed countries to providing new and additional financial resources to help developing countries tackle climate change. Funding that addresses climate change, reduces poverty and achieves sustainable development requires at least US\$ 1 trillion more each year than is currently being spent.<sup>14</sup> LXX

In 2015, several overlapping global commitments that affect climate and development finance were either agreed or confirmed:

- EU donor governments reaffirmed their commitment to increase ODA levels to 0.7% of ODA/GNI. ODA may be directed to climate action if it meets other ODA criteria;<sup>LXXI</sup>
- The UN's sustainable development goals identified targets for climate action and energy;
- The Third International Conference on Financing for Development's AAAA addressed a wide range of financing for the SDGs, climate action and development overall; and
- At the United Nations Climate Change Conference (COP 21), developed country parties were urged to scale up their level of financial support and provide a concrete practical roadmap to achieve the collective goal of US\$ 100 billion annually by 2020 to help developing countries address climate change, and to maintain this level of funding until at least 2025.<sup>LXXII</sup>
- Governments also committed in the Paris Agreement (Article 2) to make all finance flows "consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

These agreements overlap on what this report calls "climate ODA," which meets OECD DAC definitions for ODA while helping to contribute to developed-country obligations (under UNFCCC Articles 4.3 and 4.4) to provide new, additional funds to help developing countries address climate adaptation and mitigation.

## CHALLENGES AND INCONSISTENCIES IN CLIMATE FINANCE REPORTING

To have financial resources that are predictable, sustainable and effective requires transparent, effective measurement,

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<sup>14</sup> This US\$ 1 trillion estimate is a subset of all the resources needed to address climate change, reduce poverty and achieve sustainable development. The AAAA states: "Investing in sustainable and resilient infrastructure, including transport, energy, water and sanitation for all, is a pre-requisite for achieving many of our goals. To bridge the global infrastructure gap, including the US\$ 1 trillion to US\$ 1.5 trillion annual gap in developing countries, we will facilitate the development of sustainable, accessible and resilient quality infrastructure in developing countries through enhanced financial and technical support."

reporting and verification.<sup>LXXIII</sup> To help see whether EU climate contributions really are "new and additional", or whether they displace other EU ODA priorities, CONCORD Europe last year urged the EU and its member states to define climate finance jointly. This has not happened, nor is there a commonly agreed definition of what constitutes "effective" climate finance.<sup>15, LXXIV, LXXV</sup>

Climate finance is opaque because different financing sources use different delivery channels and instruments, varying definitions of climate finance, and different systems and methodologies for reporting.<sup>LXXVI</sup> "Climate finance" could refer to any local, national or transnational resources that address climate change either by reducing greenhouse gas emissions or by helping countries mitigate or adapt to the effects of climate change. This report looks specifically at the US\$ 100 billion COP18 commitment (updated at COP21) made by developed countries, which donors interpret as including a wide variety of public, private, bilateral, multilateral and alternative sources, although they must not divert funds from other ODA purposes.<sup>LXXVII</sup>

The UNFCCC has attempted to harmonise and standardise climate finance reporting, and COP21 includes a commitment to "develop modalities for the accounting of financial resources provided and mobilised through public interventions".<sup>16</sup> Developed countries' biennial reports to the UNFCCC for climate finance do not cross-reference the SDGs, nor do they enable clear, consistent or easy tracking of climate ODA separately from climate finance overall. They do attempt to measure and report the actual amounts allocated to climate finance, even when a project also funds other, cross-cutting and non-climate issues. This makes the UNFCCC more precise for climate finance, if not for climate ODA.<sup>LXXVIII</sup>

The OECD DAC standardises and harmonises definitions and methodologies for reporting ODA. It has developed so-called "Rio markers" for indicating which ODA projects include climate mitigation or adaptation. These help with tracking the subset of overall climate finance that comes from the ODA of OECD DAC donors, including the EU and its member states.<sup>LXXIX</sup> They do not, however, disaggregate climate- versus non-climate-related spending within a project to reveal the actual volume of project funds targeting climate action.<sup>LXXX</sup> In theory, if climate change

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<sup>15</sup> A working definition given by the UN Standing Committee on Climate Finance can be used to improve EU climate-finance reporting.

<sup>16</sup> "Climate finance aims at reducing emissions, and enhancing sinks, of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts." UNFCCC Standing Committee on Finance (2014), *Biennial Assessment and Overview of Climate Finance Flows Report*.



is deemed to be one of the main objectives of a project, then 100% of the budget can be counted using the Rio policy marker, and if climate change is considered to be a significant objective, then 40% of the budget may be counted. An activity may have more than one principal or significant policy objective, i.e., it can be marked for several Rio policy markers. Even within the EU, however, donors do not use the Rio markers consistently.<sup>LXXXI, 17, LXXXII</sup>

Quality assurance of the reporting process and of the public disclosure of the underlying data varies, as does adherence to UNFCCC and OECD DAC guidelines.<sup>LXXXIII</sup> At present, not all EU member states report to the OECD DAC, and not all OECD DAC members use Rio markers for reporting climate finance. Even those that use Rio markers do not necessarily account for them quantitatively in the same way.<sup>LXXXIV</sup> Adaptation Watch<sup>LXXXV</sup> has found rampant misreporting of ODA-related projects directed principally or significantly toward climate action, when many were only tenuously linked to climate change, and it has called for clearer and more stringent UNFCCC guidelines. The Climate Action Network also finds reported climate financing misleading, with insufficient detail to allow comprehensive or consistent monitoring, verification or evaluation.<sup>LXXXVI</sup>

CONCORD AidWatch finds climate finance and climate ODA reporting in the EU often inconsistent, unclear and/or unreliable. CONCORD national platforms found wide variations in how the EU and its member states report climate finance and climate ODA. Some disaggregate climate ODA by calendar year, but others provide multi-year data in their reports, such as the UK, which reports £3.87 billion for the International Climate Fund for the period 2011-2014. Some EU member states separate adaptation and mitigation (e.g. Austria, Belgium, Finland, Germany and Portugal), while others do not (e.g. Bulgaria, the Netherlands, Slovakia and the UK). Some report “cross-cutting” and “other” climate finance amounts in addition to adaptation and mitigation, while others do not. Some release public reports that seem to conflict with their OECD DAC reporting. One assessment indicates that only 75% of German mitigation projects in 2010-2012 can be said to have any climate relevance at all.<sup>LXXXVII</sup> In addition, several EU member states (e.g. Austria and France) seem to be increasing climate finance largely through non-grant, non-ODA financial mechanisms, such as loans, guarantees and equity, where reporting standards vary widely and it is often impossible to obtain sufficient detail to verify for accountability.

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17 “Principally” denotes Rio Marker 2 projects and “significantly” denotes Rio Marker 1 projects.

## IS CLIMATE ODA DRAINING EU ODA?

Using OECD DAC data, CONCORD AidWatch finds that, overall, bilateral climate-related ODA commitments by all donors reporting to the OECD DAC have been increasing since 2007.<sup>LXXXVIII</sup> From 2013 to 2014, the volume of bilateral climate-related ODA increased more (24%) than overall ODA volume (1%).<sup>18, 19, 20</sup> This suggests that donors are prioritising climate ODA more than other forms of ODA.

From 2013 to 2014, four EU member states – France, Ireland, Italy and Luxembourg – increased their climate ODA while decreasing ODA as a whole.

From 2013 to 2014, five EU member states increased both bilateral climate-related ODA and ODA as a whole: Belgium, Denmark, Finland, Germany and Sweden.

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18 2013 and 2014 were the latest years for which OECD DAC project data was available at the time of this analysis. Calculations based on 2013 constant US\$.

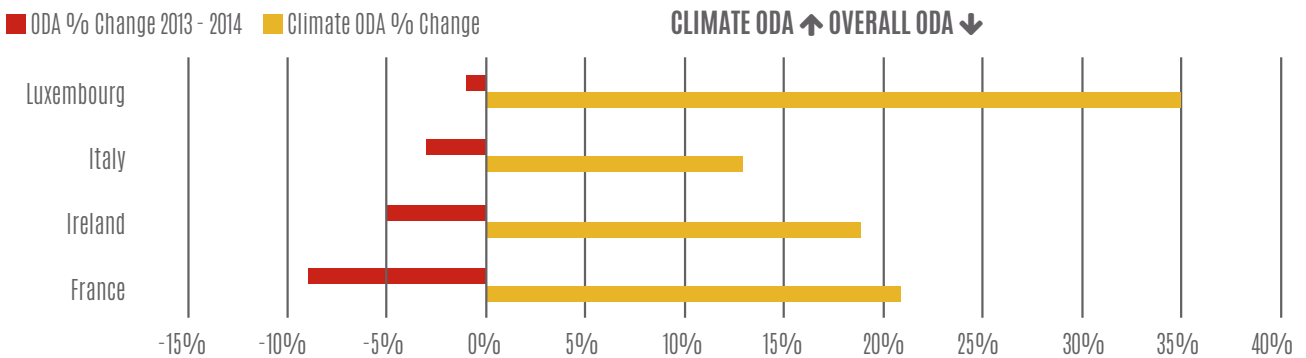
19 EU institutions, plus Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

20 Total bilateral ODA flows “Rio marked” to identify whether they target climate change as a principal or significant objective. The Rio markers indicate donors’ policy objectives in relation to each aid activity. 100% of the commitments are accounted for as climate-related development finance when Rio marked, either as principal or significant. A principal objective (mitigation or adaptation) score is given when promoting the objectives of the UNFCCC is stated in the activity documentation to be one of the principal reasons for undertaking the activity, meaning that, but for that objective, the activity would not have been funded. Activities marked “significant” have other prime objectives, but have been formulated or adjusted to help address climate concerns. The markers allow an approximate quantification of aid flows that target climate objectives. In statistical presentations, we suggest showing figures for principal and significant objectives separately.

**GRAPH 4. CLIMATE FINANCE, DEVELOPMENT FINANCE, ODA AND CLIMATE ODA**

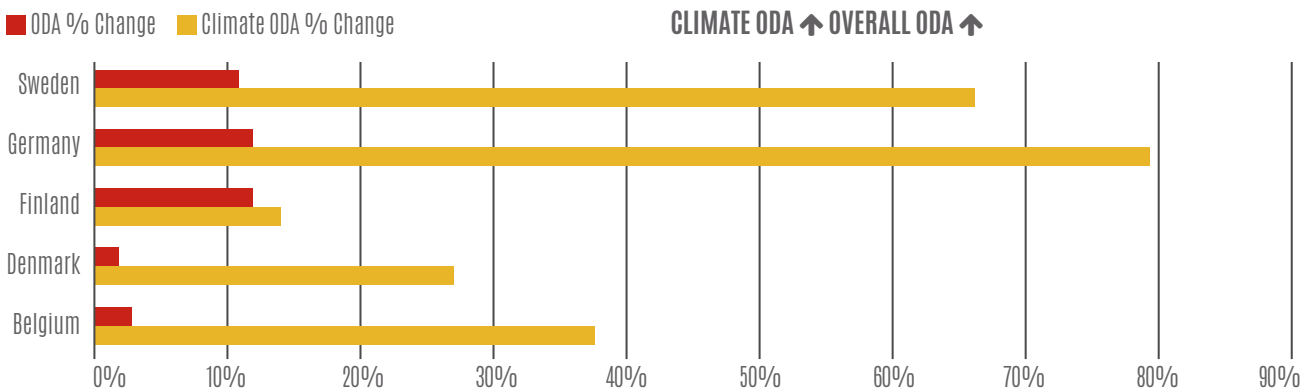


**GRAPH 5. MEMBER STATES WITH INCREASED CLIMATE ODA AND DECREASED OVERALL ODA**



Source: CONCORD AidWatch analysis of OECD DAC Climate-Related-Finance Project Data, downloaded 20 July 2016.

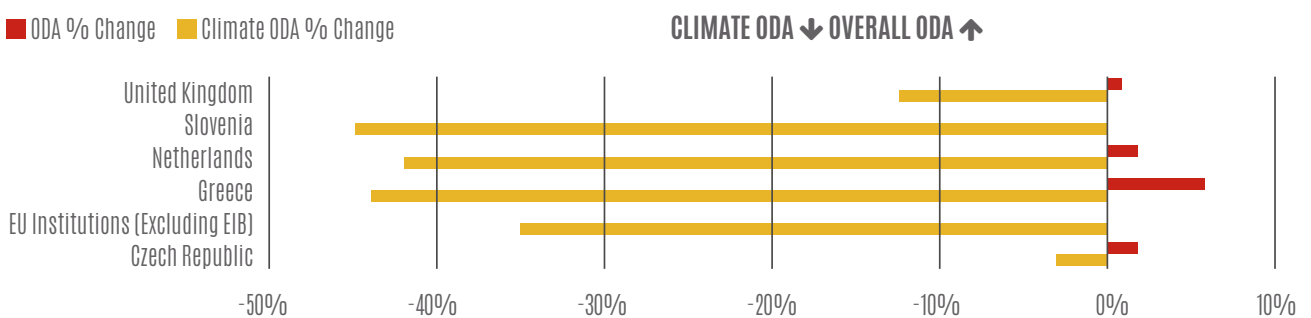
**GRAPH 6. MEMBER STATES WITH INCREASED CLIMATE ODA AND OVERALL ODA**



Source: CONCORD AidWatch analysis of OECD DAC Climate-Related-Finance Project Data, downloaded 20 July 2016.

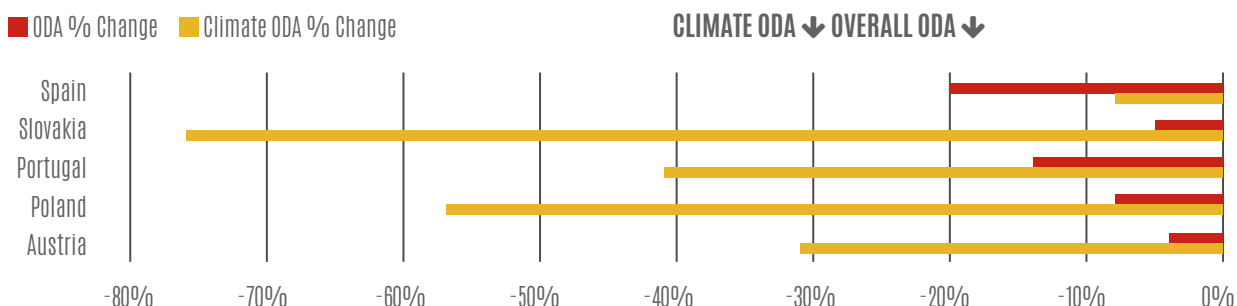
From 2013 to 2014, six entities decreased their bilateral climate ODA while maintaining or increasing ODA as a whole: the Czech Republic, the EU institutions, Greece, the Netherlands, Slovenia and the UK.

**GRAPH 7. MEMBER STATES WITH DECREASED CLIMATE ODA AND INCREASED OVERALL ODA**



Source: CONCORD AidWatch analysis of OECD DAC Climate-Related-Finance Project Data, downloaded 20 July 2016.

## GRAPH 8. MEMBER STATES WITH DECREASED CLIMATE ODA AND OVERALL ODA



Source: CONCORD AidWatch analysis of OECD DAC Climate-Related-Finance Project Data, downloaded 20 July 2016.

Comparison data were not fully available for Lithuania.

From 2013 to 2014, Austria, Poland, Portugal and Spain decreased both ODA and bilateral climate ODA.

When the OECD DAC climate ODA data for 2014 are sorted for volumes marked principally for adaptation or mitigation (but not both), EU member states report allocating to adaptation an amount equivalent to about one-fifth of the amount of ODA they allocated to mitigation. At the same time, the 2015 EU Accountability Report indicates a 40:60 adaptation:mitigation ratio.<sup>LXXXIX</sup> Whichever figure more accurately represents actual volumes, more work must be done to achieve a 50-50 balance between adaptation and mitigation.

### RECOMMENDATIONS:

- *The EU must immediately take action with its member states, the OECD DAC and UNFCCC to improve, strengthen and harmonise the systems for tracking, measuring, reporting and verifying climate ODA in donor and developing countries, and to ensure that climate ODA is truly new and additional to other ODA priorities. Specifically:*
  - *Ensure that only climate-specific (portions of) ODA-funded measures are reported in the context of meeting UNFCCC obligations, in order to reduce over-counting, especially for measures where climate action is only one of many objectives (Rio Marker 1 measures).*
  - *In reporting ODA funds in the context of meeting UNFCCC obligations, include consistent, comprehensive information on finance on the basis of grant equivalent and/or budgetary provisions (i.e., put into practice the intention expressed by donor countries in 2015 when they agreed on accounting methodologies in the context of the US\$ 100-billion-a-year promise). Such measures will improve the transparency and accountability of both climate and development financing, and the credibility of actions by the EU and its member states in support of both.*

# CONCLUSION

As indicated at the outset, CONCORD AidWatch is deeply concerned about the development finance actions taken by the EU and its member states in the past year. The continued failure to meet ODA obligations means persistent global poverty, hunger, human rights failures, the exacerbation of conflict, increased emergency migration, refugee flight and a great deal of other harm to people and to human development in general. The drive to find additional resources for development presents opportunities whose risks of harm are not presently being mitigated, and history demonstrates the unfortunate consequences that result when governments rush headlong into insufficiently mitigated risks. Increasing the complexity of what counts as ODA, and blurring the picture of development finance with new development-related spending measures by donor governments, makes it even harder to achieve sustainable development results. At the same time, the failure of development finance decision-making to ensure transparency or accountability is effectively reducing or ruling out the participation of civil society around the world in influencing matters that are of fundamental importance for the well-being of all people.

# PART TWO - COUNTRY PAGES

# EU INSTITUTIONS



**ODA must be deployed in a much smarter way, by using part of it to leverage, attract and facilitate private sector investment and domestic resources in developing countries.**

Neven Mimica, Opening speech at the DEVE Committee of the European Parliament, “The 2030 Agenda for Sustainable Development and the new European Consensus on Development”, Brussels, 27 September 2016.

## MAIN CHANGES IN 2015

In 2015 the EU institutions delivered €13.8 billion in development assistance, including €1.5 billion in addition to member states’ core budget contributions. At the FfD Conference in July 2015 in Addis Ababa the EU unilaterally re-committed itself to achieving the decade-old development target of 0.7% of ODA/GNI, with a new deadline of 2030, and it reaffirmed the 0.20% ODA/GNI target for Least Developed Countries (LDCs). It failed, however, to deliver on more ambitious aid commitments, and, like some others, it failed to meet the original 2015 deadline.

To date, the EU has not proposed a joint action plan for implementing its development effectiveness commitments. Instead, with the launch of major new private-sector investment initiatives at the Addis FfD Conference – such as the Agriculture Financing Initiative (AgriFI) and the Electrification Financing Initiative (ElectriFI) – it has increased the use of new, untested types of financing mechanisms.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Europe is currently experiencing a political and structural crisis caused by its lack of capacity to cope with an acute increase in mixed inward migration. The perceived “crisis” with migrants and refugee of 2015 heavily influenced the shape of EU aid. Development policy is increasingly guided by migration and security agendas. A number of new policies and instruments focusing on migration were launched, such as new EU trust funds which draw on considerable funding from the European Development Fund (EDF) and the EU budget, the EU-Turkey deal, and, in July of this year, a new migration partnership framework that raises concerns about the core development effectiveness principles, in particular those on ownership and alignment. Included in this is the European External Investment Plan, launched by President Juncker in his State of the Union address, which introduced a new instrument that would use aid to offer guarantees for leveraging private finance.

In the security and development agenda, the new ODA definition adopted by the OECD-DAC in February 2016 has blurred the line between ODA and military expenditure. The EU has been

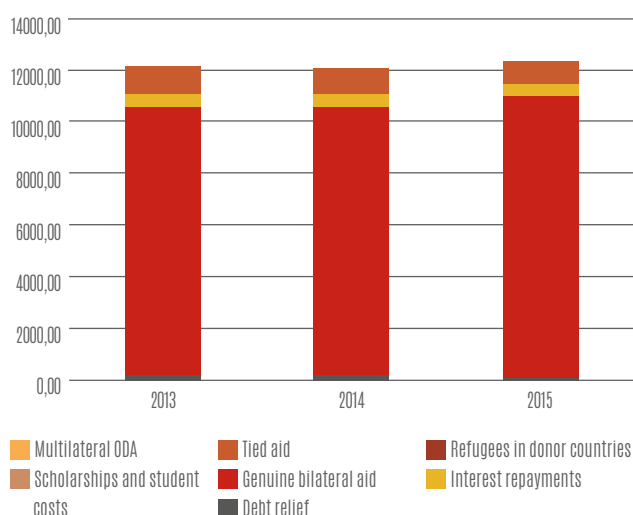
quick to release communications outlining positions on security-sector reform and on aid for developing the capacity of both civilian and military personnel in the security sector. It has increased the budget for the Instrument contributing to Stability and Peace (IcSP), and has made changes that allow military involvement under certain circumstances. The longer-term implications of these changes for the effectiveness and credibility of EU aid is troubling for many CSO groups.

The EU institutions are currently facing what is arguably one of the biggest challenges in their history. Brexit and its potential repercussions – including on the membership of other EU countries, the migratory pressures on the EU and the rise of populist, anti-immigration and anti-EU parties in a number of EU member states – are just some of the issues that have had a far-reaching effect. The EU now needs to ensure that it stands firm on its principles, commitments and actions, and that it continues to support international solidarity and to live up to its responsibilities as a bloc consisting of most of the wealthiest nations in the world.

## RECOMMENDATIONS

- *The EU and its MSs should meet their existing aid commitments (0.7% for EU-15; 0.33% for EU-13) by 2020 and should allocate at least 0.15% of GNI to LDCs by 2020, and 0.2% of GNI by 2025.*
- *The EU institutions should lead on introducing – and encouraging MSs to endorse – a joint action plan to accelerate the implementation of the development effectiveness principles.*
- *The EU and its MSs should commission an independent review of the development impact and comparative advantages of EU private-sector and blending mechanisms, as well as EU trust funds, vis-à-vis other modalities or alternatives.*

## EU INSTITUTIONS - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



0.20% GENUINE AID/GNI

0.35% TOTAL AID/GNI

# AUSTRIA



**I repeat Austria's commitment to the New Agenda and its successful implementation at the national, regional and international levels.**

Federal President Heinz Fischer at the UN General Assembly

## MAIN CHANGES IN 2015

Austria's ODA has risen from 0.28% in 2014 to 0.35% in 2015. This growth results from aid inflated by funds allocated to refugees arriving in and passing through Austria. Refugee costs in Austria accounted for approximately one-third of total ODA in 2015, while the programmable budget of the Austrian Development Agency was only 6.2%. A timetable for reaching 0.7% ODA, which was announced by the Austrian government early in 2015, is still not (publically) available.

In 2015, the Austrian government announced an increase in the Foreign Disaster Relief Fund (Auslandskatastrophenfonds) from €5 million to €20 million. However, there is still no strategy on how to spend this money more efficiently through medium- and long-term planning. Disbursement decisions are mainly made on an ad hoc basis by the council of ministers.

Although Austrian officials announced that they would follow the recommendation of the DAC peer review not to include debt relief in their forecast scenario before this had been agreed in the Paris Club, the latest Austrian forecast shows a huge increase in ODA – due to an “anticipated” cancellation of Sudan's debt, which is not likely to happen and has not been decided on by the Paris Club.

Austria has decided to make remarkable contributions to EU trust funds such as the Madad Fund for Syria or the EU Africa Trust Fund. A large portion of these contributions is taken from existing development instruments, but repeated overlapping announcements make it difficult for the public to understand this.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

In 2016 the government announced a “doubling” of the budget of the Austrian Development Agency (ADA) within the next five years (an annual increase of €15.5 million). After several cuts in recent years, this can be seen as a first step in the right direction. However, it is not clearly mirrored in the multi-year budgetary plan. Increases will reportedly be used for programmes to support returning refugees, for example in Iraq, Afghanistan and North Africa. It is not known whether existing (and underfunded) priority countries/regions or strategies will also benefit from the increase.

The Austrian government claims it is implementing the SDGs through a “mainstreaming approach”. Rather than establishing

new structures, responsibilities or an overarching strategy, the SDGs are supposed to be incorporated into existing strategies. How this will be put into practice, and how potential gaps are going to be addressed, is as yet unclear. Even though the government plans to include civil society in this work, no steps have yet been taken to do so.

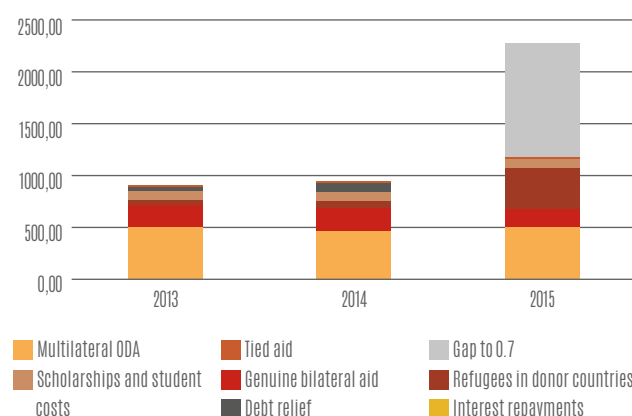
The three-year programme for Austrian development policy in 2016–2018 has come into force. Most of it is built on a participatory process involving a broad range of stakeholders, but migration and volunteers were added as new priorities after consultation.

## RECOMMENDATIONS

**The Austrian government should:**

- Fulfil the government's commitment to raise ODA to 0.7% of GNI, and should draw up and publically announce a binding timetable for reaching this goal;
- Make plans for spending new ADA money more transparent and build mainly on existing programmes and strategies;
- Focus all development programmes exclusively on the goal of fighting (multidimensional) poverty and inequalities;
- Develop a strategy for the Foreign Disaster Relief Fund in order to provide predictable financing in keeping with the commitments it made at the World Humanitarian Summit;
- Develop a general overall government strategy to implement the SDGs, with broad participation by civil society.

## AUSTRIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: JAKOB MUSSIL (AG GLOBALE VERANTWORTUNG), MICHAEL OBROVSKY (OFSE), HILDE WIPFEL (KOO)**



# BELGIUM

0.36% GENUINE AID/GNI

0.42% TOTAL AID/GNI



**As governments, we have a special responsibility. Without solid political commitment, the SDGs will remain words on paper.**

Alexander De Croo, Deputy Prime Minister and Minister for Development Cooperation<sup>21</sup>

## MAIN CHANGES IN 2015

### More with less

Belgium's ODA has been in decline since 2010, when it peaked at 0.64% of GNI. From 2014 to 2015, ODA decreased from 0.46 % to 0.42% of GNI. Although the minister agrees that ODA is needed, there is a lack of leadership on the aid budget. The minister believes that private sector financing is part of the answer and that public funds should also be used to leverage private finance. Humanitarian Impact Bonds, for example, have been created for this purpose.

### Fragile states

The development cooperation minister wants more impact, especially in fragile states. In Burundi, where Belgium is the biggest bilateral donor, he has suspended several development programmes since the crisis started there. He announced that some of the funds would be channelled into other activities to support the people of Burundi, but struggled to conceptualise this. Belgian CSOs are worried that the money saved by suspending the programmes will be used to finance previously announced budget cuts. The Belgian response to the crisis in Burundi raises questions about the renewed focus on fragile states, which should lead to more than simply cutting aid.

### SDG – private sector

The Ministry of Development Cooperation is focusing the 2030 SDG agenda primarily on its own priorities, such as multi-stakeholder partnerships with the private sector. Although the private sector is indeed a key actor in bringing change and expertise within development countries, this does not mean that participation should be narrowed down to partnership. Civil society is concerned about the lack of participation in the broader picture, for example in the design of the national implementation strategy for the whole of the 2030 Agenda. While Belgium will also continue to support the local private sector in its partner countries – through the Belgian Investment Company for Developing Countries, which has been opened up to private investors – this should not lead to tied aid.

<sup>21</sup> 21 April 2016, High-Level Thematic Debate on Achieving the Sustainable Development Goals (United Nations, New York), <http://www.alexanderdecroo.be/belgisch-engagement-voor-de-sustainable-development-goals/>

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

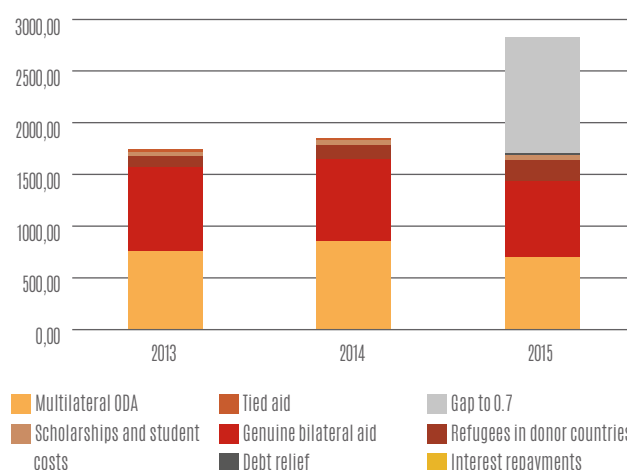
All budget lines will be cut in the future. How will it be possible to increase impact without a steady budget and with a decline in human resources? Refugee costs will further drive up ODA artificially, even though they come under the responsibility and the budget of the secretary of state for asylum and migration, not the minister for development cooperation. The minister will continue to focus on the private sector, but he also points out that the implementation of SDG 16, on peace and development, linked with a focus on fragile states, will be a major challenge in the future.

## RECOMMENDATIONS

The Belgian government should:

- To meet international and national commitments, reverse the decline of ODA and stop the erosion of the budget of the development cooperation department;
- Develop a vision and a strategy on the different forms of support for fragile states and adapt the existing policy instruments accordingly, to prevent simple budget cuts from being the sole policy response when relations with central governments are under pressure;
- Focus on supporting the local private sector, and guarantee transparency in the partnership with the private sector;
- Ensure an integrated, coherent national strategy covering the full range of policies and actions – both internal and external – in order to implement 2030 Agenda;
- By developing a whole-of-government approach to conflict and development, ensure that all foreign affairs instruments of have the same focus on and understanding of sustainable development in partner countries.

## BELGIUM - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: CONCORD BELGIUM (CNCD-11.11.11 AND 11.11.11) - GRIET YSEWYN, RACHEL DE PLAEN



0.09% GENUINE AID/GNI

0.09% TOTAL AID/GNI

# BULGARIA



The goals of the Bulgarian government in the area of development cooperation policy are within the framework of the EU and the UN. At the same time, these goals take national interests into consideration. The aid provided by Bulgaria takes into account the achievements of EU law in this respect (the fight against poverty, strengthening sustainable development and economic integration), and it should be in accordance with agreed global commitments – the Millennium Development Goals and Sustainable Development Goals...

– Excerpt from the answer given by Mr Daniel Mitov, Minister for Foreign Affairs of Bulgaria, to a question in parliament (March 2016)

## MAIN CHANGES IN 2015

From 2014 to 2015, aid has increased. As a percentage of GNI, at 0.08% it remains the nearly same as in 2014. Most of the aid (96.58%) is provided through multilateral channels, including various UN agencies, the EU and other financial institutions. ODA spending through bilateral channels has increased significantly, to 3.42% of total spending (0.7% in 2013 and 2% in 2014). This progress is a response to the recommendations made to the government last year by the Bulgarian Platform for International Development (BPID), and reflects efforts by the government to meet the demands of beneficiary countries.

The geographical coverage of Bulgarian aid delivered through bilateral agreements included countries from the Western Balkans (37% of the aid through bilateral channels), the Black Sea region (34), Vietnam, Afghanistan and Iraq. Several regional initiatives were also supported (15%), as were thematic projects relating to infrastructure, entrepreneurship, culture, children, healthcare, water sanitation and improving administrative capacity. This variety of funded initiatives is based on the improved capacity of the dedicated departments within the Ministry of Foreign Affairs (MFA)<sup>22</sup> and better cooperation with the Ministry of Finance. The Ministry of Foreign Affairs was thus able not only to plan but also to carry out particular development cooperation actions.

Communication with CSOs has intensified. In 2015, the MFA and BPID signed a memorandum of understanding on the exchange of information and support for the implementation of actions in other countries. In addition, within the framework of the European Year for Development 2015 the partnership

between the MFA, the Diplomatic Institute and BPID was also strengthened, with planned activities carried out in cooperation with one another.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Despite the intensification of development cooperation initiatives, and good collaboration with CSOs, the involvement of the non-governmental sector in the implementation of specific actions is not sufficient. To a great extent, this is due to the lack of an appropriate legal framework and specific regulations. This issue needed to be addressed. A process for introducing regulatory changes was started at the end of 2015/beginning of 2016.

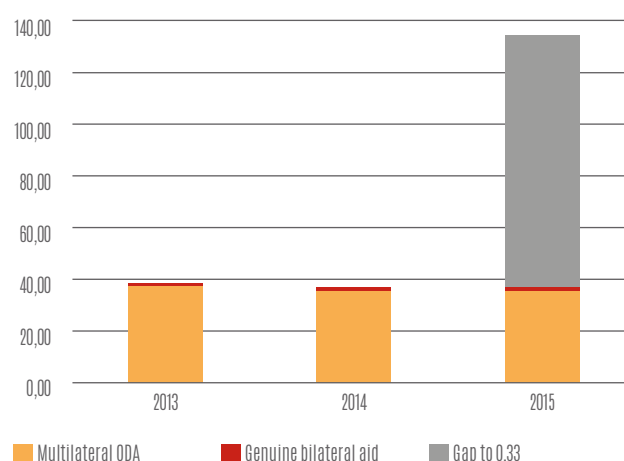
The mid-term programme for Bulgarian participation in development cooperation and humanitarian aid ended in 2015; coordination of new programme for the period 2016-2019 started in late 2015 / early 2016. The document set the main geographic, sector and thematic priorities and emphasised the importance of bilateral channels. The role of CSOs in programme implementation is also shifted and thus underlines the importance for adoption of relevant legislation.

## RECOMMENDATIONS

The Bulgarian government should:

- Adopt a specific legal framework for international development as a basis for the full inclusion of all partners in the implementation of the policies set;
- When implementing development cooperation policies, shift the mutual benefits of donors and beneficiaries;
- Increase and sustain the visibility of Bulgarian efforts on development cooperation.

## BULGARIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



<sup>22</sup> Unless otherwise noted, the acronym MFA in these country pages refers to the national Ministry of Foreign Affairs.

AUTHOR: BPID - VENTZISLAV KIRKOV

# CROATIA

0.10% GENUINE AID/GNI

0.10% TOTAL AID/GNI



Most of the international development cooperation actors come from small or medium-sized donors and their importance is impossible to ignore [...]. Small donors are usually more cautious in allocating the aid and monitoring its implementation, which leads to concrete results.

Vesna Pusić, Deputy Prime Minister and Minister for Foreign and European Affairs

## MAIN CHANGES IN 2015

A draft Strategy for International Development Cooperation was published by the former government, but it has never been confirmed by the parliament. The Croatian Ministry of Foreign and European Affairs did not release any ODA data in 2015, in spite of CROSOL's repeated requests to do so.

In terms of aid delivery, the situation has not changed significantly since 2014. Structural problems remain an issue. The capacity to implement and deliver development projects at national level remains weak – a problem that affects both the governmental and non-governmental sectors. Moreover, in 2015 the Croatian Ministry of Foreign and European Affairs completely stopped funding civil society organisations working on international development issues.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

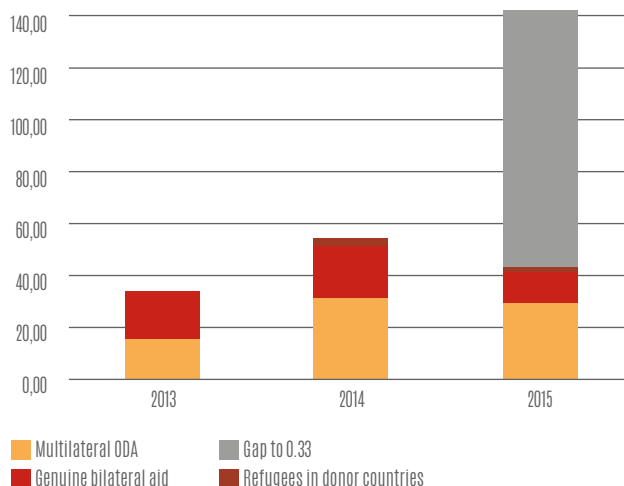
At the moment the ongoing political situation in Croatia makes it extremely difficult to predict what the situation regarding ODA will be in 2016 and beyond. The new coalition government took office in January 2016, and the ODA budget within the Ministry of Foreign and European Affairs was severely cut. Croatia will have an early general election in September 2016, and it is uncertain what the outcome will be. The ODA strategy and commitment to reaching the EU13 countries' ODA targets will depend very much on this.

## RECOMMENDATIONS

The Croatian government should:

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

## CROATIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: CROSOL - BRANKA JURAN



**Cyprus is committed both nationally and as an EU member to implementing the goals and targets of the UN post-2015 development agenda.**

President Anastasiades at the New York SDG summit

### MAIN CHANGES IN 2015

2015 witnessed pivotal developments in the post-2015 agenda. Cyprus participated throughout the consultation process at the global meetings, culminating in the president's trip to Paris and New York for the adoption of the UN SDGs and the binding agreement at COP21, with committed proclamations that showed a genuine interest in their aims. However, the practical economic reality of Cyprus has put these aspirations on hold, in terms of both resources and political resolution. Domestically, Cyprus had cut non-essential – and even semi-essential – public-sector services to balance the budget during the economic adjustment programme which was successfully concluded in the first semester of 2016. State-funded ODA was then a victim of the “rationalisation process” in both the economic and administrative spheres. The Cyprus Aid Department was transferred to the Department of Programming, which was itself transformed into the Directorate-General for European Programmes, Coordination and Development.

Refugees largely avoided Cyprus in 2015. During the big march towards Greece and other EU countries, a number of refugees ended up in Cyprus, mainly owing to rescue efforts (342 Syrian refugees). Provisional food and shelter were provided while asylum applications were processed. However, those costs were not counted as ODA.

In 2015 Cyprus allocated approximately €15 million to ODA, although the official figures were due to be released in the autumn of 2016. This is a provisional estimate, based on previous years, both in volume and as a percentage of the country's GNI (0.10%). Refugee costs could account for the majority of any increase. The 2016 data update brings home the point that a yearly update of the ODA figures should become standard practice as a first step to increasing accountability and government effectiveness.

Since 2013, no official ODA budget data have been published by any ministerial statistical service (2014 data were provisional). Officers from the Department of Development Cooperation in Cyprus's MFA, however, confirmed that data are being gathered by all government departments. An update was to be available in the second half of August 2016. Provisionally, we have been asked to use the data from 2014 (2013).

### TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

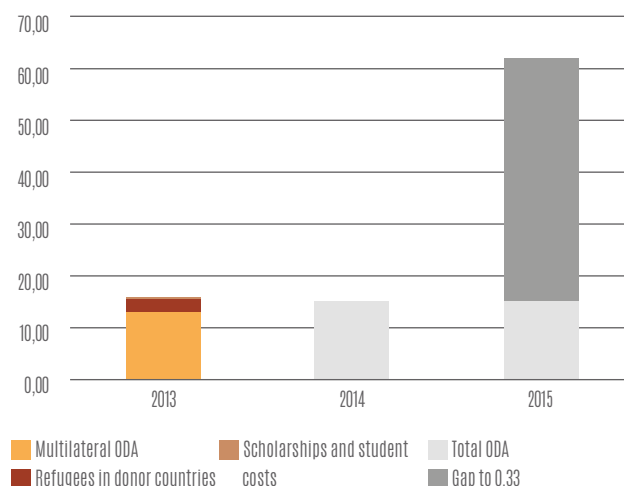
Since Cyprus has successfully exited the adjustment programme in 2016, a degree of normalcy in its ODA obligations may return, probably beginning, slowly, in 2017 – always assuming no new crisis hits. According to MFA Department of Development Cooperation officials, the government provides only those financial contributions necessary to fulfil its institutional obligations to the EU, i.e., those for the EDF and the EID. CYINDEP, the Cyprus Island-wide NGO Development Platform, has successfully concluded the EYD2015 project with the MFA and maintains its cordial relationship with the Ministry of Development Coordination.

### RECOMMENDATIONS

The government of Cyprus should:

- Continue the meetings of coordination body to set up a new strategic vision of development coordination for Cyprus, in accordance with the new Sustainable Development Goals and the government's new administrative structure;
- Resume budgetary allocations with a view to reaching and surpassing the target of 0.7%;
- Endorse the International Aid Transparency Initiative (IATI) Standards and ensure that ODA expenditure is consistently available yearly and is transparent.

### CYPRUS - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: CYINDEP - LORRAINE MARRIOTT**

# CZECH REPUBLIC

0.11% GENUINE AID/GNI

0.12% TOTAL AID/GNI



In general, the Czech Republic belongs to the countries that are very active in the areas of development cooperation and humanitarian aid at the diplomatic level. Obviously, we might provide more financial resources. It is a question of priorities.

Czech Prime Minister Bohuslav Sobotka

## MAIN CHANGES IN 2015

Total Czech ODA disbursements in 2015 amounted to €178.17 million which represents a slight increase in the ODA:GNI ratio, from 0.11% to 0.12%. This was mainly thanks to the Czech contribution to the EU trust funds for Syria and Africa. Multilateral aid continues to represent the lion's share of the aid budget (65% in 2015), although the share of bilateral ODA channelled through international organisations multiplied by nearly five times. Only about 37% of bilateral ODA was implemented by the Czech Development Agency (CzDA), MFA and other ministries. The share of bilateral ODA to LDCs decreased from 23% in 2014 to 16%. Humanitarian aid reached 14% of bilateral ODA in 2015 (up from 11% in 2014). Refugee costs, which represent the largest component of inflated aid, amounted to 21% of bilateral ODA in 2015, which means that it grew slightly, from 19% in 2014.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

According to the approved mid-term review of the Czech ODA plan, which is due to run until 2019, ODA will gradually increase, but will most probably still not meet the Czech government's commitment by 2030, owing to a lack of political will. Despite the higher ODA level, genuine bilateral ODA components, such as development projects and humanitarian aid, need more financial resources without being compromised by other, non-development objectives.

The Czech Republic has still not approved any plan to implement the Busan agreement, has not yet set up the complex ODA database, and did not join IATI by 2015 as it had declared it would.

The revision of the concept documents begun in 2015 will continue in 2016: the strategy to be followed until 2018, which will incorporate the recently reviewed multilateral aid strategy; the national global development education strategy; and the programmes of cooperation with priority countries.

In September 2016 the first DAC peer review of Czech ODA will be published.

The Inter-sectoral Council on Development Cooperation, run by MFA and responsible, among other things, for the implementation of policy coherence for development (PCD), has to find its

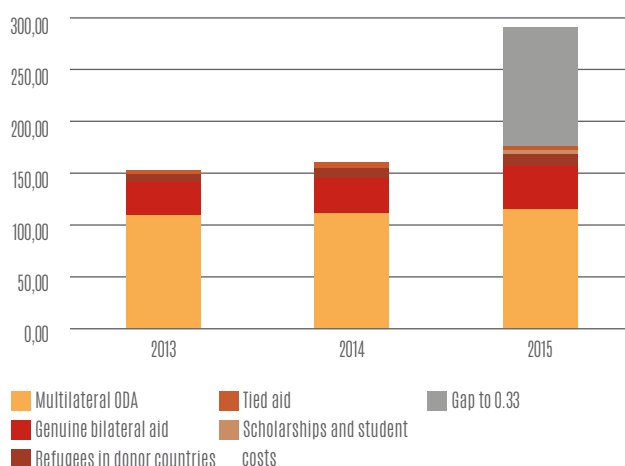
modus vivendi vis-a-vis the re-established inter-ministerial governmental council for sustainable development chaired by the prime minister himself, which should become the central body for coordinating policy coherence for sustainable development (PCSD), both in Czech domestic policy-making and in formulating positions for EU decision-making. The national sustainable development framework, known as "Czech Republic 2030", will be approved by the end of 2016.

## RECOMMENDATIONS

The Czech government should:

- Ensure a gradual, long-term increase in the ODA budget in order to meet the commitment of 0.33% GNI by 2030; and increase bilateral ODA, in particular the development projects and humanitarian aid;
- Keep the eradication of poverty and inequality at the core of Czech development cooperation's strategic documents, and its implementation;
- Introduce a concrete implementation plan for fulfilling development effectiveness commitments within the Global Partnership for Effective Development Cooperation (GPE-DC); and become a full member of the IATI;
- Increase capacity, transparency, predictability and openness in order to ensure full participation by partner countries, target groups and relevant development actors, including CSOs, in all stages of a project cycle, and improve the ownership and sustainability of the results achieved by Czech development cooperation.

## CZECH REPUBLIC - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: FORS - KATARÍNA ŠRÁMKOVÁ

0.71% GENUINE AID/GNI

0.85% TOTAL AID/GNI

# DENMARK



I understand the point that the more we spend abroad, the more we can prevent flows of migration. The thing is, though, that when the flow of migrants is as large as in 2015, we have to cover the costs. They can be covered either by development aid or by taking money from other welfare areas. And I'd rather we took the money from development aid.<sup>23</sup>

Kristian Jensen, Minister for Foreign Affairs.

## MAIN CHANGES IN 2015

Following the national elections in June 2015 the new centre-right government cut ODA dramatically, from both the 2015 and 2016 budgets.<sup>24</sup> The planned ODA of 0.87% of GNI in 2015, approved as part of the 2015 budget by the former government, was cut to 0.76% by the new one (0.85% of GNI in spending according to the OECD). In 2016 aid will drop to 0.70% of GNI, and it is expected to stay at roughly that level during the lifespan of the current centre-right government.

Danish ODA was hit by two changes in 2015: a huge cut in overall ODA, and a refocusing away from developing countries and onto financing the costs of receiving refugees in Denmark.

While Danish ODA was cut by about 15% between the 2015 and the 2016 budgets, ODA channelled through Danish civil society was cut much more. All Danish CSOs that had framework agreements with the Ministry of Foreign Affairs saw those agreements cut by 27%. There was an additional cut to the funds that channel money from the ministry onwards to small and medium-sized CSOs and those with a special focus on youth, to religious organisations and those working with people with disabilities. The funding for these groups was cut by 36%, seriously hampering the overall work done by Danish civil society.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

In 2016 almost 20% of ODA will be spent on receiving refugees – a dramatic increase from 2008, when it was less than 2%. In 2016, the largest recipient of Danish aid is Denmark itself. This not only puts increased pressure on an already limited budget, it also seriously calls into question the nature of aid itself.

<sup>23</sup> <http://www.politiko.dk/nyheder/kristian-jensen-mali-kan-sagtens-ende-med-at-producere-millioner-af-migrante>

<sup>24</sup> The Danish budget is based on allocations and not spending, so the numbers differ from the OECD numbers, which track spending.

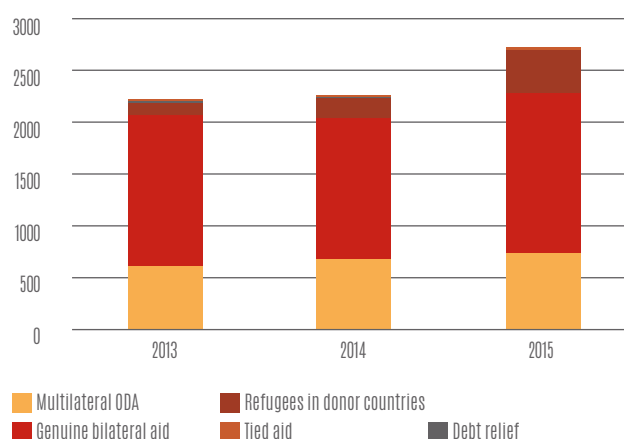
In late 2016 a new Danish development strategy will be finalised. This will focus on supporting SDG implementation. Major changes expected are a sharpened focus on countries where migration to Europe can be reduced or where Danish industry has long-term commercial interests.

## RECOMMENDATIONS

The Danish government should:

- Bring Denmark back to the forefront of the fight against poverty and inequality by restoring aid to previous levels, and stop losing decades of expertise and experience in international development as a result of aid cuts;
- Guarantee a minimum of 0.7% of genuine ODA, with refugee costs on top.
- Ensure predictability for partners and recipients by setting out long-term objectives and avoid making cuts or changes without warning or preparation;
- Put pressure on all EU MSs to agree on binding timetables for reaching their individual and collective aid quantity targets;
- Ensure that poverty reduction and human rights become the guiding principles of development cooperation, including in those cases where aid is used in cooperation with the Danish private sector;
- Make climate finance additional to development flows and targets.

## DENMARK - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: GLOBAL FOCUS - KIRA BOE



# ESTONIA

0.14% GENUINE AID/GNI

0.15% TOTAL AID/GNI



It is important to deal with the root causes of the migration crisis. Estonia is one of the European countries that hasn't cut its development or humanitarian aid. We contribute to the work of international organisations, especially the UN, and we will continue our bilateral projects in the Middle East. Today we have the chance to help those who have chosen to flee war and conflicts so they could survive and give their families a chance of a better life.

Ms Marina Kaljurand, Minister for Foreign Affairs of Estonia

## MAIN CHANGES IN 2015

There have been no major changes in Estonian development cooperation. The level of Estonian aid increased slightly, from 0.14% in 2014 to 0.15% in 2015 – still, however, a long way off the promised 0.33% of GNI for that year. The new 2016-2020 national strategy for development cooperation and humanitarian aid was finalised. It states that Estonia will try to reach an aid level of 0.33% of GNI within the SDG deadline of 2030. The 2016-2019 state budget strategy adopted in 2015 does not include an increase in ODA, but we hope to keep the funding at the 2015 level (0.15% of GNI). This raises the question of how the planned 0.33% by 2030 will be achieved.

In 2015, the Ministry of Foreign Affairs initiated the development of a framework and mechanism for measuring the impact of Estonia's development cooperation. While the project is not yet finished, and it is not yet known how this impact will be measured, the step towards a better assessment of the use of funds is very welcome, especially given that a large part of Estonian bilateral aid is technical aid.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Although the funding for development cooperation and humanitarian aid will not increase in 2016, we do not foresee any further cuts either. The situation may not remain the same after 2016: if there is a need for further austerity cuts, or money needs to be allocated for refugees, it could very easily be taken from the budget for development aid. So far, Estonia has complied with the DAC regulations on in-country refugee costs.

In terms of the quality of aid, Estonia funds many short-term technical aid projects (average duration: 11 months). CSOs have pointed out the need for greater funding stability to allow the implementation of longer projects. This status quo derives from the fact that the yearly funds for development cooperation and humanitarian aid will be decided on every year during the

state budget negotiations. In long run, this situation is not beneficial for the sector. The quality assessment of bilateral projects has so far been inadequate, making it difficult to draw conclusions about the impact of Estonian development cooperation.

The new 2016-2020 strategy states that by the end of 2017 the situation of policy coherence for sustainable development will have been mapped, and by 2020, the framework for Estonian policy coherence will have been worked out. These are the first and very necessary steps towards a greater acknowledgement of PCSD, as this strategy document is an important stage in moving towards actual practical action on PCSD in Estonia. At the same time, we have not yet heard of any activities or work plans by the government to move towards these PCSD-related objectives.

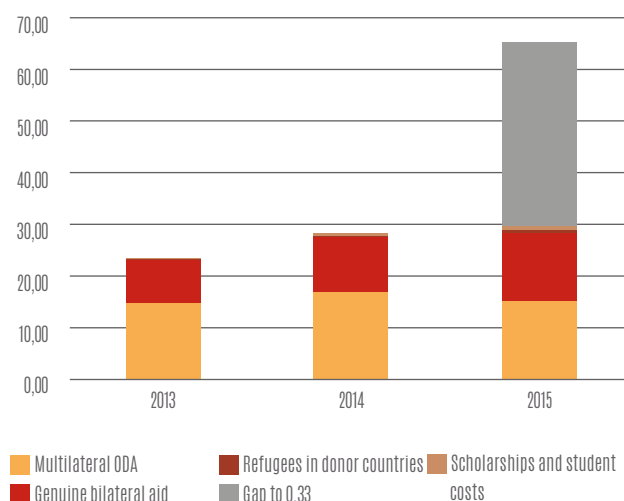
In the autumn of 2016, the regulation on financing bilateral aid will be revised. We hope for simplified grant procedures and increased funding transparency. Civil society is expected to participate in changing the regulation. All in all, the inclusion of civil society by the foreign ministry has been rather good throughout 2015, and we hope this continues and even improves during 2016.

## RECOMMENDATIONS

The Estonian government should:

- Commit to achieving the aid quantity target of 0.33% of GNI and set binding deadlines and draw up an actual plan for this;
- Implement strategic plans for increasing policy coherence for development, including the plan to increase active international work and have fewer priority areas.

## ESTONIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: ESTONIAN ROUNDTABLE FOR DEVELOPMENT COOPERATION (AKU) - SIGRID SOLNIK

0.54% GENUINE AID/GNI

0.57% TOTAL AID/GNI

# FINLAND



Therefore, I am excited that Finland is directing an increasing share of its aid to supporting private economies in developing countries. It is exactly what the partner countries need. And it is the only way to find credible solutions to the immense challenges we are facing.

Kai Mykkänen, Minister for Trade and Development, speech at the gathering of Finnish ambassadors, August 2016

## MAIN CHANGES IN 2015

2015 was a dramatic year for Finland's development cooperation. The Finnish government decided on a cut of roughly 40% in development cooperation, which moved the country back 10 years in the pursuit of the 0.7% target. Finland terminated its core support to several UN agencies and ended its general budget support to Tanzania and Mozambique. Civil society suffered a 43% decrease in funding. While the cuts only came into full force at the start of 2016, both commitments and disbursements had already begun to decrease in 2015.

In contrast to the cuts elsewhere, however, support to private sector soared. The Finnfund allocation increased by 130% (or €130 million) from previous years through a transfer from grant-based funding to a new loan-based budget line. Finland also abandoned its policy of earmarking income from the Emissions Trading Scheme to development cooperation, and instead started channelling it back to energy-intensive industries. This decision made another severe dent in Finnish funds for development and climate action in developing countries.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Finland adopted a new development policy in February 2016. It sets out four thematic priorities: i) the rights and status of women and girls; ii) jobs, livelihood opportunities and wellbeing; iii) democratic and better-functioning societies; and iv) food security, access to water and energy, and sustainable use of natural resources. It remains to be seen how these will guide funding decisions – apart from leading to a significant increase in funding through the private sector.

The government 2016-2020 budget frame foresees very little increase in international development, and aims to keep ODA at average 0.4 % of GNI. In spring 2016 the government decided on additional cuts of €25 million annually starting from 2018. Despite having just announced the cuts, Finland recommitted in Addis Ababa to 0.7% of GNI to ODA. In order for Finland to respect its international commitments, the next government will

have to start increasing its development budget faster than any previous Finnish government.

## RECOMMENDATIONS

The Finnish government should:

- Provide a concrete plan with a credible timetable for reaching the 0.7% target, together with additional commitments on climate finance. This should include milestones for the current government's tenure;
- Adopt an act on development cooperation which establishes a legal obligation for Finland to fulfil its international commitments on its level of ODA and development effectiveness. The act should be part of a broader legal framework for sustainable development and should enshrine the principle of policy coherence;
- Adopt a policy on private-sector engagement in development countries. This policy should align Finland's support for the private sector with international social and environmental standards, a human rights-based approach, the UN Guiding Principles on Business and Human Rights, and the Busan principles for aid effectiveness and transparency;
- Restore the practice of channelling income from the emissions trade scheme to international climate and development cooperation activities, and introduce new, innovative sources of public finance for sustainable development, such as carbon taxes, the reallocation of fossil fuel subsidies or FTT;
- Stop reporting climate funding towards the 0.7% ODA target and respect the additionality of climate finance.

## FINLAND - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: KEPA - NIINA MÄKI, KEHYS - JUSSI KANNER

# FRANCE

0.31% GENUINE AID/GNI

0.37% TOTAL AID/GNI



Can we still – given the difficulties we are experiencing in economics, on the fiscal side – keep an ambitious development and international solidarity policy? Answer: Given the rank of France – its place, its history, its values – I answer yes. We can, we must, we will.

President François Hollande

## MAIN CHANGES IN 2015

France, as stated by its president, François Hollande, should and could do better. But in 2015 France spent only 0.37% of its GNI on ODA. Worse, the trend has been largely in decline since 2010, when France devoted 0.50% of its GNI to ODA. The figure was 0.46% in 2011, 0.45% in 2012, 0.41% in 2013 and 0.37% in 2014.

Coordination SUD asks France, with its duty of solidarity and respect for commitments, to achieve the objective it has signed up to: to allocate 0.7% of its GNI to ODA by 2022, the priority being grants to the most vulnerable countries. It is primarily a question of political will. Other countries have done so – France must also succeed.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Despite the key role of development cooperation budget lines, they have been particularly badly affected by political trade-offs. In the last Finance Act review, these lines were cut 10 times more than the general budget. The credits to ODA suffered a 10% cut.

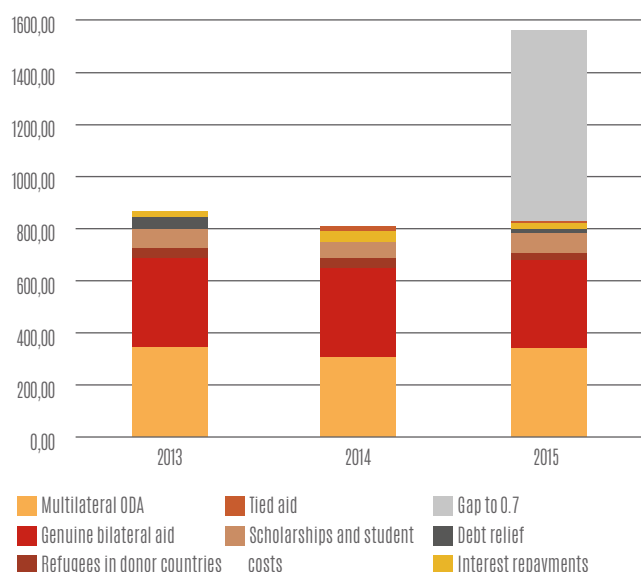
France cannot fix everything by itself; its ODA will never solve all the world's development problems. However, with its economic weight as the sixth economic power, with its political influence and history, France remains a major player. For Coordination SUD, the next Finance Act should revive the French mandate to meet its international commitments to development and international solidarity.

## RECOMMENDATIONS

The French government should:

- Increase ODA funding by 10%, starting with the next finance bill;
- Achieve 0.7% ODA / GNI by 2022, primarily in grants, as a priority;
- Allocate 50% of French ODA to LDCs;
- Channel €1 billion per year in ODA through NGOs by 2022;
- Stop trading off development cooperation against other priorities: migration / security / economic diplomacy.

## FRANCE - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: COORDINATION SUD - GAUTIER CENTLIVRE



0.39% GENUINE AID/GNI

0.52% TOTAL AID/GNI

# GERMANY



**In Istanbul, I recently called for the doubling of the global financial resources for development aid – currently around 130 billion dollars.**

Dr Gerd Müller, Minister for Economic Cooperation and Development, June 2016

## MAIN CHANGES IN 2015

Germany held the G7 presidency in 2015 and facilitated a variety of positive decisions. However, they were based on a neoliberal growth model. This was hardly a surprise for many NGOs. On the positive side, there was a statement on increasing investment in responsible supply chains, emphasising the UN's Guiding Principles on Business and Human Rights. Another laudable G7 summit outcome was the recognition of the important role of women, health, food security and education in development. On the negative side, there is an ongoing determination to sign bilateral and regional free trade agreements like Tisa, TTIP and the EPA, and there was a failure to make any serious financial commitments at the Third International Conference on Financing for Development in Addis Ababa.

In terms of aid quantity, in March 2015 the government declared that it would increase German ODA by €8.3 billion by 2019. This would be the highest ODA increase in German history, and the announcement was widely appreciated by civil society. Besides this development, the German government introduced a new system whereby refugee costs would be included in German ODA. With the help of this trick, Germany's ODA reached a high of 0.56% of GNI in 2015 – but that is mostly thanks to the new way of calculating assistance for refugees in Germany.

Political priorities of the Federal Ministry for Economic Cooperation and Development (BMZ) in 2015 were food security, fighting the root causes and drivers of forced displacement of migration, and the stabilisation of North Africa. The ministry launched three special budget initiatives to provide further finance for the different development instruments currently in progress.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The revision of the German national sustainability strategy is an important step towards implementing Agenda 2030. In May 2015, the German government presented a first draft of the revised national strategy, which is now open to comments through civil society organisations. The draft is structured along the 17 sustainable development goals and presents a variety of means of implementation. VENRO has welcomed the first draft, but sees room for improvement.

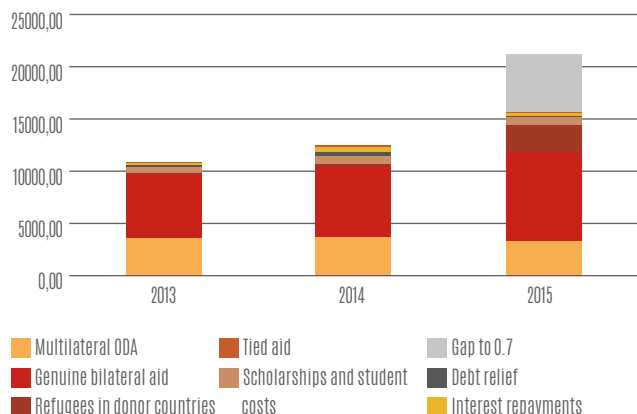
German development policies focus on combating the causes of migration and forced displacement. The BMZ lists the creation of jobs in developing countries, especially in Syria's neighbours, as one of its top priorities. Another political priority is the promotion of private investment. The BMZ emphasises the role of public-private partnerships, multi-stakeholder partnerships and financing modalities such as blending. To support the private sector further, the BMZ has recently set up a government agency for economics and development, to support companies that are investing in developing and emerging market economies.

## RECOMMENDATIONS

The German government should:

- Ensure that the national sustainability strategy clearly emphasises the universal applicability of Agenda 2030 to all countries, including Germany, and clearly establish coherence for sustainable development within and between all 17 SDGs as a primary objective;
- Increase ODA to 0.7% of GNI by 2020, and ODA to LDCs to 0.15-0.2% of GNI by 2020, based on a binding and credible timetable for doing so. Exclude refugee costs from ODA. Climate finance should be delivered on top of the 0.7% target;
- Advocate for a comprehensive financial transaction tax (FTT) which should provide a significant amount of revenue for development and climate finance;
- Lead the fight for global tax justice and push for the establishment of a sovereign debt restructuring mechanism;
- Develop a coherent policy based on sustainable development and human rights that involves all German ministries in coordination with one another.

## GERMANY - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: VENRO - JANA ROSENBOOM

# GREECE

0.11% GENUINE AID/GNI

0.15% TOTAL AID/GNI



**We have to realise that we need a global financial and economic system geared towards fostering national growth strategies and our post-2015 development agenda. We have to discuss the issue of debt restructuring in all competent forums – including this one – in connection with developing growth, not austerity strategies.**

Mr Alexis Tsipras, Prime Minister of Greece, 25 September 2016, UN SDG Summit

## MAIN CHANGES IN 2015

In 2015, CSOs had lower levels of engagement with the MFA than in 2014. Of course, 2015 was a very difficult year for Greece, not only because of the continuous economic and humanitarian crises, but also because there were two national elections and one public referendum, plus a huge wave of refugees (around one million) who came from the coast of Turkey to the Greek islands. After a conference for the European Year for Development (EYD) held by the Greek MFA, the year was marked by complete MFA silence. NGOs once more had to deal with negative publicity and media distrust. Even with the refugee response, it took a long time for the state to acknowledge NGO's massive support to the humanitarian and refugees' crisis, when at the same time the government was absent, with huge delays in developing refugee support programmes. On the other hand, there was very positive and productive collaboration with certain local authorities.

In 2015 the Greek government recommitted to the 0.7% ODA/GNI target, but Greek level of ODA remained very low, increasing only to €282 million, up from €247 million in 2014. Aid represented 0.15% of GNI, compared with 0.11% in 2013. This was largely due to the rise of the in-donor refugee cost, which came to more than 20% of ODA in 2015 (8.6% of ODA in 2014 – OECD data). More specifically, between the beginning of 2015 and July 2016 the European Commission awarded Greece €345 million as emergency assistance for the refugee crisis, through the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) (on top of €509 million already allocated to Greece for the 2014-2020 national programmes).

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

In 2015, cooperation with the Greek MFA was not good at all. After the EYD meeting in March, there was a lack of cooperation and communication, and the major refugee crisis that Greece continues to face seems like a lost opportunity for good cooperation between the state and CSOs. We strongly believe that the

government must open up the dialogue with CSOs so we can combine our mutual experience and capacities in the common cause.

Although there was some communication between the MFA and organisations representing civil society during the global consultation on the SDGs, in 2015 there was no official announcement from the state or call to CSOs for participation in developing a national agenda for implementing the SDGs in 2015. In the beginning of 2016, the MFA invited CSOs to discuss its plans for a trilateral platform (all ministries – private sector – CSOs) for developing and monitoring a national SDG strategy. We hope this MFA effort will continue and will improve in 2016 and beyond.

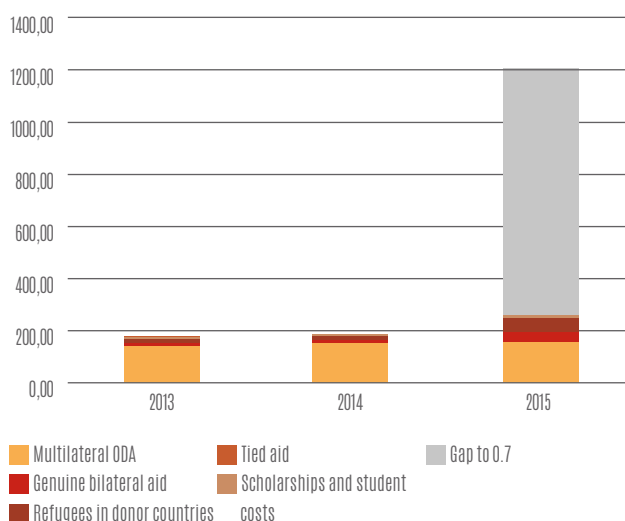
Owing to the social and economic conditions described, it is very difficult to predict a trend in aid quantity for 2016 and 2017.

## RECOMMENDATIONS

**The Greek government should:**

- *Include CSOs as stakeholders in the aid strategy and expand its cooperation with them by inviting them to participate in the inter-ministerial committee on developing and monitoring the SDG strategy;*
- *Evaluate the 0.7% commitment under the current fiscal conditions in order to recommit to a realistic and binding timetable for meeting it in the future;*
- *Adopt and implement the IATI standard in order to increase the transparency and accountability of Greek ODA.*

## GREECE - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: HELLENIC PLATFORM FOR DEVELOPMENT NGOS - NIKOS STERGIU / GLYKERIA ARAPI**

0.12% GENUINE AID/GNI

0.13% TOTAL AID/GNI

# HUNGARY



**Hungary is a leading supporter of OECD efforts to make international trade and investment more flexible, liberal and free of restrictions, and at the same time it is calling for the rational, conditional application of development funding to enable developing countries to eliminate the causes of global challenges that place migration pressure on the European Union.**

Minister for Foreign Affairs and Trade Péter Szijjártó, during a recess in the Paris-based development organisation's annual Ministerial Council Meeting, June 2016

## MAIN CHANGES IN 2015

The 2015 was a year of small steps forward for Hungarian ODA. Total ODA spending was 0.13% of GNI, compared with 0.11 % in 2014. Spending was divided into three-quarters multilateral and one-quarter bilateral cooperation. These numbers are far below those in the planned increase of the International Development Cooperation Strategy adopted in 2014. The small proportion of bilateral funding also conflicts with the strategy.

These numbers include reportable costs relating to students and refugees. While overall costs relating to refugees increased in 2015, the amount reported as ODA stayed the same, because of more precise data. The Ministry of Foreign Affairs and Trade also took other steps to make ODA reporting more comprehensive. It asked major towns to report their ODA spending and to start preparing a training aimed at informing officials about the aim, background and techniques of ODA reporting.

The parliament adopted some changes to the Hungarian IDC Act. The changes are designed to simplify and accelerate the administrative handling of the funding, and set up a separate Grants and Project Coordination unit within the ministry's IDC department. This is necessary because, for example, even eight months after the completion of a project NGOs had been unable to close their ministry-financed EYD2015 projects officially.

Otherwise, cooperation between the ministry and NGOs on domestic EYD2015 programmes was exemplary. Both were active during the year, and the ministry spent scarce resources on subgranting NGO projects.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

In order to find new funding options, the ministry has started a consultation process on innovative sources of finance including NGOs, the private sector and line ministries.

The Hungarian government has provided two billion Hungarian forints (approx. US\$8 million) for climate protection purposes – US\$4 million directly to the Green Climate Fund and US\$4 million for bilateral and multilateral cooperation.

In recent years the Eximbank (Hungarian Export-Import Bank Plc.) has significantly increased the amount of its loans. A more transparent use of Eximbank's tied aid loans and their analysis are necessary to be in line with the IDC Act.

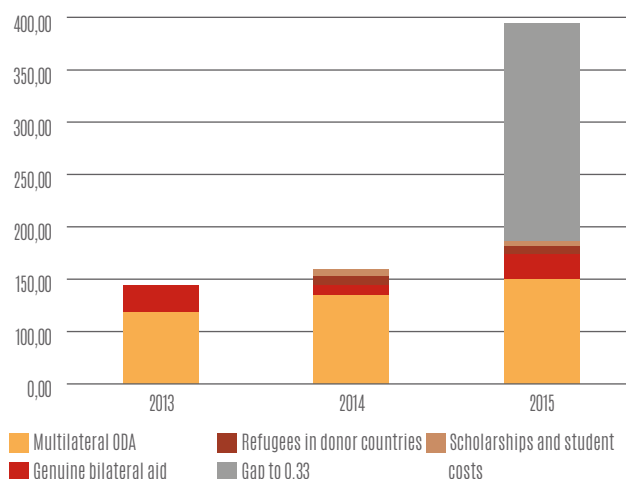
The greatest hiatus last year was the implementation of Agenda 2030. By mid-2016, no decision had yet been made as to which body would coordinate this activity. Although it will probably be the Ministry of Foreign Affairs and Trade, the official decision is still pending. So the government's basic commitment to SDGs can be questioned, as after a full year there is still no framework for implementation.

## RECOMMENDATIONS

**The Hungarian government should:**

- Increase ODA according to a realistic timetable for meeting the 0.33% target, raise the proportion of bilateral aid, and provide resources for NGOs at least for the "own financial contributions" requested for EC-supported projects, as this is the biggest challenge for Hungarian CSOs;
- Close collaboration within the government is needed in order to spend the scarce resources in coherent way;
- To implement the SDGs successfully, all the ministries need to participate, and to be coordinated strategically. Cooperation between the government and all the stakeholders, including NGOs, is essential for finding the appropriate consultative mechanism and for building stronger cooperation between organisations dealing with sustainable development and international development cooperation.

## HUNGARY - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: HAND ASSOCIATION - TÍMEA GEDEON, FRIENDS OF THE EARTH HUNGARY - ÁKOS ÉGER**

# IRELAND

0.36% GENUINE AID/GNI

0.36% TOTAL AID/GNI



Ensuring that we ‘leave no-one behind’ requires us to acknowledge and systematically address hunger and inequality for what they are: an injustice, a breach of rights. This is fundamental. We must challenge ourselves to reconfigure the paradigm of aid, away from any model of charity, and move, collectively and deliberately, from ‘ending immediate needs of survival’ to ‘meeting entitlements that make sustainable development possible.’

President Michael D. Higgins, World Humanitarian Summit, Istanbul

## MAIN CHANGES IN 2015

Ireland is now twelfth in the OECD DAC’s ranking of donors, the lowest it has been in a decade. While its aid spending increased in 2015 from €614.86 million to €647.51 million – the first monetary increase in eight years – as a percentage of GNI it represents another decrease – from 0.38% in 2014 to 0.36% in 2015.

Estimates indicate that both the total amount and the ODA percentage of GNI will remain the same in 2016. The actual increase of €34 million in 2016 was allocated to multilateral ODA, which had borne the brunt of the cuts in previous years.

Ireland has been able to protect the use of its aid budget, with 99% of bilateral ODA seen as genuine, as confirmed by the OECD DAC Peer Reviews. And it continues to commit at least 50% of its aid to least developed countries, and to prioritise fragile states. The refugee crisis has led to additional funding in this area – although 2016 figures will be required in order to confirm this.

Support for the private sector has become a more significant intention of Ireland’s “One World, One Future” aid strategy. This has not translated into increased aid spends, however. In fact, as a financial component of ODA it remains negligible.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

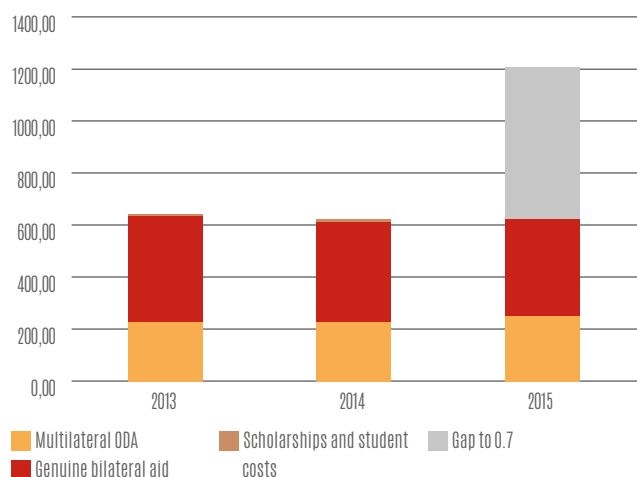
The government continues to state that Ireland is “committed” to achieving the 0.7% ODA/GNI target, but the initial timeframe of 2020, set by the MDGs, has now been extended to 2030. And there is no plan of action for how this target is to be achieved.

## RECOMMENDATION

The Irish government should:

- Present a strong, credible plan for how Ireland will fund its commitment to the Sustainable Development Goals by bringing its spending on ODA up to the agreed UN target of 0.7% of its gross national income.

## IRELAND - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



0.15% GENUINE AID/GNI

0.21% TOTAL AID/GNI

ITALY



Today we are the seventh of the G7 countries as regards the ODA:GDP ratio, but at the next G7 summit, scheduled for May 2017 in Italy, we aim to be at least fourth.

Prime Minister Matteo Renzi, New York, September 2015

### MAIN CHANGES IN 2015

2015 was the first year in the implementation of the new legislation, after decades under a previous legal framework. The main innovations introduced by the law took the whole year to set up, and in 2016 not all of them are fully operational yet.

The new post of deputy minister for development cooperation was created, but the first minister resigned after few months. A new one was appointed months later. The Agency for Development Cooperation (AICS) became legally operational only in January 2016, and is not yet fully staffed, resourced or equipped. The financial institution for development cooperation, created under the umbrella of the Deposits and Loans Fund (Cassa Depositi e Prestiti), was set up on 1 January 2016.

Among the innovations implemented in 2015 was the National Council for Development Cooperation (NCDC), a consultative, multi-stakeholder entity representing a variety of development cooperation actors: institutional and private, profit and non-profit, cooperatives, trade unions, migrant associations and local authorities. To be practical in its operations, it has set up four working groups, on the following topics: a) Follow-up of Agenda 2013 for Sustainable Development: policy coherence, effectiveness and evaluation; b) Strategies and guidelines for Italian development cooperation; c) Role of the private sector in development cooperation; d) Migration and development. Italian CSOs are well represented and active in all groups.

### TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

2016 will be crucial for giving a good start to the reformed Italian development cooperation system. The three-year planning process should be improved so that it effectively represents the views and inputs from different constituencies involved in the NCDC. For the three-year period between 2016 and 2018 a strategic approach needs to be defined, one that puts Agenda 2030 and sustainable development at the heart of policies to address social, political and demographic challenges, destabilisation in some parts of Africa and the Middle East, the intensification of migration processes, the impact of climate change and the need to support peace processes.

The Italian government defines development cooperation as a

“strategic investment” and the Financial Stability Law has partially confirmed its willingness to pursue this vision by providing for a gradual increase in resources for development cooperation: €120 million in 2016 (about 40% more), €240 million in 2017 and €360 million in 2018.

In 2016 the AICS will be operational, involved in the management of all previous Ministry of Foreign Affairs programmes, and starting new ones. A CSO call for proposals should be launched and awarded during the year.

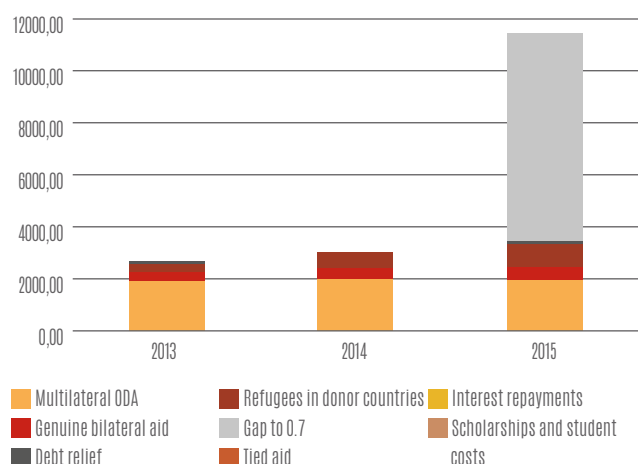
In 2016 the new Financial Institution for Development Cooperation should be ready to provide new financial instruments, to invest funding in cooperation initiatives, and to provide advice and technical support.

### RECOMMENDATIONS

The Italian government should:

- Make the new legislation on development cooperation fully operational, giving proper resources to the AICS and ensuring the fast, transparent functioning of the Financial Institution for Development Cooperation;
- Increase policy coherence for development; framed within national strategic plan for sustainable development.
- Pay renewed attention to the development effectiveness process, at both global level (HLM Nairobi 2016) and national level, and draw up a new development cooperation effectiveness plan;
- Secure a steady, predictable increase in ODA so that aid represents no less than 0.30% of GNI by 2020.
- Continue to strengthen the link between migration, development and development cooperation, avoiding emphasis on “security” aspects.

### ITALY - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: CONCORD ITALIA - GEMMA ARPAIA





**Latvia supports the strengthening of EU joint programming as it improves the effectiveness, impact and visibility of the EU's external assistance. At the same time, cooperation between all EU Member States must be ensured in the joint programming process.**

Zanda Kalniņa-Lukaševica, Parliamentary Secretary to the Latvian Minister for Foreign Affairs on 12 May 2016, at the EU Foreign Affairs Council meeting

## MAIN CHANGES IN 2015

Compared with 2014, in 2015 total Latvian ODA rose by 13%. It remains below the 0.33% of GNI target that should have been achieved by 2015. Funding has risen for both bilateral and multilateral aid: by 10% and 90% respectively.

The transparency of the distribution of bilateral aid is still a concern in Latvia. In 1915, only about 45% of bilateral aid was distributed through an open competition: the rest was distributed by the MFA or other managing institutions through a non-competitive process.

A large percentage of bilateral aid is disbursed through scholarships and a training programme for public officials and other professionals from Eastern Partnership, Central Asian and Western Balkan countries (about 38%). Thus a large percentage of bilateral aid actually stays within Latvia and does not reach the partner countries directly.

The amount of ODA that goes to CSOs in Latvia and partner countries is very small. Despite advocacy for increased support for NGO projects or covering the co-financing costs of NGO projects, the amount of funding available remains small. NGOs compete for funding alongside other partners, such as the private and academic sectors and state agencies.

2015 saw closer cooperation between Latvian CSOs working in the development sector and the Ministry of Foreign Affairs. Cooperation has improved on all sides. The MFA has been more available for discussions and dialogue, both in events organised by them and by CSOs, and on a daily basis. Development cooperation has received more attention in 2015, mainly because the European Year for Development coincided with the Latvian Presidency of the Council of the European Union. Much attention was devoted to development education and awareness-raising activities in Latvia. LAPAS, the national NGOs platform, partnered the MFA in implementing EYD events and cooperated with MFA representatives during the Latvian EU Presidency.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The Development Cooperation Guidelines for 2016-2020 should be finalised and come into effect in 2016. They do not entail many changes to current Latvian development cooperation approaches.

At the end of 2015, LAPAS members formed a lobby group, advocating for increased funding for civil society activities, more transparency in the criteria for allocating bilateral funding, and the protection of funding for global education activities, which was in danger of being cut. As a result, CSO financing has been kept in the 2016-2020 Development Cooperation Policy Guidelines.

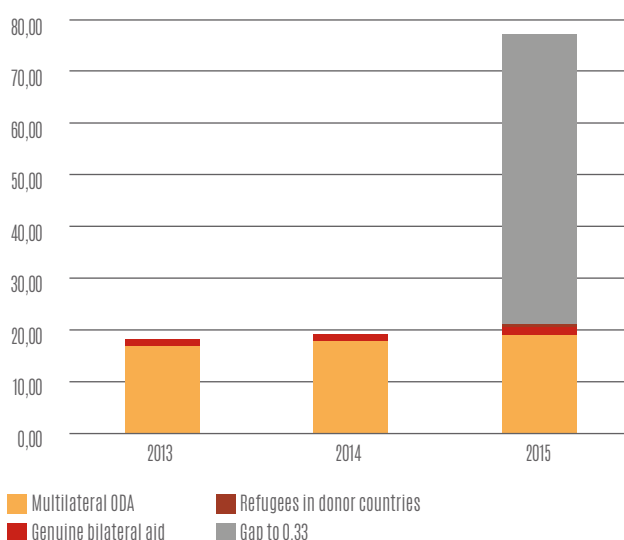
The year 2016 will see an increase of approximately €37,000 in bilateral aid. The MFA will continue allocating funding both through an open competition and without competition, based on the needs expressed by partner countries. Apart from increased funding, there are no major changes planned for 2016.

## RECOMMENDATIONS

**The Latvian government should:**

- Continue to increase bilateral aid flows and deliver on its commitments;
- Direct a significant portion of ODA towards the so-called fragile states;
- Ensure transparency in the process of distributing bilateral aid;
- Assess the effectiveness of scholarships and training courses as a high priority area for policy-making on bilateral development;
- Increase co-financing for projects that have received partial funding elsewhere.

## LATVIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: LAPAS - LIGA RUDZITE



0.11% GENUINE AID/GNI

0.12% TOTAL AID/GNI

# LITHUANIA



**Fully committed to the EU's pledge to reduce emissions by at least 40% by 2030, Lithuania is a clear example that rapid economic growth is possible without harming the environment.**

Dalia Grybauskaitė, President of the Republic of Lithuania

## MAIN CHANGES IN 2015

Lithuanian ODA increased from 0.10% in 2014 to 0.12% in 2015 – still long way to the initial and recurrent commitment of 0.33%. Lithuania is increasingly engaged with projects in Ukraine to help Ukraine to carry out its reform agenda on human rights, the rule of law and democracy. Lithuania's main contribution to these projects is by sharing the national transition experience. For the period 2014-2016, the government's total support for Ukraine exceeds €4.4 million. The Ministry of Foreign Affairs (MFA) is the coordinator of activities by government institutions involved in these projects.

Lithuania is preoccupied with adjusting its development cooperation system to the OECD standard, with a view to joining the OECD, probably in 2018. Regarding aid effectiveness, the government is implementing the development cooperation policy for 2014-2016. An important – yet rarely addressed – challenge is the empowerment of the National Commission for Development Cooperation.

In 2015, the MFA coordinated EYD 2015 activities and supported the implementation of 13 development awareness projects in Lithuania. For the time being, the MFA's Development Cooperation and Democracy Promotion Programme supports global education activities in Lithuania. Efforts to bring global education into the national education system have been systemic. Under the auspices of the Ministry of Science and Education, a working group was set up and in April 2015 it submitted a draft paper on the concept of global education. Taking into account the renewal of the SDG and COP21 universal agendas, it has been decided to continue the discussions on the adoption of the national concept of global education

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The rush to increase ODA suggests that the staff of government institutions are concerned to fulfil the original ODA commitment from 2005. Nevertheless, the 26% increase in 2015 is an unexpected and hasty jump. It has not yet been specifically planned. The efforts by government institutions to bring ODA closer to Lithuania's commitments are welcome, yet insufficient. What is lacking in the strategy documents is clear political will at the national level to ensure the steady growth of Lithuanian ODA.

As more government institutions are engaged in ODA reporting –

especially on counting scholarships and refugee costs as bilateral aid – the national development cooperation system is becoming more sophisticated.

Development Cooperation and Democracy Promotion Programme allocations for 2016-2018 do not anticipate any growth. By endorsing the SDGs and signing the COP21 agreement Lithuania has made ambitious commitments, including one to increase aid to 0.33% of GNI by 2015. Lack of progress in the quantity and quality of aid conflicts with Lithuania's stated ambition. Without binding documents and strategies that stipulate an increase in aid volumes, the evolution of the national development cooperation system is not secure.

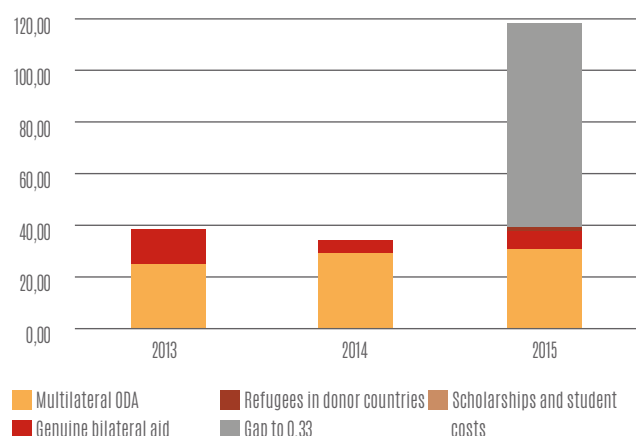
Lithuania's development cooperation efforts will target the economic and political integration of Eastern European countries with the EU. Its main partner countries are Belarus, Georgia, Moldova and Ukraine. Strengthening the principles of democracy, the rule of law and neighbourhood solidarity are key to safeguarding the future of Europe and its neighbouring countries.

## RECOMMENDATIONS

The Lithuanian government should:

- Develop an action plan on policy coherence for development, following the establishment of the National Commission for Development Cooperation;
- Raise the level of funding for development and global education to 2% of aid flows;
- Continue improving aid quality in line with existing commitments, with a view to OECD membership;
- When counting refugee costs and scholarships in Lithuania as aid flows, report them separately;
- Arrange an independent external evaluation of the Development Cooperation and Democracy Promotion Programme.

## LITHUANIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHOR: LU LITHUANIAN UMBRELLA - JULIUS NORVILA

# LUXEMBOURG

0.95% GENUINE AID/GNI

0.95% TOTAL AID/GNI



**As outlined in the Addis Ababa action plan, development aid should be used to leverage funding from the private sector for sustainable projects and development impact.**

Romain Schneider, Minister for Development Cooperation and Humanitarian Aid at the launch of the Business Partnership Programme Facility, April 2016

## MAIN CHANGES IN 2015

Luxembourg held the Presidency of the Council of the European Union in the second semester of 2015 and succeeded in bringing together the European Year for Development and the process to define the UN SDGs, now known as Agenda 2030, and the COP21.

2015 was therefore marked by a busy international schedule that did not leave much space for major progress in national development strategies. As a consequence, 2016 was declared the year for implementing the pivotal changes decided on in those international and national forums in 2015.

ODA in 2015 amounted to €324.9 million. Although it did not reach the self-imposed target of 1% of GNI by 2015, it did exceed the set minimum amount of €323 million, announced by the Luxembourg government in October 2014. As far as we know, Luxembourg is the only EU country which committed itself to a minimum threshold amount of ODA.

As regards costs relating to refugees and migration, Luxembourg continues to apply a very restricted interpretation of OECD guidelines, and declares far less as ODA than would be permitted under the ODA reporting rules.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Luxembourg development cooperation began to engage in collaboration with the private sector and in April 2016 launched the first call for proposals of the so-called Business Partnership Facility. Financed by ODA (€1 million p.a.), this initiative invites Luxembourg-based companies to submit proposals for development projects in partner countries such as Burkina Faso, Senegal, Laos and Vietnam. The proposals are restricted to the following industries: biohealth, ICT, fintech and eco-innovation. There does not appear to be a broader strategy on the involvement or role of the private sector in Luxembourg development cooperation, however.

On implementing the SDGs, the Luxembourg government announced that in 2016 it would revisit national policies, mechanisms and instruments. It remains unclear, however, whether

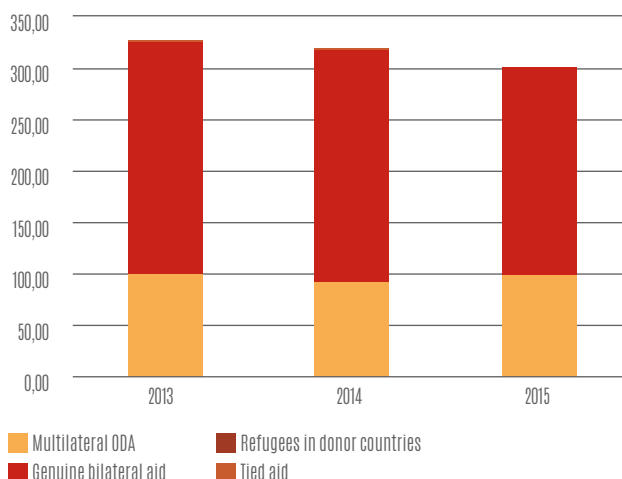
the process to develop a national strategy or action plan for sustainable development has already been kicked off. So far, civil society has not been included in national post-2015 reflections.

## RECOMMENDATIONS

**The Luxembourg government should:**

- Launch a multi-stakeholder process to establish a national strategy to implement Agenda 2030 with clear objectives and with defined roles and accountability for different stakeholders, including multilateral partners, civil society and the private sector;
- Put into practice the concept of policy coherence across the different ministries, which is crucial for implementing Agenda 2030;
- Make transparent the amount of ODA provided to support the private sector and, with increased private-sector engagement, draw up an overall strategy for such collaboration;
- In addition, make visible the amount of ODA invested in trust funds and push for good governance of these funds (e.g. track disbursement levels to prevent dormancy).

## LUXEMBOURG - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: CERCLE DE COOPERATION DES ONG DE DEVELOPPEMENT ASBL - VÉRONIQUE FABER**

0.11% GENUINE AID/GNI

0.14% TOTAL AID/GNI

# MALTA



**Our mission to further strengthen sustainable development may present unexpected challenges; however I remain confident that together we will continue shouldering our moral, social and political responsibility to strengthen sustainable development through the various tools at our disposal, including the international development projects which we are all looking forward to continue working upon in the coming months.**

Minister for Foreign Affairs, Dr George W. Vella – Award ceremony of ODA-funded NGO projects in the South, 21 April 2016

## MAIN CHANGES IN 2015

Maltese civil society is concerned at its government's substantial reduction in ODA expenditure. The figures for 2015 show a decrease of €3 million from 2014 to 2015, mainly because of a decrease of €2.6 million in Malta's spending on refugee costs in Malta. This decrease, as confirmed by a ministry statement, can be attributed to fewer asylum seekers coming to Malta. This trend is expected to continue in 2016.

Another worrying trend over the past three years has been the steady decrease in funds allocated to NGOs for implementing projects in the South. The total allocation for this has dropped from €247,775 in 2014 to €235,199 in 2015 and €222,770 in 2016. A positive step was the restriction of the call for proposals to legally registered NGOs, in response to previous AidWatch demands. The selection process, evaluation criteria and results of the call for proposals continue to lack transparency.

Although the ministry has confirmed its willingness to improve the quality and quantity of its ODA, the lack of planning and lack of a strategy remain a challenge. AidWatch Malta notes that Malta has failed to make any progress on aid effectiveness. The country has not taken any practical steps to implement its development effectiveness commitments.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The MFA has entered into a meaningful dialogue with SKOP in anticipation of the upcoming EU Council Presidency. The positive tone of the dialogue and the support pledged by the ministry bode well for the sector in general.

The ministry is planning to revise its ODA policy in the light of Agenda 2030. AidWatch hopes that the new policy will include measures to address the weaknesses of the Maltese system.

Decreasing numbers of irregular migrants are having a significant

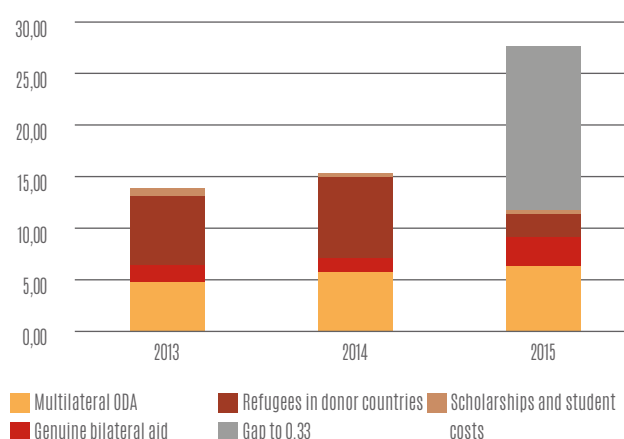
impact on the amounts Malta reports under its ODA expenditure. The substantial decrease in refugee costs has exposed the government's lack of vision and its weak political will to maintain previous ODA levels despite its clear indications in the past.

## RECOMMENDATIONS

**The Government of Malta should:**

- Following broad stakeholder consultation, design an effective new development cooperation policy, strategy and action plan;
- Increase genuine aid;
- Increase ODA to reach the levels agreed with the EU, and make refugee costs additional to these levels;
- Increase the transparency of ODA by publishing a full report on Malta's ODA expenditure;
- Make the national call for proposals for overseas development projects more transparent by publishing all the details of the selection process, including the criteria by which the proposals are assessed, and by forwarding the detailed results to the applicants, regardless of whether or not their proposal was approved;
- Improve the development impact of aid by increasing the amount of funds available for high-quality poverty eradication projects proposed by Maltese CSOs; by including an educational or awareness-raising component for CSOs working in Malta; and by introducing a specific co-financing mechanism for larger grants, especially for EU-funded DEAR projects.

## MALTA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: SKOP AIDWATCH WORKING GROUP - MALTA**

# THE NETHERLANDS

0.58% GENUINE AID/GNI

0.76% TOTAL AID/GNI



I regard my unique mandate of Development Cooperation and Foreign Trade as a catalytic combination. Traditional Official Development Assistance remains crucial for the poorest of the poor. But that can never be enough. So wherever possible, we must ensure that ODA billions spark trillions in private-sector resources and domestic resource mobilisation.

Ms Lillianne Ploumen, Minister for Foreign Trade and Development at the International Conference on Financing for Development, Addis Ababa, 15 July 2015

## MAIN CHANGES IN 2015

In 2013 Lillianne Ploumen, the Dutch Minister for Foreign Trade and Aid, presented a new policy, "A World To Gain." The cutting of aid, a trend set in 2010, continued. The Netherlands will not spend 0.7% on aid. In 2014, the new GDP calculation was ruled out for calculating ODA, leading to a further relative decrease of ODA.

In 2014 it became clear that asylum costs would make big demands on the ODA budget. This continued in 2015. At the end of 2015 a solution was found for current development programmes, and now, increased asylum costs are being covered by future ODA based on an estimated growth of GDP in the years to come. With this future money included, the ODA prediction for 2015 almost reached 0.7% again. But this percentage is highly inflated.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The trend of highly inflated ODA will continue in 2016. Future ODA is being used to meet present needs. In the near future, the ODA budget will show major shifts from 2014, 2015 and 2016, meaning that it will also be greatly inflated.

In 2016, the new funding scheme for CSOs began. Twenty-five strategic partnerships on dialogue and dissent have been formed. The start of this new funding scheme also means a cut of more than 60% in the civil society budget, compared with 2010. The parliament and the minister aim to spend 25% of the ODA budget through civil society organisations, but this 'norm' has not been met. In the 2016 CSO budget it is expected to remain at 22%.

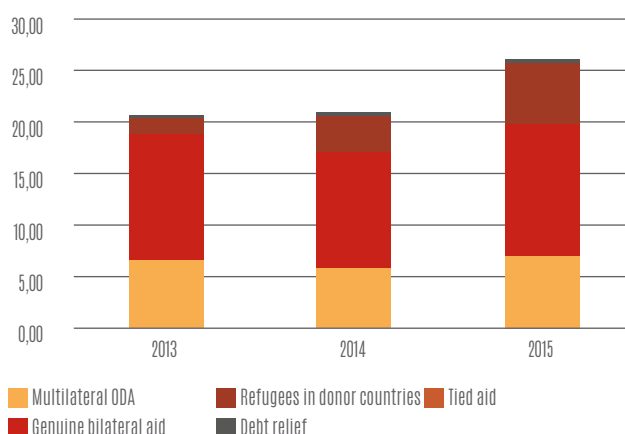
In 2016, the Netherlands held the EU presidency, and during these months Dutch CSOs prioritised the implementation of the SDGs and policy coherence for development. At the end of the presidency, Minister Ploumen presented the first report on policy coherence.

## RECOMMENDATIONS

The government of the Netherlands should:

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

## THE NETHERLANDS - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: PARTOS - KOOS DE BRUIJN

0.09% GENUINE AID/GNI

0.10% TOTAL AID/GNI

# POLAND



(...) I am convinced that the duty of advanced countries far exceeds financial assistance. It means creating an environment which is conducive to growth and development for all countries in the world. This involves trade facilitation, easier migration and scholarship arrangements, controls on the sale of arms, and fighting tax fraud and money laundering in all countries, even if they generate short-term gain for the developed economies. To this I would add facilitating and reducing the cost of remittances transfers, preventing 'environmentally damaging exports', and a ruthless fight against corruption, even if it is happening on foreign soil.

Mr Mateusz Szczurek, Polish Minister for Finance, Addis Ababa, 14 July 2015

## MAIN CHANGES IN 2015

Total Polish ODA in 2015 was €397.75 million. As a percentage of GNI, Polish aid stood at 0.1%, compared with 0.09% in 2014 – one of the lowest figures in the EU. The value of bilateral ODA devoted to least developed countries was €40 million in 2015. Poland reports about €8.35 million refugee costs in Poland as ODA (2.1% of total ODA). About €13.4 million was passed through non-governmental organisations, which is 3% of total ODA.

In 2015, the MFA concluded its work on the 2016-20 Multianual Development Cooperation Programme, the final text of which was adopted by the government in October 2015. CSOs view the new strategy as better than the previous one: it is more precise and realistic in the selection of priority partners, sectors and objectives. The new strategy refers – albeit vaguely – to international commitments regarding SDGs, policy coherence for development and aid effectiveness.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

In a July meeting of the Polish parliament's foreign affairs committee, the minister responsible for development cooperation, Ms Joanna Wronecka, declared that ODA in 2016 will be double that of 2015 (2015: €396 million, 2016: €680 million). This would represent great progress compared with the last 10 years.

CSOs have begun discussing ways in which institutional support for the non-governmental sector could be incorporated into the Polish development aid system. The current "principles of cooperation between the MFA and social partners" do not give space for building a

long-lasting, valuable partnership which would involve introducing new mechanisms such as multiannual funding and core support.

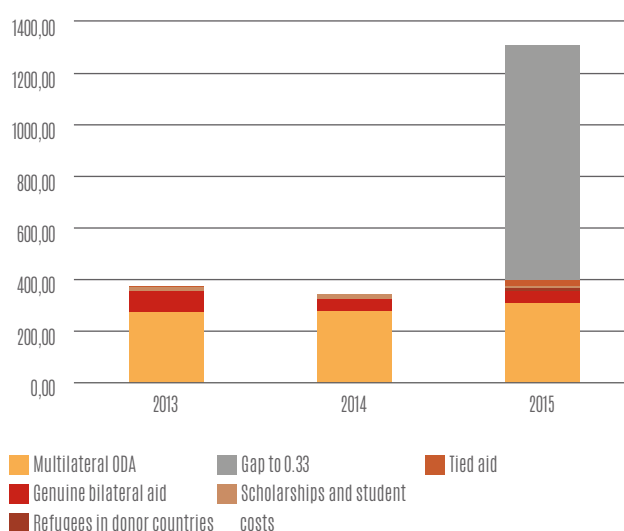
There is also a crucial challenge regarding recent political change in Poland. It is safe to say that the presidential election in June 2015 and the parliamentary elections in October have produced a more conservative, EU-sceptical government which could alter Polish development cooperation in the long-run. Campaign declarations suggest a rather hostile attitude to refugee and migrant challenges, a limited awareness of Polish ODA obligations and a negative stance towards allocating public funds to global education programmes led by CSOs. CSOs expect they will have a struggle to convey the message on these issues to new parliamentarians and the new government.

## RECOMMENDATIONS

The Polish government should:

- Put forward an operational plan for increasing the level of ODA to 0.33% of GNI by 2020;
- Develop a comprehensive programme of cooperation with NGOs that includes financial support programmes and capacity-building activities devoted to NGOs and other social partners;
- Ensure that policy coherence for development is not confined to policy areas directly connected with development, but extends also to other areas, such as finance, education and climate policy;
- Increase the role of the Development Cooperation Policy Council;
- Increase the national parliament's involvement in monitoring the implementation of development cooperation policy.

## POLAND - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: GRUPA ZAGRANICA - JAN BAZYL, MAGDALENA TROJANEK



# PORTUGAL

0.11% GENUINE AID/GNI

0.16% TOTAL AID/GNI



**The successful implementation of the new development cooperation framework requires a lasting commitment with clear public policies, leadership, consistency and the convening of a broad group of stakeholders and organisations whose active contribution is indispensable.**

Ms Teresa Ribeiro, Secretary of State for Foreign Affairs and Cooperation, newspaper article (Diário de Notícias, 24 May 2015)

## MAIN CHANGES IN 2015

Portuguese ODA kept its downward spiral in 2015, falling 16.1% below the 2014 level. Since 2011 it has decreased by more than 65%. Tied aid still represents more than 50% of total bilateral aid. Public funding continues to be accessible to NGOs, but the small budget available, and the limitations imposed by some of its criteria and priorities, continue to exclude many high-quality projects.

The transparency of aid information continues to improve. It is more detailed, up-to-date and accessible. But breaking down the available data continues to be difficult, and some of it, such as climate finance, is given in different reports that are hard to find. Portugal reports aid data through OECD systems – the CRS++ criteria and Forward Spending Survey (FSS) – as it has not endorsed the IATI standard.

Despite a national Busan Action Plan in 2012, very few concrete details on implementation are available.

EU-delegated cooperation projects and programmes managed by Portugal continue to represent more than 60% of overall bilateral aid channelled to different partner countries, and will continue to be reinforced. More than a strategic approach, this has become an instrument to minimise budget constraints, and it could limit the role of Portuguese development cooperation to that of a service provider for other EU countries.

Despite the creation of a task force to coordinate the implementation of the SDGs, many doubts remain as to how they will be put into action. In most areas, development CSOs have not been involved in the coordination mechanisms.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The new government that took office in October 2015 has stated that it will work to reverse the negative trend of Portuguese ODA levels and reinforce development cooperation policies and programmes. Nevertheless, the budget constraints that are still in place will continue to have an impact on forward spending plans.

One of the main priorities should be to commit to realistic goals for ODA levels and to discuss seriously the use of mechanisms other than delegated cooperation to allow alternative sources of funding, such as taxing financial transactions, diaspora bonds, etc.

Throughout 2015, the OECD DAC conducted a peer review of Portuguese development cooperation that includes important recommendations for the government to implement.

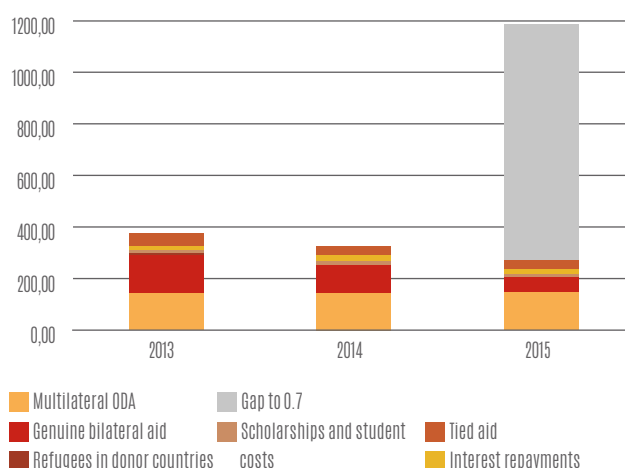
Following the approval of Agenda 2030, one of the most important challenges is to ensure effective coordination between public stakeholders and all other relevant organisations, including the private sector and different kinds of CSOs.

## RECOMMENDATIONS

**The government of Portugal should:**

- Define realistic and achievable commitments regarding ODA levels, based on a timetable detailing anticipated progress and milestones that can allow Portugal to allocate 0.35% of its GNI to ODA by 2020. The overall 0.7% goal should be regarded as an important international and global commitment for Portugal to achieve in the long(er) term. This also will involve effectively implementing actions to untie Portuguese aid;
- Review and revise the Action Plan for the Global Partnership for Effective Development Cooperation (Busan), adapting it to the current Portuguese situation;
- Start implementing the OECD-DAC peer review recommendations;
- Continue to step up constructive institutional dialogue with NGOs and the Portuguese Platform, ensuring that CSOs are involved in implementing the SDGs at a national level, as well as in monitoring their progress.

## PORTUGAL - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: PLATAFORMA ONGD - PEDRO CRUZ



0.07% GENUINE AID/GNI

0.07% TOTAL AID/GNI

# ROMANIA



We are in the process of setting objectives that will enable us to become a pragmatic actor and contributor to development in the region. We are in the process of revising our national development cooperation strategy. (...) Since we started the discussions on the law, we have promoted an inclusive dialogue with civil society, paving the way for new cooperation between the Ministry of Foreign Affairs and civil society. (...) Nevertheless, we will devote ourselves to promoting win-win cooperation which can bring huge gains to all of us. Helping others means helping ourselves too. Long-term support is needed to overcome poverty and inequality.

H.E. Mr Victor Micula, State Secretary for Political Analysis and Liaison with Parliament at the Ministry of Foreign Affairs of Romania (during the ninth Romanian Development Camp, organised by FOND in 2016)

## MAIN CHANGES IN 2015

In 2015, the Romanian MFA continued to work on the new legislative package for Romania's international development cooperation and humanitarian assistance policy, which includes procedures for financing and implementing ODA. A second round of consultations was held at the end of the year with representatives from CSOs and the MFA. FOND, the Romanian NGO Platform, and its members gave input and put forward recommendations which were integrated into the new framework. In addition, a discussion on the Multiannual Strategic Programme on Development Cooperation and Humanitarian Aid was started. CSOs have recommended a revision of the strategic framework since 2012.

In 2015 there was strong momentum behind raising awareness on development issues thanks to the implementation of the national work plan for EYD2015, which included all the main national actors involved in this field. A special call for proposals launched under the programme helped raise awareness and spread knowledge of the involvement of Romanian citizens in international cooperation and in supporting global development.

The MFA managed approximately €2.27 million (10.1 million RON), which is lower than the 2014 budget (10.33 million RON). Total ODA in 2015 was €112.13 million. Total ODA as a percentage of GNI decreased from 0.11% to 0.09%.

The Romanian MFA continued to launch a joint public call for proposals to all bodies, including NGOs, academia and institutions. Approximately 35% of the budget was allocated to the Republic of Moldova.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

The parliament is expected to vote on a new development cooperation law in the coming months. Although the process has been delayed, the draft law reflects CSO input and includes clear procedures for financial allocation. The main challenges identified in previous years are still present. Development cooperation is not a national parliament priority. The parliament is very focused on domestic issues, especially the organisation of the 2016 parliamentary elections. Once it has been adopted, the new development cooperation law should provide more financial and operational resources to the MFA, as the national coordinator of Romania's development cooperation policy.

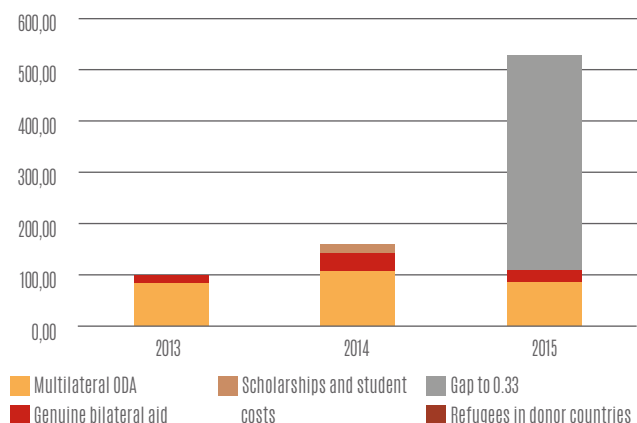
A draft version of the multiannual Strategic Programme on Development Cooperation and Humanitarian Aid was discussed for the second time during the ninth annual Romanian Development Camp (July 2016, Bucharest) and the process will be continued in the following months. Romania is likely to continue to allocate most of its ODA to the Republic of Moldova.

## RECOMMENDATIONS

The Romanian government should:

- Fully support the adoption of the new development cooperation law, as should all Romanian MPs;
- Urge the MFA to finalise the strategic framework on development and humanitarian aid and a five-year action plan;
- Adopt a national SDG strategy based on consultations with all relevant stakeholders at the national level;
- Increase the national aid budget in line with international commitments;
- At the national level, raise awareness of the SDGs and other relevant issues, such as policy coherence for sustainable development (PCSD).

## ROMANIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: FOND - ADRIANA ZAHARIA

# SLOVAKIA

0.10% GENUINE AID/GNI

0.10% TOTAL AID/GNI



The objectives of SDGs are also homework within our country. I constantly emphasise to my colleagues from other ministries that it is not only about development cooperation, but that sustainable development should also be directed inwards.

Michal Mlynar, Director-General of the Development Cooperation Department at the MFA

## MAIN CHANGES IN 2015

A new law on development cooperation entered into force in February 2016. It introduces new financial procedures drawn up in 2015 after consultation with key actors including NGOs. There was a special focus on global education and awareness raising during the European Year for Development 2015.

In 2015, bilateral aid comprised 21% of the total ODA budget, with multilateral aid making up the rest (79%). The greatest share of bilateral cooperation focused on middle-income countries, especially those in the Western Balkans and Eastern Partnership, rather than on poverty reduction in LDCs or low-income countries. Particular attention was paid to humanitarian aid to Ukraine, and additional funding was provided to address the migration crisis. This included contributions to the EU trust funds for Syria and Africa, the European Bank for Reconstruction and Development, and humanitarian projects run by Slovak NGOs to help migrants and displaced people in the Middle East and on the Balkan route.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

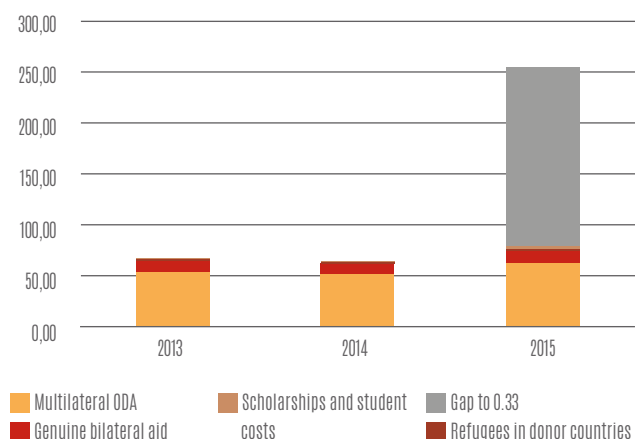
In 2016, the legislature is expected to introduce new financial modalities for bilateral development cooperation that may increase the overall development cooperation budget in the future. With Slovakia holding the EU Presidency in second half of 2016, we expect greater government commitment to Agenda 2030. We also expect continuous aid for addressing the migration crisis in the Middle East.

## RECOMMENDATIONS

The Slovak government should:

- Increase aid quantity, mainly the bilateral component, which has been stagnant;
- Focus more on the least developed countries;
- Engage in policy coherence for development and adopt a national PCD strategy;
- Create a national Agenda 2030 implementation plan.

## SLOVAKIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: PLATFORMA MVRO - NORA BEŇÁKOVÁ

0.12% GENUINE AID/GNI

0.15% TOTAL AID/GNI

# SLOVENIA



The agenda for sustainable development (Agenda 2030) is not leaving anyone behind, and Slovenia believes that it will be successful. I am fully convinced that we will succeed. This agenda is a one-time opportunity, which we need to grab and implement, bearing in mind that we do it for our people, for our future generations and for our planet.

Mr Miro Cerar, Prime Minister of the Republic of Slovenia, at the UN Sustainable Development Summit, September 2015

## MAIN CHANGES IN 2015

There was a major increase of ODA in 2015, when it came to 0.16% of GNI, the level Slovenia first reached in 2009. The increase was largely due to support for refugees and migrants transiting through Slovenia in late 2015. Based on the EU's renewed commitments, Slovenia is setting up an action plan to increase its ODA levels gradually, aiming to reach the 0.33% of GNI target by 2030.

Bilateral ODA increased significantly, to 6% of total Slovenian ODA, while multilateral aid increased nominally. The volume of inflated aid also increased significantly, the greatest share going to imputed student costs and scholarships for foreign students. Support to the private sector increased by 25% over 2014, representing 3.5% of total Slovenian ODA in 2015.

Climate finance represented 4.19% of total Slovenian ODA. But climate finance is still not reported separately, so this figure might be the result of double reporting (i.e., the funds might be included in the EU climate report as well).

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

A new Slovenian foreign policy strategy was adopted in 2015. In it, development cooperation represents one of five thematic priority areas, but there are limited indications that both funding and the quality of aid will somehow be increased. Based on this, the MFA is currently preparing a Resolution on Development Cooperation (a resolution is the highest political document). The resolution should be adopted by the end of 2016, and the MFA will then prepare the action plan for how to implement it.

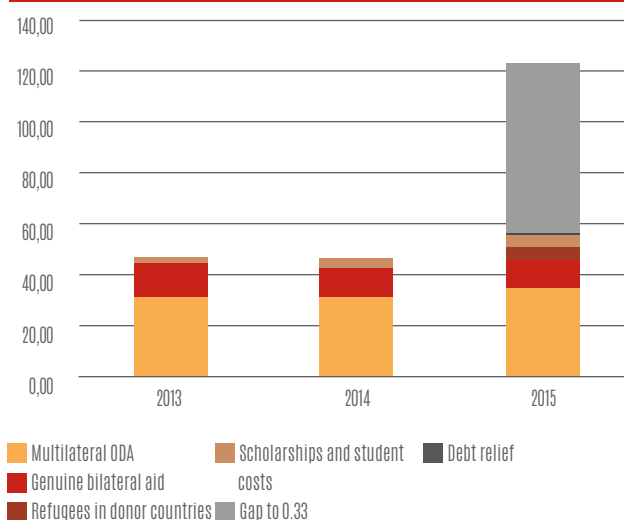
The OECD DAC peer review will start in the second half of 2016, when Slovenia will be evaluated by Polish and Australian (MFA) experts.

## RECOMMENDATIONS

The Slovenian government should:

- Ensure that new strategic documents, such as the Resolution on International Development Cooperation, are prepared in an inclusive and comprehensive manner, while further increasing the inclusion and financing of relevant civil society stakeholders;
- Under the new post-2015 funding, ensure that the main objective of ODA will continue to be to do even more to alleviate extreme poverty, to reduce inequality and to empower ODA recipients through taxation to finance their own development;
- Improve the harmonisation of development policy in the Slovenia 2050 strategy, and ensure better policy coherence for sustainable development between the different MFA sectors and other relevant ministries;
- Further increase bilateral ODA contributions and the proportion of aid given to LDCs by minimising the proportion of tied aid and not financing the military sector for security purposes;
- Clarify the role of the private sector in development cooperation, including by introducing a clear framework that makes the private sector responsible for respecting and implementing existing principles on human rights and development aid effectiveness.

## SLOVENIA - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: SLOGA - MARJAN HUČ

# SPAIN

0.12% GENUINE AID/GNI

0.13% TOTAL AID/GNI



**ODA providers reaffirm (...) to achieve the target of 0.7% of ODA/GNI and 0.15 to 0.20% of ODA/GNI to least developed countries.”**

Article 51 of AAAA adopted by Spain in Addis Ababa on 16 July 2015

## MAIN CHANGES IN 2015

In 2015, total Spanish aid stagnated at €1.4 billion, or 0.13% of GNI, a level not seen since the 1980s. Promises of an ODA increase have not been kept, after three years of growth. In addition, the government budgeted €1.8 million for 2015 and proceeded to allocate 20% less.

From 2014 to 2015, bilateral ODA increased by 48% – due to a programme of debt restructuring in Cuba –, and multilateral ODA declined by 13%. Up to 65% of total Spanish aid still consists of compulsory contributions to multilateral institutions.

The DAC Peer Review in 2016 urged the government to “fulfil its commitment to reversing the decline in development aid”. In 2015, some crucial issues impacted effectiveness and quality of aid:

1. The weight and low execution of budgeted financial assistance – 2014 reform avoided a quota for reimbursable aid (5%) –. Peers Review insists on including financial aid under Busan principles.
2. The system of accountability and transparency dropped from the 10th to the 17th position in the aid Transparency Index (ATI).
3. The new NGO strategic framework didn't be concluded, while NGO resources plummeted by 71% in the last five years. The Country Strategic Framework (known as MAP) remains a good intention due to the lack of resources. The government hasn't develop a compulsory human rights standard for the private sector.
4. It lacks an awareness of and education strategy for development.
5. The effectiveness is affected by the fact that Spain does not comply with the LDC aid target, underinvest in humanitarian aid and continues to inflate and to tie aid.

All of this, plus a lack of government political will, will undermine the implementation of the SDGs and the AAAA.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

Spain's 2016 public budget entails an increase of 32.1% (€582.95 million). However, a more detailed analysis shows that the bulk of this is composed by not core elements of the aid system. Only refugee costs had an amendment of €200 million, but this increase is questionable due to the small number of ref-

ugees who arrived in Spain to date. The government compensates the lesser domestic effort with participation in delegated cooperation, which received €137 million in 2011-2015.

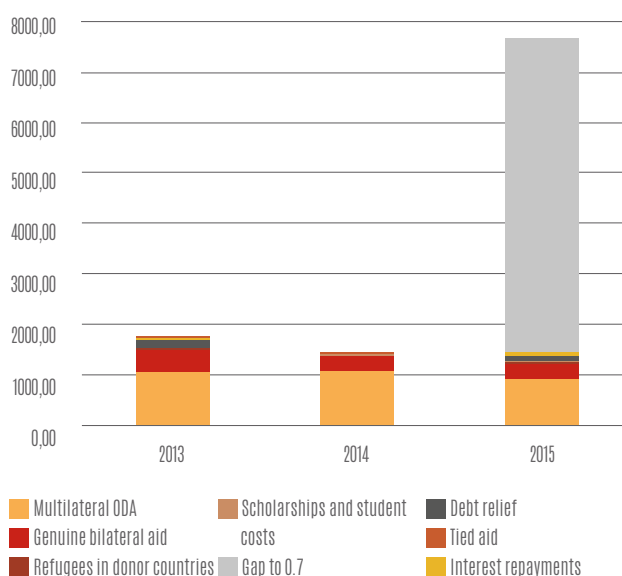
In June 2016 the conservative People's Party won the elections without getting a majority. EC insists on the continuation of austerity measures, which will undermine the recovery of aid and the implementation of the 2030 Agenda. In this context, it is very likely that there will be a temptation to inflate aid for 2017.

## RECOMMENDATIONS

**The Spanish government should:**

- Acknowledge the major role ODA plays in achieving the SDGs;
- establish a credible roadmap for implementing the AAAA, including by scaling up ODA to at least 0.4% of GNI by 2019;
- Ensure that fighting poverty and inequality and upholding human rights remain the primary focus in the process of modernising ODA. Any aid instrument focused on private-sector involvement has to be consistent with this objective;
- Implement all institutional reforms and policies needed for the 2030 Agenda through a broad, meaningful policy dialogue.
- Take practical steps to advance PCSD.
- Resume negotiations on the new NGO strategic framework taking into account the diverse roles of civil society, including by creating new financing instruments that reflect these roles.

## SPAIN - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



**AUTHORS: NGDO SPANISH NATIONAL PLATFORM - CARLOS GARCIA PARET**

0.75% GENUINE AID/GNI

0.96% TOTAL AID/GNI

# SWEDEN



**With limited resources, we have to prioritise, orient ourselves in an ever-changing world, and direct aid where it is needed the most. I dare to claim that aid has never been more important.**

Isabella Lövin, Deputy Prime Minister and Minister for Development Cooperation and Climate

## MAIN CHANGES IN 2015

The Swedish government has stated that it commits to live up to its 1% ODA target in the coming years. In 2015 and 2016 we have seen a negative trend, with a major increase in the share of ODA spent on refugee costs in Sweden. In 2015, Sweden spent the highest percentage of ODA on in-house refugee costs of all OECD DAC donor countries. In late 2015 the government considered using as much as 50% of aid in 2016 for refugee costs, which would make Sweden the number one recipient of its own ODA. Swedish CSOs protested against this plan, claiming that by misusing the aid budget the government was setting poor and vulnerable people against one other. After a few months of debate, campaigning and internal power struggles within the government, the minister for development cooperation announced that the government had agreed to a 30% upper limit. Swedish CSOs have not accepted this limit, and continue to call for genuine ODA.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

### New policy framework

In June 2016 the Swedish government presented a draft new framework for development cooperation, to be approved in the autumn of 2016. The new framework is being generally welcomed by civil society, in particular the five perspectives that will cut across all development cooperation: a poor people's perspective on development, a human rights perspective, climate and environment, conflict prevention, and global gender equality. Additionally, the Swedish government has made strengthening civic space and civil society around the world a key priority.

### Development effectiveness

The proposed new Swedish development policy identifies development effectiveness as crucial. The policy highlights the following effectiveness principles: national ownership, joint programming and donor coordination, and using partner countries' own systems.

Swedish CSOs have said that Sweden must respect its partner countries' own strategies for development better, and must use and strengthen partner countries' own national systems and institutions by adopting a clear policy of promoting close cooperation with partner government institutions, including by gradually

channelling ODA funds through partner countries' own systems and institutions. This will be particularly demanding in fragile states, but it is nonetheless essential for peacebuilding and state building. Swedish ODA must also be transparent, responsible and predictable, including when channelled through EU trust funds or other mechanisms. According to the development effectiveness principles, partner countries are entitled to plan their ODA three to five years ahead. Based on this, the Swedish National Audit and Swedish CSOs have criticised the government's sudden decision to increase the inflation of ODA to cover refugee costs.

There is still no robust reporting on Sweden's compliance with all the globally agreed effectiveness principles. Swedish CSOs are pushing the government to respect the development effectiveness agenda as a whole, and they continue to call for transparent, systematic reporting at all levels.

## Security and development

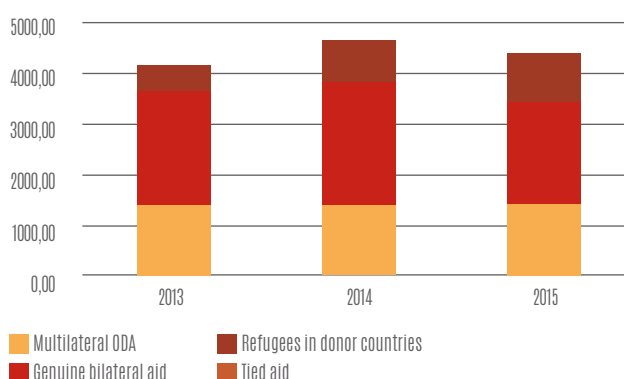
In 2016, an updated definition of ODA is being discussed by the OECD-DAC. This has led, amongst other things, to a decision to broaden the ODA definition to allow for certain security and military spending to be financed out of ODA – a proposal that Sweden objected to during the negotiations. Swedish CSOs welcome the fact that the Swedish government took a stand against this. However, the government has yet to make a clear promise that it will not apply the new rules.

## RECOMMENDATIONS

The Swedish government should:

- Commit to genuine aid. Stop using the aid budget to cover costs for refugee reception;
- Put in place robust reporting on Sweden's compliance with all the globally agreed effectiveness principles.
- Respect the commitment to make ODA predictable;
- Commit to not financing additional security or military costs from the ODA budget.

## SWEDEN - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHOR: CONCORD SWEDEN'S AIDWATCH GROUP



# UNITED KINGDOM

0.69% GENUINE AID/GNI

0.71% TOTAL AID/GNI



**We will make sure we invest UK aid firmly in our national interest, while keeping the promises we've made to the world's poorest people." (...) "Successfully leaving the European Union will require a more outward-looking Britain than ever before, deepening our international partnerships to secure our place in the world by supporting economic prosperity, stability and security overseas.**

Rt Hon. Priti Patel MP, Secretary of State for International Development

## MAIN CHANGES IN 2015

2015 was a year of significant upheaval – success and challenges – for UK aid. The adoption of Agenda 2030 and the AAAA saw a recommitment to the 0.7% target and aid effectiveness principles by the EU – commitments the UK championed despite continued challenges from domestic anti-aid advocates. But the welcome commitment on the global stage to effective aid is challenged by lacklustre aid effectiveness implementation and shrinking engagement with UK civil society.

At the end of 2015 the UK government launched a new ODA strategy which set out an agenda focused more on global challenges such as peace and security, strengthening resilience and the response to crises, promoting global prosperity and, lastly, tackling poverty and vulnerability. It also places a renewed emphasis on the UK's national interest which calls into question how effectively UK aid can meet that objective while delivering on its core purpose of poverty reduction and sustainable development. Increasing amounts of UK aid will be spent by government departments and cross-government funds other than the development ministry, DFID (generally considered a good performer on aid effectiveness), and this may undermine the quality of UK aid.

This strategy was arguably an attempt to tackle the UK's anti-aid lobby proactively and thus saw a shift to a more instrumental, "simple", results-focused direction for UK aid. The new strategy also signalled a concerning shift to the UK's national interest which, despite assurances from the government, leaves civil society concerned that this could jeopardise the sustainable development focus of UK aid. Similarly, the new strategy reaffirmed a focus on economic development as a core pillar of aid and development policy. While inclusive, sustainable economic development and a productive, challenging engagement with the private sector that drives up standards and impact are welcome, there are, equally, concerns that this trend could encourage a further dilution of UK aid's focus on poverty and development.

## TRENDS AND PROJECTIONS FOR 2016 AND BEYOND

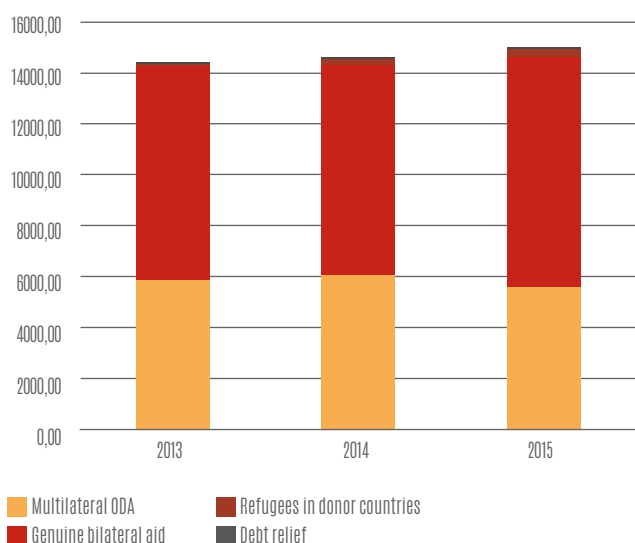
The single biggest challenge and threat facing the UK – and the development community – for the coming years will be dealing with the implications of Brexit. A period of political and economic uncertainty is already affecting programming and projects as the value of the pound drops, but longer-term implications are as yet largely unclear. The precise nature of the UK's future relationship with the EU will have a significant impact on the UK aid budget and effectiveness as it will determine, amongst other things, whether the UK remains engaged in EU development instruments, joint programming efforts, the impacts on the negotiating positions of the UK and the EU in global processes, as well as the larger – and much harder to answer – question of what the impact will be on the UK's role in the world. The same political shifts and uncertainties may also strengthen domestic anti-aid critics, which could put pressure on the 0.7% commitment.

## RECOMMENDATIONS

The UK government should:

- Reaffirm its long-term commitment to the 0.7% ODA/GNI target and to fulfilling its aid effectiveness commitments;
- In implementing the new ODA strategy, commit to inclusive, multi-stakeholder consultations and partnerships between the UK and southern civil society;
- Adopt progressive, pro-development positions in OECD DAC processes to redefine and measure ODA, in order to protect the credibility of ODA and ensure that it focuses on promoting flows that support effective, sustainable development.

## UNITED KINGDOM - GENUINE AND INFLATED AID (€ MILLION, CONSTANT 2014)



AUTHORS: BOND - MAREEN BUSCHMANN, UK AID NETWORK - AMY DODD





# ANNEX 1. METHODOLOGY

## HOW THE COMPONENTS OF INFLATED AID ARE CALCULATED

Under the DAC's official definition of aid, donors can report a number of financial flows that, in the view of CONCORD Aid-Watch, do not genuinely contribute to development. 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 below):

- Spending on students in the donor country,
- Spending on refugees in the donor country,
- Repayments of interest on concessional loans and future interest on cancelled debts,
- Debt relief,
- 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, the reason being that it is only possible to estimate it in relation to the expenses managed directly by donors.

Consequently, "genuine aid" is the sum of multilateral aid and "genuine bilateral aid" (meaning bilateral ODA disbursements, in constant 2014 prices, minus the above-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>XC</sup> In theory, only the cases in which foreign affairs ministries or aid agencies are involved should be counted towards student costs. The methodology for estimating student costs is not well defined by the OECD, and reporting practices seem to differ from one country to another, especially when it comes to the level of involvement of aid authorities and the types of costs that are eligible.

## REFUGEE COSTS

Refugee costs include expenditure on refugees' transport, food, shelter and training. However, donor reporting practices show considerable differences between countries. According to the OECD, only money spent during the first 12 months of stay should be reported – but there are discrepancies as regards when the period starts and when a refugee can be defined as

such.<sup>XCi</sup> Some countries include all the costs relating to asylum seekers, regardless of whether they are granted refugee status or not. In most cases, they stop counting once a decision has been made. In other cases, only the costs incurred after a decision has been made are included.

## DEBT RELIEF

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

## TIED AID

The problem with tied aid is that it prevents developing countries from maximising the developmental impact of aid. First, they cannot procure goods or services openly in the market. This makes tied aid between 14% and 40% more expensive.<sup>XCiv</sup> Secondly, tied aid also prevents developing countries from procuring local goods and services, which can support development by generating jobs and helping to develop the local economy. The CONCORD AidWatch methodology discounts 30% of the flows that are recorded as fully tied and 15% of the flows that are partially tied, to reflect the financial impact of tying. Data on tied aid in 2015 were not available at the time of writing; the figures are thus based on the average of absolute numbers for the two previous years.

## INTEREST PAYMENTS ON LOAN PRINCIPAL

When donors estimate their net ODA, they discount the repayment of the principal by recipient governments, but not interest payments. CONCORD AidWatch includes these interest payments as inflated aid. The recent decisions by the OECD DAC mean that as of 2018 loans will be reported in a different fashion, but this will not impact on figures until then. These changes were made after it was noted that France, Germany and the European Investment Bank had extended over US\$ 2.5 billion

(€1.8 billion) in “concessional” loans at interest rates above their own borrowing costs.<sup>xv</sup>

Interest payments for 2015 were not publicly available at the time of the report and have therefore been estimated on the basis of an average of absolute figures during 2013 and 2014.

## **CLIMATE**

To assess changes in climate ODA, the latest updated data (February 2016) for every climate-related development finance project in 2013-14 was downloaded from the OECD-DAC website. It was sorted to exclude non-EU countries and to distinguish between projects coded as “principally” or “significantly” related to climate change. Constant dollar amounts were added together for projects principally or significantly devoted to the Rio markers for adaptation and mitigation and compared, for each EU MS and the EU institutions, with OECD DAC-reported total ODA for 2013-2014.

## **RESEARCH SOURCES**

### **Quantitative data:**

The report relies on the OECD CRS dataset which is accessible online at [www.stats.oecd.org](http://www.stats.oecd.org), including preliminary OECD DAC CRS data for 2015. These data are complemented by updated figures provided by national platforms. In some cases, data from the European Commission and Eurostat are used, for example to complement the deflators provided by the OECD, which do not cover all EU-28 countries. Since data on 2015 inflated aid items were not always accessible to national platforms, or in the OECD database, some projections have been used to fill the data gaps for some of the countries. Linear models have been constructed based on data from the last two years.

### **Qualitative findings:**

The main source for the qualitative findings and country examples in the report was a standardised questionnaire survey, conducted by CONCORD AidWatch among all of CONCORD’s 28 National Platforms (NPs), at the beginning of the report drafting period. This was complemented by a review of CONCORD position papers and interviews with the CONCORD AidWatch team. Country sheets were drafted by the National Platforms themselves.

In the case of the EU institutions, the country sheet was drafted by the consultants and the main sources used were European Commission official documents, websites and the OECD DAC CRS.

# ANNEX II: ABBREVIATIONS

|                          |  |
|--------------------------|--|
| AAAA                     | Addis Ababa Action Agenda  |
| Africa-Caribbean-Pacific | ACP  |
| COP21                    | United Nations Framework Convention on Climate Change (UNFCCC) 21st annual Conference of the Parties (COP) in Paris from November to December 2015 |
| CPDE                     | CSO Partnership for Development Effectiveness  |
| CRS                      | Creditor reporting system  |
| CSOs                     | Civil society organisations  |
| DAC                      | Development Assistance Committee of the OECD   |
| DCF                      | Development Cooperation Forum  |
| OECD DCD-DAC             | Development Cooperation Directorate (DCDDAC)   |
| DG DevCo                 | European Commission Directorate General for Development Cooperation  |
| DG NEAR                  | European Commission Directorate-General for Neighbourhood and Enlargement Negotiations   |
| DFI                      | Development finance institution  |
| DFID                     | UK development ministry  |
| EDF                      | European Development Fund  |
| EC                       | European Commission  |
| EU                       | European Union   |
| EU CAR                   | European Union Bekou Trust Fund for the Central African Republic (“Bekou Trust Fund” – 2014)   |
| EU MSs                   | European Union member states   |
| EU-13                    | The 13 relatively recent EU member states  |
| EU-15                    | The 15 longstanding EU member states   |
| EU-28                    | All EU member states   |
| EUTFs                    | EU trust funds   |
| EYD                      | European Year for Development  |
| FfD                      | Financing for development  |
| FTT                      | Financial transaction tax  |
| FONPRODE                 | Spain's development promotion fund   |
| GDP                      | Gross domestic product   |
| GNI                      | Gross national income  |
| GPEDC                    | Global Partnership for Effective Development Cooperation   |
| HLM                      | HighLevel Meeting of the Global Partnership for Effective Development Cooperation (GPEDC)  |
| IATI                     | International Aid Transparency Initiative  |
| IDC                      | International development cooperation  |
| LDCs                     | Least developed countries  |
| LIC                      | Lowincome country  |
| MFA                      | Ministry of Foreign Affairs  |
| MICs                     | Middleincome country   |
| MSs                      | Member States  |
| NP                       | CONCORD national platform  |
| ODA                      | Official development assistance  |

|          |   |
|----------|---|
| OECD DAC | Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) |
| PCSD     | Policy coherence for sustainable development  |
| PPPs     | Public-private partnerships   |
| PWYF     | Publish What You Fund   |
| SDGs     | Sustainable development goals   |
| SMEs     | Small and medium-sized enterprises  |
| TOSSD    | Total Official Support for Sustainable Development  |
| UK       | United Kingdom  |
| UN       | United Nations  |
| UNFCCC   | United Nations Framework Convention on Climate Change   |

## ENDNOTES

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