European NGO confederation for relief and development

CONCORD

Confédération européenne des ONG d'urgence et de développement

AidWatch 2013

THE UNIQUE ROLE OF EUROPEAN AID

The fight against global poverty

ACKNOWLEDGEMENTS

ABOUT THIS REPORT

Since 2005, development NGOs from all the EU countries (now 28) have come together every year through the AidWatch initiative, under the umbrella of CONCORD, to produce the annual AidWatch reports. CONCORD is the European NGO Confederation for Relief and Development. Its 27 national associations, 17 international networks and two associate members represent 1,800 NGOs which are supported by millions of citizens across Europe. CONCORD leads reflection and political action, and regularly engages in dialogue with the European institutions and other civil society organisations. At the global level, CONCORD is actively involved in the Beyond 2015 campaign, the CSO Partnership on Development Effectiveness and the International Forum of NGO platforms.

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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. More at: www.aidwatch.concordeurope.org.

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EXECUTIVE SUMMARY

In these challenging political and economic times, leadership on aid is needed more than ever. Unfortunately, however, Europe's leadership appears to be waning – on the boundaries of aid, on its effectiveness, and on its quantity. This needs to change.

This eighth Concord AidWatch Report focuses on the unique role of aid. It shows that, while all sources of finance are important for development, aid can achieve things that other sources cannot.

The unique role of aid

Poverty is still widespread, and growth alone cannot eradicate it. Other finance is needed, therefore, and some of it needs to be in the form of aid. Ten arguments for aid:

1 Effective aid can target public services and support private enterprise for poor people
2 Effective aid is available now, and helps establish longer-term resource collection
3 Aid has to be focused on generating genuine resource transfers for development
4 Effective aid can help support accountable institutions and improve governance
5 Effective aid means a transparent, accountable public financing mechanism
6 Aid is a suitable mechanism for investing in sectors that are key to eradicating poverty
7 Loans have to be repaid
8 Aid is necessary until developing countries can raise adequate domestic resources through fair tax systems
9 Unlike aid, foreign direct investment does not have a development objective
10 Aid is the most powerful expression of global solidarity.

Aid is defined as finance provided to support development activities, and only funds that meet strict criteria can be counted towards the politically important quantitative aid targets. Currently there are signs in the EU, the OECD and elsewhere that aid, defined in this way, may potentially be marginalised, and other forms of development finance brought to the fore. Because of aid's unique and important role, this would be a grave error.

Yet aid could be improved – it could be more effective, and aid quantity figures could be less inflated. In addition, the EU needs to take its aid quantity commitments seriously.

Aid effectiveness

It might be expected that, under current economic pressures, the EU would be working hard to maximise the effectiveness of every cent of aid, and to lead the rest of the world in reaching the same objective. The evidence, disappointingly, is that despite the major Busan conference in December 2011, and the resulting Global Partnership for Effective Development Cooperation (GPEDC), progress on aid effectiveness has slowed:

- Only seven EU member states (MSs) have a full strategy in place for implementing the Busan commitments.
- Many CONCORD members report that, in recent years, their government's commitment to Paris and Accra principles such as country ownership has weakened.
- Only 10 MSs have undertaken, or said they intend to undertake, ambitious or moderately ambitious actions on aid transparency.
- Only two MSs make their aid predictable by providing three- to five-year rolling plans for all their development partners.
- Since Busan, only five MSs have declared strong ambitions to untie their aid further.

In addition, the quality of aid effectiveness information has declined significantly since Busan. The implementation of the Paris and Accra agreements was monitored globally, and reasonably comprehensively. The implementation of Busan, on the other hand, is to be monitored mainly at country level.

Quantity of genuine aid

While a few EU member states are standing by their aid quantity commitments, many others appear not to be fulfilling their public promises on them.

In 2012, aid from the EU-27 countries represented only 0.39% of the EU's GNI, bringing us back to the lowest level since 2007, when aid was 0.37% of EU's GNI. And, for the second year in a row, aid also dropped well below the objective of 0.7% GNI by 2015. The EU-27 countries delivered €50.6 billion in aid in 2012, a 4% drop compared to the previous year. Aid has either been cut or remained stagnant in 19 EU member states. The deepest cuts between 2011 and 2012 took place in Spain (49%), Italy (34%), Cyprus (26%), Greece (17%) and Belgium (11%).

Nor are there any signs of imminent improvement. In 2013-2014, total EU aid is expected to remain almost stagnant at approximately 0.43% of GNI. The estimated funding gap between projected aid levels and EU commitments will be approximately €36 billion in 2015 alone. Despite this, European leaders are still insisting that they will honour their aid commitments, without giving any tangible sign of how they plan to do so.

This aid was inflated, moreover, by an estimated €5.6 billion, bringing genuine aid in 2012 down to €45 billion or 0.35% of GNI. The inflated aid comprises several components: imputed student costs, refugee costs in donor countries, debt relief double-counted as aid, tied aid and interest on loans all counted as official development assistance (ODA).

Recommendations

Europe urgently needs to take leadership again and reverse the declining trends in aid practice. Concretely, it should do the following:

On protecting the unique role of aid

- Ensure that the definition of ODA is not diluted by the incorporation of elements of dubious development impact which would further inflate commitment estimates. Ensure that aid-effectiveness principles are firmly ingrained in any discussion about the future of the ODA definition, and that civil society organisations (CSOs) and southern partners play a central role in any decisions on it.
- Monitor and report on other forms of development finance more effectively, without including them in quantitative ODA commitments by donors.

On the effectiveness of development cooperation

- Publish Busan implementation strategies by the end of 2013, focusing in particular on the elements of the Busan agreement that derive from the Paris and Accra agreements.
- Fully untie all aid.
- Make information on aid more useful by publishing information in the IATI standard and by continuing to improve data quality and coverage in time for the Busan deadline at the end of 2015.
- Inject political impetus into the GPEDC, ensure partner countries become more fully involved in the process, and review whether the partnership's constituency structure is working.
- Strengthen the EU's role in monitoring Busan implementation, and improve the coordination of this monitoring.

On aid quantity

- Meet the longstanding commitment to devote 0.7% of income to ODA in a way that is transparent, predictable and accountable.
- Increase EU pressure on member states that decrease aid or are very far from meeting their targets.
- Reduce the inflation of aid by:
    - ending the inclusion of refugee costs, imputed student costs, debt relief and future interest on cancelled loans in aid budgets;
    - providing climate finance that is additional to ODA.

PART ONE – OVERVIEW

INTRODUCTION

Aid is a unique and valuable resource in the global fight against poverty, inequality and marginalisation. As the deadline for the 2015 Millennium Development Goals (MDGs) approaches and ongoing economic difficulties sap the political will to meet aid promises, we must continue to promote the importance of high-quality aid and encourage the political drive necessary to ensure it.

This eighth Concord AidWatch report focuses on the unique role of aid. It shows that, while all sources of finance are important for sustainable development, aid can achieve things that other sources cannot. No other financial flows can replace it.

2013, an important year for aid

As 2015 approaches, assessments of the world's achievements on the MDGs multiply. And the news is, on the whole, good. Overall the proportion of people living in extreme poverty has dropped to less than half its 1990 value, and it has fallen in every region of the world. Two billion people now have better drinking water. Remarkable gains have been made in fighting malaria and TB. The proportion of slum dwellers in cities is declining. The hunger target is within reach.[1] Aid cannot claim sole credit, but it has certainly contributed to this progress, sometimes directly and sometimes by sparking other processes.

At the same time, there is still a very long way to go. Many people continue to live in poverty. From households to governments, women are still denied decision-making power equal to men's. There needs to be more progress on child and maternal survival, and on HIV. The poorest children are still those most likely to be out of school. Sanitation has improved, but not enough.[2]

Discussions on the post-2015 successor to the MDGs are growing serious. The post-2015 debate is a landmark one, and is underpinning renewed debate about what resources are needed for development, how to mobilise them, and the role and definition of ODA. The UN High-Level Panel is proposing that "eradicating extreme poverty from the face of the earth" should be central to the post-2015 agenda.[3] This will be a truly historic aim, albeit still too limited. But if the political will to provide more, higher-quality aid is lacking, this aim will be hard to achieve, and the commitment of the countries of the global north will be perceived by those in the global south as being hypocritical and hollow. The UN is saying that falls in aid are jeopardising even current strides towards the MDGs, not to mention the post-2015 agenda.[4]

Meanwhile, global discussions at the GPEDC, which was created in Busan in 2011 and is the successor to the Rome, Paris and Accra commitments, must also be seriously stepped up in 2013. Vital preparation is needed this year to ensure that the ministerial meeting in early 2014 can move the agenda forward and showcase some genuine successes. This meeting will be a crucial test of global commitment to improving aid quality, and will show us whether the GPEDC will blaze a trail to a bold new future for aid quality, or whether it will turn out to be overblown hype.

The economic and political context for aid in 2013

At the same time as these two major aid-related processes are playing out, the final push to reach the MDGs is underway. This is happening in the context of a number of developments in Europe, where one factor challenging aid quantity is the continuing poor economic situation. The euro crisis has not yet ended, some EU member states really are in dire straits, and there is little fiscal space in the others. In this situation, politicians who have always been against aid are buttressed, and even some of those who support it are increasingly nervous in a climate of perceived public hostility (which is actually less than is often implied: in 2012, according to Eurobarometer, 85% of EU citizens thought that supporting developing countries was important).[5] The overall political will to support aid is thus diminishing.

The economic situation provides a platform for politicians to focus on aid quality rather than quantity, at least in rhetorical terms. Here, geopolitical relations are shifting, and the aid and development landscape has to adapt. Emerging and developing countries are taking their place on the world stage, and Europe is negotiating new relationships with them. These countries want to throw off the perception that they are supplicant aid recipients (although most of them do receive development assistance, some of it as ODA); instead they want equal economic and political partnerships. This affects how their aid relationship with Europe works. Meanwhile, they are becoming donors themselves, albeit not under the auspices of the OECD DAC (coordinating instead through UN DESA). This provides a greater choice of sources for countries that receive aid,[6] and represents an additional context for developments in aid quality.

1 UN (2013), *The Millennium Development Goals Report 2013*
2 *Ibid.*
3 UN (2013), *A New Global Partnership: eradicate poverty and transform economies through sustainable development*
4 UN (2013), *The Millennium Development Goals Report 2013*

5 European Commission (2012), *Solidarity that Spans the Globe: Europe and Development Aid.* Special Eurobarometer 392
6 Greenhill R, Prizzon A and Rogerson A (2013), *The Age of Choice – how are developing countries managing the new aid landscape?* Overseas Development Institute

Responses in Europe and beyond

Europe has generally performed well on aid quality and quantity – but just when adequate, effective aid is needed most, the EU appears to be weakening its commitment. ODA levels fell in 2012, with cuts in most EU member states and an overall four per cent reduction from the EU-27 in 2012 compared with 2011. Not surprisingly, with Europe being the largest donor, global trends are similar: in 2012 aid was four per cent less in real terms than in 2011, following a two per cent reduction the year before.

It is now evident that some member states will find it difficult indeed to meet their aid target while also providing aid effectively. Perhaps even more worrying than cuts is the very little evidence of any real will to get back on track. Most EU member states have confirmed their intention to continue honouring the 40-year-old commitment to achieving a certain percentage of GNI as aid.[7] But the trend in their actual contributions, and their future projections, make this commitment feel hollow indeed.

In this context, we might expect donors to at least redouble their efforts to ensure that every euro of aid is well spent. But this is not the case. There is political rhetoric on aid quality, but action or implementation through the GPEDC is so far largely lacking.

Finally, in the OECD, the EU institutions and some member states, a discussion is starting about where the boundaries around aid should be, and whether they should be reviewed. The debate is unfortunately not about reducing inflated aid (such as student fees and refugee costs, which have no direct impact on development), but instead about creative accounting: making more flows count as aid without any certainty either that this will augment financial flows, or that these flows will contribute to development. For example, according to Venro – the umbrella organisation for non-governmental development organisations (NGDOs) in Germany – the German government has announced that it wants to revise the definition of ODA and its monitoring system, and to incorporate other areas of spending into it. This would be truly bad news for the world's poor people, and could reinforce the wrong-headed idea that ODA should serve the self-interest of states.

The countries that are maintaining political will

Decline is not inevitable. This report shows that:
Several countries have substantially increased their aid, the largest relative increases being in Latvia (17%), Luxembourg (14%), Poland (14%), Austria (8%), Lithuania (8%) and the United Kingdom (7%). Those already reaching the 0.7% target are Denmark (0.8%), Luxembourg (1%) and Sweden (0.99%), and in 2013 the UK will join them, at 0.7%.

In six countries, less than 4% of bilateral aid comprises inflated aid (Ireland, Luxembourg, UK, Lithuania, Estonia and Poland).

Given aid's unique and vital role, negative trends can and should be turned around. This report contributes to this effort. It focuses first on aid's unique contribution to development. It then looks at trends in EU aid quality, and quantity (including distinguishing between genuine aid and inflated aid). Finally, it proposes recommendations for Europe to follow.

Europe has stood shoulder to shoulder with the world's poor people for a long time. Now – paradoxically, just when it is most needed – it is doing less to improve aid performance. But it could, instead, continue to play its previous global leading role on aid. It should abide by its commitment to share 0.7% of its income, while also ensuring that it continues to make its aid more effective for poor people. Even while facing its own internal challenges, Europe would surely prefer to find the dignity, capacity and strength to continue to uphold the principle of global solidarity with poor people.

7 E.g. European Commission (2013), *Beyond 2015: towards a comprehensive and integrated approach to financing poverty eradication and sustainable development*, 16 July 2013, COM (2013) 531 Final

CHAPTER 1 – THE UNIQUE ROLE OF AID

These are challenging economic times, but aid plays a unique role in tackling poverty, and is needed more than ever. Aid can be targeted to support essential public services. It is available now and helps establish longer-term resource collection. Effective aid can support accountable governance, and is itself a transparent and accountable form of finance. Other forms of finance are important in addition to aid – but they are no substitute for it: loans have to be repaid, adequate levels of taxation are only feasible when there is an adequate tax base, and foreign private investment does not always support development. This chapter looks at why aid is still very much needed in developing countries, both because poverty and inequality are still a reality, and because aid plays a unique role in tackling both.

Despite the importance of aid, discussions are starting in the EU, the OECD, donor countries and elsewhere about whether the focus of development finance should move away from aid and towards other forms of finance. While recognising the importance of how other kinds of financial flows impact on development, and welcoming the growing attention to this, AidWatch feels strongly that any changes that marginalise aid, or blur its essential characteristic of being focused on development and poverty reduction, would be a grave mistake.

The end of poverty?

The ambition of eradicating poverty within a generation is both inspirational and laudable, but we must also remember that this ambition is a long way off. One in five people – 1.25 billion – still live below the extreme poverty line of $1.25 dollars (€0.94) per day.[8] Many more live on only a little more (half the world's population is estimated to live on £3-4 (around €3.50 to €4.70 a day),[9] and have nothing like the resources needed to live a life in which they can reach their full potential. Developing countries face a financing gap of over $150 billion (€112 billion) annually in the coming years, purely in relation to the provision of basic social goods like education, health, water and sanitation, and food security.[10]

Global poverty is still very much with us. A view that has attracted growing support in recent years is that, based on projected growth rates, the worst forms of poverty will soon be a feature of a small number of countries, and therefore aid is becoming significantly less relevant. This conclusion, however, is not as solid as it sounds. For example, one such projection specifically discusses the future role of aid, and speculates about how, if aid is not cut, it could potentially play a very significant role in ending poverty in future decades.[11] This is very different from arguing that, because of growth, aid might as well be cut right now. Other influential authors focus on how the majority of poor people live in large countries which are now classified as middle-income ones. However, they do not argue for an end to aid either – rather, they show that aid is still needed in a middle- as well as a low-income context, perhaps playing a game-changing and human-rights-supporting role in development there.[12] There is a genuine debate on the focus of aid along these lines, although not on its relevance per se.

Furthermore, the most recent major studies that predict dramatic falls in poverty in the next 10-15 years use a $2-a-day (€1.5)[13] or $1.25-a-day (€0.94) poverty line.[14] Just above these extreme poverty lines are many more poor people. Also, as these measures focus only on income they fail to incorporate an understanding of broader forms of poverty, represented by measures such as the MDGs, which most developing countries are still some way from achieving.

The role of growth

On average, growth is associated with some reduction in poverty (and an increase in inequality).[15] This average masks very different situations in different countries, however. A 2011 study showed that many countries with very high growth rates had experienced no concurrent drops in poverty, while in some, poverty had even increased.[16] This is not to say that growth in developing countries is unimportant – it is very important – but it must be complemented by other measures (e.g. redistributive policies) if it is to succeed in creating, sustainably, a high quality of life for all.

In fact, this is a rerun of an old debate. Several decades ago it was thought that the benefits of growth would "trickle down" to the poorest people. Then we realised that other policies were needed alongside growth. We should not return to the 1950s hope that we can rely on growth alone: we also need to tackle poverty, and inequality, directly.

8 Chandy L (2013), *Counting the poor – methods, problems and solutions behind the $1.25 per day poverty estimates*, Development Initiatives/Brookings

9 Hammond *et al.* (2007), *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resources Institute and IFC

10 Greenhill R and Ali A (2013*), Paying for progress: how will emerging post-2015 goals be financed in the new aid landscape?,* Overseas Development Institute

11 Kharas H and Rogerson A (2012), *Horizon 2025: creative destruction in the aid industry*, Overseas Development Institute

12 Sumner A (2010), *Global Poverty and the New Bottom Billion*, Institute for Development Studies

13 Karver *et al.* (2012), *MDGs 2.0: What Goals, Targets, and Timeframe?*, Centre for Global Development

Kharas and Rogerson (2012), *op. cit.*

14 Chandy L and Gertz G (2011), *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015*, Brookings Institution

Hillebrand E (2008), *The Global Distribution of Income in 2050*, World Development 36:5

Ravallion M (2012), *Benchmarking Global Poverty Reduction*, World Bank Policy Research Working Paper 6205

15 http://www.scribd.com/doc/57512672/Human-Development-in-LICs-LMICs-and-UMICs

16 Bond (2011), *Growth and Development*

Ten reasons why aid is irreplaceable

Poverty is still widespread, and growth alone cannot eradicate it. So other forms of finance are needed. But does this finance need to be aid? The answer is: yes, some of it does. Effective aid has a unique and important role to play amongst the various possible sources. It cannot be replaced, and should be increased. There are a number of reasons for this.

1 Effective aid can target public services and support private enterprise for poor people

Aid in developing countries can support investment in services and intervention targeting poor people, in areas such as education, health and water. These kinds of areas are absolutely crucial for poverty reduction and development, but are much less likely to attract sufficient investment – in a way that creates access for everyone – from profit-seeking private investment or commercial loans.

Public goods like these are not meant to create private profit; hence the state and public financing should play an important role in providing them. If a financial return has to be generated, the services are unlikely to be targeted at poor people, because they cannot afford them. If a fee is charged, this restricts access dramatically, and the poor are likely to be bypassed. For example, when school fees were abolished in Ghana in 2004, primary-school enrolment increased by more than a million virtually overnight.[17] Where national governments in developing countries do not have the resources to provide all these goods themselves, aid can help to support the delivery of such vital public services.

It is not only in relation to government investment that grants and concessional loans are vital by targeting poor people. Recent research highlights how mainstream private investors are avoiding supporting enterprises that can provide employment, goods and services targeted at the very poorest, as the returns on such investments are limited and the risks are higher.[18] Aid, however, could be used to help generate a step-change in investment in such local enterprises.

2 Effective aid is available now and helps establish longer-term resource collection

Aid should be a rapid form of development finance. Other sources, such as revenues from fair fiscal systems, will take longer to materialise in developing countries or to show impact.

17 Tran M (2012), Pearson to invest in low-cost private education in Asia and Africa, *Guardian*, 3 July 2012

18 Bannick and Goldman (2012), *Priming the Pump: The Case for a Sector-Based Approach to Impact Investing,* Omidyar Network

So when a country has very few resources, aid is the finance source that can start to fund development that provides a basis for the future, such as education and the growth of accountable institutions. Aid's ability to do this, in contrast to other kinds of finance, is recognised, for example in the context of the MDGs.[19] Aid is needed in the short term to fund development that can mean, in the longer term, that less will be needed. Developing countries that depend on aid now will depend on it less in the longer term.[20] In practice, of course, aid is not always as speedy as it should be – but that is something to fix (through policies on aid and development effectiveness). It is not a fundamental problem with aid.

None of this means that aid should only be spent on quick fixes, or that challenging sectors, or fragile contexts, or less tangible areas, such as institution-building, should be ignored. The point is that aid as a source of finance can be available more rapidly than others, to enable work in all areas of development to happen. Sometimes, for instance where aid is used to support the development of fair tax systems, this link is very clear. For example, with support from international donors, starting in the late 1990s Rwanda overhauled its tax system. In 1998 the government collected a mere £60 million (€70 million) in tax revenue; by 2006 this had quadrupled to £240 million (€280 million).[21]

3 Aid has to be focused on generating genuine resource transfers for development

The main objective of ODA must, by definition, be the development and welfare of developing countries.[22] This result in checks on the levels of resources donors have genuinely transferred to developing countries with the explicit intention of supporting development, ensures political pressure to maintain this finance, and focuses public and political attention on it. No other form of development finance does this.

4 Effective aid can help support accountable institutions and improve governance

This is an area increasingly agreed to be vital for development. A unique role of aid here is to support the emergence of strong parliaments, media, auditors and civil society organisations, which in turn hold their governments to account. In countries where there is no enabling environment in which these actors can fulfil their duties, the role of aid is absolutely crucial. It is also an area where technical assistance from donors – if requested by the recipient government – may bear fruit.

19 Atisophon V *et al.* (2011), *Revisiting MDG cost estimates from a domestic resource mobilisation perspective*, OECD Development Centre Working Paper 306

20 ActionAid (2011), *Real Aid 3 – Ending Aid Dependency*

21 OECD (2008), *Taxation, State Building and Aid*, OECD Factsheet

22 OECD (2008), *Is it ODA?* Factsheet

Aid also has a role to play in improving governance (as suggested in Agenda for Change, the EU development strategy). If aid is effective in supporting democratic ownership – for example, if it is reported in the developing country's budget, and if it uses national financial and procurement systems rather than parallel ones[23] – then it will in itself support improved governance by supporting the development of institutions through which the government is accountable to its own people.

Donor support tackles misuse of funds[24]

Donors have supported the strengthening of public financial management systems in Uganda through pooled funding. A priority has been to support the government audit office (OAG), and to support parliament in acting on the audit findings. The OAG has thus attained greater independence, cleared a backlog of reports and recruited more skilled staff.

Recently, the OAG led efforts to uncover the circumstances behind the misuse of funds in the prime minister's office, and it provided parliament and the police with the information needed to undertake an extensive investigation.

5 Effective aid means a public finance mechanism that is transparent and accountable

Transparency in public financing is a cornerstone of democratic accountability, enabling parliament and citizens to influence budget-setting (and therefore spending priorities) and to monitor implementation. It also enables parliaments and citizens, via media and audit bodies, to discover and challenge any inappropriate or corrupt spending. So transparency and the subsequent accountability are, in turn, central to good governance.

This applies to the whole of public finance (in both developing and developed countries). There has been particular progress in recent years on aid transparency, however, with a concerted global campaign and, for the first time, a focus on transparency in the GPEDC. Currently, therefore, there is particular potential for aid transparency to contribute to and support the development of budget transparency in developing countries. Aid transparency can be focused mainly on the parliaments and citizens of developing countries; that same transparency can then also be used by the donors to demonstrate to their own citizens how effectively public money has been used in funding aid.

23 As specified, for example, in the Busan Partnership Document

24 Glennie J and Rabinovitz G (2013), Localising Aid – a whole-of-society approach, Overseas Development Institute Centre for Aid and Public Expenditure

6 Aid is a suitable mechanism for investing in sectors that are key to eradicating poverty

Investment in infrastructure is an important and neglected area of investment in many developing countries.[25] But the pendulum has swung, and indeed, listening to the current political rhetoric one might think it was the only area that needed investment. This is incorrect: essential services, support for women's rights, support for smallholder farmers, support for accountable institutions, and so on, are still needed too. Moreover, infrastructure may sometimes (not always) be a suitable area for private investment, and it is also attracting investment from south-south development cooperation. This is all the more reason for OECD DAC donors to divide labour rationally and continue to provide aid in areas that have a direct impact on poverty reduction (e.g. health, education and food security), where possible through budget support.[26]

Moreover, there is no guarantee that spending on infrastructure will benefit poor people specifically. The EU is starting to lend for more large-scale infrastructure projects, but there is no guarantee that these will build local markets or benefit poor people in the relevant countries.

7 Loans have to be repaid

A move away from ODA towards more commercially based sources of development finance would impact on the debts of developing countries, and excessive debt prevents countries from spending on essential public services. Civil society organisations campaigned for over a decade for the crippling debt of developing countries to be reduced through recent debt relief processes. It is therefore important for aid to be provided in the form of grants (and suitably concessional loans) in order to help prevent a repeat of such a debt crisis. There are real risks involved: recent increases in the debt levels of sub-Saharan African countries, for example, have caused their payments on debts to increase from $13 billion (€9.75 billion) in 2009 to $15.2 billion (€11.4 billion) in 2011.[27] This is partly because donors have become less willing to provide aid as grants, and also because of debts taken on during the financial crisis.

This issue links with the current EU debate on leveraging: using aid funds to reduce risk for private lenders, in particular for infrastructure in developing countries, thereby "leveraging" more funds. There is much current European enthusiasm for this practice, yet in development terms it is highly problematic. There is no guarantee that the funds leveraged would be additional to investment that would have been made anyway; where they are not, leveraging simply diverts scarce aid from investment in essential public services. Moreover, the funds are often loans, which increase the indebtedness of developing coun-

25 Greenhill R, Prizzon A and Rogerson A, *op. cit.*

26 Ibid.

27 World Bank (2013), International Debt Statistics 2013, World Bank

tries; there is no safeguard to ensure that the projects funded in this way are developmentally beneficial, and no transparency to help us find out. Also, much of the support goes to developed-world companies, and thus does not benefit small or medium-sized enterprises in developing countries.[28]

8 Aid is necessary until developing countries can raise adequate domestic resources through a fair tax system

Donors are giving increasing (and welcome) consideration to the idea of mobilising additional domestic resources for development, and this is indeed crucial. However, it is only possible to raise adequate and sustainable revenues if some pre-conditions are in place – for example, if enough wealth is being generated in the country by a sufficient pool of individual and corporate taxpayers, and if there is adequate legislation in place (mostly in donor countries) for fighting tax evasion and avoidance. Furthermore, while it is essential for a government to develop fair fiscal systems, it is a politically sensitive issue. This certainly gives governments no excuse not to act, but it does explain why in many countries it genuinely cannot be done overnight. Until taxation has been more widely developed, aid will still be needed as a source of public finance. In addition, if fair fiscal systems (once introduced) are to tackle inequality effectively, they need to be coupled with strong domestic accountability mechanisms and a commitment to progressive redistribution.[29]

Moreover, while even the poorest countries can raise domestic resources to pay for a basic social protection floor, none of them can yet end poverty through taxation alone, simply because the tax base is not yet large enough.[30] This is also true for middle-income countries: one study showed that India, for example, would have to tax at a marginal rate of over 100% if it were to raise enough resources to end poverty.[31]

9 Unlike aid, foreign direct investment does not have a development objective

Foreign direct investment in developing countries is increasing rapidly,[32] although it is very uneven and is still concentrated mainly in just a few countries.[33] It is praised for generating jobs, boosting related areas of the economy by generating demand, transferring technology and skills, and providing tax revenue. In reality, however, it often generates few jobs or linkages, the technology stays within the company, and taxes are avoided.[34] It is certainly not a finance mechanism targeted specifically at providing development outcomes, nor is it under any obligation whatsoever to facilitate development if this is not the optimum commercial path.

10 Aid is the most powerful expression of global solidarity

Effective aid acts as a proxy for political support for sustainable development and rights, and aid is one of the most obvious ways for a European country to express its commitment to development and global solidarity. Aid also provides a means for people to be active global citizens with a world view that is wider than their own community, nation or region. While riddled with potential traps, this wider worldview is absolutely vital, not only for development and poverty reduction but also for other aspects of geopolitics, such as maintaining peace and security, and fighting racism. It is a matter of taking responsibility and ensuring that internationally supported values, for example the human rights declaration, are put into practice.

Some of aid's achievements in health and education

- During the period 2000-2008, efforts to increase vaccinations for measles, whooping cough and tetanus across Africa, for which ODA provided the vast majority of funding, led to a reduction of 509,000 in the deaths from these diseases (Save the Children 2013)
- Across 21 priority countries in sub-Saharan Africa, new HIV/AIDS infections in children have been reduced by 130,000 – a drop of 38% – since 2009, primarily thanks to the provision of anti-retroviral drugs by donors, to prevent transmission from infected mothers (UNAIDS 2013)
- In Sierra Leone, donors – who fund 70% of the government's health budget – supported the government in introducing free health care for children under five and pregnant and lactating mothers; as a result, consultations for children under five increased by almost one-third from 0.93 million in 2009/10 to 2.93 million in 2010/11 (MoHS 2011)
- Between 2004 and 2010 an additional 5.3 million children gained access to primary school, with donors providing 20% of the funding to the education sector (UNESCO 2012)

28 Concord AidWatch (2012), Global Financial Flows, Aid and Development; Kwakkenbos J (2012), Private profit for public good? Eurodad
29 Concord (2013), *Spotlight Report – Policy coherence for development*
30 Atisophon V *et al.* (2011), *Revisiting MDG cost estimates from a domestic resource mobilisation perspective*, OECD Development Centre Working Paper 306
31 Ravallion M (2012), http://blogs.worldbank.org/developmenttalk/should-we-care-equally-about-poor-people-wherever-they-may-live
32 UNCTAD (2011), *World investment Report*
33 Prada F et al. (2010), Supplementary study on development resources beyond the current reach of the Paris declaration
34 UNCTAD (2012), *World Investment Report*; UNCTAD (2012), *Trade and Development Report*

What is aid?

Aid funding is precious and needs to be protected. One way this protection is provided is through tight definition. "Official development assistance", or ODA, is defined by the OECD DAC essentially as grants or concessional loans provided to support development activities. To be more precise, ODA must be administered with the promotion of economic development and the welfare of developing countries as its main objective, and it must be concessional in character, with a grant element of at least 25% (calculated at a discount of 10%).[35] Only finance that meets this definition can be reported to the OECD as ODA, and count towards the politically important 0.7% ODA/GNI ratio.

Although the ODA concept has been debated and refined throughout its history, in recent years there have been increasingly concerted attempts by donors to challenge the political emphasis it receives and to overhaul its definition. These efforts began in 2009 with the EU and G8 (led mainly by the governments furthest from meeting their aid commitments) calling for greater political recognition for the flows of development finance other than ODA that emerge from their countries. This has led to the OECD DAC's being given a mandate to explore how this could be achieved and (in December 2012) to launch a formal process to develop new, broader, statistical ways of measuring development finance, which are to be adopted as part of the post-2015 development goals agreement. This process could also lead, ultimately, to ODA's being re-defined. Meanwhile, the EU is getting involved. In its July 2013 communication on development finance, it said that all countries and international actors should agree to "reform ODA and monitor external public finance in the context of a comprehensive mutual accountability mechanism".[36]

Among the sources of development finance that are being explored as potential elements for these new development finance measures are: officially supported export credits, non-concessional loans, guarantees and other financial products offered by development finance institutions (DFIs) and international finance institutions (IFIs), private grants and remittances.[37]

It is important to have a better understanding of the level and development outcomes of these flows, as well as their impact on ODA, in order to support relevant policy processes. However, pushing ODA down the political agenda in order to focus on these forms of development finance could undermine efforts to support development. Moreover, donors have not yet met their existing aid commitments. A debate on the definition of ODA is inappropriate until donors have succeeded in keeping their promises – changing the rules to try and meet their targets is simply not acceptable.

35 OECD (2008), *Is it ODA?* Factsheet

36 European Commission (2013), *Beyond 2015: towards a comprehensive and integrated approach to financing poverty eradication and sustainable development,* 16 July 2013, COM (2013) 531 Final

37 OECD DAC(2013), *Initial roadmap for improved DAC measurement and monitoring of external development finance*

How aid could be better

There is currently a wave of intellectual, political and (in some countries) public critique of aid that threatens to delegitimise and undermine the agenda for it. Some of this is driven by the self-interested agendas of governments whose commitment to aid has been in question for some time, and critics who have never really given aid a chance. Some, however, stems from aid's genuine current shortcomings: it is true to say that, while aid is important, it is not currently working at maximum efficiency to reduce poverty and support human rights. Aid's shortcomings arise in two main areas: aid needs to be effective, and it needs to be genuine.

Aid needs to be effective for development. Significant efforts have been made to improve aid and development co-operation effectiveness through the Rome (2003), Paris (2005), Accra (2008) and Busan (2011) agreements. These have shone a spotlight on a range of fundamental challenges relating to ODA, and although much more remains to be done we have come a long way from the donor-driven and un-transparent ODA of the past. Effectiveness is covered in the second chapter of this report.

Aid also needs to be genuine. The ODA definition excludes a number of financial flows, but it also includes some that AidWatch believes should not be there. Among these are finance that never reaches the developing country (for example, spending on students or refugees in the donor country), finance that is double-counted (for example as climate finance, or debt relief), finance that never existed (future interest on cancelled debts) or finance where the primary objective is the benefit to the donor, not the developing country (tied aid). AidWatch refers to this non-genuine aid as "inflated aid", and this report's third chapter provides a detailed analysis of its extent in the EU in 2012.

Aid plays a vital and unique role in development, but there is room for improvement. The rest of this report analyses how this improvement could take place.

CHAPTER 2
– AID EFFECTIVENESS

If aid is to play the unique role that it could play, it is essential for it to be effective. This chapter looks at the available information about global progress on aid effectiveness since the last major conference on the issue in Busan in December 2011, focusing on the areas of democratic ownership, transparency, predictability and untying.

It might be expected that, under current economic pressures, the EU would be working hard to maximise the effectiveness of every cent of aid, and to lead the rest of the world in reaching the same objective. The evidence, disappointingly, is that despite the continuing rhetoric, actual progress on making development cooperation more effective has slowed – so it is vital for the EU to seize the reins and lead a new push for progress.

The global process for improving the effectiveness of aid and development cooperation

The efforts made by EU MSs to address the challenges impacting on how effectively their aid supports development have been shaped by, and have in turn shaped, the international agreements on aid and development cooperation effectiveness that have emerged over the past decade.

The latest of these agreements, the Busan Partnership for Effective Development Cooperation (BPa), was endorsed with much fanfare in December 2011. Its supporters heralded the BPa's combined promises to:

- reaffirm the commitment to address the unmet reform targets set by the Paris (2005) and Accra (2008) agreements;
- address a range of additional priorities for action;
- establish the GPEDC – a broader community of actors (including emerging economies as donors) working together to improve the effectiveness of their development cooperation.

Today, however – almost two years after the GPEDC was endorsed – it is clear that this agreement has barely begun to deliver on its promises. Its broadened agendas brought with them a worrying neglect of past commitments, a loss of focus, and confusion about future priorities.

This assessment of the situation of development cooperation effectiveness since Busan applies to EU MSs as much as anyone. The EU's joint position for Busan prioritised the EU transparency guarantee and a move towards joint programming, some areas of the Paris/Accra aid effectiveness agenda, and the inclusion of south/south cooperation and the private sector in development cooperation effectiveness. The European Commission (EC) is the only European actor with a seat at the GPEDC table, so the EU has to speak with one voice in the GPEDC process.[38]

38 Concord AidWatch (2012), Making sense of EU development cooperation effectiveness: Special Report

Glacial progress on aid effectiveness across the EU

While some major progress in implementing the GPEDC has been made over the past year by EU MSs, it has been uneven across these countries, where action has been focused on a narrow range of priorities, past commitments are slipping down the agenda, and political attention is on the wane. The GPEDC's growing pains have not spared EU MSs, but all the same, rather than succumbing to malaise, they could have seized the reins and driven a more ambitious response.

Concord AidWatch's special report on Busan,[39] published almost a year ago, reported that a year after the GPEDC had been endorsed only one EU MS had developed a strategy to guide its implementation. Such a strategy is necessary, to signal the political importance of implementing the GPEDC's commitments and to guide and coordinate action across the relevant implementing agencies. Last year's report therefore raised concerns about the very limited progress EU MSs had made in developing such strategies.

The period since has seen some progress – but it is still slow. In June 2013, our survey found that only seven EU MSs have a full Busan strategy in place (Denmark, Finland, France, Germany, Italy, Portugal and Sweden); a handful of others have a partial strategy, or claim to have a strategy that is not public, or have progressed only on the transparency elements of Busan.

Weakening political attention to democratic ownership and other Paris and Accra commitments

One of the issues many CONCORD members were keen to highlight following the endorsement of the GPEDC was that its almost cursory (although unambiguous) reaffirmation of the Paris and Accra commitments, combined with its broadening of the agenda for action, potentially opened the doors for donors to scale back their political attention on implementing the Paris and Accra commitments.

Our survey of EU MSs reveals that these fears were not unfounded. Although CONCORD members report that the majority of EU MSs still see these commitments as binding, they also report that the commitment of their governments to implementing Paris and Accra has weakened in recent years, especially in areas such as use of country systems. These EU MSs include several who were previously at the forefront of negotiating and implementing these agreements.

39 *Ibid.*

Democratic ownership, whereby developing countries (including government and civil society) are in the driving seat of their own development, is the principle at the heart of the Busan agreement and of the continuation of Paris and Accra; the Busan document says that “partnerships for development can only succeed if they are led by developing countries”. Yet political commitment to this, too, appears to be on the wane. Globally, budget support – an aid modality that gives developing countries maximum autonomy in the use of aid – has been cut dramatically, from $4.4 billion (€3.3 billion) in 2010 to $3 billion (€2.25 billion) in 2011 and just $1.3 billion (€1.73 billion) in 2012. Rwanda’s thorough mutual accountability process, which rates its donors for the effectiveness of their aid, finds mixed results. In Rwanda, EU institution aid using country systems is down from 87 to 70%, although aid-on-budget is up.[40]

Limited progress on time-bound GPEDC commitments – transparency, predictability and untying

The GPEDC includes a limited number of time-bound commitments (see box). The fact that the number is limited is likely to limit the pressure on signatories to undertake timely implementation.

Recent analysis by Publish What You Fund (PWYF), the OECD and G8 has assessed the degree to which donors have implemented the time-bound commitments relating to transparency, predictability and tied aid respectively. The commitments have not yet been reported on publicly, but this analysis (which covers mainly the EU-15), is available. It is presented below, together with additional insights from our members and other sources.

The GPEDC’s time-bound commitments

18e – Pursuant to the Accra Agenda for Action, we will accelerate our efforts to untie aid. We will, in 2012, review our plans to achieve this

23c – Implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on resources provided through development cooperation… We will agree on this standard and publish our respective schedules to implement it by December 2012, with the aim of implementing it fully by December 2015

24a – By 2013, [we] will provide available, regular, timely rolling three- to five-year indicative forward expenditure and/or implementation plans as agreed in Accra [for] all developing countries with which [we] cooperate

25a – We will, by 2013, make greater use of country-led coordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated cooperation

25b – We will improve the coherence of our policies on multilateral institutions, global funds and programmes… We will work to reduce the proliferation of these channels and will, by the end of 2012, agree on principles and guidelines to guide our joint efforts

25c – We will accelerate efforts to address the issue of countries that receive insufficient assistance, agreeing – by the end of 2012 – on principles that will guide our actions to address this challenge

Transparency

At Busan donors agreed to reach a new “common standard” of aid transparency, to publish implementation schedules by the end of 2012, and to implement them fully by the end of 2015. The EU reaffirmed its commitment to implementing the common standard as part of the European Transparency Guarantee in October 2012, which was also reflected in the G8 Communiqué in June 2013. A core component of the common standard is the International Aid Transparency Initiative (IATI). The IATI is the most significant international standard for publishing data on aid, judged on the basis of its ambition to ensure that the information published is comprehensive, comparable, timely and accessible.

PWYF has produced the most comprehensive analysis[41] of progress made by donors in meeting their GPEDC transparency commitments and their ambition to take steps to make timely, comparable information publicly available. The table below presents the results of their analysis of “donors” schedules for implementing the IATI component of the common standard, and shows that EU performance is mixed. The European Commission and 19 EU member states have published.[42]

40 Thomas A (2013), *Country ownership – the only way forward on development cooperation,* Bond/UKAN

41 http://tracker.publishwhatyoufund.org/plan/organisations/.

42 http://www.oecd.org/dac/aid-architecture/acommonstandard.htm

Of these:
- the EC and 13 MSs have drawn up plans for full implementation of IATI by 2015 (the Busan commitment);
- the EC and 10 MSs have either undertaken or signalled their intention to undertake ambitious or moderately ambitious action to implement IATI;
- two EU MSs are in the process of considering the publication of their aid information to IATI;
- four EU MSs have yet to signal any intention to publish their aid information to IATI.
- eight EU MSs have not yet published a schedule, all of which are EU-15 Member States (excluding Croatia, the most recent member of the EU).

Ambitious
Belgium, Denmark, (European Commission: EuropeAid, Enlargement and FPI), Netherlands, Sweden and UK
Moderately ambitious
Czech Republic, Finland, Germany, Ireland and Spain
Unambitious
Slovak Republic
Under consideration
France and Italy
Incomplete
Luxembourg and Poland
No publication (of current, comparable data)
Austria, Greece, Portugal and Slovenia

Implementation of transparency commitments

In 2013 Germany and Ireland joined the European Commission and the six European Member States already publishing their information to the IATI Registry since 2011 (Denmark, Finland, Netherlands, Spain, Sweden and UK) representing over 68% of EU-28 ODA. The European Commission as a whole has made considerable progress since 2012 by publishing ambitious implementation schedules and beginning publication to the registry. All major EC departments managing EU external assistance are publishing their data to IATI and as a result collective EU publication to IATI currently represents 87% of EU ODA.

Apart from this, approaches to implementation have varied amongst MSs, from fundamental culture change and the technical reform of information systems (e.g. Netherlands, Sweden and UK) to basic implementation through conversion of OECD Creditor Reporting System information (e.g. Finland). There are also significant attempts to roll out the coherent publication of IATI data across departments, especially in Sweden, the UK and the EC, in addition to positive accessibility initiatives such as DFID's Development Tracker[43] and Open Aid platforms in the Netherlands and Sweden.[44]

Predictability

In July 2012 the OECD undertook a review (based on self-reporting) of its members' efforts to implement the Busan (and Accra) commitment to provide partner countries with three- to five-year forward spending plans for their aid.[45] This analysis, which is presented in the table below and is available only for the EU-15, shows that:
- only two EU MSs (plus the EC) provide three- to five-year indications to all their partner countries (and this information is not provided on a rolling basis);
- seven EU MSs provide three- to five-year indications to some of their partner countries;
- two EU MSs provide none of their partner countries with such information;
- four EU MSs provided inadequate information or none for the OECD to use in making its assessment.

Provide three- to five-year indications to all partner countries (although not on a rolling basis)
Sweden, UK (and EU institutions)
Provide three- to five-year indications to some of their partner countries
Austria, Belgium, Denmark, Finland, Ireland, Portugal and Spain
Provide no partner country with three- to five-year indications
France and Greece
Provided insufficient / no information to the OECD
Germany, Italy, Luxembourg and Netherlands

Untying aid

Of the GPEDC's commitments, the one on tied aid was perhaps the furthest from meeting the ambitions of partner countries. Throughout the negotiations on the GPEDC, developing countries (and NGOs, including CONCORD) were calling for donors to make a commitment to untie their aid fully. In the end, the text of the GPEDC simply committed donors to reviewing their plans to untie aid during 2012 in an effort to accelerate efforts to take action, and to improving their reporting on the tied status of their aid.

The G8 reviewed its members' performance in this area

43 http://devtracker.dfid.gov.uk/
44 http://harmonia.openaid.nl/; http://openaid.se/
45 OECD DAC (2012), 2012 DAC Report on Aid Predictability: Survey on Donors' Forward Spending Plans, OECD Development Assistance Committee 2012-2015 and efforts since HLF4

in 2013.[46] Of EU MSs, this review is relevant only to France, Germany and Italy, as the UK has already officially untied its aid. The best the report could say was that Italy had taken some steps to improve its reporting.

This was consistent with an earlier piece of analysis by the OECD, published in October 2012,[47] which (based on self-reporting) assessed the progress of its members in implementing the Busan commitments on tied aid. This analysis revealed that:

- of the EU MSs whose level of untied aid is above the DAC average, since Busan two (Finland and Netherlands) have declared strong ambitions to untie it further, and five (Belgium, Denmark, France, Luxembourg and Sweden) have either modest or no plans to untie further;
- of the EU MSs whose level of untied aid is below the DAC average, three (Greece, Italy and Portugal, plus the EU) have declared strong ambitions to untie further since Busan, and two (Germany and Spain) have modest or no plans to untie further;
- Austria did not report on its intentions;
- the UK and Ireland have already untied their aid.

Unclear progress across other effectiveness priorities

CONCORD members reported that Busan had shaped their governments' agendas in other ways over the last two years, especially in terms of increasing their focus on results monitoring and reporting, promoting the role of the private sector in development and engaging on issues to do with fragility and conflict. In the absence of detailed monitoring of performance in these and other areas, however, it is difficult for us to draw any conclusions about progress or ambitions.

This conclusion highlights a concern raised by a number of our members when reviewing the EU's performance on aid effectiveness over the last year. Since Busan it has been agreed that the OECD's role in monitoring will be scaled back, and monitoring will take place primarily through country-level initiatives rather than a comprehensive international survey (in 2011: 78 countries and 33 donors). These monitoring processes are currently taking place in only a limited number of countries, which means that in future we will have less comprehensive, comparable data across countries and donors – something that is likely to take the pressure off EU MSs to improve their performance. This is clearly one way in which more ambitious monitoring by the EC (building on the EU Accountability Report on Financing for Development) could make an important contribution to driving progress on implementation.

Teething problems with Global Partnership governance

The GPEDC signatories spent much of 2012 negotiating, designing and agreeing a governance framework for it, including its structures, how different stakeholder groups would be represented and its decision-making procedures. Inevitably, this reorganisation since Busan has led to a slowing of dialogue and decision-making on aid and development cooperation effectiveness issues. Despite its new governance framework, the GPEDC has yet to shake off its sluggishness, as is illustrated by the decision to delay the first full ministerial meeting of its members (which had been due to take place in the second half of 2013) until early 2014 – over two years after Busan.

In addition, the largest aid-recipient countries are weakly represented in the GPEDC's decision-making structures (none of the co-chairs fits into this category, and only one country from sub-Saharan Africa is included). This has contributed to the Partnership's mission-drift into issues beyond development cooperation effectiveness, and its tentativeness in addressing areas of major concern to the largest recipients of aid, such as the use of country systems.

A leadership opportunity

One of the main factors that has contributed to the limited ambitions across the board in implementing Busan and taking the GPEDC forward is the palpable lack of political attention being focused on this area of international cooperation. As we have pointed out, EU MSs are as guilty as any of the GPEDC's stakeholders in this respect.

Preparations for the GPEDC's first ministerial meeting in early 2014, however, and the meeting itself, provide an important opportunity for EU MSs to take a leadership role in ensuring that this forum takes a comprehensive and honest look at progress since Busan, and plots an ambitious course for future action on commitments to aid and development cooperation effectiveness.

46 G8 (2013), Lough Erne Accountability Report
47 OECD DAC (2012), *Aid Untying – 2012 report* DCD/DAC(2012)39

CHAPTER 3 – THE QUANTITY OF GENUINE AID

The quantity of aid is the first and most obvious measure by which aid progress is usually judged, as without quantity there can be no quality. Because of huge absolute differences in national income between EU countries, the targets for aid contributions are set as a proportion of national income – 0.7% for "old" Europe, the EU-15, and 0.33% for new member states, the EU-13. It is an important principle that every donor must contribute a proportion of its income. But this figure is not the only factor in aid quantity: it is just as important for aid to have a real chance of contributing to poverty reduction and development. In other words, it must be "genuine" aid.

This chapter looks at the EU's progress – or lack of it – on aid quantity, and finds that while a few member states are standing by their commitments, many appear not to be fulfilling their public promises on them. It continues to analyse the trends in the proportion of aid that is inflated – in other words, aid that does not really contribute towards development.

Europe going backwards

At 0.39% of the EU's GNI, aid from the EU-27 countries in 2012 was at its lowest since 2007, when it was at 0.37%. Aid also dropped in absolute terms, for the second year in a row. The EU-27 countries delivered €50.6 billion in aid in 2012,[48] a 4% drop when compared to the previous year (€52.6 billion). Aid has been cut or remains stagnant in 19 EU member states. The deepest cuts between 2011 and 2012 took place in Spain (49%), Italy (34%), Cyprus (26%), Greece (17%) and Belgium (11%).

Proving that this is not inevitable, several countries have managed to increase their aid substantially, thereby helping to make the total reduction less than it might have been. The largest increases since 2011 took place in Latvia (17%), Luxembourg (14%), Poland (14%), Austria (8%), Lithuania (8%) and the United Kingdom (7%).

Overall, however, European aid is shrinking, and it is certainly failing to progress towards the aid targets. Recent European projections show that total EU aid is expected to remain almost stagnant at approximately 0.43% of the GNI in 2013-2014.[49] The actual estimated funding gap between projected aid levels and the EU commitments will be approximately €36 billion in 2015 alone.[50] Nevertheless, European leaders insist that they will honour their aid commitments. The most recent example is the Council Conclusion of 28 May 2013, in which EU foreign affairs ministers stated that "the Council remains seriously concerned about ODA levels and reaffirms its commitment and political leadership to achieve EU development aid targets".[51]

The sluggishness of European aid progress is simply unacceptable. The aid targets are a proportion of national income, so economic stress should not mean that they need to be abandoned: if an economy shrinks, so does its absolute level of aid responsibility. The political repetition of the targets negates the reality and compounds this unacceptability. It will now be very difficult for some EU MSs to meet their 2015 targets, but the trend should be upwards rather than downwards.

Moreover, Europe as a whole cannot afford to miss the 0.7% target. European aid has been crucial to progress towards the MDGs and other international development goals, and aid cuts threaten this. Europe will lose credibility in global processes if it steps back from its commitments. More importantly, millions of poor people across the world are counting on the EU's promise to support them.

Although 2015 is only two years away, there is still time for Europe to make progress towards the 0.7% target.

The impact of aid cuts

In 2012 Spanish ODA reached its lowest level since 1989 (0.15% of GNI). As a result of the massive cuts over the last couple of years, the Spanish aid agency (AECID) and many development NGOs have had to wind up their operations in many countries. Making progress towards poverty reduction and other development issues such as gender equality is a long-term quest. The Spanish cuts jeopardise the progress achieved through hundreds of projects across the world. For example, the cuts have forced organisations like Entrepueblos to cancel a seven-year partnership with indigenous communities in Peru to empower rural women and help them claim their rights.[52] It is very likely that, without external support, progress will be halted, and even reversed.

In other cases, budget cuts have a more immediate impact on developing countries. Austria, for instance, has stopped its bilateral cooperation with Nicaragua after a revision of its development priorities. In addition to cancelling development cooperation programmes, Austria also suspended its direct support for Nicaragua's health budget. This decision caused havoc in the Nicaraguan government's short- and long-term health planning.

48 All the figures in this chapter are in current prices, except in the comparative graph where they are constant.
49 EC (2013), *Publication of preliminary data on Official Development Assistance, 2012.* EC, Brussels
50 CONCORD (2013), *AidWatch 2013. Policy Paper.* CONCORD, Brussels
51 Council of the European Union (2013), *Annual Report to the European Council on Development Aid Targets – Council Conclusions*
52 http://www.alandar.org/spip-alandar/?Los-recortes-mas-alla-de-las

Genuine and inflated aid

Aid statistics include flows of money that do not genuinely contribute to development. Instead, some of the items recorded in aid budgets represent funds that, in AidWatch's view, should not count as aid. We have developed a methodology for subtracting these items from aid figures, to provide a more accurate picture of aid flows, and for distinguishing genuine from inflated aid.

The components of inflated aid, explained further in the Appendix, are:

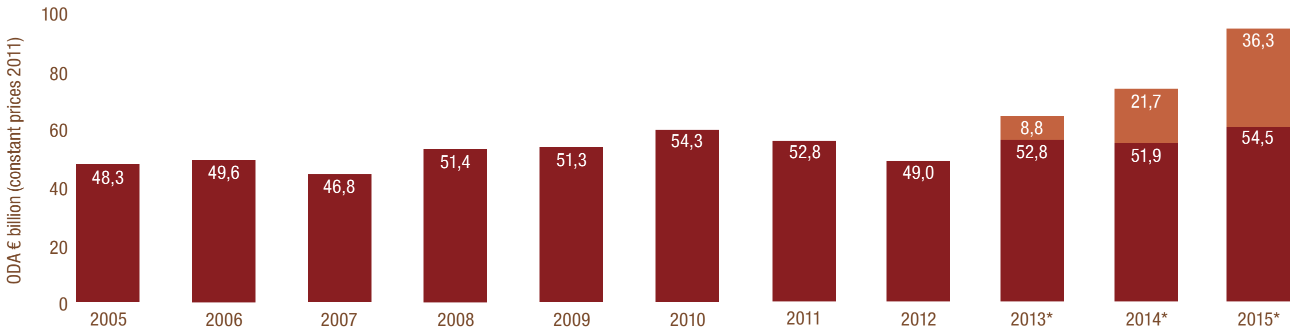
- costs for students from developing countries
- refugee costs
- debt relief
- ied aid
- nterest on loans.

AidWatch also considers climate finance which has been double-counted as aid to be aid inflation, but it is not possible to quantify this dimension of inflated aid using the data currently published.

In 2012, EU donors reported approximately €5.6 billion of inflated aid expenditure. This brings the amount of genuine aid delivered by the EU down to €45 billion, or 0.35% of aggregated GNI.

Table 1 shows the proportions of genuine and inflated aid for each EU donor.[53]

Graph 1. EU aid 2005-2015 including gap in achieving 0.7% aid by 2015 (in € billion at constant prices, 2011



*Based on EU projections

Graph drawn by the author: see Methodology for further information and sources

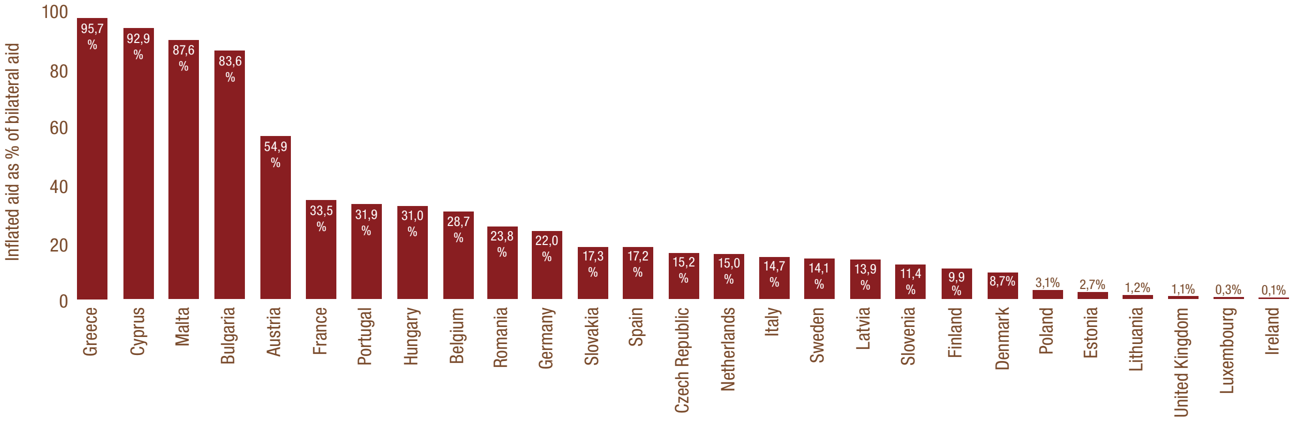
53 Inflated aid can only be calculated as a proportion of bilateral aid. Thus genuine aid as a proportion of total aid and of GNI is a conservative estimate, because a proportion of multilateral aid is also inflated (e.g. as climate finance).

Table 1.
Total and genuine aid 2012[54]

	Total aid (€m)	Bilateral aid (€m)	Inflated aid (€m)	Genuine aid (€m)	Inflated aid as % of total aid	Inflated aid as % of bilateral aid	Total aid as % of GNI	Genuine aid as % of GNI
Austria	865.4	418.7	229.8	635.6	26.6%	54.9%	0.28%	0.21%
Belgium	1792.1	1111.7	358.7	1433.4	20.0%	32.3%	0.47%	0.38%
Denmark	2114.8	1522.4	132.1	1982.7	6.2%	8.7%	0.84%	0.79%
Finland	1026.7	620.7	61.3	965.4	6.0%	9.9%	0.53%	0.50%
France	9418.7	6230.8	2086.2	7332.4	22.2%	33.5%	0.46%	0.35%
Germany	10198.2	6787.7	1492.2	8706.0	14.6%	22.0%	0.38%	0.32%
Greece	252.0	68.9	65.9	186.1	26.1%	95.7%	0.13%	0.10%
Ireland	629.5	417.2	0.5	629.0	0.1%	0.1%	0.48%	0.48%
Italy	2053.3	385.2	56.6	1996.8	2.8%	14.7%	0.13%	0.13%
Luxembourg	336.2	237.6	0.7	335.5	0.2%	0.3%	1.00%	1.00%
Netherlands	4297.6	3038.2	456.9	3840.7	10.6%	15.0%	0.71%	0.63%
Portugal	441.3	299.9	95.6	345.6	21.7%	31.9%	0.27%	0.21%
Spain	1515.5	656.4	112.7	1402.8	7.4%	17.2%	0.15%	0.13%
Sweden	4078.3	2833.7	400.8	3677.4	9.8%	14.1%	0.99%	0.89%
United Kingdom	10627.0	6926.1	76.2	10550.8	0.7%	1.1%	0.56%	0.56%
Bulgaria	30.0	0.1	0.1	29.9	0.3%	83.6%	0.08%	0.08%
Cyprus	20.0	6.9	12.9	7.1	64.7%	92.9%	0.12%	0.04%
Czech Republic	170.6	49.0	7.4	163.2	4.4%	15.2%	0.12%	0.11%
Estonia	17.6	4.9	0.1	17.4	0.8%	2.7%	0.11%	0.11%
Hungary	92.5	17.5	5.4	87.1	5.9%	31.0%	0.10%	0.09%
Latvia	16.0	0.9	0.1	15.9	0.8%	13.9%	0.08%	0.08%
Lithuania	40.0	17.1	0.2	39.8	0.5%	1.2%	0.13%	0.13%
Malta	14.0	9.1	8.0	6.0	57.2%	87.6%	0.23%	0.10%
Poland	340.5	85.9	2.6	337.9	0.8%	3.1%	0.09%	0.09%
Romania	113.0	19.3	11.3	101.7	10.0%	58.7%	0.08%	0.07%
Slovak Republic	60.8	13.8	2.4	58.4	3.9%	17.3%	0.09%	0.08%
Slovenia	44.8	14.6	1.7	43.1	3.7%	11.4%	0.13%	0.12%

54 Figures compiled by Concord AidWatch authors from a combination of OECD data (prioritised for this table where it was available for consistency purposes), national platforms and estimations where data points were not otherwise available. There may be some discrepancies between these figures and those on the country pages (all of which were supplied by the national platforms). The figures in the table are in current terms, while some of those supplied by the national platforms are in constant terms because several years are compared.

Graph 2.
Inflated aid as a percentage of total bilateral aid



Components of inflated aid

Imputed student costs

Imputed student costs represent a proportion of donor countries' expenditure on education. In 2012, student costs accounted for €1.4 billion of European aid. The largest amounts were reported in Germany (€715 million), France (€500 million), Austria (€67 million), Greece (€47 million) and Belgium (€38 million). When measured as a percentage of bilateral assistance, they significantly inflate the aid budgets of Greece (69%), Romania (59%), Austria (16%), Hungary (15%), Germany (10%), Slovenia (9%) and France (8%).

Refugee costs in donor countries

Under the definition, donors are allowed to count as ODA the amount of money they spend supporting refugees who arrive in their own country.

In 2012, refugee costs represented approximately €1.3 billion of European aid. The largest absolute refugee costs were recorded in Sweden (€400 million), France (€320 million), the Netherlands (€254 million) and Denmark (€103 million). When we measure in percentage terms, however, we see a different picture: this shows refugee costs representing more than half the bilateral aid flows reported by Cyprus (93%), Bulgaria (84%) and Malta (81%). They also represent a large proportion of other countries' bilateral aid: Greece (23%), Hungary (16%), Sweden (14%), Latvia (14%), Slovakia (12%), Belgium (8%), the Netherlands (8%), Austria (7%) and Denmark (7%). As far as we can confirm, the only EU country that counts no refugee costs as ODA is Luxembourg.

Debt relief

The cancellation of unpayable debts is important, but it should not be double-counted as aid. Debt relief accounted for approximately €2 billion of EU aid in 2012. Almost all this amount is concentrated in the EU-15 countries. In 2012, significant amounts of debt relief were recorded in France (€1.1 billion), Germany (424 million), Belgium (€211.62 million), the Netherlands (€94 million), Austria (€82 million), the United Kingdom (€76 million) and Spain (€59 million).

Tied aid

Sometimes donors make aid conditional on the purchase of goods and services from their own country or a restricted number of countries. This practice is known as tied aid.

Tied aid accounted for approximately €1.4 billion of the EU's inflated aid in 2012. This figure covers only the EU-15 countries; data on the EU-13 countries is sparse, and most of their aid goes through multilateral channels. The countries with the highest levels of tied aid in 2012 were Germany (€112 million), the Netherlands (€109 million), Portugal (€70 million), Austria (€50 million), Italy (€49 million), France (€41 million), Finland (€29 million) and Spain (€21 million).[55]

55 Estimated figures

Interest on loans

Concessional loans to developing countries count as ODA. When donors estimate their net ODA, they discount the repayment of the principal by recipient governments, but not interest payments. AidWatch regards these interest payments as inflated aid.

In 2012, interest repayments came to €590 million. Most of this amount is accounted for by a handful of donors: the EU institutions (€248 million), Germany (€174 million), France (€120 million), Spain (€33 million) and Portugal (€9 million). Several other countries provide concessional loans to developing countries and do not report interest payments.

Climate finance

European countries are committed to "scaled-up, new and additional, predictable and adequate funding" for climate-change mitigation and adaptation.[56] AidWatch is concerned that EU countries are failing to ensure that climate finance is new and additional.

The Fast-Start Finance initiative provides an example. In Copenhagen, EU countries committed themselves to delivering €7.2 billion in fast-start financing in the period 2010-2012. In 2012, they actually mobilised €2.67 billion, thus bringing the total amount of money disbursed as part of the Fast-Start initiative to €7.34 billion, a figure slightly larger than that originally promised. These funds, however, are neither additional nor new. AidWatch research finds that least 19 EU MSs report these figures as ODA. In the other cases it is not clear how the figures are reported.

Apart from Sweden and Denmark – which regard funding above 0.7% and 0.8% respectively as "new and additional"[57] – we have not found any other EU country that clearly separates climate finance from aid commitments. Without such a definition, EU countries cannot differentiate between flows, and they are counting the same funds for two separate targets. If climate finance were truly new and additional, then many European countries would be a good deal farther from their aid targets.

The problem will only get worse in the coming years, as donor countries move towards the climate finance target of delivering US$ 100 billion (€75 billion) a year by 2020. It is essential to agree and implement a common definition of additionality that can be used by developing countries and European citizens to hold EU governments to account for their international commitments.

However, because the necessary data are not published, climate finance double-counted as aid is not included in our figures for inflated aid.

56 Copenhagen Accord, FCCC/CP/2009/L.7, 18 December 2009
57 AidWatch survey, 2013

RECOMMENDATIONS

Some warned it would happen: the experience of past global downturns suggested that they are quickly followed by cuts in international aid. Others chose to be optimistic, believing that the aid commitments of EU governments would withstand this particular downturn. After all, they had committed themselves to increasing their aid so many times, and so publicly: surely they would respond to the call for one last push to achieve the MDGs. And at the end of the day, aid commitments are based on sharing a proportion of wealth.

Yet not only have the naysayers been proved right: arguably, the backlash against aid has been stronger than ever. Aid remains as vital as ever, with a unique role – especially in achieving the MDGs – that cannot be filled by other sources of finance. A few European donors understand this. But in general, across Europe aid is being cut, its focus on poverty reduction is being weakened, and little political attention is being paid to its effectiveness, despite the fact that European citizens still support aid. The solution to this is not blind spending: it is to increase both the quantity and effectiveness of aid, thoughtfully and consistently.

The foot-dragging is doing Europe no good. It weakens the credibility of EU member states as international partners. It does nothing for the world's poorest people, who need the development that effective aid could provide. Europe may have its own economic problems, but greater attention to reducing inequality within the EU could also potentially strengthen the political will to change the trends on aid.

To reverse the downward trends, the 1,800 organisations represented by CONCORD, the European NGO Confederation for Relief and Development, recommend that EU governments should do as follows:

On protecting the unique role of aid, EU governments should:

- Ensure that the definition of ODA is not diluted by the incorporation of elements of dubious development impact which would further inflate commitment estimates. Ensure that aid-effectiveness principles are firmly ingrained in any discussion concerning the future of the ODA definition, and that civil society organisations (CSOs) and southern partners play a central role in any decisions on it.
- Monitor and report on other forms of development finance more effectively, without including them in quantitative ODA commitments by donors.

On the effectiveness of development cooperation, EU governments should:

- Publish Busan implementation strategies by the end of 2013, focusing in particular on the elements of the Busan agreement that derive from the Paris and Accra agreements, such as putting aid on budget, aid predictability, mutual accountability, aid untying, use of country-led co-ordination and programme-based approaches, and use of country systems.
- Fully untie all aid, long agreed internationally as being a simple way of increasing aid effectiveness.
- Make information on aid more useful by publishing information in the IATI standard and by continuing to improve data quality and coverage in time for the Busan deadline (end of 2015).
- Inject political impetus into the GPEDC, ensure partner countries become more fully involved in the process, and review whether the GPEDC's constituency structure is working.
- Strengthen the EU's role in monitoring Busan implementation, and improve the co-ordination of this monitoring.

On aid quantity, EU governments should:

- Meet the longstanding commitment to devote 0.7% of income to aid, in a transparent, predictable and accountable way.
- Increase EU pressure on member states that decrease aid or that are way a long way from their targets.
- Reduce the inflation of aid by:
    - ending the inclusion of refugee costs, imputed student costs, debt relief and future interest on cancelled loans in aid budgets;
    - providing climate finance that is additional to ODA.

PART TWO
– COUNTRY PAGES

EU INSTITUTIONS

"It is with regret that I see some Member States carrying out reductions of their ODA budgets. The EU is still the leading donor, but we are not moving in the direction of reaching our collective target of providing 0.7% [...]. I realise some EU countries are in a dramatic situation due to the ongoing crisis but we need to deliver on our commitments."
Andris Piebalgs, Development Commissioner

Will the EU meet the 2015 aid target?
No target for the European Commission
Does the EU have a Busan implementation plan in place?
No, although it does have an Accra plan

Main changes in 2012

In 2012 the EU institutions provided €13.7 billion in ODA, out of which €4.5 billion came from their own resources while the rest was charged to EU member states.

The EU institutions are perceived as an effective donor. External reviews have found that aid managed by the European Commission (EC), for example, benefits from strong financial management and transparency systems, moderate administration costs and high levels of predictability, and can help improve coordination and reduce aid fragmentation.[58]

Little progress has been observed, however, on the problems identified in the OECD peer review conducted in April 2012. The coordination of the European External Action Service (EEAS) with other services of the EC remains a challenge, and the EEAS still lacks sufficient visibility and clout in many developing countries. It is currently working on a review of its organisation and functioning, and it will probably take steps to address these problems in the near future.

Similarly, the EC continues to struggle to put the idea of policy coherence for development into practice. Perhaps the only exception is the Communication "A Decent Life for All" on the post-2015 and Rio+20 processes, which was coordinated with several other Directorates-General. Similarly, the Council conclusions that followed the communication were discussed and agreed by multiple configurations of the Council, including foreign affairs and finance ministers.

The EC has an operational framework in place that was developed to implement the commitments agreed in Accra.[59] [59]However, the EC has not made significant policy changes since Busan.

58 See: DFID (2011), Multilateral Aid Review, and CER (2013), Priorities for EU development aid. Centre for European Reform, UK
59 http://register.consilium.europa.eu/pdf/en/10/st18/st18239.en10.pdf

Main challenges in 2013 and beyond

2013 is a key year for the adoption of the EU's multi-annual financial framework 2014-2020. The current agreement puts the budget ceiling for EC external actions at €58.7 billion for the coming seven years, and at €46.40 billion for the total development budget, when both the Development Cooperation Instrument and European Development Fund are put together. Also part of the agreement is the fact that 90% of EC external action has to be ODA eligible. By the end of 2013, decisions should also be taken on the legal basis of all EC cooperation instruments.

In 2013 the EU institutions will have two valuable opportunities to improve the coordination of the EEAS and prop up the policy coherence for development agenda. First, the review of the EEAS will be released towards the end of 2013. It opens a clear window of opportunity to ensure the appropriate systems and policies are put in place to increase the effectiveness of EU aid. Secondly, the EC will release a new report on the implementation of policy coherence for development. The EC should use the momentum created by the report to reinvigorate the debate about policy coherence.

At the international level, the debate on the post-2015 development framework is gaining momentum. The EU institutions have the opportunity and the challenge of brokering a common EU position that carries the weight of the EU as the most effective, and the largest, group of donors. The concept of policy coherence for development should be a central plank of this position. The main obstacle to the process is the upcoming European election and the renewal of the EC, which will take place at a crucial moment in the debate.

Recommendations

The EU institutions should:

- Engage in a bold review of the EEAS that makes development assistance a priority of the European Union representations here in Europe as well as in foreign countries and ensures a good level of coordination with other EU institutions.
- Make policy coherence for development a reality by using the EEAS review to develop a common, integrated approach to be implemented at the country level;
- Broker an ambitious common EU position in the post-2015 development debate and ensure that the EU elections do not have a negative impact on the process.

AUSTRIA

0.21% Genuine aid/GNI

0.28% ODA/GNI

"Demonstrating solidarity and taking responsibility are an important part of our foreign policy. It is our obligation to enable people all over the world to live in dignity, and at the same time it is one of the great challenges facing us today and for the near future."
Vice-Chancellor Michael Spindelegger and State Secretary for Foreign Affairs Reinhold Lopatka, Three-Year Programme on Austrian Development Policy 2013-2015

Will Austria meet the 2015 aid target?
No
Does Austria have a Busan implementation plan in place?
No

Main changes in 2012

In 2012, Austrian ODA increased from 0.27% of GNI to 0.28%. This was due to an increase in debt reduction reporting (+153%) and higher flows to international financial institutions, especially to the World Bank Group (+18.5%). The Austrian Development Agency (ADA)'s bilateral aid budget earmarked for programmes and projects was cut from €74 million to €67 million. The Ministry of Foreign Affairs (MFA) plans further cuts, justified by the financial crisis. Although Austria continues to pay lip service to its commitment to reach the 0.7% ODA target by 2015, there are no concrete budget plans – the MFA's Three-Year Programme predicts 0.39% in 2015.

The ADA is making an effort to implement poverty-focused strategies and more effective programmes, but further financial cuts and new political priorities are turning their efforts into a drop in the ocean.

Within the country focus for the bilateral programme implemented by the ADA, Nicaragua was phased out while the South Caucasus (Armenia, Georgia, Moldova, Ukraine) was introduced. This shift is in line with Austria's foreign trade interests.

Private-sector involvement is increasingly seen as a priority. Austria picked out the involvement of the private sector in development cooperation as one of the most important issues in the Busan declaration, but it has no clear strategy for ensuring this involvement is effective for development.

Main challenges in 2013 and beyond

The main challenges in 2013 are:

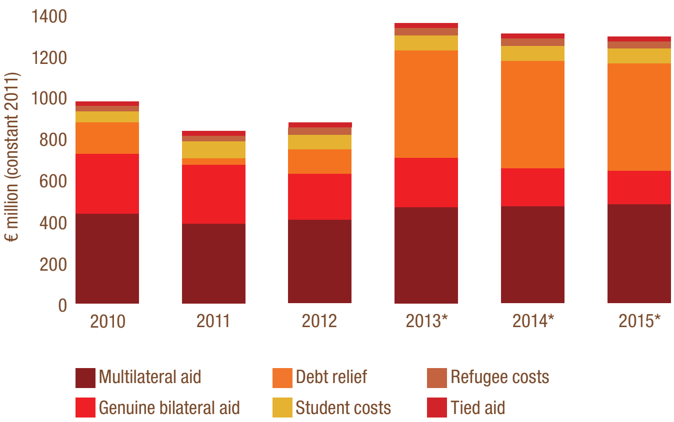
- To reverse the recent budget cuts and to increase the budget of the Austrian Development Agency;
- To emphasise the importance of ODA during the on-going debate on new development financing modalities;
- To ensure that all development cooperation activities (including those by the private sector) contribute effectively to poverty reduction and the fulfilment of human rights;
- To make global challenges important issues in the 2013 electoral campaigns and in the programme of the next government;
- To design a more coherent form of public administration for global issues;
- To develop a comprehensive, inter-ministerial approach to tackling the challenges of the post-2015 agenda.

Recommendations

The Austrian government should:

- Implement binding budgetary plans to fulfil the international ODA commitment of 0.7% of GNI, with a strong focus on increasing bilateral programmable aid;
- Focus all Austrian development programmes and projects, and therefore ODA, on poverty reduction;
- Ensure central coordination and policy coherence by the newly elected government through a bundling of competences, e.g. in a ministry for development, humanitarian aid, the environment and climate change;
- Make clear, ambitious commitments to new and additional resources for international climate mitigation and adaptation measures.

Austrian aid, genuine and inflated (in € million at constant prices, 2011)



BELGIUM

0.38% Genuine aid/GNI

0.47% ODA/GNI

"Fighting against poverty in our own country, without engaging in fighting poverty and conflicts that jeopardise peace and international stability, doesn't make any sense. Rather than a moral duty, development cooperation is in our common interest."
Introduction to the 2013 Political Note for Development Cooperation, presented at the Foreign Relations Committee of the Federal Parliament.

Will Belgium meet the 2015 aid target?
Almost certainly not.
Does Belgium have a Busan implementation plan in place?
No

Main changes in 2012 Quantity

Belgium is at 0.47% ODA/GNI.

In early 2012 the government announced a "freezing" of the budget for development cooperation. But during the year it was cut by almost 30%. The main losers were the promotion of the private sector in the south, humanitarian assistance, direct bilateral cooperation and several multinational organisations.

Quality
Belgium is one of the few donor countries with a law on international cooperation. The 1999 law was revised in 2012 to fill gaps (e.g. regarding humanitarian aid) and to adapt the law to the Paris Declaration aid-effectiveness framework. The main new areas are the incorporation of concepts such as a human rights-based approach and policy coherence for development.

Belgium has 18 partner countries. These can be divided into two groups: middle-income countries and low-income, often fragile countries. Until now Belgian cooperation has had one uniform approach to all these countries. To introduce a more differentiated approach, in 2012 the administration drafted two strategic notes (one on middle-income countries, the other on fragile states – another one, on the private sector, is in preparation). The biggest challenge is yet to come: implementation on the ground.

There has been no follow-up to the Busan Fourth High Level Forum, apart from a policy note (2013) where the minister for development cooperation undertook to update the 2007 Harmonisation and Alignment Plan in line with the current international context .into account. In Belgium there is currently no public political debate on the GPEDC.

Main challenges in 2013 and beyond Quantity

So far the budget for development cooperation in 2013 is €175 million euro lower than the original budget for 2012. In the initial budget negotiations the government cut €100 million, and during budget controls in April and June another €75 million was cut. We estimate that total ODA for 2013 will be around 0.48% of GNI. But this will be possible only if all the money still on the budget (€1,25 billion) is really spent, and no further cuts are made (as happened the end of 2012).

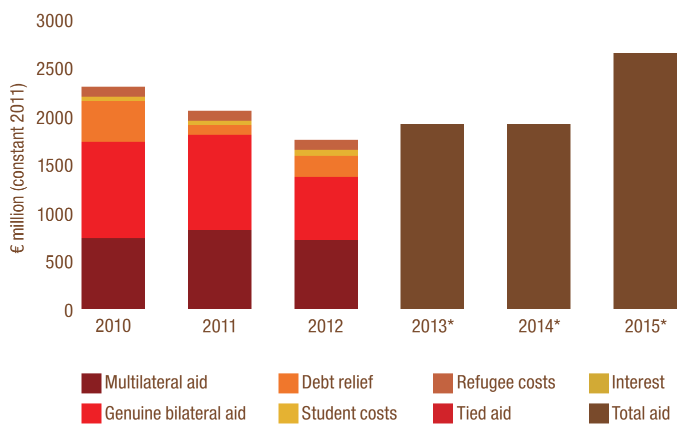
Quality
In 2012 the development cooperation budget was vulnerable to cuts. One reason for this is that sometimes bilateral development cooperation programmes and projects are not finalised on time, and money provided in the budget is not spent. Bottlenecks within the administration are part of the problem. Examples include (unnecessary) double checks, a uniform approach to very different partner countries, risk aversion, and a focus on the "efficiency" of aid rather than its development outcome.

Recommendations

The Belgian government should:

- Uphold its political and financial commitments to aid for development, notwithstanding pressure from the financial crisis in Europe;
- Find a solution to the bottlenecks in the administration of bilateral aid and change it to give a more dynamic development cooperation with the right checks and balances, more flexibility and a differentiated approach based on the needs and capacity of partner countries;
- Find a solution to the problem of the disconnect between the Belgian budget cycle and the programming cycle with partner countries;
- Update the Belgian Effectiveness Strategy: there is still room to improve the alignment and the untying of aid, through changes to the "FINEXPO" mechanism which promotes Belgian exports along with ODA.

Belgian aid, genuine and inflated (in € million at constant prices, 2011)



BULGARIA

0.08% Genuine aid/GNI

0.08% ODA/GNI

"Bulgarian development and humanitarian aid are used in achieving the goals of Bulgaria's foreign policy, which is dedicated to strengthening international peace and security, and reducing poverty."
Mid-term programme for development and humanitarian aid for the period 2013-2015 (draft version)

Will Bulgaria meet the 2015 aid target?
No
Does Bulgaria have a Busan implementation plan in place?
No

Main changes in 2012

In 2011 the Bulgarian Ministry of Foreign Affairs (MFA) developed the mid-term programme for Bulgarian participation in international development. The document outlines the priority areas for action: democratisation, education, health and health-related issues, support for the development of social structures and support for trade and investment. The programme includes activities relating to humanitarian aid using multilateral and bilateral channels. It also addresses other issues, such as:

- mechanisms for the provision of development aid
- the planning, management, reporting and monitoring of development aid and humanitarian aid
- popularising development policy
- the assessment of the mid-term programme

Geographically, the programme envisages action in the following regions:

- Western Balkan states
- Black Sea region states
- Middle East and North Africa
- Post-conflict states
- Sub-Saharan Africa

While the document was being drafted, CSOs were consulted and kept informed. The programme has not yet been adopted, however.

Main challenges in 2013 and beyond

The mid-term programme on development cooperation should now be adopted, by the Council for International Development. Representation on this Council is at deputy-minister level. Owing to the political changes at the start of 2013, however, there were no relevant deputy-ministers, and the programme was therefore not approved.

Several interconnected factors impede its adoption:

- Lack of political stability
- Development cooperation has not become high priority on the agenda of the political parties
- The country's financial and economic situation

This means that Bulgaria will continue to allocate budgets and to report its contribution to multilateral organisations, and also ad hoc actions on bilateral basis, as development aid. Bulgarian development policy will be less effective than it could be, owing to the lack of a sound regulatory basis.

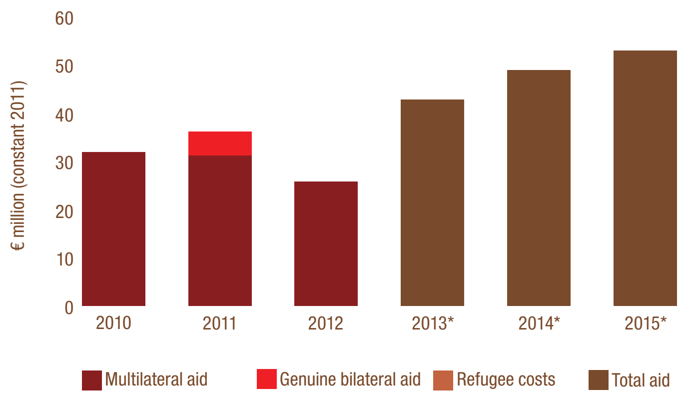
Moreover, the mid-term programme will constitute secondary legislation, and while it gives room for flexibility, actions could easily be changed following political changes. Furthermore, secondary legislation has to follow the administrative procedure set out in documents relating to primary legislation. In some cases this could mean that enormously bureaucratic procedures will hamper the smooth implementation of the policy.

Recommendations

The Bulgarian government should:

- Adopt the mid-term programme for Bulgarian participation in international development – this will give the MFA an opportunity to initiate predictable and coherent development policy;
- Develop and adopt new legislation for development policy, to ensure the smooth implementation of the planned policy and overcome possible administrative barriers;
- Cooperate better with CSOs, and sign a memorandum of understanding for a partnership to improve the participation of CSOs in the design of development policies, improve transparency, and facilitate the contribution of stronger support from civil society.

Bulgarian aid, genuine and inflated (in € million at constant prices, 2011)



CROATIA

0.03% ODA/GNI

"As a new EU member state, one of the priorities within European policies for Croatia will be development cooperation."
Vesna Pusić, Minister for Foreign and European Affairs

Will Croatia meet the 2015 aid target?
Not yet known, but unlikely
Does Croatia have a Busan implementation plan in place?
No

Main changes in 2012

Croatia stopped being an aid recipient state in 2012, which brought with it a change in the way aid is perceived and gave rise to a clearer understanding of the need to plan for the future as a donor. In 2012 Croatia showed more commitment to working on development cooperation by promoting the subject on the MFA's priority list. Croatia's current geographical priorities are:

- South-eastern Europe with a focus on Bosnia and Herzegovina and the EU accession process in general
- the southern Mediterranean, with a focus on Morocco, Tunisia and Syria
- Afghanistan.

Sectoral priorities such as education, public health, tourism and the development of civil society have also been defined.

Although there is a growing understanding of the importance of aid effectiveness, in terms of delivery and implementation, this has not yet been set as one of the government's priorities. The establishment of a national platform for development cooperation will help in promoting inclusive and high-quality development cooperation.

Overall, there is no sign of ODA increasing. Croatia has a national strategy for development cooperation up to the year 2014, and is working on the new plan, which is expected to be more focused, although financial commitments remain unclear.

Main challenges in 2013 and beyond

The biggest challenges are linked to building the capacity of national mechanisms for implementing and coordinating devel There are financial challenges, as Croatia is expected to put 0.33% of GNI towards development cooperation by 2015. By 2011 the amount had reached only 0.03%, and this figure includes inflated aid – Croatia needs to differentiate between ODA and support for the Croatian diaspora. This is particularly visible in relation to Croats living in Bosnia and Herzegovina.

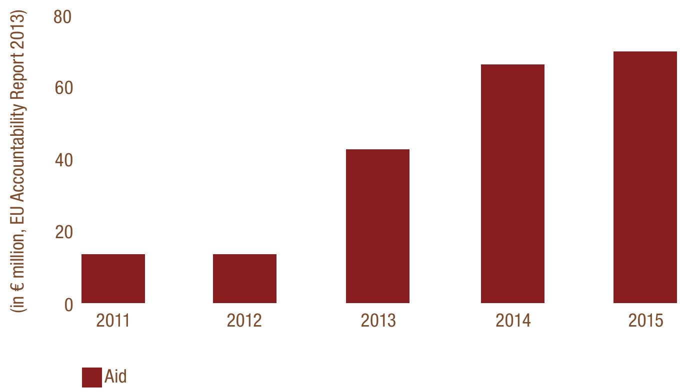
It is also a challenge to include more CSOs in the implementation of ODA projects, given that up until now most of these projects have been implemented multilaterally through international agencies (UN, EU and so on). The focus on poverty reduction and equity has not been specifically addressed, and there is a distinct lack of understanding of these issues.

Recommendations

The Croatian government should:

- Change the structure of development cooperation so that support for the Croatian diaspora is not counted as development cooperation;
- Include CSOs in the implementation of international projects and, in the coming years, back adherence to the Istanbul Principles;
- Improve the coordination of ODA at state level;
- Increase the funding for ODA;
- Build capacity, aiming to increase awareness of development cooperation, leading to better aid.

Croatian aid levels
(in € million, EU Accountability Report 2013)



CYPRUS

0.04% Genuine aid/GNI

0.12% ODA/GNI

"Phenomena such as desertification, extreme weather conditions, access to water and the lack of food create immigration pressure and lead to destabilisation and a lack of security (…) In view of the upcoming 2015 Agreement on Climate Change, which coincides with the renewal of the Millennium Development Goals, the issue should be set as a strategic priority."
Ioannis Kasoulides, Minister for Foreign Affairs – Foreign Affairs Council of the European Union (25/06/2013)

Will Cyprus meet the 2015 aid target?
No
Does Cyprus have a Busan implementation plan in place?
No

Main changes in 2012

The quantity of Cypriot aid continued its downward trend which started in 2011, with total ODA as a percentage of GNI falling to 0.11% (€19,528,673).

The quality of Cyprus's aid is also a matter of concern. Cyprus has one of the highest proportions of inflated aid, and this trend has continued through to 2012. Moreover Cyprus has also temporarily suspended its Technical Assistance Scheme for the academic period 2012-2013, and there is no clarity on whether this will be re-started in 2014.

However, during the Cypriot Presidency of the European Union in the second half of 2012, significant steps were made towards improving dialogue and cooperation with local NGOs. In November 2012, the then Minister for Foreign Affairs participated in a Global Civil Society Symposium entitled "Beyond 2015: The World We Want". This represented a significant change in the government's attitude towards civil society, and marks the most positive change in 2012.

Main challenges in 2013 and beyond

Adverse economic developments, including the economic recovery programme with the troika, have severely weakened the prospects for the Cypriot economy, and government spending cuts have been introduced. Based on current trends, Cyprus's ODA is expected to continue to drop in the lead-up to 2015, making the target of 0.33% of GNI increasingly unattainable. Moreover, the increased economic uncertainty entails a difficulty in projecting short- and medium-term ODA figures, aside from the mandatory contributions of Cyprus to EU funding mechanisms and international organisations.

While development and the eradication of poverty have never topped the Cypriot foreign policy agenda, these developments threaten to weaken Cyprus's further participation and commitment in pursuit of the MDGs.

The high proportion of inflated aid, due to the channelling of funds to refugees within the country, continues to be the main aid quality challenge.

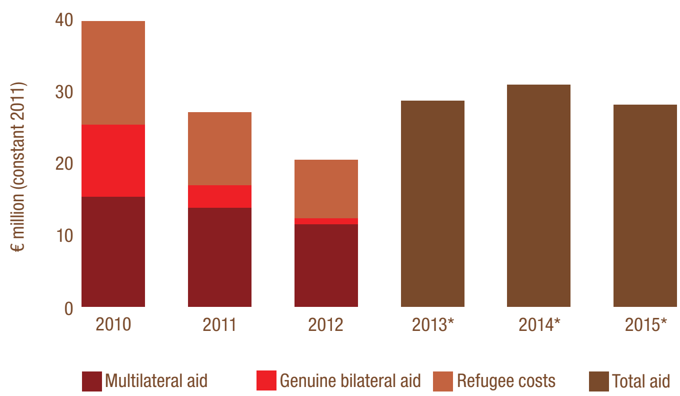
The Cypriot policy of delegated cooperation through external agencies is not conducive to developing a comprehensive development strategy, distancing Cyprus further from the debates at European and international levels.

Recommendations

The Cypriot government should:

- Under extremely challenging economic circumstances, maintain and strengthen its commitment to the eradication of poverty by opening up a public dialogue about the importance of its ODA, and by supporting both local initiatives that promote the MDGs and discussions on the Beyond 2015 framework;
- Sign up to the IATI to improve transparency;
- Establish a regular, structured dialogue with the NGO platform through the CyprusAid Consultative Body, thus developing an inclusive strategy for the efficient and effective delivery of ODA in line with the Paris, Accra, and Busan agreements.

Cypriot aid, genuine and inflated (in € million at constant prices, 2011)



CZECH REPUBLIC

0.11% Genuine aid/GNI

0.12% ODA/GNI

"Membership (of OECD DAC) is a challenge not only for the Ministry of Foreign Affairs of the Czech Republic but also for both the private and the non-governmental sector, in order to ensure that our projects in developing countries will be efficient, effective and beneficial to all partners involved."
Mr Tomáš Dub, Deputy Minister for Foreign Affairs responsible for economic affairs, on the occasion of the Czech Republic's accession to the OECD DAC, 15 May 2013

Will Czech Republic meet the 2015 aid target?
No
Does Czech Republic have a Busan implementation plan in place?
No

Main changes in 2012

In 2012, total ODA amounted to €170.9 million (0.12% ODA/GNI). This was 3% below the 2011 level, owing to a lower contribution to the EU than anticipated. The absolute volume of bilateral ODA remained constant. The share of multilateral aid is growing, reaching 68% of total ODA, mainly thanks to higher contributions to the EDF. These figures are in line with the Czech indicative plan.

Approximately 59% of bilateral ODA went to 14 priority countries, around 31% to LDCs (the top recipient is Afghanistan); 10% went to sub-Saharan Africa. The major sectors were water supply and sanitation, agriculture, building the capacity of the state administration and education.

In 2012, commercial link-ups between ODA intervention and Czech business interests were more prominent. The Ministry of Foreign Affairs (MFA) also introduced a new "B2B" programme with a pilot budget of €40,000 to support business partnerships. Another new programme, for sending Czech university professors to developing countries, was launched. The trilateral cooperation programme, an important tool for CSOs, provides co-financing for other donors' projects.

Programming and budgeting were fully centralised under the MFA in 2012. The government adopted a strategy for granting government scholarships to students from developing countries. A strategy on multilateral aid specifying the priorities for engagement in multilateral organisations was prepared for adoption in 2013.

For the first time, evaluations were commissioned by the MFA (not the UNDP, as previously). The evaluation system will continue to improve in 2013.

Main challenges in 2013 and beyond

At the end of 2012, the Czech Republic was encouraged to join the OECD DAC. DAC membership will represent an important political achievement, and will place further emphasis on improving the effectiveness of Czech development cooperation and untying its aid.

The main challenge at present is to keep the poverty focus at the core of Czech development cooperation, recognise the latter's particular role in international affairs, and resist seeking commercial link-ups and the promotion of Czech economic interests through ODA. The Czech Republic, as a small donor in the global debates on a post-MDGs framework, could advocate more on these issues.

There is a lack of political will to promote any substantial ODA increase until 2015; it can nevertheless be acknowledged that no major cuts are envisaged.

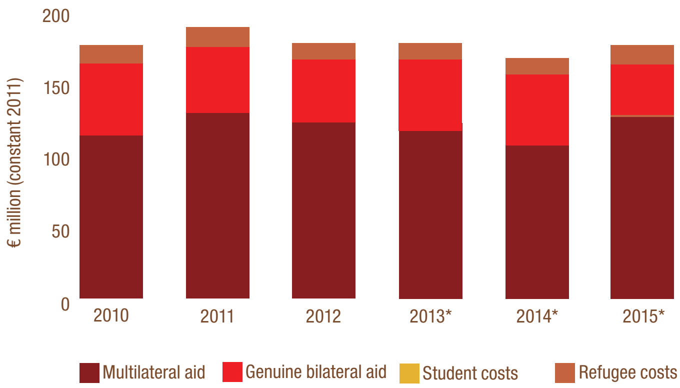
In 2013, the MFA is leading a mid-term review of the Czech Development Cooperation Strategy. This may lead to a decrease in the number of priority countries and sectors in the ODA Plan for 2015. At the programming level, the main challenge is to increase people's genuine understanding of the needs of partner countries, and deepen their knowledge of the complexity and multiple dimensions of poverty.

Recommendations

The Czech government should:

- Keep the elimination of poverty and inequality at the core of Czech development cooperation, and avoid using this cooperation to benefit the country's other foreign and economic interests;
- Strive to find general political support for increasing the Czech ODA budget and fulfilling international ODA commitments;
- Ensure that the revenues from carbon emission trading are allocated as additional funding for adaptation and mitigation projects in developing countries;
- Introduce a concrete plan for the implementation of the Busan commitments and the reaffirmed commitments of the Paris Declaration and the Accra Agenda for Action (including taking final steps to sign the IATI);
- At the level of implementation, increase the in-depth understanding of the needs and situations of partner countries and target groups in order to improve programming, the sustainability of Czech ODA-funded projects, and coordination with other donors.

Czech aid, genuine and inflated (in € million at constant prices, 2011)



DENMARK

0.79% Genuine aid/GNI

0.84% ODA/GNI

"Development cooperation can help unleash momentum for change in a way that no other type of funding can. It can also support development and the piloting of new ideas and concepts, e.g. in resource-efficient production and technology, where commercial financing is not available, and where it has the potential to contribute to poverty reduction."
The new Strategy for Denmark's Development Cooperation

Will Denmark meet the 2015 aid target?
Yes (has been above 0.7% for a long time)
Does Denmark have a Busan implementation plan in place?
The Busan principles have been integrated into the new Strategy for Denmark's Development Cooperation and the Danish Act on International Development Cooperation

Main changes in 2012

Denmark, delivering 0.83% of GNI in ODA, is well above the 0.7% target, but the Danish government still has a long way to go to deliver on its own promise to return to 1% of GNI in ODA. The figure of 0.83% actually represented a decrease from 0.85% in 2011, despite the increase in the 2012 budget. The decrease came from bilateral aid, and was partly caused by the political situation in South Sudan and Mali, for which spending has been postponed.

In 2012 Denmark enacted a new law on development cooperation, replacing the one from 1971, and drafted a new strategy. These mark a paradigm shift. The human rights-based approach (HRBA) will now be mainstreamed in all Danish operations and Denmark aims to advance the HRBA in all international for a, including the EU. The new strategy focuses on four priority areas: human rights and democracy, green growth, social progress, and stability and protection.

To increase the focus on the aid commitments of peer donors, the minister for development launched a g07 initiative at the Rio summit in June 2012. It was received with interest, but the political commitment to follow up on the initiative seems unclear.

Though the problem is not new, there is increasing debate about how ODA is used for aims other than poverty eradication. The most disturbing element in Danish ODA spending continues to be the increasing cost of receiving and housing refugees, which in 2012 reached DKK 830 million, up from 650 million in 2011. Denmark continues to count its climate finance towards ODA, so the 2012 increase in climate finance increased the inflation of Danish ODA. A significant amount of aid targeting the private sector remains tied, and while the budget lines remain fairly stable, there does seem to be growing political interest in engaging the Danish private sector in development cooperation. Security interests continue to play a major role in bilateral aid spending.

Main challenges in 2013 and beyond

The Danish government has an ambition to bring ODA up to 1% of GNI, but no official timetable for reaching the goal has been announced. With the 0.02% decrease in 2012, Denmark is now actually farther from meeting the target. Even with a planned increase in 2013 ODA, Denmark will still be a long way from the goal. According to the government's own calculations, reaching 1% in 2015 would require additional spending of DKK 3,504 million. Closing the gap will require increased political and financial commitment, while ensuring that increases are not further inflating aid.

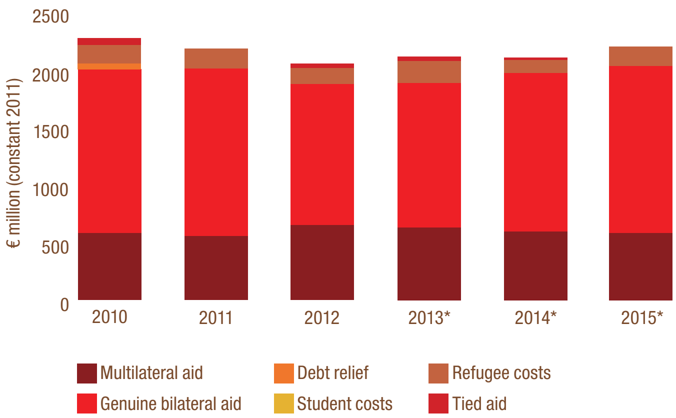
In particular, the disturbing increase in ODA spending on refugees threatens to undermine the poverty focus of Danish aid. In 2008, the cost of receiving and housing refugees amounted to roughly 1.7% of ODA. In 2012, refugee spending that was counted towards ODA exceeded 5% of total ODA.

Recommendations

The Danish government should:

- Draw up a clear, binding timetable for making the financial commitments to meet the 1% target, and put pressure on all EU member states to make binding timetables to reach their individual and collective targets;
- Strengthen the poverty focus of Danish development aid, and ensure the additionality of refugee costs and climate finance;
- Advance the implementation of a human rights-based approach in Danish development aid and promote it internationally.

Danish aid, genuine and inflated (in € million at constant prices, 2011)



ESTONIA

0.11% Genuine aid/GNI

0.11% ODA/GNI

"Our goal is still to reach 0.17% of GDP… But we must also bear in mind that money alone does not fix anything… Only the right reforms bring true development. This experience is the best thing we have to offer developing countries."
Urmas Paet, Minister for Foreign Affairs, 21.02.2013

Will Estonia meet the 2015 aid target?
Probably
Does Estonia have a Busan implementation plan in place?
No

Main changes in 2012

Estonia is likely to meet its national aid goal of 0.17% GNI/ODA by 2015.

Estonia has made strides in a positive direction with its development cooperation. Aid has increased in absolute terms even during the time of crisis. At the same time, the increased funds have put a considerable administrative burden on the small staff of the Ministry of Foreign Affairs (MFA), and have clearly demonstrated the importance of capacity-building for implementing agencies, most of which are CSOs.

As recommended in previous Concord AidWatch reports, there is also more focus on long-term projects, and Estonia is actively drafting bilateral memoranda of understanding with its priority partners. The one with Georgia has been completed, and Moldova's is underway.

The role of ministries other than the MFA remains quite marginal. This represents an untapped resource for better development funding and more effective cooperation activities with partner countries.

Main challenges in 2013 and beyond

Estonia needs to improve its aid effectiveness, by starting a qualitative evaluation of aid activities and improving the quality of technical assistance. The discussions about this question have been started under the leadership of AKÜ, the national civil society platform, but to find an appropriate and cost-effective methodology remains a challenge.

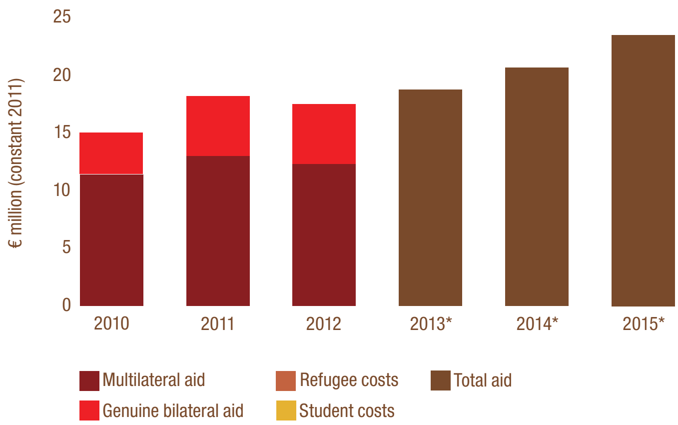
The current Estonian national strategy for development cooperation will expire in 2015, and the Estonian development cooperation community is conducting serious discussions about which direction to move in after that. The negotiations will have to consider the results of the post-2015 process and outline the thematic and geographic priorities of Estonia, and then allocate funding for reaching these objectives.

Recommendations

The Estonian government should:

- Introduce and implement methods for monitoring and qualitatively evaluating the effectiveness of its aid;
- Support capacity-building for civil society organisations and other actors who implement development cooperation projects;
- Ensure its line ministries become be more active in supporting development cooperation, both financially and substantively.

Estonian aid, genuine and inflated (in € million at constant prices, 2011)



FINLAND

0.50% Genuine aid/GNI

0.53% ODA/GNI

"Finland's ODA has been cut every year by the current government, this is enough. The world's poorest should not have to pay for the European financial crisis."
Ms Heidi Hautala, Finland's Minister for International Development

Will Finland meet the 2015 aid target?
No
Does Finland have a Busan implementation plan in place?
Not a separate one, but most of the Busan commitments are incorporated into Finland's Development Policy Programme, which was approved in 2012

Main changes in 2012

Finland will not achieve 0,7% in 2015 unless significant increases to ODA are made in 2014-2015 or the economy crashes. So far, 2013-2014 ODA has been frozen at the 2012 level and significant cuts have been budgeted for 2015-2017 (2013 budget decisions: 2015: – €59 million, 2016: – €30,5 million, 2017: – €32 million). In 2013 Finland decided to direct all income from the European emissions trading scheme to ODA, but this will not be sufficient to create an increase. This is despite the 0.7% target being reaffirmed in the 2011 government programme, and despite 80% of Finnish public opinion being in favour of development cooperation.

Finland has a new Development Policy Programme with a strong emphasis on the human rights-based approach to development.

Climate finance is being counted as part of Finland's ODA rather than being new and additional.

Main challenges in 2013 and beyond

Diminishing ODA funds will impact on Finland's development cooperation potential. At the same time, climate finance (counted as ODA) will further reduce the funds available as genuine ODA.

These factors increase the urgency of finding innovative sources of development finance.

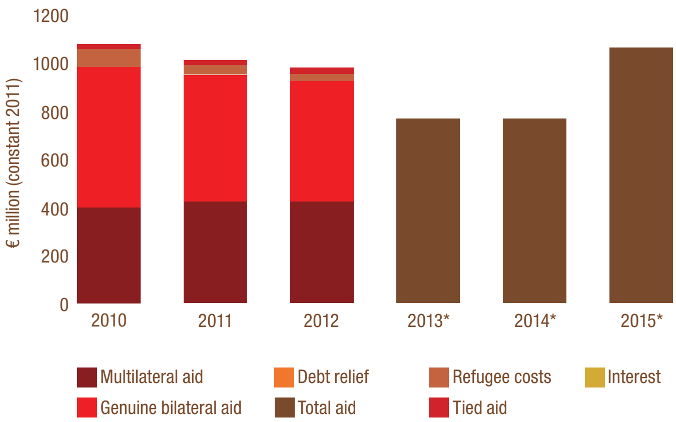
Given the growing role of the private sector in aid, it will be important to make sure that corporate responsibility issues stay on the agenda.

Recommendations

The Finnish government should:

- Keep its commitment to achieving 0.7% by 2015 and develop a concrete, credible strategy for increasing its ODA;
- Treat climate finance as new and additional, and not count it as part of its 0,7% commitment;
- Stay active on the development effectiveness agenda and continue to pursue the Paris, Accra and Busan commitments actively within the GPEDC framework.

Finnish aid, genuine and inflated (in € million at constant prices, 2011)



FRANCE

0.35% Genuine aid/GNI

0.46% ODA/GNI

"Given the difficulties we are experiencing on the economy, on the budget, can we still maintain an ambitious development policy? This question is put especially to France, given its position, its place, its history, its values. I say "yes". We can, we must, we will. Indeed, when we have renewed growth, we can resume an upward trajectory towards the international goals we have set ourselves."
François Hollande, President of France

Will France meet the 2015 aid target?
Very unlikely
Does France have a Busan implementation plan in place?
Yes

Main changes in 2012

French aid is turning its back on its ambitions. ODA decreased by 4% in real terms in 2012, after suffering a 2% contraction in 2011. It is now below its 2005 level. Despite the president's reiterating his pre-election commitment, it is very unlikely that France will reach the 0.7% target by 2015 – this would require an increase of 17% between 2012 and 2015.

The French government's priorities are stated as the social sector, Africa and the achievement of the Millennium Development Goals, but in practice an increasing share of ODA is allocated to emerging countries through loans.

Against a background of fiscal constraint, loans – which represent 87% of disbursements – have become the main instrument of the French Development Agency. French bilateral loans increased by more than 400% from 2008 to 2013.

This trend is associated with the reduction of aid to the poorest countries, which can only benefit from highly concessional tools. Between 2008 and 2013, bilateral grants fell by nearly 21%.

In July 2012 France decided to introduce a financial transaction tax, 10% of which will be allocated to development. This will amount to around €60 million, half of which will go to child health in the Sahel. As an innovative financing tool, this tax should not be included in ODA – but this is a controversial issue in France.

At the 2013 G8, the French government explicitly committed to implement the IATI (and Creditor Reporting System) by 2015 and to extend this over time to its DFIs and climate finance.

Main challenges in 2013 and beyond

French ODA's major challenge is to rebalance loans and grants, as its European counterparts have done, and as recommended by the OECD. French ODA should also target the countries with the greatest need (the 14 countries and LDCs that are a CICID priority), thereby improving efficiency.

CICID: The Interministerial Committee for International Cooperation and Development sets the priorities for the development of French aid policy and, more generally, determines French cooperation policy. The Interministerial Committee for International Cooperation and Development defines the geographic focus of French cooperation with a list of 14 priority poor countries: Benin, Burkina Faso, Comoros, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Democratic Republic of Congo, the Central African Republic, Senegal, Chad and Togo.

As regards transparency, France has developed a national platform of open data – a portal for the publication of information, including on ODA in different open formats. The government has also adopted a roadmap for progress with the opening and sharing of public data in the future. Despite these efforts, however, French aid still lacks transparency at different levels.

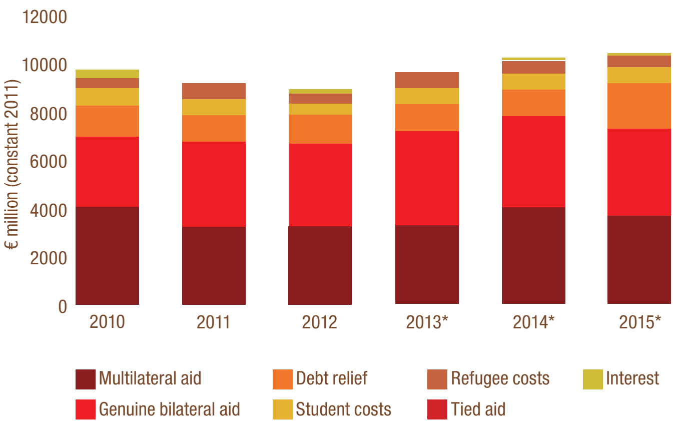
This year for the first time the French government will promote an "Orientation and Programming Law" for development. This is an important NGO victory. It will clarify the development cooperation strategy. It needs to preserve the place of ODA, take a human rights-based approach, and promote policy coherence.

Recommendations

The French government should:

- Honour its commitments in terms of official development assistance;
- Ensure that the use of loans does not take precedence over geographical and sectoral priorities;
- Ensure that public aid instruments are consistent with prioritising the social sector in developing countries, by providing substantial grant resources;
- Develop an institutional structure for the implementation and monitoring of policy coherence for development;
- Ensure that innovative mechanisms for financing development are additional to budgetary resources allocated to ODA.

French aid, genuine and inflated (in € million at constant prices, 2011)



GERMANY

0.32% Genuine aid/GNI

0.38% ODA/GNI

"The German government remains committed to increasing its ODA spending to 0.7% of gross national income (GNI) by 2015."
The German Government's 14th Development Policy Report, March 2013

Will Germany meet the 2015 aid target?
No
Does Germany have a Busan implementation plan in place?
Yes

Main changes in 2012

Despite its ongoing rhetorical commitment, the German government has abandoned the 0.7% target. The budget for development cooperation dropped by 5.5% between 2012 and 2013, and risks being further cut in the next few years.

The government has made some positive progress in improving coordination of its ODA-related activities. In April 2012 the relevant ministries set up an interministerial agreement to delegate the coordination of German ODA activities to BMZ (the ministry for economic cooperation and development). This was an important step, as German ODA activities are divided into multiple responsibilities, and are not transparent.

At the beginning of 2012, a new implementing agency responsible for development education and cooperation with civil society organisations, the so-called "Engagement Global – Services for Development Initiatives" was founded. In November 2012 a second new agency, the German Institute for Development Evaluation (DeVal) started its work, aiming to provide an evaluation of the performance of German development cooperation measures. Two other agencies already existed: GIZ (German Society for International Cooperation) and KFW (Reconstruction and Loan Corporation). Germany thus has now four implementing organisations responsible for governmental development cooperation.

In addition to founding a new civil society service agency, BMZ worked on a comprehensive strategy for cooperation with civil society, which is manifested in the current attempt to broaden government influence on civil society organisations.

Main challenges in 2013 and beyond

Reaching 0.7% by 2015 will be a major quantitative challenge. It would mean doubling current efforts.

A further challenge concerns the poverty focus of development aid. This has appeared to be in danger during the current discussion on post-MDG and aid exit strategies. In the OECD DAC the German government has announced that it wants to reform the definition of ODA and its monitoring system, and include new themes like military and security policy, private-sector development and climate finance. From the perspective of civil society organisations, the reform efforts run the risk of reallocating funds at the expense of the core areas of development and poverty reduction.

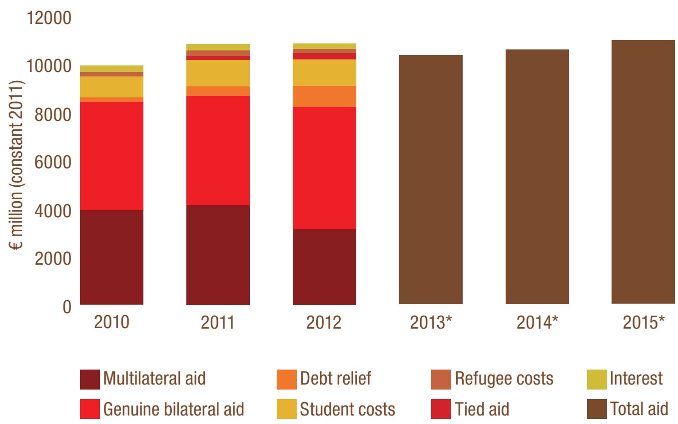
The poverty reduction focus must also be retained in the debate on post-2015 development and the sustainability agenda: fighting poverty and climate change belong together, and should not be played off against each other.

Recommendations

The German government should:

- Advocate for a comprehensive post-2015-agenda that includes development and sustainability goals;
- Increase annual ODA until 2015 and beyond, until the 0.7% target is reached;
- Agree to deliver climate finance over and above the 0.7% target;
- Provide a significant share of the financial transaction tax (FTT) for development and climate finance;
- Raise the level of funding for development education to 2% of ODA.

German aid, genuine and inflated (in € million at constant prices, 2011)



GREECE

0.10% Genuine aid/GNI

0.13% ODA/GNI

"From the Greek side, beyond our positions on international development related to balancing economic, social and environmental aspects, the difficulties with financing for development – which emerged owing to the budgetary crisis in Greece – indicate the interesting role that the private sector can play, for which it has become widely accepted that it has to manage to win the confidence of the actors involved in international development cooperation."
Mr A. Zairis, Director-General for International Development Cooperation at the Ministry of Foreign Affairs, during the DAC Senior Level Meeting and the Global Forum on Development in Paris (3-5 April 2013)

Will Greece meet the 2015 aid target?
No
Does Greece have a Busan implementation plan in place?
No

Main changes in 2012

According to preliminary data, overall aid quantity has been slightly reduced in 2012 compared with 2011, following significant decreases during the preceding years. According to current forecasts Greece will provide 0.11% ODA/GNI by 2015.

Previous targets, to reach 0.33% by 2007 and 0.51% by 2010/11 were not met, owing to the already worsening fiscal situation in Greece. Under the current economic and financial crisis, it is extremely unlikely that Greece will be able to reach 0.7% in the next few years. Efforts towards this goal will be resumed as soon as fiscal circumstances become more favourable.

Genuine Greek aid consists of approximately 73% of total aid.

Greece's development assistance is guided by five-year Development Cooperation and Assistance Programmes. The financial crisis has caused a fundamental reassessment of Greek development activities and a revision of the current five-year programme, which has not yet been finalised.

However, Greece remains strongly committed to maximising aid effectiveness under international frameworks.

Main challenges in 2013 and beyond

Approaching any aid target is going to be challenging in Greece. However, if other European countries do so, peer pressure may be an effective advocacy tool.

Greece needs to finalise its review of the legislative, institutional and organisational framework of development cooperation policy, and development effectiveness needs to become its main priority.

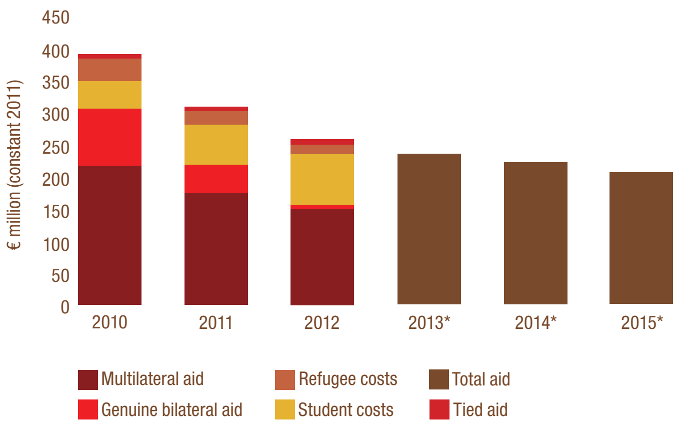
The third OECD DAC peer review made suggestions and recommendations as to how to achieve better quantity indicators on development cooperation policy; using these may support this challenge.

Recommendations

The Greek government should:

- Focus on development aid effectiveness, by immediately developing a concrete implementation plan for the Busan principles, and launching new legislation to promote transparency and accountability in development aid;
- Endorse all the recommendations in the 2012 DAC Peer Review report, which will lead to a positive evaluation from the OECD DAC mid-term evaluation process;
- Allocate more funds for development aid, working towards achieving the 2015 target;
- Increase coordination and cooperation with EU partners for private financing initiatives;
- Support and strengthen the role of Greek civil society, allowing them to achieve their full potential in adding value to the aid delivery process.

Greek aid, genuine and inflated (in € million at constant prices, 2011)



HUNGARY

0.09% Genuine aid/GNI

0.10% ODA/GNI

"Hungary has to play a stronger role in shaping the development policy of the EU and in assisting developing countries. Our country could be more active in supporting specifically the sub-Saharan region of Africa."
13 February 2013; official statement by Mr Szabolcs Takács, Deputy State Secretary at the Ministry of Foreign Affairs, made to the National Press Agency after the informal meeting of development ministers in Dublin

Will Hungary meet the 2015 aid target?
No
Does Hungary have a Busan implementation plan in place?
No

Main changes in 2012

Hungary decreased its ODA/GNI from 0.11% in 2011 to 0.10% in 2012. Aid also decreased in absolute terms, from €100 million to €92.5 million. According to the MFA, this is because of external factors such as the lower disbursements made from the general EU budget for external assistance, and a change in the HUF/USD exchange rate. However, there is a clear downward trend in bilateral aid as well. It decreased from €23 million to €17.5 million, resulting in multilateral ODA being 80% of the total. This is the second-highest ratio in ten years.

The most important policy development in 2012 was the all-party proposal by the parliamentary Foreign Affairs Committee, urging the MFA to prepare a development cooperation strategy by June 2013. NGO advocacy led to this initiative. The strategy has now been finalised and approved.

The strategy reflects many NGO recommendations, such as decreasing the number of partner countries, and increasing ODA transparency, including by signing up to IATI. However, it does not outline concrete objectives, or measures for achieving them, so remains to be seen how they will be put into practice.

Main challenges in 2013 and beyond

The biggest challenge in aid quantity is to stop the shrinking of bilateral aid. In the new strategy, the government projects an increase in ODA only from 2016, and it is unclear where that funding will come from. Hungary's ODA includes some inflated aid, and since it is currently very problematic for Hungary to find additional funding, this will probably continue.

The general direction outlined in the strategy for Hungarian ODA will be spelled out in detail (among other things, the priority countries will be specified) in a three- year action plan, which is to be finalised in the second half of 2013.

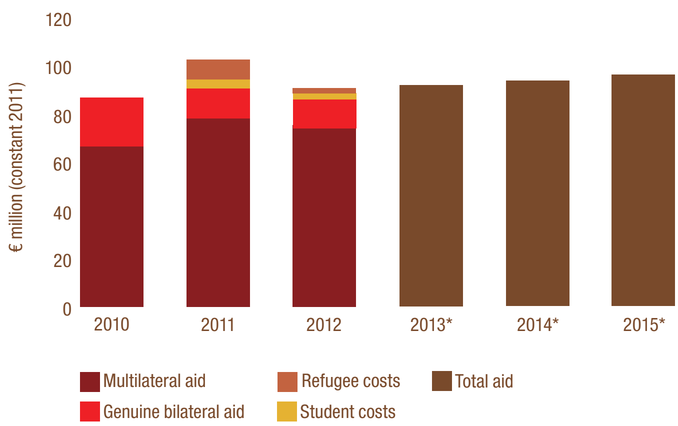
In addition, the whole institutional and legislative aspect of the Hungarian ODA system needs to be reviewed, to provide the means to achieve development goals, make Hungarian aid more effective, and ensure transparency. Given the lack of real political will, and the fragmented decision-making and implementing mechanisms for Hungarian ODA, this is the biggest challenge for the near future – both for the government and for NGOs and other stakeholders.

Recommendations

The Hungarian government should:

- Define steps to transform the development cooperation system, in order to consolidate and improve the effectiveness of the current fragmented system;
- Create a legislative framework for ODA, in the form of a development act, with the involvement of all relevant stakeholders;
- Create and adopt a roadmap for increasing Hungary's ODA and meeting its ODA commitments;
- When finalising the list of priority countries, focus on poverty reduction and support for LDCs;
- Assess aid effectiveness and improve aid quality by implementing monitoring and evaluation mechanisms.

Hungarian aid, genuine and inflated (in € million at constant prices, 2011)



IRELAND

0.48% Genuine aid/GNI

0.48% ODA/GNI

"While Ireland's economic reputation may have been tarnished in recent years, the fundamental values of our society represented by our aid programme have not been questioned and are contributing to our efforts to rebuild our reputation overseas."
Tánaiste and Minister for Foreign Affairs and Trade Eamon Gilmore TD, June 2012

Will Ireland meet the 2015 aid target?
No
Does Ireland have a Busan implementation plan in place?
Yes. Internal document only, which is not publicly available

Main changes in 2012

In 2012, Ireland cut its ODA budget for the fourth year in a row. For the first time since 2005, Irish ODA has dipped below 0.5% of GNI.

During the year, the government undertook a wide-ranging public consultation process, to inform the formulation of a new Policy on International Development, which was launched in May 2013. This policy re-confirmed the core principles of the Irish development programme, and stresses the importance of a whole-of-government approach to global development.

Despite growing opposition to the government's austerity programme, public support for development cooperation remains high, with eight out of ten people in Ireland declaring their support for overseas aid.

Main challenges in 2013 and beyond

The government has quietly dropped its ambition to achieve the 0.7% goal by 2015 but continues to stress its commitment to achieving the UN target "when economic circumstances permit".

The new Policy on International Development strengthened references to the public accountability of the programme, but Irish Aid remains dependent on the outcome of an annual process of negotiation with the Minister for Finance.

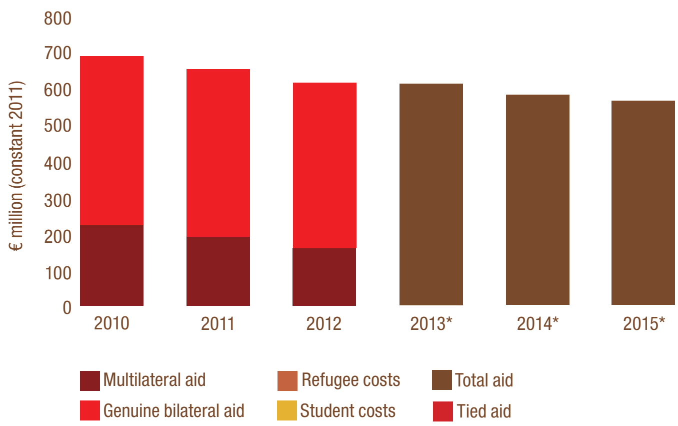
The government has used the Irish EU presidency to play a strong advocacy role in relation to global efforts to eradicate hunger and under-nutrition, but faces great challenges in relation to bringing about greater coherence in other relevant policy areas.

Recommendations

The Irish government should:

- At a minimum, consolidate the ODA spending at 0.5%, thus stabilising the aid budget and allowing for clearly signposted increments to 0.7% in the short term, in line with our international commitments to reaching the UN target and supporting the achievement of the MDGs;
- Restore the multi-year funding agreement for ODA, as recommended by the OECD, and publish a medium-term forward spending plan illustrating how Ireland intends to reach the 0.7% target, in line with its new policy and its international commitment to support the MDGs;
- Ensure increased predictability, transparency and accountability for Ireland's performance on reaching its financial commitments on ODA, including any multi-annual elements, with regard to bilateral and multilateral aid, and tackling global hunger.

Irish aid, genuine and inflated (in € million at constant prices, 2011)



ITALY

0.13% Genuine aid/GNI

0.13% ODA/GNI

"We have to be a protagonist in the coordination of European policies and in the innovation of future guidelines for European aid and international cooperation policies. Italy should revise and approve a new law for international cooperation. The objectives of relief and development aid should be linked."
Ms Emma Bonino, Foreign Affairs Minister

Will Italy meet the 2015 aid target?
No
Does Italy have a Busan implementation plan in place?
Yes (continuation of the previous aid effectiveness plan)

Main changes in 2012

Italy will miss the 0.7% target – ODA will be between 0.21% and 0.24% of GDP in 2015. Italy bears a major share of the responsibility for the EU being off track, as it is a large economy that is very far below 0.7%. The government has published a timeline clarifying that Italy may reach 0.31 of GDP by 2017, distancing Italy from the 0.7% target adopted at regional level.

However, for the first time since 2007, fresh resources have been allocated to the ODA budget: an additional €89 million for 2013, on top of the amount already provided through the multi-year budget cycle. The total now available is €228 million, which, even though far from the target, is a reversal of the cuts that have shrunk the ODA level since 2008, when it was €732 million.

The new government (elected in 2013) includes a junior minister with a development cooperation remit within the Ministry of Foreign Affairs, with less political power than the previous minister.

The first Italian aid effectiveness plan was published in 2009. Since then the plan has gone through a number of reviews and adaptations, the most recent of which was in December 2012. Areas of the Busan agreement progressed in this plan include:

- a multistakeholder dialogue has developed;
- a streamlined multidimensional marker was introduced to measure the consistency of aid operations using the Paris effectiveness principles (and the consultation on this included civil society);
- a plan to comply with the new transparency standard, agreed after Busan, has been accepted.

Main challenges in 2013 and beyond

Development cooperation policies (including budget decisions) will need a new champion within the government. The cabinet installed in April 2013 includes a deputy minister for development cooperation, within the Ministry of Foreign Affairs. As this institutional arrangement replaces a dedicated minister, it remains to be seen whether development cooperation will get a front seat in the government's discussions.

In 2013 there will be additional resources for NGOs, with a system based on calls for proposals introduced in May 2013. The new procedures will have to be tested to make sure that there are real gains in transparency and predictability.

In the next 12 months, the most substantive challenges will be:

- strengthening the trend to increase aid to levels that are reasonable– if substantially below the 2015 target;
- coherent promotion of the Busan principles in an operational way, for example through multistakeholder dialogue, untying aid, transparency and effectiveness indicators.

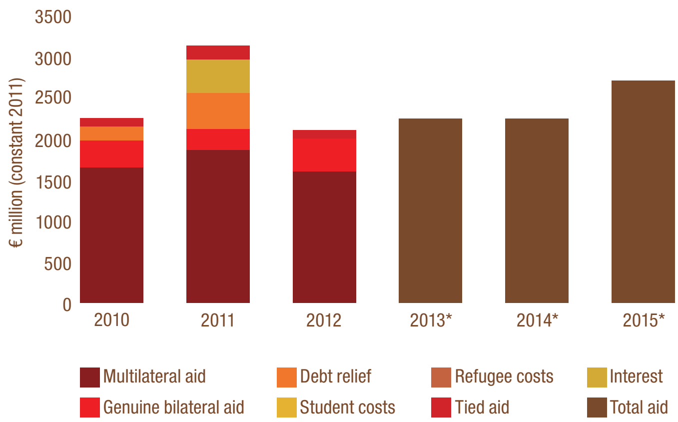
The parliament and government are planning to introduce a new International Cooperation Bill. This will refresh a system based on legislation dating back to 1987, which has proved to be a stumbling block over the years, when efforts by MPs to reform the aid system delivered no actual results.

Recommendations

The Italian government and parliament should:

- Safeguard and increase aid volumes for 2013, 2014 and 2015 to reduce the gap to the 0.7% target;
- Reform the legislation on International Development Cooperation to bring the Italian aid system into line with the most recent changes in the development landscape;
- Be more proactive, at European level regarding the future of aid and international cooperation, and at international level, in the GPEDC, in promoting the implementation of Busan principles
- Involve CSOs more in the national debate on aid and cooperation, following the 2012 National Forum;
- Promote inter-institutional frameworks (Cooperation Directorate, local authorities, NGOs and other actors) on specific sectors or countries, in coordination with the EU and other donors, in order to be more effective in the use of scarce resources.

Italian aid, genuine and inflated (in € million at constant prices, 2011)



LATVIA

0.08% Genuine aid/GNI

0.08% ODA/GNI

"The countries that are showing their movement towards democratic values and the rule of law and are encouraging human rights should be supported the most."
Viktors Makarovs, Parliamentary Secretary, MFA

Will Latvia meet the 2015 aid target?
Probably not
Does Latvia have a Busan implementation plan in place?
No

Main changes in 2012

All Latvian official documents refer to the target of aid as 0.33% of GNI by 2015. However, Ministry of Foreign Affairs representatives think that it will not be met.

2012 was the first year since the financial crisis when the MFA provided bilateral funding – LVL 50,269 in total. Furthermore, for the first time Latvia offered co-funding; five European Commission projects received Latvian co-financing. This is the fruit of CSO participation in the policy process, and the MFA's openness to this. However, only one-third of country programmable aid was available as grant aid for open competitive tender.

Latvia has inflated its ODA figures with refugee costs and scholarships to developing country students, although by relatively small amounts. Tied aid in the form of technical assistance also inflates aid. Another concern is ODA spending by ministries without MFA oversight: the MFA should co-ordinate all aid flows and policies.

Priority countries for 2012 are from the Eastern Neighbourhood and Central Asia regions. In 2012 two projects were implemented in Moldova and one in Afghanistan. Evaluation reports are done by project implementers rather than independent parties, which means questionable objectiveness. Taking that into account, the project in northern Moldova appears to have been effective.

There have been no projects specifically dedicated to reducing poverty. The MFA believes that countries' or regions' wellbeing can be improved through technical assistance (for example to reform the justice system), leading to indirect poverty reduction.

Main challenges in 2013 and beyond

Latvia's main challenge is lack of awareness and of a deep understanding about development issues at both the political and public levels. It will be a challenge to keep ODA growing, especially bilateral aid. (Multilateral payments continued even during the Latvian financial crisis.)

In an attempt to coordinate its aid with other donors, the Latvian government's decision on how to spend two-thirds of the allocated funding (that portion not available for competitive tender) has not been taken in a transparent way.

It is challenging to establish projects that fight poverty directly. There is no reason why these should not be developed, but there is no precedent for doing so.

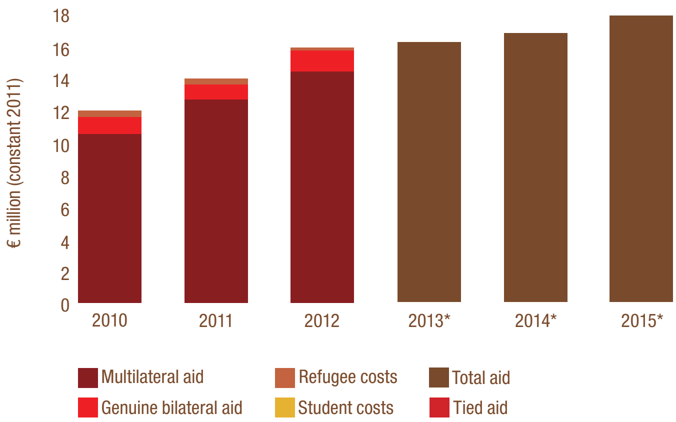
Another challenge is work on policy coherence for development. There is a need for stronger coordination mechanisms, so that the MFA can oversee all the development projects implemented by the different ministries. This is particularly important in the context of increasing bilateral aid and the need for all ministries to comply with development cooperation guidelines.

Recommendations

The Latvian government should:

- Stick to the 0.33% aid commitment and keep increasing its bilateral aid flow;
- Channel a bigger proportion of bilateral aid via open competitive tender;
- Implement the Busan principles of accountability and transparency;
- Raise public awareness of development issues;
- Set up annual core financing for the national development cooperation platform.

Latvian aid, genuine and inflated (in € million at constant prices, 2011)



LITHUANIA

0.13% Genuine aid/GNI

0.13% ODA/GNI

"During the Lithuanian Presidency of the Council of the EU we will do our utmost to contribute to the further development of the Eastern Partnership policy."
Minister of State (MFA) Linas Linkevičius

Will Lithuania meet the 2015 aid target?
Almost certainly not
Does Lithuania have a Busan implementation plan in place?
No

Main changes in 2012

After a steep decline in 2009, Lithuanian ODA has increased for several years, reaching €40 million in 2012, representing 0.13% of GNI.

The Lithuanian government is committed to respecting its international responsibilities fully. As a country that became an EU member after 2002, it is committed to reaching 0.33% ODA/GNI by 2015. However, a quantitative ODA target has been totally omitted in the new Development Cooperation and Humanitarian Aid Act, adopted in May 2013.

No further steps were taken in 2012 to increase aid effectiveness or transparency.

To reach its 0.33% target, Lithuania would need to double its aid, increasing it by more than €80 million. No steps towards this goal commensurate with the size of the task were taken in 2012. Lithuania will provide more aid, but it is not clear when or on what terms.

Main challenges in 2013 and beyond

Throughout the last few years more than half of bilateral aid and up to a quarter of total Lithuanian ODA has been spent in Afghanistan. The mission in Afghanistan finishes at the end of 2013. Without a new and extended national development cooperation programme, Lithuania may expect to see a significant drop in its bilateral aid volume.

Following the Development Cooperation and Humanitarian Aid Act the challenge for 2013 and beyond is to develop cooperation strategies, establish clear benchmarks for implementation, and ensure a partnership with CSOs to hold national leaders to account.

In 2013 Lithuania was been invited to join the OECD, which may help to raise public awareness of the genuine OECD mission of global solidarity.

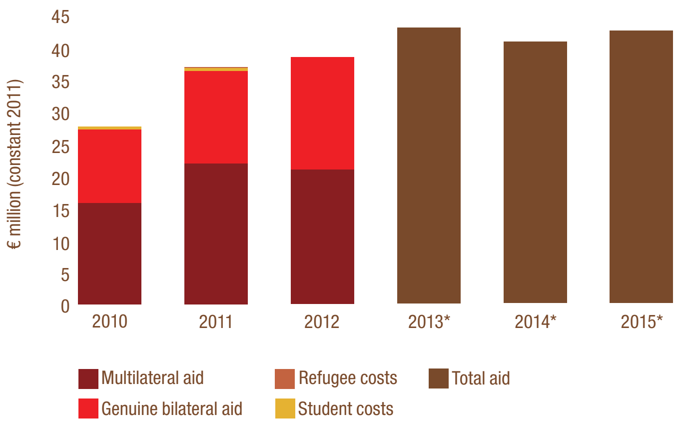
On 1 July 2013 Lithuania became the first Baltic state to hold the Presidency of the Council of the European Union. The main challenge here will be to seize the new business opportunities in our immediate neighbourhood and ensure Lithuania takes responsibility for progressing the mission to help make the values of democracy and human rights a daily reality for our neighbours in Eastern partnership countries.

Recommendations

The Lithuanian government should:

- Stick to its aid commitments and significantly increase the total amount of ODA;
- Ensure the systemic involvement of different key development cooperation actors and CSOs in the preparation of the subordinate legislation for the newly adopted Development Cooperation and Humanitarian Aid Act;
- Increase the funds allocated to CSOs;
- Introduce a monitoring and impact assessment system for Lithuanian ODA;
- Improve transparency further by publishing complete and detailed reports on Lithuania's ODA.

Lithuanian aid, genuine and inflated (in € million at constant prices, 2011)



LUXEMBOURG

1.00% Genuine aid/GNI

1.00% ODA/GNI

"Allocating 1% of our GNI to development aid is a commitment which I would like to continue to support and to which I am personally committed. If I get to participate in the negotiations to build a new government after the elections, I will insist with my colleagues that we must maintain this level of commitment over time."
Marc Spautz, Minister in charge of Development Cooperation, interview with Brennpunkt Drëtt Welt, June 2013

Will Luxemburg meet the 2015 aid target?
Not known yet
Does Luxemburg have a Busan implementation plan in place?
Partially. There seems to be a Busan implementation plan, but it has not been shared with civil society

Main changes in 2012

The Luxembourg level of ODA for 2012 has been maintained at 1% of GNI.

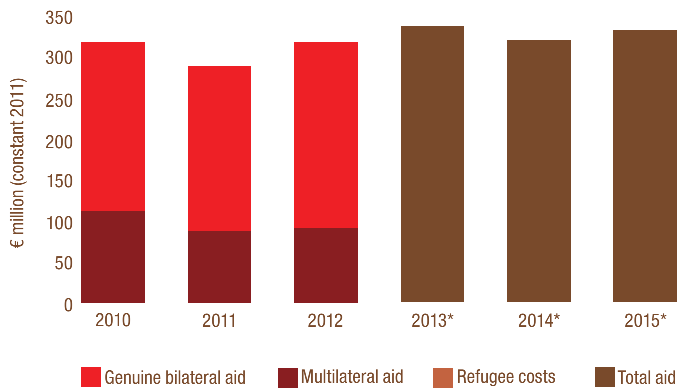
Main challenges in 2013 and beyond

There is uncertainty at present about the level of ODA which the new government – to be elected in October 2013 – will commit to. However, a drastic change in ODA by the new government is considered unlikely.

Recommendations

The Luxembourg government should:
- Maintain quantity of aid at 1% of GNI.
- Improve coherence between development aid and other political decisions affecting Luxembourg's partner countries (and developing countries in general).
- Develop a roadmap for the Luxembourg's contribution to climate financing for the period 2013-2020.

Luxembourg aid, genuine and inflated (in € million at constant prices, 2011)



MALTA

0.10% Genuine aid/GNI

0.23% ODA/GNI

"The Maltese Government believes that the Busan agreement is an improvement on both the Paris and the Accra agreements reflecting the need for fresh approaches to and developments in ODA for both donor and recipient countries."
Ambassador Saviour Falzon, Head of Development Unit – Ministry of Foreign Affairs

Will Malta meet the 2015 aid target?
Yes
Does Malta have a Busan implementation plan in place?
Partially

Main changes in 2012

Malta intends to meet the target of 0.33% ODA/GNI by 2015. The Maltese government has issued a more detailed breakdown than previously of its ODA expenditure for 2012, albeit not yet a totally comprehensive one. The government is working towards acquiring statistical and project-management software so it will be able to publish to the IATI and OECD DAC standards, and to meet the common standard agreed in Busan.

This welcome transparency means that it can now be clearly seen that more than half of ODA is being spent on irregular migrants in Malta: a large proportion of these funds has been allocated for their detention.

The selection process for the annual call for proposals for NGO development projects has been improved, and is now carried out by a selection committee that includes a number of development and human rights professionals.

Main challenges in 2013 and beyond

The main challenge for the Maltese government is to keep the 2015 ODA target of 0.33%. Since the new government came into power early this year there has been no public statement declaring any changed intentions or policy on ODA.

Another huge challenge is for the government to stop reporting costs relating to the detention of irregular migrants as ODA. Should this happen, the government would also need to provide a further €8 million to fund genuine ODA programmes.

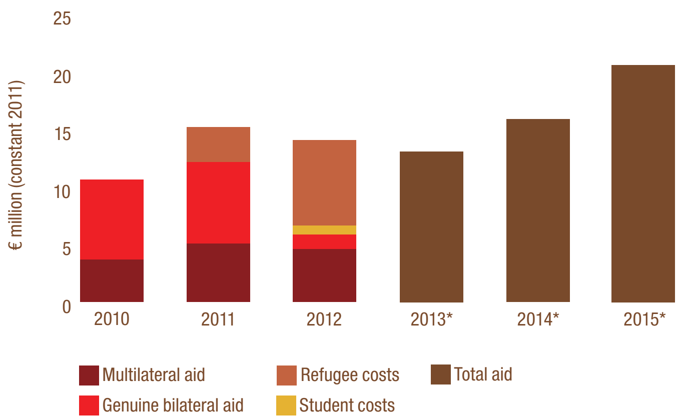
The annual call for NGO proposals still lacks transparency, as the criteria for selection and evaluation were not published.

Recommendations

The government of Malta should:

- Further improve transparency by publishing a full, comprehensive report on Malta's ODA expenditure;
- Refrain from including refugee costs and expenditure for the detention of irregular immigrants in Malta as ODA, in order to increase genuine aid;
- Improve the system governing the national call for proposals for Overseas Development Projects by publishing all the details of the selection process, including the criteria by which the proposals will be evaluated;
- Increase the funds allocated to local CSOs with a clear focus on poverty eradication, and include an educational or awareness-raising funding stream;
- Revise Malta's ODA policy and develop a detailed strategy, including in the revision a clear action plan with development targets and a timeline.

Maltese aid, genuine and inflated (in € million at constant prices, 2011)



THE NETHERLANDS

0.63% Genuine aid/GNI

0.71% ODA/GNI

"For years and years we have been talking about it, but too little was being done: working on policy coherence for development. I am the first minister in history who will actually do so. […] We have an eye for aid and an eye for trade. Less money, but not less results: that's my goal."
From a speech by Ms Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, 17/11/2012

Will the Netherlands meet the 2015 aid target?
No (although it has reached 0.7% previously)
Does the Netherlands have a Busan implementation plan in place?
Partially

Main changes in 2012

In 2010 the Netherlands chose to cut aid: over two years, the aid budget decreased from 0.8% to 0.71% of GNI. In 2013, following a 2012 election, aid will come in at 0.68%. The decrease will continue: 0.59% in 2014, 0.60% in 2015 and 0.55% in 2017. This is a breach with the longstanding tradition whereby the Netherlands meets its ODA targets.

Minister Ploumen has stated that this cut would be "compensated for" by creating "more policy coherence for development". But no clear agenda for policy coherence has so far been formulated, yet an increasing proportion of ODA is already being allocated to trade-related activities.

According to the Dutch Ministry of Foreign Affairs, the 2013 policy document A World to Gain is the strategy safeguarding the implementation of the Busan principles. However, after the Paris/Accra conferences, the government drew up a concrete "implementation plan".

The new government has introduced two further initiatives. These will not necessarily be counted as ODA, but they will supposedly be relevant to development. First, a new revolving fund – the "Dutch Good Growth Fund" – of €750 million will be created for investment in small and medium-sized enterprises (SMEs) in developing countries. Both Dutch and local SMEs can apply, and even big multinationals are not clearly excluded; nor is export financing. By the end of 2013 the exact criteria of the fund will become clear. Secondly, a Fund for International Security will be started in 2014. While it will focus on the protection of civilians, its relevance to development is not clear.

On top of all of this, climate finance is funded from ODA and is no longer additional.

Main challenges in 2013 and beyond

The goals stated in the government policy paper *A World to Gain* are in line with AidWatch's recommendations. The minister should be praised for her ambition, for example for wanting to end extreme poverty within one generation. However, it is questionable whether the proposed measures are really the most effective for achieving these laudable goals. For example, she emphasises the important role of CSOs, while at the same time cutting the budget earmarked for them by 52%. And the planned overall budget cuts certainly do not support the Netherlands' reputation as a leader in poverty reduction and the fight against inequality.

The shift from investment from social to economic sectors continues, with investment in education, good governance and civil society cut severely, while more is being invested in trade-related aid. Here, too, we believe the minister is making the wrong choices for reaching the right goals.

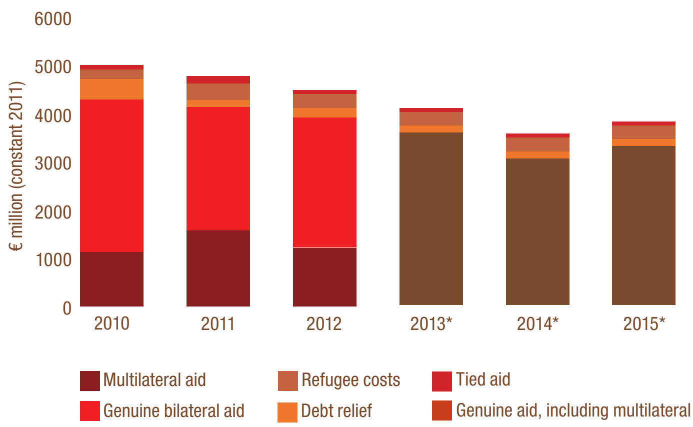
Achieving an equal amount of results with less money is a real challenge. Especially now that even more ODA is to be spent on trade-related activities, a strong civil society is needed to ensure that the ensuing economic development is sustainable and inclusive, and works towards the goals stated in Dutch policy.

Recommendations

The Dutch government should:

- Regain leadership by reverting to the 0.7% aid target;
- Develop a concrete policy on coherence for development and thereby improve the effectiveness of ODA;
- Create conditions for trade-related activities that will ensure their relevance to inclusive, sustainable development. ODA should be spent on making economic growth inclusive and sustainable, rather than on growth itself;
- Adhere to the international agreement to make climate finance additional to, and not a part of, ODA;
- Prioritise strong civil society in developing countries as a goal in itself. A strong civil society is a prerequisite for inclusive and sustainable economic and social development.

Dutch aid, genuine and inflated
(in € million at constant prices, 2011)



POLAND

0.09% Genuine aid/GNI

0.09% ODA/GNI

"(...) Poland enters the international development assistance system with its own approach. As a relatively new donor (started in 2004) we're still learning how to provide development assistance effectively, but at the same time we bring our experience while trying to avoid mistakes made by other countries over past decades. We do not carry a colonial burden (…) One of the most important areas of Polish development cooperation is sharing of experience of Polish democratic transformation, both in political and socio-economic terms (...)"
Min. Katarzyna Pelczynska–Nalecz - Under Secretary of State for Development Cooperation and Eastern Affairs at the Ministry of Foreign Affairs for ThinkTank Report – „Polish development cooperation. New dimensions. Perspectives for NGOs, local authorities and business."

Will Poland meet the 2015 aid target?
Highly unlikely
Does Poland have a Busan implementation plan in place?
No

Main changes in 2012

Aid quantity:
Poland reached 0.09% ODA/GNI in 2012, a slight increase on 2011's 0.08%.
ODA distribution:
- only 41% of bilateral aid went to priority countries (listed in 2012 Development Cooperation Plan), compared with 59% in 2011;
- 40% of bilateral aid went to China, in the form of loans;
- the distribution of multilateral aid did not change – over 90% went to the EU (EC + EDF).

Transparency and evaluation/aid effectiveness:
- system for evaluating Polish ODA still lacking – some signs that this is going to change with the ongoing discussion about Poland's joining the OECD DAC and IATI. Visit of DAC Secretariat representatives planned in 2013, to assess readiness, based on OECD Benchmarks for DAC Accession;
- still no Busan strategy nor any formal commitments regarding aid effectiveness declarations, although there is a dedicated position in the Polish Ministry of Foreign Affairs who is responsible for initiating concrete actions in this regard – for the time being their work is focused on the transparency of reporting.

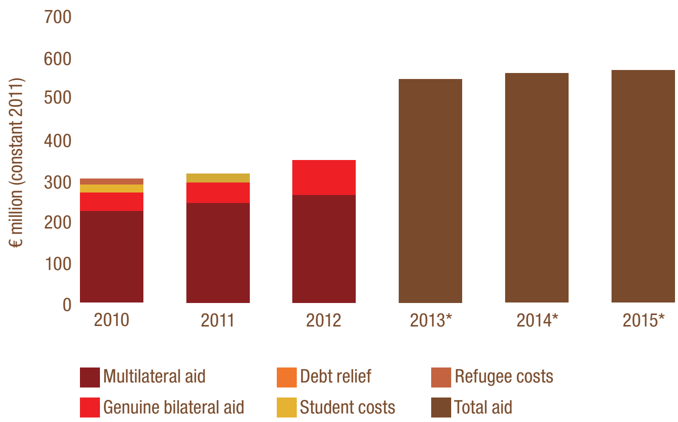
Main challenges in 2013 and beyond

Challenge No. 1: to get a high-level political consensus on increasing Polish ODA – at least to the volume declared for 2010 (!), that is, 0.17% GNI – in a situation of general budgetary problems (financial consolidation).
Challenge No. 2: to provide a good system (legal framework) for assessing and evaluating Polish aid, reflecting previously made declarations on joining the OECD DAC and IATI, and declarations within the Busan agreement.
Challenge No. 3: to ensure a shared understanding of how ODA is/should be calculated (with regard to "inflated aid" categories such as debt relief, export credits, scholarship costs and refugee assistance).
Challenge No. 4: to increase the importance of the Development Cooperation Programme Board, a consultative and advisory body established by the Development Cooperation Act
Challenge No. 5: to persuade the Polish Ministry of Finance to provide long-term financing for development cooperation projects

Recommendations

The Polish government should:
- Increase the quantity of ODA;
- Include clear goals, targets and tools for evaluation in development cooperation strategy documents;
- Implement the Busan declaration on aid effectiveness, including by joining the DAC and IATI + introducing legal provisions on policy coherence for development;
- Have a clear system for what is counted as ODA and what is not, with respect to scholarship costs, refugee costs, debt relief, export credits, and so on;
- Rewrite the definition of development cooperation used in official documents, recognising poverty reduction as the primary objective of Polish assistance;
- Increase the transparency of grant calls for CSOs managed by public administration (MFA and Solidarity Fund);
- Introduce a clear, unambiguous legal provision that would allow the long-term financing of development cooperation tasks.

Polish aid, genuine and inflated (in € million at constant prices, 2011)



PORTUGAL

0.21% Genuine aid/GNI

0.27% ODA/GNI

"If I had to choose between supporting a Portuguese language promotion project and a development cooperation project, I would choose the language promotion one. It is a clear choice I make."
Mr Paulo Portas, Deputy Prime Minister

Will Portugal meet the 2015 aid target?
No
Does Portugal have a Busan implementation plan in place?
Yes

Main changes in 2012

The economic crisis continues to hamper Portuguese development cooperation. ODA decreased by 13.1% in 2012 (from €544 to €472million) and this steep decline is expected to continue. Even before the crisis, it was clear that the 2015 target of 0.7% ODA/GNI would not be met.

The reason the drop was not greater was because tied aid levels continue to be very high and most Portuguese aid now consists of concessional loans to partner countries.

Two years have passed since the current government took office and there is still no revised aid strategy – essential especially in a crisis context to guide the various actors towards a common goal. Instead, the only foreign affairs priorities clearly set by the government are Portuguese language promotion, internationalising the economy and attracting foreign investment. With a new agency – responsible for both development cooperation and language promotion – that still has to find its co-ordination role, and a Secretary of State (replaced in May 2013) with a very low political profile, development cooperation has lost most of its (already scarce) political leverage.

The 57% cuts in public funding available to NGOs and the decision to prioritise the co-financing of NGO projects that have guaranteed external financing have left many projects (assessed as high quality) unfunded and have undermined existing relationships with local partner organisations.

In November 2012, an Action Plan for the implementation of the Busan Partnership Agreement was published. However, civil society was not involved in the drafting process, and the plan contains very few concrete measures.

Main challenges in 2013 and beyond

In Portugal there are major cuts in sectors such as health and education, and it is becoming really challenging, even for the NGOs, to advocate aid. The main challenge for Portuguese development cooperation is to survive as an independent and recognised public policy.

With a new Secretary of State recently appointed, the need is to rebuild a strong institutional dialogue and advocate for a new political approach that safeguards the positive aspects of Portuguese development cooperation, which are currently at risk. A lot can still be done to improve effectiveness and to ensure the continuity of some of the bilateral programmes, for example those on education, health and capacity development.

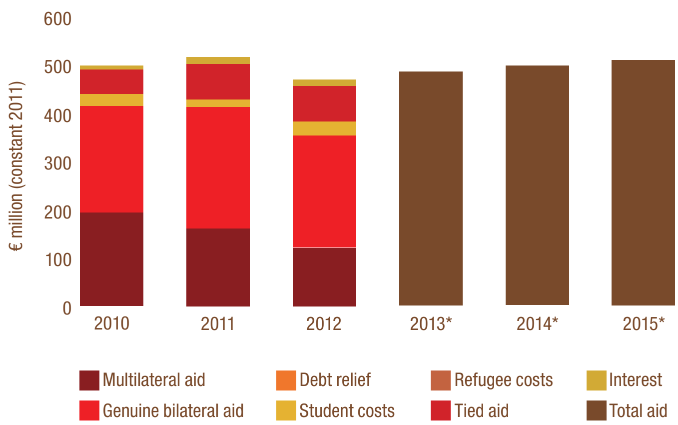
The other main challenge is to improve the coordination and collaboration between different actors involved in development cooperation, from public bodies to civil society and the private sector. In this context, the new development cooperation strategy should include a real action plan to implement Portuguese principles and commitments in this sector.

Recommendations

The Portuguese government should:

- Promote the integrity of Portuguese development cooperation as an independent, relevant and coherent public policy, proposing a development cooperation strategy that includes a concrete instrument and action plan, and involving civil society in the drafting process;
- Maintain and implement Portugal's international commitments on ODA, especially regarding quality and effectiveness, in order to ensure that a strong national effort is maintained to fight global poverty and promote sustainable development;
- Find innovative sources of development finance, such as the taxation of financial transactions, the carbon market, the taxation of international flights or "diaspora bonds", drawing from the experience of other countries that are already using these;
- Sign up to IATI as a complement of the OECD Creditor Reporting System;
- Maintain a constructive institutional dialogue with NGOs and with the Portuguese Platform, in order to improve these actors' participation as effective partners in drafting, implementing and monitoring development cooperation policies, programmes and projects.

Portuguese aid, genuine and inflated (in € million at constant prices, 2011)



ROMANIA

0.07% Genuine aid/GNI

0.08% ODA/GNI

"Through consistency, reliability and dynamism, the Romanian government will act responsibly to strengthen Romania's international credibility and reputation and to achieve Romania's international objectives (…) Official Development Assistance will remain a priority dimension of diplomatic action (…) Achieving the ODA objectives will require the earmarking of appropriate resources."
Government Programme 2013-2016, Foreign Affairs Section

Will Romania meet the 2015 aid target?
No
Does Romania have a Busan implementation plan in place?
No

Main changes in 2012

During 2012 the MFA revised the strategy on development cooperation policy, following a recommendation in the 2012 Concord AidWatch report, and launched it in July 2012 at a joint MFA/NGO event. This resulted in a policy paper with detailed recommendations for the new strategic framework. The process should be finalised in 2013.

In July 2012 the MFA launched the first public call for proposals; the importance of this has been acknowledged by FOND, the NGO platform. In the call, however, no specific budget lines were allocated to different applicants, so NGOs applied for the same budget as institutions, line ministries and other governmental entities from Romania and partner countries.

Despite hopes that a direct disbursement mechanism would be used for implementing projects, the "intermediary channel" provided by international agencies, in place since 2008, will continue to be used throughout 2013 as well, reinforcing the need for a broader revision of the relevant legal framework.

Regarding aid quantity, the MFA's bilateral budget for 2012 decreased slightly, from €2.6 million in 2011 to €2.2 million in 2012. This trend will continue in 2013. The main beneficiary is Moldova.

Main challenges in 2013 and beyond

Some of the main challenges identified last year are still present this year:

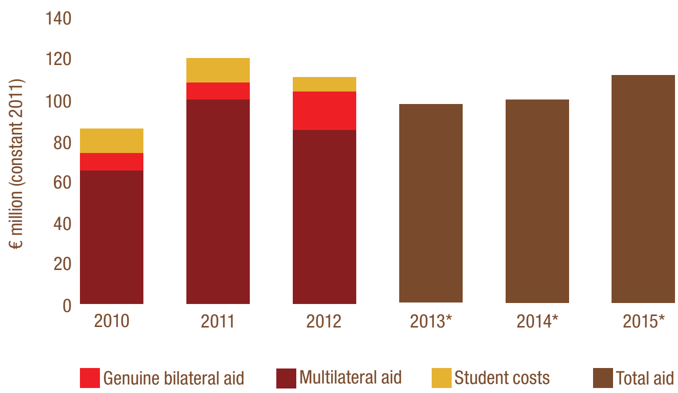
- Low profile of development cooperation policy on the political and public agenda. Although a parliamentary report last year led to great progress, in general parliamentary involvement is still low;
- Low institutional capacity of the MFA to manage and monitor the implementation of the national development cooperation policy;
- Lack of financial support for Romanian NGOs to help them access EU funds on development cooperation and development education. EU projects require co-funding, and because they do not have Romanian government support, Romanian NGOs cannot respond to EC calls for proposals;
- Lack of multi-annual programming, which undermines aid predictability;
- No direct disbursement mechanism for funding projects implemented by NGOs from the national ODA budget.

Recommendations

The Romanian government should:

- Finalise the process of revising the national development cooperation strategy and develop a coherent action plan for this strategy;
- Ensure co-funding from the national ODA budget for EC projects on development cooperation/development education implemented by Romanian NGOs;
- Launch a separate call for proposals targeting NGOs from Romania and partner countries, and add thematic objectives for development education and awareness raising;
- Put in place a direct disbursement mechanism for funding projects from the national ODA budget;
- Develop multi-annual ODA programmes to ensure greater predictability of aid.

Romanian aid, genuine and inflated (in € million at constant prices, 2011)



SLOVAKIA

0.08% Genuine aid/GNI

0.09% ODA/GNI

"The Slovak NGDO Platform and SlovakAid are celebrating their 10th anniversary, and this is a reason to look back and agree on what we can do better in terms of improving implementation capacity, professionalising human resources, increasing the transparency of all processes and mechanisms and improving our communication with the public =and also of course, if possible, in terms of increasing the quantity of resources."
Miroslav Lajčák, Minister for Foreign and European Affairs (MFaEA) of the Slovak Republic, at a meeting with NGO representatives, 8 January 2013

Will Slovakia meet the 2015 aid target?
Very unlikely
Does Slovakia have a Busan implementation plan in place?
No

Main changes in 2012

In 2012, Slovakia´s total ODA was €60.98 million, which was 0.087% of its GNI, and a decrease of €1 million from 2011. The planned budget for 2013 represents a slight increase, but the ODA budget forecast for 2015 is only €68 million. If political leadership is not strengthened, there is a very serious risk that Slovakia will not meet its target of 0.33% ODA/GNI by 2015.

Slovakia's priority partner countries are Kenya, Afghanistan and South Sudan. In November 2011, the MFaEA organised a Development Forum in Nairobi with the participation of various Slovak and local stakeholders, aiming to adapt its development cooperation to the country´s needs. At the end of 2012 the process of preparing a Country Strategy Paper (CSP) for Kenya started (in close cooperation with the NGO community). However, the CSPs for Kenya, and also the other priority countries, have not yet been published.

A strategy for private-sector involvement in development cooperation was prepared by the MFaEA in October 2012, with more emphasis on export promotion than on poverty reduction.

Other developments include:

- A new MFaEA programme for sending volunteers and experts to developing countries, under which 16 young volunteers went mainly to Africa.
- An increased focus on policy coherence for development.
- An intention to sign up to IATI by 2015.

Main challenges in 2013 and beyond

There is a risk of not meeting the 0.33% target by 2015.

The Slovak Republic is considering applying to the OECD DAC in the near future. To do this, Slovakia will have to strengthen its programme approach (including CSPs), its sustainability criteria and its evaluation procedures, and develop a new business model for implementing ODA, including new financial modalities.

The emphasis on poverty reduction needs to increase in the strategy for business involvement in development cooperation.

A new mid-term strategy for Slovak ODA for the period 2014-2018 is being prepared by the MFaEA during 2013. It is important to retain LDCs and low-income countries as priority countries for Slovak ODA, and to keep the new strategy in line with the post-2015 framework for development.

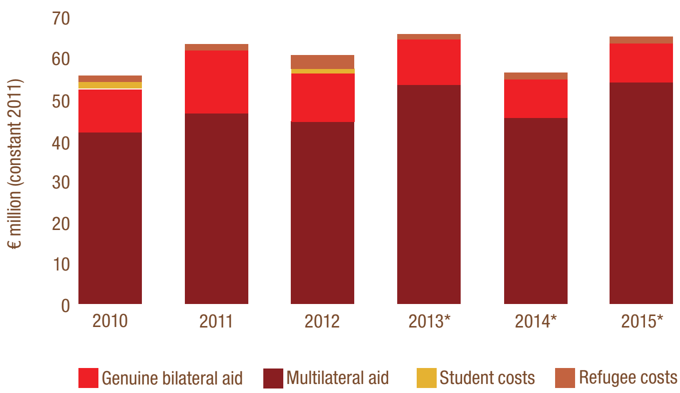
The MFaEA has become more involved in promoting of the concept of policy coherence for development; however there still needs to be increased cooperation between all the relevant ministries, the development cooperation agency, NGOs and the parliament, as well as embassies and local partners.

Recommendations

The Slovak government should:

- Increase aid quantity (especially the bilateral component) and achieve 0.33% by 2015;
- Sign up to IATI and publish a schedule to implement it fully by December 2015;
- Create an institutional framework for implementing policy coherence for development;
- Reconsider ways of involving the private sector in development cooperation, to focus on poverty reduction in poor countries;
- Prepare the Country Strategy Papers for priority programme countries.

Slovak aid, genuine and inflated (in € million at constant prices, 2011)



SLOVENIA

0.12% Genuine aid/GNI

0.13% ODA/GNI

"Despite the current difficult situation, Slovenia is a developed country, which carries shared responsibility for global security, peace and development. A total reduction of development co-operation would mean losing our credibility in the first place and would send a signal to the world that Slovenia is no longer aware, or is not ready to bear the burden of the interdependent world."
State Secretary Božo Cerar, PhD, Acting Development Minister

Will Slovenia meet the 2015 aid target?
No
Does Slovenia have a Busan implementation plan in place?
No

Main changes in 2012

In 2012 ODA quantity was 0.13% of GNI, the same as in 2011. The level of bilateral aid increased by 4%, however, mainly thanks to increases in administrative costs. Bilateral aid to Africa increased by 65% compared to the previous year, but still remains low at €875,933, while aid to LDCs was halved.

After positive improvements in 2011, inflated aid has increased and is now 5.8% of all ODA. The increase is particularly due to increases in student costs.

In 2012 new strategic documents were developed, including guidelines on cooperation between the MFA and NGOs, a memorandum on international cooperation with Macedonia, and a strategy on multilateral ODA. The latter two were prepared without broader consultation with CSOs. The concrete impact of these documents remains to be seen.

Improvements have been seen in two fields: improving ODA transparency (by committing to the joint statistical framework of OCED-DAC and to IATI), and improving processes for consultation with CSOs. Although they are not perfect, the new guidelines did set out the MFA's commitment to involve NGOs in ODA planning, and to maintain the efforts to support the NGO development platform financially.

Other urgently needed changes, however, such as legislative changes to allow the untying of ODA, have not materialised. The Slovenian Development Cooperation Act will be amended in the near future, and there are no plans to tackle this issue. As a result, ODA remains to a large extent tied to selected Slovenian development actors.

Main challenges in 2013 and beyond

Slovenia is far from reaching its international commitments. ODA is expected to stagnate at 0.13% of GNI until 2015. The ratio bilateral to multilateral ODA, which is now 33:67, will not change drastically in future years, leaving very little space for programmable ODA. This is even expected to decrease slightly, mainly because of an increase in Slovenia's contribution to the EDF.

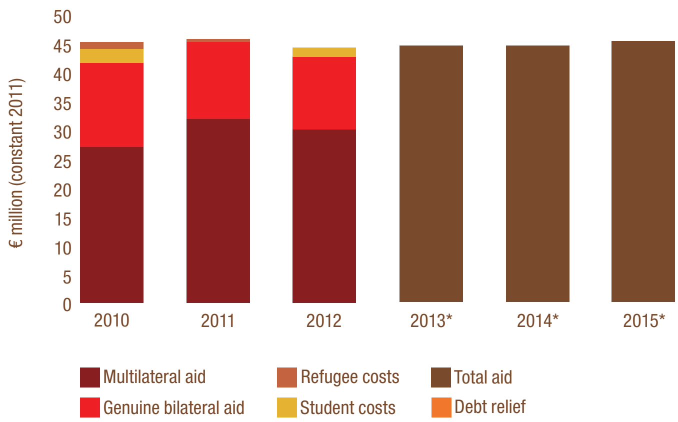
The contribution of Slovenian ODA to poverty eradication remains questionable, with the great majority of programmable aid being directed to the Western Balkans, which are middle-income countries, for infrastructure and investment projects and as pre-accession support. The MFA is planning to reduce the fragmentation of aid in these countries by focusing on a smaller number of multi-year programmes/projects and fewer partners. This could be a positive step, if the focus becomes the most poverty-affected areas and people. However, with an increasingly difficult national economic situation, there is even more of a tendency to use ODA as a means to pursue Slovenian political interests and economic diplomacy, including as a way of opening up new markets for Slovenian companies in developing countries.

Recommendations

The Slovenian government should:

- Prevent any further ODA cuts and, despite the crisis, gradually work towards an increase in ODA;
- Increase programable bilateral ODA and ensure that it is spent on activities that focus primarily on reducing poverty, and not on pursuing Slovenian foreign policy or economic interests;
- Put in place a strategy for implementing the Busan commitments, including taking concrete steps to untie at least part of Slovenian ODA, and improve the use of national country systems, including procurement systems;
- Keep the promise to involve CSOs and other relevant stakeholders constructively in all strategic aid planning. Consultations should be meaningful and structured;
- Work towards building a framework that will ensure increased levels of policy coherence for development.

Slovenian aid, genuine and inflated (in € million at constant prices, 2011)



SPAIN

0.13% Genuine aid/GNI

0.15% ODA/GNI

"Cutting cooperation is an extremely painful option, but the other option would be to cut pensions or close medical centres."
Minister for Foreign Affairs and Cooperation

Will Spain meet the 2015 aid target?
No
Does Spain have a Busan implementation plan in place?
Partially

Main changes in 2012

In 2012, the first year of the new government, ODA suffered a massive cut, sinking Spanish aid to 0.15% of GNI, its lowest level since 1989. Nearly 70% of the decrease was absorbed by bilateral aid, deeply affecting ongoing programmes. NGO financial support diminished by two-thirds, and 65% of NGOs had to close projects in the field. Contributions to multilateral agencies also decreased, by 40% in 2012.

More aid will be managed in future by the Ministry of the Economy and Finance rather than the Ministry of Foreign Affairs and Cooperation, which may reduce the "pro-poor" approach.

There are new strategic objectives for development cooperation for 2013-16, in the Fourth Master Plan. Concerns about these include:

- No indicative budget supporting the actions.
- Under the mantra of "doing more with less", a decrease in the number of partner countries from 56 to 23 to increase impact – but owing to the enormous decrease in aid, targeted countries won't receive more resources.
- The private sector appears as a strategic ally. It seems the government is looking for the private sector to fill the public resources gap.
- Non-grant modalities are preferred. Nearly 70% of total ODA (EDF and other compulsory contributions excluded) will go as loans, mainly to middle-income countries. No clear mechanisms have been proposed to ensure this does not lead to intolerable debt burdens on partner countries, or to ensure a positive impact on human development.

Some Busan issues have been included in the new strategic policy.

Main challenges in 2013 and beyond

Efforts in 2013 will be focused on implementing the new policy. However, the policy is in danger of being subsumed under foreign policy. Spain may become a "European champion" at using its ODA to advance Spanish commercial interests, challenging the policy coherence for development approach.

The government is carrying out a thorough reform of the Spanish administration, which may impact on the development cooperation architecture. The mandate of AECID, the development agency, should be reinforced, if Spain wants a positive development impact. If country programmes are to be closed, this should be gradual and coordinated with other donors, to prevent "aid orphan" situations.

Policy dialogue with CSOs needs to be broader and financial support for them needs to be maintained. Any new framework should respect the diversity of CSO visions, mandates, approaches, relationships and impacts, and must facilitate their various roles as independent development actors in their own right.

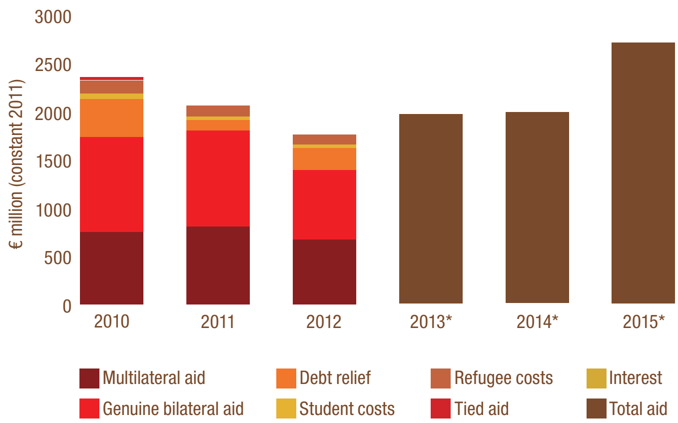
Economic growth (whether called inclusive or not) needs to remain a tool of development cooperation, not an end in itself. If the private sector is to have a greater role in Spanish development policy, it should be ensured that business has no negative impact on human or environmental rights.

Recommendations

The Spanish government should:

- Establish a credible roadmap for achieving 0.7%, and take real steps to implement the agreement to introduce a broad-based FTT (additional to ODA);
- Increase the capacity and resources of AECID, the development implementing agency;
- Ensure that reducing poverty and fighting inequalities remain the primary focus of development cooperation, that any private-sector involvement is regulated and transparent, and that there is an appropriate PCD approach;
- Generate a new policy framework for CSO and NGO engagement, with strengthened policy dialogue and financial support. Investing in global citizenship is also imperative;
- Ensure that the process of geographical concentration contributes to authentic development results and benefits the most vulnerable groups in partner countries.

Spanish aid, genuine and inflated (in € million at constant prices, 2011)



SWEDEN

0.89% Genuine aid/GNI

0.99% ODA/GNI

"The perspective of poor people should also be the perspective of international development cooperation."
Gunilla Carlsson, Minister for International Development Cooperation, June 2013

Will Sweden meet the 2015 aid target?
Yes
Does Sweden have a Busan implementation plan in place?
Yes, but only in relation to priorities

Main changes in 2012

Sweden almost reached its 1% target in 2012, spending 0.99% of GNI on ODA, and it has committed to the 1% target for the coming years. Sweden has shown long-term commitment to key issues, continuing to identify climate and development, democracy and human rights, and gender equality as the three priority areas in the development cooperation budget. The country has also played an important role globally in continuing post-Busan discussions on the state responsibility to create an enabling environment for CSOs, and individual human rights defenders. However, engagement at global level on this issue needs to be coupled with actions on the ground. Sweden's policies and country strategies have become less transparent and harder to monitor.

The inflated component of aid continued to increase. In 2012 almost 9% of ODA was allocated to refugee costs. These are a vital part of public spending but should not be counted as ODA. In addition, there has been no transparent justification of this increase.

Sweden contributed €870 million to the fast-start climate finance initiative for 2010 to 2012. All of it was taken from the aid budget; hence Sweden is not upholding the principle of "new and additional" climate finance.

Sweden is one of the few countries to have produced a Busan implementation plan. However, it focuses only on transparency, results and the private sector – which were already Swedish priorities before Busan.

Main challenges in 2013 and beyond

The Swedish government is currently developing a new platform for its aid policies coupled with guiding principles for a new "results agenda". New models of "results-based cooperation strategies" are already being implemented for partner countries. There are concerns that they may not be in line with some principles of the Paris agenda, such as ownership, accountability and alignment with country strategies. It is unclear to what extent the results-based strategies are based on poor people's rights, needs and priorities. Donor coordination and harmonisation may also be undermined, as the results process focuses on the results Sweden has selected.

Sweden continues to increase flows of aid funds to the private sector, including a long-term capital contribution to Swedfund (the DFI) amounting to €130 million in the period 2012-2014. This is despite the fact that the monitoring of development impact of some large programmes to the private sector funded by the ministry for foreign affairs and Sida (the development ministry) is weak. However, the policies and guidelines for the involvement of the private sector in Swedish development cooperation have been improved.

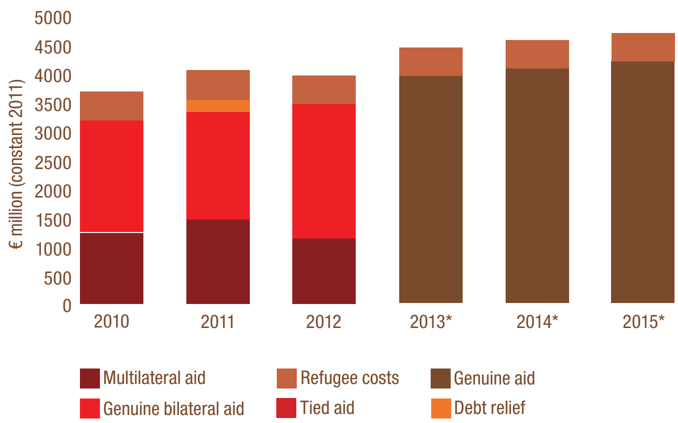
In the budget for 2013, more than 13% of aid will be used for refugee costs in Sweden, further increasing inflated aid.

Recommendations

The Swedish government should:

- Ensure that all ODA complies with Sweden's policy for global development and its transparency commitments, is subject to evaluations, and contributes to poverty reduction;
- Stop counting refugee costs, debt cancellation and the excessive funding of foreign service administration costs as ODA;
- Ensure that the results strategies clearly demonstrate alignment with the Paris Agenda principles of ownership, harmonisation, alignment, results and mutual accountability;
- Make all climate financing additional to the 1% aid target and separate from the ODA budget, and channel climate finance through funds under the authority of the UNFCCC's Conference of the Parties (COP).

Swedish aid, genuine and inflated (in € million at constant prices, 2011)



UNITED KINGDOM

0.56% Genuine aid/GNI

0.56% ODA/GNI

"Fairness also means refusing to balance the budget on the backs of the world's poorest. I know not everyone believes we should fulfil our commitment to spend 0.7% of our national income on development. But I do – and I'm proud to support a government that is the first in our history to meet our pledge and meet it not only this year, but next year and the year after."
George Osborne, Chancellor of the Exchequer, 26 June 2013

Will the UK meet the 2015 aid target?
Yes, the UK is on track to meet its 0.7% target in 2013. This has been confirmed by the UK Prime Minister on a number of occasions
Does the UK have a Busan implementation plan in place?
No

Main changes in 2012

The UK maintained its commitment to meeting the 0.7% target and will do so in 2013. In 2012, UK ODA held steady at 0.56% of GNI. However there was a reduction in absolute terms (£2.48 billion for the period of the spending review so far) as a result of lower than expected economic growth. In the context of a continuing economic downturn in Europe and the UK, and significant domestic political challenges, reaching this goal remains an impressive achievement.

There have however been signs that the UK would consider including more non-genuine and non-grant aid in its ODA, including for example some military expenditure and more loans. However, the government has stated that any departmental reallocation will keep to the DAC definitions.

On the aid quality side, results have been mixed. The UK's Department for International Development topped the 2012 Aid Transparency Index and has pushed hard to advance aid transparency. It has also taken steps forward on gender. However, despite the UK's co-chair position on the Steering Committee of the GPEDC, progress on many Busan commitments has been slower. The UK has yet to produce a Busan implementation plan and there is some concern that its increased focus on its results and its value-for-money approach may make the implementation of some aid effectiveness commitments more challenging. The ongoing debate about aid to middle-income countries has seen the UK end bilateral aid to India, at the end of 2012, and in early 2013 it announced an end to bilateral aid to South Africa.

Main challenges in 2013 and beyond

In 2013, one of the main challenges will be ensuring that the UK continues to meet its 0.7% aid commitment for as long as it is needed. Currently, aid is ring-fenced until 2015/16, but this commitment must be protected into the future to ensure that there are sufficient resources available to tackle global development challenges and appropriately fund a new post-2015 development framework.

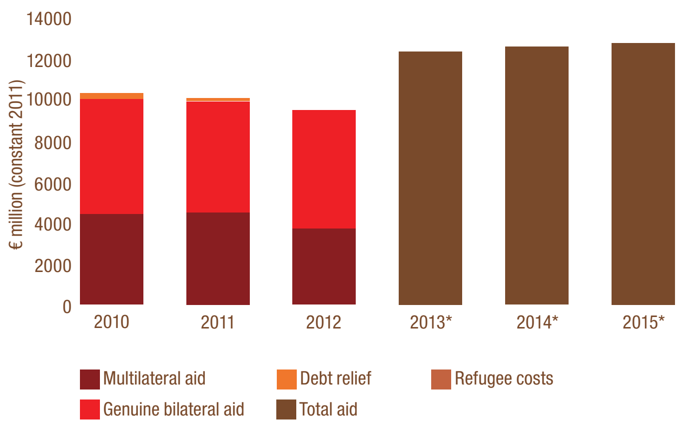
On the political level, the UK government is currently facing substantial pressure from its own backbenches to cut UK aid spending, particularly in the context of an increase of more than 30% in the 2013 aid budget to meet the 0.7% target, and to link what is spent on aid more tightly to the UK's economic interests. While the government has so far resisted, these pressures are likely to increase over the coming year. Efforts from the UK government and NGOs to resist these changes and continue to make the case for aid will be vital.

A further challenge is for the UK to work with international and EU partners to ensure that aid is spent according to aid effectiveness principles and the development needs and priorities of the recipient country. Progress since Busan has been mixed, and it will now be important for the UK government to work with partners to ensure progress can be made in advance of the 2014 ministerial meeting of the GPEDC.

Recommendations

The UK government should:
- Commit to the 0.7% goal for as long as it is needed;
- Ensure that UK aid is genuine aid transfers and avoid increases in inflated aid;
- Immediately produce a time-bound plan to implement all Busan commitments;
- Continue to drive improvements in the aid transparency of other relevant government departments;
- Work with international and EU partners to progress the broader aid effectiveness agenda.

UK's aid, genuine and inflated
(in € million at constant prices, 2011)



APPENDIX 1 – INFLATED AID: NOTES ON METHODOLOGY

Bilateral and multilateral

Inflated aid is calculated on the bilateral component of EU aid. Many of the components – imputed student costs, refugee costs and tying – do not apply to multilateral aid.

How the components of inflated aid are calculated:

Imputed student costs

Imputed student costs include the costs of tuition less any fees paid by the students, and are calculated as a percentage of public expenditure on higher education weighted by the number of foreign students.[60] 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 significant differences between countries. According to the OECD, only money spent during the first twelve months of stay should be reported – but there are discrepancies in when the period starts, and when a refugee can be defined as such.[61] As a consequence, some countries – such as Belgium, France, Portugal and the United Kingdom – include all 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, such as Germany, only the costs incurred after a decision has been made are included. A third and larger group of countries, including Austria, Denmark, Finland, Greece, the Netherlands, Spain and Sweden, start counting some costs before a decision has been made and continue afterwards, although the costs that are recorded vary from one country to another. As far as we have been able to confirm, only Luxembourg does not count refugee costs at all. Unfortunately, there is very little information available about the reporting practices of the EU-13 countries.

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. First, in their cancellation donors can count both the principal and future interest: since many of the debts are long-term, counting future interest can inflate the figure significantly. Secondly, the relationship between the debt and development objectives is often unclear. Research conducted by Eurodad shows that 85% of the bilateral debts cancelled between 2005 and 2009 were debts resulting from export credit guarantees.[62] 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 help to increase the debt of developing countries. The Norwegian government, for example, admitted its joint responsibility for the debt generated by export credits extended to five developing countries, and in 2006 it cancelled their debt.[63]

Tied aid

The problem with tied aid is that it prevents developing countries from maximising the developmental impact of aid. In the first place, they cannot procure goods or services openly in the market. This makes tied aid between 14% and 40% more expensive.[64] 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 AidWatch methodology discounts 30% of the flows that are recorded as fully tied, and 15% of the flows as partially tied, to reflect the financial impact of tying. Data on tied aid in 2012 was not available at the time of writing; the figures are thus based on the average for the previous two years.

Interest payments on loans

When donors estimate their net ODA, they discount the repayment of the principal but not interest payments by recipient governments. AidWatch includes these interest payments as inflated aid.

The loans themselves have also been questioned. According to the OECD DAC reporting rules, only concessional loans can counted as aid. The OECD defines concessionality as a grant element of at least 25%, calculated using an interest rate of 10%.[65] However, current market interest rates are extremely low. According to Richard Manning, former chair of the OECD DAC, France, Germany and the European Investment Bank have extended over US$ 2.5 billion (€1.8 billion) in "concessional" loans at interest rates above their own borrowing costs.[66]

60 OCED DAC (2010), *Statistical Reporting Directives – purpose and structure*, DCD/DAC(2010)40/REV1

61 The following discussion is based on the OECD paper entitled "*ODA reporting of in-donor country refugee costs. Members' methodologies for calculating costs*"

62 Eurodad (2011), *Exporting goods or exporting debt? Export credit agencies and the roots of developing country debt*

63 *bid.*

64 United Nations Commission on International Trade Law (UNCITRAL): *UNCITRAL Model Law on Procurement of Goods, Construction and Services with Guide to Enactment*

65 OECD DAC (2008), *Is it ODA?* Factsheet

66 Manning R (2013), *OECD is ignoring its definition of overseas aid*, FT letters 9 April 2013

APPENDIX 2 – ACRONYMS

BPa	Busan Partnership for Effective Development Cooperation (Busan Partnership Agreement)
CSOs	Civil Society Organisations
EC	European Commission
EEAS	European External Action service
EU	European Union
EU MSs	European Union's Member States
EU-13	The 13 relatively recent EU states (now including Croatia)
EU-15	The 15 longer-standing EU states
EU-28	All EU states (now including Croatia)
GNI	Gross national income
GPEDC	Global Partnership for Effective Development Cooperation
IATI	International Aid Transparency Initiative
MDGs	Millennium development goals
MFA	Ministry of Foreign Affairs
NGOs	Non-governmental organisations
ODA	Official development assistance (aid)
OECD	Organisation for Economic Cooperation and Development
OECD DAC	Organisation for Economic Cooperation and Development, Development Assistance Committee
PWYF	Publish What You Fund
UN	United Nations
UN DESA	United Nations Department of Economic and Social Affairs

CONCORD MEMBERS

NP	National Platform Member
NW	Network Member
AS	Associate Member
NW	Action Aid International
NW	ADRA
AS	ALDA
NW	APRODEV
NP	Austria: Globale Verantwortung
NP	CONCORD Belgium
NP	Bulgaria: BPID
NW	ARE International
NW	Caritas Europa
NW	CBM International
NW	CIDSE
NP	Cyprus: CYINDEP
NP	Czech Republic: FoRS
NP	Cyprus: CYINDEP
NP	CONCORD Denmark
NP	Estonia: AKU
NW	EU-CORD
NW	Eurostep
NP	Finland: Kehys
NP	France: Coordination SUD
NP	Germany : VENRO
NP	Greece
NW	Handicap International
NP	Hungary : HAND
NW	IPPF European Network
NW	Islamic Relief Worldwide
NP	Ireland: Dochas
NP	Italy: CONCORD Italia
NP	Latvia: Lapas
NP	'LU' Lithuanian development NGO umbrella
NP	Luxembourg: Cercle
NP	Malta: SKOP
NP	Netherlands: Partos
NW	Oxfam International
NW	Plan International
NP	Poland: Grupa Zagranica
NP	Portugal: Plataforma ONGD
NP	Romania: FOND
NW	Save the Children International
NP	Slovakia: MVRO
NP	Slovenia: SLOGA
NW	Solidar
NP	Spain: CoNgDe
NP	CONCORD Sweden
NW	Terres des hommes FI
NP	United Kingdom: BOND
AW	World Vision International
AS	World Wide Fund for Nature (WWF)

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