

Where is Europe's development aid going?

Key trends and emerging opportunities

March 2017

EXECUTIVE SUMMARY

- This briefing provides an overview of the direction European official development assistance (ODA) is taking. It assesses financing trends, drawing on donor countries' reporting to the OECD Creditor Reporting System (CRS), and explores political trends impacting European ODA. It focuses on eight major European countries profiled in the Donor Tracker: France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, and the United Kingdom.
- Within most of these eight European donors, ODA has grown substantially over the past four years (2012-2015), partially as a result of costs for hosting refugees being reported as ODA. Discounting these costs, however, there is still a positive trend in overall ODA. Much of this increase is channeled towards humanitarian aid and programs which both support those affected by the conflicts driving the latest wave of refugee arrivals and mitigate the influx of refugees to Europe.
- Donald Trump's presidency and the Brexit vote have led to concerns in the development community about future financing levels. As a result, the development community is increasingly looking towards (continental) Europe. Yet in Europe, right-wing tendencies in various countries as well as upcoming elections in a few beg the question: where is Europe's development aid heading?

- **Four key trends can be observed:**

1. ODA has increased overall since 2012, though mostly through costs incurred from hosting refugees in Europe,
2. funding for humanitarian assistance has substantially increased in response to multiple crises and conflicts, including the war in Syria,
3. health ODA remains largely flat and is increasingly focused on security-related issues, and
4. more ODA is channeled towards clean energy and climate-related initiatives.

- **Three emerging opportunities can be identified to better leverage ODA and ensure levels are maintained:**

1. Increased attention for and investment in global development provides an opportunity to mobilize funding,
 2. Europe may provide back-up for areas that may fall short of continued global support, and
 3. 2017 elections may impact the future direction of European ODA and should be monitored.
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INTRODUCTION

European countries have begun to recover from the financial and economic crisis that started in 2007, and subsequently are lifting up their ODA budgets. Leadership from within Europe in solving the refugee crisis has buoyed European official development assistance (ODA) further; however, a large portion of such an increase represents the costs for hosting refugees in donor countries that are reported as ODA. Discounting these costs, there is still a positive trend in overall ODA with much of this new funding channeled towards humanitarian aid and programs which both support those affected by the conflicts driving the latest wave of refugee arrivals and mitigate the influx of refugees to Europe. Global political shifts and fresh threats to the integrity of the European Union challenge the future of the international community, question the role of Europe in international cooperation, and provoke the question: where is Europe's ODA heading?

Donald Trump's presidency and the Brexit vote have led to concerns in the development community about future financing levels. In Europe, upcoming elections in the Netherlands, France, Germany, and Norway may bring right-wing populists into governments or at least give them significant representation in parliaments. More broadly, the refugee crisis has led to a debate around the wider nexus between migration, security, and development. Given this context, it is timely to take a closer look at how the foreign aid landscape is developing in (continental) Europe. This briefing provides an overview of the direction European ODA is taking. It assesses financing trends, drawing on donor countries' reporting to the OECD Creditor Reporting System (CRS) for the 2012-2015 period, and explores political trends impacting European ODA. With a focus on eight major European donor countries profiled in the Donor Tracker – France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, and the United Kingdom – this paper highlights key opportunities for engagement and strategic advocacy moving forward.¹

● TREND 1: ODA IS ON THE RISE

European countries have largely increased their ODA between 2012 and 2015, partially due to recovery of ODA budgets in the aftermath of the economic and financial crisis in Southern Europe. Much of this growth is driven by sharply elevated costs for hosting refugees in donor countries, especially in Germany and Sweden. Yet some development sectors, especially humanitarian aid, climate, and energy finance, have also witnessed continuous increases of ODA.

Total ODA has grown globally and in Europe since 2012, yet it is less obvious from headline figures what is truly driving this trend. Total gross ODA has increased globally by 28% since 2012 – from US\$153 billion in 2012 to US\$195 billion in 2015.² ↓ 1

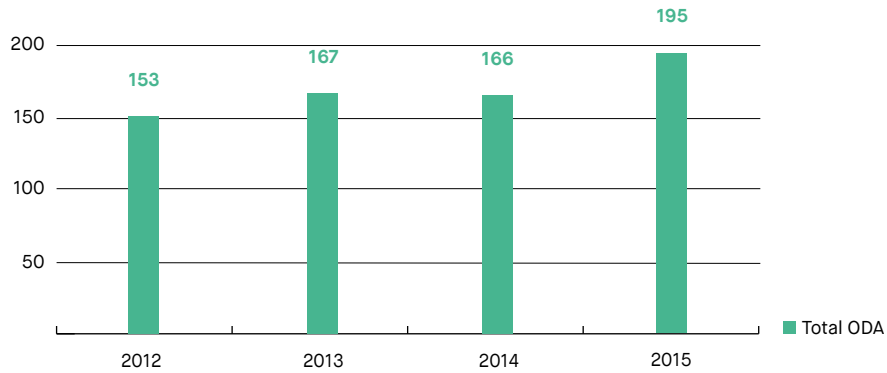
European countries are important donors driving this increase and the direction of global aid. Seven of the top ten OECD Development Assistance Committee donors are European countries³, accounting for 51% of all ODA in 2015. As a large portion of this has been driven by soaring costs from hosting refugees, which are partially reported as ODA, this has led to an overestimation of development financing. The growth of ODA not covering in-donor refugee costs is concentrated on a small number of sectors that have drawn significant attention in recent years, while other sectors have not experienced the same growth. On the “winning” side, health security, humanitarian assistance, climate and energy finance have experienced growth due to pandemic disease outbreaks such as Ebola and Zika, the protracted conflict in Syria, and the push towards a global climate agreement. Other key development sectors such as the broader health sector and education tell a different story: They have seen smaller increases and even stagnation, though some sub-sectors within these areas have fared better.

In general, migration and the refugee crisis have clearly influenced the global development agenda. In

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Figure 1 | Total ODA, global, US\$ billion, constant prices, gross disbursement ⁴



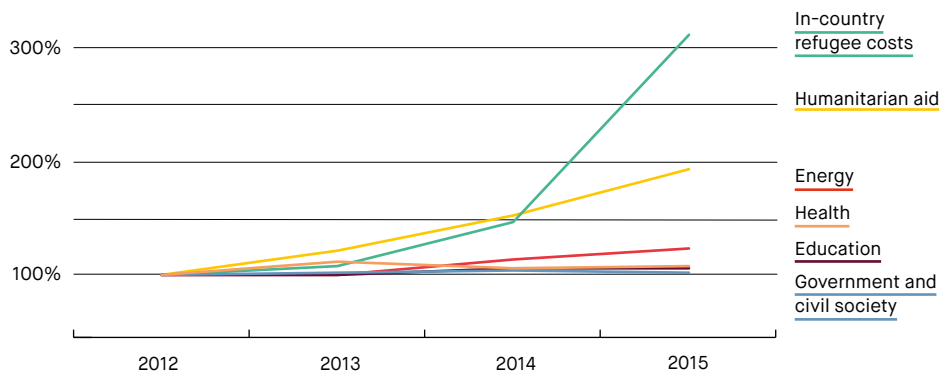
Europe, the Syrian conflict and the refugee crisis have increased public awareness and support for development issues. For example, Italy's G7 and Germany's G20 presidencies in 2017 place global development – education and health, in particular – on their agendas.

Even after accounting for the surge of ODA in response to the refugee crisis, overall ODA grew significantly, helped by strong growth in the humanitarian and energy sectors. Total global ODA increased by 28% between 2012 and 2015 and stood at an all-time high of US\$195 billion in 2015, following a robust 17% growth between 2014 and 2015. Humanitarian crises around the world, such as the Syrian conflict, have produced an

extraordinary influx of refugees to Europe, which has fueled increases in ODA to the humanitarian sector, which saw a 92% increase in the four years between 2012 and 2015. The costs of hosting those refugees are often reported as ODA and have greatly contributed to the recent growth. Other crises such as the 2014 West African Ebola outbreak have also fueled increases in ODA to the humanitarian sectors, as well as to health though more minimally. However, energy as a sector which is not “crisis-related” has also grown continuously in the same period.

Due to the increases in ODA from in-country refugee costs, humanitarian assistance, and energy, other sectors were not as much of a priority for many donor

Figure 2 | Total ODA, global, by sector, constant prices, gross disbursement, ODA in 2012 = 100% ⁵

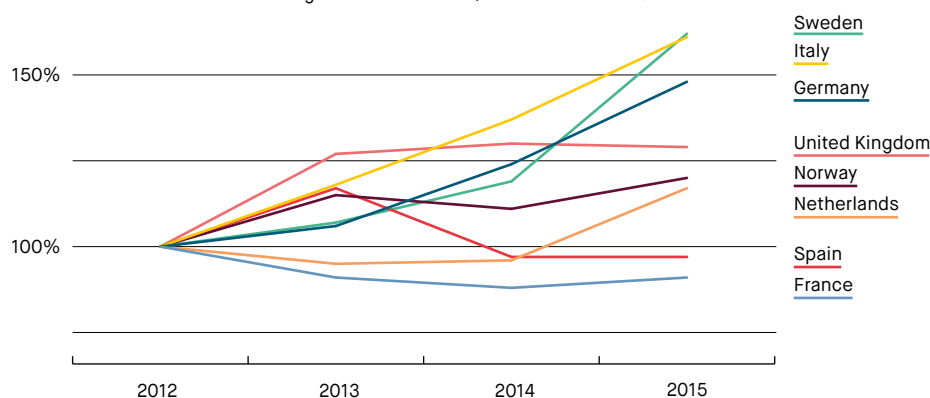


countries, growing less than 10% since 2012. First, growth in ODA to education increased by only 5% during the entire 2012-2015 period and slowed to a halt between 2014 and 2015. Second, ODA to health grew by 8% between 2012 and 2015. After a strong increase between 2012 and 2013, it decreased from 2013 to 2014 and grew only marginally in 2015. Lastly, ODA to ‘government and civil society’ has largely stagnated since 2012 (growth of 2% over the four-year period). ← 2

A group of Northern European countries have continuously increased their total ODA between 2012 and 2015, including Germany (increase by 48%), Sweden (increase by 62%), the Netherlands, the United Kingdom, and Norway – not least due to their respective increases in humanitarian aid and in-country refugee costs. In-country refugee costs helped Germany overtake the United Kingdom as the largest European provider of ODA in 2015 (United Kingdom total ODA 2015: US\$ 19.9 billion; Germany total ODA 2015: US\$ 23.2 billion). The

political priorities. None of these countries has decreased total ODA (in constant prices) by more than 10%. Some countries such as Germany and Italy have increased their overall aid budgets partly to cover in-country refugee costs. For some such as Spain or Italy, these costs do not have significant bearing on the ODA budget as they come out of other budget lines. Conversely, others like the Netherlands and Sweden increased ODA overall, but also cut aid to other development sectors to supplement the costs of hosting refugees. The Netherlands’ ODA increased significantly from 2014 to 2015 – from US\$5.7 billion to US\$7 billion; however, this increase is mainly due to the costs associated with hosting refugees, and these costs have reduced funding for other development programs. Similarly, Sweden used its development budget to cover in-country refugee costs, putting pressure on available funding for development abroad. In 2015, Sweden set a 30% cap on the share of the ODA budget that can be used to cover refugee costs. ↓ 3

Figure 3 | Total ODA, European Donor Tracker countries, constant prices, gross disbursement, ODA in 2012 = 100%⁶



United Kingdom’s ODA budget has plateaued since 2013 when the country met the goal of spending 0.7% of its GNI on ODA, while Germany has continuously increased its ODA spending since 2012. Other European donors, including France, decreased their ODA between 2012 and 2015 due to budget restrictions and shifting

Turning to Southern Europe, recent trends have been mixed. Following the financial and economic crisis in Europe after 2007, both Italy and Spain cut their ODA spending (Italy by 32% and Spain by 49% from 2011 to 2012 alone). But Italy has more than recovered this lost ODA level, thanks to economic stabilization, the signifi-

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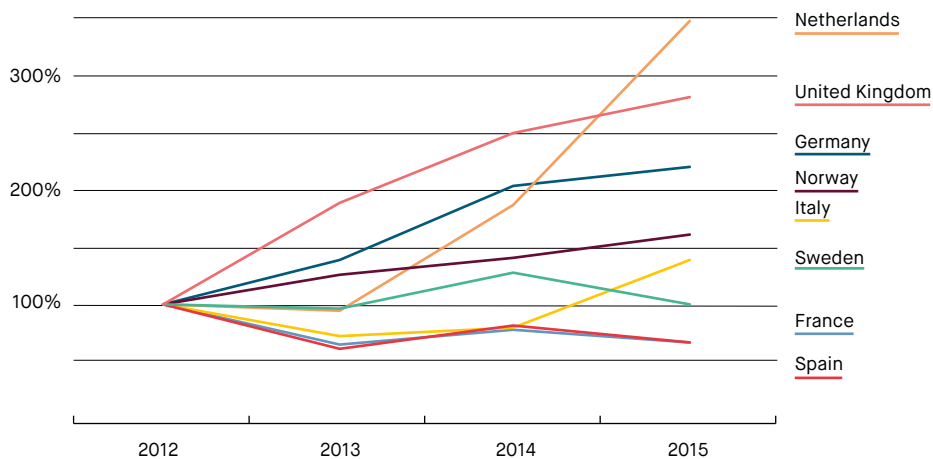
cant rise of in-country refugee costs, but also to the political will of former Prime Minister Matteo Renzi to deploy development cooperation as a tool to strengthen Italy's international position, particularly through its current G7 presidency. Between 2012 and 2015, Italy's ODA spending increased by 59%. On the other hand, Spain's ODA has not recovered over the same time period because of the policies of a conservative government that has not been supportive of development cooperation. Further, Spain's economic situation is still difficult, and youth unemployment remains a significant concern, constricting public support for increasing ODA. Overall, between 2012 and 2015, Spain's development assistance budget decreased by a further 3%.

TREND 2: MORE MONEY FOR HUMANITARIAN ASSISTANCE

European countries have increased their resources for humanitarian aid in response to multiple crises and conflicts, including the war in Syria.

As a result of a record-high number of refugees in Europe fleeing from humanitarian crises and conflict, both migration and humanitarian assistance have emerged as policy priorities for European countries. This resulted in dramatically increased funding for humanitarian aid. A few donors have explicitly prioritized humanitarian assistance and stability in conflict areas over the same 2012-2015 period. Overall, bilateral humanitarian aid from the eight European countries showcased in this analysis more than doubled from US\$2.3 billion in 2012 to US\$4.8 billion in 2015. Germany places a special focus on flight and migration, and channels funding towards stability and development in the Middle East and North Africa (MENA) region. France targets peace and stability, especially in the Sahel region. Lastly, the United Kingdom designates a large portion of its Department for International Development (DFID) assistance budget to fragile states, and

Figure 4 | Bilateral ODA to humanitarian aid, European Donor Tracker countries, constant prices, gross disbursement, ODA in 2012 = 100% ⁷



has identified crisis response as a strategic priority. Nevertheless, the picture across European countries in specific sub-sectors is somewhat mixed. A majority of countries shows strongly upward-trending numbers for bilateral humanitarian aid. The Netherlands (254%), the United Kingdom (184%), Germany (123%), Norway (62%), and Italy (39%) all indicate very strong growth in the sector between 2012 and 2015. On the other hand, Spain and France have decreased bilateral funding by roughly one-third since 2012. By and large, humanitarian assistance is expected to remain a top priority in most major donor countries. ← 4

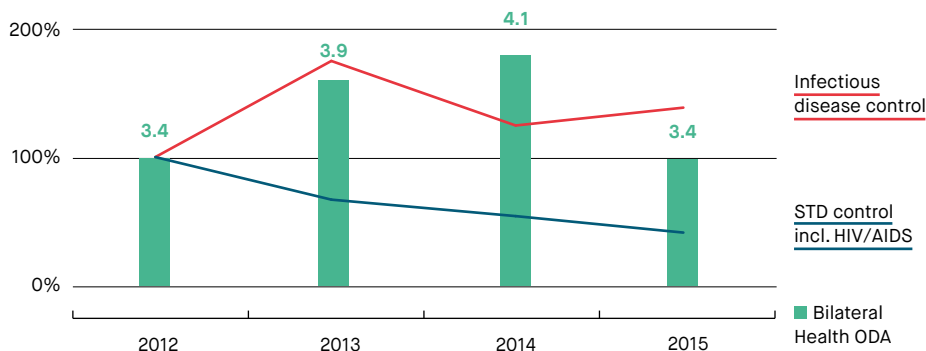
TREND 3: HEALTH ODA REMAINS LARGELY FLAT AND FOCUSES ON HEALTH SECURITY

Health ODA has stagnated compared to other development sectors. Due to the increasing prominence of health security within international politics, sectors such as infectious diseases control have seen strong growth. Others are struggling to retain support in light of shifting priorities.

Dramatic infectious disease outbreaks have caused global concern and shaped the rise of security-related health issues in recent years. Ebola is the most prominent example, but other outbreaks such as Zika and H1N1 have also resulted in increased public attention for global health. Pandemics affect migration patterns and economic development. For example, the overall economic impact of Ebola on Guinea, Liberia, and Sierra Leone – the hardest hit countries – was an estimated loss of US\$2.8 billion (according to World Bank 2016 data). In Liberia, real GDP growth fell from 8.7% in 2013 to 0.7% in 2014, and in Guinea, real GDP growth was 0.1% in 2015, compared to a pre-Ebola forecast of 4.0% for 2015.

In an increasingly mobile world, infectious diseases as well as anti-microbial resistance⁸ pose global and regional security concerns, and have led to an emerging

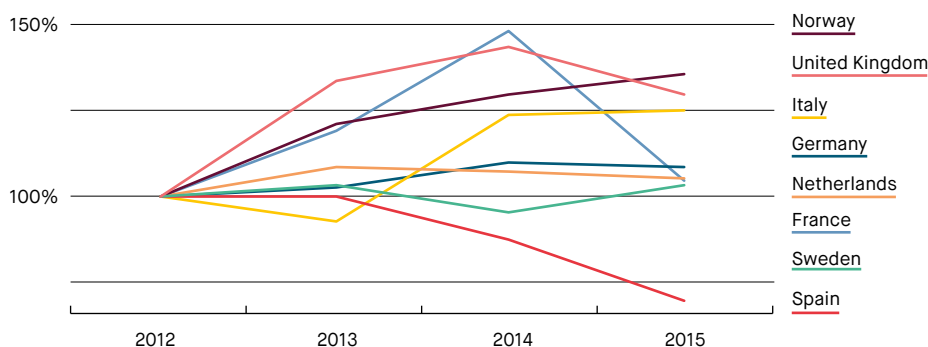
Figure 5 | Bilateral ODA to health and selected subsectors, European Donor Tracker countries, constant prices, gross disbursement, bilateral health ODA in US\$ billion; subsector ODA in 2012 = 100%⁹



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Figure 6 | ODA to health, European Donor Tracker countries, bilateral and imputed multilateral ODA, constant prices, gross disbursement, ODA in 2012 = 100%¹⁰



health security agenda. For instance, Germany placed global health and pandemic preparedness in particular at the heart of its current G20 Presidency. Similarly, France has announced further ODA increases to better target recipient countries' responses to health crises, as well as to improve international disease surveillance and global health research and development (R&D) as a response to the Ebola crisis. Increases in total ODA to health by major European donors covered in this analysis are driven by funding for infectious disease control, which went up by 39% between 2012 and 2015. In 2015, 11% of health ODA went to infectious disease control as compared to only 5% in 2012. ← 5

On the other hand, the sub-sector related to sexually transmitted disease control (including HIV/AIDS) has steadily lost funding both as a share of total health ODA and in absolute terms. Investments in reproductive, maternal, newborn and child health (RMNCH) increased incrementally and were largely protected from the changes affecting other health sub-sectors. Many European countries have traditionally committed to these issue areas (RMNCH, gender equality, and sexual and reproductive health and rights [SRHR]) continue to be resolute in their focus. The Netherlands, for example, has ring-fenced its ODA to RMNCH and SRHR to protect them from general cuts to ODA. In Germany, the percentage of health ODA to RMNCH has increased in line with over-

all health spending. Sweden explicitly approaches its foreign policy with a 'feminist lens'; in this context SRHR has been identified as a key lever for international cooperation, which has resulted in consistently high levels of funding. ↑ 6

Overall, most of the eight European donors covered in this analysis have increased their bi- and multilateral ODA to health between 2012 and 2015 – by 18%, on average. In the last year of this period (2014-2015), the United Kingdom, Spain, and France decreased their ODA to health, while in particular Italy, Sweden, and Norway have increased it. Over the four-year period, however, the United Kingdom has increased health ODA by 30%, only second to Norway (36%). Only Spain decreased its health ODA, cutting funding by 30% since 2012 following the financial crisis. Most other major donors have slightly increased ODA to health between 2012 and 2015 (including France, Germany, and Sweden).

TREND 4: MORE MONEY FOR CLEAN ENERGY AND CLIMATE-RELATED INITIATIVES

Energy ODA has grown since 2012 due to a stronger focus on clean energy and other climate-related ODA. Additionally, policy-makers pay more attention to links between energy and other policy fields such as poverty eradication and economic development.

Some major European donors have focused more strongly on energy, in particular renewable energy policies and energy efficiency, as a means to eradicate poverty. For example, Germany, as the largest European donor to energy ODA, identifies “promoting renewable energies

and energy efficiency” as a key priority of its development policy. As a frontrunner of innovative renewable energy technologies and initiator of the ‘Energiewende’ (the transformation towards renewable energies), it seeks to be a leader in enabling sustainable energy access for all, and strives to export its own energy model to partner countries. Clean and reliable energy supply is further seen by a number of European donor countries as critical for economic development and the achievement of international climate targets. For this reason, a large share of energy ODA is targeted at middle-income countries, in the form of large-scale loans. Important recipients include South Africa, India, Vietnam, Egypt, Morocco, and Indo-

Figure 7 | Bilateral ODA to energy and selected subsectors, European Donor Tracker countries, constant prices, gross disbursement, bilateral energy ODA in US\$ billion; subsector ODA in 2012 = 100% ¹¹

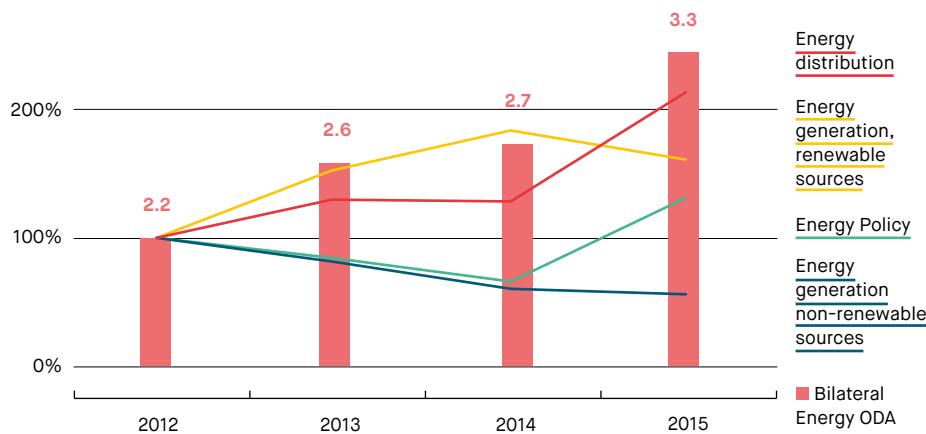
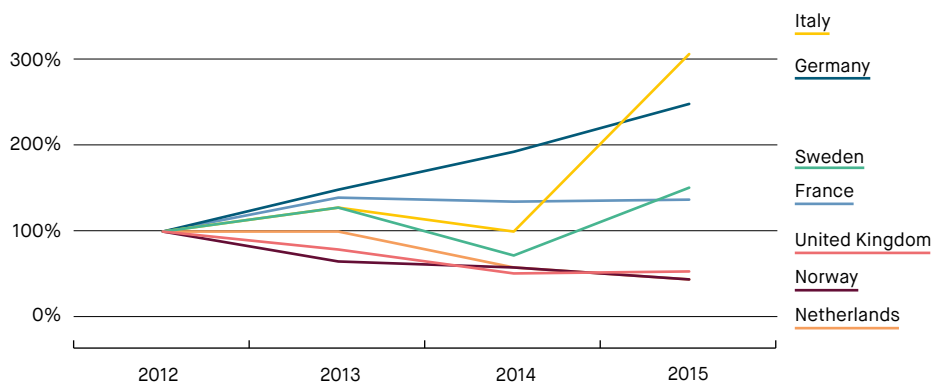


Figure 8 | Bilateral ODA to energy, European Donor Tracker countries, constant prices, gross disbursement, ODA in 2012 = 100% ¹²



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nesia. International processes, negotiations, and agreements such as the Paris Agreement, the “Sustainable Energy for All” initiative, and the energy- and climate-related Sustainable Development Goals (SDGs) drive these trends within the energy sector. Funding by the European countries covered in this analysis to the sub-sectors of energy policy (32%), energy generation from renewable sources (61%), and energy distribution (113%) have all grown strongly since 2012. Conversely, their funding to energy generation from non-renewable sources has reduced dramatically since 2012. ODA to non-renewable energy generation decreased by 44%. While it was still the biggest sub-sector of energy ODA globally in 2012 (US\$2.7 billion), non-renewable energy is now the smallest of the analyzed subsectors (US\$1.2 billion).¹³ Some countries have increased their funding for renewables between 2012 and 2015, including Italy (207%), Germany (149%), France (37%), and Sweden (49%). Others have decreased their funding by 40-60% in the same time period (including the Netherlands, Norway, and the United Kingdom). Both directions can in part be explained by shifting political priorities. ↑ 8

THREE EMERGING OPPORTUNITIES

● OPPORTUNITY 1 **Increased attention for and investment in global development provides an opportunity to mobilize funding.**

Global development has received growing attention due to the refugee influx. In current discussions on potential future responses to humanitarian crises, ODA is seen as key element of an adequate response to the refugee crisis. Increased and sustained investment in global development at large and in humanitarian aid in particular can create new funding opportunities for projects that address the root causes of the influx of refugees.

The expected decline of necessary investments to cover the costs of refugees in donor countries, due to a decreasing number of asylum applications, is an immediate opportunity to raise funding for other development activities. Asylum applications within Europe have been reduced in part due to decreases in refugee numbers as well as more restrictive asylum laws, such as in Sweden, Germany and Norway. Due to decreasing numbers of refugees in Sweden, for example, ODA available for development programs will again increase by approximately US\$100 million in 2017 and US\$900 million in 2018. In Norway, in-country refugee costs took up a large portion of the ODA budget in 2015 and 2016, but are expected to decrease significantly from 2017 onwards, and could now be used for other development programs. Similar trends can be observed in other Western European countries.

● OPPORTUNITY 2 **Europe may provide back-up for areas that may fall short of continued global support.**

Expected ODA cuts as a result of the United States' presidential election and the subsequent appointment of ODA critics and climate change skeptics to key government positions may impact United States' leadership on global development. However, some European donors are chip-

ping in and have responded to this challenge. For instance, they have called on the need to sustain financing for high-attention issues like SRHR/RMNCH and climate change. This may present an opportunity to secure more resources for these areas to fill emerging gaps.

For example, actions taken by US President Trump to reinstate the ‘Mexico City Policy,’ which requires foreign NGOs to affirm that they will not perform or promote abortion as a method of family planning with funds from any source as a condition to receive funding from the United States government, has generated opposition from several donor countries that focus on gender equality, SRHR, and RMNCH, including Belgium, Denmark, the Netherlands, Norway, and Sweden. In fact, this has led to immediate action when the Dutch Minister for Foreign Trade and Development launched ‘She Decides’ in February 2017, a new global initiative on sexual health and family planning to address the gaps in developing countries’ access to global health financing that the United States’ policy will create. Canada, Finland, and Sweden each pledged €20 million; Belgium, Denmark, the Netherlands, and Norway have committed €10 million and others are expected to follow. This new initiative as well as momentum for the issue overall including from European countries that are traditionally champions could result in new funding for SRHR and RMNCH.

Climate ODA is another area for which funding is expected to increase, in particular due to the Paris Agreement and the related goal to globally raise at least US\$100 billion in climate finance per year from 2020 onwards. Driven by countries supportive of a transformation towards renewable energies, climate-related ODA has increased significantly and steadily over the last three years. Recent statements by the United States administration suggesting major cuts to climate-related issues have led to a reaffirmation of national commitments by major European countries and others such as China. Similarly, financing to clean energy, energy systems, and climate policies is expected to increase. Funding instruments such as the Green Climate Fund aim to

raise a large share of the US\$100 billion annual goal for climate-change mitigation and adaptation purposes. Sectors that have synergies with climate change, including infrastructure, health, migration, and food security may also benefit.

● OPPORTUNITY 3 **2017 elections may impact the future direction of European ODA and should be monitored.**

The resurgence of right-wing populism within Europe has contributed to a shift in the discourse around migration to self-protective concerns and debates about the value and purpose of development assistance. This presents a threat to the fundamental reasoning underpinning development assistance and may result in reduced funding in the future.

Related to this, the outcomes of the 2017 elections in the Netherlands, France, and Germany also present potential risks to development assistance in Europe, as their outcomes may have major impacts on development budgets and prioritization. The right-wing parties within Germany (AfD) and the Netherlands (PVV), for example, advocate for more isolationism and characterize foreign engagement as a loss of autonomy. Since Brexit, DFID has needed to prove its *raison d’être* and pivot to policies that are linked to Britain’s interests, e.g., by using ODA more strongly to boost UK’s foreign trade. Even before elections, the Netherlands’ ODA budget planned cuts in coming years in line with the government’s 2012 decision to keep ODA levels at €1 billion below the 0.7% target. In May 2015, the then-new Finnish government coalition of the Centre Party, the nationalist Finns Party, and the National Coalition party announced a 40% cut in the country’s development assistance budget moving forward, including a 5.7% ODA cut in 2015. Following parliamentary elections in 2015, Denmark’s new center-right government also announced dramatic cuts to ODA.

Endnotes

- 1 For the calculation of trends, this article uses OECD Creditor Reporting System (CRS) data from 2012 to 2015 for eight European members of OECD DAC. The data refers to constant 2014 prices and gross disbursements to ensure comparability. To integrate both bi- and multi-lateral contributions by major donors, we selectively use estimations of imputed multilateral contributions provided by the OECD. Imputed multilateral contributions for some sectors, including energy and humanitarian aid, are not available for 2015. For a more granular look into sectors and sub-sectors, this article takes the eight European countries showcased in the Donor Tracker – France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, and the United Kingdom – as a basis from which to delve deeply (the EC institutions are not included in these analyses). Three methods were used to inform this article: 1) literature review; 2) financial data analysis; 3) and select key stakeholder interviews.
- 2 2014 constant prices
- 3 By ranking: United Kingdom (2), Germany (3), France (5), Sweden (6), Netherlands (7), Norway (8), Italy (10)
- 4 Figure 1 | Source: OECD Creditor Reporting System
- 5 Figure 2 | Source: OECD Creditor Reporting System
- 6 Figure 3 | Source: OECD Creditor Reporting System; 100% in 2012 equals in US\$ billion for France 14.2, Germany 15.6, Italy 3.0, Netherlands 5.9, Norway 4.6, Spain 2.2, Sweden 5.3, United Kingdom 15.4
- 7 Figure 4 | Source: OECD Creditor Reporting System; 100% in 2012 equals in US\$ million for France 64.5, Germany 423.2, Italy 94.0, Netherlands 159.6, Norway 319.3, Spain 92.9, Sweden 454.3, United Kingdom 727.7
- 8 According to the WHO, antimicrobial resistance (AMR) occurs when microorganisms (such as bacteria, fungi, viruses, and parasites) evolve when they are exposed to antimicrobial drugs (such as antibiotics, antifungals, antivirals, antimalarials, and anthelmintics). The resulting microorganisms are oftentimes called "superbugs". AMR threatens the effective prevention and treatment of an increasingly numerous range of infections and is an increasingly serious threat to global public health requiring action from all stakeholders.
- 9 Figure 5 | Source: OECD Creditor Reporting System
- 10 Figure 6 | Source: OECD Creditor Reporting System; 100% in 2012 equals in US\$ billion for France 0.9, Germany 1.0, Italy 0.2, Netherlands 0.6, Norway 0.6, Spain 0.2, Sweden 0.6, United Kingdom 2.5
- 11 Figure 7 | Source: OECD Creditor Reporting System
- 12 Figure 8 | Source: OECD Creditor Reporting System; 100% in 2012 equals in US\$ million for France 447.8, Germany 846.9, Italy 11.1, Netherlands 100.3, Norway 344.8, Sweden 72.4, United Kingdom 350.7
- 13 Spain is not included in this analysis due to a low level of energy ODA, outliers in the data, and high volatility.

ABOUT THE DONOR TRACKER

The Donor Tracker seeks to advance and support progress in global development by providing advocates with easy access to high-quality quantitative and qualitative strategic information to support their work.

The Donor Tracker is a unique online resource that offers free, independent, up-to-date analysis of 14 major OECD donors. Covering 90% of the world's official development assistance (ODA), the Donor Tracker provides data-driven insights on strategic priorities, funding trends, decision-making, and key opportunities.

→ www.donortracker.org

→ donortracker@seekdevelopment.org

The Donor Tracker is an initiative by

SEEK Development

Strategic and Organizational Consultants GmbH

Cotheniusstraße 3

10407 Berlin

Germany

Phone **+49 (0)30 4172 8172**