

Bursting the ODA inflation bubble



**AidWatch
2023**

CONCORD

European Confederation of NGOs working on
sustainable development and international cooperation

ABOUT THE AIDWATCH REPORT

Since 2005, CONCORD's AidWatch reports have monitored and made recommendations on the quantity and quality of aid provided by the EU and its Member States. With the AidWatch publications, CONCORD members want to hold EU leaders accountable for their ODA commitments, including the longstanding target of allocating 0.7% GNI to ODA.

The AidWatch initiative carries out ongoing advocacy, research, and media activities on a wide range of aid-related issues throughout the year.

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CONCORD is the European Confederation of NGOs working on sustainable development and international cooperation. We are made up of 58 member organisations representing more than 2600 NGOs and are supported by millions of citizens across Europe.

We are the main interlocutor with the EU institutions on sustainable development policy and international cooperation. We are a member-led organisation which means that the members give the strategic direction of the Confederation.

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ASSOCIATE MEMBERS



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Report writing and data analysis:

Karolyn Thunnissen and Javier Pereira

Coordination: Salvatore Nocerino (CONCORD)

Copy-editing: Michael Wells

Design and layout:

Dagmar Bleyová with Camilla Falsetti (CONCORD) and Gail Rego

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The positions adopted in this report are those of CONCORD.

For further information on this report, please contact Celia Cranfield, Head of Advocacy at CONCORD, at celia.cranfield@concordeurope.org.

The country pages were produced by CONCORD AidWatch focal points in the national platforms:

Austria	AG Globale Verantwortung: Katharina Eggenweber
Belgium	CONCORD Belgium: Antoinette van Haute, Griet Ysewyn
Bulgaria	BPID: Petranka Fileva
Croatia	CROSOL: Maja Pleic
Czechia	ForS: Kateřina Kunz, Pavel Přebyl
Denmark	Globalt Fokus: Rebekka Blomqvist
Estonia	AKÜ: Iti Aavik, Linda Luts
Finland	Fingo: Ilmari Nalbantoglu
France	Coordination Sud: Arnaud Merle d'Aubigné, Corentin Martiniault
Germany	VENRO: Lukas Goltermann
Hungary	HAND Association: Réka Balogh
Ireland	Dóchas: Louise Finan
Italy	CONCORD Italia: Luca de Fraia
Latvia	LAPAS: Inese Vaivare
Lithuania	Julius Norvila (International Cooperation expert – Independent)
Luxembourg	Cercle de Coopération des ONG de développement: François-Xavier Dupret
Malta	SKOP: William Grech
Netherlands	PARTOS: Niels Hoogerhejde
Poland	Grupa Zagranica: Janek Bazyl, Magdalena Trojanek
Portugal	Plataforma portuguesa das ONGD: Tomás Nogueira, Rita Leote
Slovakia	Ambrela: Daniel Kaba, Juraj Jando
Slovenia	SLOGA: Marjan Huč, Maruša Babnik
Spain	La Coordinadora de ONGD para el Desarrollo: Arturo Angulo, Isabel Miguel
Sweden	CONCORD Sverige: Åsa Thomasson
United Kingdom	BOND: Abigael Baldoumas, Helen Rumford



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EXECUTIVE SUMMARY AND MAIN RECOMMENDATIONS

In a world at a crossroads, international cooperation efforts are key to helping people around the world cope with the impacts of climate change, the effects of war, the ongoing food security and cost of living crises. At the same time, the international cooperation sector is aiming to build a more sustainable world, free from inequalities.

AidWatch reports monitor the quantity and quality of European Official Development Assistance (ODA), a precious tool to reduce inequalities and improve the lives of those most impacted by the global shocks we are all now facing.

HOW MUCH IS REALLY ODA?

After a thorough process to update its concept of 'aid inflation', CONCORD has developed a more consistent methodological framework to assess whether the reported ODA figures still hold true to the original definition of ODA, and how much of the reported figures are actually supporting donors' real commitment to partner countries' own development objectives.

Despite record high ODA figures in 2022, AidWatch analyses have found that 22.1% of all EU reported ODA is not meeting the most basic criteria to be qualified as such, a considerable increase from last year's levels. This is mostly explained by the spectacular increase of in-donor refugee costs (IDRC) resulting from the war in Ukraine, which accounted for over EUR 13.9 billion. Another significant component of aid inflation was the overcounting of ODA loans, which artificially raised EU ODA levels by EUR 1.7 billion.

Other items that contributed to further inflate ODA figures were the counting of imputed student costs from partner countries, debt relief and, to a certain extent, private sector instrument (PSI) reporting.

ODA AS A TOOL FOR ACHIEVING ECONOMIC DEVELOPMENT AND WELFARE

Beyond deducting the costs that do not meet the criteria to be qualified as ODA, the AidWatch report also offers an assessment of how non-inflated ODA is actually contributing to pursue its main objective of promoting partner countries' economic development and welfare. In CONCORD's view, this is, by extension, intrinsically linked to the reduction of all forms of inequality, both between and within countries.

The EU, as a major ODA donor, has a crucial role to play in this field. However, AidWatch findings show that current ODA allocations are still responding, to a large extent, to domestic and geopolitical interests rather than supporting partner countries' own priorities.

Furthermore, support for key sectors which could close the inequalities gap within countries, such as gender equality or supporting civil society organisations, is showing signs of stagnation.



BIRDS-EYE-VIEW: HOW IS EACH MEMBER STATE DOING?

Thanks to its EU-wide membership, CONCORD provides a detailed view of the main trends and changes in the international cooperation landscape of EU Member States plus the United Kingdom. While the picture is different for each country,

one trend is clear across almost all Member States: Russia's invasion of Ukraine has shifted the approach towards international cooperation, with an increased focus on security and a strong mobilisation of resources to support Ukraine. It is clear that the support needed for Ukraine and the Ukrainian people must be additional to previous commitments, in order to ensure a proper response to all the other pressing challenges.

MAIN RECOMMENDATIONS

To reduce ODA inflation

- ODA levels must increase rapidly in order to provide at least the agreed 0.7% GNI/ODA by 2030.
- Reform the current ODA system and exclude the items that are currently inflating aid figures: in-donor refugee costs, imputed student costs, debt relief and the overcounting of ODA loans.
- Enhance the transparency in reporting private sector instruments so that concessionality can be properly assessed.

To improve the contribution of ODA to economic development and welfare

- Include an explicit commitment to reducing inequalities in partner countries, by adopting and consistently implementing tools with the objective of tackling inequalities.
- Ensure that geographical allocation of ODA is done according to partner countries' needs and objectives instead of the EU's domestic priorities.
- Increase the support for women rights organisations (WROs), especially direct, core, long-term and flexible funding.
- Increase support for civil society organisations (CSOs), with a particular focus on partner countries' CSOs.



INTRODUCTION

We are living through events few could have predicted a couple of years ago. The consequences of another war in Europe are being felt across the world in the form of increasing energy and food prices; climate change is devastating ecosystems around the world; inequalities are worsening. But the responses of policy-makers are still underpinned by assumptions about the need for economic growth, with little recognition of the need to question our economic paradigms. **The world is at a crossroads where international cooperation efforts can help countries withstand the impact of these shocks** while building a more sustainable and equitable world, but only if it is done the right way.

Official Development Assistance (ODA) is under pressure to respond to short term and sometimes domestic priorities instead of the global good. As never before, we require foresight, political courage, and the ability to properly convey the importance of cooperation, to address current problems together. Decision-makers face a difficult, yet vital series of choices to ensure a proper response to today's challenges. Business as usual, which has proven insufficient so far, will not be a solution going forward; we must make progress towards achieving our longstanding commitments in terms of international cooperation and global solidarity and we must make the quality of our support count now.

AidWatch reports aim to provide answers and recommendations for policy-makers facing these choices. The reports monitor the quantity and quality of European ODA and serve as a precious tool to support those left furthest behind. AidWatch provides a civil society perspective on ODA trends and reminds European policy-makers of the importance of their commitments to promote partner countries' own development objectives. Our recommendations seek to help EU policy-makers make the best

decisions to improve ODA quality and provide sufficient resources to tackle priority issues.

The 2023 AidWatch report uses a revised methodology to assess the contribution of the EU to overall objectives as set out in the ODA definition. The revision of the methodology relies on the unbundling of the long standing and globally accepted definition of ODA and the testing of the components of this definition against recent shifts in aid reporting. This leads us to rethink the concept of 'inflated aid', making sure it can still contribute to the current discussions on aid quality that will define the concept of ODA itself for the next decades.

This report starts with a critical analysis of the EU's financial support to partner countries and its people: **how much of this support can really be considered as ODA?** This is followed by an analysis of how ODA supports countries' economic development and welfare, thereby acting as a powerful tool to reduce inequalities between and within countries. We focus on support to advance gender equality, tackle climate change, foster human development and support civil society. Finally, thanks to our EU-wide membership, we provide a **detailed country-by-country analysis of the ODA landscape in each EU Member State and in the United Kingdom.**



PART ONE



TESTING EU ODA

This report offers a comprehensive quantitative and qualitative overview of the EU's ODA. Over time, rules for counting ODA have evolved with the adoption of new instruments and the reporting on a grant equivalent basis. In addition, EU and Member States' (MS) priorities have shifted with, for example, increased emphasis on issues such as climate change, digitalisation or migration, and greater attention paid to new financial instruments, notably blended finance and guarantees.¹

Since the first publication in 2005, CONCORD has anchored its annual AidWatch reports on solid methodological foundations and continues to do so with the new methodology used for this year's report. The updated AidWatch methodology looks at reported ODA figures and asks whether ODA still holds true to its definition. This requires financial flows to meet four criteria:²

- they are flows to countries and territories on the OECD DAC list of ODA recipients or to multilateral development institutions;
- they are provided by official agencies;
- they are concessional in character; and
- their primary objective is “the promotion of economic development and welfare of developing countries”³.

The first three criteria leave almost no room for discussion and are used to differentiate between what is inflated ODA and what is genuine ODA. The discussion of these three criteria in a first methodological step provides an initial picture of inflated ODA. The interpretation of the fourth criterion is more nuanced, as its boundaries are not well-defined; the “promotion of economic development and welfare of developing countries” is a complex concept with multiple interpretations.

For CONCORD, testing the fourth criteria requires questioning the extent to which current ODA flows seek to end poverty and hunger; improve health, education and livelihoods; and reduce different forms of inequalities. In this 2023 report, we concentrate on the discussion of ODA with regards to human development and the reduction of inequalities. This is done in a second methodological step.

While preliminary 2022 ODA data are available to assess ODA inflation (first methodological step), the discussion of the fourth criterion (second methodological step) requires more detailed ODA data, as yet available only up to 2021⁴. The discussion of aid inflation for the period 2019-2022 will thus be complemented by questioning the extent to which ODA may have been further inflated by support whose primary objective was not the promotion of economic development and welfare of partner countries, but only for the period 2019- 2021.

1 Furthermore, this AidWatch report has adopted the grant equivalent approach to report on ODA flows in contrast with previous years approach. Figures are generally provided in constant EUR for 2021 to ensure comparability across years.

2 The official OECD Development Assistance Committee (DAC) definition is available at: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm>

3 While CONCORD advocates for the use of partner countries instead of ‘developing countries’, the term is used when referring to official definitions and categorisations.

4 The consolidated ODA data from the OECD DAC CRS database for the previous year is usually available in December, so detailed ODA data for 2022 will not be publicly available until December 2023.



1. ASSESSING AID INFLATION

According to figures released by the OECD, EU MS reported EUR 84 billion in ODA in 2022, representing an increase of 19% in real terms compared to 2021. In terms of reaching the longstanding commitment of allocating the 0.7% GNI to ODA, EU MS – according to their calculations – reached an equally all-time-high reported figure of 0.59%.

While these numbers are at a record high, a more detailed examination reveals that, as in previous years, the EU and its Member States counted billions of euro as aid despite many flows not meeting the most basic criteria to be considered ODA. Even despite this, only three Member States reached or exceeded the minimum 0.7% GNI/ODA target: Luxembourg, Sweden and Germany. Meanwhile, for the first time in decades, Denmark did not reach the target, with a figure of 0.67%⁵.

The key question then is: how much of this reported ODA is a genuine effort made by governments of donor countries to provide funding on concessional terms to partner countries for fulfilling the objectives stated in the ODA definition? An analytical review of ODA expenditure which can be considered not to conform to one or more of the three first criteria of the definition of ODA outlined above has allowed CONCORD to identify five ODA items which contribute to inflate the aid figures and thus need to be excluded wholly or partially from ODA flows. These are: in-donor refugee costs, imputed student costs, loans reported on grant equivalent terms, debt relief and private sector instruments. Below we analyse these elements one by one.

Table 1. EU ODA 2019-2022 by donor country, EUR million constant 2021

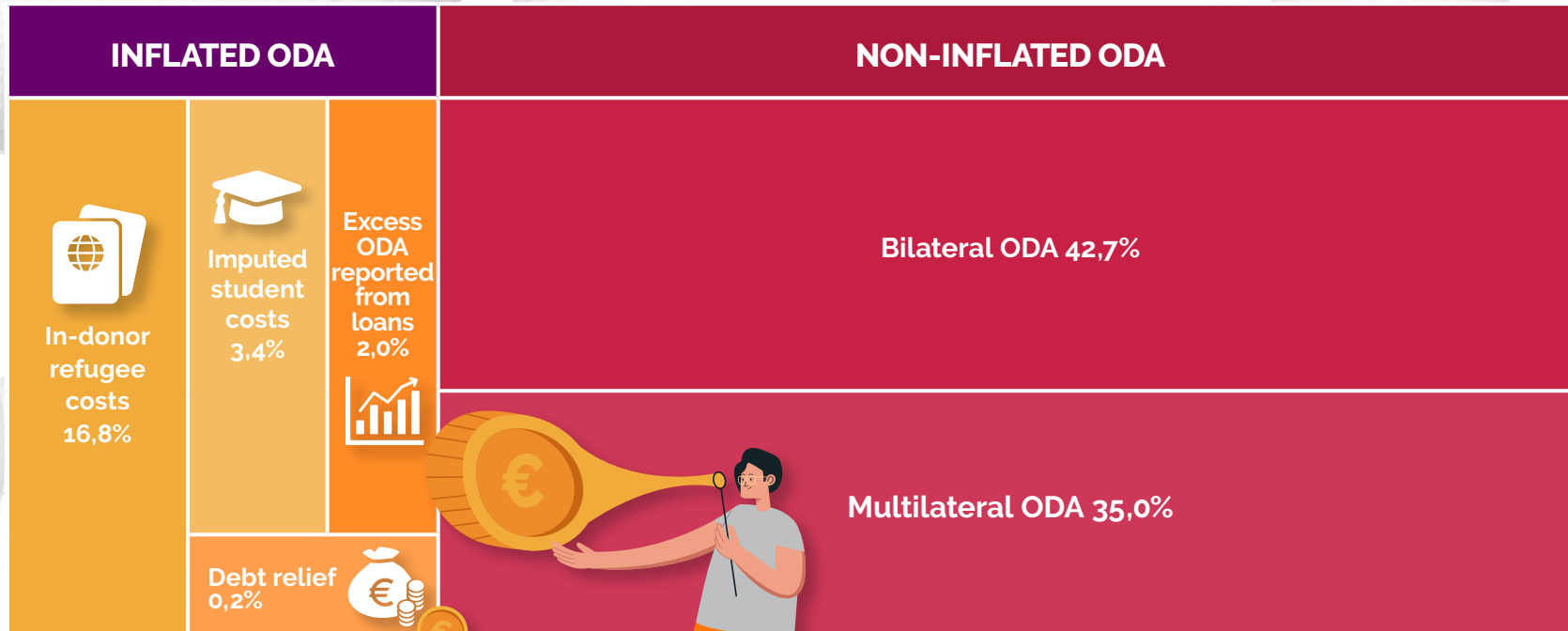
Country	2020	2021	2022
Austria	1 139.1	1 240.3	1 689.1
Belgium	2 116.7	2 211.7	2 366.5
Bulgaria	77.1	77.1	203.3
Croatia	69.2	74.2	104.6
Cyprus	13.3	17.3	N/A ⁶
Czechia	279.8	309.6	826.9
Denmark	2 397.3	2 470.0	2 508.8
Estonia	44.7	50.9	161.5
Finland	1 150.2	1 218.7	1 447.0
France	12 559.5	13 111.6	14 750.8
Germany	25 961.0	28 135.1	31 510.6
Greece	291.7	288.2	269.1
Hungary	381.6	367.9	361.7
Ireland	870.6	976.6	2 198.3
Italy	3 748.1	5 145.6	5 958.3
Latvia	36.7	40.3	80.4
Lithuania	67.3	73.1	161.8
Luxembourg	421.2	456.1	476.3
Malta	48.0	44.1	40.3
Netherlands	4 820.1	4 471.1	5 817.3
Poland	744.0	831.7	2 957.6
Portugal	367.5	388.1	455.8
Romania	277.7	352.8	359.8
Slovak Republic	126.9	131.3	151.5
Slovenia	81.7	98.3	146.1
Spain	2 681.4	3 079.6	3 883.8
Sweden	5 939.8	5 017.9	5 116.5
Total EU	66 712.3	70 679.1	84 003.9
EU institutions	17 529.4	16 112.4	20 999.4
United Kingdom	16 901.6	13 286.1	14 171.9

⁵ Although preliminary figures from the OECD DAC showed that Denmark ODA was at 0.7%/GNI in 2022, the Ministry of Foreign Affairs later confirmed that consolidated figures were significantly lower, so the country did not reach the target for the first time since 1978. For more information, see: <https://www.altinet.dk/udvikling/artikel/for-foerste-gang-i-over-40-aar-danmark-misser-fn-maal-for-hjaelp-til-verdens-fattigste>.

⁶ Data for Cyprus has not yet been made available.



HOW MUCH ODA IS GENUINE?





1.1 IN-DONOR REFUGEE COSTS

In-donor refugee costs derive from an obligation of the State towards refugees and asylum-seekers within its territory, as outlined in the 1951 Refugee Convention and its 1967 Protocol⁷. While it is essential that countries support refugees, the financial resources spent within the territory of a donor country to fulfil the State's international obligations towards refugees do not meet the criteria of ODA.⁸

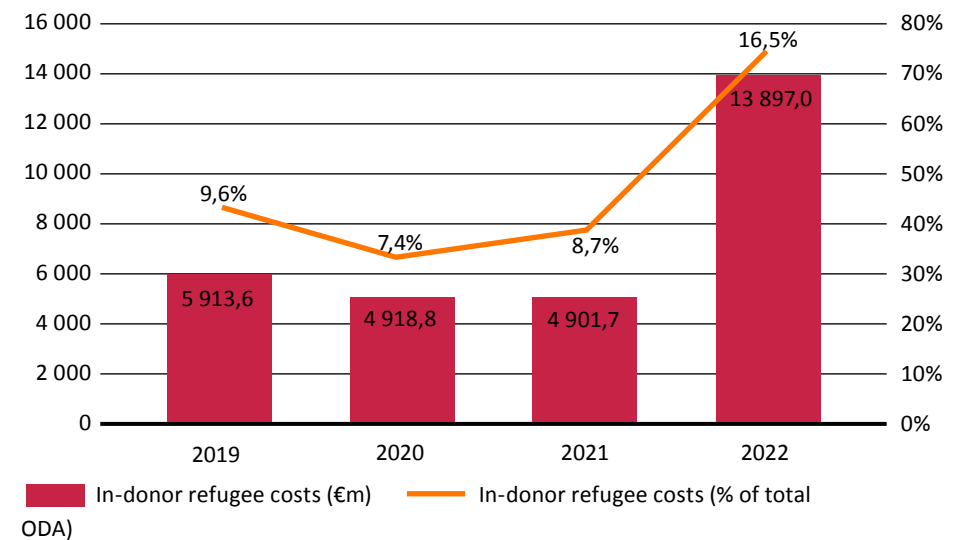
In 2022, the EU27 reported EUR 13.9 billion in-donor refugee costs. This figure is almost three times the average of the previous three years (EUR 4.9 billion in 2021 and a similar amount in 2020) and shows the huge impact of Russia's war in Ukraine on ODA levels. In 2022, in-donor refugee costs represented 17% of reported ODA flows on a grant equivalent basis, up from 7% in the previous year.

For nine EU countries, in-donor refugee costs represented over a quarter of their reported ODA. For Estonia, Czechia, Bulgaria, Ireland and Poland it reached or exceeded 50% of their total reported ODA, mostly due to the inclusion of the funding allocated to support refugees from Ukraine. The country with the biggest share of its total ODA being reported as IDRC continues to be Malta with more than 80%.

Only five countries saw their share of in-donor refugee costs decrease in 2022 in comparison to 2021. However, this is just due to a comparatively larger increase of reported ODA in relation to the increase in IDRC. In absolute terms, spending on IDRC has increased across all EU donors.

It is important to note that **whether or not to include in-donor refugee costs in their ODA figures is a policy decision made by Member States.** Countries like Luxembourg have consistently opted to keep these figures out of their aid reporting, while still achieving high levels of support for partner countries in relative terms (usually near or even above 1% GNI/ODA). This year, in light of the impact on ODA figures of including the support for refugees from Ukraine, three Member States (Belgium, Hungary and Slovakia) chose specifically to exclude costs for Ukrainian refugees. As CONCORD's position is that all in-donor refugee costs should be excluded from ODA figures, this is a positive step and shows that Member States have the power to make the right decision.

Figure 1. EU27 In-donor refugee costs 2019-2022 in constant EUR m 2021 (left) and as a share of total ODA (right)



⁷ <https://www.unhcr.org/media/convention-and-protocol-relating-status-refugees>

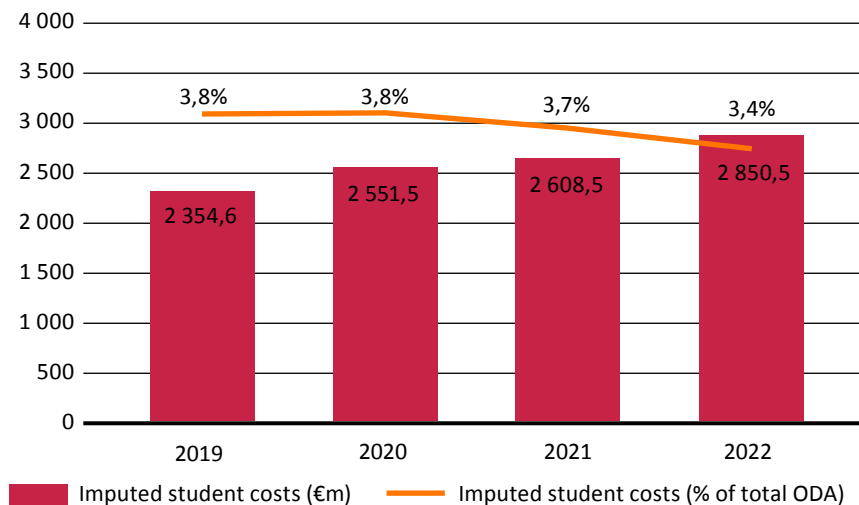
⁸ Moreover, these funds are spent in the donor country and are without a clear link to the promotion of the economic development and welfare of partner countries; they therefore also fail to comply with the fourth criterion in the ODA definition.



1.2 IMPUTED STUDENT COSTS

Imputed student costs are calculated as an imputed share of education spending which is attributable to foreign students holding a passport from an ODA eligible country. The amount is estimated as a share of total education costs, which are generally fixed and budgeted in advance. It is not based on actual costs, nor is it part of any form of grant scheme designed to support students from partner countries. Donor countries are allowed to record the imputed costs as ODA. However, given that imputed student costs do not represent a financial flow to partner countries and that they are not part of a programme designed to support partner countries and contribute to their development, they should not be counted as ODA.

Figure 2. EU27 Imputed student costs 2019-2022 in constant EUR millions 2021 (left) and as a share of total ODA (right)



In 2022, the EU27 reported an estimated EUR 2.8 billion in imputed student costs (EUR 2.6 billion in 2021 and a similar amount in 2020). The volume of imputed student costs has remained relatively stable over time and accounts for approximately 3% of reported ODA flows in recent years. It is worth noting that only a small group of EU countries report on imputed student costs: Austria, France, Germany, Italy, Poland, Portugal, Slovenia and Spain. In 2023, Belgium also made the welcome decision to stop reporting imputed student costs as ODA, starting with 2022 data.

Most of the reported spending on imputed student costs is attributable to Germany (EUR 1.8 billion) and France (EUR 769 million). In these two countries, imputed student costs accounted for 6% and 5% of reported ODA flows respectively. Imputed student costs also represent a significant proportion of reported ODA flows in Slovenia (10%) and Austria (8%).

1.3 GRANT EQUIVALENT FROM ODA LOANS

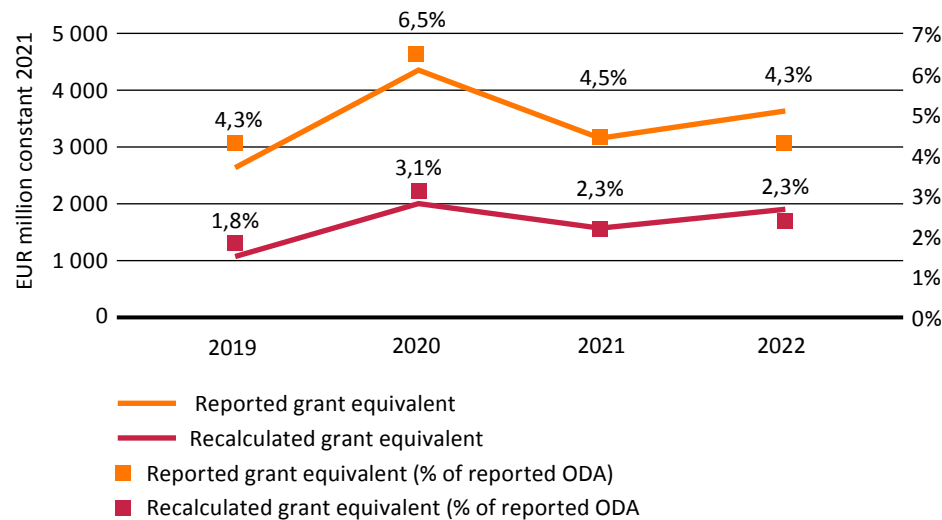
In 2018, the OECD DAC changed the standard counting method for reporting on ODA loans. After years of discussion, a grant equivalent mechanism was adopted to replace the previous cash flow system, where loan disbursements were counted as positive ODA and repayments as negative flows. The calculation of a grant equivalent is supposed to measure the proportion that the donor is “giving away” in concessional terms by comparison with a loan under market terms.

CONCORD has already pointed out in previous AidWatch reports that, while the grant equivalent reporting mechanism for loans can be a more accurate and fairer way of estimating donor efforts in relation to ODA loans, current donor reporting practices use a single discount rate for all countries and all lenders which is disconnected from real market conditions, creating huge distortions in the final share of a loan to be scored as ODA. Given the low interest rates -and by extension the low borrowing



costs for donors during the 2019-2022 period, the OECD approach inflates reported ODA. CONCORD considers that current OECD rules do not therefore provide a good estimate of donor efforts because grant equivalents are not sensitive to real world interest rates and the conditions in partner countries.⁹ Similarly, the risk premium is not based on the specific conditions in borrower as a single rate is applied to all countries of the same income group.

Figure 3. EU27 and EU institutions reported and recalculated grant equivalents 2019-2022, constant EUR millions 2021 (left axis) and as a share of reported ODA (left axis)



Note: * Estimated recalculated grant equivalent based on interest rates

To provide an accurate measure of donor efforts, this year's AidWatch report presents a recalculation of the grant equivalent value of loans, based on a more realistic discount rate using available information on market terms. CONCORD has recalculated the grant equivalent value using the best available proxy for market terms when considering donors' lending costs and the specific conditions of recipient countries when estimating risks.¹⁰

This assessment shows that recalculated grant equivalents are substantially lower than those reported. Depending on the year, the figures reported using the OECD methodology are between 132% and 82% higher than the AidWatch recalculated grant equivalent. The **ODA inflation due to the currently used grant equivalent methodology is estimated at EUR 1.7 billion in 2022, up from EUR 1.6 billion in 2021.**

One effect of this generous measure of donor effort is that it creates more incentives to rely on loans instead of grants for providing ODA.

In general terms, and regardless of which methodology is used to report on the grant equivalent of loans, the volume of ODA reported as a result of loans has increased significantly over time. As shown in the figure above, grant equivalents represent a growing share of ODA flows. This confirms CONCORD's concerns about the trend to increase the use of loans and other financial instruments to channel ODA to partner countries, combined with a large volume of concessional loans to Ukraine.

9 This means that, at times of low interest rates, the 'grant equivalent' methodology counts loans, that are not concessional in the sense that their terms (interest) are similar or even above market terms, as ODA.

10 The methodology builds on the work of Steve Cutts and uses data from the OECD Export Credit Group. Full details available in the annex.

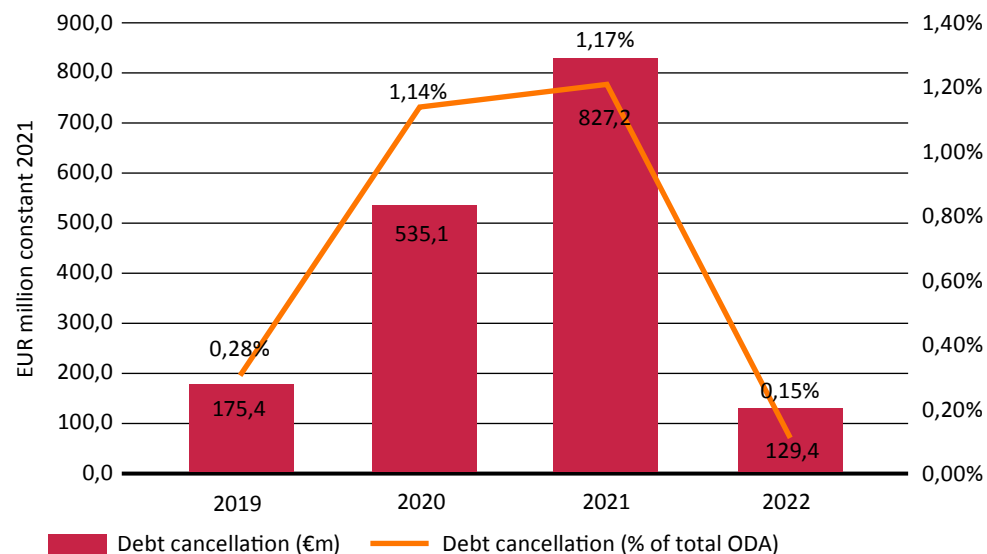


1.4 DEBT RELIEF

When calculating the grant equivalent of ODA loans, a risk premium already takes into consideration the risk of default. Since the risk of default is already factored into the grant equivalent figures, allowing donors to count ODA for debt relief results in double counting. As a result, debt relief should not be reportable as ODA under the grant equivalent approach and the AidWatch methodology excludes debt relief from reported ODA figures.

Based on preliminary figures, **EU donors reported EUR 129 m of cancelled debts in 2022 as ODA**, or 0.1% of the total. However, if we look at the evolution in previous

Figure 4. Debt relief reported by EU 27 and EU institutions 2019-2022, constant EUR million 2021 (left) and as a share of total ODA (right)



years between preliminary and consolidated figures, the final number could be significantly higher. For example, preliminary figures in 2021 contained approximately a half of the final consolidated figure. Despite the relatively small preliminary figures, debt relief represents a sizeable share of reported ODA in Slovenia (13%) and Portugal (9%).

1.5 PRIVATE SECTOR INSTRUMENTS (PSI)

AT A GLANCE

In 2023, the OECD made decisions about how to count certain private sector investments as ODA. This is one of the concerns raised by the AidWatch report about accurately reporting aid figures.

One concern is that the OECD now uses the term “additionality” to decide if private sector investments count as aid. This term is vague and only means that the investment would not have happened without public and private partnerships. This means there is no clear rule about how much aid is actually included in these investments.

Another concern is that there are two different ways to report these investments: one looks at the total money given to financial institutions for development (institutional), and the other counts each individual investment (instrument). This can lead to inconsistent data and makes it hard to know if the investments actually meet aid criteria. The method used to estimate the aid value of these investments also has flaws. For example, it uses fixed rates that don’t consider real-world conditions in partner countries.



Overall, private sector investments are becoming a bigger part of reported aid, but the way they are counted and valued is problematic. These concerns need attention to make sure aid promises are being kept, especially by countries in the global north, to support global equality and solidarity towards the rest of the world.

In 2023, the OECD finally agreed on how to estimate ODA grant equivalents for some PSI. CONCORD is concerned that the reporting of PSI could result in new ways of inflating aid figures. For the time being, CONCORD is deducting any PSI flows as inflated aid.

A first concern is that the OECD has recognised that PSI have limited concessionality¹¹ and has replaced the concessionality criterion, a pillar of the definition of ODA, with the concept of ‘additionality’ when considering the eligibility of PSI as ODA. Additionality is very vaguely defined under the current eligibility rules, referring only to the fact that the transaction would not have occurred without the partnership between the private and the public sector. Consequently, there is no concessionality threshold for reporting PSI instruments.¹² Based on concessionality alone, this report would exclude PSI flows. However, it is important to recognise that, while it is not a requirement for PSI to be concessional, some of these flows have a concessional component. Unfortunately, the lack of detailed data, due to the recent approval of reporting rules, does not allow AidWatch to provide an estimate of concessional PSI flows for 2022. When the new rules become effective, PSI flows would be assigned a grant element based on a method modelled on the one used for ODA loans,¹³ and thus susceptible to similar weaknesses (see Section 1.3). Provided the OECD releases sufficient information, CONCORD should be able to assess grant elements in line with more realistic market conditions.

In addition, CONCORD is concerned about the consistency and transparency of the data resulting from two different reporting approaches. Donors can use the instrument approach to report individual flows or projects. On the other hand, donors can use an ‘institutional approach’ to account for capital contributions to PSI (e.g. contributions to development financial institutions (DFI)). This method creates some concerns because it allows donors to report as ODA capital contributions to financial institutions with a developmental component. Because the institutional approach is not connected to individual flows, it does not recognise potential differences in individual operations in terms of concessionality or objectives (two of the criteria in the ODA definition). Considering that European DFIs have not only a development mandate but also support, for example, the international operations of private companies from donor countries, the institutional approach presents significant challenges in terms of transparency. Aggregate reporting makes it more difficult for independent reviewers to access and analyse data at the project level to provide alternative estimates or analysis.

It is clear that PSI as a channel for delivering ODA have grown steadily in the past years. This growth is taking place without EU countries putting in place measures to guarantee the transparency of the flows and ensure that support to the private sector contributes effectively to sustainable development.¹⁴ Preliminary figures from 2022 show that they accounted for EUR 2.5 billion, 3% of the total reported ODA. However, as the OECD itself has acknowledged, the final figure will probably be much higher, as many operations are still being assessed for their eligibility. Between 2019, the first year PSI were clearly identified in the reporting and 2022, reported PSI increased by 54%, a much faster pace than the increase in ODA figures overall.

11 <https://www.oecd.org/dac/DAC-HLM-Communique-2016.pdf>.

12 See annexes in OECD (2023). Private Sector Instruments – Batch 1 topics. DCD/DAC (2023)22.

13 See annexes in OECD (2023). Private Sector Instruments – Batch 1 topics. DCD/DAC (2023)22.

14 For more information see: A 10-point Roadmap for Europe. On the Role of the Private Sector in Development, CONCORD 2017, <https://library.concordeurope.org/record/1890/files/DEEEP-REPORT-2017-021.pdf>.



1.6 CONCLUSION: HOW MUCH IS REALLY ODA?

When putting together all the above-mentioned elements, **inflated ODA accounted for 22% of reported ODA in 2022**, up from 15% in 2021.¹⁵ This increase is mostly explained by soaring in-donor refugee costs resulting from the war in Ukraine. Inflated ODA resulting from the reporting of ODA loans also shows a significant increase compared to the previous year. **The most immediate consequence of this is that one euro in every five from the reported figures does not meet the definition of official development assistance.**

Once inflated aid is deducted from reported ODA, **total non-inflated ODA from EU donors (EU27 and EU institutions) stood at EUR 65.4 billion in 2022**. This is an increase of EUR 9.7 billion or 17% in real terms compared to the previous year. Between 2019 and 2022, EU non-inflated ODA has expanded by EUR 14 billion, a 27% increase in real terms.

While the amount of EU ODA provided to partner countries has never been higher, the increase needs to be accelerated if we are to meet the 2030 Agenda SDGs, to which all EU Member States are committed.¹⁶

How ODA is allocated and implemented matters as much as its quantity. The concern about increases in aid inflation poses the question of what it really means to reach quantitative targets such as the 0.7% GNI/ODA, when almost 20% of that reported aid is not reaching those left furthest behind and, on many occasions, not even leaving donor countries.

Table 2. EU ODA analysis 2019-2022, constant EUR million 2021

	2019	2020	2021	2022
REPORTED ODA, TOTAL	61 571	66 712	70 679	84 004
MULTILATERAL ODA	22 901	24 717	26 315	29 419
REPORTED BILATERAL ODA	38 670	41 995	44 364	54 585
INFLATED ODA	10 018	10 268	9 732	18 735
IN-DONOR REFUGEE COSTS	5 914	4 919	4 902	14 083
IMPUTED STUDENT COSTS	2 355	2 551	2 608	2 851
INFLATED ODA REPORTED FROM LOANS	1 574	2 263	1 578	1 672
DEBT RELIEF	175	535	644	129
Inflated ODA (% of reported ODA)	16.3%	16.9%	15.4%	22.1%

¹⁵ In the 2022 AidWatch report, CONCORD calculated the overall inflated aid figure following the previous methodology for the reports. The difference in the numbers is mainly explained by the inclusion, until 2022, of elements like tied aid and the donation of in-excess vaccine doses. The full methodology is presented in the Annex of the 2022 AidWatch report.

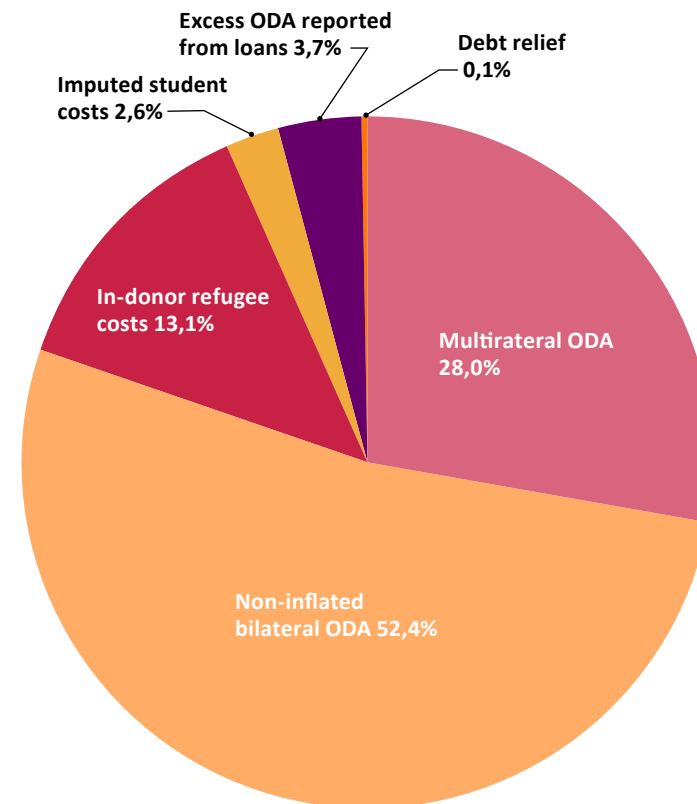
¹⁶ Note: the UK's bilateral ODA, decreased by 17% between 2019 and 2020 and by another 30%, in 2021- 2020. In 2021-2022, UK ODA increased by 7%.



1.7 INFLATED ODA FROM THE EU INSTITUTIONS

Inflated aid from EU institutions is assessed in parallel with that of EU Member States because it is funded through their multilateral contributions. EU institutions also inflate ODA. In 2022, the EU institutions counted EUR 2.4 billion in aid which CONCORD considers to be inflated, or 11% of reported ODA. Inflated ODA increased by 92% in 2022 compared to 2021, when it accounted for EUR 1.2 billion, or 7% of reported ODA. Inflated ODA from the EU institutions is essentially made up of excess ODA from loans under the grant equivalent basis. In general terms, the EU is one of the donors who rely more on loans for its ODA disbursements, with loans accounting for 29.8% of ODA disbursements in 2021 (up from 17.7% in 2019)¹⁷. These loans have a strong focus on the EU pre-accession and neighbourhood countries. In 2021, the latest year for which detailed data is available, 33% of loans were provided to countries in Europe and a further 38% to North African countries. Other contributors to ODA inflation do not apply to the EU institutions as they are exclusively a Member State competence.

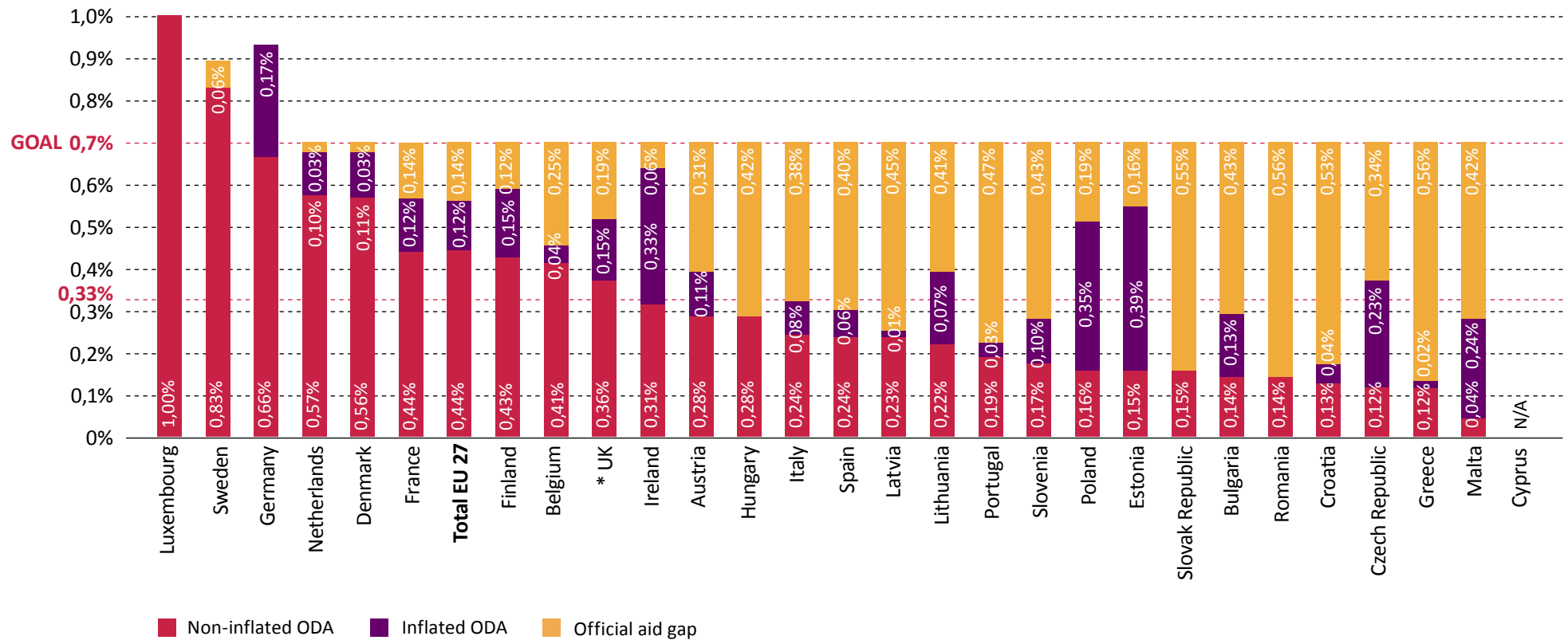
FIGURE 5. Inflated and non-inflated EU ODA components as a share of total reported ODA (2022)



¹⁷ Based on OECD data, loans measured in disbursements and not on a grant equivalent basis to provide a better view of the balance of ODA flows from EU institutions.



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





RECOMMENDATIONS TO REDUCE ODA INFLATION

Recommendation	Actor(s) responsible	Justification
Increase ODA levels rapidly in order to provide at least the 0.7% GNI/ODA before the 2030 deadline	EU Member States	This target has been collectively agreed on by EU Member States and comes from a longstanding unmet commitment whose first deadline was more than 40 years ago. The 0.7% target must be seen as a baseline to measure donor countries' efforts to support partner countries, and not as a ceiling.
Reform the current ODA system to make every euro count	OECD DAC EU institutions EU Member States	The OECD DAC, as the main institution deciding on ODA issues and setting the standards for their eligibility, must commit to reviewing the current rules and apply stricter criteria in order to avoid further aid inflation.
Stop the reporting of in-donor refugee costs (IDRC) as ODA even if eligible under current rules	EU Member States	It is absurd that, for some EU Member States, more than half of its ODA is spent within the donor country rather than in partner countries because of these rules. For the EU overall this reaches 17% of all reported ODA. While it is possible under current reporting rules to qualify as ODA, Member States have the option to follow the example of countries like Luxembourg and opt out from its reporting to show commitment with the maximum ODA quality.
Exclude IDRC from the list of ODA eligible activities	OECD DAC	As demonstrated in the report, IDRC does not comply with the most basic criteria of the ODA definition and must therefore be excluded from its reporting.
Conduct a thorough review of the current methodology for the grant equivalent component of ODA loans	OECD DAC	Ensure its alignment with realistic current market terms to avoid the overcounting. This applies especially to the discount rates currently in use, which are disproportionately high.
Exclude the reporting on debt relief as ODA	EU Member States OECD DAC	EU Member States should refrain from reporting on debt relief as the current methodology for the grant equivalent calculation already considers a risk premium upfront. Collectively, they must push at the OECD DAC for its exclusion.
Opt out from reporting on imputed student costs	EU Member States	Currently, most EU Member States (and even most non-EU DAC members) do not report on these costs. The few countries that decide to keep on reporting them should follow the example and opt out.
Improve the transparency on PSI flows reporting so that concessionality can be properly assessed	OECD DAC	Following the recent discussions in the OECD DAC to adopt a grant equivalent methodology for the calculation of PSI ODA, this should better align with market conditions as indicated under the recommendation on ODA loans above.



2. EU AID AS A CONTRIBUTION TO THE ECONOMIC DEVELOPMENT AND WELFARE OBJECTIVES OF PARTNER COUNTRIES

To fulfil the fourth criterion of the ODA definition, the primary objective of financial flows should be to ‘promote economic development and welfare in partner countries’; that is, ODA allocations ought to be made according to each country’s development needs and aspirations, which result from a complex interplay of many country-specific factors.

There are different approaches to analyse the degree to which the primary objective of ODA is the economic development and welfare in partner countries and whether ODA allocations are made according to countries’ needs and aspirations and how they contribute to their economic development and welfare.

Theoretically, the EU can provide such assistance to any country, including for example, those which have made progress on the Human Development Index (HDI). In practice, a key aim of assistance should be to reduce inequalities between countries and ensure the progress of people who are left furthest behind.

CONCORD therefore first looks at the distribution of ODA between countries, checking whether the countries left furthest behind receive proportionately more ODA than those who are doing better, so as to reduce inequalities between countries. Secondly, we propose to verify whether ODA potentially contributes to the reduction

of inequalities within countries by checking whether ODA spending is favouring people in partner countries.

2.1 ODA AS A TOOL FOR ACHIEVING EQUALITY BETWEEN COUNTRIES

Inequalities refer to the unequal distribution of wealth, goods, and resources, the unequal realisation of people’s rights and their (in)ability to participate in decisions affecting their lives; it is inherently a relational concept. Persistent inequalities are a major deterrent to poverty reduction; therefore, these concepts cannot be assessed separately. The EU, as a major provider of ODA, has a crucial role to play in reducing inequalities, both at the global level – between countries – and within countries.

2.1.1 The distribution of ODA between countries according to their HDI

One of the most comprehensive indicators to assess economic development and welfare is the Human Development Index, which captures countries’ performance on education, health and GNI to per capita Purchasing Power Parity (PPP). For the sake



of this report, and to allow some degree of aggregate analysis of ODA according to its objective, ODA recipient countries have been regrouped according to their HDI rank. Regrouping countries by deciles of HDI¹⁸ enables comparisons to be made between countries at the bottom and top ends of the HDI ranking and is more accurate and revealing than using income or GDP quintiles. Figure 7 provides the distribution of ODA by HDI decile.¹⁹

The analysis of ODA as a tool for achieving equality between countries is constrained by the fact that the share of EU27 ODA recognisable by recipient country has shrunk over the years: in 2021 only 46% of total non-inflated ODA is identifiable by partner country (51% in 2020), with the remaining shared between multilateral aid, regional

aid and bilateral aid without country specification (20% of total non-inflated ODA). This hinders analysis as it is not possible to verify the extent to which the non-country aid (72% of total non-inflated aid or EUR 43 billion) may contribute to inflate aid. This analysis would only be possible by complementing the bilateral country ODA analysis with a detailed analysis of multilateral agencies' and regional and thematic programmes' allocations of funding between countries and sectors.

However, focusing on the bilateral country funding (68% of total non-inflated ODA or EUR 27.8 billion) that *can* be analysed in 2021, exactly 40% of ODA has been directed towards the bottom 40% countries as measured by their HDI, whereas 47% of ODA was spent in countries ranking at the top 40% (Figure 8). A reduction of inequality

Figure 7. EU and MS non-inflated ODA spending for countries ranked by HDI decile, 2019-2021 in constant EUR million 2021

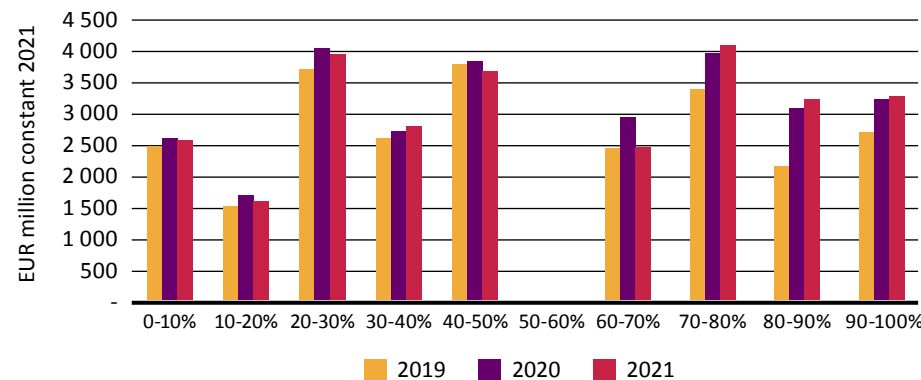
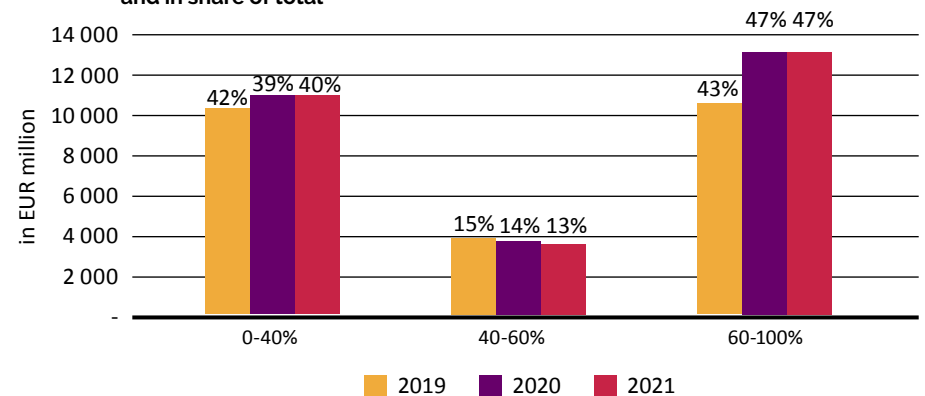


Figure 8. EU and MS non-inflated ODA spending for the bottom 40%, middle 20% and top 40% of countries per HDI ranking for 2019-2022, in constant EUR million 2021 and in share of total



18 Countries are classified by the HDI 10% bracket to which they belong, the first bracket being defined by 'lowest HDI + 10% of (highest - lowest HDI)', the second bracket being defined by 'lowest HDI + 20% of (highest - lowest HDI)', etc. This means that the number of countries falling into each of the 10 HDI brackets is not equal. To simulate HDI brackets for regions, we used the average of the HDI of each country in the region, weighted by each country's population.

19 While there is no indicator that perfectly captures the concept of economic development and welfare in full, the use of the HDI allows us to go beyond an assessment merely based on GNI per capita, which is insensitive to extreme inequality levels within a country. The HDI includes this measure (PPP), but also takes into consideration life expectancy at birth, expected years of schooling and mean years of schooling, which provide a somewhat fuller picture of the country's human development performance.



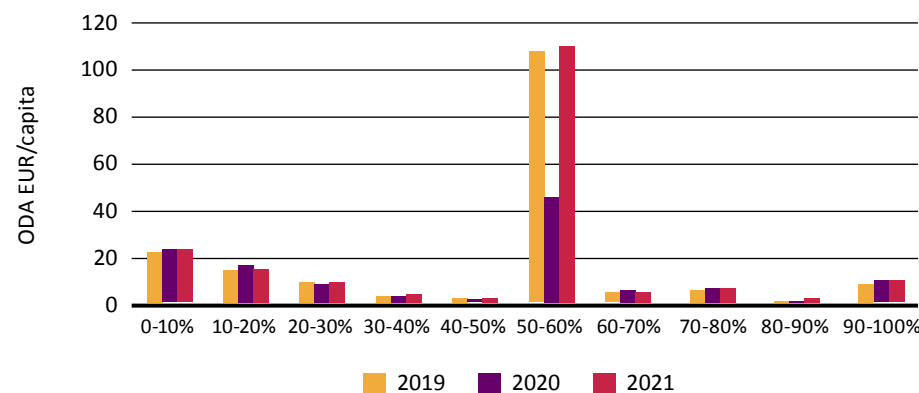
between countries would require the opposite, i.e. a disproportionately greater allocation to the bottom 40% than to the top 40%. Furthermore, the trend of rising inequality in the distribution of ODA between countries is also cause for concern: in 2019 the gap between the bottom and top 40% was only 1%, as against 7% in 2022.

Looking at ODA allocations to individual countries, during the period 2019-2021, the top 10 recipients of EU and Member States' ODA have remained very stable. In each of the years 2019, 2020 and 2021, the top four recipients of bilateral ODA were Türkiye, Afghanistan, Syria and Ukraine. In 2021 these countries received respectively EUR 1.58 billion (Türkiye), EUR 1.2 billion (Afghanistan, Syria) and EUR 875 million (Ukraine). This compares to an average level of ODA per country for all recipient countries of EUR 198 million in 2021 (and a median of EUR 97 million). In each of the years 2019, 2020 and 2021, Ethiopia and Palestine also remained in the top 10 recipients of bilateral ODA. Newcomers to the top 10 in 2021 were Jordan, Somalia, Lebanon and the Democratic Republic of Congo (replacing earlier large recipients like Yemen, Iraq, Mali and Morocco). **ODA flows over 2019-2021 thus closely relate to EU immigration flows**, with Türkiye, Afghanistan and Syria, topping both the EU's ODA and EU asylum applications in 2021 and Ukrainians representing a massive inflow of refugees who, thanks to the EU Council's temporary protection directive, do not need to undergo the regular asylum procedure.²⁰ Although Afghanistan is a Least Developed Country (LDC), none of the other four countries belong in even the bottom 20% HDI group of countries. This leads us to question the extent to which EU ODA is a) used at least to some extent to achieve self-serving purposes (such as stemming the flow of immigration into Europe, responding to geopolitical, security and economic interests), b) satisfying the fourth criterion of the ODA definition, and c) contributing to reducing inequalities between countries.

ODA per capita spending is a useful metric to measure inequality of distribution of ODA amongst countries, since it combines volume of aid with population numbers. Per capita ODA distribution per country according to HDI group is shown in Figure 9.

Looking at ODA spending per capita provides a chequered picture of ODA distribution. The distribution of ODA allocation per capita is inversely proportional to the countries' HDI ranking for countries belonging to the bottom 50% of HDI groups. This means that the lower the country is on the HDI ranking, the more ODA per capita it receives, but the fairness in the distribution of ODA stops there. Indeed, the two countries composing the 50-60% decile of HDI (Vanuatu and the Marshall Islands), receive disproportionately more than any other country: these two countries received an average of EUR 110 per capita in 2021, or five times more

Figure 9. EU and MS non-inflated ODA per capita spending per HDI decile, 2019-2021 in constant 2021 EUR per capita per year



²⁰ See European Council, Trend in asylum applications (1990-2022) and European Union Agency for Asylum. In 2022, EU+ countries received some 966,000 asylum applications and around 4 million Ukrainians registered for temporary protection in EU+ countries. 'Syrians, Afghans, Turks and Venezuelans lodged the most applications for asylum, together accounting for almost 40% of all applications in the EU member states in 2022. Since 2013, Syria has been the country of citizenship of the largest number of asylum seekers in the EU.' See <https://euaa.europa.eu/latest-asylum-trends-annual-overview-2022> and [https://www.consilium.europa.eu/en/infographics/asylum-applications-eu/#:~:text=Countries%20of%20origin%20of%20asylum%20applicants%20\(2022\),EU%20member%20states%20in%202022](https://www.consilium.europa.eu/en/infographics/asylum-applications-eu/#:~:text=Countries%20of%20origin%20of%20asylum%20applicants%20(2022),EU%20member%20states%20in%202022)



than was spent in the most disadvantaged countries as measured by their HDI. Two other exceptions as to their average per capita ODA are even greater outliers in 2021, but less discernible in the above illustration as they are part of the larger top HDI 90-100% group: the Wallis and Futuna Islands received EUR 8 021 per capita, and Montserrat received EUR 457 per capita in 2021. Given the very limited populations, these islands' total ODA is insignificant in the overall ODA picture (0.34% of total ODA in 2021). However, one can question the justification for including spending in these Overseas Countries and Territories (OCTs) as ODA.

Countries amongst the top 10 recipients of ODA per capita, in addition to Wallis and Futuna and Montserrat, are Tuvalu, Montenegro, Saint Helena, Palestine, Moldova, Kosovo, Lebanon and Albania. Except for Palestine and Lebanon (which belong to the 70-80% HDI group) and Tuvalu (which belongs to the 50-60% HDI group), **the remaining seven countries with the highest ODA per capita belong to the top 10% of countries with the highest HDI.** This again shows the limited redistributive nature of EU and MS ODA to reduce inequalities between countries.

2.1.2 Tied aid

Making aid conditional on the purchase of goods and services from one donor country, or a restricted set of countries, reduces its sustainable development impact in the partner country. Tied aid, as this practice is called, increases the cost of purchasing goods and services (by between 15% and 30%) compared to open procurements.²¹ Furthermore, by preventing developing countries from procuring local goods and services, tied aid undermines local job creation and economic development.

CONCORD estimates that in 2022, EU donors reported EUR 9.3 billion of ODA as tied and a further EUR 370 million as partially tied aid. Based on OECD estimates this practice raised the costs of reported ODA by EUR 2.8 billion, or 4.3% of non-inflated ODA.²² This amount is equivalent to the total ODA provided by the 13 smallest EU27 donors. Tied aid is not reported on a grant equivalent basis and figures cannot be compared directly to those in other sections of the report.

2.1.3 In-excess vaccine donations

In 2022, EU donors reported EUR 955 million of in-excess vaccine donations as ODA. This figure is approximately two thirds of the amount reported in 2021 (EUR 1.5 billion).²³ While CONCORD encourages EU donors to support to developing countries' efforts to fight COVID-19, we remain concerned about the dynamics underpinning in-kind donations of vaccines. Firstly, excess vaccines are to a certain extent the result of EU donors buying and hoarding more doses of vaccines than they needed. This behaviour in turn reduced other countries' capacities to access vaccines in a context of limited supply and great need. Secondly, vaccine donations can be difficult to integrate into developing countries' health plans, including immunisation delivery processes, given unpredictable supplies of vaccine types and quantities.

The case of in-excess vaccine donations illustrates the lack of transparency and the difficulties in accounting for in-kind support. Historically, donors have provided and continue to provide different types of in-kind aid ranging from food to vehicles, to emergency shelters and medicines. One challenge is whether to account for in-kind donations at purchase price (the price paid by the donor) or at market price (at the time of the donation) as the difference can be significant. However, despite its

21 Overseas Development Institute, Thematic Study: The Developmental Effectiveness of Untied Aid: Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation on Untying ODA to the LDCs, 2006, www.oecd.org/derec/dacnetwork/41538129.pdf

22 See methodology annex for more information on the calculations.

23 See AidWatch report 2022.

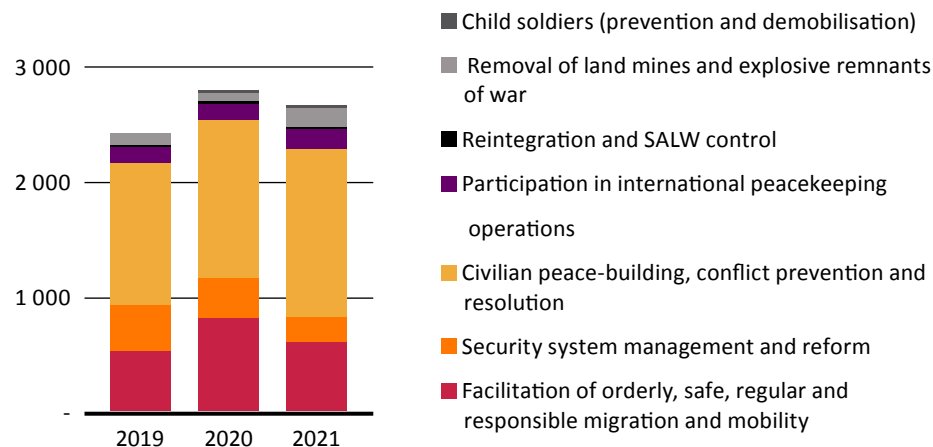


complexity, the OECD DAC reporting system does not include a marker to identify in-kind donations. It is therefore not currently possible to study the significance of in-kind donations in ODA flows and their effects in partner countries.

2.1.4 Migration, conflict, peace and security spending

Non-inflated ODA spending on migration, conflict, peace and security represented EUR 2.7 billion in 2021 (4.9% of total bilateral ODA), down by EUR 148 million from 2020 but up by EUR 226 million from 2019. More than half of this supported ‘civilian peace-building, conflict prevention and resolution’ (55%) while just under a quarter (24%) went to the ‘facilitation of orderly, safe, regular and responsible migration and mobility’. ‘Security system management and reform’ represented 8% of spending (see Figure 10).

Figure 10. Support to migration, peace-building and security spending using Creditor Reporting System (CRS) codes, 2019–2021 in EUR million



Germany is a major funder of support for civilian peace-building, conflict prevention and resolution (43% of total) followed by the EU institutions (32%), Sweden (10%), Denmark and the Netherlands (5% each). The largest recipient of support for peace actions is the African continent (41%), with Mali being the single biggest recipient (5% of total ODA devoted to peace). Other major recipients are Iraq (5%), Kosovo and Ukraine (both 4%). However, the analysis of recipients is hindered by the fact that 21% of support to civilian peace has been declared as ‘Bilateral, unspecified’. On migration, donor source analysis shows that the main donors are the EU institutions (38% of the total), the Netherlands (26%) and Germany (18%) with the other EU27 MS representing less than 4% each. Data about the country destination of this funding is less clear as 43% of the funding has been reported under ‘Bilateral, unspecified’. Among the identifiable recipients of support for migration, Africa receives the most support (31% of total support for migration), followed by South & Central Asia (7.7% of total), Europe and the Caribbean & Central America (both 7% of total). Nearly half (47%) of the support for migration in Africa is channelled through regional programmes. Morocco (26% of total), Niger (5% of total), Nigeria and Libya (3% of total each) are the main country recipients.

The bulk of security system management and reform (36%) goes to countries in Southern Africa, 15% is spent in Europe and 9% is unspecified in terms of destination. Although security and peace are prerequisites for a country’s economic development and welfare, it is questionable whether the share spent in Europe has that as a main objective; the spending is more to the benefit of donor countries.

2.2 ODA AS A TOOL TO REDUCE INEQUALITIES WITHIN COUNTRIES

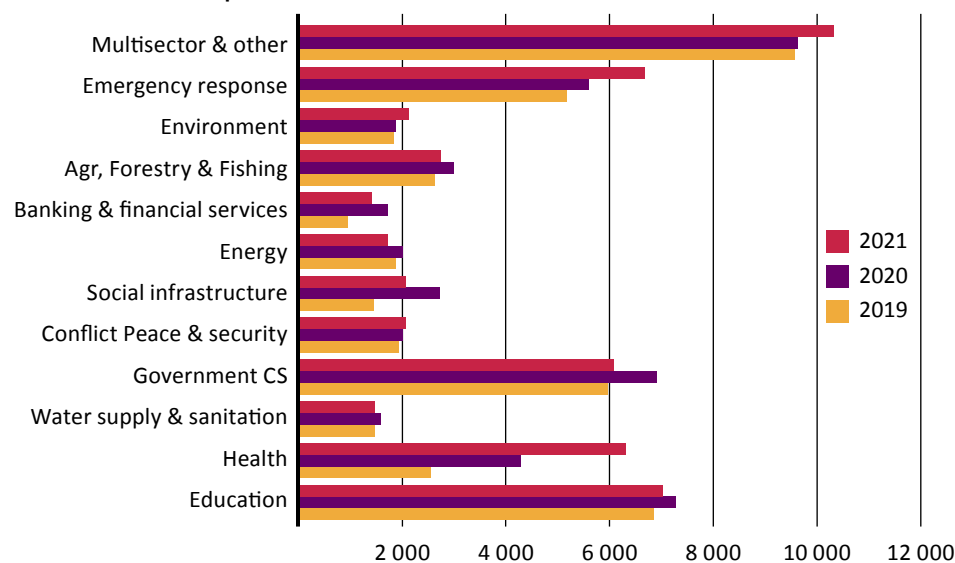
Tackling inequalities within countries involves addressing a complex and wide range of policy sectors. For this AidWatch report, CONCORD focuses on the EU’s efforts in sectors with a particular potential to reduce inequalities within countries



significantly. Therefore, human development, gender equality, climate change and the involvement of civil society, are covered in the following sections.

As a background to the analysis, an overall picture of the sectoral distribution of ODA (see Figure 11) shows that the distribution of non-inflated ODA across various sectors has remained relatively stable over the past three years, with the exception of a strong increase of resources dedicated to health (from 6% in 2019 to 9% in 2020 and 13% in 2021) linked to the COVID-19 pandemic. There has also been a faster than average increase of the emergency response, which has incremented by almost a third (29.4%) over the 2019-2021 period.

Figure 11. Non-inflated ODA spending per sector, 2019-2021, in constant 2021 EUR million per CRS sector codes²⁴



²⁴ 'Government CS' is purpose code 151, which includes public sector policy and administrative management, public finance management, etc.

²⁵ The HDI can be a powerful initial tool to apply when deciding on ODA allocations. It is important to consider that using the PPP indicator can potentially distort the actual picture on the level of inequalities within the country. The HDI cannot be a substitute for a more comprehensive distributional impact assessment that specifically considers the levels of inequalities within a country.

2.2.1 ODA for human development

Education, social protection and equal access to basic services such as health, water and sanitation, are essential policy tools for diminishing inequality of income and for well-being within countries. This is intimately related to the ODA objective of promoting 'economic development and welfare' in partner countries. Contributing to greater equality within countries calls for a donor response whereby proportionately more ODA resources should be spent on human development in countries with low HDI than in countries with high HDI indices.²⁵

Resources dedicated to human development, an EU priority, have increased from 22% of total non-inflated ODA in 2019 (EUR 5.5 billion) to 26% in 2020 (EUR 7.3 billion) and 27% in 2021 (7.4 billion), mainly under the impetus of health spending as seen above. However, ODA data, illustrated in Figure 12, show that, contrary to what a reduction of inequalities within countries would require, EU and MS spending on human development in low HDI countries is lower than spending on human development in high HDI countries. European support for human development benefiting the bottom 40% HDI countries represented 26.6% of non-inflated ODA in 2021 (EUR 2.9 billion) as opposed to allocations of EUR 3.57 billion or 27.7% of ODA for the top 40% HDI. This lack of proportionate response to needs in human development does not work towards reducing inequalities both within and between countries.

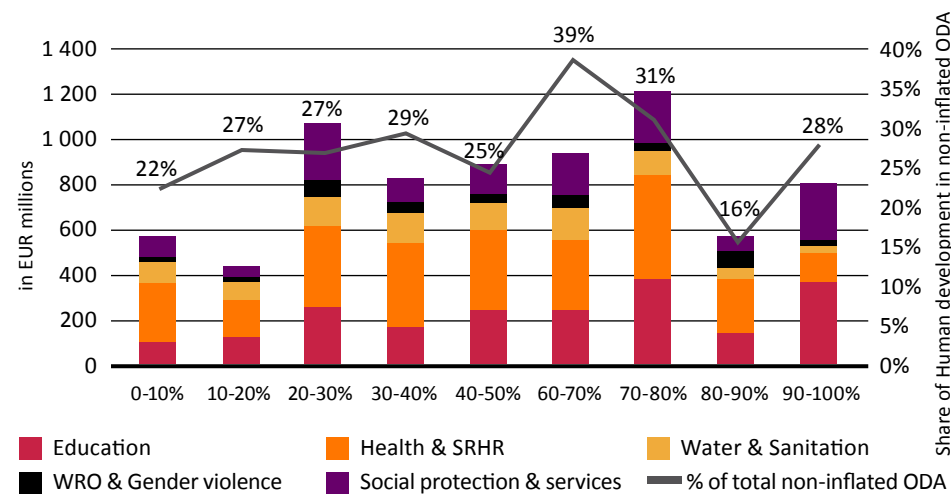
It should be emphasised that all countries in the bottom 20% HDI group are countries in conflict in 2021, except Guinea and Burundi, although the latter is characterised as institutionally and socially fragile. In these countries, EU humanitarian assistance outstrips EU spending on human development. Since humanitarian assistance is



codified only as ‘emergency assistance’, it is not possible, with data available at DAC level, to disaggregate its use for education, health or other human development areas. However, the EU, a major provider of emergency assistance (43% of the global total), stated that 10% of its emergency assistance was allocated to education in 2019, thus offering some reassurance that in fact more resources are allocated to human development in low HDI countries than visible at first sight through the OECD DAC data.²⁶

Regardless of the level of data disaggregation, what is clear from these numbers is that EU ODA for human development, despite the nominal increase in recent years, is not targeting those who would benefit most from it.

Figure 12. Non-inflated ODA spending on human development in 2021, per HDI grouping, in EUR million and as a share of total non-inflated ODA



26 See EU VNR Annex, SDG3, pages 40 and 41.

2.2.2 ODA for gender equality

The EU is committed to address gender inequalities with the implementation of its Gender Action Plan III 2021-2025 (GAP III) but, as seen in Table 3 below, if one looks at ODA spending, there has been no significant change as yet in gender mainstreaming in ODA over 2019-2021: in 2021, more than half (54%) of the amount of non-inflated ODA was either not at all tagged for gender (9%) or tagged as an action for which gender was not an objective (45%). Only 41% of ODA expenditure was marked as actions with gender as a significant objective (G1) and 5% were marked with gender as a main objective (G2). This result is unsurprising since the GAP III objectives are based on new commitments in the number of actions (here we report figures). Five Member States do not use the gender tag at all and another three applied it to less than half of their ODA. Amongst those donors who used the gender marker consistently (‘consistent tagging’ is considered to be less than 10% of their ODA remaining untagged), the Netherlands, Sweden, Ireland and the EU institutions were consistently the best performers while Finland improved its position very significantly over the three years, from only 37% of non-inflated ODA marked as G1 or G2 in 2019 to 52% in 2021. With the number of EU MS adopting or announcing a feminist foreign policy on the rise (the Netherlands, Germany, France, Spain and Luxembourg), it will

Table 3. Gender marker in non-inflated ODA: 2019-2021 in shares of total non-inflated ODA amounts

	2019	2020	2021
Not tagged for gender	8%	9%	9%
Gender not an objective	44%	44%	45%
Gender as significant objective	42%	42%	41%
Gender as main objective	5%	5%	6%



be important to track whether this commitment goes hand-in-hand with ambitious ODA levels²⁷, as well as an increased commitment to resourcing local women's rights organisations²⁸.

The EU27 and EU institutions' track record of supporting gender equality through their projects and programmes is far from achieving the levels commensurate with the GAP III's objectives of mainstreaming gender in at least 85% of all new actions, and of 5% of actions with gender equality as a principal objective.²⁹ Yet, the performance of the EU in the direct support of women's organisations has been slightly better with an 8% increase in spending on women's organisations in 2020 compared to 2019 and a further 17% increase in 2021. Total amounts of support remain, however, very marginal with EUR 329 million spent in 2021, amounting to 0.6% of total non-inflated ODA.

2.2.3 Climate finance

EU support for the fight against climate change in partner countries is increasing, but slowly. Climate finance is usually divided into two categories: adaptation and mitigation. From an equality point of view, supporting adaptation is particularly important. Evidence shows a close connection between structural inequalities and climate change: where those with fewer resources suffer the worst effects of climate induced events.³⁰ This locks them into a vicious cycle where the impact of climate hazards in turn undermines their economic development and welfare and results in greater inequality. Climate finance for adaptation is therefore a way of compensating structural inequalities and breaking the vicious cycle.

Amid growing warnings and evidence of the disastrous effects of climate change, EU donors provided EUR 8.4 billion in climate finance to developing countries in 2021, up from EUR 7.9 billion in 2020 and EUR 7.2 billion in 2019. EU climate finance accounted for 17% of non-inflated bilateral ODA.³¹

In general terms, climate finance is not predominantly focused on those countries with the greatest needs in terms of human development. Figure 13 shows that half of all ODA for climate finance is targeting countries above the 60% HDI mark. It is important to note that in comparison, these countries account for 41% of the total population of ODA-eligible countries. What these figures show is that **richer countries are receiving more per capita ODA for climate finance than poorer countries**. AidWatch is concerned that climate finance could be provided at the expense of ODA to other areas. There are two ways in which climate finance can undermine the impact of ODA flows. Firstly, **EU donors are failing to make climate finance additional to ODA** commitments. A recent report by CARE shows that 93% of the climate finance reported by wealthy countries between 2011 and 2020 was taken directly from development aid.³²

Even more importantly, EU support for climate change predominantly favours mitigation rather than adaptation projects. In 2022, climate finance for adaptation projects accounted for EUR 3.1 billion, which represents 37% of climate finance as part of ODA. The remaining amount went to mitigation projects. For reference the share of adaptation in climate finance was 39% in 2020 and 38% in 2019. This goes against the commitment, jointly made with the pledge to allocate USD 100 billion (approximately EUR 91.4 billion) in additional climate finance per year, to ensure a

27 Papagiotti, F., Thompson, L. and Ahmed, S. (2022). *Feminist Foreign Policy and Development Finance for Gender Equality: An Assessment of Commitments*. Washington, DC. International Center for Research on Women.

28 See CONCORD's recommendations to the EU and Member States on how to improve Funding local women's rights organisations (2023).

29 GAP III objectives are expressed as the percentage of new actions rather than the share of commitments or spending. See CONCORD's fact sheet.

30 https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/2_Chapter_WESS2016.pdf

31 These figures have been calculated following the new AidWatch methodology. For any differences with previous years' figures, please consult the methodological Annex.

32 Care (2022). *Seeing Double: Decoding the additionality of climate finance*. Available at: <https://careclimatechange.org/seeing-double-decoding-the-additionality-of-climate-finance/>.



balance between mitigation and adaptation funding. While no concrete target has been set to measure this balance, current allocations are clearly skewed away from adaptation. Moreover, governments in partner countries are requesting donors to increase support for climate adaptation, fuelled by large funding gaps. For example, funding for adaptation has been identified as Africa's most pressing climate priority. In Africa alone, adaptation funding needs have been estimated at USD 56 billion a year by 2030.³³

When the data is broken down per HDI level, ODA for climate finance remains focused on mitigation across most groups. Figure 13 below shows the distribution of ODA for climate finance across countries grouped according to HDI. Here, some groupings show significant differences. For example, in the 30-40% HDI bracket, which is the largest by volume, the share of ODA for adaptation is lower than in all other groupings with the exception of the 80-90% group.

There is also a genuine concern that some of the mitigation projects being supported with ODA funds, especially in countries ranking high on the HDI index, do not even respond to the objective of promoting 'economic development and welfare'. For example, there are many small projects investing in energy efficiency which can be difficult to justify from a development perspective, especially in countries with high HDI values. Examples include:

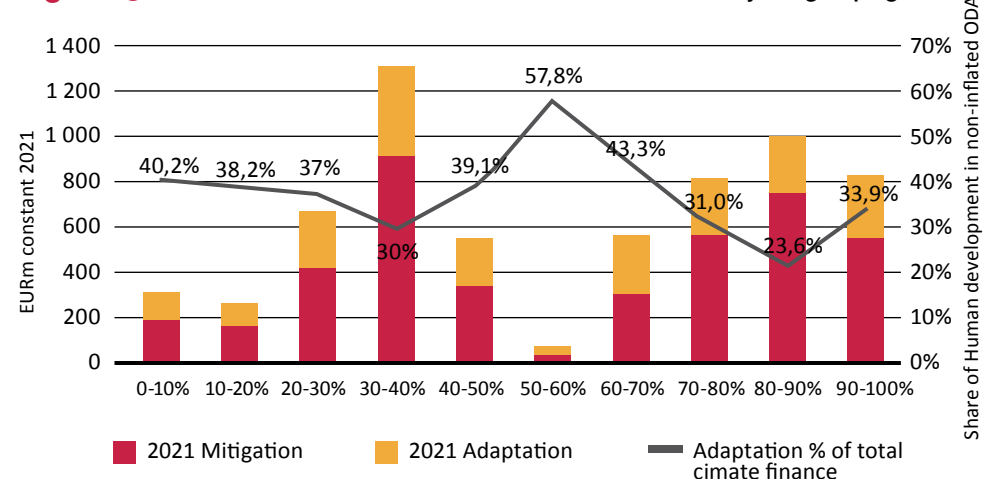
- Installing solar power in a private school in Georgia.
- Installing a 30-kW solar power plant at an art school in Armenia.
- Installing a 200-kW solar power plant on the roofs of the Rugby Union buildings in Georgia.
- Acquiring and installing a solar energy system for a radio station in Brazil.

2.2.4 ODA to and through CSOs

If ODA is to be focused on equality, support for civil society is paramount. As CONCORD has already defined it:

“Policy dialogue and CSO consultation are important tools for the EU and its Member States to understand the drivers of inequalities, the specific needs of communities and plan for more impactful programmes and projects. Such consultations can also encourage local ownership of European initiatives, enhance mutual trust and stimulate shared understanding of country-specific issues, perspectives and approaches.”³⁴

Figure 13. Distribution of 2021 non-inflated ODA to climate finance by HDI grouping



³³ See: Africa's Adaptation Transformation. Doubling down through Africa Adaptation Acceleration Program (AAAP) Compacts. Leaders' Communique.

³⁴ "What makes the difference for equality? Voices from South Africa, Paraguay and Bangladesh on what the EU can do".

Available at: <https://concordeurope.org/resource/what-makes-the-difference-for-equality-voices-from-south-africa-paraguay-and-bangladesh-on-what-the-eu-can-do/>, CONCORD, 2023.

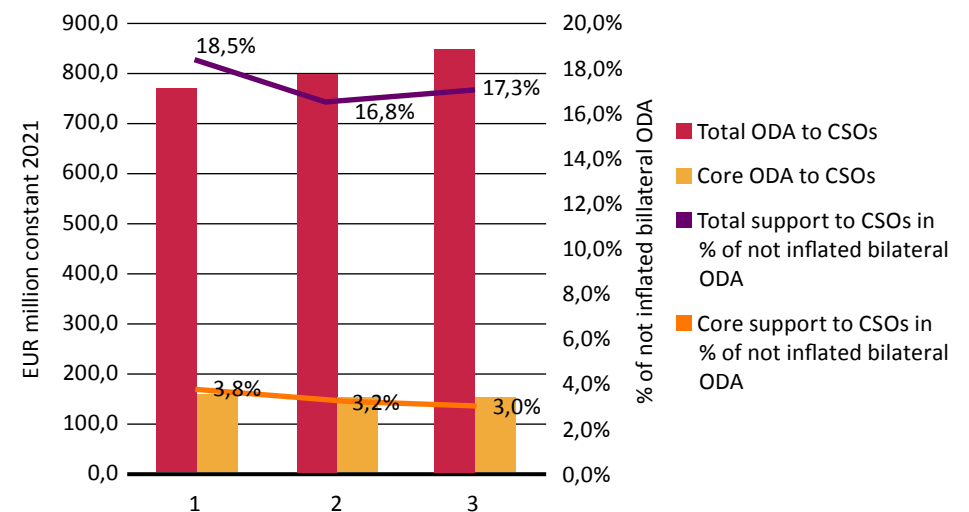


In 2012, the EU committed to support CSOs in all external instruments and programmes and in all areas of cooperation, including through a “flexible and tailor-made approach to funding” in order to reach all types of CSOs³⁵. This commitment has been restated multiple times, including in the updated EU Consensus on Development (2017) and the specific objectives of the EU Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI-GE)³⁶. In 2021, EU donors provided EUR 8.5 billion in ODA to CSOs, up from EUR 8.1 billion in 2020 and EUR 7.7 billion in 2019. However, the share of ODA going to CSOs decreased from 18.5% in 2019 to 17.3% in 2021 as it failed to grow at the same speed as ODA. Most of these funds (83% in 2021) were earmarked for projects implemented by CSOs. These figures show the important role that CSOs play in the delivery of ODA from EU donors. There are several countries where CSOs play a particularly important role in project implementation. In three EU Member States it accounted for over a third of non-inflated bilateral ODA in 2021: Spain (55%), Ireland (41%) and Sweden (34%). In others like Belgium, Czechia, Estonia and Luxembourg it stood at or close to 30%. It is important to note though that the share of support to CSOs over total reported ODA is much lower in many cases.

However, while CSOs continue to play a key role in the implementation of projects, they are increasingly struggling to remain independent actors. The amount of core funding³⁷ received by CSOs is small and has been decreasing over time. Core funding is extremely important to build strong and independent CSOs, which voice the needs of the people, uphold human rights and demand accountability when spending programmes are designed and financed. In 2021, only 17% of the funding for CSOs was provided in the form of core funding that can be used flexibly by organisations to cover organisational costs and pursue their objectives. Core

support to CSOs from EU donors has decreased in real terms from EUR 1.6 billion in 2019 to under EUR 1.5 billion in 2021. As a share of non-inflated bilateral ODA, core funding to CSOs decreased from 3.8% in 2019 to 3% in 2021. This is extremely low and undermines some of the key roles CSOs play in many countries across the world to defend democracy, good governance and human rights. Core support is also strongly concentrated: 84% of core support to CSOs by EU donors is provided by five countries, namely Belgium, Germany, Ireland, the Netherlands and Sweden. These countries generally have dedicated budget headings for CSOs and have developed

Figure 14. Total and core support for CSOs from EU donors 2019–2021, EUR m constant 2021 and as a share of non-inflated bilateral ODA



35 Ibid.

36 See https://international-partnerships.ec.europa.eu/system/files/2019-09/european-consensus-on-development-final-20170626_en.pdf; and Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009; <https://eur-lex.europa.eu/eli/reg/2021/947/oj>.

37 Funding that can be used at discretion to cover overheads.



specific policy instruments and structures for strategic dialogue with CSOs. For example, in Belgium CSOs can access multiannual funding through a five-year programme from the Federal Government.

Furthermore, it is particularly relevant to strengthen support for partner countries' CSOs. They have a crucial role in identifying the most pressing needs and priorities, as they are the best placed to understand the local situation and the impact of inequalities in their communities. From the total support for CSOs in EU ODA in 2021, only 10% was for partner countries' civil society. Given the tough environment experienced by small and medium-sized CSOs in many partner countries, it is especially relevant that enough accessible funding is made available for these organisations.³⁸

➤ **"Core funding is extremely important to build strong and independent CSOs, which voice the needs of the people, uphold human rights and demand accountability when spending programmes are designed and financed."**

³⁸ The need for greater and accessible funding for local CSOs is highlighted in the recent OECD DAC Recommendation for Enabling Civil Society in Development Co-operation and Humanitarian Assistance (2021). See: <https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021>.

RECOMMENDATIONS TO IMPROVE THE CONTRIBUTION OF ODA TO ECONOMIC DEVELOPMENT AND WELFARE

Recommendation	Actor(s) responsible	Justification
<p>Ensure that geographical allocation of ODA is proportional to partner countries’ needs and objectives instead of EU’s domestic priorities.</p>	<p>EU Member States EU institutions</p>	<p>As demonstrated in this report, the EU currently allocates most of its bilateral non-inflated ODA in line with geopolitical, security and economic interests rather than strictly developmental criteria. For ODA to realise its full potential, allocations ought to be made according to strictly developmental criteria, and in close collaboration with partner countries’ civil society and own development objectives.</p>
<p>Include an explicit commitment to reducing inequalities in partner countries as part of international cooperation policies.</p>	<p>EU Member States EU institutions</p>	<p>As shown in this report, supporting the ‘economic development and welfare’ is key in the road to reducing inequalities. Some MS already put the fight against inequalities as a priority; all others should follow this example.</p>
<p>Adopt and consistently implement tools (e.g. markers) to tackle inequalities.</p>	<p>EU Member States EU institutions</p>	<p>To achieve their commitments, they need to develop specific tools to analyse and assess the impact of activities on inequalities. Markers are among such tools: all Member States and the EU need to consistently implement gender and disability markers; the EU should also implement its new Inequality Marker and establish ambitious targets</p> <p>See CONCORD report ‘The Road to Equality’ (2022).</p>
<p>Continue progress to untie aid commitments to ensure all EU ODA is untied.</p>	<p>EU Member States EU institutions</p>	<p>Tied aid is known to increase the costs of ODA, thereby reducing its effectiveness. Since 2001 the OECD DAC Recommendation on untied aid has helped donor countries, but stronger commitment is needed in order to ensure that all EU ODA is untied.</p>
<p>Only count COVID-19 vaccine doses specifically bought for partner countries.</p>	<p>EU Member States</p>	<p>First of all, the donation of in-excess vaccine doses is the result of a hoarding practice by richer countries which resulted in a reduced capacity by partner countries to access those doses in a moment of global scarcity. Furthermore, these donations are not part of a strategy, so can be difficult to include into the countries’ own national vaccination plans and they do not take into account the logistical challenges related to vaccine storage, transport and delivery.</p>



<p>Increase transparency on migration-related reported ODA.</p>	<p>EU Member States EU institutions</p>	<p>Current disaggregation levels make it almost impossible to conduct a proper assessment of the alignment of migration-related activities with the overall purpose of ODA. This is particularly concerning considering the increase of ODA for this sector in the 2019-2021 period.</p>
<p>Increase ODA for Human Development and actively focus its allocation on countries at the lowest end of the HDI scale.</p>	<p>EU Member States EU institutions</p>	<p>As flagged in the body of the report, the HDI can provide a nuanced picture of a country's performance that goes beyond the mere GDP per capita measurement. While the HDI can be a powerful initial tool to apply when deciding on ODA allocations, it cannot be substitute for a more comprehensive distributional impact assessment that looks specifically at the levels of inequalities within a country.</p>
<p>Adopt a funding target for gender equality that directs ODA not only to gender mainstreaming but also to programmes with gender-targeted actions.</p>	<p>EU institutions</p>	<p>The current targets are set as a share of new actions implemented by the EU and not as a share of ODA. They therefore have nothing to do with the overall amount of funding. They do not represent the amount of funding actually provided for gender equality. For transparency, monitoring and to ensure ambitious funding for gender equality, the EU should adopt targets expressed as a share of ODA.</p>
<p>Increase the support for WROs, especially direct, core, long-term and flexible funding.</p>	<p>EU Member States EU institutions</p>	<p>Local WROs in all their diversity and feminist movements play a crucial role in challenging imbalanced power structures and achieving gender equality. They are rooted in their communities and promote systemic change. Direct funding would enable them to set their own priorities and adapt to changing conditions or emerging issues and opportunities, hence actually supporting a gender-transformative approach.</p>
<p>Ensure that the adoption of a Feminist Foreign Policy (FFP) goes hand-in-hand with ambitious ODA levels to support gender equality and WROs.</p>	<p>EU Member States that have recently adopted a feminist foreign policy approach: the Netherlands, Germany, France, Luxembourg and Spain</p>	<p>An effective FFP should be accompanied by a commitment to increase ODA levels to support gender equality and allocate direct and core funding for feminist movements and local WROs in all their diversity.</p>



<p>Ensure that climate finance ODA is additional funding.</p>	<p>EU Member States EU institutions</p>	<p>The global target of mobilising at least USD 100 billion of additional funding a year for climate finance (towards which the EU has collectively committed) also includes a call to ensure a balance between climate adaptation and mitigation finance. Moreover, this has been a consistent request by partner countries' governments, while the focus remains still on mitigation finance.</p>
<p>Increase support for civil society organisations, with a particular focus on partner countries' CSOs reported ODA.</p>	<p>EU Member States EU institutions</p>	<p>As civic space is shrinking globally, it is crucial for the EU to continue its efforts to defend civic space and to increase its support to CSOs in all their diversity, as key drivers of democracy and change.</p> <p>Within civil society, local CSOs play a particular role in this regard, as they are best placed to identify the most pressing needs and challenges in their communities. They should therefore have more and better access to funding.</p> <p>See CONCORD (2023): What makes the difference for Equality?</p>
<p>Increase the share of core funding for CSOs to ensure their independence.</p>	<p>EU Member States EU institutions</p>	<p>Most funding linked to civil society is channelled through CSOs for the implementation of predefined programmes and projects. However, core, flexible, multi-year funding to civil society is essential to create an enabling environment that allows CSOs to survive and thrive, including in restricted contexts, and to set their own priorities according to the local situation and needs.</p>



PART TWO: COUNTRY PAGES



AUSTRIA

“ Encouraging news, but more effort is needed ”

By Global Responsibility

Main trends in 2022

At the beginning of its legislative period, the current government adopted the civil society recommendation to provide the Austrian Foreign Disaster Relief Fund with EUR 50 million and to increase it by EUR 2.5 million annually to a total of EUR 60 million. In 2022, as a result of the war against Ukraine, it earmarked a record EUR 105 million for the fund. Considering the higher amounts spent on humanitarian assistance in 2022 and for in-donor refugee costs, ODA figures rose to 0.39%. Although the one-time increase is commendable, we recommend allocating the planned funds to protracted crises in other regions.

Government's relationship with civil society

The Austrian Development Agency (ADA) finances some Austrian and international CSO activities through a separate budget heading. In 2022, funding for projects by Austrian and international CSOs increased slightly to EUR 48 million, which represents 42% of ADA's total bilateral project funding. The relationship with governmental stakeholders is quite good. One positive example is the “Umsetzungspartnerschaft”, or “implementation partnership”, in which civil society is working together with Academia and the Foreign Affairs ministry on a policy paper on food security.

Reported ODA: EUR 1689 million

0.39% GNI (↑ from 0.31% in 2021)

Non-inflated ODA: EUR 1222 million

0.28% GNI (↑ from 0.26% in 2021)

Total inflated ODA: EUR 467 million

27.6% of total



The Austrian government should:

- Prepare a comprehensive strategy to ensure that enough development funding is allocated to people in the Global South who are suffering from multiple crises.
- Increase bilateral funding for development cooperation to:
 - ensure that LDCs, priority countries, as well as the poorest and most marginalised people in need, receive enough help to eradicate poverty;
 - reduce social and economic inequalities;
 - improve gender equality and human rights;
 - support civil society organisations and
 - adapt to the negative consequences of the climate crisis (spend 0.2% of GNI for LDCs).
- Draw up a comprehensive government-wide strategy, including concrete steps to improve policy coherence for sustainable development and to raise ODA figures to the promised 0.7% target.
- Accelerate the implementation of the 2030 Agenda in and through Austria, by achieving all the steps outlined in the first Voluntary National Review (VNR) from 2020 and drafting a detailed VNR 2024 to include spillover effects; introduce SDG checks, SDG mainstreaming and SDG reporting.



BELGIUM

“ N°1 priority before 2024 elections: a growth trajectory to 0.7% ”

By CNCd-11.11.11, 11.11.11 and ACODEV

Main trends

“At constant prices [...], Belgian ODA has increased by 7% in one year”.¹ ODA also increased as a percentage of GNI, from 0.43 to 0.45%. This is especially good news as Belgium has decided for the first time not to count some financial flows as ODA, such as imputed student costs and in-donor refugee costs for Ukrainians. Nevertheless, under the current legislature (2019-2024), ODA has actually stagnated, even though the coalition agreement had announced a binding growth path. Flanders did count in-donor refugee costs for Ukrainians as ODA, thus more than doubling its own ODA. The federal administration also counted in-donor refugee costs for non-Ukrainian nationals. Belgian development cooperation can still be commended for its concentration in LDCs, receiving 34.8% of Belgium’s gross bilateral ODA in 2021 (DAC average is 22.9%). Yet Belgium stayed just under the 2030 Agenda objective of 0.15% GNI on ODA to LDCs (it allocated 0.14%). Similarly, Belgium can be commended for allocating 35.5% of its gross bilateral ODA to fragile contexts. However, only 1% of this went to conflict prevention in 2021, a subset of contributions to peace – decreasing from 2020.

Other trends include increasingly multilateral ODA, and a growing share in the form of humanitarian assistance. Overall, since the beginning of the legislature, Belgian development cooperation has met its core objectives. The instrumentalisation of ODA for migration objectives has been avoided thanks to a new strategy clarifying the links between development and migration. Belgium, however, has not pushed back against ODA instrumentalisation at EU level. It remains to be seen whether the position will be maintained after the 2024 elections.

Government’s relationship with civil society

In December 2022, on taking office, the new Minister for Development Cooperation emphasised the vital role of civil society for Belgian cooperation. Under the current

Reported ODA: EUR 2366 million

0.45% GNI (↑ from 0.43% in 2021)

Non-inflated ODA: EUR 2140 million

0.41% GNI (↑ from 0.38% in 2021)

Total inflated ODA: EUR 226.9 million

9.6% of total



legislature, the Minister and her administration have maintained close ties with civil society and their representatives. Negotiations are ongoing to revise the regulatory framework for non-governmental cooperation, progressing positively with the potential for substantial improvements in non-governmental cooperation programs. In April 2023, the Belgian government allocated an additional EUR 10 million fund to non-governmental actors to address inflation and the effects of multiple crises. Overall, relations with the government are positive, although civil society has occasionally been excluded from final discussions on specific issues and not adequately heard regarding the increase in ODA, despite sector mobilisation and government commitment.

The Belgian government should:

- **Adopt a binding and linear growth trajectory during the budgetary negotiations in 2023, to ensure that ODA will reach 0.7% by 2030, and that the development cooperation budget will increase in 2024 in real terms and as a percentage of GNI.**
- **Stop counting in-donor refugee costs (for Ukrainians and non-Ukrainians) and surplus anti-COVID vaccine donations as ODA.**
- **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. Prevention costs three to four times less than reconstruction.**

¹ <https://www.cncd.be/IMG/pdf/2023-rapport-cooperation-belge-developpement-cncd-web.pdf> pg 24.



BULGARIA

“ Supporting Ukraine and the Ukrainian people ”

By BPID

Main trends

At first sight, it might seem impressive that Bulgaria's ODA has reached 0.27% of GNI in 2022, but unfortunately this is more the result of Bulgaria's efforts to help Ukraine than a planned increase in the ODA budget. Bulgaria provided EUR 121 million for bilateral cooperation, of which EUR 115 million was for humanitarian aid. A total of EUR 106 million was provided to Ukraine, almost entirely to support Ukrainian displaced persons in Bulgaria. Only EUR 1 million was channelled as humanitarian aid through international organisations and in-kind contributions, and just EUR 0.03 million for ongoing development projects in Ukraine.

A total of EUR 82 million has been provided for multilateral cooperation, with the largest share contributing to EU external financial instruments and funds. Other significant channels for multilateral ODA were the UN and its agencies and the World Bank Group. Other relevant flow are the EUR 2.1 million provided to finance administrative capacity-building projects and socially significant infrastructure in the Western Balkans, the Black Sea region, Africa, Jordan and Vietnam. Finally, Bulgaria provided a total of EUR 19.8 million in the form of vaccine doses donations to Bosnia and Herzegovina and Iran to deal with the aftermath of the COVID-19 crisis.

Government's relationship with civil society

In 2022 the Bulgarian Platform for International Development (BPID) and the Ministry of Foreign Affairs (MFA) continued the dialogue to sign a new memorandum for cooperation. However, due to political instability in the country, this has not been yet signed, although there has been ongoing positive collaboration between both actors for the strategic development of international cooperation policy in a good governance partnership project. The project focused on monitoring and evaluation of

Reported ODA: EUR 203 million
0.27% GNI (↑ from 0.12% in 2021)

Non-inflated ODA: EUR 104 million
0.14% GNI (↑ from 0.11% in 2021)

Total inflated ODA: EUR 99.5 million
49% of total



the development cooperation policy and interim monitoring of the execution of the Mid-Term Development Assistance and Humanitarian Aid Programme (2022-2024). The project gave Bulgarian CSOs the opportunity to engage with the government bodies that formulate, execute and monitor the policy. As a result, an interim monitoring report for the execution of the mid-term programme was published which gave recommendations to the government for strengthening the regulatory framework of the Bulgarian development cooperation and effectively including Bulgarian CSOs in the implementation of the development projects in partner countries.

The Bulgarian government should:

- **Urgently prepare and pass a new law on development cooperation and include broad representation of stakeholders in the drafting process. The law should introduce a new Agency for Development Cooperation to coordinate bilateral ODA spending.**
- **Involve Bulgarian CSOs as soon as possible, using their capacity in the implementation phase of development cooperation programmes to enable the government to meet the indicators set out in the Mid-Term Programme for Development Assistance and Humanitarian Aid 2020-2024.**
- **Increase the share of bilateral aid, which will result in the increase of the total ODA as a percentage of GNI.**
- **Prepare and implement at national level, the Global Education and Awareness Raising Programme as set out in the Mid-Term Programme for Development Assistance and Humanitarian Aid 2020-2024.**



CROATIA

“ A step closer to meet aid commitments ”

By CROSOL

Main trends

Croatia has one of the smallest economies in the EU and is one of the most recent states to graduate from ODA recipient to ODA donor. The country has made significant progress this year, increasing its ODA by over 40% in terms of volume and by 0.02% in terms of ODA/GNI compared to last year. This brings it closer to meeting the European target of 0.33% of GNI by 2030 if the current trend continues, yet still far from the 0.7% commitment. Croatia's bilateral ODA remains largely focused on its neighbours, with a view to supporting the socio-economic stability of the region, with only a very small share going to support development in the LDCs (3.1% in 2021).

Overall, since Croatia became an ODA donor in 2012, its ODA has increased from EUR 17 million in 2012 to EUR 104 million in 2022, representing a quadrupling in volume over a decade. Preliminary data suggest that in 2022, Croatia increased its ODA by 41% in absolute numbers, and up to 0.17% of GNI. If Croatia continues to increase its ODA at the pace of the last two years (increasing by approximately 0.02% of GNI per year), it can meet the European-level target of 0.33% of ODA/GNI (for EU member countries which joined after 2004) by 2030. However, at this pace it is far from reaching the collective commitment of 0.7% ODA-GNI ratio by 2030.

Government's relationship with civil society

While a relationship does not yet exist between government departments (primarily the Ministry of Foreign and European Affairs) involved in ODA and civil society in Croatia, the new Law on International Development Cooperation and Humanitarian Aid adopted in 2023 states that it: “will enable more dynamic cooperation with development stakeholders that were not included in the implementation of the current Act, in particular civil society organisations and the private sector.” It also

Reported ODA: EUR 105 million
0.17% GNI (↑ from 0.13% in 2021)

Non-inflated ODA: EUR 105 million
0.17% GNI (↑ from 0.13% in 2021)

Total inflated ODA:
not reported



specifically lists CSOs as both actors who undertake development cooperation and through whom development projects can be financed.

The Croatian government should:

- **Continue to increase its ODA as a share of GNI by 0.02% annually, therefore meeting the target of 0.33% of GNI by 2030;**
- **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 recipient 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 promising initiatives, we need to keep going ”

By FoRS

Main trends

2022 was marked by the Russian aggression against Ukraine. Its serious global implications were addressed with the help of reduced initial budgets for humanitarian and development assistance. Additional humanitarian funding was mobilised to support Ukraine throughout the year, eventually reversing the government cuts. Support for Ukrainian refugees in Czechia caused a rapid increase in total reported ODA. This also resulted in a reversal of the ratio between bilateral and multilateral cooperation: in 2021, the bilateral component amounted only to 24 %; in 2022 it reached 72% of ODA. The Czech Presidency of the Council of the EU was another challenge and opportunity. Czechia used it to intensify its multilateral support to Ukraine and to strongly promote a preventive approach in the humanitarian and development spheres. It initiated the adoption of the EU Council Conclusions on Disaster Risk Reduction (DRR) in EU External Action. A number of outputs of the Czech Presidency will be reflected in bilateral cooperation, especially during 2023, when new cooperation programmes are prepared and the mid-term evaluation of Czechia's Strategy for Foreign Development Cooperation for 2018-2030 is launched.

The most pressing problem for Czech development efforts remains its limited, stagnating or even declining funding, when not counting extra assistance to Ukraine. Although preliminary results of Czechia's ODA for 2022 show a significant increase (from EUR 309 million to over EUR 800 million and from 0.13 to 0.36% of GNI), this is an exceptional figure due to the one-off inclusion of funds spent on the reception of Ukrainian refugees.

Government's relationship with civil society

The mixed conservative-liberal government has expressed an interest in strengthening engagement with CSO experts and the not-for-profit sector during 2022. Some positive initiatives include a) the appointment of a Government

Reported ODA: EUR 827 million

0.36% GNI (↑ from 0.13% in 2021)

Non-inflated ODA: EUR 286 million

0.12% GNI (↓ from 0.13% in 2021)

Total inflated ODA: EUR 541 million

65.4% of total



Commissioner for Human Rights to promote the rights of children, older people, and people with a disability; b) the appointment in 2022 of a Governmental Envoy for Ukraine, who serves as an interlocutor among Czech bodies involved in stabilisation and reconstruction efforts in Ukraine with counterparts in Ukraine and in the international arena; and c) the first ever appointment of a Government Commissioner for Roma Minority Affairs. Despite improvements in certain aspects of existing cooperation with the government, its quality remains varied. This is in part due to the complexity of the current situation, but also due to the chaotic way in which the planned state budget cuts severely impacted the social services sector. The very nature of the conservative-liberal coalition government is also a factor.

The Czech government should:

- **Implement a predictable, phased, long-term ODA budget; in this respect, the most important requirement is to move from an annual to a multiannual financing plan.**
- **Ensure sufficient staffing and professional capacity within the Czech Development Agency to guarantee that the quality of development projects and the scope of overall bilateral development cooperation is not compromised.**
- **Increase bilateral ODA budgets and improve granting modalities, particularly with respect to Trilateral cooperation, Global Education, and Awareness Raising; more bilateral calls for priority partner countries are also needed.**
- **Ensure more effective local use of ODA and a participatory approach in traditional partner countries, as well as in Ukraine.**



DENMARK

“ Falling short of commitments ”

By Globalt Fokus

Main trends

2022 is going to be the first year in more than 40 years that Denmark will fall short of the commitment to devote 0.7 % of GNI to ODA. This is happening while Denmark's economy has been exceeding expectations while the consequences of the war in Ukraine, the aftermath of COVID-19 and the effects of climate change are hitting the rest of the world hard. Denmark falling short of 0.7 % is not therefore just a political and technical failure, it also shows disregard for the current enormous needs for ODA in the world.

For the new government elected in 2022, meeting the UN commitment of 0.7 % was part of the political agreement between the three governing parties. It is therefore expected that Denmark will reach 0.7 % again. The incoming minister, Dan Jørgensen, has the new title of “Minister for Development Cooperation and Global Climate Politics”, which, taken with current initiatives and political statements from the Minister as well as the MFA, indicate that Denmark will continue greening its ODA. Nonetheless, it is imperative that poverty and inequality reduction are not forgotten in the development cooperation greening process. Denmark, together with other countries, is failing to deliver on the USD 100 billion in climate finance promised at COP15. However, Denmark is expected to look to blended finance, guarantees and innovative financing to deliver on the commitments made at COP15 and COP27.

Government's relationship with civil society

Denmark has a strong tradition of consulting civil society and other stakeholders as part of the policy making process. Both on political and technical matters there is often meaningful dialogue in development policy. However, for civil

Reported ODA: EUR 2508 million

0.67% GNI (↓ from 0.71% in 2021)

Non-inflated ODA: EUR 2087 million

0.58% GNI (↓ from 0.69% in 2021)

Total inflated ODA: EUR 422 million

16.8% of total



society meaningful inclusion that allows proper exchanges with partner countries' organisations can sometimes be made difficult by short deadlines. An example of dialogue is The Council for Development Policy, where 11 members, currently including four civil society representatives, are appointed to give strategic advice to the MFA and the Minister.

The strategy for development cooperation is a political agreement with parliament and the ODA budget is part of the Budget Act that is passed annually in parliament. However, the government is responsible for conducting Denmark's foreign policy which includes development cooperation. This means that changes made that affect development cooperation such as changes to the ODA budget during the year or opening and closing of embassies can lack political dialogue and transparency.

The Danish government should:

- Ensure that Denmark is always able to deliver on its commitment to devote 0.7 % of GNI to ODA;
- Not use ODA to cover in-donor refugee costs;
- Ensure that climate finance is new and additional to ODA flows and targets;
- Ensure enough time for meaningful inclusion of partner organisations during consultations with civil society.



ESTONIA

“ An opportunity to move forward”

By Estonian Roundtable for Development Cooperation - AKÜ

Main trends

For many years, Estonia's general goal has been to meet the 0.33% GNI to ODA target. This goal was officially achieved for the first time in 2022, when it reached 0,54% due to the intensive support provided to Ukraine since the start of the war. We are very proud of our assistance to Ukraine, but much of this aid has been focused on the humanitarian field, which is not directly development cooperation. While it is important to continue our support for Ukraine, it is essential to not forget other regions as well.

Government's relationship with civil society

We continue to be the strategic partner of our Ministry of Foreign Affairs (MFA) and our relationship continues to be positive. We have been asked on numerous occasions for our input on different matters.

There have been a few issues since the creation of the Estonian Center for International Development Cooperation (ESTDEV), which was established in 2021 to take over the role of the implementation of development cooperation. The main problem is that the funding models are not clear and understandable enough. We also see as a problem the fact that business diplomacy and NGOs are financed from the same funding channels. Luckily, after some advocacy work, the MFA has heard us and some change is envisioned.

We have also observed that the MFA puts more emphasis on business diplomacy and although we acknowledge that it is also a very important field from which the target countries can also obtain benefits, we would still like to see an equally strong support for development cooperation as well.

Reported ODA: EUR 162 million

0.54% GNI (↑ from 0.16% in 2021)

Non-inflated ODA: EUR 45,7 million

0.15% GNI (↓ from 0.16% in 2021)

Total inflated ODA: EUR 116 million

71.7% of total



The Estonian government should:

- Establish separate funding channels dedicated to supporting business diplomacy and non-governmental organisations engaged in development cooperation.
- Make funding channels clearer and to enhance the long-term strategic planning, enabling civil society organisations to make long-term plans as well.
- Despite the fragile economic situation and the national inclination toward financial savings, avoid any cutting or reduction of the existing budget allocated for development cooperation and humanitarian aid.
- Understand that development cooperation is not business diplomacy and does not have to bring money into the country.



FINLAND

“ A turn in the wrong direction ”

By Fingo

Main trends

Through the general election debates, 2022 was a starting point for the reduction and redirection of Finnish ODA. Development cooperation was a minor theme in the general elections of 2023. In the general political debate, most of the political parties and the public discussed the need to balance the state budget in order to reduce the deficit. Centre-right parties emphasised cuts in expenses, excluding tax rises from the fiscal toolbox. The nationalist-populist Finns Party, in particular, targeted development cooperation as an expense that should be cut. The 2023 election result led to the formation of a nationalist-populist and centre-right government in the summer of 2023. The new government announced major cuts in development cooperation and will lead to a lowering of the level of Finnish ODA during the 2023-2027 electoral term. In addition, the new government has stated that the Finnish ODA is going to be targeted “more strategically”. The meaning of this is still rather vague. It seems that the main idea is to 1) reduce the number of countries with bilateral cooperation, 2) introduce conditions for ODA – e.g. partner countries should not support Russia in the invasion of Ukraine in the UN and 3) to a larger extent pursue synergy between trade and development objectives.

The importance of Ukraine in the whole of the ODA was emphasised in 2022. In the coming years, it seems that in terms of funding Ukraine is going to be Finland’s most important partner.

Government’s relationship with civil society

The relationship between the government and civil society organisations has so far been good. There are both formal and informal opportunities to interact. Formal opportunities include extensive budget and political hearings or CSO participation

Reported ODA: EUR 1447 million

0.58% GNI (↑ from 0.47% in 2021)

Non-inflated ODA: EUR 1079 million

0.43% GNI (↑ from 0.45% in 2021)

Total inflated ODA: EUR 368 million

25.4% of total



in various official bodies steering development policy and there are many informal exchanges of information. We hope that during this electoral term, the new government will strengthen this tradition and consult CSOs on the preparation of the new policy report on trade and development policy which has been announced.

The Finnish government should:

- **Consult with development cooperation actors, including CSOs, before making decisions on ODA cuts. Serious consideration is needed to ensure that cuts cause as little harm as possible.**
- **Utilise the Report on Development Policy Extending Across Parliamentary Terms (2021) as widely as possible in this parliamentary term, pending the new policy report.**
- **Continue to take into account Finland’s long-term goals and strengths in development policy, as well as the overall commitment to promoting global sustainable development goals. Even though Ukraine is important and a preoccupation for many Finns, excessive focus on one country while the overall development budget is cut can mean missed opportunities and long-term achievements in Finland’s work with other partner countries and organisations. As a relatively large amount of aid is now flowing to Ukraine, Finland, like other donors, should pay serious attention to the efficient use of the funds.**



FRANCE

“ A pivotal year on the road to stagnation ”

By Coordination SUD

Main trends

In 2022, the country allocated 0.56% of its GNI to ODA in line with the 2021 programming law. France became the fourth largest donor in terms of absolute value but slipped to tenth place in terms of share of national income. Moreover, France is one of the world's top lending countries, which has an impact on the priorities: most of its ODA does not finance LDCs or basic social services, contrary to the objectives of the 2021 law. France is struggling to target geographical areas other than middle-income countries and large projects with high capital potential. As a result of the unbalanced use of loans and the rise of global interest rates owing to the impact of the COVID-19 pandemic and the war in Ukraine, 2022 might be the last year with increasing budgets. Responding to a major shift in the political appreciation of international solidarity policy among politicians in France, the Government plans to keep the allocation of ODA in 2023.

Paradoxically, France wants to maintain a major role in the international development funding architecture by announcing the organisation of the Paris Summit for a new global financial pact, bypassing discussions within international organisations. The government now focuses on new narratives around localising aid, balancing power dynamics, investment and greater involvement of the private sector as funders and actors of development. However, this shift raises questions about the future of ODA, the 0.7% GNI/ODA target, and the role of CSOs in this changing landscape.

Government's relationship with civil society

The 2021 legal framework details the partnership modalities with civil society organisations, recognising their role and promoting their participation in policy design and implementation. An Annual Dialogue with CSOs is organised to foster this engagement. Since 2022, six plenary sessions of the National Council for Development and International Solidarity have been held. Although these efforts

Reported ODA: EUR 14751 million

0.56% GNI (↑ from 0.51% in 2021)

Non-inflated ODA: EUR 11696 million

0.44% GNI (↑ from 0.41% in 2021)

Total inflated ODA: EUR 3055 million

20.7% of total



are welcome, the quality of dialogue can be enhanced by strengthening consultation mechanisms and considering proposals in decision-making, recognising civil society's expertise and innovative capacity.

France successfully achieved the objective of doubling ODA for CSOs between 2017 and 2022. However, the recent strategic guidance strategy by the MFA revises future ambitions, projecting at least a 3% increase in ODA for CSOs. Thus, instead of targeting 15% of ODA for CSOs in 2025, France might allocate around 11%, without a specified timeline. The government and civil society are not always aligned in their views and may have different agendas and priorities for their objectives and deadlines.

The French government should:

- Translate into action the orientations and programming law adopted in 2021 until 2025 and beyond.
- Translate development policy priorities into concrete commitments, such as:
 - a trajectory to reach 0.7% of GNI allocated to ODA until 2025 and rebalancing up to 85% of equivalent grants in total ODA;
 - ensuring that 50% of ODA funds basic social services and 50% goes to LDCs;
 - enhancing the objectives of gender equality (85% DAC 1, 20% DAC 2);
 - a trajectory for ODA channelled to and through CSOs to ensure alignment with the average of OECD countries.
- Strengthen the tax on financial transactions to deal with multiple crises.
- Make international solidarity policy transparent, effective and accountable by publishing project sheets on a unique database and ensure the implementation of independent evaluations.



GERMANY

“ The last ambitious year for international solidarity? ”

By VENRO

Main trends

In 2022, Germany emerged as the second largest ODA provider globally, contributing EUR 33.3 billion, equivalent to 0.83% of its Gross National Income (GNI). This significant increase in ODA spending was largely attributed to Germany's response to Russia's war against Ukraine. In February 2022, the Federal Ministry for Economic Cooperation and Development (BMZ) allocated around EUR 600 million to Ukraine and an additional EUR 112 million to promote stability in the Republic of Moldova. Furthermore, to counteract the war's impact on global food security, Germany invested an extra EUR 1.4 billion in 2022.

The year 2022 also saw Germany hosting approximately one million refugees from Ukraine, a factor that significantly contributed to the 12% rise in ODA compared to the previous year, making Germany the largest recipient of its own ODA.

Throughout 2022, the German government has been actively working on a feminist foreign policy and a feminist development policy, both of which were published in March 2023. It remains to be seen what kind of long-term changes these new strategies will deliver over the coming years. The outlook for Germany's ODA spending is bleak. The German government's 2024 budget proposal indicates plans to reduce ODA spending significantly, a move that will have a detrimental effect on Germany's humanitarian and development efforts.

Government's relationship with civil society

The German government has mostly been open to involving civil society in its initiatives. This collaboration has been evident in the formulation of Germany's feminist foreign and development policies, for which many civil society actors were

Reported ODA: EUR 31511 million
0.83% GNI (↑ from 0.76% in 2021)

Non-inflated ODA: EUR 24976 million
0.66% GNI (↑ from 0.74% in 2021)

Total inflated ODA: EUR 6534 million
20.7% of total



consulted. The open dialogue and partnership with CSOs have also been instrumental in addressing the challenges posed by the war in Ukraine and the subsequent refugee situation. Despite these positive steps, there is serious concern among CSOs about the government's proposed reduction in ODA spending in its 2024 budget proposal. Currently, German ODA funding to and through CSOs remains at around 7%, well below the OECD average of 15%.

The BMZ has initiated the development of a new strategy for cooperation with civil society. VENRO is closely monitoring this process and has published a position paper with suggestions on how to strengthen funding for civil society in the Global South.

The German government should:

- Focus policies and strategies on the SDGs and on the principles to leave no one behind.
- Make additional financial resources available so that efforts to rebuild Ukraine do not lead to cuts in other regions and earmark at least EUR 2.7 billion for humanitarian emergencies.
- Ensure that climate finance is new and additional to existing ODA spending and increase climate finance to EUR 8 billion annually by 2025.
- Increase civil society funding to the OECD average of 15% of ODA.



HUNGARY

“ Holding out hope in a year of change ”

By HAND

Main trends

Compared to 2021, Hungary's reported ODA has decreased slightly to EUR 261 million, due to the decision of not reporting in-donor refugee costs in relation to refugees from Ukraine. In line with CSO views, the government decided against including these costs because they could show a one year trend spike, which can be misleading for partner countries. Despite the moderate decline in ODA, the 2022 ODA/GNI ratio (0.28%) remained at the same level as the previous year, not breaking the upward trend of the last few years.

Following the 2022 national elections, institutional reorganisation has affected the international development cooperation sector. The development and humanitarian areas, which were formerly divided between different ministries, have been reunited again under the MFA and Trade, which now manages most of Hungary's bilateral cooperation. The Hungary Helps Agency, which was previously responsible only for the humanitarian field, has also been moved to the MFA and its portfolio extended to include development cooperation. These are steps that had been repeatedly called for by CSOs in previous years. However, a number of measures are still needed for more consistent planning and implementation and better coordination within the government, since the current structure still lacks synergies and a clear division of responsibilities and tasks, specifically in case of the other line ministries.

CSOs hope that the recommendations of the 2023 DAC peer review, which in many respects reflect the views of civil society, will guide the government in introducing further policy and institutional changes to promote development effectiveness and Policy Coherence for Sustainable Development (PCSD).

Reported ODA: EUR 362 million
0.28% GNI (same as in 2021)

Non-inflated ODA: EUR 361 million
0.28% GNI (same as in 2021)

Total inflated ODA: EUR 1 million
0.3% of total



Government's relationship with civil society

In most cases government institutions responsible for development cooperation are open to requests and initiatives arriving from both donor- and partner-country based CSOs and have multiplied project grants to CSOs in recent years. However, there are no open calls for proposals targeted specifically at civil society and the government mainly relies on a few CSOs for implementation. Furthermore, there are no mechanisms for timely, predictable and inclusive social dialogue involving all relevant stakeholders. These issues were also highlighted by the 2023 DAC peer review as well and the government expressed its intention to address them. Given the upcoming Hungarian EU Presidency in 2024, this should take place as soon as possible, in order to ensure broad debate on policy issues in connection to the Presidency period.

The Hungarian government should:

- Establish a clear roadmap for increasing ODA, which will be reflected in the targets of the new post-2025 development cooperation strategy.
- Devise 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 capacity and creating opportunities for CSOs to be involved in national and EU level programme implementation and policy dialogue.
- Set up a multi-stakeholder consultation body as soon as possible.



IRELAND

“ Increases are not enough to keep pace with needs ”

By Dóchas

Main trends

Ireland's ODA budget must remain focused on Least Developed Countries and countries worst affected by climate change and conflict. It is crucial that Ireland's ODA is concentrated on the following four inter-related areas: addressing conflict and responding to humanitarian need; addressing hunger and building sustainable food systems (SFS); tackling the climate emergency; and reaching the furthest behind first. To achieve this, we must first and foremost fund and support civil society organisations, especially those that are locally based and/or led by women, who can deliver effective, community-led solutions and are on the frontline of response.

Ireland should fulfil its commitments to fund humanitarian and development budgets, and account for any costs incurred in responding to refugees in Ireland as additional expenditure. This will ensure that Ireland can continue to extend the hand of welcome to those seeking refuge without having a negative impact on overseas aid programmes and contributions. We strongly believe that the Irish Government must do both.

The Irish government should:

- **Make real and tangible progress to its longstanding commitment of spending 0.7% of GNI on ODA by increasing the ODA budget in 2024 by EUR 305 m.**
- **Urgently scale up Ireland's humanitarian funding to conflict-affected and fragile states, recognising that funding must be underpinned by policies that contribute to removing the root causes of crises.**
- **Show leadership through global initiatives to tackle hunger and deepen cooperation across all its departments to achieve goals on hunger and SFS.**

Reported ODA: EUR 2198 million

0.64% GNI (↑ from 0.30% in 2021)

Non-inflated ODA: EUR 1076 million

0.31% GNI (↑ from 0.29% in 2021)

Total inflated ODA: EUR 1122 million

51.1% of total



- **Act on climate change on all levels, including delivering on the EUR 225 m per year of climate finance committed at a minimum, with a view to rapidly increasing this allocation in response to the real needs of low-income countries and in line with Ireland's fair share of climate finance, while also demonstrating that it is reaching people and communities in the global south who need it most.**
- **Ensure that, as part of Ireland's commitment to implementing the SDGs, both domestically and overseas, the SDGs are hardwired into the planning and budgetary processes across the state; this is an important political signal in itself, but one that can also allow for more effective monitoring of progress towards the goals and ensure we are truly leaving no one behind and reaching the furthest behind first.**



ITALY

“ Taking advantage of development cooperation ”

By CONCORD Italia

Main trends

The September 2022 general election ushered in a new political leadership with potentially significant changes in the area of development cooperation to safeguard Italy's national interests globally. The new government is fully cognisant of the role of the European Union in various key domains, from the post COVID-19 recovery and resilience plans to migration management, and of cooperative relationships with neighbouring countries, especially around the Mediterranean and in Africa.

The Annual Budget law 2024-2026 can be expected to give effect to the government's ambition to increase ODA levels, already inflated thanks to significant refugee costs, and increased by the support for Ukraine and the COVID-19 pandemic response. Prime Minister Meloni has been calling for a new “Mattei Plan” for Africa and has followed up with a dynamic agenda of meetings with the leaders of Algeria, Libya and Tunisia in 2023. The Mattei Plan seemed to get off to a good start and is intended to be a *model of non-predatory cooperation*; its practical implementation, on the other hand, seems to be fraught with risks, considering the most recent agreements with key Mediterranean partners on energy, trade and migration. The real nature of this plan can be expected to be fully unveiled in 2024. The Government's foreign policy strategy includes strong support for Ukraine against Russia's invasion as well as convening a new platform to address migration and development.

Government's relationship with civil society

The 2014 legislation on development cooperation includes provisions for policies and frameworks that safeguard the role of CSOs and other development actors. The Italian Agency for Development Cooperation (AICS) leads on funding opportunities for CSOs, and maintains day-to-day dialogue on the activities under way. However,

Reported ODA: EUR 5958 million

0.32% GNI (↑ from 0.29% in 2021)

Non-inflated ODA: EUR 4466 million

0.24% GNI (↑ from 0.23% in 2021)

Total inflated ODA: EUR 1492 million

25% of total



the AICS is in the process of getting a new Director after a public selection process, slowing the pace of more ambitious plans: for instance, the latest call for proposal dates back to 2020. On the bright side, a wide array of stakeholders – including CSOs – have been involved in developing the National Action plan for Citizens Education; and we are expecting a relevant set of indicators to be agreed. On a more general level, the National Council for Development Cooperation (CNCS) has not been convened since October 2022; the Council working groups keep functioning thanks to their facilitators, drawn from the non-executive constituencies; as of July 2023, CSOs have still to officially meet the Deputy Minister Cirielli, who holds Development Cooperation portfolio.

The Italian government should:

- **Implement a time bound plan to meet the 0.7% ODA target by 2030 with steady and programmable resources.**
- **Launch a new round of calls for proposals for CSOs and other non-executive actors, including global citizenship education.**
- **Endorse a new national plan on development effectiveness.**
- **Open up the multi-year planning process for 2024-2026, including consultations with the National Council for Development Cooperation.**
- **Implement the national plan for policy coherence.**
- **Consult with stakeholders on a regular basis, including timely meetings of the National Council for Development Cooperation.**



LATVIA

“ High increase but at what cost ”

By Latvian Platform for Development Cooperation - LAPAS

Main trends

In 2022 Latvia's ODA, especially the bilateral aid, increased dramatically from EUR 40 million in 2021 to EUR 80 million in 2022. Unfortunately, the main reason for this change was not positive, but the sad result of Russia's war of aggression in Ukraine.

Humanitarian and development aid to Ukraine was allocated as additional financing and complemented the very high levels of donations from civil society and the private sector. This rapid increase of ODA requires the implementation of more and stronger monitoring and accountability measures, evaluation against the policy framework and agreed priorities. Only a very small portion of the increased bilateral aid is distributed in the form of open calls. In addition, the methodology does not account for refugee costs and could be the focus of more in-depth analysis.

Latvian ODA has always been of high quality due to a small number of projects and consequent transparency, no tied aid or private sector instruments. Still there is space to develop the methodology as to how horizontal priorities like climate impact and gender equality are assessed, given that projects are now mainly linked to the general SDG framework. This also applies to the large amounts of multilateral aid where the coherence to Latvia's policy framework is not directly visible.

The year 2022 was also marked by institutional change, the beginning of the new MFA development programmes, including feasibility study visits and targeted capacity-building activities for project implementers. The cofinancing programme had a small increase and offered more opportunities for Latvian NGOs to apply for multilateral development projects. Since the beginning of 2022, the Central Finance and Contracting Agency (under the Ministry of Finance) has become the national

Reported ODA: EUR 80 million

0.25% GNI (up from 0.12% in 2021) ↑

Non-inflated ODA: EUR 76 million

0.23% GNI (up from 0.12% in 2021) ↑

Total inflated ODA: EUR 4 million

5.4% of total



development agency and launched its first projects, working with NGOs and other partners.

Government's relationship with civil society

MFA involves LAPAS in decision-making processes including timely informal consultations on legal acts and policy documents, the work of the consultative body on development cooperation and there is 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, direct MFA support by for the national platform LAPAS has remained unchanged since 2018 at 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 meet the growing need of NGOs for capacity-building and partnerships with Ukraine and other Eastern Partnership countries.**
- **Apply transparent and open principles in the management of the new national development agency.**



LITHUANIA

“ A testament to the resilience and determination of the Ukrainian people ”

By Julius Norvila (Independent International Cooperation expert)

Main trends

In 2022, Lithuania's reported ODA doubled from EUR 73 million in 2021 to EUR 162 million in 2022. As a share of GNI, ODA surged from 0.14% of GNI in 2021 to 0.29% in 2022. The unexpected and unplanned surge in Lithuanian aid is explained by the unprecedented support to Ukraine: EUR 45.8 million were allocated to Ukraine, on top of the support for Ukrainian refugees in Lithuania. The support to Ukraine boosted Lithuania's bilateral aid rate from an average of 20% to 60%. This surge, however, is to a large extent, inflated ODA.

In 2022, Lithuania became OECD DAC member and completed the systemic reforms that enabled the launch of the Development Cooperation and Humanitarian Aid Fund. To attract private finance to development cooperation activities, the Government started the Investment and Enterprise Guarantee Agency (INVEGA) reform. The Ministry of Foreign Affairs started the implementation of the European Commission funded project "Strengthening Lithuania's development cooperation ecosystem: policy coherence, partnerships, impact". The project will focus on using existing financial instruments or developing new ones, the monitoring and evaluation system, capacity building, and the involvement of the private and non-governmental sectors in development cooperation.

Government's relationship with civil society

On the one hand, the Government is supportive of CSOs, recently opening new possibilities for co-financing international donors' sponsored projects. On the other hand, the systemic reforms in the Lithuanian development cooperation ecosystem are pushing CSOs aside. Development education, awareness raising and civil society building, monitoring and critical assessment of development cooperation policy outcomes - the most typical areas of CSOs activities – are being reduced to a narrow space.

Reported ODA: EUR 162 million
0.29% GNI (↑ from 0.14% in 2021)

Non-inflated ODA: EUR 76 million
0.22% GNI (↑ from 0.13% in 2021)

Total inflated ODA: EUR 41 million
25.3% of total



The CSOs representatives at the National Development Cooperation Commission and at the Council of the Development Cooperation and Humanitarian Aid Fund, are singled out alongside numerous representatives of the Government ministries and business sectors. Previous years' active and fruitful encounters between Government and CSOs have not resulted in establishing specific thematic working groups for a constructive dialogue, and CSOs have less influence in policy and decision-making. MFA staff seems to be more interested in partnership with business companies, in large-size infrastructure projects, rather than in enhancing democracy and working systematically with CSOs.

The Lithuanian government should:

- **Ensure that ODA surge in 2022 is not a memorable accident, and keep the level of ODA away from plummeting down in the coming years.**
- **Report separately on In-donor refugee costs and scholarships in Lithuania, keeping it outside of ODA figures.**
- **Stop neglecting the tasks of global education and general public awareness raising about global development cooperation and employ systemic measures for its implementation.**
- **When investing in Ukraine and Belarus - the EU Eastern Partnership Countries -, stick to the principles, standards and aims of liberal democracy and invest more in civil society capacity-building and understanding of the actual political and social developments there.**



LUXEMBOURG

“ Despite the challenges, ODA remains faithful to its commitments and principles ”

By Cercle de Coopération

Main trends

In 2022, Luxembourg's ODA amounted to EUR 503.87 million (10.5% more than in 2021) and continued to represent 1% of GNI.

Luxembourg has diversified its cooperation partnership in Africa and Central America. New framework cooperation agreements have been signed with Rwanda, Benin and Costa Rica. Luxembourg continues to meet its commitment to devote at least 0.2% of its GNI to LDCs and more than six of the 10 partner countries are LDCs. 2022 saw an increase in the budget allocated to multilateral organisations, including the signing of a first multi-year framework agreement for the period 2023 - 2025 with UN Women. The Directorate for Development Cooperation has published a new strategy for humanitarian action in 2022. This strategy commits Luxembourg to devoting at least 15% of ODA resources to humanitarian purposes. Humanitarian aid, which is included in bilateral cooperation, accounted for 17.39% of ODA in 2022, an increase of almost 4% compared with 2021.

Luxembourg remains faithful to its commitment to dedicate 1% of its GNI to ODA and focus on key areas such as climate finance and in-donor refugee costs, grant-based ODA, CSO financing and LDC financing). National elections will be held in October 2023, following which we will know ODA commitments will be made and whether Luxembourg will remain a leading donor in Europe in the coming years.

Government's relationship with civil society

The relations between the Ministry of Foreign and European Affairs (MFEA) and NGOs are open and frank. A working group comprising NGOs and the MFEA meets

Reported ODA: EUR 476 million
1% GNI (↑ from 0.99% in 2021)

Non-inflated ODA: EUR 476 million
1% GNI (↑ from 0.99% in 2021)

Total inflated ODA:
not reported



regularly and provides a forum for discussion. NGOs are invited to table issues on the meeting-agenda. NGOs are consulted when new strategies or tools are devised by the MFEA. However, participation processes could be optimised and information shared in a timely manner in order to allow a more meaningful and substantive NGO participation.

Similarly, the consultation processes for Indicative Cooperation Programmes and country strategies should be more inclusive in the future, so that CSOs from partner countries and Luxembourg NGOs can participate in a constructive manner during the aid programming process.

The Luxembourg government should:

- **Continue to reflect on the localisation of aid and develop new financial instruments to support the core funding of local CSOs in the Global South, in particular women's rights organisations (WROs).**
- **Open a framework for multi-actor reflection on the financialisation of international development.**
- **Improve the debate and assessment of policy coherence issues within the government and enable greater civil society contribution to current debates; these include the discussion how the Luxembourg financial centre impacts domestic resources mobilisation in Global South countries.**
- **Remain committed to the quantity and quality of ODA under the new government that will be formed after the 2023 national elections.**



MALTA

“ Not much change in the vision, policy and overall performance on international cooperation ”

By The national platform for Maltese NGOs - SKOP

Main trends

The preliminary figures for 2022 published by OECD DAC show that the overall ODA expenditure has decreased for the second year running and the ODA/GNI percentage is back to 2019 levels. Multilateral expenditure has remained practically unchanged although it is not possible to analyse micro-level changes until detailed reports are published.

The Ministry of Foreign Affairs seems to have maintained its focus on very small ‘pre-defined’ projects in Ghana and Ethiopia. It has also continued to support the scholarship scheme for students hailing from Small Island Developing States (SIDS) to enrol for Master and PhD courses on Islands and Small State Studies. This collaboration with the University of Malta and in favour of SIDS citizens is a good practice that has the potential of gaining traction in the years to come.

Government's relationship with civil society

Dialogue with Maltese civil society during 2022 did not improve, although positive channels of communication have been re-established in 2023. The decision to fund only ‘pre-defined’ projects between 2020 and 2022 has taken away the ownership, as well as the right of initiative, of Maltese NGOs. More importantly, it has put aside longstanding partnerships with community-based organisations that had been receiving support from the ODA programme since 2009. Furthermore, the lack of a detailed report on ODA expenditure published publicly is a hugely limiting factor and indicates limited willingness to increase transparency and accountability.

Reported ODA: EUR 40 million

0.28% GNI (↓ from 0.33% in 2021)

Non-inflated ODA: EUR 6 million

0.04% GNI (↓ from 0.08% in 2021)

Total inflated ODA: EUR 34 million

85.6% of total



The Maltese government should:

- Increase the transparency of yearly ODA reporting by an in-depth and comprehensive report on Malta's overall ODA spending.
- 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.
- Support CSOs in increasing their capacity to implement and monitor projects that are fully focused on the LNOB principles and give Maltese CSOs the right of initiative to propose development projects that address the rights and needs of those most at risk in ODA recipient countries.
- Engage with Maltese civil society and development stakeholders in an assessment of the Maltese ODA programme and policy, with the aim to evaluate and reform the geographical and thematic focuses as well as their effectiveness.



THE NETHERLANDS

“ A calm year with worrying signs ”

By Partos

Main trends

This report comes at a time of great turbulence in Dutch development cooperation. In April 2023, the government announced a EUR 3.4 billion cut to the development budget in order to finance the chronically underfunded domestic reception of refugees. However, the actual implementation of the cuts has become uncertain due to the unexpected fall of the current government in July 2023 and the announcement of snap elections to be held in November.

Given the upcoming elections, the status of the current Dutch development cooperation policy document is now unclear. The policy was well-received by civil society. Especially positive announcements were the creation of a feminist foreign policy, the continued prioritisation of sexual and reproductive health and rights, the increase in humanitarian and climate funding and the recognition of the important role played by civil society.

At the same time, further action remained necessary on important themes like climate justice and policy coherence. The note also appeared to backtrack on earlier commitments concerning corporate social responsibility (CSR) legislation. Furthermore, despite a highly critical reception, Minister Schreinemacher pursued the course of previous governments on aid and trade policy by increasing funding for private actors and introduced a form of tied aid. Most importantly, and as a precursor to the 2023 cuts, 14.5% of ODA was spent on refugee reception in 2022.

Government's relationship with civil society

The Dutch government provides funding to many Partos member organisations. Partos itself has regular contact with the ministry. Member organisations have regular contact with the ministry as well, both on anticipated and existing policies, as well as on funding issues, for example with the Power of Voices partnerships which are co-implemented

Reported ODA: EUR 5817 million

0.67% GNI (↑ from 0.52% in 2021)

Non-inflated ODA: EUR 4967 million

0.57% GNI (↑ from 0.48% in 2021)

Total inflated ODA: EUR 850 million

14.6% of total



with the ministry. However, CSOs indicate that the funding modalities are creating tensions between them and the ministry. The ministry's wish to be a flexible operating partner appears to be at odds with the fact that it fully transfers operational and financial risks to its partners. The tension is exacerbated by disproportional reporting and monitoring requirements.

The Dutch government should:

- **Make sure that ODA stimulates equitable and sustainable development in the Global South. To do this, spendings on short-term political priorities should be excluded from ODA reporting. These include the reception of refugees, support to the private sector without much evidence for its positive long-term development impact, or migration management policies that try to keep people from entering the EU.**
- **Prioritise policy coherence for development: among other, close loopholes for tax evasion, tackle unfair trade practices, drastically reduce the enormous negative impact of Dutch agriculture and other sectors.**
- **Tackle the climate crisis in an (internationally) just way: reduce fossil fuel emissions as fast as possible, stop providing subsidies to fossil fuel activities immediately, 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.**
- **Continue supporting civil society, both in the Netherlands and in the Global South, especially in the context of growing repression and intimidation. Involve CSOs as early as possible in the design, implementation and evaluation of policy.**



POLAND

“ The support for refugees from Ukraine has completely changed Poland's ODA ”

By Grupa Zagranica

Main trends

The year 2022 brought a huge increase of more than 250% in Polish ODA. This gave Poland first place among donors with the largest percentage increase in ODA funds. Total spending on development assistance in 2022 was almost EUR 3 billion, representing an increase of EUR 2.1 billion. Polish ODA accounted for 0.51% of Gross National Income in the previous year, compared to an average of 0.14-0.15% ODA/GNI over the last 10 years.

EUR 1.9 billion however was spent on In-Direct Refugee Costs (mostly from Ukraine) accounting for 65% of Poland's total development assistance. In previous years, the cost of supporting refugees in Poland accounted for less than 1% of aid spending. Excluding In-Direct Refugee Costs, our ratio would be just 0.18% of ODA/GNI. This is still more than in recent years, but not enough to meet international commitment to spend 0.33% of GNI for ODA.

Government's relationship with civil society

The year 2022 was the second year of the implementation of the [2021-2030 development cooperation strategy](#). We are in the middle of the third year, and still the MFA has not started implementing a number of commitments, including developing tools for capacity-building/institutional support for CSOs or developing country strategies for priority countries or for global education.

Moreover, current cooperation with social partners needs significant improvements. Every year we see delays in announcing calls for proposals and processing agreements with selected grantees. In 2022, the global education call was cancelled,

Reported ODA: EUR 2958 million
0.51% GNI (↑ from 0.15% in 2021)

Non-inflated ODA: EUR 935 million
0.16% GNI (↑ from 0.13% in 2021)

Total inflated ODA: EUR 2023 million
68.4% of total



in 2023 it still has not been announced. There is a lack of an efficient and responsive system for public consultations (with CSOs) on those matters.

The Polish government should:

- Increase the volume of genuine ODA/reflect on the huge share of IDRC and student costs in current ODA statistics.
- Increase the participation (financial and competence) of CSOs in the implementation of publicly funded projects in the field of development cooperation.
- Introduce transition from modular projects to multi-year cooperation agreements with CSOs, funding long-term programmes in development cooperation and humanitarian assistance.
- Provide institutional support to NGOs (core funding), including support to the NGO sector in accessing funds from the EU budget and other institutional donors.
- Develop thematic/geographic strategy documents for key development cooperation areas (strategies for major recipients of Polish ODA, global education), including broad consultation with social partners.



PORTUGAL

“ It is clear that the 0.7% [target] is far from being a budgetary possibility for this year or for the years to come ”

João Gomes Cravinho, Minister of Foreign Affairs (November 2022)

By Plataforma Portuguesa das ONGD

Main trends

Portugal's ODA in 2022 increased by 17.5%, rising above 0.2% GNI for the first time in a decade. This increase is based on the allocation of additional funding to multilateral institutions, budget support to partner countries and to support humanitarian efforts in Ukraine. Despite remaining below the EU average and far from reaching the 0.7 target, CSOs in Portugal welcomed the fact that there were no budget reallocations to fund operations related to the Ukrainian crisis, as well as the commitment to double the Camões IP development budget in 2023.

2022 was a landmark year for Portuguese development policies. Following the publication of OECD DAC's Peer Review in April, the government presented a draft version of the new Portuguese Cooperation Strategy 2030 (ECP 2030), holding public consultations and officially adopting it in December. Plataforma has welcomed the integration of most of its recommendations in the final text (especially a proposal to establish a roadmap to increase ODA allocations) as well as its focus on HD and Gender Equality.

Some progress has been made in increasing coordination capacities. In 2023, it became mandatory for public authorities to report their cooperation budget to the MFA. As no data has been made public so far, it is important to share information about this mechanism in order to ensure transparency.

Government's relationship with civil society

Although Plataforma welcomes the final result of the ECP2030, there is still room for progress in promoting meaningful participation of civil society. It also fails to comply with Development Cooperation Forum's rule of calling a meeting every 6 months. That would require a systematic approach to including civil society in planning,

Reported ODA: EUR 456 million

0.23% GNI (↑ from 0.18% in 2021)

Non-inflated ODA: EUR 391 million

0.19% GNI (↑ from 0.16% in 2021)

Total inflated ODA: EUR 65 million

14.3% of total



implementing and monitoring development policies. The institutional model established by the National Strategy for Development Education (currently under review) has been regarded as a good example that should be replicated in other strategies, especially the ECP 2030.

In 2022, support for civil society activities reached EUR 11.25 M. While acknowledging Portugal's effort to increase amounts to support civil society (a further significant increase is expected in 2023), measures must be taken to safeguard NGOs' right of initiative. According to preliminary data, almost 98% of funding was channelled through CSOs rather than to them.

The Portuguese government should:

- **Adopt an ambitious National Strategy of Development Education that builds on achievements of previous years and paves the way for the establishment of a dedicated budget that increases funding for implementing its priorities.**
- **Monitor the implementation of ECP 2030, especially measures on ODA commitments, by setting up a committee that includes civil society representatives and report conclusions regularly to parliament.**
- **Consolidate support to civil society through implementing OECD recommendations on reviewing Portugal's funding modalities based on a meaningful dialogue with CSOs.**
- **Promote meaningful democratic participation by creating a mandatory framework for consulting civil society during policy making processes and a mechanism for integrating CSO representatives in official delegations.**



SLOVAKIA

“ The war has shed light on both the strengths and vulnerabilities of ODA ”

By Ambrela

Main trends

Slovak ODA totalled EUR 151 million or 0.15 % of GNI, which places Slovakia on the last position within OECD DAC donors. Beyond quantity, the quality of bilateral aid represents an equally concerning trend. In 2022, economic inflation surged to unprecedented levels, reaching 13.2 %. The cumulative impact over several years, has eroded the value of Slovak ODA by a quarter. Regrettably, the MFA showed no inclination to address this issue and mitigate the risk of the real impact of the reduction of SlovakAid activities in partner countries. Despite the large humanitarian crisis, ODA has barely any political support in the Slovak foreign policy arena and 2022 was a missed opportunity to modernise the system and significantly increase ODA levels.

Although being a neighbouring country, Slovakia's humanitarian assistance to Ukraine amounted only to EUR 9 million, which not only stands in stark contrast to the EUR 16 million raised by CSO initiatives but placed Slovakia in the 27th position globally in terms humanitarian aid as percentage of GDP. In contrast to the multitude of legislative measures addressing the Ukrainian crisis, no effort was made to enact legislation aimed at enhancing the Slovak humanitarian aid system.

On a positive note, the MFA decided against inflating Slovak ODA with the substantial IDRC. They reported only EUR 1.1 million. This is commendable and the rationale behind this decision could serve as a model for other aspects of ODA.

Government's relationship with civil society

The relationship is good with respect to communication and access, but one worrying trend is the limited ability to influence policy. There were no major legislative or other changes that would improve the civil society environment nor increase in

Reported ODA: EUR 151 million
0.15% GNI (↑ from 0.14% in 2021)

Non-inflated ODA: EUR 150 million
0.15% GNI (↑ from 0.14% in 2021)

Total inflated ODA: EUR 1 million
0.8% of total



funding. On a strategic communication level, ODA is overshadowed by a plethora of other topics.

The largest thematic part of the MFA budget is devoted to development cooperation (EUR 13 million in 2021), which is the foreign policy area with the largest civil society involvement by far. However, the future of ODA, given the many other crises challenging Slovak national interests, is marginalised in comparison with other issues of greater priority for the MFA.

Civil society responded swiftly to the war in Ukraine. In a matter of hours following the invasion in February 2022, humanitarian and other non-governmental organisations, along with volunteers and grassroots activists, promptly initiated efforts to offer humanitarian aid to refugees fleeing the harrowing conflict in Ukraine, spanning both sides of the border. To a significant degree, Slovak NGOs and volunteers stepped in to fill the void left by the state, which demonstrated a lack of strategic planning, coordination, resource allocation and logistical support, including providing material assistance.

The Slovak government should:

- Make ODA a priority at ministerial level and in its strategic communication.
- Increase bilateral ODA and make funding more flexible.
- Enhance the quality of ODA, i.e. non-financial improvements, including legislative change and the creation of rapid response mechanisms.
- Increase the predictability and consistency of decision-making processes.



SLOVENIA

“ A promising year and, at the same time, a missed opportunity ”

By Sloga - Slovenian Global Action

Main trends

In 2022, preliminary numbers for Slovenia show an unprecedented increase of its ODA from 0.19% to 0.27% of GNI. This was primarily due to the increase in bilateral grants, in-donor refugee cost, and contributions to multilateral organisations. Major reasons for this were the multiple humanitarian crises plaguing 2022, as Slovenia almost doubled its funding for humanitarian aid compared to 2021, as well as a higher contribution to the EU ODA budget. Slovenia increased its bilateral ODA by almost EUR 39 million or by 101% compared to 2021, mainly due to the cancelled interest on the clearing debt owed by the Republic of Angola (representing over EUR 18 million). At the same time, Slovenia is continuing the decreasing trend in terms of funded projects to NGOs and increasing the size of individual projects in order to reduce the administrative burden of the MFA. Another trend highlighted is the inclusion of the private sector as a part of the partnerships in 2022 MFA calls for NGOs.

Slovenia also adopted Guidelines for Inclusion of Gender Equality into the International Development Cooperation and Humanitarian Aid of the Republic of Slovenia, accompanying the renewal of the MFA Guidelines for cooperation with NGOs in 2023. The new guidelines do not include private sector organisations as actors in development cooperation, thus missing the opportunity to provide guidelines for their engagement. They do, however, include commitments that have yet to be tested to see whether they can be implemented and evaluated.

Government's relationship with civil society

The new government assumed office in June 2022. The new Foreign Minister, Ms. Tanja Fajon, confirmed the government's commitment to cooperate with CSOs. In the following six months, the ministry showed good will toward NGOs to build their capacities. A call for proposals for NGO projects was also published, a very good sign in principle. Unfortunately, the Ministry's decision to not select any organisation for Slovenian NGDO capacity-building was a big shock for the national NGO platform and its member

Reported ODA: EUR 146 million
0.27% GNI (↑ from 0.19% in 2021)

Non-inflated ODA: EUR 93 million
0.17% GNI (↑ from 0.15% in 2021)

Total inflated ODA: EUR 53 million
35% of total



organisations. It is currently unknown how the funds reserved for the call will be spent. This will have unprecedented consequences for the future capacity of the sector in terms of national and European advocacy and awareness raising work. Alongside the above-mentioned trend of narrowing the funding space for NGOs with opening calls for fewer and slightly larger projects, with well defined “asks” from the finance provider, there is talk of implementing future strategic partnerships in other fields. This might be in the field of global citizenship education, in which smaller organisations are implementing projects and who may not necessarily be equipped to apply for bigger projects.

The Slovenian government should:

- **Continue to scale up its ODA to meet its commitments by revising, adopting and implementing a national action plan to increase ODA to the 0.33% target and the 0.2% target to LDCs, limiting the trend of increasing inflated aid, and extending bilateral ODA to at least half of total ODA, thus increasing the share of priority-targeted and monitored aid.**
- **Strengthen financial support to NGOs, re-establishing the support for small NGO programmes in advocacy and capacity-building. The MFA should also rethink providing core support to the Slovenian national NGDO platform in accordance with the 2018 NGO Act. These actions would significantly contribute to strengthened public support for development and humanitarian policies, the latter needed for Slovenia to fulfil its ODA commitment.**
- **Urgently develop guidelines for private sector engagement in international development cooperation and humanitarian aid. The guidelines for institutional setup should be supported by a permanent, open, inclusive and participatory PCSD assessment mechanism, in line with the 2030 Agenda.**



SPAIN

“ A new cooperation law with a broad consensus ”

By La Coordinadora de Organizaciones para el Desarrollo

Main trends

The ODA growth trend of recent years is consolidated, reaching 0.3% in 2022, still far from the legislature's commitment to reach 0.5% by 2023. The 2023 budgets, which will not be easy to meet in terms of ODA, aimed at 0.34%. Much of the increase in ODA in 2022 and that budgeted for 2023 is due to the increase in non-genuine ODA, specifically to in-country Ukrainian refugees. Bilateral and multi-bilateral cooperation overtook multilateral cooperation (which was mainly of an obligatory nature) after many years. AECID's (Spanish Development Cooperation Agency) budget growth has also been significant, with the budget almost tripling compared to three years ago.

During the recent election campaign, the parties that obtained 90% of the representation in Congress signed six commitments to cooperation policy, which in budgetary terms are aligned with the 0.7% target for 2030. The formation of the next government and the next national budget will be fundamental to demonstrate the political will to fulfil the commitments of the Law. They must be ambitious as there is a serious risk of a reduction in ODA if they are not.

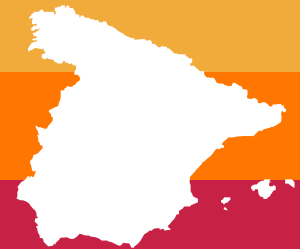
Government's relationship with civil society

There have been many ad hoc conversations in bilateral meetings involving La Coordinadora, the International Cooperation Secretary of State and the AECID Director in the last two years; the Spanish Development Cooperation Reform process is underway with a high level of transparency and a very constructive nature. There is also significant and influential participation of members of civil society and La Coordinadora in the Development Cooperation Council. This is a formal and regulated consultative space that the new Law will transform into the "High Council for Cooperation", maintaining and developing its functions and participants. It is led by the Ministry of Foreign Affairs, European Union and Cooperation and is very active in the reform process.

Reported ODA: EUR 3884 million
0.30% GNI* (↑ from 0.26% in 2021)

Non-inflated ODA: EUR 3097 million
0.24% GNI (same as in 2021)

Total inflated ODA: EUR 787 million
20.3% of total



In March 2022 a Relationship Framework between La Coordinadora and the General State Administration was signed. It has two main objectives: 1) to develop an enabling environment for NGOs in Spain, and 2) support and strengthen civil society in the Global South for the promotion of rights. A bilateral regular dialogue is being built to develop this Framework Action Plan.

The Spanish government should:

- **Complete the reform of the cooperation system, with the development and approval of the corresponding regulations with the participation of civil society and maintaining the maximum ambition allowed by law.**
- **Reach 0.4% of GNI in genuine ODA by 2024, at least 0.55% by the end of the 2027 legislature and 0.7% by 2030. At the same time, stop reporting inflated aid as ODA as other countries are beginning to do.**
- **Strengthen the AECID with a progressive increase in its technical, human and budgetary capacities.**
- **Strengthen Global Citizenship Education as a comprehensive part of the Spanish Cooperation Policy, aimed at promoting critical knowledge, understanding and solidarity with the global dimensions of sustainable development in Spanish society.**
- **Approve a Sixth Cooperation Master Plan aligned with the Law, the 2030 agenda, with a multi-year budgetary framework and maintaining human rights, feminist, environmental and policy coherence approaches.**

* CONCORD refers in this report to the GNI data provided by the OECD. Spain has recently provided an adjusted figure of its 2022 GNI which would slightly modify the final GNI/ODA ratio.



SWEDEN

“ A sharp change of direction - destination still unknown ”

By CONCORD Sweden

Main trends

In 2022, Swedish development cooperation faced volatile budget changes. Sweden responded to Russia's war on Ukraine by holding back EUR 1 billion from development programmes to fund the reception of Ukrainian refugees in Sweden. After pushback from stakeholders and fewer than expected refugees, Sweden ended up spending only 40% of the predicted amount. The former government had vowed to restore money to the aid budget. However, the coalition government elected in 2022 did not return the unused amount. The three coalition parties and their ally, extreme right Sweden Democrats, all differ on development policy priorities. The two smaller government parties remain committed to international cooperation and Sweden's longstanding 1 % of GNI budget in principle. However, the two bigger parties promote aid cuts and a shift towards “Swedish interests” in areas such as migration, security, climate and trade. Migration policy conditionality is debated, but so far, few political announcements seem grounded in reality. The priorities of the government for 2023 and beyond are clearly focused on supporting Ukraine and the neighbourhood; finding synergies between trade, private business and development; and humanitarian relief. Focus areas other than those mentioned above exist on paper but have not received corresponding resources or attention. Also, it is not clear which are the priorities for implementation. After one year, not much has been presented that supports the government's intentions of improving effectiveness.

Government's relationship with civil society

There are formalised Joint Commitments to dialogue in Swedish development cooperation between the MFA and CSOs. These entail a Joint Commitments document with (unevenly applied) guidelines for dialogue at embassy and government level, a Joint Commitments steering group, and an Annual Dialogue Forum. Specific units at the MFA and Sida can also initiate more specific thematic or geographic dialogue through formal and informal meetings/processes with civil society.

Reported ODA: EUR 5117 million
0.90% GNI (↓ from 0.91% in 2021)

Non-inflated ODA: EUR 4756 million
0.83% GNI (↓ from 0.89% in 2021)

Total inflated ODA: EUR 361 million
7% of total



Swedish governmental institutions traditionally include civil society in development policy dialogue. Several ministers in the current government have been criticised by CSOs and by opposition parties for scaling down the dialogue with CSOs to mere information sessions and refraining from it on issues with direct implications for CSOs' work or which might significantly impact on development policy as a whole. The frequency of meetings between the ministry and CSOs did improve somewhat after the government finished its initial internal drafts of policy priorities in April.

The Swedish government should:

- **Confirm the overarching goal of Swedish development cooperation, as defined in Parliament, and make sure that new goals related to “Swedish interests” are clearly connected to that overarching goal, a poverty and human rights perspective, DAC rules and development effectiveness principles.**
- **Ensure that the planned process of focusing Swedish aid maintains a focus on LDCs and is done using transparent criteria aimed at poverty reduction, democracy and human rights defenders and commitments in international frameworks for sustainable development.**
- **Account for the ODA share of GNI in the national budget proposals, to allow independent reviews of Sweden's commitment to the international ODA targets, and also adjust recurring issues with over-forecasting of IDRC.**
- **Live up to the government's promises of increased financial support to civil society, human rights and democracy movements and the rights of women and girls, with a focus on underfunded and local actors in difficult contexts and to civil society as a development actor in its own right.**



UNITED KINGDOM

“ Skyrocketing in-donor refugee costs make the UK the largest recipient of its own ODA for second year running ”

By BOND

Main trends

The UK government maintained its temporarily reduced target of 0.5% GNI. 2022 did see some flexibility introduced into their ODA target management. Preliminary statistics put overall ODA spending at 0.51% of GNI.

The biggest story for UK ODA in 2022 was the dramatic increase in use of ODA for IDRC. Following rises in 2020 and 2021, the UK reported EUR 4 billion of IDRC as ODA in 2023, more than triple spending in the previous year. The costs of two bespoke schemes (for Afghan and Ukrainian refugees), uncontrolled housing costs and high levels of asylum applications made the UK the largest recipient of its own ODA for the second year running.

The UK government continues to defend its decision to report all eligible costs as ODA and within the temporary GNI target of around 0.5%. Despite an additional EUR 1.1 bn added to their starting budget, the FCDO had to make EUR 2 bn in cuts to its ODA-funded programmes. The FCDO's own equalities impact assessment anticipated 'severe' impact on programmes fostering equalities, including for those facing acute humanitarian need.

Overall FCDO funding to sub-Saharan Africa and the MENA regions fell by 17% and 9% respectively in the financial year 2022/23. The FCDO also made significant cuts to sectoral ODA spending on gender, education and equality (31%) and health (15%), both strategic priorities. At the same time, Russia's ongoing invasion of Ukraine saw FCDO's ODA allocation there more than double, making Ukraine the second largest overseas recipient in 2022/23 after Afghanistan.

Reported ODA: EUR 14172 million
0.51% GNI (↑ from 0.50% in 2021)

Non-inflated ODA: EUR 1083 million
0.36% GNI (↓ from 0.46% in 2021)

Total inflated ODA: EUR 4089 million
28.9% of total



Government's relationship with civil society

Over 2022, stakeholder engagement with FCDO continued to improve from the nadir in 2020 and 2021. The establishment of regular quarterly meetings with FCDO leadership and civil society representatives and the current consultation process for the White Paper are positive manifestations of this improved engagement. Tensions re-emerged during the summer, when the Government suspended all non-essential ODA spending as IDRC skyrocketed. However, lines of communication remained open with FCDO and the government responded to some of civil society concerns (around humanitarian funding, the need for additional funding). There are still issues with transparency and in the long-term, the quality of engagement remains to be seen. There are concerns that with the increase in engagement, the sector is more susceptible to identify where they have access but no significant improvement in influence on decisions.

The British government should:

- **Deliver on the commitment to 0.7% of GNI as ODA sooner rather than later.**
- **Meet the commitment to spend 0.2% GNI in LDCs and ensure that ODA spending prioritises those further behind**
- **Remove barriers to increased direct funding of local and national actors**



ANNEX I – METHODOLOGY

BACKGROUND

Given the changing nature of ODA and of ODA donor reporting practices in recent years, the AidWatch methodology has been revised and updated to better identify the extent to which reported ODA is inflated and to determine whether ODA reported today still meets the OECD DAC criteria.

These criteria stipulated that financial assistance must: (1) flow to countries and territories on the DAC list of ODA recipients or to multilateral development institutions, (2) come from official sources, (3) be provided on concessional terms and (4) have as its primary objective the promotion of economic development and welfare of developing countries.¹ Taking this definition as a basis, the methodology proceeds in two steps to probe the extent to which these criteria are still respected, firstly by challenging the existing reporting and calculation practices (honing in on the first three criteria of the definition, Step 1), then by questioning the extent to which some ODA is effectively addressing the overarching objectives of ODA to end poverty and hunger, improve health, education and livelihoods, and reduce inequalities (focusing on the fourth criteria, Step 2).

AIDWATCH DATA SOURCES AND FIGURES

All figures in the report are provided in constant EUR million 2021, unless otherwise stated. All data is based on the official ODA data from the OECD, accessible through <https://stats.oecd.org>. To make the calculations CONCORD has worked with the full datasets of ODA per CRS code which can be downloaded from the same source. For 2022 data, which are not yet available broken down by CRS code, CONCORD has in some cases complemented datasets with data collected by CONCORD National platforms. More details are provided in the individual sections below.

OECD DAC official exchange rates and deflators have been used when transforming figures from one currency to another or from current to constant prices.

For more information on the OECD database structure and the different fields, please, see: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm>

STEP 1 – INFLATED AID METHODOLOGY

This first step of the methodology looks at ODA items which can be considered not to meet – or only meet some of – the three first criteria of the ODA definition and excludes them – wholly or partially – from ODA flows, as follows:

- **IDRC and imputed student costs** are neither transferred nor used in developing countries and should thus not be considered as ODA.
- **debt relief** is already included inherently in OECD DAC reporting of loans under the ‘grant equivalent’ approach and should not therefore be reported separately again and should be excluded from ODA figures.
- **loans reported using the ‘grant equivalent’** approach do not provide an accurate estimate of donor efforts in relation to market terms and regions’ (if not countries’) specificities in terms of discount rates.
- **PSI** amounts are, for the first time in 2023, included in ODA amounts and, like loans, are reported using inaccurate discount rates. For this issue of AidWatch, PSI have been totally excluded, as rules of eligibility for inclusion of PSI, based on additionality rather than concessionality, have not yet been released by OECD DAC.

¹ See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm>



While the first three items and the last items (IDRC, imputed student costs, debt relief and PSI) can simply be filtered out of the ODA data (see the summary table at the end), the estimate of loan amounts using a more realistic approach than that used by the OECD, requires a more complex recalculation of loans’ grant equivalent amounts, as follows.

RECALCULATING GRANT EQUIVALENTS

The OECD data reports the grant equivalent values of loans by converting the soft element of loans into their grant equivalent using a discount rate and applying a risk premium. The approach is open to criticism, mainly because of the use of a uniform discount rate for all loans and the use of a risk premium set by income grouping of the recipient country. In a nutshell, the grant equivalent approach used by the OECD does not differentiate by loan, country or year.

Contesting the use of these non-differentiated discount rates and risk premiums, AidWatch proposes an alternative calculation, building on the methodology developed by Stephen Cutts.² This relies on the use of the more realistic discount rates and risk premiums reported by the OECD’s Expert Credit Group. The values used in the Expert Credit Group are variable depending on the currency, maturity and overall market conditions and thus provide a better benchmark to evaluate donor efforts.

Loan information is already contained or can be calculated from the data provided in the OECD database. The calculations made by AidWatch follow the same formulas employed by the OECD. AidWatch simply substitutes the OECD differentiated discount rate and risk premium with the alternative values as described in the following table.

	OECD	AidWatch	Data source
Discount rate	Fixed 5% discount rate for all loans and currencies	Historical differentiated discount rates (DDR) for January of every year as provided by the OECD Export Credit Group. Different values depending on currency and loan maturity	<u><i>Aid and export credits – OECD</i></u>
Risk premium	By income category (1% UMICS, 2% LMICS and 4% LICs)	Based on the OECD’s Expert Credit Country Risk Classification (CRC). For simplicity, AidWatch has used the 2022 classification. Risk spreads (%) per category are based on the simplified approach proposed by S. Cutts: ³ 1 - 2 1% 3 1% 4 1% 5 2% 6 2% 7 3%	<u><i>Country Risk Classification (oecd.org)</i></u> <u><i>See also S. Cutt’s paper</i></u>

This methodology has been applied in AidWatch to recalculate the grant equivalents of loans for the years 2019, 2020 and 2021. There is aggregated data on ODA loans for 2022, but no detailed data on individual operations to calculate the grant equivalents for 2022. However, it is possible to provide an estimate. The analysis of past data shows that the ratio between the recalculated grant equivalent and the

² See: *Steve Cutts: Credit Where Credit's Due, February 2022 (odareform.org)*

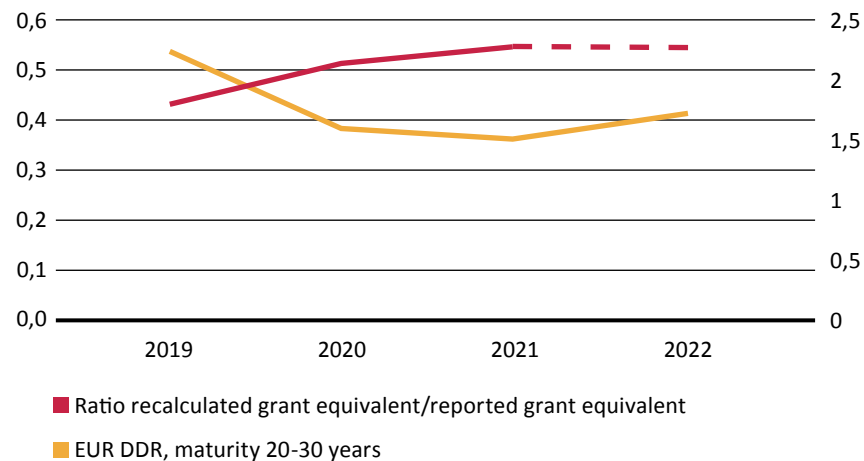
³ See Annex 6 of Cutts, S. (2022). *Credit Where Credit's Due*, <https://www.odareform.org/post/credit-where-credit-s-due>.



reported grant equivalent essentially moves in the opposite direction to changes in DDR for the Euro (see graph below).

To understand the connection, it is important to understand that a discount rate is defined as the rate used to determine the present value of future cash flows (e.g. how much a repayment in five years' time is worth today). A low discount rate means future flows (repayments) are worth more today. A high discount rate means that future flows (repayments) are worth less today.

Now, under the OECD grant equivalent methodology, the DDR is fixed, but under the AidWatch methodology, the DDR is variable because it follows the market. What happens is that, under the AidWatch methodology, when the DDR decreases, the recalculated grant equivalent increases, and moves closer to the grant equivalent calculated by the OECD. As a result the ratio between the recalculated grant equivalent and the OECD grant equivalent is closer to one. Conversely, when the DDR use in the



AidWatch methodology increases, the resulting recalculated grant equivalent is lower and moves away from the OECD grant equivalent. In this situation, the ratio between the recalculated grant equivalent and the OECD grant equivalent decreases.

Considering that the Euro DDR for 2022 increased from 1.5 in 2021 to 1.7, one should expect a decrease in the ratio. However, AidWatch has adopted a conservative approach and applied the 2021 ratio to the volume of reported ODA loans in 2022. Please note that this approach makes 2022 estimates reliable at aggregate level, but might not be accurate for individual donors. Individual figures for 2022 should only be considered as rough estimate.

STEP 2 – ODA AND THE PROMOTION OF ECONOMIC DEVELOPMENT AND WELFARE OF PARTNER COUNTRIES

The second step of the methodology unpacks the fourth criterion of the ODA definition and further tests the concept of ODA against its development objectives: to what extent is ODA (trimmed after Step 1) allocated in such a way that it can address the overarching objectives of ODA to end poverty and hunger, improve health, education and livelihoods, and reduce inequalities?

Firstly, CONCORD looks at the distribution of ODA between countries, checking whether the countries furthest behind receive proportionately more ODA than those who are doing better so as to reduce inequalities between countries. At this stage, CONCORD also discusses donor practices that reduce the effectiveness of ODA:



- the distribution of ODA between countries according to their HDI,⁴
- tied aid,
- in-excess vaccine donations,
- quality of reporting of migration, conflict, peace and security spending.

Secondly, AidWatch looks at whether ODA potentially contributes to the reduction of inequalities within countries by checking whether ODA spending is favouring people left behind:

- ODA for human development,

- ODA for gender equality,
- climate finance,
- ODA through CSOs.

This analysis is performed by filtering data by their sector/sub-sector codes (CRS codes), or using the public policy markers, or a combination of both. Information about how the different components can be calculated from OECD datasets is provided in the table below.

Item	Step and approach	Filters OECD dataset	2022 data issues
In-donor refugee costs	Step 1 - deducted	Category (10), code (93010). ALTERNATIVELY category (10), Cooperation modality/'aidtype' column (H02, H03,H04, H05)	OECD + national platforms. Forecast based on previous years when not available.
Imputed student costs	Step 1 - deducted	Category (10), recipient name (all but 'bilateral unspecified), Cooperation modality/'AidType' column (exclude E02 only?)	OECD + national platforms. Forecasted based on previous years when not available.
Debt relief	Step 1 - deducted	Category (10), cooperation modality/'aidtype' column (F01)	OECD + national platforms. Forecast based on previous years when not available.
Loans – grant equivalents	Step 1 - recalculated	Recalculate using market terms instead of agreed discount rates. In practice the project would replicate S. Cutts' methodology based on credit risk categories and discount rates for export credits. See: https://www.odareform.org/post/credit-where-credit-s-due	Estimate based on the total the relationship between recalculated grant elements (see detailed section above)
PSI and institutional approach	Step 1 – discussed and estimated	Use PSI flag in OECD database. Values 1-PSI under institutional approach; 2-PSI ODA instrument approach; 3- Non-ODA PSI; 4 Details of PSI activities reported under institutional approach.	No data

⁴ The HDI is not part of the OECD dataset but was added in order to provide data by country HDI ranking. The latest available HDI ranking, from 2021, was used. Countries were regrouped by decile of HDI ranking for analytical purposes.



Step 2 filters are applied to the dataset after step 1 (excluding inflated aid): total ODA minus IDRC, imputed student costs, debt relief, and with loans recalculated at a more accurate estimate of their grant equivalent)

Tied aid	Step 2 – discussed and estimated	Category (10), sum of USD amount tied and USD amount partially tied.	National platforms. Forecast based on previous years when not available.
In-excess vaccine donations	Step 2 – discussed and estimated	Based on data reported by the OECD	No data
Migration spending	Step 2 – discussed, some quantitative analysis	Filter on code 15190 (Facilitation of orderly, safe, regular and responsible migration and mobility).	No data
Security spending	Step 2 – discussed, some quantitative analysis	Filter on codes 15210 (security system management and reform), 15230 (participation in international peacekeeping operations).	No data
Human development	Step 2 – discussed, some quantitative analysis	Filter on codes for education (111, 112 and 113), health (codes 121, 122 and 130), water and sanitation (14010, 14020, 14030, 14081), women’s rights (15170) and ending violence against women and girls (15180), social protection (16010), employment creation (16020), multisector aid for basic social services (16050) and social mitigation of HIV/AIDS (16064).	No data
Gender equality	Step 2 – discussed, some quantitative analysis	Filter on the policy marker for gender, G1 (significant objective) and G2 (main objective)	No data
Climate finance	Step 2 – discussed, some quantitative analysis	Filter on policy markers mitigation. For effectiveness, cross examine with CRS codes (esp. energy).	No data
Support to CSOs	Step 2 – discussed and estimated	Parent channel codes: 21000 (international CSO), 22000 (donor country based CSO), and 23000 (developing country NGO). The CRS variable “Bi_Multi” is then used to identify whether the contribution is in the form of core support (value of either 3 or 7) or earmarked (all other values).	No data



ANNEX II: LIST OF ABBREVIATIONS

CSO	Civil Society Organisation
DAC	Development Assistance Committee
DFI	Development Finance Institution
EU	European Union
EU27	European Union 27 Member States
GAPIII	Gender Action Plan III
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
IDRC	In-donor Refugee Costs
LDC	Least Developed Country
MS	Member State
NDICI-GE	Neighbourhood, Development, and International Cooperation Instrument – Global Europe
OCTs	Overseas Countries and Territories
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
PSI	Private Sector Instruments
SDGs	Sustainable Development Goals
WRO	Women Rights' Organisation



MEMBERS

NATIONAL PLATFORMS	Global Responsibility Austrian Platform for Development and Humanitarian Aid	BELGISCH PLATFORM PLATE-FORME BELGE CONCORD CNCOD-11,11,11 11,11,11 ACODEV 11go-Andrienne	BPID Belgian Platform for International Development	Platforma za međunarodnu suradnju i solidarnost Hrvatska Platform for International Citizens Solidarity CROSOL	FORS	GLOBAL FOCUS	AKÜ	fingo	COORDINATION SUD	VENRO ASSOCIATION OF GERMAN DEVELOPMENT AND HUMANITARIAN AID NGOs	Belgian Platform for Development	HAND
dóchas The Irish Association of Non-Governmental Development Organisations	Unioni delle ONG in Europa per lo sviluppo e l'emergenza CONCORD ITALIA	LAPAS Lëtzebuergesch Plattform fir Entwicklungszusammenarbeit	Cercle de coopération Aix ONGD DU LUXEMBOURG	SKOP Solidarjela u Koperaziji	PAR TOS	ZAGRANICA	ONGD PLATAFORMA PORTUGUESA	FOND Fondul Organizațiilor Neguvernamentale pentru Dezvoltare și Protecție	Ambrela Platforma for Development Organisations	SLOGA Slovenian Global Action	LA COORDINADORA DE ORGANIZACIONES DE DESARROLLO	C&NCORD ENLACE
bond	NETWORKS	actalliance eu EUROPEAN ACT	act:onaid	ADRA	Alliance 2015 TOWARDS THE ERADICATION OF POVERTY	care	caritas europa	ChildFund	CIDSE together for global justice	eucord EUROPEAN UNION COORDINATION FOR DEVELOPMENT ORGANISATIONS	GNDR	Habitat for Humanity
handicap international humanity & inclusion	IPPF International Planned Parenthood Federation European Network	LIGHT FOR THE WORLD	OXFAM International	PLAN INTERNATIONAL	Save the Children	Sightsavers	solidar	SOS CHILDREN'S VILLAGES INTERNATIONAL	Terre des Hommes International Federation	wecf	Wetlands INTERNATIONAL	World Vision EU REPRESENTATION
WWF	ASSOCIATE MEMBERS	alda European Association for Local Democracy	CARDET	ea EUROPEAN ASSOCIATION FOR THE EDUCATION OF ADULTS	EUROPEAN PARTNERSHIP FOR DEMOCRACY	EUROPEAN DISABILITY FORUM	INTERNATIONAL RESCUE COMMITTEE	NRC NORWEGIAN REFUGEE COUNCIL				

