

The importance of keeping commitments: how EU aid is crucial for Least Developed Countries to Leave No One Behind

CONCORD Policy Paper

Introduction

Over the last few years, CONCORD has fully backed the pledge of the 2030 Agenda for Sustainable Development to Leave No One Behind. In light of the COVID-19 emergency, this call is even more compelling than ever. Civil society has frequently claimed that international donors should pay more attention to the most fragile countries: in CONCORD's policy and advocacy work, the Least Developed Countries (LDCs) are at the centre of our assessments and recommendations.¹

This year (2020) marks the intermediate year to reach the target of 0.15% to 0.20% of ODA/GNI to Least Developed Countries,² which the EU and its Member States committed to and renewed in 2015. According to UNCTAD, of the 47 LDCs, 34 are Sub-Saharan African countries.³ Therefore, the emphasis that the European Commission is placing on the renewed EU-Africa partnership and the new narrative on development cooperation⁴ must tackle sustainable development in LDCs. Furthermore, the COVID-19 outbreak puts many lives and sustainable development severely at risk in the most vulnerable countries - including the LDCs.

This brief policy paper aims to offer quantitative and qualitative ODA analysis by assessing which EU Member States (including EU institutions) are championing the LDCs. The paper puts forward some recommendations to the EU and its Member States, providing valuable inputs for the Council Conclusions on ODA targets to be approved in spring 2020 by the Foreign Affairs Council (development) and in June by the European Council.

Background

Achieving the Leave No One Behind pledge by necessity means focusing on LDCs inter alia: this is clear to the EU, which has reconfirmed its willingness to “target resources to where the need is greatest, especially LDCs and countries in states of fragility and conflict”.⁵ There is a strong case for increasing aid to LDCs as ODA is one of the resources available on very favourable financial terms (concessional), which are key to countries with limited access to financial markets. Given its unique mission, ODA is a key tool to contribute to efforts to tackle inequalities at local, country and global level, as CONCORD AidWatch 2019 showed.⁶

¹ This is particularly true for CONCORD's AidWatch reports, which contain extensive analyses on LDCs.

² United Nations (2015), *Addis Ababa Action Agenda*, paragraph 51

³ UNCTAD (2020), *UN list of Least Developed Countries*

⁴ OECD (2019), *Development Co-operation Report 2019: A Fairer, Greener, Safer Tomorrow*, OECD Publishing, Paris

⁵ Joint Statement of EU institutions and Member States, *New European Consensus on Development, Our world, our dignity, our future* (June 2017)

⁶ CONCORD (2019), *CONCORD AidWatch 2019. Leaving no one behind: time for implementation*

Today, the 47 LDCs represent about 12% of the world's population and an estimated 40% of the world's extreme poor.⁷ Among developing countries, the incidence of poverty and inequality is greatest in LDCs, where nearly half of the population lives in extreme poverty (on less than USD 1.9 per day). Moreover, in LDCs poverty particularly affects millions of women and girls.⁸ This implies that important initiatives at the EU level which tackle gender equality in the EU external action (such as EU GAP III) should take at heart LDCs. Concurrently, LDCs have the least ability to lift people from poverty without external support,⁹ showing the highest dependency on ODA.¹⁰ In LDCs, ODA is crucial to their basic functioning as well as to tackling specific needs in terms of both support and overcoming structural barriers to sustainable development - such as institutions which work for all.¹¹

International donors are aware of the situation of LDCs. In the international arena, important initiatives such as the first Programme of Action for the Least Developed Countries for the Decade 2001-2010 endorsed in Brussels, followed by the Programme of Action for the Least Developed Countries for the Decade 2011-2020¹² and the Istanbul Declaration¹³ have set the direction which donors should have followed.

In recent years, however, LDCs have suffered from a significant decline in overall ODA spending:¹⁴ in 2016, only 6 out of 29 DAC countries fulfilled the LDCs commitment.¹⁵ ¹⁶ On the same note, it is crucial to highlight that the increasing support from donors to blended finance in development cooperation is not helping LDCs to graduate from poverty - as the OECD has recently shown.¹⁷ This is in part because, LDCs receive a small proportion of blended finance,¹⁸ but also because, on average, blended finance in LDCs leverages less private finance than that in other partner countries. Lastly, the two sectors which mobilise most of the blended finance in LDCs are energy and banking & financial services - while WASH, education and healthcare (along with other social sectors) are poorly addressed. Blending should therefore respect national ownership, be aligned with national priorities and applied to a broader SDGs strategy which strengthens all 4 dimensions of sustainable development of partner countries. As these contexts have been more challenging, blending should not come at the expense of the support for LDCs and other vulnerable countries.

⁷ OECD Development Matters (2020), *The COVID-19 Scourge: How affected are the Least Developed Countries?*, <https://oecd-development-matters.org/2020/04/23/the-covid-19-scourge-how-affected-are-the-least-developed-countries/>

⁸ UNFPA (2016), *Millions of lives transformed. Annual report*

⁹ IATF (2019), *Financing for Sustainable Development Report 2019*

¹⁰ OECD (2014), *Background paper: The imperative to increase ODA to countries most in need*

¹¹ UNCTAD (2019), *The Least Developed Countries Report 2019: The present and future of external development finance - old dependences and new challenges*

¹² UN-OHRLS (2011), *Programme of Action for the Least Developed Countries for the Decade 2011-2020*

¹³ 4th UN Conference on LDCs (2011), *Istanbul Declaration*

¹⁴ IATF (2020), *Financing for Sustainable Development Report 2020*

¹⁵ OECD (2018), *Development Co-operation Report 2018: Joining Forces to Leave No One Behind*, OECD Publishing, Paris

¹⁶ CONCORD however welcomes the forecast from the DAC preliminary statistics for 2019 which find that, in 2019 for the first time after several years, the net global bilateral ODA provided to Least Developed Countries (LDCs) rose by 2,6% to USD 33 billion, with the largest share going to Sub-Saharan Africa - an increase of 1,1% in real terms.

¹⁷ OECD/UNCDF (2019), *Blended Finance in the Least Developed Countries 2019*, OECD Publishing, Paris

¹⁸ Between 2012-2017, out of private finance mobilised by official aid, 6% went to LDCs - 70% to MICs (source: OECD).

Evidence shows that ODA channeled through blended with private finance leads to privatised, exorbitant health services – leaving universally accessible public healthcare critically under-resourced and understaffed, making people more vulnerable and poorer. The EU donors should always therefore prioritise public goods and services over private ones.

Looking more closely at EU ODA levels, the OECD and EC data reveal that EU Member States increased their collective ODA to LDCs from 0.11% of GNI in 2016 to 0.12% in 2017¹⁹ to 0.125% in 2018.²⁰ It is likely that this trend will continue based on the DAC preliminary statistics for 2019;²¹ however, this is still almost €5 billion short of meeting the international commitment to achieve 0.15% to 0.20% of GNI in LDCs.²² Moreover, projections are confirming previous evidence which note that poverty will be increasingly concentrated in LDCs and fragile states in the coming years.²³ It is therefore crucial that EU donors step up their efforts towards these countries. This does not only mean financial commitments, but also that EU donors should adapt their development cooperation models for working more effectively with LDCs by introducing more dynamic, flexible practices which take into account the additional risks that working in these contexts inevitably entails.

Furthermore, the crisis caused by the COVID-19 outbreak risks once again highlighting the inequalities between and within countries and regions with catastrophic health, social and economic consequences in LDCs. Given their weak health systems, the potential negative impact of this global pandemic in terms of human lives and sustainable development represents a considerable threat. Hence, it is crucial that not only current EU ODA commitments are kept and not diverted, but also that the most vulnerable countries (like LDCs) are at the forefront of the EU response to partner countries fighting against COVID-19. To this end, CONCORD welcomes the fact that in DEVCO response to COVID-19, 50.86% of the funding redirected to tackle this crisis goes to LDCs. However, the EU institutions plan to allocate almost €3.9 billion to the EU's neighbourhood and only €2.1 billion for Sub-Saharan Africa raises some red flags about how the EU assessed the different levels of need for financial support across partner countries.²⁴

LDCs champions

As 2020 marks the intermediate year for the LDCs target, CONCORD set up 'score cards' among EU donors²⁵ called 'LDCs champions' - to compare which EU actors are doing better

¹⁹ CONCORD (2019), *CONCORD AidWatch 2019. Leaving no one behind: time for implementation*

²⁰ European Commission (2020), *Publication of preliminary figures on 2019 Official Development Assistance. Annex: Tables and Graphs*

²¹ The EC released that data for ODA to LDCs for 2019 will only be available in December 2020. Therefore, CONCORD's analysis looks at data for up until 2018. Meanwhile, based on preliminary statistics for 2019 and on data CONCORD will gather on COVID-19, CONCORD will work on some projections in the upcoming months.

²² The LDCs target which the EU donors, along with other international ones, have agreed on foresees that donors reach 0,15% of GNI to LDCs by 2020 (intermediate), and 0,20% of GNI by 2025-2030.

²³ ODI (2018), *Financing the End of the Extreme Poverty*

²⁴ European Commission (2020), *EU Institutions external response to COVID-19*, consulted on 6/5/20, <https://ec.europa.eu/international-partnerships/system/files/eu-institutions-response-to-covid.pdf>. In absolute terms, this accounts for 2,360 EUR millions and it has been calculated from the breakdown by country of DEVCO and NEAR response which excludes guarantees and global funding.

²⁵ The data for CONCORD 'LDCs champions' are drawn from the OECD DAC statistics. Therefore, the actors taken into consideration are the EU institutions and EU Member States which are also part of OECD DAC. They refer to table DAC 2a.

in achieving the international commitments on LDCs. The ‘LDCs champions scorecard’ is based on 4 different measurements, which exemplify efforts to support sustainable development in LDCs. In the first column (table below), it is possible to see the percentage of each EU donor’s ODA/GNI going to aid disbursements in LDCs. In the second and third columns,²⁶ we compare bilateral ODA disbursements in LDCs, for 2018 and for the period 2014-2018 respectively.²⁷ In the fourth column, the percentage of each EU donor’s bilateral ODA to LDCs is reported for the period 2014-2018.

LDCs champions (in each column, green = the first, yellow the second, blue the third highest)				
Update 21 April 2020, Unit EUR millions, Current prices, Aid disbursements to countries				
	ODA/GNI to reach the LDCs target (0.15-0.20) (2018) ²⁸	ODA bilateral amount to LDCs (2018)	ODA bilateral amount to LDCs (2014-2018)	Percentage of bilateral ODA to LDCs (2014-2018)
EU institutions		1,896.67	17,767.62	26.07%
Austria	0.0308	48.49	298.47	9,90%
Belgium	0.1358	357.27	1,769.35	31,83%
Czech R.	0.0207	13.49	54.98	16,62%
Denmark	0.1810	382.65	1,974.63	25.20%
Finland	0.1005	112.53	892.83	31.40%
France	0.0726	1,053.70	4,773.43	17.83%
Germany	0.0850	2,296.34	9,474.63	12.94%
Greece	0.0006	0.14	2.90	0.83%
Hungary	0.0448	23.34	32.92	12.71%
Ireland	0.1479	214.27	1,113.73	54.41%
Italy	0.0429	311.18	1,249.86	13.52%
Luxembourg	0.5062	150.28	600.87	47.27%
Netherlands	0.1007	515.35	2,319.34	14.56%
Poland	0.0516	74.31	222.09	32.42%
Portugal	0.0742	46.06	228.64	35.55%
Slovakia	0.0050	1.05	7.86	7.16%

²⁶ The second and third columns refer to ODA bilateral net, at current prices.

²⁷ This period almost overlaps with the current EU multi year budget (MFF 2014-2020), so it gives a good picture of how EU donors are doing in the current EU budgetary cycle.

²⁸ Calculated on aid disbursements in LDCs.

Slovenia	0.0032	0.49	1.94	1.77%
Spain	0.0310	86.38	391.49	9.49%
Sweden	0.3184	994.93	4,161.62	23.95%
United Kingdom ²⁹	0.1817	2,713.18	14,820.06	29.70%
Total DAC EU	0.0944	9,395.45	44,391.63	20.03%

Source: CONCORD calculations based on OECD DAC stats, consulted in April 2020

The ‘LDCs champions’ table shows that different measurements give complementary information and a better picture of reality: it turns out that each column has different ‘LDCs champions’, depending on the measurement used. In 2018, four EU Member States reached the LDCs intermediate target of 0,15% GNI to LDCs (Luxembourg, Sweden, the United Kingdom, Denmark). But only Ireland has committed at least 50% of its bilateral ODA to LDCs.

Aid modalities in LDCs

By looking at the most used aid modalities, one can assess qualitatively how EU ODA is channelled to LDCs. The three most important aid modalities which the European Union uses to provide its external funding are: budget support; grants; procurement. In terms of aid modality in the context of LDCs, the numbers show that budget support remains the preferred option for the EU and its Member States, followed by grants and public procurement.³⁰

Aid modalities to LDCs				
Update 10 March 2020, Unit EUR, millions				
	Budget support	Grants	Procurements	Total (including other modalities ³¹)
LDCs (2018)	58.01%	29.56%	6.84%	100%
LDCs (2014-2018)	54.34%	30.49%	9.52%	100%

Source: CONCORD calculations based on EU Open Data, consulted in March 2020

CONCORD welcomes this finding, as it has been proven that, if clear and adequate mechanisms have not been properly set up, non-grant modalities (such as loans for

²⁹ Please note that as of 31 January 2020, the United Kingdom is no longer a member of the EU.

³⁰ In this paper, CONCORD focuses on aid modalities. However, for a further analysis which compares the aid figures with financial benefits that each donor country is receiving from LDCs in the form of foreign trade, extracting natural resources, debt payments, and repatriated multinational company profits, there exists a vast literature (Honest account, 2017, <https://www.healthpovertyaction.org/wp-content/uploads/2018/12/Honest-Accounts-2017-1.pdf>)

³¹ An example of other aid modality is external experts.

example) lead to intolerable debt burdens for LDCs, having catastrophic consequences on all the 4 dimensions of their sustainable development.

Moreover, budget support is an aid modality that is well suited to meeting the development effectiveness principles, as it is untied aid, uses country systems and generally promotes ownership. However, EU budget support does come with conditionality as the EC and EU Member States require - formally or informally - that an International Monetary Fund (IMF) programme is in place in order to disburse budget support. IMF conditions are negotiated with Finance Ministries behind closed doors, bypassing public debate or meaningful civil society or parliamentary engagement on critical economic policies that may have harmful consequences for the most marginalised and excluded people and undermine the Leave No One Behind pledge.

In the case of LDCs in particular, EU donors must not impose policy conditions which force the adoption of austerity measures or other policies which increase inequalities when disbursing budget support.

With regard to the Global EU response to COVID-19, CONCORD highly recommends prioritising grants-based finance over loans and ensuring that there are no grant/loan conditionalities that would impose further cuts in public services - especially in LDCs. Plus, as time is essential, CONCORD calls for programmatic aid (instead of project aid) notably in LDCs - as negotiating multiple projects would not be efficient time-wise. Moreover, CONCORD strongly encourages the European Commission to redirect some of the private finance instruments towards grant-based support for countries most in need - such as LDCs.

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Country Case Box: Afghanistan³³

Problem statement

Afghanistan has suffered over three decades of war and conflict, which have killed, displaced or disrupted millions of lives. At the time of writing, no reduction in the level of violence has yet been witnessed.³⁴ Additionally, drought and natural disasters - which are putting the most marginalised people and the most vulnerable areas of the country at higher risk, fueling food crises - are issues which require an effective and international response.

For many years, Afghanistan has been the biggest recipient of EU ODA.³⁵ It is still listed among the Least Developed Countries (LDCs) and ranks 9 out of 178 countries on the Fragile State Index.³⁶ With a population of more than 37 million people, its yearly GNI per capita amounts to USD 633 - far below the LDC average of USD 1,229 per capita.³⁷ Furthermore, 54.5% of the population live below the extreme poverty line. The current situation affects mostly women and girls: Afghanistan had the second-lowest Gender Development

³² CONCORD (2020), *CONCORD recommendations - EU response to the COVID-19 pandemic around the globe*

³³ For this section, we notably thank Mission East and EU-CORD, CORDAID and Fingo for their valuable contributions. Afghanistan is, along with Ethiopia and the Democratic Republic of Congo (DRC), one of the recipient LDCs which get most EU and Member State ODA: the 3 countries are the only LDCs to appear in the EU donors' aid top 10 recipients list.

³⁴ The New York Times (2020), [Taliban Ramp Up Attacks on Afghans After Trump Says 'No Violence'](#), 04-03-2020

³⁵ This was especially due to the NATO mission several EU donors contributed to - as some of their multilateral ODA was channeled through that.

³⁶ Fund for Peace (2019), *Fragile State Index 2019*, <https://fundforpeace.org/wp-content/uploads/2019/04/9511904-fragilestatesindex.pdf>

³⁷ UN (2018), *Least Developed Country Category: Afghanistan Profile*

Index in the world in 2018.³⁸ These data show the inability for Afghanistan to lift people from poverty without external support.

The role of ODA in Afghanistan

ODA plays a vital role in Afghanistan: it represented 19.4% of national GNI in 2018. Bilateral ODA in that year supported specific sectors such as social infrastructures (45%), humanitarian aid (12%), health (10%) and economic infrastructures (10%).³⁹ As for EU ODA, the most funded sectors are: government and civil society; emergency response; agriculture, forestry and fishing. They are coherent with the EU Multiannual Indicative Programme (MIP) 2014-2020,^{40 41} in line with Afghanistan's SDGs progress report⁴² - which emphasised inter alia the national work done on agriculture - and partially conforming to the Afghanistan national development strategy.⁴³

The top 3 gross ODA donors for Afghanistan in 2018 were: the United States, Germany and the EU institutions. Other important ODA donors in the country are the UK, Japan, the Asian Development Bank, Sweden, Canada, Norway and Denmark: the EU donors together provided 40% of the bilateral ODA flows in 2017 (€ 1,359.89 millions).⁴⁴ Although no joint programming process is currently in place, EU partners in Afghanistan apply a division of labour⁴⁵.

Civil Society work: advocacy and projects

CSOs are among vital actors in the Afghanistan development landscape. A relevant example is the Mission East programme, which, thanks to the support of the Danish MFA, advocates for an integrated, community-driven approach to relief, recovery and rehabilitation in North Eastern Afghanistan.⁴⁶ Another successful story is the Sustainable Economic Development programme, through which, with the support of the European Commission, the Norwegian Refugee Council and CordAid are addressing two main challenges: unemployment and displacement.⁴⁷ But Civil Society is key for advocacy vis-a-vis public institutions too: in the framework of an effective Social Contract between the Government and the citizens of Afghanistan, local citizens communities have strengthened the influence of local communities in an integrated manner through local, national and international lobbying and advocacy with a specific attention to women, youth and marginalized groups - focusing on enabling health systems reforms, access to justice, inclusive & engendered peace and extractives⁴⁸. Or still, through Creating Access for Inclusive Peace process

³⁸ UNDP (2018), *Gender Development Index (GDI)*

³⁹ OECD (2018), *Aid at a glance charts*

⁴⁰ DG DEVCO (2014), *EU Multiannual Indicative Programme 2014-2020*

⁴¹ The MIP identifies as priority sectors agriculture and rural development, health, policing and rule of law, democratisation and accountability.

⁴² Afghanistan Government (2017), *Afghanistan Voluntary National Review*, <https://sustainabledevelopment.un.org/content/documents/16277Afghanistan.pdf>

⁴³ Afghanistan Government, *Afghanistan National Development Strategy*, <https://www.nps.edu/documents/105988371/107571254/National+Development+Strategy.pdf/8176334f-927b-495a-81e2-d899c57c1afb>

⁴⁴ DG DEVCO (2018), *Working better together. Mapping of European donor financial contributions in Afghanistan*

⁴⁵ Capacity4Dev (2020), *EU Joint Programming: Afghanistan*

⁴⁶ Mission East assists the most vulnerable groups affected by conflict and natural disasters in the insecure districts of Takhar and Badakhshan provinces (Afghanistan). These vulnerable groups include female, child or elderly-headed households, disabled headed households, big families with few working age men and families with chronic illness and disability, pregnant and breastfeeding women and women with children under-5 are targeted. Mission East targets remote, hard-to-reach and under-served districts and villages with a high level of unmet needs. To know more about the programme, see: <http://missioneast.org/en/projects/integrated-community-driven-approach-reliefrecovery-and-rehabilitation-north-eastern>

⁴⁷ In both Herat and Kandahar, Cordaid contributes towards a more sustainable business environment that provides MSME with the means to grow their business - together with other stakeholders. This will enhance the sustainability of businesses and will contribute to job creation in the long run. NRC supports internally displaced people with the hard-and soft-skills to become more employable. By combining these two approaches young IDPs will be able to secure their first jobs, build a network and be lifted out of poverty.

⁴⁸ This has been possible to the work which Cordaid undertook with the support of the Dutch MFA.

in Afghanistan, funded by Global Affairs of Canada, Afghan women CSOs capacities are strengthened to engage at all levels of the ongoing peace talks.⁴⁹ The type of advocacy and projects reported are possible thanks to grant modalities, which help create more ownership at the country level and allow donors to be in line with national priorities.

Recommendations

- As regards the implementation of the EU's 'Communication on the Global EU response to COVID-19', the European Commission should prioritise grants-based finance over loans and ensure that there are no grant/loan conditionalities that would imply or necessitate further cuts in public services - especially in LDCs. Programmatic aid should be prioritised over project aid, notably in LDCs - as negotiating multiple projects would not be efficient time-wise. The European Commission should redirect some of the private finance instruments towards grant-based support for countries most in need - such as LDCs.
- The European Commission as well as EU Member States should fulfil their commitments and speedily allocate at least 0.15% of GNI to LDCs in the short-term, and 0.20% of GNI by the deadline of the 2030 Agenda. EU donors should commit to allocating at least 50% of their bilateral ODA to LDCs - targeting the SDGs and basic social services.
- Through the EU Gender Action Plan III, the European Commission should commit to spending also in LDCs 85% of ODA in programmes with gender as a significant (G1) or principal objective (G2), of which 20% of ODA goes to programmes with gender equality as a principal objective (G2).
- The European Commission should take advantage of the renewed EU comprehensive strategy for Africa to reaffirm its commitment to reduce poverty and inequalities in LDCs.
- The EU with its Member States should develop and adopt, over the next 5 years, a coordinated comprehensive strategy for engaging in LDCs.
- EU donors should not impose policy conditions which result in austerity measures being adopted or other policies which increase inequalities when disbursing budget support.
- The European Commission as well as EU Member States should adapt their development cooperation models for working more effectively with LDCs. This means introducing more dynamic, flexible practices which take into account the additional risks that working in these contexts inevitably entails.
- The European Commission as well as EU Member States should ensure that the increasing support to blending in development cooperation does not come at the expense of support for LDCs.
- The European Commission as well as EU Member States should improve their poverty and inequalities focus in development cooperation with LDCs: all EU-funded projects to LDCs should be screened against Leave No One Behind and gender indicators.

⁴⁹ CordAid (2019), *Women need to gain ownership of the Afghan Peace process*, <https://www.cordaid.org/en/news/women-need-gain-ownership-afghan-peace-process/>

