

# Half of new EU aid money is being spent in Europe



Water storage devices on show at the 2016 AidEx event in Brussels.  
(Photo: Flickr)

The EU spends vast amounts on development aid, but new research shows that much of this money is being spent within Europe, calling into question the definition of aid and the transparency of EU spending channels.

In a world overwhelmed by humanitarian crises incurred by natural disasters and man-made catastrophes, there is an ever-increasing need for development aid globally.

The EU continues to be the biggest donor bloc, with a rise of 27 percent over two years in total contributions to Official Development Assistance (ODA), to an overall figure of €75.46 billion.

Nevertheless, in CONCORD's AidWatch report 2017 – the biggest EU level study of its kind, involving all 28 member states – it is revealed that over half of new aid contributions since 2014 has been spent on activities within Europe, as opposed to the intended developing countries.

Since 2015, some 23 EU member states have increased their aid budget, but in 2016 the spending costs for migrants, refugees and security in donor countries increased by 43 percent; a figure deemed by CONCORD as 'inflated aid'.

At the same time, in 2015, aid to the poorest countries fell by 3.9 percent. This shows a rise in total aid spending, but only at the cost of the least developed countries (LDCs) receiving it. The ongoing refugee crisis in Europe is proving to have an unintended knock-on effect of diverging aid from where it is traditionally needed.

## **Humanitarian dilemma of 'non-traditional' aid spending**

Around 1.5 million people claimed asylum in OECD countries in 2015 – the highest number ever recorded.

A 1988 DAC (Development Assistance Committee) rule allows donor countries to count certain refugee expenses as ODA for the first year after their arrival. ODA has played a crucial role in supporting the costs of providing refugees with temporary sustenance in LDCs, who host 86 percent of the world's refugees.

Austria, Germany, Greece and Italy for example, used 20 percent of ODA for refugee costs.

When there is a real need for countries to assist with high refugee influxes, is it really so unscrupulous that aid is being diverted to help states deal with the crises? From a human rights perspective, expenditure on refugees in their countries is commendable.

Hans Peter Teufers is the Director of International Humanitarian Supply Chain at the UPS Foundation, who will be speaking on how to increase aid effectiveness through transparency and accountability at AidEx 2017 next month.

He takes a pragmatic standpoint, sympathetic to countries using their aid budget to bear the burden of the refugee crisis.

Teufers said: “We haven’t had a humanitarian crisis like this in sixty years. Italy, Spain and Greece, for instance, were the first resort for refugees – these nation’s economies do not have an overflow budget.”

Italy and Spain were two of the countries reported to have had the biggest increases in ODA in 2016, but largely due to refugee costs.

Teufers believes the solution is in “developing a new strategy by reconsidering the definition of development aid in line with political decisions and the global context, because even when we have committed to delivering a certain amount of development aid, it is a question of ability, not demand.”

The OECD acknowledges that divergent practices across donor reporting grew most recently with large-scale refugee movements to Europe in 2015, and emphasises that “the ultimate goal should be to ensure quality aid for those who need it most” because “support for refugees in donor countries also contributes to global responsibility-sharing with countries in crisis and their neighbours in the developing world.”

However, because the OECD makes up over two-thirds of external finance for LDCs, DAC chair Charlotte Petri Gornitzka asserted the need to “ensure that we also maintain financing of long-term development programmes, especially in the least developed nations”.

Oxfam says that in principle aid budgets should be spent abroad to help lift the world’s poorest people out of poverty, but “recognises that in the short term, providing a safe haven for refugees in the UK means additional costs at home”.

In the longer term, Oxfam added, we should “start to move away from using overseas aid budgets on refugee resettlement costs, and instead look for alternative sources within our national budgets.”

## **Spending solutions**

Last week the OECD held its annual high level meeting in Paris, where participants discussed the effectiveness of the temporary working group (TWG)

for refugees and migration that was established a year prior, in order to improve the consistency, comparability, transparency and accountability of reporting of ODA-eligible, in-donor refugee costs.

Over the past year, the working group has put together a pragmatic proposal and will issue a guidance for development donors working in contexts of forced displacement within the next few weeks.

The quality and quantity of aid can only be safeguarded if budgets and activities reflect the core purpose of aid, which is why the OECD's definition of ODA is an important benchmark.

However, aid and development data transparency organisation Publish What You Fund CEO Rupert Simons commented that discussions over definitions of genuine aid is unproductive, and believes more practical measurements are needed to assess where aid is spent.

Simons believes that the OECD needs better data on private sector bilateral aid donors.

He says: "EU institutions are good performers; they are transparent and stand up to effectiveness, but if they want to implement the progressive agenda of the EU Consensus on Development to achieve the 2030 Sustainable Development Goals (SDGs), they must start reporting on the money going through trust funds and the European Investment Bank with the same level of detail and frequency as the core development budget of the European Commission."

There is a consensus amongst organisations that aid must not be diluted or diverted away from poverty reduction in the least developed countries who need it, nor denied to humanitarian emergencies wherever they are.

But it is only by implementing effective management systems within robustly transparent and accountable institutions, that a results-agenda can encourage states to meet genuine aid spending targets.

*Anastasia Kyriacou is a media officer with AidEx2017, the annual development and humanitarian aid expo in Brussels. EUobserver is a media partner of AidEx Brussels.*

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