



AidWatch 2023

Bursting the ODA inflation bubble

EXECUTIVE SUMMARY

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

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

How much is really ODA?

After a thorough process to update its concept of 'aid inflation', CONCORD has developed a more consistent methodological framework to assess whether the reported ODA figures still hold true to the original definition of ODA, and how much of the reported figures are actually

supporting donors' real commitment to partner countries' own development objectives.

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

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



ODA as a tool for achieving economic development and welfare

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

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

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

MAIN RECOMMENDATIONS

To reduce ODA inflation

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

Birds-eye-view: how is each Member State doing?

Thanks to its EU-wide membership, CONCORD provides a detailed view of the main trends and changes in the international cooperation landscape of EU Member States plus the United Kingdom. While the picture is different for each country, one trend is clear across almost all Member States: Russia's invasion of Ukraine has shifted the approach towards international cooperation, with an increased focus on security and a strong mobilisation of resources to support Ukraine. It is clear that the support needed for Ukraine and the Ukrainian people must be additional to previous commitments, in order to ensure a proper response to all the other pressing challenges.



Read the full report:
aidwatch.concordeurope.org

To improve the contributing contribution of ODA to economic development and welfare

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