

# Penalty Against Poverty

More and better EU aid can score  
Millennium Development Goals



CONCORD



## • About this report

This is the fifth year that development NGOs from all 27 EU countries have come together through the AidWatch Initiative to produce this report, under the umbrella of CONCORD.

CONCORD is the European confederation for Relief and Development NGOs. Its 24 national associations and 18 international networks represent over 1,600 NGOs which are supported by millions of citizens across Europe. CONCORD members are listed on the back page of the report. CONCORD leads reflection and political actions and regularly engages in dialogue with the European institutions and other civil society organisations. It is part of the Global Call to Action against Poverty, Open Forum for CSO Development effectiveness, and Spring Alliance. Find out more about CONCORD on [www.concordeurope.org](http://www.concordeurope.org).

This report is the result of a collective effort. The overview chapter has been written by Javier Pereira, the country pages have been drafted in cooperation with the relevant national NGO platforms and the overall coordination has been ensured by Javier Pereira and Alessandro Bozzini at CONCORD.

## • European AidWatch Initiative

This report is part of a broader range of work being undertaken by European development NGOs, to monitor and advocate on European aid under the aegis of the CONCORD AidWatch Initiative. AidWatch activities include lobbying and advocacy in Brussels and in European Union (EU) member States, annual and policy specific seminars, capacity building for NGOs across Europe and ongoing research on EU aid.

For more information on AidWatch, please contact the AidWatch Coordinator Alessandro Bozzini [abozzini@concordeurope.org](mailto:abozzini@concordeurope.org).

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European NGO confederation  
for relief and development

**CONCORD**

Confédération européenne des ONG  
d'urgence et de développement



AidWatch

# Executive Summary

This year's annual AidWatch Report comes at a critical moment in the complex and ever changing struggle to eradicate poverty and inequality worldwide. In September this year, a UN Summit will be held to assess progress towards the MDGs. Sitting here in mid-2010, with the food and economic crisis having raged for much of the last 3 years, the MDGs are now an even more distant prospect and the UN Summit needs to find a way to avoid these Goals being missed. In the UN Secretary General's words: "With five years to go to the target date of 2015, the prospect of falling short of achieving the Goals because of a lack of commitment is very real. This would be an unacceptable failure from both the moral and the practical standpoint."

For the past four years, AidWatch has tracked the EU's progress towards achieving its aid quantity and quality commitments. On aid quantity, EU Member States have pledged to give 0.7% of EU GNI as development aid by 2015 and an interim target of 0.56% of EU GNI by 2010. This commitment was made by the EU as part of its contribution to providing sufficient financing to help reach the UN Millennium Development Goals (MDGs).

We understand that aid alone cannot eradicate poverty and solve development challenges, but we know it can make an important contribution to these efforts. It is currently the most flexible source of financing for many of the poorest countries as they deal with the impacts of the economic crisis; it has played an important role in getting at least 30 million extra children into school in sub-Saharan Africa since 2000; and coordinated aid to support sector strategies - an approach encouraged by the aid effectiveness agenda - is delivering significant impacts in sectors such as health and agriculture. Given these and potential future achievements, the disappointing progress of EU member states on aid quantity and quality in 2009 illustrated in this report is a major threat to these EU's development ambitions.

This report shows that aid levels stagnated in 2009 and are well short of promised levels for 2010. In 2009, aid decreased from €50bn in 2008 to €49bn. Despite the drop in absolute numbers, aid in % of GNI increased in 16 out of the 27 European countries, reaching an average 0.42% in 2009 (up from 0.40% in 2008). However, in most cases the advances are small and reflect the fact that EU economies contracted due to the economic crisis rather than a real effort to increase aid levels. Figures in constant prices show that in reality ODA only rose in 13 European countries: Hungary (23.1%), Romania (17.5%), France (16.9%), United Kingdom (14.6%), Poland (13.4%), Finland (13.1%), Cyprus (11.7%), Belgium (11.5%), Sweden (7.4%), Slovenia (7.1%), Denmark (4.2%), Lithuania (2.4%) and Luxembourg (1.9%). Conversely, significant falls were registered in the other

14 EU Member States, including several EU-15 countries. The worst performers include: Austria (-31.2%), Italy (-31.1%), Ireland (-18.9%), Slovakia (-17.8%), Portugal (-15.7%), Bulgaria (-12.7%), Germany (-12.0%), Greece (-12.0%).

In addition, all evidence indicates that 2010 will not see significant improvements. According to official estimates, 2010 aid levels are expected to reach a maximum of 0.46% of the GNI, far from the 0.56% collective target and over €11bn short in terms of funding. Most of these shortfalls will be consequence of insufficient funding by Italy (€4.5bn), Germany (€2.6bn) and France (€800m).

Official aid figures, however, fail to capture the reality of European aid flows. In 2009, European countries reported €3.8bn of inflated aid as ODA, or almost 8% of the total figure. A breakdown of the data shows that €1.4bn was debt cancellation, €1.5bn student costs and almost €1bn was spent on refugees in donor countries. Once inflated aid is discounted from the officially reported ODA figures, aid levels drop to 0.38% of European GNI. If EU Member States continue the current trend and once inflated aid is discounted, EU countries will fall €19bn short of their promises in 2010. This is a significantly larger amount than the €11bn shortfall official figures predict.

It is widely accepted that in order for development assistance to provide effective and sustainable support that responds to the needs of the poorest people it needs to be managed and directed by developing country institutions under close scrutiny from citizens. Ownership is therefore the central element of the Paris Declaration, the Accra Agenda for Action and other efforts to improve the effectiveness of aid.

Although important progress has been made in this area, this year's AidWatch Report shows that EU donors continue to fall well short of what is required. They all too often fail to provide sufficient support to women's, poor and marginalised groups; they remain un-transparent; they continue to impose excessive conditions on their aid that weaken democratic accountability; and they pursue non-development objectives with their aid. Moreover, EU governments have shown limited commitment to the Policy Coherence for Development agenda and there have also been efforts by some EU member states to redefine their aid commitments - through the Whole of Union approach - which we fear may result in less support to poor countries.

Some might say that given the huge impacts of the global economic crisis on Europe such disappointing trends in EU development support were inevitable, but this is simply not

true. With sufficient political will from the EU – as shown by their financial sector bailouts of €1 trillion, equivalent to all aid delivered since 1960, and by the increases in ODA registered in some countries – an emergency development response could have been mobilised. Given that the economic crisis has now moved into its third year, EU member states should have done much more by now.

It is not too late for the EU to maximise its contribution to the MDGs and 2010 provides important opportunities for doing so, with the UN MDG Review Summit in September and important discussions taking place on the achievements of the Paris Declaration. If EU countries can use these fora to renew their commitments to meet their aid promises, to implement ambitious aid effectiveness reforms and use their other policies to better support development then a genuine development partnership will emerge that will help ensure that 2010 is remembered for our efforts to score the most important goals, the Millennium Development Goals.

**The 1,600 organisations represented by CONCORD, the European Confederation for Relief and Development NGOs, call upon EU governments to take responsibility for leading the global call to increase aid quantity and quality through:**

1. Agreeing binding year on year timetables of aid increases required to meet the 2015 European aid quantity targets and demonstrate with regular financial reports how they are being implemented.
  2. Endorsing the European Commission call to implement a EU peer review mechanism at the Heads of State level and involving the European Parliament, in order to hold governments to account on their aid commitments.
  3. Ending inflation of aid budgets with debt cancellation, refugee and student costs; making climate finance additional to existing ODA targets; and stopping discussions on widening the definition of ODA to include other items such as security or migration as suggested by the Whole of the Union approach.
  4. Implementing, on top of their aid quantity commitments, a financial transaction tax to help finance global public goods such as poverty reduction and climate change.
  5. Speeding up the implementation of the Accra Agenda for Action and Paris Declaration at the national level in consultation with developing countries; and putting in place an annual process for concrete monitoring of progress on Paris and Accra commitments.
6. Embracing and promoting the concept of democratic ownership by going beyond measuring ownership through alignment, ensuring that the voices and concerns of citizens and parliaments are central to national development plans and processes and taking forward the following specific recommendations:
    - Gender: put gender equality and women's empowerment at the centre of development cooperation by supporting the implementation of the EU Gender Action Plan with financial and human resources, and taking stock of best practices in EU Member States.
    - Transparency: proactively increase the availability and accessibility of timely accurate and comparable information on development policy and practice. All European governments should sign up to the International Aid Transparency Initiative, and demonstrate how they will implement its commitments.
    - Untying aid and procurement: end all practices of formal or de facto aid tying and use developing countries own systems as the first option.
    - Aid allocation: ensure that no aid money is spent on activities which are not primarily focused on reducing poverty and that aid is not used to pursue donor foreign policy or commercial interests.
  7. Demonstrating how all European policies are coherent with development objectives, including in the crucial areas of trade, climate change, migration and food security.

MAKE EUROPE WORK FOR DEVELOPING COUNTRIES

# PART I: Analysis of European aid quantity and quality

## 1. EU must score a penalty against poverty in 2010

Even before the effects of the recent food crisis, the still unfolding economic crisis and the incipient but daunting climate crisis began to be felt, the global effort to achieve the MDGs was facing serious challenges.

Sitting here in mid-2010, with these crises having raged for much of the last 3 years, more people in the developing world are going hungry than ever;<sup>1</sup> an estimated 63m additional people will be in poverty by the end of 2010;<sup>2</sup> women are bearing the brunt of the crisis both economically and socially; and the MDGs are now an even more distant prospect.

This year's annual AidWatch Report therefore comes at a critical moment in the complex and ever changing struggle to eradicate poverty and inequality worldwide. For the past four years, AidWatch has tracked the EU's progress towards achieving its stated aid target of giving 0.7% of collective GNI as development aid by 2015 and an interim target of 0.56% of ODA in % of GNI by 2010. This commitment was made by the EU as part of its contribution to providing sufficient financing to help reach the UN Millennium Development Goals (MDGs), agreed in 2000, and with a deadline of 2015 for their achievement. In the UN Secretary General's words: *"With five years to go to the target date of 2015, the prospect of falling short of achieving the Goals because of a lack of commitment is very real. This would be an unacceptable failure from both the moral and the practical standpoint"*.<sup>3</sup>

In September this year, a UN Summit will be held to assess progress towards the MDGs and should agree an action plan to achieve them by 2015. This report shows that EU aid levels stagnated in 2009 and are well short of promised levels for 2010; EU donors have only slowly been implementing their Paris and Accra aid effectiveness pledges; and EU governments have shown limited commitment to the Policy Coherence for Development agenda. There have also been efforts by some EU member states to redefine their aid commitments – through the Whole of Union approach – which we fear may result in less support to poor countries.

Some might say that given the huge impacts of the global economic crisis on Europe such disappointing trends in EU development support were inevitable, but this is simply not true. With sufficient political will from the EU – as shown by their financial sector bailouts of €1 trillion, equivalent to all aid delivered since 1960<sup>4</sup>, and by the increase in ODA registered in some countries – an emergency

development response could have been mobilised. Given that the economic crisis has now moved into its third year, EU member states should have done much more by now. The Spanish Ministry of Foreign Affairs summed up these points very clearly by saying: "It is unjustifiable that we can find resources against the crisis, but not for the 0.7% ODA target. Several analysts say this is utopian, but it must be done through political decisions."<sup>5</sup>

No one doubts that the EU is an essential development partner for poor countries, as it provides around 55% of global aid flows.<sup>6</sup> However, this partnership is not one that maximises the EU's contribution to the MDGs. It is not too late for the EU to transform this relationship and 2010 provides important opportunities for doing so, with the UN MDG Review Summit in September and important discussions taking place on the achievements of the Paris Declaration. If EU member states can use these fora to renew their commitments to meet their aid promises, to implement ambitious aid effectiveness reforms and use their other policies to better support development then a genuine development partnership will emerge that will help ensure that 2010 is remembered for our efforts to score the most important goals, the Millennium Development Goals.

### Box 1 : Why is aid vital to the crisis response and the MDGs?

#### Aid and the crisis response

Aid is thought to currently provide the only source of fiscal flexibility – to support spending increases – in 11 sub-Saharan African countries and to be critical to such efforts in another 14.<sup>7</sup>

#### Aid and the MDGs

During the period 2000-5 spending on education in sub-Saharan Africa increased by 29% helping to get an additional 25m-30m children into primary school; aid contributed up to a quarter of these spending increases.<sup>8</sup>

#### Aid effectiveness and the MDGs

A 2009 evaluation of coordinated donor funding of strategic plans in sectors such as health and education in 7 countries found this support had provided 10%-40% of sector funding and helped focus spending on service delivery, improve the equity and quality of services and improve the efficiency of spending.<sup>9</sup>

### Box 2 : Aid and MDG 1

In Malawi, a country owned agricultural programme supported by donors is achieving great results. Through a combination of targeted input subsidies, public procurement and expanded social protection, Malawi has put a decisive end to years of recurring famine, reducing the number of people requiring food aid from over 4.5 million in 2004 to less than 150,000 in 2009.

Similarly, in Uganda, the re-invigoration of extension services has helped farmers diversify their crops, and households receiving these services are reportedly enjoying better food security and higher incomes.

*ActionAid case study.<sup>10</sup>*

### • Stark impacts of the food, economic and climate crises become clear

Last year, this report warned about the damaging consequences of successive food, economic and climate crises in developing countries. The impacts are now becoming more apparent and although some of the worst forecasts have not been fulfilled, it is clear that the lives and welfare of millions of people have been and continue to be affected. They include:

- An additional 63 million people will fall below the \$1.25 a day poverty line by the end of 2010.<sup>11</sup>
- Over 1 billion people are now going hungry - receiving less than minimum required levels of nutrition - more than ever before and equivalent to 17% of the population of developing countries.<sup>12</sup>
- For the period from 2009 to the end of 2015, an estimated 1.2 million additional deaths may occur among children under five.<sup>13</sup>
- Growth in developing countries decreased from an average of 5.2% in 2008 to 1.2% in 2009, below the levels of population growth; average incomes are therefore falling.<sup>14</sup>
- Women and girls have been especially affected, as their jobs are more insecure, they are the first children pulled out of school and their domestic responsibilities are likely to have expanded.

### Box 3 : The MDGs

Goal 1: Eradicate Extreme Poverty & Hunger  
 Goal 2: Achieve Universal Primary Education  
 Goal 3: Promote Gender Equality & Empower Women  
 Goal 4: Reduce Child Mortality  
 Goal 5: Improve Maternal Health  
 Goal 6: Combat Hiv/Aids, Malaria and other Diseases  
 Goal 7: Environmental Sustainability  
 Goal 8: Develop a Global Partnership for Development

The consequences of these devastating impacts on the MDGs are clear: 200 million more hungry is a setback to the goal of halving hunger;<sup>15</sup> millions more in poverty in sub-Saharan Africa means that the goal of halving extreme poverty in that region is even further off-track; the education, health, water and other goals are put at risk by governments having less resources to spend on vital services; and the gender equality and health goals are threatened by the particularly harsh impacts on women and girls.

### • The crises are far from over for the world's poorest people

The second half of 2009 has seen the global economy move towards recovery from the economic crisis. Despite these encouraging trends the international community needs to be fully aware that the economic crisis is far from over for the world's poorest people and an emergency development response is still urgently required.

Poor people are particularly vulnerable to external shocks and take longer to recover because of the dynamics of their impacts on them. In order to offset the effect of economic crisis, for instance, the most vulnerable are often forced to sell key productive assets such as cattle or land, which are difficult to regain after the immediate impacts of a crisis are felt. Similarly, it is clear that people who do not finish school tend to earn less as adults. In developing countries, when things are tough at home, schooling decreases and because it is hard to return, poverty spreads across generations.<sup>16</sup> These dynamics were observed at work in Indonesia during and after the East Asian Crisis of 1998, which was responsible for about half of Indonesia's poverty count in 2002 even though the recovery had started well before that.<sup>17</sup>

The crisis has triggered shock waves that will take several years to dissipate. Developing countries' economies are recovering but growth is still below pre-crisis levels, contributing to an estimated US\$ 35bn (€ 25.1bn) shortfall in funding pre-crisis social programmes.<sup>18</sup>

Finally, it is important to note that it is not just the economic crisis that is currently posing challenges for the world's poorest people. Global food prices remain well above their average level before the 2008 spike, harming the poor – who are net food buyers – the most. The significant impacts of the climate crisis are also starting to be felt and developing countries will require major support to adapt to and mitigate the impact of climate change in the coming years (see section on climate finance).



- **What can still be done to achieve the MDGs by 2015?**

The development achievements of the last decade, which have turned around the worsening prospects of many of the world poorest countries experienced during much of the 1980's and 1990's, were in part a result of committed effort across the international community. This story tells us that the fight to achieve the MDGs is not yet lost and can still be won through mobilising sufficient political will and coordinated action over the next 5 years.

#### **Box 4 : Where do the MDGs stand?**

Notable progress has been achieved in a number of goals, especially getting children into primary school reducing under-5 mortality from 12.6 million in 2000 to 9 million in 2007.

However, progress has been slow in the majority of areas, especially maternal mortality and sanitation. In addition there is a disparity in performance across regions. The most significant example is sub-Saharan Africa, where at current rates of progress Goal 1A - halving extreme poverty - will not be achieved until well after 2020 and still leave almost 30% of its population in extreme poverty; Goal 1B - halving hunger - will not be achieved until well after 2050; and barely any progress has been made on Goal 5 – maternal health.

*MDG Report 2009*<sup>19</sup>

Developing countries cannot mobilise sufficient resources on their own to achieve the MDGs, especially in the face of crises that are currently blowing huge holes in their public finances. Developing countries will therefore need support from significant increases in international aid - which provides the most readily available form of finance for many developing countries right now (see Box 1) - and to tackle the enormous levels of tax evasion and capital flight which are robbing these countries of an estimated US\$1 trillion a year (€718bn).<sup>20</sup> Such support will also help to ensure that MDG investments do not lead to another debt crisis.

In addition to financial resources, efforts by developed countries are needed to deliver aid more effectively and to ensure their other policies are increasingly coherent. Developing countries also need to manage their resources more effectively and ensure their policies benefit as many of their citizens as possible.

Given the leading role that EU Member States need to play if the MDGs are to be met by 2015, this year's AidWatch Report sounds the alarm that the current level of EU development assistance is falling well short of promised levels. With five years to go before the MDG deadline, this raises questions about the type of development partnership the EU is prepared to offer and whether its historic development commitments will be nothing but hollow aspirations.

- **Why is 2010 so critical for the MDGs and Europe's role?**

In September 2010 the international community will gather in New York to review progress on the MDGs and agree on an action plan to try and achieve them by 2015. Given that this may be one of the most significant gatherings of the international community before 2015 and concrete progress on the MDGs requires a number of years of sustained investment, 2010 may well be the most critical year in the final push to achieve the MDGs.

In the lead up to the MDG Review Summit, EU Member States must take the opportunity to concretely reaffirm their commitments to deliver promised aid levels, implement radical reforms to make their aid more effective and ensure their full range of policies are consistent with their development promises. Europe, under the Spanish presidency now and the Belgian one in the second half of 2010, should translate into practice its commitment to the poor in developing countries, which may also inspire other members of the international community to do the same.

Europe still has a chance to prove itself as a credible development partner and reverse the disappointing trends in its development support seen in 2009 as the following sections outline.

## 2. European aid quantity and quality commitments

In 2005, encouraged by a wave of support from millions of Europeans, EU member states collectively agreed to establish timetables to increase their ODA towards 0.7%. This was a historic step, as it was the first concrete plan made by a group of developed countries to deliver on the 0.7% commitment, first made in the United Nations General Assembly in 1970. Coming hot on the heels of the Millennium Review Summit and agreement of the Monterrey Consensus on Financing for Development (FFD), this step also promised to usher in a new era for EU development assistance.

The timetables adopted in 2005 establish aid targets separately for the group of the old 15 EU member states and the new 12 EU member states, some of whom have also decided to adopt their own stricter timetable of aid increases (see table 1).

In addition to the EU targets, the 2005 G8 Gleneagles Summit saw this group of developed countries - which includes 4 EU member states - commit to increase aid by \$50 billion a year by 2010, with at least \$25 billion of this increase going to Africa. This latter promise reinforced the European commitments made in the Council Conclusions of May 2005 and the Brussels Declaration of 2001 to direct 50% of aid increases to sub-Saharan Africa and to deliver 0.15% or 0.20% of GNI as aid to the Least Developed Countries.<sup>21,i</sup>

**Table 1. EU ODA quantity commitments**

|   | Target<br>(ODA in<br>% of GNI) | Deadline                      |
|---|--------------------------------|-------------------------------|
| EU collective target                                  | 0.56%                          | 2010                          |
| EU-15 individual targets                              | 0.51%                          | 2010                          |
|   | 0.7%                           | 2015                          |
| EU-12 individual targets                              | 0.17%                          | 2010                          |
|   | 0.33%                          | 2015                          |
| <b>Countries with more ambitious targets</b>          |                                |                               |
| Belgium   | 0.7%                           | 2010                          |
| Denmark   | 0.8%                           | 2010                          |
| Ireland   | 0.7%                           | 2012 (now 2015) <sup>ii</sup> |
| Luxembourg  | 1%                             | 2010                          |
| Netherlands   | 0.8%                           | 2010                          |
| Sweden  | 1%                             | 2006                          |
| UK  | 0.7%                           | 2013                          |
| <b>Countries which have lowered their commitments</b> |                                |                               |
| Estonia   | 0.1%                           | 2010                          |
| Greece  | 0.35%                          | 2010                          |
| Latvia  | 0.1%                           | 2010                          |

### • Promises to deliver better aid

Ministers from developed and developing countries recognised in 2005 that “while the volumes of aid and other development resources must increase to achieve these goals [Millennium Development Goals], aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance”.<sup>22</sup> The need for better aid resulted in the Paris Declaration on Aid Effectiveness. Somewhat limited from its inception, the Declaration was reviewed during the High Level Forum on aid Effectiveness held in Accra in 2008 and ownership was placed at the heart of the original agreement “to develop a genuine partnership, with developing countries clearly in charge of their own development processes”.<sup>23</sup>

A study conducted by the European Commission shows that the implementation of the European aid effectiveness agenda could generate efficiency gains of up to €6bn a year.<sup>24</sup> This amount represents over 10% of the EU's development budget and means that full implementation of the Aid Effectiveness commitments would immediately have a positive impact on developing countries.

European countries claim that “[they] have an obligation to the world's poor to make the most of every cent spent on development”.<sup>25</sup> If they are serious about this statement, they need to start delivering on their aid quantity and quality commitments without further delay.

<sup>i</sup> The original wording says GNP, but in 2001 the WB made the decision of substituting GNP with GNI.

<sup>ii</sup> An official document released in December 2009 now postpones the 0.7% target until 2015.

### 3. Aid quantity

- **Official aid figures: where is the commitment?**

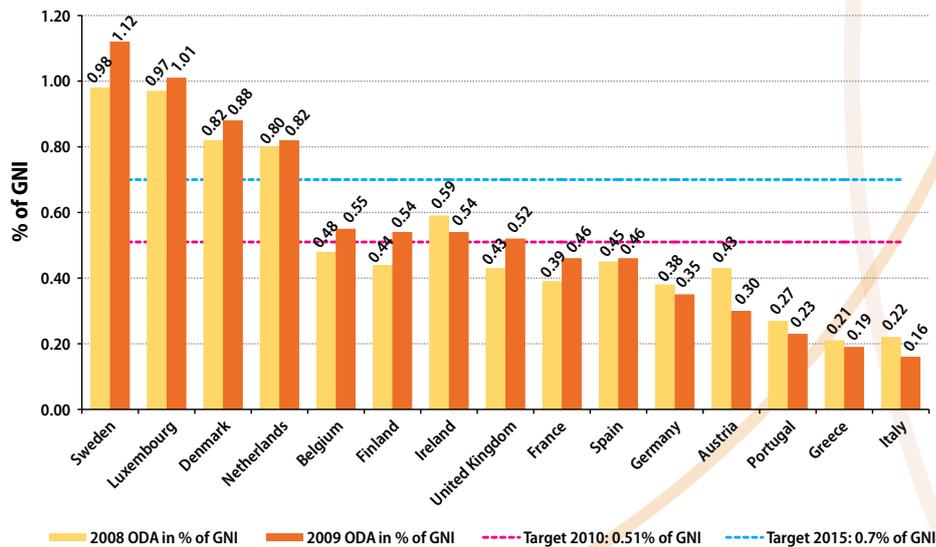
Last year, the world came face to face with the worst economic crisis since the 1930s. As the impact swept across countries, the poorest regions, those more vulnerable to any type of shock, were set to lose the most. As other financial flows dried up, aid was in many cases the only financial resource available to protect the lives and jobs of millions of people. 2009 aid levels are, therefore, a good indicator of the European commitment to the development agenda.

Official aid figures show that European countries have failed to pass the test. In 2009, aid decreased from €50bn in 2008 to €49bn. Despite the drop in absolute numbers, aid in % of GNI increased in 16 out of the 27 European countries, reaching an average 0.42% in 2009 (up from 0.40% in 2008). However, in most cases the advances are small and reflect impact on the crisis on national economies rather than a real effort to increase aid levels.

In constant terms, once the impact of the crisis is taken into account, aid has stagnated at €50bn. This may not be a fall, but it is clearly not showing the response in support of development countries that advanced economies promised to deliver, and more importantly, it is far from what is needed to make progress towards the MDGs. Figures in constant prices show that in reality ODA only rose in 13 European countries: Hungary (23.1%), Romania (17.5%), France (16.9%), United Kingdom (14.6%), Poland (13.4%), Finland (13.1%), Cyprus (11.7%), Belgium (11.5%), Sweden (7.4%), Slovenia (7.1%), Denmark (4.2%), Lithuania (2.4%) and Luxembourg (1.9%).

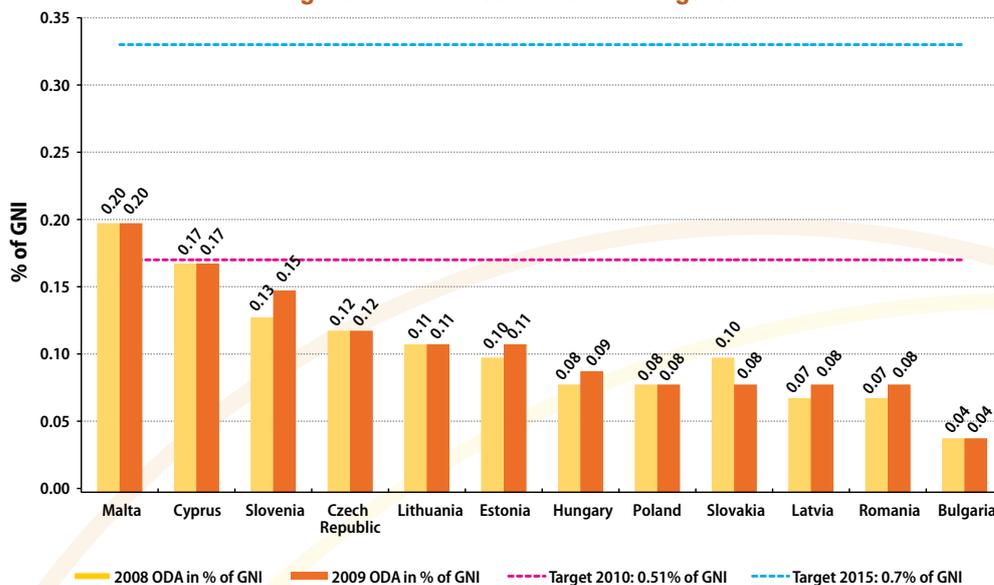
Significant falls were registered in the other 14 EU Member States, including several EU-15 countries. The worst performers include: Austria (-31.2%), Italy (-31.1%), Ireland (-18.9%), Slovakia (-17.8%), Portugal (-15.7%), Bulgaria (-12.7%), Germany (-12.0%), Greece (-12.0%). Among these countries the cases of Italy and Germany are particularly alarming. Both countries are among the biggest economies in the world, yet they are consistently failing to pull their weight and deliver on their commitments.

Figure 1: EU-15 2009 Official aid figures



Source: CONCORD based on the OECD (2010) and the EC (2010)

**Figure 2: EU-12 2009 official aid figures**



Source: CONCORD based on the OECD (2010) and the EC (2010)

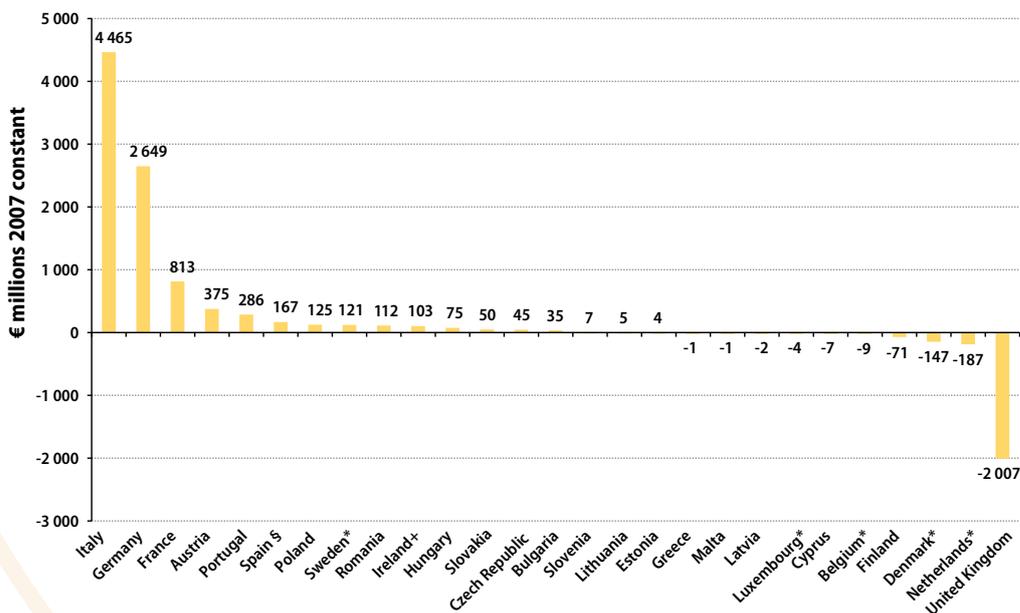
Unfortunately, evidence indicates that 2010 will not see significant improvements. According to official estimates, 2010 aid levels are expected to reach a maximum of 0.46% of the GNI, far from the 0.56% collective target and over €11bn short in terms of funding. The largest share of this money (see figure 3) will be consequence of insufficient funding by Italy (€4.5bn), Germany (€2.6bn) and France (€800m).

Official estimations -which in many cases are highly optimistic- show that at least 13 EU countries would have to make significant efforts

to reach their 2010 targets on time (see figure 4). The situation is especially difficult in all countries where the gap represents over 15% of forecasted 2010 figures. Some countries such as Bulgaria, Italy, Romania, Slovakia, and Hungary are years away from being able to deliver on their commitments.

One of the problems with official figures, however, is that they ignore the fact that European donors consistently inflate their official aid figures, a practice which, as shown in the next section, can paint a more positive picture than the reality for some EU countries.

**Figure 3: Forecasted aid shortfall in 2010 according to national targets**

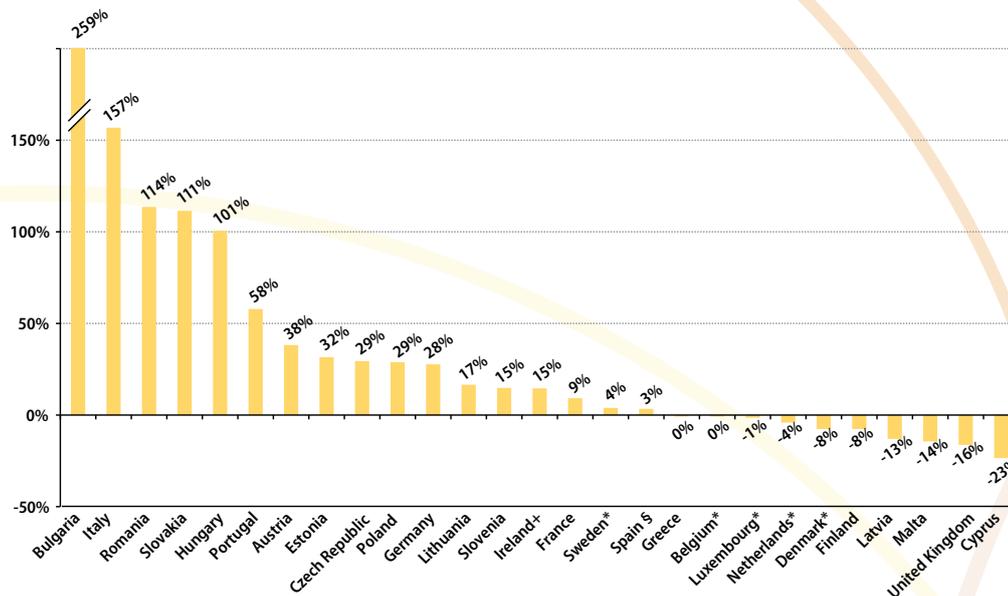


Source: CONCORD based on and the EC (2010) and information from EuroStats

\* Countries with more ambitious targets in 2010 (see table 1) + The target used in the calculations is 0.6% of the GNI

§ The figure accounts for the €600 m cut over two years announced by the government in May 2010

**Figure 4: Forecasted 2010 aid shortfall in % of ODA figures according to national targets**



Source: CONCORD based on the OECD (2010) and information from EuroStats

\* Countries with more ambitious targets in 2010 (see table 1)

+ The target used in the calculations is 0.6% of the GNI

§ The figure accounts for the €600 m cut over two years announced by the government in May 2010

### • Will it last? New practices place recent decreases in aid inflation at risk

Following the trend of the past two years, inflated aid figures continued their decline in 2009. In total, European countries reported €3.8bn of inflated aid or almost 8% of the total figure as ODA. A breakdown of the data shows that €1.4bn was debt cancellation, €1.5bn student costs and almost €1bn was spent on refugees in donor countries. A comparison with previous years shows that the overall lower figure is the consequence of smaller volumes of debt cancellation (€5bn in 2008).

Once inflated aid is discounted from the officially reported ODA figures, aid levels drop to 0.38% of European GNI. One of the advantages of looking at genuine aid is that it shows a much clearer trend in aid figures (see figure 5). It is clear that over the last five years, EU Member States have made constant progress. However, the increase in genuine aid has been far too slow. If EU member states continue the current trend, EU countries will fall €19bn short of their promises once inflated aid is discounted. This is a significantly larger amount than the €11bn shortfall official figures predict.

Looking at genuine aid levels by country (see table 2), the four best performing countries remained well over the 0.7% level in 2009. Nonetheless, both Sweden and the Netherlands see their aid levels in % of GNI greatly reduced when inflated aid is discounted (1.04% and 0.77% correspondingly). Further down the table, several other countries show significantly lower levels of genuine aid than officially

### Box 5 : AidWatch inflated aid methodology

Official aid figures include debt cancellation and student and refugee costs in donor countries. These are ODA reportable items which do not amount to a real transfer of resources to developing countries and are difficult to link to clear development results. Some countries, such as Luxembourg, the UK and Denmark do not report student and/or refugee costs as ODA.

The problems related to debt cancellation and refugee costs include:

Debt cancellation: donors can report not only the amount, but also the interest due now and in the future. In addition, effortlessly noting down some very large numbers can hide the underlying trend and mislead the public (this happened, for instance, in 2005 and 2006).

Refugee costs: not only does the money stay in the donor country, but some donor countries are also reporting migration related expenses such as repatriation and detention centres as refugee costs.

reported. The worst inflators in percentage of total disbursements are: Cyprus (43%), Romania (23%), Greece (18%), France (18%), Austria (16%), Slovenia (11%), Belgium (9%) and Germany (9%).

Table 2. EU genuine aid levels

| Country        | Genuine aid % GNI | Total ODA in % of GNI | 2009 total ODA (€m) | 2009 inflated aid in % of total ODA | 2009 genuine aid (€m) | 2008 genuine aid (€m) | Will they meet their 2010 targets without aid inflation? |
|----------------|-------------------|-----------------------|---------------------|-------------------------------------|-----------------------|-----------------------|--|
| Sweden         | 1.04%             | 1.12%                 | 3267                | 7.2%                                | 3033                  | 3020                  | Unlikely   |
| Luxembourg     | 1.01%             | 1.01%                 | 289                 | 0%                                  | 289                   | 288                   | Yes  |
| Denmark        | 0.86%             | 0.88%                 | 2017                | 2.8%                                | 1961                  | 1843                  | Yes  |
| Netherlands    | 0.77%             | 0.82%                 | 4614                | 6.1%                                | 4333                  | 4589                  | Yes  |
| Ireland        | 0.54%             | 0.54%                 | 718                 | 0.5%                                | 715                   | 917                   | Yes  |
| Finland        | 0.52%             | 0.54%                 | 924                 | 2.9%                                | 897                   | 789                   | Yes  |
| United Kingdom | 0.51%             | 0.52%                 | 8267                | 0.5%                                | 8225                  | 7592                  | Yes  |
| Belgium        | 0.50%             | 0.55%                 | 1868                | 8.7%                                | 1705                  | 1498                  | No   |
| Spain          | 0.44%             | 0.46%                 | 4719                | 3.5%                                | 4555                  | 4468                  | No   |
| France         | 0.38%             | 0.46%                 | 8927                | 17.9%                               | 7327                  | 5988                  | No   |
| Germany        | 0.32%             | 0.35%                 | 8605                | 8.7%                                | 7856                  | 7221                  | No   |
| Austria        | 0.25%             | 0.30%                 | 823                 | 16.3%                               | 689                   | 582                   | No   |
| Portugal       | 0.21%             | 0.23%                 | 364                 | 8.0%                                | 335                   | 403                   | No   |
| Greece         | 0.15%             | 0.19%                 | 436                 | 18.0%                               | 357                   | 417                   | No   |
| Italy          | 0.15%             | 0.16%                 | 2380                | 6.5%                                | 2226                  | 2751                  | No   |
| Slovenia       | 0.12%             | 0.15%                 | 51                  | 12.0%                               | 45                    | 40                    | No   |
| Czech Republic | 0.11%             | 0.12%                 | 161                 | 7.7%                                | 149                   | 161                   | Unlikely   |
| Lithuania      | 0.11%             | 0.11%                 | 30                  | 0.7%                                | 30                    | 34                    | Unlikely   |
| Estonia        | 0.11%             | 0.11%                 | 14                  | 0.6%                                | 14                    | 16                    | No   |
| Cyprus         | 0.10%             | 0.17%                 | 29                  | 43.8%                               | 16                    | 13                    | No   |
| Hungary        | 0.09%             | 0.09%                 | 83                  | 0.2%                                | 83                    | 74                    | No   |
| Latvia         | 0.08%             | 0.08%                 | 15                  | 0%                                  | 15                    | 14                    | No   |
| Slovakia       | 0.08%             | 0.08%                 | 53                  | 7.7%                                | 49                    | 41                    | No   |
| Poland         | 0.07%             | 0.08%                 | 249                 | 8.5%                                | 228                   | 258                   | No   |
| Romania        | 0.06%             | 0.08%                 | 99                  | 22.9%                               | 76                    | 88                    | No   |
| Bulgaria       | 0.04%             | 0.04%                 | 12                  | 0.6%                                | 12                    | 13                    | No   |

## Countries where there is not enough information to assess inflated aid

|       |   |       |    |   |   |   |   |
|-------|---|-------|----|---|---|---|---|
| Malta | - | 0.20% | 11 | ? | - | - | - |
|-------|---|-------|----|---|---|---|---|

All figures in current prices.

Source: CONCORD calculations based on OECD (2010), EC (2010), OECD CRS online database and information from national platforms.

Despite the significant reduction in debt cancellation levels, it still represents a large proportion of aid flows in some European countries. France is first among this group with a share of debt cancellation of 8.7% in 2009, followed by Italy (6%), Austria (5%) and Belgium (4%). In addition, European NGOs are concerned that 2010 may see EU donors use higher levels of debt relief to inflate their aid as they try to use all the options left open to them in order to get closer to their targets.

In 2009, seven European countries did not report student costs as ODA: Denmark, Finland, Italy, Luxembourg, the Netherlands, Sweden and the UK. However many others are failing to follow their example and continue to report vast swathes of student costs. The highest relative amounts of student costs in 2009 were reported in Romania (21% of all ODA), Greece (16%), Portugal (8%), Austria (7%), Germany (7%) and France (7%).

Only two countries have consistently not reported refugee costs in the past. These are Luxembourg and the UK, though the latter reported a very small amount in 2009 for the first time. Refugee costs are especially high in Cyprus (41%), suggesting a potential link with migration expenses. Other countries with significant levels of refugee costs in 2009 include: Sweden (7%), the Netherlands (5%), Austria (4%), Poland (4%), Slovakia (4%) and Belgium (4%).

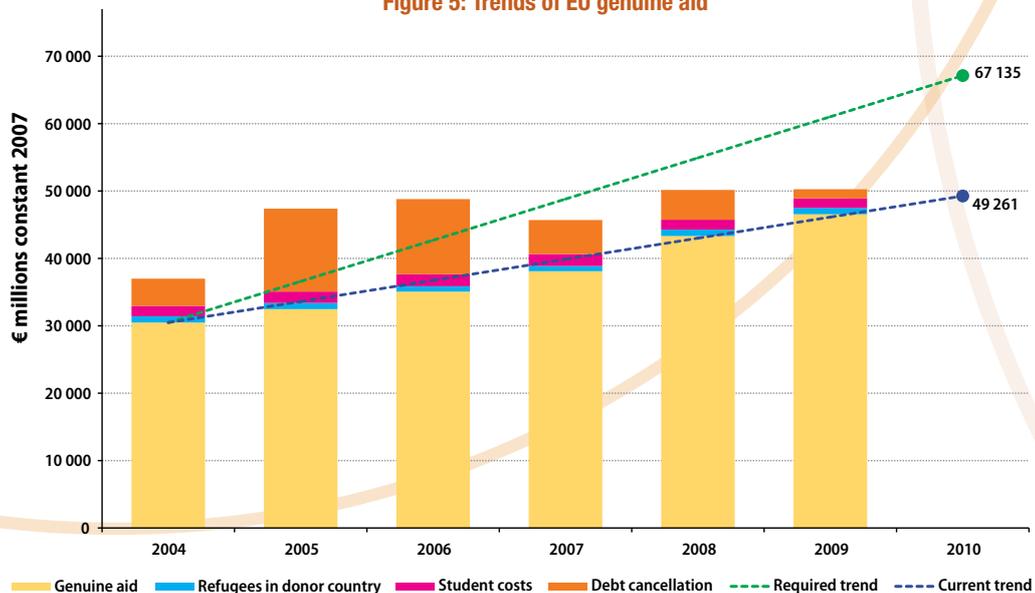
Unfortunately, lack of transparency and reliable information, especially among the EU-12 member states, mean that the actual figures could be significantly higher. National NGOs believe that Malta and Bulgaria report as ODA the cost of running immigrants' reception centres and their repatriation, though no reliable data has been made available by their governments.

Military spending reported as ODA is another major problem in New Member States, where public scrutiny and OECD monitoring are far

less common. For instance, aid to Afghanistan accounts for 30% of Poland's bilateral ODA and is managed mostly by the Army Provincial Reconstruction Team. A similar share of Hungary's bilateral aid goes to Afghanistan. Also significant is the case of the Czech Republic, where the substantial increase ODA figures between 2007 and 2008 (€42m or 25% increase in current terms), was the consequence of a threefold rise in ODA delivered by the army, mainly in Afghanistan. The OECD guidelines are quite strict when it comes to "Conflict, Peace and Security" and only a very limited of items can be reported as ODA. The fact that countries with significant larger missions to Afghanistan such as the UK or Germany report much smaller shares of "Conflict, Peace and Security" aid in this country, suggest that EU-12 countries may be reporting as ODA non-eligible expenses.

Last year this report warned about discussions at the European level to implement a widened ODA agenda, called the "Whole of the Union approach" or ODA+. The idea behind this initiative is to look at the totality of financial flows going to developing countries from EU member states. The proposal has lost some momentum, but several countries such as France, Italy and the EC continue to support the initiative. The problem is not only that such an approach risks becoming a smoke screen to hide poor aid performance, but also that it is inherently flawed. Many private and official flows are not linked to any development outcomes whatsoever and cannot be attributed to donor governments. In addition, the approach proposed fails to take into account tax evasion and capital flight, which see an estimated \$1 trillion (€718bn) a year heading to developed countries from the developing world.<sup>26</sup> The European Union says it is committed to eradicating poverty and inequality. If this is true they cannot afford to waste one minute playing hide-and-seek with aid numbers. Bigger figures but no changes will not make a difference, but higher levels of real ODA will.

Figure 5: Trends of EU genuine aid



\*The target is based on the officially forecasted EU GNI levels and the 0.56% collective target set by the EU for 2010.

Source: CONCORD calculations based on OECD (2010), EC (2010), the OECD CRS database and Eurostats

## • Climate finance

Developing countries not only face poverty on a daily basis, they also bear the brunt of climate change. In sub-Saharan Africa alone, climate change could cause between 86 and 131 thousand additional child deaths per year, and between 46 and 70 million additional people to be living on less than \$2 a day. When South Asia is also taken into account, figures raise to 167-251 thousand additional child deaths, and 144-219 million additional people living on less than \$2 a day.<sup>27</sup> If action is taken now, there is still a chance to ease the impact of climate change, but the signs are discouraging. The disappointing outcome of the Copenhagen Conference in achieving a legally binding and clear agreement means that more will be lost to global warming.

Early and effective action to mitigate climate change and to support developing countries in adapting to its impacts is not only a moral imperative, but also the most cost effective way to tackle the climate crisis.<sup>28</sup> However, this will not come cheap. Financing the global fight against climate change may require up to US\$ 1.2tr a year (€860bn).<sup>29</sup> A great deal of this money will be required in developing countries - conservative estimates place the figure at €135 billion by 2020<sup>30</sup> - where climate change is already placing an additional burden on national budgets and making it difficult for governments to meet the basic needs of their populations and advance towards the MDGs.

It is therefore important that climate finance is made additional to existing ODA commitments. ODA is the contribution of rich countries to the development of poor countries; the commitment to provide 0.7% of GNI was made 40 years ago and it plays an essential role in fighting poverty and reaching the MDGs. Climate finance, however, must reflect the agreed UNFCCC principle of common but differentiated responsibilities and respective capabilities. This means that mitigation and adaptation efforts should be based on each country's capabilities and its past and present responsibility for contributing to climate change.

Already in 2008, EU-15 countries reported € 1bn as climate finance, or almost 4% of their ODA.<sup>iii</sup> If new climate funds are to be counted as ODA, Europe will neither meet its ODA targets, nor face its past and present responsibility for climate change. Only by making climate finance additional, will European countries be able to live up to their claim of leaving a deep imprint in the fight against poverty and inequality. In the case of countries which have yet to meet their targets, this means that new climate finance cannot be counted towards the targets. Countries over their targets should make sure climate finance does not come at the expense of current ODA levels.

## • Financial transaction tax

Current ODA flows are insufficient to foster long term, sustainable development across the world. In order to make real progress, Europe needs to meet its aid targets and make sure development assistance really works for the poor. Even if ODA targets are met,

however, developing countries will need greater support to overcome hunger, poverty and inequality once and for all. On top of this, it is urgent to start providing additional resources to tackle climate change adaptation and mitigation.

The need for new and additional resources for developing countries has long been emphasised by civil society and is increasingly being recognised by governments. A wide variety of mechanisms have been proposed. Many countries in the EU have implemented mechanisms such as the airline-ticket levy and the International Finance Facility for Immunisation (IFFIm) to raise revenue for development. While their revenue generating potential is valuable, these mechanisms are insufficient and fail to address a range of challenges faced by developing countries. A Financial Transaction Tax (FTT), on the other hand, is an innovative mechanism that can potentially raise substantial revenue for development. The former UK Prime Minister Gordon Brown, French President Nicolas Sarkozy and German Chancellor Angela Merkel have all made public statements recognising the value of such taxes. Leading players in the financial markets like George Soros and Warren Buffet and a host of economists including Jeffrey Sachs and Amartya Sen have also supported their implementation.<sup>31</sup>

Financial transaction taxes are small charges on financial securities transactions that could range from currency transactions to shares, bonds, futures and options. Similar taxes are already in place in many countries. The United Kingdom applies the Stamp Duty to purchases of shares and the United States levy the 'section 21 fee' to finance the financial market regulatory agency.

Current estimates suggest that substantial revenues can be achieved with a very low tax rate between 0.01% and 0.1%. Possible revenues would depend on the rate and scale of introduction. Even when assuming a reduction of transaction volumes due to taxation in North America and Europe, estimated tax revenues would range between 0.5% and 2.4% of world GDP (€ 215bn – € 1tr) if all transactions were to be covered.<sup>32</sup>

Revenues generated by FTTs should respond to international needs and a significant share should be used in developing countries. They should provide predictable additional resources for financing global public goods such as development and climate change. The precise distribution of the revenues should be fixed in a democratic process under a legitimate international body such as the UN and managed according to a set of internationally agreed rules and principles akin to the aid effectiveness agenda.

FTTs can be implemented in individual countries separately, but the benefits would be much larger when applied to a sufficiently large number of countries and financial markets. This will require multinational cooperation and partnership, very much in the spirit enshrined by MDG 8. FTTs could therefore make an important contribution to the achievement of MDG 8, while raising badly needed funds for fulfilling the other MDGs and making the world a better place.

<sup>iii</sup> The real figure is probably higher as our calculations only include bilateral ODA and exclude projects with other objectives in addition to climate change.

## 4. Democratic ownership: imperative for aid effectiveness

It is widely accepted that in order for development assistance to provide effective and sustainable support that responds to the needs of the poorest people it needs to be managed and directed by developing country institutions under close scrutiny from citizens. Ownership is therefore the central element of the Paris Declaration and other efforts to improve the effectiveness of aid.

Although important progress has been made in this area, this year's AidWatch Report shows that EU donors continue to fall well short of what is required. They all too often fail to provide sufficient support to poor and marginalised groups; they remain un-transparent; they continue to impose excessive conditions to their aid that weaken democratic accountability; and they pursue non-development objectives with their aid.

Many of these problems are the consequences of a narrow understanding of the concept of ownership. Existing approaches to national policy-making provide little space for citizens and parliaments to participate in development processes, impeding further improvements on aid effectiveness. It is therefore necessary to continue working not only to implement existing commitments, but also to develop a comprehensive approach to ownership: democratic ownership.

### Box 6 : Aid Effectiveness at work

A study conducted by the European Commission shows that the implementation of the European aid effectiveness agenda could generate efficiency gains of up to € 6bn a year.<sup>34</sup>

Budget support to Rwanda, India, Zambia and Ethiopia (a key instrument in the AE agenda) has contributed to many more children going to school and more people gaining access to health services, thus fostering progress on a number of MDGs. In Rwanda, for example, people's use of health services has nearly doubled.<sup>35</sup>

#### What impact do inefficient and ineffective donor practices have on aid?

Tied aid increases the costs by between 15% and 30% - up to 40 percent for food aid.<sup>36</sup> As a consequence, the same amount of money buys less food for hungry people.

The unpredictability of aid reduces its value by around 20%.<sup>37</sup> Moreover, it does not allow countries to expand key services and has a dramatic effect on African countries' ability to pursue the long-term strategies needed to achieve the MDGs.<sup>38</sup>

A study on Tanzania found that reporting to poorly coordinated donors took up 40-50% of the time of District Medical Officers; hosting took another 10-20% (WHO 2007). This left Officers little time available to concentrate on their main tasks.

Efforts to make aid more effective in combating poverty and achieving the MDGs will not be successful without democratic ownership; until "all actors [including CSOs and parliaments] have the option of participating in national policy development, implementation and monitoring, and the voices of these actors are made central to national development processes."<sup>33</sup> This needs to be an urgent priority on the agenda of EU donors.

### • Implementation of the Aid Effectiveness Agenda

A number of international commitments such as the Paris Declaration (PD) and the Accra Agenda for Action (AAA) bind European countries to take steps to improve aid quality. These agreements fall short of the demands of recipient countries and civil society actors both in northern and southern countries, but if they were to be fully put into practice, they would lay the foundations for a much more effective aid system in the future.

Unfortunately, implementation is not taking place at the expected pace. The latest Paris Monitoring Survey, conducted in 2008, concluded that "the pace of progress is too slow [and] without further reform and faster action, we will not meet the 2010 targets."<sup>39</sup> The evidence gathered by this report suggests that European countries have not taken stock and are failing to step up their efforts on aid effectiveness.

When signing the AAA, European countries committed to devise their own plans to implement the commitments in the agenda. To date Finland, France, Spain and Greece still have to honour this pledge.<sup>40</sup> Luxembourg has a plan in place, but the document has not been made public, while Belgium is updating an existing plan and Greece has yet to make a move on the issue.

The same problems also apply to EU-12 countries, though their situation is slightly different. In most cases, these countries lack a background in development assistance, aid levels are generally low and only a tiny share is made up of bilateral aid. As a consequence, most governments do not see the aid effectiveness plans as an important step forward. Those countries concerned with improving aid quality have included or considered the Aid Effectiveness principles when working on broader development policies. This is the case of countries such as the Czech Republic, Latvia, Lithuania, Romania and Slovenia. In other countries, such as Poland and Malta, the government has decided to ignore existing aid effectiveness commitments.

It is arguable that, in the implementation of the aid effectiveness agenda, EU-12 countries have to address some challenges which are

necessarily different from those of the EU-15. However, this does not mean that they can simply ignore their international commitments. It is important that these countries reflect on the Aid Effectiveness principles applicable to their context and start delivering on the most relevant commitments.

This year is the deadline for the implementation of the reform commitments signed in Paris and Accra. In 2011, governments from all over the world will meet in Seoul to review progress and discuss the way forward. Given existing trends, the expectations are not very high. However, it is still possible to use the forum to make history in the fight against poverty and inequality. The role of Europe, as the world's leading donor, is to broker a comprehensive agreement around the concept of democratic ownership that will shape development policies in the years to come.

### • Gender: key to make development work

Women are especially vulnerable to poverty and inequality, with jobs being more insecure and often unpaid. Lack of access to education for too many girls and women is still preventing economic and social empowerment. Meanwhile, women are underrepresented in all institutions at the local, national and international level. Women also lag behind in terms of health care and between 350,000 and 500,000 women die every year due to complications during pregnancy and childbirth.<sup>41</sup> Women are crucial to improving food security. They produce up to 80% of basic foodstuffs in sub-Saharan Africa, but find legal and cultural barriers when it comes to owning land and accessing agricultural credit and services. They currently own only 1% of the land in Africa and receive only 7% of extension services and 1% of all agricultural credit.<sup>42</sup> In countries such as India, Nepal and Thailand fewer than 10% of women farmers own land.<sup>43</sup>

Gender equality is a key factor in fighting poverty and fostering sustainable development. Gender inequality prevents the social and economic empowerment of millions of households across the world thereby perpetuating poverty.<sup>44</sup> It has been calculated that agricultural productivity in sub-Saharan Africa could rise by 20% if women had equal access to land, seed and fertilizer. Research has also shown that a child's chances of survival increase by 20% when the mother controls the household budget.<sup>45</sup> Similarly, inequalities in female education and employment have been shown to have a clear negative impact on growth rates.<sup>46</sup>

As well as being a precursor to poverty reduction, gender equality is recognised by the Universal Declaration of Human Rights, and has been further developed through international agreements such as the Convention on the Elimination of All forms of Discrimination Against Women, the Beijing Platform for Action and the MDGs. Gender equality is also a core principle of the European Union.

Despite this, gender remains a marginal issue in official aid effectiveness processes, with only three references in the PD and AAA. This is not acceptable. Aid works better when it is provided

through comprehensive, gender sensitive approaches. However, gender equality is still looked at as a by product of good development processes, rather than as an instrument to improve the lives of hundreds of millions of people across the world.

Among European Member States there has only been piecemeal progress in recent years. Many countries have yet to develop and implement a gender strategy for development cooperation, including Bulgaria, Estonia, Hungary, Poland, Portugal and Slovenia. Even countries with a gender strategy in place, such as Ireland, still need to elaborate an action plan to translate this gender strategy into practice. It is not surprising that the use of gender-based indicators in development programmes remains science-fiction. According to the information gathered by national platforms, only a handful of countries have reached a good level of implementation or are making swift progress towards gender mainstreaming, namely Germany and the Czech Republic.

Gender budgeting and earmarked funds are also lagging behind in many European countries. Many of the EU-12 countries do not disclose the amount of money they allocate to gender equality and women's empowerment.

Even among the European OECD DAC members, screening development projects against gender markers is a long standing issue. In 2008, Ireland only screened 14% of its development projects against the OECD gender marker. Luxembourg and Portugal failed to do the exercise for any of their projects. More importantly, sharp differences in reporting between consecutive years make analysing gender budgeting an almost impossible task. In 2007, Ireland screened 100% of its projects, while Italy only looked at 8.4% (99.3% in 2008). Similarly, France went up from 13% in 2007 to 73% in 2008.<sup>iv</sup>

The *EU Plan of Action on Gender Equality and Women's Empowerment in Development 2010/2015*, launched on March 2010, aims at addressing many of these problems by harmonising and coordinating European efforts on gender and development. The Plan should contribute to placing gender equality on the development agenda but so far the evidence is not very encouraging. There is currently no budget for the implementation of the plan, undermining the potential change it is supposed to bring about. Another concern is that many specific objectives and actions (e.g. in the field of trade, agriculture, employment, and health) were dropped in the final version of the plan, weakening the whole framework.

It is crucial that in 2010, European countries implement the objectives outlined in the critical areas of concern of the Beijing Platform, and work on a global policy framework on gender equality and women's empowerment, to be brought to the UN MDG Review in September. Poverty can only be eradicated through gender sensitive development policies that take into account and address the factors underlying women's discrimination and disempowerment.

<sup>iv</sup> Based on the analysis of the information available in the OECD CRS database

- **Aid transparency, essential for accountability and democratic processes**

Transparency is a vital part of building democratic ownership and the accountable, efficient and effective use of public resources. Governments, parliaments, CSOs and other stakeholders in both developed and developing countries need information on aid to make the most of both aid and non-aid resource flows. Without donor aid transparency recipient countries cannot plan their own resource use, coordinate donors, or begin to hold donor countries to account. Parliaments and CSOs in developing countries are unable to perform their democratic role and engage in policy discussions and expenditure monitoring.

The Accra Agenda for Action (AAA) makes clear the importance of aid transparency, stating that “transparency and accountability are essential elements for development results. They lie at the heart of the Paris Declaration”. Through the AAA donor countries committed

to “publicly disclose regular, detailed and timely information on volume, allocation and, when available, results of development expenditure”.<sup>47</sup>

However, aid transparency remains a challenge in many European countries. National platforms from the 27 EU Member States have been asked to compile information on a number of different transparency questions. The table below shows donor performance against five criteria (see table 3):

- the level of pro-activity in implementing initiatives conducive to greater transparency;
- the amount and type of information on development policies, data and practices made publicly available;
- the existence and maturity of independent evaluation mechanisms, as well as the dissemination of their results;
- the level of openness for civil society participation in development processes; and
- the existence and level of progress over the last years.

**Table 3: Aid transparency in the EU**

| Transparency element  | NGO national platforms' perception of donor performance                                      |  |  |  |
|---|--|--|--|--|
|   | Good   | Average  | Poor                                   | Very poor                                  |
| <b>Donor pro-activity in information sharing</b><br>Criteria:<br>- Proactive disclosure of information<br>- Right to access public information  |  | Be, Cz, Dk, Ee, Ie, It, Lv, NI, Pt, Se, Sk, UK         | Au, De, Es, Fi, Fr, Lt, Lu, Pl, Ro, Si | Bg, Cy, Gr, Hu, Mt                         |
| <b>Disclosure of information</b><br>Criteria: information on<br>- Aid policies, aid agreements, programmatic/sector strategies<br>- Procedures for allocation of aid, procurement<br>- Aid flows<br>- Conditions linked to disbursements (AAA, para. 25b) | Be, Dk, Ie, NI, Se, UK   | Cz, De, Es, Fi, Lv, Lu, Sk, Si                         | Au, Bg, Ee, Fr, It, Lt, Pl, Pt         | Cy, Mt, Hu, Gr, Ro                         |
| <b>Evaluation mechanisms and results</b><br>Criteria:<br>- Evaluation and public disclosure of results<br>- Degree of independency  | Be, De, Es, Fr, Ie, NI, Se, UK   | Au, Cz, Dk, Fi, Lv, Lu                                 | Lt, Pt                                 | Bg, Cy, Ee, Gr, Hu, It, Mt, Pl, Ro, Sk, Si |
| <b>Openness towards public scrutiny and participation</b><br>Criteria:<br>- Existence and quality of consultations<br>- Existence of official website, with comprehensive and up-to-date information  | Cz, Dk, Lv, NI,  | Au, Be, De, Ee, Es, Fi, Ie, It, Hu, Mt, Pt, Sk, Se, UK | Fr, Lt, Lu, Pl, Si                     | Cy, Bg, Gr, Ro                             |
|   | Positive   | Neutral  | Negative                               |  |
| <b>Direction of change, progress</b>  | Au, Be, Bg, Cy, Cz, Ee, Es, Fr, Hu, Ie, It <sup>§</sup> , Lv, Lt, Lu, Mt, Pt, Ro, Sk, Si, UK | De, Dk, Fi, Gr, NI, Pl, Se                             |  |  |

Legend: Au-Austria; Be-Belgium; Bg-Bulgaria; Cy-Cyprus; Cz-Czech Republic; Dk-Denmark; Ee-Estonia; Fi-Finland; Fr-France; De-Germany; Gr-Greece; Hu-Hungary; Ie-Ireland; It-Italy; Lv-Latvia; Lt-Lithuania; Lu-Luxembourg; Mt-Malta; NI-Netherlands; Pt-Portugal; Pl-Poland; Ro-Romania; Sk-Slovakia; Si-Slovenia; Es-Spain; Se-Sweden; UK-United Kingdom

<sup>§</sup> Starting in 2010, on-line real time information decreased substantially

It is clear that stark differences exist among European countries. In general better performers include some of Europe's most progressive aid donors while the EU-12 countries tend to get poorer results. Among the exceptions, it is worth noting the good performance of the Czech Republic and on the other side of the spectrum, the poor performance of Greece. It is remarkable that no country consistently performed well across all criteria, though countries such as Belgium, Denmark, the Netherlands, Sweden and the UK consistently outperform their peers. The situation is more homogeneous among the poor performers. The transparency levels of Cyprus, Greece and to a lesser extent, Bulgaria, Hungary Malta and Romania, are consistently low and often ranked as "very poor".

Some aid transparency gaps also affect all European countries, including the failure to put into practice the transparency related to the "to be implemented immediately" commitments made at Accra, and the uncompleted disclosure of information on procurement and aid agreements, especially when it comes to information by recipient country. Many countries also perform poorly in terms of assessment of how proactively government and development agencies are about the right to access aid information.

For instance, when national platforms were asked to report whether their governments were implementing the Accra commitment to "regularly make public all conditions linked to disbursement"<sup>48</sup> in all cases the reply was negative; though in a few cases, Austria, Belgium, Denmark, Finland, Germany, Ireland and Sweden, our respondents mentioned that the information might be available upon request. This is clearly a failure to deliver on the commitment to "regularly making public" such information. This information is consistent with the findings of the European Commission which recently stated that "[although] twelve Member States reported that their aid conditions are made public (Austria, Belgium, Estonia, Finland, Germany, Greece, Italy, Latvia, Netherlands, Portugal, Romania and the UK), there are few indications as to exactly how these conditions were made public".<sup>49</sup>

On the positive side, most national platforms, with the exception of Finland, Greece and Poland, agree that aid transparency is improving, though in most cases our respondents consider that change is slow. Other countries with high levels of aid transparency such as Denmark, Sweden and the Netherlands also reported little change in terms of aid transparency since last year's report.

The International Aid Transparency Initiative (IATI) was launched in Accra during the High Level Forum of Aid Effectiveness. IATI is a crucial opportunity for European donors to implement and deliver on the PD and AAA commitments as well as improve the way they disclose aid information. The timely, comparable and comprehensive disclosure of aid information by donors is essential for EU member states to deliver on better donor division of labour, ensuring the effectiveness of general budget support, greater results orientation and facilitating democratic ownership and accountability of aid and development resources, in both donor and recipient countries. Despite the opportunities opened by IATI, to date only eight EU

Member States have signed on to this initiative: Denmark, Finland, Ireland, Spain, Sweden, and the UK. European NGOs strongly encourage all other EU Member States to join IATI, thereby showing their commitments to the aid effectiveness agenda.

- **Two-faced aid allocation, undermining ownership**

Despite the range of different processes for improving the development outcomes of aid, European countries continue to use Official Development Assistance (ODA) for political and commercial gains, undermining the principle of democratic ownership.

The geographical focus of European aid is clearly turned towards countries neighbouring the EU or with high political stakes. In 2008, the top ten recipients of aid from the EU Member States included countries such as Afghanistan, Turkey and Palestine, and are clearly headed by Iraq, which received a whopping 10.5% of all European ODA. The European Commission is a good example of this as 18% of its 2008 ODA budget went to pre-accession countries and countries in the neighbourhood policy. Moreover, the EC's largest recipient by far is Turkey, with well over €1bn in 2008.<sup>50</sup>

Meanwhile, the share of ODA channelled to the LDCs remains marginal. To date, only 5 EU Member States (Luxembourg, Ireland, Denmark, Sweden and the Netherlands) have met the commitment to provide more than 0.15% of GNI to LDCs, agreed in the Brussels Declaration in 2001.<sup>51</sup> If aid to Afghanistan is excluded from the calculations, the Netherlands fails to reach the 0.15% of GNI level and the list is reduced to only four countries.

In the case of some of the EU-12, the lack of LDCs amongst their recipient countries can be partially explained by very small bilateral aid budgets and weak diplomatic presence in these countries. However, this cannot be an excuse for other European countries or existing projects not to focus on poverty and inequality reduction. NGOs in countries such as Lithuania, Poland and Slovakia are concerned about the alignment of aid projects with their countries' political and economic priorities. Aid to China, for instance, represents a significant share of the Polish bilateral ODA budget and aims at promoting national exports.

It is clear that even where aid is directed to the poorest countries, some European donors are not focusing this aid primarily on poverty reduction. There are examples of aid being used to control migration, an understandable concern for many EU countries, but not a valid use for vital aid resources. France, Italy and probably many other countries have secured legal provisions allowing them to negotiate bilateral agreements against co-operation on migration issues or repatriation of migrants.<sup>52</sup> By making development aid conditional on cooperation on migration control, the EU is turning development aid into a tool for implementing restrictive and security-driven immigration policies which are at odds with its development commitments.

Security is another of the priorities ODA budgets are used for. Large amounts of money are currently being spent on reinforcing border controls and security training in many neighbouring and Mediterranean countries. In previous years, this was done more subtly, but some countries have started to make this official using the popular support generated by the threat of terrorism and immigration. The draft of the new Danish development cooperation strategy, to be approved in 2010, clearly states that the development policy “goes hand in hand with safeguarding Danish self-interests” and is considered a “part of Denmark’s foreign and security policy”.<sup>53</sup>

Aid also remains a key instrument in the toolbox of foreign policy. Too often, aid grants donors very strong political leverage, no matter how small aid levels are. As expressed by Christine Andela, from the *Collectif des ONG pour la Sécurité Alimentaire et le Développement Rural*, “ODA in Cameroon represents only 6% of GNI and still politicians are ‘prisoners’ of it.”<sup>54</sup> In other countries, such as Colombia, ODA represents well under 1% of the GDP, but donors still have a strong voice when it comes to certain national policies.<sup>55</sup> The political influence of donors is the result of multiple factors including the existence of joint conditionality frameworks and their weight in the international financial institutions (IFIs) and the global financial system. In this framework aid can become a tool to achieve national policy objectives, such as those described above, and perpetuate rather than iron out inequality. The existence of a common set of conditions monitored by IFIs has allowed donors to impose their own economic policies, undermining ownership and sometimes bringing about harmful consequences.<sup>56</sup>

Development policies should be implemented in the spirit of the aid effectiveness agenda and true democratic ownership, and focus on fighting poverty and inequality across the world. These are, in most cases, the real causes at the root of conflicts and migration patterns. Using aid money to fence Europe off from existing problems is not the solution. The objective of development cooperation is to eliminate poverty and the only sustainable way forward is to use ODA to foster development, equality and better jobs.

### Box 7 : Greece’s ODA, poverty focus?

In 2008, Greece spend a significant amount of funds on:

- the international fund for the creation of the Museum in Nubia and of the National Museum of Egyptian Culture in Cairo
- the upgrade of the know-how and skills of the bank sector staff in Egypt, so they can effectively respond to the demands of the new competitive era
- training for museum staff in Georgia, including the running of the sales shop and support for the production of copies of museum items

*Hellenicaid*<sup>57</sup>

## • Untying aid, a long due commitment

Another way European countries use aid to promote their vested interests, and those of their national companies, is by tying a share of their ODA to purchases of goods and services from their own countries, effectively excluding foreign suppliers – including those from the recipient countries themselves. Aid untying has been highlighted in international aid effectiveness agreements (such as the Paris Declaration and Accra Agenda for Action) but this is one area where commitments are particularly weak. Moreover, the central OECD agreement in this field, the 2001 DAC Recommendations on Untying Aid to the Least Developed Countries, does not cover ODA to all recipient countries and excludes two important categories of tied aid: free-standing technical assistance and food aid.

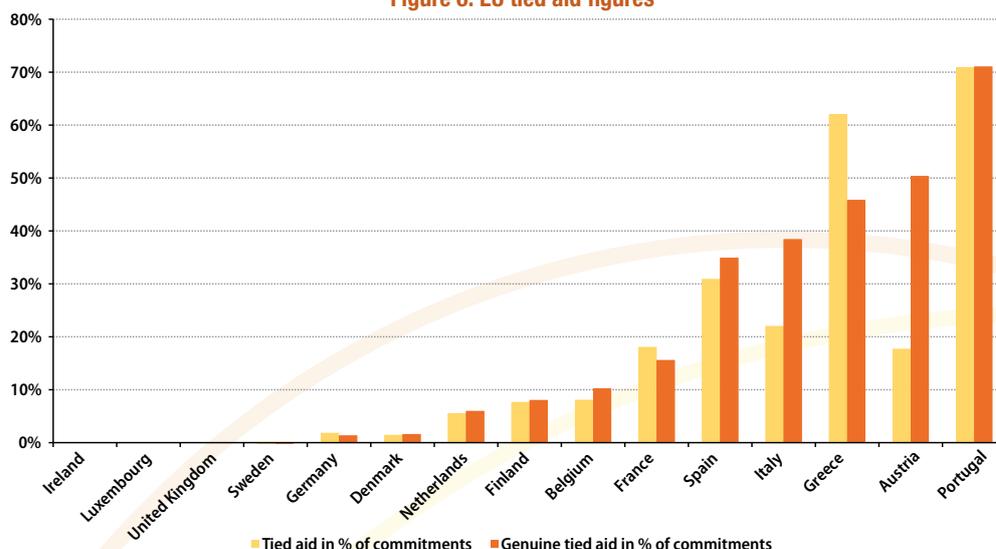
The OECD estimates that tying aid increases the costs by between 15% and 30%—up to 40 percent for food aid.<sup>58</sup> Even more important in the long-term is the fact that tying aid implies that recipient countries capacities are not used. Tied aid essentially channels funds from northern development budgets into northern businesses, and does little to create jobs, increase income, and use and build capacities in the South.

An independent evaluation of the 2001 DAC Recommendations found that donors made progress in formally untying aid. In 2007, 66% of all ODA was reported as untied, and some EU donors, such as Luxemburg and the UK, have fully untied their aid, though in the case of the UK, 88% of large contracts went to national companies.<sup>59</sup> All ODA from the European Commission is partly tied due to provisions that restrict eligibility for bidding to businesses registered in EU and ACP countries. Most importantly, the evaluation made the distinction between formal and de facto untying. While legal impediments have been removed in many countries, donors’ procurement policies and practices still intentionally or unintentionally favour their own countries businesses. As a result, more than 80% of all contracts for large projects are still awarded to national companies in countries such as the UK, Denmark and the Netherlands.<sup>60</sup>

The latest official OECD figures show that three EU-15 countries tied over 30% of their bilateral ODA. However, when only genuine aid is taken into account the figure rises to five countries: Portugal (71%), Austria (50%), Greece (46%), Italy (38%) and Spain (35%). Moreover, the latest picture is significantly gloomier than last year, when only 3 countries tied more than 30% of their bilateral aid. Compared with previous data, both Austria and Spain have increased their share of tied aid alarmingly (previous figures were 21% and 12% respectively).

In spite of the high levels of the tied aid they reported, last year both Italy and Greece improved their performance. Belgium, Denmark, Germany and the Netherlands are other countries that have managed to decrease their share of tied aid significantly compared to previous years.

**Figure 6: EU tied aid figures**



Source: CONCORD based on information from the OECD online database and the national platforms.

There is not much data available from EU-12 countries, but the information gathered by NGOs in the region show that tied aid may be a widespread practice. In Poland, for instance, ODA loans to China, Poland's biggest aid recipient, are tied to national companies.

Local procurement by developing countries can solve many of the problems linked to tied aid, and make sure that more ODA actually reaches developing countries and contributes to their economies. In fact, the use of developing countries' own public financial management and procurement systems is one of the commitments of the Paris Declaration and Accra Agenda for Action. Using country systems is also a central element in aligning spending patterns to priorities defined in recipient's own development plans and poverty reduction strategies.

The lack of progress in untying aid and using country systems is one of the reasons why aid often lacks a sustainable development impact and represents a significant obstacle in the path towards democratic ownership.

- **The future of the aid effectiveness agenda**

Much of the progress that has been made in improving the effectiveness and ownership of aid has been down to efforts to commit donors to reform their aid practices and to hold them accountable for implementing such reforms. The Paris Declaration and the Accra Agenda for Action have been most influential in this respect.

However, the future of the aid effectiveness agenda is in some doubt, as the Paris Declaration expires in 2010 and there seems to be resistance from many donors to agree to a framework of reforms to replace it. If further progress is to be made on aid effectiveness - which is urgently required - then a successor to the Paris Declaration needs to be agreed at the 4<sup>th</sup> High Level Forum on Aid Effectiveness in Seoul. EU donors must support such a process and help to ensure that all donors sign up it.

**Box 8 : What is tied aid?**

In 2008, close to €1m of Italian ODA went to finance the purchase of 48 Fiat tractors for Kenya. In the same year, the Italian carmaker "Fiat Avio" was the beneficiary of a €8m contract to repair a Syrian power plant. In 2006, the Italian society Miscuni was awarded a €25m loan to build a dam in Bolivia to improve water access in the Cochabamba Valley.

*Examples from the bulletin of Italian Development Cooperation (DIPCO)*

# Recommendations

Consecutive crises - food, fuel and economic - have afflicted developing countries, eroding some of the progress achieved on the MDGs, poverty reduction and gender equality. The crisis in the North is being addressed by greasing the wheels of the financial and economic system with billions of euro. Progress on aid quantity and quality, meanwhile, has been much slower than expected and needed by poor people around the world, despite the warning of the United Nations and other international organisations.

Europe has repeatedly pledged to lead the fight against poverty and inequality, but this and previous reports have showed that real progress has lagged behind bold statements. To make its pledge real, Europe urgently needs to step up efforts to deliver on its aid quantity and quality commitments.

**The 1,600 organisations represented by CONCORD, the European Confederation for Relief and Development NGOs, call upon EU governments to take responsibility for leading the global call to increase aid quantity and quality through:**

1. Agreeing binding year on year timetables of aid increases required to meet the 2015 European aid quantity targets and demonstrate with regular financial reports how they are being implemented.
2. Endorsing the European Commission's call to implement an EU peer review mechanism at the Heads of State level and involving the European Parliament, in order to hold governments to account on their aid commitments.
3. Ending inflation of aid budgets with debt cancellation, refugee and student costs; making climate finance additional to existing ODA targets; and stopping discussions on widening the definition of ODA to include other items such as security or migration as suggested by the Whole of the Union approach.
4. Implementing, on top of their aid quantity commitments, a financial transaction tax to help finance global public goods such as poverty reduction and climate change.
5. Speeding up the implementation of the Accra Agenda for Action and Paris Declaration at the national level in consultation with developing countries; and putting in place an annual process for concrete monitoring of progress on Paris and Accra commitments.
6. Embracing and promoting the concept of democratic ownership by going beyond measuring ownership through alignment, ensuring that the voices and concerns of citizens and parliaments are central to national development plans and processes and taking forward the following specific recommendations:
  - Gender: put gender equality and women's empowerment at the centre of development cooperation by supporting the implementation of the EU Gender Action Plan with financial and human resources, and taking stock of best practices in EU Member States.
  - Transparency: proactively increase the availability and accessibility of timely accurate and comparable information on development policy and practice. All European governments should sign up to the International Aid Transparency Initiative, and demonstrate how they will implement its commitments.
  - Untying aid and procurement: end all practices of formal or de facto aid tying and use developing countries own systems as the first option.
  - Aid allocation: ensure that no aid money is spent on activities which are not primarily focused on reducing poverty and that aid is not used to pursue donor foreign policy or commercial interests.
7. Demonstrating how all European policies are coherent with development objectives, including in the crucial areas of trade, climate change, migration and food security.

## PART II : Country Profiles

### European Commission



2010 is a key year for European Commission aid policies. In April, the EC released its annual "Spring Package" of development-related documents which includes interesting proposals to get EU member states back on track on aid quantity, but falls short of proposing any ambitious aid effectiveness reforms. Other issues also deserve attention.

The EU Plan of Action on Gender Equality and Women's Empowerment in Development 2010/2015, released in March 2010, is good news. The document puts forward specific activities, deadlines and indicators to be implemented by Member States and the EC in the next five years. Positive aspects include the will to increase in-house capacity and the call for a regular dialogue with civil-society partners. However, the Action Plan fails to take stock and misses the opportunity to build on existing expertise and best practices. In addition, many specific objectives have been dropped in the final version and no funds have been earmarked for its implementation. This casts some doubts about the potential of the Plan to change things in practice.

The Mid-Term Reviews of Country Strategy Papers (CSPs) in ACP and Central American countries highlighted the need for the EC to make improvements in the areas of transparency and democratic ownership. It is essential to ensure a transparent, effective and ongoing engagement with parliaments and civil society in programming and reviewing EU aid strategies in a systematic way, and to ensure the access to all information required for such engagement. The consultation process should be designed in such a way that CSOs have space to raise their concerns and contribute in a substantial manner.

The EC's aid is allocated through two different channels. On the one hand, the Development Cooperation Instrument (DCI) and the European Development Fund (EDF) target developing countries across the world. Via these two instruments, the LDCs received 31% of the almost €10bn EC's aid budget in 2008. On the other hand, the European Neighbourhood and Partnership Instrument (ENPI) and the ODA reportable share of the Instrument for Pre-Accession Assistance (IPA) focus on neighbouring and pre-accession countries, mostly middle-income countries. This is the case of Turkey, the EC's largest recipient with € 950m in 2008 and Serbia and Croatia, which also feature among the top recipients.

Though development funding has increased in past years, the European neighbourhood and enlargement budget is expanding faster than the budget available for the poorest countries. Between 2004 and 2008 aid to Europe increased by 135% in constant terms while aid to the LDCs grew by 35%. Furthermore, the size of the ENPI has recently been increased from 5.8 billion over 4 years to 5.7 billion in 3 years, thus continuing this trend. Our concern is that the neighbourhood and enlargement policies are outshining the fight against poverty and inequality in the poorest countries.

The EC is among the biggest providers of budget support, notably through the MDG Contracts: a type of long-term budget support (6 years) with MDG-based outcomes that have been signed with 7 developing countries. Unfortunately, the contracts have not been made available to the public, and the mid-term review is not scheduled until 2011. While the EC's intention is theoretically good, there are obvious constraints for public scrutiny and independent assessment of whether the new contracts deliver better development outcomes. The EC should make the MDG contracts - and other budget support agreements - public as a prerequisite for deciding whether these mechanisms should be extended to more countries, including non-ACP countries, and how.

#### European NGOs call on the EC to:

- Provide aid to those most in need. Official Development Assistance should be primarily allocated to the poorest countries, it should not be used as a tool to boast political influence
- Support the implementation of the Gender Action Plan with a dedicated budget and monitoring mechanisms
- Strengthen democratic ownership and domestic accountability through the creation of an enabling environment for CSOs and the systematic inclusion of recipient country parliaments and civil society organisations in the design, implementation and evaluation of development policies and country strategies
- Publish the MDG contracts - and other budget support agreements - and conduct independent evaluation in order to assess the real potential of the Contract to deliver better development outcomes



# Austria

**Will Austria achieve the 2010 target according to the budgeted aid levels? No**  
**Will Austria achieve the 2010 target without inflating its aid? No**

No other country in the European Union cut development assistance in 2009 as much as Austria. Aid has dropped by 32% to 0.30% of the GNI. The fall in aid levels can be explained by a significant decrease of inflated aid figures, mainly debt cancellation. Yet, aid inflation still represents a significant share of the country's ODA (16%). Once inflated aid is discounted from the official figures, Austria only provided 0.25% of its GNI as ODA.

Despite the massive cuts recorded in 2008 and 2009, Austria claims to be still committed to the international targets. However, the government has also recognised that it will be difficult to meet the targets in time. Moreover, further cuts in the core budget of the Austrian Development Agency have been announced by the Ministry of Foreign Affairs and no substantive improvement is to be expected anytime soon.

## • Aid quality

Austria has recognised the importance of gender equality in its development cooperation law (2002) and as a cross cutting issue in the guidelines for the implementation of gender equality and empowerment of women (2006, 2009). In addition, a constitutional law introduced in 2008, requires the government to assess gender equality principles when preparing budgets. In order to evaluate whether gender related aspects are included in budgets and programs, a check list has been introduced. Despite the progress at the political level, the implementation of gender as a cross cutting issue remains incomplete because of staff and budget limitations (as noted by the recent OECD DAC peer review).

In terms of transparency, there is a contradiction between the government's public relations strategy and the availability of information about real efforts in pursuing poverty reduction. Moreover, the structural problems of Austrian ODA (high fragmentation, lack of internal coherence and lack of funding) are not on the political or public agenda. There is a tendency to present contributions to small scale projects and minor contributions to humanitarian activities as major efforts, as well as to present privately funded activities performed by NGOs together with government activities.

Austria is making slow progress towards the implementation of its international commitments (Paris Declaration, Accra Agenda for Action) on aid effectiveness. The government released an Austrian Action Plan on Aid Effectiveness, translating commitments into practice. However, implementation remains trivial due to budget constraints. The government is also keen on consulting CSOs

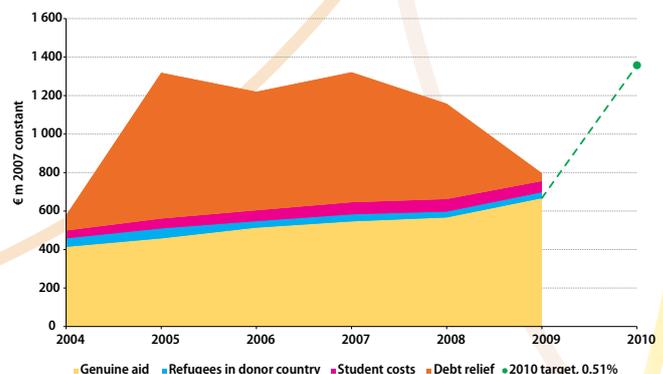
on development issues, but it has yet to be proven (case by case) whether the true purpose is to improve the participation of democratic actors or to legitimise political decisions.

In Copenhagen, the Austrian government pledged €40 m a year for the EU fast-start initiative to tackle climate change in developing countries (2010 - 2012). Detailed information is not yet available, but Austrian NGOs are concerned about the source of these funds. According to the agreement reached in Copenhagen the fast-start money should be made additional to existing ODA commitments. Moreover, national NGOs would like the government to abide by the policy outlined in the "Strategic guidelines for environment and development" and to focus climate finance on disaster prevention and community based adaptation, in particular in Africa.

## Austrian NGOs call on their government to:

- Stop breaking promises and adopt a legally binding timetable for increases in the core aid budget to fulfil ODA commitments by 2015.
- Develop a whole-of-government white paper with a clear strategy for development cooperation and clarify what Austria really can contribute to the Paris Declaration.
- Define consultation mechanisms in order to increase participation and make sure political decisions reflect the input provided by CSOs, demonstrating the added value of these processes.
- Improve transparency by ensuring that ODA information is available in detail and provided in a timely manner.
- Make climate finance additional to existing ODA commitments, align funding with the policy strategy outlined in the "Strategic guidelines for environment and development", and focus climate finance on disaster prevention and adaptation.

**Austria's genuine and inflated aid**



Organisations consulted: GLOBALE VERANTWORTUNG –Austrian Platform for Development and Humanitarian Aid; KOO- Co-ordination office of the Austrian Episcopal Conference for International Development and Mission; OEFSE- Austrian Research Foundation for International Development

"For Belgium, this summit [the MDG summit in September 2010] must sound the alarm that the MDGs will not be achieved without substantially greater efforts. More development aid will be necessary; the 0.7% standard which Belgium will achieve [according to budgeted aid levels for 2010] is a reference."

Charles Michel, Minister for Development Cooperation, February 2010



# Belgium

**Will Belgium achieve the 2010 target according to the budgeted aid levels? Yes**

**Will Belgium achieve the 2010 target without inflating its aid? No**

The Belgian government is committed to meet the 0.7% target. In 2009, aid increased to 0.55% of GNI, up from 0.48% in 2008. This is a big step forward, mainly due to increases in real aid budgets allocated to the Ministry of Development Cooperation. But a significant effort is still required to reach the 0.7% target. In 2009, inflated aid was €163m. Once this figure is discounted, Belgian ODA decreases to 0.50%, of GNI, still the highest result ever for Belgium. The 2010 budget suggests that even if the government manages to reach the 0.7% target, inflated aid, in the form of massive debt cancellation, will make up a large proportion of this amount.

## • Aid quality

The Belgian Law on International Cooperation of 1999 recognises the "equality of rights and opportunities for men and women" as a cross-cutting issue. The strategy favoured by the government is to mainstream gender equality in development programmes. ODA addresses gender inequality at 3 levels: political (gender as part of the political dialogue), technical (gender in bilateral aid) and institutional (staff empowerment). In order to monitor gender spending, the government uses the gender policy marker of the OECD DAC. According to this marker, 3% of total ODA was used for specific gender actions in 2008 and 57% of total ODA was tagged as "contributing" to gender equality.

The dialogue between the Belgian government and national NGOs has increased over the last years. In May 2009, an agreement on how to further improve Belgian development cooperation was reached between the minister of Development Cooperation and national NGOs. According to the NGOs, a first discussion paper from the government in the run up to the agreement had a narrow focus on aid effectiveness in terms of aligning NGOs with Belgium's bilateral aid. Therefore, the NGOs insisted that the scope of the agreement be broadened to include the quality of development cooperation. The agreement now includes government commitments -for instance on policy coherence- and NGO commitments on how to increase their effectiveness, and recognises NGOs as independent development actors. While dialogue on the implementation of the agreement continues, it remains unclear whether the increased debate will lead to true and broad dialogue encompassing all development issues.

Currently, there is no specific implementation plan for the Accra Agenda for Action. There is a Plan on Harmonisation and Alignment (2007), but it has not been updated. Greater advances have been

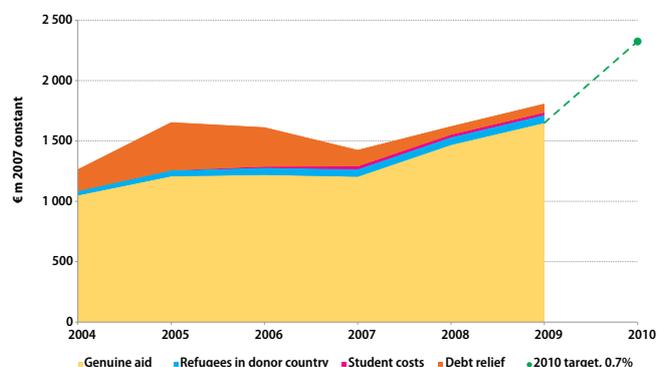
made on predictability as the duration of bilateral aid agreements has been extended from 3 to 4 years. The government is also updating the handbook (Vademecum) on budget support. Currently, Belgium only gives general budget support to Mozambique and uses sector budget support in other countries. Another handbook, on the use of country systems in projects, is being elaborated. These documents will hopefully take the debate on new aid modalities forward.

In principle, the Belgian government has agreed that climate finance should be new and additional to the 0.7% target. However, the first part (approximately €50m for 2010) of the Belgian contribution to the EU's fast-start initiative (amounting to €150m for the period 2010-2012) will stem from the budget increase of the department for development cooperation. This is not in line with the EU's commitments to make climate finance additional, which were made in Copenhagen.

## Belgian NGOs call on their government to:

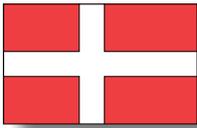
- Reach the 0.7% in 2010 through additional aid allocation during budgetary control, and guarantee that the ODA/GNI level remains above 0.7% in the future.
- Develop specific and long term programmes to ensure greater equality between men and women and improve reporting on gender spending.
- Take forward the debate on policy coherence for development, next to continued efforts on aid effectiveness.
- Provide all climate finance as new money, make it additional to the 0.7%, and channel it through the UNFCCC adaptation and mitigation funds.

## Belgium's genuine and inflated aid



"A global agreement needs to focus on reducing emissions and helping the poorest countries adapt to unavoidable climate change. [...] Funding for efforts in developing countries is also a very important part of an agreement."

Danish Prime Minister, Lars Løkke Rasmussen



# Denmark

**Will Denmark achieve the 2010 target according to the budgeted aid levels? Yes**  
**Will Denmark achieve the 2010 target without inflating its aid? Yes**

With an aid level of 0.88% of GNI in 2009, Denmark remains among the top performing countries in Europe. Between 2008 and 2009 aid increased by 4% in real terms, stressing the country's commitments to development, even in a time of crisis. At the same time, Denmark has decreased its levels of inflated aid to slightly less than 3% of the total aid budget, increasing the share of genuine aid to 0.86% of GNI, up from 0.78% in 2008.

## • Aid quality

Danish development aid generally has a clear focus on creating better living conditions for the world's poor. However, certain aspects of Denmark's current development policy raise serious concerns.

Danish policy on climate aid is characterized by an alarming gap between words and action. The government has repeatedly stressed the need to provide new and additional funding to help developing countries tackle man-made climate change. Despite this, no decision on new funding for climate assistance has been taken to date. Conversely, recent statements from the government indicate significant increases in climate related development aid.

In 2008 a special budgetary allocation for climate change initiatives was created. The allocation will increase annually by €13.5m until 2012 when it will amount to €67m. Denmark thus plans to spend €160m on climate change over a five year period without increasing the level of total ODA. Another indicator of Denmark's increasing expenditures of climate related aid is its aid spending classified under the so called 'Rio marker', which grew by 14% between 2006 and 2008. In 2008 Denmark reported €154m of Rio marked ODA, which is approximately 8% of total Danish development assistance.

During the last decade much effort has been invested in making aid contribute to Denmark's national security. The poverty focus of Denmark's aid may thus be weakened if aid is considered a useful instrument for security policy objectives that are given high priority in certain cases. This approach jeopardises the overall quality of Danish aid. Development assistance is about fighting poverty and the needs of world's poor must never be subordinated to other political aims.

Gender equality is a key priority in Danish aid and is mainstreamed into all development programmes. The Danish government has

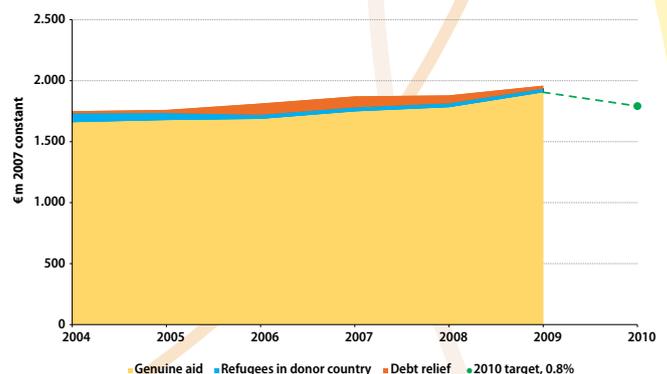
officially stated that it will work to ensure that women's rights are a key issue on the agenda of the MDG Review next September.

Aid transparency in Denmark is generally high. However, consultation with civil society needs to be improved, particularly around the preparation of key documents such as the new Danish development strategy which will be adopted in 2010. The government should be more proactive in involving NGOs and target groups in policy formulation processes.

## Danish NGOs call on their government to:

- Ensure that poverty eradication is the key focus of Danish development aid and that this objective is not subordinated to other political aims.
- Ensure that climate financing is new and additional to ODA and improve budget transparency on climate finance.
- Become an international leader by providing 1% of GNI in genuine aid.
- Continue putting pressure on member states that do not deliver on their ODA targets.
- Maintain the strong focus on gender across all programmes and strategies.
- Improve consultation processes especially with regard to key strategies.

## Denmark's genuine and inflated aid



"What is climate financing and what is aid?  
This is a matter of opinion, to which there is not yet a clear response."

Prime Minister Matti Vanhanen, March 23rd 2010



# Finland

**Will Finland achieve the 2010 target according to the budgeted aid levels? Yes**

**Will Finland achieve the 2010 target without inflating its aid? Yes**

In 2009 Finland provided €924m in aid or 0.54 % of its GNI. The final disbursements were €8 million larger than the total aid budgeted for 2009. Even though the financial crisis had little impact on the 2009 figures, it affected the ODA budget for 2010, and the previously planned €80m increase was cut by €30m.

Together with the official aid figures, Finland reported €27m in refugee costs, bringing down the level of genuine aid to 0.52% of the GNI. Moreover, a record breaking €39m worth of refugee costs have been budgeted for the 2010 budget. NGOs fear that widening the interpretation of ODA criteria (e.g. reporting the costs of asylum seekers that are not granted refugee status) will severely jeopardise the quality of Finnish ODA. If this were to happen a bigger share of refugee costs would make Finland the biggest recipient of its own aid.

## • Aid quality

Last year the Ministry for Foreign Affairs developed a gender toolkit in response to evaluations showing a decline in Finnish support for gender equality. NGOs feel that this concise kit represents a step in the right direction, but is far from being enough. In order to properly include gender in all its development cooperation, Finland should formulate a multi-year strategy on cross-cutting issues.

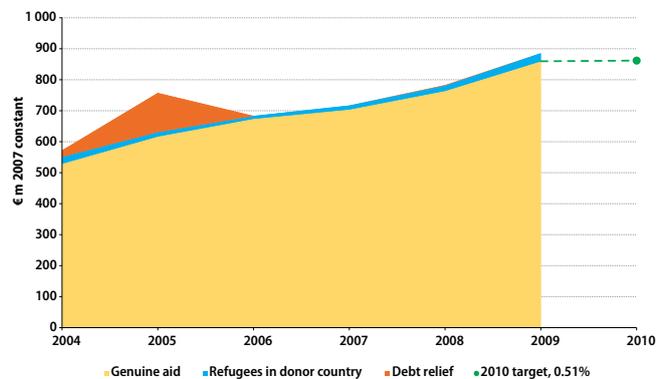
Finland only provides general budget support to three of its main partner countries. The government recently set a maximum annual limit of 25% to general budget support per country. The government is currently focusing on sector aid, with the priority sectors defined in advance. Finnish NGOs are worried that greater emphasis on Finland's priority sectors leaves little room to consider local needs and priorities. This reduces country ownership and has a negative impact on alignment and coordination.

Finland's share of EU's climate finance pledge made in Copenhagen for 2010-2012 is €110m. In its budgetary framework decision in March, the Finnish government decided that most of the climate money will come from its ODA budget. Finnish NGOs have been actively advocating for climate finance to be new and additional to Finland's ODA promises. They now fear that the decision may set a bad example to other European countries.

## Finnish NGOs call on their government to:

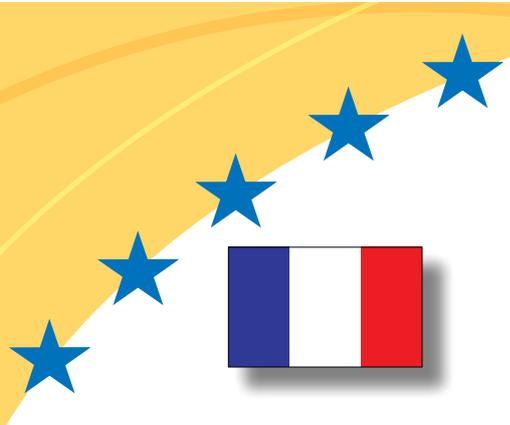
- Raise its ODA level to 0.7 % with steady annual increases in order to fulfil international aid commitments.
- Ensure it does not include a larger share of refugee costs as aid and instead actively promotes the clarification of ODA criteria in the OECD DAC.
- Fulfil its commitment to promote gender as a cross-cutting issue in all development cooperation.
- Base its decisions about sector choices and aid instruments on the needs of each partner country.
- Make climate financing transparent and truly additional to the 0.7 % target.

Finland's genuine and inflated aid



"I would also like to emphasize the need – the absolute necessity – for us to offer our support to the poorer nations. They are the victims of this crisis. Some now face the real risk of seeing their considerable efforts in recent years towards achieving the millennium development goals being completely nullified if we do not show solidarity."

Nicolas Sarkozy, London G20 Summit, April 2009



# France

**Will France achieve the 2010 target according to the budgeted aid levels? No**  
**Will France achieve the 2010 target without inflating its aid? No**

In 2009, France increased its ODA by 17%, reaching 0.46% of its GNI. Despite the significant increase, France still remains far from its 2010 target (0.51%). Moreover, official figures conceal €1.6bn in inflated aid, the highest amount among the EU Member States. This figure amounts to 18% of all ODA and, when discounted, shows that genuine aid represents a meagre 0.38% of the GNI. In addition, France has decided to start counting the revenues generated by the air ticket levy as ODA, despite the commitment made in 2006 not to do so. In 2009, €153m from the air ticket levy were reported as ODA.

## • Aid quality

The quality of France's ODA is declining steadily as the country increases the amount of bilateral aid it disburses through loans rather than grants. In 2009, loans have almost tripled - a 178% increase - from €469m in 2008 to €1,306m in 2009. A significant share of these funds is allocated to emerging and middle-income countries. On top of this the French Secretary of State for Cooperation, Alain Joyandet, stated that providing direct assistance to a given country was the best way to maintain the French flag up, as well as the strong influence needed to allow French companies to develop their activities. By the end of 2008, China, Egypt, Indonesia, Morocco and Pakistan represented 34% of ODA loans owned by France. In most cases, these loans have been granted to the benefit of French companies. Statistics available indicate that, in 2008, 51% of markets tenders launched by the Agence Française de Développement (AFD) went to French companies. The good news is that France has been able to keep its multilateral commitments.

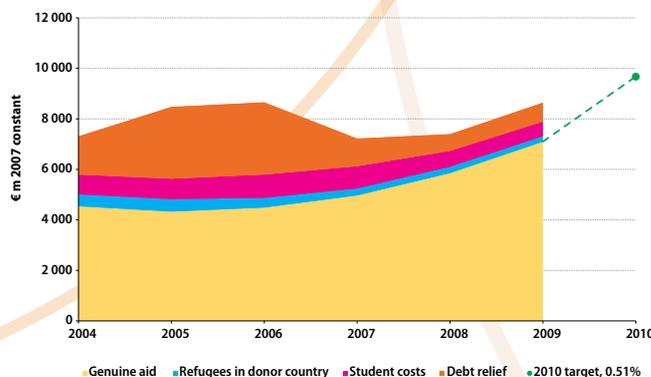
In 2009, there has been some progress on gender issues in France. The main operator of French aid, Agence Française de Développement, has included gender issues in its social and environmental procedures for all its projects. Moreover, a specific project dedicated to the promotion of women as actors of development in West Africa has been initiated; with a parliamentarian being commissioned by the Secretary of State to make recommendations on how to increase the importance of gender issues in development policies. Funding is still lagging behind however. In 2009, France did not have earmarked funds for gender quality and women's empowerment, making it really hard to quantify funds allocated to address these issues, and by extension, to know exactly how much has been done.

Migration is increasingly being mainstreamed into ODA programmes. The Ministry dealing with migration, integration, national identity and 'cooperative' development is reinforcing its influence on French development policy. Migration is systematically mentioned in partnership framework documents (which are negotiated with partner countries and define the priorities of French aid for five years). Moreover, ODA resources are being mobilized in bilateral agreements for the "concerted management of migratory flows and cooperative development". This suggests that, in some cases, development policies are being used for migration control objectives.

## French NGOs call on their government to:

- Ensure that the new strategic framework for development cooperation, which is currently being prepared:
  - has a rights-based approach and focuses on fighting poverty and inequality;
  - incorporates three fundamental (and binding) principles: ownership, participation of all actors and mutual accountability;
  - includes a gender perspective.
- Adopt a programming law setting annual milestones to increase genuine aid in order to meet the 0.7% target by 2015 at the latest.
- Increase funds dedicated to gender equality and women empowerment and adopt OECD markers on gender equality and women empowerment in order to improve the monitoring of existing commitments.

France's genuine and inflated aid



"We will miss the interim target for 2010. The German government sticks to the 2015 target, but it will be a sporting challenge to reach it".

Dirk Niebel, German Development Minister, March 2010



# Germany

**Will Germany achieve the 2010 target according to the budgeted aid levels? No**

**Will Germany achieve the 2010 target without inflating its aid? No**

Official figures show that Germany's ODA contracted by 16% in constant terms and aid levels dropped to 0.35% of GNI in 2009, the lowest level since 2005. When inflated aid is taken into account the picture is even gloomier. Inflated aid, despite a considerable decrease, still represents 9% of ODA flows. This leaves genuine aid levels at 0.32% of the GNI.

These feeble figures show that Germany is consistently failing to pull its weight on aid commitments. The new government has officially announced that it will not meet the 2010 target but that it will stick to its 2015 commitments. However, NGOs remain sceptical, especially in view of Germany's poor performance so far and the lack of a clear and binding timetable showing how the government plans to honour its pledge.

## • Aid quality

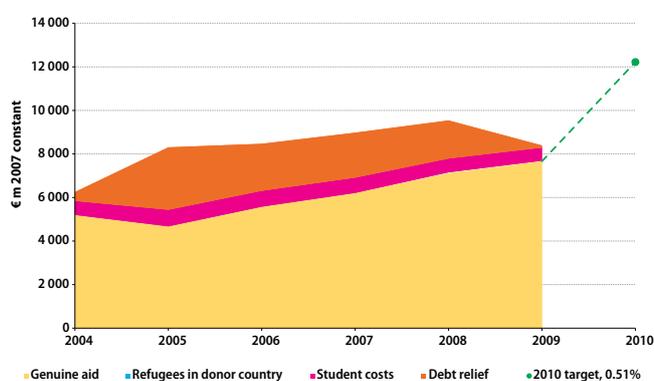
German development assistance has slowly moved its focus to the poorest countries. Support for the least developed countries has increased from €619m EUR in 2008 to €827m in 2009 (50.5% of bilateral commitments). Germany has also continued a gradual shift of priorities towards Africa, with the percentage of funds allocated to Sub-Saharan Africa increasing from 27.7% in 2002 to a scheduled 50.0% in 2009. In comparison, the share of bilateral funds targeting Mediterranean countries, the Middle East and Latin America has decreased. However, this positive change is not reflected in the country's top recipients, which are still headed by Afghanistan, Serbia, Egypt, India and China, only Afghanistan being a LDC. The list suggests that economic, political and security issues still play a vital role when it comes to aid allocation.

The new government has not taken any special action to promote gender equality within development cooperation and it is not clear whether gender issues will have priority under the new minister. However, the coalition agreement does not even mention gender as an issue of development cooperation, although the existing gender framework, consisting of the Gender Strategy for Development Cooperation and the more specific Gender Action Plan for 2009–2012, is still in place. Both documents follow a two-pronged approach: gender mainstreaming and women's empowerment. Moreover, implementing organisations do not consistently use gender based indicators to plan, monitor and evaluate the development programmes. There are no funds earmarked to promote gender equality and women's empowerment.

## German NGOs call on their government to:

- Regain credibility by approving a binding timetable to raise German ODA as a percentage of GNI in line with EU and national aid targets
- Implement, in addition to existing commitments, innovative financing instruments – such as a financial transaction tax (FTT). At least half of the revenues from such a tax should be used towards mitigation of and adaption to climate change and development related objectives
- Implement the national "Gender Action Plan" for development cooperation to its full extent with the goal of achieving "gender justice"
- Increase transparency, especially on the aid budget cycle, aid flows and evaluation of aid projects and programmes
- Provide development assistance according to poverty reduction goals and ensure that no peacekeeping expenditures are reported as ODA in the future
- Increase international tax co-operation with a view to eliminating cross-border tax evasion and capital flight in order to mobilise much-needed domestic resources for development
- Implement its commitment to "work towards the creation of an international sovereign insolvency framework" through dialogue with potential beneficiary governments and their regional inter-governmental bodies
- In the context of the "aid effectiveness framework", throw its weight behind more democratic accountability to help governments, Parliaments and civil society to be more effective in development rather than predominantly emphasising division of labour.

## Germany's genuine and inflated aid



"Today we are trying to straighten out our priorities and the way we provide aid in order for it to be more effective and our citizens to be more informed [...]. We believe that this is an important sector of the Foreign Ministry's work and it is a high priority for us."

Mr. Spyros Kouvelis, Deputy Minister of Foreign Affairs



# Greece

**Will Greece achieve the 2010 target according to the budgeted aid levels? No**  
**Will Greece achieve the 2010 target without inflating its aid? No**

Greece is currently immersed in a deep economic crisis; with 2009 aid figures having been severely cut. Aid in constant terms decreased by 12% compared to 2008. The contraction of the national economy as a result of the crisis has eased the impact of this fall on aid levels: ODA in % of GNI decreased from 0.20% in 2008 to 0.19% in 2009. Alongside the official figures, the government reported €79m on student and refugee costs. When this figure is discounted, genuine aid drops to 0.15% of the GNI.

## • Aid quality

Gender equality is usually relegated to second place in development policies. This is the case even when examining 'gender' projects in the education sector. Although data shows an increase in gender focused aid between 2007 (37%) and 2008 (58%), almost all the projects screened did not target women. In addition, Greece does not support any women rights organisations.

The Balkans remain one of the main focus of Greek development policy, as are other geographical areas where Greece has geopolitical interests. Albania still gets the biggest proportion of the aid budget, with Serbia and Afghanistan following right after. With the exception of Afghanistan, none of the top ten recipient countries of Greek aid belong either to the group of Least Developed Countries, or to sub-Saharan Africa. Focusing development funds on poverty reduction remains a major challenge in Greece. ODA is seen as a political tool, rather than a means to achieving the MDGs and reduce poverty. Moreover, the type of projects that receive funding is often defined by political criteria. It is urgent that the government assesses and updates its development strategy to align with poverty reduction goals and increasing effectiveness.

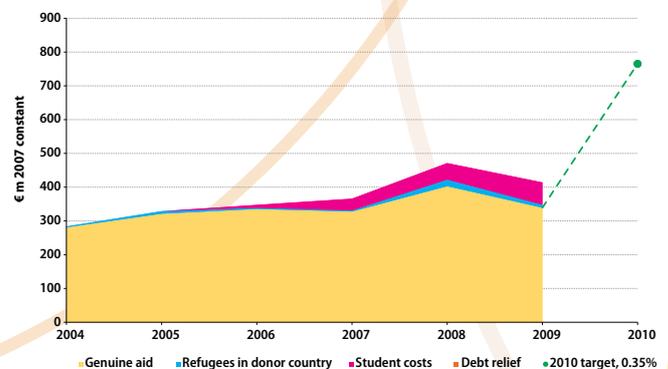
To date, Greece has been unable to put in place any basic accountability mechanisms for development assistance. The main problem faced by all actors supposed to hold the government to account is the lack of transparency. The information provided proactively (i.e. through the internet) is completely out of date and very limited. Most times national NGOs have to spend an incredible amount of time and effort looking for the information without any guarantees of success. This is a clear obstacle to make progress in the aid effectiveness agenda and democratic ownership, but more importantly, it is clearly challenging the existing law on access to information.

Greek tied aid amounts to a total share of 62%, one of the highest levels amongst EU donors. The biggest part of this goes towards emergency/humanitarian/food security projects. This is one of biggest challenges amongst Greek ODA quality problems and probably the most difficult to address, as it involves opaque agreements with the Greek business sector. The government is strongly backing this policy and is not showing any intention of changing this practice in the near future.

## Greek NGOs call on their government to:

- Design and implement a solid women's empowerment strategy. Women focused projects should be screened against gender indicators.
- Improve transparency on development issues by implementing an open information policy and establishing consultation processes with CSOs.
- Improve poverty focus, stop inflating the aid budget and deliver a fair share to the least developed countries. Similarly, all projects should be screened against poverty eradication indicators.
- Make primary education a development priority as it has been proved that education is a key factor in poverty eradication. Effective tools for the funding of projects, such as the Fast Track Initiative, should be used.
- Fully untie its aid and comply with OECD DAC recommendations for aid untying.

## Greece's genuine and inflated aid



Organisations consulted: ActionAid, Hellenic Committee of Development NGOs (Concord National Platform), Greek Coalition Against Poverty (GCAP)

"We do not need to make further pledges if we just deliver on what we have already promised. The commitments and the know-how are already there. It is the political will and action that will make the difference."

An Taoiseach Brian Cowen, September 2008



# Ireland

**Will Ireland achieve the 2010 target according to the budgeted aid levels? No, and it has now dropped that target**  
**Will Ireland achieve the 2010 target without inflating its aid? No**

In 2009, Government cuts meant that Ireland's ODA was €203m less than in 2008, undermining recent progress towards the national commitment to reach 0.7% of GNI by 2012. At 0.59% (€921m) in 2008, Ireland was on track towards meeting its own interim target of 0.6% by 2010. However, devastating budget cuts in 2009 brought Irish ODA down to 0.54% of GNI (€718m), ensuring that Ireland would miss its 0.6% target for 2010. In December 2009, the government cut a further €25m from the 2010 aid budget. In addition, it postponed its target date for achieving 0.7%, this time from 2012 to 2015, with a conservatively estimated loss of €750m in ODA between now and 2015. The Government has suggested that it intends to stabilise ODA at around 0.52% of GNI in 2010. On current projections, it is likely to achieve that.

## Aid quality

Gender equality continues to be enunciated as a key issue for Ireland's development programme. Irish Aid has a gender policy and strategy, published in 2004. A light reflection was conducted in late 2009, with some limited civil society input, in place of a policy evaluation due in 2007. This will inform an action plan, expected in 2010. Irish Aid's annual report shows only a small percentage of spending reported as gender expenditure, but the real spending is known to be higher. Ireland has begun using the OECD DAC gender marker, which is due to be integrated into planning from 2010.

In terms of democratic ownership, Irish Aid has recognised the importance of involving Civil Society Organisations, parliaments and other stakeholders in development. There is genuine openness to dialogue with Irish CSOs and good informal contact, if less by way of formalised dialogue structures.

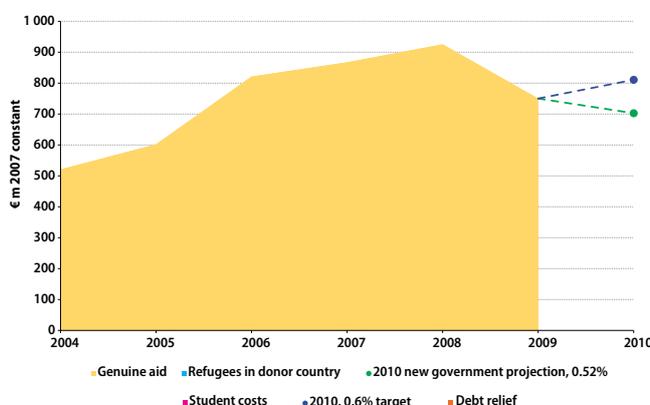
Internationally, Irish Aid has been taking the lead on the OECD's task team on mutual accountability. Ireland has a relatively good record on predictability, although this has been significantly undermined by the major ODA cuts in 2009. Ireland's aid is untied and it is reported as the only EU donor that channels more than half of its aid through programmatic approaches, although its percentage of ODA going through General Budget Support is low, at 3.7% of bilateral aid in 2008. Ireland's position on economic policy conditions imposed through multi-donor arrangements is unclear: some clarification is foreseen in an anticipated debt policy and Ireland's action plan on the Accra Agenda for Action.

Ireland reports very little climate finance as ODA through the OECD (1.51% in 2008). Regarding additionality, the development minister stated in November 2009 that, "as far as possible [...] funding commitments arising from the current climate change negotiations should be separate and additional to existing ODA commitments." However, in pledging €100m for fast start climate finance in December, An Taoiseach (the Prime Minister) said the Government had made no decision on whether it will be additional to ODA commitments. The position remains unclear.

## Irish NGOs call on their government to:

- Set out annual binding targets to reach Ireland's commitment of spending a minimum 0.7% of GNI on ODA by 2015 at the latest, and legislate for that minimum 0.7% contribution.
- Ensure adequate mechanisms are put in place across Government for dialogue with Irish and Southern CSOs on Ireland's development-related policies and strategies, and develop transparent systems to ensure national CSOs can participate meaningfully in development processes.
- Clearly set out Ireland's position on policy conditionality, promote an end to the practice by the IFIs, and promote the development of internationally binding, fair and responsible financing standards.
- Officially commit to ensuring that Ireland's contributions to climate finance are entirely additional to its commitment of a minimum 0.7% ODA/GNI.

## Ireland's genuine and inflated aid



"Our Finance Minister has promised that we will be back on track to reach our aid commitment in 3 years time"

Silvio Berlusconi, reported by La Stampa, July 7th 2009



# Italy

## Will Italy achieve the 2010 target according to the budgeted aid levels? No Will Italy achieve the 2010 target without inflating its aid? No

In 2009, Italian ODA decreased by 31% compared to 2008 figures and saw ODA levels dropping to 0.16% of GNI, down from 0.22% in 2008. This is the lowest level since 2004 and places Italy in a very difficult situation among its peers, last among the EU-15 and G7 countries, and with aid levels similar to those of the EU-12 countries. Most of this decrease can be explained by significantly smaller amounts of inflated aid, which dropped from €639m in 2008 to €154m in 2009. Nonetheless, 6% of all ODA is still made up of debt cancellation and refugee costs. When discounted, these figures bring the genuine aid level down to 0.15% of GNI.

It is noteworthy that the 0.22% of GNI level reached in 2008 included money donated by citizens to the Catholic Church through their income tax (8‰ of their tax return). The amount reported as ODA consist of the estimated funding for development cooperation provided by the church in Italy. Reporting these funds as ODA is questionable as they represent binding allocations in the state budget and the government cannot decide their distribution.

### • Aid quality

The aid effectiveness action plan includes the review of many thematic guidelines that are used within development cooperation, including agriculture, education, poverty, health, democratic ownership, local authorities and environment. Revised health, gender and local authorities' guidelines have already been approved.

The review of the gender guidelines involved representatives from civil society working on gender issues. Compared to previous versions (dating from 1998) the new guidelines address a wider set of issues, incorporate priorities in the new aid effectiveness context and include clearer areas of action. What is still unclear is the section dealing with monitoring and evaluation, as it fails to provide clear deadlines and performance indicators. This is a common shortcoming of the newly updated thematic guidelines.

Consultation with CSOs is improving as the process becomes more structured and comments have started being taken into account, especially when it comes to amending official drafts. There is also an official proposal to set up a permanent official observatory made up of civil society organisations, which would screen all development strategies proposed by the ministry.

Southern CSOs cannot be funded directly under Italian development cooperation and they are not generally involved when the ministry prepares country strategies. The new country strategy guidelines,

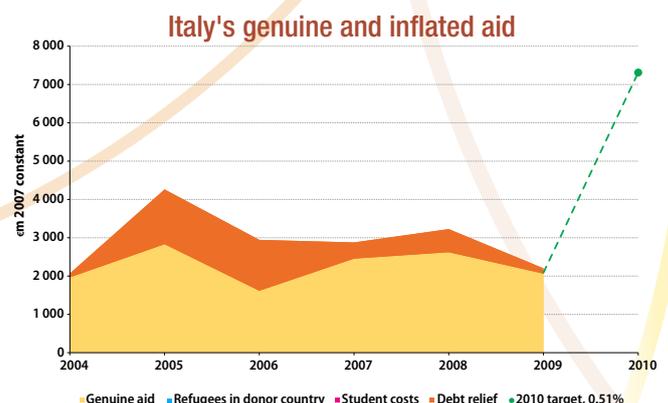
however, ask country offices to consult local CSOs. Despite these advances on CSOs involvement and the Italian commitment to foster democratic ownership, according to the 2009 DAC peer review, Italian ODA channelled through CSOs in 2009 (2%), is far below the DAC average (7%) and is likely to decrease in the future.

On the positive side, the government approved an AAA implementation plan in July 2009. The document was agreed after six months of intense consultation within headquarters and Italian civil society. The AAA plan consists of 26 actions, including deadlines and clear administrative responsibility. The reform timetable is ambitious but many deadlines have already been missed or postponed.

Italy has officially adopted the 2008 DAC recommendations for extending untied aid to the HIPC. Yet, as the DAC peer review states, it is not clear how Italy will implement the Accra commitment on further untying. In addition, the Italian aid effectiveness plan mentioned above lacks ambition when it comes to untied aid. The main constraint for further progress is that legal provisions still commit the government to taking advantage of Italian goods and services for concessional loans. In spite of this, the situation has improved over the last year and Italy is now pushing for local procurement.

### Italian NGOs call on their government to:

- Produce a binding ODA realignment plan, singling out financial resources for each year.
- Commit at a high level to annually assess all the actions included in the gender guidelines.
- Post all the documents, including bilateral cooperation memorandums of understanding, on the internet.
- Bring ODA channelled through CSOs in line with the DAC average.
- Make consultation with southern CSOs compulsory.
- Further untie its aid, especially food aid and concessional loans.



Organisations consulted: ActionAid in collaboration with Italian platforms AOI, CINI and LINK 2007

"The complexity of the problems that we need to solve does not allow us to stay in our respective corners anymore, each of us inventing our own part of the truth."

Marie-Josée Jacobs, Minister for Development Cooperation and Humanitarian Action



# Luxembourg

**Will Luxembourg achieve the 2010 target according to the budgeted aid levels? Yes**

**Will Luxembourg achieve the 2010 target without inflating its aid? Yes**

## • Aid quantity

Luxembourg has reached the 1% of GNI goal one year ahead of schedule and it continues to head, together with Sweden, the rank of European donors. However, the progress recorded since 2008, when Luxembourg provided 0.92% of its GNI in ODA, was mainly due to the drop of GNI during the economic crisis and not to a serious increase of ODA money, which in constant terms, grew by 2% only. On aid inflation and tied aid Luxembourg has a very positive record. Having said that, national NGOs are concerned because the government seems to be willing to use ODA money to fund its climate responsibilities, and fear that climate change may become an exception in the near future.

## • Aid quality

In 2009, the government released 10 sector strategy papers in reaction to the recommendations made in an OECD DAC Peer Review conducted in 2008. After consultation with different partners, the gender strategy paper was the first one to be reviewed. This suggests that the development ministry considers gender as a priority. Moreover, it looks like progress is being made in integrating gender issues in development policies and projects/programmes. The establishment of an operational plan of action for the period 2010-2012 by a ministerial working group is the next step announced. This will allow the development of concrete measures, tools, goals and markers in order to push forward gender concerns. In theory this progress is positive, but it remains to be seen whether all these initiatives will successfully be translated into practice.

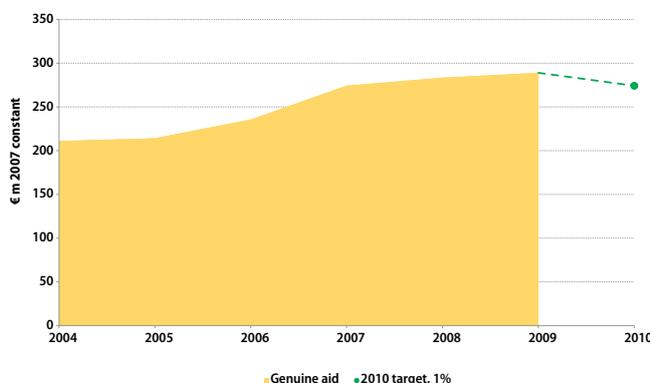
Progress on democratic ownership is being driven by the pressure exerted by national CSOs, and little by little, results are being achieved. In general the government still tends to consider CSOs as "implementing agencies" rather than "independent development stakeholders". This point is also confirmed by the fact that in 2010 the budget for development education, awareness raising and advocacy work represented only 0.68% of all ODA.

Luxembourg does not currently screen ODA projects against the "Rio Markers", but it has plans to do so in the future together with the new climate adaptation marker. Luxembourg has so far not been proactive in international climate financing talks, but in general the government considers that, given the high levels of ODA delivered, it can be flexible when it comes to climate finance.

## Luxembourger NGOs call on their government to:

- Keep ODA above 1% of GNI and ensure that the absolute amount of ODA does not drop, independently of changes in the GNI.
- Not to use the positive record in ODA commitments to escape responsibility in climate financing. Avoid double-counting of funding as ODA and UNFCCC funding and give a clear public definition of their understanding of additional finance.
- Broaden the range of projects and programmes to which the gender marker is applied.
- Treat development NGOs as "independent development stakeholders" and facilitate the integration of "southern" CSOs in the establishment of the "Programme Indicatif de Coopération".
- Revise the national development cooperation bill in order to include further transparency obligations.
- Improve development education and awareness raising by increasing the share of ODA spent on these areas to at least 2% of ODA. Improve development awareness among citizens. One option could be to establish, in collaboration with CSOs, a Public Transparency Desk which the population could turn to.

## Luxembourg's genuine and inflated aid



"Some of the investments in social sectors may in the long term contribute to development, but the impact is very indirect. [...] [Official aid] should focus more on development. Economic growth in particular should be part of that [...]. This also implies that 'direct poverty alleviation' can no longer be a 'mantra' and the poor shouldn't necessarily always be the direct beneficiaries of aid – building the middle class is key to development."

Dutch Scientific Council to the Government, report "Less pretention, more ambition"



# the Netherlands

Will the Netherlands achieve the 2010 target according to the budgeted aid levels? **Yes**

Will the Netherlands achieve the 2010 target without inflating its aid? **Yes**

## • Aid quantity

In 2009, the Netherlands spent 0.82% of the GNI on ODA, up from 0.80% in 2008. Aid in constant terms, however, decreased as a result of the crisis by €216m. The Netherlands is showing true commitment to the 0.80% of GNI target it set itself for 2010. Yet, inflated aid increased over the last year, reaching €281m, most of it refugee costs. This means that in reality, the Netherlands provided 0.77% of its GNI in aid and the country is still slightly short of meeting its commitments with genuine aid resources.

## • Aid quality

Gender is one of the key pillars of Dutch development cooperation and NGOs consider that the government's gender development policy is grounded on good gender analysis. The government provides specific funds for gender equality and women's empowerment, and in 2009, the budget for this amounted to €47.7m. In spite of the fact that Dutch aid spending will decline by about 12% in 2010 (as a result of declining GNI), spending on gender will increase slightly to €48.5m in 2010. The government, however, does not include gender indicators in its development programmes. Besides gender, sexual and reproductive health and rights is a priority in Dutch development policy and the money spent on these areas of work increased from €162m to €199m in 2009.

The Dutch government frequently underlines the need for aid to be demand driven and for recipient countries to own their national development process. The government understands the need for democratic ownership. Investing in strengthening civil society and national parliaments in recipient countries is considered important, as a way to strengthen domestic accountability processes. Nonetheless, the government has been criticised by the Parliament in the Netherlands and by Dutch NGOs for not genuinely implementing the concept of democratic ownership and it is felt the government could do much more in this area.

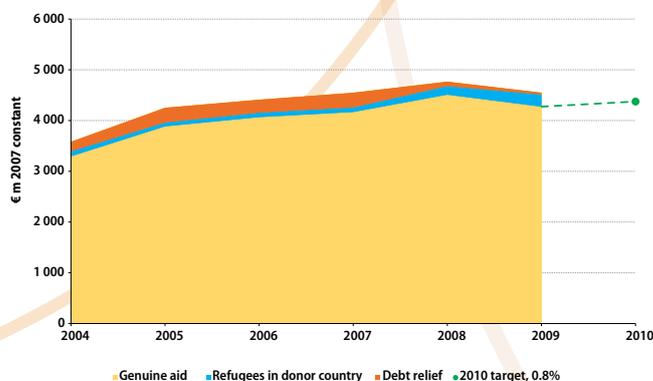
In January 2010, the Dutch scientific council to the government produced a report on development co-operation, which has generated a lot of debate and which will have a large impact on the future design of Dutch development policies. While the report includes many valuable insights and recommendations, in some areas it makes unwise recommendations. A key recommendation of the report is for Dutch

development aid to focus on economic growth and development instead of investing in health and education, as this would be the way to make people and countries self-reliant. Granted, economic growth is key to development, and investing in economic development – and in particular small scale livelihoods – is vital. But, first of all, growth will not help to reduce poverty unless it goes hand in hand with equality, and this is where a strong civil society can make a difference. And secondly, economic growth requires healthy and educated citizens: investing in health and education therefore remains crucial. Focusing just on economic growth therefore does not make sense. Investing in social development and investing in a strong civil society is just as important.

## Dutch NGOs call on their government to:

- Continue to show leadership, both political and financial, to protect women's rights, especially sexual and reproductive rights and gender equality.
- To allocate ambitious and predictable funding to the operational capacity of the new UN women's agency so it can have a long-term impact at the country level.
- Continue to invest in social development and a strong (Southern) civil society.
- Make further efforts to improve democratic ownership.

## the Netherlands's genuine and inflated aid



“Because of an unusual 2010 year, with a national budget only approved in April, Portugal will have to accelerate its Development Aid effort in 2011 and 2012. [...] Our International commitments did not evaporate just because we have a national context different from what we expected. We will have to intensify our efforts in the next two years.”

João Gomes Cravinho, Secretary of State for Foreign Affairs and Cooperation



# Portugal

**Will Portugal achieve the 2010 target according to the budgeted aid levels? No**

**Will Portugal achieve the 2010 target without inflating its aid? No**

In 2009, Portugal cut development assistance to 0.23% of GNI, compared to 0.27% in 2008. In constant terms this implies a 16% drop in aid spending. In addition, our calculations show that Portugal still inflated its aid with almost €30m in student costs. This takes genuine aid levels down to 0.21% of GNI.

Given the lack of progress recorded over the last few years, it is now clear that Portugal will fail to meet its 0.51% individual target in 2010. It is much more likely that, together with Italy and Greece, Portugal will remain among the worst performers in the EU-15.

## • Aid quality

Over the last year, there has not been much progress on the role of gender equality and women empowerment in development assistance. Portugal still lacks a gender strategy for development cooperation and the existing gender-related indicators have little relevance in the overall framework.

Information about Portugal's ODA is only accessible through the Portuguese Development Cooperation Agency's website, where the data available is the same as recorded in the OECD database. This means that more detailed data, such as country-specific information, is hard to find. In addition, part of the national ODA budget is difficult to monitor as it is allocated without regard for standard procedures and also based on criteria not always coherent with development policies. The Portuguese Government has not yet joined the International Aid Transparency Initiative (IATI), therefore missing an opportunity to improve transparency levels.

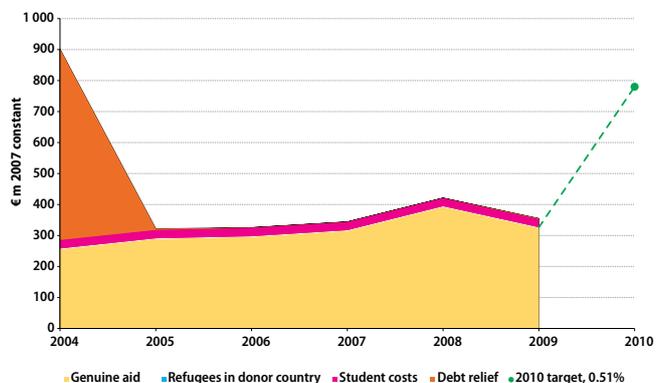
More significant progress has been made in the implementation of the aid effectiveness agenda. Since 2006, Portugal has implemented a number of action plans based on the Paris Declaration and, subsequently, the Accra Agenda for Action. Since the first plan was approved, progress has been recorded in more than 50% of the foreseen measures, particularly on alignment and ownership. However, implementing the commitments on harmonisation with other donors and involving actors such as civil society in the definition and implementation of cooperation programmes has proved a challenge. On the latter issue, some steps have been taken in consulting CSOs, for example through a "Cooperation Forum", and their capacity to make meaningful contributions to the elaboration of some strategies. Nonetheless, CSOs are not consulted in the elaboration and negotiation of the bilateral Portuguese Cooperation Programmes.

Despite the international commitments to untie aid, this has become a major concern in recent years. A large share of Portuguese ODA is now tied. In 2008, untied aid only accounted for 29% of its bilateral aid, down from 58% in 2007. This problem is a result of an increased linkage between development cooperation and internationalisation of the national economy. Clear examples of this can be seen in development projects in countries such as Morocco and Cape Verde being awarded to Portuguese private companies. Very recently, these two countries were awarded concessional credit lines, of €400m and €200m respectively, to be spent on development projects. These credits lines were awarded on the condition that all projects are executed by Portuguese companies.

## Portuguese NGOs call on their government to:

- Translate the internal discussions about gender issues into practice by mainstreaming gender in the external cooperation programmes.
- Improve the transparency of Portuguese ODA. Join the International Aid Transparency Initiative.
- Reinforce the instruments available to conduct independent assessments of development assistance.
- Conduct consultation with national and local NGOs when defining Official Cooperation Programmes, building on the recognition of the role and autonomy of NGOs in development cooperation.
- Undertake coherent and sustainable measures to eliminate tied aid. The Portuguese Government should not continue to mix national economic objectives, such as a strong and internationalised national economy, with the principles underlying ODA.

## Portugal's genuine and inflated aid





# Spain

**Will Spain achieve the 2010 target according to the budgeted aid levels? No**  
**Will Spain achieve the 2010 target without inflating its aid? No**

According to official figures, Spanish ODA increased from 0.45% of its GNI in 2008 to 0.46% in 2009, but failed to achieve 0.5% as budgeted. Despite this, aid contracted slightly in constant terms as a result of the impact of the crisis on the national economy. In 2009 debt cancellation and student and refugee costs represented 3.5% of the total aid budget, down from 5% in 2008, meaning that genuine aid actually increased in 2009.

Spain has just announced ODA cuts in 2010, confirming that Spain will not achieve its commitments, neither the 0.51% target by 2010, or the 0.7% target by 2012 as promised in the Pact of State against Poverty. The government has therefore announced the need to reschedule its 0.7% commitment. Spanish NGOs stress the need to adopt legally binding legislation and a realistic and verifiable national ODA action plan, establishing a 'credible timetable' to achieve the 0.7% target. The time is right to review and stop counting as ODA some expenses which do not benefit the most vulnerable or contribute to the fight against poverty.

## • Aid quality

The III Master Plan 2009-2010 sets out Spain's gender strategy for development cooperation. Spanish ODA should be based on, and remain consistent with, this strategy. There are some issues yet to be addressed when it comes to its implementation, however. The main obstacles include the lack of information and the inadequate existing gender-based indicators to evaluate gender in development programmes. Regarding gender budgeting, the government allocated 9% of ODA to promote gender equality, but that is still far from the 15% target stated in the Gender Equality Plan.

Transparency has improved over the last year. Some improvements are set out in the III Master Plan such as bilateral association agreements, the establishment of a service sector, multilateral management and the creation of a planning and quality unit, although some of these are yet to be implemented. We still find shortcomings, however, for example, it is difficult to find a detailed budget breakdown by recipient country; and ODA data does not provide much time for participation with civil society. The quality of the process of consultations for the large number of strategic documents is undermined by the limited time allowed for external inputs.

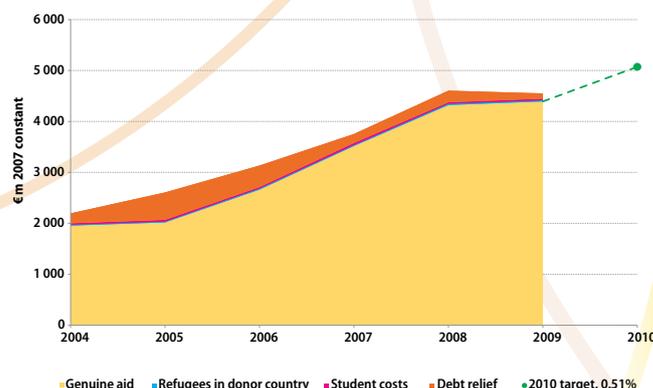
In the framework of the EU Presidency, Spain pledged to set the promotion of transparent accountability as an aid effectiveness priority, as well as to lead the European debate on aid fragmentation. The government plans to establish an information exchange mechanism about European donors moving in and out of partner countries.

According to this framework and the Code of conduct on division of labour, Spain is leading the coordination of a process of division of labour in Bolivia and, together with other countries, the European aid effort in Haiti. Nonetheless, it is also worth noting that Spain faces specific internal coordination problems as a result of the multiplicity of both public (decentralised cooperation) and private actors. As a consequence, it remains to be seen whether the government can improve coordination or not.

## Spanish NGOs call on their government to:

- Publish a realistic and verifiable national ODA action plan establishing a 'credible timetable' towards achieving 0.7% and adopt national legislation on the 0.7% aid target.
- Ensure that the cuts in the ODA budget will not affect the poorest countries, basic social services or aid quality.
- Promote effective measures to generate additional resources and introduce new sources of financing for development, in addition to ODA.
- Reinforce capacity within the authorities directly responsible for Spanish cooperation in order to improve the aid effectiveness and management of Spanish aid.
- Consider the possibility of redistributing roles and tasks from the central to local offices of the Spanish Development Agency, empowering their capacity for decision making, autonomy and dialogue with other stakeholders (donors, civil society, etc.).
- Improve accountability by making aid more transparent, providing information regarding the execution and performance of ODA on a regular basis and evaluating the results of Spanish cooperation.
- Disclose comprehensive ODA information and make it accessible, ensuring enough time for civil society's participation.
- Reinforce human resources and build capacity within AECID in order to improve gender focus and create the tools for gender mainstreaming into ODA as a whole.

## Spain's genuine and inflated aid



"The government has protected Swedish development assistance even during the financial crisis. More countries should follow the example of Sweden and increase their aid effectiveness, keep their promises and take global responsibility"

Gunilla Carlsson, Minister for Development Cooperation



# Sweden

**Will Sweden achieve the 2010 target according to the budgeted aid levels? Yes**

**Will Sweden achieve the 2010 target without inflating its aid? Unlikely**

In 2009, Sweden reached the 1% target, spending 1.12% of GNI on ODA, which is an increase from the 0.98 % provided last year. There is a commitment to maintain the ODA level at 1% in the future. Sweden continues to include refugee costs in the ODA budget, which when discounted see Sweden's aid levels dropping to 1.04% of GNI.

## • Aid quality

In 2009, the Swedish government announced it will allocate €400m of the aid budget for climate financing over the period 2009–2012. By using the aid budget, Sweden has not respected the principle of additionality in accordance with the Kyoto Protocol. During its EU Presidency, Sweden did not push for additionality to be part of the EU position ahead of the COP 15, unlike the UK and the Netherlands. Some of the climate finance has been allocated to World Bank funds and there is concern that this circumvents the UN Framework Convention on Climate Change (UNFCCC). The government has a goal to mainstream gender throughout its policies, but there is little evidence that this has been the case with climate change strategies and plans. Gender and climate are two priority areas for Swedish development cooperation but the link between them has so far been weak.

Sweden predominantly funds programs on Sexual and Reproductive Health and Rights through UN bodies. Although the UN is doing important work on maternal health and combating HIV/AIDS, they do not tackle issues prioritised in Swedish policy such as safe and legal abortion and Lesbian, Gay, Bisexual and Transgender (LGBT) rights.

In the past, poverty eradication was the overarching goal for all Swedish ODA. Since 2008 there is, however, a separate budget line for reform cooperation with Eastern Europe. The OECD-DAC peer review of 2009 notes that this budget line has EU enlargement as its objective, and that it targets "countries not among the poorest, nor is Swedish aid targeting the poorest in these countries". Another aid trend is the increased focus on the private sector. The private sector clearly has a role in development. It is however unclear if the requirements are the same in terms of showing results on poverty eradication. Independent evaluations show weak or no link between the present instruments for private sector investments and poverty reduction.

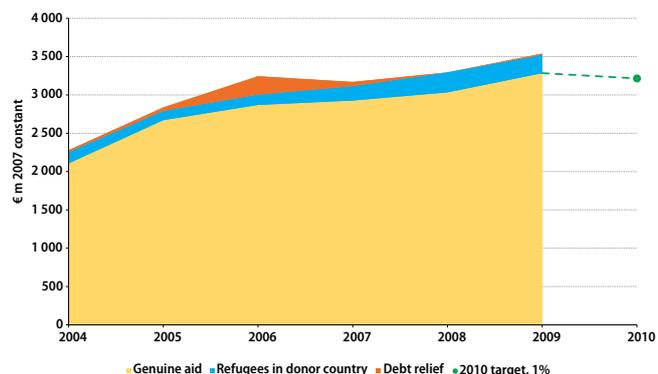
Sweden is committed to implementing the Accra Agenda for Action, and has delivered a positive response regarding the need to change the character and number of conditions in order to increase country

ownership. At the same time, however, there are worrying trends towards limiting the domestic democratic ownership and reducing the role of national CSOs to subcontractors of ODA. For instance, the nearly 60% cut made on the budget for information and advocacy allocation constitutes a negative shift from the strong tradition of ensuring civil society participation in the public debate.

## Swedish NGOs call on their government to:

- Stop counting refugee costs and debt cancellation as ODA.
- Make all climate financing additional to the 1% target, channel climate finance through funds managed by the UNFCCC, and ensure a gender perspective in all climate change policies.
- Ensure sufficient funding for safe abortion and LGBT rights, that are not addressed by the UN.
- Ensure all ODA is poverty focus and that this applies to all programmes including Eastern Europe and all stakeholders including the private sector.
- Encourage CSOs to act as watchdogs and take an active part in the Swedish development debate.

## Sweden's genuine and inflated aid



Organisations consulted: The following members of CONCORD Sweden: ActionAid Sweden; Africa Groups of Sweden; Church of Sweden; Diakonia; Forum Syd; IPPF Swedish Member Association RFSU; Plan Sweden; Swedish Mission Council

"We will introduce legislation to commit future UK governments to deliver 0.7% of UK GNI as aid from 2013 onwards."

A commitment of all 3 major UK political parties in their 2010 election manifestos.



# United Kingdom

**Will the UK achieve the 2010 target according to the budgeted aid levels? Yes**  
**Will the UK achieve the 2010 target without inflating its aid? Yes**

The UK's ODA increased to €8.3 billion in 2009, equivalent to 0.52% of GNI - up from 0.43% in 2008 - and is expected to reach about 0.6% of GNI by end of the financial year 2010/11. Only 0.5% of UK ODA was debt relief in 2009, down from 5.7% in 2008.

The 3 major UK political parties have committed to increasing the UK's aid to 0.7% of GNI by 2013 and to introducing a law that will make delivering at least 0.7% of GNI as aid a legally binding commitment for all future governments from 2013 onwards.

Although 87.5% of UK ODA was delivered by the Department for International Development (DFID) in 2009, this is expected to fall in the coming years. This is a concern as non-DFID ODA is not required by law to focus on poverty reduction like DFID ODA.

In 2009 the UK government disbursed €336m to the World Bank's Climate Investment Funds (CIFs). This spending contributed 4.1% to total UK ODA and is expected to rise.

## • Aid quality

In 2007, DFID launched the Gender Equality Action Plan (GEAP), which aims to guide DFID's efforts to support gender quality in its development programmes to 2011.

Recent assessments of GEAP implementation highlight some advances - change within country programmes and greater engagement of DFID staff - but that progress is fragile and inconsistent across countries and programme areas; there is limited evidence of progress on policy development; and that DFID systems do not yet allow assessment of changes in resource allocations.

The UK government has maintained its leadership of the International Aid Transparency Initiative (IATI) during 2009, and is therefore supporting concrete and ambitious efforts to promote aid transparency globally. However, there have been only limited improvements in DFID transparency during 2009, with the launch of a detailed project information database significantly delayed and conditions applied to the UK's aid not yet public.

The UK government provides more of its aid in the form of budget support than any other donor and is a leading user of program approaches and in-country government systems for delivering aid. It also committed in 2009 to increase the support it provides for accountability work in countries it delivers budget support to a level equivalent to 5% of budget support.

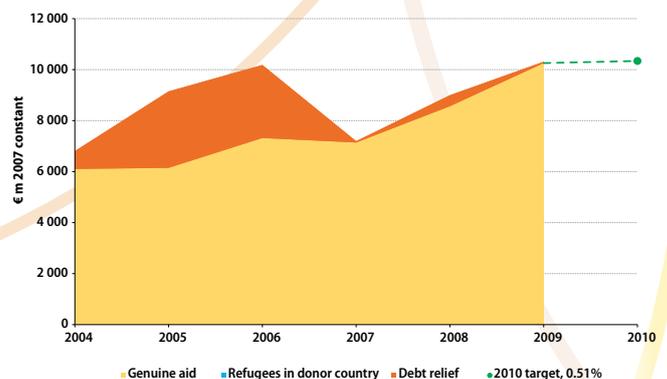
The UK's continued failure to concretely implement its progressive policies and guidance on conditionality, and deliver aid predictably, is undermining its support for democratic accountability.

DFID has failed to carry out any major assessment of its Technical Assistance (TA) in recent years and is not undertaking monitoring of progress in implementing its guidance on TA.

## UK NGOs call on their government to:

- Ensure all UK aid is focussed exclusively on poverty, with clear distinction from UK foreign, security and commercial interests.
- Publish annual aid spending plans to increase aid to 0.7% of UK GNI from 2013 and introduce legislation to protect this commitment into the future.
- Continue the UK's international leadership role on development, including by working to secure an ambitious binding action plan at the September MDG Summit.
- Agree to deliver climate finance on top of the 0.7% aid budget.
- Continue to avoid counting refugee and student related spending in the UK as ODA.
- Take forward ambitious implementation of the Gender Equality Action Plan and make violence against women a development and foreign policy priority.
- Strengthen the democratic accountability and effectiveness of aid by leading IATI to agree a significant increase in the quality and quantity of information published and ensure implementation begins in 2010; making project documents public; ending economic policy conditionality; continuing to scale up budget and programme support; deliver promised increases in spending on accountability; and undertaking a thorough assessment of the effectiveness of its TA.

## United Kingdom's genuine and inflated aid



Organisations consulted: UKAN - UK Aid Network

“Bulgaria’s participation in the EU development policy is a challenge which sets a number of requirements to the country, such as adoption and implementation of EU primary and secondary legislation in the area of development aid and humanitarian aid, building up institutional capacity and adequate participation in the work of EU bodies on development issues in their various formats.”

Bulgaria’s Policy on Participation in International Development Cooperation, Concept Paper, 2007



# Bulgaria

**Will Bulgaria achieve the 2010 target according to the budgeted aid levels? No**

**Will Bulgaria achieve the 2010 target without inflating its aid? No**

Official figures show that Bulgaria is the worst performer among European Member States in terms of aid levels. In 2009, ODA levels remained at 0.04% of GNI, signalling no change compared to 2008. However, this was only possible as a consequence of the crisis, and in constant terms ODA dropped by 13%. Bulgaria has consistently underperformed in comparison with all other European countries and it is clear that the 2010 target will not be met.

## • Aid quality

The draft version of the programme for Bulgarian participation in international development recognises the importance of several subjects in the frame of development policy. The programme integrates cross-cutting issues such as gender, democratisation, and social inclusion of vulnerable groups. Nevertheless, the programme and regulations related to ODA spending still needs to be discussed and adopted by the Council of Ministers. This will be the moment when CSOs will be able to make recommendations for improvement.

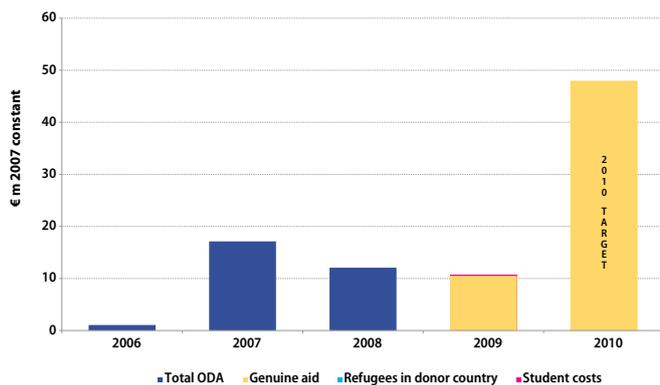
The government does not count climate finance as ODA despite the fact that in 2009 Bulgaria pledged a symbolic amount of €20 000 during the Copenhagen summit. Until 2009, climate related spending was not reported separately – but will be after 2011. The government does not intend to increase the amount of ODA reportable under the OECD “Rio Marker” on climate change.

In general, the government does not consult CSOs on development issues on a regular basis. One of the reasons is limited capacity within the government ranks, but more relevant is the fact that national NGOs are usually perceived as implementing development actors. This is something clearly reflected in the existing drafts of ODA regulations. Nevertheless, CSOs were invited to participate in the drafts mentioned before and made contributions to the process. The parliament, which should play an important role in development issues, is not very active in this field due to lack of awareness and clear idea of the purpose of development assistance. In addition, Bulgarian ODA is provided on an ad-hoc basis and not supported by a clear strategy. As a consequence, there is no interaction with Southern CSOs and ODA flows are unpredictable.

## Bulgarian NGOs call on their government to:

- Elaborate and adopt legal framework for ODA spending. The draft proposal outlining the main framework and procedures in regard to ODA spending has already been elaborated by the MFA in collaboration with other agencies and NGOs.
- Adopt a Mid-term Programme for Bulgarian participation in international cooperation on development. Currently there is a draft version of such a programme elaborated by the MFA. The programme describes the general framework and main directions for work in the targeted countries. The adoption of such a programme should lead to more precise planning of resources for its implementation.
- Regulate the participation of NGOs in the Council on international development in order to achieve greater transparency and legitimacy of the actions undertaken.

## Bulgaria's genuine and inflated aid



"The need to broaden and to enhance international cooperation for improving global development becomes even more important under the conditions of economic recession prevailing in the international community during this period."

Markos Kyprianou, Minister for Foreign Affairs



# Cyprus

**Will Cyprus achieve the 2010 target according to the budgeted aid levels? Yes**  
**Will Cyprus achieve the 2010 target without inflating its aid? No**

In 2009, Cyprus' development assistance remained unchanged at 0.17% of GNI. Cyprus remains one of the two EU-12 country which has managed to meet the 2010 target in advance. Unfortunately, the concerns raised in previous reports about inflated aid have now been confirmed and it is now clear that over 40% of the aid budget consists of non-genuine aid items. Refugee costs represent the lion's share of this amount (€12m) followed by student costs (€0.7m). When both these items are removed, ODA levels drop to 0.10% of the GNI.

## • Aid quality

The Republic of Cyprus supports programmes through the delegated cooperation method. When it comes to selecting the programmes, gender is considered a horizontal issue that needs to be addressed. In addition, the government also makes efforts to channel aid to projects dealing with women's empowerment and gender equality, though there are no earmarked gender funds as such.

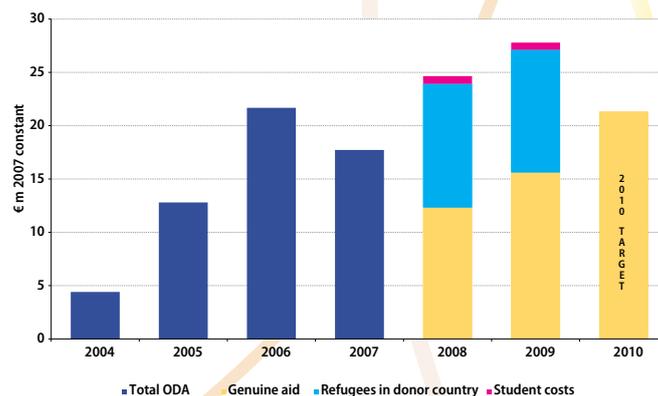
The government has no established channels of communication with either national NGOs or NGOs in recipient countries. The lack of dialogue with national NGOs is partly explained by the fact that national NGOs are seen as neither implementing bodies nor stakeholders in the process of aid distribution. A major obstacle in establishing national NGOs as 'implementing partners' has been the lack of a legal framework for distributing aid through NGOs. There are serious efforts under way to change the legal framework regulating NGOs in order to make them eligible for receiving government funding from Cyprus' development fund. Though this process has been quite slow, the government aims to complete it in 2010. With the completion of this process it is expected that the government will approach NGOs as stakeholders.

Excluding refugee costs, the largest share of Cyprus ODA is made up of the contributions to the EC Development Budget (37.5% in 2008) and other international organisations (4.7%), as well as cooperation with other donors implementing projects in developing countries (4.6%). Cyprus considers this approach as an interim stage during which it develops the know-how required for delivering aid itself. At the same time it considers that until it builds the required know-how this approach benefits the recipient countries since focusing on prematurely building an aid delivery mechanism would diminish aid effectiveness. However, it remains unclear what steps have been taken to develop the capacity of all actors concerned during this interim period.

## Cypriot NGOs call on their government to:

- Meet its ODA target with genuine aid resources.
- Become more proactive about gender equality by earmarking a share of aid funds for this purpose.
- Analyse and assess whether the scholarships offered to students from developing countries are effective and match the needs of the recipient country.
- Establish channels for dialogue with both NGOs in Cyprus and in developing countries.
- Support capacity building projects in order to strengthen the capacity of Cypriot NGOs to undertake development projects.

## Cyprus' genuine and inflated aid



Organisations consulted: Members of the Cypriot NGDO Platform

"I believe that the Senate with its adoption of the Bill on Development Cooperation and Humanitarian Assistance sends an important message, unambiguously confirming that the Czech Republic takes international development cooperation and humanitarian aid seriously, with a long-term perspective, stressing its predictability."

Jan Kohout, Minister of Foreign Affairs, April 21st 2010



# Czech Republic

**Will the Czech Republic achieve the 2010 target according to the budgeted aid levels? No**

**Will the Czech Republic achieve the 2010 target without inflating its aid? Unlikely**

Official figures show that in 2009 the Czech Republic provided 0.12% of its GNI in aid. This is the same level of ODA provided in the last 4 years and confirms the lack of progress towards the 0.17% target. Relative aid levels have not dropped in the last year, which is mainly because of the GNI reduction as a result of the economic crisis. However, in absolute terms ODA has contracted from €173m in 2008 to €161m in 2009.

## • Aid quality

2009 was significant for the Czech Republic as the country held the EU Presidency that year. Despite the fall of the government during the Presidency, the Czech Republic performed well and the visibility and capacities of development cooperation within the MFA were increased. Despite the interruption of the transformation process during the Czech Presidency, the second half of the year was dedicated to the introduction of the Act on Development Cooperation and Humanitarian Aid in the Parliament and to the preparation of the new "Concept on Czech Development Cooperation" 2011–2017 (i.e. development cooperation strategy), including the selection of the new geographic and sector priorities.

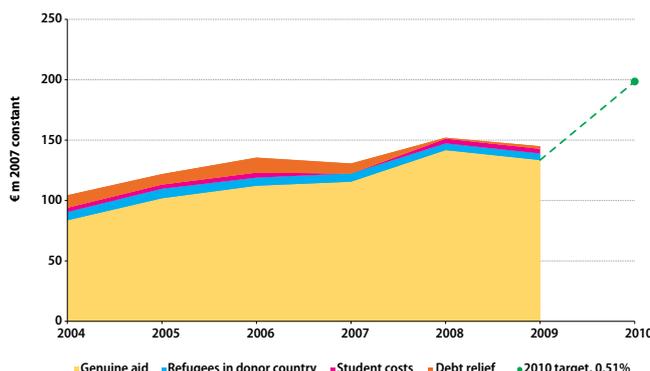
Consultations with Civil Society are now conducted on a more frequent and substantial basis, which demonstrates the increasing role of CSOs in Czech Development Cooperation. Since 2008, FoRS, the Czech platform of NGOs, has observer status in the Czech Council on International Development Cooperation, which is an inter-ministerial advisory body to the MFA. In 2009, FoRS was consulted during the preparation of the two important documents specified above, the Act and the Strategy. Czech NGOs have been highlighting the issue of gender for some time and it has now been included in the new development Strategy as a cross-cutting issue.

Development cooperation continues to be part of Czech Foreign Policy. Some of the current top recipient countries, such as Serbia, Bosnia and Herzegovina or Moldova, demonstrate that existing political and economic relations prevail over socioeconomic or human development indicators when it comes to ODA allocation. From 2011, the government is likely to decrease the number of "programme" countries from 8 to 4 following the recommendations of the OECD and the World Bank. Yet, only one of these countries is a Least Developed Country, Ethiopia, which shows that fighting poverty in the poorest countries is not an important criterion for the government.

## Czech NGOs call on their government to:

- Ensure steady increases in absolute and relative ODA numbers, and binding schedules for achieving the ODA targets.
- Increase the funding for Least Developed Countries and Low Income Countries.
- Take a gender perspective into account in all programmes and projects of development cooperation from their inception to their final evaluation.
- Increase the proportion of bilateral aid and implement the system of multi-year financing of bilateral cooperation projects.
- Conduct regular evaluations and publish evaluation reports in order to ensure transparent Czech development cooperation.

## Czech Republic's genuine and inflated aid





# Estonia

**Will Estonia achieve the 2010 target according to the budgeted aid levels? No**  
**Will Estonia achieve the 2010 target without inflating its aid? No**

In 2009 Estonia provided €14m in aid, down from €16m in 2008. As a consequence of the impact of the crisis, ODA as percentage of GNI increased from 0.10% in 2008 to 0.11% in 2009. The government expects aid levels to remain stable in 2010, and to start increasing again in 2011. This means that the 0.17% target will not be met in 2010. Among the official 2009 aid figures, the government reports close to €0.1m in refugee and student costs. Though relatively small, the figure set a negative precedent in terms of aid inflation.

## • Aid quality

Estonia does not have a system in place to consistently evaluate the content and effectiveness of development projects. For several years, civil society and other actors have condemned this problem, but no actions to address it have been taken to date.

Gender is a priority content area in the national plan for development cooperation, but despite occasional political statements on the importance of global gender issues there is still low political will to create a gender strategy. The implementers of development cooperation also have low awareness of gender issues. Gender indicators are not a requirement for most projects and it is not clear how many resources are earmarked for dealing with this topic. As two thirds of Estonia's ODA is spent through multilateral EU channels, it is difficult to assess expenditure on gender issues. Looking at the MFA budget for development cooperation and humanitarian aid, merely 7% of all ODA spending was on gender-related activities.

Some other priorities in the national development plan include sustainable development and climate finance. The government takes the Paris declaration principles into account in its policies, but there are no separate and concrete tools for guaranteeing ownership, harmonisation and accountability in these fields. Estonia only reports climate spending as ODA by OECD-DAC criteria and does not collect data on non-ODA climate financing, which makes it difficult to monitor the country's total activities in this area. Estonia has committed to support climate financing with 3 million EUR between 2010 and 2012, but it is not yet clear where this money will come from.

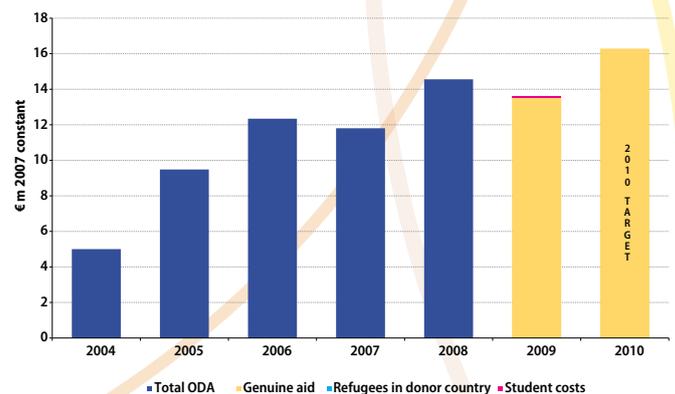
Technical assistance is another focus of work in Estonia's development cooperation. The government has not defined any guidelines to improve donor coordination of technical assistance, but it generally follows the EU Code of Conduct on Complementarity and Division of Labour in Development Policy. Technical assistance is not jointly selected and managed with partner countries, but it is

demand-driven and based on the recipient country's development plan. Moreover, the applicant must have a partner organisation in the recipient country. Estonia's technical assistance is focused on increasing the administrative capacity of its partners, but most of the cooperation is short term.

## Estonian NGOs call on their government to:

- Adopt a legally binding timetable for reaching its ODA commitment by 2015.
- Move support from short to long term technical assistance (TA) projects, find more effective alternatives to TA and reduce the proportion of TA.
- Commit to regular evaluations of aid activities and their effectiveness.
- Increase ODA spending on women's empowerment and introduce gender indicators to evaluate development aid.
- Establish clear and concrete mechanisms for guaranteeing the ownership, harmonisation and accountability of climate finance.
- Increase spending on climate change relief from sources of finance additional to ODA.

## Estonia's genuine and inflated aid



Organisations consulted: Estonian Roundtable for Development Cooperation (AKU).



# Hungary

**Will Hungary achieve the 2010 target according to the budgeted aid levels? No**

**Will Hungary achieve the 2010 target without inflating its aid? No**

In 2009, Hungary increased ODA levels to 0.09% of GNI, up from 0.08% in 2008. However, bilateral ODA has almost disappeared, with the exception of international obligations in Afghanistan. Moreover, there is no roadmap for reaching the ODA commitments, nor any clear focus on Hungary's contribution to reaching the MDGs. Non-genuine aid items are included in the figures, but given the lack of information available, it is unclear which items refer to which year and what the real percentage is. Scholarships are increasingly being reported, as well as "democracy support", however the specific purpose, content and methodology for evaluation and impact assessment is missing.

## • Aid quality

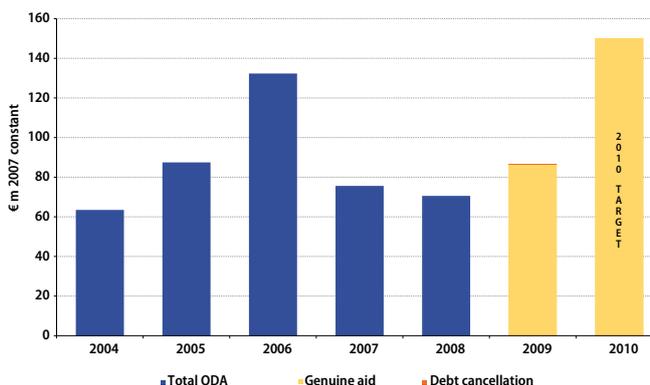
Gender equality and women's empowerment is not a priority for the Hungarian government. To date there are no gender plans, strategies or indicators in the framework of development assistance. Information about development cooperation is not fully accessible, sufficiently disaggregated or accurate. Furthermore, statistical background data is not provided alongside the scarce data available, which makes the analysis of the information very difficult. National legislation provides for free access to information, but on some occasions it has been necessary to remind officials of this right. There are also many exceptions, such as a rather flexible understanding of trade secrets, which can be used as an argument to deny access to some information.

Hungary does not have a clear framework for ODA allocation, but current trends indicate that poverty reduction is not a priority. Approximately 78% of all bilateral ODA is allocated to five countries: Afghanistan, Ukraine, Serbia, Kosovo and Montenegro. Only one of these, Afghanistan, is an LDC. China and Georgia are also important recipient countries. In addition, most bilateral aid has not been proven to target the MDGs or sectors supporting basic services. Consequently, it seems clear that aid is mostly provided in line with foreign affairs, migration and economic priorities.

## Hungarian NGOs call on their government to:

- Increase the share of bilateral aid and genuine aid.
- Assess aid effectiveness and improve aid quality by implementing mechanisms for the monitoring and evaluation of aid programmes, including indicators on gender equality and ecological sustainability.
- Provide disaggregated data in order to measure impact on gender equality.
- Improve access to development data, statistics, reports and project evaluations. Transparency should be reinforced with the elaboration of a database and the establishment of a documentation centre, including comparable and disaggregated data each year.
- Create a legislative framework for ODA with the involvement of all relevant stakeholders.
- Allocate ODA based on poverty reduction priorities, increase support to LDCs and provide more predictable aid.

## Hungary's genuine and inflated aid



"Even though the financial crisis has negatively affected Latvia's development co-operation policy, we have learnt a lot from it. At the same time, this cannot continue in the long term because we risk losing our expertise capacity."

Evija Dumpe, Deputy Director, Department for Economic Affairs and Development Cooperation



# Latvia

**Will Latvia achieve the 2010 target according to the budgeted aid levels? No**  
**Will Latvia achieve the 2010 target without inflating its aid? No**

Latvia has been one of the European countries most severely hit by the economic crisis. In 2009, most of the development budget, with the exception of contributions to multilateral mechanisms, was suspended. The total budget was significantly reduced, but as it was already small, absolute aid figures remained around €15m. Aid as a % of the GNI increased slightly from 0.07% to 0.08% as a consequence of the shrinking level of economic output.

## • Aid quality

The government discloses a significant amount of information on development assistance and a fair amount of it is available online. Nonetheless, it is difficult to find detailed documents on the criteria used to evaluate projects or the evaluations themselves. Better disclosure and dissemination of information, particularly information on the evaluation of development assistance, should help to improve the quality of Latvia's development co-operation.

Democratic ownership is another area in need of further efforts. Although the Department for Economic Affairs and Development Cooperation says that it prioritises the needs and interests of partner countries, there are very few mechanisms that ensure or monitor this. When announcing tender competitions, the government should ask for more detailed information on how each project addresses the priorities of the partner-country and include this type of criteria when it evaluates the results.

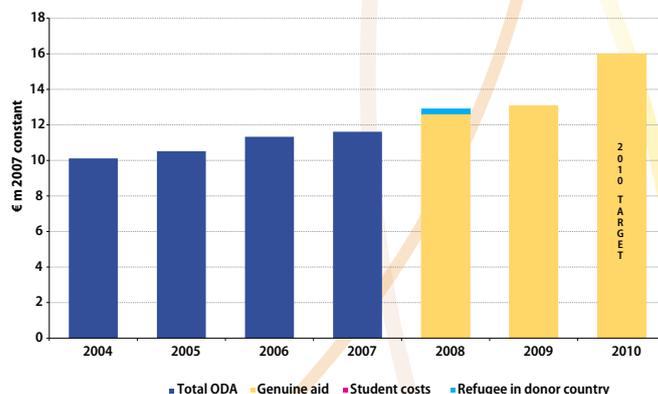
Under the current circumstances in Latvia, it is crucial to raise public awareness about the importance of development co-operation. A better informed civil society would not only make the ministry more accountable but also make sure that the flow of bilateral development aid is resumed soon and the absolute volume of Latvia's ODA increases in the coming years.

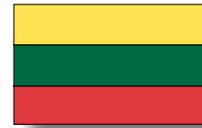
The principle of gender equality does not play a significant role in Latvia's development co-operation policy as a whole. In the past, there have been a few projects specifically targeting women, but there are no real gender-based indicators used in project evaluations. In grant applications, potential project implementers do have to explain how they plan to take the special "needs and wants of men and women" into account.

## Latvian NGOs call on their government to:

- Strive to reach the 0.33% target by 2015.
- Be careful not to politicise its aid.
- Implement a monitoring system to ensure that ODA targets the priorities of partner countries.
- Implement an effective evaluation system and publish the evaluations conducted by the MFA.

## Latvia's genuine and inflated aid





# Lithuania

**Will Lithuania achieve the 2010 target according to the budgeted aid levels? Unlikely**

**Will Lithuania achieve the 2010 target without inflating its aid? Unlikely**

The Republic of Lithuania has stated that it will strive to achieve the commitments to provide 0.17% and 0.33% of GNI by 2010 and 2015 respectively. In 2009, the Government provided €30m in ODA, amounting to 0.11% of the GNI. In absolute figures, Lithuania's aid levels plummeted below 2007 levels. Although the 2009 figures represent a €4m drop from €34m in 2008 to €30m in 2009, ODA as a percentage of GNI remains at 0.11% for the third year in a row. This is, however, the result of the impact of the financial crisis on the GNI, and it is worth noting that Lithuanian ODA is inflated with student costs. If Lithuania wants to reach its 2010 target, genuine aid levels must increase from €30m to €46m.

Lithuanian NGOs acknowledge the efforts of the Lithuanian government in 2009, but also remind the government that more efforts and extensive increases will be needed in the coming years if it wants to fulfil its 0.33% target by 2015.

## • Aid quality

Lithuanian ODA is granted in 5 priority cooperation areas: the promotion of democracy, rule of law and human rights, economic development, euro-integration processes and administrative capacity building. Given the rather small allocations for bilateral development cooperation and democracy promotion programmes (€2m), further division under vertical priorities is regarded as hair-splitting.

National CSOs are advocating for a greater relevance of gender equality in development policies. The opening of the European Institute for Gender Equality last December and the Lithuanian Presidency of the OSCE in 2011, represent an excellent opportunity to work and make progress on gender issues. CSOs are hoping to translate this opportunity into a development practice by harnessing the existing momentum and using it to reinforce the role of gender issues in the new law on Development Co-operation and Humanitarian Aid the government is currently drafting.

There are no accountability or evaluation mechanisms in place to guarantee that Lithuanian aid is being effective in fighting poverty and fostering development. Mutual accountability has never been a subject of public debate and aid is generally perceived as an instrument of foreign policy. The government also fails to evaluate its development policies and programmes, constraining progress on democratic ownership and accountability.

The government needs to make further efforts to improve transparency and data available on development policies and ODA flows. There is insufficient information published through the Internet,

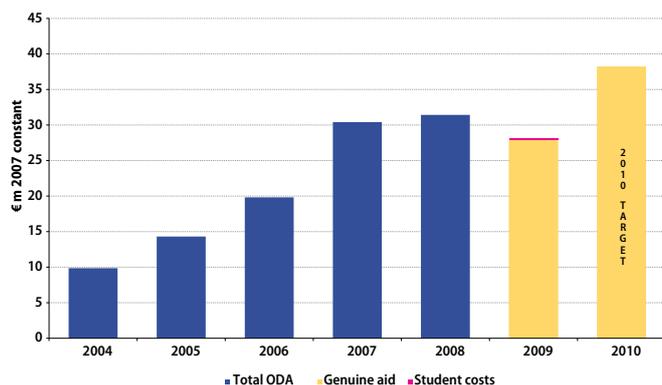
and activity descriptions do not include analytical data. For instance, a simple breakdown of aid figures per project is still unavailable and national CSOs face significant problems when trying to scrutinise Lithuanian ODA.

Lithuanian ODA focuses on areas where it has a comparative advantage and the main recipients are: Afghanistan, Georgia, Belarus, Moldova, and Ukraine. Thematic priorities reflect the European Neighborhood Policy, but show little commitment with general poverty reduction goals. This is further confirmed by the fact that Lithuanian ODA has a strong focus on neighbouring countries and only includes one LDC, Afghanistan (€0.8m), which despite being an LDC is a recipient country defined along strong geopolitical lines.

## Lithuanian NGOs call on their government to:

- Set clear and transparent criteria for the selection of geographical and thematic priorities in drafting the Law of Development Co-operation and Humanitarian Aid replacing the "Policy provisions of Development Cooperation of the Republic of Lithuania in 2006-2010".
- Introduce legislation setting guaranteeing steady annual increases in order to fulfil its international commitments (0.33% of the GNI by 2015) and improve the predictability of aid flows.
- Ensure specific dialogue meetings with the participation of CSOs in policy construction process and formulate a distinct gender equality, sexual and reproductive health and rights strategy.
- Start regular external evaluations of Lithuanian ODA programmes' results and achievements and make the results public.
- Provide development assistance according to poverty reduction goals and ensure sufficient additional (non-ODA) budget for climate and security related issues.

## Lithuania's genuine and inflated aid



NGOs from the umbrella organisation SKOP ([www.skopmalta.org](http://www.skopmalta.org)) say the government has failed to comply with its request to publish "a clear and transparent breakdown of its ODA expenditure." [...] "Given the lack of data, SKOP is not in a position to comment on Malta's aid delivery in 2007. However, SKOP encourages the government to keep its positive track record of 2005, while publishing a clear and transparent report of ODA figures."

Matthew Vella - Development NGOs call on Malta to publish aid figures, Malta Today, April 9th 2008

To date, the Maltese government has still not issued a breakdown of its ODA expenditure.



# Malta

**Will Malta achieve the 2010 target according to the budgeted aid levels? No information available**  
**Will Malta achieve the 2010 target without inflating its aid? No**

Official figures show that in 2009 Malta maintained ODA levels at 0.20% of GNI, the same figure as in 2008. However, there are no traces of the 43% ODA budget increase announced last year. Moreover, national NGOs are concerned about potential aid inflation, mainly through the reporting of expenses related to irregular migration and students from developing countries as ODA. Unfortunately, detailed information has not been made available and the real extent of the problem remains unclear.

## • Aid quality

Malta's Overseas Development Policy (Oct. 2007) includes a short section on gender equality (section 3.9, p.18). The government states that it shares the view of civil society that fostering gender equality is crucial for poverty reduction, economic growth, peace-building and security. National CSOs consulted in Malta are unaware of programmes or initiatives to implement policy-related gender-specific development measures, but have commented that the Ministry for Foreign Affairs supported a number of gender-related development initiatives organised by the "STOPoverty! Neqirdu l-Faqar!" Campaign (Malta's GCAP) and SKOP.

Aid transparency is one of the main challenges in Malta. Despite several requests from national NGOs, the national platform (SKOP) and the Maltese AidWatch working group over the past years, and the commitments made by the government, a breakdown of aid figures has never been made available. In 2008, the information was demanded in parliament, but in reply, only the overall total figure was provided. The government argues that since Malta is not a member of OECD-DAC, it is not legally obliged to release detailed data on development related spending. However, transparency and the right of access to public information is a basic civil right which should not be ignored.

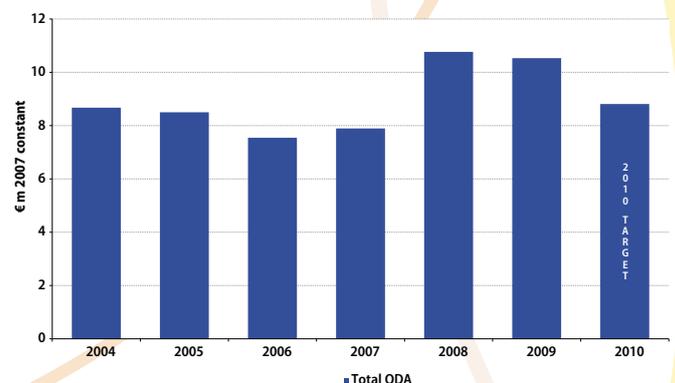
Over the past two years, the Ministry of Foreign Affairs and SKOP have engaged in structured dialogue which has contributed to improvements in terms of collaboration and exchange of opinions. However, the national platform and its members hope for further structured collaboration and the development of an equal partnership for development between the government and civil society. It is felt that the government could make better use of the expertise, experience and networking of Maltese NGOs. This could enhance the government's efforts in development cooperation, which are limited at present due to the lack of human and financial resources.

Despite the official commitments to meeting the Millennium Development Goals and a moderate increase in staff working on development issues, the failure to ensure sufficient resources on development-related matters from the government's side concerns SKOP.

## Maltese NGOs call on their government to:

- Improve transparency by providing a clear breakdown of ODA figures.
- Make a clear distinction between development funds and budget related to irregular immigration, and do not apply conditionality and implement the principle of untied development aid.
- Support the role of CSOs, especially in the South, by expanding consultation processes and increasing financial support, and by supporting the capacity building of Maltese NGOs.
- Develop clear criteria and processes with regards to project selection, expenditure and evaluation.
- Devise a development strategy with poverty reduction goals as the main criterion for the allocation of aid and a specific focus on gender-related issues.
- Continue building up development structures and capacity in order to improve efficiency and transparency.

## Malta's total official development assistance



Organisations consulted: SKOP – AidWatch Working Group and its members: Inizjamed, KOPIN.

"Poland is a large country. We are the 18th biggest economy in the world and the 6th biggest in the EU. If we have ambition to play an important role, we have to be a substantial donor."

Paweł Wojciechowski, Deputy Minister of Foreign Affairs



# Poland

**Will Poland achieve the 2010 target according to the budgeted aid levels? No**

**Will Poland achieve the 2010 target without inflating its aid? No**

In 2009, Poland provided 0.08% of its GNI as ODA, the same level as the previous year. With only one year to go, it is clear that Poland will fail to reach its target of 0.17% of GNI by 2010. Additionally, close to 9% of the country's ODA was made up of student and refugee costs. When this is discounted, Poland's genuine aid amounts to only 0.07% of the GNI. The failure to increase aid levels in the past year shows that Poland is failing to pull its weight as one of the biggest economies in Europe.

## • Aid quality

Polish ODA is strongly driven by political interests. Most of the aid is allocated to four target countries of the EU Eastern Partnership (EaP) – Belarus, Ukraine, Georgia and Moldova – with the aim to foster their integration with the European Union. Poland's priority countries for aid expenditure also include Afghanistan and Angola. Afghanistan, the only LDC among the priority countries, accounts for 30% of bilateral ODA and is managed mostly by the Army Provincial Reconstruction Team. Development assistance to Angola in 2009 was mostly made up of loans tied to domestic interests. The same happened with China, which despite not featuring as a priority country, has in fact been the largest recipient of bilateral aid since 2007. Aid to China is provided with the objective of promoting exports.

The relationship between the Polish government and NGOs is getting worse. Consultation processes can be better described as a public relations exercise orchestrated by the government, rather than as a real effort to promote the principles of democratic ownership. The Polish government treats NGOs mainly as implementers of development projects. To date, the process of consultation feels completely artificial and NGO contributions are not usually taken into account. Moreover, NGO initiatives to discuss policy documents have been ignored. At present there are no mechanisms of consultation with partner countries whatsoever.

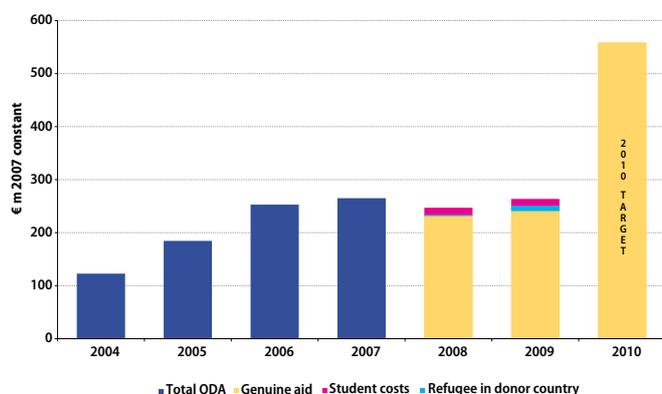
The 2003 Polish Aid Strategy includes limited wording about gender equality, but this has not been translated into practice (no earmarked budget lines, priority sectors, indicators for evaluation or any detailed information on the ODA volumes allocated to gender). As the MFA stated in a recent letter: "the drafting of a gender strategy for Polish aid is not possible, among others, because of the cultural differences in the partners' countries and the fact that the sustainable approach

to development is per se mainstreaming gender equality and women's empowerment into development practices". This shows a total lack of understanding and recognition of gender equality and women's empowerment in the context of development.

## Polish NGOs call on their government to:

- Establish a binding timetable to reach its aid commitments.
- Focus aid on poverty reduction and align development aid to universally agreed sets of standards on development cooperation, including the Paris Declaration and AAA.
- Introduce a strategy on development cooperation requiring the MFA to put a greater focus on poverty, rights and democratic ownership. Poland should also introduce proper legislation in order to be able to implement this strategy.
- Start mainstreaming gender equality and women's empowerment in all development practices.
- Align ODA with partner countries' priorities and improve dialogue with them.
- Ensure transparency and cross-sector dialogue beyond the current promotion of aid programmes.
- Join the OECD DAC.

## Poland's genuine and inflated aid



Organisations consulted: Grupa Zagranica (Polish platform), including: Polish Humanitarian Action, Polish Green Network and the Institute of Global Responsibility.

"There is no better answer to the many challenges and problems that we face internationally than solidarity. Sooner or later we will all be faced with difficult problems to solve. But then, with partners on our side, or the international community as a whole, no difficulty will be impossible to overcome."

Traian Basescu, President of Romania, January 2010

# Romania

**Will Romania achieve the 2010 target according to the budgeted aid levels? No**  
**Will Romania achieve the 2010 target without inflating its aid? No**

2009 in Romania was both an electoral and a "crisis" year, which influenced the Romanian ODA budget. Overall ODA dropped from €94m in 2008 to €91m in 2009. Most of this represents the obligatory contribution of Romania to the EU development cooperation budget. Nevertheless, the Ministry of Foreign Affairs (MFA) ODA budget for 2010 for bilateral aid doubled, from €1.9m to €3.8m.

Renewed intentions to revise existing legislation foresee the establishment of an Implementation Unit within the ODA Division of the Romanian MFA with the aim to bring more autonomy to the programming and implementation of national policy for development cooperation. Everything depends on the revision of the legislation (HG 747/2007) which, since the end of 2008, has been blocked within the MFA.

This positive trend does not mean that Romania will even come close to achieving the 0.17% of GNI target in 2010. Political will is missing. For instance, there is no reference whatsoever to development cooperation in the foreign affairs programme of the new government for the period 2009-2012.

In terms of inflated aid in 2009, student costs (almost €21m) and debt relief (€1.9m) continued to be counted as ODA. When discounted, Romania sees the ODA figure dropping to 0.06% of its GNI.

## • Aid quality

For 2010, the MFA has committed to being more proactive in providing information on ODA to the public and sharing it with the parliament and other institutions. Information available on the ODA dedicated website is scarce, as a reflection of the limited number of development programmes and seemingly absent programming exercises. No reporting of the assistance awarded to priority countries (Georgia, Republic of Moldova and Serbia) has been released by the MFA. The process of decision-making in development cooperation in Romania is confusing and opaque.

The MFA's ODA budget for bilateral aid in 2010 is €3.8m of which €2m has been specifically allocated to the Republic of Moldova. Additionally, in a surprise move during his visit to Chisinau at the end of January 2010, the Romanian president announced supplementary aid to the country worth €100m over the next 4 years. This shifts substantial resources and attention to development assistance for the neighbouring state which is politically and historically important

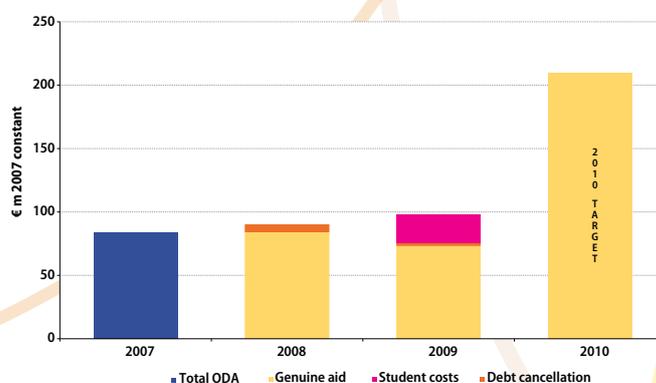
to Romania. The €100m will be managed directly by Romanian line ministries, which indicates a certain possibility of tied aid.

According to the National Development Strategy, development education is a particularly important field of development cooperation policies, although in 2009 the MFA continued to provide little support for development education at national level. In order to achieve its own commitments to awareness raising at home, Romania continues to rely heavily on Romanian NGOs accessing EU funding. In 2010 the situation is likely to worsen, with even less public funding allocated.

## Romanian NGOs call on their government to:

- Adopt the legislative and institutional changes (HG 747/2007) needed for Romania to actually implement its own development policy.
- Elaborate transparent annual and multi-annual programmes and provide an adequate ODA budget to match its commitments in the field of development cooperation.
- Improve aid transparency and allow for genuine and effective consultation with civil society at all levels of policy-making.
- Ensure that the funds allocated for the Republic of Moldova are provided in accordance with the Paris Declaration and the Accra Agenda for Action.
- Support and coordinate a multi-stakeholder process to reach a common understanding of development within the national context and elaborate a national strategy for development education.

## Romania's genuine and inflated aid



Organisations consulted: FOND

"It is our responsibility to use the limited amount of bilateral ODA effectively in order to really help the people make a change and improve their lives."

Miroslav Lajčák, Minister of Foreign Affairs



# Slovakia

**Will Slovakia achieve the 2010 target according to the budgeted aid levels? No**

**Will Slovakia achieve the 2010 target without inflating its aid? No**

In 2009, Slovakia decreased its aid levels to 0.08% of the GNI, down from 0.10% the previous year. The drop from €65m in 2008 to €54m in 2009 is explained by the lack of debt relief. Aid figures are also slightly inflated with student and refugee costs. On the positive side, the amount of bilateral ODA increased by €2m over the last year, to reach €7.5m in 2009. Nonetheless, the economic crisis and slow progress over the last years mean that it will fail to fulfil its commitment to reach 0.17% of GNI by 2010. Current estimations predict that the 2010 aid level will be around 0.08% of the GNI.

## • Aid quality

There is no specific gender strategy in Slovak ODA. Official regulations acknowledge the importance of the MDGs, but they do not prioritise gender equality or empowerment of women as development issues. The small size of the ODA budget and other priorities the country wants to address as a 'new donor' have contributed to the low profile of gender equality, which is not one of the main priorities even among national NGOs. Nonetheless, the government is using ODA money to fund a number of projects targeting women's empowerment. The government is also working on a country strategy paper for Afghanistan 2011 - 2013. Following the suggestions of national NGOs, this document will consider gender equality and women's empowerment as a cross-cutting issue.

Slovak NGOs consider that the geographical allocation and poverty focus of the aid budget are moving in the right direction. The medium-term strategy for Slovak ODA 2009-2013 defines two groups of priority countries: programme countries, Serbia, Afghanistan and Kenya, with higher priority and budget allocation; and project countries, including the LDCs Ethiopia and Sudan and other 4 LICs. Serbia remains the top recipient of ODA with 39% of project aid in 2009. At the same time, the list of recipient LDCs and LICs has increased in number, though its share of ODA only represented 24% of project aid in 2009.

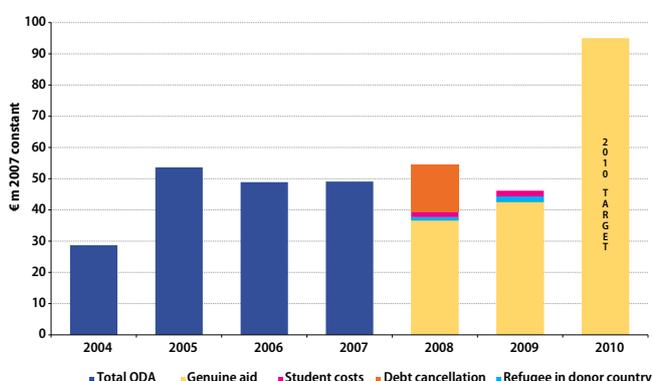
Conversely, aid fragmentation is becoming a source of concern in Slovakia. With a small bilateral budget of €7.5m, Slovakia is funding 45 projects in 14 recipient countries. Most of this projects are being implemented in Serbia (11 projects), followed by Kenya (5), Afghanistan, Sudan and Bosnia (4 in each country). In addition, the

destination of ODA in recipient countries shows that the government still needs to improve the poverty focus of aid flows. In 2009, only 13% of bilateral ODA was spent on health and education, 4% on social infrastructure and 5% for agriculture and food security, while 49% went to infrastructure and 11% for business activities.

## Slovak NGOs call on their government to:

- Increase ODA despite the financial crisis (the developing countries will feel the impact of the crises more than developed crisis).
- Include gender equality and women's empowerment as cross-cutting issues in country strategy papers for programme countries.
- Increase the poverty and MDGs focus of Slovak ODA, allocate at least 50% of project ODA to LDCs or other low income countries and limit the use of aid in pursuing foreign policy interests.
- Reduce fragmentation and transaction costs by defining a shorter list of priority countries.

## Slovakia's genuine and inflated aid





# Slovenia

## Will Slovenia achieve the 2010 target according to the budgeted aid levels? Possibly Will Slovenia achieve the 2010 target without inflating its aid? No

According to the figures provided, Slovenia increased its ODA by €51m or 0.15% of GNI in 2009. Therefore, it is still possible that the 2015 ODA target will be reached on time. However, much more political will and concrete measures, alongside annual binding timetables to demonstrate year-on-year budget increases, will be needed if Slovenia wants to fulfil its international commitments.

Inflated aid represents at least 12% of ODA and is mostly related to refugee and student costs.

### • Aid quality

Gender equality and women's empowerment are a cross-cutting issue in Slovenian ODA. However, there is no gender strategy in place or effective evaluation mechanism to assess the gender dimension of development projects. Moreover, in 2009 no specific funds were earmarked for gender projects and only 1.4% of ODA was allocated to such activities.

The government also needs to improve the level of transparency. There is no information available on negotiations and aid allocation processes, and the website of the Ministry for Foreign Affairs is not updated regularly. On the positive side, annual reports and reporting processes in general are improving. 2010, for instance, marked the first time that a framework programme was prepared and made publicly available. Unfortunately, most key documents are only available in Slovenian, making it difficult for southern partners to access them. Although there is still plenty of room for progress, Slovenian NGOs have noticed a number of positive steps that have been taken in the previous year. NGOs are particularly looking forward to seeing a real transparent and participatory implementation of the promises made for 2010, including improvements in monitoring and evaluation, the move towards programme approaches and more ODA being channelled through CSOs.

Another important problem for Slovenian ODA is fragmentation. In 2009, 217 different activities/interventions were funded with ODA money in a total of 57 countries. The large number of recipient countries, coupled with a relatively small overall amount of ODA, means that Slovenian aid is deeply fragmented. Although Slovenia has selected its ODA priority countries, currently there are no other concrete guidelines and measures taken in order to reduce the level of fragmentation. Additionally, only 4.5% of bilateral ODA has been allocated to LDCs, which clearly indicates that poverty reduction is not the main goal of Slovenian ODA.

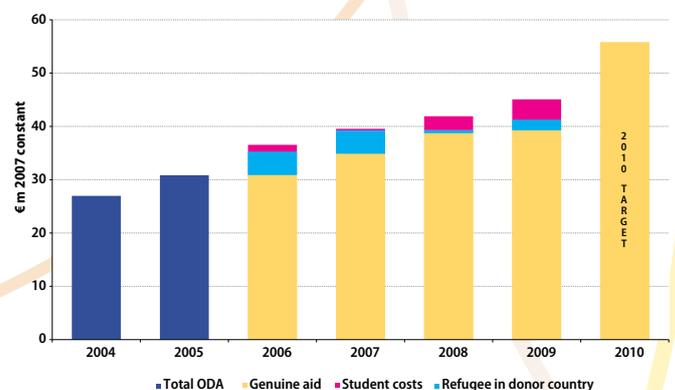
Consultations with national NGOs are still done on an ad hoc basis and are insufficient. CSOs are usually not involved in the strategic planning of ODA. Equally, no meaningful consultation process has been established with southern CSOs.

At present, there are no mechanisms in place to monitor and evaluate development programmes and projects. However, there are initiatives in place to improve monitoring throughout 2010. This has been welcomed by national NGOs.

### Slovenian NGOs call on their government to:

- Prepare annual binding timetables to demonstrate year-on-year budget increases to achieve ODA commitments.
- Reduce inflation of aid by excluding refugee and student costs from ODA reporting.
- Take measures to reduce aid fragmentation and work towards the full implementation of the following principles: policy coherence for development, complementarity and division of labour, and coordination (3Cs).
- Improve consultation processes and involve CSOs and other relevant stakeholders in all strategic planning of ODA.
- Conduct independent external evaluations of ODA, and make sure that the process is participatory and transparent, and that the outcomes of the evaluations are made public.
- Provide more timely and detailed information on development aid flows, negotiations and procedures. Improve access to aid information also for southern partners and sign up to the International Aid Transparency Initiative (IATI).

### Slovenia's genuine and inflated aid



## Note on methodology and data sources

All 2009 data for EU countries comes from the OECD press release of April the 14th, the DAC reference statistical tables published on the same day, the OECD online database and the Commission staff working paper SEC(2010) 420, published on April the 21st 2009.

Data for previous years comes from the same data sources. In order to compare across years, data for EU members reporting to the OECD DAC was extracted in 2007 constant prices and then transformed into Euros, using the official OECD annual exchange rate. Data for EU countries not reporting to the OECD DAC was taken from the Commission working paper and the national governments and transformed into constant prices using the deflators available at EuroStats.

Exchange rates: official OECD annual exchange rates have been used and, when not available, the annual exchange rates have been obtained from EuroStats.

Refugees and student costs: figures are based on the official 2009 government estimates obtained by national platforms from their governments. When not available, we have forecasted 2009 spending from existing trends. We used series in 2007 constant prices to forecast the amount for 2009, and then inflated the figures to 2009 prices using the OECD deflators and exchange rates.

Tied aid: reporting on tied aid is confusing because governments are free to report on the tying status of technical co-operation, which includes student costs. Likewise, reporting practices for refugee costs are not very clear. In order to work out genuine tied aid figures, national platforms asked their governments about their individual reporting practices on the issue and we have calculated the final figure according to this information.

Transparency index: the transparency table on page 16 is based on a perception index compiled through questionnaires completed by national NGO platforms participating in this report. The questionnaire contained a total of 20 questions on: i) the level of pro-activity in implementing initiatives conducing to greater transparency; ii) the amount and type of information on development policies, figures and practices made publicly available; iii) the existence and maturity of independent evaluation mechanisms, as well as the dissemination of the results; iv) the level of openness for civil society participation in development processes; and v) the existence and level of progress over the last years. The answers to each of the questions were allocated to one of the five categories mentioned above and assigned a value of 0, 0.33, 0.66 or 1 depending on the answers. Subsequently, all questions were weighted and compared. The results were circulated among national platforms to improve the quality of the results, ensure comparability and make any necessary amendments.

## Acronyms

**AAA** - Accra Agenda for Action

**ACP** - African, Caribbean and Pacific countries

**ADA** - Austrian Development Agency

**AECID** - Spanish Agency for International Co-operation and Development

**CSOs** - Civil Society Organisations

**DAC** - Development Assistance Committee of the OECD

**DFID** - United Kingdom's Department for International Development

**EC** - European Commission

**EDF** - European Development Fund

**EU** - European Union

**EU-12** - European Union new member states

**EU-15** - European Union old member states

**FDI** - Foreign Direct Investment

**GDP** - Gross Domestic Product

**GNI** - Gross National Income

**HIPCs** - Heavily Indebted Poor Countries

**IMF** - International Monetary Fund

**IPAD** - Portuguese Institute for Development Assistance

**LDCs** - Least Developed Countries

**MDGs** - Millennium Development Goals

**MFA** - Ministry of Foreign Affairs

**MS** - European Union Member States

**NATO** - North Atlantic Treaty Organisation

**NGDOs** - Non-Governmental Development Organisations

**NGOs** - Non-Governmental Organisations

**ODA** - Official Development Assistance

**OECD** - Organisation for Economic Co-operation and Development

**PD** - Paris Declaration on Aid Effectiveness

**TA** - Technical Assistance

**UK** - United Kingdom

**UN** - United Nations

**WB** - World Bank

# Endnotes

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- <sup>5</sup> Speech of Miguel Ángel Moratinos, Spanish Ministry of Foreign Affairs, during the award ceremony of the "I PREMIO EDUCACION PARA EL DESARROLLO VICENTE FERRER", September 14th 2009
- <sup>6</sup> Based on 2009 data released by the OECD
- <sup>7</sup> UNESCO (2010) Education for All Monitoring Report 2010. UNESCO, Paris
- <sup>8</sup> Ibid
- <sup>9</sup> ODI & Mokoro (2009) Sector Budget Support in Practice. Literature Review. Overseas Development Institute and Mokoro
- <sup>10</sup> ActionAid (2010) Fertile Ground. How governments and donors can halve hunger by supporting small farmers. ActionAid
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- <sup>12</sup> See endnote 1
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- <sup>19</sup> See endnote 1
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- <sup>22</sup> Paris Declaration on Aid Effectiveness (2005) Available at: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>
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