EU aid: genuine leadership or misleading figures?

An independent analysis of European Governments’ aid levels

Joint European NGO Report

April 2006
About this report

This report has been produced by an unprecedented broad collaboration of European NGOs. Contributions were received from all the major European development NGO networks and from NGOs and NGO platforms in all 25 EU countries. A list of organisations formally endorsing the report is available at the end.

The report is available at: www.eurodad.org
For more information send your query to: aidwatch@eurodad.org

Acknowledgements

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European aid-watching initiative

This initiative contributes to the Global Call to Action against Poverty mobilisation. It is part of a broader process of monitoring and advocating on European aid being undertaken by a range of organisations and networks under the umbrella of CONCORD, the European confederation of development and relief NGOs. This includes a seminar in early April 2006 during which European NGOs discussed further joint advocacy activities on European aid.

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Contents

PART ONE
→ EU aid: genuine leadership or misleading figures? 3
→ Flattering official numbers 4
→ Where countries really stand: behind the official figures 6
→ Change the aid reporting rules 9
→ Conclusions and demands 11

PART TWO: COUNTRY PROFILES 12
Austria 13
Belgium 14
Denmark 15
Finland 16
France 17
Germany 18
Greece 19
Ireland 20
Italy 21
Luxembourg 22
The Netherlands 23
Portugal 24
Spain 25
Sweden 26
United Kingdom 27
NEW MEMBER STATES 28
Cyprus 28
Czech Republic 28
Estonia 29
Hungary 29
Latvia 30
Lithuania 30
Malta 31
Poland 31
Slovakia 32
Slovenia 32
European Commission 33
Report signatories 34
Endnotes 35
EU aid: genuine leadership or misleading figures?

European Governments provide over half of the world’s development aid. In international development negotiations over the last five years they have provided crucial international leadership. In 2005 they pledged further increases to aid levels in order to help fight world poverty. If these pledges are honoured, Europe will provide at least $38 billion more aid a year from 2010 onwards.

Increases in high quality aid are vital for the fight against poverty. Providing more aid would enable millions of people in desperate poverty to get access to health, education and productive opportunities.

In 2002 European Governments set themselves a collective target of providing 0.39% of their gross national income (GNI) for Official Development Assistance (ODA) by 2006 and individual minimum targets for each country of 0.33% of ODA/GNI by 2006. This commitment was renewed and expanded in 2005, following civil society campaigning, with European Governments agreeing to contribute 0.51% ODA/GNI by 2010.

New official figures released by the Organisation for Economic Cooperation and Development (OECD) in April 2006 and the European Commission in March 2006 show that European Member States are fulfilling their promises and are actually ahead of their collective target and doing better than expected.

However, there is no room for complacency.

This briefing shows that, according to our calculations €13.5 billion – or almost one third – of reported European ODA in 2005 did not provide any new aid for developing countries. This vast amount of apparent aid spending was in fact money for debt cancellation and for foreign student costs and refugees in donor countries.

Official debt data reveals that more than €9 billion of EU aid in 2005 was spent on the cancellation of two countries’ debt: Iraq and Nigeria. Iraqi and Nigerian debt is largely export credit debt. It was issued primarily as a means of subsiding European companies operating in developing countries and never had any development purpose. While cancellation of this debt is vital, the resources released for poverty reduction will be far smaller than the headline figures suggest. European Union Governments’ insistence on accounting for this cancellation in their official aid figures also contravenes the United Nations Monterrey agreement, which calls for debt cancellation to be funded additionally to Official Development Assistance.

In addition, assuming that in 2005 European countries continued to spend similar levels of their ODA on these items as in the previous five years, a further €840 million will have been spent on housing refugees within European countries, and €910 million of EU aid on educating foreign students within European countries.

While spending on foreign students and refugees in Europe is important, these are not expenses which the public rightfully expects to be described as development assistance. This is because they provide no new resources for developing countries and are not tied to development objectives of improving the welfare and human security of the poor.

If these items are removed from headline aid figures, as the NGOs from across Europe who have combined forces to produce this analysis believe they should be, then Europe has still a long way to go in its fight against world poverty.

This report calls for a clean up in aid reporting to ensure that the only aid that is counted is aid that saves lives and not simply that which saves face.

Current aid reporting rules are set by the Organisation for Economic Cooperation and Development. The OECD allows European Governments to regularly include spending on debt relief as aid and to count spending on refugees and foreign students in their own countries as ODA. This must be changed immediately in order to prevent Governments from misleadingly inflating aid figures. The credibility of Europe is at stake.
Flattering official numbers

The latest figures released by the Organisation for Economic Cooperation and Development and the European Commission show that European Member States spent nearly €45 billion on Official Development Assistance in 2005. This means that European Member States have already reached their collective EU target of 0.39% of ODA/GNI a year earlier than the target date they had set themselves in 2002. Most EU countries are also able to report that they have reached the minimum target for individual member countries of 0.33%.

The collective European aid average is pulled up by a minority of well-performing European Union Governments – Sweden, Luxembourg, the Netherlands and Denmark – who have all been spending at or above the United Nations aid target of 0.7% ODA/GNI for some years.

Another seven EU countries have recorded that in 2005 they have already hit, or are just above, the minimum EU 2006 aid target. These are France, Austria, Belgium, Ireland, Finland, Germany and the United Kingdom.

Why more aid?

More aid is badly needed. Between 1.4 and 1.9 billion people worldwide live in poverty. This poverty results in needless deaths and low quality of life. For example about 500,000 women worldwide die each year from complications arising from pregnancy and childbirth and in 2002 alone 3.1 million people died of HIV/AIDS.

More aid can make a real difference to people’s lives. Since 1970, aid has contributed to the doubling of school enrolments and the halving of child mortality. A further aid increase could make a massive difference in the level of investment in anti-poverty interventions. For example, US$ 800 million per year in aid would enable Vietnam to reach the Millennium Development Goals (MDGs) lifting millions of its citizens out of poverty and enabling them to have access to clean water and health.

A greater volume of aid is important, but not sufficient. Aid allocation and administration also need dramatic improvements so that more spending is predictable and poverty-focused. Developing country Governments need to take steps to meet their international commitments and enable their citizens to be involved in determining policies and monitoring spending. Aid increases must also go hand in hand with more policy coherence in trade, agriculture and financial policies.

Figure 1
Source: OECD (2006)

THE OFFICIAL PICTURE: ODA as a Percentage of GNI for the EU 15 Member States, 2005

Box 1.
At the bottom of the official European aid rankings come Portugal, Spain, Greece and Italy. All are well below the EU 2006 minimum target and have a long way to go in order to reach it. Italy, one of the EU’s largest economies, stood at only 0.29% in 2005, while Portugal – the worst performer in the EU15 – stood at only 0.21%

New Member States
The ten countries which joined the European Union in 2004 (new Member States) are relative newcomers to aid spending but have rapidly increased their aid levels in recent years.

Malta posts by far the highest figure, already above the new Member State EU target for 2010 of 0.17 ODA/GNI. All the other countries are saying they intend to reach this target. However Estonia, Latvia, Lithuania and Cyprus are currently far below and it will remain a major challenge for them to increase spending rapidly enough to meet the target.

Figure 2
Where countries really stand: behind the official figures

On the surface, the official picture for most countries appears positive. However, there is no room for complacency.

According to our calculations, based entirely on official figures, €13.5 billion, or nearly one third of reported European Official Development Assistance in 2005 will not provide any new aid for developing countries. This is because all European Governments routinely include spending on debt cancellation and on housing refugees and educating foreign students in their own countries in their ODA statistics. The European NGOs which contributed to this report believe that these items should not be included within ODA statistics. This spending is not in line with development policy objectives and often provides minimal new resources for developing countries, resources which are badly needed to help lift people out of poverty.

Figure 3 below shows countries’ headline aid figures, and also what countries actually gave in new aid in 2005 if debt cancellation, refugee spending and student costs are excluded.

At the top of the list are the 0.7% countries: Luxembourg, Sweden, Denmark and Netherlands. While all but one of these countries included non-aid items in their headline aid statistics in 2005, all four of them reached the 0.7% target even without inflating their aid.

A second group of countries: Ireland, Belgium, and Finland, while not yet at the 0.7% target, have already surpassed the 2006 minimum EU aid target even without inflated aid. Belgium and Finland still continue to count non-aid items as part of their headline aid statistics, however. All three countries also need to do more to move towards the 0.7% target without aid inflation.

The UK and France were amongst the countries with the highest levels of aid inflation in 2005, both inflating their aid by more than a third. Once non-aid items are taken out, both countries are still below the EU minimum target and will have to work hard to increase aid over the next year to reach the threshold. Both also need to stop the practice of heavily inflating their headline aid.

Worryingly, there are six countries at the bottom of the list which are highly unlikely to reach the minimum EU target once inflated aid is discounted: Austria, Germany, Italy, Spain, Greece and Portugal. Austria, which currently chairs the EU presidency, is guilty of inflating its headline aid by more than 50%, while actual aid is a woeful 0.20% of GNI. Germany, one of the EU’s largest donors and host to the 2007 G8 summit, inflated its aid by more than 40% in 2005 and has an actual aid level of only 0.20% of GNI, while Italy’s actual aid effort is a mere 0.19% without aid inflation. Unless all these countries sharply increase their aid over the next year, they are likely to face serious embarrassment when it becomes clear that they can only meet their aid targets through aid inflation and double counting.

Figure 3
Source: Eurodad calculations based on OECD statistics
The official rules for determining what counts as Official Development Assistance are set by the Organisation for Economic Cooperation Development. This international organisation represents aid-giving countries only and allows them to count items which the public would never imagine could be included in foreign aid calculations.

For this report we have focused on three key items included to boost official headline aid figures. These are debt relief, imputed foreign student costs and immigration/domestic refugee costs. The NGOs from across Europe which have combined forces to produce this analysis believe that these items should not be counted in official aid statistics, given that they do not produce new aid for developing countries, and often fail to transfer any resources at all for poverty reduction. Moreover these areas are still only a part of the problem when it comes to ensuring that aid goes to reduce poverty. Even aid that does actually reach poor countries is often poorly allocated, of low quality, and badly reported (see box 3 on page 10).

This report shows that many European countries are massaging their aid figures in a way that can mislead the public. What is needed is a substantial increase in the amount of genuine aid they provide in order to translate their promises into real differences in the lives of poor people.

The following section provides an explanation of why European NGOs believe these items should not be counted as aid, and a more in-depth look at just how much EU aid in 2005 is likely to have been spent on these items. New Member States’ aid inflation data is incomplete and as a result new Member States are dealt with separately at the end of this section.

Aid inflation is not a small matter.

Debt: According to our calculations – based entirely on OECD statistics – €11.8 billion of EU official headline aid in 2005 was spent on debt cancellation alone. €9.2 billion of this was spent on the cancellation of two countries’ debt: Iraq and Nigeria.

Iraqi and Nigerian debt is largely export credit debt, resulting from credits issued primarily as a means of subsiding European companies, rather than reducing poverty. Furthermore in the case of Iraq, the rationale for cancelling these debts has more to do with geopolitics than poverty reduction. These transactions should not be allowed to count towards countries’ headline aid figures.

Cancelling such debts – while crucial – is often more a matter of cleaning up the balance sheets of European agencies and ministries, rather than providing new resources to invest in development. As one Danish NGO activist points out: “the money is not moving 5000 kilometres from Denmark to Africa, but 500 metres from the Ministry of Foreign Affairs to the Treasury”.

Table 1

<table>
<thead>
<tr>
<th>Nigeria Debt Cancellation on Aid Books in 2005</th>
<th>Iraq Debt Cancellation on Aid Books in 2005</th>
<th>Projected % of 2005 ODA spent on Iraqi and Nigerian debt cancellation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>€0</td>
<td>€651</td>
</tr>
<tr>
<td>Germany</td>
<td>€926</td>
<td>€1,613</td>
</tr>
<tr>
<td>UK</td>
<td>€1,687</td>
<td>€985</td>
</tr>
<tr>
<td>Italy</td>
<td>€426</td>
<td>€749</td>
</tr>
<tr>
<td>France</td>
<td>€1,000</td>
<td>€500</td>
</tr>
<tr>
<td>Belgium</td>
<td>€113</td>
<td>€200</td>
</tr>
<tr>
<td>Finland</td>
<td>€0.7</td>
<td>€120</td>
</tr>
<tr>
<td>Spain</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>€159</td>
<td>€74</td>
</tr>
<tr>
<td>Sweden</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Denmark</td>
<td>€0</td>
<td>€6</td>
</tr>
<tr>
<td>Greece</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Ireland</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Portugal</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>TOTALS</td>
<td>€4,312</td>
<td>€4896</td>
</tr>
</tbody>
</table>

Sources: OECD
Debt cancellation

All European Governments formally agreed at the United Nations 2002 Monterrey Financing for Development summit that debt cancellation – though vitally important for development – should be additional to Official Development Assistance. This was supported by poverty and debt campaigners across Europe who argue that as a matter of justice it should be creditors, not poor people, who pay for the cost of debt cancellation. If donors are allowed to score their debt cancellation as ODA, then effectively other poor countries (who would otherwise be receiving aid) pay the price rather than the donors. The European Commission reminded Member States in March 2006 that “the Monterrey Consensus underlines the need to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries”.

Yet this agreed principle, as our evidence shows, is being contravened by all but one European country. Only Norway – a non-EU country – fully upholds the principle that debt cancellation should be additional to aid.

Secondly, the vast majority of the debts currently being counted as ODA are export credit debts which were not intended to serve development purposes. Export credits are primarily a means of subsidising European companies operating in developing countries. And, as in the cases of Iraq and Nigeria, many export credit loans have been provided during periods of military rule, giving little opportunity for citizens to scrutinise the investment or their outcomes.

As many Governments have not been able to repay these debts for several years, in numerous cases debt cancellation does not free up resources to invest in development and represents a belated recognition that the money will not be repaid. Even when debt cancellation does deliver new resources – as with much of the Highly Indebted Poor Countries debt relief – funding for debt cancellation should be additional to aid spending.

Finally, the way EU Governments account for debt relief ensures they maximise its value. They count the entire stock of debt in the year that it is cancelled, even though debt service payments would have happened over many years.

Refugees in Europe

In addition, assuming that European countries continued to spend similar levels of their ODA on these items as in the previous five years, we estimate that a further €840 million of EU aid in 2005 was spent on housing refugees within Europe. Several EU Governments, most notably Denmark, Sweden and the Netherlands, include the first year costs of refugees arriving from developing countries in the donor countries and all costs associated with any repatriation back to the developing country. Spending on refugees is of course necessary, but this spending should not be counted as ODA as it never actually leaves the donor country.

Foreign students

Some European Governments also inflate their aid figures by including spending on educating foreign students in their country. Assuming past spending trends, European Governments are likely to have accounted for €910 million of the EU’s ODA in 2005 on educating foreign students in donor countries. Funding foreign students’ education in Europe may be worthwhile, but it should not be counted as development assistance for overseas countries.

New Member States: lack of data

For the 10 new Member States in the European Union providing development aid:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Best performers</th>
<th>Worst performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including debt cancellation</td>
<td>(Norway),</td>
<td>All other countries</td>
</tr>
<tr>
<td>Including spending on refugees</td>
<td>Greece, Ireland, Italy, Luxembourg, Portugal, UK</td>
<td>Denmark, France, Netherlands, Sweden, Czech Republic</td>
</tr>
<tr>
<td>Including spending on foreign students</td>
<td>Belgium, Denmark, Finland, Greece, Ireland, Italy, Luxembourg, Netherlands, Sweden, UK, Czech Republic</td>
<td>Germany, France, Portugal</td>
</tr>
</tbody>
</table>

Table 2: Aid inflation - best and worst performers
assistance is relatively new. In many of the countries there are serious problems of coordination and transparency. In the Czech Republic, for example, responsibility for official aid spending is spread across 11 ministries. For this reason, amongst others, access to information on the details of development spending is limited, making it difficult for citizens and NGOs to monitor. The Hungarian development NGO platform reports that different figures on overall aid volumes are provided by different ministries in Budapest.

Because of this, few NGOs in new Member States are aware of whether or not much official headline aid statistics are inflated with spending that does not provide new resources. In some cases, however, this practice is clearly occurring. Malta’s aid is deceptively doubled by the inclusion of its spending on refugees in Malta, and Poland includes debt cancellation spending in its official development assistance totals.

What is the OECD DAC?

The Organisation for Economic Cooperation and Development is an inter-Governmental organisation. Established in 1961 and coined the rich man’s club, the OECD currently has thirty of the richest countries in the world as its members. Membership to the OECD is by invitation only and is conditional on a country’s commitment to a market economy and a pluralistic democracy.

The organisation develops policy recommendations and rules for its member Governments on matters as diverse as trade liberalisation, tax policies, health, education and Official Development Assistance. The OECD Development Assistance Committee (DAC) currently sets the rules for defining what Governments can count as Official Development Assistance. See: www.oecd.org/dac/

Change the aid reporting rules

Political will is required to increase aid budgets and to report transparently and accurately on progress. We are challenging European Governments to resist the temptation to make misleading claims. Official aid figures should continue to rise and should only show spending which delivers new resources for poverty reduction in developing countries.

There are dangers that the problem of misleading aid reporting could get worse, not better. One reason is that further major debt cancellations for Iraq and Nigeria are due in 2006, 2007 and 2008. Another is that a number of Governments – including leading European aid-providers – are currently arguing that Official Development Assistance reporting rules should be further loosened. They are arguing that spending on security issues and on climate change mitigation should be allowed to be counted as part of their ODA. Development NGOs consider that only interventions which have poverty alleviation as their main objective should be included in aid figures.

Since September 2001 there have been moves by a number of countries to use aid money to directly or indirectly contribute to the “war on terror”, for example by boosting certain countries’ military capacities. Support for security should not be taken from the already limited resources allocated to development. Using ODA money to fund military-related activities will result in a diminishing of the funds allocated to achieve the Millennium Development Goals. This is a problem in itself and might deepen inequalities and contribute to further instability.

Climate change is another important issue, but not one which should divert development spending. A number of countries propose to classify their spending under the Clean Development Mechanism as part of their official aid statistics. This mechanism is part of the Kyoto Protocol which aims to assist industrialised countries to comply with their emission limits and create a new and additional incentive for these countries to invest in clean technologies in developing countries. Governments which choose to channel financing through this mechanism should do so additionally to their Official Development Assistance.
Development NGOs will work to ensure that their Governments take a firm stand on this issue in negotiations before and at the OECD meeting on aid accounting rules in 2007. The rules for accounting Official Development Assistance need strengthening, not weakening.

Aid quality and allocation: key additional issues

This report focuses on some vital issues that must be resolved to improve public confidence that Governments are meeting aid commitments. There are, however, many other problems which frequently stop aid resources reaching those who need it most. Among these important issues – which civil society groups in the South and North are continuing to monitor and campaign on – are:

⇒ Tied aid. Forcing recipient Governments to buy goods and services from the aid-providing country raises costs by between 15 and 40 per cent. Only the United Kingdom, Ireland and Norway abide by a 2001 OECD recommendation to fully untie all their aid to least-developed countries (LDCs). Greece, Austria and Spain have extremely high proportions of aid tied. Finland, Italy and Luxembourg fail to report their tied aid figures, presumably because the figures are so bad. In 2001, the last time Italy reported its tied aid, for example, 92% of its ODA to LDCs was tied.

⇒ Ineffective technical assistance. In 2004, European Governments spent €8 billion – almost one fifth of the total aid spend – on training and research in developing countries. Yet as the OECD has recently acknowledged, technical assistance has been criticised for frequently being too costly, inappropriate to recipients’ needs, and for fostering dependency.

⇒ Politically-motivated aid allocation. Aid has often been targeted not to countries that need it most but to Governments which are geo-politically important. Countries that have seen their aid volumes nearly treble over the last decade include Afghanistan, Colombia, Iraq, Jordan and Pakistan, for example. Some 68% of total EU aid is currently spent in low-income countries. However Greece only allocates 29% of its aid to low-income countries, Austria 57% and the European Commission 55%.

⇒ Conditionality. In exchange for aid finance bilateral and multilateral agencies impose a large number of policy conditions, up to 100 in some cases. This is administratively burdensome for developing countries to implement and distorts national policy-making processes. Progress on implementing official pledges to reduce conditions has been very slow. The UK Government is the only EU Government with a policy to limit economic policy conditions such as services privatisation and trade liberalisation.

⇒ Un-coordinated aid. Overstretched civil servants in aid dependent countries are required to meet a raft of disbursement, procurement, reporting, monitoring and auditing requirements from multiple agencies, diverting scarce time and resources. A typical African Government submits 10,000 quarterly donor reports each year and hosts more than 1,000 donor missions. In 2005, EU Governments signed up to targets aiming to reduce the administrative burden of their aid delivery, but progress remains well below what is possible.

⇒ Predictability. Only 70% of pledged ODA is actually delivered. ODA flows are highly volatile: four times more volatile on average, than recipient countries’ GDP. Donors need to work towards ensuring far greater stability of aid flows in the near future, improving disbursements and procedures so that recipient Governments can increase their budgets and spending predictably.
Conclusions and demands

European Governments have taken a vital leadership role in international diplomacy on development assistance in recent years. They provide a very substantial amount of the world’s development assistance, and the amount is rising. However there is no room for European Governments to rest on their laurels.

The harsh reality is that European countries as a whole are a long way off from meeting their aid pledges. The millions of people who campaigned for an end to global poverty in 2005 wanted action, not just announcements, and have made their own pledges – to continue to watch and pressure their Governments until they deliver on their promises.

This report calls for:

A. Genuine increases in European aid
European Governments must increase their ODA so that they reach their minimum and average commitments for 2006, 2010 and 2015 without distorting the figures. This means they should not inflate their headline aid figures by including items such as debt relief, refugees arriving in Europe or foreign students educated in Europe.

B. Clear year-on-year timetables to reach 2010 targets
All European Governments must develop their own clear timetable for reaching the 2010 European targets. Italy, Austria, Portugal, Spain, Greece and Germany still need to provide details on when they will meet their pledges. New Member States also need to produce clear timetables for reaching their own targets.

C. Tighten official aid reporting rules
The rules which determine the criteria for Official Development Assistance must be changed to ensure that Governments cannot mislead their citizens by exaggerating the figures. The Organisation for Economic Cooperation Development’s Development Assistance Committee (OECD DAC) is the official body responsible for setting the international rules for official aid statistics. The rich country Governments represented in the DAC should agree to change the rules for counting Official Development Assistance so that countries are no longer able to include items which do not provide new resources for poverty reduction in developing countries.

D. Greater transparency in aid reporting
European Governments must be more transparent in the way they report their official aid. Countries routinely fail to provide their citizens or the OECD with data, making comparisons across countries hugely difficult. Italy, for example, has failed since 2001 to publish how much of its aid is tied to the purchase of Italian goods and services. All Governments must provide a complete breakdown of their official aid each year and publish their data much more rapidly. Currently final statistics for each country’s official aid statistics are only made public after a lag of two years, making it difficult for citizens to track their Government’s current performance.

E. Enhance the allocation and quality of aid
All European Governments must take steps to improve the allocation, predictability and quality of their aid. All development assistance funding must help reduce poverty and meet international commitments to the Millennium Development Goals.

Table 3
Actual and Inflated Aid by EU country
PART TWO: COUNTRY PROFILES

This section provides a detailed breakdown of official aid and aid inflation for each European country. This data is accompanied by an assessment from national NGOs of their Government's likelihood of meeting the EU minimum aid target of 0.33% ODA/GNI by 2006 with genuine aid resources only. Also included within this section is a page on European Community aid, which addresses other aspects of poor quality aid other than aid inflation.

Due to a lack of detailed data on new member state aid, this report does not provide as detailed a breakdown of new Member States' aid inflation, however, NGOs do provide an assessment of their Government’s likelihood of meeting the EU aid target of 0.17% ODA/GNI by 2006.

The official aid statistics quoted for 2005 are drawn from the Organisation for Economic Cooperation and Development preliminary ODA statistics released in April 2006 except in the case of the new Member States, where we have drawn on data from the European Commission’s recent survey on members’ aid levels.

Getting timely access to official aid statistics is incredibly difficult. Our calculations for how much official aid will not deliver new resources have been undertaken in two ways. For the debt figures we have used the OECD’s official preliminary figures for 2005 released in April 2006. However, in order to get figures for how much European ODA was spent on housing refugees and educating foreign student in European countries we have taken each EU country’s spending trend on these for the last four years (as reported to the OECD) and then we have projected this forward for 2005. Therefore, the number is an estimated figure. Finally, it is important to note that all the figures may be subject to change, given that the final official ODA figures will only be released in December 2006.
AUSTRIA

According to the latest OECD statistics Austria has nearly doubled its ODA in 2005. It would appear to have moved from a poor performing European aid donor country to a generous one, with aid rising from 0.23% of GNI in 2004 to 0.52% in 2005. This far exceeds the EU minimum aid target for 2006.

However, our calculations indicate that over half of Austria’s total ODA in 2005 (62%) failed to deliver any new aid resources for developing countries. Once this inflated aid is removed Austria is significantly below the EU minimum target, registering only 0.20% ODA/GNI.

Austrian NGOs are hugely disappointed at their Government’s performance in 2005 and are deeply concerned that Austria will not meet the EU minimum target by 2006 in a genuine manner. They call upon their Government to make a real effort this year to ensure that they deliver genuine new aid resources to the world’s poor and meet the EU target.

According to OECD figures, €725 million or 58% of Austrian ODA in 2005 was spent on debt cancellation, with the largest part of this on cancellation of debt to Iraq. This is not a one-off problem. OECD projections suggest that further cancellations of Iraqi debt in the coming years are likely to distort Austria’s headline aid figures in the future.

In addition, if we draw on Austria’s official aid trends over the last four years, €31 million was spent on housing refugees in Austria and a further €16 million on educating foreign students in Austrian universities.

Austrian NGOs are hugely disappointed that the increase in Austrian ODA in 2005 does not correspond to an amount of money available for genuine development cooperation.

Organisations consulted: AGEZ, KOO and Austrian EU - Platform of Non-Governmental Development.

Will Austria meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: UNLIKELY

Austrian development NGOs demand:

→ The Austrian Government to establish a specific timetable to increase Austrian ODA in a genuine manner to 0.7% by 2010, ahead of the EU timetable.

→ For all political parties to include a 0.7% commitment for 2010 in their election programs and in the Government programme.

→ That Austrian ODA becomes more predictable and better targeted to poor countries.
Belgium

According to the latest OECD statistics, Belgium is significantly above the EU minimum target for 2006, registering 0.53% ODA/GNI as aid in 2005. A quarter of this, or €400 million, delivered no new aid resources for developing countries, according to our calculations. Once this inflated aid is removed however, Belgium still remains comfortably above the EU target, registering 0.40% ODA/GNI.

Belgian NGOs are pleased that their Government has met the EU minimum target ahead of schedule with actual aid. However, they urge their Government to stop inflating their ODA figures immediately. They are also concerned that in the next few years, their Government will continue inflating its figures even more in order to make the 2010 targets. This is despite the fact that Belgium is among the few countries that has legally committed itself to a timetable to reach the 0.7% target by 2010.

Will Belgium meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: YES

Our calculations indicate that €379 million (24%) of Belgian ODA in 2005 was spent on debt cancellation, with a significant part of this going to Iraq and Nigeria. In addition, if we draw on Belgium’s official aid trends over the last four years, €21 million of Belgian ODA in 2005 was spent on housing refugees within Belgium.

Belgian NGOs fear that their Government will further inflate its ODA figures in the coming years. The Belgian minister for Development Cooperation is arguing for a loosening of ODA-eligibility criteria at the DAC-level. If this move to include military expenses is successful it will enable Belgium to boost its ODA figures even further.

Belgian NGOs call for their Government to:

- Increase the share of actual aid in the Belgian ODA budget, and decrease the amount of aid that does not result in new aid flows to developing countries.
- Ensure 0.7% of GNI for development co-operation by 2010 and to uphold the aid budget afterwards.
- To implement concrete measures aiming at debt cancellation of all LDCs and consider these efforts as additional to the 0.7%.
- Pass spending on immigrants to the Ministry of Internal Affairs.
- Untie all aid.

Source: OECD (2006); OECD (2005)
DENMARK

Denmark is one of only five countries in the world which has already met the UN aid commitment of 0.7% ODA/GNI. According to the latest OECD statistics Denmark is giving 0.8% ODA/GNI. Danish NGOs praise their Government for meeting this important commitment and being one of the most generous aid givers in Europe.

However, Denmark has set its own national commitment to not go below 0.8% ODA/GNI and NGOs are worried that Denmark may fail to meet this commitment, especially given the steep decline in ODA levels over the last couple of years.

€129 million (8%) of Danish ODA in 2005 delivered no new aid resources for developing countries, according to our calculations. Once this is removed, Denmark is actually below its own target, registering just 0.75% ODA/GNI.

Danish NGOs urge their Government to ensure that they reach 0.8% ODA/GNI in a genuine manner with real resources and not through aid inflation.

According to OECD figures, €16 million of Denmark’s official development assistance in 2005 was spent on cancelling debt, with most of this going to Iraq. Danish NGOs support debt cancellation, but argue that cancellations must come from additional funds. They also point out that a large majority of this debt originates in old export credits and is now being channelled back into the state budget, while also being counted as aid. As one Danish NGO commentator pointed out: “The money is not moving 5000 kms from Denmark to Africa, but 500 meters from the Ministry of Foreign Affairs to the Treasury!”

In addition, if we draw on Denmark’s official aid trends over the last four years, €113 million or 7% of its ODA in 2005 was spent on housing refugees in Denmark, making it the worst European country in terms of percentage of ODA used to house refugees.

Will Denmark meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: YES

Danish NGOs demand that their Government:

➔ Go back to allocating 1% of Denmark’s GNI to development assistance.

➔ Make assurances such that assistance is not diluted and translates into new and additional resources for poverty eradication and for the MDGs.

➔ Finance debt relief through additional funds, probably from the Export Credit Facility itself.

Organisations consulted: Danish EU-NGO Platform and IBIS.

Source: OECD (2006); OECD (2005)
According to the latest OECD statistics, Finland is significantly ahead of the EU 2006 minimum aid target, registering 0.47% ODA/GNI in 2005. But €132 million (18%) of this delivered no new aid resources for developing countries, according to our calculations. Once the inflated aid is removed, however, Finland still remains comfortably above the EU target, registering 0.38% ODA/GNI.

Finnish NGOs are pleased that their Government has met the EU minimum target ahead of schedule with genuine aid. However, they urge their Government to stop inflating their ODA figures immediately and note their concern that in the next couple of years, their Government will continue to inflate its figures even more in order to make the 2010 targets.

The 115 Finnish NGOs who took part in the 0.7% campaign in Finland in 2005, note that Finland can easily afford to fulfil its aid commitments and believe that Finland should genuinely increase its aid.

**Will Finland meet its minimum EU aid target by 2006 without inflating its aid?**

**NGO Prediction: YES**

OECD figures reveal that €121 million, or 17%, of Finnish ODA in 2005 was spent on cancelling debt, mostly for Iraq and Nigeria. Debt cancellation is likely to make up a significant part of Finland’s aid budget in future years and is not just a one off problem.

In addition, if we draw on Finland’s official aid trends over the last four years, 2% of Finnish ODA or €11 million is likely to have been spent on housing refugees in Finland in 2005.

Though at present Finland does not register on its aid figures the cost of educating foreign students in Finnish universities, it is currently considering whether to count this on this ODA. Finnish NGOs appeal to their Government to abandon the idea of subsidising Finnish universities from aid money – money for poverty reduction. Finnish NGOs are also concerned that Finnish aid includes mixed concessional credits used to support Finnish exports to poor countries.

**Finnish NGOs demand that:**

- Finland follows the example set by its Nordic neighbours and fulfils its commitment to raise its ODA to 0.7. This should be through genuine transfers of real resources.
- Stop paying for refugee related costs and mixed concessional credits from aid funds.
- Continues efforts in the field of debt relief and makes them additional.

**On top of this Finnish NGOs demand that:**

the Finnish Government raises its support to the least developed countries, especially to Ethiopia, Mozambique, Zambia and Tanzania, which are among Finland’s eight chosen partner countries. Finnish NGOs also call on their Government to stop attaching harmful economic policy conditions to Finnish aid, including through multilateral organisations. Donors must respect the right of poor people and countries to determine their own development model.
France was the first G7 country to adopt a timetable for its ODA to reach 0.7% of GNI. In March 2002, the French president announced the adoption of an official timetable for French ODA to reach 0.7% of GNI by 2012, with an intermediary target of 0.5% in 2007.

According to the latest OECD statistics France is already ahead of the EU 2006 minimum aid target and near its commitment to reach 0.5% by 2007, registering 0.47% GNI/ODA in 2005. However, 3.6 billion (40%) of French ODA in 2005 delivered no new aid resources for developing countries, according to our calculations. Once this inflated aid is removed, France is below the EU minimum target, registering only 0.28% ODA/GNI.

French NGOs hope that France will not only reach the minimum EU aid target next year with aid that delivers new resources, but come close to its 0.5% commitment. They urge their Government to ensure a genuine increase in aid in the coming year and to stop inflating their ODA figures.

OECD figures show that €2.6 billion, or 32%, of French ODA in 2005 was spent on cancelling debt and the large majority of this was to Iraq and Nigeria. Debt cancellation is likely to make up a significant part of France’s ODA in future years and is not just a one off problem.

In addition, if we draw on France’s official aid trends over the last four years, €305 million of its ODA in 2005 was spent on housing refugees in France and a further €373 million was spent on educating foreign students in French universities. France is one of the worst European countries for inflating their ODA with foreign student costs.

Despite France’s poor record, French NGOs do note that some expenditures of genuine French aid to regional initiatives as the European Development Fund and global initiatives like the Global Fund to Fight Aids, the UN and the multilateral development banks, are increasing in 2006.

**Organisations consulted:** Coordination Sud.

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**Will France meet its minimum EU aid target by 2006 without inflating its aid?**

**NGO Prediction : LIKELY**

French NGOs demand that their Government:

- Calculate debt relief figures on the basis of their market value, so that it does not overestimate their impact on recipients’ budget, and improve the transparency of debt cancellations.

- Exclude export credit debt cancellation from ODA.

- Exclude artificial aid from ODA (mainly students costs, housing refugees, expenditures to French Territories).

- Adopt a programming law in order to make real ODA reach 0.7% of GNI by 2010 and to improve both predictability and quality of aid.

Coordination Sud members’ detailed demands can be seen in their 2005 report on French ODA available at: www.coordinationsud.org

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**EU aid: genuine leadership or misleading figures?**

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**Organisations consulted : Coordination Sud.**

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GERMANY

According to the latest OECD figures German is currently on track to reach its EU 2006 aid target, registering 0.35% ODA/GNI in 2005. However, €3.4 billion (43%) of German ODA in 2005 delivered no new aid resources for developing countries, according to our calculations. Once this inflated aid is removed, not only is Germany significantly below the EU minimum target, registering just 0.20% ODA/GNI, but the amount of genuine aid it gave has actually decreased since 2004.

German NGOs are hugely disappointed at their Government’s dismal performance in 2005 and are deeply concerned that their Government has actually decreased the amount of genuine aid it gave in 2005. They call upon their Government to make a real effort this year to ensure that they deliver substantial genuine new resources to the world’s poor in order to meet the EU target. They also demand that Germany immediately stops inflating its ODA figures.

Will Germany meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: UNLIKELY

According to OECD figures, over one third - €2.9 billion - of German ODA in 2005 was spent on cancelling debt, with the large majority of this to Iraq and Nigeria. Debt cancellation is likely to make up significant part of Germany’s ODA in future years and is not just a one off problem.

In addition, if we draw on Germany’s official aid trends over the last four years €487 million, 6%, of its ODA was spent on educating foreign students in German universities, making it the worst EU country for inflation on this item. A further €49 million of German ODA in 2005 was spent on housing refugees in Germany.

German NGOs calls on the German Federal Government to:

→ Increase German development assistance so that it provides genuine new resources to developing countries.

→ Exclude cancellation of non-concessional debt from official aid figures.

→ Introduce innovative financing instruments.

→ Raise the effectiveness of German development cooperation and co-ordinate it more efficiently on an international level.

Source: OECD (2006); OECD (2005)

For detailed information:
GREECE

According to the latest OECD figures Greece is currently far below the EU 2006 aid target of 0.33%, registering only 0.24% ODA/GNI in 2005. Only €2 million of Greek ODA in 2005 did not deliver new aid resources, according to our calculations. This makes Greece one of the best European countries when it comes to not misleading the public with aid inflation, but still a very weak performer when it comes to delivering on its aid increases.

Greek NGOs are disappointed and concerned that their Government is off-track to meet the EU minimum aid target by 2006 in a genuine manner. They call upon their Government to make a real effort this year to ensure that they deliver substantially more genuine resources to the world’s poor in order to meet the EU target. They also demand that Greece immediately stops inflating its ODA figures.

If we draw on Greece’s official aid trends over the last four years, €2 million of Greek ODA in 2005 was spent on housing refugees in Greece. Greek NGOs call for the Greek Government to totally remove this expenditure from the ODA budget and redirect the funds towards poverty reduction and finance support for refugees in Greece from the domestic budget.

Greece does not currently account for any costs for foreign students in Greek universities and Greek NGOs praise their Government for not counting this as ODA.

Greek NGOs also point out that the Government needs to do more to ensure sustainable increases and call for a public timetable to meet the UN 0.7% target. They also note that there are many other problems with Greek aid. In particular, they point to the tying of official aid and the very large percentage which goes to middle income countries, which in their opinion seriously reduces Greece’s effectiveness.

Will Greece meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: UNLIKELY

Greek NGOs demand that their Government:

- Commits to a public timetable to increase its genuine aid in order to meet the EU target of 0.51% by 2010 and the UN target of 0.7% by 2015.
- Introduce clear commitments to target the majority of Greek aid to low income countries.
- Fully untie all Greek aid.

On top of this Greek NGOs call for the Government to:

- Develop a clear policy rejecting harmful economic policy conditions to aid, including aid through multilateral organisations, so that recipient countries have the policy space to decide on their own development path.
- Introduce a more transparent and accountable planning and budget process.

Source: OECD (2006); OECD (2005)
IRELAND

Will Ireland meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: YES

According to the latest OECD figures Ireland exceeds the EU 2006 minimum aid target, registering 0.41% ODA/GNI in 2005. Only €1.5 million of Irish ODA in 2005 was inflated aid, according to our calculations, making it one of the best European countries when it comes to not inflating its ODA figures. Once the inflated aid is removed, Ireland still remains comfortably above the EU target.

Irish NGOs are pleased that their Government has met the EU minimum target ahead of schedule with genuine aid. However, they urge their Government to continue to increase their genuine aid levels in line with their own national timetable: 0.5% by 2007, 0.6% by 2010 and 0.7% by 2012.

If we draw on Irish official aid trends over the last four years, 700 thousand euros of Irish ODA in 2005 went towards expenditure related to accommodating refugees in Ireland and a further 700 thousand was spent on educating foreign students in Ireland.

Irish NGOs are asking their Government to:

→ Keep its promise to spend 0.7% of national income annually on overseas aid by the year 2012, at the latest.

→ Introduce legislation to ensure that future Governments abide by this timetable.

→ All debt cancellation must be additional to Ireland’s contribution toward meeting their obligation of spending 0.7% of national income on overseas aid.

Further information:
www.irishaid.gov.ie/latest_news.asp?article=678
www.dci.gov.ie/latest_news.asp?article=618

EU aid: genuine leadership or misleading figures?
ITALY

According to the latest OECD figures Italy spent only 0.29% ODA/GNI in 2005. This is far below the EU minimum target for 2006. On top of this, €1.4 billion (34%) of Italian ODA in 2005 delivered no new aid resources to developing countries, according to our calculations. Once this is removed, Italy is even further away from the EU minimum target, registering a pitiful 0.19% ODA/GNI. This puts Italy as the least generous European aid giver of the EU 15 Member States.

Italian NGOs are hugely disappointed at their Government’s terrible performance in 2005 and are deeply concerned that Italy will not meet the EU minimum target next year. They urge their Government to make a real effort this year to ensure that they deliver substantial genuine new resources to the world’s poor in order to meet the EU target. They also demand that Italy stops inflating its ODA figures.

According to OECD figures just under €1.4 billion or 33% of Italian ODA in 2005 was spent on debt cancellation with the majority of this going to Iraq and Nigeria. In addition, if we draw on Italy's official aid trends over the last four years, €13 million of ODA in 2005 was spent on housing refugees in Italy.

Italian NGOs also note that a high percentage of Italian aid is tied to Italian goods and services. Unfortunately the Italian Government does not tell its taxpayers how much aid money is diverted to subsidise Italian businesses; it has refused to publish such figures since 2001. Scrutiny of Italian development spending is also hampered by the fact that Italian aid spending is carried out by different ministries which do not release combined figures.

Organisations consulted: ActionAid International, Italy.

Will Italy meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: UNLIKELY
Luxembourg comes out as the 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 which has already met the UN aid commitment of 0.7% ODA/GNI. According to the OECD’s official figures in 2005 Luxembourg registered 0.87% ODA/GNI. And not one bit of this is inflated aid.

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

Luxembourg NGOs demand that:

- Meets its aid target of 1% by 2009.
- Publish a timetable of interim steps to achieve the target.
**THE NETHERLANDS**

The Dutch Government has been spending high amounts on aid for a number of years and is one of only five countries in the world that has already achieved the UN target of 0.7% ODA/GNI. According to the latest OECD figures the Netherlands spent 0.82% of ODA/GNI in 2005. Of this €477 million (12%) of Dutch ODA in 2005 delivered no new aid resources to developing countries, according to our calculations. However, once removed, the Netherlands is still one of the top aid performers in Europe.

Dutch NGOs praise their Government for being one of the most generous aid givers in Europe. But they urge their Government to stop inflating its ODA figures immediately.

According to OECD figures €330 million or (8%) of Dutch ODA in 2005 was spent on debt cancellation, with the majority of this going to Iraq and Nigeria. Dutch NGOs argue that export credit debt write-downs should be paid from the Export Credit Facility’s income and not counted as ODA. In addition, if we draw on the Netherlands’ official aid trends over the last four years, 4% or €147 million was spent on housing refugees in the Netherlands in 2005, making it one of the worst European Union countries for inflating its aid on this item.

Dutch NGOs are also concerned that other non-aid items are increasingly being counted as official development assistance. These include expenses to prepare projects under the Clean Development Mechanism (CDM) of the Kyoto Protocol on climate change. Such expenses should not be considered aid since they are expenses of industrialized countries that choose to use the CDM facility. Another area of concern is expenses for certain activities classified as ‘peace & security’.

**Will The Netherlands meet its minimum EU aid target by 2006 without inflating its aid?**

**NGO Prediction : YES**

![Graph showing Netherlands' inflated and actual ODA](chart)

Source: OECD (2006); OECD (2005)

**Dutch NGOs demand that the Dutch Government remove from its official aid figures:**

- Export-credit debt cancellations.
- Spending on climate change mitigation through the Clean Development Mechanism.
- Police and military spending.

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Organisations consulted: [Dutch NGO-EU platform](#)
PORTUGAL

According to the latest OECD figures, Portugal is currently far below the EU 2006 aid target of 0.33%, registering 0.21% ODA/GNI in 2005. In addition, €16 million (5%) of its ODA in 2005 delivered no new aid resources to developing countries, according to our calculations. Once this is removed, Portugal is significantly below the EU target, registering only 0.20% ODA/GNI.

Portuguese NGOs are hugely disappointed at their Government’s poor performance in 2005 and are deeply concerned that Portugal will not meet the EU minimum aid target. They urge their Government to make a real effort this year to ensure that they deliver substantial genuine new resources to the world’s poor in order to meet the EU target. They also demand that Portugal stops inflating its ODA figures.

In fact, in 2004, Portugal was one of the main EU culprits for inflating its ODA with items which failed to deliver new aid resources to developing countries. If we look at 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Inflated Aid</th>
<th>ODA Net of Inflated Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>250</td>
<td>279</td>
</tr>
<tr>
<td>2005</td>
<td>592</td>
<td>279</td>
</tr>
</tbody>
</table>

Portugal’s apparent aid spending was inflated by an amazing 70%. This was the result of including debt cancellation (€570 million), student costs (€25 million) and a small amount on housing refugees within Portugal (€1 million), according to OECD statistics.

According to OECD figures €2 million or 1% of Portuguese ODA was spent on debt cancellations in 2005. In addition, Portugal, according to provisional figures, spent €13 million on educating foreign students in Portugal.

Portuguese NGOs are concerned about the quantity, quality and effectiveness of Portuguese development assistance. They argue that the current Portuguese Government’s approach to public spending makes it unlikely that aid will rise rapidly. They also argue that “the level of public information and awareness on aid levels and policies is very limited” and that there is inefficient and ineffective coordination between Government departments.

Portuguese NGO’s demand that their Government:

- Raise aid spending in line with international commitments.
- Focus spending on a coherent basis with sustainable development objectives.
- Introduce clearer rules on allocation and evaluation of aid funds.

Will Portugal meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction: UNLIKELY

Organisations consulted: National development NGO platform
According to the latest OECD figures, Spain only registered 0.29% ODA/GNI in 2005. This is below the EU target and makes Spain the third last donor out of the 15 old members, only better than Greece and Portugal. In addition €435 million (17%) of this can be considered as inflated aid according to our calculations. Once this is removed, Spain is significantly below the EU target, registering only 0.24% ODA/GNI.

Spanish NGOs are aware that their new Government is struggling to increase both the quantity and quality of its aid, but the departure level is extremely low and Spain is still by 2005 one of the worst performers. The Government has committed to make a real effort this year through the new 2006 budget to ensure that they deliver substantial genuine new resources to the world’s poor in order to meet the target. They also demand that Spain stops inflating its ODA figures.

According to OECD figures €401 million or 16% of Spanish ODA in 2005 was spent on debt cancellation. In addition, if we draw on Spain’s official aid trends over the last four years, €15 million of Spanish ODA in 2005 was spent on housing refugees in Spain and a further €20 million on educating foreign students within Spanish universities.

Spanish NGOs are calling for the Spanish Government to ensure that debt relief funds are additional to existing aid, including this commitment in the new law that is being discussed in parliament on debt relief. They welcome the Spanish Government’s own pledge to reach 0.5% by 2008 but urge it to do so by increasing real resources available for development spending.

Spanish NGOs also note that there are still many other challenges regarding the quality of Spanish aid. About 30% of bilateral aid at present is tied to the purchase of Spanish goods and services. This distorts spending for commercial gain rather than poverty reduction.

Spanish NGO’s demand that their Government:

- All political parties commit to a timetable to reach 0.7% of aid as a proportion of gross national income.
- 20% of aid is allocated to essential services.
- At least 0.15% of gross national income is allocated to the least developed countries, especially Sub-Saharan African ones.
The Government of Sweden has been providing a high level of development assistance for many years. It is one of only five countries in the world which has already reached the UN target of 0.7%. Swedish NGOs praise their Government for meeting this important commitment and being one of the most generous aid givers in Europe.

Sweden has set its own national aid target of 1% ODA/GNI by 2006 and Swedish NGOs are concerned that Sweden should reach this target, but through genuine aid resources.

According to the latest OECD statistics Sweden is giving 0.92% ODA/GNI in 2005. €174 million (7%) of this did not deliver any new aid resources for developing countries, according to our calculations. Once this is removed, Sweden is far away from its own target, registering 0.86% ODA/GNI.

Swedish NGOs urge their Government to ensure that they reach 1% ODA/GNI by 2006 in a genuine manner with real resources and not through aid inflation. They also call for the Swedish Government to stop inflating its aid.

According to the latest OECD figures, €43 million of Swedish ODA in 2005 was spent on debt cancellations. In addition, if we draw on official aid trends for the last four years, a further €132 million was spent on housing refugees in Sweden.

Swedish civil society organisations call for:

- The removal from official aid statistics of amounts that do not result in increased resources available for combating poverty in developing countries.
- Sweden should not use its aid budget to finance debt relief.
- Untying of all Swedish aid to developing countries.
- An end to the use of economic policy conditions on aid so that recipient countries have policy space to decide on their own development models.
- The delivery of real development aid that focuses on poor peoples’ needs, has a clear rights-perspective and takes long-term sustainable development as its starting point.

Source: OECD (2006); OECD (2005)

Organisations consulted: Forum Syd, Diakonia, Church of Sweden
UNITED KINGDOM

According to OECD figures the United Kingdom has already exceeded the EU minimum aid target, registering 0.48% GNI/ODA in 2005. However, a third (€3 billion) of this did not deliver any new aid resources for developing countries, according to our calculations. Once this is removed, not only is the United Kingdom below the EU target, spending only 0.31% ODA/GNI, but the amount of genuine aid it gave has actually decreased since 2004.

British NGOs hope that the United Kingdom will reach the minimum EU aid target next year with aid that delivers new resources, but remain concerned, especially with the reduction this year in actual aid levels. They urge their Government to ensure a genuine increase in aid in the coming year in order to ensure they meet the EU minimum aid target. They also demand that the UK Government stop inflating their ODA figures.

According to OECD figures €2.97 billion, or 34%, of UK ODA in 2005 was spent on debt cancellation and most of this went to Iraq and Nigeria. This is not a one-off problem as, according to our projections, €2 billion of British aid will go on debt cancellations in 2006. The UK gives a positive example to other EU countries, however, by not including any spending on refugees or on foreign students in its aid statistics.

UK NGOs congratulate the UK Government on setting its own target of 0.7% by 2013, with an interim target of 0.47% in 2007/08. UK NGOs hope that once the huge debt spikes in 2005-6 have past, the UK Government will get back on track to meet these targets in a genuine manner.

Will the UK meet its minimum EU aid target by 2006 without inflating its aid?

NGO Prediction : LIKELY

UK’s inflated and actual ODA

Source: OECD (2006); OECD (2005)

UK development NGOs demand that their Government:

→ Set itself a more ambitious target of reaching 0.7% in 2010.

→ Stop counting debt relief as part of its progress towards reaching 0.7%. Debt relief financing should be additional to aid financing.

→ Improve the quality of its aid, by fully implementing its position on economic conditionality, by reviewing its use of technical assistance and encouraging more local procurement.

→ It should also do more to promote mutual accountability, including through implementation of the Paris Declaration on Aid Effectiveness, ensure meaningful and effective mechanisms for reaching agreed targets to improve aid quality, and the promotion of human rights and the country level.

Organisations consulted: British Overseas NGOs for Development (BOND), UK Aid Network (UKAN).

EU aid: genuine leadership or misleading figures?
New EU Member States

CZECH REPUBLIC

**Will the Czech Republic meet its EU 2010 minimum aid target of 0.17%?**

**NGO Prediction : UNLIKELY**

According to the European Commission’s March 2006 figures, the Czech Government is spending 0.11% ODA/GNI in 2005. However, €12 million of Czech ODA in 2005 will deliver no new aid resources for developing countries, according to our calculations.

Czech NGOs are seriously concerned that the Czech Republic will not meet its 2010 commitment. This is because the Czech Government has announced that its spending will remain at 0.11% of GNI for 2004, 2005 and 2006. Czech NGOs urge their Government to provide a substantial increase in genuine aid.

According to OECD figures €10 million of Czech ODA was spent on debt cancellation in 2005. In addition, if we draw on official aid trends for the last four years, €4 million was spent on housing refugees within the Czech Republic.

Czech NGOs note additional problems with Czech ODA, highlighting that the complicated administrative system of Czech ODA has led to a fragmentation of responsibilities, with no central development agency. There are also problems linked to the one-year financing system that complicates all stages of the development project cycle.

State aid administration is currently divided among 11 different ministries and it is extremely important to establish a Czech Development Agency as a necessary precondition for effective planning and implementation of ODA projects and programmes.

However, on a more positive note, Czech NGOs praise the Government for the enormous progress it has made in terms of transparency in its aid delivery. A new ODA administration system to be introduced in 2006 should enhance transparency of project identification and formulation and results of project monitoring and evaluation.

Czech NGOs note that their greatest overall demand, however, remains the need for a steady increase in Czech ODA in line with its EU aid commitments.

Organisations consulted:
FoRS - Czech Forum for Development Cooperation, Development Centre of the Institute of International Relations, People in Need.

CYPRUS

**Will Cyprus meet its EU 2010 minimum aid target of 0.17%?**

**Prediction : UNLIKELY**

According to the European Commission’s March 2006 figures Cyprus spent 0.04% ODA/GNI in 2005, making Cyprus the least generous aid giver of all new Member States. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Cypriot NGOs are extremely concerned that Cyprus will not meet its EU aid target in 2010 and consider these numbers very low, given the economic context of Cyprus. They urge their Government to increase the amount of genuine aid they give in the next couple of years. They also demand that there is greater transparency in ODA reporting in Cyprus.

In addition, Cypriot NGOs point out that the targets set by the Cyprus Government include a focus on the Millennium Development Goals and especially the poverty reduction goal, the untying of ODA and a strong interest in ensuring aid effectiveness.

The demands of Cypriot NGOs include a better allocation of aid funds, and Cypriot NGOs hope a climate of trust can be established between development NGOs and the Government.

Organisations consulted:
CARDET, Doctors of the World Cyprus, Cyprus Neuroscience and Technology Institute.

EU aid: genuine leadership or misleading figures?
**ESTONIA**

Will Estonia meet its EU 2010 minimum aid target of 0.17%?

**NGO Prediction: UNLIKELY**

According to the European Commission’s March 2006 figures, the Government of Estonia spent 0.06% ODA/GNI in 2005. Due to a lack of data it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Estonian NGOs are concerned that Estonia will not reach 0.17% ODA/GNI by 2010. They note that development cooperation gets very low priority in the Government and consider their aid spending rather low in comparison to that of some of the other new Member States. Estonian NGOs urge their Government to substantially increase the genuine new aid resources in the coming years; in order for Estonia to meet its EU aid target. Though they note that their Government is taking some steps to make development assistance more transparent, they call for still greater transparency in aid reporting by their Government.

Estonian NGOs are also happy that the debt cancellation finance Estonia contributed to the Highly Indebted Poor Countries Trust Fund was not counted as official development assistance in 2005.

Estonian NGOs ask their Government to:

- Keep Estonia’s commitment to reach the 0.17% by 2010.
- Introduce clear commitments to target aid to Least Developed Countries, basic social services and the MDGs.
- Provide clear figures.
- Make more efforts to raise awareness on global poverty and inequality.

Organisations consulted:
**Estonian Roundtable for Development Cooperation (AKÜ)**.

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**HUNGARY**

Will Hungary meet its EU 2010 minimum aid target of 0.17%?

**NGO Prediction: UNLIKELY**

According to the European Commission’s March 2006 figures, the Hungarian Government spent 0.9% ODA/GNI in 2005. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Hungarian NGOs are very worried that Hungary will not meet its EU aid target in 2010, despite substantial increases in aid over the last couple of years. This is because their Government recently announced that the Hungarian Ministry of Affairs budget will be reduced by two thirds in 2006.

Hungarian NGOs also demand greater transparency and standardised data from their Government on aid spending. All too often the different Government departments responsible for ODA spending publish different figures.

Hungarian NGOs urge their Government to reach its EU aid commitments.

Organisations consulted:
**National development NGO platform.**

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LATVIA

Will Latvia meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNLIKELY

According to the European Commission’s March 2006 figures the Latvian Government spent 0.61% ODA/GNI in 2005. Due to a lack of data it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Latvian NGOs are extremely concerned that Latvia will not meet EU minimum aid targets in 2010 due the very slow pace that official aid is increasing within Latvia. This is confirmed by the current Government’s development cooperation financing policy which foresees reaching only 0.10% GNI by 2010, below the target of 0.17%.

Latvian NGOs also demand greater transparency in Latvian aid spending, highlighting that there is no public information on how much Latvian official aid figures are inflated by including debt write-downs and spending on education and refugees.

Latvian NGOs demand that their Government:

→ Reach at least 0.17% GNI by 2010.

→ Introduce transparency for the selection of aid-funded projects.

Organisations consulted:
Latvian NGDO Platform.

LITHUANIA

Will Lithuania meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNLIKELY

According to the European Commission’s March 2006 figures Lithuania spent 0.06% ODA/GNI in 2005. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Lithuanian NGOs are extremely concerned that their Government will not met the EU aid target, noting that the Government lacks political will. Official aid policy is limited to a narrow circle of specialists. Lithuania’s national parliament has no plans to discuss ODA issues.

Lithuanian NGOs urge their Government to increase aid spending in the next couple of years to ensure that Lithuania reaches its target. They also call for greater transparency in ODA implementation, evaluation and accountability.

Organisations consulted:
Lithuanian NGDO Platform, Institute for Social Ethics.
Malta

Will Malta meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNLIKELY

According to the European Commission’s March 2006 figures the Maltese Government spent 0.18% ODA/GNI in 2005, exceeding the EU target for 2010. However, almost half of this did not deliver any new aid resources for developing countries, according to Maltese NGOs. The majority of this was spent on housing refugees within Malta, though debt cancellation is also counted as ODA. Once this is removed, Malta is significantly below the EU target.

Maltese NGOs are optimistic that Malta will meet its EU aid targets in a genuine manner, but demand that Malta stops inflating its aid figures. Maltese NGOs also call for greater transparency and access to information on Maltese ODA.

Organisations consulted:
Koperazzjoni Internazzjonali – Malta.

Poland

Will Poland meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNLIKELY

According to the European Commission’s March 2006 figures Poland spent 0.09% ODA/GNI in 2005. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries. However, Polish NGOs highlight that according to their data, a significant part of official aid figures announced by the Ministry of Finance figures was spent on debt relief; an example is €8.7 million of Ethiopian debt.

Polish NGOs are seriously concerned that the Polish Government will not reach the EU ODA target, despite sharp increases in their aid over the last couple of years. They urge their Government to prove them wrong and to provide more genuine aid resources in line with the EU target. They also call for greater transparency in Polish ODA reporting.

Polish NGOs also highlight that there is little consistency in development spending among various ministries in terms of priority countries and other approaches. The list of main 10 recipients of bilateral aid in 2004 includes only half of 6 countries considered priority countries by the Ministry of Foreign Affairs. Some projects raise many questions, for example investment credits for China in 2004.

Organisations consulted:
National Platform

More information: ODA report for 2004 (in Polish only):
SLOVAKIA

Will Slovakia meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNLIKELY

According to the European Commission’s March 2006 figures the Slovakian Government spent 0.09% ODA/GNI in 2005. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Slovak NGOs are concerned that the Slovak Government will not meet the EU aid target for 2010. They note that they are not satisfied with the official aid figures and point out that bilateral aid levels have remained at the same level for 3 years. They also point out that there is need for greater transparency in Slovakian ODA reporting.

Slovak NGOs call on their Government to:

→ Increase total Slovak aid.
→ Increase bilateral aid.
→ Publish a "road map" to reach 0.17% GDP of ODA in 2010.

Organisations consulted:
Slovak NGDO Platform.

SLOVENIA

Will Slovenia meet its EU 2010 minimum aid target of 0.17%?

NGO Prediction: UNSURE, INSUFFICIENT INFORMATION

According to the European Commission’s March 2006 figures Slovenia spent 0.12% ODA/GNI in 2005. Due to a lack of data, it is not possible to reveal how much of this delivered no new aid resources for developing countries.

Slovenian NGOs are not happy about the lack of detailed official information on aid spending. They point out that there is no overview of the projects financed by different ministries. It is not known how much Slovenian official aid figures are inflated by including debt write-downs and spending on education and refugees.

Slovenian NGOs are pressing for more transparency of official aid spending, for example by allocating funds through open calls for proposals, and more influential position of Ministry of Foreign Affairs within the Government when allocating aid funds through different ministries. Thus NGOs would be able to advocate for and monitor a more efficient allocation of funds.
European Commission

European Governments have committed to increase their aid flows dramatically. However the amount channelled through the European Commission will rise more slowly than bilateral spending. Around 90% of the new aid will be provided bilaterally and the EC’s share in the overall European Union budget is set to drop from 20% to 15% between 2005 and 2010.

However European Commission (EC) external spending will remain very significant. It is set to increase by 4.5% per year between 2007 and 2013 and an additional €22.6 billion will be spent during that period through the European Development Fund (EDF).

Campaigners are questioning how European aid will be focussed and managed. Will EC aid be used to serve the interests of Europe’s trade and foreign policies rather than those of the poorest people in the developing world? Calls to make EC development money conditional upon adherence to Europe’s migration policy will likely become more frequent. Will European Governments continue to divert development funding to other purposes?

It is clear that the “war on terror” impacts directly on the EC’s relations with developing countries. In 2004 the EU funded a €250 million grant to the African Peace Facility by reducing by 1.5% the development allocation of each African country in the European Development Fund. The proposed Stability Instrument now provides the opportunity to replicate this type of non-poverty-focused spending from the EC budget at the expense of development priorities. This instrument is designed to finance, among other things, the fight against terrorism in developing countries. Funded by monies originally allocated to long-term development, most assistance will continue to be claimed as ODA even though it has been redirected to the security agenda.

The European Commission has drafted a series of thematic guidelines for the programming of the 10th European Development Fund; for example on ‘the war on terror’, ‘migration’ and ‘fragile states.’ Security issues are thus likely to be an explicit focus of the next generation of Country Strategy Papers.

In 2005, the EU’s Asia & Latin America Member State Management Committee voted through a project in the Philippines that includes intelligence capacity-building, border control and counter-terrorism initiatives, financed by development funds. The European Parliament has recently initiated legal proceedings against the European Commission at the European Court of Justice on the basis that the funding does not meet its supposed aim to ‘aid development by means of financial, technical and economic cooperation.’ The decision of the Court is still pending.

Moreover the European Commission is pushing for other activities that are clearly outside the limits of development cooperation – e.g. the Erasmus Mundus educational programme – to be covered by a regulation governing EC aid to developing countries between 2007 and 2013 (Development Cooperation and Economic Cooperation Instrument).

The fungibility of development funds is equally evident in the area of trade. On the one hand, institutions are realising that imposing Economic Partnership Agreements (EPAs) on ACP countries might not be the best means for promoting development. On the other, the real alternatives are not being considered. Rather development funds are being diverted as a way of making EPAs more acceptable. In the discussions on the programming of the 10th EDF, the Commission continues to press for trade-related assistance to be classified as development assistance.

Campaigners and parliamentarians will continue to monitor closely how the European Commission allocates and reports on aid.

Organisations consulted:
Eurostep, Aprodev, Bond, Eurodad, Cidse/Caritas Europa.
Endnotes

[1] EU aid pledges:

<table>
<thead>
<tr>
<th>Target year</th>
<th>EU 15 Member States (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom)</th>
<th>EU 10 Member States (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia)</th>
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<tr>
<td></td>
<td>Individual Minimum ODA/GNI</td>
<td>Collective Average ODA/GNI</td>
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<tr>
<td>2006</td>
<td>0.33%</td>
<td>0.36%</td>
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<td>2010</td>
<td>0.51%</td>
<td>0.56%</td>
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<td>2015</td>
<td>0.7%</td>
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To calculate European Member States’ ODA spending on refugees and foreign students in 2005, Eurodak took the average ODA spent on domestic refugees and imputed student costs reported to the OECD DAC for 2000-2004 and added an extra 2% per annum in line with OECD DAC data on ODA projections which assume a GNI growth rate of 2% p.a. These past trends for European countries can be found in the OECD (2006) Statistical Annex of the 2005 Development Co-operation Report.

Available at: www.oecd.org/document/9/0,2340,en_2825_495602_1893129_1_1_1_1,00.html


[11] This spending is labelled ‘domestic refugees’ by the OECD DAC.


34

EU aid: genuine leadership or misleading figures?
**Report signatories**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ORGANISATION</th>
<th>REPRESENTING</th>
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<tr>
<td>AUSTRIA</td>
<td>Austrian EU-Platform</td>
<td>38 NGOs</td>
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<td>AGEZ - Arbeitsgemeinschaft Entwicklungszusammenarbeit</td>
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<td>BELGIUM</td>
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