

Challenging Self-Interest

Getting EU aid fit for the fight against poverty



CONCORD



About this report

This is the sixth 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 NGO Confederation for Relief and Development. Its 25 national associations and 18 international networks represent over 1,600 NGOs which are supported by millions of citizens across Europe. It is part of the Global Call to Action against Poverty, the Open Forum for CSO Development Effectiveness, BetterAid and the Spring Alliance. More on www.concordeurope.org.

European AidWatch Initiative

AidWatch is a pan-European advocacy and campaigns network of NGOs to monitor and advocate on the quality and the quantity of aid provided by EU member states and the EC since 2005. The network carries out ongoing advocacy, research, media and campaigns activities on a wide range of aid-related issues throughout the year. More on aidwatch.concordeurope.org.

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1. Executive Summary

This year's AidWatch report confirms that EU member states are off-track to meet their aid quantity and aid effectiveness commitments, and are increasingly prioritising self-interested aid policies that are reflecting their own immediate security, migration and commercial interests. EU donors must now refocus and take the necessary steps to deliver on their international commitments towards partner countries. Opportunities in 2011 include notably the June European Council meeting and the 4th High Level Forum on Aid Effectiveness (HLF4) in Busan, South Korea.

On aid quantity pledges, figures by the OECD show that the EU has fallen far short of its collective 0.56% goal for 2010, with the gap amounting to nearly €15 billion. Overall, EU aid represented 0.43% of GNI in 2010. The bloc is now clearly off-target to reach 0.7% of GNI by 2015.

Figures show that three countries alone are responsible for more than three quarters of the €15 billion aid gap in 2010: Italy (responsible for 43.8% of the gap), Germany (26.4%) and Spain (6.4%).

As for the EU12, no single country (except for Cyprus) has managed to reach its interim target of 0.17% of GNI. The worst performers in 2010 include Latvia (fulfilling only 35% of its 2010 obligations), Romania (41%), Poland (49%), Slovak Republic (50%) and finally Bulgaria and Hungary (both fulfilling merely 53% of their 2010 obligations).

Our estimates show that EU member states reported approximately €5.2 billion of inflated aid in 2010 (debt cancellation, spending on student and refugee costs in donor countries). This is equivalent to almost 10% of the total aid provided to partner countries last

year. €2.5 billion of this amount is debt cancellation, roughly €1.6 billion are student costs and about €1.1 billion are spent on refugees in donor countries.

Looking ahead towards 2015, EU aid is expected to grow much slower than what would be necessary to achieve the 0.7% ODA/GNI target set for 2015. According to projections and on current trends, the collective gap will widen every single year until 2015. Aid as a proportion of GNI is forecast to amount to a disappointing 0.45% in 2015, the final deadline for meeting the MDGs. Moreover, EU member states continue to report climate finance as ODA despite the urgent need to provide climate finance in addition to existing ODA commitments.

When it comes to aid quality, the HLF4 provides an opportunity for donor and partner countries to deepen and reaffirm their commitments to the types of aid reforms and practices committed to in Paris and Accra. Looking at the current political context, AidWatch members however fear that EU member states might press for a narrow donor-driven agenda, without taking into account the priorities of partner countries and the political and institutional changes needed to make aid effectiveness reforms successful.

This year's report highlights particularly democratic ownership, aid transparency and gender as key areas where progress by the EU will be crucial. To ensure aid is more effective, EU donors must engage and better support Parliaments and CSOs, particularly in their role to hold governments to account; end all economic policy conditions; provide more transparent and better information on aid activities; and implementing the EU Gender Action Plan by providing the needed financial and human resources.

Check out the report web site aidwatch.concordeurope.org

For further interactive graphs and links to detailed information on aid quantity and quality for all EU member states please visit our report web site: aidwatch.concordeurope.org. On the web site you will also find detailed assessments of the individual performance of all 27 EU member states and the European Commission on aid quantity and quality.

2. Introduction

This year's AidWatch report illustrates that many EU member states have become increasingly inward looking and eager to promote self interested aid policies; they have weakened their ambitions on aid levels, aid effectiveness and budget support and have been linking their aid more closely to EU security, migration and commercial interests.

In 2010, AidWatch members warned that EU member states would miss their 2010 aid targets; a hugely disappointing picture confirmed 12 months later. More worryingly, there is fresh evidence that EU Member states have largely failed to take the opportunities they had to bring their record back on track in 2010, such as the UN MDG Review Summit.

AidWatch members recognise the challenges EU member states face from the lingering impacts of the financial crisis and the Eurozone's continuing problems. However, with partner countries facing serious development challenges on a daily basis, EU member states aid promises still urgently need to be met and cannot be discarded in difficult times.

Box 1 : Are these the acts of fully committed development partners?

- Only 9 EU member states have met the EU aid targets set for 2010; one-third of all EU member states cut their aid in absolute terms in 2010; less than half of all EU member states are planning to increase their relative aid levels in 2011.
- EU member states are likely to miss their 2010 Paris and Accra aid effectiveness commitments and are looking for future reforms to only address a narrow range of mainly donor-focused issues, neglecting many partner country priorities (i.e. conditions, ownership).
- EU member states are increasingly promoting the use of aid to leverage other financial flows, which may weaken the poverty focus of aid and distract from poor aid performance.
- With a few exceptions, EU member states are increasingly critical of and reluctant to use budget support.
- The EC's Directorate-General EuropeAid Development and Cooperation (DG DevCo) risks being side-lined by the newly formed EU's External Action Service (EEAS) which is taking a considerable role in the delivery of the EU's

aid programmes. The EEAS has yet to prove its ability to establish rights- and value-based foreign policies and fair and mutually beneficial cooperation with third countries rather than simply aiming to advance Europe's interests around the world.

Some EU member states have been able to show political will to prioritise development cooperation and continue to increase their aid in 2010 and 2011 despite economic challenges. Other EU member states lagging behind must do so too, encouraged by their legally binding Lisbon Treaty responsibilities and the support EU citizens still display for such increases (as shown by the Eurobarometer survey, see box 4).

2010 was not an encouraging one for the EU's aid efforts, but the focus of EU member states must now be towards the future, identifying and taking the steps required to meet aid quantity and quality commitments. 2011 indeed provides important opportunities for the EU to look forward on aid and they must take advantage of them:

- At the June European Council meeting, EU leaders must review progress on aid and identify future binding steps to move towards their 2015 aid targets.
- In the lead up to and at the 4th High Level Forum on Aid Effectiveness in November 2011, they must support and lead efforts to agree a continuing ambitious aid effectiveness agenda for the future.
- Over the next year, they must ensure the EEAS will help establish rights- and values-based foreign policies and fair and mutually beneficial cooperation with third countries (while reinforcing the role and capacities of the DG DevCo to lead on development policy).
- The EU needs to guarantee that the EC Green Paper consultations on budget support and inclusive growth will help strengthen the poverty focus of aid and its long-term impact.
- ODA standards and directives set by the OECD's Development Assistance Committee must be protected from further weakening, so as to ensure that ODA is firmly targeted at poverty reduction.
- To meet international commitments on aid quantity, EU leaders must increase the provisions for development cooperation in the EU budget for the next multi-annual financial framework.

Box 2 : Some of the main commitments on aid and development made by EU member states in 2010ⁱ

- Renewed pledge to increase aid spending to reach 0.7% of GNI by 2015 for old EU member states and 0.33 percent for new EU member states. (June European Council)
- Review aid spending of EU member states annually at European Council meetings. (June European Council)
- Continue to support the achievement of the MDGs by 2015 with special attention to countries most off-track (June Foreign Affairs Council - FAC)
- Reduce cross country aid fragmentation and further improve in-country division of labour through better sharing of information and coordination among EU donors; complete the subchapter on cross-country division of labour in the EU Operational Framework on Aid Effectiveness (June FAC)
- Publicly disclose information on aid volume and allocation following the OECD/DAC Creditor Reporting System (CRS) standard format (December FAC)
- Support partner countries in increasing transparency in domestic systems and processes through publishing and publicly disclosing information on aid flows (December FAC)
- Promote the establishment of a joint framework for monitoring respective joint commitments of donors and partner countries on aid effectiveness (December FAC)
- Support the role of civil society organisations including women's groups, as well as the media, local governments, parliaments and national audit institutions, in holding partner country governments and donors to account, including the provision of necessary capacity development support (December FAC)
- Explore the feasibility of developing proposals in 2011 to further action on strengthening domestic accountability (December FAC)

Growing concern on development challenges ahead

In September 2010, the international community came together at a major UN Summit to review and re-energise efforts to achieve the MDGs. The UN's official report to the Summit made it clear that despite important progress in many areas in some parts of the world, many of these goals are some way from being achieved and that recent food, energy and economic crises continue to pose additional obstacles to the MDG effort. The UN's analysis for the Summit highlighted thatⁱⁱ:

- Malnourishment has barely improved in South Asia since 1990, Sub-Saharan Africa is barely one-quarter of the way towards halving absolute poverty, and maternal mortality has improved little across the developing world.
- Inequalities in countries pose major challenges; for example in Southern Asia 60 % of children in the poorest countries are underweight compared with 25 % in the richest households; in developing regions overall girls in the poorest 20 % of households are 3.5 times more likely to be out of school than girls in the richest households.
- The global financial crisis is likely to leave poverty rates higher than they would otherwise have been until at least 2015.

Despite these challenges, the World Bank's 2011 Global Monitoring Report highlights important progress that has been achieved on the MDGs - 66 countries are on track to meet the safe drinking water MDG, 55 will meet the primary schooling completion MDG and 47 should halve extreme poverty by 2015. Such achievements illustrate what coordinated international efforts can achieve and what is at stake from weakening EU performance on aid.

EU ODA efforts lack urgency and commitment

Aid quantity

With less than five years to go before the 2015 MDG target date, unmet commitments by EU member states on aid quantity reduce the EU's contribution to achieving the MDGs. The pledge of EU member states to collectively provide 0.56% of GNI as ODA in 2010 was missed by nearly €15 billion which means that the bloc has collectively delivered less than four-fifths of its commitment. EU member states are now dangerously off-track to honour their 0.7 % promise by 2015, especially as the vast majority do not have in place year-on-year actions plans to get them back on track, and some have even announced cuts for 2011.

In a statement to fellow global leaders at the MDG Review Summit in September 2010, José Manuel Barroso, the European Commission President, reiterated that "the European Union has kept the fight against poverty high on its agenda. European citizens themselves demand this (...) and the European Union has contributed to the achievement of the MDGs from the beginning."ⁱⁱⁱ

But words must be followed by actions. EU governments need to demonstrate political will and leadership now to increase aid spending in line with the commitments they made back in 2005^{iv}.

Aid effectiveness reforms

There is little evidence^v to suggest that over the last year EU member states have increased the pace of their implementation of the Paris Declaration aid effectiveness reforms they committed to meet by 2010, despite warnings from the OECD that this was required. EU

member states have also done little to implement the additional aid effectiveness commitments they agreed to at the 2008 Accra High Level Forum on Aid Effectiveness: Only 11 member states have revised their aid modalities to have country systems as the first option; only 5 have reduced the number of conditionalities; only 7 have made conditionalities public; and only 10 member states have adapted their procedures to make more use of local and regional resources.^{vi}

At the 4th High Level Forum on Aid Effectiveness in South Korea in November 2011 the international community will meet to review the contribution Paris and Accra have made to efforts to improve the effectiveness of aid and agree a framework to guide future efforts. In the initial preparatory discussions for HLF4 EU member states have been calling for a streamlined (compared to Paris and Accra) aid effectiveness framework that focuses predominantly on their own domestic political agendas, such as results, value for money and accountability to tax payers. This raises concerns about the degree to which EU member states are prepared to be responsive to the agendas of partner countries for HLF4 and to deepen existing aid effectiveness commitments.

At a time when the EU is trying to increase the impact of its development aid, implementing already existing aid effectiveness commitments could significantly increase the impact of the bloc's development efforts. The EC estimates that up to €6 billion could be saved annually by making aid more effective^{vii}.

The EU External Action Service: Instrumentalisation of aid?

The last year has seen fundamental institutional and policy changes at the EU level, the most significant of which has been the development of the structures of the European External Action Service (EEAS).

Consistent with the Lisbon Treaty's provisions, its primary goal should be to establish rights- and values-based foreign policies and fair and mutually beneficial cooperation with third countries rather than simply aiming to advance Europe's interests around the world.

The EEAS is taking a considerable role in the delivery of the EU's aid programmes (i.e. in establishing national and regional indicative programmes). In practice the EEAS seems to be guided mostly by the EU's own stability, conflict and security concerns, with limited reference to development and limited involvement of development experts and actors. There is a risk that the EC's DG DevCo, which should be the leader in shaping development policy, is side-lined by the EEAS.

In this context, there is a risk that the EU will be linking aid efforts more closely to their own foreign policy and national security objectives, a trend that is already being observed by AidWatch members across Europe.

Box 3 : Securitisation of Aid

A worrying but growing trend observed both in new and old EU member states relates to the securitisation of aid, the blending of defense and development objectives and the allocation of aid according to perceived security threats and challenges, rather than according to poverty eradication goals: "Military and security interests have skewed global aid spending, and amidst conflict, disasters and political instability have too often led to uncoordinated, unsustainable, expensive and even dangerous aid projects"^{viii}

The concentration of aid on a small number of fragile states following high profile events is a clear indication for aid securitisation. For instance, while the OECD labels no fewer than 48 countries as fragile, more than 30% of all global development aid channeled to fragile states since 2002 has gone to just three countries: Iraq, Afghanistan and Pakistan. Afghanistan figures as a priority country for EU countries including Finland, Germany, Estonia, Italy, Latvia, Poland, Slovakia and the UK.

EU member states are increasingly linking aid with their national security interests:

"The three main aims of [Dutch] foreign policy are to improve the Netherlands' economic position in the world, promote global stability and security, and foster human rights and the rule of law.

To achieve results, the Netherlands has to work with others, including developing countries, because they are part of both the problem and the solution. Poverty in developing countries and the Netherlands' aims are closely linked. The challenge is to bring interests together. Development cooperation needs to make a major contribution to this."^{ix}

"The national security council has said the ODA budget should make the maximum possible contribution to national security consistent with ODA rules. Although the NSC will not in most cases direct DfID spend in country, we need to be able to make the case for how our work contributes to national security."^x

The EC's Green Paper on Inclusive Growth

In late 2010 the EC launched a Green Paper entitled "EU development policy in support of inclusive growth and sustainable development: Increasing the impact of EU development policy". The Green Paper has generated debate among EU member states, CSOs and private sector actors, and the EC will draw the conclusions from this debate with a Communication due to be published later in 2011.

AidWatch members fear that some of the proposals by the EC, such as scaling-up the use of aid to leverage private financial flows or a stronger involvement of the private sector in EU development cooperation, may lead to a weakening of the poverty focus of EU aid. The EU needs to recognise that economic growth alone does not eradicate poverty. Alternative economic measures as well as specific policies to ensure democratic governance and empowerment are necessary to achieve inclusive and sustainable growth for development. With a too narrow focus on economic growth, the EU risks supporting policies that increase inequalities and marginalisation.

EU aid critical for poverty reduction efforts

Some EU member states have been keen to justify their weakening ambitions on ODA by highlighting that aid is just one amongst a number of external development finance sources and that ODA should not be given such a prominent focus.

AidWatch members strongly contest such a position and are keen to highlight that ODA is a development resource with a unique potential to target development support at poor and marginalised people, as the following characteristics suggest:

- The vast majority of ODA is provided as grant support that does not incur debts; in order to qualify as ODA, loans must be given on concessional terms.
- Around 40% of global ODA is spent on social infrastructure and services, such as primary education, basic health care and water.^{xi} This ODA has been critical to getting 4 million HIV/AIDS sufferers onto life-saving drugs and at least 30 million more children into primary school in the poorest countries over the last decade.
- OECD DAC donors follow a set of standards clearly setting out what can be counted as ODA and what not, which - despite flaws (see inflated aid section) - are aimed at ensuring ODA is focused on development and partner country needs.
- ODA is often the only source of finance readily available to respond to the immediate needs of poor people, such as access to food, drinking water and health care. Other forms of financial inflows and the domestic resource base can only be built in the long term.

These characteristics of ODA are in stark contrast to many other types of external development finance - such as foreign direct investment and private equity - which are invested for profit, often come in the form of loans, are weakly regulated and hardly ever reach the most challenging development contexts. These financial flows can contribute to poverty reduction efforts only in an indirect and less targeted way, and all too often favour a small elite or the middle class at best, rather than poor and marginalised people.

It is vital that EU member states stay firmly focused on meeting their ODA commitments in addition to any other development finance efforts they may be undertaking.

EU citizens still support ODA increases

AidWatch members are keenly aware of the challenging economic problems that EU member states are facing and how these have led to aid coming under increased public scrutiny. However, surveys of public opinions across Europe (see box 4 below) consistently conclude that despite these challenges EU citizens continue to support aid increases.

Box 4 : Development Cooperation and Public Opinion^{xii}

Citizens continue to back the EU's commitment of increasing aid despite the crisis: 64% of Europeans still think that aid should be increased regardless of the current economic conditions.

Strong support for EU Development Cooperation and Humanitarian Aid: 89% of Europeans attach a high value to development cooperation; while three in every four citizens consider important that the EU funds humanitarian aid activities outside its borders.

It therefore seems clear that public opinion is all too often ignored by political leaders when making decisions about aid. Italy provides a stark example of this, as despite the fact that 68% of citizens agree that aid promises should be kept and only 3% favoured cuts, the government presented a bill to the Parliament last September proposing a 46% cut to aid.

Lisbon Treaty strengthens EU responsibilities on development

As well as being supported by EU citizens, action by EU member states to increase aid and meet their international commitments is also reflective of the EU's new responsibilities under the Lisbon Treaty which came into force in December 2009. The Lisbon Treaty establishes development cooperation as an area of EU policy in its own right and of equal importance to all other areas of EU policy. Importantly, it also states the responsibility of EU member states to ensure that development cooperation focuses on poverty reduction, and that all external policies which impact partner countries contribute to development objectives:

“Union development cooperation policy shall have as its primary objective the reduction, and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries” (Article 208 of the Lisbon Treaty).

Moving forward: major opportunities for the EU in the next years

2010 was not an encouraging year for EU aid, but the focus of EU member states must now be towards the future and on using the coming year to identify and take the steps required to meet aid and development promises. 2011 provides important opportunities for EU member states to look forward on aid and they must take advantage of them.

Peer Review of ODA efforts at the June 2011 European Council

In the June 2010 European Council conclusions, EU leaders stated their commitment to achieve development aid targets by 2015 and “to return to this annually on the basis of a report by the Council.”^{xiii} Initiating such a review of EU aid efforts at the June 2011 European Council will be vital for putting increased ambitions on aid on the political agenda of EU member states. Its focus must be on the individual performance, challenges and future steps of EU member states towards meeting their aid commitments.

The 4th High Level Forum on Aid Effectiveness in November 2011

EU member states played an important role in shaping the Paris and Accra aid effectiveness frameworks. At the HLF4, donors and governments need to agree on an ambitious aid effectiveness agenda that reaffirms and deepens the Paris and Accra commitments and responds to partner country demands. Such commitments must be concrete, time-bound, enforceable and monitorable. EU member states must do all they can to ensure that such an agreement comes out of HLF4.

Further development of the EU's External Action Service

In the coming year the EEAS will move further towards being fully operational. This provides an opportunity for the EU High Representative for Foreign Affairs and Security Policy as well as EU member states to ensure that EU foreign policies and their implementation effectively promote rights- and values-based foreign policies and establish fair and mutually beneficial cooperation with third countries. The EU's external operations and dialogue with partner countries must have a commitment to sustainable development, human rights, gender equality and human security at their core, as set out in the Lisbon Treaty. Strong cooperation should be established and maintained between the EEAS and DG DevCo, and supported by extensive development expertise at both headquarters and delegation levels.

Increase the poverty-focus of aid

The EU must resist the urge to link their aid more formally to their foreign policy and security agendas, since this undermines the poverty-focus of aid and is contrary to Lisbon Treaty obligations. Development aid must be allocated to where it is needed and can help people lift out of poverty. Allocations and policies must not be driven by regional and global security concerns. There should be no further erosion of the civilian character of development cooperation and ODA through the inclusion of military or quasi-military expenditures or the channeling of aid through military actors. Humanitarian aid and relief efforts should strictly respect humanitarian law and principles - humanitarian imperative, impartiality, independence and neutrality - and should never be used to pursue particular political interests.

Reviews of EC policies on inclusive growth and on budget support

These reviews must contribute to efforts to strengthen the poverty focus and effectiveness of EU development cooperation. For growth to be beneficial for development, it has to be sustainable and inclusive, addressing inequalities with a special emphasis on reaching the poor and vulnerable. Pro-poor growth is based on decent job creation, functioning health services, universal access to education, a productive and sustainable agriculture, and good governance. The review of budget support should be an opportunity to consolidate evidence on the impact of budget support, and to improve the contribution of budget support to poverty reduction and development.

Multi-Annual Financial Framework (MFF) 2014-2020

The MFF is the EU's multi-annual spending plan that translates the EU's policy priorities into concrete budget figures. The next MFF will start in January 2014, and this will be a window of opportunity for the EU to demonstrate their political will to strengthen the EU's role as a global partner for developing countries. Currently, only 6% of the EU's budget is allocated to external relations, including development cooperation (while 31% is spent on direct aid and market-related expenditure in the EU's agriculture sector). To meet its international commitments on aid quantity, EU leaders must increase the provisions for development cooperation in the EU budget for the next MFF and ensure that its instruments and programmes are targeted effectively at those that need it most.

3. Aid Quantity Analysis

"Each economically advanced country will progressively increase its ODA to the developing countries and will exert its best efforts to reach a minimum of 0.7 per cent of its GDP at market prices by the middle of the [1970] decade." (UN General Assembly Resolution 2626, October 24, 1970)

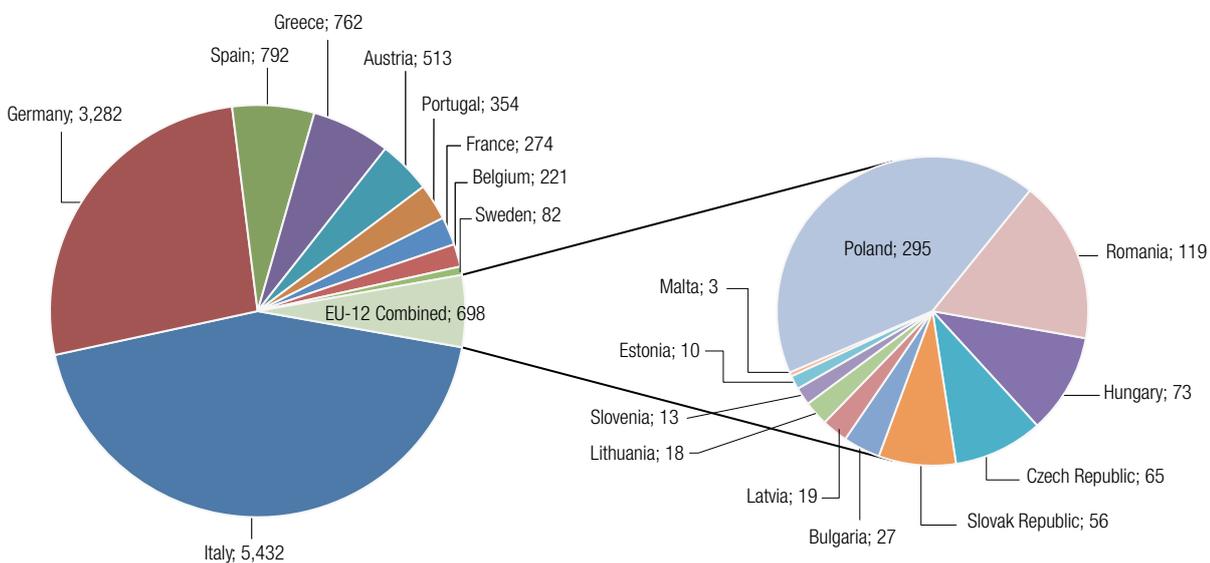
More than forty years on since the announcement of the first promise to increase aid to 0.7% of GNI, words are yet to be followed by concrete action. The latest figures released by the OECD in April 2011 show that the EU has fallen far short of its collective 0.56% goal for 2010, with the gap amounting to nearly €15 billion. Overall, EU aid represented 0.43% of EU GNI or €53.817 billion in 2010. The bloc is now off-track to reach the collective 2015 aid target of 0.7% of GNI, a commitment more recently reaffirmed at the 2010 MDG Review Summit.

The individual contribution of each EU member state towards the shortfall in 2010 is shown in chart 1. Figures show that three

countries alone are responsible for more than three-quarters of the nearly €15 billion gap: Italy (responsible for 43.8% of the collective shortfall), Germany (26.4%) and Spain (6.4%). Italy, for instance, is a member of the G8 and the fourth biggest economy in the EU; nevertheless it provided roughly the same aid as Denmark in 2010, a country with an economy almost six times smaller. Also alarming is the fact that Germany, in spite of being the biggest EU economy and the engine for economic growth in the EU, has fallen short of its aid obligations by more than €3 billion. According to recent estimates this amount would for instance be enough to provide annual universal health care to over 80 million people in the poorest countries.^{xv}

The EU12, in turn, account for only 5.6% of the shortfall (or less than Greece alone), due mainly to lower targets (0.17% of GNI) and smaller economies. Poland and Romania, (with gaps of €295 and €119 million respectively) contribute to more than 50% of the funding gap of the EU12.

Chart 1: Individual contributions to 2010 aid shortfall, € million^{xv}

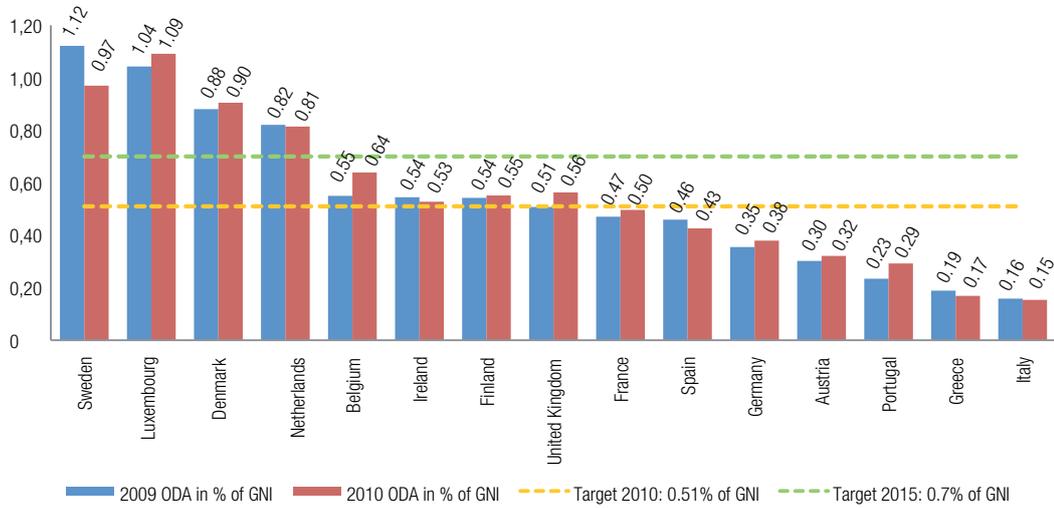


Data Sources: OECD and EC

In relative terms (as a proportion of GNI), the worst performers among the EU15 are Italy (0.15%, missing even the much lower interim target for the EU12), Greece (0.17%), Portugal (0.29%), Austria (0.32%) and Germany (0.38%), as shown in chart 2. Chart 3 shows the performance of the EU15 towards the 0.51% target. Spain and France, next on the list of poor performers, also missed the 0.51% interim targets in 2010. Worryingly, four out of the five biggest economies in the EU missed the aid target for 2010 (Germany, France, Italy and Spain).

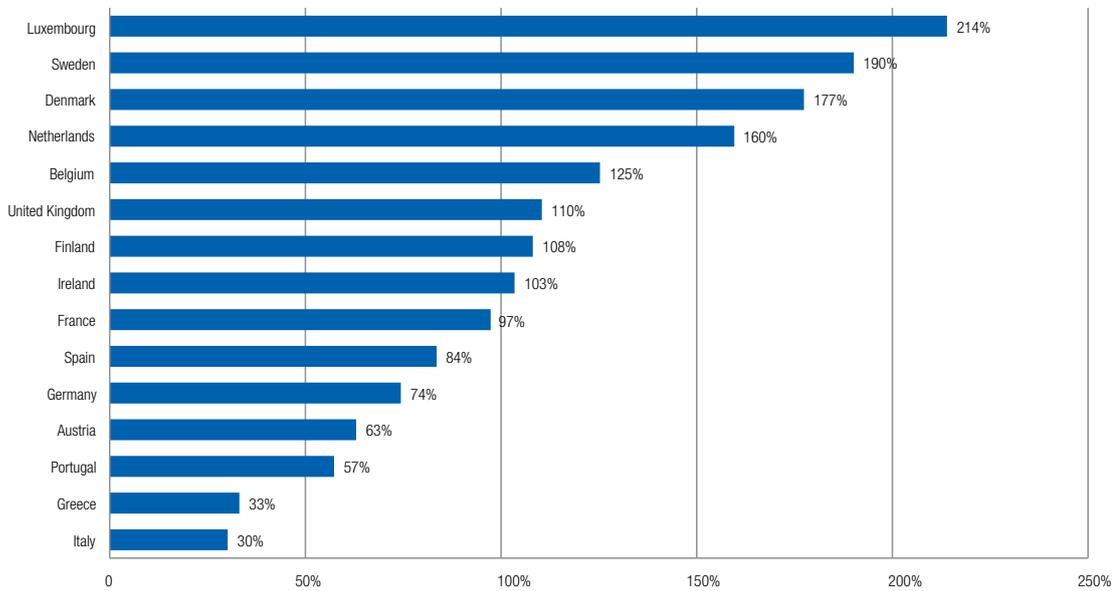
On the other end of the spectrum are Luxembourg (1.09%), Sweden (0.97%), Denmark (0.90%) and the Netherlands (0.81%), all above the UN target of 0.7% of GNI. Belgium has reached 0.64%. All top-five performers have domestic aid targets that are more ambitious than the ones set by the EU (see chart 4). Luxembourg, Denmark and Netherlands have been able to surpass even their more ambitious domestic targets. Sweden and Belgium have not reached their national objectives.

Chart 2: Progress against EU Targets (EU15)



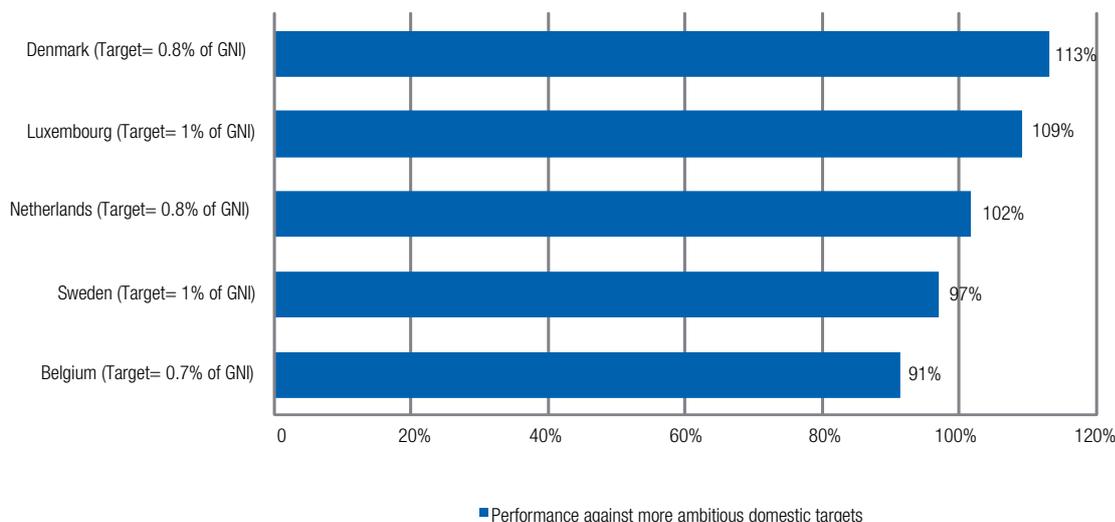
Data Sources: OECD and EC

Chart 3: EU15 performance against 0.51% target in 2010



Data Source: OECD

Chart 4: EU member states with more ambitious targets

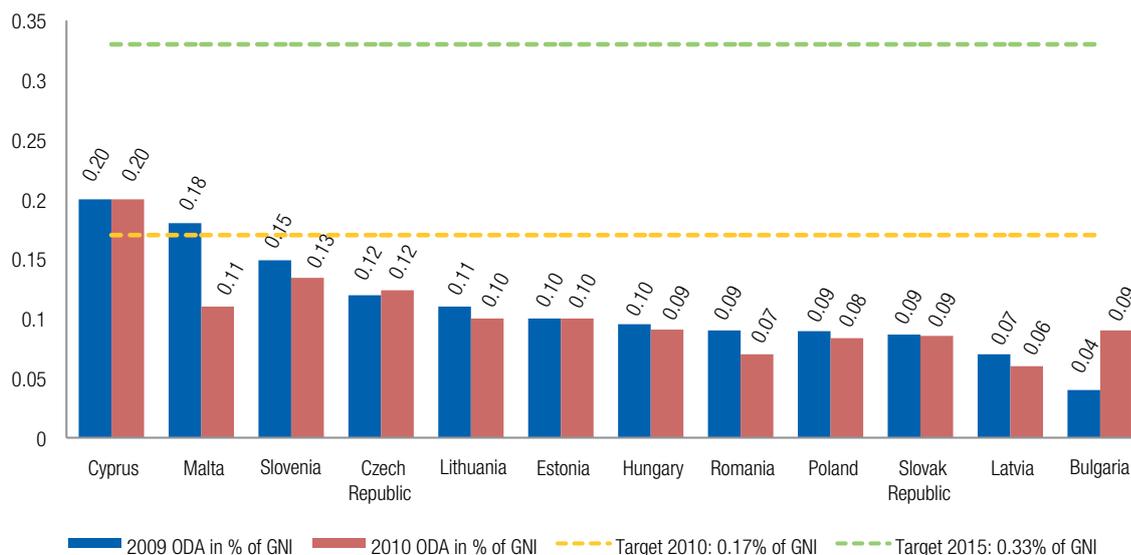


Data Source: OECD

As for the EU12, with the exception of Cyprus, no single country has managed to reach the interim target of 0.17% of GNI (see chart 5). The worst performers in 2010 include Latvia (fulfilling only 35% of its 2010 obligations), Romania (41%), Poland (49%), Slovak Republic (50%) and finally Bulgaria and Hungary (both fulfilling merely 53% of their 2010 obligations).

Moreover, seven out of the 12 countries even decreased their aid levels as a percentage of GNI in 2010 despite already disappointing performances in 2009. Only Bulgaria showed a significant improvement on 2009 levels, more than doubling its reported ODA. However, its performance is still largely disappointing and the country also continues to lack a proper legal framework for its development assistance.

Chart 5: Progress against targets (EU12)



Data Source: OECD

Aid inflation

Official ODA figures unfortunately do not show the full picture. EU donors continue to inflate their reported aid figures with debt cancellation as well as student and refugee costs in donor countries (see box 5).

Box 5 : AidWatch inflated aid methodology

Official aid figures include debt cancellation as well as spending on student and refugee costs in donor countries. These are ODA reportable items which do not amount to a real transfer of resources to partner countries and are difficult to link to clear development results.

Debt cancellation: While AidWatch members welcome debt cancellation for partner countries, we do not believe that this should be accounted as ODA. When donors provide debt relief, they can report as ODA not only the amount of debt forgiven, but also the interest they are owed now, and in the future. Donors can also report as ODA the cancellation of loans that did not have a developmental purpose, such as export credits.

Refugee costs: Donors continue to report spending on refugees as ODA. This spending does not reflect a real transfer of resources to partner countries. The money stays in the donor country and is in no way directly connected with any development or poverty reduction goal.

Student costs: Many donor countries report as ODA the money spent on educating foreign students from partner countries within their own borders. There is no evidence that this money contributes to poverty reduction in partner countries, neither do these funds represent a transfer of resources to partner countries.

In addition, EU member states continue to count climate finance towards their ODA targets when this should be additional support; and to include other spending that does not have a clear poverty focus (such as costs for embassies). Our methodology to calculate inflated aid does not yet take into account these areas of spending.

In 2010, according to preliminary data and AidWatch estimates, EU countries spent €5.2 billion on inflated aid, equivalent to almost 10% of the total aid provided to partner countries. A breakdown of the data shows that about €2.5 billion is debt cancellation, roughly €1.6 billion are reported as student costs and about €1.1 billion are spent on refugees in donor countries.

This represents a significant increase on 2009 levels, but the figure is still lower than historical averages over the past five years. The worst inflators as a proportion of total disbursements include Cyprus (41%), Austria (23%), Belgium (23%), France (19%) and Greece (16%).

The main driver for the increase in 2010 is debt cancellation, roughly €1 billion higher than in the previous year. When analysing debt relief as a proportion of total ODA, Belgium tops the list in 2010 (18% of Belgium's ODA is debt relief), mainly due to debt cancellation granted to DR Congo. Austria and France follow, with 13% and 10% respectively. In absolute terms, France leads with over €900 million reported as debt relief in 2010.

As for refugee costs, they account for a high share of ODA especially in Cyprus (39%), Sweden (9%), and Czech Republic (8%). Luxembourg should be praised for being the only country which has consistently not reported refugee costs as ODA. The UK, despite other positive trends, has started to report refugee costs; however the amounts are insignificant as a share of total ODA.

The figures for student costs show that the highest inflators are Romania (13%), Greece (11%), Germany (8%), Austria (7%), with France, Slovenia and Portugal right behind with 6%. Germany reported more than €700 million in student costs, while the reported costs of France amount to €600 million: staggering figures when considering that the total ODA provided by EU12 countries in 2010 was about €850 million.

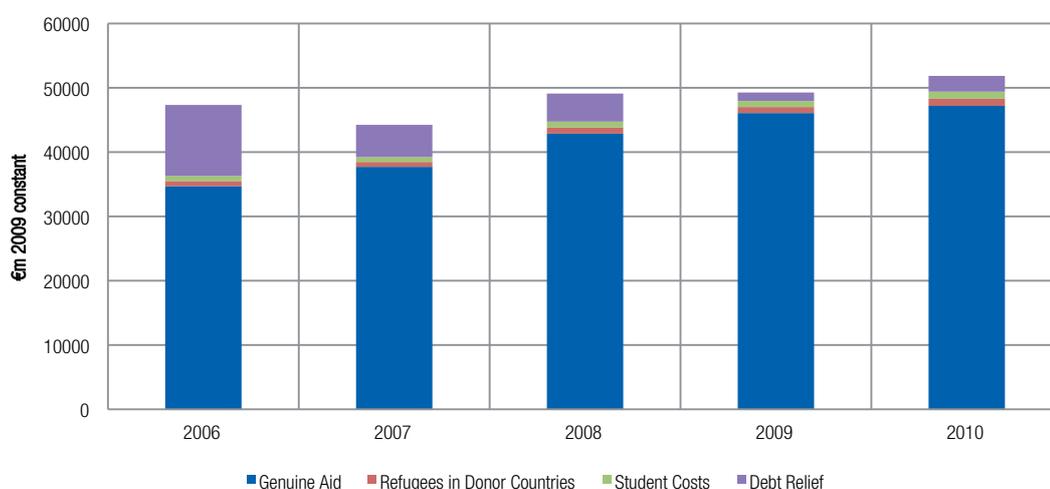
Table 1: Genuine and inflated aid

Country	Genuine aid % GNI	Total aid % GNI	2010 total aid	Inflated aid % total aid	2010 genuine aid	2009 genuine aid	2010 aid target met?
Luxembourg	1.09%	1.09%	301	0%	301	289	yes
Sweden	0.89%	0.97%	3,418	8%	3,148	3,033	no
Denmark	0.87%	0.90%	2,164	4%	2,081	1,961	yes
Netherlands	0.71%	0.81%	4,795	13%	4,179	4,333	yes
UK	0.55%	0.56%	10,391	2%	10,224	8,225	yes
Finland	0.53%	0.55%	1,008	4%	969	897	yes
Ireland	0.53%	0.53%	676	0%	676	715	yes
Belgium	0.50%	0.64%	2,265	23%	1,755	1,705	no
France	0.40%	0.50%	9,751	19%	7,915	7,327	no
Spain	0.40%	0.43%	4,467	7%	4,171	4,555	no
Germany	0.35%	0.38%	9,606	9%	8,760	7,856	no
Portugal	0.28%	0.29%	489	6%	462	335	no
Austria	0.25%	0.32%	905	23%	696	689	no
Greece	0.14%	0.17%	378	15%	320	357	no
Italy	0.14%	0.15%	2,349	7%	2,176	2,226	no
Cyprus	0.12%	0.20%	34	41%	20	16	yes
Slovenia	0.12%	0.13%	48	8%	44	45	no
Czech Republic	0.11%	0.12%	169	11%	150	149	no
Estonia	0.10%	0.10%	14	1%	14	14	no
Lithuania	0.10%	0.10%	28	0%	28	30	no
Hungary	0.09%	0.09%	85	0%	85	83	no
Slovak Republic	0.08%	0.09%	56	7%	52	49	no
Latvia	0.06%	0.06%	12	4%	11	15	no
Romania	0.06%	0.07%	86	13%	75	76	no
Countries without sufficient data to assess inflated aid levels							
Malta	-	0.11%	7	-	-	-	no
Bulgaria	-	0.09%	31	-	-	12	no
Poland	-	0.08%	285	-	-	228	no

All figures in million Euros, in current prices

2010 aid figures taken from EC (2010); inflated aid analysis: debt figures taken from preliminary OECD aid figures; student and refugee costs: estimations from national platforms

Chart 6 : Collective genuine and inflated aid (2006 to 2010)



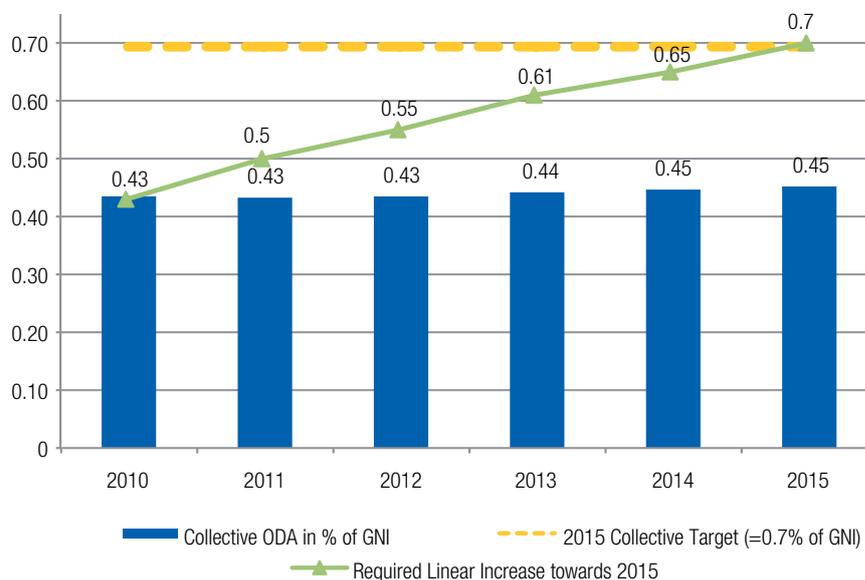
Data sources: OECD, EC and AidWatch estimations

Looking ahead: prospects for EU aid beyond 2010

Recent projections and simulations by the EC show that most EU countries plan to increase aid over the coming years, though at a reduced pace. Collective aid disbursements are expected to grow at an average of 4.5% between 2011 and 2015. This rate of growth is however dramatically insufficient given the large gap between current aid levels and the 0.7% of ODA target set for 2015. According to simulations, aid as a proportion of GNI in 2015 will amount to only 0.45%; hence considerably lower even than the 2010 interim target. From this year's aid gap of 0.13% of GNI, the shortfall is projected to roughly double, reaching 0.25% of GNI by 2015 (see chart 7).

The main contributors for such a dramatic forecast shortfall include Italy (which is projected to significantly decrease its already low levels of ODA/GNI towards a shocking 0.09% in 2015); France and Germany (which are expected to reach only about 60% of its commitments by 2015); and Austria (which is expected to keep its modest levels of ODA/GNI pretty much stable at about 0.32%). Denmark, to date a top performer, is expected to freeze aid in nominal terms, preventing it from reaching its own national target of 0.80% for most of the following five years.

Chart 7: EU ODA projections towards 2015



Data source: EC

Climate change financing: A fast start – but slow for the poorest

At the UNFCCC's Conference of Parties in Copenhagen (COP15), developed countries agreed to provide USD 30 billion in so called fast start climate financing in the period 2010-2012. Evaluating the progress of the first year of the programme, the EU has agreed to provide €7.2 billion, which is almost a third of the total promised amount, and according to official EU figures, a total of €2.35 billion fast start finance was provided by EU at the end of 2010. This is almost equal to the €2.4 billion EU commitment for 2010. However, only 36% of the EU financing went to adaptation and this raises serious concerns as financing for adaptation is vital when considering the immediate concerns of the world's most vulnerable people who bear the brunt of human induced climate change. Moreover, only 47% of the EU climate initiatives were given as grants while the rest consisted of loans, equities and others. This is an unacceptable amount as climate finance alleviates suffering caused by the developed world and therefore must take the form of compensation.^{xvi}

The limited poverty focus of fast start climate financing so far has caused strong criticism from International environmental and development NGOs. Also, the focus on certain multilateral channels, especially the World Bank, undermines the UN-process and partner country confidence in the way finance is provided. The fact that the World Bank has such a controversial history in development, most notably their extensive financing for fossil fuel projects and the dominance of developed countries in its decision making structure, proves it does not have the required legitimacy to channel climate change financing to partner countries.

What does “additionality” mean?

One of the fundamental concerns is the lack of an international definition of “new and additional”. These terms are present in the UNFCCC, the Bali Action Plan and the Copenhagen Accord, and have substantial importance for the provision and monitoring of climate change financing, yet there is no agreement on what “new and additional” actually means. A joint process of the EC's Directorate-Generals Climate and Development (now DG DevCo) in 2010 aimed at reaching an EU definition on additional climate financing reached an impasse due to major disagreements. This is hugely problematic since it makes monitoring the additionality of climate financing extremely difficult.

Most EU member states make no clear distinction between climate and development finance and count both under a common ODA umbrella. This often leads to double counting already promised ODA

budgets to meet climate financing commitments. The tendency of recycling ODA therefore jeopardises the climate change negotiations as well as partner countries abilities to combat climate change while also threatening poverty eradication efforts towards reaching the MDGs.

An AidWatch survey reveals that many EU member states either have no policy definition on additionality, or admit counting climate financing as part of their ODA target. Countries such as Finland, Belgium, the Czech Republic and Austria report that their Fast Start Finance (FSF) contributions will be financed from their ODA budgets. Other countries such as Malta, Greece, Italy, Romania and Germany state that they do not just include FSF but also general climate financing beyond FSF in their ODA, thereby opening up for extensive money recycling and double counting.

The Greek government explicitly states that true additionality is “not a realistic option”. Sweden found the additionality question “artificial” as development and climate change objectives are integrated.

Exceptions to the European tendency of counting climate financing as ODA are Cyprus and Luxembourg. Cyprus does not count climate financing as part of ODA and reports them separately. The government of Luxembourg is even stronger in its language, stating: “Luxembourg deplores the absence of an internationally accepted definition on additionality and urges the EU and other concerned partners to undertake all necessary efforts to strengthen a clear and common.”^{xvii}

However, in practice it is not clear whether Luxembourg is counting climate change financing as ODA. Luxembourg NGOs, therefore, keep being alert on the potential use of ODA to fund Luxembourg's financial climate responsibilities.

The lack of an internationally endorsed definition of “new and additional” poses a serious risk to the fight against global climate change. The first step for the EU must be to admit that current funding is not additional and to initiate a process that ensures this problem is solved before post-2012 climate financing is initiated. If partner countries are not guaranteed predictable funding that is truly new and additional, then climate change will join development as a field where promises to partner countries are constantly made yet never fulfilled.

One of the ways the international community can mobilise additional finance to tackle climate change is through the use of innovative sources of financing, with the most promising being the financial transaction tax (see box 6).

Box 6 : Innovative finance

The Monterrey Consensus of March 2002 first recognised the importance of exploring innovative and additional sources of financing for development. Since 2002 the EC annually reports on EU progress in implementing innovative financing commitments. Innovative financing, or non-traditional financial mechanisms, have the potential to raise significant resources for development aid and climate change challenges. The EC is currently conducting an impact assessment on new financial sector taxes, which is expected to be published during the summer 2011. Several innovative mechanisms are already in place in various EU member states:

- Air ticket levies: Levies raised on air tickets are used as extra finances for conventional aid.
- EU Emissions Trading System (EU ETS) Auction Revenues: Some EU member states use EU ETS auctioning revenues for development. According to the EC, ETS auction revenues could reach €50 billion annually by 2020.

- National Lotteries: Belgium and the UK are financing development with profits from national lotteries.

CONCORD urges the EU to adopt an EU wide financial transaction tax (FTT) that, if achieved, would be a powerful symbol of the EU's willingness to embrace bold and far-reaching measures to tackle financial reform to contribute to the eradication of poverty. It would not only provide additional resources for development, but also serve as an instrument to control transactions on financial markets and reduce especially speculative transactions which often have hugely negative effects particularly on partner countries. An FTT would allow to make up for the global imbalances caused by globalisation and foster a better redistribution of wealth. The implementation of an FTT is fair, essential and technically feasible.

AidWatch holds that resources generated by innovative finance mechanisms must be additional to ODA.

4. Aid quality analysis

The road to HLF4

At the 4th High Level Forum on Aid Effectiveness (HLF4) in South Korea later this year, the international development community will be reviewing the achievements of the Paris Declaration and the Accra Agenda for Action (AAA) in guiding and promoting reforms to improve the effectiveness of aid in supporting development efforts. The HLF4 provides an opportunity for donor and partner countries to deepen and reaffirm their commitment to the types of aid reforms and practices committed to in Paris and Accra, which we know are already delivering significant change and have great potential to deliver more (see box 7). These reforms and practices are still some way from being standard practice amongst EU member states (see box 8) and others, and long term sustained commitment to them is vital to better results from aid – there is no shortcut to effective aid!

Box 7 : Achievements and potential of Paris and Accra

- The Paris reforms are supporting improvements to the alignment of donor support to local development policies, better donor coordination and more simplified aid practices (initial findings of the Paris Declaration Evaluation).
- Over the 3 rounds of monitoring implementation of Paris the number of partner countries engaged has increased from 34 (2005), to 55 (2007) to 91 (2010).
- The EC estimates that the equivalent of up to €6 billion of EU aid could be saved annually by implementing the type of reforms in the Paris Declaration.

Box 8 : Paris and Accra still unfinished business for the EU

- If EU member states maintain the pace of their 2005-7 implementation of Paris for the period 2008-10, the average EU member state would deliver barely 50 % of their aid predictably, using country systems and programmes and on budget; such performance represents limited improvement since 2005 and will leave them far from meeting their commitments.
- Of 18 EU member states recently surveyed only 7 had met their Accra commitment to make conditions public and only 5 had reduced the number of conditions as they were encouraged to in the AAA.

The Paris Declaration's framework of specific, time-bound, measurable and regularly monitored commitments – despite its flaws - has been critical to the progress it has helped to generate. An agreement from HLF4 must include such a framework otherwise it will likely be soon forgotten, like most international development agreements that lack this unique element.

The Paris and Accra reforms will not have been implemented in full by the HLF4. These reforms are already contributing to critical improvements to aid delivery and partner countries are demanding further implementation. It is important they continue and are deepened in areas such as aid transparency, conditionality, untying, promoting democratic ownership and accountability, and measures

for better focusing on delivering development results for the poorest and most marginalised.

How successful HLF4 will be in delivering on these ambitions will in part depend on the commitment of the EU – supported by their decades of experience with and commitment to aid and development cooperation – to pro-actively engage in the agenda and lead by example.

The EU has been at the forefront of efforts to improve the effectiveness of aid over the last decade. It was an important actor in shaping the Paris Declaration in 2005; was at the forefront of the AAA in 2008; and has launched a range of its own initiatives to ensure these frameworks deliver real change (see box 9).

However, in observing the initial preparations of EU member states for HLF4, AidWatch members are concerned that their ambition is far from that presented above. Many of the most prominent EU member states seem to be calling for HLF4 to agree on a streamlined aid effectiveness framework that responds to their own political agendas (using concepts like value for money), whilst neglecting to respond to the demands from partner country stakeholders for HLF4 to reaffirm and deepen the broader Paris and Accra agenda.

EU member states must therefore ensure that they immediately begin to support a progressive and ambitious agreement from HLF4 that incorporates the elements outlined above.

Box 9 : Operational Framework on Aid Effectiveness^{xviii}

In 2009, the EU adopted the operational framework on Aid Effectiveness, to provide a collective response to the PD and AAA commitments. The operational framework covers 4 areas of reform:

- **Division of labour:** furthering cross- and within-country division of labour efforts
- **Use of country systems:** measures required to respond to the Accra commitment to use country systems as first option for aid programmes
- **Technical cooperation for enhanced capacity development:** principles and actions to promote country ownership, transparency and greater use of local expertise in undertaking capacity building support
- **Mutual Accountability and Transparency:** measures to improve transparency, the sharing of forward looking aid allocations and the establishment of joint donor-recipient frameworks to monitor aid effectiveness reforms in-country.

AidWatch members will put forward concrete proposals for the EU to strengthen aid effectiveness reforms later this year, taking into account the work done by the global CSO coalition BetterAid^{xix}. In this year's report, we would like to highlight three areas of critical importance to achieving sustainable development results: democratic ownership, aid transparency and gender.

Democratic Ownership

Recent events across the Arab world have shown the importance of people being able to claim their rights and hold their governments to account, as well as the importance of government institutions being willing – and able – to respond to these demands. As Commissioner Piebalgs rightly states in his blog, talking about the uprising in Tunisia, the EU has to draw the lessons from the 'Arab Spring' for the future of its development policy.^{xx}

While events are still unfolding, one lesson seems to be already clear: the EU needs to better recognise the role of civil society organisations and citizens' in promoting human rights, demanding accountability from those in power and fighting inequality and marginalisation.

In light of the events in the Arab world, AidWatch wants to reiterate its calls upon the EU from last year to fully embrace and mainstream throughout its development policies the concept of democratic ownership, a term used to describe the effective and full participation of people in the design, implementation and monitoring of development strategies and policies of donors and partner governments.

Democratic ownership requires donors and partner governments to provide political spaces for people to influence and scrutinise development policies and programmes, i.e. by maintaining a continued and structural engagement with CSOs; building the research, advocacy and policy analysis capacities of all actors to engage in dialogue and public decision-making; as well as actions to protect civil and political rights.

The opportunities for people in partner countries to effectively shape the development strategies and policies of their countries continue to be considerably restricted. Weak Parliaments, lack of opportunities for CSOs to engage in dialogue and the tying of aid disbursements to economic policy conditions are among the key stumbling blocks towards realising full democratic ownership.

This year, we would like to highlight two areas for the EU in which reform is needed to promote democratic ownership: economic policy conditionality and engaging and consulting with CSOs both in partner as well as donor countries.

Economic policy conditionality

European donors continue to undermine democratic ownership by attaching economic policy conditions to their grants and loans,

despite commitments in the EU joint position for Accra to reduce the conditions attached to European aid. Economic policy conditionality has proven to be largely ineffective to leverage reforms in partner countries and, most importantly, such conditions imposed by foreign donors undermine democratic decision-making processes in partner countries.

Particularly the EU budget support comes with conditionality: budget support is one of the aid modalities with the largest potential to promote ownership. But EU member states and the EC continue to require - formally or informally - that an International Monetary Fund (IMF) programme is in place in order to disburse budget support. IMF conditions (if at all) are negotiated with Finance Ministries behind closed doors, bypassing public debate or meaningful civil society or parliamentary engagement on critical economic policies that may have harmful consequences for the poor.

Box 10 : International CSO Processes

BetterAid: BetterAid is an open platform of over 900 CSOs interested in aid and development effectiveness issues. BetterAid is led by a Coordinating Group (BACG) of 31 member organisations leading policy development and advocacy engagement with the OECD DAC's Working Party on Aid Effectiveness and the United Nations Development Cooperation Forum. BetterAid is full member of the Working Party on Aid Effectiveness. Web site: www.betteraid.org.

Open Forum: The Open Forum for CSO Development Effectiveness is a global consultation process on the effectiveness of CSOs. Since early 2010, the Open Forum has facilitated over 70 consultations of CSOs, donors to define a framework for effectiveness that is applicable to CSOs as development actors in their own right. The Open Forum also engages in multi-stakeholder dialogues and advocacy on enabling environments for CSOs. It is led by a Global Facilitation Group made up of 29 member organisations. Web site: www.cso-effectiveness.org.

The conditions of International Financial Institutions are particularly severe in the context of joint budget support groups that emerged in many countries. Here, they have a strong leverage in the conditionality matrices jointly agreed by all donors, including the EU donors. Worryingly, the principle of harmonisation has been largely misinterpreted in the context of these joint budget support groups, which tend to add up all individual donor conditions, rather than streamlining the number of conditions as agreed under the Paris Declaration and the AAA.

European donors should phase out all economic policy conditions including the requirement of a positive IMF assessment to disburse budget support. EU donors should establish clear targets and timetables to phase out policy conditions in order to stop these interventions in the democratic processes of partner countries.

Definitely overdue for EU donors is to deliver on the “beginning now” commitment of the AAA to make transparent all conditions attached to aid.

Eliminating all economic policy conditionality would be a rapid and concrete way for the EC and EU member states to ensure partner countries assuming greater power and responsibility over their own development.

Consultations and engagement with CSOs

In response to the Accra Agenda for Action (particularly paragraphs 13 and 20), EU donors have made several commitments with respect to CSOs in the EU's operational framework on aid effectiveness, such as supporting civil society and other actors in holding governments accountable for public expenditure or including civil society in mutual accountability mechanisms to hold donors and governments to account for their aid effectiveness commitments. The EU has yet to demonstrate progress against these commitments.

To date, the EU is still lacking a common overarching vision on the roles of CSOs in development, democratisation processes, governance and conflict transformation, and the EC does not have an overarching strategy on how to support and engage with CSOs in all their diversity. A recent evaluation on EC engagement with CSOs confirms that the EC's country and regional strategy papers show a “huge diversity of possible EC responses strategies with regard to CSOs as an aid delivery channel, ranging from fairly sophisticated approaches [...] to a purely instrumental or ephemeral consideration of CSOs.”^{xxi} EC country strategies with limited strategic thinking on how to engage with CSOs include notably Egypt and Tunisia.

The European Court of Auditors' evaluation on budget support recently also confirmed that the EC has given “insufficient attention [...] to the need to strengthen oversight bodies such as supreme audit institutions, parliaments and civil society organisations seeking to monitor government use of budgetary resources.”^{xxii}

At EU member states' level there are varying degrees on effective engagement with domestic and Southern CSOs. This year's AidWatch survey confirms that in most EU member states, engagement with domestic CSOs continues to be ad-hoc, on short-notice or very late in the decision-making process. CSO consultations often have very little influence on development policies and strategies. When it comes to consultations with Southern CSOs, the picture is even worse. Neither the EC nor many EU member states engage in timely, representative and effective consultations with CSOs on development policies and strategies. Meaningful engagement reaches far beyond mere consultations^{xxiii}.

Structural or more systematic engagement with CSOs remain exceptional, i.e. in Spain CSOs participate in the national, regional and local Development Cooperation Councils, in Slovakia relations between the national NGDO platform and the MFA are governed by a Memorandum of Understanding and in Luxembourg there are bi-monthly exchanges between the Ministry and CSOs. Overall, the EU

has yet to put in practice their commitment to recognise CSOs as development actors in their own right and not just as implementing agencies.

Stepping up finance for civil society-led monitoring, advocacy and service delivery work would be an important first step. For the next multi-annual financial framework, CONCORD has suggested that 15% of the EC's country allocations are earmarked for CSOs in the South and in the North. But the EU's support to civil society must not be limited to finance alone. CSOs in the Open Forum for CSO Development Effectiveness are elaborating concrete proposals for action for donors in a number of areas to provide more enabling environments at country level (see box 11).

Box 11 : Recommended actions by the Open Forum for donors to provide an enabling environment for CSOs (selection)^{xxiv}

- Reinforce and support inclusive political and policy dialogues between CSOs, governments and multilateral institutions, including their capacity to conduct advocacy work to influence policy, and to participate in policy making and debates
- Put in place transparent, explicit and coherent policies that define clearly the place and role of CSOs within the overall strategic framework and plans of donors, including country level programme implementation plans
- Include CSOs from both the donor country and outside the donor country on any autonomous advisory board established to offer advice to donors, and in particular on the implementation of donor policies and operational practices in support of CSO roles in development
- Provide financing for organisational and research activities of representative coalitions, networks and platforms of CSOs to better engage governments and donors with coherent CSO policy voices.
- Consider a range of dynamic forms of reporting and a variety of accountability formats, beyond a reliance on results-based management (RBM) methodologies and logical framework analysis (LFA)

Transparency

Greater transparency is central to delivering on the promise of aid: to empower people in the fight against poverty and humanitarian disasters. At present, there is too little readily available information about aid, which undermines the efforts of aid donors, aid recipients and civil society to promote development and accountable governance – commitments which donors signed up to in Paris in 2005 and Accra in 2008.

Aid Transparency: Essential to delivering on donors' aid effectiveness commitments

In the Paris Declaration and AAA, donors committed to improve the effectiveness of their aid. More and better information on aid activities is fundamental to meeting these commitments. Governments and citizens can only have a sense of ownership or develop mutual accountability if information about the aid flowing into their country is public. Aligning aid to country systems and improving predictability are closely dependant on the format and timing of when aid information is provided. Donors are struggling to harmonise and change the division of their labour without knowing comprehensively what each other and recipient governments are doing, and managing for results requires information about those results but also the inputs and outputs to be available at the right time.

At EU level, in the December 2010 Council conclusions on mutual accountability and transparency, the EC and EU member states have committed to increase the transparency of aid volumes and allocations, as well as making future country-level spending plans available.

Assessing levels of aid transparency

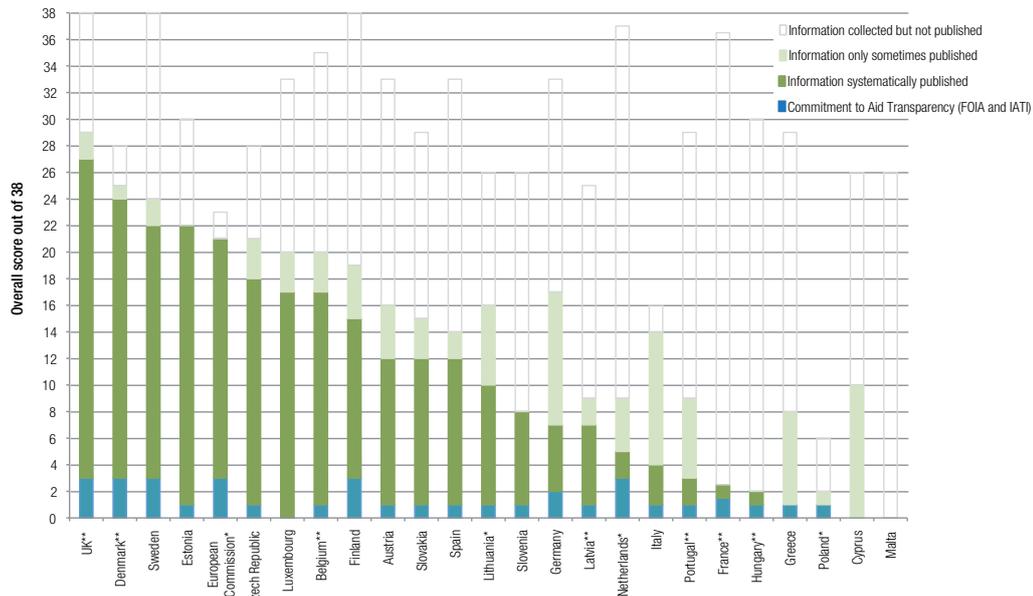
In 2010, a number of assessments of the transparency of aid agencies were published, including the Quality of ODA report and Publish What You Fund's 2010 Aid Transparency Assessment. A common challenge faced by all of these assessments was a lack of comparable and primary data on levels of aid information which constrained an accurate and specific assessment of donors' aid transparency.

The aid transparency section of the AidWatch report differs somewhat from last year, because we wanted to develop a more rigorous data source of currently available information clearly reflecting international and European commitments on aid transparency. Therefore, this year, donors are assessed in terms of (I) their commitment to transparency (3 points), and (II) through a survey on the availability of specific

Box 12 : Criteria used to assess donor transparency

- I. Commitment to transparency
 - a. Existence of a Freedom of Information Act (FOIA)
 - b. Engagement in the emerging best practice on aid transparency (IATI)
- II. Survey availability of 36 specific types of information
 - **4 Organisation level questions** – for the biggest donor agency in a country (e.g. aid allocation procedures; total development budget),
 - **3 Country level questions** – the donor's biggest partner country (e.g. country strategy papers, annual audit)
 - **19 Activity level questions** – for one project in the donor's biggest partner country (e.g. title, total overall cost, sectors the projects contributes to)

Chart 8: Aid transparency of 25 European donors



* Donor did not have the opportunity to review the initial results, as results were collected too late;
 ** Donor was given the opportunity to review the initial results, but did not reply within 4 weeks;
 *** No information was collected on this donor

types of information (see Box 12 for more details). The survey was designed to sample and collate data about the publication of key types of information on current aid flows for each donor and agency in ways that generate a comparable, robust data source that is specific, detailed and verifiable. AidWatch members assessed the availability of 35^{xxx} specific types of information at organisational, partner country and project or activity level, examining the availability of information at all stages from policy to implementation, including design, evaluation and audit. Donors were then asked to verify these results. The resulting data enables us to accurately track levels of aid information available, show changes over time and facilitate clear, practical improvements in the levels of information. A particular emphasis was placed on activity-level information, as it is this level of detail that is required to enable and empower citizens in partner countries to hold their governments and aid donors to account.

Results: High fliers and poor performers

The survey provides some striking results, with wide variation. No donor currently publishes all 35 types of information about aid for its biggest recipient country, and one donor publishes no information at all about its aid activities (Malta).

There are good performers among emerging and traditional donors, and among large and small EU member states, which suggests that all aid agencies should be able to deliver on their aid transparency commitments. For example, Estonia – one of the smallest and newest aid donors – is the fourth best performer, slightly behind Sweden, Denmark and the United Kingdom. At the other end of the scale, the EU’s second largest aid donor, France, is competing with Hungary, Greece and Poland in terms of poor performance. Germany, the third largest European donor, also scores in the lower half of respondents.

It is clear that some types of information are much more readily available than others. For activity level information, the title and description of the activity are widely (though not universally) available, as is the overall cost of the activity and the name of the implementing agency as well as the sector classification of the activity. More general information on aid allocation policies and procurement policies is also available from more than half of donors, as are country strategies, at least for the donor’s largest partner country.

On the other hand, some types of information are very hard to access. Country audits, whether or not aid for a specific activity is tied, project impact appraisals, project design documents, activity budgets, contracts, Memoranda of Understanding (MoUs) or equivalent agreements, results and outcomes of activities, and evaluations are much less readily available, being published for fewer than five donors in each case.

We have also included a measure of commitment to transparency which uses the existence of a Freedom of Information Act (FOIA) or equivalent and participation in the emerging best practice process of the International Aid Transparency Initiative (IATI). FOIA are now nearly universal across the EU member states, with a few notable exceptions in Cyprus, Luxembourg, Malta and Spain. However, there is significant variation in the depth and usability of these Acts and work is currently being undertaken by Access Info to explore this.

In terms of emerging best practice on aid transparency, IATI was agreed in February 2011, and eight EU member states and the EC have signed and committed to implementing this standard. Of those engaged in IATI, a group of the most committed are those who have or are planning to publish to the standard by HLF4. In the EU these are Denmark, the EC, Finland, Netherlands, Sweden and the UK. We

Box 13 :**Interesting examples of variation levels of information provided by aid donors**

- The **United Kingdom's** Department for International Development provides frequently updated information on all current projects down to transaction-level data;
- **Estonia's** aid programme provides current information on all of its projects in a standard and structured format, with accompanying project documents.
- **France's** biggest recipient in 2009 was Côte d'Ivoire, receiving €864 million. The Agence Française de Développement provides virtually no information about its programmes, either on its own website, or website of the French Embassy to Côte d'Ivoire.

welcome the efforts towards improving EU aid information collection through ensuring the IATI compatibility of the EC's web-based TR-AID (Transparent Aid) initiative. The commitment to making TR-AID public is also welcomed; however it is essential this is made public at the earliest opportunity.

A note on format and usefulness

The survey is designed to capture only whether or not donors publish information, and not the format the information is provided in. However the format of publication matters and limits the use of data both in terms of accessibility, reuse and comparability with other donors. For example, while Denmark comes 2nd, this information is published only in PDF format which is a major limitation on use. The format that the information is provided in is vital if more information is to mean better information. IATI provides a standard format for providing timely, comparable and comprehensive information, and is therefore a crucial opportunity for European donors to implement and deliver on the Paris and AAA commitments, as well as improve the way they disclose aid information^{xxvi}.

Delivering on Paris, Accra and for Busan

The survey results demonstrate that all countries should be able to deliver on their aid transparency commitments. We call on the EC and EU member states to ensure that aid transparency delivers on emerging international best practice by:

- Disclosing comprehensive information for all their activities, in machine readable formats.
- Using the common standard that ensures comparability both with other donors, but particularly also the needs of recipient governments.
- Signing and submitting remaining implementation schedules and delivering on initial phases of IATI by HLF4.
- Demonstrating their commitment and leadership to improved aid transparency by ensuring that it remains firmly embedded in a

common European consensus on aid effectiveness in the lead up to HLF4.

Gender

"The eradication of poverty demands that women and men be given equal opportunities in the economic and social spheres and have equal access to, and control over, the resources of society" (EC Communication on Gender Equality and Women Empowerment in Development Cooperation, 2007).

Some basic facts help illustrate the context of women in development: they represent more than 70% of the world's poor, yet their voices frequently go unheard whilst their rights and needs are overlooked. Women contribute to the production of about two-thirds of all food in partner countries, but they own less than 1% of the land. Violence against women and girls causes more death and disability among women aged between 15 and 44 globally than cancer, malaria and war combined^{xxvii}.

Girls and women must be at the centre of any serious effort to tackle injustice and global poverty. Development policies that do not engage with and work for women and the fulfillment of their rights cannot be considered inclusive, just or effective.

The picture portrayed by AidWatch members in 2011 is unfortunately not cause for much optimism. Most EU member states still do not have specific gender strategies in action; even those who do – such as France and Spain - often do not have appropriate mechanisms and processes in place to monitor progress and assess the impact of their aid on the ground. Gender equality must not become an additional tick-the-box exercise in the programming and design of development interventions. Instead, gender-specific perspectives must be included throughout the process, from the inception to the monitoring and evaluation phase. For that, however, reliable sex-disaggregated data, information and accounting mechanisms on progress are essential.

Moreover, the EC Gender Action Plan (GAP), launched in 2010 with the aim of reinforcing EU coordination on gender equality policies in development cooperation, has largely been ignored by EU member states. Even if there are some islands of excellence in terms of policy (notably Spain and Finland), these remain sidelined and politically unrecognised at the broader EU level.

The great majority of EU member states do not have funds earmarked for gender equality and women's empowerment, including the UK, which has pledged to place women at the heart of development assistance and has even appointed a junior minister as the Government's International Violence against Women Champion.

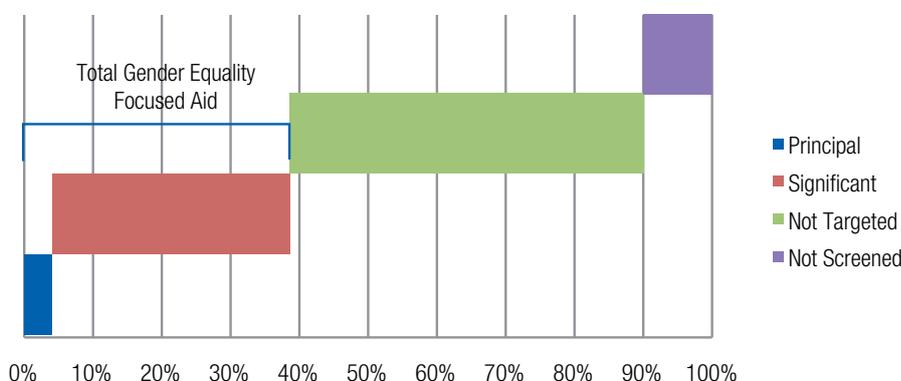
For the few countries which have actually earmarked funds for the advancement of women (i.e. Finland), this year's AidWatch survey has not observed a substantial progress on actual commitments and mainstreaming of gender issues. Efforts by the EU15 have fallen short of expectations, both in terms of figures and reporting practices (see chart 10).

AidWatch welcomes the efforts of the EC and EU member states for their improvements in the implementation of gender empowerment commitments in EU development policies. Another positive step is the recognition of the role of civil society under the GAP (specific Objective 5: prioritisation of in-country civil society participation, capacity building and advocacy on gender equality and women's empowerment). AidWatch calls on the EC and EU member states to improve their commitments by:

- Systematically carrying out gender impact assessments of EU policies, utilising gender-sensitive budget approaches.

- Providing a meaningful enabling environment for civil society participation, especially for women's rights organisations.
- Recognising the GAP as a binding commitment requiring implementation by EU member states and the EC.
- Earmarking sufficient budgets for the implementation of the GAP, prioritising support to civil society participation.
- Establishing inclusive and transparent monitoring and accountability mechanisms for implementing the GAP.

Chart 9: Gender equality focused bilateral aid 2008-2009^{xxviii}



Data Source: OECD

5. Recommendations

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

1. Ensuring that the EU provides genuine resources for development, firmly focused on the eradication of poverty as demanded by Lisbon Treaty by
 - ending inflation of aid budgets with debt cancellation, refugee and student costs;
 - ensuring that climate financing is additional to existing ODA commitments; and
 - ending the misuse of aid for national security, migration and commercial interests and protect ODA standards from further weakening.
2. 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.
3. Ensuring an ambitious and binding international agreement at the

HLF4 that reaffirms and deepens the Paris and Accra commitments and includes clear time-bound targets and an independent and inclusive monitoring of implementation at the international and national levels.

4. Ensuring that, by the upcoming HLF4 in Busan, they deliver timely, comprehensive and comparable aid information that is compatible with emerging best practice as set out in common standard developed by IATI.
5. Putting gender equality and women's empowerment at the centre of development cooperation by supporting the implementation of the EU gender action plan with the financial and human resources, and taking stock of best practices in EU member states.
6. Promoting democratic ownership by
 - Ending the use of economic policy and other sensitive conditions; and
 - Increasing political and financial support to CSOs, Parliaments and oversight bodies, particularly to ensure democratic ownership and broad accountability.

6. Note on methodology and data sources

All data for EU countries comes from the OECD press release of 6 April 2011, the EC press release Memo/11/221 of same date, the DAC reference statistical tables, the OECD/DAC online database and the Commission Staff Working Document SEC(2011) 500 - EC, published on 19 April 2011. In order to compare across years, data for EU members reporting to the OECD/DAC was extracted in 2009 constant US Dollars 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 EC documents and then transformed into constant prices using the deflators available from Eurostat.

Unless otherwise indicated all figures are in current prices.

Refugee and student costs: figures are based on the OECD/DAC database and, where not available, on estimates obtained by AidWatch national platforms and AidWatch projections.

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

AidWatch Aid Transparency Survey Methodology

The survey was composed of two parts:

I. Commitment to transparency

a) whether the donor has a Freedom of Information Act (1 for yes

and 0 for no);

b) the donor's engagement with IATI (0 for no engagement; 0.5 for Observers; 1 for Signatories; 2 for Implementers)

II. Availability of 35 specific types of information: for each type of information (see Box 12 on page 21), CSOs assessed whether the information was Always published (organisation and country level: consistently or regularly; activity level: for all projects in the recipient country); Sometimes published (organisation and country level: inconsistently or irregularly; activity level: for some projects in the recipient country), or Not published, but collected.

The ranking is derived from how many types of information donors always publish, added to the score for commitment to transparency (FOIA and IATI). The survey involved several steps to ensure that the results provided were as comparable and robust as possible. These included verification of supporting evidence, standardisation of responses, and where possible, donor review. As the survey was an initial attempt to develop and apply a methodology for assessing aid transparency, a number of challenges were faced, in particular, that for the EC, Lithuania, Netherlands and Poland, the data was collected too late to give the donors the opportunity to reply. We apologise for this and the results should be considered in this light. The full methodology, which details process and sources used as well as the limitations and challenges of this approach, is available here on aidwatch.concordeurope.org.

7. Acronyms

AAA: Accra Agenda for Action

COP: Conference of Parties (UNFCCC)

CRS: Creditor Reporting System

CSO: Civil society organisation

DAC: Development Assistance Committee (OECD)

DG DevCo: Directorate-General EuropeAid Development and Cooperation (EC)

EC: European Commission

EEAS: European External Action Service

ETS: Emissions Trading System

EU: European Union

EU12: The 12 new member states of the EU

EU15: The 15 old member states of the EU

FAC: Foreign Affairs Council (EU)

FOIA: Freedom of Information Act

FSF: Fast Start Finance

FTT: Financial Transaction Tax

GAP: Gender Action Plan (EU)

GNI: Gross National Income

HLF4: 4th High Level Forum on Aid Effectiveness

IATI: International Aid Transparency Initiative

IMF: International Monetary Fund

MDG: Millennium Development Goal

MFF: Multi-annual financial framework

MoU: Memorandum of Understanding

NGO: Non-governmental organisation

ODA: Official Development Assistance

OECD: Organisation for Economic Cooperation and Development

PD: Paris Declaration

UK: United Kingdom

UN: United Nations

UNFCCC: United Nations Framework Convention on Climate Change

WP-EFF: Working Party on Aid Effectiveness

8. Notes

- i** Conclusions of the EU Council meetings on 15 June and 10 December 2010, conclusions of European Council meeting on 17 June
- ii** The Millennium Development Goals Report 2010, UN, June 2010
- iii** United Nations General Assembly: High-Level Plenary Meeting on the MDGs, Statement by EU Commission President Barroso
- iv** At the General Affairs and External Relations Council on 24 May 2005, EU member states committed to aid quantity targets for 2010 and 2015. EU15 commitments: 0.51 percent for 2010 and 0.7 percent for 2015. EU12 commitments: 0.17 percent for 2010 and 0.33 percent for 2015. Collective EU27 targets: 0.56 percent for 2010 and 0.7 percent for 2015.
- v** In recent years a number of EU donors have displayed an increasing level of risk aversion which seems likely to have increased their reluctance to deliver aid through country systems and through budget support, practices which are at the heart of the Paris Declaration.
- vi** EU Accountability Report 2011 on Financing for Development, Review of progress of the EU and its Member States, Volume 6
- vii** European Commission (2009), The Aid Effectiveness Agenda: Benefits of a European Approach. Available at http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf
- viii** Oxfam International (2011), Whose aid is it anyway. Politicising Aid in Conflicts and Crises
- ix** Netherlands Ministry of Foreign Affairs, Letter to the House of Representatives presenting the spearheads of development cooperation policy. Available at <http://www.minbuza.nl/dsresource?objectid=buzabeheer:285908&type=org> (retrieved on 4 May 2011)
- x** Information retrieved from <http://www.guardian.co.uk/politics/2010/aug/29/protests-uk-security-aid-policy> on 4 May 2011
- xi** OECD Development Cooperation Report 2010
- xii** Eurobarometer Special Surveys 2010 (#343 and #352)
- xiii** Paragraph 20 of the 17 June 2010 EU Council Conclusions
- xiv** According to Jeffrey Sachs, "Using immunizations, modern medicines, state-of-the-art diagnostics, mobile phones, and other new technologies, universal primary health care is now highly effective and very inexpensive, costing around USD 54 per person per year in the poorest countries". Interview available at: <http://www.project-syndicate.org/commentary/sachs166/English>
- xv** The shortfalls of individual EU member states are calculated against the EU aid targets for 2010 (0.51 percent ODA/GNI for the EU15 and 0.17 percent ODA/GNI for the EU12) or more ambitious national targets. Cyprus, Denmark, Finland, Ireland, Luxembourg, the Netherlands and the UK have met their respective aid targets in 2010 and are therefore not included in the graph.
- xvi** EU Fast Start Finance Report for Cancun, Council of European Union, December 2010
- xvii** Quote taken from the written answer from the government of Luxembourg to the CONCORD AidWatch questionnaire on climate change financing.
- xviii** EU Council Conclusions on Operational Framework, November 2009, and EU Council Conclusions on Mutual Accountability and Transparency, December 2010
- xix** CSOs on the road to Busan: Key messages and proposals, available at www.betteraid.org
- xx** <http://blogs.ec.europa.eu/piebalgs/quelques-reflexions-suite-au-conseil-informel-des-ministres-du-developpement%e2%80%a6/> (retrieved last on 4 May)
- xxi** Evaluation of EC Aid Delivery through Civil Society Organisations, page 13
- xxii** The Commission's Management of General Budget Support in ACP, Latin American and Asian Countries, Special Report Number 11 by the European Court of Auditors, page 7
- xxiii** We recognise the efforts for the Structured Dialogue which included EU Institutions, EU member states and CSOs in donor and partner countries. Such structured processes should be continued and expanded in the future.
- xxiv** From the Draft Framework for CSO Development Effectiveness, Draft 2. Available at www.cso-effectiveness.org
- xxv** 36 questions on aid transparency were included in the survey, but 1 question was excluded in the final data. See the methodological note on page 25.
- xxvi** Future versions of the survey will give additional points for providing the data in a machine-readable format (CSV or XML rather than PDF), and additional points for providing the data in the internationally comparable machine-readable format, IATI-XML. Under this system, the following aid donors would receive additional points: Machine-readable and internationally comparable (IATI-XML): UK; and Machine-readable (CSV/XML/API): Sweden; Estonia.
- xxvii** <http://www.dfid.gov.uk/Media-Room/News-Stories/2011/Mitchell-UN-women-launch-welcome/> (retrieved last on 4 May 2011)
- xxviii** According to OECD DAC standards, a development activity can target gender equality as a "principal objective" or "significant objective". Principal means gender equality was an explicit objective of the activity and fundamental in its design. Significant means gender equality was an important, but secondary, objective of the activity. Not targeted means that the activity was screened for promoting gender equality, but was found to not be targeted to it. The OECD/DAC gender marker is indeed an important tool but falls far short of giving the full picture on gender and development.

Check out the report web site aidwatch.concordeurope.org

For further interactive graphs and links to detailed information on aid quantity and quality for all EU member states please visit our report web site: aidwatch.concordeurope.org. On the web site you will also find detailed assessments of the individual performance of all 27 EU member states and the European Commission on aid quantity and quality.



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European network	Aprodev	www.aprodev.net
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Belgium national association	Belgian Platform of NGOs for Relief and Development (11.11.11; ACODEV; CNCD; COPROGRAM)	www.cncd.be; www.acodev.be; www.11.be; www.coprogram.be
Bulgarian national association	Bulgarian platform for International Development	cega.bg
European network	CARE international	www.care-international.org
European network	Caritas Europa	www.caritas-europa.org
European network	CBM International	www.cbm.org
European network	CIDSE	ww.cidse.org
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Czech Republic national association	FoRS - Czech Forum for Development Co-operation	www.fors.cz
Danish national association	Danish EU-NGO Platform	www.eu-ngo.dk
Estonian national association	AKU Estonian Roundtable for Development	www.terveilm.net
European network	EU-CORD	www.eu-cord.org
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Finnish national association	Kehys ry: The Finnish NGDO Platform to the EU	www.kehys.fi
French national association	Coordination SUD	www.coordinationsud.org
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Greek national association	Hellenic Committee of Non Governmental Organisations	www.europers.org
Hungarian national association	HAND - Hungarian Association of NGOs for Development and Humanitarian Aid	www.hand.org.hu
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Irish national association	Dóchas - The Irish Association of Non-Governmental Development Organisations	www.dochas.ie
Italian national association	Associazione ONG italiane	www.ongitaliane.it
Latvian national association	LAPAS - Latvian NGDO Platform	www.lapas.lv
Luxembourg national association	Cercle de Coopération des ONG de développement au Luxembourg	www.cercle.lu
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European network	Plan Europe	www.plan-international.org
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This report has also been endorsed by the following national associations and organisations which are not official members of CONCORD:

Lithuania: LITDEA (Lithuanian NGDO network)
Romania: FOND (Romanian National Association of NGDOs)



Please go to our web site for more interactive graphs and links to detailed information on aid quantity and quality for all 27 EU member states and the EC: aidwatch.concordeurope.org.