Whose Interests Does Official Development Assistance Truly Serve?

AidWatch 2024

CONCORD

European Confederation of NGOs working on sustainable development and international cooperation

ABOUT THE AIDWATCH REPORT

Since 2005, CONCORD's AidWatch reports have provided information, analysis, and recommendations on the quantity and quality of aid provided by the EU and its Member States.

Through the AidWatch initiative, CONCORD's members hold EU decision-makers to account on their Official Development Assistance (ODA) commitments, including the longstanding target of allocating 0.7% of Gross National Income (GNI) to ODA. This is achieved through advocacy, research and media activities on a wide range of aid-related issues throughout the year.

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We are the main interlocutor for European citizens and institutions on sustainable development policy and international cooperation. We are a member-led organisation, which means that our members decide the strategic direction of the Confederation.

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The headline figures for Official Development Assistance (ODA) tell an alarming story. Half a century after the deadline by which "economically advanced countries" committed that their ODA would amount to at least 0.7% of their GNI, European ODA levels continue to fall short. **In 2023, ODA from EU Member States amounted to EUR 82.4 billion, or only 0.51% of GNI.** This continues a decades-long trend of under-delivery, which we estimate means a loss of **over EUR 1.2 trillion** of ODA for partner countries since the original 1975 deadline.

However, this is only half the story. The headline figures **conceal over EUR 18.9 billion of ODA from the 27 EU Member States that did not meet the basic ODA eligibility criteria** set by the Organisation for Economic Cooperation and Development (OECD). This means that in 2023, **more than one in every five euro** of European Member States' reported ODA was not ODA at all.

This one in five figure is a low-end estimate. There are additional ODA areas for which it is highly likely that spending decisions are motivated primarily by EU Member States' short-term commercial or political self-interests and therefore that ODA eligibility criteria are not met. More transparency and monitoring is needed to determine whether EU Member States' ODA in these areas really aligns to their ODA commitments.

Nor are these problems confined to the EU Member States: we estimate that the **EU institutions, too, reported over EUR 4 billion of ODA that did not meet OECD criteria**. Moreover, the EU institutions devote an above-average share of their ODA to high-risk areas where there is a danger that short-term commercial or political interests are prioritised.

Even when ODA is non-inflated, it is not clear that allocations always align to the priorities of poverty and inequality reduction. For example, the latest available data for the EU Member States (for 2022) shows that:

- The highest amounts of ODA do not consistently flow to countries with the lowest Human Development Index scores, calling into question how far ODA is addressing inequalities between countries.
- Over two thirds of bilateral ODA was assessed as not targeting gender equality or did not report on its gender equality focus at all.
- Only 3% of bilateral ODA was reported as disability inclusive.

And while additional climate finance is urgently needed, ODA devoted to climate change mitigation and adaptation currently risks diverting ODA from other core objectives.

In addition, a lack of coherence between EU Member States' policies on ODA and wider economic justice issues risks undermining the potential benefits of ODA.

Despite these bleak findings, there are some reasons to be hopeful: recent conclusions from the Council of the European Union emphasise the importance of meeting the 0.7% ODA commitment, and the Fourth International Conference on Financing for Development in 2025 offer opportunities to reset ambitions on ODA and other economic justice issues.

Urgent action is needed if European ODA is to deliver on its longstanding promises to people experiencing poverty and inequalities.

AidWatch calls on EU Member States and the European Union to:

1. Meet longstanding commitments on ODA quantity, including by fulfilling the commitment to provide at least 0.7% of GNI and ensuring that climate finance ODA is new and additional to the 0.7% commitment.
2. Stop reporting ODA that does not qualify as ODA, such as in-donor refugee costs, imputed student costs, and debt relief on ODA loans.
3. Ensure that all ODA is driven by the interests of partner countries and their peoples, without distortion by European self-interest (e.g. through tied ODA).
4. Ensure that all decisions on where ODA is spent help maximise ODA's potential to reduce poverty and inequalities, including by allocating between 0.15% and 0.2% of GNI to LDCs[1].
5. Put the reduction of poverty and the promotion of equality (including gender equality) at the heart of all decisions on how ODA is spent, including through better programming tools covering all the diverse aspects of equality.
6. Increase climate finance for adaptation, loss and damage.
7. Provide ODA in the form of grants rather than loans, unless a comprehensive human rights-based debt sustainability assessment has confirmed that loan financing is sustainable.
8. Transfer responsibility for deciding on ODA reporting rules to a body independent of ODA provider countries, which is fully endorsed by partner countries.
9. Ensure policy coherence for sustainable development, including on tax and debt justice.

1 As per the UN's recommendation: *https://www.un.org/ldcportal/content/bilateral_oda*.

INTRODUCTION

ODA: A CRITICAL RESOURCE UNDER THREAT

European Official Development Assistance (ODA) is in a critical condition. The ODA reported by the EU and its Member States still falls far short of commitments made half a century ago. Furthermore, not all reported ODA actually meets the official criteria. Given the pressure of multiple global crises, urgent action is needed to ensure ODA delivers on its potential to reduce poverty and inequalities.

Sustainable development in jeopardy

The ongoing impacts from long-term global crises continue to overshadow economic, social, and political environments. Escalating armed conflicts have led to a massive loss of life, extreme humanitarian need, catastrophic economic destruction and widening inequalities[2]. The devastating effects of the COVID-19 pandemic on poverty, health and education outcomes have yet to be fully reversed[3]. Partner countries are now going through "the worst debt crisis the world has ever seen"[4]. Humanitarian crises disproportionally affect marginalised and at-risk communities and trigger internal displacement and external migration[5]. Food and energy security have been worsened by complex factors, including conflicts, climate change, and economic crises[6], which compound each other and have devastating effects across the globe. The latest UN report on the Sustainable Development Goals (SDGs) illustrates the scale of what is at stake. For example:

- 17% of assessable SDG targets have **regressed** compared with the baseline in 2015; a further 18% have not made forward progress[7].
- In 2023, "about 733 million people faced hunger and 2.33 billion people experienced moderate to severe food insecurity"[8].
- "More people died on migration routes in 2023 than in any other year on record. The number of refugees worldwide reached a historic high"[9].

2 See for example Türk, 2024, *Global update to the 55th session of the Human Rights Council*, section on conflict; see also Oxfam, 2024, Inequality Inc.: how corporate power divides our world and the need for a new era of public action, p.8.

3 United Nations, *The Sustainable Development Goals report 2024*, p.8,12,14,16,17

4 Fresnillo/Eurodad, 2024, *Debt justice in 2024: challenges and prospects in a full-blown debt crisis*. Further sources on some of the factors contributing to the crisis include: Shem, Jong, Kanoyangwa and others/ Afrodad, 2023, *Escalating debt burden in Africa and its human rights implications: an African civil society perspective*, pp.10-12; Civil Society Financing for Development Group, 2020, Submission to the UN Independent Expert on foreign debt and human rights report on "Debt relief, debt crisis prevention and human rights: the role of credit rating agencies", pp.1-3.

5 See for example *UN Office for the Coordination of Humanitarian Affairs, Global Humanitarian Overview 2024*, p.5; *A/HRC/42/43: Report on the human rights protection of older persons in emergency situations*, paragraphs 23-32 and 44-78; *Report of the Independent Expert on protection against violence and discrimination based on sexual orientation and gender identity, A/77/235*, Peace and security, paragraph 41.

6 United Nations, *The Sustainable Development Goals report 2024*, p.10,22.

7 Ibid., p.4, accessed 29 August 2024.

8 Ibid., p.10, accessed 29 August 2024.

9 Ibid., p.27, accessed 29 August 2024.

Critical times for ODA

According to the OECD, 'Official development assistance is government aid that promotes and specifically targets the economic development and welfare of developing countries. ODA has been the main source of financing for development aid since it was adopted by the OECD's Development Assistance Committee (DAC) as the "gold standard" of foreign aid in 1969[10]'.

ODA grants and loans are used to respond to humanitarian crises, preserve the environment, to mitigate and respond to climate change, eradicate poverty, and invest in public services and infrastructure, such as roads, electricity, internet, education, healthcare, housing, social protection, water, sanitation and more. Crucially, ODA should serve as a means to support human development, address global inequalities and help to achieve the SDGs. The SDGs were agreed by all EU Member States in 2015, and they have a duty to follow through.

Undoubtedly, ongoing global crises demonstrate why ODA is needed now more than ever, yet they also put new pressures on ODA, as recent developments in European external action show. For example, there were increases in European ODA due to the effects of the pandemic and in response to the war in Ukraine[11]. However, these increases prompted concerns about a potential diversion of ODA from other longstanding priorities[12]. Meanwhile, the increased use of European ODA for purposes linked to curbing migration have caused grave concerns[13]. As the pressures on European ODA increase, the need for clarity on how European ODA is being allocated has never been more intense and there is increasing concern as to whether such ODA even genuinely meets the OECD eligibility criteria.

The state of play: ODA under threat

In some DAC member countries there are growing anti-ODA narratives, grounded in populist, far right and nativist ideologies, which have influenced mainstream policy makers, resulting in a pattern of decline in spending[14]. **For the 27 EU Member States, reported ODA in 2023 was 0.51% of GNI[15]. This level is still far below the commitment that ODA from "economically advanced countries" should amount to at least 0.7% of their GNI – a commitment first set out in 1970[16]**. In fact, we estimate that, through EU Member States' cumulative failure to meet this commitment, partner countries have lost out on more than EUR 1.2 trillion of ODA[17].

However, there is more to ODA than the overall figures. **This report finds that over EUR 18.9 billion of ODA from the 27 EU Member States was clearly**

10 Organisation for Economic Development, *Official development assistance (ODA)*, accessed 29 July 2024.

11 CONCORD, 2021, CONCORD, AidWatch 2021: A geopolitical Commission: building partnerships or playing politics?, pp.10,12, *https://aidwatch.concordeurope.org/2021-report/*, accessed 29 August 2024; Bursting the ODA inflation bubble: AidWatch 2023, pp. 13,18, *https://aidwatch.concordeurope.org/2023-report/*, accessed 29 August 2024.

12 CONCORD, 2021, CONCORD, AidWatch 2021: *A geopolitical Commission: building partnerships or playing politics?*, p.12, accessed 29 August 2024; CONCORD, 2023, *Bursting the ODA inflation bubble: AidWatch 2023*, pp. 7,13,18, 24, accessed 29 August 2024.

13 CONCORD, *Setting the highest standards for Global Europe implementation: policy paper on EU ODA, migration and Global Europe*, pp.2-6, accessed 29 August 2024.

14 Cannon, B. *'The Far Right and Overseas Development Aid (ODA): Narratives, Policies, and Impact'*, Policy and Practice: A Development Education Review, Vol. 37, Autumn, p. 131-141.

15 Source: AidWatch analysis of OECD DAC data – see later in the report for more details.

16 OECD-DAC, *'The 0.7% GNI target – a history'*, accessed 9 August 2024; Oxfam, *50 Years of Broken Promises: the $5.7 Trillion Debt Owed to the Poorest People*, accessed 9 August 2024, p.8; *UN General Assembly, Resolution 2626, International Development Strategy for the Second United Nations Development Decade, A/8124*, 24 October 1970, para. 43.

17 Source: AidWatch analysis of OECD DAC data – see later in the report for more details.

inflated, i.e. this ODA did not meet the OECD's definition of ODA and eligibility criteria[18]. The report also highlights many ways in which current ODA allocation patterns may not be maximising the potential impact of ODA for reducing poverty and inequalities.

The need for urgent action

The picture is not entirely bleak. Recent **conclusions from the Council of the European Union** continue to emphasise the importance of meeting the 0.7% commitment[19]. In addition, the **Fourth International Conference on Financing for Development,** to be held in Spain in 2025, will be an opportunity to reach renewed consensus on the urgency of tackling longstanding ODA deficits, among other critical economic justice issues.

However, the stakes could not be higher. So long as ODA levels stagnate, ODA inflation persists and sub-optimal ODA allocations continue, European Member States' commitments to meet the SDGs, tackle climate change, address inequalities and recover from global crises will not be met and the people in partner countries will continue to suffer from their negative impacts.

THE AIDWATCH REPORT

Since 2005, CONCORD has provided information, analysis and recommendations on the quantity and quality of ODA provided by the EU and its Member States through the annual AidWatch report.

This year's report builds on the new methodology introduced in AidWatch 2023[20], and explores:

- **The extent of inflated European ODA – that is, European ODA that does not meet the OECD's own ODA definition and eligibility criteria.**
- **How far European Member States are assuming their responsibility to improve EU ODA quality.**

18 Ibid.
19 Council of the European Union, *2024 Annual Report to the European Council on EU Development Aid Targets - Council conclusions (24 June 2024), 11339/24*, paragraph 1, accessed 29 August 2024.
20 CONCORD, *Bursting the ODA inflation bubble: AidWatch 2023*, p.62, accessed 29 August 2024.

PART ONE

1. EU ODA 2019-2023: WHAT DO THE NUMBERS TELL US?

Globally, total ODA reached USD 223.7 billion in 2023, amounting to 0.37% of OECD DAC members' GNI. This represents a modest rise of ODA by 1.8% in real terms compared to 2022, but ODA as a share of GNI did not increase and remains significantly below the longstanding 0.7% target.[21]

When looking at the EU Member States, the direction of travel is worse. The total combined ODA for the 27 EU Member States for 2023 was EUR 82.45 billion which is a 7.5% decrease compared to 2022. ODA as a percentage of GNI has also decreased, from around 0.56% of GNI in 2022 to around 0.51% of GNI in 2023. The tables below give a more detailed picture.

FIGURE 1: Total reported ODA levels (EUR million in constant 2022 prices)[22]

	2019	2020	2021	2022	2023
27 EU Member States	64 405.76	69 714.36	73 845.81	89 122.41	82 448.67

The performance of each of the 27 EU Member States as well as the UK and the EU institutions is outlined in Figure 2, demonstrating the trends for each ODA provider over the last five years. Twenty EU Member States decreased ODA as a percentage of GNI in 2023.

FIGURE 2: EU Member State country-by-country breakdown of total ODA levels (EUR million in constant 2022 prices)

	2019	2020	2021	2022	2023	2023 ODA as % GNI	% change in ODA:GNI ratio since 2022
Austria	1210.769	1199.079	1304.15	1754.093	1681.728	0.38 (↓)	-3%
Belgium	2153.4	2243.818	2338.955	2522.821	2509.782	0.44 (↓)	-3%
Bulgaria	65.78348	83.67521	84.0076	220.7502	154.4634	0.19 (↓)	-31%
Croatia	72.48813	75.1567	80.8452	131.2631	134.169	0.20 (↑)	+4%
Cyprus	20.08547	14.47293	18.83191	13.01994	16.34378	0.07 (↑)	+26%
Czechia	337.3694	316.7142	350.4084	998.3476	655.641	0.24 (↓)	-36%
Denmark	2615.119	2587.911	2664.15	2631.443	2894.255	0.74 (↑)	+11%
Estonia	52.53561	53.74169	59.08832	190.8167	93.31003	0.28 (↓)	-49%
Finland	92.79202	1206.002	1282.583	1534.302	1387.806	0.52 (↓)	-9%
France	1103.903	1206.002	1282.583	1534.302	1387.806	0.50 (↓)	-11%
Germany	11699.28	12925.52	13480.81	15208.18	13533.95	0.79 (↓)	-7%
Greece	23850.08	27283.52	29581.41	33846.21	31869.65	0.14 (↓)	-18%
Hungary	357.3789	313.5233	309.7721	342.2982	284.5204	0.15 (↓)	-43%

21 CONCORD, *'ODA … missing the mark (again): Preliminary 2023 figures show EU aid keeps failing human development and equality'*, 12 April 2024.

22 The figures for 2019-2022 given in this table and throughout the report do not always match those in the AidWatch 2023 report for several reasons, mainly because the 2022 preliminary or estimated figures have now been replaced with final figures, and that the results in this year's report have been restated in constant 2022 prices.

Ireland	299.7341	399.8006	384.8908	352.5926	242.1747	0.67 (↑)	+6%
Italy	4169.107	3882.821	5291.785	6311.282	5329.915	0.27 (↓)	-18%
Latvia	36.61918	41.66192	45.34663	79.48718	124.8053	0.33 (↑)	+61%
Lithuania	76.35328	78.33808	84.98575	231.0161	162.5356	0.28 (↓)	-21%
Luxembourg	488.8509	440.0855	483.7037	503.4378	494.2925	0.99 (↓)	-1%
Malta	41.25356	52.12726	48.09117	42.92498	45.52707	0.26 (↓)	-5%
Netherlands	5229.753	5104.017	4714.368	6144.311	6334.34	0.66 (↓)	-1%
Poland	770.4463	801.1396	892.2032	3320.256	2104.862	0.34 (↓)	-37%
Portugal	399.6581	387.246	406.9516	496.4387	454.226	0.19 (↓)	-11%
Romania	255.6695	301.529	384.3495	391.1681	497.0655	0.16 (↑)	+14%
Slovakia	116.3533	136.1728	140.9497	163.2289	148.566	0.14 (↓)	-12%
Slovenia	86.54321	86.93257	104.4824	160.2184	137.9867	0.24 (↓)	-16%
Spain	2839.383	2798.575	3202.991	4060.332	3355.584	0.24 (↓)	-19%
Sweden	5129.506	5972.156	5065.821	5183.257	5291.32	0.91[23] (↑)	+2%
Total EU	**64405.76**	**69714.36**	**73845.81**	**89122.41**	**82448.67**	**0.51 (↓)**	**-9%**
UK	19,607.9	17,800.8	14,061.5	14,968.5	16,777.7	0.58 (↑)	+14%
EU institutions	14,523.1	18,345.8	16,833.0	21,399.9	23,540.3	N/A	N/A

After a peak in 2022, the decrease in total ODA from the 27 EU Member States in 2023 is a trend in stark contrast with calls from the UN to increase ODA substantially[24].

These trends in reported ODA are already alarming – but they do not tell the full story. The figures require further scrutiny to understand how far EU Member States' reported ODA genuinely conforms to the OECD's ODA eligibility criteria and, on the other hand, how far ODA was inflated in 2023.

Please see Recommendation 1 on how to 'Meet longstanding commitments on ODA quantity' at the end of the report.

23 Although this appears as an increase, the pattern is distorted by a large contribution to the Global Environment Facility, which was originally announced in 2022 but then deferred until 2023 (source: information provided by the Swedish National Platform, CONCORD Sweden).

24 *UN Secretary-General's SDG Stimulus to deliver Agenda 2030*, p.10, section on "meeting ODA commitments, providing grants where needed", accessed 8 September 2024.

2. REPORTING VS REALITY: THE PROBLEM OF INFLATED ODA

2.1 TESTING WHETHER ODA IS NON-INFLATED

The OECD sets four criteria for defining and measuring ODA.

BOX 1: the OECD's ODA eligibility criteria

1. **Be provided to countries and territories on the OECD DAC list of ODA recipients or to multilateral development institutions.**
2. **Be provided by official agencies (including state and local governments or their executive agencies).**
3. **Be concessional in character.**
4. **Have the promotion of economic development and welfare of developing countries as its main objective[25].**

Our analysis examines specific areas of reported ODA from EU countries that do not meet – or are at risk of not meeting – these core criteria. These are summarised in Figure 3, and more detail on the reasons why these areas are problematic is given later in this report.

FIGURE 3: Areas of inflated ODA linked to at-risk ODA criteria

Criterion	ODA criteria that are at risk	Associated areas of inflated ODA
1	Provided to countries and territories on the OECD DAC list of ODA recipients or to multilateral development institutions.	In-donor refugee costs; Imputed student costs.
2	Provided by official agencies.	Some PSIs may not always meet this criterion, but may instead be generated by re-invested profit from previous investments.
3	Concessional in character.	Loans, PSIs and debt relief may not always be concessional.
4	Promote the economic development and welfare of "developing countries" as the primary objective.	Some of the following areas may not always meet this criterion, as there is a higher-than-average risk that some ODA in these areas may be driven by EU Member States' economic or political self-interest: 1. Tied ODA and partially tied ODA; 2. ODA in support of the facilitation of safe, orderly, and regular migration*; 3. ODA for security system management and reform*; 4. ODA for participation in international peacekeeping operations*.

* The DAC's own reporting rules recognise that these are sensitive areas where some costs are ODA eligible but others are not, because they have other purposes[26].

25 OECD, *'Official development assistance – definition and coverage'*, accessed 31 July 2024.

26 *OECD-DAC, Statistical Reporting Directives (DCD/DAC/STAT(2023)9/FINAL)*, paragraphs 109-134, accessed 4 September 2024.

All four criteria are key to assessing whether or not ODA is non-inflated, but the criteria lend themselves to different methodological approaches. The first three criteria can be assessed quantitatively from headline ODA data. These are discussed below under the heading "The striking scale of ODA inflation". The fourth criterion requires a more qualitative approach. It is discussed later in the report, under the heading "Whose interests does ODA serve?". **While the four criteria are dealt with in different sections for pragmatic reasons linked to the methodologies used, they are all equally indispensable in forming a holistic judgement on whether ODA is inflated.**

2.2 THE STRIKING SCALE OF ODA INFLATION EXPOSED: WHO GIVES, WHERE IT GOES AND WHAT "CONCESSIONAL" MEANS

2.2.1 Overview: over one in every five euro of EU Member States' ODA is inflated

Inflating ODA undermines transparency. In contexts where the ODA budget is effectively fixed, it also risks reducing the value of ODA available for non-inflated ODA priorities.

The 2023 AidWatch Report revealed that "over one euro in every five from the reported figures [did] ... not meet the definition of ODA"[27].

Alarmingly, our analysis shows that little has changed in 2023. Once again, over one in every five euro of ODA reported by the 27 EU Member States was inflated . While the percentage of inflated ODA has decreased a little compared to last year, the change is a small one and may turn out to be smaller still once more detailed data on ODA loans becomes available (see below). Overall, the inflated ODA

FIGURE 4: **Inflated and non-inflated ODA from 27 EU Member States (EUR million in constant 2022 prices)**

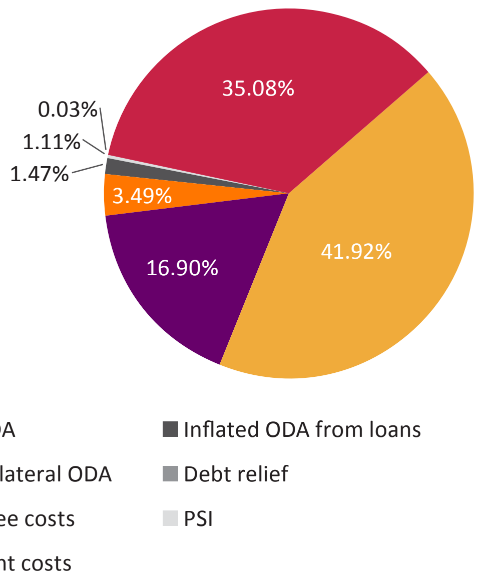
	2019	2020	2021	2022	2023
A: Reported ODA, total	**64,405.76**	**69,714.36**	**73,845.81**	**89,122.41**	**82,448.67**
Multilateral ODA	23,959.94	25,823.79	27,485.39	28,863.08	28,921.51
Bilateral ODA	40,445.82	43,890.57	46,360.42	60,259.34	53,527.16
B: Inflated ODA, total	**11281.5**	**12408.41**	**12624.39**	**21852.28**	**18962.36**
In-donor refugee costs	6,186.401	5,146.22	5,122.726	15,283.68	13,933.3
Imputed student costs	2,465.71	2,669.29	2,730.47	2,817.27	2918.65
Inflated ODA reported from loans	939.106	2468.234	2337.877	2124.452	1065.683
Debt relief	64.56	441.47	479.16	105.76	21.28
PSI	1,625.73	1,683.19	1,970.74	1,523.17	915.90
Total non-inflated ODA (A-B)	**53124.27**	**57305.95**	**61204.84**	**67268.07**	**63486.82**
Inflated ODA as a percentage of total reported ODA	**17.5%**	**17.8%**	**17.1%**	**24.5%**	**22.9%**

27 CONCORD, *Bursting the ODA inflation bubble: AidWatch 2023*, p.18, accessed 29 August 2024.

figures continue to be substantially higher for 2022-2023 than they were for the previous three years when they were already very high.

Figure 4 shows how inflated ODA levels from the 27 EU Member States have changed during the past five years. Figure 5 breaks down the different components of the 27 EU Member States' inflated ODA in 2023.

FIGURE 5: Breakdown of non-inflated and inflated ODA from 27 EU Member States in 2023[28]



Alarming levels of inflated ODA from individual EU Member States

At the level of individual Member States, further alarming results emerge. Germany, with an estimated EUR 8.6 billion, was the Member State with the highest amount of inflated ODA in 2023. For a sense of scale, this is more than 10 times the total amount of bilateral ODA that **all 27** EU Member States allocated to social protection in 2022[29].

For some EU Member States, inflated ODA makes up a very high proportion of total reported ODA. For Czechia, Ireland[30] and Malta, more than 50% of total reported ODA was inflated. In Malta the proportion was over 89%.

ODA inflation also makes it difficult to track whether EU Member States are meeting the target to devote 0.7% of their GNI to ODA. Both Germany and Denmark appeared to meet the 0.7% target in 2023, but they only achieved this because of ODA inflation. For most EU Member States that are not yet meeting the 0.7% target, ODA inflation hides the true extent of their ODA gap (Figure 13).

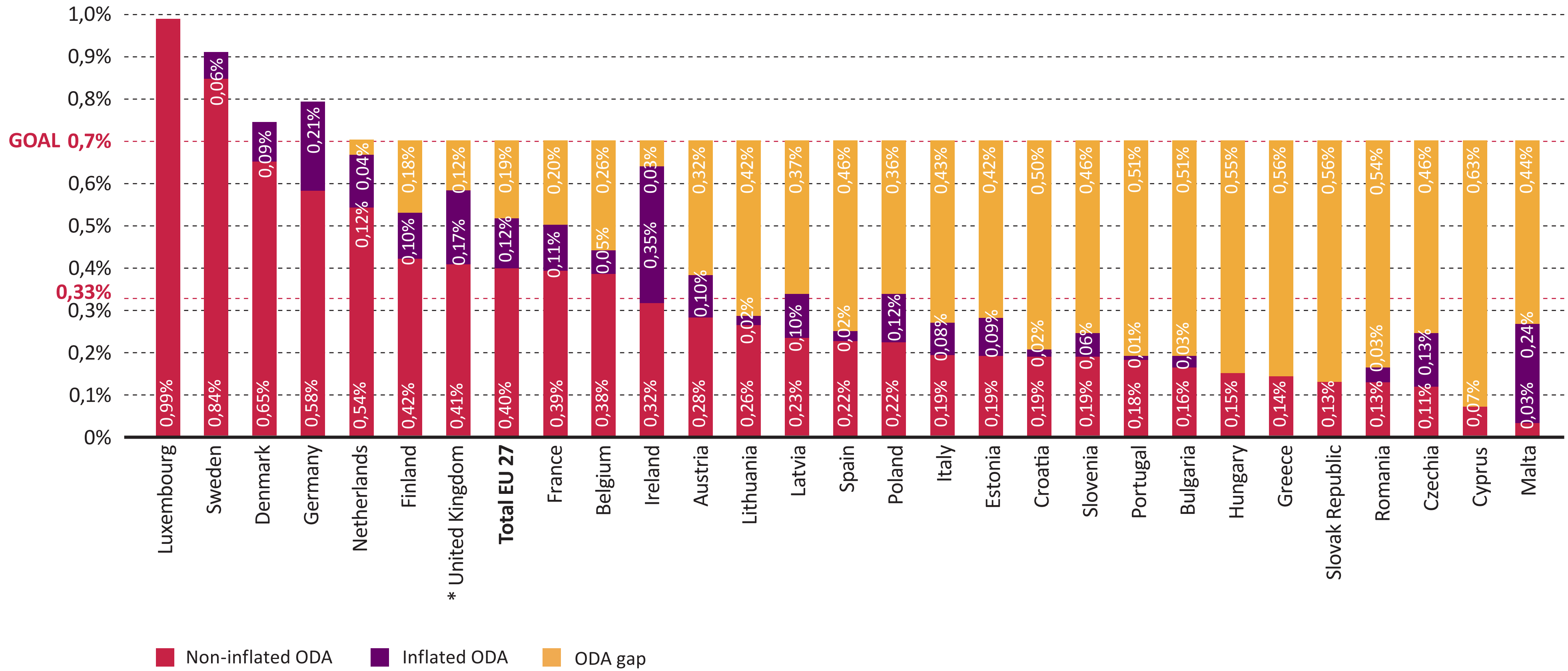
Please see Recommendations 2 and 8 on ending ODA inflation at the end of this report.

28 AidWatch's analysis of inflated ODA from the 27 EU Member States focuses on their bilateral ODA spending, because the primary purpose of AidWatch is to hold EU Member States to account and bilateral ODA is more directly under EU Member States' control than multilateral ODA. AidWatch also examines inflated ODA from the EU Institutions: this is covered in separate sub-sections at relevant points in the report. Other multilateral organisations are not covered in AidWatch.

29 2022 is the most recent year for which this level of detail is available. In this analysis, bilateral ODA includes earmarked contributions to multilateral agencies, but excludes core multilateral funding.

30 Ireland has made a commitment that in-donor refugee costs (which account for all of Ireland's inflated ODA) will be additional to the regular ODA budget rather than diverting funds from it. (source: AidWatch questionnaire submitted by the Irish National Platform, Dóchas). However, the high level of ODA inflation still makes it harder to monitor and hold the government accountable for progress towards the 0.7% target.

FIGURE 6: EU Member States and United Kingdom inflated ODA and non-inflated ODA as a percentage of GNI (2022)*



* The figure shows progress both relative to the 0.7% target (this is used to calculate the ODA gap), and relative to a lower interim 0.33% target adopted by countries that joined the EU in 2004 or after[31].

31 Source on 0.33% target: *Development Initiatives data and guides: Official Development Assistance*, October 2012, p.14.

2.2.2 Inflated ODA in detail

In Donor Refugee Costs: the pretence of generosity

WHAT'S THE PROBLEM?

In-donor refugee costs are ODA resources used to support refugees or asylum seekers within the DAC member country for the first year of receiving them. While it is important for EU governments to uphold their responsibilities to support refugees and the asylum process[32], ODA allocated to in-donor refugee costs is not spent in partner countries and does not align with the criterion of flows to countries and territories on the OECD DAC list of ODA recipients or to multilateral development institutions. As CONCORD put it in its press release on the latest ODA statistics, "Even though the costs associated to the hosting of refugees in EU MS ... are necessary and important, these costs do not contribute to the welfare of the people in EU partner countries and therefore should not be counted as ODA"[33].

WHAT ARE THE NUMBERS?

The main driver of inflated ODA is once again in-donor refugee costs. Figure 7 shows the in-donor refugee costs reported by the 27 EU Member States from 2019-2023, both in absolute terms and as a percentage of the total reported ODA. These costs reached EUR 13.9 billion in 2023. While the amount spent in 2023 has dropped slightly from 2022 figures, they are still considerably higher than pre-2022 figures and remain close to 17% across the combined 27 EU Member States.

In-donor refugee costs amounted to more than 25% of all reported ODA spending in seven EU Member States – Czechia, Estonia, Ireland, Italy, Latvia, Malta, and Poland[34]. In Malta, these costs amounted to over 89% of total reported ODA. In contrast, Luxembourg and Hungary do not report in-donor refugee costs as ODA and other EU Member States (e.g. Belgium[35]) specifically opted not to report the costs of hosting Ukrainian refugees as ODA[36]. These examples illustrate that – even though the OECD DAC rules allow the reporting of in-donor refugee costs as ODA – it is entirely possible for DAC members to take their own, more principled, stance[37].

It is both disappointing and a cause for concern that so many EU Member States continue to report in-donor refugee costs as ODA of which they now form a large part. To put the total in context, **EUR 13.9 billion is more than EU Member States' total 2022 bilateral[38] ODA allocations right across the health, education and water and sanitation sectors.**

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32 States Party to the 1951 Refugee Convention have a legal duty to ensure that people have a right to claim asylum and once granted, refugees are not returned to a country where they face serious threats to their life or freedom. They are also obliged to uphold basic minimum standards for the treatment of asylum seekers and refugees. (The full text of the 1951 Refugee Convention is available here: *https://www.unhcr.org/media/convention-and-protocol-relating-status-refugees*).

33 CONCORD, *'ODA ... missing the mark (again): Preliminary 2023 figures show EU aid keeps failing human development and equality'*, 12 April 2024.

34 In-donor refugee costs for Estonia, Ireland and Poland are additional to the regular ODA budget rather than diverting funds from it (source: AidWatch questionnaire submitted by the National Platforms, AKÜ, Dóchas and Grupa Zagranica). However, the high level of in-donor refugee costs still makes it harder to monitor and hold the government accountable for progress towards the 0.7% target.

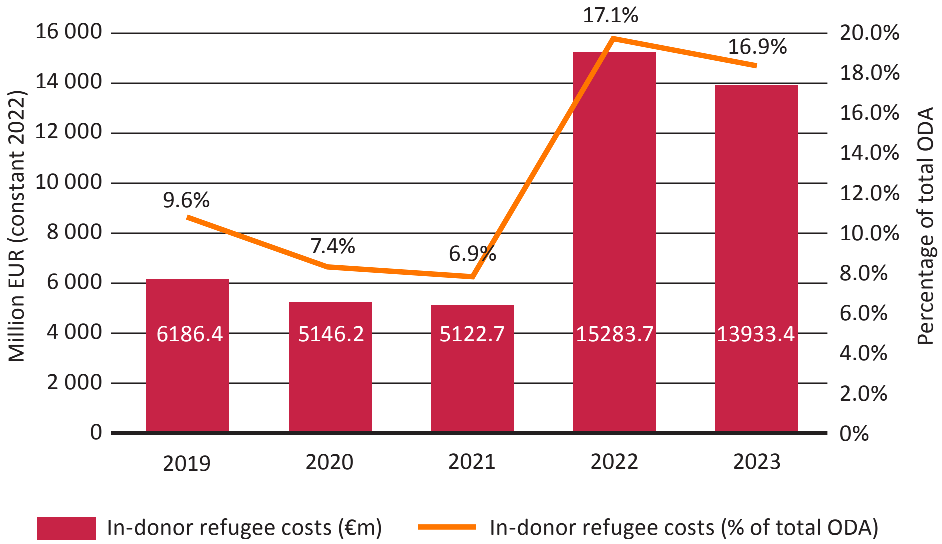
35 Except costs incurred by the Flanders government (source: AidWatch questionnaire submitted by the Belgian National Platforms, 11.11.11 and CNCD-11.11.11).

36 *DAC Working Party on Development Finance Statistics, DCD/DAC/STAT(2024)5/REV1, Members' methodologies for calculating ODA in-donor refugee costs specifically in relation to Ukrainian refugees – report on the Survey*, paragraphs 8 and 9; triangulated with National Platforms' responses to the AidWatch survey.

37 CONCORD, *Bursting the ODA inflation bubble: AidWatch 2023*, p.13, accessed 29 August 2024.

38 2022 is the most recent year for which the data are available. Bilateral ODA here includes earmarked contributions to multilateral agencies, but not core contributions.

FIGURE 7: In-donor refugee costs reported by the 27 EU Member States, 2019-2023[39]



Imputed Student Costs: over two billion more euro not leaving the EU

WHAT'S THE PROBLEM?

Imputed or indirect student costs are costs incurred by students from Low and Middle Income Countries studying at secondary and tertiary education institutions in DAC member countries. These are typically calculated as part of ODA in DAC member countries with non-fee charging higher education systems or where fees do not cover the cost of tuition. Even the OECD DAC has agreed some restrictions on what costs are eligible[40].

However, in AidWatch's view imputed student costs should not count as ODA at all. AidWatch's concern over imputed student costs is not with the idea of EU Member States welcoming students from partner countries as part of their education budgets. The problem is that these resources do not strictly comply with the definition of ODA because they are not directly provided to countries and territories on the OECD DAC list of ODA recipients or to multilateral development institutions.

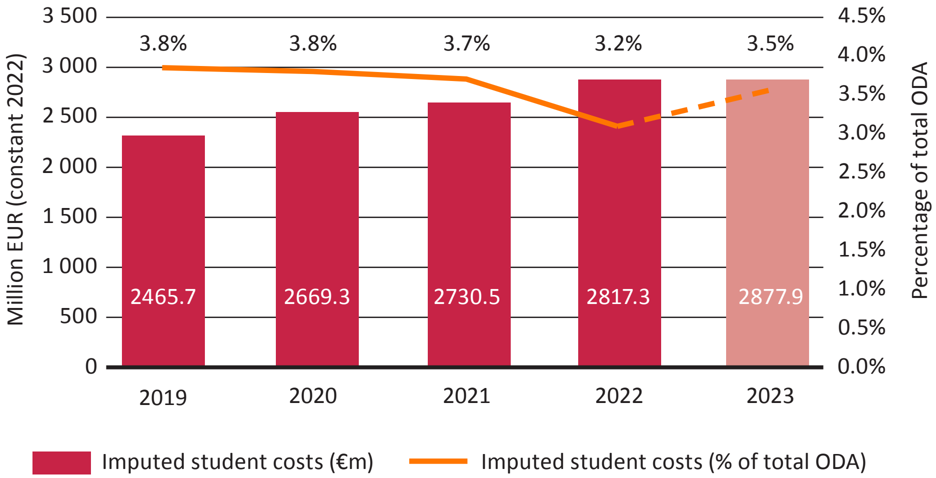
WHAT ARE THE NUMBERS?

Detailed data on imputed student costs for 2023 are not yet available, but based on previous years' results, we forecast[41] that imputed student costs for the 27 EU Member States are likely to reach around EUR 2.9 billion. The figures for imputed student costs have not changed much over the past five years. The figures are driven by a few EU Member States that persistently report relatively high levels of imputed student costs within ODA. In both 2021 and 2022 (the most recent years for which data are available) imputed student costs amounted to more than 3% of the total ODA reported by Austria, France, Germany, Poland and Slovenia.

39 The respective figure for the UK in 2023 was around EUR 4.7 billion, or around 27.9% of total ODA. In 2022 the figures were EUR 4.3 billion and 28.9%.
40 OECD, DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, paras. 94-96.
41 The forecast was done using advance data for 2023 for the few countries where this is available, and using an algorithm in Excel for the others – more details are given in the methodology annex.

To put these numbers in context, **EUR 2.8 - 2.9 billion is more than twice the total amount of bilateral ODA that EU Member States devoted to water and sanitation in 2022[42].**

FIGURE 8: Imputed student costs reported by the 27 EU Member States, 2019-2023



Note: in the absence of data on imputed student costs in 2023, a forecast has been calculated based on prior year trends

Grant Equivalent from ODA Loans: manipulating statistics, massaging the figures

WHAT'S THE PROBLEM?

In 2018, the OECD changed the way that loans were reported in ODA and adopted a grant equivalent mechanism, which focuses on the share of the loan that is considered to be concessional, based on comparing the loan terms with the DAC member's actual costs of lending. In principle, loans to government entities or to multilateral institutions can only be reported as ODA if they are concessional. The DAC specifies thresholds for precisely how concessional a loan must be to qualify as ODA. These thresholds vary depending on the status of the partner country receiving the loan. Least Developed Countries (LDCs) and Low Income Countries (LICs) must have loans with a grant element of at least 45%, whereas Lower Middle Income Countries (LMICs) must have a grant element of 15%, and for Upper Middle Income Countries (UMICs) the grant element must be 10%[43].

While the grant equivalent reporting mechanism for loans is arguably more accurate,[44] the way that the DAC calculates concessionality is problematic. The calculation used by DAC members involves comparing the actual terms of the loan with a set of assumptions on the DAC member's costs in extending the loan. Independent experts have found that these assumptions on the DAC member's costs do not reflect actual market conditions[45]. **The effect is an exaggeration of how generous the DAC member is being relative to its own costs, leading to inflated ODA.** For example, as AidWatch 2023 found, the low borrowing costs for DAC members during the period from 2019 to 2022 resulted in inflated ODA[46]. An infographic summarising this process is given in

42 2022 is the most recent year for which the data are available. Bilateral ODA here includes earmarked contributions to multilateral agencies, but not core contributions.

43 OECD, *'Official development assistance – definition and coverage'*, accessed 31 July 2024.

44 Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans,* 18 February 2022, p. 3 and Annex I; Colin/Eurodad, 2014, *A matter of high interest: assessing how loans are reported as development aid*, p.16, accessed 15 September 2024.

45 Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022, p. 3-5.

46 CONCORD, *Bursting the ODA inflation bubble: AidWatch 2023*, pp.14-15

Figure 6, and an example is given in Box 2. Moreover, as CONCORD argued in AidWatch 2023, the scope to report unduly high amounts of ODA under the current loan reporting rules incentivises DAC members to place more emphasis on loans rather than grants when providing ODA[47].

WHAT ARE THE NUMBERS?

We have recalculated the grant equivalent value of loans based on a more realistic set of assumptions about EU Member States' real costs of lending based on a methodology proposed by independent expert Steve Cutts[48]. (Full details of our methodology are given in the methodology annex at the end of this report). Using this approach, we found that the 27 EU Member States reported over EUR 2 billion of inflated ODA through loans in each of 2021 and 2022.

Detailed data on individual loans in 2023 is not yet available, so instead we have calculated a forecast based on overall trends in EU Member States' lending. The forecast uses cautious assumptions so the actual value of inflated ODA from loans in 2023 may turn out to be higher. We forecast that in 2023, inflated ODA through loans may amount to at least EUR 1 billion. While this forecast suggests that levels of inflated ODA through loans may decrease in 2023, the levels are still high in absolute terms. To set the EUR 1 billion forecast into context, this is more than twice the amount of bilateral ODA that EU Member States spent on primary education in 2022.[49]

BOX 2: How different assumptions on DAC members' lending costs affect the value of ODA reported

This box takes the hypothetical example of a EUR 1,000,000 loan extended by Germany to Tanzania, in 2022. The loan has an interest rate of 2% and the EUR 1,000,000 will be repaid in equal instalments (plus interest) once a year over a 10 year period.

If we calculate the how much of this loan is concessional using the DAC's own assumptions about how the loan compares with DAC members' costs of lending,[50] the result is around EUR **193,000.**[51]

If, on the other hand, we use a more realistic set of assumptions based on assessments by the OECD's Export Credits Group,[52] the result is only around EUR 14,000.

The effect of the DAC's unrealistic assumptions in this case is therefore to **inflate ODA by around EUR 179,000**[53]**.**

47 Ibid., p.15

48 Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022, p. 4,5,9,33.

49 2022 is the most recent year for which the data is available. Bilateral ODA includes earmarked funding channelled through multilateral organisations, but not core multilateral funding.

50 I.e. the DAC's assumptions on discount rates. These are set out in the *DAC's Statistical Reporting Directives (DCD/DAC/STAT(2023)9/FINAL)*, paragraph 58, , accessed 1 September 2024.

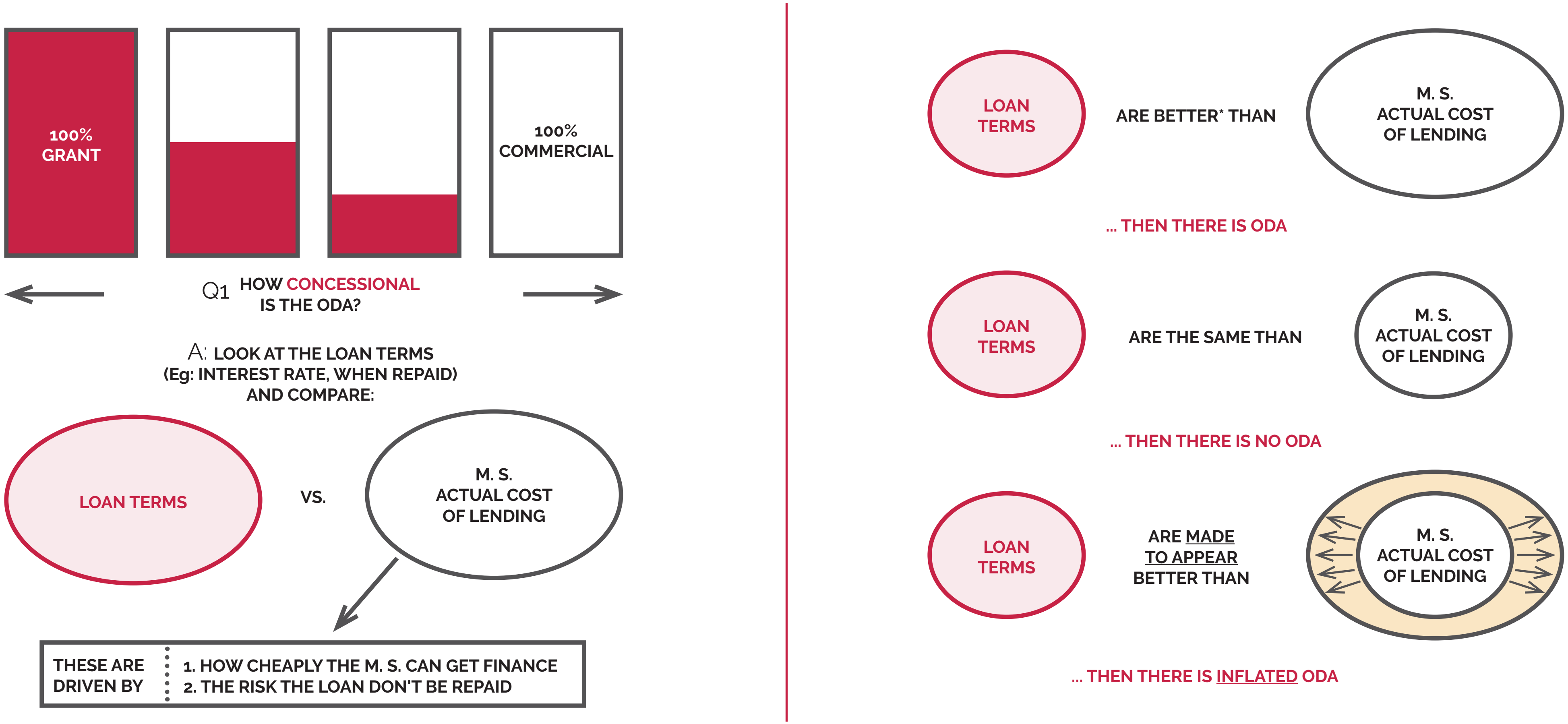
51 Calculated using the DAC's grant element calculator tool.

52 This follows a methodology based on Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022, pp.4,8,9. This paper argues that the Export Credit Group's assumptions – while not necessarily perfect – are a much better proxy for the costs of lending than those used by the DAC. For full details of the methodology used for the calculations in box 2, see the methodology annex at the end of this report.

53 Furthermore, this calculation does not allow for the fact that the DAC sets thresholds for how concessional a loan must be before it can be counted as ODA at all. In the case of Lower Middle Income Countries such as Tanzania, the DAC requires that 15% of the loan's face value should be concessional in order for ODA to be scored. Yet we estimate that just EUR 14,000 is concessional – i.e. only 1.4% of the face value of the loan, far below the DAC's threshold. Thus, if realistic assumptions were used to calculate the concessionality of this loan, it would not be eligible to be reported as ODA at all.

FIGURE 9: How the grant equivalent rules can lead to ODA inflation[54]

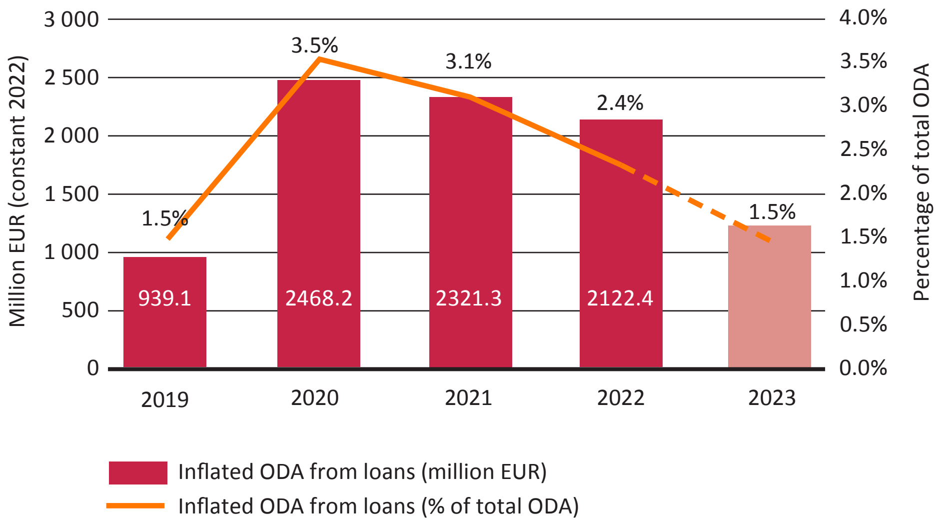
Notes: "M.S." stands for Member States.



*: there is some nuance to this as the DAC sets thresholds for **how** much better the terms must be, before ODA can be reported.

54 The information in the figure draws from Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022, p. 3, Section III.

FIGURE 10: Inflated ODA reported from loans in the 27 EU Member States, 2019-2023



Debt Relief: essential, but not ODA

WHAT'S THE PROBLEM?

As discussed later in this report, we are currently in the "the worst debt crisis the world has ever seen"[55], and action by EU Member States is vital and overdue. One aspect of such action must be debt relief[56].

However, while debt relief is essential, it is not ODA. There are two reasons why AidWatch excludes debt relief from non-inflated ODA:

- If the debt relates to a loan that was already reported as ODA, then the debt relief is inflated ODA on the grounds of not meeting the concessionality criterion, as ODA reporting rules under the grant equivalent system require the concessional part of a loan to be reported upfront, i.e. when the finance is first transferred[57]. The risk of a loan not being repaid is already factored into this calculation when the loan is first reported, as illustrated in Figure 6 above. Reporting extra ODA in the event that debt relief does occur results in double counting[58].

- If the debt relief is for a loan that was not originally reported as ODA, then the inflation is due to the fact that the original loan did not meet the ODA criteria, and thus is not ODA. For example, debt relief is sometimes reported on export credit loans, i.e. loans provided by official agencies in DAC member countries that are tasked with providing finance to support exports from their home

55 Quote from Fresnillo/Eurodad, 2024, *Debt justice in 2024: challenges and prospects in a full-blown debt crisis*. Further sources on some of the factors contributing to the crisis include: Shem, Jong, Kanoyangwa and others/Afrodad, 2023, *Escalating debt burden in Africa and its human rights implications: an African civil society perspective*, pp.10-12; Civil Society Financing for Development Group, 2020, Submission to the UN Independent Expert on foreign debt and human rights report on "Debt relief, debt crisis prevention and human rights: the role of credit rating agencies", pp.1-3.

56 Debt relief comprises a range of approaches to reduce the burden of debt, such as cancelling debts, rescheduling debts and pausing debt repayments (see for example *UK House of Commons International Development Committee, Seventh Report of Session 2022–23, Debt relief in low-income countries, Defining debt relief*).

57 It is true that the debt relief on a given loan may be higher than the value of ODA that was originally reported on that loan. This is because only a share of the loan value is reported upfront as ODA, but the full loan value may be cancelled through debt relief. However, this is offset by the fact that there are many other ODA loans on which debt relief is zero. (See Cutts, 2022, *Credit where credit's due: the need to address flaws in the calculation of ODA in loans*, p.23).

58 Craviotto, N. 'Debt Relief and ODA', *https://realityofaid.org/reality-check/blogs/debt-relief-and-oda/#:~:text=In%20July%202020%2C%20the%20OECD,to%20only%20exacerbate%20this%20crisis*, accessed 6 August 2024.

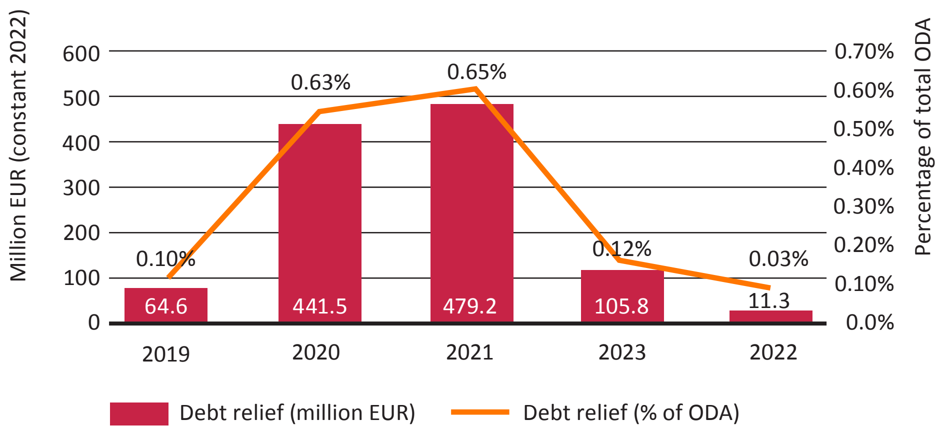
countries[59]. These loans are not initially reported as ODA because their main objective is to promote the commercial interests of DAC member countries and not to "promote the economic development and welfare of developing countries". In AidWatch's view, debts linked to loans that do not meet the ODA criteria should not be counted as ODA.[60]

The fact that the OECD DAC allows debt relief to be reported as ODA skews the motivations for debt relief and encourages the allocation of loans over grants[61]. As Eurodad has argued, debt relief is crucial, but it should be driven by the economic circumstances of a partner country rather than benefits to DAC member countries in their ODA reporting[62].

WHAT ARE THE NUMBERS?

The 27 EU Member States reported EUR 21.28 million of inflated ODA through debt relief in 2023. In 2023, six EU Member States reported debt relief within ODA: these were Austria[63], Denmark, Estonia, Italy, Spain and Sweden. While the total amount of ODA for debt relief may seem low at 0.03% of total reported ODA, it is still a high value when compared to other categories of non-inflated ODA spending. For example, this is more than the total amount of ODA that EU Member States spent on early childhood education in 2022. Moreover, although the value of reported debt relief was relatively low in 2023, debt relief can fluctuate substantially from year to year, as Figure 11 shows. There remains a substantial risk that levels of ODA inflation due to debt relief could increase again in future years, and CONCORD will continue to monitor this issue.

FIGURE 11: Inflated ODA reported from debt relief in the 27 EU Member States, 2019-2023



59 For background on the role of Export Credit Agencies, see for example Brynildsen/Eurodad, 2011, *Exporting goods or exporting debts? Export Credit Agencies and the roots of developing country debt*, p.7.

60 For more on this argument, see Cutts, 2022, *Credit where credit's due: the need to address flaws in the calculation of ODA in loans*, "Flaw 5" on pp.10-11.

61 Craviotto, N. *'Debt Relief and ODA'*, accessed 6 August 2024.

62 Ibid.

63 Austria has made a commitment that debt relief will be additional to the regular ODA budget rather than diverting funds from it (source: AidWatch questionnaire submitted by the Austrian National Platform, Global Responsibility). Still, all ODA inflation makes it harder to monitor and hold the government accountable for progress towards the 0.7% target.

Private Sector Instruments (PSIs): when DAC members rip up their own ODA rule book

WHAT'S THE PROBLEM?

When managed and regulated well, the private sector has many important roles to play, such as creating jobs and paying taxes[64]. Sustainable and inclusive businesses, such as social economy entities and cooperatives, which are locally owned and managed and which focus on generating positive social and environmental impacts, can help to strengthen local communities, tackle climate change and lift people out of poverty[65].

PSIs are arrangements through which ODA providers direct finance to private sector actors operating in partner countries (Box 3)[66].

New rules were introduced for the ODA reporting of PSIs which took effect in 2023[67]. DAC members are encouraged to use the new rules in a transition period from 2023-2024 but may also opt for some parts of the old provisional rules that had been in place since 2018[68]. Under both the new and provisional rules, DAC members may report ODA individually on each eligible PSI or report a lump sum of ODA upfront when funds are transferred to intermediary institutions.

BOX 3: How PSIs work

PSIs can be distributed as direct investment by the ODA provider or through intermediary institutions – commonly a development finance institution (a government-controlled institution that invests in private sector projects in countries in the Global South).[69] Examples of European development finance institutions include OeEB (the Austrian Development Bank), Proparco (France), DEG (Germany) and Swedfund (Sweden).[70]

The new PSI reporting rules cover a wide range of types of financing and financial commitments, such as extending loans, investing in equity (e.g. buying shares) and providing guarantees to financiers who invest in companies operating in partner countries to insure these financiers against certain risks.[71] The new rules also bring new types of PSIs into ODA reporting, that were not previously eligible for ODA reporting, such as 'mezzanine' finance – a hybrid form of finance that combines some characteristics of loans and equity[72].

The details of the reporting rules depend on the specific type of PSI. Regardless of the type of PSI, the new rules introduce methods for calculating the grant

64 See for example Marc J. Cohen, Claire Godfrey, Hilary Jeune & Shannon Kindornay (2021): "Flash blending" development finance: how to make aid donor-private sector partnerships help meet the SDGs, Development in Practice, DOI: 10.1080/09614524.2021.1911948, p.2.

65 CONCORD Europe, 2020, *Mind our business: amplify the transformative power of sustainable and inclusive business models through EU external action*, p.10-13,. The role of the social economy was recognised in a UN resolution (A/77/L.60) in 2023: *https://www.socialeconomy.eu.org/wp-content/uploads/2023/04/N2308672.pdf*.

66 Definition derived from Caio and Craviotto, 2021, *Time for action: how private sector instruments are undermining aid budgets*, p.8.

67 Full details of the reporting rules are available in the following documents: OECD-DAC, *'Private Sector Instruments – Batch 1 Topics, DCD/DAC(2023)22*, 23 March 2023; OECD-DAC, *'Private Sector Instruments – Batch 2 Topics', DCD/DAC(2023)33/FINAL*, 2 November 2023; OECD-DAC, *'Private Sector Instruments – Batch 3 Topics', DCD/DAC(2023)48/FINAL*, 2 November 2023.

68 OECD-DAC, *'Private Sector Instruments – Batch 1 Topics, DCD/DAC(2023)22*, 23 March 2023, p.15-16, 23; *Private Sector Instruments – Batch 2 Topics', DCD/DAC(2023)33/FINAL*, 2 November 2023, p. 12, 26. The exact phase-out dates for the old rules depend on the type of PSI.

69 Definitions derived from Caio and Craviotto, 2021, *Time for action: how private sector instruments are undermining aid budgets*, p.8,and Romero and Van de Poel, 2014, *Private finance for development unravelled*, p.8.

70 For more examples of European development finance institutions, refer to the *EDFI website*.

71 OECD-DAC, '*Private Sector Instruments – Batch 1 Topics, DCD/DAC(2023)22*, , 23 March 2023; OECD-DAC, *'Private Sector Instruments – Batch 2 Topics', DCD/DAC(2023)33/FINAL*, 2 November 2023; OECD-DAC, *'Private Sector Instruments – Batch 3 Topics', DCD/DAC(2023)48/FINAL*, 2 November 2023.

72 OECD-DAC, '*Private Sector Instruments – Batch 2 Topics', DCD/DAC(2023)33/FINAL*. For the definition of mezzanine finance, see p.21.

equivalent of each PSI based on its financial terms and on assumptions about the way the market would assess risk on such instruments.

There are three ways in which PSIs reported as ODA do not meet the criteria on concessionality and on being provided by official agencies:

1. **The grant equivalent calculation may overstate the concessionality** - The DAC itself has stated that PSIs intrinsically work on commercial principles and are non-concessional in nature[73]. Despite this, the new rules allow for the calculation of the grant equivalent of PSIs. However, this calculation uses a methodology which independent statisticians have found may overstate PSIs' concessionality[74].

2. **Lack of transparency affecting concessionality** - The level of transparency around PSIs is particularly low. Under the new rules, key data on PSI transactions is not made public, e.g. the interest rate on PSI loans or the annual return on equity investments[75]. This makes it impossible to conduct an independent assessment of how far individual PSIs are actually concessional.

3. **Not always from official agencies** - While the ODA definition requires that it should be "provided by official agencies, including state and local governments, or by their executive agencies"[76], PSIs may not always meet this criterion. The development finance institutions that often provide PSIs are generally set up to work on a self-financing basis, after the initial capital investment has been made. Where these institutions make profits on their investments, these profits are typically invested in new PSIs, which – depending on the details of the reporting approach chosen – may themselves be reported as fresh ODA. In these instances, the ODA is not directly provided by official agencies, but rather by profits earned from investees. In essence, "a growing share of future ODA is going to be financed by developing countries themselves"[77].

In addition to these concerns about misalignment of PSIs with the ODA criteria which leads quantitatively to inflated ODA, there are wider concerns about PSIs affecting the quality of ODA. Firstly, PSIs may divert ODA away from activities that have a greater impact on the reduction of poverty and inequality[78]. In 2021, CONCORD found that the growing use of PSIs 'risks limiting funds to LDCs in spite of increasing ODA budgets at EU level. Blending operations [a practice closely linked to PSIs] should not divert more aid away from LDCs governments, local Civil Society Organisations (CSOs) and the communities that need it most.'[79]. Secondly, PSIs may be associated with the highly controversial increasing privatisation of essential public services, which can increase inequalities and

73 OECD-DAC, '*DAC High Level Meeting Communique*', , 19 February 2016, p. 6; Scott, S. '*Abolishing Concessionality*', May 2023, p. 1-2. In the 2016 High Level Meeting Communiqué and elsewhere, the DAC argues that in the case of PSIs, the concessionality criterion can be replaced by a different criterion – additionality (whether there are benefits to the partner country that would not otherwise have occurred). However, in AidWatch's view, concessionality is a fundamental part of the ODA definition, and while it is certainly important for PSIs to be additional, this does not make them ODA. (See also Reigler, H. and Scott, S. '*PSI Vehicles as ODA Generators*', 9 July 2023, item 5).

74 Reigler, H. '*Stretching ODA by "Extending" Equity Investment*', , May 2023; Reigler, H. and Scott, S. '*PSI Vehicles as ODA Generators*', 9 July 2023.

75 OECD-DAC, '*Private Sector Instruments – Batch 1 Topics, DCD/DAC(2023)22*, 23 March 2023, p. 12 & 21; OECD-DAC, '*Private Sector Instruments – Batch 2 Topics', DCD/DAC(2023)33/FINAL*, 2 November 2023, p. 10.

76 OECD, "*Official development assistance – definition and coverage*".

77 Reigler, H. '*Stretching ODA by "Extending" Equity Investment*', May 2023, p. 5-6.

78 Meeks, P., Gouett, M., and Attridge, S. *Mobilising Private Development Finance: Implications for Overall Aid Allocations*, January 2020.

79 Schneider and Roba/CONCORD, 2021, *A call to safeguard public services and sustainable businesses in Least Developed Countries: policy paper on EU blended finance in LDCs*, p.4.

limit access to essential public services such as healthcare[80]. **Finally, PSIs may fail to mobilise additional finance to fill gaps in development financing, as these claims are often overly optimistic[81].**

WHAT ARE THE NUMBERS?

In 2023, EU Member States reported a total of EUR 915.9 million ODA through PSIs. This amounts to around 1.11% of total ODA (Figure 12).

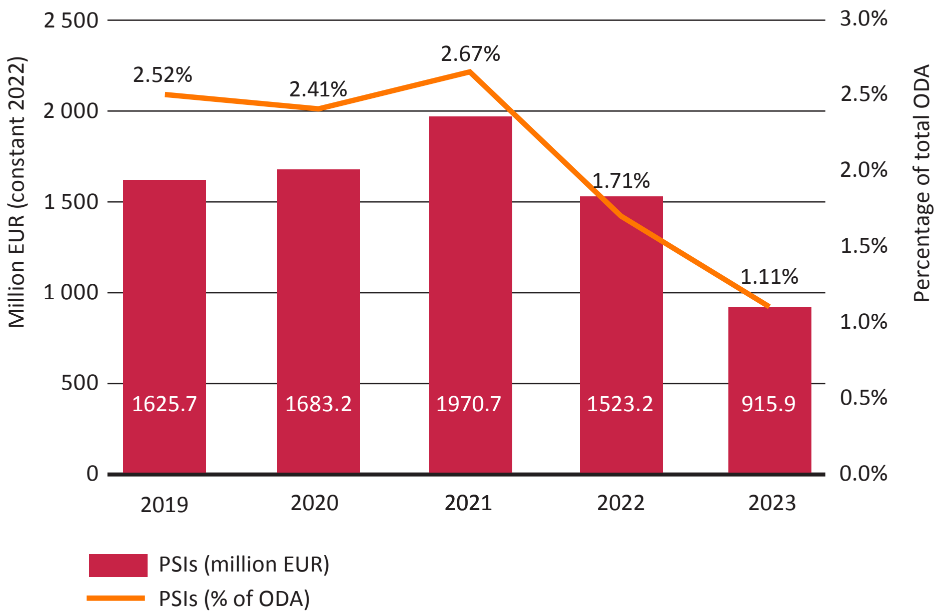
While this represents a decrease relative to 2021 and 2022, recent policy developments suggest there is a strong chance the level will increase in future.

For example:

- Governments in several Member States are reported to be planning increases in their PSI programmes in coming years (e.g. Czechia, Denmark, Sweden).
- Global Gateway – the EU's strategy to increase investment in infrastructure and services in partner countries – places a strong emphasis on the role of blended finance, an approach to using public funds to encourage private investment, often implemented through PSIs[82].

Moreover, even after the decrease in 2023, the level of PSI ODA in 2023 was still very substantial. To put it in context, EUR 915.9 million is more than the total amount of bilateral ODA that EU Member States devoted to population services/reproductive healthcare in 2022[83].

FIGURE 12: Inflated ODA reported from PSIs in the 27 EU Member States, 2019-2023



80 See for example Hunter and Marriott, Development Finance Institutions: the (in)coherence of their investments in private healthcare companies, p.33,34,35,39, in Tomlinson and Palomares eds., *The changing faces of development aid and cooperation: the Reality of Aid 2018 report https://www.realityofaid.org/wp-content/uploads/2018/12/Full-Version-RoA-Report-2018-min.pdf*. The EU's private sector-focused Global Gateway initiative has raised fresh concern about the potential privatisation of public services, since it mentions health and education as focal areas, without any explanation of how privatisation will be avoided. (Source: *Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, The Global Gateway, JOIN(2021) 30 final*.

81 Attridge, S. and Engen, L. *Blended finance in the poorest countries: The need for a better approach*, section 5.2.2, April 2019.

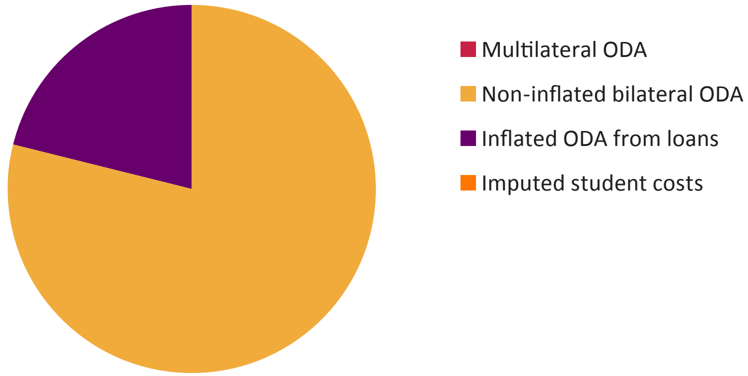
82 See for example Sial and Sol/Eurodad and Counterbalance, 2022, *The emperor's new clothes: what's new about the EU's Global Gateway?*, p.13, accessed 4 September 2024. While Global Gateway is a European Union initiative, it is envisaged that Member States may contribute directly through their own budgets too (source: Sial and Sol, p.13 as above). A more detailed explanation of the link between PSIs and blending can be found in Caio and Craviotto, 2021, *Time for action: how private sector instruments are undermining aid budgets*, p.8.

83 2022 is the most recent year for which the data are available. Bilateral ODA here includes earmarked contributions to multilateral agencies, but not core contributions.

ODA from EU Institutions: additional inflation unveiled

We estimate that in 2023 the EU institutions[84] reported around EUR 4.9 billion of inflated ODA – ODA that does not qualify as ODA. This amounts to around 20% of the EU institutions' total ODA. The main element of EU institutions' inflated ODA is from loans (Figure 13 below). Because detailed data on loans in 2023 is not yet available, an estimate has been made based on the data for 2022 (more details are in the methodology annex), and the detailed numbers should be treated with caution. Still, these results give an indication of just how far the DAC's current loan reporting rules may be distorting the ODA results. **To put the EUR 4.9 billion figure in context, this is over three times the EU institutions' total ODA for all forms of healthcare in 2022.**[85]

FIGURE 13: Non-inflated and inflated ODA from the EU institutions



84 In 2022 (the most recent year for which data are available), ODA from the EU institutions comprised ODA through the following agencies and funding mechanisms: the European Commission; the European Development Fund; the European Development Bank; and macro-financial assistance, which is a form of large-scale, long-term finance provided to governments experiencing certain types of economic crises.

85 2022 is the most recent year for which data is available. The analysis of healthcare spending excludes core contributions to multilateral agencies.

3. WHOSE INTERESTS DOES ODA TRULY SERVE?

Is there a risk of self-interest? Assessing ODA against the DAC's fourth criterion

The fourth of the OECD's core criteria to define ODA is that resource flows must have the promotion of "economic development and welfare of developing countries" as their main objective. In other words, ODA spending must be led by the needs and priorities of partner countries rather than the self-interests of DAC member countries. If reported ODA spending is motivated primarily by DAC members' own self-interests, then such spending should be treated as inflated ODA.

This criterion is much harder to assess quantitatively from top-line data since it is difficult to form a view on the 'main objective' of ODA spending without detailed research at the project level[86]. Because of this complexity, we are unable to fully quantify how much EU ODA was inflated through failure to meet this criterion. Instead of trying to quantify such inflated ODA, we are instead introducing a new approach in this year's AidWatch report which combines quantitative data and selected qualitative analysis.

We have identified some at-risk areas of EU ODA where we consider there to be a higher-than-average[87] likelihood of projects that were primarily motivated by EU Member States' self-interest as the main driver rather than the priorities of partner countries and their peoples. Three areas of ODA that we have identified as at-risk of not meeting the fourth criterion are the following:

1. Tied ODA and partially tied ODA.
2. ODA for the 'facilitation of orderly, safe, regular, and responsible migration and mobility'.
3. ODA for 'security system management and reform' and 'participation in international peacekeeping operations'.

This does not mean that projects focused on these areas are solely or definitively driven by self-interest. However, the DAC's own reporting rules recognise that these are sensitive areas where some costs are ODA eligible but others are not[88]. Past research undertaken by CONCORD, its members and allies shows that there is some cause for concern that the fourth ODA criterion may not always be observed with equal rigour in these areas.

More project level research is needed to explore these at-risk areas to examine the extent to which EU Member States' self-interest takes precedence over the interests of partner countries and their peoples.

86 An added complexity is that it would not be impossible, in some circumstances, for projects to serve both partner countries' priorities and EU Member States' self-interest, especially if EU Member States' self-interest is defined in a broad way that encompasses dimensions such as global progress towards the SDGs. (However, the idea that DAC member and partner country priorities can routinely be aligned without the need for trade-offs is often exaggerated, as for example the Civil Society Partnership for Development Effectiveness has argued in a 2019 policy paper, "Everyone a winner? How the notion of 'mutual benefit' has infiltrated established norms on Official Development Assistance, and why we should be worried"). In cases where projects appear to serve mutual interests, additional research on EU Member States' wider ODA policy environments – for example, the overall framework for making ODA allocation decisions, the approach to promoting ownership by partner countries and their peoples – might be needed to help untangle the real driving motivation behind given items of ODA spending.

87 There is no exact science to identifying where EU Member States' projects are most likely to be motivated primarily by the Member States' short-term self-interests, and this section is not exhaustive. However, the areas that we cover in this section have been explicitly identified as having self-interest risks, through detailed research by CONCORD, its members or its allies. On this basis, AidWatch considers these areas to be at higher risk of having self-interested ODA projects than the rest of ODA as a whole.

88 OECD-DAC, *Statistical Reporting Directives (DCD/DAC/STAT(2023)9/FINAL)*, paragraphs 109-134, accessed 4 September 2024.

Data notes

Analysis on the fourth criterion is given on the basis of commitments instead on the basis of grant equivalents[89] (due to consistency with the DAC's own methodology for monitoring tied ODA). This means the figures on inflated ODA cannot be compared directly with the figures in the analysis that follows.

To avoid double counting, **all the totals in this section were calculated after the different types of unquestionably inflated ODA (in-donor refugee costs, imputed student costs, debt relief, PSIs[90]) had already been removed from the data**.

3.1 OVERVIEW: RISING RISKS AND A NEED FOR MORE ANSWERS

These findings on the assessment of ODA that does not promote the "economic development and welfare" of partner countries as the primary objective cover EUR 5.2 billion, an estimated 7.2% of total bilateral ODA from EU Member States in 2022. This portion of ODA is being allocated to areas where there may be a higher-than-average risk of self-interested ODA spending and where further research is needed to determine the full extent of ODA inflation under this criterion.

3.2 SELF-INTEREST RISKS IN DETAIL

Tied ODA: EU Member States using ODA for commercial advantage

WHAT'S THE RISK?

Tied ODA is provided on the condition that the ODA is used to procure goods and/or services from the DAC member country's domestic suppliers. Tied ODA is largely self-interested since it seeks to promote the economic interests of DAC member countries. It also potentially leads to a loss of autonomy over procurement processes by partner countries, increased risk of higher costs, less appropriate goods and/or services, and missed opportunities to develop national or regional supplier markets[91]. In short, when EU Member States tie their ODA, this means they are abusing their power for real or perceived commercial advantage – an approach that seems completely at odds with the European Consensus on Development's emphasis on "country ownership, partnership and dialogue, in order to contribute to greater effectiveness"92.

A variation on tied ODA is partially tied ODA - ODA provided on condition that goods and/or services are procured 'from a restricted number of countries which must include substantially all developing countries and can include the donor country'[93]. Although partially tied ODA is not as clear cut of an example of self-interest, it still carries considerable risk. In practice, the restricted number of countries covered by partially tied ODA tends to include the ODA provider country, putting the suppliers of the country providing the ODA at an advantage compared with how they would fare in open competition[94]. While

89 Or disbursements where grant equivalents are not available.

90 No adjustment is needed for the overstated grant equivalent from ODA loans, as this only applies when using data on a grant equivalent basis

91 Meeks, P. *'Unravelling Tied Aid: Why aid must never be tied to donor country companies at the expense of women and men living in poverty'*, accessed 7 August, Section 2.

92 *European Consensus on Development (2017)*, paragraph 84, accessed 4 September 2024.

93 OECD-DAC, *'2022 Report on the Implementation of the DAC Recommendation on Untying Official Development Assistance'*, DCD/DAC)2022)34/FINAL, 5 September 2022, p. 7.

94 Ibid.

partner countries' suppliers may not be fully excluded, it still potentially leads to reduced autonomy of partner countries and diminished opportunities to compare goods and/or services on the market.

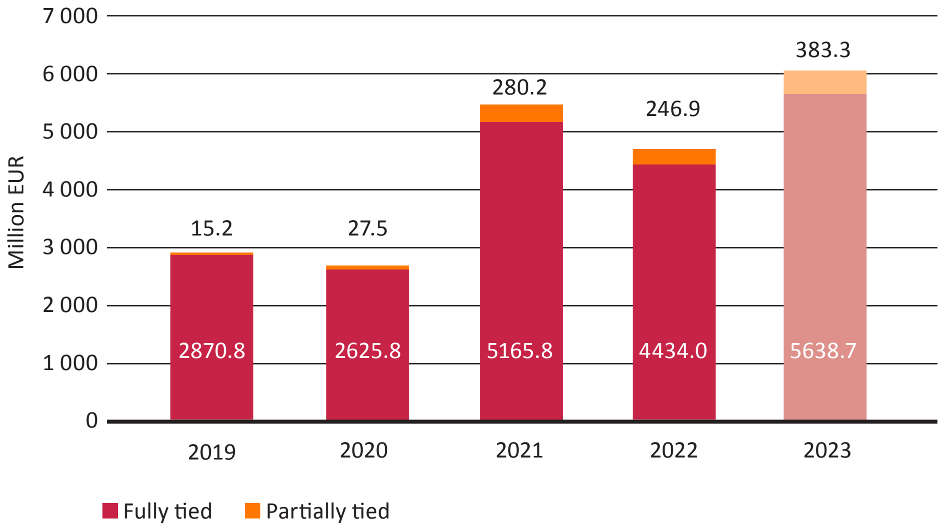
WHAT DOES THE HEADLINE DATA SAY?

In 2022, the 27 EU Member States reported over EUR 4.4 billion as tied ODA, which amounts to 6.5% of the total reported ODA for the EU Member States in that year. In addition, the 27 EU Member States reported EUR 247 million as partially tied ODA. This brings the total of all forms of tied ODA (fully tied and partially tied) to EUR 4.7 billion.

The patterns across the four year period from 2019 to 2022 reveal that reported levels of tied ODA and partially tied ODA were almost twice as high in the latter two years. If this trend continues, levels in 2023 are likely to be higher still (Figure 14).

Moreover, the true scale of tied ODA is likely to be even greater than these estimates because ODA may still be 'informally' tied through barriers that make it harder for suppliers outside the EU Member State country to compete for contracts, and some EU Member States award a very high percentage of ODA contracts to companies in their own countries[95].

FIGURE 14: **27 EU Member States' fully tied and partially ODA, 2019-2023 (EUR million in constant 2022 prices)**



Recent policy developments do not inspire confidence that EU Member States and other DAC members are committed to reducing tied ODA in future years. Concerns have already been raised that the Global Gateway could lead to more tied ODA[96]. Meanwhile, the OECD DAC is currently reviewing its recommendation on untying ODA. While the OECD says that the review aims to strengthen standards, it is also asking how current standards can respond to "the rise of major providers that do not necessarily pursue the untying of aid"[97]. There may be a danger that some DAC members exploit the review as a chance to press for the current tied ODA standards to be relaxed, in a drive to compete with these other "major providers".

95 Eurodad, *'Strings still attached: Unmet commitments on tied aid'*, November 2021, p. 7-8.
96 See for example Sial and Sol/Eurodad and Counterbalance, 2022, *The emperor's new clothes: what's new about the EU's Global Gateway?*, p.13, , accessed 4 September 2024.
97 OECD web archive, *'Untied aid'*, , accessed 4 September 2024

ODA for the 'Facilitation of Orderly, Safe, Regular, and Responsible Migration and Mobility'

WHAT'S THE RISK?

The DAC's definition of this area of ODA encompasses a wide range of migration-related activities in partner countries, e.g. support to ensure the right to asylum, access to justice for displaced persons, improvements to migrant labour recruitment systems, programmes to enhance the impact of remittances, measures to curb irregular migration, measures to tackle human smuggling and trafficking, and support for voluntary returns and reintegration to migrants' countries of origin[98]. This wide range of potential activities encompasses many projects that genuinely benefit the economic development and welfare of partner countries and uphold the rights of refugees and migrants originating in those countries. CONCORD members know firsthand, from their own work to support refugees and migrants, the benefits that some such projects can have. However, **some EU Member States' projects in these areas may also be driven primarily by self-interest.**

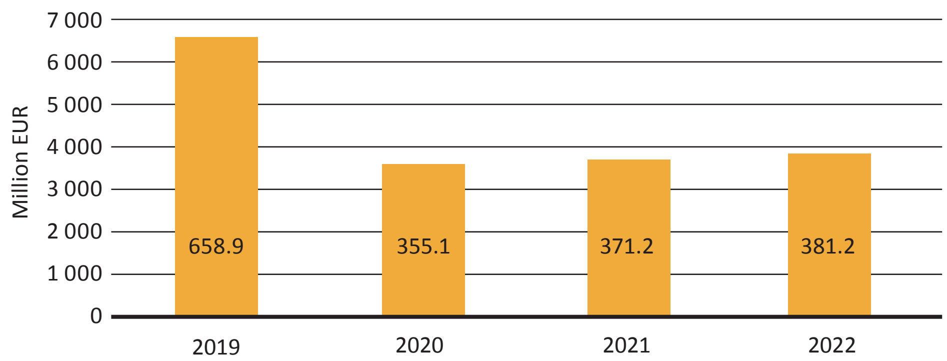
DAC guidance explicitly states that 'activities that pursue first and foremost providers' interest are excluded from ODA'[99]. Yet research by CONCORD and its members has highlighted the risk that ODA funds may sometimes be used for migration-related activities that do primarily seek to serve providers' interests. Such research has also identified instances where migration-related ODA has been used for activities that are actually harmful[100]. More research is needed to quantify how much EU ODA in this area was driven by EU Member States' self-interests in 2022 and how much was harmful. This AidWatch report provides a quantitative indication of the scale of spending where further research is needed to determine the amount of inflation.

WHAT DOES THE HEADLINE DATA SAY?

In 2022, the 27 EU Member States reported EUR 381 million as ODA for the 'facilitation of orderly, safe, regular, and responsible migration and mobility', which amounts to 0.5% of the total reported bilateral ODA for EU Member States. For some countries, the percentages are considerably higher, e.g. Denmark (1.5%), Italy (2.4%), Malta (1.1%) and the Netherlands (2%).

Full data for 2023 is not yet available, especially for the EU Member States that reported the most ODA for the 'facilitation of orderly, safe, regular, and responsible migration and mobility in 2022 – so it is too early to predict what the results for 2023 will be. However, in a small number of Member States, CONCORD's National Platforms were able to share some initial 2023 data, and in several of these Member States this **suggests a substantial increase in ODA for the purpose of 'facilitation of orderly, safe, regular, and responsible migration and mobility' in 2023.**

FIGURE 15: 27 EU Member States' ODA for the facilitation of safe, regular and responsible migration and mobility, 2019-2022 (EUR million in constant 2022 prices)



98 OECD-DAC, *'DAC and CRS code lists'*, accessed 7 August 2024.

99 OECD-DAC, *'DAC and CRS code lists'*, accessed 7 August 2024; OECD-DAC, *'Clarifying the ODA eligibility of migration-related activities', DCD/DAC(2022)53/FINAL*, 21 December 2022.

100 See, for example, CONCORD, *'Setting the highest standards of Global Europe implementation'*, 6 May 2021, p.4; Oxfam International, *'From Development to Deterrence? Migration spending under the EU Neighbourhood Development and International Cooperation Instrument (NDICI)'*, September 2023, p. 21, 34, and 44-45.

ODA for 'Security System Management and Reform' and 'Participation in International Peacekeeping Operations'

WHAT'S THE RISK?

The first of these areas of ODA covers technical assistance to 'improve civilian oversight and democratic control' of partner countries' security systems. The second deals with a range of activities undertaken as part of UN-mandated or authorised peacekeeping operations. Eligible activities include, e.g. human rights monitoring, infrastructure rehabilitation, mine removal, reintegration of demobilised soldiers, and police and border control training. However, **"enforcement aspects" of international peacekeeping cannot be reported as ODA[101]. The DAC states that 'development cooperation should not be used as a vehicle to promote the provider's security interests'[102].**

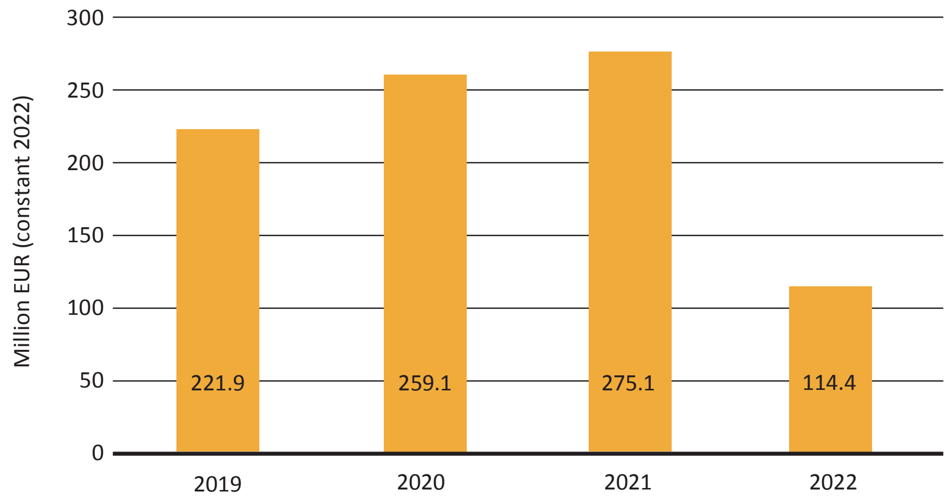
Building sustainable peace, and addressing root causes of insecurity are absolutely essential and need DAC member support[103].
However, CONCORD's research has found that in specific cases there has sometimes been a risk of blurring the line between the objectives of partner countries and the security interests of ODA providers[104].

A more detailed, project level assessment is needed to quantify the inflation of ODA in these two areas in 2022. Instead, this AidWatch report provides a quantitative indication of spending in these areas where further research can be undertaken to determine the extent of any inflation.

WHAT DOES THE HEADLINE DATA SAY?

In 2022, the 27 EU Member States reported **EUR 114 million of ODA as having the purpose of security system management and reform or participation in international peacekeeping operations.** This amounts to 0.2% of the total reported bilateral ODA from EU Member States for 2022. Portugal had the highest percentage among EU Member States at 2.1% of bilateral ODA.

FIGURE 16: **27 EU Member States' ODA for security system management and reform or participation in international peacekeeping operations, 2019-2022 (EUR million in constant 2022 prices)**



101 OECD-DAC, '*DAC and CRS code lists*', accessed 7 August 2024.
102 OECD-DAC, *'ODA Casebook on Conflict, Peace, and Security Activities', DCD/DAC(2017)22/FINAL*, 20 October 2017, p.63.
103 CONCORD, *'AidWatch 2018 Security Aid: Fostering development, or serving European donors' national interests?'*, 2018, p.2.
104 CONCORD, *'AidWatch 2018 Security Aid: Fostering development, or serving European donors' national interests?'*, 2018, p. 2,3,5,6.

Risks that ODA from EU institutions is being used for European self-interest

In 2022, the EU institutions reported EUR 3.4 billion, approximately 10,8% of total reported bilateral ODA for the EU institutions, under the three categories analysed in this section:

1. tied and partially tied ODA,
2. ODA for the facilitation of orderly, safe, regular, and responsible migration and mobility, and
3. ODA for security system management and reform and participation in international peacekeeping operations.

This represents an even higher share of total ODA than the 27 EU Member States, demonstrating a higher-than-average risk of self-interested ODA spending among EU institutions and the need for further research to understand the full extent of inflated ODA.

The most substantial area was tied ODA, which amounted to EUR 2.6 billion or 8.1% of the EU institutions' total bilateral ODA. ODA for the facilitation of orderly, safe, regular and responsible migration and mobility was reported at EUR 653 million or 2.1% of the total bilateral ODA from EU institutions, and ODA for security system management and reform and participation in international peacekeeping operations was EUR 207 million. EU institutions devoted a higher share of their ODA to the facilitation of orderly, safe, regular and responsible migration and mobility than any of the individual EU Member States.

Please see Recommendation 3 on avoiding self-interested ODA spending decisions, at the end of this report.

4. BEYOND ODA INFLATION: IMPROVING THE QUALITY OF ODA

As well as looking at whether ODA is non-inflated, AidWatch also looks more broadly, at a few of the bigger picture factors that affect how far ODA delivers on its potential for people experiencing poverty and inequalities in partner countries. This year's report tackles this issue in two main ways. First, it looks internally within ODA spending, at a few key selected areas affecting whether – even if non-inflated - ODA is also of high quality:

- the extent to which ODA allocation **promotes equality between countries;**
- the extent to which ODA allocation **promotes equality of certain groups within countries, focusing on gender equality and disability inclusion;**
- the **complex intersection between ODA and climate finance.**

Second, the report looks externally beyond ODA spending, at two wider policy coherence for sustainable development challenges that may undermine the benefits of ODA: the impact of illicit financial flows and debt servicing.

4.1 TO WHAT EXTENT DOES ODA ADDRESS EQUALITY BETWEEN PARTNER COUNTRIES?

The OECD DAC list of ODA recipients provides a list of countries and territories that are eligible to receive ODA, which is organised according to LDC status and GNI per capita. There are four groups: LDCs, LICs, LMICs, and UMICs[105]. Beyond this list, EU Member States have committed to prioritise the LDCs in their ODA budgets, including in the European Consensus on Development[106].

There are many ways to assess the inequalities between partner countries. The Human Development Index (HDI) brings together indicators on three dimensions of human development: life expectancy, education and income. It 'was created to emphasise that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone'[107]. Importantly, it demonstrates how countries with higher GNI per capita do not always have higher human development outcomes (and vice versa), giving some clues on inequality within countries[108]. The HDI, therefore, provides a better measure on development progress that can supplement the DAC list, though it is limited in capturing more nuanced development issues, such as gender disparity (e.g. in sexual and reproductive health rights) and poverty, and may not address vulnerability to shocks, for example climate-related natural disasters[109].

We examined the extent to which EU Member States' ODA allocations prioritise countries with lower HDI scores. We used a methodology that we created last year, drawing on the most recent data from 2022. We looked at the range of HDI scores for partner countries: the lowest had an HDI score of 0.38 (Somalia) and the highest had an HDI score of 0.855 (Türkiye). If EU Member States are targeting ODA towards countries with lower human development, we would expect to see that partner countries with low HDI scores receive a higher share of ODA than those countries with higher HDI scores.

However, our analysis reveals that ODA flows are not targeting countries with lower HDI scores. In fact, ODA tends to be concentrated in countries with the highest HDI scores. As Figure 17 shows, in 2022[110], 59% of bilateral[111] ODA was allocated to countries with HDI scores ranging from 0.7125 to 0.855. In contrast, just 16% of bilateral ODA was allocated to countries with the lowest HDI scores, ranging from 0.38 to 0.5225.

Ukraine was among the partner countries with a higher HDI score at 0.734. We looked at the degree to which Ukraine could be skewing results because of the humanitarian crisis. After removing Ukraine from the analysis, these figures are still 40% of bilateral ODA allocated to countries with higher HDI scores and 19% of bilateral ODA allocated to countries with lower HDI scores, using the same ranging above.

105 OECD, *'DAC List of ODA Recipients'*, accessed 8 August 2024.

106 *Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the European Commission, 2017, The new European Consensus on Development: "Our world, our dignity, our future",* paragraph 103; See also UN General Assembly, Transforming our world: the 2030 Agenda of Sustainable Development, A/RES/70/1, 21 October 2015, para. 43 and Goal 17.2; United Nations, Addis Ababa Action Agenda of the Third International Conference on Financing for Development, 2015, para. 51; and UN Economic Commission for Africa, Doha Programme of Action for the Least Developed Countries, E/ECA/COE/42/15, 20 December 2023, para. 250.

107 UNDP, *'Human Development Index (HDI)'*, accessed 8 August 2024.

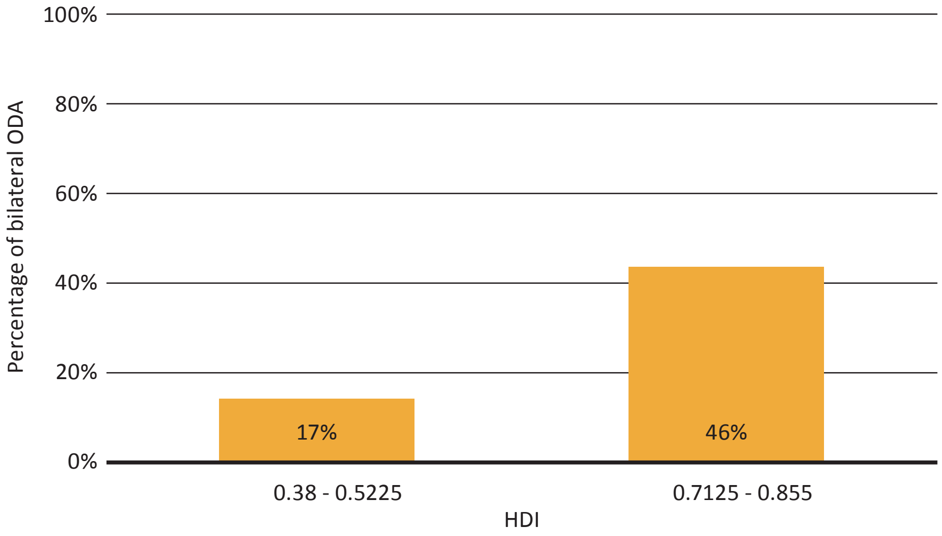
108 CONCORD, Bursting the ODA inflation bubble: AidWatch 2023, Brussels, 2023, p. 23

109 Supplementary indices have been developed to capture more of these dimensions, for example an inequality-adjusted human development index and a gender inequality index. (Source: UNDP, *Human development report 2023/24: Breaking the gridlock – reimagining cooperation in a polarised world*, pp.283-297. However, for the sake of simplicity and comparability with AidWatch 2023, our detailed quantitative analysis focuses on the HDI alone.

110 2022 is the most recent year for which this level of detail is available.

111 For this analysis bilateral ODA includes earmarked (but not core) funding to multilateral agencies.

FIGURE 17: percentage of bilateral ODA allocations from the 27 EU Member States to countries with the lowest and highest HDI scores in 2022



Comparing this and last year's findings, the pattern of partner countries with higher HDI scores receiving a higher share of bilateral ODA appears to be persistent rather than one-off. Overall, this gives little hope that EU Member States' geographic ODA allocation patterns are driven by the Agenda 2030 principle of putting the furthest behind first.

Please see Recommendation 4 on the geographic allocation of ODA at the end of the report.

4.2 TO WHAT EXTENT DOES ODA TACKLE INEQUALITY OF MARGINALISED GROUPS?

Tackling inequality is central for achieving sustainable development, serving as a core principle of human rights instruments and integral to SDG principle two 'leave no one behind'[112]. At present, the OECD's ODA spending databases only contain markers to track progress on equality on the grounds of gender and disability. The EU Directorate-General for International Partnerships (DG-INTPA) recently developed an equality marker on economic equality, the I-marker[113]. Other dimensions of inequality are hard to track without detailed, labour-intensive research[114].

Gender equality

Gender discrimination is deeply rooted worldwide. Available data indicates that women are more likely to live in poverty than men[115]. Despite recent progress in gender equality, women and girls continue to be excluded from education, face hardships concerning sexual and reproductive rights, gender-based violence[116] and experience disproportionate effects from climate disasters[117].

Introduced in 2012, the gender equality policy marker allows DAC members to report whether each ODA project targets gender equality as a policy objective. A score of 2 indicates that gender equality is the principal objective of the project, a score of 1 indicates that gender equality is a significant objective but not the main focus of the project, and a score of 0 indicates that gender equality is not targeted in any significant way.

112 Office of the UN High Commissioner for Human Rights, South-East Asia Regional Office, *'Enhancing equality and countering discrimination'*; Office of the UN High Commissioner for Human Rights, *'OHCHR and the 2030 Agenda for Sustainable Development'*.

113 European Commission, '*The European Commission inequality marker: guidelines for the application and scoring of interventions*', 2023.

114 See, for example, *HelpAge International, 2024, Investing in equality: addressing the funding gap for older women*.

115 *UN Women and UN DESA, Progress on the Sustainable Development Goals: the gender snapshot 2023*, p.8.

116 Ibid., p.11,12,14,15.

117 Leahy, 2024, *'Women are 14 times more likely to die in a climate disaster than men. It's just one way climate change is gendered'*, The Conversation.

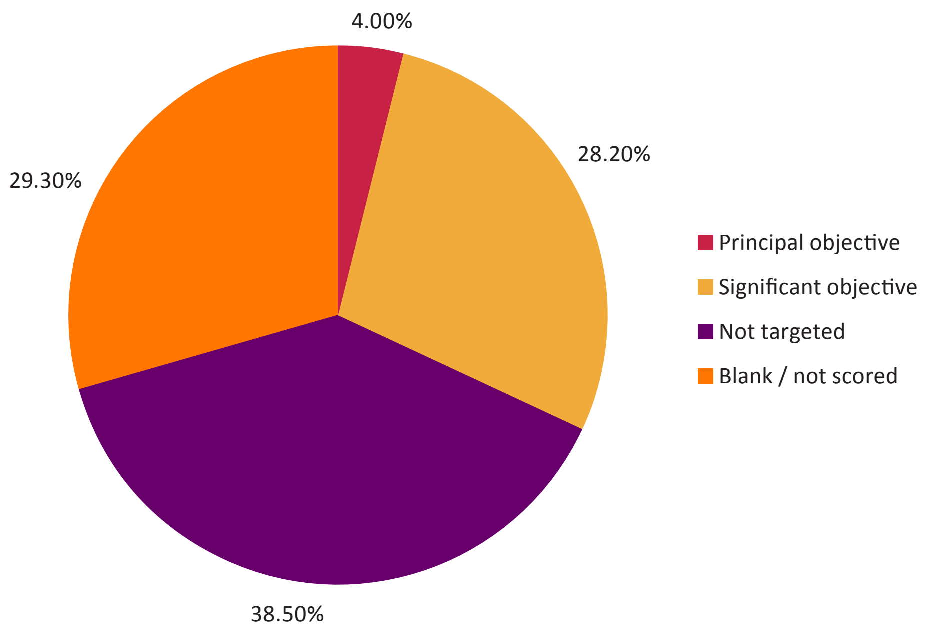
Figure 18 summarises the percentage of bilateral[118] ODA spending by the 27 EU Member States that was allocated to the different marker scores during the period between 2019-2022. The breakdown of individual Member States' results in 2022 is found in Figure 20.

The share of bilateral ODA from the 27 EU Member States has not increased during this period and has declined somewhat in 2022. **In 2022, over two thirds of the 27 EU Member States' total bilateral ODA was assessed as not targeting gender equality or did not apply the marker at all (Figure 19).**

FIGURE 18: Gender marker scores in EU Member States' bilateral ODA, 2019-2022

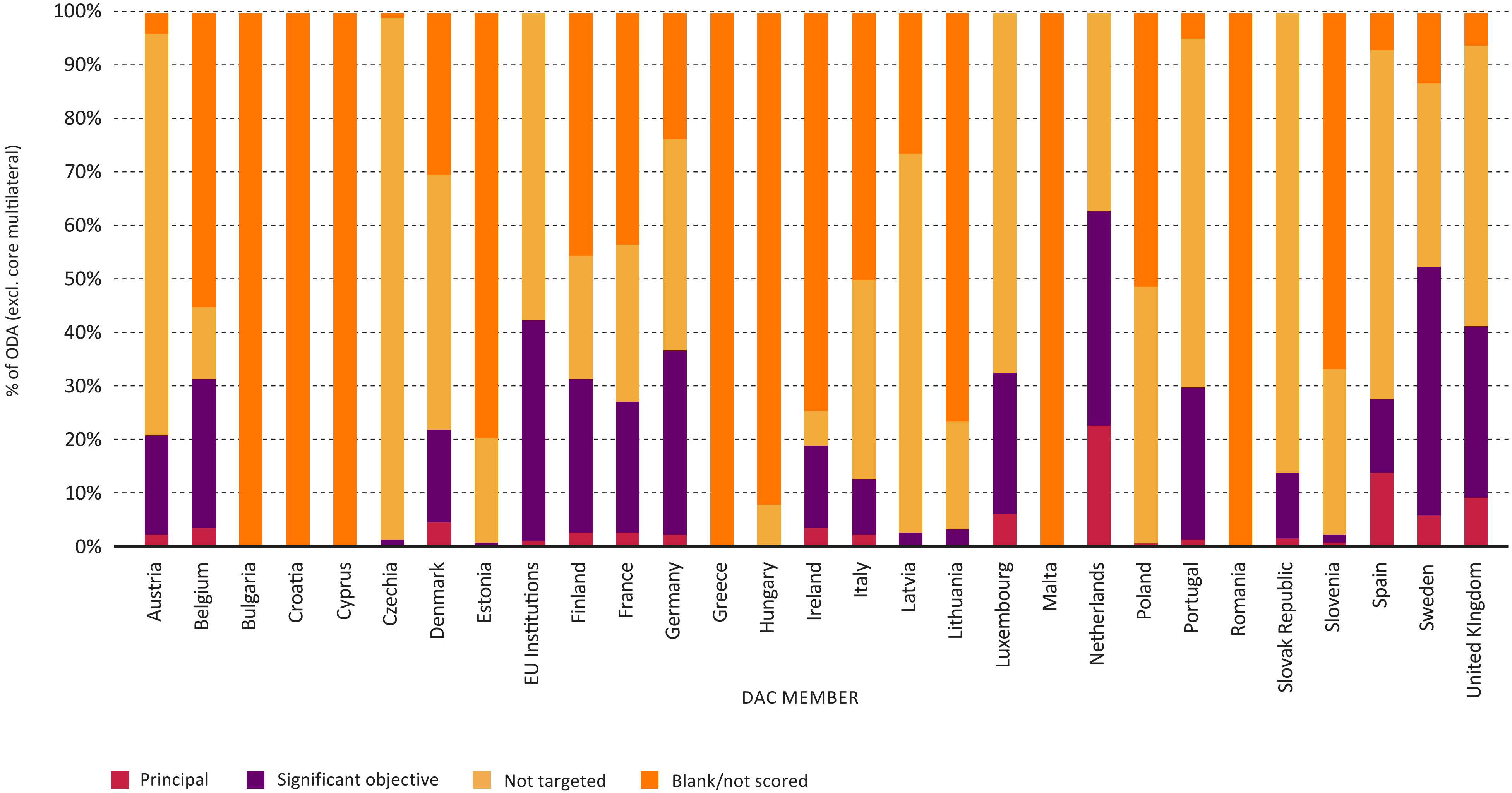
	2019	2020	2021	2022
Principal objective (Score of 2)	4.5%	4.9%	4.8%	4.0%
Significant objective (Score of 1)	34.5%	35.1%	34.9%	28.2%
Not targeted (Score of 0)	45.8%	45.6%	43.7%	38.5%
Blank (Not scored)	15.2%	14.5%	16.6%	29.3%

FIGURE 19: Gender marker scores as a percentage of bilateral ODA (27 EU Member States, 2022)



118 For this analysis, bilateral ODA includes earmarked (but not core) contributions to multilateral agencies.

FIGURE 20: Country-by-country breakdown of gender marker scoring for 2022 (includes the UK and the EU institutions)



The purpose code on support to women's rights organisations (WROs), movements and government institutions provides a further detail on the support for gender equality in ODA. Figure 21 shows EU Member States' total bilateral ODA reported under this purpose code from 2019-2022, which has been around 0.6% for much of the period, excluding a slight peak in 2020. EU institutions allocated EUR 54.0 million under this purpose code in 2022, which is 0.2% of their total[119] ODA.

FIGURE 21: **27 EU Member States' bilateral ODA to support to WROs, movements, and government institutions, 2019-2022 (EUR million in constant 2022 prices)**

	2019	2020	2021	2022
ODA amount	301.52	511.68	289.61	385.15
% of bilateral ODA	0.6%	0.9%	0.5%	0.5%

Disability inclusion

The World Health Organisation estimated that as at 2021, there were 1.3 billion persons with disabilities globally, of whom nearly 80% lived in Low and Middle Income Countries.[120] Persons with disabilities are more likely to live in multidimensional poverty and have unequal access to essential mainstream services, such as education, healthcare, housing and disaster response[121].

Under the UN Convention on the Rights of Persons with Disabilities, the EU and its Member States have a legal obligation to ensure that their international cooperation is inclusive of, and accessible to, persons with disabilities[122]. In recent years there has been increasing momentum to recognise disability inclusion as an essential component of sustainable development[123], but there is still a long way to go[124].

The disability inclusion policy marker was introduced in 2018 and follows the same scoring system as the gender equality policy marker[125]. Figures 22 and 23 summarise the percentage of bilateral[126] ODA spending by the 27 EU Member States that was allocated to the different marker scores during the period between 2019-2022. The breakdown of individual Member States' results in 2022 is found in Figure 24.

The uptake of the disability inclusion marker is not yet widespread. Across the four years, over 80% of bilateral ODA was not allocated a disability marker score. However, there are some signs that uptake is increasing: for example, Germany started using the disability marker in January 2024[127].

The percentage of EU Member States' bilateral ODA that was marked as disability inclusive, either as a significant or principal objective, has been persistently low and never more than 3.0%.

119 Excluding core contributions to multilateral agencies.

120 World Health Organisation, 2022, *Global report on health equity for persons with disabilities*, p.23.

121 United Nations, *Disability and development report 2024: Accelerating the realization of the Sustainable Development Goals by, for and with persons with disabilities, Executive summary - advance unedited version*, p.4,6,7,13,14,15.

122 *UN Convention on the Rights of Persons with Disabilities*, Article 32.

123 See for example *Global Action on Disability (GLAD) Network, 'The Network'*.

124 Former UN Special Rapporteur on the Rights of Persons with Disabilities, 2020, *Report on disability-inclusive international cooperation, A/75/186*, Paragraph 80.

125 OECD-DAC Working Party on Development Finance Statistics, *The OECD-DAC policy marker on the inclusion and empowerment of persons with disabilities: handbook for data reporters and users, DCD/DAC/STAT(2020)48*, p.4.

126 For this analysis, bilateral ODA includes earmarked contributions to multilateral agencies, but excludes core contributions.

127 AidWatch questionnaire response from the German National Platform, VENRO.

FIGURE 22: Disability marker scores in EU Member States' bilateral ODA, 2019-2022

	2019	2020	2021	2022
Principal objective (Score of 2)	0.2%	0.2%	0.2%	0.2%
Significant objective (Score of 1)	1.1%	0.8%	1.6%	2.8%
Not targeted (Score of 0)	9.4%	15.6%	16.8%	13.1%
Blank (Not scored)	89.3%	83.4%	81.4%	84.0%

FIGURE 23: Disability marker scores as a percentage of bilateral ODA (27 EU Member States, 2022)

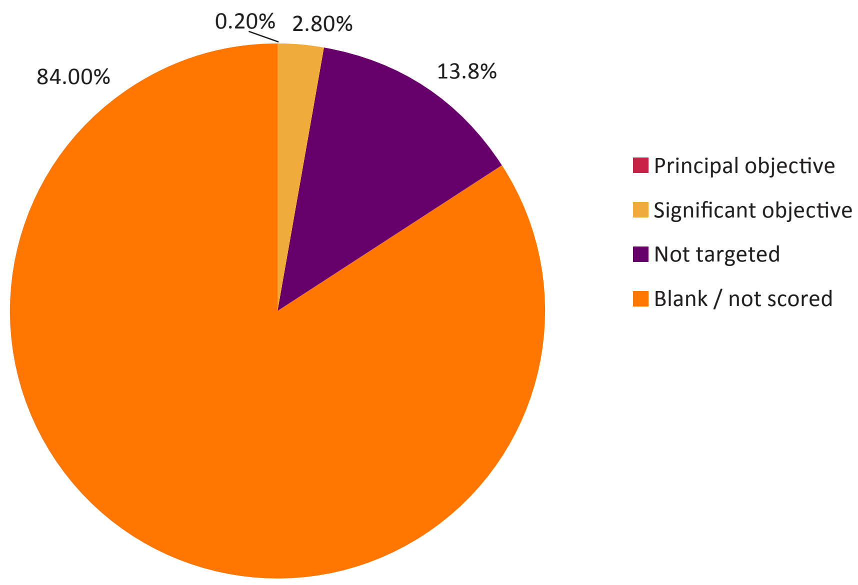
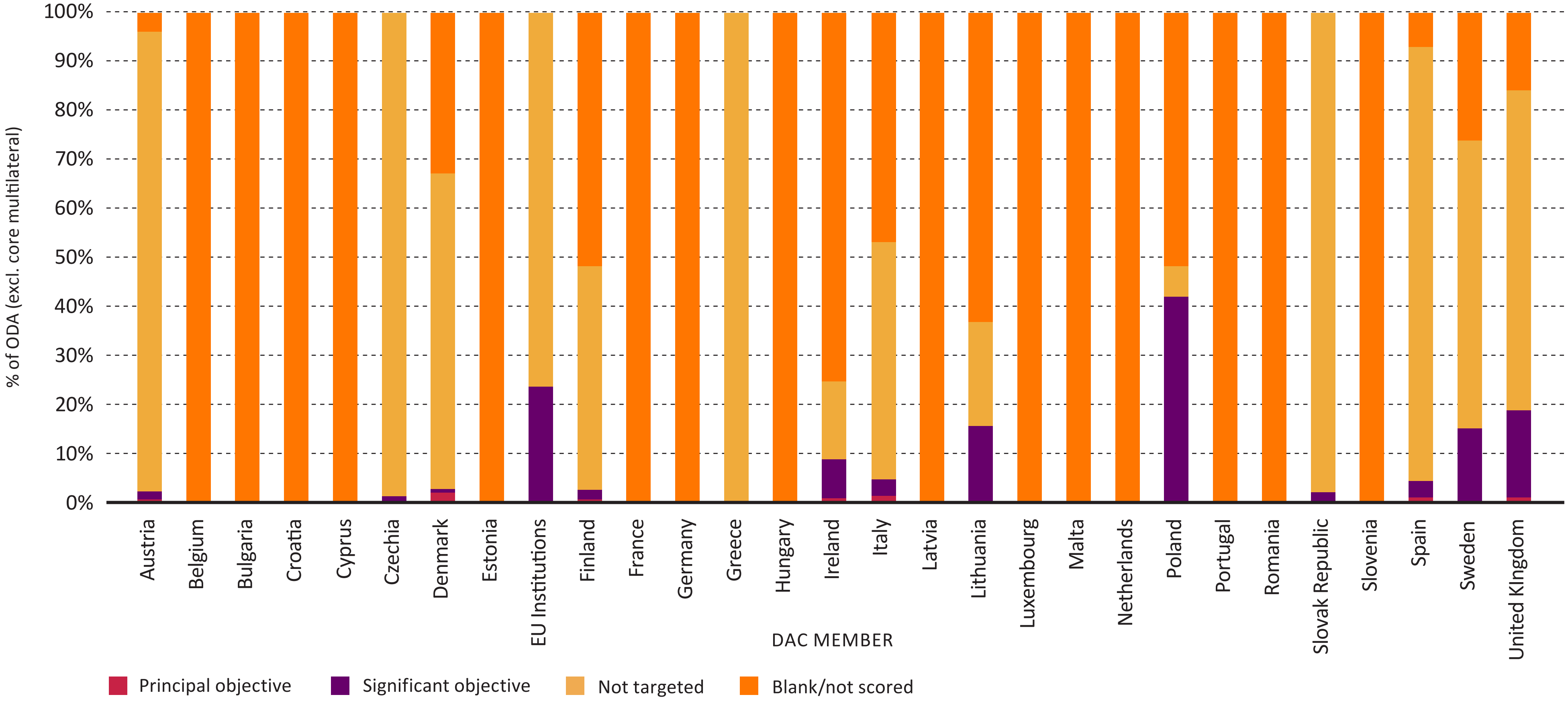


FIGURE 24: Country-by-country breakdown of disability marker scoring for 2022 (includes the UK and the EU institutions)



While the gender and disability markers only record ODA relating to two specific groups that have historically been excluded from international development and cooperation, the figures show a worrying trend – that the EU is not adequately prioritising equality promotion in ODA.

Moreover, since the markers are applied at the outset of projects, they only give an indication of intent, not of results. In addition, the design of the gender and disability markers has been criticised for not including sufficiently detailed and explicit requirements on programme quality[128]. For example, there is a risk

128 See for example Oxfam, *'Are They Really Gender Equality Projects? An examination of donors' gender-mainstreamed and gender-equality focused projects to assess the quality of gender-marked projects'*, February 2020, p.19-21; Atlas Alliance, 2023, *Making the most of the OECD-DAC disability inclusion policy marker to promote equality and inclusion in international development and humanitarian assistance*, p.19-24.

that projects that do not align with good practices or international human rights standards, such as segregated schools for children with disabilities[129], may be incorrectly be reported as disability inclusive even though the projects may not tackle inequality. What is more, there is a significant possibility that DAC member countries are overly generous in their self-scoring[130]. **Several National Platforms expressed concern over the robustness of reported gender or disability marker data in the information that they provided for this report[131].**

Equality on the grounds of socio-economic status

While there is no marker in the DAC database to address economic inequality[132], the EU Directorate-General for International Partnerships (DG-INTPA) has developed its own inequality marker[133]. The marker focuses primarily on the bottom 40% of the wealth, consumption and income distribution and works on a similar scoring system to the DAC gender equality and disability inclusion markers[134].

DG-INTPA applied the I-marker to 339 new actions (i.e. programmes) in 2023, and France also applied the marker to its ODA in 2023[135]. There is no comparable data across years or between countries, but if expanded, this new marker could be an important tool to encourage programmes to target people in the bottom 40% of the wealth, consumption and income distribution. **CONCORD is calling for the EU to set ambitious targets to encourage greater attention to tackling inequality on the grounds of socio-economic status in future programming.[136]**

FIGURE 25: Available I-marker results from 2023
Source: results presented during a conference on "Acting upon inequality - what role for the inequality marker?" organised by DG-INTPA on 28 May 2024.

	DG-INTPA in 2023	France in 2023
Principal objective (Score of 2)	13%	9%
Significant objective (Score of 1)	46%	36%
Not targeted (Score of 0)	41%	55%

It is promising that some DAC members are developing tools to track ODA for additional dimensions of equality. **However, in the absence of more systematic and comprehensive monitoring tools at DAC level, progress on tackling inequality through ODA will be difficult to measure. As long as comprehensive monitoring is not in place, progress in tackling inequality is likely to be elusive and the risk of unintentionally exacerbating inequality is intensified.**

Please see Recommendation 5 on poverty reduction and the promotion of equality at the end of the report.

129 See for example International Disability Alliance, 2020, *What an inclusive, equitable, quality education means to us: report of the International Disability Alliance*, p.36-37.

130 Oxfam, *'Are They Really Gender Equality Projects? An examination of donors' gender-mainstreamed and gender-equality focused projects to assess the quality of gender-marked projects'*, February 2020; European Disability Forum, 'Towards equality: assessing EC funding for disability inclusion worldwide', December 2023.

131 These were the National Platforms for Austria (Global Responsibility – concern re: disability), Belgium (11.11.11 / CNCD-11.11.11 – concern re: gender), Denmark (Global Focus – concern re: gender and disability), Ireland (Dóchas – concern re: disability), and Poland (Grupa Zagranica – concern re: disability).

132 See also, European Disability Forum, *'Towards equality: assessing EC funding for disability inclusion worldwide'*, December 2023, p. 11-16.

133 Cournut, 2023, *'EC launched the inequality marker!'*, *https://capacity4dev.europa.eu/discussions/ec-launched-inequality-marker-0_en*, accessed 17 September 2024

134 Morabito and Niño-Zarazúa/European Commission, 2023, *The European Commission inequality marker: guidelines for the application and scoring of interventions*, p.10, *https://op.europa.eu/en/publication-detail/-/publication/2faa22b4-a8fb-11ed-b508-01aa75ed71a1/language-en*, accessed 17 September 2024. The link between the inequality marker and inequality on the basis of gender and disability is complex, but these dimensions are not the main focus of the I-marker. (See European Disability Forum, *'Towards equality: assessing EC funding for disability inclusion worldwide'*, p.12-16, December 2023).

135 Source: results presented during a conference on "Acting upon inequality - what role for the inequality marker?" organised by DG-INTPA on 28 May 2024. France has its own inequality marker, which it has mapped to the I-marker to obtain these results.

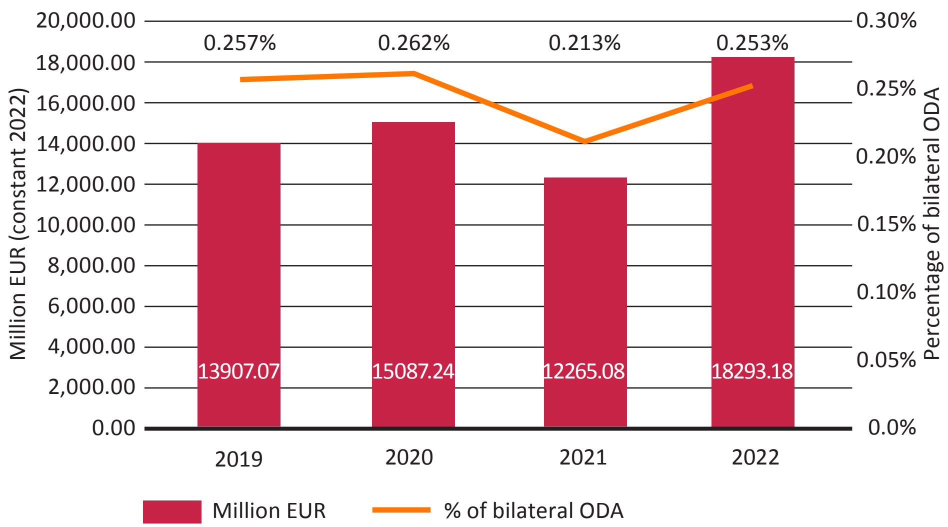
136 See CONCORD report 'The Road to Equality' (2022).

4.3 RISKS AND OPPORTUNITIES IN ALLOCATING ODA TO TACKLE CLIMATE CHANGE

The OECD collects data on ODA for climate change at the activity level, which is divided into two categories – adaptation and mitigation. The figures on the level of bilateral[137] ODA that was allocated to climate change by the 27 EU Member States from 2019 to 2022 can be found in Figure 26. Climate finance has been increasing in absolute terms and has remained roughly stable as a percentage of total bilateral ODA, apart from a drop in 2021. **In 2022, the total climate finance from the 27 EU Member States was over EUR 18.3 billion, which was 25% of total bilateral ODA.**

While devoting resources to tackle climate change is welcome, **it is still not enough to cope with the rapidly changing climate emergency.** ODA-to-GNI levels have remained flat over decades, and the ODA devoted to climate change is not additional or on top of existing ODA levels[138]. Luxembourg is an exception, however, and has committed to make climate finance additional to its ODA budget[139,] demonstrating that it is possible to maintain ODA and tackle climate change without forcing competition between development and climate change. Because ODA for climate finance is not additional for most DAC member countries, it is in effect diverting ODA from other development priorities[140] – a concern also mentioned in some National Platforms' inputs to this report141. If ever there was time for a surge in ODA, it is now.

FIGURE 26: Total ODA for climate change from the 27 EU Member States, 2019-2022



There are questions about the concessionality of climate finance. A recent report by the Climate Action Network found that around **50% of the climate finance provided by EU Member States and institutions is provided as loans[142].** This contributes to the burden of debt in partner countries, thus constraining partner countries' resources and development plans[143]. For example, the Climate Action

137 For this analysis, bilateral ODA includes earmarked contributions to multilateral agencies, but not core contributions.
138 Centre for Global Development, *'If We're Going to Fund Climate Mitigation from ODA, We Need to Double It'*, 18 March 2021.
139 Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, *Luxembourg's General Develop Cooperation Strategy: The Road to 2030*, accessed 10 August 2024, p. 4.
140 Centre for Global Development, *'If We're Going to Fund Climate Mitigation from ODA, We Need to Double It'*, 18 March 2021.
141 Mentioned by the National Platforms for Denmark (Global Focus), France (Coordination SUD) and Spain (La Coordinadora de ONG para el Desarrollo – mentioned as a risk/concern, not a certainty).
142 Climate Action Network, *Assessing International Climate Finance by the EU and Member States: Key Insights for Shaping the New Climate Finance Goal*, , June 2024, p. 38.
143 Achampong/Eurodad and others, 2023, *Economic justice civil society's joint submission to the UNFCCC consultation for the Seventh Technical Expert Dialogue on the New Collective Quantified Goal on climate finance*, p.2, accessed 17 September 2024

Network found that since 2019, nearly all climate finance from the European Investment Bank has been provided as non-concessional loans and equity. In fact, as partner countries' needs for assistance in tackling climate change have increased, "the European Investment Bank (EIB) has simultaneously phased out concessional finance" for climate change[144].

Many partner countries are not receiving sufficient ODA for climate adaptation, meaning that the needs of at-risk populations are unmet[145]. **Support for adaptation is important in tackling inequalities, as people experiencing social inequality are disproportionately harmed by climate change.** This in turn exacerbates the inequality that they experience, creating a "vicious cycle"[146]. Climate adaptation finance is a vehicle for responding to the effects of climate change but, importantly, a means of addressing inequality.

The bilateral ODA that was specifically allocated to climate adaptation by the 27 EU Member States during period 2019-2022 can be found in Figure 27. There is an **almost six percentage point decrease in the share of climate finance allocated to adaptation,** which is highly problematic since the UNEP Adaptation Gap Report estimates that costs of adaptation in "developing countries" will be between EUR 218-393 billion per year by 2030[147]. There is a strong case for increasing these amounts, given the sharp rise in climate-related disasters and the projections of what it will cost to cope with climate change.

In 2022, EU institutions reported a total of just over EUR 6 billion of ODA as climate finance, which amounts to around 19% of EU institutions' bilateral ODA. This is consistent with last year's figures of EUR 4.0 billion, which was 18% of bilateral ODA. For climate change adaptation, EU institutions allocated EUR 3 billion or 49% of climate finance ODA for 2022. This means that the share of the EU's climate finance ODA going to adaptation has increased somewhat from 42% in 2021.

FIGURE 27: Bilateral ODA for climate adaptation from the 27 EU Member States, 2019-2022

	2019	2020	2021	2022
ODA amount (EUR million in constant 2022 prices)	5881.027	6762.211	5877.316	7714.447
% of climate ODA (i.e. per Figure 21)	42.3%	44.8%	47.9%	42.2%
% of total bilateral ODA	10.9%	11.7%	10.2%	10.7%

Besides climate change mitigation and adaptation, a third crucial area of climate finance is finance to address loss and damage. There is no universally agreed definition of loss and damage, but broadly, finance for loss and damage seeks to address "adverse effects of climate change that cannot or will not be mitigated or adapted to"[148]. The OECD DAC does not systematically collect data on finance for loss and damage, so such finance is hard to quantify. Although a Loss and Damage Fund was established by COP27 and COP28 and some EU Member States have made funding pledges, available evidence suggests these pledges fall far short of needs[149].

Please see recommendations 1 and 6 on ODA and climate finance.

144 Climate Action Network, *Assessing International Climate Finance by the EU and Member States: Key Insights for Shaping the New Climate Finance Goal*, p.40, June 2024.

145 Ibid., p. 58.

146 UNDESA, *'Climate Change and Social Inequality', DESA Working Paper No. 152, ST/ESA/2017/DWP/152*, October 2017, p.2. CONCORD, Bursting the ODA inflation bubble: AidWatch 2023, Brussels, 2023, p. 29.

147 UN Environment Programme, *Underfinanced. Underprepared. In adequate investment and planning on climate adaptation leaves world exposed (Adaptation Gap Report)*, 2023. The report's estimate (in 2021 prices) of USD 215 billion to 387 billion was converted to euro (2022 prices) using deflator data published by the OECD, and using the 2022 average exchange rate as per the European Central Bank.

148 Climate Action Network, 2024, *Assessing International Climate Finance by the EU and Member States: Key Insights for Shaping the New Climate Finance Goal*, p.68, accessed 31 August 2024.

149 Ibid., pp.68, 71, 72, 73, accessed 31 August 2024.

4.4 UNDERCUTTING ODA: DEBT SERVICING AND ILLICIT FINANCIAL FLOWS

Illicit financial flows

Illicit financial flows (IFFs) can be defined as "illegal movements of money or capital from one country to another" that are "illegally earned, transferred, and / or utilised"[150], e.g. corruption, tax fraud or evasion, human or drug trafficking, etc[151]. However, this is a narrow definition; there is a broader definition that includes unethical financial behaviours, such as tax avoidance, which may not be strictly illegal[152]. CONCORD embraces the broader definition that covers 'hidden, cross-border flows where either the illicit origin of capital or the illicit nature of transactions undertaken is deliberately obscured'[153].

IFFs erode the resources available to partner countries to invest in sustainable development and fulfil the rights of their citizens[154]. It is difficult to quantify the full range of IFFs or the extent of to which they are impacting partner countries, given the complexity and illicit nature of these flows[155]. **However, LICs and LMICs lose an estimated EUR 45 billion per year because of cross-border tax abuse by multinational businesses and wealthy individuals alone[156]. While this estimate is just one aspect of IFFs, it demonstrates the scale of lost revenue for human development.** To put this figure in context, we estimate that it is equivalent to around 85% of the bilateral ODA directed to LICs and LMICs by EU Member States in 2022[157]. Moreover, the tax policies of DAC countries, such as the UK, the Netherlands, Switzerland and Luxembourg often contribute to the problem, resulting in measures that contribute to these losses, such as low corporate tax rates, banking secrecy, etc.[158].

In November 2023, the UN General Assembly (UNGA) adopted a historic resolution to start inter-governmental negotiations towards a UN Framework Convention on International Tax Cooperation[159]. For the first time, there is a process whereby all countries can engage on an equal footing and which has the potential to create new, fairer tax rules that will make it harder for wealthy businesses and individuals to avoid taxation[160]. **However, EU Member States voted against the UNGA resolution and abstained from the most recent vote on the Tax Convention terms of reference[161].**

150 Global Financial Integrity, *'Illicit financial flows'*, accessed 17 September 2024.

151 Akina Mama wa Afrika, 2020, *Understanding illicit financial flows*, p.2, accessed 17 September 2024.

152 Cobham, A. and Jansky, P. *Estimating Illicit Financial Flows: A Critical Guide to the Data, Methodologies, and Findings*, Oxford Academic (online edition), Chapter 1 section 1.2, 19 March 2020.

153 Ibid.

154 Centre for Budget and Governance Accountability, Christian Aid and others, 2018, *Kathmandu Declaration on 'curbing illicit financial flows: restoring justice for human rights'*, accessed 2 September 2024.

155 See for example Cobham, A. and Jansky, P. *Estimating Illicit Financial Flows: A Critical Guide to the Data, Methodologies, and Findings*, Oxford Academic (online edition), Chapter 7 section 7.2, 19 March 2020

156 *Tax Justice Network, State of Tax Justice 2023*, p. 13,26, 29-31 and 42-47, accessed 9 August 2024.

157 Based on analysis of ODA commitments data, with earmarked contributions to multilateral agencies included, but core contributions to multilateral agencies excluded. Where the destination country is not specified, it has been assumed that the distribution between LICs, LMICs and UMICs follows the same pattern as for ODA where a destination has been specified.

158 *Tax Justice Network, State of Tax Justice 2023*, p. 27-29, accessed 9 August 2024.

159 UN General Assembly, *Promotion of inclusive and effective international tax cooperation at the United Nations, A/RES/78/230*, 28 December 2023.

160 Global Alliance for Tax Justice, 2023, *Historic UN tax vote – a tremendous win for Africa and the global fight for tax justice*, Eurodad, 2024, *UN reaches global consensus on the road ahead towards a Tax Convention*, accessed 17 September 2024

161 See Eurodad, 2024, *'After landslide vote, UN adopts ambitious mandate for three legally binding global tax deals'*.

Debt servicing

The spiralling costs of debt servicing are increasingly eroding resources available to invest in human development and climate action[162]. We are currently in the "the worst debt crisis the world has ever seen"[163], which has been exacerbated by factors including biased tools for assessing Low and Middle Income Countries' creditworthiness[164], the economic effects of the pandemic, multiple conflicts, the climate emergency, and steeply increasing interest rates in recent years[165]. To illustrate the scale of the crisis, as of October 2023, debt service was absorbing an estimated average of 54% of government revenue across countries in Africa[166].

The debt of partner countries is complex, comprising of domestic and international, public and private, bilateral and multilateral finance[167]. **Nevertheless, a substantial share of debt service payments flows to EU Member States. This includes repayments on ODA loans. Apart from ODA, partner countries are repaying debts to companies in EU countries on non-ODA, commercial financing, such as bonds[168].** Considering these factors, there is a risk that the benefits of ODA from EU Member States to partner countries may be undercut by the resources lost through debt service payments.

To help tackle the spiralling debt crisis, a new UN mechanism to resolve debt crises has been proposed[169], which is widely supported by partner countries and the UN Secretary-General, but not by EU Member States[170] - demonstrating a worrying lack of policy coherence for sustainable development.

Please see recommendations 7 and 9 on ensuring policy coherence for sustainable development with respect to tax and debt.

162 See for example Asian Peoples' Movement on Debt and Development, 2024, *A briefer on public debt: persisting with false solutions offers no relief in sight*, accessed 17 September 2024. Debt servicing is the act of paying the "sum of principal repayments and interest actually paid in currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments[…] to the IMF". (Source: *World Bank databank, metadata glossary*, accessed 17 September 2024).

163 Quote from Fresnillo/Eurodad, 2024, *Debt justice in 2024: challenges and prospects in a full-blown debt crisis*. See also: Shem, Jong, Kanoyangwa and others/Afrodad, 2023, *Escalating debt burden in Africa and its human rights implications: an African civil society perspective*, pp.10-12; Civil Society Financing for Development Group, 2020, *Submission to the UN Independent Expert on foreign debt and human rights report on "Debt relief, debt crisis prevention and human rights: the role of credit rating agencies"*, pp.1-3.

164 For more information on the role of credit rating agencies, see Independent Expert on the Effects of Foreign Debt, *'Debt relief, debt crisis prevention and human rights: the role of credit rating agencies'*, A/HRC/46/29, 17 February 2021.

165 Fresnillo/Eurodad, 2024, *Debt justice in 2024: challenges and prospects in a full-blown debt crisis*, *https://www.eurodad.org/debt_justice_in_2024_challenges_and_prospects_in_a_full_blown_debt_crisis*; Shem, Jong, Kanoyangwa and others/Afrodad, 2023, *Escalating debt burden in Africa and its human rights implications: an African civil society perspective*, pp.10-12,; Civil Society Financing for Development Group, 2020, Submission to the UN Independent Expert on foreign debt and human rights report on *"Debt relief, debt crisis prevention and human rights: the role of credit rating agencies"*, pp.1-3. All references accessed 2 September 2024.

166 Debt Service Watch, *'The Worst Ever Global Debt Crisis'*, accessed 9 August 2024, p. 1.

167 United Nations Conference on Trade and Development, 2024, *A world of debt: a growing burden to global prosperity*, p.4,11, accessed 17 September 2024

168 Eurodad, *Sleep now in the fire: Sovereign Bonds and the Covid-19 Debt Crisis*, May 2021, p. 21, 23-24.

169 Global Meeting on Debt, *'Bogota CSO Southern-Led Meeting on Debt: Output Document'*, 21 September 2023.

170 Eurodad, *'Debt justice in 2024: challenges and prospects in a full-blown debt crisis'*, 23 February 2024.

5. THE BIG PICTURE: EUR 1.2 TRILLION OF UNPAID ODA

ODA dedicated to advancing the human rights, economic development and welfare of people in partner countries must not be sidelined to advance the prosperity of wealthy businesses or individuals or to further short-term political objectives. Nor should crisis response crowd out long-term development objectives. The impacts of multiple, protracted, complex global crises further underscore the importance of EU Member States providing sufficient, non-inflated, high quality, ODA.

In 1970, in a UNGA resolution, economically advanced countries agreed to provide a minimum ODA target equivalent to at least 0.7% of their GNI. Countries were expected to meet the 0.7% commitment by the mid-1970s[171]. **Yet almost 50 years after this deadline, the commitment remains unmet by most DAC members, including most of those from Europe. We estimate that partner countries have lost over EUR 1.5 trillion of ODA because of the failure of EU Member States to meet this commitment[172], which is over 19 times the total ODA provided by EU Member States in 2023.** This figure would undoubtedly be higher if the total levels of inflated ODA over the years were factored into this calculation.

Alarmingly, many EU Member States with large ODA programmes have recently cut their spending :

- **France** – ODA levels declined in 2023 both in absolute terms and as a percentage of GNI, dropping to 0.5% of GNI. The budget for 2024 was cut by 13%, and further reductions are possible in both 2024 and 2025. France has postponed its target of reaching 0.7% of GNI until 2030, five years later than previously planned[173].
- **Germany** – While Germany is currently exceeding the global commitment by providing 0.79% of GNI in 2023, this represents a decrease relative to 2022. Further development and humanitarian budget cuts are planned from 2024-2028174, making it unlikely that Germany will sustain the 0.7% commitment in the coming years[175].
- **The Netherlands** – Although there was an increase in 2023 to 0.66% of GNI, in May 2024 the Dutch Government announced cuts to the development budget of EUR 2.4 billion per year[176.]
- **Sweden** – Sweden was the first DAC member to meet the 0.7% target and has continued to meet or exceed it ever since[177]. The ODA budget as a percentage of GNI is expected to remain above the 0.7% level throughout

171 OECD-DAC, *'The 0.7% GNI target – a history'*, accessed 9 August 2024; Oxfam, *50 Years of Broken Promises: the $5.7 Trillion Debt Owed to the Poorest People*, accessed 9 August 2024, p.8; *UN General Assembly, Resolution 2626, International Development Strategy for the Second United Nations Development Decade, A/8124*, 24 October 1970, para. 43.

172 The estimate was calculated using OECD DAC data on historic GNI and ODA levels (see methodology annex for more detail).

173 Quantitative questionnaire and country page submitted by the French National Platform, Coordination SUD

174 From 2026-2028 the budget stabilises in terms of its face value, but this means it will be reducing once inflation is taken into account.

175 Quantitative questionnaire and country page submitted by the German National Platform, VENRO.

176 Country page submitted by the Dutch National Platform, Partos.

177 *OECD DAC Development Cooperation Profile for Sweden*.

2024-2025[178]. However, the forecast of 0.88%179 represents a decrease from 0.91% in 2023. Moreover, Sweden has decoupled ODA budgets from GNI levels180, which increases the risk that the ODA levels will drop below 0.7%. If this happens, it will set a worrying example that should not be replicated.

- In addition, the EU Member States collectively agreed to budget allocations that amount to EUR 2 billion cuts from the European Union's seven-year development budget.[181]

EU Member State governments and institutions must accelerate to take steps to progressively advance towards the 0.7% commitment if the SDGs are going to be met by 2030, especially in light of the climate emergency. Where governments are meeting this 0.7% commitment, they must hold fast. EU Member States and institutions should stop inflating ODA and ensure that resources do, in fact, support the economic development and welfare of partner countries. They should ensure that resources flow to the countries that need them most and that ODA lives up to its full potential as a tool to tackle inequality. Finally, EU Member States and institutions must also commit to a fair and just economic model by ensuring coherence between their work to tackle poverty and inequality through ODA and their wider policies on tax and debt justice.

178 Ibid.
179 Ibid.
180 Quantitative questionnaire submitted by the Swedish National Platform, CONCORD Sweden.
181 Global Citizen and others, 2024, *Who will the EU be in the world of tomorrow?*.

6. RECOMMENDATIONS

EU Member States must take urgent and comprehensive action, using all the policy tools at their disposal to deliver their longstanding ODA commitment to help people experiencing poverty and inequalities. This includes not only national policies on ODA and beyond, but also their collective decisions at EU level and their influence in multilateral forums such as the OECD DAC. The coming years are particularly critical for collective EU decision-making on ODA, while the new EU long-term budget (the Multiannual Financial Framework or MFF) is negotiated.

The recommendations below are addressed to the 27 EU Member States. Each recommendation is accompanied by a table showing the different – national, EU and international – routes through which the recommendation should be taken forward.

1. Meet longstanding commitments on ODA quantity

We estimate that partner countries have lost some EUR 1.2 trillion of ODA because of European DAC members' cumulative failure to meet the 0.7% commitment.

EU Member States should:

- Increase ODA levels rapidly to provide at least 0.7% of GNI. The 0.7% target must be seen as a baseline to measure EU Member States' efforts to support partner countries and not as a ceiling.
- Ensure that climate finance ODA is new and additional funding, in line with the commitment that "developed" countries will deliver at least USD 100 billion of new and additional funding per year for climate finance.

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national budgets	✔ MFF	✔ reasserted commitments e.g. through the Fourth International Conference on Financing for Development and the successive Conferences of the Parties to the UN Framework Convention on Climate Change (COP)

2. Stop reporting ODA that does not qualify as ODA

In 2023, EU Member States' reported ODA figures included over EUR 18.9 billion of ODA from the 27 EU Member States that did not meet the OECD DAC's basic ODA eligibility criteria. Inflating ODA in this way undermines transparency. In situations where the ODA budget is effectively fixed, it also risks reducing the value of ODA available for non-inflated ODA priorities.

EU Member States should:

- Stop reporting as ODA items that do not meet the ODA eligibility criteria: in-donor refugee costs; imputed student costs; and debt relief on ODA loans.
- Remove all PSIs from ODA reporting unless accompanied by sufficient published information to demonstrate that they meet the ODA eligibility criteria, including concessionality.

- Urge the OECD DAC to revise the ODA reporting rules. The revised rules should:
  - Exclude in-donor refugee costs; imputed student costs; debt relief on ODA loans.
  - Presume that PSIs do not meet the ODA eligibility criteria, unless the opposite can be demonstrated through publicly available information.
  - Modify the methodology for calculating the grant equivalent of ODA loans, so that it reflects DAC members' real costs of lending.

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national ODA reporting policies, including policies applied to national development finance institutions	✔ European ODA reporting policies, including policies applied to European development finance institutions	✔ negotiating positions at the OECD DAC, including both national positions and the collective EU negotiating position

3. Ensure all ODA is driven by the interests of partner countries and their peoples, without distortion by European self-interest

This report highlighted several areas of ODA where there may be a higher-than-average risk that ODA is motivated by European Member States' short-term commercial or political interests: tied ODA (both fully and partially tied); ODA for the 'facilitation of orderly, safe, regular, and responsible migration and mobility'; and ODA for 'security system management and reform' and 'participation in international peacekeeping operations'.

EU Member States should:

- Untie all ODA, and take action to remove any barriers that make it harder for contractors outside the ODA provider country to bid successfully for ODA contracts.
- Urge the OECD DAC to expand the current Recommendation on untying ODA so that it includes all ODA.
- Urge the OECD DAC to strengthen transparency requirements on ODA contracting, to help detect informally tied ODA.[182]
- Ensure that all ODA related to migration, peace and security is driven by the interests of partner countries and their peoples, not by European self-interest, and that such ODA is fully aligned with human rights obligations.
- Increase transparency over ODA related to migration, peace and security.

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national ODA policies	✔ European ODA policies, including the next MFF	✔ negotiating positions at the OECD DAC, including both national positions and the collective EU negotiating position

182 For more detailed recommendations on transparency improvements, see Simonds, 2024, *Exposing tied aid: preventing donor countries from getting rich on their own aid*, accessed 10 August 2024.

4. Ensure that all decisions on where ODA is spent help maximise ODA's potential to reduce poverty and inequalities

Our analysis of ODA from the 27 EU Member States in 2022 found that **the countries with the lowest HDI scores did not receive any more bilateral ODA per person than those with the highest scores.** This calls into question how far ODA is addressing inequalities between countries.

EU Member States should:

- Uphold the longstanding commitment to allocate between 0.15% and 0.2% of GNI to LDCs.[183]

- Ensure that all decisions on geographic ODA allocations help maximise ODA's potential to reduce poverty and inequalities.

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national ODA budget allocations	✔ MFF	✔ reasserted commitments e.g. through the Fourth International Conference on Financing for Development

5. Put the reduction of poverty and the promotion of equality at the heart of all decisions on how ODA is spent

Our analysis of EU Member States' ODA in 2022 found that over two thirds of bilateral ODA was assessed as not targeting gender equality or did not report on its gender equality focus at all. Just 3% of bilateral ODA was reported as disability inclusive. Evidence on other dimensions of equality is incomplete.

EU Member States should:

- Include an explicit commitment to reducing inequality in partner countries as part of international cooperation policies, alongside the commitment to reducing poverty.

- Ensure that policies and programming on inequality consider the full diversity of dimensions of equality, as part of an intersectional and human rights-based approach.

- Adopt and consistently implement tools to embed an equality lens at all stages of ODA programming. Markers can be one important tool, if used in combination with other tools for planning, implementation, monitoring and evaluation. All Member States and the EU need to consistently implement gender and disability markers. The EU should also implement its new inequality marker and set ambitious targets. Finally, Member States and the EU institutions should consider developing their own internal markers on other dimensions of inequalities that are not currently tracked.

183 UN General Assembly, Transforming our world: the 2030 Agenda of Sustainable Development, A/RES/70/1, 21 October 2015, para. 43 and Goal 17.2; United Nations, Addis Ababa Action Agenda of the Third International Conference on Financing for Development, 2015, para. 51; and UN Economic Commission for Africa, Doha Programme of Action for the Least Developed Countries, E/ECA/COE/42/15, 20 December 2023, para. 250.

- Substantially increase the share of ODA that seeks to contribute to gender equality and increase support to local WROs[184]. For the EU, this should include:
    - Revising current funding targets in the third Gender Action Plan and in the new MFF so that they are based on the quantity of funding, not the number of new programmes.
    - Setting a target that 20% of ODA funding should have gender equality as a principal objective.
    - Stepping up efforts to ensure that targets are actually met.

- Substantially increase the share of ODA that seeks to contribute to disability inclusion, in line with obligations under the UN Convention on the Rights of Persons with Disabilities[185].

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national ODA policies and implementation tools	✔ European ODA policies, including the next MFF; implementation tools used by the European Commission	✔ support for multilateral initiatives to improve monitoring of dimensions of poverty and equality, such as the OECD DAC's work on policy markers

6. Step up climate finance for adaptation, loss and damage

Many partner countries are not receiving sufficient ODA for climate adaptation[186]. It is also reported that ODA for loss and damage falls far short of needs[187].

EU Member States should:

- Increase the share of climate finance devoted to adaptation.

- Provide a high amount of funding to address loss and damage, through the Loss and Damage Fund established at COP27/28.

As per Recommendation 1, all climate finance ODA should be new and additional funding above and beyond the 0.7% commitment.

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national ODA budgets and policies	✔ MFF	✔ reasserted commitments e.g. through the Conferences of the Parties to the UN Framework Convention on Climate Change (COP)

184 For more detail on CONCORD's recommendations on funding to local WROs, see, *Funding local women's rights organisations and movements for transformative change: recommendations to the EU and Member States*,2023, accessed 10 August 2024

185 For more detailed recommendations on this issue, see European Disability Forum, '*Towards equality: assessing EC funding for disability inclusion worldwide*', December 2023.

186 Climate Action Network, *Assessing International Climate Finance by the EU and Member States: Key Insights for Shaping the New Climate Finance Goal*, , June 2024, p. 58.

187 Ibid., pp.68, 71, 72, 73, , accessed 31 August 2024

7. Provide ODA in the form of grants, not loans

Partner countries are currently experiencing the "the worst debt crisis the world has ever seen"[188]. ODA loans – even if concessional – risk exacerbating this situation.

EU Member States should:

- Provide ODA in the form of grants, not loans, unless a comprehensive human rights-based debt sustainability assessment has confirmed that loan financing is sustainable[189].

This recommendation should be implemented through:

National policies	EU policies
✔ nnational ODA budgets and policies	✔ MFF

8. Make ODA rule-setting independent from ODA provider countries

Inflated ODA results in large part from problems in the reporting rules. It is hard for such rules to be set objectively when they are decided by a body that consists entirely of ODA providers, namely the OECD DAC.[190] While the recommendations above include actions that could be taken at the OECD DAC, fully restoring trust in ODA is likely to require more radical governance change.

EU Member States should:

- Transfer responsibility for deciding on ODA reporting rules to a body independent of ODA provider countries, which has full participation of partner countries. For example, this could build on the UN's Development Cooperation Forum process.[191]

This recommendation should be implemented through:

Multilateral influence
✔ engagement at the UN, including the Fourth International Conference on Financing for Development

188 Quote from Fresnillo/Eurodad, 2024, *Debt justice in 2024: challenges and prospects in a full-blown debt crisis*. Further sources on some of the factors contributing to the crisis include: Shem, Jong, Kanoyangwa and others/Afrodad, 2023, *Escalating debt burden in Africa and its human rights implications: an African civil society perspective*, pp.10-12; Civil Society Financing for Development Group, 2020, Submission to the UN Independent Expert on foreign debt and human rights report on "Debt relief, debt crisis prevention and human rights: the role of credit rating agencies", pp.1-3.

189 For more detailed recommendations, from a wide range of civil society organisations, on debt sustainability assessment, can be found in the *Outcome Document of the Bogotá CSO Southern-led Meeting on Debt*, accessed 10 August 2024.

190 For more detail on the challenges in current governance of the ODA reporting rules, see Cutts, *ODA governance*, accessed 10 August 2024

191 See Civil Society Financing for Development Mechanism, *'International development cooperation'*, accessed 31 August 2024

9. Ensure policy coherence for sustainable development, including on tax and debt justice

It is estimated that LICs and LMICs lose an estimated EUR 45 billion per year because of cross-border tax abuse by multinational businesses and wealthy individuals[192]. And as of October 2023, debt service was absorbing an estimated average of 54% of government revenue across countries in Africa[193].

EU Member States should:

- Put in place fair, progressive and gender responsive tax systems that are fully in line with policy coherence for sustainable development, and put an end to harmful tax practices, tax havens and the race to the bottom. Further, EU Member States should cooperate to promote taxation of wealthy individuals.
- Ensure the public can access the key corporate information needed to ensure accountability and tax justice, including through public country-by-country reporting requirements for multinational corporations[194].
- Support an ambitious outcome from the ongoing negotiations on the UN Framework Convention on International Tax Cooperation[195].
- Support the creation of a fair, independent, transparent, timely and binding multilateral framework for debt crisis resolution under the auspices of the UN[196].

This recommendation should be implemented through:

National policies	EU policies	Multilateral influence
✔ national tax and financial transparency policies	✔ EU level tax and financial transparency policies	✔ Tax: UN Framework Convention on International Tax Cooperation (support ambitious outcomes) ✔ Debt: UN, including the Fourth International Conference on Financing for Development (support creation of a binding multilateral framework for debt crisis resolution under the auspices of the UN)

192 Tax Justice Network, *State of Tax Justice 2023*, accessed 9 August 2024, p. 13,26, 29-31, and 42-47.

193 Debt Service Watch, *'The Worst Ever Global Debt Crisis'*, accessed 9 August 2024, p. 1.

194 For more detailed recommendations on progressive taxation and transparency, see Tax Justice Europe's *Tax Justice Pledge for European Parliamentary candidates* .

195 For more detail on key civil society priorities, see the *Joint civil society and trade unions submission in response to the call for inputs to the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation*, accessed 10 August 2024.

196 For more detailed recommendations, from a wide range of civil society organisations, see the *Outcome Document of the Bogotá CSO Southern-led Meeting on Debt*, accessed 10 August 2024.

PART TWO:

COUNTRY PAGES

AUSTRIA

> **“** Keep going, but boost resources and focus on Austria's role in global crises. **”**
> Global Responsibility

Main trends

Austria’s ODA figures slightly decreased from 0.39% in 2022 to 0.38% in 2023. A welcome diversification of ODA funding occurred in 2023, as in addition to the Ministry of Foreign Affairs, other federal ministries, including the Ministry for Climate Action and the Ministry for Agriculture increased their international development assistance.

Humanitarian assistance achieved a record level of EUR 126 million in 2023, including EUR 77.5 million for the Foreign Disaster Relief Fund alone. Nevertheless, recent growth, e.g. an additional EUR 12.5 million per year for the Austrian Development Agency (ADA), has been cancelled out by high inflation. The government has failed to take the necessary measures to increase ODA sustainably above the current European DAC average of 0.47% let alone reach the 0.7% target, despite progress in recent years and corresponding political commitments. On the contrary, spending forecasts show that the welcome increases from the last four years are not likely to be maintained and will probably decline in the future. High in-donor refugee costs and imputed student costs still account for the largest share of bilateral funding in Austria. LDCs only received EUR 72 million in 2023. Moreover, the countries allocated the highest share of Austria’s ODA are not actually receiving funding for development projects but are mainly the origin countries linked to imputed student costs and/or in- donor refugee costs. Thus, most ODA is allocated to MICs rather than to LDCs. The rapid increase in non-concessional PSIs contributes to inflating Austria’s ODA. Although Austria ranks high in terms of SDG implementation, the negative spillover effects that Austria produce cause adverse effects in MICs and LDCs.

Reported ODA: EUR 1681.7 million
0.38% GNI (↓ from 0.39% in 2022)

Non-inflated ODA: EUR 1232.6 million
0.28% GNI (↑ from 0.26% in 2022)

Total inflated ODA: EUR 449.1 million
27% of total

Government’s relationship with civil society

Austrian Development Cooperation funds some CSO projects. In 2023, the funding to be implemented by national CSOs amounted to 30 million EUR, representing 23% of total ADA bilateral funding. Regarding humanitarian action, funding has become more reliable, and annual funds are earmarked at an early stage, which is commendable. Funds to support CSOs, however, are limited and it is necessary to ensure that the needs of marginalised groups are met through higher amounts of direct assistance. Austria's positive efforts to contribute to gender equality with ODA funds have been achieved primarily through civil society initiatives. Other funding recipients do not have to fulfil gender equality requirements to the same extent and this should be amended. In 2024, Austria presented its second Voluntary National Review of the implementation of the 2030 Agenda, thereby renewing its political commitment to sustainable development. The multi-stakeholder process to collect and share information on SDG implementation in Austria also included CSOs, which is a good example of the solid working relationship between Austrian CSOs and the government.

The Austrian government should:

- **Maintain the level of development funding for development cooperation and humanitarian assistance that was allocated within the last four years and develop a comprehensive (gender and conflict sensitive) strategy to raise overall ODA figures to the promised 0.7% target to ensure people in the Global South are not any further left behind.**

- **Stay on track to increase policy coherence for sustainable development (PCSD) and use the results of the upcoming OECD PCSD Scan of Austria to devise a plan to increase PCSD as a whole-of-government approach.**

- **Increase bilateral funding for the most marginalised people in the Global South, including doubling efforts and funding for LDCs (to spend at least 0.2% of GNI), strengthening gender equality, inclusion, human rights, CSOs and adapting to the negative consequences of the climate crises in the Global South.**

- **Continue the implementation of the 2030 Agenda both in Austria and through Austrian international cooperation, and focus on decreasing negative spillover effects affecting countries in the Global South.**

Link to press release on the 2023 figures: Entwicklungshilfeleistungen: Weiterer Handlungsbedarf in Richtung Spitzenfeld | AG Globale Verantwortung

BELGIUM

Reported ODA: EUR 2509.8 million
0.44% GNI (↓ from 0.45% in 2022)

Non-inflated ODA: EUR 2200.1 million
0.38% GNI (↓from 0.39% in 2022)

Total inflated ODA: EUR 309.6 million
12% of total

"Belgium's development cooperation at a turning point"

11.11.11 & CNCD-11.11.11

Main trends

At the time of writing, it is still unclear which political parties will form the new federal government in Belgium and who will manage development cooperation. However, the previous government can certainly be highly praised for its work during the past legislature. The Minister of Development Cooperation, Caroline Gennez, made an impression internationally, especially with her stances on Gaza. She also emphasised the importance of human rights and prioritised education and healthcare during Belgium's EU presidency.

Belgium made good choices, recognised by the OECD DAC, by focusing on the poorest and most fragile countries and sectors such as healthcare, education, and agriculture that impact poverty and inequality. Additionally, the imputed student costs and the in-donor costs of hosting Ukrainian refugees were no longer counted as ODA, from 2022 onward. The biggest drawback remains the budget. At 0.44%, Belgium is far from the targeted 0.7%, despite the commitment being repeated in the previous government's coalition agreement. As a small country, Belgium has every interest in remaining credible on the international stage, which means investing in international solidarity.

We therefore call on the future government to increase the budget for development cooperation during the upcoming legislature, while maintaining the course of a development cooperation policy focused on the countries and sectors most in need. Belgium has been praised for basing its development policy on human rights and development effectiveness principles: it must continue to do so.

Government's relationship with civil society

The relationship between Belgian authorities and CSOs is generally very strong, structured, and beneficial. Many non-governmental and official actors collaborate, or at least work together in complementary ways, in the field of international cooperation. Different bodies exist to ensure that CSOs are consulted on various issues, whether at the level of a partner country or in the Brussels headquarters. A positive example is the involvement of CSOs in the committee following evaluations conducted by the Special Evaluation Service of Belgian Development Cooperation. Another positive example is the regular organisation of quarterly meetings between CSO representatives and the Directorate-General for Development Cooperation.

Link to the 2024 report on Belgian development cooperation.

The Belgian government should:

- **Continue to put human rights, the rule of law, and democracy at the centre of broader foreign policy.**
- **Maintain the current position of Belgian development cooperation that is clearly against the instrumentalisation of development cooperation in the field of migration or for economic and commercial interests.**
- **Invest in international solidarity by spending 0.7% of GNI on ODA and meet and exceed the 0.15% GNI target for LDCs.**
- **Increase funding for conflict prevention and ensure development cooperation increases at the same pace as humanitarian aid. According to the OECD 2022 States of Fragility report, one USD invested in prevention helps save USD 16 at a later stage.**

CROATIA

" No overarching strategy to define policy priorities in the sector despite a new law **"**
CROSOL

Main trends

Croatia has increased its ODA in 2023 to 0.2% of GNI, in comparison to 0.17% in 2022. This represents a continuation of the existing trend from the past several years of gradual increases in ODA disbursements. Croatia has also adopted new legislative framework: The Act on International Development Cooperation and Humanitarian Aid. However, it still needs to devise a strategic policy framework with clearly defined ODA priorities. Croatia became an OECD candidate country in 2022, with the expectation of accession in 2025, which could potentially serve as an impetus to intensify its efforts in the field in preparation to becoming a full member of the OECD DAC.

Government's relationship with civil society

The new Act on International Development Cooperation and Humanitarian Aid adopted in February 2024 aims to enable more dynamic cooperation with development stakeholders that were not included in the implementation of the current Act, in particular CSOs and the private sector. It also specifically lists CSOs as both actors who undertake development cooperation and through whom development projects can be financed. CROSOL has been included in the multi-stakeholder committee for international development cooperation and humanitarian aid and has been invited to provide its inputs during the process of drafting the new law. However, our inputs were not included in the final version.

Reported ODA: EUR 134.2 million
0.20% GNI (↑ from 0.19% in 2022)

Non-inflated ODA: EUR 124.2 million
0.19% GNI (↑ from 0.14% in 2022)

Total inflated ODA: EUR 9.9 million
7% of total

The Croatian government should:

- **Step up its efforts to create a clear policy direction and priorities in the ODA sector by drafting and adopting the new National Strategy for Development Cooperation. This is urgent as three years have now passed since the expiry of previous Strategy.**
- **Significantly increase the share of ODA for LDCs.**
- **Remove the focus on ethnic Croats and Christians from its international development programming and disburse aid in partner countries without discriminating against non-Croats or non-Christians.**
- **Exclude in-donor refugee costs and funds for security or migration from its ODA figures.**

CZECHIA

> “ A year of frank words about the serious challenges ahead for Czechia’s approach to ODA from the OECD DAC Peer Review Team. ”
>
> FoRS

Reported ODA: EUR 655.6 million
0.24% GNI (↓ from 0.38% in 2022)

Non-inflated ODA: EUR 308,9 million
0.11% GNI (↓ from 0.15% in 2022)

Total inflated ODA: EUR 346,7 million
53% of total

Main trends

Czechia’s internationally reported ODA/GNI share, which reached 0.38 % in 2022, has fallen to 0.24 % of GNI in 2023. This still keeps the country higher than its long-term average (around 0.13 %). However, after subtracting the in-country spending on Ukrainian refugees, the ODA figure further decreased to 0.11 %. The long-term weak performance regarding the non-inflated ODA level was also highlighted by the OECD DAC Peer Review of Czech ODA, which took place in 2023. It is unlikely that this situation will improve, as the projections for the years to come remain stagnant in nominal terms, therefore declining after inflation is factored in. This is particularly a problem for annual bilateral ODA plans.

Implementation of Czech development cooperation and humanitarian action in 2023 continued to be significantly impacted by **the war in Ukraine.**

Within scarce budgetary resources, it is difficult to develop a more programmatic and complex approach, as the authorities’ capacities to manage ODA remain very modest. There are however some positive moves with greater focus on the humanitarian–development nexus and disaster risk reduction approaches in humanitarian action. The Czech Development Agency (CZDA) is also increasingly active in EU delegated cooperation.

The long-term positive aspect of Czech ODA is that it supports initiatives to promote **democratic governance,** the rule of law, and human rights in partner countries. This includes providing assistance for electoral processes, strengthening legal systems, and supporting CSOs. Development programmes increasingly focus on promoting **social inclusion, with a particular emphasis on gender equality,** the rights of marginalised groups, and the empowerment of women and youth.

Government’s relationship with civil society

The relationship between governmental stakeholders and CSOs is generally cooperative, though it can vary based on specific issues and political contexts.

The Czech government often collaborates with CSOs in developing and implementing policies, particularly in areas where these organisations have specialised knowledge or grassroots connections, such as social services, human rights, environmental protection and healthcare.

On the other hand, the political context remains rather fragile, and the fact the Czech ODA system is far from being a robust one, makes the future of such collaboration very unpredictable.

The Czech government should:

Following the 2023 OECD DAC Peer Review of Czech ODA, FoRS highlights below the recommendations that we consider to be most relevant.

1. **Bridge the gap between policy and implementation by:**
   - ensuring that all country strategies and development projects explicitly address

poverty and/or inequality;
- continuing to strengthen capacity at headquarters and use guidance to systematically consider good governance; human rights, including gender equality; and protection of the environment and climate.

2. **Re-assess its institutional setup and the functioning of the CZDA by:**
   - addressing the staff and country presence constraints faced by CZDA;
   - delegating more authority to Czechia's in-country representation;
   - building mechanisms to ensure that investments in EU delegated cooperation improve Czech bilateral development cooperation.

3. **Agree on a long-term plan to maintain the ODA/GNI ratio** at least at the level of the national target of 0.33%. An ODA financing plan by 2030 would significantly enhance the country's reputation with bilateral partners as well as in the EU, OECD and UN and the perspective of a successful Czech candidacy for the UN Security Council for 2032-33.

DENMARK

“ More money for ODA – yet less money for partner countries. ”
Globalt Fokus

Main trends

Danish ODA reached a remarkably high level in 2023, for the first time exceeding DKK 20 billion. This is due to compensation for the failure to meet the target of 0.7 % in 2022 and an unpredicted rise in GNI. Yet, the amount of ODA described as “Aid to Developing Countries” fell in 2023. Thus, the higher amount of ODA is not reflected in the allocation of ODA to Low and Middle Income Countries, disregarding the commitment to ‘leave no one behind’.

In 2023, in-donor refugee costs (IDRC) remained a major item in the ODA budget, accounting for 13% of all disbursed ODA. While this was also the case in 2022, the 2024 Finance Act projects a significant reduction in IDRC. The high level of IDRC is related to Russia’s invasion of Ukraine. Ukraine was also the largest external recipient of Danish ODA in 2023.

Danish ODA is increasingly linked to climate mitigation and adaptation. We have seen an increase in ODA linked to climate objectives compared to 2022, which was already an all-time high. None of these funds are new and additional; rather, they derive from budgeted ODA.

Funding for civic space remained a priority, adding a new Digital Democracy Initiative that is co-funded with EU in line with Global Gateway.

The trend of linking ODA to other political priorities is expected to continue, including a more prominent focus on geopolitical interests. This is indicated through increased focus on security, fragility and humanitarian aid to counter migration and increased political attention on collaboration with Africa.

Reported ODA: EUR 2894.3 million
0.74% GNI (↑ from 0.67% in 2022)

Non-inflated ODA: EUR 2530.9 million
0.65% GNI (↑ from 0.57% in 2021)

Total inflated ODA: EUR 363.4 million
13% of total

Government’s relationship with civil society

Denmark continues to have a strong tradition of consulting stakeholders, including civil society, in policy processes. This is both at the political level and with relevant government employees. In general, the government invites civil society actors to meetings on relevant political process and international events and there is a good collaboration between the Ministry of Foreign Affairs (MFA) and civil society actors.

A recent example of the cooperation has been Denmark’s bid for a seat in the UN Security Council. Civil Society has arranged several meetings with high level participation from the MFA, which served both capacity building and a consultative purpose for civil society. However, the Ministry has not been very inclusive during the development phase of their plans, but instead mainly after plans are finalised. We hope to see strong cooperation throughout 2025-2026 while Denmark has a seat on the UN Security Council.

The Danish government should:

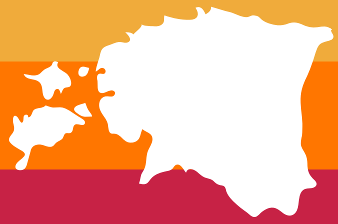
- **Ensure that climate finance is new and additional to the ODA flows and targets of 07% of GNI;**
- **Ensure enough time for meaningful inclusion of partner organisations during consultations with civil society;**
- **Continue to ensure that Danish ODA reaches at least the target of 0.7 % of GNI**
- **Ensure that aid increases are reflected in the amount that reaches countries on the OECD DAC list of ODA recipients.**

ESTONIA

Reported ODA: EUR 93.3 million
0.28% GNI (↓ from 0.54% in 2022)

Non-inflated ODA: EUR 64.6 million
0.19% GNI (↑ from 0.17% in 2022)

Total inflated ODA: EUR 28.7 million
31% of total



> "Estonia has been a DAC member since July 2023. This new status calls for a deeper examination of Estonia's data collection, processing and analysis to identify gaps in ODA reporting."
>
> AKÜ

Main trends

Since the Government established the Estonian Centre for International Development (ESTDEV) in 2021, much effort has been put into improving the planning and funding of development cooperation managed through the organisation. Humanitarian aid as a separate field, as well as multilateral cooperation, have remained under the management of the MFA.

In 2023, Estonia's priority for international cooperation continued to be the Eastern Partnership (Ukraine, Georgia and Moldova) with a special focus on Ukraine. Armenia was designated as a new target country, with funding opportunities in the next action period (2024). Africa is also a target region and Estonia continued working with Kenya, Botswana, Namibia and Uganda and activities are planned in the Estonian African region strategy document. However, however budgetary and political attention remained focused mainly on Ukraine and other Eastern Partnership countries. This has negatively affected Estonian CSOs working in Africa, since budget decreases caused them to reduce or to cease operations in Africa altogether.

Since the beginning of Russia's unprovoked attack on Ukraine, Estonia has been one of the first countries to begin to physically rebuild the country. Priority Areas of Estonian development cooperation in Ukraine were: democracy and good governance; entrepreneurship; and education. In the latter, Estonia has for example built kindergartens and supported education management and curriculum development that is being coordinated by ESTDEV and implemented by CSOs, with work on the ground carried out by Estonian and Ukrainian partners from both the public and private sectors.

Government's relationship with civil society

Overall, the civil society relationship with the government of Estonia has been relatively good. CSOs have good relations with representatives of the MFA working in development cooperation and humanitarian aid and CSOs are considered as strong experts and partners in cooperation planning and implementation. The CSO national platform AKÜ has been part of all important discussions and processes led by the MFA, such as creation of the national development cooperation and humanitarian aid strategy implementation plan.

CSO relations with ESTDEV have also improved due to changes in the organisation's management and strategic re-planning. A representative of the national platform AKÜ continues to work as an advisory board member, which ensured the voice of civil society was heard at management level. There is still room for improvement in the design and transparency of open funding rounds for CSOs and this issue was raised repeatedly by AKÜ and its members.

The Estonian government should:

- **Despite the fragile economic situation and the overarching cuts in the national budget avoid major reductions of the budget allocated for development cooperation and humanitarian aid and continue with the plan to achieve 0.33% of GNI by the year 2030.**

- **Not forget the problems of tied aid in the Rebuilding Ukraine narrative. Future dependence on Estonian service providers might seem a good idea from the perspective of Estonian economic self-interest, but goes against the principles of effective development cooperation.**

- **Increase the national/governmental budget for cooperation projects funded through open CSO calls to at least 50% instead of the 20% minimum at present. This is important to ensure that in the future CSOs engage through transparent cooperation projects and less through small scale, non-transparent procurement processes within ESTDEV's own projects.**

- **Consider redesigning ESTDEV's open calls to make them clearer for all potential applicants. For example, there could be separate calls for CSOs, enterprises, academia, or at least sector preferences should be communicated. The key activity areas in the open calls could be reduced and more focused.**

FINLAND

> **“** Finland: You can’t see ahead by looking inwards and backwards. **”**
>
> Fingo

Main trends

Huge cuts in ODA: The current government was formed in 2023 as a coalition of centre-right and populist parties. The political attitude towards development cooperation is a function of the following considerations:

A) The main political “glue” for the current government is balancing the national budget and reducing the national debt.

B) The populist-right Finns Party has been openly sceptical of development cooperation, even suggesting its termination. Before the 2023 general elections, the party proposed funding development cooperation only from state budget surpluses, which is unlikely in the near future and would effectively end the programme.

C) The Finns Party, currently in government, is responsible for development policy, which has not been prioritised in the state budget.

Consequently, the government will cut actual ODA by 25% during this governmental term. The ODA/GNI ratio will drop from 0.52% in 2023 to 0.36% (government’s estimation) in 2025.

Cuts to the support for LDC countries: Finland has committed to spend 02 % of GNI as ODA for the LDC countries, but no longer declares this amount in the national budget. Policywise, this is complemented with almost no visibility of LDC countries in the Report on International Economic Relations and Development Cooperation (2024).

The focus on sustainable development diminishes: the Government Programme makes no reference to sustainable development and the current administration has maintained this stance: it is not a priority in their policies or funding decisions.

Reported ODA: EUR 1387.8 million
0.52% GNI (↓ from 0.57% in 2022)

Non-inflated ODA: EUR 1114.6 million
0.42% GNI (↑ from 0.39% in 2022)

Total inflated ODA: EUR 273.2 million
20% of total

Government’s relationship with civil society

The relationship with CSO is mixed:

- Positive aspects: the government has clearly expressed that civil society is a focus of Finnish development policy, and Finnish NGOs are key partners for them. This is reflected in the funding as almost every other dimension of the ODA is cut, except support for NGOs.
- Negative aspects:
  - The government has ended two kinds of grants: the support for peace promotion and for global citizenship education. The reasons appear to be ideological, as funding for these grants was available.
  - Many voices in the NGO sector perceive the participation of civil society in policy processes as narrower than before.

The Finnish government should:

- **Reverse the trends in development funding: by cutting ODA funds, Finland is not perceived as a reliable partner by for developing countries and international institutions and does not play its part in international sustainable development; in addition, it does not seize future commercial and political opportunities**
- **Craft a clear plan for reaching international commitments: 0.7% of ODA/GNI, 0.2% of ODA/GNI for LDCs and 85% of ODA to measures that support gender equality.**
- **Strengthen the support for the most vulnerable people, areas, and countries, including financial contribution to LDCs.**

FRANCE

Reported ODA: EUR 13533.9 million
0.50% GNI (↓ from 0.56% in 2022)

Non-inflated ODA: EUR 10567.6 million
0.39% GNI (↓ from 0.40% in 2022)

Total inflated ODA: EUR 2966.4 million
22% of total

" Is France turning its back on ODA? "

COORDINATION SUD

Main trends

After a positive year in 2022, 2023 marked a downturn. ODA decreased to 0.50% of GNI, falling short of the national objective of 0.55% established by law. France also postponed its target of reaching 0.7% ODA to 2030, five years later than planned. This negative trend continued into 2024, with the government cutting the annual ODA budget by 13%. Further reductions are anticipated in 2024 and 2025.

Over the past year, the government has shifted its approach to emphasise that ODA will now also serve France's national interests. This includes potentially more support for national companies and aligning development cooperation policies with diplomatic strategies. Such changes have sparked concerns about a potential decline in ODA effectiveness.

As part of this new policy, France suspended its ODA (other than humanitarian aid) in two countries in 2023, Niger and Burkina Faso, halting funding for several CSO-led development projects. Additionally, the French government has started to avoid the term "official development assistance" in its communications, preferring to use "social and sustainable investments".

Government's relationship with civil society

French law on development cooperation recognises the roles and expertise of CSOs, mandating that the government involve CSOs in drafting and implementing development and humanitarian initiatives. CSOs engage in regular dialogue with the government, primarily through the multi-stakeholder Council on development cooperation (CNDSI), which convenes four times a year under the chairmanship of the Secretary of State or the Minister.

When reviewing or renewing a strategy, the MFA typically organises consultations with CSOs. However, the quality of these consultations varies significantly. CSOs often express concerns about a lack of transparency and accountability, and the insufficient implementation of their recommendations.

In recent years, relations have been affected by new regulations that restrict the enabling environment for CSOs. These include the mandatory signing of a republican commitment contract and the gradual implementation of rules requiring CSOs to screen their beneficiaries during operations.

The French government should:

- **Improve continuity and coherence in national and international commitments - ** It is crucial that the government realigns with its commitments and gets back on track to achieve the 0.7% goal. France already has key instruments to fund ODA such as the tax on financial transactions and the tax on airline tickets. If they were to be improved and strengthened, they could support the increase of ODA.

- **Clarify France's position on avoiding conditionality and instrumentalisation of ODA for national commercial and diplomatic purposes -** the Government should reaffirm its commitment to act in favour of marginalised peoples' interests through its development cooperation policy and should exclude activities that do not benefit them.

- **Maintain commitments towards civil society -** the law on development cooperation set a target to reach the OECD DAC's average for CSO funding of about 15% of bilateral ODA. This target should be politically reaffirmed and reflected in increased funding in the coming years, starting from 2025.

- **Secure funding for key priorities defined by France's Development Cooperation Law -** Key priorities include supporting the LDCs, social services, and gender equality. The latter should include long-term funding commitments to the Fund for feminist organisations (FSOF). Redressing the balance between grants and loans should remain a priority to ensure funding for projects in fragile countries, extending access to essential services.

Links - Welcome pack for MPs (July 2024, in French). Position paper on aid instrumentalisation (April 2024, in French).

GERMANY

"Large budget cuts: Germany turns its back on international solidarity."
VENRO

Reported ODA: EUR 31869.6 million
0.79% GNI (↓ from 0.85% in 2022)

Non-inflated ODA: EUR 23290.7 million
0.58% GNI (↓ from 0.66% in 2022)

Total inflated ODA: EUR 8578.9 million
27% of total

Main trends

Germany's ODA contributions have been on a steep downward trend since 2022. Despite high inflation and rising needs for international solidarity, the German government plans to scale back expenditure on humanitarian aid and development cooperation to the levels seen in 2019. This policy shift has led to a budget reduction of EUR 1.6 billion for the Federal Ministry for Economic Cooperation and Development (BMZ) from 2022 to 2023. In 2024, the BMZ budget was further cut by EUR 1 billion and is expected to drop significantly again in 2025, stabilising at around EUR 10 billion. Humanitarian aid has also faced severe cuts, with a reduction of approximately EUR 500 million or 20% in both 2023 and 2024 as well as even bigger cuts of up to 50% in 2025.

These budget cuts signal a retreat from Germany's leading role within Europe in assuming global responsibility. The cuts will reduce Germany's ability to respond to crises and to cooperate with international partners. Despite this, Germany remains the second-largest ODA provider due to the high inclusion of domestic costs (such as IDRC) in its ODA calculation. This practice increasingly widens the gap between actual and reported support for poorer countries, diminishing the credibility and relevance of ODA figures. Notably, the nominally high ODA values and the fulfilment of the 0.7% target have been used by leading politicians to justify cuts to the BMZ and humanitarian aid. Concurrently, there has been a troubling populist delegitimisation of development cooperation in Germany. There is an acute risk that Germany's ODA contributions will fall below 0.7% in the coming years.

Government's relationship with civil society

In 2023, the German government developed a new strategy for cooperation with civil society, involving input from both German and Global South CSOs. This new strategy, published in May 2024, was largely welcomed by CSOs. It aims to enhance political dialogue with civil society, protect civic space worldwide, support equal participation through feminist development policy, empower actors in the Global South, and simplify existing civil society funding mechanisms.

Despite these positive steps, there is significant concern among CSOs about the reductions in ODA spending. Currently, German ODA funding to and through CSOs remains at around 7%, well below the OECD average of 15%.

The German government should:

- **Make additional financial resources available for development cooperation and humanitarian emergencies to meet rising needs.**
- **Increase civil society funding to the OECD average of 15% of ODA.**
- **Support an overhaul of the ODA reporting rules to better reflect actual support for partner countries and change Germany's own reporting accordingly.**
- **Support an ambitious new climate finance agreement at COP29 and increase climate finance to EUR 8-10 billion annually, while ensuring that this is new and additional funding.**

HUNGARY

Reported ODA: EUR 242.2 million
0.15% GNI (↓ from 0.26% in 2022)

Non-inflated ODA: EUR 242.2 million
0.15% GNI (...)

Total inflated ODA: EUR 0
0% of total

“ A year of mixed outcomes. ”
HAND

Main trends

Compared to 2022, Hungarian ODA fell in real terms and amounted to USD 304 million, which, continuing the earlier approach, excluded IDRC. This means a 0.15% ODA/GNI ratio, dropping to almost half of earlier years’ values. This could be explained by the general economic slowdown that affected the aid budget, and changes in the HUF/USD exchange rate, reported by government sources. Despite the worrying tendency, the government is still optimistic about fulfilling its target of 0.25% ODA/GNI in the current development cooperation strategy by 2025.

A major milestone, the official DAC Peer Review for Hungary was published in 2023, making numerous recommendations in line with CSO views, which will hopefully shape government plans for institutional adjustments. Legal frameworks have improved by adopting a new act for the Hungary Helps Agency, including directions based on earlier CSO recommendations. Furthermore, the agency is undergoing the pillar assessment process, which, when completed, could mean easier access for CSOs to EU funds and tender opportunities as well.

In 2024, the government started working on the new post-2025 development strategy, for which CSOs submitted recommendations, building on the findings of the DAC Peer Review. CSOs stressed the need for a consultative process involving all stakeholders leading up to the adoption of the new policy document. The strategy goals should aim at shifting the focus from Hungarian political and economic interests to local needs and providing policy coherence, especially in light of the Hungarian presidency of the Council of the EU.

Government’s relationship with civil society

While government officials are generally open to initiatives proposed by both donor and partner country based CSOs, high turnover of staff and extra tasks due to the Hungarian Presidency of the EU in 2024 make it difficult to sustain appropriate cooperation. Furthermore, recent legislative changes have not been subject to meaningful public consultation. So a timely, predictable and inclusive social dialogue is yet to be created.

On a positive note, the MFA and Trade has been keen on participating in CSO events, especially those connected to the EU presidency; however, CSOs were not consulted on development-related official presidency priorities and are rarely involved in official presidency programmes. In terms of financial support, in early 2024, the Hungary Helps Agency launched an open tender, targeting specifically CSOs, the first such call since 2015. Nevertheless, a more transparent allocation of funds, long-term financial planning and the provision of operational grants to CSOs are still needed to improve civic space, in line with DAC recommendations and the findings of HAND’s own thematic AidWatch report issued early 2024.

The Hungarian government should:

- **Draft a clear roadmap for increasing ODA, which will be reflected in the targets of the new post-2025 development cooperation strategy.**
- **Set up and efficiently implement an action plan for institutional and policy renewal in line with the recommendations of the 2023 DAC Peer Review and the principle of development effectiveness and policy coherence.**
- **Outline a plan for enhancing the capacities of CSOs and creating opportunities for their involvement in national and EU level programme implementation and policy dialogue.**
- **Set up a multi-stakeholder consultation body as soon as possible.**

IRELAND

"Ireland continues to increase ODA incrementally but not at the pace required to reach 0.7% in real terms."
Dóchas

Reported ODA: EUR 2510.4 million
0.67% GNI (↑ from 0.63% in 2022)

Non-inflated ODA: EUR 1196,2 million
0.32% GNI (same as in 2022)

Total inflated ODA: EUR 1314.2 million
52% of total

Main trends

Ireland's ODA has continued to increase in absolute terms but, once IDRC are taken out, this has not been enough to keep pace with GNI growth. This means a slight decrease in Ireland's non-inflated ODA/GNI ratio leaving it off course to reach the 0.7% goal in real terms by 2030.

To its credit, the Irish government has not sought to include IDRC costs as part of its development assistance in its public statements. It clearly distinguishes them from other ODA in its annual reports and accounts. However, climate finance, which is set to increase to be worth more than a quarter of Irish non-inflated ODA next year, continues to be counted as non-additional ODA.

There is a strong tendency to fund multilateral organisations as a channel of delivery of Irish ODA, rather than CSOs and smaller, more agile stakeholders. However, Ireland has begun a new civil society programme which shows a promising direction back towards local-led delivery and funding through CSOs. As a national platform, we are calling on the Irish government to commit to taking ambitious, accelerated and transformative action to address humanitarian crises, food insecurity, tackle the climate emergency and end structural inequality.

We must ensure that our funding is targeted at the real changemakers – CSOs, local actors and women's organisations who work on the frontlines of response and are best placed to deliver effective support to those most in need. Efforts must also be made to ensure that they can operate in an environment where they can succeed.

Government's relationship with civil society

Irish civil society enjoys a positive relationship with the Irish government based on our shared values to provide effective, concessional and impactful development assistance to those most in need – to reach those left furthest behind.

We are united in our aims to resist trends to reduce or decommit from humanitarian and development aid at EU and wider international levels, especially at a time of terrible humanitarian crises and increasing global inequalities.

We believe Ireland has a good story to tell in terms of 'principled aid' with increasingly local-led delivery, which reaches women and communities on the ground and how this can enhance a country's reputation, as it has done with Ireland.

We have worked in effective partnership with the Irish government, although we aim to increase efforts to make sure there is greater PCSD across Irish government policies.

The Irish government should:

- **Make real progress to achieving the commitment to spend 0.7% of GNI on ODA by 2030 by increasing the ODA budget in 2025 by EUR 292 m and publish a pathway to achieve this.**
- **Deliver on our commitment of a minimum EUR 225 m per year of climate finance and set a pathway to increase this allocation to Ireland's actual 'fair share' of EUR 500 m per year, while at the same time making clear that this should be counted as additional to ODA.**
- **Ensure that 25% of all Irish ODA is allocated to locally-led humanitarian, development and peace initiatives that can deliver support directly to affected populations.**

ITALY

“ In whose interest? The Prime Minister’s new African Plan sets ambitions expectations and also raises fundamental questions. ”

CONCORD Italia

Reported ODA: EUR 5329.9 million
0.27% GNI (↓ from 0.33% in 2022)

Non-inflated ODA: EUR 3833.3 million
0.19% GNI (↓ from 0.25% in 2022)

Total inflated ODA: EUR 1492 million
28% of total

Main trends

Italy’s early figures for 2023 show a significant drop in ODA to 0.27% of GNI, down from 0.33% the previous year. IDRC account for a substantial USD 1.6 billion or 26% of total ODA. Meanwhile, other areas of ODA decreased. For instance, project-based actions have shrunk by nearly 60% compared to the previous year, possibly highlighting the challenges of maintaining a steady supply of new projects. This shortfall cannot be compensated by temporary increases in more volatile components such as refugee costs, debt cancellation, and responses to global crises.

Although imminent aid cuts are not expected, the Government appears less committed to implementing the schedule of increases endorsed by its predecessor. Nevertheless, there is renewed interest, particularly surrounding Italy’s presidency of the G7 and the new Mattei Plan for Africa. This multi-year framework promises to mobilise at least EUR 5 billion for the continent in loans, grants and guarantees with the stated intention of fostering fair and non-paternalistic partnerships with African governments. The Mattei Plan for Africa, introduced in 2023, was discussed with African leaders at an international conference in Rome in January 2024 and submitted to Parliament for consultation in July. The Mattei Plan for Africa is underpinned by a full agenda of international missions by the Prime Minister and other leading development cooperation stakeholders. CSOs have been closely following these developments and note the risk that the Mattei Plan for Africa might turn into an instrument to leverage existing resources in Italy’s own interests with regard to migration and the energy sector.

Government’s relationship with civil society

The relationship between development CSOs and key institutions in Italy’s development cooperation is centred around the sector legislation adopted 10 years ago (Law 125/2014). The relationship presents both opportunities and challenges. CSOs have been included in the board (Cabina di Regia) of the new Africa Plan, granting them opportunities to access official documentation and meetings with the Prime Minister, submit comments and review reports. In January, the Italian Agency for Development Cooperation launched a new EUR 180 million call for CSO projects. While this opportunity is positive, it has sparked an intense dialogue between the Agency and Italian CSO platforms to address aspects of project implementation, including risk-sharing and results-based management. Over the same period, the search operations conducted by CSOs to rescue migrants crossing the Mediterranean Sea have become more challenging due to new regulations and policies which prolong the migrants’ journey to safety, make it harder for migrants and asylum seekers to benefit from protection and impose additional costs on the CSOs' already limited budgets.

The Italian government should:

There has been some progress in addressing the recommendations from last year’s AidWatch report, particularly on funding for CSOs and the development of multi-year plans. However, it remains crucial to advocate for the following:

- **a time-bound plan to close the gap to the 0.7% ODA target by 2030, with steady and programmable resources;**

- **a round of calls for proposals on global citizenship education;**
- **the timely finalisation of the multi-year planning process for 2024-2026, including the development of a new national plan on development effectiveness and the implementation of the national plan for policy coherence.**

LATVIA

"Effective and Responsible Development Cooperation Financing" a task to be continued"
LAPAS

Reported ODA: EUR 124.8 million
0.33% GNI (↑ from 0.21% in 2022)

Non-inflated ODA: EUR 86.4 million
0.23% GNI (↑ from 0.19% in 2022)

Total inflated ODA: EUR 38.4 million
31% of total

Main trends

In 2023, Latvia experienced a significant increase in ODA, driven by several new multilateral initiatives. Despite this marked increase in multilateral contributions, Latvia's bilateral aid levels remained disproportionately low. Bilateral aid, unlike multilateral aid, is often more transparent and traceable, allowing for greater scrutiny of its allocation and effectiveness. This disparity highlights a potential issue in the focus of Latvia's ODA, as the shift towards multilateral funding may obscure accountability and hinder efforts to ensure that aid aligns with national priorities.

Latvia's continued support for Ukraine through humanitarian aid, particularly through innovative measures like the donation of expropriated cars from drunk drivers, reflects the country's sustained commitment to crisis response. Additional support to Ukraine included contributions to the IMF, the EIB and UN Women initiatives aimed at assisting Ukrainian women. In 2023, a notable portion of Latvia's ODA also went towards refugee-related costs, further reflecting the country's response to the ongoing crisis in Ukraine. The Latvian Ministry of Economics also continued its involvement in Ukraine's reconstruction, committing EUR 2 million to related projects.

Since January 2022, the Central Finance and Contracting Agency (CFCA), under the Ministry of Finance, has assumed the role of Latvia's national development agency. It launched its first projects, which include partnerships with NGOs and other stakeholders. However, concerns have been raised about the transparency of the selection process for project inclusion, casting doubt on the fairness and inclusivity of project financing.

The rapid expansion of ODA funding in 2023 has raised the need for more robust monitoring and accountability mechanisms. In response to this growing need for oversight, the Latvian Platform for Development Cooperation (LAPAS) and its members launched a project titled "Effective and Responsible Development Cooperation Financing" in 2023. The project aims to develop a national methodology for ODA evaluation, build the capacity of NGOs in this field, and produce two national ODA evaluation reports. This initiative reflects a proactive approach to enhancing the quality, accountability, and effectiveness of Latvia's development assistance in the context of its expanding global commitments.

Government's relationship with civil society

MFA involves LAPAS in decision-making processes including timely non-formal consultations on legal acts and policy documents, involvement in a consultative body on development cooperation and an openly elected NGO representative in the project evaluation commission of the bilateral open call by MFA. At the same time despite the very rapid increase of ODA the direct support by MFA for the national platform LAPAS in 2023 has remained unchanged since 2018, the amount of EUR 21 000 annually for communication activities and membership in international platforms.

The Latvian government should:

- **Increase the proportion of the MFA bilateral financing for the open project call to ensure transparency and accountability.**

- **Develop the mechanisms to review the bilateral and multilateral commitments beyond MFA financing as part of Latvia's development cooperation policy framework.**
- **Increase the direct support to LAPAS to support the growing need by NGOs for capacity building and partnerships with Ukraine and other Eastern Partnership countries.**
- **Ensure transparent and open principles in the management of the new national development agency.**

LITHUANIA

Reported ODA: EUR 162.5 million
0.28% GNI (↓ from 0.36% in 2022)

Non-inflated ODA: EUR 150.6 million
0.26% GNI (↑ from 0.25% in 2022)

Total inflated ODA: EUR 11.9 million
7% of total

> " Improve how we work together to tackle new challenges "
>
> VBP

Main trends

In 2023, Lithuania's ODA amounted to EUR 197 million, or 0.28% of GNI. EUR 111.42 million was allocated for bilateral assistance and EUR 85.37 million for multilateral aid.

In 2023, support decreased by 20% compared to the previous year. Lithuania's official support declined from EUR 231.31 million to EUR 196.79 million in 2023 compared to the preceding year. Nevertheless, the reduction was not as significant as might have been anticipated. The spectacular increase in 2022 is mostly explained by IDRC resulting from the war in Ukraine. Despite record high figures in 2022, ODA in 2023 did not return to the 2021 level. However, this erratic increase-decrease indicates that Lithuanian ODA is not subject to a structured plan and varies according to unpredictable factors.

Most of Lithuania's ODA was allocated to humanitarian and financial assistance to Ukraine, amounting to EUR 52 million: 60% of bilateral Lithuanian ODA, or 30% of total Lithuanian ODA. Considering the heightened emphasis on security and the substantial deployment of resources, Lithuania's total bilateral assistance to Ukraine has reached EUR 1.2 billion. Combined with Lithuania's support through the EU, this represents 2% of the country's GDP, as reported at the Reconstruction Conference of Ukraine on 11 June 2024 in Berlin.[1]

The war in Ukraine has led to changes in development cooperation policy in recent years. The involvement of new partners has increased. By decision of the Lithuanian Government, the MFA coordinates the reconstruction of Ukraine. A roadmap for Lithuania's engagement in the recovery and rebuilding of Ukraine is currently being prepared.

The MFA, the OECD, and the European Commission's Directorate-General for Structural Reform Support (DG REFORM) launched the two-year project "Strengthening Lithuania's Development Cooperation Ecosystem: coherence, partnerships, impact". The project aims to strengthen the effectiveness of Lithuania's development cooperation system. Together with OECD experts, a draft action plan has been prepared. Priority actions include civil society engagement (consultation, capacity building, tools) and monitoring, evaluation, and results (capacity building, monitoring and evaluation framework, communication of results). However, the focus will be on involving the private sector (raising awareness and understanding; business incentives; financial instruments).

Government's relationship with civil society

The Development Cooperation and Humanitarian Aid Fund provides a broader scope for civil society projects. A call for project proposals is intended to identify and support projects that align with the strategic priorities of Lithuanian development cooperation and the concepts approved by the Council of the Development Cooperation and Humanitarian Aid Fund. Furthermore, there is room for improvement in the current

1 *"Lithuania's bilateral support to Ukraine amounts to 1.2 billion euros, together with Lithuania's support provided through the EU, it accounts for 2%. GDP of the country,* in Lithuanian, accessed 2 October, 2024.

cooperation with social partners. For CSOs to transition from their current role as implementers to that of policymakers, it would be beneficial for them to have an action plan in place to enable them to fully utilise their two seats on the National Development Cooperation Commission. It would appear that NGOs in Lithuania can raise more funds than the National Development Cooperation Programme.

As global education has not been a priority for many years, it would be beneficial to implement an efficient and responsive system for public consultations with CSOs on this matter.

The Lithuanian government should:

- **Integrate non-governmental donors into the national development cooperation system as key stakeholders.**
- **Prepare a separate report on IDRC and scholarships in Lithuania, with the figures presented separately from the overall ODA figures.**
- **It is imperative that the tasks of global education and general public awareness about global development cooperation are no longer neglected and that systemic measures are employed for their implementation.**
- **In light of the ongoing political and social developments in Ukraine, it is crucial to comply with the principles, standards and aims of liberal democracy when making investments in the country. A key aspect of this is to prioritise the strengthening of civil society and the enhancement of understanding of the actual political and social developments in Ukraine.**

LUXEMBOURG

Reported ODA: EUR 494.3 million
0.99% GNI (↓ from 1% in 2022)

Non-inflated ODA: EUR 494.3 million
0.99% GNI (↓ from 1% in 2022)

Total inflated ODA: EUR 0
0% of total

“ The Luxembourg government maintains the 1% ODA target and its commitments to CSO funding. ”

Cercle de Coopération des ONGD

Main trends

The government has maintained its commitment to the 1% ODA target and the additionality of refugee costs and climate finance.

Alongside the signing of a new indicative cooperation programme between Senegal and Luxembourg, the Cooperation Directorate has set up a Research Unit on Impact Evaluation of Development Policies. This constitutes a further step for Luxembourg’s cooperation towards improving its analytical and critical capacities in evaluating its own work and contributes to its commitments to leave no one behind.

The government continues to support the peoples of the Sahel, but is gradually winding down its bilateral cooperation with some countries in the region following a decision not to sign new bilateral agreements with regimes that have emerged from coups d'état. Luxembourg's cooperation programming with Niger was the highest financial commitment of all the partner country programmes until the coup d'état of 26 July 2023, following which bilateral programmes implemented by LuxDev were suspended. As a consequence of this change in approach in the Sahel region, Luxembourg is diversifying its partnership portfolio and is extending its relations with Benin, Rwanda and Costa Rica.

The budget dedicated to public awareness-raising and global citizenship education has been increased in 2023 and the then Minister for Cooperation and Humanitarian Action, co-chaired and coordinated the process of drawing up the European Declaration on Global Citizenship Education (GCE) – a European strategic framework for improving and expanding GCE in Europe up to 2050 This emphasised the importance that Luxembourg attaches to the complementarity between GCE and international cooperation in order to achieve the SDGs.

Government’s relationship with civil society

During 2023, the Luxembourg government maintained close and productive relations with CSOs. The government recognised the importance of CSOs as essential partners in development cooperation and the implementation of its development cooperation strategy. CSOs benefited from stable funding, institutionalised regular exchange and open dialogue. For instance, the implementation of new accountability requirements, including a risk-based procedure for taking account of the Anti-Money Laundering and Financing of Terrorism recommendations, were subject to consultation with CSOs.

In project countries, Luxembourg has set up programmes to provide direct support to local actors. For example, the Nicaraguan Civil Society Support Fund (FASOC), managed by Oxfam, supported Costa Rican organisations working with Nicaraguan migrants and refugees. In 2023, Luxembourg’s cooperation also focused on setting up human rights protection projects, with an emphasis on human rights defenders. For example, a project implemented by the NGO Front Line Defenders aims to bring practical solutions to human rights defenders at risk in Niger, Mali, Burkina Faso, Senegal, Rwanda and Benin.

The Luxembourg government should:

- **Strengthen the GCE sector through structured, multidimensional and sustainable support to help place GCE at the heart of the development of responses to the major challenges of our time.**
- **Strengthen civil society in partner countries, in particular civil society organisations supporting minorities, grassroots feminist organisations and CSOs defending human rights.**
- **Identify new and/or improve existing funding mechanisms that enable direct financing of CSOs in developing countries.**
- **Develop pan-governmental approaches like the one developed in Cabo Verde for other countries and involve non-governmental actors more in these mechanisms.**

Link **to Luxembourg Cooperation Annual report 2023 (French).**

MALTA

" A promising new period. "

SKOP

Main trends

Although reported ODA expenditure has increased over the past year, the ODA/GNI percentage has seen a very slight decrease due to a more marked increase in GNI. Multilateral expenditure has decreased by 10% compared to 2022, while the increase in bilateral spending is attributed to a 19.6% increase for IDRC.

Malta's support for Small Island Developing States (SIDS) has continued and has been strengthened. This can be seen through the collaboration with the Islands and Small States Institute at the University of Malta. Besides the scholarship scheme, collaboration in diplomacy efforts in support of SIDS has intensified while technical assistance projects (e.g. in water conservation in the Caribbean) have also started.

Some of Malta's embassies (such as those in North Africa, the Middle East, Ghana and Ethiopia) are now able to allocate small funding amounts to projects implemented at the grassroots level.

Government's relationship with civil society

Communication with civil society has been re-established and the tone of the discussions has seen a marked improvement. However, there is no structured approach to maintaining a regular dialogue and consultation has been limited.

It is worth noting that discussions to allocate a fund for an annual call for projects submitted by Maltese NGDOs (in partnership with southern CSOs) were underway in 2023 and this was issued in 2024. Although the amount is still a fraction of pre-2019 calls, this bodes well for the coming years as the Development Unit has stated its commitment to engage in more regular dialogue with the sector.

Reported ODA: EUR 45.2 million
0.26% GNI (↓ from 0.28% in 2022)

Non-inflated ODA: EUR 4.6 million
0.03% GNI (↓ from 0.06% in 2022)

Total inflated ODA: EUR 40.9 million
90% of total

The Maltese government should:

- **Improve aid effectiveness by ensuring predictability and multiannual programming for the funds allocated to high quality poverty eradication projects proposed by Maltese CSOs and by raising awareness of the development impact of Maltese CSOs.**
- **ISupport CSOs in increasing their capacity to implement and monitor projects that are fully focused on the LNOB principles and give them the right to propose development projects that address the rights and needs of those most at risk in ODA recipient countries.**
- **IEngage with Maltese civil society and development stakeholders in an assessment of the Maltese ODA programme and policy, to evaluate and reform the geographical and thematic focuses as well as their effectiveness.**

THE NETHERLANDS

Reported ODA: EUR 6334.3 million
0.66% GNI (↓ from 0.67% in 2022)

Non-inflated ODA: EUR 5143.4 million
0.54% GNI (↓ from 0.57% in 2022)

Total inflated ODA: EUR 1190.9 million
19% of total

" Cuts upon cuts. "
Partos

Main trends

2023 was the start of a turbulent period. In April, the Rutte government announced an enormous rise in IDRC, which effectively meant a EUR 3.4 billion cut to the development budget for the years 2023-2026.
Then, the government fell and the radical right PVV party, which has long advocated for abolishing development cooperation, came first in November's general elections. During the government negotiations, the caretaker government announced a further cut of EUR 800 million, due to ever-increasing IDRC.
In May 2024, the PVV and its negotiation partners proposed a devastating structural cut in the development budget of EUR 2.4 billion per year. This overshadowed the positive news that IDRC financed out of ODA would be capped at 10% of total ODA starting in 2027. Although the longstanding problem of IDRC destabilising the development budget has now been solved, in practice this has not had the effect of freeing up more budget resources for development cooperation due to the enormous structural cuts. To make matters worse, in September 2024 the government announced that, at least in 2025, ODA would no longer grow at the same pace as Dutch GDP.
Policywise, the government has pledged to prioritise food security, water management and migration, a seeming continuation of the previous government's approach. What this means for other policies in which the Netherlands has demonstrable added value (gender, SRHR and the involvement of civil society) will likely be outlined in a new policy note, expected in January 2025.

Government's relationship with civil society

The Dutch government provides funding to many Partos member organisations. Partos and its members have regular contact with the ministry, both on anticipated and existing policies, as well as on funding issues. As with previous policy notes and strategies, Partos and members expect to be meaningfully consulted in the drafting process of the new development cooperation policy note.

The Dutch government should:

- **Ensure that impactful and sustainable development in the Global South is the first priority of development cooperation policy, even if development cooperation also contributes to the Netherlands' international standing and geopolitical and economic interests.**
- **Uphold its commitment to the 0.7% OECD pledge.**
- **Continue working with CSOs as strategic implementing partners in order to achieve its policy objectives. The Netherlands has an internationally-recognised tradition of collaborating with CSOs. Civil society knows the local context in partner countries and can offer innovative solutions. Furthermore, CSOs are rooted in local communities (here and in the South), contributing to long-term impact and public support.**
- **Find additional ways (besides ODA) to support countries in the Global South. It should look for win-win solutions which benefit partner countries and the Netherlands alike. For instance, tackling tax avoidance, which inflicts billions of euro of tax losses on other countries and ourselves. Or future proofing our agriculture sector, responsible for biodiversity loss at home and abroad.**
- **Address climate change in an (internationally) fair way: drastically reduce fossil fuel emissions, stop providing subsidies to fossil fuel activities, pay our fair share of climate finance on top of existing ODA and make sure that our transition to a green economy does not harm the Global South.**

POLAND

“ Will the political shift bring ambitious changes in Polish development cooperation policy and implementation? ”
Grupa Zagranica

Main trends

Total spending on development cooperation in 2023 was almost PLN 10.9 billion. Similarly to last year, Poland's ODA marginally exceeded the spending target of 0.33% ODA/GNI, accounting for 0.34% of GNI. In 2022 this figure was much higher at 0.51%.

However, the costs of hosting refugees in Poland (51% of total ODA in 2023) and multilateral cooperation, such as contributions to the EU budget, payments to the European Development Fund and various UN agencies (34% of total ODA in 2023) amount to a huge part of Polish ODA.

A very small percentage of ODA relates to strictly project-based activities in partner countries. Even less, only about 0.6% of ODA, is allocated to projects through Polish CSOs.

Government's relationship with civil society

At the end of 2023, there was a change of the government in Poland and the new Foreign Minister affirmed the role of development and humanitarian organisations. Exceptionally, the Polish responsibility for tackling global challenges was highlighted, which we take as a good sign of future improvements.

In December 2023 the OECD DAC published the Peer Review of Polish development cooperation. A number of recommendations included in the report are consistent with longstanding civil society requests. One significant development in 2024 was the announcement of the funding call in the area of global education and the conduct of the grant procedure in a transparent manner.

Reported ODA: EUR 2104.8 million
0.34% GNI (↓ from 0.53% in 2022)

Non-inflated ODA: EUR 1383.7 million
0.22% GNI (↑ from 0.18% in 2022)

Total inflated ODA: EUR 721.2 million
34% of total

The Polish government should:

- **Set clear targets to build ODA volume over the next six years and commit to this in budget planning.**
- **Better reflect the importance of civil society in policy making and implementation of projects financed from public funds in the field of development cooperation and global education.**
- **Transition from modular projects to multi-year cooperation agreements with CSOs, funding long-term programmes in development cooperation and humanitarian assistance in order to foster more substantial and sustainable projects.**
- **Provide institutional support to CSOs, including support to the CSO sector in accessing funds from the EU budget and other institutional donors.**
- **Develop strategy documents for 1) each priority partner country and 2) global education, based on consultation with partner country stakeholders and social partners.**

PORTUGAL

> **"Another year of stagnation highlights the urgency of boosting Portuguese ODA."**
> ONGD - Plataforma Portuguesa

Main trends

After surpassing the 0.2% GNI threshold for the first time in a decade, Portuguese ODA again decreased in 2023. The commitment enshrined in the Portuguese Cooperation Strategy 2030 (ECP 2030), adopted in late 2022, to "sustainably increase Portuguese net ODA" was not enough to reverse a long cycle of stagnation. In 2023, Portuguese ODA stood at 0.19% of GNI, an 8.5% decrease from the previous year. According to the OECD, this was due to a decrease in IDRC. As CONCORD has been advocating, this portion of ODA inflates the overall figures and should not be counted, as it does not directly contribute to the sustainable development of partner countries. Portugal therefore needs to make sure that the necessary increase in ODA rests on additional funding to areas that positively impact sustainable development. Despite the overall decrease in ODA, the budget of Camões IP (Portugal's development agency) increased for the second consecutive year. Plataforma expects that Camões IP's budget will be further increased in the coming years. It is also expected that over the coming months there will be decisions about several processes postponed due to March's snap election, especially the Implementation and Monitoring Plan of the ECP 2030, the National Strategy for Development Education and its Action Plan, as well as the National Roadmap for Sustainable Development 2030.

Government's relationship with civil society

After the significant increase in funding for NGO projects in 2023, the budget for 2024 kept similar levels. However, there is still room to improve the support mechanisms for NGO work, and Plataforma expects that Camões IP will remain committed to engaging in meaningful dialogue aimed at addressing civil society concerns.

Reported ODA: EUR 454.2 million
0.19% GNI (↓ from 0.21% in 2022)

Non-inflated ODA: EUR 438.6 million
0.18% GNI (↓ from 0.20% in 2022)

Total inflated ODA: EUR 15.6 million
3% of total

Furthermore, following Camões IP's leadership change without consultation, dialogue with civil society on Portugal's development priorities needs improvement, considering the important role of Portuguese NGOs in implementing ECP 2030. The Development Cooperation Forum is a consultation body that plays a key role in ensuring proper coordination among public institutions and the wide set of stakeholders (especially NGOs) that contribute to the goals of Portugal's development policies. To contribute to the Forum's regulatory reform, Plataforma has called for strengthening its role to ensure effective functioning.

The Portuguese government should:

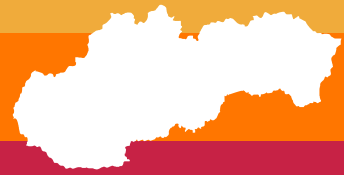
- **Swiftly produce a timeline for the gradual increase of ODA, as outlined in the Portuguese Cooperation Strategy 2030.**
- **Promptly resume the processes postponed due to March's snap election and incorporate inputs from Civil Society.**
- **Strengthen support for the activities of Portuguese NGOs through the gradual increase of Camões IP's budget.**
- **Should consistently and systematically consult civil society on policy priorities, especially through the Development Cooperation Forum.**

SLOVAKIA

Reported ODA: EUR 148.6 million
0.14% GNI (↓ from 0.15% in 2022)

Non-inflated ODA: EUR 147.1 million
0.13% GNI (↓ from 0.15% in 2022)

Total inflated ODA: EUR 1.4 million
1% of total



"Slovakia's ODA: Stalled Progress, Growing Needs"

Ambrela - Platform for development Organisations

Main trends

In 2023, Slovakia's ODA remained stagnant at EUR 162 million, reflecting minimal growth compared to the previous year, despite the country's increasing GNI. While multilateral aid channels remained the primary route for ODA, with EUR 127 million allocated, bilateral aid continued to be underfunded, decreasing from EUR 39 million in 2022 to EUR 35 million in 2023.

Slovakia in 2023 did not meet its commitments to increase ODA to 0.33% of GNI and at just 0.14% did not even meet half that target. ODA also remained fragmented, with support to key partner countries Kenya, Moldova and Georgia amounting to only EUR 3.2 million combined.

The continued Russian aggression in Ukraine heavily influenced Slovakia, but despite rhetoric about prioritising humanitarian aid, the actual funding allocated to Ukraine remained low compared to other donors. **With only EUR 11 million in direct humanitarian assistance, Slovakia was placed 32nd in the ranking of humanitarian commitments by GDP**. The New Medium-Term Strategy for Development Cooperation (2024–2030) was expected to present Slovak ODA for the coming years, but due to the autumn elections this process was postponed.

Although the year started with promising negotiations, by year end these turned out to be a missed opportunity to raise bilateral aid at the political level.

The Global Education strategy has still not been finished and its status has been downgraded from mandatory to facultative.

Government's relationship with civil society

In 2023, Slovakia saw some positive developments in the relationship between the government and civil society, particularly through collaborative events such as the Ambrela Development Forum, part of the SlovakAid Development Summit. The forum fostered dialogue between the government, civil society and international organisations, highlighting the importance of cooperation on development and humanitarian issues.
However, despite MFA's recognition of the crucial role of civil society in development cooperation, it has not taken practical steps and decisions to give effect to this approach. This was exacerbated by the summer caretaker government and autumn pre-election paralysis. The new government increased the focus on economic diplomacy at the expense of development cooperation. Towards the end of the year civil society started to experience first animosities from the government partly because they were considered or portrayed as leading critics during the elections.

The Slovak government should:

- **Increase the ODA budget to reach at least 0.33% of GNI by 2030, in line with Slovakia's international commitments.**
- **Play an active role and contribute to the successful reconstruction of neighbouring Ukraine.**
- **Develop and implement rapid response mechanisms for humanitarian aid to improve Slovakia's ability to respond to crises effectively.**
- **Strengthen the participatory approach between the government and civil society to ensure more strategic, predictable and long-term cooperation.**

SLOVENIA

Reported ODA: EUR 137.9 million
0.24% GNI (↓ from 0.29% in 2022)

Non-inflated ODA: EUR 106.4 million
0.19% GNI (↑ from 0.18% in 2021)

Total inflated ODA: EUR 31.6 million
23% of total

" The Broken Promise "

Sloga

Main trends

In comparison to 2022, despite the challenging global situation, the Slovenian government decided to allocate fewer funds for ODA in 2023.
In 2023 Slovenia's ODA fell from 0.29% in 2022 to 0.24% in 2023 mainly due to unique debt cancellation and limited refugee costs reporting. Despite the significant percentage drop in ODA, the Ministry of Foreign and European Affairs (MFEA) adopted several instruments to support more qualitative ODA.

The main areas of bilateral ODA expenditure continue to be student costs and support for migrants, together accounting for more than 60%. LDCs are receiving a smaller proportion of ODA, with most support channelled through multilateral organisations. Slovenia should take note of best practices from certain Eastern European countries, such as Poland, Estonia and Lithuania, that, despite having lower GDP per capita, have allocated a higher percentage of their GNI to ODA in 2023.

Given Slovenia's record high military expenditure in 2023, which is expected to rise further in 2024, the decline in ODA is perplexing. It appears that the issue may be a lack of political will rather than insufficient funds. Without renewed political commitment, ODA may continue to decrease, with priorities shifting to other areas.

If Slovenia is genuinely committed to fostering a more just world, it must match its enthusiasm for international development cooperation with its focus on security. As Slovenia begins its first presidency of the UN Security Council for the 2024-2025 term, the responsibility to fulfil its international development and ODA commitments is even greater. The countries of the Global South, who supported Slovenia's bid, rightfully expect Slovenia to uphold these commitments.

Government's relationship with civil society

The MFEA is making notable progress in building partnerships with CSOs, especially through the NGO platform. In 2023, the MFEA updated the "Guidelines for Cooperation with NGOs in the Area of International Development and Humanitarian Aid" and introduced national "Guidelines for the Inclusion of Gender Equality in International Development and Humanitarian Aid." NGOs were actively consulted in these processes, ensuring their valuable input was integrated. Moreover, NGOs played a significant role in the DAC Peer Review process. Positive strides have been made with strategic partnerships in humanitarian assistance, with increased funding directed towards these efforts. However, more attention is needed in the areas of global education and capacity building for NGOs, where additional support from the MFEA would be beneficial.

While these developments are promising, there is still potential for enhanced involvement of civil society in key government decisions. For example, the government's decision to advance with the construction of a second nuclear power plant has sparked concerns among environmental organisations and many Slovenian citizens, who advocate for more sustainable alternatives in the country's green transition.

The MFEA's initiatives in international development cooperation are commendable, but broader support from other government stakeholders is crucial to fully achieve these goals. Additionally, PCSD has not yet received the attention it deserves, representing a significant area for improvement. This situation presents an opportunity for civil society to strengthen collaboration with partners and work towards advancing Slovenia's international development and humanitarian efforts.

The Slovenian government should:

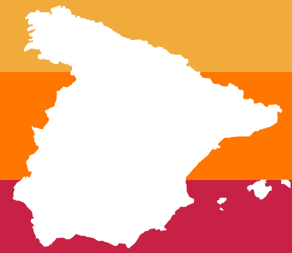
- **Increase its ODA in 2024 and reverse the decline seen in 2023. The focus should be on expanding bilateral cooperation, with more funds allocated to international development projects led by Slovenian NGOs, rather than directing most contributions to international or multilateral organisations.**
- **Remove the MFEA requirement for Slovenian NGOs to secure a percentage of their project funding from private companies. This condition is particularly challenging for smaller NGOs. Instead, the MFEA should explore ways to incentivise private companies to collaborate with NGOs in development projects in partner countries.**
- **Prioritise strengthening the capacities of smaller NGOs, recognising them as vital yet vulnerable stakeholders in international development.**
- **Remain committed to the core mission of international development cooperation, i.e. reducing poverty and addressing inequality, regardless of initiatives like the Global Gateway, which prioritise economic interests over these goals.**

SPAIN

Reported ODA: EUR 3355.6 million
0.24% GNI (↓ from 0.30% in 2022)

Non-inflated ODA: EUR 3078.9 million
0.22% GNI (↓ from 0.24% in 2022)

Total inflated ODA: EUR 276.6 million
8% of total



> “Promising institutional reform underway, with a worrying drop in ODA.”
>
> La Coordinadora

Main trends

Progress has been made in the reform of the cooperation system, based on the Development Cooperation Law approved in February 2023, mainly related to the normative development of the Law and the Spanish Cooperation Master Plan. Nonetheless, the same is not the case for budgetary matters.

As of September 2024, only the Aid Workers Regulation (by Royal Decree) and the **2024–2027 Master Plan** have been approved by the Ministerial Cabinet, after the positive assessment of the Cooperation Council and civil society stakeholders. The Royal Decrees regulating the grants, the financial cooperation (the Spanish Fund for Sustainable Development) and the High Cooperation for Sustainable Development and Global Justice Council, as well as the Spanish Agency for International Development Cooperation (AECID) regulation are in the advanced stage of drafting.

No progress was made in increasing ODA to reach the Development Law commitment of 0.7% GNI by 2030. Instead, 2023 has been a year of setbacks, losing the ODA growth momentum of recent years and returning to a very worrying 0.24%, despite a lower inflated aid component than in 2022. ODA prospects of a significant increase for 2024 are not very bright, as the 2023 state general budget has had to be extended for 2024.

Government's relationship with civil society

A positive relationship and regular and constructive dialogue to develop the Cooperation Law, the cooperation system reform and the formal DNGO-government agreement are maintained between La Coordinadora, as representative of the DNGOs, and the government, mainly with the International Cooperation Secretariat and AECID.

As mentioned, an effective dialogue to build a credible budgetary path to reach 0.7% ODA in 2030 is still pending. The works that will be carried out for this purpose and the preparation of the IV Financing for Development Conference by the recently established working group in the Cooperation Council[1], offer an opportunity to address these crucial issues.

On the other hand, fluid dialogue and coordination have been maintained with the main parliamentary groups to contribute to the improvement of the Sixth Cooperation Master Plan and to reach a broad consensus on its main elements.

Finally, it is worth mentioning the dialogue established with the Government and the parliamentary groups on the latest hostilities in the occupied Palestinian territory and Israel, around five main demands: 1. Urgent and permanent cease-fire; 2. Humanitarian access; 3. Respect for International Humanitarian Law and International Law; 4. Stop arms trade; and 5. A negotiated solution.

The Spanish government should:

- **Implement the Sixth Master Plan for Spanish Cooperation and complete the reform of the cooperation system, with the development and approval of the**

1 The Cooperation Council is a consultative body for cooperation policy composed of CSOs and government representatives.

necessary regulations and sectoral–geographical strategies which address transformative cooperation and guarantee the participation of civil society in the process.

- **Reach ODA of 0.4/GNI by 2025, at least 0.55% by 2027 and 0.7% by 2030. This growth should not be achieved through inflated aid mechanisms.**
- **Strengthen the Spanish Agency for International Development Cooperation with a significant increase in its technical, human and budgetary capacities.**
- **Strengthen the GCE pillar and the feminist, environmental, peacebuilding, decolonial and policy coherence approaches as an essential part of cooperation policy.**
- **Play an ambitious and bridge role in the negotiations of the IV International Conference on Financing for Development (FfD) to be held in Seville in 2025.**

SWEDEN

Reported ODA: EUR 5291.3 million
0.91% GNI (↓ from 0.89% in 2022)

Non-inflated ODA: EUR 4917.9 million
0.84% GNI (↑ from 0.81% in 2022)

Total inflated ODA: EUR 373 million
7% of total

" Towards a new low for Swedish ODA. "
CONCORD Sweden

Main trends

Sweden´s development assistance is decreasing. The 2023 ODA figures show an increase on a technicality, due to reporting rules on multi-year credits .
Newly announced budget cuts will bring Sweden, the first country to reach 1% of GNI for ODA, below the global 0.7-target and towards a projected 0.67-0.68 % of GNI in 2028. Lower ODA outcomes than projected levels are also probable, since non-ODA eligible items were included in the recent aid budget proposal.

In 2023 and 2024, Sweden´s development cooperation has been reshaped according to a new overarching policy document. So far, ten new geographic and thematic strategies have been adopted, and five bilateral partnerships have so far been phased out, among them several of the most fragile states in the world.

The main political priorities are supporting Ukraine and the neighbourhood; finding synergies between export promotion and development spending (tied aid); and synergies with migration policies. Other priority areas exist on paper in the development policy document but have not received a similar budgetary or political focus as the aforementioned.

Sweden, unlike most OECD DAC members, includes in-donor refugee costs in its ODA budget, thus offsetting other development priorities. There have been large unused funds from in-donor cost outcomes. In 2022 the unused 2,1 billion SEK were not returned to the development budget. For 2023, the smaller parties in the government coalition managed to negotiate a return of unused funds of 1,4 billion SEK.

Government's relationship with civil society

Swedish public institutions have a tradition of including civil society in dialogue. Several ministers in the current government have been criticised by multiple stakeholders for scaling down meetings with CSOs to mere information sessions and refraining from dialogue on issues which might significantly impact the work of CSOs or development policy as a whole. The frequency of meetings did improve somewhat after the government finished its internal drafts of policy priorities in April.

In the end, the turbulence in CSO funding resulting from the government´s internal negotiations about the new civil society strategy and the lack of clarity throughout the process still affects all Swedish CSOs and their partnerships. Main changes are a significant increase in own contribution funds, disruptive change in the implementation model for subgranting organisations, plus new rules to limit advocacy in segments of the strategy. 90% of partnership grants were earmarked for Swedish organisations international partnerships.

The Swedish government should:

- **Urgently revert the current downward trend of the ODA budget and set a plan for how to return Sweden to an ODA of 1% of GNI.**
- **Focus Sweden´s cooperation on people in the most vulnerable situations and places, and defenders of human rights and the environment. Build all reforms on development effectiveness principles, contextual knowledge, and impact assessments with meaningful participation of people living in poverty and under oppression.**

- **Use private sector instruments only where development impact and transparency can be credibly improved, choosing mechanisms which do not negatively offset public development finance available for health, education, social protection and strengthening democracy.**
- **Ensure that all costs in Sweden´s ODA budget adhere to the OECD DAC reporting directives and remove non-eligible costs.**

ANNEX I – GLOSSARY[197]

Additionality: in the context of private sector instruments (PSIs), additionality means that the PSI has led to benefits that would not otherwise have occurred. There are three sub-categories of additionality: financial additionality (roughly, making additional investment possible); value additionality (roughly, helping private sector actors to improve their operations in a way that has positive: development outcomes); and development additionality (roughly, where there is development impact that would not have occurred without the PSI). The OECD-DAC takes the position that PSIs do not have to be concessional to qualify as ODA, provided that they have at least two of the three sub-categories of additionality (development additionality plus one other)[198]. See also concessionality, below.

Bilateral ODA: ODA provided by governments [i.e. in the context of AidWatch, EU Member States] directly to partner countries, non-governmental organisations, or used for internal development-related activities such as administering ODA programmes. ODA channelled through multilateral agencies is also counted as bilateral ODA if the government providing the ODA retains significant control over the funds ("earmarked" funds)[199]. See also multilateral ODA, below.

Commitments basis: a system of reporting ODA spending based on the amounts of ODA that governments have promised to provide[200]. See also disbursements basis, and grant equivalent measure, below.

Concessionality: a measure of how generous an ODA provider's finance is. Concessionality is assessed by comparing on the one hand the terms on which the finance is provided, versus on the other hand a set of assumptions on the ODA provider's actual costs of borrowing. Grants are completely concessional[201]. See also grant equivalent measure or mechanism, below.

Debt relief: debt relief comprises a range of approaches to reduce the burden of debt, such as cancelling debts, rescheduling debts and pausing debt repayments[202].

Debt servicing: paying back the principal borrowed on loans, paying interest, and making repayments to the International Monetary Fund[203].

197 This glossary aims to provide user-friendly explanations of key terms. These do not always use exactly the same terminology as the formal definitions used by the OECD-DAC and others, but links to official sources are provided in footnotes.

198 For the OECD-DAC's complete definition of additionality, see OECD-DAC, 'Private Sector Instruments – Batch 3 Topics', DCD/DAC(2023)48/FINAL, Box 2 on page 11, *https://one.oecd.org/document/DCD/DAC(2023)48/FINAL/en/pdf*.

199 See OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 10-12, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

200 See OECD, 'DAC glossary of key terms and concepts', "commitment", *https://web-archive.oecd.org/temp/2024-02-22/66749-dac-glossary.htm#Commitment*

201 See also OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 66 and 68, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

202 See OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraph 45, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*; UK House of Commons International Development Committee, Seventh Report of Session 2022–23, Debt relief in low-income countries, section on Defining debt relief, *https://publications.parliament.uk/pa/cm5803/cmselect/cmintdev/146/report.html#heading-0*

203 See World Bank databank, metadata glossary, *https://databank.worldbank.org/metadataglossary/millennium-development-goals/series/DT.TDS.DECT.EX.ZS*

Debt sustainability assessment: an analysis of how manageable it is for a country to service its debts[204].

Development finance institution: a government-controlled institution that invests in private sector projects in countries in Low and Middle Income Countries[205].

Disbursements basis: a system of reporting ODA spending based on the amounts of funds that are transferred – for example, when funds are transferred to a partner government or are paid to a service provider[206]. See also commitments basis, above, and grant equivalent measure, below.

Global Gateway: a major EU strategy to increase investment in infrastructure and services in partner countries[207].

Grant equivalent measure or mechanism: a system of reporting ODA based on the amount that is considered to be concessional. Thus the grant equivalent of an ODA grant would be 100% of the grant value, but the grant equivalent of an ODA loan would be less than the face value of the loan[208]. See also concessionality above.

Gross National Income: a measure of a country's total income in a given year[209].

Human Development Index: a measure that combines indicators on three dimensions of a country's human development - life expectancy, education, and income[210].

Illicit financial flows: "Hidden, cross-border flows where either the illicit origin of capital or the illicit nature of transactions undertaken is deliberately obscured"[211].

Imputed student costs: costs that ODA provider countries incur when students from low- and middle-income countries study at universities and higher education institutions in those ODA provider countries, and when the higher education system does not charge fees, or the fees do not cover the cost of tuition[212].

204 Civil society proposals on the factors that should be taken into account in such analysis can be found in, for example, Global Meeting on Debt, 'Bogota CSO Southern-Led Meeting on Debt: Output Document', *https://assets.nationbuilder.com/eurodad/pages/3194/attachments/original/1696845336/BOGOTA_DECLARATION_07.10.pdf?1696845336*, 21 September 2023.

205 Definition derived from Romero and Van de Poel, 2014, *Private finance for development unravelled*, p.8, *https://assets.nationbuilder.com/eurodad/pages/1059/attachments/original/1601631314/Private_finance_for_development_unravelled_.pdf?1601631314*

206 See OECD, 'DAC glossary of key terms and concepts', "disbursement", *https://web-archive.oecd.org/temp/2024-02-22/66749-dac-glossary.htm#Disbursement*

207 European Commission High Representative of the Union for Foreign Affairs and Security Policy, JOIN(2021) 30 final, *Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: The Global Gateway*, *https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX*:52021JC0030

208 OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 66 and 68-70, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

209 For the technical definition, see Organisation for Economic Cooperation and Development, 'Gross National Income', *https://www.oecd.org/en/data/indicators/gross-national-income.html*

210 UNDP, 'Human Development Index (HDI)', *https://hdr.undp.org/data-center/human-development-index#/indicies/HDI*

211 Cohbam, A. and Jansky, P. Estimating Illicit Financial Flows: A Critical Guide to the Data, Methodologies, and Findings, Oxford Academic (online edition), Chapter 1 section 1.2, *https://doi.org/10.1093/oso/9780198854418.001.0001*, 19 March 2020

212 For the OECD-DAC's full definition of imputed student costs see OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 94-96, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

In-donor refugee costs: costs of supporting refugees or asylum seekers within the donor country for the first year of receiving them, i.e., money is not spent in partner countries[213]. While in-donor refugee costs can be reported as ODA under the current rules, ODA providers can choose whether or not to do so, and (as discussed in the main text), some take a principled stance and exclude these costs from their ODA reporting.

Inflated ODA: finance that is reported as ODA but does not actually meet the OECD-DAC's ODA eligibility criteria.

Least Developed Countries: a UN category comprising countries that both have low levels of income and "face severe structural impediments to sustainable development"[214].

Multilateral ODA: ODA contributions to "international organisations that are active in development"[215], where the ODA provider government transfers control of the funds to the recipient institution, and the funds "become an integral part of the recipient institution's financial assets"[216]. Such contributions are often referred to as "core contributions". See also bilateral ODA, above.

Partially tied ODA: ODA that is provided on condition that goods and/or services are procured "from a restricted number of countries which must include substantially all developing countries and can include the donor country"[217].

Partner countries: Low- and Middle-Income Countries that receive ODA, working in partnership with EU Member States, DAC members and other ODA provider countries.

Private sector instruments: arrangements through which ODA providers direct finance to private sector actors operating in partner countries. PSIs can be distributed as direct investment by the ODA provider or through intermediary institutions such as development finance institutions[218].

Tied ODA: ODA provided on the condition that the ODA is used to procure goods and/or services from the DAC member country's domestic suppliers[219].

213 For more detail see OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, p. 29-34, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

214 United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, 'Least Developed Countries category', *https://www.un.org/ohrlls/content/ldc-category*

215 Quote from OECD, DAC glossary of key terms and concepts, "total receipts", *https://web-archive.oecd.org/temp/2024-02-22/66749-dac-glossary.htm#Total_Receipts*

216 See OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 10-12, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

217 OECD-DAC, '2022 Report on the Implementation of the DAC Recommendation on Untying Official Development Assistance', DCD/DAC)2022)34/FINAL, *https://one.oecd.org/document/DCD/DAC(2022)34/FINAL/en/pdf,* 5 September 2022, p. 7

218 Definition derived from Caio and Craviotto, 2021, *Time for action: how private sector instruments are undermining aid budgets*, p.8. Some confusion can arise from the fact that the acronym "PSIs" is occasionally used to refer to private sector investments rather than private sector instruments. These two concepts are closely linked, since private sector instruments can be used to make private sector investments. However the concepts are not the same: private sector instruments are defined by being financing arrangements, such as providing loans or buying shares (source: derived from Caio and Craviotto, p.8 as above).

219 For full definitions, see OECD-DAC Working Party on Development Finance Statistics, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC/STAT(2023)9/FINAL, paragraphs 217-222, *https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf*

ANNEX II: LIST OF ABBREVIATIONS

CSO	Civil Society Organisation
DAC	Development Assistance Committee
EU	European Union
GNI	Gross national income
HDI	Human Development Index
IFF	Illicit financial flow
IMF	International Monetary Fund
IDRC	In-Donor Refugee Costs
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Lower Middle Income Country
MFA	Ministry of Foreign Affairs
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCSD	Policy Coherence for Sustainable Development
UK	United Kingdom
UMIC	Upper Middle Income Country
UNEP	United Nations Environment Programme
UNGA	United Nations General Assembly
WRO	Women's Rights Organisation

ANNEX III – METHODOLOGY

OVERVIEW

This report is based on three main methodological approaches:

- Quantitative analysis of official data, primarily data published by the DAC
- Mixed quantitative and qualitative analysis of a questionnaire submitted by CONCORD's national focal points, which provided supplementary data on recent spending and budget data, and recent policy developments
- Rapid qualitative desk review to contextualise the quantitative research and questionnaire findings. Key sources included official documents from the DAC, as well as independent reports and analysis from academic, institutional and civil society specialists.

The quantitative analysis was the most substantial of these strands, and is described in more detail below.

QUANTITATIVE ANALYSIS

Main data sources

The analysis is based primarily on data from the *OECD-DAC's statistical database on ODA spending*. The main datasets used were the *DAC 1 dataset* (for 2023 data) and the *Creditor Reporting System* (for more granular data up to 2022).

The main additional data sources used to supplement the OECD-DAC databases were: data on Differentiated Discount Rates agreed by the *OECD Export Credits Group*; *HDI data published by UNDP*; *population data from the World Bank*; and *exchange rate data from the European Central Bank*.

Throughout the analysis, unless otherwise stated, ODA spending data are presented in constant 2022 prices, in euro millions. Due to efforts to align our methodologies as closely as possible with those used in DAC analysis on questions such as tied ODA and policy marker results, the analysis in the report uses data on two different bases:

- The analysis in the sections on what the official figures say, on the "shocking scale of inflated ODA", and on unpaid ODA, uses data on a grant equivalent basis (or, where this is unavailable, on a net disbursement basis220)
- The analysis in the sections on the risk of self-interest/ODA criterion 4 and on "beyond ODA inflation" use data on a commitment basis.

In general, data for 2023 was downloaded in July 2024 and aligns with the preliminary ODA data published by the OECD-DAC in April 2024. Any updates made by individual EU Member States after this download date are not generally reflected in the analysis, except in the case of Estonia, where the National Platform asked us to include updated data.

220 This applies mainly to in-donor refugee costs and imputed student costs. Because of the largely grant-based nature of these types of ODA, the net disbursement data is not likely to diverge substantially from the grant equivalent data. Gross national income data is also reported on a net disbursements basis. In addition, the analysis of unpaid ODA since 1975 uses data on a net disbursement basis, since grant equivalent data is not available for the earlier years.

More details on the datasets used for the different analyses are given in Figure 28 at the end of this annex.

TECHNICAL ASPECTS OF THE ANALYSIS

Imputed student costs 2023 results

Since data on imputed student costs were not yet available for 2023 through the DAC's published databases, alternative approaches were used:

- Where available, preliminary 2023 data provided by CONCORD's National Platforms was used
- Alternatively, a forecast was calculated based on the data for the period 2019-2022. The forecast was calculated using the "forecast.ets" function in Excel221.

Analysis on ODA loans

To calculate the amount of inflated ODA, AidWatch reworks the calculations on loan concessionality using a more realistic set of assumptions about EU Member States' costs of lending. The calculations use a methodology developed by independent expert Steve Cutts222. In more detail, this means that the following steps are taken.

ODA loans are identified using the "flow name" field in the DAC's Creditor Reporting System. ODA loans that also overlap with another category of inflated ODA (e.g. PSI loans) are removed from the data to avoid double counting ODA inflation.

AidWatch recalculates the grant equivalent of each ODA loan recorded in the Creditor Reporting System, using a range of calculation tools. Different tools are used for loans with different repayment patterns:

- For loans with equal principal payments and for annuities, a pre-programmed Excel tool developed and kindly shared by ODA expert Euan Ritchie was used.
- For loans with lumpsum repayment, an online calculator developed by the OECD-DAC was used.
- For loans with other repayment patterns, it was assumed that the ratio of inflated ODA to total loan value would follow the same pattern as for loans with equal principal payments. There were only a few such loans in any given year.

The calculation tools require a discount rate to be enterred. The discount rate is a way of expressing the assumptions that are being made about the DAC member's actual costs of lending. This is the part of the calculation where, in the view of independent experts, the DAC's chosen assumptions are too favourable to DAC members and are leading to ODA inflation223. To calculate the amount of ODA inflation, AidWatch instead uses more realistic assumptions following a methodology developed by Steve Cutts224. The discount rate reflects:

221 In essence, this function analyses trends over time to forecast future results, but does so in a way that gives greater emphasis to more recent data compared with earlier data. *More information is available here*.

222 Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022

223 Ibid, p. 3-5

224 Ibid, p. 4,5,9,33; see also Kowalzig, Cherry-Virdee, Sørensen and Cutts, *Climate finance short-changed, 2024 update: estimating the real value of the $100 billion commitment for 2021-22 – Climate-Specific Net Assistance methodology note*, p.9-10,

- The DAC member's costs of borrowing. To obtain a proxy for this part of the discount rate, AidWatch takes Differentiated Discount Rates agreed by the OECD Export Credits Group.225 For loans in Euros, some further adjustments were made to reflect that for many European governments the costs of borrowing in Euros are even lower than the OECD Export Credits Group data suggest. For loans from Germany or the EU Institutions, the Export Credits Croup rates were reduced by 1%. For loans from Austria, Belgium, France, Italy, Portugal and Spain, the Export Credits Group rates were reduced by 1%, but then a smaller margin was added back to reflect these governments' somewhat higher borrowing costs.226
- The DAC member's costs if loans are not repaid. To obtain a proxy for this part of the discount rate, AidWatch uses a simplified version of the Country Risk Premiums published by the OECD Export Credits Group.227

The steps above allow AidWatch's to calculate a more realistic estimate of the grant equivalent for each loan. AidWatch compares this estimate of the genuine grant equivalent with the grant equivalent that was actually reported, to arrive at an estimate of the amount of inflated ODA.

Loans in 2023

Detailed data on individual ODA loans in 2023 is not yet available, so it is not possible to calculate a precise estimate for the level of ODA inflation through loans in 2023. Instead, a forecast has been calculated based on the limited headline data available. The forecast was derived from (i) changes in the grant equivalent of loans reported in 2023, compared with 2022; and (ii) changes in the Differentiated Discount Rate for the Euro, for loans with a 20-30 year maturity. This approach is conservative, because it does not allow for the possibility that EU Member States may have offered less generous loan terms in 2023 as interest rates increased – if this happened, inflated ODA may be higher than our forecast suggests.

Analysis on ODA distribution by HDI score

The most recent available HDI data (for 2022) were used. The range between the lowest and highest HDI was calculated, and was then divided into 10 equal sub-divisions, hereafter referred to as HDI deciles. The countries were then allocated to the decile corresponding to their own HDI score. For example, the bottom decile corresponds to HDI scores between 0.38 and 0.4375. The Central African Republic has an HDI score of 0.387, so it was allocated to the bottom decile. A very few countries had to be excluded from the analysis because no HDI score was available for 2022, but for the vast majority of countries eligible to receive ODA, this approach was viable.

The total value of bilateral ODA flowing to countries in each decile was then calculated. As was the case last year, one limitation of the analysis is that a substantial share of bilateral ODA was not allocated to a named country or region. In 2022, this amounted to around EUR 21.1 billion, or around 25% of all bilateral ODA. This is a substantial amount and it would be very beneficial if there was more transparency over the destination countries of this European ODA. However, it also seems reasonable to assume that the factors influencing the geographic allocation of this EUR 21.1 billion would not be fundamentally

225 Available from the *OECD 'Aid and export credits' webpage*, section on 'Tied aid disciplines'. AidWatch uses the Differentiated Discount Rate in effect in the year in which the ODA was reported.

226 The margin was calculated based on bond market data kindly shared by Steve Cutts.

227 The simplified versions are as proposed by Steve Cutts: Cutts, S. *Giving Credit Where Credit's Due: The Need to Address Flaws in the Calculation of ODA in Loans*, 18 February 2022, p. 33. The Export Credit Group's *country risk classifications can be found here*. The earliest classification corresponding to the year of reported ODA was used: so for example for an ODA loan reported in 2022, the risk classification for the period 28 Jan – 18 Mar 2022 was used.

different from those influencing the geographic allocation of the ODA that we have been able to analyse. This limitation in the data is therefore unlikely to affect the overall findings above.

Tied ODA in 2023

Data on tied ODA (and partially tied ODA) is only available up to 2022. To forecast the value of tied ODA in 2023, a forecast was calculated based on the data for the period 2019-2022. The forecast was calculated using the "forecast.ets" function in Excel, i.e. the same approach as used for the analysis on imputed student costs described above.

ODA for climate finance

The analysis used the DAC's policy markers on climate mitigation and climate adaptation. Figures 28 and 29 summarise the assumptions were used to translate marker scores into values of climate finance.

FIGURE 28: determining the amount of climate finance (total)

Share of project value to be treated as climate finance	Marker scores
100%	Mitigation = 2 OR Adaptation = 2 OR Mitigation AND adaptation both = 1
40%	Mitigation = 1 OR Adaptation = 1

FIGURE 29: determining the split between adaptation and mitigation finance

Share of project value to be treated as adaptation finance	Marker scores
100%	**Adaptation = 2, mitigation = 0 or blank**
67%	Adaptation = 2, mitigation = 1
50%	**Adaptation = 2, mitigation = 2**
40%	Adaptation = 1, mitigation = 0 or blank
33%	**Adaptation = 1, mitigation = 2**

These assumptions align with those used in last year's AidWatch analysis.

Estimate of total unpaid ODA

This estimate uses an approach developed by Oxfam in its report, “50 years of broken promises: the $5.7 trillion debt owed to the poorest people”.228

The calculations used yearly ODA and GNI data, broken down by European229 ODA provider country, for the period 1975 – 2023.

The UN General Assembly Resolution on the 0.7% target says that the target is for “economically advanced” countries230. For the purposes of the calculation in this report, DAC membership was used as a proxy for a country being both “economically advanced” and committed to the 0.7% target231. So each EU Member State was included in the calculations starting from the first full year during which it was a member of the DAC232. To take a recent example, Lithuania joined the DAC during 2022, so only 2023 data for Lithuania was included in the calculations.

To calculate how much ODA should have been paid, the sum of GNIs for each relevant country and year was calculated; 0.7% of this total was then taken.

This amount was then compared with the sum of ODA that was actually paid for each relevant country and year.

The difference between the amount that should have been paid, and the amount that was actually paid, is our estimate of total unpaid ODA.

By approaching the calculation in this way we are taking a conservative approach that produces a relatively cautious estimate of the total amount of unpaid ODA. This is because the calculation gives credit to countries that exceeded the 0.7% target, as well as penalising those that failed to meet it. For example, in a year where Luxembourg or Sweden exceeded the 0.7% target, this would partially offset the fact that some other EU Member States had fallen short. An alternative approach would be to cap the ODA included in the calculation for Luxembourg and Sweden at 0.7%, to reflect that the 0.7% target is a floor not a ceiling, and the fact that certain EU Member States have at times provided more than 0.7% of GNI as ODA does not make it any more acceptable for other EU Member States to provide less. If we had taken this approach, the total amount of unpaid ODA would be even higher.

228 Seery/Oxfam, *50 years of broken promises: the $5.7 trillion debt owed to the poorest people*. Oxfam has also produced an updated estimate in its article, *‘The great aid heist’*. There are two main reasons why our results are different from those calculated by Oxfam. First, most obviously, Oxfam’s calculations include several very large ODA providers that are not EU Member States, such as the USA, Japan and the UK. Second, because our calculation involves fewer ODA providers and is therefore more sensitive to patterns in individual countries, we took a more granular approach, adjusting for the dates when individual countries joined the DAC, as described above.

229 The UK was not included in the calculations, even though it was a EU and DAC member for much of the period in question, because the aim of the analysis is to find out the total amount of unpaid ODA owed by current EU Member States.

230 UN General Assembly, *Resolution 2626, International Development Strategy for the Second United Nations Development Decade, A/8124*, 24 October 1970, para. 43

231 For example the OECD has stated that “DAC members generally accepted the 0.7% target for ODA, at least as a long-term objective” (with the exception of Switzerland and the United States) – see OECD, *‘The 0.7% ODA/GNI target – a history’*

232 Portugal joined the DAC in 1960, but withdrew in 1974 before joining again in 1991 (source: OECD, *“The DAC: 60 years, 60 highlights”*, p.77). Data for Portugal has only been included in the calculations from 1992 onwards. This is a conservative approach.

FIGURE 30: Detailed approach to different items in the ODA analysis[233]

Analysis	Data source	Filters and adjustments	Notes
Total ODA	**DAC 1 dataset**	**Measure 2: Official Development Assistance, grant equivalent**	
Gross national income	DAC 1 dataset	Measure 2: Gross National Income (GNI). Flow type: Disbursements, net	
In-donor refugee costs	**DAC 1 dataset**	**Measure 2: Refugees in donor countries. Flow type: Disbursements, net**	
Imputed student costs	DAC 1 dataset	Measure 2: Imputed student costs. Flow type: Disbursements, net	
Loans	CRS dataset	Flow Name: ODA Loans. Aid_t: all **except**: E02, F01, H02-H06. PSI flag: 0, (blank).	Please see above for more detail on the loan analysis.
Debt relief	DAC 1 dataset	**For 2019-2022**: Measure 2: Debt relief. Flow type: Grant equivalents. **For 2023:** Measure 2: Debt relief, grant equivalent. Flow type: Grant equivalents.	Note slightly different filters needed pre- and post-2023, due to slightly different organisation of data in the online database.
PSIs	DAC 1 dataset	**For 2019-2022:** Measure 2: Private sector instruments - instrument approach; AND Private sector instruments - institutional approach. Flow type: Grant equivalents. **For 2023:** as above, plus: Measure 2: Private sector instruments (PSI), grant equivalent. Flow type: Grant equivalents.	Additional filters are needed in 2023 to reflect the transitional PSI reporting arrangements, and the various different options for how DAC members can report PSIs during the transition period.
Tied ODA	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans. Aid_t: all **except**: E02, F01, H02-H06. PSI flag: 0, (blank).	Tied and partially tied ODA were analysed through the fields named USD_Amounttied_Defl and USD_ Amountpartialtied_Defl.
Migration	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans. Aid_t: all **except**: E02, F01, H02-H06. PSI flag: 0, (blank). Purpose code: 15190.	
Peace and security	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans. Aid_t: all **except**: E02, F01, H02-H06. PSI flag: 0, (blank). Purpose codes: 15210, 15230.	
HDI	CRS dataset (plus UNDP & World Bank data)	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans.	
Gender marker and disability marker	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans.	
Support to WROs, movements and government institutions	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans. Purpose code: 15170.	
Climate	CRS dataset	USD_Commitment_Defl: values greater than zero. FlowName: Equity investment, ODA grants, ODA loans.	
Unpaid ODA	DAC 1 dataset	Measure 2: Official Development Assistance; Gross National Income (GNI). Flow type: Disbursements, net	

233 Unless otherwise stated, all analysis was filtered for data in constant 2022 prices, in millions of US dollars. Conversion to Euros was done using the European Central Bank's average Euro/US dollar exchange rate for the year 2022.

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