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Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

23-May-2006

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC/STAT/RD(2006)3/RD6
Unclassified

Cancels & replaces the same document of 19 May 2006

Working Party on Statistics

Working Party on Statistics

NGO-EU NETWORK CRITICISMS OF ODA FIGURES AS BEING MISLEADING

6-7 June 2006

Note for background INFORMATION under agenda item 4.4

Letter to EU Aid ministers criticising ODA reporting rules and urging DAC to improve reporting and joint European NGO briefing on ODA reporting on 2005.

Due to the fact that the content of this document exists only in pdf format it should be downloaded from OLIS

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English - Or. English

Buitenlandse
Zaken

Fax message

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To	Brian Hammond, Head Statistics and Monitoring Division OECD/DCD Paris
Cc	
Fax	+33 1 44 30 61 46
Date	May 8, 2006
Pages	3 (including cover sheet)

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Re As promised please find attached a copy of the letter to the Dutch Minister for Development Co-operation in which the NGO-EU Network criticizes the official ODA figures and urges the DAC to take measures to improve reporting.

Frik

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To The Ministry of Foreign Affairs
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Minister for Development Cooperation
P.O. Box 20061
2500 EB DEN HAAG

ONTVANGEN
10 APR 2006
R-nr. ...1244

Utrecht, April 7, 2006

Re: **Official Development Assistance levels**

Dear Mrs. van Ardenne,

In 2005, the Dutch government along with other European Union Member States made a welcome historic commitment to substantially increase aid to the poorest countries and agreed to reach the UN target of allocating 0.7% of gross national income to fight poverty by 2015.

Official figures released by the European Commission in March 2006 show that collectively European Member States are fulfilling their promises and are actually ahead of their own targets, spending €41 billion on Official Development Assistance in 2005.

However, new research of the NGO-EU Netwerk, undertaken in broad collaboration with hundreds of other European NGOs, indicates that **€12.5 billion or nearly one third of EU aid in 2005 did not provide any new aid resources for developing countries.** In The Netherlands € 477 Million of its ODA in 2005 did not contribute to the fight against world poverty.

The NGO-EU Netwerk demands the Dutch government to clean up its aid reporting to ensure that only aid that saves lives and fights poverty is counted as aid.

Our research, elaborated in full in a forthcoming report - **EU Aid: Genuine leadership or misleading figures** – reveals that:

- €10 billion of total European ODA in 2005 was spent on debt cancellation of two countries' debt: Iraq and Nigeria, with the Dutch government spending € 330 Million of its 2005 ODA on this alone. Iraqi and Nigerian debt is largely export credit debt issued primarily to subsidise European companies. Counting this cancellation in official aid figures contravenes the United Nation's Monterrey agreement, which calls for debt cancellation to be funded additionally to overseas development assistance.

In addition, assuming that European countries continue to spend similar levels of their ODA on these items as in the previous five years, this means that in 2005;

- An estimated €840 million of total European ODA in 2005 was spent on housing refugees in the donor country (147 million in the Netherlands).
- Just under €1 billion of total European ODA was spent on educating foreign students in the donor country.

While spending on debt cancellation, housing refugees and educating foreign students are important, these are not expenses which our members expect to be described as

NGO-EU Netwerk

development assistance. This is because they provide almost no new resources for developing countries and are not tied to development objectives of improving the welfare of poorer people in those countries.

As we approach the forthcoming Ministerial and High Level Meeting of the OECD's Development Assistance Committee and the European Union's General Assembly for External Affairs we urge you to ensure:

A. Genuine official development assistance
The Netherlands must report on its ODA without distorting its figures. This means not inflating The Netherlands' headline aid figures by including items such as debt relief, refugees arriving in The Netherlands or foreign students educated in The Netherlands. In addition we are of the opinion that export credit debt write-downs should be paid from the Export Credit Facility's income and not with ODA. Likewise expenditures to prepare projects under the Clean Development Mechanism (CDM) of the Kyoto Protocol on climate change should not be considered aid since they are expenses of industrialized countries that choose to use the CDM facility. A final area of concern is expenses for certain activities classified as 'peace & security'.

B. Tightening of the official aid reporting rules
We urge the Dutch government to announce that it supports changes to the OECD DAC Official Development Assistance rules so that countries are no longer able to include items which do not provide new resources for poverty reduction in developing countries.

C. Greater transparency in aid reporting
We urge the Dutch government to be more transparent and timely in the way it reports official aid, providing a complete and timely breakdown of official aid each year.

D. Enhance the allocation and quality of aid
Finally, we urge The Netherlands to take steps to improve the allocation, predictability and quality of its aid in general. It is vitally important that all development assistance funding must help reduce poverty and meet international commitments to the Millennium Development Goals.

We warmly look forward to your detailed responses to the concerns we have raised in this letter.

Kind regards,

NGO-EU Netwerk

Ad Ooms
Chairman

Cc: Mrs. Leny Buisman, DSI/MIJ, the Hague
Mr. Paul Imkar, Permanent Representation, Brussels

Joint European NGO Briefing

EU aid: Genuine leadership or misleading figures?

An independent analysis of European aid figures

3rd April 2006

About this briefing

This briefing has been produced on the basis of an unprecedented broad process of consultation among development NGOs and development NGO networks across Europe.

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

Full-length report to follow
A full-length joint report – with detailed breakdowns of official aid and aid inflation for each European country – will be published at the end of April.

Acknowledgements

This briefing has been written by Hetty Kovach and Alex Wilks at the European Network on Debt and Development (Eurodad).

Eurodad has been assisted by a Steering Group whose members are: Han Verleyen (11.11.11), Romilly Greenhill (ActionAid International), Iacopo Viciani (Action Aid Italy), Dragan Nastic (BOND), Katia Herrgott (Coordination Sud), Florent Sebban (Eurostep), Michael Obrovsky (ÖFSE) and Luis Morago (Oxfam International).

European aid-watching initiative

This initiative forms part of the follow-up to the Global Call to Action against Poverty mobilisation in 2005. It is part of a broader process of monitoring and advocating on European aid being undertaken by a range of organisations and networks under the umbrella of CONCORD, the European confederation of development and relief NGOs. This includes a seminar in early April 2006 during which European NGOs will discuss and decide on further joint advocacy activities on European aid.

More information about CONCORD: www.concordeurope.org
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Contents

EU Aid: Genuine leadership or misleading figures?

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

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

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

New official figures released by the European Commission in March[iii] 2006 show that European Member States are fulfilling their promises and are actually ahead of their collective target and doing better than expected.

However, there is no room for complacency.

This briefing shows that according to our calculations €12.5 billion, or nearly one third, of reported European ODA in 2005 did not provide any new aid resources for developing countries. This vast amount of apparent aid spending was in fact money for debt cancellation and for refugees and students costs in donor countries.

Official debt data reveals that €10 billion of EU aid in 2005 was spent on the cancellation of two countries' debt: Iraq and Nigeria. Iraqi and Nigerian debt is largely export credit debt. It was issued primarily as a means of subsiding European companies operating in developing countries and never had any development purpose. Its cancellation will do little to fight world poverty. European Union governments' insistence on accounting for this cancellation in their official aid figures also contravenes the United Nations Monterrey agreement, which calls for debt cancellation to be funded additionally to Official Development Assistance. [iv]

In addition, assuming that European countries continue to spend similar levels of their ODA on these items as in the previous five years in 2005, a further €840 million of EU aid will have been spent on housing refugees within European countries and just under €1 billion of EU aid on educating foreign students within European countries.

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

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

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

Current aid reporting rules are set by the Organisation for Economic Cooperation and Development (OECD). The OECD allows European governments to regularly include spending on debt relief as aid and to count spending on refugees and foreign students in their own countries as ODA. This must be changed immediately in order to prevent governments from misleadingly inflating aid figures with spending that does not help the poor. The credibility of Europe is at stake.

Box 1

Why more aid?

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

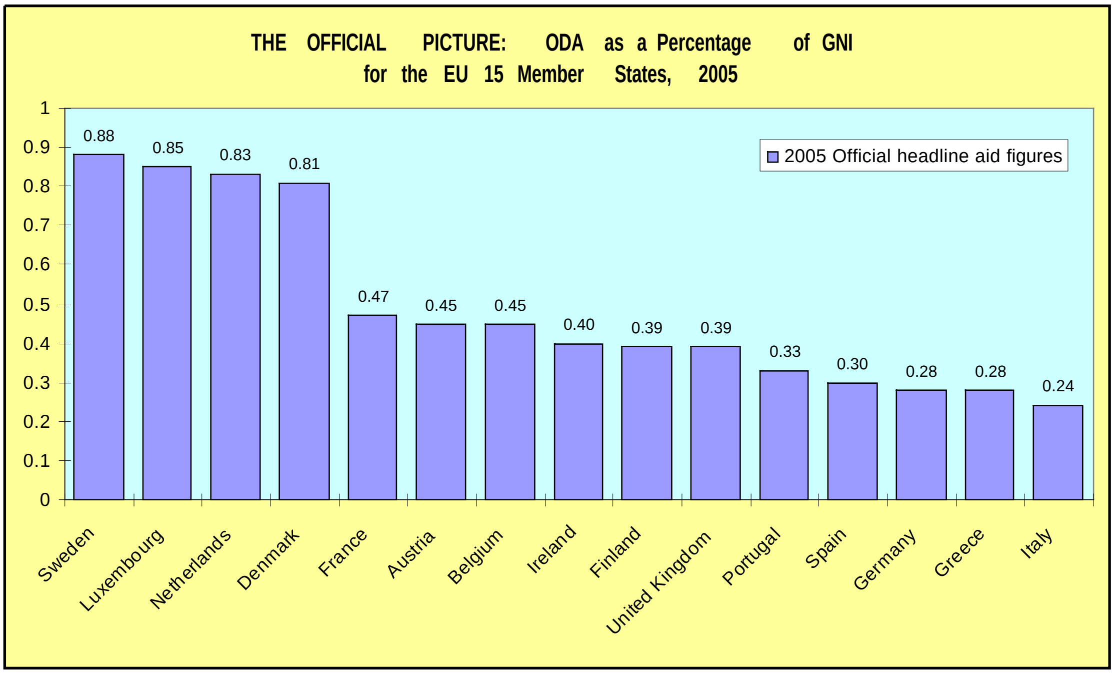
More aid can make a real difference to peoples' lives. Since 1970, for example aid has contributed to the doubling of school enrolments and the halving of child mortality.[vi]
A further aid increase could make a massive difference in the level of investment in anti-poverty interventions. For example,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

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

Flattering official numbers

The latest European Commission report issued in March 2006 states that European Member States spent €41 billion on Official Development Assistance in 2005. It claims that European Member States have already reached their collective EU target of 0.39% of ODA/GNI a year earlier than the target date they had set themselves in 2002.

Figure 1



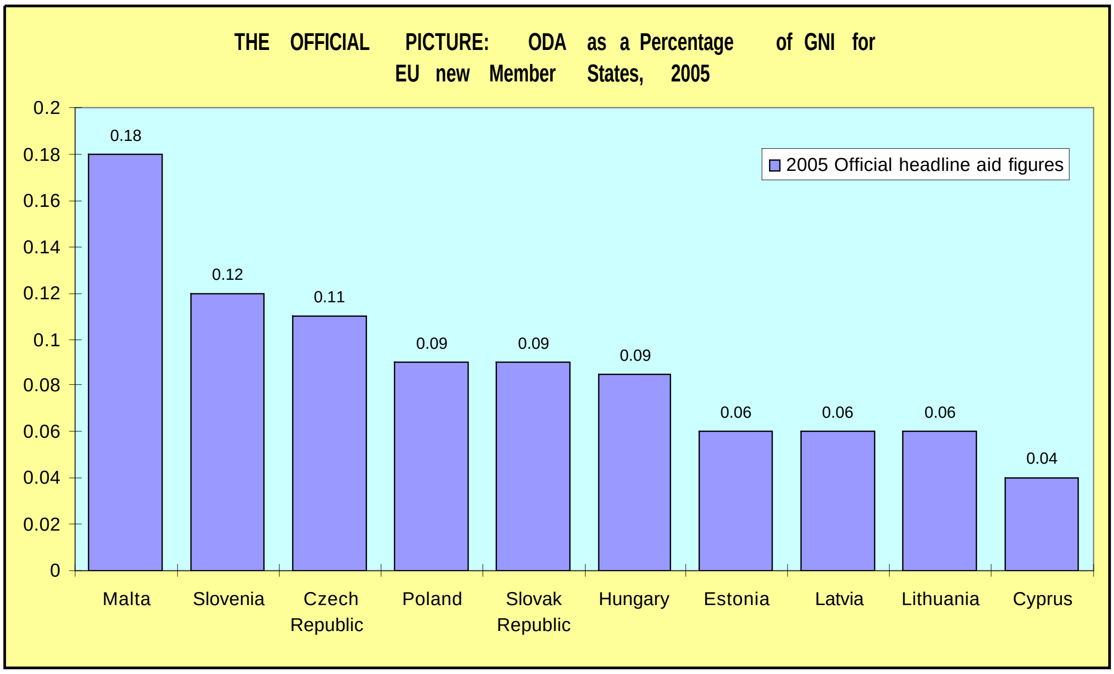
Source: European Commission (2006)[viii]

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

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

At the bottom of the official European aid rankings come Portugal, Spain, Germany, Greece and Italy. All are well below the EU 2006 collective target and have a long way to go in order to reach it. Italy is the least generous aid-giver in Europe by some distance and appears to be off track to meet even its individual minimum EU target for 2006 of 0.33% ODA/GNI. Its 2005 figures show a dismal 0.24% ODA/GNI.

Figure 2



Source: European Commission (2006)[ix]

New Member States

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

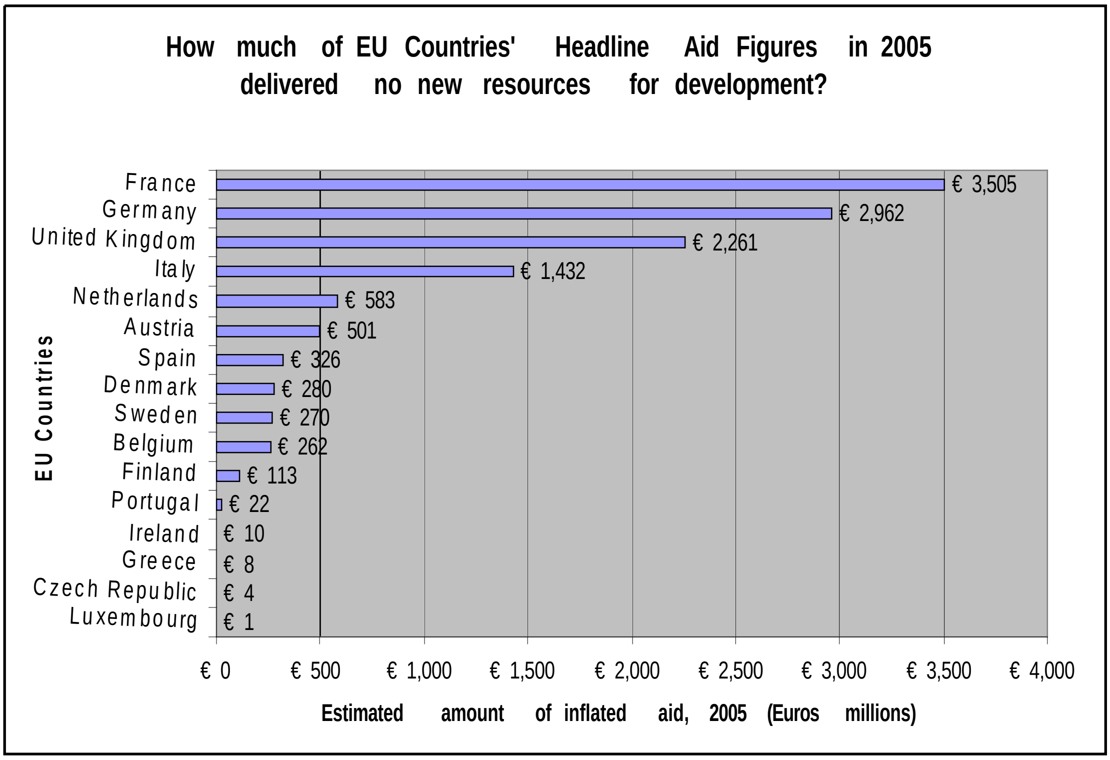
Malta posts by far the highest figure, already above the new Member State EU target for 2010 of 0.17 ODA/GNI. All the other countries are saying they intend to reach this target. However Estonia, Latvia, Lithuania and Cyprus are currently far below and it will remain a major challenge for them to increase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

Where countries really stand: behind the official figures

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

According to our calculations, based entirely on official figures, €12.5 billion or nearly one third of reported European Official Development Assistance in 2005 (ODA) will not provide any new aid resources for developing countries. This is because all European governments routinely include spending on debt cancellations and on housing refugees and educating foreign students in their own countries in their ODA statistics. This spending is not in line with development policy objectives and often does not result in new resources for developing countries, resources which are badly needed to help lift people out of poverty.

Figure 3



Source: Eurodad calculations based on Paris Club, World Bank, IMF and OECD[x]

Figure 3 above shows how much European governments are inflating their official development assistance statistics. France, Germany, the United Kingdom and Italy are each likely to inflate their ODA figures by between €1.4 billion to €3.5 billion in 2005.

Once these items are deducted from countries' official headline aid numbers, it becomes clear that many of the countries which claim to be about to meet or exceed their agreed EU targets are in fact far below where is needed.

Once inflated aid is removed from Austria and Germany's 2005 ODA, these countries look highly likely to miss the 2006 minimum aid target. Austria, which currently chairs the EU presidency, is likely to have inflated its aid figures by as much as 50% in 2005, and Germany did little better. And once inflated aid is removed, Italy's performance looks even worse than it claims with an estimated 0.14% ODA/GNI. This is close to the officially-announced aid levels of new Member States like Malta, Slovenia and the Czech Republic.

France, Belgium, Spain, United Kingdom, Greece, Portugal and Finland are likely to make the EU minimum target in 2006, but will be showing highly inflated aid figures on their books. France and the UK look likely to be the governments with the most inflated aid figures, with massive increases in their aid recorded for 2005, not in line with real spending.

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

For this briefing, we have focused on three key items included to boost official headline aid figures. These are debt relief, imputed foreign student costs and immigration/ domestic refugee costs. The NGOs from across Europe which have combined forces to produce this analysis believe that these items should not be counted in official aid statistics, given that they do not produce new aid resources for developing countries. These items – to be detailed country by country in a forthcoming full-length report – are extremely important but are only part of the problem when it comes to ensuring aid helps reduce poverty. A number of other aspects of official aid allocation, quality and reporting are also under critical examination by NGOs (see box 2, p. 12).

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

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

Aid inflation is not a small matter.

Debt: According to our calculations – based entirely on official sources – €10.8 billion of EU stated official headline aid in 2005 was spent on debt cancellation alone. €10 billion of this was spent on the cancellation of two countries' debt: Iraq and Nigeria.

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

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

Table 1

Distorting official aid figures: Iraq and Nigeria debt cancellations, 2005			
	Nigeria Debt Cancellation on Aid Books in 2005	Iraq Debt Cancellation on Aid Books in 2005	Projected % of 2005 ODA spent on Iraqi and Nigerian debt cancellation according to latest EC statistics.
Austria	0	€436	41%
Italy	€416	€925	41%
Germany	€1,011	€1,288	37%
France	€1,129	€1,604	34%
UK	€1,605	€499	29%
Belgium	€119	€99	16%
Finland	€0	€82	14%
Spain	€59	€172	9%
Netherlands	€297	€52	9%
Denmark	€119	€17	8%
Sweden	€0	€100	4%
Greece	€0	€0	0%
Ireland	€0	€0	0%
Luxembourg	€0	€0	0%
Portugal	€0	€0	0%
TOTALS	**€4,756**	**€5,273**	**25%**

Sources: Eurodad calculations based on Paris Club, World Bank, IMF and OECD[xi]

Debt Cancellation

All European governments formally agreed at the United Nations 2002 Monterrey Financing for Development summit that debt cancellation - though vitally important for development - should be additional to Official Development Assistance. This was supported by poverty campaigners across Europe who have been pushing for both debt cancellation and additional aid increases. The European Commission reminded Member States in March 2006 that "the Monterrey Consensus underlines the need to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries".[xii]

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

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

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

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

Table 2: Aid inflation - best and worst performers

Issue	Best performers	Worst performers
Including debt cancellation	(Norway), Greece, Ireland, Luxembourg, Portugal	Austria, Italy, Germany, France, the UK
Including spending on refugees	Ireland, Luxembourg, Portugal and the UK	Denmark, Sweden, the Netherlands
Including spending on foreign students	Denmark, Finland, Greece, Italy, Luxembourg, the Netherlands, Sweden, the UK	Germany, France, Portugal

Refugees in Europe

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

Foreign students

Some European governments also inflate their aid figures by including spending on educating foreign students in their country. Assuming past spending trends, European governments are likely to have accounted for just under €1billion of the EU ODA in 2005 on educating foreign students in donor countries. Funding foreign students' education in Europe may be worthwhile, but it should not be counted as development assistance for overseas countries.

New Member States: lack of data

For the 10 new Member States in the European Union providing development assistance is relatively new. In many of the countries there are serious problems of coordination and transparency. In the Czech Republic, for example, responsibility for official aid spending is spread across 11 ministries. For this reason, amongst others, access to information on the details of development spending is limited, making it difficult for citizens and NGOs to monitor. The Hungarian development NGO platform reports that different figures on overall aid volumes are provided by different ministries in Budapest.

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

Box 2

What is the OECD DAC?

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

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

See: www.oecd.org/dac/

Change the aid reporting rules

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

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

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

Climate change is another important issue, but not one which should divert development spending. A number of countries propose to classify their spending under the Clean Development Mechanism as part of their official aid statistics. This mechanism is part of the Kyoto Protocol which aims to assist industrialised countries to comply with their emission limits and create a new and additional incentive for these countries to invest in clean technologies in developing countries. Governments which choose to channel financing through this mechanism should do so additionally to their Official Development Assistance.

Development NGOs will work to ensure that their governments take a firm stand on this issue in negotiations before and at the OECD meeting on aid accounting rules in 2007. The rules for accounting Official Development Assistance need strengthening, not weakening.

Box 3

Aid quality and allocation: key additional issues

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

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

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

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

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

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

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

Conclusions and demands

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

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

This report calls for:

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

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

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

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

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

Endnotes

[i] EU aid pledges:

Percentage of gross national income EU governments have pledged to give as overseas aid in the next ten years				
Target year	EU 15 Member States (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom)		EU 10 Member States (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia)	
	Individual Minimum ODA/GNI	Collective Average ODA/GNI	Individual Minimum ODA/GNI	Collective Average ODA/GNI
2006	0.33%	0.39%	-	-
2010	0.51%	0.56%	country specific	0.17%
2015	0.7%	0.7%	0.33%	0.33%

[ii] OECD Development Cooperation Directorate (2005) Scaling up for Results: Issues Paper, OECD.

[iii] European Commission (2006), 'Financing for Development and Aid Effectiveness - The Challenges of scaling up EU Aid 2006-2010'.

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[x] The figures in this table calculate the amount of each European government's Official Development Assistance in 2005 that was spent on debt relief and assistance to refugees and foreign students in the donor country. All the figures have been drawn from official sources, but the amount of debt relief has been calculated differently from the amount of refugee and foreign student spending. This has been necessary because detailed accounts with breakdowns of these figures will only come out in December 2006.

In order to calculate the amount European governments have spent in 2005 on debt relief, Eurodad has focused on four items: the two major known debt re-scheduling operation for 2005 – Iraq and Nigeria and bilateral HIPC debt relief and debt relief under the Multilateral Debt Relief Initiative.

In order to calculate the amount of European ODA likely to be spent on Iraqi debt relief, Eurodad drew on the OECD Development Cooperation Directorate (2005) Scaling up for Results: Issues Paper which notes on p5 that OECD DAC members will cancel $11.5billion of Iraqi debt in 2005. In order to apportion this by European donor Eurodad drew on the Paris Club's websites which accounts for creditors shares of Iraqi debt as at Jan 1 2003 (www.clubdeparis.org).

In order to calculate the amount European government's spent on Nigerian debt within their ODA reporting, Eurodad has drawn on Paris Club data. The Paris Club website states that $7.5 billion of Nigeria's debt was due to be cancelled in 2005 (www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com11297988840). To apportion this by European creditor, Eurodad has drawn on information from the Nigerian Debt Management Team. We have assumed that all of the $7.5 billion Nigerian Debt to be cancelled in 2005 will count as ODA as it is eligible to under official rules. Neither Iraq nor Nigerian Debt figures account for 'leveling up' payments, thus almost certainly underestimating the amount per creditor.

Finally, we have also included European governments payments to the multilateral debt relief initiative which go through the World Bank's International Development Association and the Highly Indebted Poor Countries Initiative (HIPC) taken from World Bank (2005). The Multilateral Debt Relief Initiative, Status of Implementation, August 2005 and IMF/ World Bank (2005) HIPC Initiative: Status of Implementation, August 2005.

To calculate European Member States ODA spending on refugees and foreign students in 2005, Eurodad took the average ODA spent on domestic refugees and imputed student costs reported to the OECD DAC for 2000- 2004 and added an extra 2% per annum in line with OECD DAC data on ODA projections which assume a GNI growth rate of 2% p.a. These past trends for European countries can be found in the OECD (2006a) Statistical Annex of the 2005 Development Co-operation Report, OECD.

[xi] See footnote x above for how Eurodad calculated the amount of ODA European governments will spend on Nigerian and Iraqi debt in 2005. For the projected percentage of European countries ODA spent on Iraqi and Nigerian debt relief, note that we have taken the European Commission (2006) Financing for Development and Aid Effectiveness - The Challenges of scaling up EU Aid 2006-2010, European Commission ODA figures for 2005 and subtracted Iraq and Nigerian debt.

[xii] European Commission (2006), 'Financing for Development and Aid Effectiveness – The challenges of scaling up EU aid 2006 – 2010'

[xiii] This spending is labelled 'domestic refugees' by the OECD DAC.

[xiv] OECD Development Cooperation Directorate (2005), 'Progress Report - Implementing the 2001 DAC Recommendations on ODA in LDCs', June 2005, OECD cited in the European Commission / OECD (2006) EU Donor Atlas 2006: Volume One.

[xv] OECD Development Cooperation Directorate (2004) Statistical Annex of the 2005 Development Co-operation Report, OECD, Table 10. Available at:
www.oecd.org/document/9/0,2340,en_2825_495602_1893129_1_1_1_1,00.html

[xvi] European Commission / OECD (2006), 'EU Donor Atlas 2006'Please note that this excludes bilateral ODA unallocated by income group.

[xvii] OECD Development Cooperation Directorate (2005) Statistical Annex of the 2005 Development Co-operation Report, OECD, Table 26.

[xviii] European Commission / OECD (2006), 'EU Donor Atlas 2006: Volume One'

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