

Summary and key facts of the report

Lighten the Load: In a time of crisis, European aid has never been more important

1. The AidWatch Initiative and Report

AidWatch is an initiative of CONCORD, the European NGO Confederation for Relief and Development. The initiative monitors and advocates on the *quality* and the *quantity* of aid provided by EU member states (EU MS) and the European Commission (EC). The AidWatch network is an active group of civil society aid experts from across the 27 EU Member States, working collectively to hold EU MS to account on their aid quality and quantity commitments.

A core focus of the campaign is the annual AidWatch report, which comes out each May and features analysis of aid quality and quantity from all 27 member states and the European Commission. This is the fourth year that development NGOs from all 27 EU countries have come together through the AidWatch Initiative to produce this report.

2. Main messages of the 2009 AidWatch report

- **Overall EU performance on official figures:** In 2008, Europe provided 0.40% of its gross national income (GNI) in aid. Although this is an increase of €4bn, in reality, a further €20bn is necessary over the next two years in order to meet its targets. In fact, if current trends continue, a maximum of only 10 countries will meet their 2010 aid commitments (see commitments below). This means that Europe is way off-track on providing 0.7% of GNI in aid by 2015 - a promise made by Europe in 2002
- **Inflated aid:** official figures conceal significant amounts of “inflated aid”. Out of the €50bn that European governments provided as aid in 2008, almost €5bn is debt cancellation, €2bn student costs and close to €1bn refugee costs. When these figures are discounted, European aid for 2008 amounted to only 0.34% of collective GNI, a long distance from the 2010 target of 0.56%
- **The Missing Billions:** between 2006 and 2010, European countries will have failed to provide €39bn of promised aid to developing countries, due to inflated aid practices and missed official targets.
- **Aid quality:** despite all the reforms promised in 2008: at the High Level Summit in Accra, no significant changes have been observed and most donors are failing to implement their commitments. Aid continues to be driven by donors’ own priorities, resulting in damaging in-country power imbalances and little developing country ownership of aid processes. Many of the core issues for aid effectiveness such as gender equality and transparency have long been on the short-list of developing country concerns, but never fully addressed. Core problems include:
 - aid tied to goods and services from the donor country
 - aid which is not predictable
 - donors continue to attach harmful economic conditions to aid
 - aid with little transparency from European donors
 - aid which contains too much poorly provided, donor-driven Technical Assistance
 - aid which is increasingly being used as a political tool, and not aimed at poverty reduction
- **Aid in a time of crisis:** the financial crisis and the recent food and energy price crises, have had a devastating impact on poor countries, but there is still time for decisive action to be taken. Aid is more important now than ever: Europe has the unique opportunity to have a huge impact on the lives of the world’s poorest people, and to leave a development legacy that turned the tide for poor families in a time of global crisis.

3. AidWatch is calling European governments to:

- Meet 2010 and 2015 European aid quantity targets with genuine aid resources and ensure there are no further cuts to aid budgets in the face of the financial crisis.
- Agree binding year on year timetables which show how European governments will reach aid commitments.
- End inflation of aid budgets with debt cancellation, refugee and student costs.
- Stop discussions on widening the definition of ODA to include other items such as climate change financing, security or migration.
- Demonstrate progress on European and international aid effectiveness targets by implementing the Accra Agenda for Action and the Paris Declaration.
- Deliver on their commitments to put gender equality and women's empowerment at the centre of development cooperation.
- Demonstrate how all European policies are coherent with development objectives, including in the crucial areas of trade, climate change, migration and food security.
- Ensure that progress on aid commitments goes hand in hand with systemic reform to the international financial and economic system by addressing flaws which impact so heavily on poor countries.

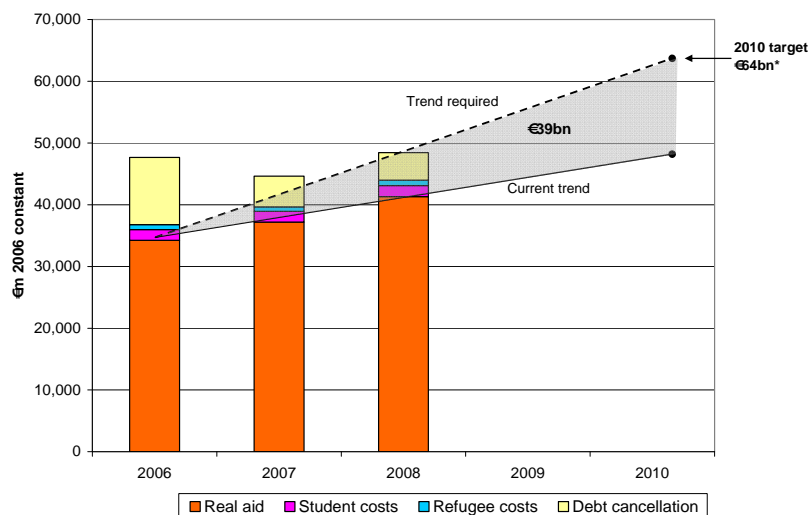
4. Europe's aid commitments

	% ODA/GNI	When
EU collective target	0.56%	2010
EU – 15	0.51%	2010
	0.7%	2015
EU – 12	0.17%	2010
	0.33%	2015
Countries with more ambitious targets		
Belgium	0.7%	2010
Denmark	0.8%	2010
Ireland	0.7%	2012
Luxembourg	1%	2010
Netherlands	0.8%	2010
Spain	0.7%	2012
Sweden	1%	2006
UK	0.7%	2013
Countries which have lowered their commitments		
Estonia	0.1%	2010
Greece	0.35%	2010
Latvia	0.1%	2010

5. Aid provided by European governments

	Genuine aid (current prices)	Officially reported aid (current prices)
2006	€34bn	€47.5bn
2007	€38bn	€46bn
2008	€42bn	€50bn

Trends of EU genuine aid



*This target of €64bn takes into account the OECD's calculations revising down aid volumes as a consequence of the impact of the financial crisis on European economies.

Source: CONCORD calculations based on OECD (2009), EC (2009), OECD Creditor Reporting System and Eurostats

6. Aid inflation, a picture country by country

Country	Genuine aid % GNI	Total ODA (€m)	Inflated aid (€m)	Genuine aid (€m)	Will they meet their 2010 targets without inflation?
Luxembourg	0.92%	283	0	283	Likely
Sweden	0.90%	3286	260	3026	Unlikely
Denmark	0.78%	1941	100	1841	Unlikely
Netherlands	0.75%	4848	341	4507	Yes
Ireland	0.58%	918	4	914	Unlikely
Belgium	0.43%	1651	165	1486	No
Finland	0.42%	790	13	777	Yes
Spain	0.41%	4635	296	4339	Likely
United Kingdom	0.41%	7919	454	7465	Likely
France	0.30%	7596	1773	5823	No
Germany	0.28%	9644	2521	7123	No
Portugal	0.24%	425	39	386	Unlikely
Austria	0.20%	1165	608	557	No
Greece	0.17%	480	79	401	No
Italy	0.16%	3081	639	2442	No
Lithuania	0.13%	41	0.2*	40.8	Likely
Slovenia	0.12%	51	7	44	No
Czech Republic	0.09%	146	27	119	Unlikely
Slovak Republic	0.07%	65	21	44	No
Latvia	0.06%	14	0.4*	13.6	No
Romania	0.06%	94	6*	88	No
Countries where reporting practices limit inflated aid analysis					
	ODA in % GNI	Total ODA			
Cyprus	0.17%	27			Likely
Malta	0.11%	6			Unlikely
Estonia	0.09%	14			Unlikely
Hungary	0.07%	72			Unlikely
Poland	0.08%	264			No
Bulgaria	0.04%	13			No

*Actual figures could be higher

Source: CONCORD calculations based on OECD (2009), EC (2009) and information from the national platforms

7. Aid transparency in the European Union

	Overall transparency*	What are the main problems?
Belgium	Good	Policy conditions for disbursements not disclosed
Denmark	Good	No disclosure of policy conditions, insufficient timeframes for consultation on available information
Estonia	Good	No evaluation mechanisms in place
Ireland	Good	Data needs to be made more easily accessible to partner countries
Netherlands	Good	Still insufficient levels of detail in information available
Sweden	Good	Information provided to the OECD DAC is not easily available
United Kingdom	Good	Some information is not systematically available and policy conditions are not yet disclosed
Austria	Average	Information is not released in timely manner and key documents such as aid policies or financial agreements are not available
Cyprus	Average	Not enough information on aid assessments, procurement procedures and conditions
Czech Republic	Average	No information released <i>ex ante</i> and no evaluation reports available
Finland	Average	The governments has made important decisions related to development policy without proper consultation
France	Average	Data presented in a way which is incomparable with other sources, no disclosure of policy conditions
Germany	Average	Not enough information available on aid flows, procurement procedures and aid evaluations
Lithuania	Average	Little detailed information available, no information provided <i>ex ante</i>
Luxembourg	Average	No formal channels for requesting and disclosing information, information on use of policy conditions unavailable
Poland	Average	Not enough and insufficiently detailed information
Portugal	Average	Information on aid is not centralised and detailed information can only be obtained from individual ministries and departments
Spain	Average	Information provided to the public is not detailed enough and is only available in Spanish making accessibility for aid recipients an issue
Italy	Poor	Poor national information gathering and not enough information available
Greece	Poor	Overall access to information poor, and not available in a timely and regular manner
Latvia	Poor	Transparency is poor and needs to be improved, especially with regards to bilateral aid
Bulgaria	Very poor	Information is very poor and there are no mechanisms for automatic disclosure
Slovak Republic	Very poor	Information is very poor and there are no mechanisms for automatic disclosure
Slovenia	Very poor	Information is very poor and there are no mechanisms for automatic disclosure

*Based on an index compiled through questionnaires delivered to NGOs national platforms. No data is available for Hungary, Malta and Romania

8. Questions & Answers

a) Why is 2009 so important when it comes to development aid?

2009 was always going to be an important year for aid. It is the year before European governments have to meet the mid-point target of providing 0.56% of their GNI in aid to developing countries. And yet, we have seen an infinitesimal rise to last year's aid budget announced, continued inflation, and now on top of all this, further aid cuts announced by four European governments: Italy, Ireland, Latvia and Estonia – with further cuts beckoning from other EU donors. And these have come in the context of a financial crisis of enormous proportions, with its biggest impact on developing countries. This backtracking by European governments signals a dangerous trend for the world's poor, and makes 2009 even more crucial than ever for aid.

b) What is new about this report?

Research shows that as we move towards the deadline for meeting the Millennium development goals, progress on aid is slowing, and things are getting worse for the poor. Research shows that developing countries now face a financing gap of up to US\$700 billion as a result of a crisis not of their own making. Even in these circumstances, we see that European governments are failing to take their aid promises – promises made to poor people across the world and to their own domestic constituencies – seriously enough. In fact, this year's report shows that collectively, Europe will have failed to provide 39 billion of promised aid to developing countries between 2006 and 2010.

There is also huge inflation of aid, and big issues on aid quality, which European governments have failed to demonstrate any progress on, despite fine words and commitments agreed to at a high profile international conference last year.

c) Where do you get the €39bn figure?

This is the sum of the shortfall for every year from 2006 – 2010, by which time European governments promised to give 0.56 GNI in aid

d) Why is aid so important?

When aid is done well, it can make a considerable difference to the lives of the poor. Since the MDGs were agreed in 2000, 3 million more children survive every year; there are 41 million more children in school; and 2 million lives are saved every year by immunization. In Mozambique, where aid accounted for US\$1.2 billion (€877 million) in 2007, almost half of the state's budget, the number of Mozambicans living on less than one dollar a day has reduced from 70 percent to about 50 percent over the last ten years; 2 million more children go to school today; and child mortality has declined by 35 percentage points since 1990. European aid has been a major contributor to this progress.

e) What do you mean when you say aid is 'inflated'?

European governments continue to artificially increase their aid figures by counting spending on debt relief, educating foreign students and refugees in Europe. In 2008 European countries spent almost €8 billion on these non-aid items, making up 16% of all European ODA.

Take the case of refugee costs. Some European governments are currently reporting as ODA the costs of hosting refugees from developing countries, and all costs associated with eventual repatriation to a developing country. Spending on refugees in donor countries is part of European governments' human rights obligations to shelter and feed refugees upon arrival in their territories. However, this spending does not contribute to development in their countries of origin. It should not be counted as aid.

f) European donor governments are already breaking their aid promises; isn't this really all missing the point that there is no way of making them deliver?

No. The amounts of money that have been mobilised by governments in recent months to rescue their banking sectors show that mobilising resources is about political will. Europe can afford to meet its commitments on the aid and has a responsibility to do so. Citizens in Europe can go a long way to convincing their governments that this is the case.

g) Why should the EU give aid when it is dealing with a crisis itself?

As the European Commission recently said, the interdependence of the global economy implies that what happens in other parts of the world impacts the EU. An economic crisis in one far-off part of the world means redundancies and unemployment in another. Reducing vital aid volumes to poor people is not the answer. What European governments need to do is take seriously the challenge of addressing the problems in the financial and economic system. Meanwhile they need to continue provided the much needed assistance that is helping save lives.

9. Key facts and figures

On poverty:

- Almost 40% of the world's population live on less than US\$2 a day.ⁱ
- More than 2.6 billion people-over 40 per cent of the world's population-do not have basic sanitation, and more than one billion people still use unsafe sources of drinking water.^v
- Women currently represent 70 percent of those living in poverty and two thirds of the world's illiterate.ⁱⁱ
- Women in poor countries grow more than 60% of the food but own less than 2% of the land.^{iii, iv}
- Every year six million children die from malnutrition before their fifth birthday.^v
- Around 27-28 percent of all children in developing countries are estimated to be underweight or stunted.ⁱ

On European aid figures:

- If current trends continue unchanged, European countries will have failed to provide €39bn of promised aid to developing countries by 2010, due to inflated aid practices and missed official targets. This amount is more than two times the Estonian economy, and would be enough to increase by one quarter the daily income of the 380 million Africans living in absolute poverty.
- As of the 18th of February, advanced economies had pledged to support the financial sector with up to 43% of their GDP. This is over 100 times the average European ODA levels for 2008 (0.40%).
- Over \$150 billion was mobilised for Northern Rock and Dexia alone – more than double the amount of EU aid in 2008.
- Last year, Europe provided 0.40% of their GNI in ODA. Although this is an increase of €4bn over 2007, in reality an increase of a further €20bn is needed over the next two years in order for the EU to meet its aid targets.

On European aid effectiveness:

- The European Commission itself has pointed out that the costs of *not* applying fully the aid effectiveness agenda amount to a massive €5 to €7 billion per year.

On the food and financial crises:

- Last year, as result of the food and energy price crises, the number of people suffering from extreme hunger increased for the first time in two decades to the tune of 100 million people (an increase of well over 10%).^{vi}
- The World Bank predicts that developing countries face a financing gap of US\$270-US\$700 billion as a result of the crisis.^{vii}
- One of the first impacts of the crisis on developing countries has been the collapse in commodity prices – on which much of their economic activity depends. In recent months this has hit jobs hard: Sierra Leone has sent home 90% of its diamond workers^{viii} and in Zambia a quarter of copper mining jobs have been lost.^{ix}
- The World Bank estimates that in 2009 alone, the financial crisis could result in the deaths of between 200,000 - 400,000 more children below five, and if it continues an additional 2.8 million infant deaths by 2015.^x

10. Contacts

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