



**Hold the Applause!
EU governments risk
breaking aid promises**



About this report

For the second year in a row, an unprecedented number of European development NGOs have come together from all the major networks, national NGOs and NGO platforms from 27 EU countries to produce this report under the umbrella of CONCORD, the European NGO confederation for relief and development.

CONCORD is the European confederation of 19 international networks and 22 national associations from the EU member states, representing more than 1600 European development NGOs.

Those organisations that formally endorse this report are listed at the end.

This report is available in French and English at www.concordeurope.org
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Acknowledgements

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Eurodad has been assisted by a steering group of CONCORD members who have played an active role in the production of this report. The steering group for this report are: Ester Asin, (CONCORD),

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European aidwatching initiative

This report is part of a broader initiative by a range of organisations and networks under the umbrella of CONCORD, the European confederation of development and relief NGOs, to monitor and advocate on European aid. This initiative includes an annual seminar on aid quantity and quality, and capacity building for newer EU member states as well as ongoing tracking and advocacy on European aid in all EU member countries.

This initiative contributes to the Global Call to Action Against Poverty mobilisation.

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Design and layout by: Actual Print

Cover photo: Jess Hurd /report digital/ActionAid

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Summary

In 2002 and again in 2005 European Union governments committed to substantial increases in the amount of aid they give to poor countries. According to official figures most European countries are living up to their aid promises. But European citizens should hold their applause. European governments continue to make misleading claims about their aid figures: nearly one third of Europe's reported Official Development Assistance (ODA) was not in fact genuine aid.

Many European governments are exaggerating their progress by inflating their aid figures with debt cancellations, particularly to Iraq and Nigeria. They are also chalking up as aid their spending within Europe on refugees and foreign students' education. In 2006 these non-aid items accounted for €13.5 billion, almost one third of European ODA. If non-aid items are deducted from official figures, European governments missed their collective 2006 target of giving 0.39% of gross national income (GNI) as aid, providing only 0.31%. Official figures show that Italy, Greece, Portugal and Spain missed the individual minimum 2006 target outright. And once non-aid items are deducted, this report shows that France, Germany and Austria also failed to reach the marker.

The worst culprits for inflating their aid figures are the French and Austrian governments, with more than half of their ODA consisting of non-aid items. Our analysis also shows that Italy and Germany are guilty of similar practices: Italy inflated just less than half its ODA, while Germany inflated more than a third of its ODA.

Several countries continue to outperform their peers with high overall levels of aid. These include Sweden, Luxembourg, the Netherlands and Denmark. Other countries show encouraging signs of rapid increases in aid levels. Ireland's aid levels rose by one third in 2006. Spain and the UK also made significant progress. All of the above countries inflate their aid figures, however, and this report outlines what further steps they need to take.

If European governments do not improve on current performance, poor countries will have received €50 billion less from Europe by 2010 than they have been promised.¹ This is money that is needed to help the 1,400 women in poor countries who die every day while giving birth due to the lack of adequate health care. It is also needed to help the 4,000 children who die each day from diarrhoea² and to help put 80 million children, mostly girls, into school. Europeans have a moral imperative to deliver on their aid promises with genuine resources. There is no time to waste.

Aid inflation – still a problem for Europe

Official figures suggest that aid is both higher and rising more quickly than is actually the case. At the current rate of progress on genuine aid payments, European governments are in fact falling steadily behind their targets. The hill they must climb to meet their targets looks increasingly and almost impossibly steep.

In 2006, a massive €11 billion chalked up by Europe as aid was in fact debt cancellation. Cancelling the debts of Iraq and Nigeria alone accounted for €8 billion of this figure. European development NGOs support debt cancellation as a matter of justice and, in some cases, as a way of providing additional resources for development. But they firmly oppose counting debt cancellation operations as aid. Impoverished people need aid and debt relief. Governments recognised this officially at the UN Financing for Development Summit in 2002. European citizens rightly believe that aid is about providing new resources to solve current problems, not about clearing European balance sheets to rectify mistakes of the past - mistakes that were often a shared responsibility of lender and borrower.

European governments also boost their development assistance figures by including spending on refugees and students within Europe. According to our calculations nearly €1 billion of spending on refugees and €1.7 billion of spending on educating foreign students in Europe was reported as development assistance for poor countries in 2006. These expenditures are an important part of European governments' international responsibilities, but they are not expenditures that citizens consider to be aid.

Aid quality improvements needed

European governments have committed to increase aid to Africa dramatically. Yet aid volumes to Africa have been static since 2004 and Africa is receiving a decreasing rather than a growing share of European aid resources. Poverty reduction does not always seem to be the main objective of European aid. Security, geopolitical alliances and domestic interests often take precedence.

More resources are needed, but an increase in aid volume alone is not sufficient. The way aid money is allocated and spent also needs to be radically improved. All EU countries, except Ireland and the UK, continue to tie some of their aid to their own goods and services, decreasing the value of the aid to poor countries by up to 30%. Approximately one fifth of aid consists of technical assistance, much of which is ineffective at building capacity in poor countries. In addition, unpredictable aid flows

seriously hamper the ability of developing countries to plan budgets and development strategies.

On the basis of their current performance on genuine aid resources, European governments will break their promises of aid to be delivered to poor countries by 2010.

Recommendations

European development NGOs call on EU governments to:

- ♦ provide genuine increases in European aid;
- ♦ agree clear and binding year-on-year timetables to reach, at a minimum, the 2010 and

- ♦ 2015 targets with genuine aid resources;
- ♦ stop including refugee costs, student costs and debt relief in official aid reporting;
- ♦ improve transparency in aid reporting;
- ♦ end all tied aid;
- ♦ ensure aid is focused on fighting against poverty and inequality;
- ♦ take further steps to make aid more effective.

Development NGOs across the entire European Union will redouble their efforts to monitor and advocate progress on these demands in the coming years. We will applaud the governments that rise to the challenge, but continue to criticise those that fail.

EU 15: Snapshot of genuine and inflated aid

	Country	Inflated aid 2006 (€ millions)	Genuine aid 2006 (€ millions)	% of aid that is inflated	Genuine aid as % of GNI
1	Sweden	389	2772	12%	0.90
2	Luxembourg	5	227	2%	0.87
3	Denmark	123	1657	7%	0.74
4	Netherlands	342	4001	8%	0.74
5	Ireland	6	789	1%	0.53
6	Finland	16	642	2%	0.38
7	United Kingdom	2769	7275	28%	0.38
8	Belgium	371	1197	24%	0.38
9	Spain	440	2589	15%	0.27
10	Germany	2866	5381	35%	0.23
11	France	4177	4147	50%	0.23
12	Austria	706	499	59%	0.20
13	Portugal	16	295	5%	0.20
14	Greece	7	299	2%	0.15
15	Italy	1278	1647	44%	0.11

Source: Eurodad calculations based on OECD CRS, www.oecd.org/dac/stats/idsonline, (See endnote 1)

Why more and better aid?

The distribution of global resources is hugely unequal and inequality within and between countries is growing. Europeans are disproportionately wealthy, owning 30% of the world's wealth but only making up 14% of the world's population. Africa by contrast has 10% of the world's population but only 1% of its wealth.³ Aid money can contribute to sustainable development that is crucial in narrowing this gap. Aid increases, however, must go hand in hand with more policy coherence in trade, agriculture and financial policies.

Poor countries often do not have enough domestic resources to achieve sustainable development and combat poverty. Aid money can help contribute to closing this gap and support long-term economic growth. In the short term, aid can help to improve the lives of poor people until sustained economic growth reduces the need for aid.⁴ Contrary to what might be expected, more money is actually flowing the other way: in 2006 more than €160 billion is estimated to have gone from poor to rich countries in official flows. According to the United Nations "In the last decade a paradoxical flow of financial resources from poor to rich countries has taken place and forms part of the pattern of global imbalances".⁵ Significantly larger aid flows are required. The UN Millennium Project estimates that donors need to have increased their aid to US\$180 billion by 2015 in order to reach the Millennium Development Goals.⁶

80 million children today are not receiving formal education.⁷ Aid money can help change this. In Tanzania, the abolition of school fees has seen the number of children enrolled in primary school rise to 7.5 million in 2005, from 4.4 million in 2000. This would not have been possible without more aid money for the Tanzanian government. In Burkina Faso and Mali, approximately one million more children have been given the opportunity to go to school since 2000 as a result of donors supporting government plans to increase education access with more aid. Yet two million children in these two countries alone are still denied their right to basic education and the opportunities this offers in later life. Donors need to step up and meet the financing shortfall to change this.

Aid targets: to what have European governments committed?

At the 1970 General Assembly of the United Nations a target was set for rich countries to give at least 0.7% of their Gross National Income (GNI) as aid. Yet today only five countries worldwide (Denmark, Luxembourg, The Netherlands, Norway and Sweden) have reached this target. Excluding Norway, all these are members of the EU. In 2002, the EU's 15 countries¹⁰ committed to two intermediate steps to achieving the 2015 target: by 2006, each would be spending

Liberia is another country that is crying out for more resources. In the wake of eleven years of civil war in 2003, less than half the country's school-age children were attending school, according to UNICEF. That situation is improving but the system is still under serious pressure.

"From the statistics so far we have between 400,000 to 500,000 kids now in primary schools especially at the public schools," said Liberian education Minister Joseph Korto. "This figure is enormous and at the moment we need more benches, teachers and classrooms to ease the congestions."⁸

Liberia's President Ellen Johnson-Sirleaf warns that Liberia may not meet all of the Millennium Development Goals by 2015 due to lack of resources. "International cooperation is very vital, because no matter what we do on our own, our resources are still too limited, as it will take time for our economy to grow again to be able to meet all of our needs," she said. She says that while it is easy to set goals, these need to be matched with resources. "It will take so much more money for countries to be able to accelerate the pace of development, and unless the resources are carefully calculated and unless they are consistent and delivered in a timely fashion, you have a problem."⁹

More resources are urgently needed, but aid volume alone is not enough. The way aid money is allocated and spent needs to be radically improved. Aid all too often focuses on the priorities of donors rather than on those of poor people. If the Millennium Development Goals are to be met, aid must strictly target poverty reduction. European governments need to provide long-term predictable financing for poor countries. This should not be tied to the purchase of European goods and services. Governments must also reform costly and ineffective models of aid such as technical assistance. Donors need to reform administrative procedures for delivering aid to ensure aid supports developing country institutions rather than undermining them. They must also make their aid flows entirely transparent so that citizens in developing countries, as well as in Europe, can hold their own governments to account.

at least 0.33% of its GNI on aid. By 2010, spending would rise to at least 0.51%. Some countries had by this stage already reached the 0.51% target and agreed to keep up their spending levels. This allowed the EU's 15 member states in 2002 to set two collective targets for the entire bloc: 0.39% of the EU's combined GNI by 2006, and 0.56% by 2010. The EU coupled this commitment to a promise to give half of all aid increases to Africa.

Some countries – Belgium, Ireland, France, Spain and the UK – have also made their own commitments to reach the 0.7% target before 2015. The twelve EU member states that joined the EU after

2002 have committed to individually spend 0.17% of GNI on aid by 2010, and 0.33% by 2015. Data for the ten countries that joined before 2007 (EU 10) are included in this report.

Table 1: Summary of EU commitments:

Percentage of gross national income EU governments have pledged to give as aid in the next ten years				
	EU 15 member states (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom)		EU 12 member states (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia, (Bulgaria and Romania))	
Target year	Individual minimum ODA/GNI	Collective average ODA/GNI	Individual minimum ODA/GNI	Collective average ODA/GNI
2006	0.33%	0.39%
2010	0.51%	0.56%	0.17%	0.17%
2015	0.7%	0.7%	0.33%	0.33%

Source: European Commission (2007a)¹¹

Flattering official figures fail to tell whole story

European development NGOs welcome the commitments made by European governments, but are concerned that the official figures are a poor basis for tracking their delivery and distort the real amounts of money going to the poor.

According to the latest figures released in April 2007 by the Organisation for Economic Cooperation and Development Assistance Committee (OECD DAC) and the European Commission, European member states spent more than €47.5 billion on ODA in 2006. This represents an increase in nominal terms of €2.2 billion since 2005.

These official figures show that the EU 15 member states collectively spent 0.43% of GNI on ODA,

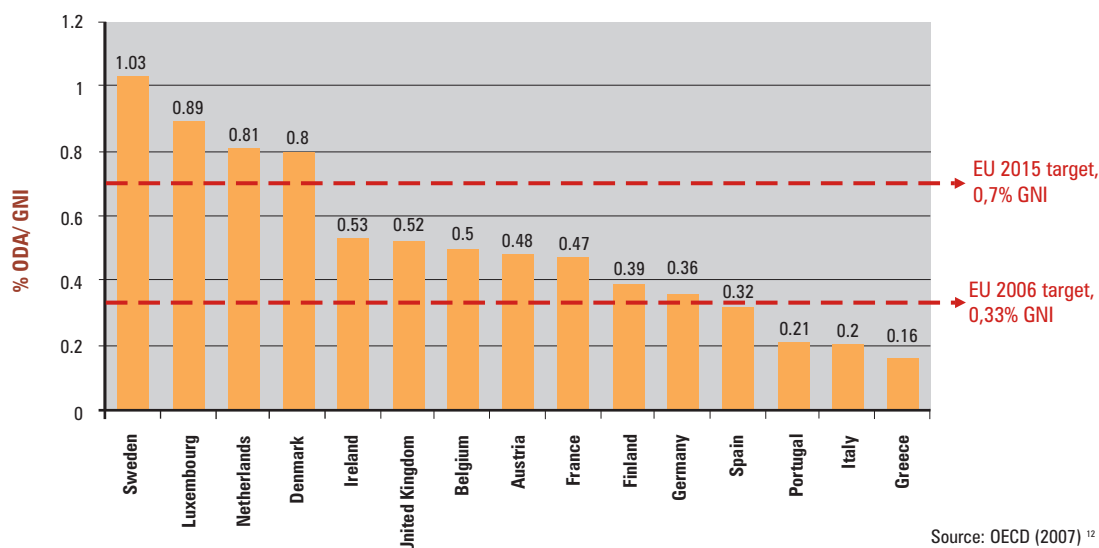
exceeding the 0.39% target they set themselves for 2006. However, four of the EU 15 member states – Greece, Italy, Portugal and Spain – failed to meet the 0.33% individual country minimum. Greece was way off target at 0.16% GNI and Italy's aid fell by nearly one third since 2005.

The collective average is pulled up by the continued strong performance of other countries, including Sweden, Luxembourg, the Netherlands and Denmark, who have been spending at least the UN 0.7% target for some years.

The remaining seven countries of the EU 15 all report that they have reached the 0.33% target, ranging from Ireland at 0.53% to Germany at 0.36%.

Figure 1: Flattering official figures show most EU countries on track

The official picture 2006: ODA as a percentage of GNI for EU 15 member states



Source: OECD (2007)¹²

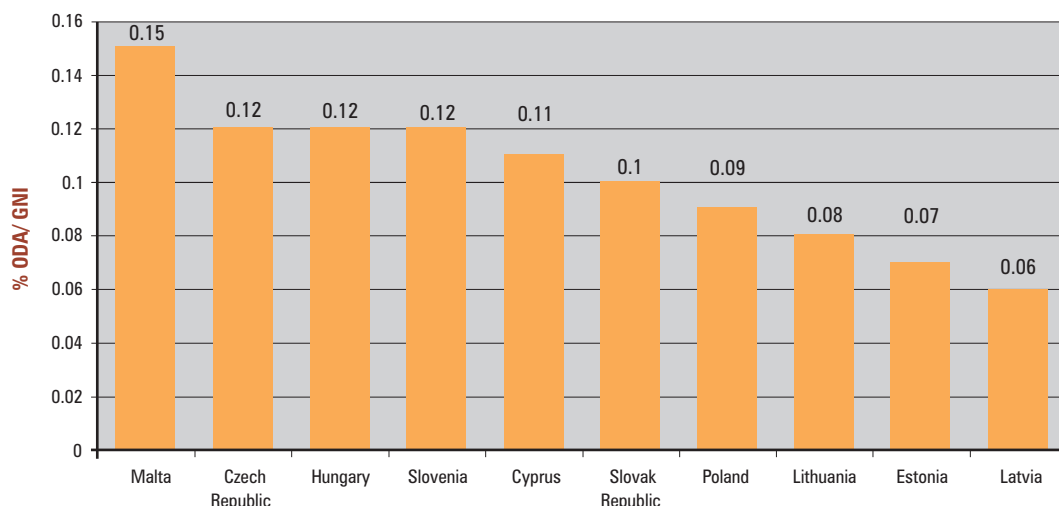
Ten European countries joined the EU in 2004. Of these, several are relative newcomers to providing development assistance. Yet some are fast approaching levels of generosity comparable to the weaker performers of the more traditional EU donors. Malta, despite having decreased its aid since 2005, still gives the highest percentage of GNI as aid among the EU 10, at 0.15%, coming in

just behind Greece. The Czech Republic, Hungary and Slovenia all reported 0.12% in 2006.

While most of these countries show rising aid levels – Cyprus jumped dramatically to 0.11% of GNI in 2006 from 0.03% in 2005 – some are showing worrying signs of not progressing towards their 2010 target. The Slovak Republic's aid fell by more than 9% and Latvia's by 1% this year.

Figure 2: The official picture for the EU's new member states

The official picture 2006: ODA as % of GNI for EU 10 member states



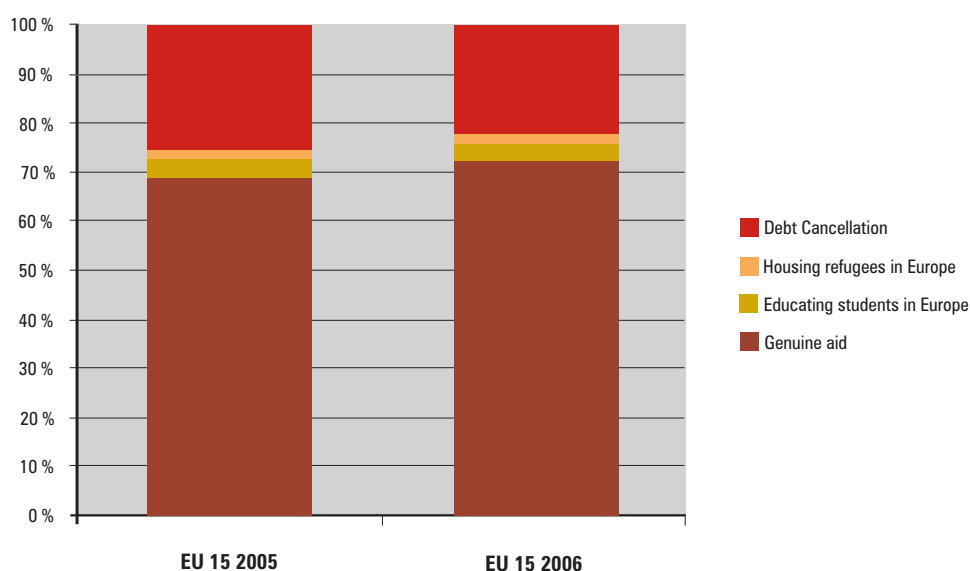
Source: European Commission 2007b¹³

Beneath the gloss: European governments missing the mark

The flattering official figures do not tell the whole story. European governments are in danger of failing to live up to their commitments to the world's poor unless concrete plans are put in place to increase aid

volumes. Beneath the gloss of the official figures, a more detailed examination shows that EU governments cannot afford to relax. According to our calculations, nearly 30% of officially reported European

Figure 3: Continued inflation of total ODA by nearly one third in 2006



Source: Eurodad calculations based on OECD CRS, www.oecd.org/dac/stats/idsonline, (See endnote 1)

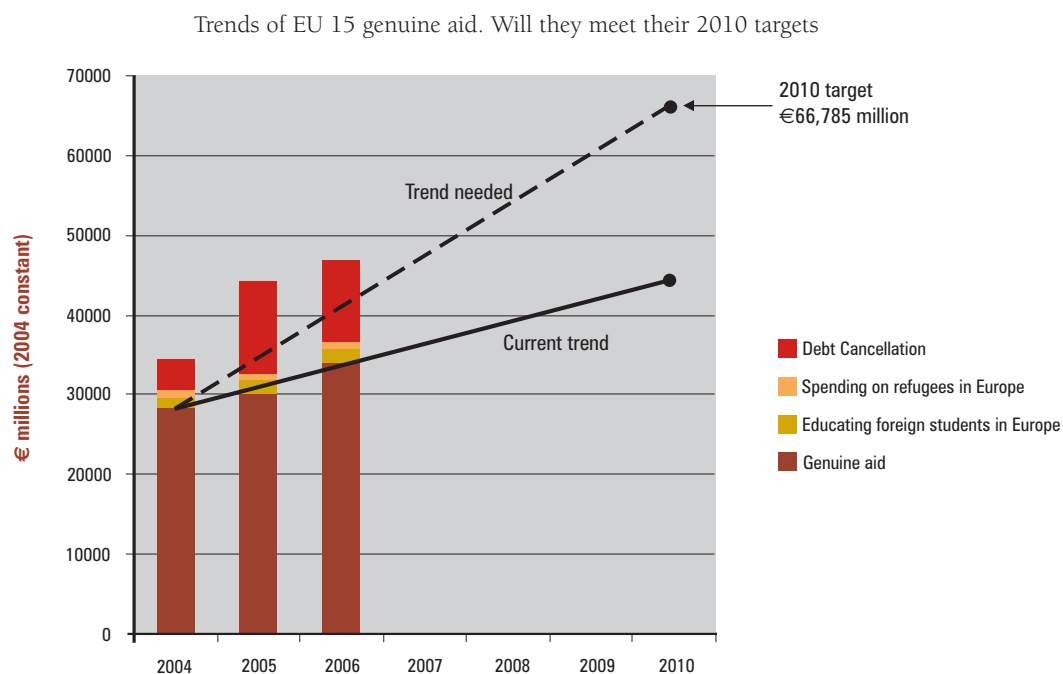
ODA in 2006 in fact was not genuine aid. European governments included €13.5 billion of spending on debt relief, educating foreign students and refugees in Europe in their official statistics. For the second year in a row, European NGOs reveal that, despite their commitments, EU member states have seriously inflated their aid figures.

The lion's share of this inflation in 2006 was exceptional debt relief for Iraq and Nigeria. This gives the impression that aid is both higher and rising more quickly than is the case in reality, and masks slow progress on genuine aid. In 2007 aid figures will be partly inflated again by Iraq and Nigeria debt relief. Unless European governments start planning today to increase their aid budgets, the hill to climb to meet the 2010 promise will be impossibly steep. Some key officials agree that better plans for genuine aid

increases need to be put in place. Richard Manning, current chair of the Development Assistance Committee of the OECD has said "it is clear that leaving delivery to sudden and colossal increases in the last year or two would not be a sensible policy. (...) It seems highly unlikely that debt write-off to Africa will continue at the levels of the recent past. Other forms of aid will therefore need to rise very fast to compensate for this if the target is to be reached".¹⁴

Aid from European governments has been gradually increasing since 2004. But if they are to meet their 2010 commitments by providing genuine aid, they need to at least double their aid budgets in real terms. However, as illustrated in figure 4, if current trends continue, we estimate that poor countries will have received €50 billion less by 2010 than what they have been promised.¹⁵

Figure 4: Will European governments keep their promises ?



Source: Eurodad calculations based on OECD official statistics (see Endnote 1)
 Note: all figures including 2010 target figure in 2004 prices for comparability

Figure 5 (below) shows how EU countries are really doing at providing genuine aid for poor countries. When non-aid items are excluded, collectively they provided 0.31% of GNI as aid in 2006, missing their collective target of 0.39%, and many even their individual minimum target of 0.33%.

At the top of the table Sweden, Luxembourg, Denmark and the Netherlands all reach the 0.7% target even once inflated aid has been deducted. This continued leadership is welcome; nonetheless even these countries cannot afford to sit back. Denmark's genuine aid resources have decreased slightly since 2005, and Denmark and the Netherlands both missed their own 0.8% commitments when inflated aid is excluded.

Four further countries (Ireland, Finland, UK and Belgium) have met the European target of 0.33% in

2006 when inflated aid is excluded. This is welcome but these countries should also ensure they continue to increase genuine aid towards the 0.7% target.

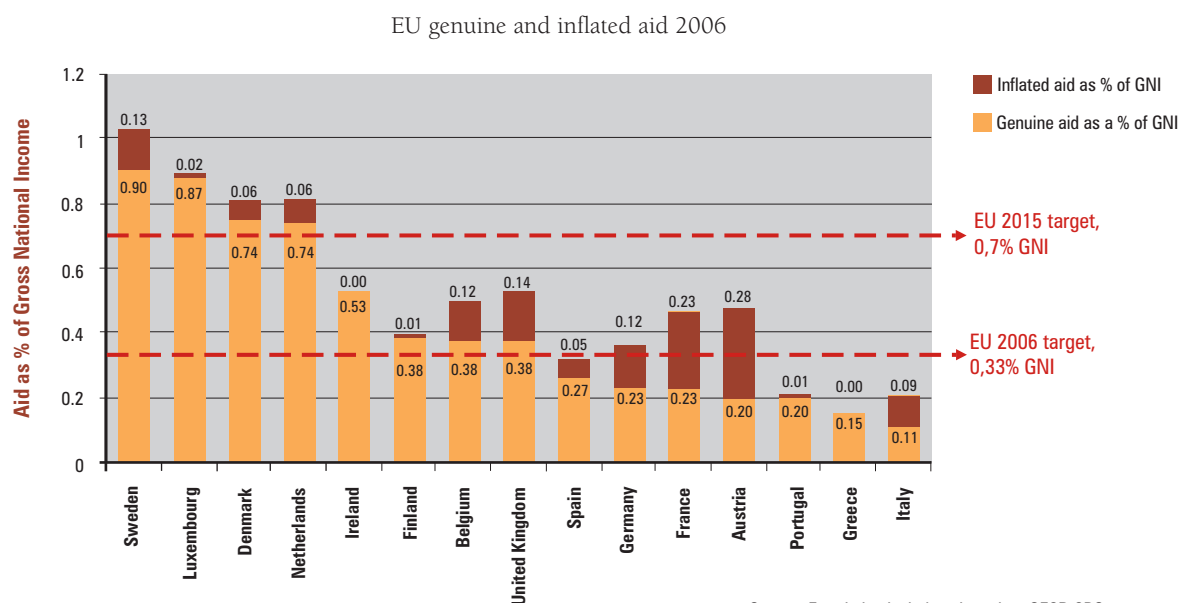
Seven of the EU 15 countries did not reach the minimum 0.33% of GNI with genuine aid resources. Included in this group is Germany, current holder of the EU presidency and host to this year's G8 summit. Germany only provided 0.23% of GNI with genuine aid resources. France (0.22%), Austria (0.20%) and Italy (0.11%) perform even worse. More than half of France's and Austria's aid is inflated, and nearly half of Italy's. France is the worst culprit in terms of inflating its aid with student and refugee costs.

There are nonetheless some encouraging examples of rapidly rising aid levels. Ireland increased its aid

by one third in 2006 and inflated its total by only 1%. Although Spain did not reach the target, it has made progress, having increased its genuine aid by 29%. Spain decided in 2005 to keep the costs of educating foreign students separate from its aid budget. This is an example others should follow. The UK, despite inflating 28% of its aid, increased genuine aid resources by more than one fifth.

Due to lack of access to official data from new member states we are unfortunately unable to assess how much they have inflated their aid. Cyprus, the Czech Republic, Hungary, Poland and the Slovak Republic all cancelled significant debts to Iraq, some of which may have been included in their aid figures for 2006. Individual country pages provide some more analysis where possible.

Figure 5: EU genuine and inflated aid in 2006



Source: Eurodad calculations based on OECD CRS, www.oecd.org/dac/stats/idsonline, (See endnote 1)

Debt cancellation: important for development, but not aid

European governments announced their headline aid figures of €47 billion for 2006 in early April 2007. But a massive amount – nearly €11 billion – of EU reported ODA was in fact debt cancellation. €8 billion of this was spent on cancelling the debts of Iraq and Nigeria alone. Norway, a non-EU country, is the only donor not to report debt cancellation as part of its aid figures.

Debt relief is essential, and European development NGOs welcome the cancellation of debts to poor countries. However, we are firmly opposed to the counting of debt cancellation towards donors' progress in meeting their aid targets.

Counting debt relief towards the 0.7% target effectively means that the value of the debt is being offset by a reduction in the aid that would otherwise be delivered in order to meet the target. Both increasing aid volumes and substantial debt cancellation are required to meet the MDGs. In the 2002 Monterrey Consensus donors recognised the importance of “ensuring that resources provided for debt relief do not detract from the aid resources intended to be available for developing countries”.¹⁶ Indeed the European Commission warned this year that “some member states may also be on the verge of breaching the promise they made at the Monterrey Conference on Financing for

Development in 2002, reiterated by the Council in April 2006”.¹⁷

Debt relief is an issue of justice. Donors share responsibility for flawed lending/borrowing decisions that created many of today's debts. The poor should not pay, through lower aid levels, for the cancellation of debts that cannot anyway be legitimately claimed from them. European NGOs will continue to push for more debt cancellation for poor countries but this money should not be counted toward donors' headline aid claims. Impoverished people need aid and debt cancellation.

Including debt cancellation in ODA figures distorts the figures and is misleading to the public. European governments include the entire nominal value of the debt in their ODA figures despite the fact that, in most cases, the debt cancellation is worth only a fraction of this in real terms. Governments also often announce debt cancellation and aid volumes separately, giving the false impression that they are separate amounts of money, even though they include debt cancellation in their aid figures.

Debts to Iraq and Nigeria made up three-quarters of all debt cancellation counted as ODA in 2006. The majority of these debts were export credit

debts. Counting the cancellation of export credit debts as ODA is particularly unjust: export credit agencies (ECA) in rich countries aim to support domestic companies in doing business abroad, particularly in lucrative but risky developing country markets, by providing government-backed loans to cover economic and political risks. The investor pays an insurance premium to the ECA, which should cover all costs in case of default by the developing country counterpart. But in fact the ECA often compensates the company but then tries to recover payment from the developing country, effectively trans-

ferring the risk of domestic private companies to the developing country governments. When European governments cancel this kind of debt, they count it as official ODA – despite the fact that the project may not have any development purpose in the first place.

Poor countries should not be penalised with reduced levels of aid as a result of debt relief measures. European governments should report debt cancellations separately from ODA, and they should only report the real value of the cancelled debt to the poor country involved.

Table 2: Distorting official aid figures: Iraq and Nigeria debt cancellations in 2006 (millions)

	Iraq debt cancellation in 2006 ODA figures (€ millions)	Nigeria debt cancellation in 2006 ODA figures (€ millions)	% of ODA spent on Iraq and Nigeria debt cancellation in 2006
Italy	€ 374	€ 607	34%
France	€ 625	€ 1,621	27%
United Kingdom		€ 2,418	24%
Germany	€ 300	€ 1,399	21%
Austria	€ 185		15%
Belgium		€ 156	10%
Spain	€ 147	€ 107	8%
Sweden	€ 218		7%
Denmark	€ 6	€ 68	4%
Netherlands		€ 6	0%
TOTALS	€ 1,855	€ 6,381	18%

Source: OECD DAC Reference statistical tables, "Net ODA in 2006" April 3, 2007

Creative accounting: the case of Nigeria's debt write-off

In October 2005, Nigeria secured a €13.3 billion cancellation of its €23 billion external debt. Much of this was owed to European creditor countries and in particular the United Kingdom, France, Italy and Germany.

In order to secure this massive write-off, Nigeria agreed to pay back some of the money it owed to creditors in two lump sums: it paid €4.7 billion in 2005 and a further €4.4 billion in 2006. In sum, this means Nigeria paid creditors €9.1 billion in exchange for €13.3 billion debt cancellation.

What happened next? Creditor countries first collected their €9.1 billion windfall payment from Nigeria. They then reported €11 billion of the cancellation as ODA. Finally, creditors began to squabble over whether to count a further €2.3 billion as ODA because they had given Nigeria a discount when it had bought back some of its debt, i.e. it hadn't paid the full face-value of the debt. In the end, €1.9 billion of this discount was counted as aid. Some European countries argued that this "buy-back" was purely a commercial transaction and should not be counted as ODA. In the absence of consensus within the OECD, anarchy ruled as to how to deal with this disagreement. The Netherlands and Denmark were the only countries not to count this portion.

This is a clear example of creative accounting and of money reported as ODA not reaching poor countries and instead staying in rich country finance ministries. Creditors have received an unexpected €9.1 billion in their budgets thanks to Nigeria. At the same time, they have reported €12.9 billion as aid payments. This is a double-win for creditor countries.

The case is made even worse by the fact that much of this debt is illegitimate and had already been repaid by Nigeria. Most of the debt was export credit debt, incurred to fund unviable projects in Nigeria that promoted rich country business interests. It is also astonishing to note that original loans from creditors amounted to only €12.7 billion. Since 1985, Nigeria has paid creditors €8.6 billion in debt service. In 2001 however, the country still owed the Paris Club a total of €23 billion due to compound interest, accumulation of arrears and penalties on late payments.

Refugee costs: a human rights obligation, but not aid

Spending on refugees in donor countries should not be counted as ODA.¹⁸ Supporting refugees is vital - it forms part of our international responsibilities and European human rights obligations, but it is not development assistance. Some countries – such as Belgium and Sweden – even include the cost of so-called “voluntary repatriation” of refugees to their home country as ODA. These are not expenditures that citizens expect to see described as development assistance as they provide no resources to developing countries. Nor are they linked to development objectives of improving the welfare of poor people in those countries.

Assuming that European governments continued to spend similar levels of ODA on refugees as they have done in the last five years, we estimate that €909 million of ODA was spent on refugees in 2006. Refugee spending claimed as ODA by EU DAC members has nearly doubled in real terms since 1996.¹⁹

Some European governments and officials clearly agree that refugee spending is not aid. The UK does not report refugee spending on this basis. Fritz Meijndert, the previous chair of the working party on statistics in the OECD, which sets the rules for reporting ODA, said counting refugee costs was of “questionable value as ODA” and proposed that the OECD should “simply abolish it”.²⁰

Student costs: university subsidies, not aid

Some European countries also inflate their aid figures by including spending on educating foreign students in their country. This functions as a direct transfer from the ministry of finance to the ministry of education in the donor country. Assuming the trends from the last five years have continued, we calculate that European governments will have spent more than €1.66 billion of ODA on educating foreign students in their own countries. This amount has nearly doubled since 2000 and has quadrupled since 1996.²¹

European countries benefit from having international students in their universities as much as developing countries benefit if and when such students return to their home country. Many of course do not return – in which case developing effectively are paying for their own brain drain. This cost is a subsidy by developing countries to European universities, using money they should have spent on poverty reduction. Furthermore, EU governments are not transparent in how they calculate these costs and there is no evidence of links to development objectives. OECD rules should be changed to prohibit this practice.

Table 3: Which EU 15 countries inflate their aid?

	Non-inflators	Inflators
Debt cancellation	(Norway)	Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Spain, Sweden, UK
Refugee costs	United Kingdom	All the rest
Educating foreign students	Belgium, Denmark, Finland, Greece, Italy, Luxembourg, Netherlands, Spain, Sweden, UK	Austria, Germany, France, Ireland, Portugal

Quality of aid

Is aid focused on helping the world's poor?

Aid money should be used to reduce poverty and inequality, but too much is still directed to support donors' political allies and to advance donors' own domestic interests. The World Bank's 2006 Global Monitoring Report argues that “aid should be targeted to countries with poorer populations and governments committed to poverty reduction” but says that “other factors still determine a large share of aid disbursements. For example, over 60 percent of the increase in ODA between 2001 and 2004 was directed to three countries — Afghanistan, the Democratic Republic of the Congo, and Iraq, although these three countries collectively account

for less than 3 percent of the poor people in developing countries”.²²

The vast majority of European donors cite poverty reduction as their overall objective. France also considers “cultural diversity” to be a main objective. The newer European member states have a stronger focus on promoting democracy.²³ However it would seem that there are many other motives that determine where donors allocate their aid, not all of them based on poverty reduction. In recent years many European governments and the European Commission itself have been increasingly

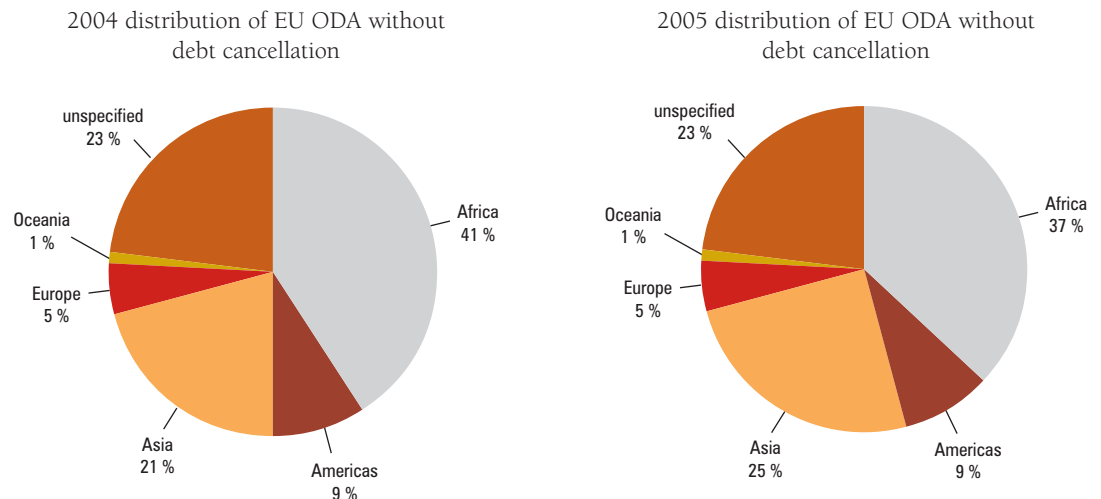
inclined to allocate resources based on European concerns on security and migration issues.

Sub-Saharan Africa is the poorest region in the world, with 70% of people living on less than \$2 per day.²⁴ If aid were focused on poverty reduction, we would expect an increasing volume of it to go to Sub-Saharan Africa. In 2005 European governments committed to giving 50% of all aid increases to Africa. At first glance it looks like they had already made steps to do so in 2005. From 2004 to

2005 total official EU ODA figures for Africa rose by €3.2 billion. But this is deceptive. In reality, aid volumes to Africa without debt relief have remained static since 2004.

Furthermore, as figure 6 demonstrates, the share of European aid going to Africa is dropping. In 2004 aid to Africa without debt cancellation amounted to 41% of the global EU aid spend. In 2005, it amounted to only 37%.

Figure 6: Decreasing share of aid to Africa



Source: OECD Development Database on Aid Activities: CRS online, www.oecd.org/dac/stats/idsonline

Another indicator of poverty focus is how donors allocate their aid between different sectors. At the 1995 Copenhagen World Summit for Social Development donors set a target of spending 20% of aid on basic health, education and water and sanitation for poor countries. Most European countries, as well as the European Commission, spend a much smaller percentage than this. According to DAC statistics, Austria and Portugal spend less than 4% of their bilateral aid on basic social services.

Since September 2001 there have furthermore been moves by a number of countries to use aid money to directly or indirectly contribute to the so-called

“war on terror”. Some donor countries have been lobbying the DAC to broaden the list of security-related items that can be counted as ODA. Aid should always benefit the poorest people, and support for global security and the “war on terror” should not tap the already limited resources allocated to development.

All EU donors should enact legislation to ensure that their aid is focused on fighting poverty and inequality and guarantee that aid budgets not be used for other purposes. Governments should report to parliaments and citizens on how their aid contributes to meeting the needs of poor people.

Tying aid to donor goods and services²⁵

Tied aid continues to be a serious problem affecting the quality of EU aid. Most European governments still tie their aid. This means they give money only if the recipient country uses it to buy goods and services from the donor country. This practice results in an increase in the cost of purchasing goods and services, meaning that poor countries can afford to buy significantly less. It also tends to skew the priorities of developing countries towards the interests and priorities of the donor. It acts as an expensive subsidy to donor country industries and jobs, and can potentially damage poor country markets. Untying aid would increase the value of

aid by up to 30%²⁶ and have little impact on donor country economies.

A majority of donors still tie their aid, despite recommendations by the OECD to discontinue this practice. The UK and Ireland are the only EU countries to have entirely untied their aid. On average, seven of the EU 15 countries tied more than one fifth of their aid to least developing countries between 2000 and 2004, despite the fact that they agreed in 2001 that they would stop this practice. In this period Greece tied one half of the aid it gave to the world's poorest countries; Austria tied more

than one third and Germany and Spain each tied one third of their aid to some of the world's poorest countries.

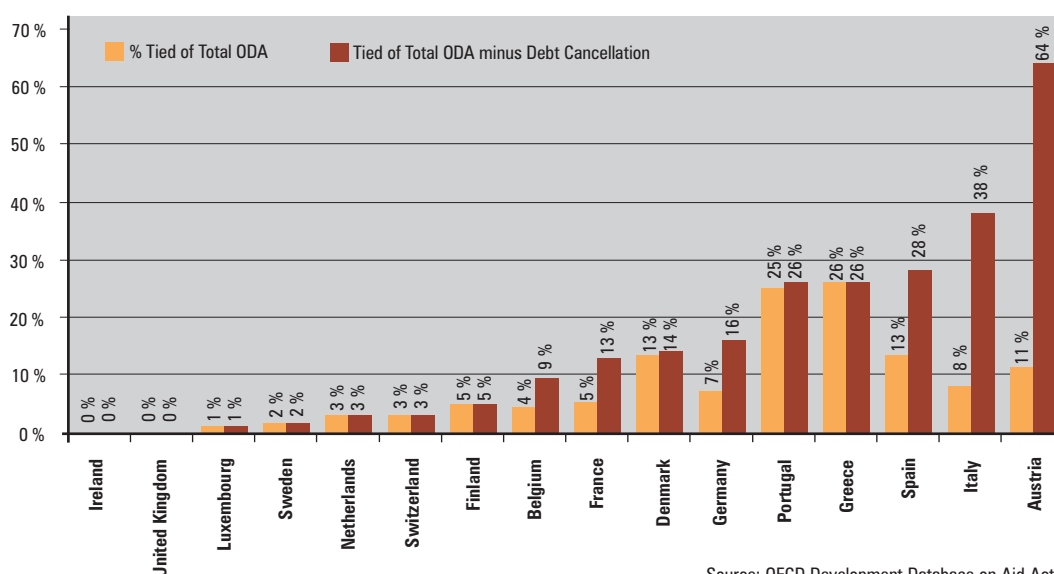
Even these figures are hugely flattering at present and fail to tell the whole story. They do not take into account technical assistance or food aid (both often tied), which means they almost certainly underestimate the level of tied aid. Tied food aid is often linked to trade dumping of surplus food from donor countries. This can prevent the emergence of markets and harm producers in poor countries. Existing OECD agreements cover untying aid only

to the world's least developed countries. They do not cover technical assistance and food aid, although the OECD/DAC is taking steps at least to study what proportion of these items is tied.

Debt cancellation, as we have seen, makes up a significant amount of total ODA. Debt cancellation is by its nature untied. By including debt in ODA figures, the statistics underestimate the proportion of aid that is tied. If we exclude debt figures from total bilateral aid commitments in 2005, we see in figure 7 that the percentage of tied aid for countries such as Austria, Italy, Spain and Germany rises dramatically.

Figure 7: European governments continue to tie aid to own goods and services

Tied aid as a % of EU bilateral commitments 2005



Source: OECD Development Database on Aid Activities: CRS online, www.oecd.org/dac/stats/idsonline

Untying aid is an urgent priority, but this is not the whole story: even in cases where aid is untied, markets are not always open. In the UK, where all aid (including technical assistance) has been untied since 2001, at least three quarters of contracts pro-

cured centrally by the Department for International Development (mostly technical assistance) continue to go to UK firms, demonstrating that even when governments reform their policy, it can have limited impact on procurement in practice.

Making aid more effective

European governments have recognised that they need to do more to make their aid more effective and have made a number of commitments in this regard. The 2005 Paris Declaration on Aid Effectiveness, signed by both donors and recipients, includes 56 commitments and 12 targets based around five principles:

- ◆ Ownership – recipient countries set their own development strategies and manage their own resources.
- ◆ Alignment – donors base their aid on countries' own strategies and institutions.
- ◆ Harmonisation – donors work together to improve their collective effectiveness.
- ◆ Managing for Results – aid is managed in ways that focus on development results.
- ◆ Mutual Accountability – donors and recipients are accountable to each other, and to citizens, for results.

EU governments promised in May 2005 to go further than the Paris Declaration in a number of areas.²⁷ They agreed to make sure all European capacity building programmes be coordinated; that they use recipient countries' own administrative systems to deliver at least half their aid, and reduce the number of donor missions by at least half. The European Commission has also developed guidelines to ensure European donors come to a more effective division of labour at the country level.

NGOs have identified a number of priority issues where more progress is urgently needed:

Technical assistance accounted for €6.7 billion of aid in 2006. This service is often ineffective in building capacity. ActionAid International estimates €5 billion of this money is not effective.²⁸ If technical assistance is to be effective, it must be driven by demand, not supply. Much technical assistance does more to benefit European nationals and consultancy firms than to combat poverty. A study by ActionAid International reported that the total cost of 740 international advisors in Cambodia exceeded the wage bill for that country's 160,000 civil servants.²⁹ The OECD even estimates that in Cambodia, Zambia and Tonga, spending on technical assistance far exceeds that on education.³⁰ Monitoring of the Paris Declaration has revealed that in some countries the government does not judge that any technical assistance provided by donors supports their national development plans. Donors must move urgently to agree best practice standards and set more ambitious targets to make sure that technical assistance delivers real capacity improvements.

Predictability of aid remains a major problem. Current targets focus only on predictability within financial years, and data suggests that some poor countries face shortfalls of hundreds of millions of euros even on this measure, causing significant problems for budgets. Donors must also provide more aid in the form of multi-year commitments, allowing poor countries to plan ahead, especially for recurrent costs such as salaries. The European Commission is one donor that is making plans in this direction.

Conditionality: In exchange for aid money, donor governments and multilateral agencies often impose policy conditions on poor countries. This limits the ability of poor countries to set their own policies and priorities, and undermines accountability. Current donor commitments on aid effectiveness do not address this issue, although some individual European governments such as the UK have done so.

The commitments made in the Paris Declaration and by the EU are significant, and will, if implemented, go some way towards making aid more effective. However, rapid action is needed to deliver real change on the ground, and new agreements focusing on donor behaviour will be needed in a number of key areas, as outlined above. The first priority must be to reform the aid system to allow real democratic leadership from poor countries, overseen by their citizens and parliaments. The reform process itself also needs to be made more open and accountable. Existing agreements on aid effectiveness have been made in donor-dominated processes, with limited participation from poor countries, and little accountability to citizens. In 2008 there will be two major opportunities to make progress on this agenda: the Accra High Level Forum on Aid Effectiveness and the Financing for Development Conference in Qatar.

Transparency

European governments should be accountable to their own citizens and also to citizens of developing countries for how they allocate and spend their aid money. Transparency is critical for accountability. Yet data is often very difficult to obtain, although the DAC has improved the clarity and disaggregation of ODA figures provided by its members in the last two years.

There is a huge time lag between spending and reporting of the figures. Many OECD member

countries are slow to report on their statistics to the DAC, and final statistics for each country are only made public after a lag of two years, making it difficult for citizens to evaluate their government's performance. Access to information for EU countries that are not members of the OECD/DAC is even more difficult. This report has already demonstrated some of the problems associated with lack of transparency – European governments must do more to improve the availability, timeliness and quality of their aid data.

Conclusion and demands

This year the European Union turns fifty. As European governments play an increasingly important global role in providing development assistance, their reputation and credibility is at stake. They have a moral obligation to keep their promises to increase resources for poor countries, and to make sure that money is targeted and effective for helping the world's poor.

European NGOs are very concerned that their governments continue to make misleading claims to the public about their aid figures. Governments are relying on non-aid items to mask a worrying lack of progress on aid. The apparent steady progress towards their targets in 2010 and 2015 is a serious misrepresentation. In 2006 the "Nigeria and Iraq effect" has been dramatic. It will feature again in 2007 but after that its impact will drop off sharply. At current rates of progress on genuine aid the hill for European governments to climb to meet their targets looks increasingly and almost impossibly steep. Yet we have a moral imperative to ensure that as Europeans we do not yet again miss the 0.7% target that was originally set 37 years ago.

If the current trend of genuine aid resources continues, European governments will break their promises in 2010.

This report calls on European governments to:

1. Provide genuine increases in European aid.
Seven out of 15 European governments missed their 2006 target when non-aid items are excluded. EU governments must increase genuine aid budgets to meet their minimum targets by 2010 and their 0.7% target by 2015, at the latest. Aid figures must not be inflated with debt cancellation or spending on foreign students and refugees in Europe.
2. Agree clear and binding year-on-year timetables to reach, at a minimum, the 2010 and 2015 targets with genuine aid resources.
All European governments including new member states must draw up clear timetables for reaching their 2010 and 2015 targets. This is crucial to ensure that they do not have an impossibly steep hill to climb to keep their promises at the end, and also to enable poor countries to plan for aid increases. Poor countries need steady and predictable aid increases to facilitate their planning and investment.
3. Stop including refugee costs, student costs and debt relief in official aid reporting.
EU governments should stop counting non-aid items in their reported ODA. Rich country governments present in the Development Assistance Committee of the OECD, which is responsible for official aid statistics, should change the rules to ensure that debt cancellation, imputed student costs and refugee costs cannot be counted as ODA. The DAC must also reject efforts by some members to broaden the rules further to include additional security-related expenditures.
4. Improve transparency in aid reporting.
European governments should be accountable to their own citizens and also to citizens and governments of developing countries regarding how they allocate and spend their aid money. All European governments must provide a complete breakdown of their official aid each year and publish their data much more rapidly.
5. End all tied aid.
Untying aid would increase the value of aid to poor countries by up to 30%. European governments should untie all aid – including technical assistance and food aid. Austria, Italy, Spain, Greece and Portugal in particular need to take immediate steps to end this practice.
6. Ensure aid is focused on fighting poverty and inequality.
Despite stating poverty reduction as a primary objective, European governments continue to be influenced by geopolitical, security and domestic industry interests in the allocation and use of their aid. All European governments should enact legislation to ensure that their aid is focused on helping the world's poor and guarantee that aid budgets are not directed for other purposes. European governments must meet their commitment to increase aid to Africa.
7. Take further steps to make aid more effective.
European governments need to accelerate the actions they are taking to make their aid more predictable and accountable, and more effective for poor countries. Donors should improve their technical assistance, stop linking economic policy conditions to their aid, and reform the aid system to allow real democratic leadership from poor countries overseen by their citizens and parliaments.

Part 2: European NGOs assessment and demands of national aid programmes

European development NGOs across the European Union have united to analyse the extent to which their governments are living up to their aid commitments and improving the quality of their aid. Each of the following 27 country pages has been produced by a group of national NGOs. Brussels-based NGOs have written the European Commission page.

In the case of the EU 15, a detailed breakdown of official, genuine and inflated aid for 2006 is accompanied by NGOs analysis of the progress and challenges faced by their country in improving its aid. National NGOs also assess whether their government is on track to meet its aid commitments with genuine aid money.

There is much less information available for the member states that joined the EU in 2004. In most cases this means we have been unable to provide data on the extent of aid inflation for these countries. Nonetheless NGOs in new member states provide very interesting analyses of their countries' aid programmes and have carried out extensive investigation of their own to supplement the limited statistical information that is publicly available. Romanian and Bulgarian NGOs also provide a short analysis of their countries' aid programmes even though these countries only joined the EU on the 1st January 2007 and did not have EU aid commitments to live up to in 2006.

EU 15: Snapshot of genuine and inflated aid

	Country	Inflated aid 2006 (€ millions)	Genuine aid 2006 (€ millions)	% of aid that is inflated	Genuine aid as % of GNI
1	Sweden	389	2772	12%	0.90
2	Luxembourg	5	227	2%	0.87
3	Denmark	123	1657	7%	0.74
4	Netherlands	342	4001	8%	0.74
5	Ireland	6	789	1%	0.53
6	Finland	16	642	2%	0.38
7	United Kingdom	2769	7275	28%	0.38
8	Belgium	371	1197	24%	0.38
9	Spain	440	2589	15%	0.27
10	Germany	2866	5381	35%	0.23
11	France	4177	4147	50%	0.23
12	Austria	706	499	59%	0.20
13	Portugal	16	295	5%	0.20
14	Greece	7	299	2%	0.15
15	Italy	1278	1647	44%	0.11

Source: Eurodad calculations based on OECD CRS, www.oecd.org/dac/stats/idsonline, (See endnote 1)

EU 10: Snapshot of official ODA

Position	Country	Official ODA (€ millions)	Official ODA/ GNI
1	Malta	7	0.15
2	Hungary	96	0.12
3	Czech Republic	124	0.12
4	Slovenia	35	0.12
5	Cyprus	16	0.11
6	Slovak Republic	44	0.1
7	Poland	239	0.09
8	Lithuania	15	0.08
9	Estonia	8	0.07
10	Latvia	9	0.06

Source: European Commission, (2007b)

**"The Federal Government recognises the resolutions of the EU Council according to which a share of 0.51% of the gross national product is to be used for development cooperation purposes by 2010."
Programme of the Austrian Federal Government (2007-2010), January 2007.**



**Did Austria hit the EU target of 0.33% in 2006 without inflating its aid? NO
Will Austria meet the EU target of 0.51% of GNI in 2010 without inflating its aid? NGO prediction: NO**

The main problems of Austrian aid are inflation through debt cancellation; poor poverty focus of overall ODA and unpredictability of ODA.

In 2006 Austria reported €1,205 million as ODA, or 0.48% of GNI. Austria's overall ODA figures have fallen by 6% in real terms since 2005.

Austria is the worst culprit in the EU overall for inflating its aid. In 2006, 59% of Austrian aid is in fact inflated. Latest OECD figures show Austria spent nearly half of its ODA (€600 million) on debt cancellation, primarily to Cameroon, Iraq and Serbia. According to our calculations, a further €51 million was spent on educating foreign students in the donor country and €55 million on housing refugees.

Without this inflation, Austria in fact only spent 0.20% of GNI on aid. Austria clearly has a long way to go to catch up with other European countries. There are some signs that that it is trying to do so. As the graph below shows, genuine aid resources have been creeping up steadily since 2004.

In terms of aid quality, the Austrian Ministry of European and International Affairs has agreed to follow the DAC development cooperation principles. But the way the aid is spent means that most ODA does not reflect the DAC quality objectives at

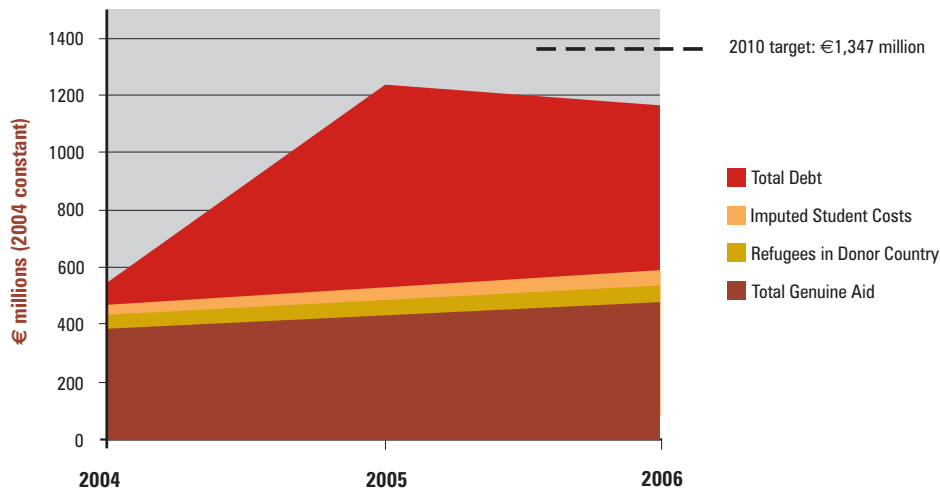
all. The bilateral core budget, which is implemented by the Austrian Development Agency, amounts to only €91 million (8% of total Austrian ODA). Most of the remaining budget which is reported as ODA is spent by the Ministry of Finance, the Ministry of Science and Education and the Ministry of Interior where there is lack of coherence and little or no commitment to the DAC principles.

Without a significant increase of real ODA components the geographical and sector allocation of ODA will be influenced much more by the decisions of the Paris Club and the foreign students and asylum seekers who come to Austria, rather than by Austrian development policy. Due to the high amount of inflated aid Austria's ODA contributions in the future are not predictable at all.

Austrian NGOs call on the Austrian government to:

- ♦ agree a binding budgetary ODA timetable to put in practice the quantitative and qualitative commitments;
- ♦ increase real ODA significantly while ensuring that all Austrian ODA components respect and reflect internationally agreed and adopted development cooperation objectives.

Austria's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Arbeitsgemeinschaft Entwicklungszusammenarbeit (AGEZ), Evangelischer Arbeitskreis für Entwicklungszusammenarbeit (EAEZ), Koordinierungsstelle der Österreichischen Bischofskonferenz für internationale Entwicklung und Mission (KOO), Austrian EU-Platform of Non-Governmental Development Organisations.



BELGIUM

"Even in a difficult budgetary context, Belgium holds on to its promise to reach 0.7% by 2010. Our efforts to reach it are constant and ongoing." Prime Minister Guy Verhofstadt, at Belgian Technical Cooperation, February 2007.

Did Belgium hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Belgium meet its target of 0.7% of GNI by 2010 without inflating its aid? NGO prediction: UNLIKELY

Belgium has committed to reaching the 0.7% target by 2010. It is very unlikely that it will actually succeed, even with aid inflation. In 2006 Belgian ODA decreased, registering only 0.5% of GNI, according to latest OECD statistics. If we subtract debt cancellation, ODA has barely increased over the last four years.

According to our calculations, €371 million or one quarter of Belgian aid was inflated. €326 million of this was debt cancellation. According to estimates by the Belgian government, €45 million consisted of spending on refugees in Belgium.

Since 2004, Belgian ODA figures have also been systematically inflated by debt relief. After 2008, however, the debt operations in the framework of HIPC will decrease enormously. The debt relief operation for DR Congo (€270 million), probably due in 2008, will provide a final aid spike. After that, Belgium still has a total of €500 million of outstanding debts in Sudan, Ivory Coast and Togo. It is, however, unlikely that the countries concerned will meet the World Bank criteria for debt cancellation operations. The new government will therefore have to find new resources urgently in order to close the gap created after these debt reductions.

Since 2004, Belgium has consistently included its contribution to the MONUC peace-keeping operation in Congo in its aid budget. This is not compatible with DAC criteria, and therefore not reflected

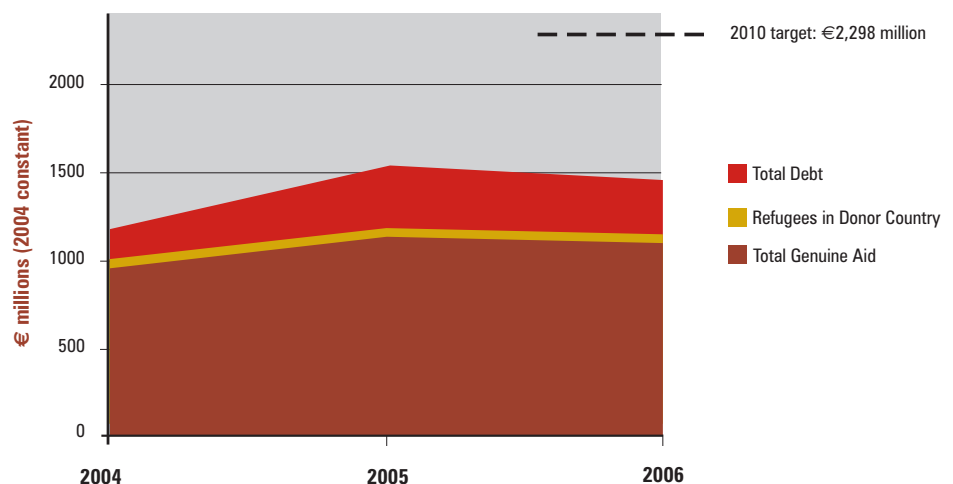
in the ODA statistics. Development Cooperation Minister Armand De Decker repeatedly stresses the importance of peace for development however, and shows he is in favour of including more military spending as part of aid.

Belgian aid lacks predictability. It takes 14 steps to go from the formulation of a project or programme to its actual implementation. Procedures are difficult and lengthy and result in a considerable time lag between formulation and implementation. This process makes alignment with the partner country's budget cycle extremely difficult. A new management contract between the Belgian state and the executing agency BTC sealed in July 2006 should enable the Belgian development co-operation ministry to improve this situation. However, the next government will have to show clear political will in order to increase aid predictability.

Belgian NGOs call on the Belgian government to:

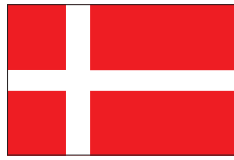
- ◆ confirm its commitment to respect the legal obligation to reach 0.7% by 2010 and to establish an explicit programming of the resources needed for this purpose;
- ◆ end inclusion of debt cancellation and refugee-related expenditure in ODA statistics;
- ◆ reform the current project cycle to enable actual alignment with development country budgeting processes and priorities;
- ◆ oppose any proposals within OECD/DAC to include military spending in the ODA definition.

Belgium's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

**“...Danish development policies will focus on Africa in the coming years ... We have guaranteed that Danish development aid will be minimum 0.8% of GNI.”
Anders Fogh Rasmussen, Prime Minister. October 3, 2006.**



Did Denmark hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Denmark meet its target of 0.8% of GNI by 2010 without inflating its aid? NGO prediction: NO

Although Denmark is among the aid-giving champions in Europe, it is also slowly falling behind. In the period of 2001 to 2006 Danish development assistance declined as a proportion of GNI, to 0.8% from 1.03%. Denmark has set its own national commitment not to go below this 0.8% contribution.

The latest OECD statistics show Denmark registered a total of €1.78 billion in ODA in 2006. But according to our calculations, Denmark inflated its aid by €123 million, spending €90 million on debt cancellation, primarily export-credit debt to Nigeria, and €33 million on refugees in Denmark. Without this inflation, Denmark in fact only gave 0.74% of its GNI in genuine aid resources.

Unless Denmark changes its practice of counting debt cancellation as ODA, Denmark's ODA will be inflated again in 2007, with Nigeria debt cancellation alone likely to increase to approximately €75 million. In the coming years debt relief to Sudan and Angola is expected to draw huge additional amounts from the Danish development budget.

But some positive events have also taken place lately. Six Danish youth parties have developed a new consensus on Danish development assistance. Most striking is their consensus on bringing Danish ODA back to 1% of GNI and financing debt relief outside the ODA budget. The six youth parties include the youth wings of the two government parties, the Liberals and the Conservatives. This could start a new political debate and dialogue on development assistance. Last year, the Conservative Party (junior

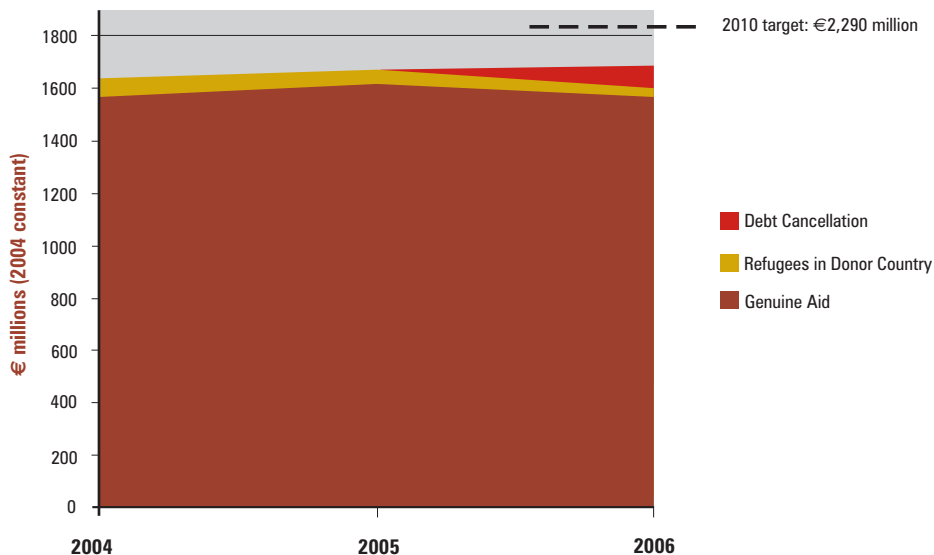
partner in the coalition government) also announced that it would be willing to increase the Danish development assistance as a proportion of GNI. With less than 21 months to the next elections, Danish development assistance has a fair chance of becoming a key element of the election campaign.

With 13% of total Danish development assistance as tied aid, Denmark is among the worst countries, when it comes to tying aid. In a recent report to parliament, the Danish government expected that 6% of Danish development assistance in 2005 would be tied aid. This is less than half of the official OECD reporting and reflects a vital lack of coherence in the Danish aid reporting, which clearly needs to be improved. It is our view that Denmark historically has played a constructive role in the untying of development assistance, but Denmark's aid reporting is generally non-transparent and must be improved to ensure an informed and qualified public debate.

Danish NGOs urge the Danish government to:

- ♦ retrieve its leadership position by increasing genuine aid resources to at least 1% of GNI;
- ♦ make debt relief truly additional and not count it as ODA;
- ♦ clear up reporting of debt cancellation (outside of ODA) and ensure that only the face value of the debt is accounted for;
- ♦ publish more coherent and transparent aid figures that are comparable across financial years.

Denmark's genuine and inflated aid





FINLAND

"It is essential that also during the next government period a European-based plan to increase aid is kept and followed, and that the 0.7% commitment is maintained..." Minister Paula Lehtomäki's speech at the Development Policy Committee, March 1, 2007.

Did Finland hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Finland meet its 0.7% target of GNI in 2010 without inflating its aid? NGO prediction: NO

Finnish NGOs are pleased that the new government has committed to increase aid by €375 million by 2011. However NGOs are concerned that the new government has not specified the target year for Finland to reach 0.7%, and that the current pace is too slow for Finland to seriously contribute to reaching the international commitment of the Millennium Development Goals by 2015.

Latest OECD statistics show that in 2006 Finland reported €658 million as ODA, equivalent to 0.39% of GNI. This is 7% less than in 2005 (€726 million or 0.46%).

Based on trends from the last five years Finland also spent €16 million (2% of its declared ODA) in 2006 on housing refugees. We welcome the fact that Finland's tied aid has fallen to 4.9% (€35.5 million) in 2005 from 14% (€76.5 million) in 2004, but we encourage further reductions.

In 2006 Finland inflated its aid by 2% (€16 million). Once the inflated aid is removed, however, Finland still remains above the EU target, registering €643 million in aid, or 0.38% of GNI.

Finnish bilateral aid spent on basic social services amounted to only 9.6% (€76 million) in 2005. NGOs encourage the government to increase its share of basic social services and aid delivered to the world's least developed countries.

Between 50% and 60% of crisis management spending is counted as ODA by Finland. This

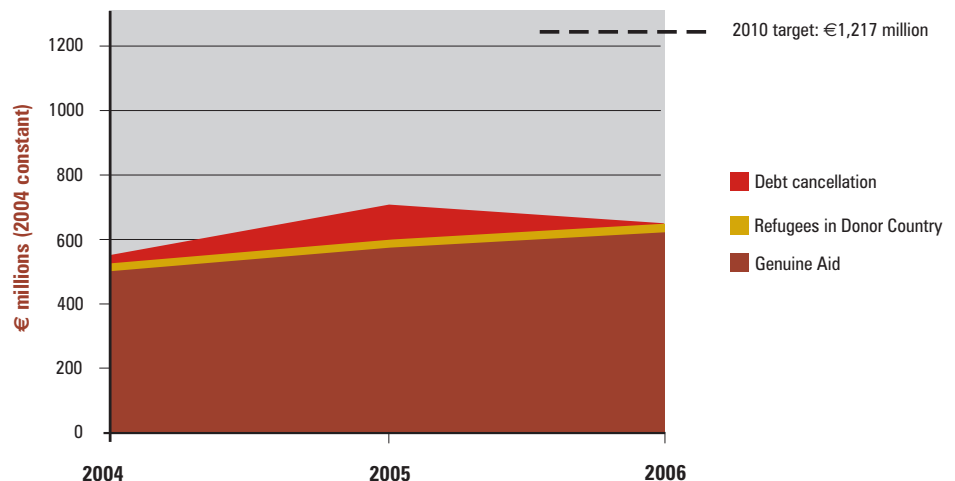
includes costs related to civil crises, refugee costs etc. Finland is committed to maintaining the integrity of ODA and not count military-related costs as ODA. Finnish NGOs encourage the government to secure policy coherence by ensuring that all aid is used for poverty reduction purposes.

Finnish NGOs are pleased that the government has taken the first steps to improve aid effectiveness by targeting its aid to fewer countries and sectors. Finnish NGOs encourage the government to continue to harmonize and coordinate its aid and gradually to increase the share of budget support to selected partner countries. New funding sources, such as international taxes, are welcomed but should be additional to ODA.

Finnish NGOs urge the Finnish government to:

- ◆ follow the example set by its Nordic neighbours and fulfil its commitment to raise its ODA to 0.7%;
- ◆ stop inflating its ODA figures;
- ◆ continue to support more debt relief for poor countries and make these funds additional to existing aid spending;
- ◆ increase financing for least developed countries especially to Ethiopia, Mozambique, Zambia and Tanzania, which are among Finland's eight chosen main partner countries;
- ◆ stop attaching harmful economic policy conditions to Finnish aid, including through multilateral organisations.

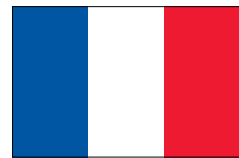
Finland's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Service Centre for Development Cooperation (KEPA), The Finnish NGDO Platform to the EU (KEHYS) and FinnChurchAid (FCA).

“The international community committed to taking decisive action against poverty, hunger, ignorance, disease, gender discrimination and environmental destruction to achieve concrete results by 2015. [...] Before our peoples, the most vulnerable, and future generations, the international community does not have the right to eschew its responsibilities.”
Jacques Chirac, President of the French Republic, September 2004.



Did France hit the EU target of 0.33% in 2006 without inflating its aid? NO
Will France meet its target of 0.7% of GNI by 2010 without inflating its aid? NGO prediction: UNLIKELY

The latest OECD statistics report that France contributed 0.47% of its GNI as ODA in 2006. However, half of French ODA was inflated. Debt relief reached €2.82 billion in 2006, representing 34% of total ODA. Based on governmental data, our calculations also show that France included the largest amount of any EU country in terms of expenditure for educating foreign students (€896 million) and housing refugees in France (€458 million). When inflated aid is subtracted we see that France only contributed 0.23% GNI.

Taking into account that a large part of French ODA is currently composed of debt relief and questionable aggregates and that France has to face budgetary constraints, it is very unlikely that “real” French ODA will reach the 0.7% target by 2012. French aid is very unpredictable and has not improved in this regard.

In some cases, when debts are reimbursed, debt relief can free additional resources in the beneficiaries’ budget for financing development. However, a large part of debt relief is nothing more than a game to clear the accounts, as these debts could never have been reimbursed. Therefore, DAC reporting modalities – with the nominal value reported as debt relief – allow a clear overestimation of the debt cancellation. French NGOs see debt cancellation in poor countries as vital for their development, but by reporting it as ODA, donors do not recognise their share of responsibility in the excess of indebtedness.

French aid lacks transparency in reporting. It is very difficult even for parliamentarians to obtain information on export credit debt cancellation. It is also unclear what kind of expenses are reported as refugee costs. It seems that some expenses related to migration policies are also labelled as ODA to the DAC, although their purposes are not development-related. “Imputed students costs”, which represent the education costs of foreign students in French universities, are also opaque: it is very unclear what kind of expenses are notified by the French government and if their notification follows the DAC guidelines.

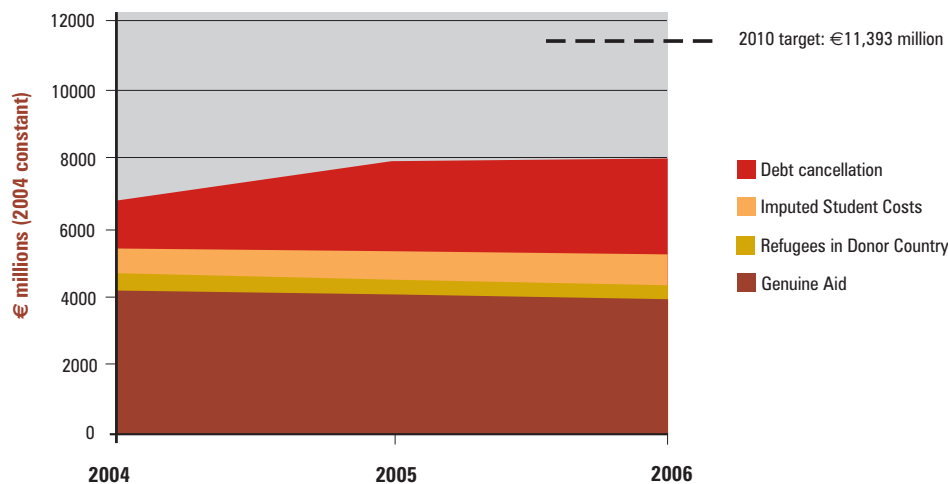
Therefore, French NGOs ask for more transparency and more control over the development policy by the parliament. They propose the establishment of:

- ◆ a specific parliamentarian body to monitor international negotiations;
- ◆ a regular debate in the parliament on public policies that are linked to development issues.

French NGOs also ask for more predictability and visibility of French aid:

- ◆ France should adopt a programming law in order to meet its commitments and to increase the predictability and visibility of its aid;
- ◆ the parliament should annually monitor the implementation of such a law.

France’s genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Coordination SUD, the national platform of French development NGOs.



"We have committed ourselves to automatic increments in the resources allocated to official development cooperation and have included these increases in the timetable agreed at EU level. Accordingly, we will devote 0.33% of our gross national income to Official Development Assistance by 2006, at least 0.51% by 2010 and the UN target figure of 0.7% by 2015 at the latest" Coalition Agreement, 2005.

Did Germany hit the EU target of 0.33% in 2006 without inflating its aid? NO
Will Germany meet the EU target of 0.51% of GNI in 2010 without inflating its aid? NGO prediction: UNLIKELY

According to preliminary OECD figures for 2006 Germany seems to be on track to fulfil the EU 2006 aid target. In 2006 Germany's ODA amounted to €8.2 billion, in real terms a marginal increase of 0.9% compared to the previous year. The ODA/GNI quota stayed the same as the previous year at 0.36%.

However, when we scratch just below the surface we realise that Germany did not reach the EU target without inflating its aid. €2.8 billion or 35% of Germany's ODA in 2006 did not deliver fresh resources for developing countries. For the second year running, the lion's share of Germany's increase of the ODA/GNI quota was due to debt cancellation, notably for Nigeria and Iraq. In 2006, Germany's debt relief amounted to more than €2.1 billion, including €342 million for Nigeria's debt buy-back, which the German government insisted on counting as part of Germany's ODA despite this being a purely commercial transaction. Excluding debt cancellation and expenditures for educating foreign students and housing refugees in the country, Germany in fact spent only 0.23% of GNI on genuine aid resources in 2006. This highlights the fact that the German government still has a long way to go to live up to its aid commitments.

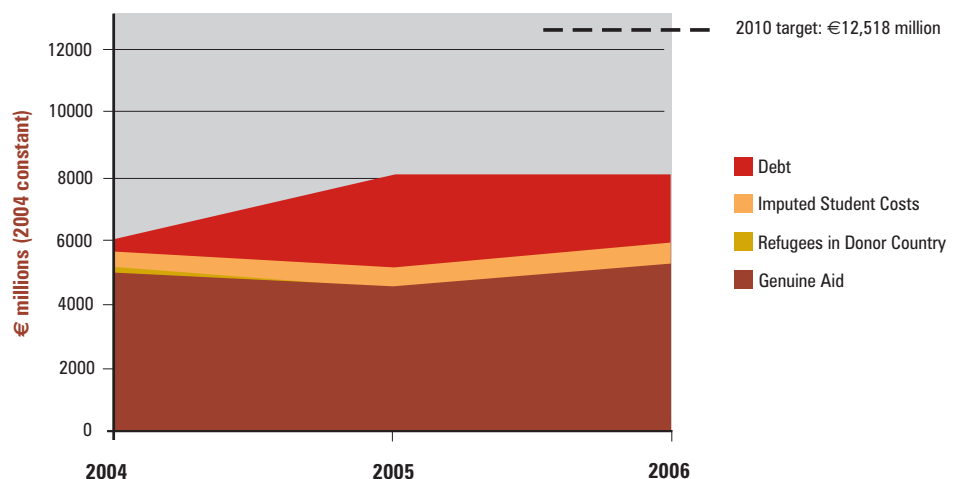
According to the latest report of the EU Commission on progress towards implementing the Monterrey commitments, the fact that Germany's debt relief is not additional to aid commitments is criticised as "going against the Monterrey

Consensus and the Council Conclusions of April 2006".

German NGOs call on the German government to:

- ◆ ensure that German aid increases through the injection of fresh money, in order to provide genuine new financial resources to developing countries;
- ◆ spend these additional funds primarily on food security; primary education; primary health care and access to water and sanitation. These funds should be directed predominantly toward the world's poor and poorest countries, and to combat hunger and poverty among the poorest sections of the population in countries with higher income, in accordance with the 20:20 Initiative adopted at the 1995 World Summit for Social Development;
- ◆ enhance the effectiveness of its development co-operation by focusing on poverty-relevant sectors and the poorest countries. This should be done through better co-ordination with other donors; the elimination of superfluous bureaucratic procedures and a step-by-step transition to long-term sectoral assistance measures;
- ◆ support the introduction of innovative financing instruments, for instance a kerosene tax, a currency transaction tax or the "International Finance Facility for Immunisation", and introduce, as an initial step, a compulsory tax on air tickets at European level.

Germany's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: VENRO and Deutsche Welthungerhilfe, erlassjahr.de, Evangelischer Entwicklungsdienst (EED), Germanwatch, Terre des hommes Deutschland.

"In this global effort [to eradicate poverty and hunger], Greece has significantly increased its development assistance. Together with the rest of our European Union partners, we set the ambitious goal of increasing it to 0.56% of our Gross National Income by the year 2010, with particular attention and emphasis on Africa."

Kostas Karamanlis, Prime Minister of Greece, UN High-Level Plenary Meeting, September 16, 2005.



GREECE

Did Greece meet its target of 0.33% in 2006 without inflating its aid? NO
Will Greece meet its continued target of 0.51% of GNI in 2010 without inflating its aid? NGO prediction: UNLIKELY

Greek NGOs are highly concerned that, two years after joining European countries in agreeing to raise aid levels, the Greek government has still not developed a plan on how to deliver on these commitments. As the least generous donor of the EU 15 countries, giving only 0.16% of GNI in ODA, Greece has a long way to go before reaching the first goal of 0.51%.

The latest OECD statistics show that even including its inflated aid, in 2006 Greece spent only 0.16% of its GNI or €306 million on ODA. Greek aid is very low but was only slightly inflated. Based on trends of Greek aid over the last 5 years, we calculate the government spent €7 million on housing refugees in Greece. However, even this small amount should not be counted as ODA.

Greek NGOs are also concerned about the quality of Greek aid. In particular, Greek NGOs question the drivers behind Greek aid and whether aid spending is really being used in the best way possible to achieve its stated aim of poverty reduction.

Only 23% of Greek bilateral aid goes to the poorest and least developed countries of the world (31% to low income countries). By contrast, 69% is directed at middle-income countries. Greek civil society feels this allocation needs to shift towards the poorest countries in the world.

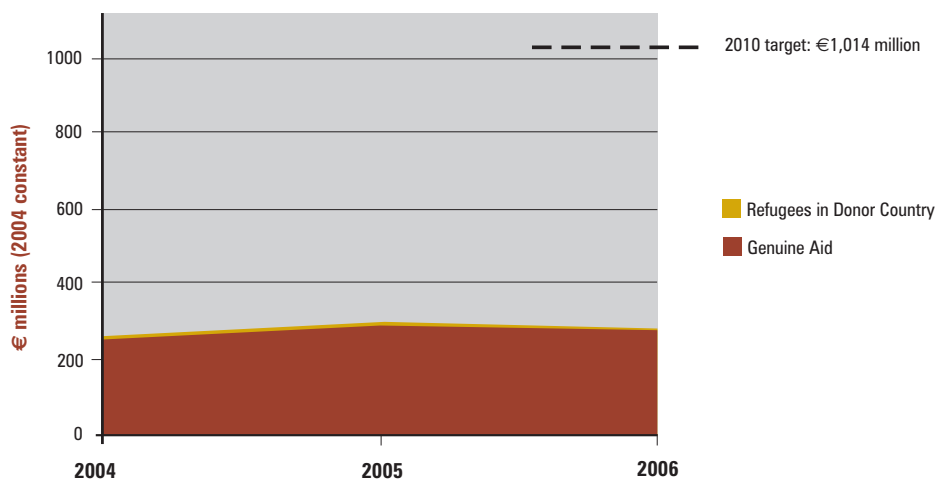
While Greece gives a relatively high proportion of its bilateral aid towards basic social services (15%), it still has some way to go before reaching the EU target of 20%. NGOs believe that the efficiency of the aid that is allocated within this category needs to be evaluated.

Greece has the highest proportion of tied aid amongst EU old Member States, 26.4% of Greek ODA in 2005. The value of Greek aid that is lost in inflated procurement costs should instead be released to be spent on reducing poverty.

Greek NGOs call on the Greek government to:

- ♦ issue a timetable immediately to set out how Greece will meet the 0.51% and 0.7% ODA targets;
- ♦ reassess the overall effectiveness of Greek aid, particularly in terms of the extent to which it is aligned with developing country priorities, and in terms of Greece's lack of coordination with other donors and actors;
- ♦ realign Greek aid away from political/geopolitical and economic/commercial interests, towards a more effective, coordinated and recipient-driven/owned aid programme that can better achieve its stated goal of poverty reduction;
- ♦ increase the transparency of Greek aid and development policies.

Greece's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: The Hellenic Committee Of Non Governmental Development Organisations: Medecins du Monde GR, Greek Committee for International Democratic Solidarity, European Perspective Development and Education Center, Hellenic Institute for Solidarity and Cooperation with Developing Countries, European Network for Humanitarian Development (HUMANET), Family and Child Care Center, Dimitra Institute of Training and Development, Soma Hellinikou Odigismou, XEN Hellas, SED.net, European Public Law Center, ActionAid Hellas, Hellenic Rescue Team, One Earth, Hellenic Action for Africa, Solidarity N.G.O. of the Greek Orthodox Church, Handicap Care Hellas – allied member.



IRELAND

"Irish development cooperation represents our sense of a broader global concern and our obligation to those with whom we share this planet and our humanity. It represents our shared belief in democracy, solidarity and fairness. Above all, it demonstrates a clear awareness that with prosperity comes a responsibility to assist those who are most marginalised and vulnerable."
Minister for Foreign Affairs Dermot Ahern TD, November 2, 2006.

Did Ireland hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Ireland meet its 0.7% target of GNI in 2012 without inflating its aid? NGO prediction: LIKELY.

According to the latest OECD figures, Ireland spent 0.53% of its GNI on ODA in 2006, up from 0.41% in 2005. Irish NGOs are pleased that the government increased its spending in real terms and as a percentage of GNI, and is set to achieve its first interim target of spending 0.5% by 2007. In the absence of ODA legislation the 2007 general election lends some uncertainty to this outlook.

A very small amount of Irish aid is inflated. In 2006, Ireland reported a total of €794 million in ODA. Of this, €1 million was debt cancellation and using OECD/DAC figures we estimate, based on trends from recent years, that €2.4 million was spent on educating students in Ireland and €3 million was spent on housing refugees in Ireland. Even once this inflated aid is subtracted, however, Ireland increased its genuine aid resources by one third from 2005 to 2006.

NGOs welcome the fact that Irish aid is strongly poverty-focused, with ODA going primarily to least developed and other low-income countries, and that it features good predictability.

2006 saw the publication of the first White Paper on Irish Aid. NGOs were pleased with Ireland's recommitment to an aid target of 0.7% and to wholly untied aid; to tackling poverty and inequality and to enhancing aid effectiveness. Yet a 2007 general election and the absence of ODA legislation give rise to some uncertainty about aid focus and budget.

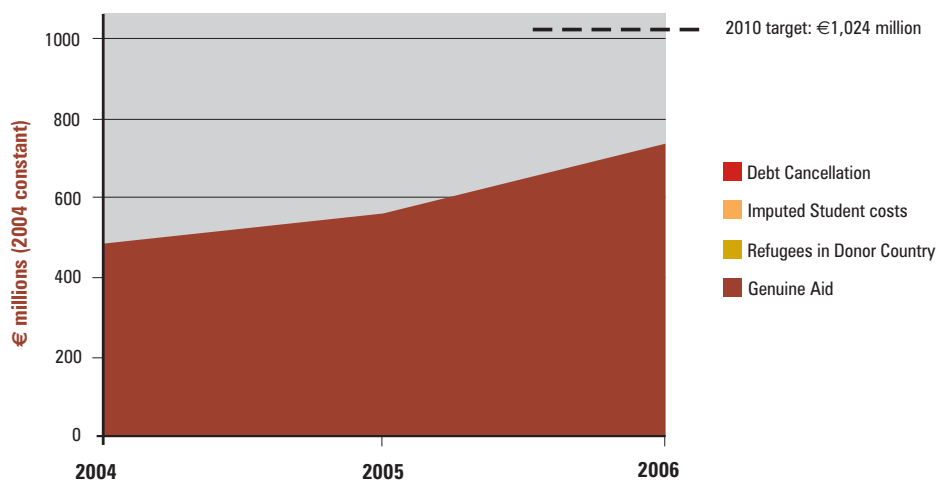
The White Paper reiterated the strong emphasis within Irish development cooperation on basic social services, though NGOs would like to see spending strengthened in this area from the 16% of bilateral ODA reported by the OECD for Ireland in 2005.

There are some concerns, in the context of staff shortages and a significantly expanding programme, about Irish Aid's continuing ability to deliver high quality aid. Irish NGOs call for clear commitment, across government departments, to providing the staff and systems needed – and real progress on this after the planned management review.

Irish NGOs urge their government to:

- ◆ lock in recent gains by setting out annual targets for reaching 0.7% ODA/GNI for all the years to 2012, and legislating for a minimum of 0.7%. This should remain exclusive of any funding for debt cancellation;
- ◆ provide sufficient resources, especially staff levels, and assure whole of government coherence for development to sustain and enhance the quality of Irish development cooperation;
- ◆ continue to improve aid effectiveness in partnership with Northern and Southern governments, through continually enhancing its own programme and the broader aid effectiveness agenda.

Ireland's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Dóchas, Oxfam Ireland, Trócaire, Concern, Christian Aid Ireland, Debt and Development Coalition Ireland.

“Not only is it necessary to rapidly increase the amount of resources so as to reach 0.7% ODA/GDP in five years but it is also necessary to utilise these resources to back a vision and a plan. (...) This is a commitment that we make before millions of Italians who have understood that our future is tied up with the future of the Developing Countries.” Italian Prime Minister Romano Prodi, April 2, 2006.



ITALY

Did Italy hit the EU target of 0.33% in 2006 without inflating its aid? NO
Will Italy meet the EU target of 0.51% of GNI in 2010 without inflating its aid? NGO prediction: NO

According to the latest OECD statistics, Italy has not met the EU commitment to spend 0.33% of GNI on ODA in 2006. Italy's genuine aid resources have in fact fallen 41% between 2005 and 2006, putting Italy in the bottom position of the EU 15 member states. Italy reported €2.9 billion as ODA in 2006 but nearly €1.3 billion or 44% of this was debt cancellation. When inflated aid is removed from the picture Italy spends only 0.11% of GNI on aid.

Recently, in response to the European Union questionnaire on Monterrey for the May 2007 General Council, Italy committed to meeting the 0.33% intermediate target by 2008 on its way to 0.51% by 2010. However, Italy is not making the necessary preparations to enable this increase. In the event of a substantial increase in fresh resources to fill the gap to €7.5 billion (0.51% by 2010), there is no absorptive capacity at the moment in the development cooperation management structure.

Projections for future allocations are difficult as the ODA budget is spread among different ministries and current allocations could change over the financial year. Approximately one third of the total ODA is managed by the Ministry of Foreign Affairs (MFA) under Law 49/87. The remaining two thirds

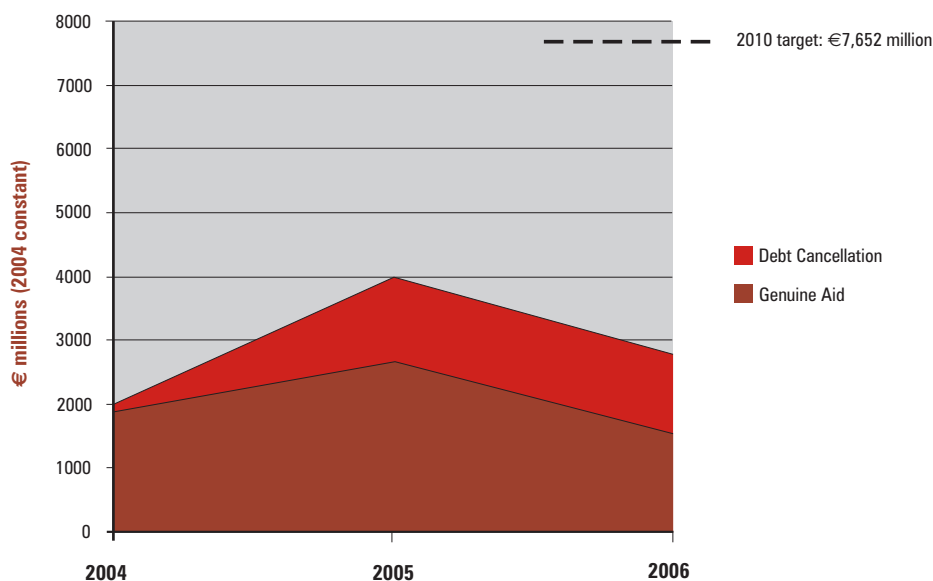
are managed by the Ministry of Economy and Finance. According to civil society organisations' estimates, the current Financial Bill allocates €1.3 billion for development cooperation, although the resources that it is possible to trace are mainly those allocated to the MFA (€600 million).

The high share of debt relief also alters the percentage of tied aid. In 2005, when debt relief is removed, Italy is the 4th worst performing OECD country for tied aid. According to the 2005 human development report, 14 cents in every \$1 of Italian aid to Ethiopia is spent in Italy. According to the 2006 EU Donor Atlas, Italy is the only EU country to highly tie its technical assistance and NGO support. Italy has allocated more resources to technical assistance than to education. Hopefully, the bill on ODA reform will lead to untying all ODA including technical assistance and food aid as well as providing preferential access to local goods and services.

Italian NGOs call on the Italian government to:

- ♦ develop a transparent timetable to increase financial resources to meet the 0.51% target;
- ♦ stop counting debt relief in ODA statistics;
- ♦ fully untie all bilateral aid, including technical assistance.

Italy's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)



LUXEMBOURG

“International cooperation has become an important pillar of our external action. It is thus not surprising that the government considers development cooperation as one of its priorities. In effect, only he who puts his words and promises into action will be heard.”
Minister Jean-Louis Schiltz, March 15, 2006.

Did Luxembourg hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Luxembourg meet its target of 0.7% of GNI by 2010 without inflating its aid? NGO prediction: YES

Luxembourg emerges as the second best performing EU country in terms of aid quantity and limited aid inflation, according to our calculations. It is one of only five countries in the world that has already met the UN aid commitment of 0.7% ODA/GNI. According to the OECD's official figures, Luxembourg spent €232 million on ODA in 2006.

However, for the second year in a row Luxembourg has counted housing refugees in Luxembourg as part of its figures. From our calculations we estimate that €5 million was spent housing refugees in 2006. Nonetheless, even once this inflated aid is deducted, Luxembourg still gave 0.87% of GNI in genuine aid resources.

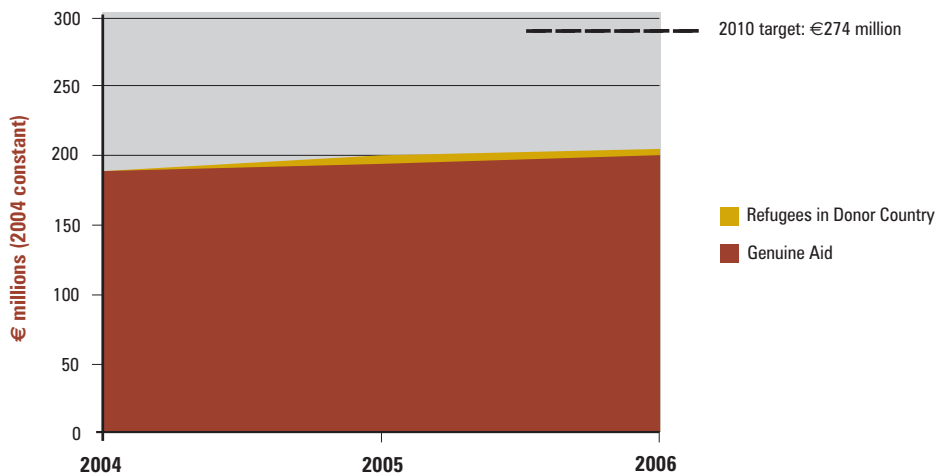
Overall Luxembourg NGOs are delighted by their government's good performance and call upon their government to continue its excellent record by reaching its own national target of 1% GNI/ODA by 2009 in a genuine manner.

One main challenge for Luxembourg aid is to ensure coherence across all government policies so that they contribute to sustainable international development.

Luxembourg NGOs call on the Luxembourg government to:

- ◆ meets its aid target of 1% by 2009;
- ◆ publish a timetable of interim steps to achieve the target;
- ◆ establish a stakeholders' forum to debate the aims of Luxembourg development policies;
- ◆ strengthen policy coherence across governmental policies in relations to developing countries and report on this working area.

Luxembourg's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

"In the sphere of development cooperation, there will be a stronger focus on achieving the Millennium Development Goals, harmonising bilateral aid and pursuing new Dutch initiatives for substantial debt relief. Over and above the 0.8% of GDP, additional funds will be made available for development cooperation and earmarked for sustainable energy during the government's term in office." Coalition Agreement (Dutch Prime Minister Jan Peter Balkenende), February 7, 2007.



Did the Netherlands meet the EU target of 0.33% of GNI without inflating its aid? YES
Will the Netherlands meet its continued target of 0.8 % of GNI in 2010 without inflating its aid?
NGO prediction: YES

For many years the Dutch government has been spending at least 0.7% of GNI on international co-operation. The ODA target is set at 0.8%. The new centre-left government, which came to power in early 2007, has renewed this commitment and has promised to spend an additional amount of €50 million each year on sustainable energy between now and 2011.

In 2006, the Netherlands reported spending €4.3 billion on ODA or 0.81% of GNI. The amount of tied aid is very small (2.9% in 2005). However, the aid level is inflated by at least €342 million. In fact only 0.75% of GNI amounted to genuine aid resources. €108 million was spent on housing refugees in the Netherlands and a further €234 million or 5% of the budget was spent on cancellation of export credit debt. Dutch civil society organisations are working hard to pressure the new government to stop the practice of counting export credit debt cancellation as ODA. If it doesn't, in 2007 nearly 12% of the aid budget will be diverted to pay for bilateral export credit debt cancellation.

One positive step already taken by the new government is that it will not push for a further broadening of the OECD-DAC criteria to security related expenditure.

Donor coordination, both within the EU and at a global level, is an important issue for the Dutch

government. It aims to work towards the principle of one donor per sector per recipient country.

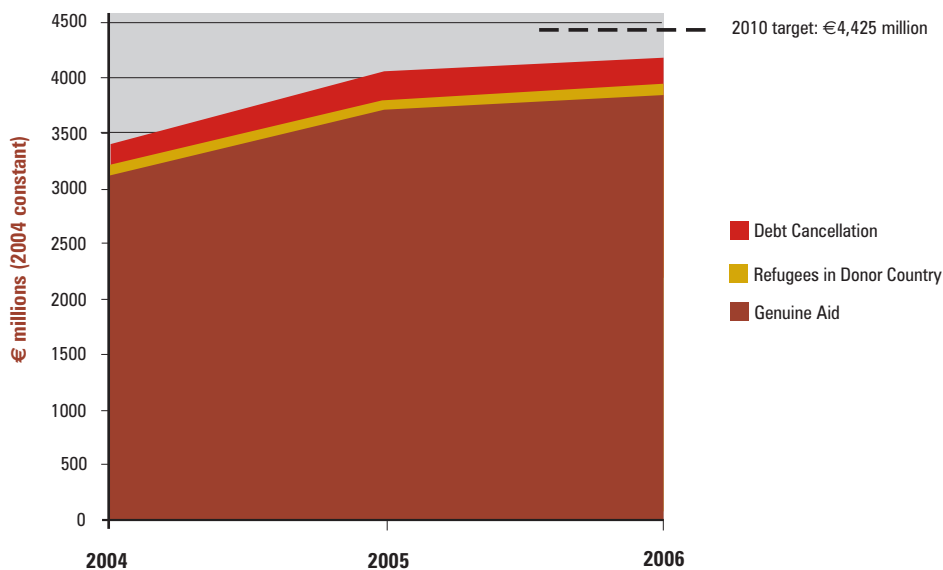
Among the top ten aid recipients in 2005 were Iraq, Indonesia, Afghanistan, and Nigeria. This reflects the importance of security interests and (in the case of Indonesia) historical ties in aid allocation, as well as the fact that a large share of ODA has been spent on debt cancellation.

However, poverty eradication needs remain very important in aid allocation decisions, as is reflected by the fact that over two-thirds of aid went to low-income countries in 2005 and 13.5% of bilateral ODA was spent on essential services. Spending on basic education will increase; the aim is to spend 15% of ODA (including budget support and multi-lateral aid) on basic education.

The Dutch are at the forefront on issues such as education, fighting HIV/Aids, malaria and tuberculosis and supporting reproductive rights. While acknowledging the progressive role the Dutch are playing in these areas, Dutch NGOs point to the need for more focus on building strong national health systems – including the need to finance and train massive amounts of health workers. Furthermore, in 2006 a tiny €3 million has been spent on gender issues, less than 0.1% of the ODA budget. Dutch NGOs therefore urge an increase in the amount of aid allocated to gender issues.

THE NETHERLANDS

The Netherland's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Cordaid, ICCO, Oxfam Novib, Partos.



PORTUGAL

“The European Union has undertaken to provide ODA worth 0.7% of GNI by 2015, with an interim joint target of 0.56% by 2010. The latter includes individual targets of 0.51% for the longest-standing member states, including Portugal... In 2002 Portugal also undertook to comply with the figure of 0.33% of GNI for ODA by 2006.” Strategic Vision of Portuguese Development Cooperation, 2006.

Did Portugal hit its target of 0.33% in 2006 without inflating its aid? NO
Will Portugal meet its target of 0.51% of GNI in 2010 without inflating its aid: NGO prediction: UNLIKELY

The Portuguese government signed up to the agreement to give 0.33% of its GNI in aid by 2006, 0.51% by 2010 and 0.7% by 2015. In 2006 Portugal only provided 0.21% of GNI, (€312 million) performing worst of the EU 15 countries after Italy. There is also a lack of plans to meet the target of 0.51% in 2010.

Bilateral aid targets 10 countries, which are mainly Portuguese speaking countries and fragile states. This can be positive for enabling an alignment of Portuguese cooperation with development priorities of partner countries; however, it also represents an increasing alignment of development cooperation to foreign policy and commercial interests. Basic social infrastructure and services is not a strategic choice of Portuguese cooperation. Basic social services represented only 3.6% of bilateral spending in 2005, far behind the Copenhagen 20% target. Another element distorting the poverty focus of aid is the share of total ODA spent as technical assistance (TA). This accounted for more than 50% of bilateral ODA in 2005, mainly related to imputed student costs (28% of technical assistance disbursements).

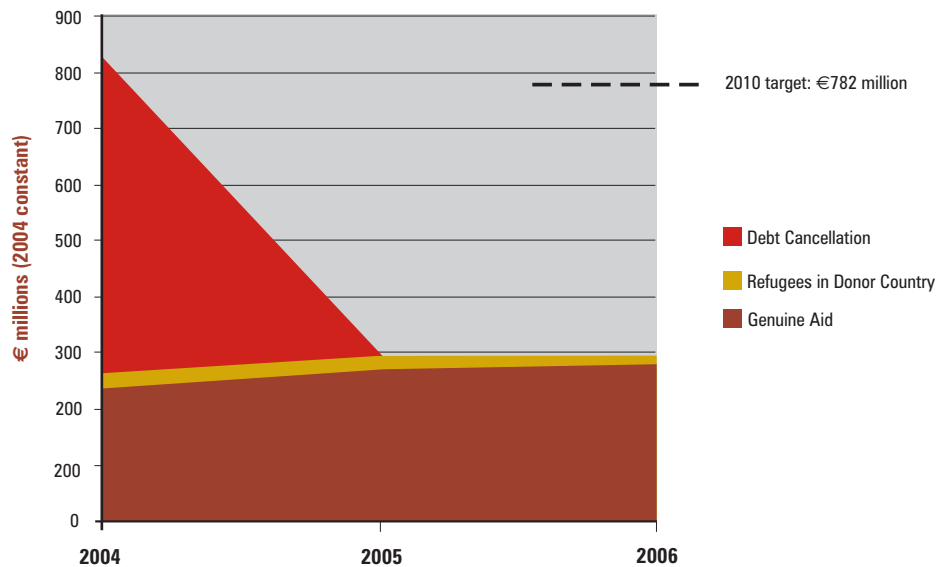
The Portuguese development agency (IPAD) has set up a planning system that centralises and processes financial information provided by all public entities and private bodies to make ODA more predictable and improve transparency. However, the system does

not facilitate long-term commitments and concentrates on inputs only. The impact of Portuguese ODA on poverty reduction and the creation of mechanisms linking aid to the achievement of the MDGs, in coherence with the new development cooperation strategy, has not yet been addressed.

Portuguese NGOs call on the Portuguese government to:

- ◆ demonstrate the impact of Portuguese aid on addressing poverty;
- ◆ establish, under the current governmental mandate, a road-map to reaching Portugal's aid commitments;
- ◆ ensure coherence between policies and practice, particularly regarding a focus on poverty eradication and basic social services;
- ◆ make development aid more predictable on a multi-annual basis
- ◆ set up a single entity for development cooperation and improve reporting transparency;
- ◆ strengthen decentralised cooperation to ensure that the 0.7% of municipality budgets is channelled for development cooperation;
- ◆ improve relationships with NGOs as real partners for development, and increase their role in defining policy and programming;
- ◆ increase ODA channelled through NGOs, to reach the European average of 9%.

Portugal's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Associação Adventista para o Desenvolvimento, Recursos e Assistência (ADRA), Associação para a Cooperação, Intercâmbio e Cultura (CIC), Institutos de Estudos para o Desenvolvimento (IED), Instituto Marquês de Vila Flor (IMFV), Cooperação e Desenvolvimento (OIKOS), Sol sem Fronteiras (SOLSEF), Plataforma Portuguesa das ONGD.

"We have pledged to double official development assistance in four years and we are delivering year after year. The Spanish have put a number and a date to our solidarity goal: we want to contribute 0.7% of our national wealth to the poorest of the poor in 2012."

Spanish Prime Minister Jose Luis Rodriguez Zapatero, High Level Dialogue on Financing for Development, New York, September 14, 2005.



SPAIN

Did Spain hit the EU target of 0.33% in 2006 without inflating its aid? NO
Will Spain meet its 0.51% target of GNI in 2010 without inflating its aid? NGO prediction: UNLIKELY

According to OECD figures, Spain registered 0.32% ODA/GNI in 2006, narrowly missing the 0.33% target. This contribution drops to 0.27% if only genuine aid resources are counted. Although Spain has a long way to go to reach its target of 0.7% by 2012 it did increase its genuine aid by nearly one third between 2005 and 2006.

According to our calculations €440 million of Spanish ODA was inflated in 2006. Debt cancellation remains a large percentage of ODA, inflating the real figures and distorting the geographical priorities. According to latest OECD figures €419 million was spent on debt cancellation. And if we look at the trends of spending over the last five years, we estimate that in 2006 €21 million was spent on housing refugees in Spain.

In recent years Spanish cooperation has increased flows to Sub-Saharan countries and to international organisations, particularly the UN system and other international initiatives. Spanish NGOs welcome this support for multilateralism but at the same time have been urging the government to elaborate and implement a strategy on multilateral contributions that includes clear allocation criteria and priorities as well as follow-up mechanisms to ensure

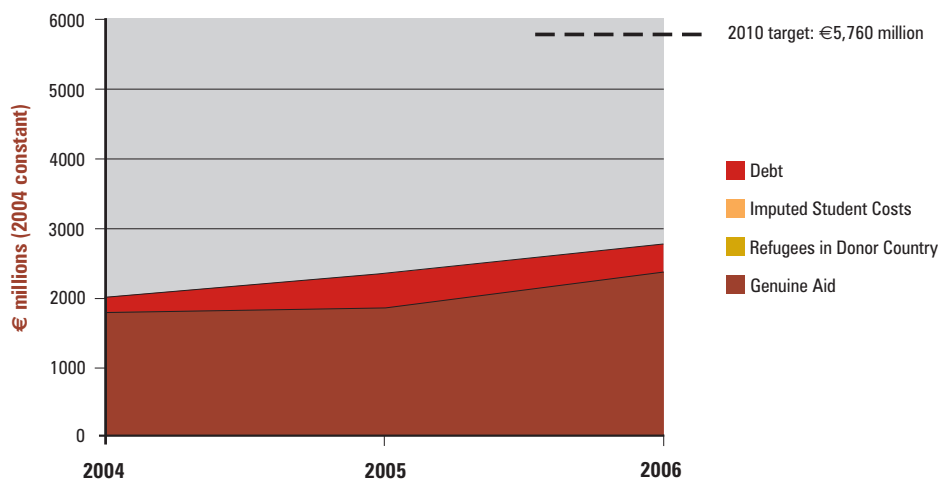
aid effectiveness. The strategy may be presented in the parliament before this summer.

Despite the government's efforts in terms of transparency of reporting and active consultation with all actors through the Development Consultative Council, major structural reforms need to take place before the increases become sustainable and improve aid quality. Among these, one of the most important is a reform of the main debt-creating instruments (FAD and CESCE), both of which were included as a compromise for 2007 in the recent law on debt management. Furthermore, policy coherence and coordination remain the most compelling issues that the Spanish government needs to address to make Spanish aid work.

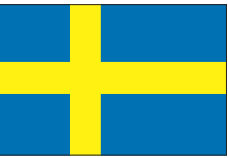
Spanish NGOs urge their government to:

- ♦ carry out an exhaustive reform as soon as possible to untie aid and cease using economic policy conditionality;
- ♦ ensure all debt cancellation is additional to ODA commitments;
- ♦ speed up the reorganising process of the Spanish Agency of International Cooperation (AECI) so that it can properly manage increasing amounts of ODA.

Spain's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)



SWEDEN

*“Sweden should be a leading nation within development cooperation.”
Gunilla Carlsson, Minister for Development Cooperation, October 2006.*

Did Sweden hit the EU target of 0.33% in 2006 without inflating its aid? YES
Will Sweden meet its 1% target of GNI in 2010 without inflating its aid? NGO prediction: UNLIKELY

Sweden is one of only five countries in the world that has already reached its 0.7% target. Yet contrary to the spirit of the agreement in the Monterrey declaration, the Swedish government continues to use ODA resources to finance debt cancellations. The budget for 2007 sets aside amounts many times larger than previously for debt cancellation. Much of the credits originate from export-credit guarantees, never intended for development purposes.

According to the latest OECD statistics, Sweden provided 1.03% of ODA/GNI in 2006. But €389 million of this was not genuine aid. €241 million was spent on debt cancellation and €148 million on housing refugees in Sweden. Excluding these two elements, Sweden in fact only gives 0.9% ODA/GNI, meaning it still has some way to go to meet its own target by 2010.

Swedish NGOs are concerned about the worrying trend at the international level of geopolitical and security motives influencing decisions on aid allocation. This year the Swedish government will start investigating if and to what extent ODA can be used to “strengthen countries’ own capacity to prevent terrorism”.³¹ Development assistance for the alleviation of poverty is at stake if aid is used according to a changed mandate.

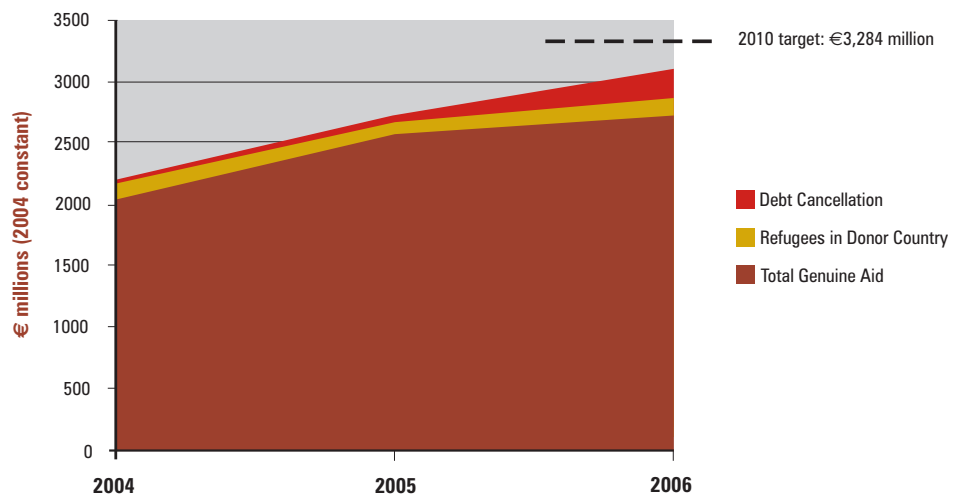
We believe Swedish ODA should be based on nationally owned strategies for development as Sweden has committed to doing. It should prevent corruption

and promote democracy and human rights but it should not be accompanied by conditions that are not compatible with nationally owned strategies for development. Worryingly, the government has recently stated that “debt cancellations must never be unconditional, but must come with conditions of economic and political reform...”.³² Our concern is that these economic policy conditions undermine nationally owned strategies for development.

Swedish NGOs call on the Swedish government to:

- ◆ ensure that resources provided for debt relief and housing refugees do not detract from ODA resources intended to be available for developing countries;
- ◆ count only the real value of the debts and oppose further enlargement of the ODA definition;
- ◆ safeguard development cooperation in its own right, as it should not be an instrument for other purposes;
- ◆ ensure that developing countries exercise real ownership over their development policies. Swedish ODA should not be accompanied by economic policy conditions that may undermine democratic processes;
- ◆ within the board of the IMF, advocate for the exclusion of all conditions that are not compatible with nationally owned strategies for development.

Sweden’s genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: Action Aid Sweden, Church of Sweden Aid, Diakonia, Forum Syd.

"In 2006 and 2007 we must start to keep our promises - with a new resolution that, by delivering our Gleneagles promises on aid, we achieve the Millennium Development Goals." Gordon Brown, April 2006.



Did the UK hit the EU target of 0.33% of GNI in 2006 without inflating its aid? YES
Will the UK meet its target of 0.7% of GNI by 2013 without inflating its aid? NGO prediction: UNLIKELY

According to DAC figures, the UK gave 0.52% of GNI as ODA in 2006, but 28% of this was debt relief, mainly to Iraq and Nigeria. Excluding debt relief, UK aid rose by more than 21% in 2006, to 0.38% of GNI. This is a welcome increase, and exceeds the EU minimum target, but is only just over halfway towards the government's commitment to reach 0.7% of GNI as aid by 2013. The UK has led the way by choosing not to include foreign student costs and refugee costs as ODA, but still continues to count debt relief towards the 0.7% target, and will rely on this to meet its 2013 commitment. Poor people need aid and debt relief, so the government must stop this practice immediately, and guarantee future aid resources by setting a binding timetable to meet the 0.7% target without including debt relief.

The UK has made progress on aid effectiveness, which is welcomed by UK NGOs. The government should be applauded for allocating 90% of bilateral aid to the poorest countries; untying all UK aid; expanding the use of long-term budget support and abandoning economic policy conditionality. However, more still needs to be done.

DFID must demonstrate effective implementation of its policies on conditionality, by making sure that there is real change in practice at country level. It is vital that DFID ensures no economic policy conditions are applied to UK aid, including when working with the World Bank and other donors.

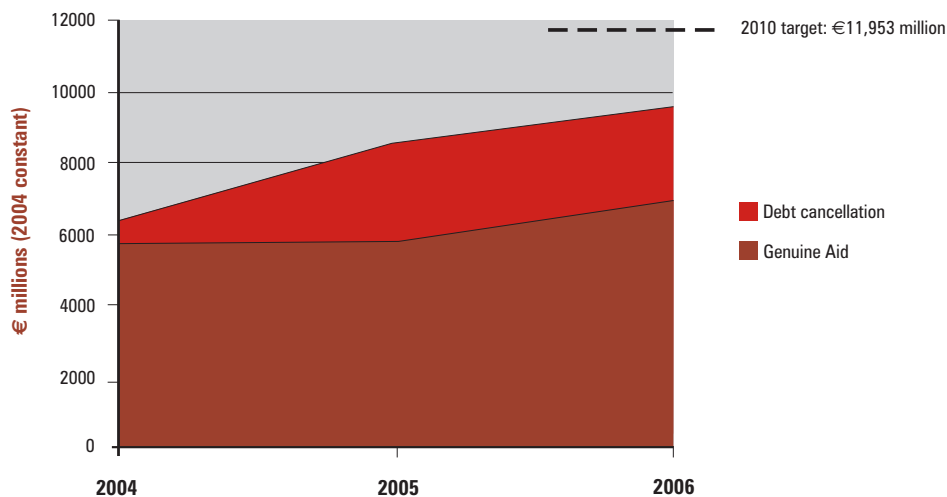
The UK should continue to increase the proportion of its aid that is provided via long-term budget support and improve the predictability of its aid. DFID must also be more transparent about the criteria upon which budget support (and other aid) will be disbursed or withdrawn.

Technical assistance accounts for around 20% of UK bilateral aid, and is a critical area for reform. Technical assistance should only be provided where it is aligned with national development plans and capacity building strategies, and the UK should greatly increase the proportion that is provided through country systems.

UK development NGOs urge the UK Government to:

- set a more ambitious target to reach 0.7% by 2010;
- publish a binding year-by-year timetable setting out how the UK will meet the 0.7% target;
- stop counting debt relief towards the 0.7% target. Debt cancellation should be funded in addition to aid commitments;
- continue to improve the effectiveness of its aid, including by continuing reforms to conditionality practice; demonstrating that all technical assistance is country-owned and country-led; improving predictability and expanding the use of long-term budget support;
- make its aid more accountable to people in partner countries, and implement full transparency of all UK aid commitments, disbursements, conditions and tenders/contracts.

UK's genuine and inflated aid



Note: all figures including 2010 target figure in 2004 prices for comparability (see endnote 1)

Organisations consulted: UK Aid Network (UKAN). The following UKAN members have contributed to and endorsed this analysis: ActionAid UK, BOND, CAFOD, Christian Aid, Concern Worldwide UK, HelpAge International, Oxfam GB, Save the Children UK, World Vision UK.



CYPRUS

Will Cyprus meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: **UNLIKELY**

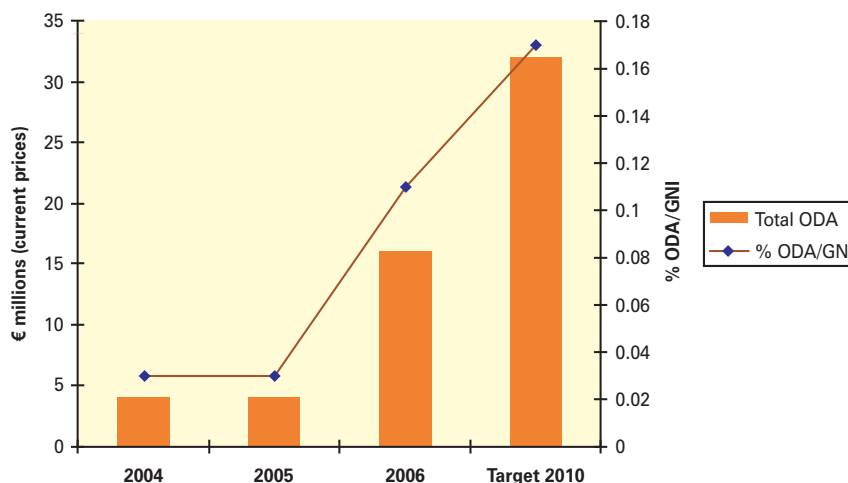
According to the latest figures by the European Commission, Cyprus has quadrupled its ODA to €16 million in 2006, from €4 million in 2005. While Cyprus only spent 0.03% of its GNI on ODA in 2005, this increased to 0.11% in 2006. If Cyprus continues this trend, it is likely to reach its target of 0.17% by 2010.

Given lack of data, we do not know how much of this ODA is inflated. If Cyprus has been following the poor example of the older EU states however, it is likely that it has been inflated by some of its debt cancellation to Iraq. Cyprus was another of many creditors to Iraq. Following the Paris Club agreement to cancel 80% of Iraq's debt at the end of 2004, Cyprus also agreed to cancel its claims on the country. In fact, to its credit Cyprus declared it would cancel outstanding debt on terms "beyond" the Paris Club deal. In total, Cyprus agreed to cancel €80 million debt to Iraq with €24 million falling in 2006. Cyprus may have included some of this debt cancellation in its ODA figures.

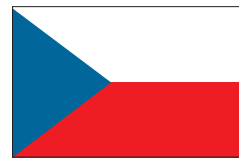
Cypriot NGOs are also very concerned about the quality of Cypriot aid. The Cyprus government in its Medium Strategy Report for ODA emphasises the Cypriot comparative advantages that are reflected in its sectoral priorities of development aid to achieve the Millennium Development Goals. However, very little can be seen in terms of effort in this area. One major problem is aid effectiveness. Since Cyprus has only recently become an aid donor country, it has not yet developed mechanisms to assess the effectiveness of Cypriot aid, even more so as development aid is spent multilaterally, mostly through organisations based in other countries (e.g. Ireland).

Furthermore, taking into consideration the five programme countries of Cyprus (Egypt, Mali, Lesotho, Yemen and the Autonomous Palestinian Authorities), a poverty focus is visible neither in the choice of the countries, nor in the actual spending of aid.

Cyprus Total ODA and % ODA/GNI



"The Government will support the creation of a unified, efficient system of development assistance, humanitarian aid and cooperation." Prime Minister Mirek Topolánek, Government Programme Declaration, January 17, 2007.



CZECH REPUBLIC

Will the Czech Republic meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: **UNLIKELY**

In 2006 the Czech Republic spent €124 million on ODA, or 0.12% of GNI. This has risen in nominal terms from €109 million or 0.11% of GNI in 2005.

There are no detailed statistics for 2006 showing how much of its claimed ODA is in fact debt cancellation. The Czech Republic is a creditor to Iraq with claims of approximately €160 million.³³ The government has agreed to cancel this debt on terms similar to the Paris Club agreement of end-2004. In 2006 the Czech Republic cancelled approximately €46 million of Iraqi debt. All or some of this may have been counted towards its claimed 2006 ODA figure. The Czech Republic also inflates its aid by counting the costs for housing refugees in the country and for educating foreign students. According to our calculations Czech ODA was inflated by €8 million and €3 million respectively for these items.

Nonetheless, Czech NGOs do not consider the inflated figures to be the main issue. There are three fundamental weaknesses of the Czech Republic's ODA system: low poverty focus; low predictability of spending and low aid effectiveness. These reflect the existing institutional setting of the Czech Republic government's development cooperation management.

Responsibility for aid management and aid spending is divided by sectors among nine governmental ministries and is thus fragmented. The Ministry of

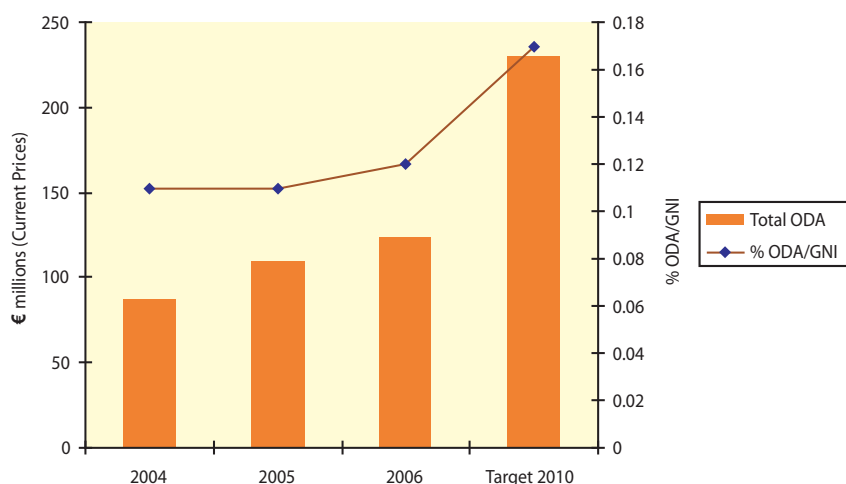
Foreign Affairs has a formal coordinating role over ODA delivery, but lacks legislative authority as well as a budget to effectively fulfill this role.

Aid spending decisions follow the isolated priorities of each ministry. Mechanisms for ensuring aid coherence are not in place. Sector policies as well as domestic interests are more important than poverty focus. Development cooperation units within the involved ministries are understaffed and personnel are not sufficiently trained or experienced. The existing system does not enable the development aid staff to liaise and coordinate with international donors, to follow development trends and to respond appropriately.

Czech NGOs call on the Czech government to:

- ♦ reform the institutional framework for development assistance and establish a professional development agency (under the coordination of MFA) to manage the entire Czech ODA programme. The existence of such expert institution should enable result-based and poverty focused development interventions;
- ♦ implement adequate procedures to improve transparency and aid effectiveness as well as international and national coordination;
- ♦ make necessary budget increases to reach their commitment to spend 0.17% of GNI by 2010.

Czech Republic total ODA and % ODA/GNI





*"Our prognosis is that Estonia will, this year, devote 126 million kroons to development and humanitarian aid. Both, this amount, as well as the extent of our activities, must, in the future, be increased, as we have already planned."
Foreign Minister Urmas Paet, June 2006.*

Will Estonia meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: **UNLIKELY**

Estonia has said that it will increase the level of its official development assistance to at least 0.1% of its GNI by 2010 and is striving for the level of 0.17% of GNI in accordance with the EU Council of Ministers' decision of 25 May 2005.

In 2006 Estonia spent €8 million or 0.078% of GNI on ODA. This is a small increase from €7.65 million euros in 2005 but a decrease percentage-wise from 0.08% of GNI in 2005.

We call on our government to drastically increase the transparency in reporting and planning of development assistance. We ask the government to develop and communicate clear selection and evaluation criteria for allocating development funds. Currently Estonian aid still seems to be given on an ad hoc basis. To increase its effectiveness and predictability we urge a more focused and better defined strategy in terms of target countries, target groups and themes. In its bilateral cooperation we welcome that Estonia targets its aid to nearby countries where they can bring a clear added value.

Civil society is especially sceptical about Estonia's choice of Afghanistan as one of its four target countries. Reported ODA spent mostly by the Ministry of Defence might not be real development assistance and is largely politically motivated. Estonia has good reasons to give more multilateral aid proportionally, but it should focus more in order for those contributions to lead to the fulfilment of clearly defined aims.

Estonia as a new donor also needs to invest in setting up a good development cooperation framework. We recommend supporting more exchange and research schemes to increase recipients' ownership and to increase capacity and awareness of the actors involved in development cooperation in Estonia. This includes more research on its own transition and democracy building and the "export" possibilities of this experience. We believe more should be done to build real long term partnerships with Estonian development assistance recipients. The commitments made in the strategy to increase ownership and long term partnerships should be planned and reflected in the budget.

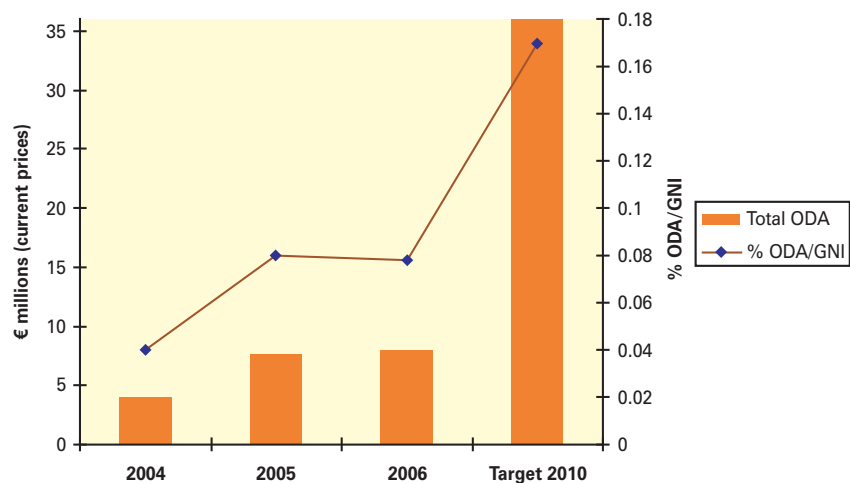
Estonian NGOs urge the Estonian government to:

- ◆ do as much as possible to reach its commitment of spending 0.17% of GNI by 2010;
- ◆ develop and communicate clear selection and evaluation criteria for allocating development funds;
- ◆ support more exchange and research schemes.

Estonian NGOs urge the OECD donor community to:

- ◆ accept Estonia as a member of OECD to increase its transparency.

Estonia Total ODA and % ODA/GNI



Organisations consulted: Estonian Roundtable for Development Cooperation (AKÜ), European Movement Estonia, Experts without borders, Estonian Border Guard, and e-Governance Academy.

"As a new EU member, Hungary is gradually increasing its official development assistance and recognises the special development needs of the world's poorest regions." Foreign Minister Kinga Göncz, UN General Assembly speech, September 2006.



HUNGARY

Will Hungary meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: **UNLIKELY**

Hungary - as a non-DAC OECD-country, a new EU-member state and a re-emerging donor - has significantly increased its aid since joining the EU. Hungary's net ODA has nearly doubled in nominal terms to €96 million in 2006 from €56 million in 2003 according to the latest OECD and European Commission statistics. In 2006 Hungary provided 0.12% of its GNI as aid money.

Hungary provides the same share of its GNI as ODA as the Czech Republic and Slovenia. In terms of volume Hungary is the third biggest donor of the ten new Member States, after Poland and the Czech Republic.

Though the trends of the last 3 years (2004-2006) are promising, it is not feasible for Hungary to reach the 0.17% ODA/GNI target by 2010 due to the state of the Hungarian state budget plus the austerity measures of the recent government. Even if the 0.17% target were achieved by 2010 - which is unlikely - it will take serious if not unrealistic efforts to double aid within a 5-year period to reach 0.33% by the year 2015.

Hungarian NGOs are concerned about the quality of Hungarian aid; how it is distributed; for what purpose and how effective it is. Poor transparency of reporting is a major obstacle to analysing this. Since 2004 Hungary has had to compile a report for the OECD applying its statistical standards, yet these have not yet been published and the statistical items on Hungarian ODA available on the OECD

site are rather limited. According to the Ministry of Foreign Affairs, the biggest problem in reporting is collecting the data from the line ministries, but continuous efforts are being made to adopt better reporting mechanisms and OECD standards.

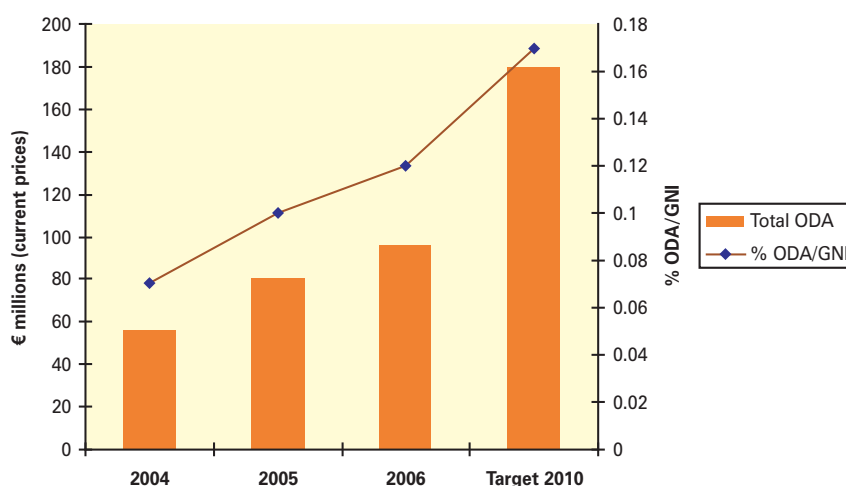
Since detailed data is not available Hungarian NGOs do not know how much of this aid money may in fact be inflated with debt cancellation. Basic information is missing about the exact list of beneficiary countries, the exact details of commitments and disbursements. The obtainable figures show that buy-back of debt by a debtor country is a general practice within the Hungarian ODA.

It is also difficult to get a clear picture of the volume of tied aid in the Hungarian ODA. Although this is contrary to OECD recommendations, the Hungarian government evaluates its tied aid initiatives very positively in 2005, particularly from the perspective of Hungarian economic interests.

Hungarian NGOs urge the Hungarian government to:

- ♦ adopt a development strategy with the involvement of NGOs;
- ♦ outline a clear roadmap towards reaching the commitments of 0.17% and 0.33% without inflating of aid;
- ♦ ensure transparent, structured and easily available data on aid.

Hungary Total ODA and % ODA/GNI





"Today Latvia's task is to help those countries that are at the beginning of a long road and whose citizens do not enjoy the same freedoms and opportunities that we do here in Latvia," President Vaira Vike-Freiberga, July 20, 2005.

**Will Latvia meet the EU target of 0.17% of GNI in 2010 without inflating its aid?
NGO prediction: NO**

According to European Commission figures, Latvia spent €9 million or 0.06% of GNI on ODA in 2006. Latvia brings up the rear of the 10 Member States that joined the EU in 2004. And, together with the other two Baltic States, Latvia has made the decision to raise its ODA budget to only 0.1% of GNI instead of the anticipated 0.17% by 2010.

To date aid provided is mostly multilateral aid transferred to international organisations. Payments to international aid organisations between 2002 and 2004 made up more than 90% of the total amount of aid spent per year.

Latvia's development cooperation policy is in line with Latvian foreign policy and the objectives of the UN Millennium Declaration. Development priorities include strengthening democracy, integration and public administration reform. The concept of poverty reduction, however, is slowly disappearing as a policy priority in government documents.³⁴

Latvia is seen as a "democracy export country".³⁵ Even representatives of non-governmental and state institutions involved in development co-operation favour the transfer of democratisation and transition experience, as these are currently viewed as areas of Latvian expertise.

Aid and security issues are becoming closely connected. Latvia recently launched development co-operation activities in Afghanistan and Kosovo, where Latvia has been participating in peacekeep-

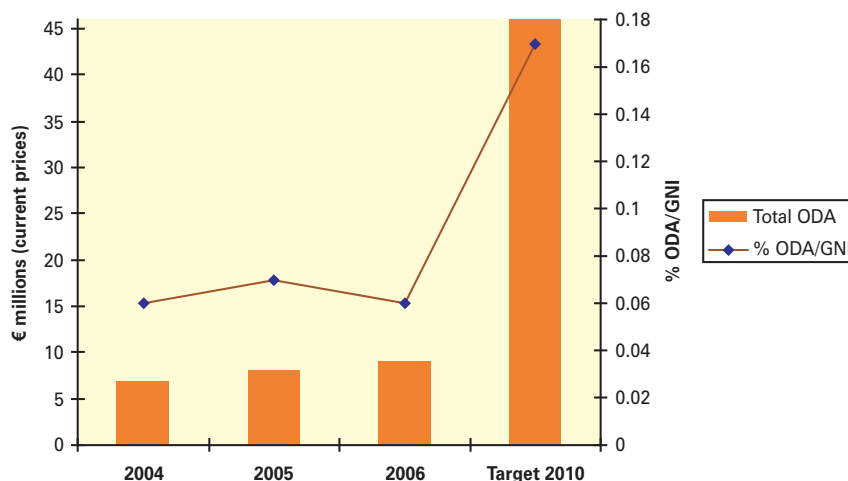
ing missions. Andris Gobins, Chairman of the Board of the Latvian NGDO Platform (LAPAS) states that these activities are in fact semi-military in nature and should be financed directly through budgets allocated for defence.

Latvia's small amount of bilateral aid is highly tied, particularly technical cooperation. The government justifies this on the basis that Latvia is a newcomer in the field of development co-operation, and needs to build its own capacity and public understanding and support for development co-operation before proceeding to an open aid market.

The Latvian NGDO Platform - LAPAS:

- ♦ notes that the government needs to be vigilant to uphold its government approved commitment of 0.1% of GNP by 2010;
- ♦ calls on the government to include poverty and social exclusion reduction among its priorities, and suggests introducing them as criteria for voluntary payments to multilateral aid agencies;
- ♦ urges the government to continue to avoid inflating the development cooperation budget by financing peacekeeping mission related development co-operation activities through the defence budget, not the development cooperation budget; as well as by not including such costs as foreign students' studies in development statistics.

Latvia Total ODA and % ODA/GNI



Organisations consulted: Latvian NGDO Platform (LAPAS).

"I will work consistently to add weight to our policy of aid and development assistance. I believe that our growing economy and improving social situation will allow for that."
President Valdas Adamkus, July 14, 2004.



LITHUANIA

Will Lithuania meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: LIKELY

Lithuania aid is increasing although it still has a long way to go to reach its commitment of 0.17% ODA/GNI by 2010. According to the European Commission's March 2007 figures Lithuania spent €15 million or 0.08% of GNI on ODA in 2006 up from €12 million or 0.06% of GNI in 2005. Despite this increase Lithuanian NGOs are concerned that Lithuania has chosen the elastic wording that it "will strive" to meet the 2010 target, rather than making a more concrete statement.

Lithuania's involvement in military operations in Iraq and Afghanistan is explicitly presented by national media as development assistance with publications being sponsored by the Ministry of Defence. Lithuanian society still has many painful memories of being part of the former Soviet Union and of its participation in the operations in the first war in Afghanistan in 1978-1986.

Lithuania's geographical priorities, much like those of its Baltic neighbours Estonia and Latvia, are the Ukraine, Moldova and Belarus and South Caucasus; namely Georgia. Key issues that these non-EU countries have in common are establishing sover-

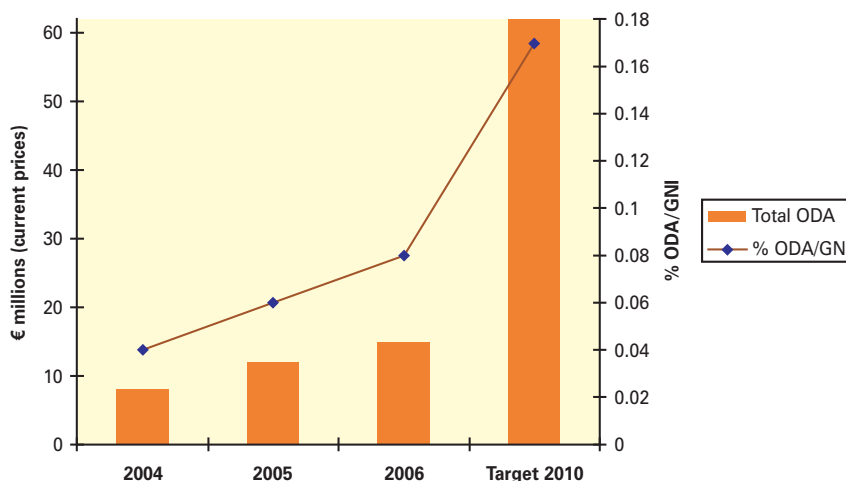
eighty and democracy. Having limited resources and capacity for development aid, Lithuania is shaping its aid policy primarily as an instrument for international politics and the promotion of democracy or engagement with complex security issues. Lithuania's development assistance to date has certainly not been focused on combating poverty, at least not in its priority countries.

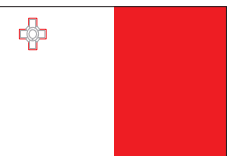
Making Lithuanian aid more effective is another crucial issue, which needs to be addressed as soon as possible. In 2007 the Ministry of Foreign Affairs established the Development Cooperation and Democracy Promotion Department, which will assume the role of coordinating development assistance policy among public institutions and enter into partnership with civil society organisations.

Lithuanian NGOs urge their government to:

- ◆ focus on education development;
- ◆ raise general public awareness on aid issues;
- ◆ enter into partnership with civil society organisations.

Lithuania Total ODA and % ODA/GNI





"Development will emerge in stronger focus as an integral part of our foreign policy. After it launches its Overseas Development Policy this year Malta will continue to work to contribute to development in all its aspects, not least good governance and democratic legitimacy, in particular in the light of the UN Millennium Development Goals and the European Consensus for Development."
Michael Frendo, Foreign Affairs Minister, January 2007.

**Will Malta meet the EU target of 0.17% of GNI in 2010 without inflating its aid?
NGO prediction: UNLIKELY**

Malta has committed to spending 0.17% of ODA/GNI by 2010, and 0.35% by 2015. According to the European Commission's April 2007 figures, Malta in 2006 spent €7 million or 0.15% of GNI on ODA. While it may seem as if Malta is on track to meeting its target, Maltese aid has actually been decreasing proportionally since 2004 when it spent 0.18% of its GNI on ODA.

Due to a lack of transparency it is next to impossible to say how much of this reported ODA is made up of genuine resources. Malta, despite its small size, made loans to Iraq. And like most other EU member states, Malta agreed to cancel most of its claims on Iraq (€6.43 million) in line with the Paris Club agreement. If some of this is reported as ODA in 2006, it will mean that Maltese aid will be inflated by up to €1.9 million.

Currently what is reported as ODA seems to be primarily spent on migrants during their first year in Malta, and on repatriating migrants, further inflating Maltese aid. This money is not helping any developing country to develop and thus should not be counted as ODA. In addition a number of scholarships are given each year to people from developing countries with no mechanism to indicate whether these are contributing to poverty alleviation.

A major focus of the Maltese NGDO platform is to ensure greater government accountability of its aid programme. We need a detailed report on where the money is going, how much is being spent and in which sector. Maltese NGOs are concerned about

whether Maltese aid contributes to poverty eradication and how effective it is. The NGDO platform will continue to push for greater government accountability so that civil society can analyse figures and be an active participant in the decision making process.

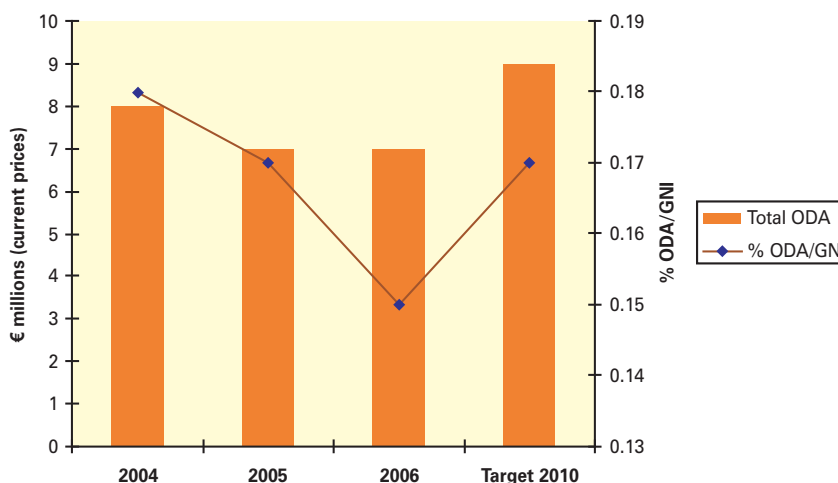
Conditionality of development aid is a major issue that Malta's foreign minister is pushing in discussions with European institutions and in international meetings. In particular he wants Maltese aid to be conditional on the acceptance of the repatriation of migrants. The National Platform has serious reservations about this and considers that this undermines the rightful focus of ODA, namely tackling poverty.

Malta does not have an official development policy to date, meaning that the government is operating without clear priorities. Civil society groups do not believe Malta can give effective aid in this situation.

Maltese NGOs urge their government to:

- ◆ improve transparency in reporting ODA figures, providing detailed reports of where the money goes and to whom;
- ◆ issue immediately an Official Development Policy as promised. Without any clear priorities and framework, there can be no real and effective aid;
- ◆ stop inflating its ODA figures. ODA should only include money intended to eradicate poverty in the developing country;
- ◆ not impose extra conditionalities on beneficiary countries.

Malta Total ODA and % ODA/GNI



Organisations consulted: National Platform of Maltese Non-governmental Development organisations (NGDOs).

"As a result of the membership in the European Union, our country assumed international obligations concerning the volume and the quality of development assistance. Funds allocated to development assistance will increase regularly so that the ODA/GDP ratio of Poland reaches 0.17% in 2010 and 0.33% by 2015"
MFA annual report, June 2006.



**Will Poland meet the EU target of 0.17% of GNI in 2010 without inflating its aid?
 NGO prediction: UNLIKELY**

Poland's ODA increased to 0.09% in 2006, from 0.07% GNI in 2005, amounting to €239 million. Poland still has a long way to go to reach its target of 0.17% of GNI by 2010.

Reporting of Polish ODA is not transparent. No detailed data is available about how much reported aid was in fact debt cancellation. Yet Poland is another of Iraq's many creditors, with debt amounting to approximately €450 million. Poland has agreed to cancel the bulk of this debt on terms similar to those offered to Iraq by the Paris Club at the end of 2004. According to these terms, 30% of Iraqi debt cancellation should be granted to the country in 2006. Polish NGOs did not obtain information confirming this. But if this entire amount is included in Poland's ODA for 2006, Poland will have inflated its aid by approximately €135 million.

A large percentage (76%) of Polish ODA in 2005 was multilateral. This was mainly made up of Poland's contribution to the EU development budget. Only 11% of bilateral ODA was available to the Ministry of Foreign Affairs for development aid in priority countries. The remaining 89% of bilateral ODA was channelled through other ministries, such as the Ministry of Finance and Ministry of Science.

The amount spent on assistance to refugees in Poland in 2005 was €11.2 million, almost double

that available to the Ministry of Foreign Affairs for all priority countries combined.

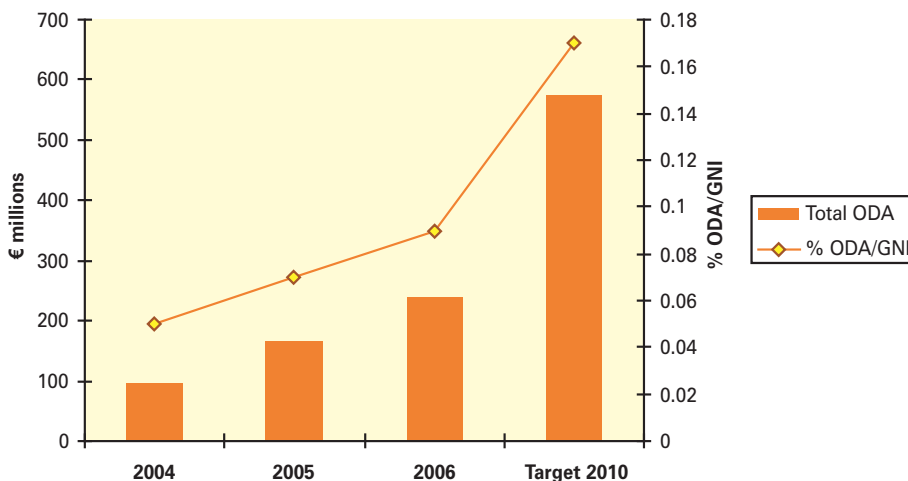
Polish NGOs are very concerned about Polish ODA being influenced by security concerns and political motives. Only 12% of all bilateral ODA was spent on priority countries. Non-priority countries such as Serbia and Montenegro, China and Uzbekistan were three of the four top aid recipients in 2005. This is mainly due to loans granted to those countries by the Polish government as a part of tied aid.

Polish NGOs' other major concerns are a lack of focus on poverty in aid payments; tied aid; lack of progress on aid effectiveness; technical assistance and a lack of focus on gender issues. Of all aid going to Poland's significant beneficiaries in 2005 - Ukraine, Georgia and Tajikistan - only one project focused directly on women.

Polish NGOs urge the Polish government to:

- ◆ report transparently on the break-down of ODA;
- ◆ refocus Polish bilateral aid on priority countries;
- ◆ ensure Poland reaches the target of 0.17% GNI by 2010 without inflating its aid.

Polish total ODA and ODA/GNI %





SLOVAK REPUBLIC

*"We live in an ever more globalising world and we cannot pretend to have only our personal, national or European problems. Slovakia can not and does not want to stay apart in the fight for respectable life for all people in the world."
Ivan Gasparovic, Slovakia President, September 2006.*

Will the Slovak Republic meet the EU target of 0.17% of GNI in 2010 without inflating its aid? NGO prediction: **UNLIKELY**

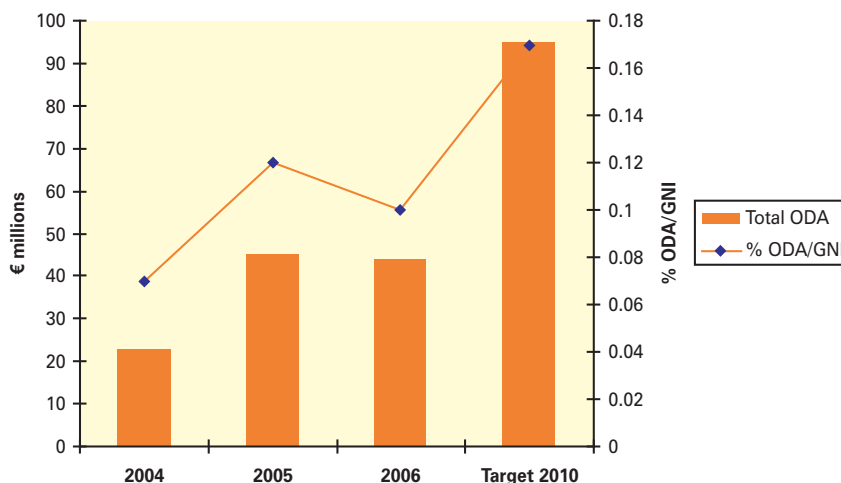
According to European Commission data, in 2006 the Slovak Republic spent €44 million or 0.10% of GNI on ODA, a decline from 0.12% in 2005. Nearly one third of Slovak ODA in 2005 (€18 million) was made up of inflated aid, namely debt cancellation to Sudan, Afghanistan, Iraq and Albania. In 2006 this figure declined, with €12.17 million going on debt cancellation to Sudan and Afghanistan. The Slovak Republic also inflates its aid by counting the costs for educating foreign students. In 2006 Slovak ODA was inflated by €0.74 million for this item.

The Slovak platform of NGOs has repeatedly demanded an increase in both total and bilateral Slovak genuine aid if the Slovak Republic is to meet the commitments of 0.17% GNI in 2010 and 0.33% in 2015 for ODA. The bilateral ODA component in particular remains very low at the level of €4.5 million per year since the first National Programme of ODA in 2003.

Slovak NGOs urge the government of the Slovak Republic to:

- ◆ increase the poverty focus of the Slovak ODA to fulfil the MDGs and contribute to eradication of extreme poverty in developing countries;
- ◆ adopt a roadmap for increasing Slovak ODA volume in the coming years to meet the commitment of 0.17% GNI in 2010;
- ◆ double the volume of bilateral ODA in 2008.

Slovak Republic Total ODA and % ODA/GNI



"International development cooperation and humanitarian aid are (therefore) priorities of Slovenia's foreign policy (...) we will make sure we live up to commitments adopted at the European Council meeting in May 2005 and raise our contributions of ODA to 0.17 % by 2010." Dimitri Rupel, Minister of Foreign Affairs, December 2005.



**Will Slovenia meet the EU target of 0.17% of GNI in 2010 without inflating its aid?
NGO prediction: UNLIKELY**

According to European Commission data, Slovenia spent €35 million on ODA in 2006, representing an increase to 0.12% of GNI in 2006 from 0.11% of GNI in 2005. These figures place Slovenia among the better performing new EU member states and it seems it will be very easy to achieve the promised 0.17% GDP by 2010 and 0.33% GDP by 2015.

However, the real picture is quite different when we take a look at how this aid is structured.

Given that Slovenia does not have debt repayments from other countries Slovenian ODA is not inflated in this way. However, in 2005 €4.5million of Slovenia's ODA was in fact spent on scholarships for students from developing countries and for housing refugees. This sum represents 16% of the total sum of Slovenia's ODA. An additional €3.7million or 13% of total ODA are questionable either because it does not follow DAC criteria for what can be included as ODA, or because of the vague intentions for the spending. Therefore only 71% of ODA can be considered actual aid, amounting to 0.08% of Slovenia's GNI, far below the official figure. If this pattern continues, there is a legitimate concern that Slovenia will not achieve its goals pledged for years 2010 and 2015.

Transparency in ODA reporting is almost non-existent. Data is either not available or of very poor

quality, with few positive exceptions. Slovenia is almost the only EU member that has yet to adopt a national strategy on development cooperation. Cooperation with NGOs is also neither transparent nor systematic. It is extremely difficult to find data on official development aid broken down by purpose and it is almost impossible to find data on sector and geographical spread of aid.

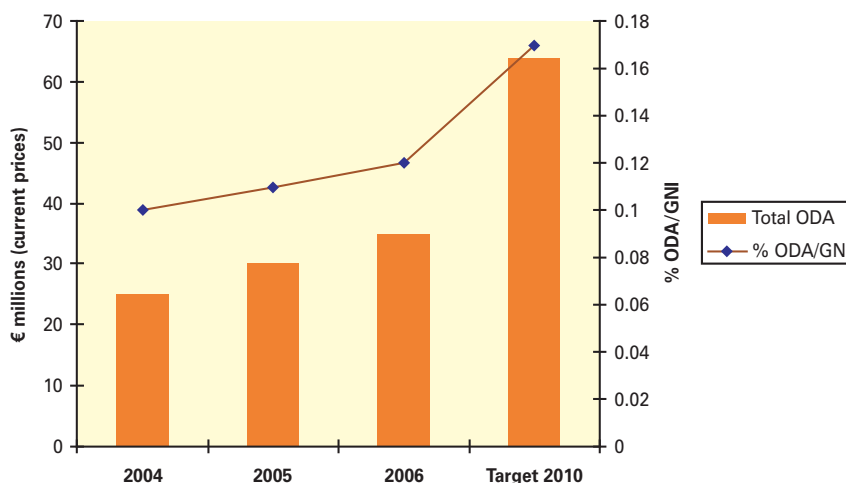
Slovenia has reported that one third of its total ODA is made up of bilateral cooperation. However, much of this is simply phantom aid. The truth is only up to 10% of funds are spent on a bilateral cooperation within Slovenia's ODA. Most of Slovenia's bilateral and a large part of multilateral ODA was spent on technical assistance. Almost nothing was spent on global poverty alleviation.

Slovenian NGOs urge the Slovenian government to:

- ◆ improve ODA reporting by using more transparent data and follow more closely DAC guidelines on ODA;
- ◆ improve the quality and efficiency of Slovenian development assistance;
- ◆ adopt a development strategy for Slovenian aid that includes NGOs.

SLOVENIA

Slovenia total ODA and % ODA/GNI





BULGARIA

Romania and Bulgaria only joined the European Union at the beginning of 2007 and so do not formally fall into our analysis of European Aid for 2006. They have however now signed up to the commitments to reach the new member state target of 0.17% of ODA by 2010. Romanian and Bulgarian NGOs continue to advocate for aid money to be delivered better and to monitor their governments' commitments to increase aid resources.

Bulgaria has made significant progress in terms of political, economic and social development thanks to its own efforts and the solidarity and support of the EU, USA, Japan, a number of international organisations and other donors. In this context Bulgaria bears moral and political responsibility to assist in the achievement of the Millennium Development Goals in poorer countries. This responsibility complies with the political commitments taken in front of both the UN and the EU.

According to the European Commissions' April 2007 figures, Bulgaria spent €2 million or 0.01% of its GNI on ODA. As a new EU member the country is bound by a European Council decision of June 2005 that countries that joined the EU after 2002 would strive to achieve a level of 0.17 % of GNI in 2010 and 0.33 % of GNI in 2015. Bulgaria has also committed to adopt and apply the EU primary law in the area of development cooperation and humanitarian aid without any exceptions or transitional periods, i.e. as from the date of its full membership in the EU.

According to a Bulgarian Ministry of Foreign Affairs policy paper on foreign aid, Bulgaria has strategic interests in working with Turkmenistan, Angola, Vietnam, Cuba, and would extend its services and

financial aid to Moldova, Georgia, Indonesia, Ethiopia, Eritrea and Nicaragua at a later stage. Sectors where Bulgarian expertise could be used according to the country's spheres of advantage are: education, infrastructure development and maintenance (electricity production, water systems and construction), regional partnership, security and post-conflict rehabilitation, cultural diversity and tolerance.

There is a danger Bulgaria may inflate its ODA figures in the future. Bulgaria is owed a total of nearly €1.4 billion in debt from Iraq. Some of this debt is believed to originate from the export of small and light weapons to the Government of Saddam Hussein. Unlike many other bilateral creditors, so far, Bulgaria has not confirmed its intention to cancel this debt and it currently remains on the books of the Iraqi Government. Many civil society campaigners believe much of this debt is illegitimate in nature and that Bulgaria should assume shared responsibility for a debt which cannot and should not be repaid. This debt should be cancelled immediately and without conditions and should in no circumstances be reported as official development aid. This would con the Bulgarian people into thinking that more money is being made available for aid than is really the case.

According to data reported to the European Commission Romania spent €3million on ODA in 2006. 30% of the aid went to contributions to more than 25 international organisations (of which 17 are UN agencies). €1.5 million was spent on bilateral assistance, two-thirds of which was humanitarian aid and reconstruction assistance provided to Kyrgyzstan and Lebanon. €400,000 was bilateral development aid granted to the Republic of Moldova.

In May 2006 the Romanian government adopted the “National Strategy on Development Cooperation and Humanitarian Aid”, the first programmatic document for the provision of ODA in Romania and in October 2006, the Romanian Parliament passed the Law on financing the national policy of development cooperation and humanitarian aid (Law 404/2006), allowing for the first time in Romania to have a unitary and specific

budget for development cooperation. The proposed budget for ODA in 2007 was more than €52 million. However it has not yet been approved and the Romanian MFA has requested that the budget be approved at the first state budget revision in 2007.

Romania was also a significant creditor to Iraq and agreed to cancel nearly €2 billion of this amount. Romania has not followed the bad example of other European countries in 2006 to inflate its ODA with debt cancellation. Nearly €400 million of this Iraqi debt will be cancelled in 2007.

Romanian NGOs urge the Romanian government to:

- ♦ continue setting a good example by not counting any of this aid and increasing genuine aid resources to meet the target of 0.17% of GNI by 2010.



ROMANIA

"We have an ambitious agenda ahead of us. The European Consensus and the Africa Strategy set out a challenging vision for the future. Member states have made a strong financial commitment to meet that challenge. And there is agreement that we need to deliver more and better aid," Louis Michel, November 28, 2005.



In 2005, EU member states made significant ODA commitments. However, given the huge challenges in scaling up aid, the member states are looking to the European Commission programme to help deliver on these promises. Despite some improvements to EC aid in recent years, a closer look at its aid programme shows how far Europeans are from implementing the commitments in the European Consensus on Development to prioritise Least Developed Countries (LDCs) and Low Income Countries (LICs) as well as their pledges made to focus aid on basic social services.

In 2004, about 43% of EC development assistance was allocated to LDCs, increasing marginally in 2005 to 46%. More EC aid must be delivered to the world's poorest countries. At present there is clearly a mismatch between the Commission's stated poverty focus and the allocation of resources. The EC has failed to establish clear allocation criteria, which should include a country's poverty and human development needs and a gauge of the country's overall commitment to alleviating poverty. All too often, instead, allocations are the result of protracted political negotiations in which each member state has its own vested interest. For instance in 2005, almost 23% of the EC ODA stayed in Europe or in the Mediterranean area. This must be stopped.

The EC could also do more to show its progress on meeting its commitment to invest in basic social services in developing countries, made at the World Social Summit in 1995 and reinstated in 2006 through the Development Co-operation Instrument. In 2005, less than 8% of the EC's ODA was spent on basic health and basic education, while at the same time more than 15% went to the transport sector. Moreover EC budget support, if it is well managed and accountable, could help poor countries invest in building sustainable and effective basic social services, training teachers and health workers and paying for their salaries. In 2005, the EC provided 10% of its aid through general budget support and it is planning to increase this figure in the coming years. In spite of its commitment to using aid to help realise the Millennium Development Goals, the EC is showing an increasing tendency to use aid to support a broad good governance agenda in developing countries. Worryingly this broad agenda includes economic liberalisation, the fight against terrorism and con-

trol of migration, things for which aid money should not be used.

The EC must also do more to demonstrate its commitment to women's rights, moving from rhetoric to making it an aid priority on the ground. Although key policy documents such as the EU's Development Consensus recognise gender equality as a crucial objective in its own right and as an important cross-cutting issue, gender mainstreaming has not yet been prioritised in EU development cooperation and financial allocations are inadequate when compared with the commitments made.

We have also concerns relating to transparency, reporting and accountability of EC aid. There is a distinct lack of reliable figures on how much money is spent where and through what channels. This includes the amount of EC aid being channelled to civil society.

In addition, the panoply of policy, programme and strategic frameworks overseeing EC aid often conceal the lack of binding legal and policy commitments against which decision-makers can be held accountable, a problem aggravated by the well-known complexities of EC processes.

European NGOs call on the European Commission to:

- ♦ target EC aid towards Least Developed Countries and Low Income Countries based on clearly defined aid allocation criteria geared towards achieving and surpassing the Millennium Development Goals;
- ♦ prioritise peoples' needs and rights: at least 20% of EC aid should be allocated to activities in the sector of basic health and basic education. The EC should demonstrate more clearly the impact of its aid on poverty reduction;
- ♦ ensure transparent and precise financial annual reporting detailing the nature of activity, the exact figures and the beneficiaries of development aid;
- ♦ guarantee the democratic nature of EC aid in policy making, programming, implementation and evaluation: together with the Council, the European Parliament should be strongly involved, with greater participation by civil society.

Note on Sources:

- 1 EU fifteen countries: countries in the European Union before the expansion on 1 May 2004
 - All 2006 data for EU 15 countries (members of OECD/DAC) comes from Table 1 and Table 2 of the OECD press release on April 3rd 2007 and the DAC reference statistical tables published on the same day. www.oecd.org/dac
 - Refugees and student costs: Given that there is no detailed breakdown of spending on refugees in donor countries and student costs for 2006, we calculated 2006 figures based on trends for recent years. We took ten year trends in the case of refugees and for three to five year trends in the case of student costs depending on data available. We used constant 2004 prices to forecast the amount for 2006, and then inflated the figures to 2006 prices using the OECD deflators (see reference tables). In some cases (France, Netherlands, Belgium, Spain) we substituted our calculations with estimates from government sources of expenditures on refugee costs and/or imputed student costs.
 - Data for 2004 and 2005 for EU 15 countries is taken from the OECD Development Database on Aid Activities: CRS online, Table DAC1A, www.oecd.org/dac/stats/idsonline In order to compare across years, data was extracted from DAC1A in the CRS database in 2004 constant prices.
 - Geographical information was extracted from Table DAC2A of the CRS online database
 - Exchange rates: All data was extracted in US\$ and converted into Euros using the OECD annual exchange rate for given year (see DAC reference tables above).
- EU 10 countries: countries that joined the European Union on 1 May 2004
- All data for EU 10 countries was taken from the European Commission Communication (COM (2007) 164) and accompanying staff paper (SEC (2007) 415) published on April 4th 2007

- 2 World Health Organization, 'Health Through Safe Drinking Water and Basic Sanitation', www.who.int/water_sanitation_health/mdg1/en/index.html
- 3 UNU- WIDER, (2006), The World Distribution of Household Wealth
- 4 Wilton Park paper, (2006), Scaling up and absorbing resources: challenges for poverty reduction, 1
- 5 United Nations (2007), World Economic Situation and Prospects, 59 (US\$-206.5bn)
- 6 www.unmillenniumproject.org
- 7 UNESCO, (2007), Institute for Statistics, Fact sheet 1
- 8 www.irinnews.org Monday 29th January 2007
- 9 <http://www.ipsterraviva.net/tv/Noal/en/viewstory.asp?idnews=728> IPS interview, September 14th 2006
- 10 EU 15 countries are the countries in the European Union before the expansion on 1 May 2004, EU 12 are countries that joined since 1 May 2004
- 11 European Commission (2007a), Staff working paper, SEC (2007) 415, April 4th 2007
- 12 OECD (2007) DAC preliminary figures, April 2007, <http://www.oecd.org/dataoecd/14/5/38354517.pdf>
- 13 European Commission (2007b), European Commission Communication (COM (2007) 164)
- 14 OECD (2006), Development Cooperation Report 2006, Overview by DAC Chair
- 15 Eurodad calculations based on 2004- 2006 trends of genuine aid and using OECD simulation of net ODA volumes in 2010. See endnote 1
- 16 United Nations. (2003) Monterrey Consensus on Financing for Development, para. 51
- 17 See endnote 10 and European Council conclusions, 11th April 2006, 8366/06
- 18 OECD (2006), Letter from chair of the working party on statistics to chair of the DAC, DCD/DAC/STAT (2006)22
- 19 OECD CRS database, DAC 1, www.oecd.org/dac/stats/idsonline
- 20 See endnote 17
- 21 See endnote 18
- 22 World Bank (2006), Global Monitoring Report, 29 and 105
- 23 European Commission and OECD (2006), EU Donor Atlas 2006, 53-80
- 24 www.data.org
- 25 This section relies of the research carried out by Save the Children UK (2007), Tied aid: the untapped billions, www.savethechildren.org.uk/downloads/tied_aid.pdf
- 26 UNDP, (2005) Human Development Report, 12
- 27 European Council conclusions, May 2005
- 28 ActionAid (2006) Real Aid 2: Making Technical Assistance Work, calculation of 75% of technical assistance
- 29 ActionAid (2006) Real Aid 2: Making Technical Assistance Work
- 30 OECD (2006), Development Co-operation Report 2005; p114
- 31 Swedish government instructions to Sida 2007, p 20
- 32 Swedish government bill 2006/07:1, section 7, p 46
- 33 Jubilee Iraq figures. See: www.jubileeiraq.org
- 34 Rostoks, T., (2006), Significance of 'poverty alleviation' in Latvia's development cooperation policy. In Zinātne. Latvija un attīstības sadarbība (Science. Latvia and Development Cooperation), Commission of Strategic Analysis, 4 (10): 87-115



This report is financed by the European Union. The views expressed in this publication do not necessarily reflect the opinion of the European Commission.

Publisher: O. Consolo, CONCORD, 10 sq. Ambiorix, B-1000 Brussels. April 2007

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COUNTRY	ORGANISATION	REPRESENTING
Austria	Austrian EU-Platform of Non-Governmental Development Organisations	36 member organisations
Austria	AGEZ - Arbeitsgemeinschaft Entwicklungszusammenarbeit	32 member organisations
Austria	EAEZ - Evangelischer Arbeitskreis für Entwicklungszusammenarbeit	4 member organisations
Austria	KOO-Koordinierungsstelle der Österreichischen Bischofskonferenz für internationale Entwicklung und Mission	24 member organisations
Belgium	Plateforme belge de CONCORD (11.11.1; CNCD/11.11.11; ACODEV; COPROGRAM)	135 member organisations
Czech Republic	ForS - Czech Forum for Development Cooperation	22 member organisations
Denmark	Danish EU-NGO Platform	15 member organisations
Denmark	DanChurch Aid	
Estonia	AKÜ - Estonian Roundtable for Development Cooperation	10 member organisations
Finland	Kehys ry - Finnish NGDO Platform to the EU	37 member organisations
Finland	KEPA - Service Centre for Development Cooperation	250 member organisations
Finland	FinChurch Aid	
France	Coordination SUD	100 member organisations
Germany	VENRO	103 member organisations
Greece	The Hellenic Committee Of Non Governmental Development Organizations	17 member organisations
Hungary	HAND - Hungarian Association of NGOs for Development and Humanitarian Aid	24 member organisations
Ireland	Dóchas- the Irish Association of NGDOs	35 member organisations
Italy	Associazione ONG Italiane	170 member organisations
Latvia	Latvian NGDO Platform	24 member organisations
Lithuania	Institute for Social Ethics	
Luxembourg	Cercle de Coopération des ONG de développement	70 member organisations
Malta	National Platform of Maltese NGDOs	9 member organisations
The Netherlands	Cordaid	
The Netherlands	ICCO	
The Netherlands	Oxfam Novib	
The Netherlands	Partos	89 member organisations
Spain	CONGDE- Coordinadora de ONGs de desarrollo-España	416 member organisations, 92 NGOs and 15 regional coordinations
Poland	Zagranica Group	46 member organisations
Portugal	Plataforma Portuguesa das ONGD	52 member organisations
Portugal	ADRA -Associação Adventista para o Desenvolvimento, Recursos e Assistência	
Portugal	CIC -Associação para a Cooperação, Intercâmbio e Cultura	
Portugal	IED -Institutos de Estudos para o Desenvolvimento	
Portugal	IMFV - Instituto Marquês de Vila Flor	
Portugal	OIKOS- Cooperação e Desenvolvimento	
Portugal	SOLSEF -Sol sem Fronteiras	
Slovenia	SLOGA-Slovenian NGDO Platform	25 member organisations
Slovakia	Slovak NGDO Platform	33 member organisations
Sweden	Church of Sweden	
Sweden	Forum Syd	200 member organisations
United Kingdom	BOND- British Overseas NGOs for Development	300 member organisations
United Kingdom	UK Aid Network	20 member organisations
United Kingdom	Save the Children UK	
	European NGO networks	
European network	Aprodev	17 member organisations
European network	EU-Cord	15 member organisations
European network	Eurodad	53 member organisations
European network	Eurostep	17 member organisations
European network	International Parenthood Federation	41 member organisations
European network	WIDE -Women in Development Europe	10 member organisations
European network	WorldVision	10 member organisations
	International NGO networks	
International network	ActionAid International	6 member organisations
International network	CIDSE -International Cooperation for Development and Solidarity	15 member organisations
International network	International Federation Terre des Hommes	11 member organisations
International network	Oxfam International	13 member organisations