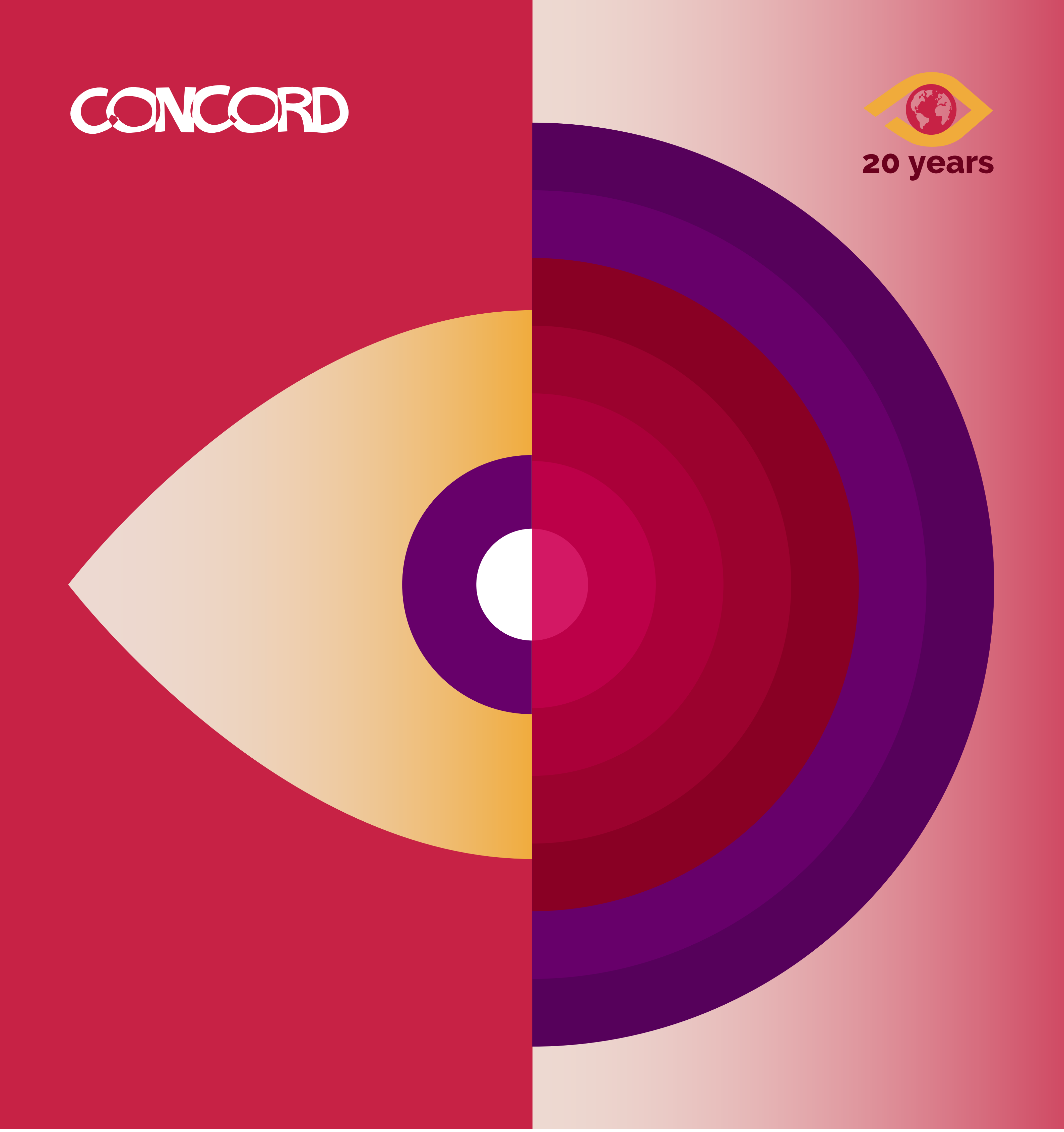

AidWatch 2025

Ending short-sightedness, restoring ODA's purpose

About the AidWatch Report

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

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

About CONCORD

CONCORD is the European Confederation of NGOs working on sustainable development and international cooperation. Comprised of 58 members, we represent more than 2 600 NGOs and are supported by citizens across Europe.

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

For more information, see our website at **concordeurope.org**

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Acknowledgements

Report writing and data analysis: Agile Development Consulting - Georg Huber-Grabenwarter (Team Leader), Hedwig Riegler, Federico Martire and Alessia Rogai.

Technical support and coordination were provided by Lur Fernandez Salinas.

Copy editing: Michael Wells.

Design and layout: Penrose (Sorin Pavel, Agnana Lungu and Mircea Șerdin) and Marine Lebourdoulous.

Members of the CONCORD AidWatch National Platforms focal points sub-project and Funding and Financing for Sustainable Development project have provided overall guidance and substantial inputs to this report. Special thanks to Åsa Thomasson (CONCORD Sweden), Corentin Martiniault (Coordination Sud), Arturo Angulo Urarte (La Coordinadora), Marie Tempesta (IPPF), Rita Leote and Mafalda Infante (Plataforma portuguesa das ONGD), Karin Kuranda (AG Globale Verantwortung) and Chantal Sciberras (Dochas), Sarah Hull (Light of the World), Salvatore Nocerino (Oxfam). A series of external experts made valuable contributions to the desk research and analyses including Steve Cutts (independent) and Euan Ritchie (independent) for sharing their insights and advice on analyses on ODA loans and to Matthew Simonds (Eurodad) for his review of the analyses on Private Sector Instrument and Rachel Simon (CAN Europe). Sincere thanks to Valeria Linares Barron (former Policy and Advocacy assistant) and Mathilde Guenin (Policy and Advocacy assistant) for their crucial help in reviewing and collecting the AidWatch 2025 country pages. Their work forms part of this report.

Publisher: CONCORD
Rue de l'Industrie, 10, 1000 Brussels, Belgium
Year of publication: 2025

20 years

The country pages were produced by CONCORD AidWatch focal points per National Platform:

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Table of Contents

20 years

List of tables and figures

Tables

Charts

[1]Our analysis on ODA inflation is based on the types of inflation described in Chart 3. As the methodology has changed slightly compared to previous years' reports, it is not surprising that the figures diverge in some cases. The analysis presented here refers to all EU Member States (DAC and non-DAC).

20 years

List of tables and figures

Boxes

Executive Summary

Since the publication of the first AidWatch report 20 years ago, Official Development Assistance (ODA) has significantly contributed to improving global health, poverty reduction, education, governance and climate resilience in partner countries and enjoys generally broad support among EU citizens[2].

However, while ODA has been long considered resilient in responding to crises[3], human-generated problems (economic, social, climate-related) and political decisions continue to weaken the global multilateral system and the global cooperation landscape. **After 5 years of consecutive growth in ODA volumes, countries are increasingly prioritising national interests while cutting their ODA budgets**. These cuts will be particularly detrimental to the most marginalised populations and countries, including Least Developed Countries (LDCs) and Fragile and Conflict-Affected States (FCS). The impact in vital sectors for human development is indisputable: nearly 400 000 additional child deaths could be caused by cuts to the health sector[4].

In addition, while the drastic cuts to ODA expected in 2025 and coming years are projected to hit records, **the past decade has seen an overburdening of scarce ODA resources** given growing refugee and humanitarian needs, COVID-19 pandemic expenditure, the war in Ukraine and the lack of progress in providing appropriate climate finance. **This past decade has also been marked by increased misreporting and distortion of ODA figures by EU Member States (MS) and EU institutions**. The AidWatch 2025 report shows that once again, more than one in five euro reported as ODA by EU MS should not qualify as such, mostly because these flows were not concessional or/and did not respect the official OECD DAC criteria to define ODA[5]: "the promotion of the economic development and welfare of developing countries." **Such misreporting exacerbates ODA inflationary practices by exaggerating EU MS and EU Institutions generosity. It also increases the fiscal pressure on partner countries** to provide essential services for human development (health, education, social protection, gender equality and non-discrimination) ultimately undermining public and international confidence. At the same time, **many partner countries suffer from a greater outflow than inflow of financial resources caused by the practices of high-income countries and tax havens**.

EU MS have also made insufficient progress in aligning their ODA with development objectives and the reduction of poverty and inequalities. This failure is evident in many missed targets like the EU's commitment to allocate 0.15-0.2% of its Gross National Income (GNI) to ODA for LDCs[6], and in areas such as human rights and democracy support and support for gender equality.

In this context, ODA should remain a vital source of development finance, providing stable and predictable support. While it cannot be the only resource for sustainable development, its unique role must be safeguarded through institutional reforms.

It is high time for bold reforms at the OECD Development Assistance Committee (DAC). Joint programming and inclusive institutions that give partner countries a real voice can help ensure ODA reporting practices are better aligned with needs on the ground. **The EU and its MS have an historic responsibility and much to offer. They should take a**

[2]See e.g. Eurobarometer 2022: EU citizens strongly support international cooperation to reduce poverty and build partnerships with partner countries, CRnet Oy; Eurobarometer survey shows strong and steady support for EU humanitarian action - European Commission.
[3]OECD DCD (2025), Preliminary official development assistance levels in 2024, p. 6.
[4]See Institute for Economics and Peace (IEP), Child deaths to rise from health aid cuts.
[5]See more details on ODA definition and criteria below, chapter 1.2.ff.
[6]See UNCTAD (1992), Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s.

leading "servant leader" role[7] **in the reforms of ODA reporting governance**, in which they systematically listen to ideas from partner countries and CSOs. In times of change, CSOs should reflect on how to adapt to new environments and on how best to preserve the principles to ensure the effectiveness of ODA[8].

The current shifting paradigm is a political and moral test for the EU and its Member States and not simply a discussion of technicalities or declining ODA figures. EU MS experience in international cooperation and OECD DAC standards should not be an excuse for inaction; this **will only weaken the EU's credibility as a global actor committed to equitable and rights-based international cooperation.**

It is not the moment to be short-sighted. AidWatch calls on EU MS and the EU Institutions to:

1. Urgently reverse ODA budget cuts made by many EU MS, and take action to reach the ODA commitment of at least 0.7% of GNI.

2. Realign all EU ODA with its intended purpose of poverty reduction, fighting inequalities, upholding its effectiveness and integrity as **Official, Development-focused, and Assistance-oriented**.

3. Reform and democratise the governance of the ODA system through a process where countries from the Global South take part in decisions on the definition of ODA and its interpretation through an inclusive body such as the UN.

4. Promote the added value and unique role of ODA for human development among the EU MS and in the EU Institutions development finance toolbox.

5. Strengthen partner country-led, inclusive joint programming to ensure ODA serves local development priorities rather than EU MS national interests or EU's foreign economic policy goals.

6. Allocate more, not fewer, grants and other truly concessional finance to LDCs and FCS, in line with the target of 0.2% GNI/ODA to LDCs.

7. Prioritise ODA given as grants and ensure that debt finance, when used, is given at concessional terms: debt repayments are a burden, not assistance.

8. Ensure policy coherence for sustainable development (PCSD) across EU MS and EU Institutions policies to support development finance reforms.

9. EU MS and EU institutions should commit to increasing collective adaptation finance to ensure a balance between mitigation and adaptation.

10. Recognise ODA as a contribution to realising human rights and equality, reaching those left furthest behind first.

[7] The concept of servant leadership dates back to an article 'The Servant as Leader', published in 1970 (see Greenleaf R.K. (1970), The servant leader), which emphasises the willingness and readiness to serve (and only in a second step the willingness to lead) as a basic prerequisite for good leadership. The idea that the DAC should take on a servant leader role was also proposed by an expert panel chaired by former Irish President Mary Robinson on the DAC reform in 2015-16.
[8] Example: engaging in partnerships where more resources are in the hands of local CSOs in the Global South.

20 years

Introduction

For 20 years now, the AidWatch report has advocated for effective, transparent and increased ODA from the EU and its MS. It is essential that we continue to do so.

From optimism...

When the AidWatch report was first published in 2005, the early 2000s were associated with optimism, despite significant challenges and setbacks[9]. There was progress attributed to ODA, including from the EU and its MS[10] on many fronts, such as reduced poverty rates[11], the near-total eradication of polio[12], a decrease in the number of out-of-school children worldwide[13], or an increase in the number of democracies[14]. Global political will was strong, with the EU and its MS committing to achieving the 0.7% GNI/ODA by 2015[15]. The adoption of the Paris Declaration on Aid Effectiveness and subsequent agreements aimed to increase both the efficiency and effectiveness of ODA for sustainable and transformative impact. It was a period defined by a positive narrative, visible progress and a general desire to collectively improve living conditions worldwide.

...to national reorientation and short-sighted decisions....

Now, however, the tide is turning. Strongly driven by geopolitical, security and economic self-interest against the backdrop of human made crises, domestic political priorities are increasingly driving the EU and its MS international cooperation policies. For the first time in 20 years, the world has more autocracies than democracies[16], multilateralism is under increasing pressure, global fragility is at a near record-high level, and the number of armed conflicts is at the highest since the end of the cold war[17].

While the world made significant progress in reducing extreme poverty from 38% in the 1990s to 8.5% today[18], the Human Development Index (HDI) reveals stagnation in many low-income countries[19], the Sustainable Development Goals (SDGs) are dangerously off track (only 17% of 135 targets are currently on track)[20], the World Bank's Worldwide Governance Indicators (WGI) reflect increasing governance challenges in numerous contexts[21].

The EU's new focus on security and defence as well as recently adopted new strategic orientations for international cooperation, particularly through the EU's Global Gateway strategy, also raise concerns. There is a real danger the focus on infrastructure will

[9] For example, the Iraq War in 2003 with its social and economic consequences.
[10] There is broad agreement on the positive impact of ODA in sectors such as health, education, and humanitarian aid (numerous World Bank and UN reports) and that the effectiveness of ODA depends to a large degree on factors such as governance and absorption capacities (e.g. Burnside & Dollar (2000), Collier & Dollar (2001), Arndt et al. (2009). See also Pérez et al. (2025), The EU aid strategy: A gateway to human development, pp. 15ff.). A thorough debate on the effectiveness of ODA would go beyond the scope of this report. However, not mentioning the issue and debate would mean omitting an essential aspect.
[11] See e.g. World Bank Group (2008), New Data Show 1.4 Billion Live On Less Than US$1.25 A Day, But Progress Against Poverty Remains Strong.
[12] See UN Secretary General Press Release (2012), With Polio Reduced by 99 Per Cent Worldwide, Secretary-General Says Standing Shoulder to Shoulder with Nigeria, Pakistan, Afghanistan Will Finish Job | Meetings Coverage and Press Releases.
[13] See World Bank Group (2013), Education: Sector Results Profile.
[14] See What Did the Third Wave Teach Us? | Journal of Democracy.
[15] This commitment was made by all MS who joined the EU before 2002. All those who joined afterwards committed to reaching 0.33% ODA/GNI by 2015. See European Council Conclusions (2005), Millennium Development Goals: EU Contribution to the Review of the MDGs at the UN 2005 High Level Event, p. 5.
[16] See V-DEM Democracy Report 2025 25 Years of Autocratization – Democracy Trumped?, p. 6
[17] See OECD (2025), States of Fragility 2025.
[18] See Letter: Age of tariffs prompts rethink on foreign aid.
[19] See Human Development Index | Human Development Reports.
[20] See SG-SDG-Progress-Report-2024-advanced-unedited-version.pdf, para. 17.
[21] See Home | Worldwide Governance Indicators.

neglect sustainable development and the most marginalised, weakening the adherence to key EU foreign policy and development cooperation principles (human rights, democratisation, rule of law, leaving no one behind, sustainable development, and the integration of partner countries into the world economy)[22].

.....undermining the quantity, quality and integrity of EU ODA...

The quantity, quality and integrity of EU MS and institutions ODA, has been repeatedly criticised. Apart from CONCORD's AidWatch reports[23], similar concerns are raised by CSOs, campaigns[24], think tanks[25], former leaders and chairpersons of the OECD DAC Working Party on Statistics (WP-STAT)[26] and Global South CSOs and partner countries[27].

Total EU ODA dropped by 8.6% in real terms from 2023 to 2024, although donor countries have allocated record-high amounts of ODA in recent years. **The downward trend is troubling since the EU's decrease is even greater than the DAC total decline of 7.1%**. The combined EU MS GNI/ODA ratio dropped relatively sharply from 0.52% in 2023 to 0.47% in 2024. Moreover, the OECD projects a 9% to 17% drop in ODA from DAC members in 2025, largely driven by cuts made by the United States (US), the United Kingdom (UK) and big EU MS such as France and Germany. Considering further announcements of ODA cuts[28], even this scenario must be regarded as quite optimistic, and the future of ODA levels is uncertain in the coming years.

On the other side of the Atlantic, the US administration's decision to cut 90% of the US Agency for International Development's (USAID) foreign aid contracts risks having very negative impacts such as mass famine in Sudan, the collapse of HIV treatment programmes in countries like South Africa and the Ivory Coast, drastic reduction of access to sexual and reproductive health and rights (SRHR), and millions of additional malaria and polio cases[29]. **The 19%-33% of projected cuts of bilateral DAC members' ODA in 2025 in the health sector[30] jeopardise progress that has been achieved in health, but also other areas such as support to women-led and women's rights organisations[31].**

...leading to a reaffirmation of ODA's as a key source of development finance through reforms

Although ODA is not the only source of financing for sustainable development, it remains and should remain a significant source of financing.

As a result of all these cuts and short-sighted decisions, EU international cooperation and global ODA are at a crossroads. **The current tremendous challenges are a chance to reform ODA and the EU's MS development finance toolbox**. We are convinced that the role of ODA and particularly of EU ODA should and will remain key in the future. In her State of the Union speech in September 2025, European Commission President Ursula Von Der Leyen said that the EU needs its 'independence moment' against the backdrop

[22]A recent Counter Balance, Eurodad, Oxfam report e.g. revealed that of 40 Global Gateway projects assessed, 60% benefited larger European companies such as Siemens or Suez. See Global Gateway risks diverting EU aid budget to big business - Eurodad. See also Koch et al. (2023), The European Union's Global Gateway should reinforce but not replace its development policy, IDOS.
[23]AidWatch Reports - AidWatch Reports.
[24]See ONE Campaign (2025), Net finance flows to developing countries turned negative in 2023 - ONE Data & Analysis.
[25]See e.g. ECDPM (2014), ODA Reform: Change for the sake of change?, ODI (2018), Aid for the private sector: continued controversy on ODA rules | ODI: Think change, Eurodad (2024), Is this what aid was meant to be?- Eurodad, CGD (2024), Proposals for ODA Reform: A Review of Key Approaches | Center For Global Development.
[26]See e.g. Scott S. (2019), A note on current problems with ODA as a statistical measure | Brookings; Atwood J.B., Manning R., Riegler H. (2018), Don't undermine the basic architecture of OECD/DAC statistics: A Letter of warning | Brookings. The former Deputy Head of the OECD Export Credits Division, Cutts S., even created a website/blog on 'ODA Reform', which is dedicated exclusively to this topic.
[27]See e.g. various statements by The Group of 77.
[28]E.g. Belgium has announced to cut aid by 25% over the next 5 years and the Netherlands by EUR 2.4 billion by 2027. See Chaudry S. (2025), The Heyday of NGOs Ended Long Before the End of USAID, in Foreign Policy, 8 September 2025.
[29]See Impact of International Aid Cuts on African Communities - Non Profit News | Nonprofit Quarterly.
[30]See Cuts in official development assistance: Full Report | OECD.
[31] See at-a-breaking-point-the-impact-of-foreign-aid-cuts-on-womens-organizations-in-humanitarian-crises-worldwide-en.pdf.

of current global challenges and the US 'security withdrawal' from Europe[32]. **It is high time for bold reforms. Europe's independence moment must also be its "global responsibility moment"**. True autonomy comes not from closing off and solely taking responsibility for one's own security, but also investing in fair partnerships.

Sufficient financial resources and reforms are needed to realign ODA with its intended purpose. World leaders recently gathered at the Fourth Financing for Sustainable Development Conference (FFD4) in Seville and recognised the USD 4 trillion shortfall needed to meet SDG targets. They stressed that a mixture of enhanced public funding, significant scaled-up multilateral development bank lending, strengthened private sector contributions, innovative financial instruments and inclusive tax, debt and governance reforms are needed to close this gap. According to the *Compromiso de Sevilla*, ODA should also serve as a catalyst for reducing poverty and inequality by supporting locally led sustainable development and leveraging additional public and private finance where it is most needed[33].

The AidWatch 2025 report looks into the role of EU and MS ODA, the extent to which the quantity and quality of EU ODA could be improved and how the EU can ensure that its ODA contributes meaningfully to sustainable development **instead of being a vehicle for narrow, short-term geopolitical interest**. To this end, **AidWatch 2025 analyses the current approach of EU Member States and institutions to ODA quantity, quality and governance and provides recommendations on how the volume, targeting, and overall effectiveness of EU ODA can and should improve in the future.**

[32]See EU chief says it's time for Europe's 'independence moment' faced with war and major power tensions | AP News.
[33]See paras 25, 26, 31, 33 k and m of the Compromiso de Sevilla for action 16 June.pdf.

Part one

From Originally Development Aligned to off track: EU ODA's broken promises

1 EU's ODA in numbers: getting further away from targets

In total, **EU ODA** reached **approximately EUR 105 billion in 2024**. This represents **55% of total ODA from DAC members**, making the EU collectively **the largest donor bloc worldwide**[34].

EU ODA fell from **EUR 113 billion in 2023.** As a **percentage of GNI**, the performance of **EU DAC countries** saw a notable drop – falling from **0.53% in 2023** to **0.47% in 2024**.

Trends over the past 2 years:

- **ODA from EU MS** (including the five non-DAC EU MS) fell by 6.8% from 2022 to 2023 and by 8.6% in real terms from 2023 to 2024.
- **ODA from EU Institutions** increased by 9.5% from 2022 to 2023 and remained stable (minus 0.008%) from 2023 to 2024.

Globally, the combined ODA[35] of all members of the OECD DAC[36] reached EUR 192 billion (USD 212.1 billion)[37] in 2024, amounting to 0.33% of OECD DAC members' GNI. This represents a 7.1% drop of ODA in real terms[38] and 9% in net terms[39] compared to 2023. **This is especially notable, as it is the first decrease after five consecutive years of growth.**

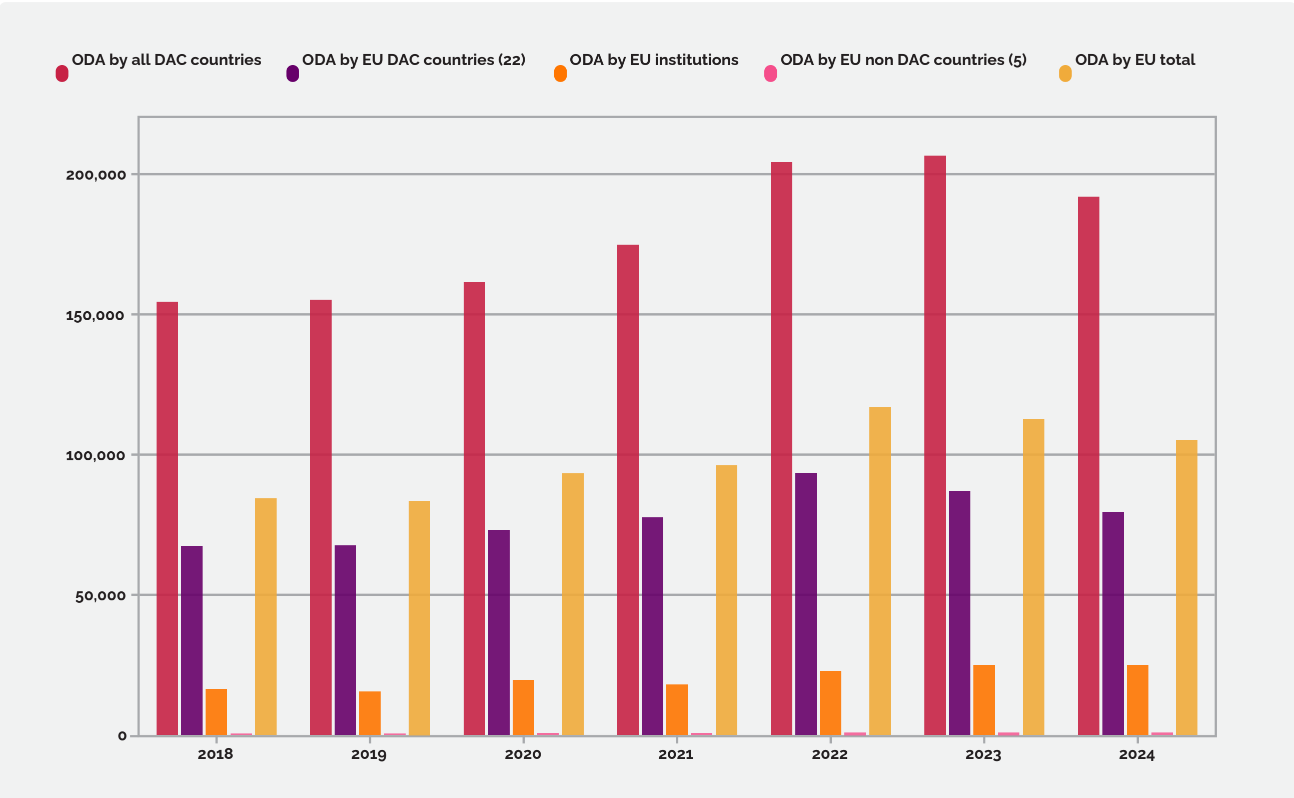
For the **EU as a bloc** (EU MS including non-DAC members and EU Institutions), ODA has now decreased for **two consecutive years**. This trend is primarily driven by **cuts in EU MS' ODA budgets**, while **EU Institutions' ODA figures were more resilient. Ukraine received more than half of EU Institutions**' ODA in both 2023 and 2024 (approximately **55% in 2023** and **53% in 2024**) including **macro-financial assistance (MFA)**, humanitarian aid, and budget support.

[34] Calculations include EU MS in OECD DAC, non-DAC MS, and EU Institutions.
[35] The entire analysis is based on preliminary ODA data for 2024. Final data are to be released in December 2025.
[36] Currently the DAC has 33 members, of which 22 are also EU MS. EU MS DAC countries currently are Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden.
[37] Preliminary figures are published by the OECD in USD. For AidWatch reports it is, however, important to showcase all data also in EUR. To show real growth or decline, the report used constant USD values in the time series on total DAC ODA, which were then converted to EUR. However, applying exchange rates to constant USD values that are already adjusted for inflation and exchange rate movements leads to a certain distortion. This explains why, for example, Table 1 shows a first decline in total ODA from 2023 to 2024 in USD, while in EUR the total DAC ODA figures already show a first decline from 2022 to 2023.
[38] Data in real terms means that they are adjusted for inflation and exchange rate fluctuations.
[39] Net ODA in the grant equivalent system (since 2018) reflects the total value of grants and the net grant equivalent portion of new loans and PSIs (where the "net" is embedded in the net present value calculation). It is a measure of donor effort, no longer based on cashflow (until 2018 net terms reflected the financial outflow minus reflows during the year. Net cashflow ODA therefore was gross ODA minus principal repayments on loans. It showed what the donor transferred after deducting repayments received).

Table 1. Grant equivalent ODA allocations by providers (2018 - 2024, EUR millions, constant)

EUR million, constant	2018	2019	2020	2021	2022	2023	2024
ODA by all DAC countries	154,480	155,196	161,444	174,842	204,299	206,546	191,988
ODA by EU DAC countries (22)	67,424	67,528	73,051	77,532	93,417	87,001	79,542
ODA by EU institutions	16,351	15,458	19,523	17,936	22,696	24,852	24,850
ODA by EU non-DAC countries (5)	523	526	607	698	897	901	849
ODA by EU total (DAC plus non-DAC plus Institutions)	84,299	83,512	93,180	96,166	116,811	112,754	105,241
EU ODA (27) in % of DAC ODA	55%	54%	58%	55%	57%	55%	55%
Percentage of GNI	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
all DAC countries	0.30	0.30	0.33	0.33	0.37	0.37	0.33
EU DAC countries	0.44	0.43	0.50	0.50	0.58	0.53	0.47

Chart 1. ODA allocations by provider (2018 - 2024, EUR millions, constant)



Source:Source: authors based on OECD DAC Data Explorer

Chart 2. GNI/ODA ratio by DAC & EU DAC countries (2018-2024)

Source: authors based on OECD DAC Data Explorer

1.1 The extent and impact of ODA cuts

For many EU DAC countries, the decline in 2024 ODA figures was primarily driven by reduced **expenditures on in-donor refugee costs** (e.g. Austria, Czechia, Estonia, Germany, Ireland, Latvia, Lithuania, Poland, Sweden) and cuts in bilateral programmes (e.g. Finland, Hungary, Luxembourg, Slovenia)[40].

Bilateral support for Ukraine remained the largest component of EU Institutions' ODA, approximately 53% in 2024, a slight decrease of 1.6% compared to 2023. In contrast, bilateral support to Ukraine from DAC EU countries remained relatively low and stable at around 2.4% of their entire ODA. **However, four EU countries (Estonia, Lithuania, Latvia, Poland) provided more bilateral ODA to Ukraine than to LDCs in 2023 (no LDC data are available for 2024).**

Despite the general downward trend, seven EU DAC countries – **Belgium, Denmark, Greece, Italy, Portugal, the Slovak Republic, and Spain** – increased their ODA budgets in 2024. In most cases, these increases were driven by **higher contributions to international organisations or multilateral aid** (Belgium, Denmark, Greece, Italy, Portugal, Spain)[41]. These examples could serve as **encouraging signals for other Member States**, showing that improvement is possible even in difficult fiscal contexts. However, it should be noted that some of these countries have already indicated **possible reductions in ODA budgets for 2025 and beyond**.

[40]See also Development Cooperation Directorate (DCD) (2025), Preliminary official development assistance levels 2024, DCD(2025)6, p. 3f. The OECD DAC Statistical Directives define bilateral transactions as: those (transactions) undertaken by a donor country directly with a developing country or channelled through a multilateral organisation either in the form of earmarked contributions to a developing country or contributions to specific purpose programmes and funds managed by the organisation (see paragraph 12). They also encompass transactions with non-governmental organisations active in development and other, internal development-related transactions such as interest subsidies, spending on promotion of development awareness, debt reorganisation and administrative costs". See OECD DCD/DAC (2024), Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC(2024)40/FINAL, December 2024, par. 10.
[41]However, to what extent these countries also cut their ODA remains unclear. Belgium, for example, has announced a 25 per cent reduction in aid funding over the next 5 years. See Chaudhry S. (2025), Why the world turned on NGOs, in: Foreign Policy, 18 September 2025.

The extent & impact of ODA cuts

Shifting priorities due to geopolitical reasons

Donor priorities have been shaped by the ongoing war in Ukraine, rising tensions with Russia, the perceived risk of US disengagement from European defence and growing instability in the global order. In June 2025, NATO members increased their defence spending target from 2% to 5% of GNI[42]. This has led to a turning point in the European security debate[43] and resulted in increased military budgets, often at the expense of development budgets[44].

Similarly, using ODA to cover refugee hosting costs and to support Ukraine has led several EU MS to divert funds away from extremely fragile and vulnerable countries, rather than increasing overall ODA to meet both needs

Growing global competition and the drive to strengthen the Eu's geopolitical influence

The EU launched the Global Gateway as its own counterpart to China's Belt and Road Initiative. The shift under the current "Investment Commission", with its pursuit of public and private investment for infrastructure and connectivity, risks moving EU ODA away from its core poverty reduction focus[45].

[42]See NATO - News: NATO Defence Ministers agree new capability targets to strengthen the Alliance, 05-Jun.-2025.
[43]See e.g. European Commission, High Representative of the Union for Foreign Affairs and Security Policy (2025), Joint White Paper – for European Defense Readiness 2030. Also, former and current European politicians increasingly speak of massive upheavals that Europe would have to face in terms of security policy, including the end of Europe's 'holiday from history'. See , https://www.euronews.com/my-europe/2025/01/14/europes-holiday-from-history-is-now-over-finnish-president-stubb-tells-euronews.
[44]See EU defence in numbers - Consilium and e.g. ODI (2025), Aid and defence: a data story of two global targets | ODI: Think change.
[45]See e.g. Koch S. et al. (2023), The European Union's Global Gateway should reinforce but not replace its development policy - German Institute of Development and Sustainability (IDOS); see also below, chapter 1.1.9.

Economic Pressures

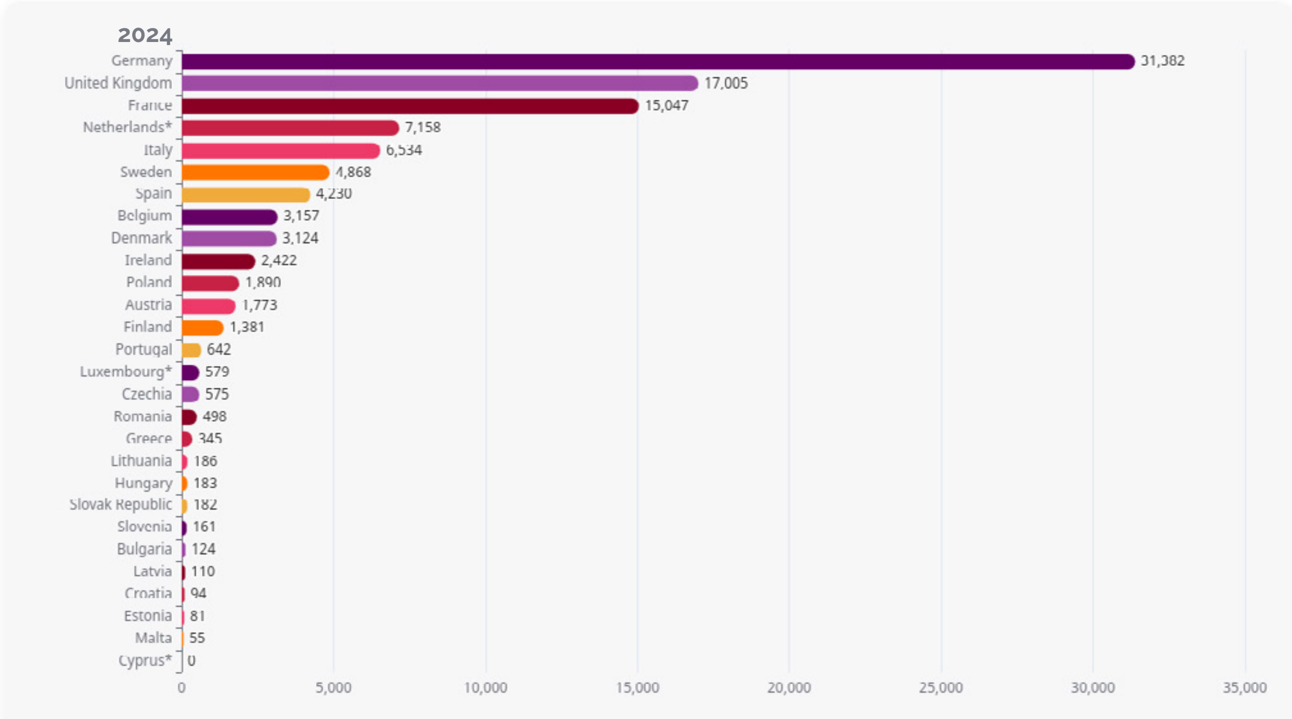
High inflation, increasing debt burdens, elevated interest rates and structural issues such as tax avoidance or profit shifting have persistently constrained fiscal space in many countries. Although high-income countries in general have weathered economic crises far better than low- and middle-income countries, many governments are attempting to stabilise public budgets, and ODA is often the first area to face cuts due to its lower visibility and perceived lack of immediate domestic impact[46].

Rise of Far Right Politics

The rise of populist or far-right parties in countries such as the US, Sweden, the Netherlands and Italy, many of which take a sceptical stance on ODA, has led to ODAcuts or budgets reoriented towards migration deterrence or goals of national interest.

[46]See e.g. former German Finance Minister C. Lindner has repeatedly argued that development cooperation is an area where savings are possible, See e.g. Policy Updates.

Chart 3. ODA trends for EU MS plus UK (2024) EUR Millions, constant prices



Source: authors based on OECD DAC Data Explorer

By political decision, **Luxembourg** does not include in its ODA, the cost of refugees in Luxembourg (est. EUR 31.1 million in 2019), nor the share of climate finance compatible with the definition of ODA (est. EUR 15.1 million in 2019). **The Netherlands** has adopted a change in reporting, causing a technical shift from multilateral to bilateral aid. **Footnote by Türkiye**: The information in this document with reference to "Cyprus" relates to the southern part of the island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue". **Footnote by all the European Union Member States of the OECD and the European Union**: The Republic of Cyprus is recognised by all members of the United Nations except for Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Impact of ODA cuts

ODA cuts are certainly bad news with negative effects both for the EU and its Member States and international relations and, even more so, for partner countries and their people.

Box 1. Estimates of the impact of current ODA cuts

- Gavi and partners estimate that the withdrawal of a major funder (the US, in one scenario) could mean approximately 75 million children miss routine vaccines over 5 years, with approximately 1.2 million additional deaths as a possible consequence[47].
- WHO/UNICEF report that over 14 million children received no vaccine in 2024[48].
- UNESCO's Global Education Monitoring projects that global education aid could fall by over 25% by 2027, and Education Cannot Wait reports that approximately 234 million crisis-affected children (approximately 85 million out-of-school in crisis contexts) are at heightened risk of losing access to education and programmes[49].
- **The OECD projected overall ODA drops** (9% in 2024; a further 9%–17% in 2025, see above) and estimated declines in bilateral ODA to LDCs by 13%–25% and to sub-Saharan Africa by 16%–28%. This has the potential to translate into losses of health, education and social protection services for tens of millions of marginalised people[50].

[47] US decision to end support for Gavi puts millions of children's lives at risk | Doctors Without Borders - USA.
[48] Aid cuts disrupt childhood vaccine programmes as diseases rise | Reuters.
[49] global_estimates_report_2025.pdf.
[50] Cuts in official development assistance: Full Report | OECD.

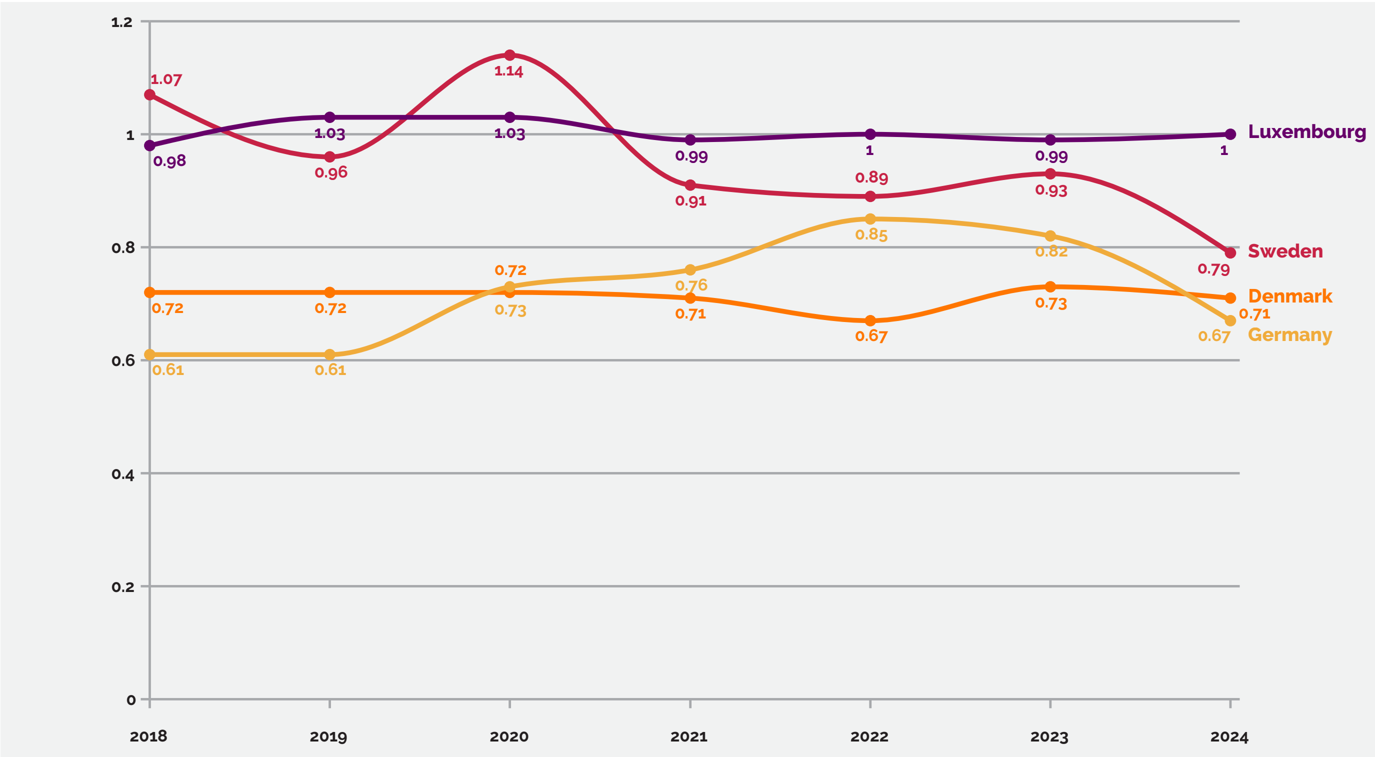
But there are also **reasons for cautious optimism**:

- In 2024, the EU and its MS remained the world's largest ODA provider, both in absolute volume and in terms of geographic and thematic coverage. **While this certainly does not mean that EU donors should not fulfil their commitment and obligation to achieve the 0.7% target**[51], it is an element the EU and its MS could build on to do more and better. Sufficient, reliable, and needs-based ODA could be one of the defining features of the EU's foreign policy.
- Moreover, the current development finance crisis might offer an opportunity for reform and a refocus of ODA towards its intended purpose and promote economic development and welfare in partner countries through public, concessional financial flows from wealthier to lower income nations, as a key but not sole resource within the broad array of development finance.

1.2 Half a century of falling short on the 0.7% target

All EU MS have collectively committed to reaching the 0.7% goal[52]**. However, in 2024 only three EU MS – Luxembourg, Denmark, and Sweden – met this commitment.** The average ODA/GNI ratio for EU DAC members falls significantly short of the 0.7% target, with most countries clustering between 0.2% and 0.4%. This is consistent with long-term trends. Over the past 7 years, the number of EU MS that reached the 0.7% goal fluctuated between three and four, **meaning that only 11%-15% of EU MS have reached the target in recent years.**

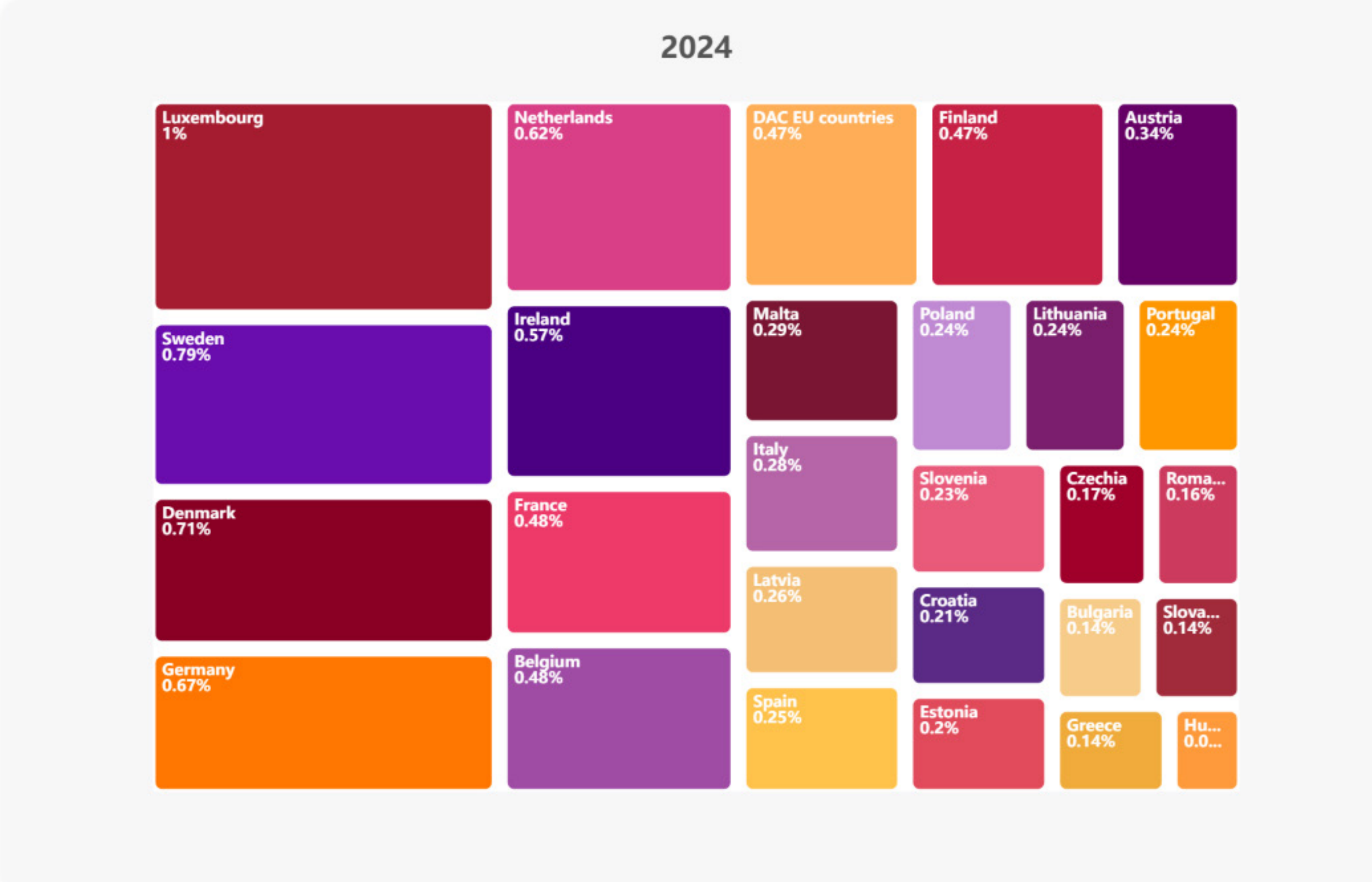
Chart 4. EU MS reaching the 0.7% target from 2018 to 2024



[51] As the Development Cooperation Report 2023 has put it: there is no escaping the need for more financing
[52] This commitment was first made in 2005 by all MS who joined the EU before 2002. All those who joined afterwards committed also in 2005 to reaching 0.33% ODA/GNI by 2015. See European Council Conclusions (2005), Millennium Development Goals: EU Contribution to the Review of the MDGs at the UN 2005 High Level Event, p. 5; Mimica M. (2017), Answer given by M. Mimica on behalf of the Commission. It was then repeatedly confirmed by MS, most recently at the Financing for Sustainable Development Summit in Sevilla, 2025. See also Hynes W., Scott S. (2021), The evolution of aid statistics: a complex and continuing challenge, in: Bracho G. (ed), Origins, Evolution and Future of Global Development Cooperation: The Role of the Development Assistance Committee (DAC), pp. 248ff.

20 years

Chart 5. List of EU MS and their ODA 0.7% performance



Luxembourg, Denmark, and Sweden have consistently exceeded the 0.7% benchmark. Sweden and Luxembourg have historically reached or even surpassed 1%, while Denmark has remained above 0.7% every year since 1978. Other countries, including the Netherlands and Germany, reached 0.7% temporarily or due to exceptional circumstances – such as in-donor refugee costs or COVID-19 pandemic-related expenditures – rather than consistent policy decisions.

Table 2. Historical development of EU Member States (and UK) reaching the 0.7% target

Country	Timeline
Denmark	Since 1978 (and consistently every year since)
Luxembourg	Since 2000 (consistently at or above 0.7%)
Netherlands	1975–2010 (met or exceeded 0.7% for much of this period; dropped below after 2010)
Sweden	Since 1975 (consistently above 0.7%, often above 1%) but on a current downward trajectory
Germany	2016, 2020, 2022, 2023 (temporarily, mainly in-donor refugee costs, pandemic-related spending)
France	Never reached 0.7% (peaked approximately 0.61% in 1990s)
Ireland	Never reached 0.7% (got close: approximately 0.59% in 2008)
Belgium	Never reached 0.7% (peaked approximately 0.61% in mid-1980s)
Finland	Never reached 0.7% (peaked approximately 0.56%)
Austria	Never reached 0.7%
Italy	Never reached 0.7%
Spain	Never reached 0.7% (peaked approximately 0.46% around 2008)
Portugal	Never reached 0.7%
Greece	Never reached 0.7%
None of the newer DAC or non-DAC EU MS (BG, CZ, CR, CY, EE, HU, LV, LT, MA, PL, RO, SL, SK).	
The UK met or exceeded 0.7% in 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 (8 years in a row). In 2021, the UK officially reduced its commitment to 0.5% ODA/GNI, citing budgetary pressures.	

Source: authors based on OECD DAC Data Explorer

2 Inflated ODA, deflated impact

In 2024, approximately one in five euro of EU ODA did not meet the fundamental ODA criteria. This misreporting by the EU and its MS undermines the credibility of ODA. The rising share of ODA inflation since 2018 adds another negative trend to the cuts in ODA budgets and the failure to meet ODA targets and standards.

As in previous years, most of the EU's inflated spending in 2024 was attributable to in-donor refugee costs, followed by imputed student costs. It is likely that allowing PSIs to be reported as ODA will lead to these shares increasing even further in the coming years.

Table 3. Inflated and non-inflated ODA from 27 EU Member States[53] (2018-2024, EUR Millions)

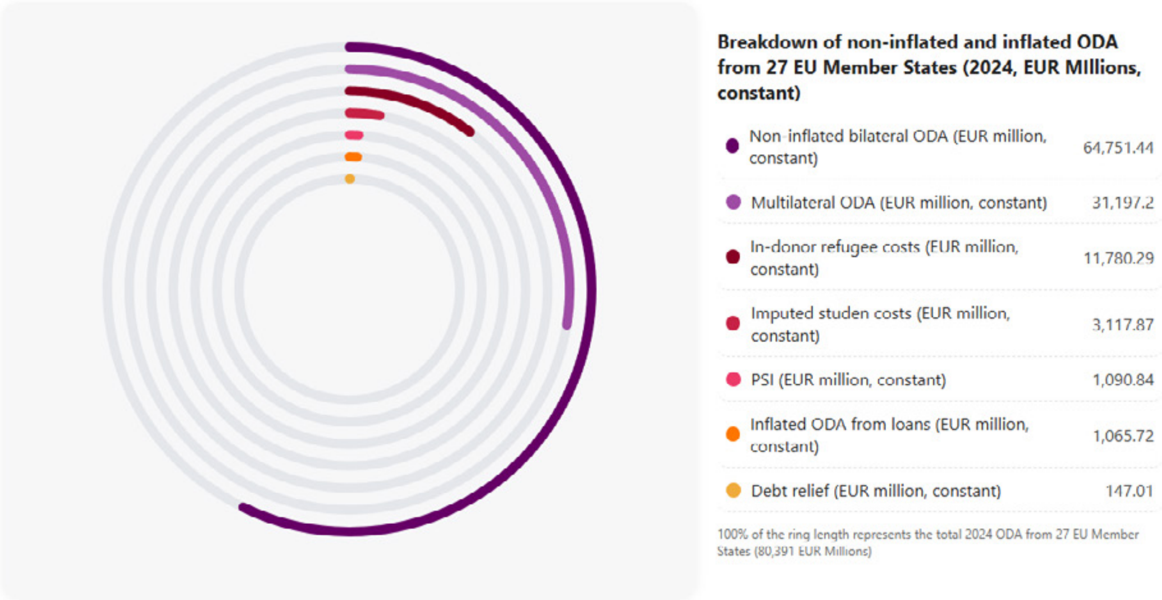
	2018	2019	2020	2021	2022	2023	2024
Total ODA	67,947.85	68,054.71	73,657.22	78,229.60	94,314.06	87,901.16	80,391
Bilateral ODA	42,048.17	42,670.40	46,373.22	49,068.45	63,807.51	55,366.52	53956
Multilateral ODA	25,899.70	25,384.24	27,284.01	29,161.20	30,506.53	32,534.61	32051
(I) PSI-ODA, all types	663.11	369.60	1,147.39	1,083.84	901.92	1,131.50	1090.84
(I) In-donor refugee costs	6,571.74	5,658.46	4,797.70	4,901.83	15,354.83	15,578.26	11,780.29
(I) Imputed student costs	2,441.08	2,632.31	2,849.23	2,921.57	2,997.65	3,117.87	3117.87
(I) Debt relief	25.33	51.34	449.35	710.48	110.37	111.10	147.01
(II) ODA loans, inflated share*	n.a.	939.106	2468.234	2337.877	2124.452	1065.683	1065.72
Inflation total	9,701.27	9,650.82	11,711.89	11,955.59	21,489.23	21,004.42	17,201.73
Inflated ODA as a percentage of total reported ODA	14%	14%	16%	15%	23%	24%	21%

* ODA loans: estimate (source; AWR2024)

Source: authors based on OECD DAC Data Explorer and dataset provided by OECD DCD Secretariat

[53] Our analysis on ODA inflation is based on the types of inflation described in Chart 3. As the methodology has changed slightly compared to previous years' reports, it is not surprising that the figures diverge in some cases. The analysis presented here refers to all EU Member States (DAC and non-DAC).

Chart 6. Breakdown of non-inflated and inflated ODA from 27 EU Member States (2024, EUR Millions, constant)



Source: authors based on OECD DAC Data Explorer and dataset provided by OECD DCD Secretariat

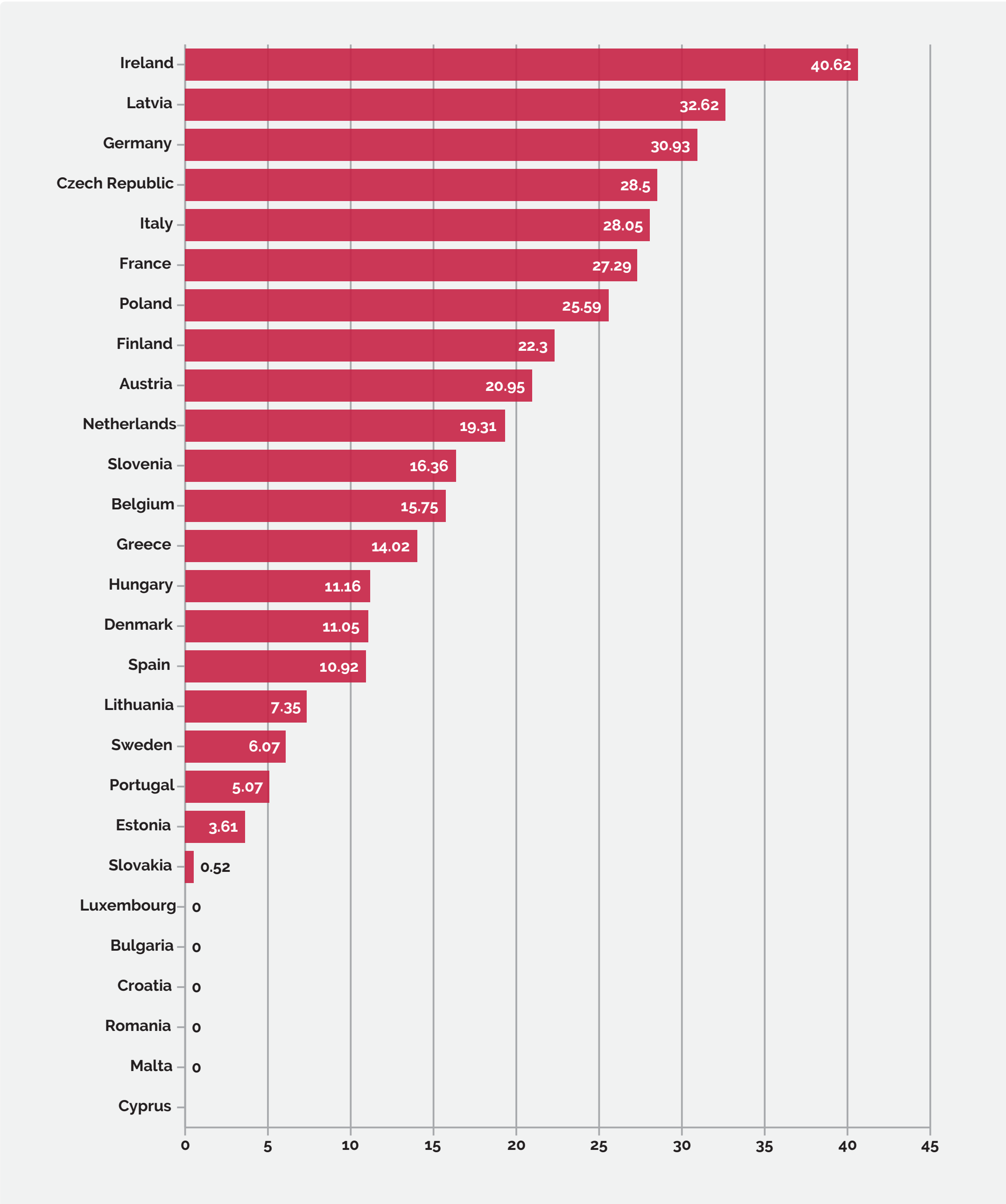
With the notable exception of Luxembourg and the non-DAC EU Member States Bulgaria, Croatia, Romania and Malta, **all EU Member States engaged in one way or the other in inflationary ODA practices. However, there are considerable differences among EU Member States**: While Luxembourg, Sweden and Denmark not only achieved the 0.7% target but also had low ODA inflation figures, Germany was once again the country with the highest ODA inflation figures, with over EUR 9 billion in inflated ODA, followed by France with around EUR 4 billion and Italy with approximately EUR 1.7 billion. **Together, this amount is higher than the total ODA of Austria, Belgium, Denmark, Spain and Finland combined.**

Looking **at the ratio of inflated ODA to non-inflated ODA for each EU Member State**, Ireland leads with an ODA inflation rate of 40.62%, followed by Latvia (32.62%) and Germany (30.93%).

Box 2. Increasing non-inflated ODA for effectiveness : the Irish example

Several EU MS have reduced their share of in-donor refugee costs, which is a positive development that should continue. **In Ireland, the high share of in-donor refugee costs** reported as ODA was largely driven by the Ukrainian refugee response. **While this share is now declining, the government should take proactive steps to increase the proportion of non-inflated ODA**, essential for ensuring impact and effectiveness.

Chart 7. EU Member States inflated ODA as percentage of their total ODA (2024)



2.1 The institutional roots of ODA inflation: its governance

To understand why inflated ODA remains a persistent issue after 20 years of AidWatch monitoring, it's important to look at the broader context. This includes the history of ODA commitments and the repeated delays in meeting the 0.7% target, the gradual broadening of what counts as ODA to include questionable items, and the institutional dynamics that encourage generous statistical interpretations.

A short history of ODA commitments

The idea of an ODA target emerged in the early 1960s, when the UN called for international assistance and capital flows (private and public) to reach 1% of donor Gross National product (GNP), and the OECD's new DAC began to distinguish official flows from private flows. **In this context, the DAC gradually excluded items such as military credits and later export credits, and settled on a definition of ODA as official, concessional flows aimed at development and welfare**. Donors agreed that only official support was under government control, while private flows were different in nature, and export credit agency funds at near-commercial terms hindered efforts to improve ODA. **The 0.7% ODA target, derived from the broader 1% ambition and strongly supported by the G77, was endorsed by the UN in 1970. It became a political benchmark, but not a binding obligation – and was repeatedly postponed as donors failed to meet it.**

Over time, this mismatch between aspiration and delivery has fuelled pressures to expand what counts as ODA to inflate figures, rather than to mobilise real new resources. By blurring definitions and adding items such as in-donor country costs, debt relief, or private sector instruments, donors could claim progress without increasing concessional transfers. **The risk today, as reaffirmed in the *Compromiso de Sevilla*[54], is that ODA inflation undermines the concessional nature of ODA and the credibility of the 0.7% target, leaving countries with commitments on paper but far fewer resources in practice.**

[54] FFD4 outcome document in English, https://financing.desa.un.org/sites/default/files/ffd4-documents/2025/Compromiso%20de%20Sevilla%20for%20action%2016%20June.pdf.

Deadlines for reaching the 0.7% target and the history of failing to meet them

1970	Mid-1970s and at the latest by 1980	UN General Assembly Resolution 2626 (XXV) - International Development Strategy for the Second UN Development Decade	Missed – by 1980, DAC average ODA was only about 0.35%.
1980	1985	UN General Assembly Resolution for the Third UN Development Decade	Missed – average ODA was about 0.22%.
2002	2015	Monterrey Consensus on Financing for Development	Reaffirmed 0.7% target, linked to the MDGs – missed again (ODA about 0.29% in 2015).
1015	2030	Addis Ababa Action Agenda and the UN 2030 Agenda (SDG 17.2)	Current deadline; ODA average still far below at about 0.33% in 2024.
1025	Repeats commitment from Addis	Outcome document of the fourth international conference on financing for development in Sevilla in 2025	Remains to be seen. Current projections don't match the target expectations.

EU MS repeatedly committed to the target at political level:

- **In 2002 at the Monterrey Consensus** (UN Conference on Financing for Development) where the then EU 15 collectively reaffirmed the target including setting timetables for achieving it.
- **In 2005** (EU Council Conclusions and European Consensus for Development) where all 15 EU MS that were already members before the 2004 enlargement committed to reaching the target by 2015 (and 0.51% by 2010) and the remaining newer MS (then 9) to 0.33% by 2015.
- **In 2015, within the framework of the Addis Ababa Action Agenda**, the entire EU (all 27 MS) reaffirmed the 0.7% target as part of the SDG agendas.
- **In 2017 the EU adopted the new "European Consensus on Development"** including council conclusions, in which the EU committed to reach the target by 2030[55].
- And most recently, **at the FFD4 summit in Sevilla in** 2025, EU donors again committed to reach the 0.7% target.

The role of ODA's governance

One of the biggest enablers of ODA inflation is the current institutional structure of ODA and development finance statistics. Both rule-setting and rule interpretation are in the hands of donor government officials who are accountable for the 0.7% target, which means that they assess their own performance. This invites abuse or, at the very least, generous interpretation of the rules. **Under the current development paradigm of development effectiveness and inclusive country ownership of development priorities it is not acceptable to leave the definition of the ODA concept purely in the hands of ODA provider governments.**

Box 3. ODA's rules setting mechanism

The rule-setting power for statistical reporting (for ODA and other resource flows) lies within a tiered structure of OECD/DAC bodies: Starting at the bottom, the DAC's subsidiary body WP-STAT (the Working Party on Development Finance Statistics), composed of national statisticians, has advisory but practically no decision-making powers[56], as proposals by WP-STAT need to be approved by the DAC (committee of DAC member states' delegates) and many of them require the final endorsement by the highest decision-making body, the DAC High Level Meeting (HLM), composed of respective Ministers or State Secretaries (or similar). All decisions within the DAC are consensus-based, which means that no participant seriously objects and ultimately that one single veto can block a decision.[57]

[55] See https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf.
[56] S Only Annex II, the list of ODA-eligible multilateral organisations and INGOs, can be decided by WP-STAT alone.
[57] See Klabbers J. (2015), An Introduction to International Organizations Law, Cambridge University Press, p. 177.

While such an arrangement has some merits, particularly when it comes to national implementation of the agreed international standards, **in practice it leads to political or diplomatic deal-making where statistical rigour would be needed**.

As both the DAC and the DAC HLM are composed of political and not technical experts, this governance structure fosters doubt about impartiality and independence from political interference. **Both the UN[58] and the OECD's own statistical standards emphasise that, for data to be credible and trustworthy, rule-setting and interpretation should be independent and free from control by those being measured.**

Considering the inflation practices described above and more in detail below, the need for structural change is obvious. The OECD DAC's mandate to collect statistics on the 0.7% target is a de-facto arrangement but is not based on a formal and/or legal mandate from the UN (the originator and actual guardian of the target). **At the FFD4 in Sevilla in 2025, the LDCs group and other stakeholders called for a stronger role for the UN in standard setting for international development assistance.**

Types of inflated ODA

When analysing ODA for inflation – for DAC members in general and for EU members and institutions in particular – AidWatch looks at the main eligibility criteria embedded in the fundamental ODA definition as well as at key statistical principles (e.g. no double-counting) and tests major ODA components against these criteria. There are two categories of inflated ODA:

- **Category I inflated ODA:** if a component is found not to meet any one of the eligibility criteria and can be quantified reliably, it is fully excluded.

- **Category II inflated ODA:** If an ODA component is found to comply with the ODA criteria in principle, but if the reporting method leads to exaggerated volumes, a calculated share considered as inflated is excluded.

[58] C.f. the UN Fundamental Principles of Official Statistics (1994, endorsed by the UN General Assembly in 2014, A/RES/68/261).

Table 4. Overview of types of inflated ODA

Type	Components in DAC ODA	Treatment by AidWatch / reason(s)
Category I (full exclusion)	PSI-ODA (= grant equivalents deriving from PSI flows)	**Fully excluded / does not meet criterion 3 "concessional in character"**
	In-donor refugee costs	Fully excluded / does not meet criterion 4 **(motivational test - see definition table 8 below)**
	Imputed students' costs	Fully excluded / does not meet criterion 4 **(motivational test - see definition table 8 below)**
	Debt relief on former ODA loans	Fully excluded / double-counts the risk of default (upfront in grant equivalent and again when default happens)
	Debt relief on former non-ODA lending (export credits etc.)	Fully excluded / (1) default risk is fully covered by guarantee or insurance premium paid by private sector actors; (2) the original financial transaction did not qualify as ODA, why should relief on this transaction qualify?
Category II (partial exclusion)	ODA loans: Unrealistically high discount rates for calculating the grant equivalent in ODA loans leads to exaggerated (inflated) ODA results	Partially excluded. Based on work by Euan Ritchie and Steve Cutts for quantifying portions for exclusion; a complex and challenging procedure is required **(identification and application of the "right" discount rates)**.

The four main eligibility criteria

The key source for determining whether ODA inflationary practices exist is the ODA definition as stipulated in DAC Statistical Reporting Directives, which contains the four main criteria that define what finance can be reported as ODA and which flows to which countries can be counted against the 0.7% ODA/GNI ratio[59]. **To count as ODA all four of these criteria must be met cumulatively, i.e. not even one can be missing.**

[59] These criteria have changed with the adoption of the new ODA definition in the 2024 Statistics Directives (see above, chapter 1.2 for a critical analysis). However, for the purposes of this analysis, the previous criteria, which are traditional and have been enshrined in the directives to date, remain valid, partly because the new directives will apply to reporting practices from 2025 onwards only. The relevant criteria for our analysis are anchored in OECD DCD/DAC, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC(2020)44/FINAL, with pertaining addenda 1-3. The new 2024 definition has not only eliminated concessionality as a criterion (for PSI flows) but has demolished the clear identity and meaning of ODA altogether. AidWatch therefore will request a correction of the definition and re-introduction of the concessionality requirement for all ODA – a call also contained in UN Outcome document A/CONF.227/2025/L.1 that emerged from the Fourth Conference on Financing for Development in Seville 2025. See para. 36 (b).

Table 5. Main ODA criteria against which DAC ODA has been tested for inflation

Criterion	Interpretation
(1) **Official:** "provided by official agencies"	Only resources originating from official sources of the reporting country (national, provincial, or local level) count as ODA.
(2) **"flows to countries and territories on the DAC List of ODA Recipients** and to multilateral development institutions"	Only flows to a country on the DAC List of ODA Recipients or to a multilateral institution or INGO listed on Annex II of the Statistical Directives count as ODA.
(3) **"concessional in character"**	Only flows that are concessional in character count as ODA; for ODA loans, the meaning of concessional in character is underpinned with a quantitative definition of thresholds and discount rates.
(4) "administered with the **promotion of the economic development and welfare of developing countries as its main objective"**	This is the "motivational test", which means that the predominant objective for giving the finance must be economic development and (social) welfare of developing countries (as opposed to other political interests of the provider country such as geopolitical, commercial, cultural, military or other interests).

2.2 Inflated ODA in detail

AidWatch identifies several components that inflate ODA figures, distorting the true picture of development finance. These components fail to meet the fundamental criteria for ODA and should be excluded from ODA.

Private Sector Instruments (PSIs)

What is the reason for exclusion? The DAC has changed the ODA definition to include PSIs, despite their non-concessional nature. This exemption from the core ODA criterion of being "concessional in character" justifies their full exclusion from ODA.

What other problems are there?

- **Lack of comparability:** PSI-ODA reporting has been phased in since 2018 using transitional methods (cashflow vs grant equivalents), creating breaks in time series. Data from 2018–2024 are therefore inconsistent, unreliable, and have distorted overall ODA totals.

- **Inconsistent methods:** DAC allows donors to choose between "institutional" (flows to DFIs) and "instrumental" (flows to partner countries) reporting methods and even switch between them. This undermines a common standard, treats providers unequally, and makes the reporting rules overly complex and hard to interpret for both insiders and external users.

- **Methodologies detached from reality:**
    - Equity investments and guarantees lack repayment schedules and interest rates, making grant equivalent calculations arbitrary and artificial[60].
    - DAC rules cap equity sales receipts at the original investment to prevent negative ODA[61], which hides profits when reflows exceed outflows and distorts the reality of transactions.

- **Overall effect:** These compromises inflate ODA, erode transparency, damage comparability, and undermine the credibility of ODA statistics[62]. More details on such technical distortions are available in the literature on the ODA Reform website[63].

[60] An example of what the current rules do to ODA recording of equity investments is found here: Cutts S (2023), Falsifying aid records: A prize example.
[61] Introduced in December 2018 as observed by S. Scott (2024) in Caps are for Dunces!
[62] More details on such technical distortions are available in the literature on ODAreform.org/PSI and Riegler H., Scott S. (2023), PSI-extending vehicles: the perfect ODA generators? https://www.odareform.org/post/hedwig-riegler-simon-scott-psi-vehicles-as-oda-generators.

Box 4. How Private Sector Instruments inflate ODA figures by redefining ODA

The definition of ODA plays a central role in the measurement and credibility of development assistance. Changes to the ODA definition were last made in 2024, as part of an agreement to include PSI in ODA statistics. The aim was to capture the donor effort involved in providing public support to the private sector.

The new definition of ODA in the most recent edition of the DAC Statistical Reporting Directives[64] **not only raises questions and doubts, but in fact has deprived ODA of a coherent definition**. Starting with 2018 data – the standard for measuring ODA has been the grant equivalent[65]. The directives clarify the criteria for **ODA flows** (grants and ODA loans) and **ODA-eligible PSI**, that are partly the same but also differ, in particular in one key aspect (criterion 4 below).

Table 6. The criteria used to define ODA

Criterion	ODA flows (paras. 59, 62)	ODA eligible PSIs (paras. 61, 62)
1	Grants and loans to the official sector of countries and territories on the DAC List of ODA Recipients, INGOs and multilateral development institutions.	Loans to the private sector, guarantees, equity investments, mezzanine finance instruments and reimbursable grants allocated to countries on the DAC list of ODA recipients.
2	Provided by official agencies.	
3	With the promotion of economic development and welfare of developing countries as the main objective.	With the promotion of economic development and welfare of developing countries as the main objective.
4	Concessional in character[66]	Financially and/or in value additional as well as additional in terms of development (what additionality means, see below).

Source: authors based on OECD DAC Data Explorer and dataset provided by OECD DCD Secretariat

[63] https://www.odareform.org/private-sector-instruments.
[64] DCD/DAC(2024)40/FINAL.
[65] See also Official development assistance – definition and coverage | OECD.
[66] Concessionality, in turn, differs based on the addressee of the loan. It entails a grant element e.g. of 45% for bilateral loans to the official sector of LICs (with a discount rate of 9%), but only 10% for loans to INGOs (discount rate of 6%).

This approach uses two different categories of ODA, ODA flows and PSI-ODA, that are based on different criteria. A statistical data collection needs to start with a clear definition of the overall total (here: total ODA) to which the individual items collected belong. Since the new ODA definition addresses two different sets of criteria for inclusion, this results in two different statistical populations[67].

Regardless of the attempt to "fix" the lack of concessionality by replacing it with the "additionality" concept[68], flaws in the new definition lead to ODA inflation by allowing items to be counted as ODA that should not qualify as such. Exempting PSIs from the concessionality requirement also affects transparency and comparability in replacing it by hard-to-prove additionality provisions[69], also making it difficult for statistical reporters and users to tell what "ODA" now really means. By removing concessionality as a criterion, PSIs achieve high grant equivalents with little cost, encouraging their increased use to meet the 0.7% target.

PSIs are non-concessional and therefore misaligned with ODA's role of providing concessional support to marginalised populations and underserved sectors like health or education. Despite WTO[70] and DAC recognition of their non-concessional nature, DAC changed ODA rules to exempt PSIs from concessionality. Squeezing PSIs into ODA despite their non-ODA nature has deprived ODA of its identity and practically set it equal to the Other Official Flows (OOF) category also covered in DAC statistics.

[67] This violates the logic of the theory of sets: you cannot define a set by a property (concessionality) and then admit elements that do not have it.
[68] Para. 61 introduces "additionality" as a justification for including PSIs in ODA. Statistically, this is problematic: concessionality is a property of a financial flow (interest rate, maturity, grant element, etc.), whereas additionality is a policy concept (mobilisation beyond what markets deliver). Treating additionality as equivalent to concessionality abolishes a former key element in the ODA definition and creates "two ODAs" – the traditional ODA (concessional) and PSI-ODA (additional), combining them to what exactly?: "total ODA"? or "ODA"? Whatever the term chosen for this "new ODA" – it no longer has a unique identity.
[69] C.f. Paragraphs 15-16 and 61 as well as section II.10 in DCD/DAC(2024)40/FINAL. Additionality cannot "cure" the lack of concessionality in PSIs, also because the two concepts are fundamentally different: concessionality is a measurable financial property of a flow (interest rate, maturity, grant element), while additionality is a vague policy concept about mobilisation beyond markets. Treating them as equivalent undermines consistency and erodes the core identity of ODA as concessional public finance but also might create trade distortion risks (subsidised PSIs may conflict with WTO subsidy rules if rebranded as ODA) and risks inflating reported aid volumes. C.f. also Atwood B., Manning R., Riegler H. (2018), Don't undermine the basic architecture of OECD/DAC statistics: A Letter of warning; Private Sector Instruments | ODA Reform.
[70] C.f. Art. 5 in conjunction with Arts. 1, 2 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement).

Since the new definition will only take full effect in 2026 reporting on 2025 data, a final assessment of the impact on ODA data is not possible at this point. **However, what can be expected is a further deterioration of comparability between reporting countries and institutions, as the new "definition" has introduced ambiguities in several areas and the incorporation of PSIs in ODA has led to the dissolution of a clear ODA concept.**

Box 5. What are PSIs (Private Sector Instruments)?

PSIs are used by DAC donors, including EU member states, to support private sector activities in partner countries, generally at or near-market terms. Their goal is to mobilise private capital rather than provide subsidised finance, which WTO rules forbid. Unlike ODA grants or sovereign loans, PSIs finance private enterprises directly or through intermediaries, though nothing prevents them from also going to official sectors.

This creates distortions in ODA reporting. A sovereign loan to an LDC only qualifies as ODA if it has a **45% grant element** using a **9% discount rate**, while a private sector loan in the same country is judged against a **10% discount rate with no threshold**. Thus, even a **9% interest loan** to a private entity can be scored as ODA, though a similar sovereign loan would not. Such rules risk encouraging donors to shift lending into PSI loans simply to record higher ODA.

The main PSI instruments are **equity, loans at market or near-market terms, and guarantees**. While combining development aims with financial returns, PSIs lack concessionality – the core ODA criterion – and risk subordinating development to commercial interests. They are developmental but non-concessional and should be classified as **OOF**[71]. Some experts argue that "PSI" is essentially a label for official use of **non-concessional finance**[72].

[71] For the entire array of development finance see the outcome document of FfD4. In almost all areas (South-South Cooperation being one of the rare exceptions), from ODA to mobilised private finance, DAC Statistics collects respective data.
[72] See Scott S. (2023), Abolishing Concessionality.

Box 6. What are DFIs (Development Finance Institutions)?

DFIs are government-backed financial institutions, often development banks like DEG in Germany and Proparco in France, that finance private sector activities in partner countries. Unlike development agencies, DFIs are set up to support private sector activities with finance at market or near-market terms and to operate on a self-sustained basis after a state-funded kick-start. Despite their developmental mandate, most of them operate on a cost-covering basis. They often reinvest earnings in new projects, begging the question whether new outflows should be eligible as ODA. There is a moral aspect to this "recycling of ODA receipts": Given that this practice resembles that of revolving funds, i.e. new finance being covered by profits earned on earlier transactions, it is questionable whether this reflects the true nature of ODA: as a giveaway from rich to low-income countries. In sum, it means that partner countries finance their future ODA inflows with repayments on finance received earlier. In short: they finance their own future ODA. For further details see H. Riegler & S. Scott (2023) in PSI Vehicles as ODA Generators.

Box 7. What is concessionality?

Concessionality means to give something of value away and is essential to the idea of "aid", a synonym for ODA. Concessionality means the reduction in cost for the beneficiary of finance vis-à-vis the cost of this finance to the provider. The grant element is the measure for this: it is the difference between the sum of all outflows minus the sum of all expected reflows discounted to the present value of the year of extension. The rate for discounting to the present value is key in this calculation and works like a slide: moving the discount rate up means a higher result, moving it down lowers the result. See more on discount rates in the section on loans. The result of this calculation is the grant element, the percentage share representing the giveaway by the provider in a financial transaction.

Box 8. What is the difference between grant element and grant equivalent?

The grant element is a percentage (% figure), which results from the formula applied in calculations of the degree of concessionality in a financial transaction. The grant equivalent is an amount (in the reporting currency) that results from applying this percentage e.g. to an individual disbursement. The terms "grant element" and "grant equivalent" are often used as synonyms, as they represent the same concept, but differ in strictly mathematical terms.

What are the numbers and what do they tell us?

The figures presented need to be interpreted with care for two main reasons: 1) the data are provisional, based on advance reporting early in the year and 2) the data derive from different bases of measurement (cashflows and grant equivalents) and different bases of reporting (institutional vs instrumental approach).

- **Overall picture:** In 2024, DAC countries reported **USD 3.8bn (EUR 3.5bn)** in PSI-ODA, about **2% of total ODA** – up from **USD 2.8bn (EUR 2.6bn)** in 2023. DAC EU countries decreased from **EUR 1.3bn** to **EUR 1.2bn**, about **1.5% of their ODA.**

- Detailed picture:
    - Between 2018–2024, EU Member States' PSI-ODA ranged between **0.9% (2023)** and **2.0% (2021)** of their ODA.
    - In 2024, 10 EU MS (Austria, Belgium, Czechia, Denmark, Finland, France, Germany, Netherlands, Spain, Sweden) reported PSIs, mostly between **0.3%–4.7%** of national ODA. The largest contributors in absolute terms were **Germany, France and Sweden.**
    - The **UK** stands out (current): PSI-ODA jumped from **EUR 369 m (2023)** to **EUR 1.51bn (2024) – a 309.8% increase**, representing **10.02% of its ODA.** OECD/DAC acknowledged that the grant equivalent methodology inflated ODA totals, with the UK alone gaining **+10%**.

Risk: Rising PSI levels risk diverting donors away from **concessional finance**, contradicting partner countries' longstanding demands

Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS

Chart 8. Combined PSI-ODA of all EU MS in comparison to total EU MS ODA (2018-2024, EUR Millions)

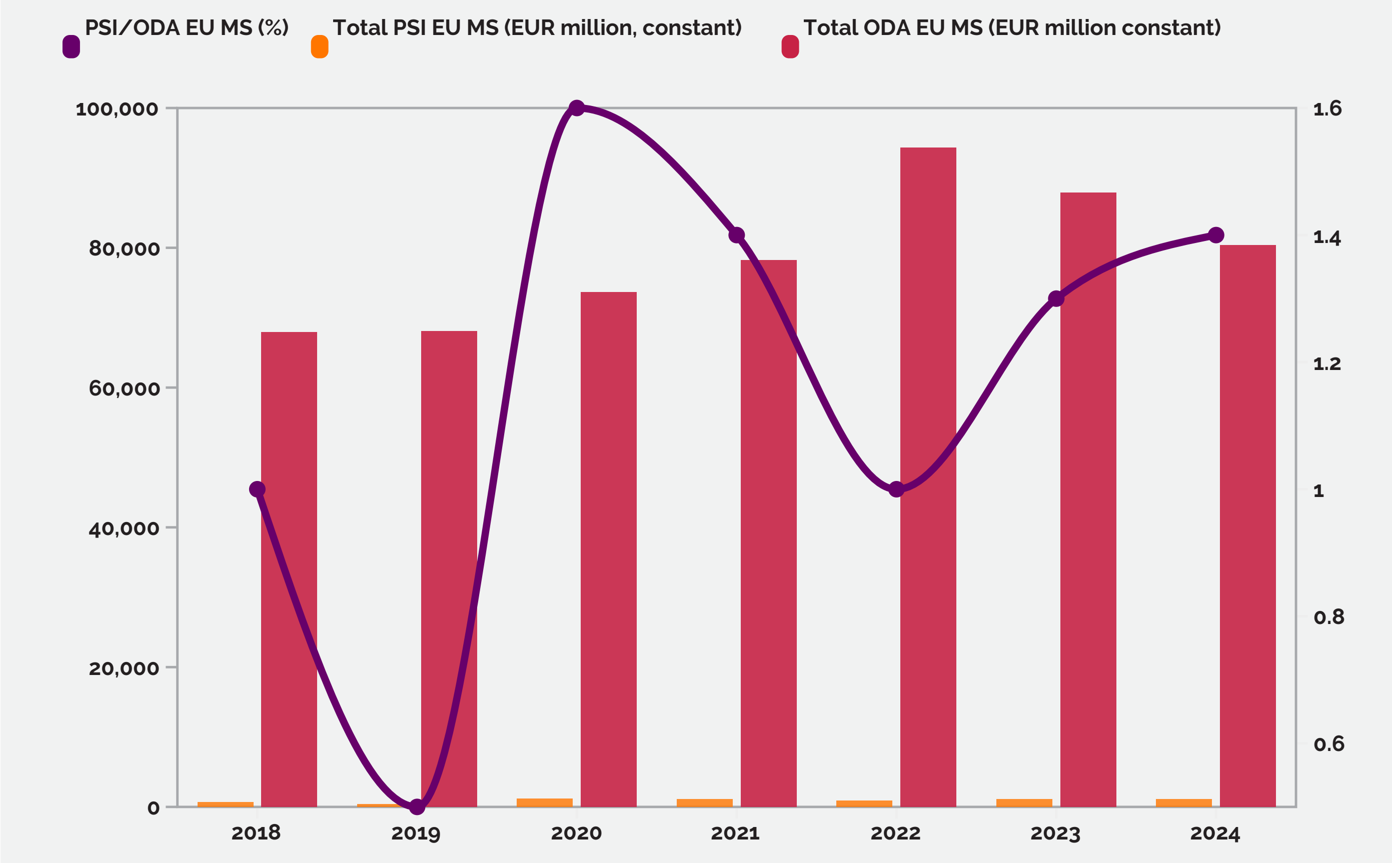
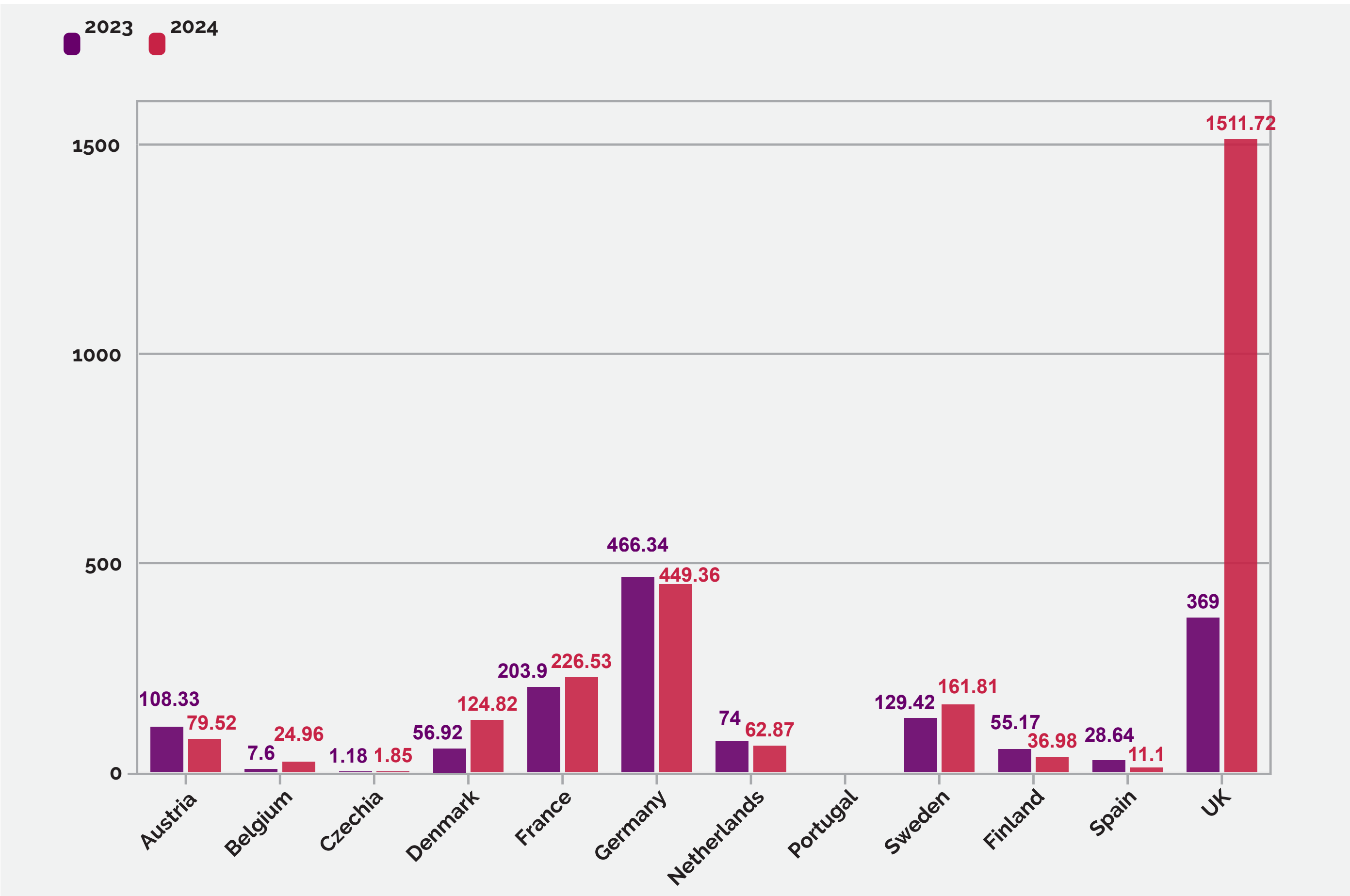


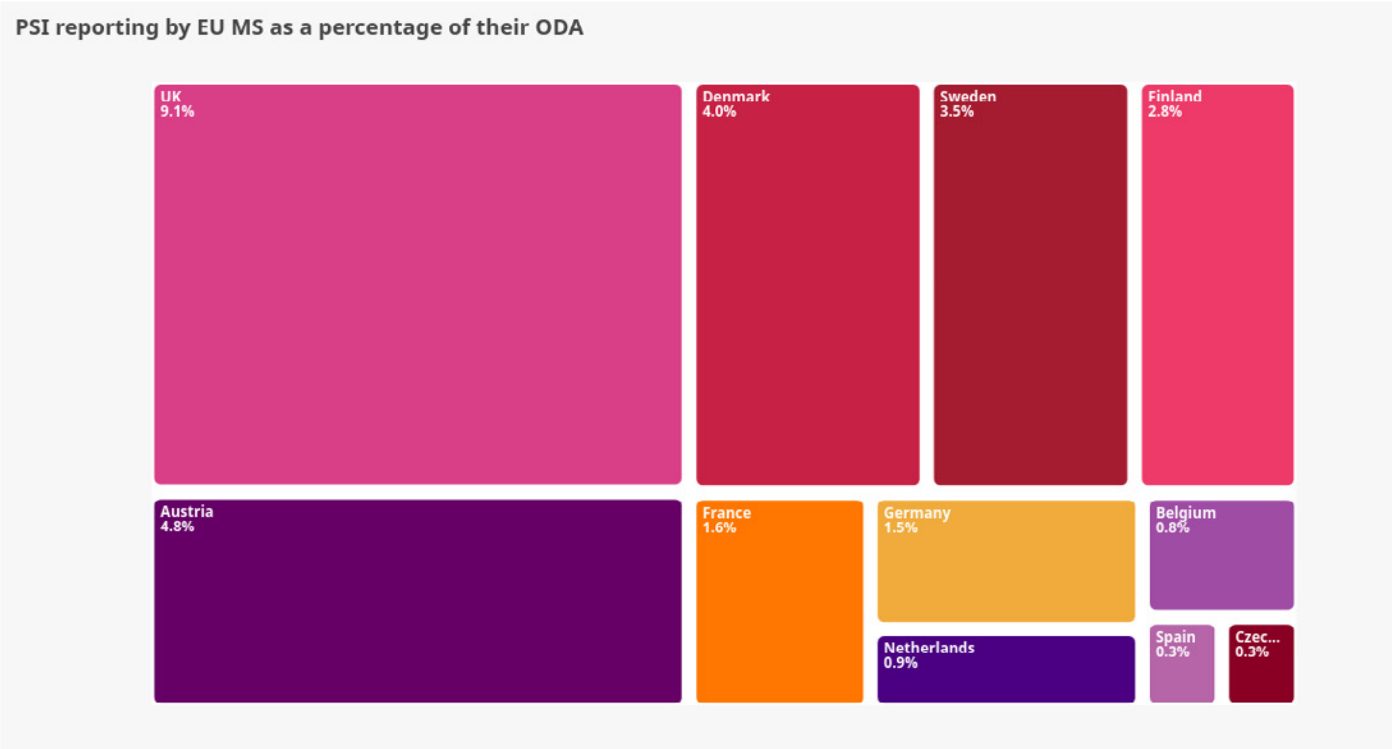
Chart 9. PSIs of EU MS and UK (2023 - 2024, in EUR million absolute terms)



Source: authors, all data from OECD DAC Explorer / CRS.

20 years

Chart 10. PSI reporting by EU MS as a percentage of their ODA (2024)



Source: authors, all data from OECD DAC Explorer / CRS.

In-donor refugee costs

In-donor refugee costs represent another key component of inflated ODA as an item that does not meet criterion 4 (the motivational test) of the ODA definition, for the fluctuations in overall ODA levels they produce, and for the different, incomparable reporting practices by provider countries resulting in incomparable data.

What is the reason for exclusion?

Costs from official budgets for the basic sustenance of refugees and asylum seekers arriving in DAC or EU countries do not meet the motivational criterion for ODA and do not derive from development cooperation commitments but from international and regional conventions on human rights. These obligations would be there even if development cooperation did not exist, **the claim that coverage of such costs from official budgets has development as its main objective therefore is not credible**. Moreover, **in-donor refugee costs are not managed by development cooperation agencies and both ODA policies and quality assurance measures cannot effectively be applied to them by cooperation agencies.**

What other problems arise?

- In-donor refugee costs inflate ODA not only because they fail the motivational test but also because of their **budgetary and statistical impacts**. Their high and fluctuating shares in both DAC-and EU ODA (see table below) depend on annual refugee inflows, producing unpredictable ODA levels. **This unpredictability undermines the planning and effectiveness of development efforts.**
- From a **provider perspective**, the effects differ by budget system. In a minority of countries with fixed ODA budgets aimed at 0.7%, large refugee costs cause **severe cutbacks in bilateral programmes**, leading some to abstain from reporting or to limit reported costs. In the majority, which lack a fixed 0.7% budget but often set smaller core development budgets, the **full eligible costs are reported. This allows them to present higher ODA/GNI ratios without raising development cooperation budgets – undermining the progress towards 0.7%.**

What are the numbers and what do they tell us?

For DAC EU countries, the share of in-donor refugee costs was **about 16% of total ODA in 2024**, a slight reduction from about 18% in 2023.

The scale of in-donor refugee costs in reported ODA has a substantial impact on overall figures. Their share fluctuates strongly with migration inflows and reporting practices, which makes them both politically sensitive and statistically problematic. The following data illustrate how significant these costs remain for DAC and EU MS, and how uneven the reporting continues to be.

Table 7. The detailed picture on In-donor Refugee costs per EU MS (2018 - 2024, EUR Millions, constant)

ODA (grant equivalent) In-donor Refugee Costs EUR million, constant							
Donor / Year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Austria	62.00	32.05	30.82	59.63	376.63	265.71	88.93
Belgium	245.94	143.55	135.16	236.68	317.84	331.48	404.45
Denmark	63.75	53.60	54.36	55.99	325.98	255.74	156.48
France	778.97	1,224.44	1,181.69	1,063.05	1,531.56	1,185.12	1,019.24
Germany	3,942.16	3,194.67	2,672.61	2,601.71	4,853.63	6,738.30	5,347.61
Italy	1,085.60	447.99	222.99	515.29	1,489.02	1,485.36	1,497.22
Netherlands	600.64	528.65	577.13	392.86	965.22	1,199.08	1,182.56
Portugal	9.65	8.04	9.83	10.52	14.45	8.44	19.67
Sweden	478.20	254.22	138.20	73.77	359.61	234.62	110.30
Finland	55.87	91.30	58.56	63.72	405.02	230.74	234.29
Ireland	54.86	83.30	37.21	47.25	1,189.13	1,362.41	850.80
Luxembourg		0.26	0.16				0.00
Cyprus			0.04				0.00
Greece	26.95	136.70	80.63	34.85	73.51	46.42	0.00
Malta	16.10	23.24	39.18	37.57	34.73	40.58	0.00
Spain	273.21	309.03	194.84	218.31	915.86	294.76	362.55

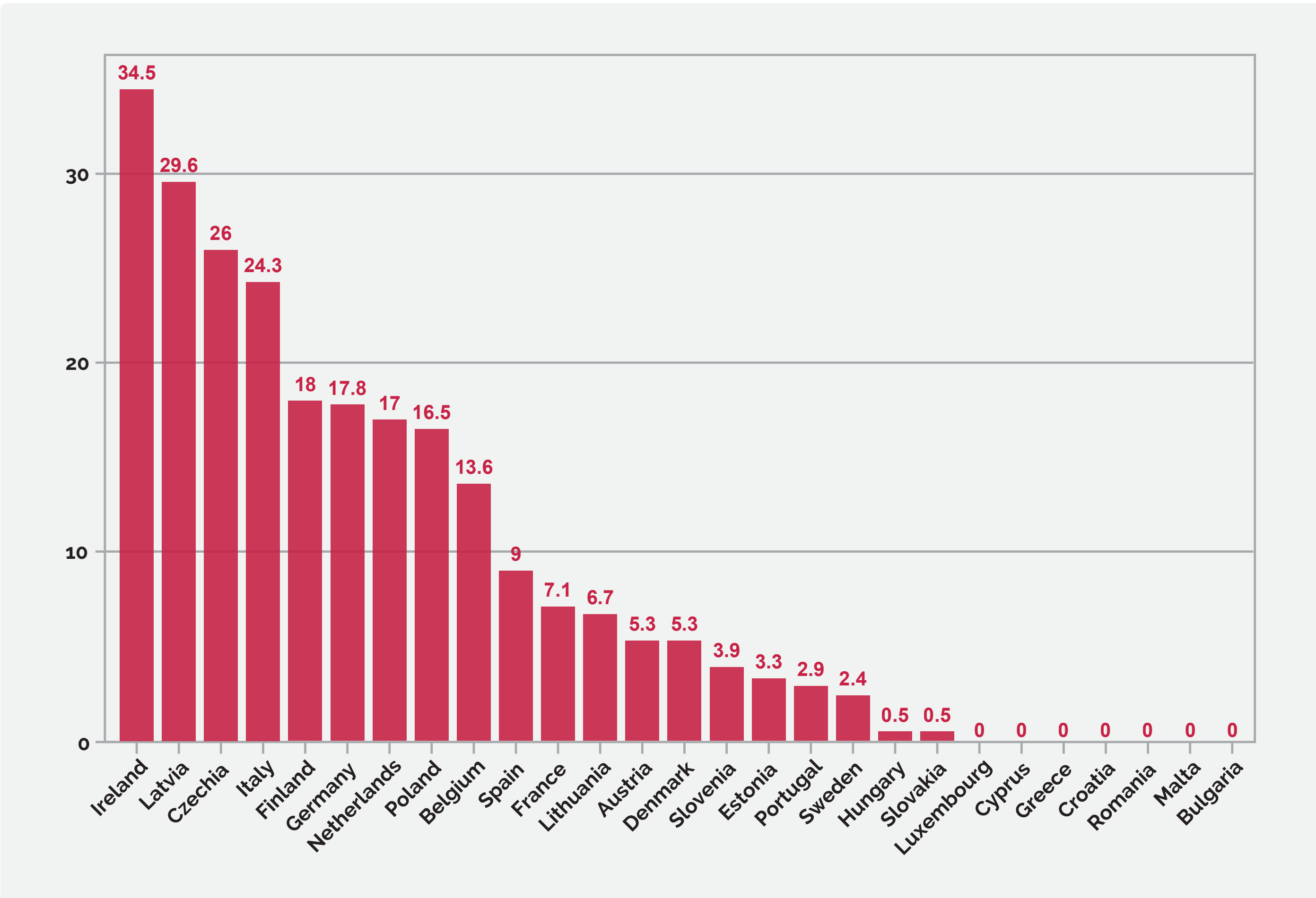
Slovenia	2.58	2.44	2.85	2.31	26.78	16.59	5.98
Croatia		4.69	2.62	2.15	38.17	29.50	0.00
Czechia	30.02	7.46	6.51	6.82	679.77	386.85	137.67
Slovakia	0.85	0.97	1.03	1.21	1.38	1.44	0.85
Bulgaria	0.00	5.37	5.66	6.88	116.74	22.19	0.00
Hungary	4.01	0.56	2.92	1.43		1.83	0.85
Poland	6.82	6.56	7.38	17.37	2,363.00	1,230.71	315.52
Romania	0.54	0.46	0.54	0.48	16.37	105.62	0.00
Estonia	3.15	0.76	0.70		140.95	31.24	2.56
Latvia	1.26	1.17	1.07	1.80	67.85	40.93	30.79
Lithuania	1.45	1.53	1.42	2.05	76.80	32.61	11.97
Total	7,744.61	6,563.00	5,466.10	5,453.70	16,380.04	15,578.26	11,780.29

Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS, DAC Press Release DCD(2025)6, Table 4.

EU Member States ranking highest in 2024 for their share of in-donor refugee costs in total **ODA: Ireland (34.5%), followed by Latvia (29.6%), Czechia (26%) and Italy (24.3%). Luxembourg took the political decision not to report in-donor refugee costs at all and Greece has not (yet) reported.**

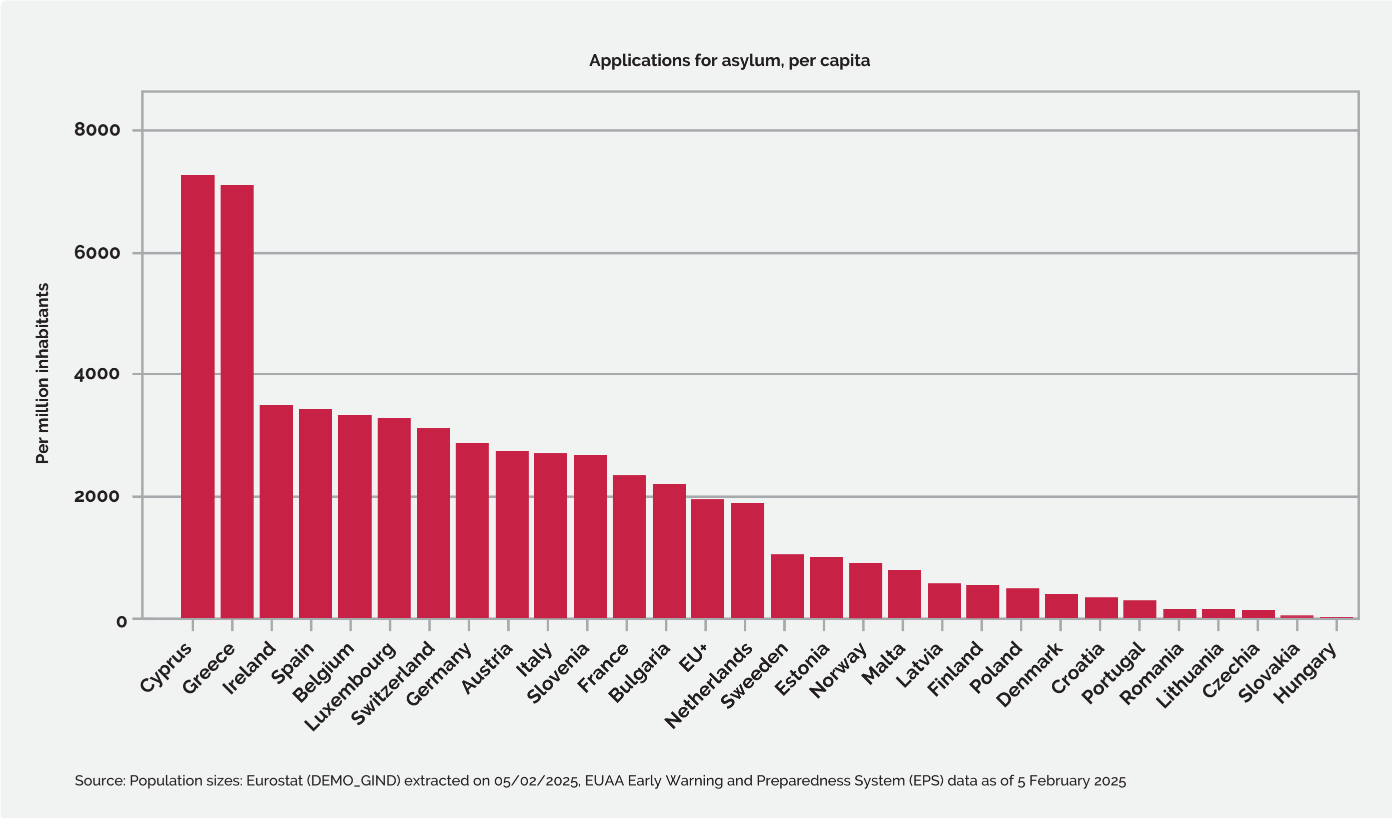
The amount of in-donor refugee costs is also interesting because reported ODA does not always coincide with the figures for asylum applications in 2024. In absolute numbers, Germany (237.314) is ahead of Spain (165.767), Italy (158.867), France (158.730) and Greece (73.688). In applications per million inhabitants, it is Cyprus followed by Greece, Ireland, Spain and Belgium that score highest. Although asylum applications per year are not the only indicator for in-donor refugee costs, the comparison with applications is relevant because of the 12-month rule. Except for Ireland, the countries with the highest per capita application numbers are not among the five top in-donor refugee cost reporting countries. An additional observation of significance is that, despite several attempts in the DAC to harmonise reporting on in-donor refugee costs, progress made in this respect is quite limited, and comparability of reported amounts remains poor.

Chart 11. In-donor refugee costs as a percentage of ODA (2024)



Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS, DAC Press Release DCD(2025)6.

Chart 12. Applications for asylum per million habitants (2024)



Source: Latest Asylum Trends 2024 - Annual Analysis | European Union Agency for Asylum, p. 12.

Overall, EU Member States show significantly higher shares than the approx. 9.1% average of the other DAC members (excluding UK). Almost one sixth of all EU MS ODA is used to cover domestic costs for refugees and asylum seekers in EU countries. The figure for the UK in this regard is even higher at 20.1% of total UK ODA in 2024. **In this sense, not only is the inclusion of in-donor refugee costs in ODA inflating the concept, but there is also the very real risk that EU MS are exaggerating the costs reported compared to other non-EU donors' reporting.**

Imputed student costs

Imputed or indirect student costs may be calculated, and reported as ODA, for students from partner countries studying at tertiary education institutions in DAC member countries with non-fee charging higher education systems or where fees do not cover the cost of tuition[73]. This is another case where inclusion in ODA (1984) was disputed for a long time. The reason was that these costs were perceived as a response to general political considerations or policies related to education, rather than a specific development concern[74]. For the sake of compromise, an additional provision was agreed: these costs are ODA-eligible only if the "the presence of students reflects the implementation of a conscious policy of development cooperation by the host country".

[73] According to OECD/DAC Statistical Directives
[74] See Scott, Hynes, 2021: 256.

What is the reason for exclusion?

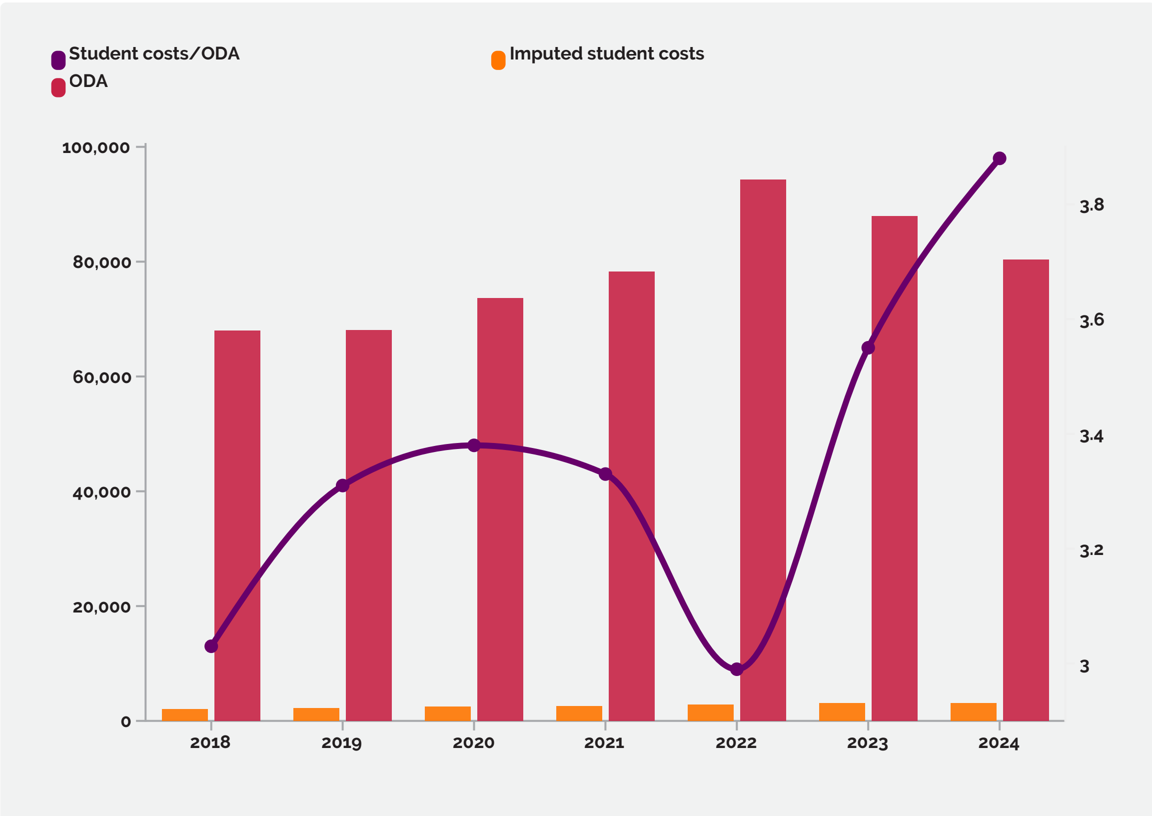
The implementation of a conscious policy of development cooperation is not clearly traceable in all member countries reporting these costs as ODA, even if this is required, and therefore they do not meet the motivational test. Usually, these costs are outside the agencies' sphere of influence. In addition, these are not direct expenses, but virtual costs derived from a computational model when exempting students from partner countries from tuition fees or charging less tuition than required to cover real costs. There might be some benefit for recipient countries, which depends on the rate of return of students to their home countries (facts unknown), but economic development and welfare of ODA recipients can hardly be proven to be the main objective for hosting the students, but a secondary goal at best.

What other problems are there?

Same as for in-donor refugee costs, there is a comparability problem. Imputed student costs are reported only by some DAC or DAC EU members, and not all reporting countries use the same calculation procedure. Moreover, the reporting directives only provide a general framework for calculating costs, and in practice it is unfeasible to verify whether reporting is in line with the rules.

What are the numbers and what do they tell us? Traditionally, there are only four EU MS in which these costs reach a significant level (DE, FR, AT, PL) and four others that don't report such costs at all (SL, PT, IT, LV). **For 2023, their share was 3.5% of total EU MS ODA.** Given that no figures are yet available for 2024, AidWatch has carried over last year's figures and compared them to current ODA figures.

Chart 13. Imputed Student costs EU MS (2018 - 2024, EUR Million current)[75]



Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS, DAC Press Release DCD(2025)6.

[75] 2024 = projection.

Debt relief

Debt relief, on both former ODA lending and former non-ODA lending, is a component that should be excluded from ODA. **While debt relief can have developmental value, especially when freeing up fiscal space for low income countries and highly indebted countries,** it is not right to include it in ODA for the reasons given below.

What are the reasons for exclusion?

Since 2018, ODA loans are reported on **a grant equivalent basis**, with their concessional share counted upfront. Because the **risk of default** is already factored in through arbitrarily set discount rates, subsequent debt relief on these loans constitutes **double-counting**: donors are credited once when loans are extended and again if default occurs, inflating ODA figures.

For **non-concessional lending** (mainly export credits), debt relief is even less defensible. Such loans were commercially motivated, may already have generated profits, and defaults are covered by **market-based insurance premiums**, not public budgets. Including this in ODA is unjustified and does not entail donor effort.

Much debt relief is also a **paper transaction**, particularly for long-overdue debt unlikely to be repaid. These cases, often processed through **Paris Club procedures (see box below)**, are essentially write-offs. DAC directives exclude unilateral write-offs.

Counting debt relief as ODA not only overstates aid but also risks encouraging **risky or non-concessional lending** while enabling donors to **hide cuts or claim false increases** in ODA.

What other problems are there?

The new DAC debt relief reporting rules makes ODA figures less transparent and harder to compare from year-to-year[76]. Moreover, voluminous debt forgiveness of former non-ODA lending, mostly export credits, leads to pronounced spikes in the ODA curve. The Iraq and Nigeria debt relief of 2005-2007[77] is a prominent past example. **To see "real ODA", even the DAC regularly produces ODA charts from which debt relief is excluded.** Some provider countries (e.g. Norway) have abstained from reporting such transactions as ODA, which is laudable but impacts on the comparability of ODA results among donors.

What are the numbers and what do they tell us?

While debt relief from ODA and non-ODA loans have not represented the largest amount in monetary terms over the last five years, it is nevertheless a significant component of ODA. **Overall, debt relief in both categories accounted for only 0.2% of ODA in 2024 and 0.1% in 2023. The largest debt relief in 2024 was reported by France, followed by Denmark and Italy. In 2023, it was Germany, followed by Denmark and again Italy.**

Despite the present inconspicuousness of debt relief figures, looking into the future, this component has the potential to push total ODA and ODA/GNI ratios up, thus helping to hide cuts in bilateral core budgets. An example: when the Sudan debt relief case – presently on hold for political reasons – receives the go-ahead in the Paris Club, Austria will be able to

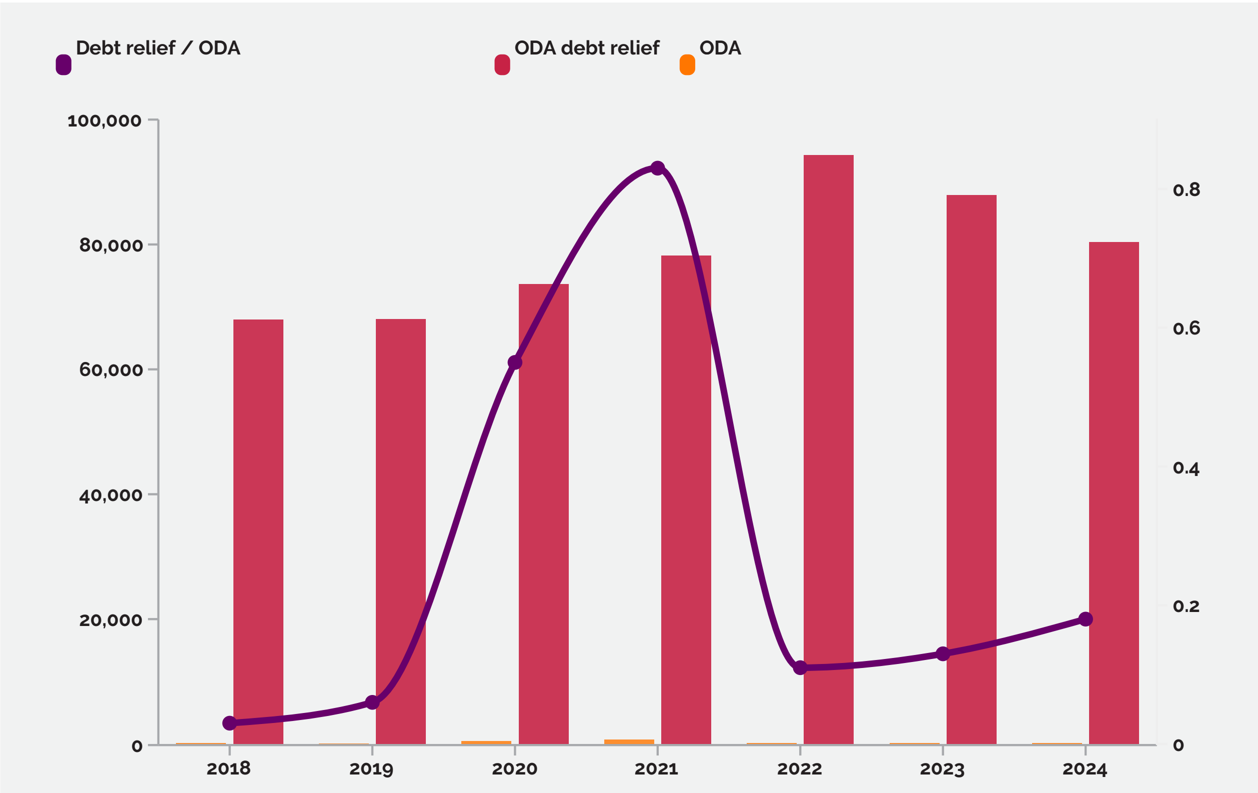
[76] See Ritchie E. (2020), New DAC Rules on Debt Relief – A Poor Measure of Donor Effort.
[77] See Fig. 3 in Scott & Hynes.

report about EUR 4 billion in ODA for debt relief on former export credits, while not paying a single Euro from official budgets to cover the costs of default in this case (all costs are covered by premiums collected from exporters)[78]. **The figure of EUR 4 billion means almost three times the total ODA of Austria in a reporting year, without requiring budgetary spending, and this is in conformity with DAC ODA reporting rules.**

Box 9. Debt relief through Paris Club Procedures

Paris Club procedures are a set of informal but structured rules that guide how official creditors (mostly Western governments) work together to provide debt relief to countries in financial distress. They negotiate collectively with the debtor country to reschedule, reduce, or cancel public or government-guaranteed debt, based on agreed principles like consensus, conditionality (usually involving the IMF), and comparability of treatment[79].

Chart 14. Debt relief by EU MS (2018 - 2024, EUR million, current)



Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS, DAC Press Release DCD(2025)6.

[78] Facts confirmed by Austria's Finance Ministry in response to a parliamentary query.
[79] For further details see Nuscheler F. (2005), Entwicklungspolitik, pp. 363ff and Ritchie E. (2020), New DAC Rules on Debt Relief – A Poor Measure of Donor Effort.

20 years

ODA loans

ODA loans principally meet the ODA definition but are overcounted by methodological choices. Therefore, this component should be partially excluded from ODA.

What is the reason for exclusion?

Overcounting of ODA in loans results from arbitrary, exaggerated discount rates used in the calculation of the grant equivalent. The discount rates fixed by the DAC in 2014[80] (and not revised since) do not reflect reality because they are generally too high and take no account of market rates or variations over time, the duration of loans, or differences between currencies. Donor effort looks bigger than it really is, and ODA loan-extending countries can score high ODA while recipients repay most of the loans and lenders suffer little to no default.

Quantification of the inflated share in ODA lending for exclusion from ODA is complex and difficult, as it requires identification of the "right" discount rate for each type of loan and each recipient country. Calculation of inflated shares in ODA loans in the AidWatch reports has been based on work by Euan Ritchie and Steve Cutts.

What other problems are there?

The new quantitative definition of "concessional in character" for ODA loans – which replaced the former requirement of 25% grant element at a flat discount rate of 10%[81]– measures different levels of concessionality for different income groups of ODA recipients and assigns the highest discount rates to Least Developed Countries "to incentivise lending to LDCs". While this is a noble intention, it distorts the real degree of concessionality, and thus donor effort – the measure of ODA. A political rather than a statistical (methodological) incentive would be preferable.

An even higher risk margin was included in the discount rates for private sector loans, which leads to the odd situation that a sovereign loan with identical characteristics (same duration etc.) as a private sector loan to the same recipient country scores less ODA than the PSI loan. The expected result is that providers will tend to extend PSI loans rather than soft, direct loans government-to-government.

[80] DAC High Level Meeting 2014 Communiqué.

[81] This former requirement did not impact directly on ODA amounts, since ODA loans were recorded in the cashflow system as capital outflows minus loan repayments in a given year, which over time resulted in Zero ODA for a fully repaid loan. In the grant equivalent system, the new concessionality definition impacts directly on ODA results for loans in each year of loan disbursements.

Box 10. France's ODA loans overcounting practice

France even takes the overcounting of donor effort in ODA loans as a performance indicator. In annual budget documents France highlights the "leverage effect" of these loans, defined as the number of euros of ODA they score each year per euro of real financial effort:

France thus admits that the new ODA rules score a substantial multiple of the real budgetary effort in its loans. And the exaggeration would be even greater in the case of another major loan-extending EU country: Germany, whose cost of funds is lower than France's. **This reporting rule arrangement, i.e. being able to score ODA with no or little donor effort, will, of course, lead to ODA spending through financial instruments that benefit the donor but entail great disadvantages for recipient countries: debt burden among others.**

Debt burden is one of the greatest hindrances to social welfare and economic development. In many fragile or low-income countries lending has increased debt vulnerabilities, diverted public funds from services to debt repayments, and often been poorly aligned with national development strategies.

What do the numbers tell us?

The data are based on a calculation methodology developed by development scholar Euan Ritchie. Given the lack of data deriving from an assessment of new loans extended in 2024, the figure from 2023 has been carried forward to 2024, with the caveat that judgements based on these preliminary figures are not fully justified. **On this basis, inflated ODA reported from loans of all EU MS in 2023 and 2024 would reach 1.5% of their combined annual ODA. While this does not represent a major share of ODA, it is not a negligible amount either**, and needs to be addressed, even though the figures have fallen from 3.5% in 2020 to 1.5% in 2023 and 2024.

Chart 15. Inflated ODA reported from loans by EU MS (2018 - 2024, EUR million, current)

Source: authors, DAC Secretariat file 4 Sept 2025 with CRS and DAC1 data sets and from OECD DAC Explorer / CRS, DAC Press Release DCD(2025)6.

Box 11. Do discount rates cause ODA inflation?

Although the DAC Secretariat downplays their impact, Simon Scott has proved that discount rates are key to grant equivalent calculation. The DAC's chosen rates, unrevised since their creation, do inflate ODA. A realistic base discount rate should reflect the cost of borrowing for the lending government, which differs from provider government to provider government. And, if risk-adjusted discount rates are used, a realistic risk margin added to the base rate would reflect the country risk of the borrowing government (OECD as well as other organisations offer country risk assessments). **Instead, the DAC built its discount rates differently: it devised a 5% base rate, which is higher than the borrowing costs for most DAC members and DAC EU members (many can borrow at around 2% to 3%) and then added risk margins differentiated by income group of the recipient country, but not based on any of the available country risk assessments.** The combination of high base rate plus excessive risk margins leads to overstated discount rates and in sum to ODA inflation in the rubric "ODA loans". The DAC justified this as an incentive to lend to low-income and LDCs. Yet offering inflated ODA credit for cheaper-than-reported loans is itself an admission that ODA figures are being overstated and inflated.

20 years

3 The gap between EU development objectives and where ODA goes

The inconsistency between EU development goals and actual spending targeting is what AidWatch names 'diverted ODA'. Even when EU ODA is not inflated, it risks losing legitimacy and effectiveness if it fails to align with its own stated and the EU's development objectives. This makes the EU and EU MS look inconsistent and self-serving, undermining trust, credibility and the integrity of their commitments.

The analysis focuses on three key areas assessed against EU's development cooperation objectives:

- Poverty reduction and equality between countries.
- Tackling inequality within countries, with particular attention to gender equality and disability inclusion.
- Climate finance.

EU development cooperation policies and strategies

The legal basis for European development cooperation is defined in **Article 208 (1)** of the Treaty on the Functioning of the European Union (TFEU), which sets the **eradication of poverty** as its primary objective. Additionally, Article 21 (1) of the TFEU states that all EU external action, including development cooperation, must be guided by the principles of **democracy, rule of law, human rights, human dignity, equality, solidarity and adherence to the UN Charter.** These principles not only shape what the EU declares as development cooperation, but also define the **development motivation** that must underpin ODA.

Within this framework, the **Global Gateway**, launched in 2021, has become the EU's key international investment strategy, aiming to mobilise up to EUR 300 billion by 2027. According to official documents, the Global Gateway supports sustainable development[82], including investments in digital connectivity, climate, health and education. Its 360 approach aims at ensuring that environmental, social and governance (ESG) concerns are adequately addressed[83]. However, the Global Gateway strategy is clearly designed to position the EU as **a geopolitical actor and alternative to China's Belt and Road Initiative**, blending the EU's development policy with its geostrategic and economic interests[84].

This has raised concern among CSO and development experts that **ODA may be increasingly directed toward projects that reflect EU short-term self-interest, rather than poverty reduction or addressing inequality.** Recent reports found out that only a fraction (16%) of Global Gateway projects invest in key development sectors like health, education and research and most of the projects (60%) benefit European companies such as Siemens and Suez[85].

[82] See also Global Gateway overview - European Commission.
[83] I.e. by accompanying investments with supporting enabling environments (inc. regulatory frameworks, ESG standards), screening all projects against six key principles (among which democratic values or equal partnerships), and by reflecting EU values such as gender equality and human rights in all initiatives.
[84] See the report prepared by Eurodad, Oxfam and Counter Balance on "Who benefits profits from the Global ateway",
[85] See Eurodad (2024), Global Gateway risks diverting EU aid budget to big business - Eurodad.

The situation risks worsening as investments prioritise large-scale infrastructure and EU commercial partnerships over poverty reduction efforts that reach the most marginalised[86]. The limited transparency in how Global Gateway projects are designed, decided and implemented, also raises concerns about:

1. **Fair competition and procurement:** the risk that EU companies will have an unfair advantage, contradicting OECD DAC's push for untied aid and;
2. **Accountability and effectiveness:** Lack of transparency makes it harder to track whether funds are being used efficiently, delivering sustainable impact and allocated according to ODA's primary objective and criteria, including respect for development objectives.

Against this backdrop, it is essential to assess the extent to which EU institutions and MS are allocating ODA in ways that respect EU's development legal commitments **and whether flagship initiatives like the EU's Global Gateway respect the development-first logic that underpins the definition and integrity of ODA.**

3.1 EU ODA doesn't reach those left furthest behind

The Neighbourhood, Development and International Cooperation Instrument – Global Europe **(NDICI–Global Europe)**[87] provides specific guidance on how EU ODA should be allocated. Under its current legislative framework, it includes two key financial commitments:

- **0.20% of EU GNI as ODA to Least Developed Countries (LDCs) by 2030;**
- **20% of bilateral ODA for social inclusion and human development sectors** (e.g. health, education, social protection).

These commitments are important because they aim to operationalise the core objective of EU development cooperation: **reducing poverty and inequality.** If fully implemented, they could help address both inequality between countries and within them. **The following sections assess whether EU ODA is in fact aligned with these principles and whether its allocation reflects the needs of the most marginalised and LDCs.**

3.1.1 Poverty reduction and equality between countries

EU Institutions and EU MS have repeatedly committed to allocating between **0.15% and 0.20% of GNI** to **LDCs** by 2030. However, in 2023 – the most recent year for which data are available – EU ODA to LDCs amounted to just **0.12% of GNI**, or **EUR 13.9 billion** (USD 15 billion). This falls well short of the 0.15%–0.20% range and represents an **underperformance**. In absolute terms, EU ODA flows to LDCs rose slightly to **EUR 17.6 billion** (USD 19 billion), but this increase merely **kept pace with inflation** and did not translate into any real growth in development support.

Among EU Member States, only **Denmark (0.15%), Germany (0.21%), Sweden (0.30%) and Luxembourg (0.42%)** met the target[88]. All others fell short – calling into question the seriousness of their poverty reduction commitments. This gap becomes even more concerning when one considers that the **share of EU ODA to LDCs has stagnated in real terms since 2021**, and that at the same time, **Global Gateway loans to upper-middle-income strategic partners increased by 23% in 2024.**

[86] See AidWatch 2024, Section 2.3, for a discussion of ODA being increasingly channelled toward EU strategic priorities – including border management, trade, and security cooperation.
[87] See NDICI – Global Europe - European Commission.
[88] Source: OECD Data explorer. The figures include bilateral contributions and imputed multilateral shares to LDCs.

Such trends appear misaligned with the EU's rhetoric, including its statement at the **2025 FFD4 conference in Sevilla:** "We acknowledge the urgency of undertaking sustained efforts to reverse declining trends in ODA and urge developed countries to scale up and fulfil their respective ODA commitments, including the longstanding commitment by most developed countries to achieve the targets of 0.7 % of GNI for ODA to developing countries, and between 0.15% and 0.2 % of GNI for ODA to LDCs. We emphasise the need to preserve the concessional character of flows reported as ODA"[89].

To further assess the EU's alignment with its own stated development objectives, we examined how its ODA was allocated across countries grouped by their **Inequality-adjusted Human Development Index (IHDI).**

According to **2023 IHDI data:**

- **45%** of EU ODA went to **medium-HDI countries**,
- **36%** to **high-HDI countries**, and
- **14%** to **very high-HDI countries**.
- Just **4%** of total EU ODA was directed to **low-HDI countries**, which typically include LDCs and the world's most marginalised populations.

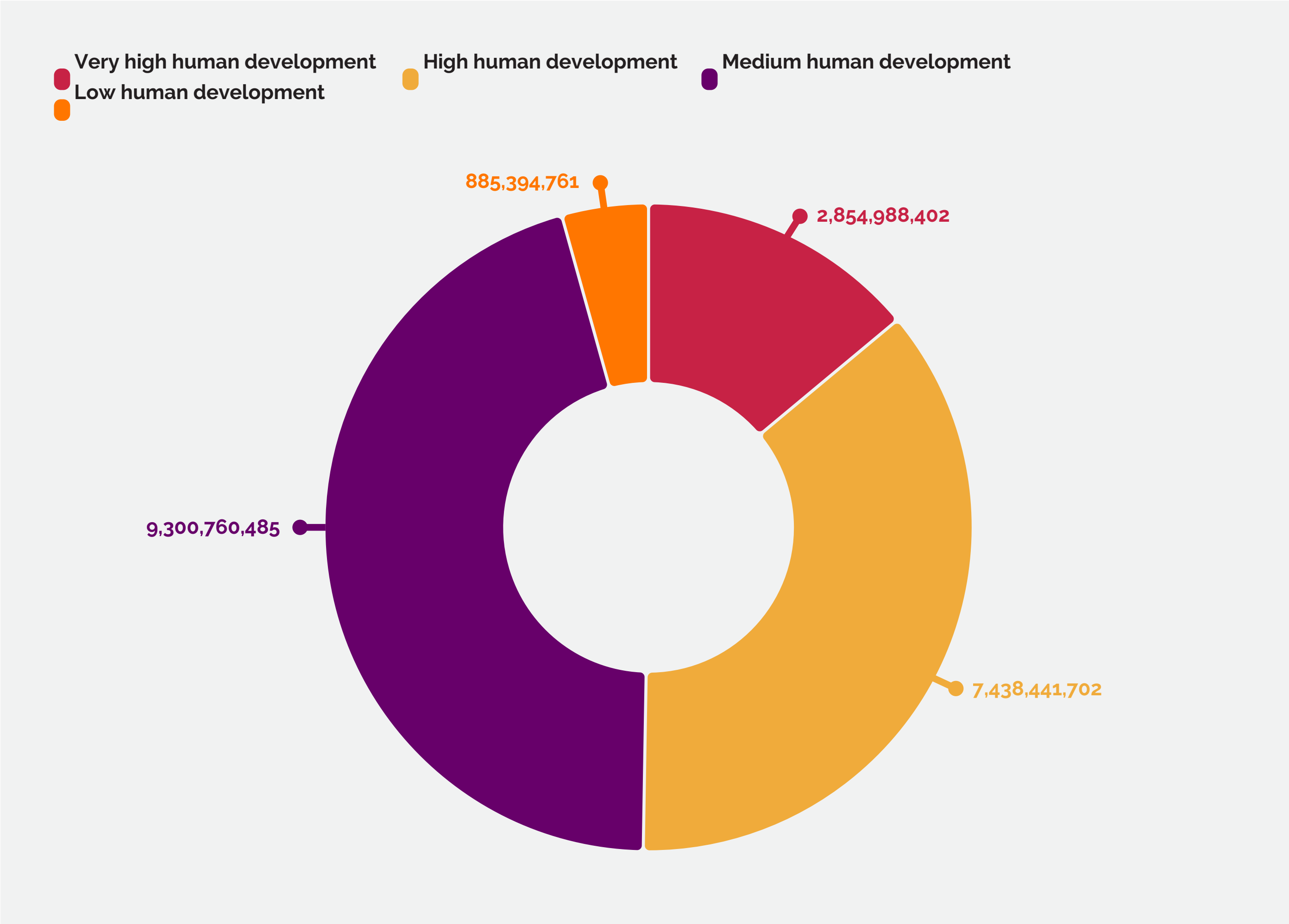
Table 8. EU ODA to country categories based on the IHDI (2023, EUR Millions, constant)

IHDI	Number of recipient countries	Income category	EUR Millions constant, 2023	% of EU ODA total
Very high human development	13 countries	13 UMICs	2,854,988,402	14
High human development	50 countries	33 UMICs, 17 LMICs	7,438,441,702	36
Medium human development	43 countries	7 UMICs, 15 LMICs, 20 LDCs, 1 LIC	9,300,760,485	45
Low human development	26 countries	25 LDCs, 1 LMIC	885,394,761	4
	Total		20,479,585,350	100

[89] See Compromiso de Sevilla for action 16 June.pdf.

20 years

Chart 16. EU ODA to country groupings based on the IHDI (2023)



These figures suggest that **EU ODA is not consistently reaching those left furthest behind** – a contradiction of the development-first rationale underlying ODA. This shortfall is especially concerning when viewed alongside the large share of ODA going to **strategically important, high-HDI countries.** For example:

- **China and Ukraine** (both high-HDI countries) received **36%** of EU bilateral ODA.
- **Türkiye and Serbia** (very high-HDI countries) together absorbed another **14%.**

Similarly, when measured against the EU's self-imposed[90] **20% target for bilateral ODA to social inclusion and human development sectors**, performance again falls short. According to **OECD DAC data**, only about **13.6%** of bilateral EU ODA was directed to key social sectors such as: "health, education", water supply and sanitation, population policies/programmes and reproductive health and other social infrastructure and services. These allocation patterns suggest that **geopolitical considerations, migration management and commercial interests** often outweigh development needs when EU ODA is disbursed. **In short, the EU's own development targets and policy rhetoric often fail to align with its spending practice, revealing a persistent misallocation of ODA that does not prioritise LDCs or sectors most critical to inclusive human development.**

[90] Note that the commitments under NDICI–Global Europe (2021–2027) apply specifically to the EU institutions' ODA.

3.1.2 In-country inequalities and human rights, including support for gender equality and persons with disabilities

Assessing EU ODA against development goals means analysing whether it helps tackle inequalities within countries and supports the human rights-based systems needed for inclusive human development. **This section examines these aspects ex post, based on where EU ODA flows have gone and whether they align with EU objectives on inequality, human rights, and civic space.** The section concludes with a case study from Bolivia, examined from an EU's perspective.

Ensuring ODA reaches the most marginalised populations within countries is a remaining challenge. There is evidence to show that, without a specific focus on inequalities in-country, ODA is unlikely to tackle them effectively[91].

The adoption by the EU of the Inequality Marker (I-Marker) in 2023 was therefore a step in the right direction. According to European Commission figures, **62% of all new projects funded by INTPA in 2024 had a focus on tackling inequalities (scores I-1 or I-2), up from 59% in 2023[92]. Yet, to date no Distributional Impact Assessment has been conducted**, despite this being the most innovative and only truly empirical tool introduced by the I-Marker, which reflects the very few human and financial resources devoted to its implementation.

While many EU MS identify tackling inequalities among their priorities, only some of them had actual tools in place to target and track inequality reduction the last time CONCORD researched this[93]. To this day, only **two EU Member States have adopted tools equivalent to the EU's I-Marker, France and Spain.**

ODA, human rights and civic space in a fragile world

Human rights and support for civic space are positively associated with equal opportunities and equal access to services[94]. Furthermore, the EU's development policy objectives explicitly link sustainable development with the protection of **human rights, democracy and civil society[95]**. This analysis considers **whether ODA flows align with EU commitments to promote human rights and civic space.**

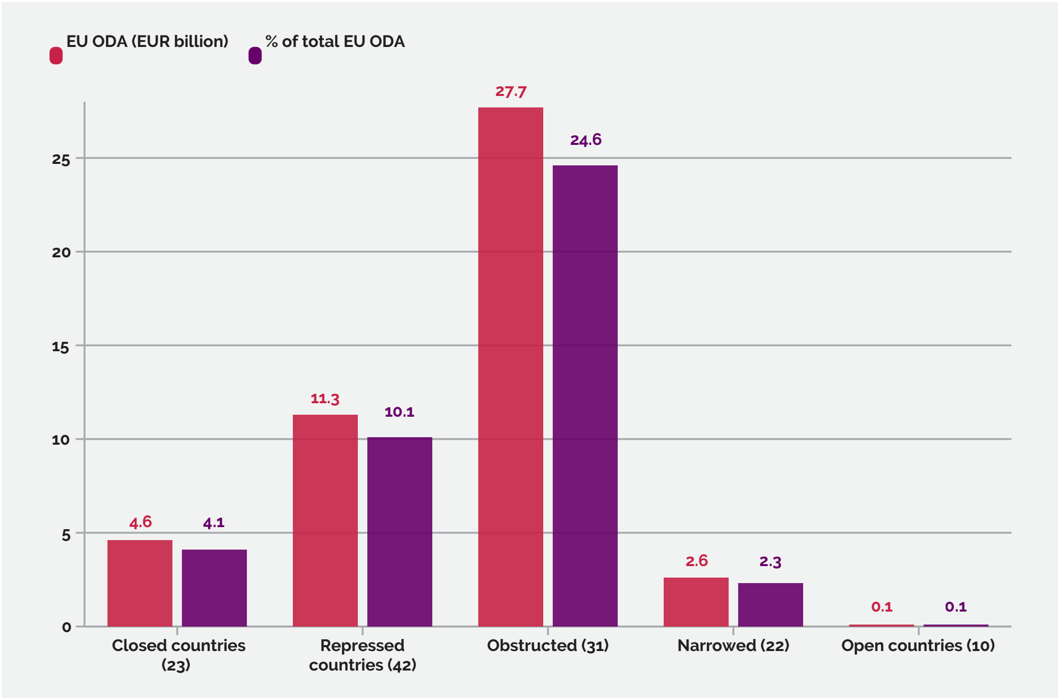
ODA can play a critical role in delivering essential services like health, education, and social protection, which are vital for building resilience and addressing the root causes of fragility, if allocated according to its criteria and development goals[96]. The OECD DAC explorer data and **Civicus Monitor classifications (2023)[97]** show that a large share of EU ODA goes to countries with r**estricted civic space, which is a positive finding.** A closer look reveals that:

- **EUR 43.6 billion (38.8%)** of EU ODA in 2023 went to countries classified as *closed, repressed, or obstructed*[98];
- the largest share of which (**EUR 27.7 billion / 24.6%**) went to *obstructed* countries.
- Only **EUR 87 million (0.1%)** went to countries classified as *open*.

[91] https://www.devex.com/news/opinion-measuring-aid-s-distributional-impact-will-reduce-inequality-106020.
[92] https://www.instagram.com/p/DKd-FOLNIz6/?igsh=ZXhsNDVhZXRhbzE1&img_index=1
[93] https://concordeurope.org/resource/the-road-to-equality/.
[94] The promotion of the right to health (Art. 12 of the International Covenant on Economic, Social and Cultural Rights), for example, can have an obvious direct positive impact on equal access to services as it requires health facilities, goods and services to be accessible to everyone without discrimination, within the jurisdiction of the State Party of the International Covenant on Economic, Social and Cultural Rights (ICESCR).
[95] See e.g. the European Consensus on Development (2017), par. 11: "In line with the objectives set out in Article 21(2) TEU, development policy also contributes, inter alia, to supporting democracy, the rule of law and human rights". Or more recently, c.f. European Council (2024), Council Conclusions on the alignment of the EU Action Plan on Human Rights and Democracy 2020-2024 with the Multiannual Financial Framework 2021-2027.
[96] C.f. also States of Fragility 2020 | OECD.
[97] Data - Civicus Monitor; OECD Data Explorer | OECD
[98] Obstructed: Civic space is heavily contested by power holders, who impose a combination of legal and practical constraints on the full enjoyment of fundamental rights. Repressed: Civic space is significantly constrained. Closed: There is complete closure - in law and in practice - of civic space. See more details on the classifications: Ratings - Civicus Monitor.

This distribution seems logical as around **three quarters of ODA-eligible countries** fall into one of these restricted categories, including major recipients such as **Ukraine.** Many of these countries are also categorised as fragile contexts[99].

Chart 17. Overview of EU ODA to repressed and other categories of countries (2023, EUR billion)



Source: authors based on OECD Data Explorer and Civicus Monitor.

However, this positive finding leads to a counterproductive figure after analysing the sector allocation. **In 2023, only 4% of EU ODA to countries with restricted civic space supported good governance, human rights, or civil society**. Despite these being essential for accountability, supporting marginalised groups, and building inclusive societies. Neglecting them makes EU ODA less effective and sustainable.

Box 12. Eligibility of human rights activities as ODA: an ongoing process to monitor

As stated in the Human Rights and Democracy Network statement, any initiative to clarify the eligibility of human rights activities for ODA should seek to attempt the recognition of human rights in development with an aim of strengthening human rights rather than seeking its exclusion from the development agenda. The realisation of human rights is not just a goal, but a lever for sustainable development. This complementarity is also at the heart of the Agenda 2030, which makes fundamental rights a prerequisite for shared, sustainable prosperity[100].

[99] See States of Fragility 2025 | OECD.
[100] See Draft OECD DAC guidelines - Eligibility of human rights activities for ODA (DCD/DAC/STAT(2025)31), HRDN statement, 1 Sept, 2025.

Gender equality and support to marginalised groups, including persons with disabilities

The gap between commitment and delivery in the EU's gender equality spending

Gender equality is a central pillar of the EU's development agenda. Spending in gender equality is a key enabler for ensuring that EU ODA delivers against its objectives, including poverty and inequalities reduction. With the launch of the **Gender Action Plan III (GAP III)** (2021–2027)[101], consolidated by the **EU Gender Equality Strategy** (2020–2025)[102], the EU set clear targets to integrate gender across external action. The headline GAP III objective is that **85% of all new external action initiatives** should contribute to gender equality by 2025, with at least **5% classified as gender-principal.** These efforts are intended to prioritise gender equality across external action and promote intersectional approaches tailored to varying contexts. Key priorities of the GAP III include a) ending gender-based violence as well as advancing sexual and reproductive health and rights (SRHR); b) strengthening economic and social rights, including equal access to jobs, education, and social protection; c) promoting equal participation and leadership.

One way to assess the EU's progress toward these goals is to examine the **EU's ODA support for women's rights organisations, efforts to end violence against women and girls, women's participation in decision-making, and the integration of intersectionality.** Data shows a gap between commitment and delivery.

For example, in 2023, EU institutions and MS disbursed **EUR 391 million** to women's rights organisations and **EUR 271 million** to efforts aimed at ending gender-based violence. This total **– EUR 662 million –** represents just **0.59% of total EU ODA**. The trend in 2024[103] points to an emerging **decrease.**

Advancing gender equality requires clear benchmarks and dedicated financial resources, but the findings do not meet CONCORD's asks that:

- 85% of all EU ODA should be dedicated to programmes that have gender equality as one of their objectives (OECD marker G1 or G2) with 20% of ODA dedicated to gender-targeted projects (OECD marker G2);
- As part of this enhanced commitment, the next external financing instrument should include a dedicated target of at least 5% of ODA to support Women's Rights Organisations (WROs).

The gender marker shows more room for improvement

Another assessment mechanism is the OECD DAC Gender Marker, which was designed to monitor DAC members' political commitment to mainstream gender equality across their entire bilateral ODA portfolios. The DAC Gender Marker has three classifications: **2- principal objective, 1- significant objective and 0- not targeted.** They can give a clear indication of the progress made towards this political goal, if analysis is based on the financial commitment (i.e. financial volume of new contracts) and the number of contracts that are marked for gender in a reporting year. Looking at the financial commitment and number of contracts carrying the marker reveals how mainstreaming gender equality into ODA portfolios progresses over the years.

[101] See European Commission, High Representative of the Union for Foreign Affairs and Security Policy (2020), Gender Action Plan III: An Ambitious Agenda for Gender Equality and Women's Empowerment in EU External Action.
[102] The strategy primarily focuses on internal EU policy but also influences external action inter alia because it guides mainstreaming gender in Team Europe Initiatives (TEIs) in Africa or Latin America and promotes policy coherence (trade, security, development, humanitarian aid must all consider gender equality). Its priorities include ending gender-based violence, challenging gender stereotypes, promoting equal participation in leadership and decision-making globally or bridging the gender pay and economic gap. See European Commission (2020), Gender equality strategy.
[103] 2024 data are based on projections from 2023 disbursements and preliminary OECD DAC ODA figures.

The NDICI Regulation and GAP III set a clear goal based on the OECD DAC Gender Marker, i.e. that 85% of new external action projects must be gender-responsive[104], with 5% marked as gender-principal. Yet these targets are far from being met. **According to the 2023 mid-term review, only 62% of the portfolio was gender-responsive and 3.4% was gender-principal[105]**. AidWatch's 2024 marker re-scoring confirmed only marginal improvement: in 2022, just 4.0% of EU MS' bilateral ODA was gender-principal and 28.2% gender-significant, while disability-inclusive ODA totalled 3.0% (0.2% principal; 2.8% significant) with 84% not scored[106]. **The EU needs to do more to ensure that progress towards the 2027 Gender Action Plan III (GAP III) headline target does not remain off-track.**

For **LGBTIQ+ inclusion**, the gap is even wider. There is no **dedicated SOGIESC** (sexual orientation, gender identity/expression and sex characteristics) sector code or marker in the DAC statistical system. Most EU Member States and the Commission have not developed proxy indicators. Consequently, funding is only traceable via fragmented project-level data, often gathered manually. It cannot be aggregated, and so **LGBTIQ+ funding remains invisible** in public datasets – a **"missing data zone"**, politically sensitive and chronically under-reported. The **GAP III target** of allocating **EUR 270 million to LGBTIQ+ rights by 2027** is, at present, **un-auditable**, a limitation acknowledged by the OECD, which only tracks gender and disability inclusion.

In short, while some EU policy frameworks for gender equality and inclusion are in place, **the data shows a gap in actual delivery**, both in **financial volumes** and **accountability mechanisms.** The EU's commitments to gender equality and inclusion risk remaining unfulfilled unless these blind spots are addressed more systematically.

[104] Gender-responsive means that projects and programmes actively consider gender differences, aim to reduce gender inequalities, and respond to the specific needs and priorities of all genders (especially women and girls).
[105] 0 = not targeted: The project does not address gender equality. 1= gender-significant: gender equality is an important and deliberate objective, but not the main one. 2= Gender-principal: gender equality is the main (principal) objective of the project.
[106] See CONCORD (2024), AidWatch Report 2024, pp. 37-41, https://aidwatch.concordeurope.org/wp-content/uploads/sites/4/2024/10/Aidwatch-2024.pdf"

EU ODA for disability inclusion

The EU and all EU MS have **ratified the UN Convention on the Rights of Persons with Disabilities (CRPD)[107]** and are obligated under CRPD Article 32 to ensure that their international cooperation, including ODA, is inclusive of and accessible to persons with disabilities. The OECD DAC disability marker[108] was adopted in 2018 to track if, and to what extent, development cooperation activities support the inclusion and empowerment of persons with disabilities[109]. Despite it being a voluntary marker, the EU committed in the Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030[110] to "systematically use the OECD DAC disability marker to track disability-inclusive investments for targeted monitoring of EU funding". **In 2023, in addition to the EU itself, there were 16 EU Member States who reported using the disability marker[111].**

AidWatch 2024 report found out that in 2022, **just 3% of bilateral EU MS ODA was reported as disability inclusive,** either as a significant or principal objective.

In 2025 the EU was reviewed by the Committee on the Rights of Persons with Disabilities (CRPD Committee) on its CRPD implementation, including in its international cooperation. The concluding observations[112], highlighted concern "that despite substantial progress, the focus on disability inclusion in the European Commission's ODA projects is still limited", and recommended the EU to continue increasing ODA on disability inclusion, in alignment with the OECD DAC disability marker, and to ensure that the next MFF for EU external action is compatible with the Convention, promotes disability inclusion and has an intersectional approach.

In the context of increasing cuts to ODA, it is even more critical that the EU Institutions and EU MS fulfil their CRPD obligations by ensuring that disability inclusion and the empowerment of persons with disabilities is prioritised in the remaining international cooperation efforts. This requires a twin track approach – both mainstreaming and targeted disability-specific initiatives.

A broader look at how EU ODA is allocated to marginalised groups shows gaps between intention and delivery, a pattern already seen in the chapter above.

[107] See United Nations Convention on the Rights of Persons with Disabilities (CRPD), Article 32 (on international cooperation) https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-rights-persons-disabilities

[108] For further details on the disability marker handbook see OECD-DAC Working Party on Development Finance Statistics, The OECD-DAC policy marker on the inclusion and empowerment of persons with disabilities: handbook for data reporters and users, DCD/DAC/STAT(2020)48

[109] The OECD DAC disability inclusion marker has a similar scoring system to the OECD DAC gender equality marker. It distinguishes between activities that have disability inclusion as a principal objective (score 2) and activities with disability inclusion as a significant objective (score 1). The marker can be applied to activities in any sector or development co-operation modality (excluding administrative costs and core-contributions to multilateral organisations) and with any SDG focus.

[110] Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030 https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/disability/union-equality-strategy-rights-persons-disabilities-2021-2030_en

[111] Austria, Belgium, Czechia, Denmark, Finland, France, Greece, Ireland, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, Spain and Sweden. While Germany did not use the marker in 2023, it committed to using it for 2024 reporting (See Global Disability Inclusion Report background paper on Financing acceleration of disability inclusion in low- and middle-income countries (2025), p.35: https://www.globaldisabilitysummit.org/wp-content/uploads/2025/03/GIP03351-UNICEF-GDS-Financial-Background-Paper-v3.pdf)

[112] Concluding observations on the combined second and third periodic reports of the European Union, OHCHR - CRPD Committee, March 2025 https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRPD%2FC%2FEUR%2FCO%2F2-3&Lang=en

Case Study Bolivia – a test for ODA stability and purpose

Structural vulnerabilities and ODA volatility

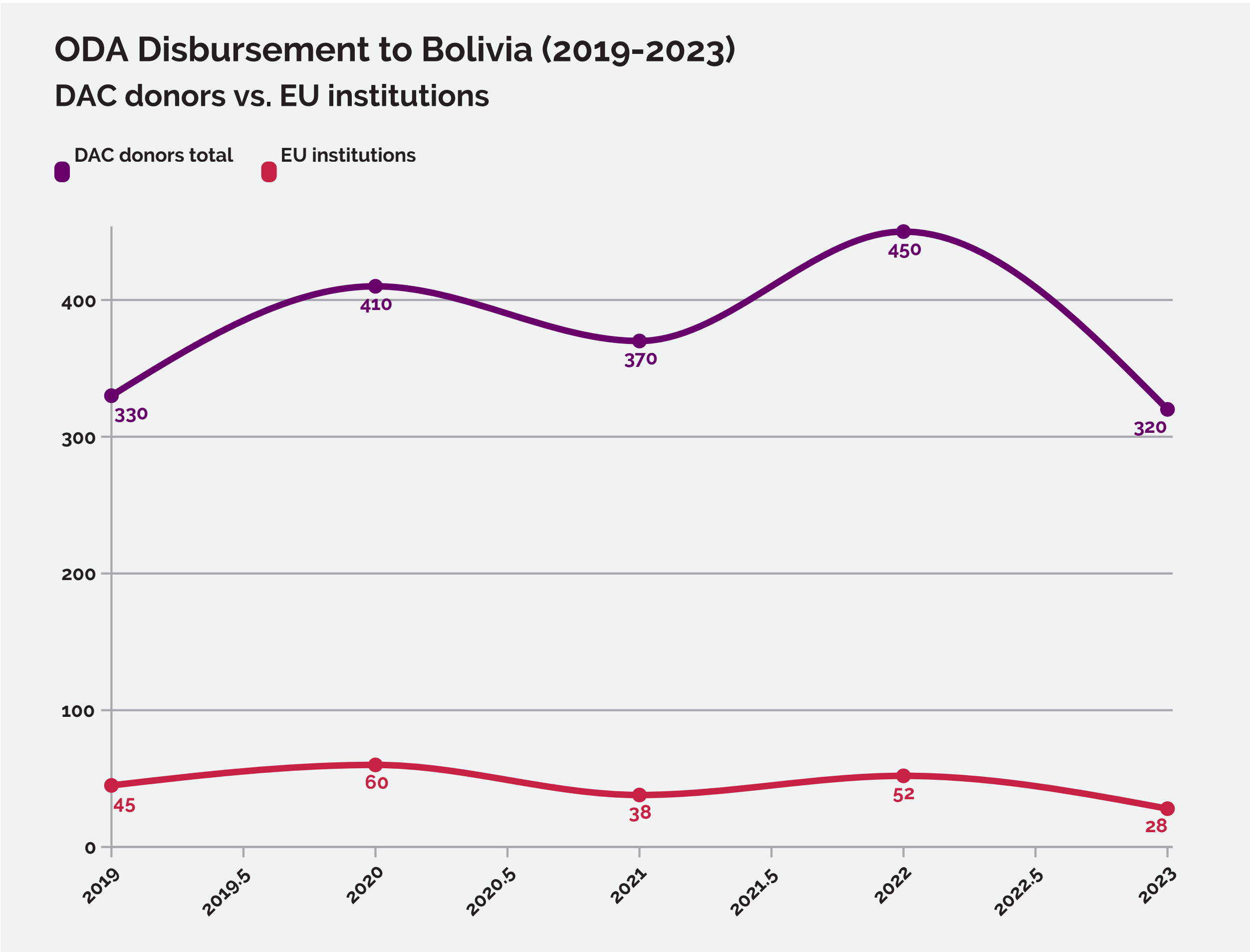
Bolivia is a good test case of whether the EU's ODA is consistently allocated to partner countries' needs. While the country does not rank among the 10 most unequal DAC ODA recipients, its 2023 Gini coefficient (42.1) reflects persistent disparities in income, access to services and representation. **However, EU ODA has fluctuated sharply: EUR 336.2 million in 2019, EUR 160.2 million in 2020, EUR 294.7 million in 2021, EUR 167.5 million in 2022, EUR 381.9 in 2023 and 2024 (2024: projection).**

In such settings, ODA could have the potential to support marginalised groups and civic space. Yet, volatile ODA allocations misaligned with commitments in EU's programming documents risks aggravating weaknesses instead of offsetting them.

ODA volatility in numbers

From 2019–2023, DAC bilateral ODA and EU institutional ODA followed erratic trajectories. The COVID-19 pandemic shock produced spikes and contractions, while governance and civil society allocations dipped just as domestic space tightened – contradicting EU and DAC commitments to "do no harm" and promote democratic governance. Looking forward, OECD reports that global ODA fell by 7.1% in 2024, raising the risk of renewed volatility in smaller recipients like Bolivia.

Chart 18. ODA disbursement to Bolivia DAC donors VS EU Institutions (2019 - 2023,USD million)



Source: authors based on OECD DAC Explorer

EU and donors' contradictions

On paper, the EU's Multiannual Indicative Programme (MIPs) (2021–2027) elevates governance, rights and rule of law alongside inclusive and green development. **In practice, disbursements to governance and democracy support have been both smaller and more volatile than to sectors such as environment or economic development**. This reflects a broader dilemma: when crises or fiscal pressures arise, donors do not always prioritise funding for governance and civil society or respect commitments made in programming documents. In Bolivia, restrictive legislation already burdens CSOs, so erratic EU funding can further disrupt ODA effectiveness, amplify fragility and erode trust.

Pathways forward

Addressing this misalignment requires treating predictable support for democratic space as a strategic necessity. For Bolivia, this means ring-fencing funds for civil society and governance, shielding them from annual budget shifts. Donors should also support CSOs in navigating restrictive laws and build cross-border coalitions, improving regional democratic solidarity.

3.1.3 Climate Finance: another story of unmet promises

"No country should have to choose between fighting poverty and fighting for the planet."
The Paris Pact for People and the Planet (4P), June 2023.

Many partner countries are not receiving sufficient ODA for climate adaptation, meaning that the needs of at-risk populations are unmet. Support for adaptation finance is important in tackling inequalities, as people experiencing social inequality are disproportionately harmed by climate change[113]. The outcome document of FFD4 held in Seville in June 2025 admits that "We are falling short in tackling climate change, biodiversity loss and desertification. We stress the urgency of enhancing ambition for climate action in the implementation of the United Nations Framework Convention on Climate Change and the Paris Agreement in relation to climate mitigation, adaptation and the provision of the means of implementation, especially finance, to developing countries."[114]

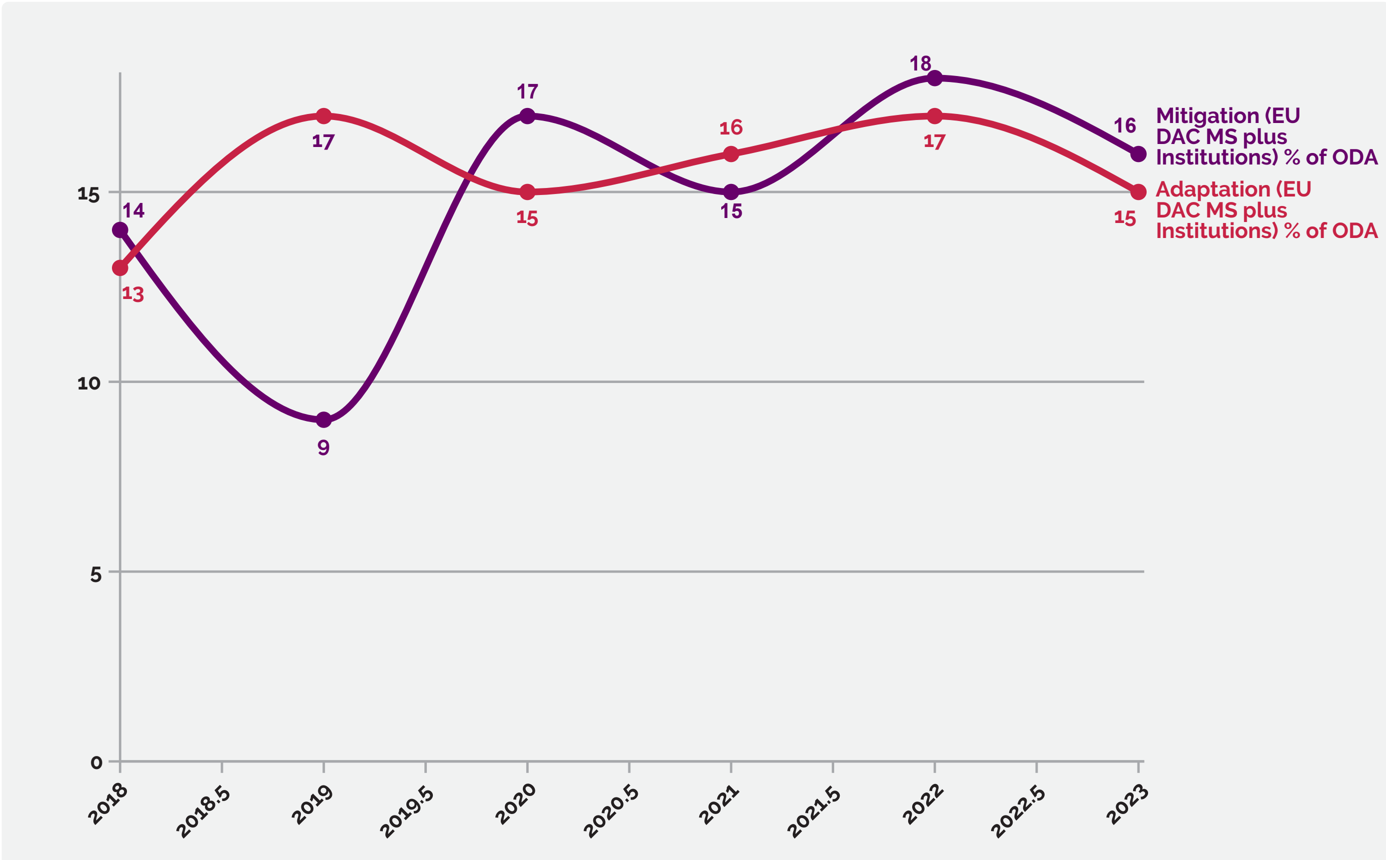
Despite the urgency for additional climate finance **being recognised, measuring the "means of implementation" remains problematic due to divergent reporting practices on climate finance across providers, which results in a lack of data comparability as explained below:**

- **Climate finance reporting via the OECD DAC** covers ODA based on the OECD DAC Rio Markers (adaptation and mitigation).
- **Reporting in the context of the United Nations Framework Convention on Climate Change (UNFCCC)** covers a broader range of financial flows including ODA, other financial flows (OOF), private or private mobilised (based on commitments and disbursements).

Besides, **whereas the 0.7% ODA target is based on net disbursements and clearly framed as "donor effort"**, measured in relation to each donor's GNI, **climate finance has a collective target in USD UNFCCC reporting**[115].

[113] See page 44 of AidWatch 2024 report
[114] UN document A/CONF.227/2025/L.1.
[115] between 2020-2025 this constituted a collective $100 billion annual goal, with a New Collective Quantified Goal agreed at COP29 setting out new annual goals for achievement by 2035. The commitment refers to amounts "mobilised" without defining whether these are gross or net, committed or disbursed, or from the perspective of contributors or recipients.

Chart 19. Share of ODA allocated to adaptation and mitigation as per the Rio Markers (2018 - 2023, EUR million)



The data above should therefore be interpreted with caution. **The fuzziness introduced by devising insufficient and vague definitions leads to climate finance figures that can neither be trusted nor compared.** Some providers report commitments, others report disbursements; methodologies for quantifying climate finance portions integrated in broader projects or programs differ greatly, to mention just two examples. **"This has led to a chaotic reporting situation, with at least four competing ways of calculating climate finance for developing countries",**[116] Simon Scott concludes.

One of the thorniest issues remains the **"new and additional"** nature of climate finance – a concept designed to **protect the ODA 0.7% target** from dilution. While we should support the principle of climate finance being additional to ODA, we also recognise that without a **clear definition of "additional to what?"**, this ambition remains difficult to operationalise[117]. The fact is that ODA and climate finance have overlapped to some extent at least since the 1990s and can hardly be separated – a segregation would have to be done ex post, after climate finance goals were already incorporated in ODA programmes – the call for additionality would have had to be underpinned with a clear specification[118].

[116] Scott S. (2020), Your pocket guide to measurements of 'climate finance.
[117] "While there are attempts to define additionality, there is currently no internationally recognised definition. According to an attempt for a definition by Oxfam, developed countries should commit to ensure that future increases of climate finance qualifying as ODA form part of an overall aid budget that is increasing at least at the same rate as climate finance, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf?sequence=1).
[118] Riegler H. (2020), Practical Problems in measuring climate finance.

Part two

The way forward: a chance to restore ODA's purpose and impact

4 Want to be more efficient? Start by untying ODA

Tied aid[119] (when donors strictly require or unofficially favour a donor's own economic sector or provider to deliver a project[120]), is a well-recognised inefficient donor practice which damages the impact of ODA[121] and its quality[122]. Tied aid reduces the value for money **and raises the cost of goods, services and works procured by 15% to 30% on average**, undermines partner country ownership and the coherence of development policies, and ultimately has a negative impact on aid effectiveness[123].

To address this problem, the OECD DAC produced a **Recommendation on Untying ODA[124]**. While it does not legally oblige donors to completely untie all ODA, the target aims at effectively untying all aid to LDCs, reflecting the principle that ODA should not be used to favour donors' own economic interests. DAC members' actions to implement the Recommendation are monitored through biennial reports and their performance is measured against agreed statistical indicators. Their untying policies and practices are also reviewed through the OECD DAC Peer Review process.

Looking at EU MS and EU institutions' practices in 2022–2024, the target of fully untying ODA has not been met. More than 15% of ODA to LDCs and about 24% of ODA to all other recipient countries remained tied[125]. **The real share may be even higher, since procurement rules often create implicit tying.** For ODA recipient countries, this means less flexibility to buy cheaper or more suitable goods and services locally or regionally, undermining local economic development effectiveness.

[119] See more in QuODA: QuODA | Center For Global Development.
[120] C.f. Exposing Tied Aid: Preventing donor countries from getting rich on their own aid - Eurodad. Formulated differently, aid must be spent on goods and services from the donor country.
[121] C.f. QuODA-brief-2021.pdf, p. 4; Untied aid | OECD.
[122] See QuODA | Center For Global Development.
[123] See Untied aid | OECD.
[124] See OECD, DAC Recommendation on Untying Official Development Assistance, OECD/LEGAL/5015v .
[125] The projection is **indicative, not definitive**, and should be updated once definitive 2024 figures are published. The latest data on untying aid can be found on the OECD DAC Development Cooperation Profiles and date back to 2023. Data for non-DAC EU MS are not available. See Development co-operation profiles | OECD. Given the absence of 2024 data, we assume the share of tied ODA remains at 2023 levels. **Confidence bounds** or ranges based on past volatility: e.g. ±5–10%.

Table 9. Tied Aid (2022-2024)

EU MS plus Institutions (average)	2022	2023	2024
Share of untied ODA covered by the DAC Recommendation (%), i.e. ODA to LDCs, HIPCs, OLICS, IDA-only countries and territories	73.62	82.54	82.54
Share of untied ODA (all sectors and countries beyond the scope of the Untying Recommendation) (%)	73.54	76.05	75.83

Source: authors based on the OECD /DAC Development Cooperation Profiles.

Based on estimates that tied aid increases costs by 15%-30%, approximately 24% of EU ODA from DAC MS and EU institutions could achieve cost savings of 15%-30% if fully untied. If we convert this to the 2024 EU ODA (EU DAC MS and institutions) figures amounting to EUR 104,392 million, this means that for EUR 25,054 million (24%) EUR 3,758 million to EUR 7,516 million (15%-30%) could be released through untying and used for development finance purposes. **This accounts for approximately 3.6% to 7.2% of total EU ODA.**

Item	Amount (EUR million)	Share of Total EU ODA
Total EU ODA (2024)	104,392	100%
Tied aid portion (24%)	25,054	24%
Potential savings from untying (15%)	3,758	3.6%
Potential savings from untying (30%)	7,516	7.2%

With the current DAC recommendation on Untying ODA under revision, AidWatch recommends the following:

- **Use more budget support and local procurement systems and align procurement systems with the principle of democratic ownership.** In addition, ensure that tenders are open and accessible to the local private sector in the Global South[126].
- **Amend the recommendation by untying all ODA** (especially to LDCs, HIPCs, LICs, and IDA-only countries, with only limited exceptions).

[126] Exposing Tied Aid: Preventing donor countries from getting rich on their own aid - Eurodad.

5 Move from EU's agendas to partners' priorities

Prioritisation, ownership and alignment

The latest Global Partnership monitoring round carried out in 2018 showed that only 62% of new ODA disbursements were aligned with partner country priorities, down from 64% in 2016[127]. Based on the Paris Declaration (2005) the alignment of objectives with partner countries' priorities, use of country financial systems, reliability and predictability, as well as partner feedback are decisive for the quality of ODA. **The use of country-owned results frameworks has stagnated, and only about half of ODA is reported on national budgets[128]. This undermines both transparency and accountability in partner countries.**

The most recent assessment by the Global Partnership for Effective Development Cooperation (GPEDC) has been done in 11 pilot countries[129]. While the report stressed that EU donors and the EU institutions continue to be major providers of development cooperation in most of the 11 pilot countries, it also emphasises that the alignment with country-owned results frameworks and use of country public financial management (PFM) systems remains partial. Like other DAC members, EU donors often prefer their own parallel monitoring and procurement systems, which reduces local ownership. In several cases, EU budget support operations were flagged positively for strengthening alignment with national development plans, but this was not consistent across countries.

[127] See GPEDC (2019), Making development co-operation more effective: How partner countries are promoting effective partnerships | United Nations Development Programme.
[128] Idem.
[129] Bosnia and Herzegovina, Burkina Faso, Cambodia, DR Congo, Indonesia, Lao PDR, Nepal, the Philippines, Uganda, Yemen, and Zambia. See GPEDC monitoring-insights from 11 countries_.pdf

Box 13. Positive advancements of EU MS and EU Institutions ODA practices

Based on the GPEDC assessment in 11 pilot countries mentioned above and on a positive note, EU donors, along with multilaterals, are generally perceived as more predictable partners (compared to some bilateral DAC donors), **due to multi-year programming and joint frameworks like Team Europe**[130]. The Team Europe approach was generally noted as a positive development, but local organisations in some countries still perceive it as donor-driven, with limited space for real country leadership.

On accountability and transparency, again in comparison to other DAC members, **EU donors report relatively well to national authorities and tend to publish more data through the International Aid Transparency Initiative (IATI) than many other DAC members.** However, joint reviews or joint monitoring exercises involving EU donors remain weak in most of the 11 countries, with the corresponding consequences for mutual accountability.

CONCORD found that in 2022, **EUR 3.4 billion reported by EU Institutions didn't respect ODA' primary objective "the promotion of economic development and welfare of developing countries" (approximately 10,8% of total reported bilateral ODA). The most substantial area was tied ODA**[131].

[130] C.f. also Development Co-operation Profiles: European Union institutions. See also Team Europe Initiatives - European Commission.
[131] See page 29 of the AidWatch 2024 report

6 Reform the development finance landscape

Today, partner countries draw on a complex mix of financing, yet also lose valuable resources through debt servicing and illicit financial flows (IFF). **To understand ODA's potential, value, limits and future role, ODA must be considered against the backdrop of the wider development finance landscape**[132]. While most domestic policy areas have important linkages to global sustainable development, **the question is whether all these different policies should be financed through ODA, or be additional to development assistance.**

The balance between financial inflows and outflows is particularly relevant for partner countries to finance their services. Inflows are the potential resources available for development and outflows represent leakages, obligations or drains on those resources.

While a comprehensive analysis of all development finance flows is beyond the scope of this report, one key issue stands out: outflows very often exceed inflows for partner countries. Debt is a particular problem. Globally, net financial transfers to partner countries have not only fallen to their lowest level since the global financial crisis, the outflows (and in particular debt service payments to private and official lenders) have exceeded external inflows to partner countries, including ODA and new loans[133].

Despite a 22% increase in financial flows to partner countries since 2015, the gap to finance the SDGs by 2030 has widened by 60% to approximately EUR 3.8 trillion (USD 4 trillion) in 2022. Resources thus currently remain largely insufficient to meet rising needs and, according to the OECD, "rising interest rates and increasing debt in developing countries are crowding out critical investments in health, education, and climate goals"[134].

In this landscape, ODA accounts for only a fraction of the financial flows required to achieve the SDGs. In 2024, EU ODA (MS and EU institutions) amounted to 0.55% of GNI or EUR 105,241 million. Assuming that the 0.7% target had been reached, EU ODA would have been EUR 133,943 million. This is about 4.5% of the EUR 3.8 trillion SDG funding gap. **It could be argued that as ODA accounts for only a relatively small proportion of the total funding required, the 0.7% target should be highly achievable.**

In the last decade, there has been increasing pressure for ODA to be used to tackle multiple crises, including the climate crisis, more frequent, severe and protracted humanitarian disasters, response to the war in Ukraine, migration policy concerns, global health threats and

[132] Although a comprehensive analysis is beyond the scope of this report, an overview with respect to Africa can be found at: 2024-forum-report-key-findings.pdf; see also Global Outlook on Financing for Sustainable Development 2025 (EN) or with a focus on the multilateral system Multilateral Development Finance 2024 (EN).
[133] Net finance flows to developing partner countries turned negative in 2023 - ONE Data & Analysis.
[134] OECD (2025), Global Outlook on Financing for Sustainable Development 2025, p. 13.

other global public goods. It is therefore not surprising that the former DAC Chair emphasised that ODA alone cannot solve all these problems and "that we are expecting this precious resource to do too much"[135]. **ODA can make a big difference for many people. Nevertheless, a broader focus on additional funding sources and financial reform is necessary to achieve sustainable development for all.**

6.1 More outflows than inflows: the debt crisis and illicit financial flows

6.1.1 North-South: inflows to partner countries

North–South financial flows remain a primary channel of development financing. These inflows include ODA, foreign direct investment (FDI), remittances from diaspora communities, and concessional loans from multilateral institutions. For instance, remittances reached an all-time high at USD 685 billion in 2024[136] and climate finance from North to South reached USD 116 billion in 2022 and thus exceeded the USD 100 billion target[137]. **When these inflows are allocated according to needs and aligned with development objectives, they can bridge development financing gaps across the global South.**

However, the needs are greater than the finance available and concerns remain about ODA dependency, conditionality attached to loans, and the uneven distribution of FDI across sectors and regions. FDI tends to be concentrated in extractive industries and infrastructure, sometimes increasing dependency on raw material exports. In addition, low-income countries and LDCs face challenges in attracting FDI because of the risk rating they receive from credit rating agencies such as Moody's or Fitch[138].

While partner countries receive inflows, they also experience large-scale outflows to the Global North. These include debt servicing payments, capital flight, IFFs, and profit repatriation by multinational companies. For many countries, debt repayment obligations by far exceed incoming ODA, creating a net negative transfer of resources.

135 OECD (2023), Development Cooperation Report, p. 7.
136 In 2024, remittance flows to low- and middle-income countries are expected to reach $685 billion, larger than FDI and ODA combined.
137 Climate: $100 billion target for partner countries reached and exceeded.
138 According to the Mo Ibrahim Foundation, risk perception is among the key factors contributing to Africa's estimated USD 200 billion trade and investment gap. UNDP stresses that fairer credit ratings could save Africa USD 74.5 billion, equivalent to 80% of Africa's annual infrastructure investment needs.

6.1.2 South–North: outflows from partner countries

In Africa total external debt has almost tripled since 2009[139] and while 50 out of 52 African countries have a lower debt-to-GDP ratio than the US, in 2024, 15 out of the 20 countries with the highest external public debt servicing cost as a share of total revenue were African[140]. What has also changed in recent decades is the composition of the debt structure. **Whereas in the past, most of the debt was public, now debt to private debtholders and Chinese finance institutions has enormously increased[141].**

IFFs linked to corruption, trade mis-invoicing, and tax avoidance deprive governments of vital revenues for social investment. Africa loses USD 100 billion every year to IFFs. The Mo Ibrahim Foundation estimates IFFs in 2022 to have been higher than ODA received, almost as high as remittances, and twice as high as FDI to Africa[142]. The lack of tax revenue from multinational enterprises also plays an important role in this respect. Multinational companies generate a large share of global economic output, trade and employment, yet their contribution to public finances is disproportionately low due to widespread cross-border corporate tax abuse. This abuse hits lower income countries hardest, reducing their fiscal space for essential services, while higher-income countries capture most of the transferred profit. The persistence of such practices, alongside slow progress on inclusive international tax cooperation, undermines the financing commitments of the Addis Ababa Action Agenda[143]. **South–North outflows highlight persistent structural imbalances in the global financial architecture.**

6.1.3 South-South Financial Flows: a new landscape

In recent decades, South-South cooperation has emerged as an alternative source of finance. Key drivers include Chinese infrastructure loans particularly in the context of the Belt and Road Initiative, Indian investment in ICT and pharmaceuticals, Brazilian agricultural cooperation, and intra-African remittance corridors. **Unlike North-South ODA, South-South flows are often framed as mutually beneficial partnerships rather than donor–recipient relationships, though concerns about debt sustainability and resource-for-infrastructure deals persist.** Regional development banks and sovereign wealth funds (e.g. from Gulf states) also contribute to this shifting landscape. The rise of South-South flows diversifies financial sources for developing countries, but also creates new dependencies and geopolitical dynamics.

In addition, South-South trade increased from USD 600 billion in 1995 to USD 5.3 trillion in 2021, and its volume now exceeds that of North-South trade and is growing faster than the world average[144].

[139] 2024-forum-report-key-findings.pdf, p. 19. See also Net finance flows to partner countries turned negative in 2023 - ONE Data & Analysis.
[140] Ibidem, 20.
[141] See ONE Campaign (2023), African Debt.
[142] 2024-forum-report-key-findings.pdf, p. 23. See also Measuring illicit financial flows for stronger domestic resources – UNCTAD SDG Pulse 2025.
[143] C.f. www.caritas.eu/going-beyond-economic-growth/ .
[144] OECD (2025), Global Financial Outlook 2025, p. 152. See also UNCTAD (2023), The South-South trade partnership for accelerating the SDGs achievement.

6.2. Case study: Democratic Republic of Congo (DRC)

In the DRC, total debt service (including both domestic and external obligations) currently rivals or even exceeds the country's inflows of ODA. While ODA remains an important funding source for social programmes, infrastructure, and capacity building, the sheer scale of debt repayments limits the fiscal space available for development priorities, effectively diverting resources away from citizens' immediate needs. Cuts or delays in ODA would exacerbate these pressures, potentially undermining public service delivery and development projects.

At the same time, ODA represents only a fraction of the country's overall financial landscape; domestic revenues, extractive sector earnings, remittances, and private investment constitute far larger flows, meaning that long-term fiscal stability and development in the DRC depend on managing these broader sources alongside debt sustainability[145].

Box 14. DRC's ODA and debt at a glance

- The DRC is categorised as an extremely fragile country and Low Income Country (LIC) with an HDI ranking of 171 out of 193[146].
- It is equally perceived as one of the most corrupt countries[147] with very low performance in almost all areas of governance concern[148].
- In 2023 DRC received ODA of EUR 176.5 million (including EUR 117.8 million from all EU DAC donors, MS and institutions).
- And while external debt stocks to GNI were at 17.2% in 2023[149], debt levels are at alarming[150] levels because of the high investment risk ratings of the country. The IMF finds that, while the DRC's debt levels are currently manageable, its weak debt-carrying capacity and fiscal vulnerabilities position the country at moderate risk of debt distress, especially under external shocks[151].

[145] JGB&C (2021), "Cobalt and Corruption": resources-for-infrastructure deals and governance issues.
[146] HDR25_Statistical_Annex_HDI_Table.xlsx
[147] DRC ranked 163 out of 180 in the 2024 Corruption Perceptions Index. Corruption Perceptions Index 2024 - Transparency.org
[148] According to the World Bank Governance Indicators, e.g. DRC has lower results in all six categories than the average Sub-Saharan African country. See Interactive Data Access | Worldwide Governance Indicators.
[149] https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS.
[150] https://eng.fatshimetrie.org/2024/01/01/public-debt-in-the-drc-an-alarming-level-of-10-402-billion-us-dollars-puts-pressure-on-the-government/?utm
[151] https://www.elibrary.imf.org/view/journals/002/2025/023/article-A002-en.xml.

The mining sector is the dominant contributor to government revenue. Tax mobilisation remains modest and generous tax incentives significantly shrink fiscal space. External inflows (FDI, remittances) are relatively small compared to domestic revenue, but still important. Illicit financial outflows, including historical capital flight, continue to erode the country's resource base.

The country illustrates the complexity of financial flows. Following decades of conflict, mismanagement, and external borrowing, the DRC accumulated unsustainable debt levels. Under the Heavily Indebted Poor Countries (HIPC) Initiative, the country received substantial debt relief in the early 2000s, reducing its debt burden by billions of dollars. This restructuring freed fiscal space for social spending and infrastructure investment. However, challenges remain such as the limited diversification of the economy, continued dependence on mineral exports, and governance weaknesses that hinder effective use of freed resources. The DRC's experience highlights both the potential benefits and the limitations of debt relief as a tool for enabling sustainable development finance.

7 Increase core budget for ODA predictability

Decreasing core development budgets mainly affect bilateral and multilateral organisations. Bilateral organisations congregate the main pool of development funds in a donor country's national budget, often administered by the Ministry of Foreign Affairs or development agency.

Why are bilateral core development budgets crucial?

They cover programmes destined to countries and regions either directly or through funds or vehicles administered by multilateral or regional organisations but earmarked by the provider for countries and regions or for specific sector or thematic activities in countries and regions. They are flexible, long-term allocations based on the agreed international standards for development cooperation – not the highly earmarked, politically motivated, or emergency-only funds.

Why are decreasing core development budgets an issue?

Decreasing core bilateral development budgets are an issue **as they reduce predictability for partner countries.** Partner governments rely on stable bilateral commitments to plan multi-year strategies (health systems, education reform, governance strengthening). The cuts create uncertainty, undermine trust and crowd out long-term priorities. They ultimately increase the risk of ODA inflation and diversion. **When bilateral core budgets shrink, funds are often redirected to urgent crises (e.g. Ukraine war, pandemic response, migration management). This leaves less for long-term institution-building, governance reforms, and civic space support.**

How do cuts to bilateral core budgets impact multilateral financing?

When bilateral core budgets shrink, multilateral budgets also face funding squeezes and increased dependence on earmarked project funds. Cuts signal a deprioritisation of international solidarity at a time when global crises (climate, inequality, conflict) require more commitment.

How do cuts to multilateral core budgets reduce ODA efficiency?

The challenges affecting reduced multilateral core budgets are **reduced flexibility and agility.** Donors increasingly prefer earmarked funding tied to specific projects, sectors or political priorities. This limits agencies' ability to allocate resources based on real needs on the ground.

- **Weakened Institutional capacity.** Core funds often pay for staff, research, coordination and monitoring, the "backbone" of effective aid. When these shrink, institutions struggle to maintain expertise and deliver quality programmes.

- **Donor-Driven agendas.** With less core funding, agencies rely on earmarked funds that reflect donor interests rather than beneficiary priorities. This undermines **local ownership** and alignment with national development strategies.

- **Short-Termism over long-term Impact.** Earmarked projects are often short-term and narrowly focused. Decreasing core budgets means fewer resources for systemic, cross-sectoral, or preventive work (like governance, democracy support, or institution-building).

- **Fragmentation & administrative Burden.** Agencies must manage dozens of small, earmarked projects instead of coherent, core-funded programmes. This increases reporting burdens, transaction costs and inefficiencies.

ODA inflation is another consequence of cuts to core budgets, as donor governments often r**elabel domestic expenditures** as ODA to keep up appearances of meeting their 0.7% targets. As a result, **ODA resources are diverted away from poverty reduction, governance, or civic space support.**

8 Be coherent: ensure Policy Coherence for Sustainable Development (PCSD)

Another **area of concern is the lack of PCSD which refers to inconsistencies and conflicts among EU and EU MS development and external policy objectives.** In essence it is about certain EU development objectives (e.g. poverty eradication, governance, human rights) being potentially undermined by other EU policies (e.g. trade, migration, security, agriculture, energy).

Article 208 TFEU legally requires EU policies to support, or at least not undermine, development goals, establishing the legal foundation for PCSD. The 2017 European Consensus on Development[152] commits the EU and Member States to align all policies with development objectives–covering trade, finance, environment, climate, food security, migration, security, and notably combating IFFs and promoting responsible investment. PCSD is also mandated under **SDG 17.14**[153]. In addition, DAC members, including EU institutions and MS, follow the **2010 OECD Recommendation on PCSD**[154], calling for a whole-of-government approach and leveraging resources beyond ODA–such as domestic revenue, private investment, remittances, and trade–to support sustainable development.

And yet, domestic politics push EU donors to use ODA to serve short-term national interests (migration control, energy security, defence-industrial support). Successive crises (COVID-19, Ukraine, migration) also divert ODA away from long-term poverty reduction and governance toward immediate crisis management. There is also an issue of comparability as each EU country applies PCSD commitments differently. Some push strongly for integrity in ODA; others use loopholes extensively.

ODA inflation and diversion both violate PCSD because they create incoherences between declared commitments and real contributions to sustainable development, reducing effectiveness and credibility of international cooperation. If ODA is inflated or diverted, EU donors are not ensuring that "all policies support development" – instead, they instrumentalise aid for domestic agendas. **This incoherence between commitments and practice weakens the EU's global influence and credibility as a global actor. It also means that governance, democracy support, and civic space are disproportionately affected, because they are less attractive for earmarked funding.**

[152] See Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council. The European Parliament and the European Commission (2017), The New European Consensus for Development – Our dignity, our future, our world.
[153] https://stats.unctad.org/Dgff2016/partnership/goal17/target_17_14.html.
[154] See OECD DAC and Public Governance Directorate (2010), Recommendation on Policy Coherence for Sustainable Development.

9 Looking to the future, what should the EU MS and EU institutions do?

In 20 years, the EU MS and institutions have made little progress toward the 0.7% ODA target. Qualitatively, their ODA also shows significant gaps despite some strengths compared to other DAC donors. With ODA commitments weakening and even Global South calls for stronger cooperation over defence spending[155], a strategic refocus of EU ODA is needed.

This raises the question why the target has rarely been met. Some truth may lie in **the lack of sanctions for those not reaching it, no legal obligation in international law, and the fact that national laws were quickly amended when fiscal pressures arose (see e.g. the UK)**. There are no effective enforcement mechanisms, and public or peer pressure is not sufficient. Perhaps this suggests that the ODA target was always, for some countries, perceived as too high, notwithstanding moral disagreement. **Nonetheless, peer and public pressure is still strong enough for DAC and EU Member States to maintain the appearance of striving for the 0.7% target.**

The world faces crises that development cooperation struggles to respond to – and was not designed to tackle, as the former DAC chair put it[156]. It seems the world demands too much from ODA, leaving DAC members frustrated that others are not held to the same standards[157].

While ODA inflation and diversion have always existed, these aspects increase the risk of further misuse, erode trust in the system and risk making the 0.7% target appear superficial or meaningless for development outcomes. By practising ODA inflation and diversion, the EU and its MS undermine credibility and global trust. **As the world's largest donor bloc and normative power, the EU and its MS have not only potential, but a responsibility and legal obligation to ensure development cooperation is credible, transparent, and centred on people's rights**. This must be done in full respect of partner countries' leadership.

The following section outlines risks ahead and offers recommendations for strengthening the **future direction of EU ODA, not only in terms of volume, but more importantly, in terms of relevance, targeting, quality and impact.**

[155] To close the USD 4 trillion financing gap to reach the SDGs, countries participating in the Financing for Sustainable Development Summit in Sevilla (30.6.-3.7.2025) agreed in the final Sevilla Document to reverse the decline in ODA, honouring the 0.7% ODA/GNI target, with increased grant funding and domestic resource mobilisation. At the BRICS summit in July 2025, Brazilian president Lula criticised donors, including EU MS, for investing more in military spending instead of ODA.
[156] See OECD (2023), Development Cooperation Report – Debating the System, p. 7.
[157] Ibidem, p. 7.

9.1 ODA at risk: The consequences of inaction

The OECD projects **a decline in global ODA of between 9% and 17% in 2025**, with no clarity beyond. For the first time in nearly 30 years, the four largest donors – Germany, France, the UK and the US – have all announced major cuts. In total, 11 DAC countries – including 7 EU Member States (Austria[158], Belgium, Finland, Germany, France, Netherlands, Sweden) – have announced or implemented reductions. Together, these countries account for approximately 75% of global ODA. The consequences, especially for those left further behind, as well as for achieving the SDGs and combating inter- and intra-state inequality, could be considerable[159].

This contraction is also echoed by recent analysis from Oxfam[160], which estimates that **G7 countries are on track to reduce their aid spending by 28% by 2026**, compared to 2024 levels. If this happens, it would be the largest aid cut in G7 history and the most significant drop since aid records began in the 1960s.

According to Oxfam, these cuts are being driven primarily by the US, the UK, Germany and France. The anticipated **drop in G7 ODA amounts to USD 44 billion globally**, a figure roughly equivalent to the total aid budget of the EU and its MS combined.

The consequences of inaction: A closer look

This downward trend is not only a setback in terms of quantity but also threatens to dismantle decades of progress in key areas such as **health, education, food security, and climate resilience – particularly in fragile and low-income contexts.** In countries where aid constitutes a significant share of national health and education budgets this could translate into an erosion of essential services and deepened inequality. The data analysed in this report reveal several concrete consequences:

- **Basic services under threat:** In countries where ODA accounts for a large share of public spending, especially in health and education, cuts risk undermining access to lifesaving services. This includes, for example, countries like Liberia, Malawi, and South Sudan[161], where reductions in aid could lead to hospital closures, teacher layoffs, or decreased access to vaccinations and clean water.

- **Setbacks on SDGs:** With only 17% of SDG targets currently on track, declining aid makes it virtually impossible for many countries to achieve the 2030 Agenda. Particularly at risk are goals related to poverty reduction (SDG 1), quality education (SDG 4), and gender equality (SDG 5), which already suffer from chronic underfunding.

- **Increased inequality:** The report highlights that only 4% of EU ODA currently goes to low-HDI countries, and aid flows to social inclusion sectors are below the self-imposed 20% threshold. If cuts deepen, this misalignment is likely to worsen – increasing inequality both between and within countries and leaving behind the most marginalised communities.

[158] Austria has announced an increase in ODA in 2025 but a decrease for 2026.
[159] See OECD Policy Brief, Cuts in official development assistance: OECD projections for 2025 and the near term, 2025, 2.
[160] Oxfam press release: Biggest-ever aid cut by G7 countries a death sentence for millions of people - Oxfam
[161] Oxfam press release: Biggest-ever aid cut by G7 countries a death sentence for millions of people - Oxfam.

- **Collapse of fragile progress:** Humanitarian crises are escalating globally, yet funding is stagnating or falling. For instance, current aid shortfalls in food security have already led to increasing risks of famine in several regions. Without sustained or increased ODA, fragile gains in governance, rights and peacebuilding may collapse.

- **Greater dependency on non-developmental instruments:** The rise in financial instruments like loans and PSIs risks replacing grant-based support, particularly in contexts where concessionality is essential. As highlighted in the report, this shift is leading to debt vulnerabilities in already overburdened low-income countries.

- **Loss of trust and legitimacy:** Continued cuts, combined with inflated and diverted ODA, are eroding the credibility of aid. This diminishes the EU's global leadership role in development, undermines trust with partner countries and civil society actors, and risks turning ODA into a tool for short-term geopolitical interests rather than a long-term commitment to human development and rights.

The current moment is therefore not only a technical crisis of declining ODA figures; it is a political and moral test for the EU and its MS. Inaction will not only harm partner countries but also weaken the EU's credibility as a global partner committed to equitable and rights-based development.

9.2 Recommendations

Considering the persistent gap between official commitments and actual delivery, as well as mounting evidence that large volumes of ODA are failing to deliver on development objectives, a shift in both mindset and practice is urgently needed. Development cooperation cannot be a secondary priority or a flexible budget heading used to cover domestic political needs. It must be re-anchored in its original purpose: **fighting poverty, tackling inequalities, and enabling human development** – especially in countries and communities most at risk.

Based on the evidence analysed throughout this report, the following recommendations aim to refocus EU ODA on its core mandate, and to better equip it for the challenges of the coming decade.

1. Urgently reverse ODA budget cuts made by many EU MS, and take action to reach the ODA commitment of at least 0.7% of GNI.

EU Member States should	EU Institutions should	OECD DAC should
1. **Increase ODA budget through real, programmable financial resources.** 2. Adopt **stricter national guidance** to comply with ODA criteria and purpose. 3. **Explore new own resources** to reach the 0.7% of GNI.	**During MFF negotiations:** 1. **Protect the future Global Europe Instrument as a source of ODA, focused on delivering towards development objectives.** 2. **Uphold the DACability threshold (90%)** set out in the next Global Europe fund regulation. 3. **Remove the delegated act** in the next Global Europe fund regulation which allows the European Commission to amend the DACability threshold.	1.**Revise ODA reporting rules** and exclude in-donor refugee costs, imputed student costs, debt relief on ODA loans and PSIs. 2. Provide recommendations on how to reach the 0.7% target through **the OECD DAC peer review process.**

2. Realign all EU ODA with its intended purpose of poverty reduction, fighting inequalities, upholding its effectiveness and integrity as Official, Development-focused, and Assistance-oriented. This means fulfilling ODA targets with real resources, not statistical inflation or weakly justified expenditures.

EU Member States should	EU Institutions should	OECD DAC should	Multilateral institutions should
1. **Stop reporting items as ODA that fail to meet official eligibility criteria[162] and lack a development purpose.** 2. **Increase ODA budget** through real and programmable financial resources. 3. **Strengthen joint programming with partner countries and CSOs.**	**During MFF and Global Gateway programming and implementation:** 1. **Remove all Private Sector Instruments from ODA** reporting[163]. 2. **Stop reporting as ODA items that fail to meet official eligibility criteria[164] and lack a development purpose.** Financial flows to support EU competitiveness and to promote European corporate interest should not be reported as ODA 3. **Strengthen joint programming with partner countries and CSOs.**	1. **Revise ODA reporting rules to restore the concessional character of ODA and stop misreporting items that inflate ODA figures[165].** 2. **Modify the methodology for calculating the grant equivalent of ODA** loans to reflect EU DAC members' real lending costs.	1. In the FFD4 follow-up, include CSOs demands to safeguard ODA's concessionality and development purpose, as stated during the FFD4.

[162] Paying special attention to in-donor refugee costs, imputed students loans, debt relief and private sector instruments.
[163] Unless accompanied by sufficient published information to demonstrate these meet ODA eligibility criteria, including concessionality.
[164] Paying special attention to in-donor refugee costs, imputed students loans, debt relief and private sector instruments.
[165] Idem.

3. Reform and democratise the governance of the ODA system through a process where countries from the Global South take part in decisions on the definition of ODA and its interpretation through an inclusive body such as the UN. While drawing on the OECD's statistical expertise, decision-making should be independent of ODA providers' political interests [166].

EU Member States should	EU Institutions should	OECD DAC should	Multilateral institutions should
1. **Include Global South concerns in talks about the future architecture of the OECD DAC and ODA.** 2. **Embrace the need for an independent ODA statistics system,** linked to the UN or continuing to be linked to the OECD, but inclusive and, above all, politically independent.	1. **Include Global South concerns in talks about the future architecture of the OECD DAC.**	1. **Include Global South NGOs and CSOs concerns in talks about the future architecture of the OECD DAC and in the follow-up of the FFD4 conference.** 2. **Transfer responsibility** for deciding on ODA reporting rules to a body independent of the ODA provider under the hospices of the UN.	1. **The UN must take a clear position on whether ODA statistics** can be part of its remit and whether it has the capacity to do so. 2. Support the official call made at the FFD4 conference by the LDC group for **a stronger UN role in ODA governance.**

4. Promote the added value and unique role of ODA for human development among the EU MS and in the EU Institutions development finance toolbox. ODA can provide stable, predictable support in volatile markets, helping to safeguard essential services and long-term commitments[167]. ODA can also advance human development when it targets basic services, institution-building and social protection with an immediate result for people's well-being and a longer term positive impact on a country's progress.

EU Member States should	EU Institutions should	OECD DAC should	Multilateral institutions should
1. **Reach the 20% of bilateral ODA for the social inclusion and human development** sectors, ring-fencing it to prevent diversion by crisis-driven spending.	1. **Design financing instruments and frameworks that clearly distinguish ODA from blended finance.**	1. **Strengthen guidance and monitoring** (particularly peer reviews) to ensure members' ODA reflects its unique role in human development.	1. **Integrate ODA more systematically into long-term country strategies** for better alignment with national development plans.

[166] Similarly to Eurostat in the EU or national independent statistical institutes, the ODA system should operate under a statistical code of independence.
[167] See also OECD (2023), Development Cooperation Report 2023 – Debating the System, p. 161.

5. Strengthen partner country-led, inclusive joint programming to ensure ODA serves local development priorities rather than EU MS national interests or EU's foreign economic policy goals.

EU Member States should	EU Institutions should	OECD DAC should
1. **Align bilateral programming with joint EU country strategies and partner countries development plans** to strengthen coherence and impact. 2. **Facilitate consultations with partner countries CSOs**. 3. **Untie ODA**.	1. **Ensure that partner governments, CSOs and local stakeholders shape the EU's development priorities.** 2.**Facilitate consultations with partner countries CSOs.** 3.**Untie ODA.**	1. **Develop and monitor indicators on partner country ownership and joint programming quality, integrating them into peer reviews to encourage donors to prioritise country-led approaches.**

6. Allocate more, not fewer, grants and other truly concessional finance to LDCs and FCS, in line with the target of 0.2% GNI/ODA to LDCs. The unique support for Ukraine needs funds that are additional to ODA budgets to ensure that this support does not come at the expense of the most marginalised in LDCs and other regions affected by conflict and climate crises.

EU Member States should	EU Institutions should	OECD DAC should
1. **Increase real resources to reach the 0.2% of GNI to ODA to LDCs.** 2. **Ensure that ODA for Ukraine is budgeted separately.**	1. **Protect geographic and thematic envelopes for LDCs and FCAS from being reallocated.** 2. **Give effect to official statements at the 2025 FFD4** on the need to preserve the concessional character of flows reported as ODA.	1. **Strengthen monitoring and peer pressure on DAC members' performance against the 0.2% LDC target**[168].

[168] Publishing for instance regular scorecards that track whether Ukraine support is additional or substitutive.

7. Prioritise ODA given as grants and ensure that debt finance, when used, is given at concessional terms: debt repayments are a burden, not assistance. In Africa total external debt has almost tripled since 2000 and, in 2024, 15 out of the 20 countries with the highest external public debt servicing cost as a share of total revenue were African.

EU Member States should	EU Institutions should
1. **Increase the share of grants in ODA portfolios to marginalised countries.** 2. **Provide any necessary loans on highly concessional terms, with careful debt sustainability assessments** before approval. 3. **Cancel debt as much as possible.**	1. **Establish mechanisms within EU blended finance instruments** to ensure concessionality criteria are strictly applied and that debt instruments do not exacerbate repayment burdens.

8. Ensure policy coherence for sustainable development (PCSD) across EU MS and EU Institutions policies to support development finance reforms. PCSD must be enforced particularly around **international taxation, debt cancellation, climate finance, and financial transparency.** EU MS and EU institutions should abandon their current blockade of global (UN) tax agreements and debt resolution frameworks and work towards fair structures and rules.

EU Member States should	EU Institutions should	OECD DAC should
1. **Align national fiscal, trade, and investment policies with sustainable development objectives.** 2. **Participate in multilateral tax reform and debt resolution negotiations at the UN** and other global fora.	1. **Coordinate EU-level policies across DGs and agencies to ensure development finance, climate finance, and trade policies are mutually reinforcing.** 2. **Support global taxation and debt cancellation initiatives.**	1. Provide guidance and track coherence between donors' domestic policies and development finance commitments, **highlighting gaps in international taxation, debt, and climate finance in peer reviews.**

9. EU Member States and EU institutions should commit to increasing collective adaptation finance to ensure a balance between mitigation and adaptation. Climate financing should always be focused on local needs, rights-based and aligned with poverty reduction.

EU Member States should	EU Institutions should
1. **Prioritise concessional grants for adaptation finance.**	1. **Prioritise concessional grants for adaptation finance.**
2. **Follow the principles for locally led adaptation**[169].	2. **Follow the principles for locally led adaptation.**
3. **Follow Ireland and Denmark, who allocate over 50% of climate finance to adaptation.**	3. **Ensure that the EU's Global Gateway does not reverse progress made towards increased climate adaptation.**

9. Recognise ODA as a contribution to realising human rights and equality, reaching those left furthest behind first. ODA is a practical contribution to people's enjoyment of human rights. The EU and MS should therefore target and step up efforts to support the rights of the most marginalised, including support for grassroots and local organisations, gender equality and women-led organisations and other human rights and equality networks and movements.

EU Member States should	EU Institutions should
1. **Respect the commitments under the International Covenant on Economic, Social and Cultural Rights (ICESCR)**, ratified by all EU MS which establishes a human rights obligation to use the "maximum of available resources" for the progressive realisation of economic, social, and cultural rights including through international cooperation.	1. **Implement the human rights-based approach toolbox**[170], including by meaningfully involving communities in programme design and implementation.
2. **Develop and implement tools to target in-country inequalities,** including by meaningfully involving communities in programme design and implementation.	2. **Ensure the meaningful implementation of the gender, disability and inequality markers,** by providing sufficient human and financial resources.
3. **Integrate the EU's I-Marker or ensure its equivalent in national tools to target inequalities.**	3. For the I-Marker, **conduct a number of Distributional Impact Assessments,** demonstrating empirically that programmes reach those left furthest behind, with an intersectional focus.

[169] See https://www.iied.org/principles-for-locally-led-adaptation.
[170] https://international-partnerships.ec.europa.eu/document/download/54c77670-4179-49f0-9af3-d1b18ff2d41f_en?filename=swd-2021-human-right-based-approach_en.pdf

Country pages

Austria

Reported ODA: EUR 1683 million
0.34 % GNI (↓ from -9.50% in 2023)

Non-inflated ODA: EUR 1337 million
0.27 % GNI (↓ from -0.01% in 2023)

Total inflated ODA: EUR 347 million
20.95 % of total

"Since Austria will reduce its bilateral aid budget, we need qualitative change to still make an impact."

AG Globale Verantwortung – Global Responsibility

Main trends

Austria's ODA fell to 0.34% in 2024, from 0.38% in 2023, which is still far below the longstanding 0.7% international target and the 0.2% commitment to LDCs. The reduction in ODA in 2024 is largely due to decreased multilateral funds supporting Ukraine, and lower in-donor refugee costs which continue to inflate ODA figures. **Humanitarian assistance also dropped after record highs in 2023, reversing earlier progress** as funding from the Foreign Disaster Relief Fund (AKF) increased significantly until 2022, but has since been reduced, weakening Austria's reliability as a humanitarian partner.

Over the past 20 years, Austria's ODA has consistently hovered around half the promised level, rarely exceeding 0.4% of GNI. The newly adopted Three Year Programme (3YP) on development policy aspires to bring qualitative improvements, but its impact depends on effective implementation and sufficient funding. However, prospects for substantive change are remote: the newly formed government has announced ODA budget cuts by almost one quarter in 2025 and 2026 (compared with 2024 figures).

Key **funding priorities of Austria's ODA remain largely unchanged, driven more by geopolitical and domestic interests than recipient needs**, as shown by the limited presence of LDCs and African countries among the top recipients. While there has been important progress in recent years, such as the adoption of the Humanitarian Aid Strategy and the integration of gender equality in Austrian Development Cooperation, implementation gaps, inconsistent funding, and lack of strategic policy coherence continue to undermine these commitments.

Government's relationship with civil society

Austria has a **longstanding tradition of supporting CSOs in development cooperation and humanitarian assistance**, anchored in its development cooperation law and implemented primarily through the Austrian Development Agency's (ADA) bilateral funding programmes. However, **overall funding levels for CSOs–both within Austria and for partners abroad–remain comparatively low**. Despite the newly formed government signalling increased political will for development and humanitarian policy, this momentum has reversed in practice: **budget cuts planned for 2025 and 2026 impact bilateral funding** from the Ministry of Foreign Affairs and ADA, which will directly reduce support for Austrian and local CSOs. These reductions threaten to further shrink Austria's contribution to civil society and restrict the operating space for NGOs, undermining the consistent backing historically offered through its legal and funding frameworks.

Recommendations

- Halt further budget cuts and prioritise qualitative improvements in ODA by directing more resources toward LDCs, untying aid, and focusing funding on initiatives that improve gender equality, promote social inclusion and address structural inequalities in the Global South, for instance, through debt relief initiatives. **This shift is essential as ODA levels are projected to decline further, and only qualitative changes can deliver meaningful impact.**

- **Increase support for CSOs, both within Austria and through partnerships with local organisations in the Global South**, to counteract shrinking civic space and ensure that development cooperation remains effective and inclusive even in times of fiscal constraint; targeted funding for CSOs will enhance local ownership and resilience in partner countries. **Specifically, increase direct support to local and international women´s organisations to strengthen their role in empowerment, combat gender-based violence and advance sexual and reproductive health and rights.**

- Adopt an implementation plan for its Humanitarian Aid Strategy, with clear indicators, dedicated budget headings, early action triggers, and inclusive governance, **while institutionalising the humanitarian–development-peace nexus** and ensuring long-term, needs-based funding aligned with human rights and international solidarity commitments.

- **Back up Austria's commitment to human rights issues, such as gender equality, children's rights, food security, and climate justice, by adequate resources, institutional mechanisms, and long-term political will.** The promotion of agroecology, disability rights, and the rights of local farmers and indigenous peoples should be integrated into strategies, with clear indicators and inclusive processes.

Belgium

Reported ODA: EUR 2980 million
0.48 % GNI (↑ from 12.20% in 2023)

Non-inflated ODA: EUR 2483 million
0.4 % GNI (↑ from 0.02% in 2023)

Total inflated ODA: EUR 497 million
15.75 % of total

"Belgium's strong ODA tradition now faces cuts and risks instrumentalisation"

CNCD-11.11.11 and 11.11.11

Main trends

Belgian development cooperation **has long been recognised for its strong focus on Fragile and Conflict-Affected States (FCS) and LDCS**, particularly in Africa. With **a clear emphasis on poverty reduction and inequality**, Belgium has consistently invested in sectors such as health, education and food security. Its rights-based approach prioritises democracy, human rights, and good governance–especially through support to civil society and local institutions. Belgium is also a firm advocate of multilateralism. **All these priorities and principles–including the commitment to the 0.7% target and the principle of Policy Coherence for Development (PCD)–are enshrined in Belgium's development cooperation law.** Through diverse partnerships with NGOs, multilateral actors, academia and the private sector–and with a strong focus on grants–Belgian ODA has, over the past 20 years, made a meaningful contribution to international solidarity, addressing global challenges that markets cannot deliver and military solutions cannot resolve.

Yet today, this legacy is under pressure. In early 2025, the new government decided to cut development cooperation by 25%. If this path continues, Belgium may dedicate as little as 0.3% of its GNI to ODA by 2029. At the same time, like many other European countries, Belgium is prioritising large-scale defence spending as essential for national security.

While humanitarian aid is spared and even elevated as a core focus, structural development efforts risk being deprioritised. A more transactional approach is gaining ground, where cooperation is increasingly expected to align with Belgian political or economic interests. This instrumentalisation risks undermining the principles of solidarity and effectiveness that have long defined Belgian development cooperation. It also underscores the urgent need to improve PCD, legally anchored in Belgium but largely absent from current political discourse.

Government's relationship with civil society

The role of civil society is explicitly acknowledged in the new government's coalition agreement and is seen as complementary to other development channels. The minister of development cooperation has also emphasised the importance of an open civic space. At the same time, significant budget cuts are foreseen for CSOs (25%), alongside a push for geographical and thematic concentration.

So far, **the dialogue with civil society has largely focused on its own role, with limited attention to a broader reflection on the future and positioning of Belgian development cooperation in today's turbulent geopolitical context.** As civil society actors, we expect the minister to continue defending development cooperation as a policy tool aimed at reducing poverty and inequality. We also hope he will publicly reaffirm the crucial role of civil society– not only as an implementing partner, but as a vital pillar of a healthy democracy all over the world. Within the current coalition, there are divergent views on this matter. This makes it all the more important that the minister provides clear leadership on these fundamental principles.

Recommendations

- **Continue investing in long-term development cooperation that structurally safeguards fundamental human rights, such as access to healthcare, quality education, and food security.**
- **Proactively invest in conflict prevention:** prevention is not only more humane, but also three to four times more cost-effective than post-conflict reconstruction.
- **Support an independent and critical civil society as a cornerstone of democracy** – especially now, as democratic values face increasing pressure worldwide.
- **Resist the instrumentalisation of development cooperation.** Promote equal and transparent partnerships based on alignment and democratic ownership, that truly respond to the needs and priorities of communities in marginalised situations.

For further insights, explore the new CNCD 11. 11. 11. 2025 Report on Belgian Development Cooperation (September 2025) (in French).

Bulgaria

Reported ODA: EUR 133 million
0.14 % GNI (↓ from -21.30% in 2023)

Non-inflated ODA: EUR 133 million
0.14 % GNI (↑ from 0.02% in 2023)

Total inflated ODA: EUR 0 million
0 % of total

"Bulgaria's development policy is consistent in implementing its planned development agenda, while strengthening and expanding its partnerships with countries of the Global South"

Bulgarian Platform for International Development (BPID)

Main trends

Since Bulgaria's accession to the EU, the country's development policy activities have evolved significantly. They include the adoption of acts of secondary legislation, but also capacity building in the Ministry of Foreign Affairs, which is the principal driver of development policy formulation and implementation. It has approved a series of Medium Term Programmes to meet various commitments EU and UN commitments. In addition, Bulgaria is starting to deploy development policy on a bilateral basis in sectors such as healthcare, quality education, good governance and civil society participation, secure work and economic growth.

In 2011, Bulgarian development aid was 0.09% of GNI, reached its peak in 2022 (0.27%), and in 2024 it was 0.14%. For 2024, this amounts to EUR 123.43 million. And although a large part of these funds passes through multilateral channels (EU, UN), the share of bilateral funds is growing.

Compared to 2011, bilateral funding in 2024, is characterised by geographical and thematic diversity. In addition to the traditional countries of the Western Balkans and the Black Sea region, development aid also includes countries in Southeast and Central Asia, a number of Arab and sub-Saharan African countries.

Government's relationship with civil society

The relations between CSOs in Bulgaria and the relevant officials responsible for the planning and implementation of development policy has also evolved. It is worth noting, for example, that in 2015 a 2-year cooperation agreement was signed between the BPID and the Ministry of Foreign Affairs. After that, BPID actively participated in various working groups and participated in consultations on various key development policy documents.

As officials in the directorates and departments dealing with development policy are diplomats, they are often assigned to missions abroad, which can entail restarting the partnership process. However, as diplomats contribute to policy development in their new positions, this can enhance support for CSOs working locally in partner countries.

Recommendations

- **Adoption of the International Development Act.** This overarching law can promote greater flexibility of development policy and increase the necessary resources of the Ministry of Foreign Affairs when financing bilateral projects.
- **Establishment of a specialised structure, subordinated to the Ministry of Foreign Affairs,** with permanent employees engaged in the evaluation, assignment and monitoring of development cooperation projects.
- **Active participation of BPID in the evaluation of development policy, especially in the countries where the members of the platform have experience.**
- **More active involvement of CSOs in the implementation of Bulgarian development policy.**

Czechia

Reported ODA: EUR 529 million
0.17 % GNI (↓ from -29.10% in 2023)

Non-inflated ODA: EUR 373 million
0.12 % GNI (↑ from 0.01% in 2023)

Total inflated ODA: EUR 156 million
28.5 % of total

"A year in which attempts to raise the country's symbolic level of ODA over the medium term ultimately resulted in the usual stagnation, paving the way for its eventual collapse."

FoRS - Czech forum for development cooperation

Main trends

Czechia's ODA dropped from 0.24 % in 2023, to 0.17 % of GNI in 2024, according to preliminary OECD DAC figures (still above its long-term average of 0.13%). **After subtracting the in-donor refugee spending on Ukrainian refugees, the ODA figure further decreased to 0.11 %.** The long-term weak performance with respect to the genuine level of ODA was also addressed by the OECD DAC Peer Review of Czech ODA in 2023. Despite this, the Ministry of Finance is considering severe cuts to annual bilateral ODA plans. With elections in October 2025, the future of meaningful ODA financing remains uncertain.

The capacity of the Czech authorities to focus on development cooperation and humanitarian aid is very limited and in 2024 they continued to be significantly impacted by the humanitarian and stabilisation assistance to Ukraine. Czechia succeeded in obtaining EUR 188 million for activities under the EU Ukraine Facility. The real driver here was Ministry of Finance, which seems somewhat reluctant to promote other development cooperation.

In spite of this, **there have been positive moves toward integrating the humanitarian–development nexus and Disaster Risk Reduction approaches into humanitarian action The Czech Development Agency is also increasingly active in EU delegated cooperation.**

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

Government's relationship with civil society

The relationship between governmental stakeholders and CSOs is generally cooperative, though it can vary based on specific issues and political contexts. The government often collaborates, or at least provides space for consultations, with CSOs in developing and implementing policies, particularly in areas where these organisations have expertise and/or act as implementers, such as social services, human rights, environmental agendas, education, humanitarian and development assistance. On the other hand, the political context remains extremely fragile and this positive relationship cannot be considered as a given also for the years to come.

Recommendations

- **Stop ODA budget cuts, particularly bilateral cuts, and focus on predictability while also providing space for flexibility** for implementers to react to the rapidly changing contexts.
- **Reflect on increasing needs in the humanitarian field** and ensure that all country strategies and development projects explicitly address poverty and/or inequality.
- **Continue to involve a wide variety of contributors, including CSOs, in development policy debates and implementation.**
- **Focus on effectiveness, good governance; human rights, including gender equality; and protection of the environment and climate.**

Croatia

Reported ODA: EUR 180 million
0.21 % GNI (↑ from 3.60% in 2023)

Non-inflated ODA: EUR 180 million
0.21 % GNI (↑ from 0.02% in 2023)

Total inflated ODA: EUR 0 million
0 % of total

“Croatia continues its slow and steady progress toward increasing ODA, although it still falls significantly short.”

Croatian Platform for International Citizen Solidarity

Main trends

Croatia has increased its ODA in 2024 to 0.21% of GNI, in comparison to 0.2% in 2023. **This represents a continuation of the existing trend from the past several years of gradual increases in ODA disbursements.** Croatia still needs to devise a strategic policy framework with clearly defined ODA priorities. Croatia became an OECD candidate country in 2022, with the expectation of accession in 2026, which could potentially serve as an impetus to intensify its efforts in the field in preparation to becoming a full member of the OECD DAC.

Although Croatia adopted the Act on International Development Cooperation and Humanitarian Aid in 2024, the national development cooperation strategy has not yet been developed, **which means there is still a policy vacuum following the expiration of the previous strategy in 2021.**

Government’s relationship with civil society

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

Recommendations

- **Step up efforts to create a clear policy direction and priorities in the ODA sector by drafting and adopting the new National Strategy for Development Cooperation.** This is urgent as 4 years have now passed since the expiry of the previous strategy.

- **Significantly increase the share of ODA for LDCs.**

- **Remove the focus on ethnic Croats and Christians from its international development programming** and disburse aid in partner countries without discriminating against non-Croats or non-Christians.

- **Exclude in-donor refugee costs and funds for security or migration from its ODA figures.**

Denmark

Reported ODA: EUR 2930 million
0.71 % GNI (↑ from 2.20% in 2023)

Non-inflated ODA: EUR 2600 million
0.63 % GNI (↓ from -0.02% in 2023)

Total inflated ODA: EUR 330 million
11.05 % of total

"High percentage – high responsibility"

Globalt Fokus

Main trends

Denmark has an ongoing commitment to reaching the 0.7% target of GNI. In 2024, Danish ODA reached a remarkably high level, increasing by DKK 2,870.90 million (EUR 384.50 million) compared to 2023, resulting in a total of DKK 23,988.7 million (EUR 3.21 billion). **However, this is not a result of heightened ambition but due to a failure in meeting the 0.7 % target in 2022 and an unpredicted rise in GNI resulting in high regulatory compensation.**

In 2024, Danish ODA had four priorities: 1) climate diplomacy and green development cooperation; 2) Africa and equal partnerships with global south partners; 3) Ukraine and neighbour countries and; 4) irregular migration. **These express the recent trends in Danish ODA of increased focus on global climate action, linking ODA to migration, and a geographical focus on Africa and EU neighbour countries, particularly Ukraine.** In 2024 a new spending target of 35% on green initiatives and climate change was introduced, increasing from 30% in 2023.

In 2024, the Minister of Foreign Affairs, Lars Løkke Rasmussen, was also named Minister of Development, signalling the **increased integration of development policy and foreign affairs, trade and security policy. This trend is also apparent in the new Development Policy Strategy launched in June 2025.** The strategy holds onto core development priorities such as collaboration with civil society, localisation and human rights. However, it also stresses the importance of linking development cooperation to economic diplomacy and using aid to mobilise private funds, which has been facilitated by the re-launch of the Danish development finance institution as Impact Fund Denmark.

The increased integration of development policy with other policy areas, emphasis on leveraging private sector funds and allocating ODA to climate action have led to civil society calls for continued focus on allocating **ODA to poverty eradication and to LDCs.**

Government's relationship with civil society

Denmark has a strong tradition of consulting stakeholders, including civil society, in policy processes both at the political level and with relevant government officials. This is the case both now and in the past. **While there is always room for improvement, there is generally good collaboration between the Danish Ministry of Foreign Affairs and CSOs**, with the Ministry inviting civil society partners to meetings on relevant political processes and events.

An example from 2024 is the development of a Danish plan for increased cooperation with Africa. The Ministry of Foreign Affairs invited civil society to input, resulting in a policy paper with recommendations building on four round table conversations with civil society actors from Denmark and Africa and employees from the Ministry. The new development policy strategy from June 2025 includes different types of consultations such as written, roundtables and conferences with civil society and other stakeholders.

Recommendations

- **Support a strong international framework for responsible loans and debt management to ensure that mobilising private funds does not contribute to worsening the current debt crisis.**
- **Continue to ensure that Danish ODA reaches the 0.7% target every year.**
- **Ensure that aid is given according to the assessment of needs in partner countries and that local partners including civil society are involved in project design and implementation.**
- **Ensure that aid is devoted to poverty eradication and the principle of Leaving No One Behind, and that 0.15%-0.2% of aid is allocated to the LDCs in line with the global commitment.**

Explore the recent Danish development cooperation strategy (in Danish) for further insights.

Estonia

Reported ODA: EUR 77 million
0.2 % GNI (↓ from -26.30% in 2023)

Non-inflated ODA: EUR 73 million
0.19 % GNI (from 0% in 2023)

Total inflated ODA: EUR 4 million
3.61 % of total

"Sharing reform experience through focused, values-based cooperation"

Estonian Roundtable for Development Cooperation / AKÜ

Main trends

In 2024, Estonia's development cooperation remained strongly influenced by geopolitical realities, especially Russia's war against Ukraine. Over 72% of Estonia's bilateral development aid allocated by the Ministry of Foreign Affairs was directed to Ukraine. This reflects both solidarity and a long-term commitment to reconstruction and democratic resilience. The trend from recent years continued, with projects focusing on education, governance and economic recovery. **The Eastern Partnership continues to be the main regional focus, with ongoing engagement in Moldova and renewed activity in Armenia.** However, political instability led to the suspension of bilateral cooperation with Georgia. In Africa, Estonia maintained its focus on four priority countries: Kenya, Uganda, Botswana and Namibia and aligned cooperation with its strengths in digitalisation, education and entrepreneurship. In 2024, ESTDEV launched a new digital and green transition stream in the region, supported by EUR 1.5 million of EU funding. While Ukraine remained the political and financial priority, there was a shift in Africa toward fewer but more strategic projects. Limited domestic funding, however, continued to constrain broader involvement of civil society.

Compared to earlier years, Estonia's ODA strategy has become more centralised, professional and politically guided, especially since ESTDEV was established in 2021. The new implementation plan for 2024 to 2026 reflects a more structured and results-oriented approach. At the same time, total ODA volume decreased compared to 2023, mainly due to lower in-donor refugee cost reporting.

Looking ahead, Estonia's development policy is expected to remain focused on Ukraine and the EU neighbourhood while gradually expanding global engagement. **Core drivers such**

as security, values-based diplomacy and digital expertise remain unchanged, but are now pursued with greater coordination and strategic leverage than 20 years ago.

Government's relationship with civil society

In 2024, the relationship between CSOs and the Estonian government in development cooperation remained generally stable, with no major changes compared to previous years. CSOs continue to engage constructively with Ministry of Foreign Affairs and ESTDEV representatives and actively participate in consultations on strategic documents like the Development Cooperation Implementation Plan.

At the same time, **some CSOs have expressed concerns about the increasing focus on business diplomacy and public-private partnerships (PPP), noting that this shift may affect the intended priorities of development cooperation. CSOs therefore advocate a careful balance between economic interests and development goals**. Additionally, CSOs have highlighted the importance of ongoing dialogue and transparency around funding allocation and management within ESTDEV. Clearer communication about resource distribution would further strengthen trust and enable more strategic collaboration. Overall, while the cooperation with governmental stakeholders remains positive and collaborative, these reflections **suggest areas where openness and clarity could be enhanced to support even better partnership going forward.**

Recommendations

- **Ensure the stability of the development cooperation budget and avoid major cuts, continuing the plan to reach 0.33% of GNI by 2030,** despite overall budgetary pressures.
- **Increase the share of public funding for partner projects in ESTDEV's open calls to at least 50% to strengthen civil society engagement and improve transparency** in project financing.
- **Improve the design and communication of grant calls by providing clearer advance information on upcoming calls,** better defining target groups and focus areas, and supporting both grassroots organisations and larger national partners more effectively.
- **Prioritise communication and awareness-raising related to development cooperation by requiring applicants to include a national communication plan in their proposals,** reporting on its implementation, and fostering closer cooperation between ESTDEV and civil society communication managers.

Finland

Reported ODA: EUR 1302 million
0.47 % GNI (↓ from -12.90% in 2023)

Non-inflated ODA: EUR 1025 million
0.37 % GNI (↓ from -0.05% in 2023)

Total inflated ODA: EUR 277 million
22.3 % of total

“A once-realiable ODA partner drifted into a cutting spree”

Finnish Development NGOs Fingo

Main trends

Huge cuts in ODA. The current government was formed in 2023 by the coalition of centre-right and populist parties. The political attitude towards development cooperation is characterised by:

- The main political “glue” for the current government is balancing the national budget and cutting the national debt.
- The populist-right party, the Finns Party, has been actively suspicious towards development cooperation and suggests ending it.
- The Finns Party is responsible for development policy as well as for the state budget.
- Development policy is not a priority of any party in the current government.

This has resulted in ODA cuts of around 25% during the current governmental term. The ODA/GNI ratio is going to drop to below 0.36% (government estimation) in 2025. In comparison, the ODA/GNI ratio in 2023 was 0.52%. The result is a reduction in the support to LDCs. Finland is, in theory, committed to the amount of 0.2 %[171] of GNI to ODA for the LDC countries, but no longer declares this amount in the national budget. In policy wise, this translates into an almost total lack of LDC visibility in the Report on International Economic Relations and Development Cooperation (2024). **Another consequence is the deprioritisation of sustainable development.** There are no mentions of sustainable development in the Governmental Programme and the government is consistent on this: sustainable development is not a central theme in the funding and policies.

[171] Officially the commitment is to the 0.15%-0.2% range. Before the current governmental term, the 0.2% ratio was used as a reference in Finland.

20 years

Government's relationship with civil society

The relationship between the Finnish government and civil society is mixed.
On the positive side:

- **The government has declared that civil society is a focus for Finnish development policy and that Finnish NGOs are a key partner for the government.** This is seen in funding as almost every other dimension of the ODA has cut, but support for most NGOs has not.
- **Fingo was invited by the Ministry for Foreign Affairs to participate in the OECD DAC peer review process as an observer.** Fingo's participation was an example of good relations with the civil society and Fingo was able to contribute fully by submitting a report and other materials, and by being present in the whole process. In the end Fingo was thanked by many official members in the peer review team for providing essential information and being a valuable asset to the process. (OECD Development Cooperation Peer Reviews FINLAND 2024).

On the negative side:

- **The government ended two kinds of grants:** the support for peace promotion, and support for global citizenship education. The reasons seem to be ideological because there could have been money for these grants.
- **Many in the NGO sector perceive the participation of civil society in policy processes as more limited than before.** Fingo, as a part of the OECD DAC peer review process, found that the opportunities for participation have been reduced under the current government.

Recommendations

- **Change direction for development funding:** by cutting ODA, Finland is not a reliable partner for developing countries and international institutions and does not play its part in international sustainable development.

- **Craft a clear plan for reaching international commitments:** 0.7% of ODA/GNI, 0.2% of ODA/GNI for LDC countries and 85% of ODA to measures that support gender equality.

- **Strengthen the support for the most marginalised people, areas, and countries,** including financial contribution to LDCs.

- **Continue to partner with diverse civil society actors,** maintain commitments to transparency and CSO policy participation and adequately fund development communications and awareness work to maintain high public support for development cooperation.

France

Reported ODA: EUR 14272 million
0.48 % GNI (↓ from -0.02% in 2023)

Non-inflated ODA: EUR 10407 million
0.35 % GNI (↓ from -0.04% in 2023)

Total inflated ODA: EUR 3865 million
27.29 % of total

"Big Promises, Little Action: France is walking back on its engagement for ODA"

Coordination SUD

Main trends

In France, **ODA is characterised by a high share of loans (21% in 2024). Recent years have seen a surge of private sector instruments and a slight reduction of in-donor refugee costs.** However, ODA directed to LDCs has yet to reach anticipated levels, remaining below 20% of bilateral aid.

From the 2000s until 2017, France's ODA remained relatively stagnant. This changed when the government promoted international solidarity as a strategic priority, resulting in a 60% increase in total ODA between 2016 and 2022. In 2021, the French Parliament passed a national programming law that set financial targets, reaffirmed the 0.7% GNI target and defined key policy and geographic priorities[172].

In recent years, France stepped up its support for high-priority policies, endorsing ministerial strategies on humanitarian action, civil society engagement, youth initiatives and human rights. ODA allocated to and through CSOs tripled between 2016 and 2023. Since 2009, the French Development Agency (AFD) has also backed CSOs' right to initiative via a dedicated, flexible funding mechanism. In 2019, France launched a feminist foreign policy and established a fund to support grassroots feminist organisations. **Despite these strong commitments, France reversed course starting in 2024, initiating significant cuts to its ODA budget:** EUR 742 million in 2024, followed by EUR 2.3 billion in 2025. As a result, total ODA as a share of GNI dropped from 0.56% in 2022 to 0.48% in 2024. An additional cut of EUR 700 million is projected for 2026, effectively reducing the ODA budget to below the 2017 level.

[172] For further insights see Assessment of the application of the French law on ODA (2021-2024). Coordination SUD, February 2025 (French only) and Poverty, climate and inequalities: How to implement the programming law for international solidarity. Coordination SUD, July 2024 (French only).

A substantial portion of ODA (7.7% in 2024) continues to be allocated to in-donor refugee costs. Meanwhile, **the government's growing emphasis on domestic priorities, including economic, security and diplomatic interests, has raised concerns about the potential instrumentalisation of ODA.**

Government's relationship with civil society

Over the past two decades, the French Government's relationship with civil society has significantly improved, driven by greater recognition of CSO's important roles. This recognition is now embedded in legislation and a dedicated ministerial strategy. The government has also established support mechanisms and increased funding to and through CSOs between 2017 and 2023.France acknowledges CSO's right to take independent initiatives, supporting this through a dedicated funding instrument managed by the AFD. This relationship has enabled CSOs to contribute meaningfully to policymaking and national strategies–such as the ministerial strategy on civil society and the feminist foreign policy.

Despite progress, new regulations have tightened state control over CSOs, notably through mandatory compliance with broad and ambiguously defined "republican principles," as well as the disproportionate application of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) rules, imposing a mandatory screening of beneficiaries.
Finally, **the instrumentalisation of aid reached a peak in 2022 and 2023, when France suspended ODA to Burkina Faso, Niger and Mali.** This decision had severe repercussions for affected communities and significantly disrupted CSO operations in the region.

Recommendations

Since the last AidWatch report, France has reduced its ODA and has ceased referencing the 0.7% target in its public communications. Additionally, the risk of aid instrumentalisation is growing, driven by increasing pressure on ODA and a shift in government priorities toward domestic concerns. In this context, we are asking French officials to:

- **Stop the attacks on the ODA budget and uphold existing commitments.** After two consecutive years of cuts, it is urgent to put the ODA budget back on an upward trajectory. This increase could be largely financed through revenues from existing solidarity taxes. Ultimately, France must meet its legally binding target of allocating 0.7% of GNI to ODA, while also improving the quality of its aid by increasing support to LDCs, social services, civil society, and human rights–including gender equality.

- **Prioritise grants for development and humanitarian action.** Development and humanitarian grants fund critical areas such as conflict preparedness and response, human rights and inequalities reduction, including through support for CSO-led initiatives. In the face of growing global challenges, these actions are essential and must remain a top priority.

- **Secure sustainable financing through solidarity taxes.** Until 2024, development cooperation was partially funded through solidarity taxes–specifically, the airline ticket tax and the financial transaction tax. This contribution should be restored through new legislation, backed by a cross-party proposal. It is essential to earmark these revenues for solidarity efforts, in the name of fiscal responsibility and social justice. In 2025, the French Government launched a new international coalition of the willing with other countries to use aviation tax to fund climate and development action.

Germany

Reported ODA: EUR 29984 million
0.67 % GNI (↓ from -17.20% in 2023)

Non-inflated ODA: EUR 20586 million
0.46 % GNI (↓ from -0.08% in 2023)

Total inflated ODA: EUR 9398 million
30.93 % of total

"Germany's development policy: shrinking budgets & political shifts"

VENRO

Main trends

In 2024, Germany's development cooperation faced another year of significant cuts. The federal government reduced humanitarian aid by EUR 400 million (–18%) and cut EUR 1 billion (–8%) from the BMZ's development budget. Political instability further exacerbated the situation: in autumn 2024, the governing coalition collapsed, triggering snap elections and delaying key decisions on development financing into 2025. During the campaign, several politicians advocated for merging the Ministry for Economic Cooperation and Development (BMZ) with the Foreign Office. **However, strong pushback from civil society contributed to the new Conservative–Social Democrat government retaining a standalone development ministry.**

Despite this, **the downward trend in funding continues.** The BMZ is set to lose another EUR 1 billion in 2025 – the third consecutive year of such cuts – with a further reduction of EUR 1 billion planned by 2028. Humanitarian aid is also under threat, with the initial 2025 budget proposal suggesting a drastic cut of over 50%. Moreover, Germany tends to fall short of its pledge to provide EUR 6 billion annually in international climate finance. Despite these drastic cuts, Germany is on the path to become (for the first time in history) the largest international ODA contributor, because of the dismantling of USAID by the Trump administration.

Germany's new Development Minister, Reem Alabali-Radovan, is under pressure to present a strategic reorientation of Germany's development policy and has announced four priorities: ensuring a life in dignity, linking development with security and foreign policy, leveraging the private sector, and building strategic alliances. Whether these ambitions can be implemented in a context of shrinking budgets remains to be seen.

Government's relationship with civil society

In 2024, the BMZ adopted a new strategy for engaging with civil society, offering encouraging signals for innovation and deeper collaboration. The strategy seeks to strengthen political dialogue, defend civic space globally, promote feminist development policy, empower Global South actors, and simplify funding procedures for CSOs.

However, funding cuts have taken a toll on implementation. The number of newly approved civil society projects has dropped by around 30%. This decline puts additional pressure on many partner organisations, some of which were already struggling due to funding gaps left by the termination of key USAID programmes. Despite a strong strategic framework, the shrinking resources are limiting civil society's ability to act.

Recommendations

- **Make additional financial resources available for development cooperation and humanitarian emergencies** to meet current needs.
- **Increase civil society funding to the OECD average of 13% of ODA.**
- **Support an overhaul of the ODA reporting rules to better reflect actual support for partner countries and change Germany's own reporting accordingly.**
- **Increase climate finance to EUR 8-10 billion annually, while ensuring that this is new and additional funding to the 0.7% commitment of ODA/GNI.**

Hungary

Reported ODA: EUR 177 million
0.09 % GNI (↓ from -31.50% in 2023)

Non-inflated ODA: EUR 157 million
0.08 % GNI (↓ from -0.07% in 2023)

Total inflated ODA: EUR 20 million
11.16 % of total

“Two decades of inconsistent engagement in development cooperation and inclusion of civil society”

HAND - Hungarian Association of NGOs for Development and Humanitarian Aid

Main trends

From 2017 onwards, there was a steady increase in Hungarian ODA, in line with the country’s development strategy, in which it committed to reach a 0.25% ODA/GNI ratio by 2025. In 2021, it seemed possible that the country would also fulfil its international commitment to the 0.33% ODA/GNI ratio. **This trend was reversed in 2022 with a radical decline similar to the previous increase. In nominal terms, Hungarian ODA almost halved from EUR 316 million in 2022 to EUR 163 million in 2024, and the ODA/GNI ratio fell from 0.26% to 0.09%, the rate achieved in the first half of the 2010s.** This is despite a visible change in the government’s approach to the role of international development after 2017. Efforts to help persecuted Christians and to prevent migration have moved international development up the priority list in Hungarian foreign policy, as indicated by the adoption of the 2020-25 strategy. The COVID epidemic, the Russian-Ukrainian war and inflation, which has hit Hungary particularly hard, seem to have overridden ambitious commitments. If anything, unpredictability is the most constant feature of Hungarian international development, though it would be surprising in the coming years if the trend were to reverse and Hungarian ODA were to reach the 2020-21 highs again. **There may be year-to-year variations and shifting trends in ODA levels, but the fluctuating performance of Hungarian ODA is mainly a reflection of a lack of clear vision and consistent long-term goals.**

Government’s relationship with civil society

Over the past 20 years, the Hungarian government’s relationship with civil society in the field of international development **has been inconsistent and marked by varying levels of openness.** There were periods when CSOs were invited to consultations and project implementation, followed by years of disengagement, lack of transparency and minimal support. Key strategic documents and decisions were often made without meaningful civil society input, and financial support for CSOs has been irregular and unpredictable. While there have been positive steps in recent years–such as re-introducing open calls for proposals for CSOs or invitations to events and one-off consultations–these were not embedded in a long-term cooperation framework, thus government–CSO relations reflect a pattern of sporadic engagement rather than sustained partnership. **Ultimately the absence of structured dialogue or co-creation mechanisms with other stakeholders continues to limit the effectiveness of Hungary's development cooperation.**

Recommendations

- **Develop the new international development strategy** through a timely and broadly inclusive stakeholder consultation process.
- **Develop a transparent roadmap to meet the 0.33% ODA/GNI international target for Hungary by 2030,** with annual milestones.
- **Establish a formal and regular multistakeholder dialogue mechanism including all stakeholders.**
- **Increase predictable and transparent funding opportunities for development CSOs.**

Ireland

Reported ODA: EUR 2283 million
0.57 % GNI (↓ from -14.00% in 2023)

Non-inflated ODA: EUR 1362 million
0.34 % GNI (↑ from 0.02% in 2023)

Total inflated ODA: EUR 921 million
40.62 % of total

"A valued and principled partner, and a champion of the principles and impact of ODA, with potential to step up its commitments and be a leading voice globally."

Dóchas

Main trends

Since 2015, Ireland has maintained a consistent level of ODA spending, leading to its non-inflated ODA spending averaging 0.32% of GNI. This translated to significant increases in spending volumes due to a positive economic climate. Spending peaked in 2023 when global ODA reached 0.67% of GNI. However, OECD DAC preliminary figures for 2024 indicate a drop of 14% in ODA spending, with Ireland's spending of EUR 2.10 billion representing 0.57% of GNI. In light of an uncertain economic and trading environment, Ireland has reiterated its commitment to maintain current levels of ODA spending but has not as yet indicated any increases for 2025.

Climate finance, while being of good quality and primarily grant-based, continues to be counted as non-additional ODA, which is an issue that should be rectified, particularly as Ireland's required contribution to global climate finance will likely increase following a revised global finance target agreed at COP29. **Ireland is increasingly directing funding to multilateral organisations.** Although CSOs have received more funding over the years, their share of ODA as a percentage of GNI has steadily declined.

Government's relationship with civil society

Irish civil society enjoys a positive relationship with the Irish Government. This is underpinned by shared values and a commitment to provide effective, untied and impactful development assistance to reach those left furthest behind. **Government and legislative bodies are open to dialogue at both the informal and formal level, and civil society is considered a key partner in attaining commonly-held objectives,** a source of critical information and knowledge, as well as key in programme implementation. The relationship was enhanced through the establishment in recent years of two dedicated funding streams for civil society - Ireland's Civil Society Partnership for A Better World (ICSP), a funding scheme for 10 partners with significant capacity, and the Civil Society Fund, that supports smaller civil society organisations. IrishAid credits many of its successes to its close relationship with civil society, which both sides endeavour to foster.

Recommendations

- **Make real progress to reach the commitment of 0.7% GNI on ODA spent** overseas by 2030 by increasing the ODA budget in 2026 by EUR 300 million and publish a pathway to achieve this.

- **Increase Ireland's climate finance to its 'fair share' of EUR 500 million.**

- **Provide at least 30% of Ireland's ODA to and through civil society across humanitarian, development and climate programmes and funding.**

Italy

Reported ODA: EUR 6170 million
0.28 % GNI (↑ from 6.70% in 2023)

Non-inflated ODA: EUR 4407 million
0.2 % GNI (↑ from 0.01% in 2023)

Total inflated ODA: EUR 1763 million
28.05 % of total

"Italy's 20-Year Journey in International Development Cooperation: Steady Patterns, Systemic Change, and New Political Momentum"

CONCORD Italy

Main trends

Over the past 20 years, Italy's international development cooperation has shown some steady features alongside significant changes. **Italy's ODA has persistently remained low relative to GNI, fluctuating between 0.14% and 0.33%, confirming its image as financially low-intensity cooperation.** Between 2005 and 2023, ODA relied heavily on international channels (57% multilateral, 37% via the EU) and was almost entirely grant-based (95%). Over the same period of time, debt relief and in-donor refugee costs together averaged 22% of total ODA, while CSO funding rose in 2023 constant prices from EUR 83 million in 2005 to EUR 142 million in 2023.

In 2014, a reform replaced the 1987 framework, modernising Italy's development cooperation. As noted in Aid Watch reports, it established three pillars – MAECI, the Italian Agency (AICS - launched 2016), and CDP (the financial arm) – and introduced multi-year budget planning and projections and structured consultation via the National Council. However, governments have failed to address the core issue: aligning ODA levels with the 0.7% global commitment.

At present, **Italy stands out for avoiding ODA cuts, unlike many donors– though starting from a relatively low baseline.** Since 2022, a defining feature has been the strong political leadership of Prime Minister Giorgia Meloni, who unveiled the **Piano Mattei per l'Africa.** Coming from a political tradition of the Italian right, the initiative is striking for its language, emphasising a new kind of partnership with African countries and recognising Africa's strategic importance. The plan reflects the increasingly popular notion of transactional aid, where development cooperation is closely tied to the pursuit of reciprocal political and economic gains.

Government's relationship with civil society

Relationships with institutions are stable and, in some areas, improving. CSOs have maintained leadership roles in the working groups of the National Council for Development Cooperation, generating inputs on policies including the multi-year planning process, development effectiveness, policy coherence, and evaluation. Dialogue between CSOs and the institutions of Italy's international cooperation system takes place at multiple levels, covering both structural issues – such as improving procedures – and emergency responses. It would be highly beneficial to further systematise these relationships, making them more reliable and consistent over time. Funding for CSO-led initiatives has recently increased, even though these organisations had also been under significant political pressure in the past, particularly with respect to their role in migration-related activities.

Recommendations

- **Maintain a solid ODA performance, including alignment with the 0.7% target.**
- **Enhance the effectiveness of cooperation, ensuring that partnerships are inclusive and aligned with county priorities** (notably Italy supports the 2030 Pact for Effectiveness launched at the recent FFD4 Sevilla conference).
- **Improve the planning and reporting process to ensure more strategic and predictable programming.**
- **Safeguard and enhance consultations with all stakeholders.**
- **Develop new instruments to support CSO activities beyond project-based funding and reduce administrative red tape.**
- **Strengthen the push for localisation by clearly articulating the role of local partners**, while still valuing national organisations.

Latvia

Reported ODA: EUR 104 million
0.26 % GNI (↓ from -22.10% in 2023)

Non-inflated ODA: EUR 72 million
0.18 % GNI (↑ from 0.05% in 2023)

Total inflated ODA: EUR 32 million
32.62 % of total

"Latvia is formalising its development role and maintains global commitments"

Latvian Platform for Development Cooperation (LAPAS)

Main trends

In 2024, Latvia made a major development by officially applying to join the DAC, setting the stage for its membership in 2025. The commitment raises hopes that Latvia will maintain its ODA as a percentage of GNI above pre-Ukraine war levels and move closer to the 0.7% international target. Although overall ODA declined compared to the previous year, primarily due to reduced expenditure for Ukrainian refugees and the absence of vaccine donations reported in 2023, support to Ukraine increased as a share of total aid, reflecting continued solidarity and commitment to addressing war impacts and supporting EU integration.

Although **bilateral ODA has remained stable and recent commitments are positive, there is room for improvement in aid delivery and priority alignment.** Only a small share of grant funding reaches partner countries, as projects remain largely led by Latvian implementers with limited local actor involvement, falling short of the localisation principle of shifting power to in-country stakeholders.

Historically focused on Eastern Partnership and Central Asia, **Latvia expanded its bilateral development cooperation more prominently into Africa in 2024.** It implemented eight projects in countries such as Ethiopia, Namibia and Rwanda, with a strong focus on delivery through civil society, targeting women's economic participation, digital skills, and entrepreneurship. **Although LDCs are defined as a priority, limited engagement and a broad regional focus raise doubts about their effectiveness and pose challenges for impact assessment due to the varying development contexts.**

Bilateral, **open-call project evaluation significantly improved with the introduction of more transparent and results-oriented criteria.** However, further improvement is needed by aligning project application and evaluation criteria with horizontal priorities and a focused subset of priority SDGs, as the current approach spans too many goals.

Government's relationship with civil society

Over the past 20 years, the relationship with governmental stakeholders has evolved from sporadic engagement to a more structured and value-oriented partnership, with greater recognition of civil society's role in shaping development policy. The positive shift is reflected in the allocation of 50% of bilateral project financing to civil society implementers.

The Ministry of Foreign Affairs also participates in sectoral events as well as supporting communication campaigns and educational events by CSOs, including the Global Education Week, which has been held for 12 years, organised in partnership with the Latvian Platform for Development Cooperation (LAPAS). Furthermore, LAPAS active involvement in the Foreign Policy Experts Council and the Development Cooperation Advisory Council, as well as discussions on the annual foreign policy report, demonstrates a welcome space for civil society input and constructive dialogue between parties.

Recommendations

- **Increase the proportion of bilateral funding allocated through open calls to** improve transparency and accountability.
- **Set criteria for private sector involvement and explore new financing instruments, particularly within programmes supporting Ukraine.**
- **Review and define policy priorities for cooperation with countries in Africa, focusing more on LDCs.**
- **Increase direct support to LAPAS** to meet the growing demand from NGOs for capacity building and partnerships with Ukraine and other Eastern Partnership countries.

Lithuania

Reported ODA: EUR 178 million
0.24 % GNI (↓ from -12.90% in 2023)

Non-inflated ODA: EUR 163 million
0.22 % GNI (↓ from -0.02% in 2023)

Total inflated ODA: EUR 15 million
7.35 % of total

"Lithuania leads Ukraine's reconstruction with growing international cooperation"

Lithuanian NGDO Platform

Main trends

In 2024, Lithuania's ODA, which includes government-funded aid and humanitarian assistance to developing countries, reached EUR 179 million, or 0.24% of GNI. This is a decrease from the peak of EUR 231.31 million (0.36% of GNI) achieved in 2022. The main reason for the decrease was a reduction in expenses for refugees, which are counted as ODA only during their first year in the host country. In 2024, Lithuania allocated EUR 85 million to bilateral aid and EUR 94 million to multilateral aid. The largest recipient of Lithuania's bilateral assistance was Ukraine, which received EUR 52.15 million. A total of EUR 22.56 million from the Ministry of Foreign Affairs' budget was allocated for development cooperation activities.

Bilateral Cooperation and Key Projects

In 2024, Lithuania launched 47 new bilateral projects and continued 21 previously initiated ones. These projects were implemented through the Development Cooperation and Democracy Promotion Programme and the Fund. The Fund allocated EUR 16.2 million to 22 projects, with EUR 15.2 million dedicated to reconstruction efforts in Ukraine. It also approved **Guidelines for Lithuania's Engagement in Ukraine's Reconstruction and Recovery 2024–2027,** signalling sustained Ukraine-focused programming. Other countries receiving funding included Moldova, Georgia, Armenia, Palestine and Kenya. Lithuania also supported Belarusian civil society and continued its national co-financing for the European Commission's EU4Youth programme.

Over the past two decades, Lithuania has established itself as a donor country; however, achievement of the longstanding commitment to allocate 0.33% of GNI to development cooperation by 2030 remains unlikely, and substantive global development education and effective NGDO engagement are constrained by insufficient funding. Development cooperation policy continues to receive minimal political, media and public attention, with limited parliamentary oversight and negligible visibility in national reporting.

Government's relationship with civil society

The government maintains a formally structured and increasingly strategic relationship with CSOs. The Lithuanian NGDO Platform plays a central role in coordinating and guiding civil society actors engaged in development cooperation. This includes working with the MFA on the annual Development Cooperation Conference and facilitating dialogue on development cooperation with newly elected members of Parliament. The Ministry of Social Security and Labour continues to support the Lithuanian NGDO Platform with the Network on Humanitarian Action, in partnership with Vilnius University, to implement annual humanitarian training to strengthen CSO capacity. CSOs are also represented in consultative bodies, including the Inter-institutional Commission on Development Cooperation, the Lithuanian Development Cooperation and Humanitarian Aid Foundation council, the NGO council, etc.

Despite progress, NGOs face challenges such as complex administrative requirements, a lack of co-funding for nationally funded projects and financial mechanisms to guarantee cash flow for internationally funded projects, struggles to find reliable partners in partner countries, and competition for limited funding from both NGOs and public institutions. Streamlined procedures and enhanced collaboration are essential to strengthen their role in development cooperation.

Recommendations

- **All national departments engaged in development cooperation should submit information on their programmes for inclusion in a comprehensive development cooperation report,** extending beyond the VBPD programme of the Ministry of Foreign Affairs. The report should also reflect the role and contributions of NGDOs in national development cooperation efforts.

- **Given the urgent humanitarian needs, consideration should be given to reallocating funds from costly infrastructure works to priority "soft" sectors addressing immediate human welfare.** Indeed, reconstruction projects in Ukraine currently focus predominantly on infrastructure, which remains vulnerable to destruction as the conflict enters its third year, while human suffering, loss of life and threats to civilian safety persist at an unprecedented scale.

- **Capacity building:** Invest in training for NGDOs on fundraising, advocacy, and international partnership building and ensure cross-sectoral networking opportunities.

- **Ringfence funds for global education and NGDOs:** Allocate a minimum percentage of funds to support civil society-led projects and development education, which are currently underfunded.

Luxembourg

Reported ODA: EUR 552 million
1 % GNI (↓ from -0.30% in 2023)

Non-inflated ODA: EUR 552 million
1 % GNI (from 0% in 2023)

Total inflated ODA: EUR 0 million
0 % of total

"Luxembourg maintains commitment to 1% ODA target, while initiating changes in bilateral partnerships and GCE-funding"

Cercle de Coopération des ONGD

Main trends

In 2024, Luxembourg maintained its commitment to ODA of 1% of GNI while honouring the **principle of additionality which calculates international climate and refugee-related costs outside of ODA.** The government announced its intention to discontinue bilateral cooperation agreements with three of its six privileged cooperation partner countries due to concerns with the rule of law following military coups in Burkina Faso, Niger and Mali. **However, Luxembourg's international cooperation maintained its support to civil society actors and multilateral actors in these countries.**

Negotiations initiated in 2024 with the goal of reforming the financing arrangements for global citizenship education by NGOs **within Luxembourg lead to strong uncertainty about the future direction of Luxembourg's international cooperation in general, and of NGOs capacity to offer GCE in particular.** While the preliminary results of these negotiations signalled a strong and sustained commitment to GCE towards the end of 2024, new financing remained suspended and budgetary pressures created through the evolving geopolitical and fiscal environment (e.g. increased military budgets) created further uncertainties around the long-term commitments of the reform plans which have yet to be fully implemented.

In this context, reluctance by the Luxembourgish government to commit to a stable multiannual ODA budget projection or to the future of additionality marked an important departure from previous practice and added to the perceived instability in terms of financing and planning for NGOs.

Luxembourg continued strengthening its support of multilateral institutions in 2024, including UNRWA and other humanitarian actors. **The country underwent an OECD DAC peer review in the process of which it underlined its intention to further expand implementation of a "whole-of-government" approach in its bilateral partnerships.**

Government's relationship with civil society

In 2024, the relationship between civil society and the government in Luxembourg was strained by the latter's decision to question public financial support for CSOs critical of the government following a fraud-related bankruptcy of a major NGO, as well as its decision to impose further administrative requirements on CSOs through a reform of the law on CSO governance. Simultaneously, various planned legal reforms were initiated that would lead to a shrinking of civic space (most notably laws regulating demonstrations). Despite this general trend, NGOs maintained a good professional relationship with their governing ministries and continued to be involved in regular consultations of cooperation stakeholders. **While institutionalised cooperation between the government and CSOs continued in 2024, public questioning of the quality and overall utility of CSOs by members of government and affiliated policy makers marked a turn from a historically strongly consensus-oriented political culture in Luxembourg.**

Recommendations

- **(Re)commit publicly to applying additionality** (to calculating international climate finance, refugee-related costs and costs related to the war in Ukraine outside of ODA).

- **Strengthen the protection of human rights and international law, especially in the context of private sector involvement in cooperation,** e.g. by promoting robust due diligence legislation.

- **Strengthen commitment to public financing of cooperation and civil society actors.**

- **Strengthen policy coherence for sustainable development in Luxembourg, notably by contributing to an international convention on tax in a United Nations framework** and helping to strengthen tax systems in partner countries.

Malta

Reported ODA: EUR 56 million
0.29 % GNI (↓ from -9.20% in 2023)

Non-inflated ODA: EUR 56 million
0.29 % GNI (from 0% in 2023)

Total inflated ODA: EUR 0 million
0 % of total

"Malta is championing Small Island developing States (SIDS) issues in international political fora and providing invaluable technical support in relevant areas such as water management"

SKOP (Solidarjetà u Koperazzjoni)

Main trends

Malta support for SIDS in international political fora, as well as by providing technical expertise in relevant areas such as water management in islands, is of particular importance and utility, **given the inherent water scarcity related to small islands.** It is a good example of how to use the experience gained by Malta in developing solutions to minimise water wastage and strengthen water security.

Another initiative in support of SIDS is the collaboration with the Islands and Small States Institute at the University of Malta, and the Organisation of African, Caribbean and Pacific States (OACPS) in developing a Climate Vulnerability and Resilience Index (CVRI). The CRVI aims to measure exposure to adverse economic shocks across different countries. It is guided by the principles of the Barbados Programme and the SAMOA Pathway, and builds on the UN Multidimensional Vulnerability Index (UNGA Res 75/215). The CVRI introduces a tool with global applicability to support policy measures to address the challenges, and opportunities, brought by climate change, enabling all countries to identify the specific features that expose them to its impact and to adopt measures to increase their resilience. **The results of the CVRI can inform International Financial Institutions (IFIs) and donors in the allocation of related concessional funding.**

For 2025, Malta is set to place a stronger emphasis on digital health (digital telemedicine and health workforce skills) and on education (particularly foundational learning, digital skills and girls' education). Malta has recently applied for membership to the International Forum on Total Official Support for Sustainable Development (TOSSD).

Government's relationship with civil society

Communication with civil society is still unstructured with limited opportunity for dialogue and consultation. **The annual call for projects implemented in ODA-eligible countries submitted by Maltese NGDOs was once again issued in 2024 after an absence of 4 years, with three micro-grants being approved.** The 2025 call was issued with an increase in the grant allocation as well as some improved conditions and a widened thematic and geographic scope when compared with previous calls.

Recommendations

- **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.
- **Allocate direct support to SKOP to meet the capacity needs of CSOs active in the sector** and to increase their capacity to implement and monitor projects that are fully focused on the LNOB principles.
- **Engage with Maltese civil society and development stakeholders in an assessment of the Maltese ODA programme and policy.** Involve CSOs as early as possible in the design, implementation and evaluation of policy.
- **Stop counting in-donor refugee costs as ODA.**

The Netherlands

Reported ODA: EUR 6957 million
0.62 % GNI (↓ from -2.80% in 2023)

Non-inflated ODA: EUR 5610 million
0.5 % GNI (↓ from -0.04% in 2023)

Total inflated ODA: EUR 1347 million
19.31 % of total

“International solidarity under pressure: development policy shifts toward self-interest”

Partos

Main trends

In 2024, the Netherlands underwent a radical shift in its ODA approach. **The radical-right minister for Foreign Trade and Development Cooperation publicly favoured cutting all ODA, while the finance minister broke the Dutch 50-year commitment to the 0.7% of GDP pledge.** This will reduce ODA from 0.62% of GDP in 2024 to 0.44% from 2026 onward, abandoning the ambition to reach 0.7%. A target that was only achieved once in the last 20 years. However, **the government also implemented a positive change by capping In-Donor Refugee Costs at 10%**. Over the past 23 years, IDRC exceeded budget estimates in 21 years, causing significant cuts to international ODA allocations. With IDRC representing 18.9% of total ODA in 2024 and estimated to exceed 25% in 2025, this cap provides much-needed predictability.

Thematically, there has also been a shift in policy. Projects focused on gender equality and climate were defunded, with policy refocusing on food security, water and health. The underlying priorities have become peace and security, reducing migration, and increasing international trade. This is an ODA narrative that emphasises Dutch national interests.

Additionally, a result of this narrower focus excludes most fragile contexts. The government prioritises areas where aid and trade policies can work well together, despite critical evaluations showing this approach is inefficient and lacks long-term sustainable development impact. The current policy intends to intensify private sector involvement in development policies. **This represents a move away from sustainable development toward instrumentalising ODA for national interests.** The narrow thematic scope directly contradicts the department’s stated ambitions to transition toward more locally led development approaches.

Government's relationship with civil society

CSOs have long been Dutch Government partners, but 2024 introduced significant strain to this relationship. The thematic shift challenged existing partnerships, while the minister publicly expressed mistrust in CSOs and persistently attempted to defund national and international advocacy. Her narrative consistently argued that CSOs should rely on societal rather than government support, despite advice from the Advisory Board on International Policy (AIV) that supporting these organisations is essential for democratic systems. **Limited civic space has become an increasing concern in the Netherlands.**

Political unrest delayed implementation of new CSO financing instruments, **likely creating a worrisome gap in funding of up to 6 months that could result in valuable knowledge and network losses by 2027.** There is also a stark contrast in CSO involvement in developing new instruments, which used to entail extensive consultation, as there has been markedly less space for dialogue this year.

In 2024 the government also announced a 50% threshold for government financing of CSOs requiring organisations to source half their funding from non-institutional sources. This policy creates significant uncertainty for Dutch organisations, as implementation details remain unclear.

Recommendations

- **Reinstate the commitment to 0.7% ODA/GNI.** As one of the 20 founding countries of the OECD DAC The Netherlands has been committed to the 0.7% target for over 50 years. The sudden break with this commitment is harmful to international solidarity and the strategic interests of the Netherlands in an ever-changing geopolitical context.

- **Ensure meaningful engagement of civil society in the development, implementation and evaluation of foreign policy.** Civil society organisations in the Netherlands and elsewhere in the world can voice the concerns of audiences affected by these policies and should be included in the decision-making process.

- **Pursue sustainable development targets with the ODA budget.** Policy review in the Netherlands shows limited long-term impact of ODA used to support development through businesses. It is not an effective use of budget resources, and often does not reach the communities who need it most. Instead, employ a trickle-up approach.

- **Commit to genuine PCD through policy review.** The instrumentalisation of ODA for national interests such as reducing migration and increasing trade undermines development effectiveness when these goals conflict with partner country needs. Additionally, the Netherlands has significant negative spillovers of policies across all ministries. It is key to take responsibility throughout all of Government policy to support rather than contradict SDGs everywhere.

Poland

Reported ODA: EUR 1910 million
0.24 % GNI (↓ from -26.80% in 2023)

Non-inflated ODA: EUR 1433 million
0.18 % GNI (↓ from -0.02% in 2023)

Total inflated ODA: EUR 477 million
25.59 % of total

"Except for increased IDRC linked to the Russian aggression on Ukraine, Polish ODA has remained largely unchanged over 15 years. It is dominated by EU and multilateral contributions and student costs, with very little funding reaching partner countries or going to and through CSOs."

Grupa Zagranica

Main trends

Total spending on development cooperation in 2024 was almost EUR 1.93 billion (PLN 8.2 billion or 0.24% GNI compared with 0.33% GNI commitment), decreasing roughly by a quarter mainly due to lower IDRC costs. Less than EUR 352 million (PLN 1.5 billion or approximately 18% of total ODA for 2024) was allocated to refugees (mainly from Ukraine). Bilateral aid to Ukraine amounted to EUR 188 million (PLN 0.8 billion).

Multilateral ODA together with IDRC and students' costs serve for around 80% of total ODA leaving a small share –10% of bilateral ODA– for project-based activities in partner countries. Even less, only about 1.8% of bilateral ODA, is allocated to projects through Polish CSOs and none (!) for developing country-based CSOs.

The first full year of the new government (formed in December 2023) did not bring any significant changes in the area of development cooperation. For another year in a row, no strategy was developed to increase PL ODA to partner countries. The future of PL ODA in following years will mostly be determined by external factors, such as the war in Ukraine, negotiations on the next EU MFF and the USA rejecting the current model of FFSD. Internally it is as much about political ideology (with increasing anti-migrant, inward-looking nationalist rhetoric) as about projected budgetary constraints for 2026 and beyond.

Government's relationship with civil society

The new government stressed Polish responsibility for tackling global challenges through ODA and declared its intention to improve cooperation with CSOs. **At present, declarations have not been backed up by real action.** The participation of CSOs in PL ODA as project implementers has remained at a very low level. New grant competitions aimed at non-governmental organisations were cancelled in 2024 due to the budgetary situation. Ongoing cooperation takes place, inter alia, through the participation of CSO representatives in meetings of the Development Cooperation Policy Council. **The key recommendations of the non-governmental sector from previous years, consistent with the recommendations of the OECD DAC from the 2023 Peer Review of Polish Development Cooperation, remain in force.**

Recommendations

- **Set clear targets to build ODA volume** over the next 6 years and commit to this in budget planning.
- **Better reflect the importance of civil society in policy making** and implementation of projects financed from public funds in the field of **development cooperation and global education.**
- **Transition from modular projects to multi-year cooperation agreements with CSOs, funding long-term programmes in development cooperation and humanitarian assistance in order to foster more substantial and sustainable projects.**
- **Provide institutional support to CSOs, including support to the CSO sector in accessing funds from the EU budget and other institutional donors.**
- **Develop strategy documents** for 1) each priority partner country and 2) global education, based on consultation with partner country stakeholders and social partners.

Portugal

Reported ODA: EUR 619 million
0.24 % GNI (↑ from 3.90% in 2023)

Non-inflated ODA: EUR 593 million
0.23 % GNI (↑ from 0.05% in 2023)

Total inflated ODA: EUR 26 million
5.07 % of total

"Portuguese ODA: Two Decades of Progress, Setbacks, and Structural Challenges"

Plataforma Portuguesa das ONGD / Portuguese Platform of Development NGOs

Main trends

Over the past 20 years, Portuguese ODA has experienced progress and setbacks, marked by both international commitments and internal limitations. Before the 2011 financial crisis, Portugal strengthened its role as a donor, focusing on Portuguese-speaking African countries (PALOP) and Timor-Leste. Part of the high figures during this period resulted from the accounting of debt forgiveness as ODA, a common practice at the time. However, the economic crisis led to an abrupt decline in aid from 2011–2012, when the cooperation budget faced severe cuts.

Between 2016 and 2021, Portuguese ODA saw a modest recovery in absolute terms. However, the increase GNI during this period was not matched by a proportional aid rise, resulting in a stagnant ODA/GNI ratio. In 2021, the ratio remained below 0.2%, placing Portugal among the EU donors with the lowest relative effort. From 2022, ODA increased again, reaching EUR 619 million in 2024 (0.24% of GNI), but largely due to refugee-related spending following the invasion of Ukraine invasion and not for structural cooperation improvements.

Since 2015, multilateral aid has dominated, due to growing commitments to international organisations and a decline in bilateral aid managed directly by Portugal.

Despite progress to engage civil society – including the recent strengthening of co-financing grant lines managed by Camões, I.P. – **the fragmentation of Portuguese cooperation, the low level of direct execution by the coordinating agency** (less than 7% of ODA between 2018–2020), and the **absence of binding commitments to the 0.7% GNI target**, continue to limit its reach and predictability.

In 2024, preliminary OECD data show that Portugal recorded an increase in its ODA. However, much of this growth resulted from increased multilateral contributions, while bilateral aid declined. **Well-structured bilateral cooperation aligned with partner countries' priorities has a direct and transformative impact, and must be improved.**

In the coming years, Portugal must align its cooperation with the principles of policy coherence for development and aid effectiveness, strengthening the focus on human development, reducing inequalities, and promoting ownership by partner countries, as outlined in the **Portuguese Cooperation Strategy 2030.**

Government's relationship with civil society

Plataforma acknowledges the openness to dialogue shown by key actors within Portuguese development cooperation, including the Secretary of State for Foreign Affairs and Development Cooperation, as well as the national development agency, Camões I.P. In particular, the dialogue with Camões I.P. is not only open but also meaningful and impactful, often leading to tangible outcomes not only for Plataforma's member organisations, but for NGDOs in general.

The 2024 funding for NGO projects remained at comparable levels in 2025. Nevertheless, there is still potential to enhance the support mechanisms for NGO work. Plataforma is concerned by the fact that the Development Cooperation Forum was not convened at all in 2024 (with the last one being held in September 2023). The Development Cooperation Forum is a consultation body with a crucial role in ensuring effective coordination between public institutions and the diverse stakeholders–particularly NGOs–who contribute to the objectives of Portugal's development policy.

Recommendations

- **Portugal must establish a timeline for the gradual increase of ODA**, as outlined in the Portuguese Cooperation Strategy 2030.
- **Processes postponed, such as the approval of the National Strategy of Development Education by the Council of Ministers, should be promptly resumed.**
- **Support for the activities of Portuguese NGOs should be strengthened** through the gradual increase of Camões IP's budget.
- **Civil Society should be consistently and systematically consulted about policy priorities,** especially through the Development Cooperation Forum, which should reconvene by the end of 2025.

Slovakia

Reported ODA: EUR 177 million
0.14 % GNI (↑ from 3.90% in 2023)

Non-inflated ODA: EUR 177 million
0.14 % GNI (↑ from 0.01% in 2023)

Total inflated ODA: EUR 0 million
0.52 % of total

"Two decades of commitment, but ODA budgets/GNI remain unchanged"

Ambrela – Platform for Development Organisations

Main trends

Slovakia is shifting away from an initial outlook based more on solidarity and transformation and towards a more pragmatic donor approach with a strong emphasis on economic diplomacy. Despite the 20th anniversary of Slovakia as a donor country and 10 years of DAC OECD membership, ODA remained critically underfunded at just 0.14% of GNI (EUR 182 million)–far below the international commitment of 0.33% by 2030. At the same time it has shown no appetite for bilateral aid budget increase. The entire system is also quite outdated with no major systemic changes be it in the area of instruments, strategy, approach or modus operandi. The world has changed profoundly with some major crises having a direct impact on Slovakia, but the system of the Slovak ODA did not change.

In 2024, Slovakia's ODA system faced unprecedented pressure from a rapidly evolving geopolitical and humanitarian environment as well as domestic fiscal consolidation measures. The real value of Slovak aid continued to decline due to inflation, and the main grant budget for bilateral projects (SAIDC) was cut in the middle of year by nearly 70%, severely limiting the country's ability to respond to global crises and undermining its credibility as a development partner.

Bilateral ODA accounted for only 27% of total ODA, while 73% was channelled through multilateral contributions. The system remained fragmented and unpredictable, with no new mechanisms for rapid humanitarian response introduced. Despite the third draft of the National Strategy for Global Education being introduced, it was not adopted.

Government's relationship with civil society

The relationship between civil society and governmental stakeholders in Slovakia in 2024 became significantly more challenging. While dialogue and consultation channels with MFA technically remained open, **the general environment for NGOs–including Ambrela members–deteriorated due to several government measures.** In addition to the nearly 70% reduction of SAIDC grants for development projects, the government introduced or proposed restrictive policies such as a foreign agent law, a transactional tax or institutional changes at numerous ministries. It curbed public funding to NGOs, limited participatory processes in legislative processes and increased administrative controls; audits also further contributed to a climate of uncertainty and pressure. Compared to previous years, when cooperation was more predictable, these developments have made long-term planning and partnership for civil society actors considerably more difficult.

Recommendations

- **Ensure sufficient, predictable, and stable funding for development cooperation through** SAIDC grants, so that partners can plan effectively, implement high quality projects, and maintain Slovakia's credibility and impact as a development donor.
- **Substantially raise the overall ODA budget to progress toward the 0.33% GNI target by 2030,** as the current level (0.14% GNI) is far below Slovakia's international commitments.
- **Adopt and implement the National Strategy for Global Education** to provide a clear framework and sufficient funding for global education.
- **Develop a modern rapid humanitarian response mechanism to enable Slovakia to react swiftly and effectively to crises**, addressing the persistent gap in institutional preparedness and flexibility.

Slovenia

Reported ODA: EUR 152 million
0.23 % GNI (↓ from -1.80% in 2023)

Non-inflated ODA: EUR 126 million
0.19 % GNI (from 0% in 2023)

Total inflated ODA: EUR 26 million
16.36 % of total

"It's not too late to fix broken promises"

SLOGA/ Društvo Bodi svetloba

Main trends

In January 2025, the Slovenian CSO's initiative Voice of the People presented its third report on the coalition government's fulfilment of 122 commitments made by coalition parties during the 2022 election campaign. According to the report, the government had fulfilled or partially fulfilled only 27 commitments. **The coalition's promise to raise Official Development Assistance has been completely broken as Slovenian ODA was cut in 2023 and 2024**. Furthermore, according to the OECD DAC report, the government plans to cut ODA even more in the following years while simultaneously raising the defence budget to up to 5% of Slovenian GNI.

Slovenian ODA is still too much focused on Europe (former Yugoslavia republics, Ukraine), while Latin America and Asia are completely excluded as target regions, while there are also plans to greatly reduce the number of African countries for international development cooperation. **There are not enough funds for Slovenian CSOs' projects in the Global South, LDCs and Palestine.**

Government's relationship with civil society

While it is true that there was more money for CSOs in the international development call by the MFA, civil society in general is not satisfied with the government's work. On 14 February 2025, the civil initiative Voice of the People staged a protest against the ruling coalition calling on the government to fulfil their promises. There is currently a campaign launched to initiate a referendum on the government's plan to significantly raise defence spending. More defence spending means less money for CSOs in Slovenia.

Recommendations

- **Slovenian ODA should be raised to 0.7% of GNI by 2030.**
- **At least 15% of total Slovenian ODA should be allocated to humanitarian–development projects of Slovenian CSOs in the Global South.**
- **At least 20% of total Slovenian ODA should be allocated to the LDCs in the Global South.**
- **Slovenia should allocate additional funds for climate change** mitigation in the Global South with a focus on indigenous people and women's organisations in line with the donor countries' COP29 obligations.

Spain

Reported ODA: EUR 4023 million
0.25 % GNI (↑ from 9% in 2023)

Non-inflated ODA: EUR 3540 million
0.22 % GNI (from 0% in 2023)

Total inflated ODA: EUR 483 million
10.92 % of total

"Political and institutional commitment to cooperation and multilateralism with a lack of funding"

La Coordinadora de Organizaciones para el Desarrollo

Main trends

Spain is undergoing a slow and gradual recovery of ODA following the collapse of Spanish cooperation in the last decade, when it fell from 0.46% (2009) to 0.15% (2012) and its institutional framework was profoundly weakened, especially at national level.

The Law on Cooperation for Development and Global Solidarity approved in 2023 by a large majority of parliamentary groups sets a commitment to reach at least 0.7% by 2030. This majority approval recognises the policy of cooperation as a matter of state policy. The Spanish government's public statements insist on this in international fora and express a necessary commitment to multilateralism and development cooperation policy, as well as to the values that underpin it. Recently the government announced the Plan Sevilla that reaffirms that commitment. The main political groups, except for the far-right, are also aligned with the development of the Cooperation Law and its financing commitments.

However, Spanish ODA has been stagnant since 2023 at around 0.25% of its GNI and the outlook for 2025 and 2026 is unlikely to reverse this trend significantly if extraordinary budgetary contributions are not applied.

There is therefore a significant distance between commitments and fulfilment in the quantitative sphere, only partly explained by the parliamentary minority that the government has in the Congress of Deputies, which is not allowing the approval of the General State Budget from 2023.

Government's relationship with civil society

A positive relationship and a regular and constructive dialogue are maintained to advance in the development of the Cooperation Law at its different levels, both bilaterally and in the different consultative spaces of which La Coordinadora is a part, such as the Cooperation Council.

Since 2024, this dialogue has also included topics such as the Fourth Conference on International Financing for Development and frequent consultations on the different sectoral strategies under formulation. The dialogue on the critical situation of human rights violations in Palestine, especially in the Gaza Strip, has also been intense and constructive both with the government and with the different parliamentary groups, which approved in 2024 a non-legislative proposal in Congress that includes different demands from organised civil society.

Concerns have been shared with the government about the closure of civic space and the difficulties for the work of organisations in different countries, as well as about the dangerous tendency of the EU to limit the political advocacy actions of organisations. Steps have also been taken in the formalisation of the Relationship Framework between the Development NGOs, represented by the Coordinator and the General State Administration.

Recommendations

- **To contribute actively to international development cooperation and multilateralism in international, European and national fora.** Cooperation is a catalytic policy for global justice.
- **To contribute to the implementation and follow-up of the Seville Commitment agreed at the Fourth Conference on International Financing for Development,** maintaining support for the active participation of civil society in the mechanisms generated for this purpose.
- **Increase ODA quantitatively urgently to exceed 0.4% of GNI in 2026 and reach 0.7% in 2030 in line with the provisions of the Seville Plan presented by the Government of Spain.**
- **Demonstrate ambition in the development of the VI Master Plan for Spanish Cooperation** and in the elaboration of ongoing strategies delving into intersectional feminist, education for global justice, environmental, peacebuilding, decolonial and policy coherence approaches.
- **Consolidate and strengthen the institutional framework of the Cooperation system;** continuing to increase the technical, human and budgetary capacities of the AECID; with the involvement of the decentralised administrations (regional and local) and with other ministries, with a strengthened, participatory Higher Council for Cooperation and a FEDES open to exchanges with civil society.

Sweden

Reported ODA: EUR 4630 million
0.79 % GNI (↓ from -13.40% in 2023)

Non-inflated ODA: EUR 4337 million
0.74 % GNI (↓ from -0.10% in 2023)

Total inflated ODA: EUR 293 million
6.07 % of total

"Many downward trends for a former leader in development cooperation"

CONCORD Sweden

Main trends

There **are many downward trends in Sweden's development assistance: decreasing ODA levels overall, decreasing resources for people in the most marginalised countries, decreasing gender equality spending, among others.** For now, Sweden remains one of the few countries still above the 0.7% of GNI for international aid, but on the current trajectory Sweden will fail to meet that commitment in two to three years. Except for the strong support for Ukraine, the only policy areas where both political energy and aid budgets have been consistently committed are in areas unrelated to development goals: migration control and export promotion.

In 2022, we welcomed an 8% cap imposed on in-donor country refugee costs in ODA, although such costs in Sweden should not be taken from the aid budget at all. However, in 2025 and onwards these costs have been artificially inflated, even though there are fewer people in the asylum system.

For decades, Sweden has been internationally recognised as a principled donor, the first country in the world to adopt a feminist foreign policy, a major contributor of multilateral core funding, and a big supporter of civil society, democracy, human rights and gender equality, even when these issues face resistance. **The current government has expressed continued support for similar priorities, but resource allocations lag behind. Climate financing increased but is being drawn from a shrinking aid budget.** Sweden is both following and co-creating the trend seen elsewhere in the EU, with a strong Europe-first and export promotion-driven logic.

Government's relationship with civil society

In many cases, Sweden contributes to positive change in multilateral negotiations and partnerships at country level and worldwide. In the last decades, Sweden could be described as a dialogue-oriented partner. However, in recent years there has been increased politicisation of decisions about the development budget. **In 2025, there has been parliamentary scrutiny of the government to discuss if undue political influencing of Sida has occurred on specific grants and processes outside the remits of political decisions.**

The current government has made changes to the financing model for civil society, leading to contracts being terminated without valid grounds and severely impacting many organisations' financial conditions by changes in grant volumes, funding and co-funding requirements, without prior analysis of the consequences. **In parallel, there was deteriorating dialogue and an absence of consultation processes with civil society organisations.** Changing funding criteria and rules late in the selection process has further impaired transparency, fairness and efficient use of time, commitment and resources.

Recommendations

- **Reverse development budget cuts as soon as possible,** with a clear path back to the one per cent of GNI commitment, supplemented by additional grants to fulfil Sweden's climate finance commitments.
- **Ensure that Swedish development assistance supports people living in poverty and under oppression to improve their lives,** especially in fragile states, conflict and post-conflict countries, and regions severely affected by climate change, and ensure that the support for Ukraine does not come at the expense of marginalised people in marginalised contexts.
- **Reforms should be implemented with evidence-based theories of change and comply with principles of effective development cooperation, human rights, and humanitarian principles and -law**, avoiding allocations based on export promotion and migration control purposes.
- **Increase the share of Swedish development assistance allocated to gender equality to reverse the current downward trend in this area, and ensure that Swedish priority** areas such as human rights and democracy, a strong civil society, child rights, health and SRHR, etc. are adequately resourced.

Annex I - Glossary

Additionality

In the context of private sector instruments (PSIs), additionality means that the PSI has led to benefits that would not otherwise have occurred. It is used as a policy concept to indicate mobilisation beyond what markets deliver. There are three sub-categories of additionality: financial additionality (roughly, making additional investment possible); value additionality (roughly, helping private sector actors to improve their operations in a way that has positive: development outcomes); and development additionality (roughly, where there is development impact that would not have occurred without the PSI). The OECDDAC takes the position that PSIs do not have to be concessional to qualify as ODA, provided that they have at least two of the three sub-categories of additionality (development additionality plus one other).

Bilateral ODA

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

Bilateral core ODA budget

ODA to cover programmes destined to countries and regions either directly or through funds or vehicles administered by multilateral or regional organisations but earmarked by the provider for countries and regions or for specific sector or thematic activities in countries and regions. They are flexible, long-term allocations based on the agreed international standards for development co-operation.

Concessionality

A measure of how generous an ODA provider's finance is. Concessionality is assessed by comparing on the one hand the terms on which the finance is provided, versus on the other hand a set of assumptions on the ODA provider's actual costs of borrowing. Grants are completely concessional.

Debt relief

Debt relief comprises a range of approaches to reduce the burden of debt, such as cancelling debts, rescheduling debts and pausing debt repayments. While debt relief can have developmental value, especially when freeing up fiscal space for poor and highly indebted countries, AidWatch qualifies this as inflated ODA. See chapter on debt relief.

Debt servicing

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

Development finance institution

DFIs are government-backed financial institutions, often development banks like DEG in Germany and Proparco in France, that finance private-sector activities in partner countries. Unlike development agencies, DFIs are set up to support private sector activities with finance at market or near-market terms and to operate on a self-sustained basis after a state-funded kick-start. Despite their developmental mandate, most of them operate on a cost-covering basis. They often reinvest earnings in new projects, begging the question whether new outflows should be eligible as ODA. There is a moral aspect to this "recycling of ODA receipts": Given that this practice resembles that of revolving funds, i.e. new finance being covered by profits earned on earlier transactions, it is questionable whether this reflects the true nature of ODA: as a giveaway from rich to low-income countries. In sum, it means that partner countries finance their future ODA inflows with repayments on finance received earlier.

Disbursements basis

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

Global Gateway

A major EU strategy to increase investment in infrastructure and services in partner countries. The initiative was conceived to bolster the EU's global influence, positioning itself as an alternative to China's Belt and Road Initiative.

Grant element

The grant element is a measure of concessionality. It is the difference between the sum of all outflows minus the sum of all expected reflows discounted to the present value of the year of extension. It is therefore a percentage (% figure), which results from the formula applied in calculations of the degree of concessionality in a financial transaction.

Grant equivalent

The grant equivalent is an amount (in the reporting currency) that results from applying the grant element percentage to an individual disbursement. The terms "grant element" and "grant equivalent" are often used as synonyms, as they represent the same concept, but differ in strictly mathematical terms.

Gross National Income

A measure of a country's total income in a given year.

Human Development Index

A measure that combines indicators on three dimensions of a country's human development - life expectancy, education, and income.

Inequality adjusted Human Development Index

The IHDI adjusts the Human Development Index (HDI) for inequality in the distribution of each dimension across the population. The IHDI value equals the HDI value when there is no inequality across people but falls below the HDI value as inequality rises. In this sense, the IHDI measures the level of human development when inequality is accounted for.

Imputed student costs

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

In-donor refugee costs

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

Inflated ODA

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

Multilateral ODA

ODA contributions to "international organisations that are active in development", where the ODA provider government transfers control of the funds to the recipient institution, and the funds "become an integral part of the recipient institution's financial assets". Such contributions are often referred to as "core contributions".

North - South cooperation

These inflows include ODA, foreign direct investment (FDI), remittances from diaspora communities, and concessional loans from multilateral institutions given by providers based in the North to recipients in the South.

Tied ODA

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

OECD DAC

The body within the Organisation for Economic Co-operation and Development (OECD) that sets international rules and standards for ODA reporting. It is only composed by ODA providers, not recipient.

Other Official Flows

Official sector transactions that do not meet ODA criteria, such as export credits or non-concessional loans, but are still relevant for development finance.

Private sector instruments

Private Sector Instruments (PSIs) are used by DAC donors, including EU member states, to support private-sector activities in partner countries, generally at or near market terms. Their goal is to mobilise private capital rather than provide subsidised finance, which WTO rules forbid. Unlike traditional ODA grants or sovereign loans, PSIs finance private enterprises directly or through intermediaries, though nothing prevents them from also going to official sectors. This creates distortions in ODA reporting. PSIs can be distributed as direct investment by the ODA provider or through intermediary institutions such as development finance institutions.

South - South cooperation / financial flows

Alternative source of finance to North-South. Unlike North-South flows, South–South flows are often framed as mutually beneficial partnerships rather than donor–recipient relationships, though concerns about debt sustainability and resource-for-infrastructure deals persist.

Annex II - List of abbreviations

CRPD Convention on the Rights of Persons with Disabilities
CRS Creditor Reporting System (OECD DAC statistical database)
CSOs Civil Society Organisations
DAC Development Assistance Committee (of the OECD)
DCD Development Cooperation Directorate (of the OECD)
DFI Development Finance Institution
DFIs Development Finance Institutions
EC European Commission
EU European Union
EU MS European Union Member States
EUR Euro
FCAS Fragile and Conflict-Affected States
FFD4 Fourth International Conference on Financing for Development (Seville, 2025)
GNI Gross National Income
GPEDC Global Partnership for Effective Development Co-operation
HDI Human Development Index
IHDI Inequality-adjusted Human Development Index
IATI International Aid Transparency Initiative
IDOS German Institute of Development and Sustainability
IFF International Financial Flows
INGO International Non-Governmental Organisation
LDCs Least Developed Countries
LMICs Lower-Middle-Income Countries
MFA Ministry of Foreign Affairs
MFF Multi- annual Financial Framework
MS Member States
NATO North Atlantic Treaty Organisation
NGOs Non-Governmental Organisations
ODA Official Development Assistance
ODI Overseas Development Institute
OECD Organisation for Economic Cooperation and Development
OOF Other Official Flows
PSIs Private Sector Instruments
SDGs Sustainable Development Goals
SRHR Sexual and Reproductive Health and Rights
HIV Human Immunodeficiency Virus
UMICs Upper-Middle-Income Countries
UN United Nations
USAID United States Agency for International Development
US United States
USDUnited States Dollar
WB World Bank Group
WGI World Governance Indicators (World Bank)
WP-STAT Working Party on Statistics (of the OECD DAC)

Annex III - Methodology

When analysing ODA for inflation – for DAC members in general and for EU members and institutions in particular – AidWatch looks at the main eligibility criteria embedded in the fundamental ODA definition as well as at key statistical principles (e.g. no double-counting) and tests major ODA components against these criteria. There are three categories of inflated ODA:

- **If** a component is found not to meet any one of the eligibility criteria and can be quantified reliably, it is excluded in full from "DAC ODA" as "category I inflated ODA".
- **If** an ODA component is found to comply with the ODA criteria in principle, but if the recording method leads to exaggerated volumes, a calculated share considered as inflated is excluded as "category II inflated ODA".
- **If** there is doubt, about specific ODA components, as to whether they fully meet the eligibility criteria, but where doubtful parts cannot be clearly identified and quantified, such components are not excluded from "DAC ODA" as inflated ODA, however their questionable status is discussed in the qualitative section on ODA diversion.

Type	Components in DAC ODA	Treatment by AidWatch / reason(s)
Category I (full exclusion)	PSI-ODA (= grant equivalents deriving from PSI flows)	Fully excluded / does not meet criterion 3 "concessional in character"
	In-donor refugee costs	Fully excluded / does not meet criterion 4 (motivational test)
	Imputed students' costs	Fully excluded / does not meet criterion 4 (motivational test)
	Debt relief on former ODA loans	Fully excluded / double-counts the risk of default (upfront in grant equivalent and again when default happens)
	Debt relief on former non-ODA lending (export credits etc.)	Fully excluded / (1) default risk is fully covered by guarantee or insurance premiums paid by private sector actors; (2) the original financial transaction did not qualify as ODA, why should relief on this transaction qualify?
Category II (partial exclusion)	ODA loans: Unrealistically high discount rates for calculating the grant equivalent in ODA loans leads to exaggerated (inflated) ODA results	Partially excluded / based on work by Euan Ritchie and Steve Cutts for quantifying portions for exclusion; a complex and challenging procedure is required (identification and application of the "right" discount rates).

The four main eligibility criteria

The key source for determining whether ODA inflationary practices exist is the 'traditional' ODA definition as stipulated in DAC Statistical Reporting Directives, which contains the four main criteria that define what finance can be reported as ODA and which flows to which countries can be counted against the 0.7% ODA/GNI ratio[173] To count as ODA all four of these criteria must be met cumulatively, i.e. not even one can be missing.

Criterion	Interpretation
(1) **Official**: "provided by official agencies"	**Only resources originating from official sources of the reporting country (national, provincial, or local level) count as ODA.**
(2) **"flows to countries and territories on the DAC List of ODA Recipients** and to multilateral development institutions"	**Only flows to a country on the DAC List of ODA Recipients or to a multilateral institution or INGO listed on Annex II of the Statistical Directives count as ODA.**
(3) **"concessional in character"**	**Only flows that are concessional in character count as ODA; for ODA loans, the meaning of concessional in character is underpinned with a quantitative definition of thresholds and discount rates.**
(4) "administered with the **promotion of the economic development and welfare of developing countries as its main objective"**	**This is the "motivational test", which means that the predominant objective for giving the finance must be economic development and (social) welfare of developing countries (as opposed to other political interests of the provider country such as geopolitical, commercial, cultural, military or other interests).**

[173] These criteria have changed with the adoption of the new ODA definition in the 2024 Statistics Directives (see above, chapter 1.2 for a critical analysis). However, for the purposes of this analysis, the previous criteria, which are traditional and have been enshrined in the directives to date, remain valid, partly because the new directives will apply to reporting practices from 2025 onwards only. The relevant criteria for our analysis are anchored in OECD DCD/DAC, Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, DCD/DAC(2020)44/FINAL, with pertaining addenda 1-3. The new 2024 definition has not only eliminated concessionality as a criterion (for PSI flows) but has demolished the clear identity and meaning of ODA altogether. AidWatch therefore will request a correction of the definition and re-introduction of the concessionality requirement for all ODA – a call also contained in UN Outcome document A/CONF.227/2025/L.1 that emerged from the Fourth Conference on Financing for Development in Seville 2025. See para. 36 (b).

Annex IV - Bibliography

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