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**COMMISSION STAFF WORKING DOCUMENT**

**Investing in Sustainable Development  
The EU at the forefront in implementing the Addis Ababa Action Agenda  
(2015-2017)**

## FOREWORD

Since taking office as EU Commissioner for Development and International Cooperation, I have had the opportunity to discuss priorities with citizens across five continents. Never has there been such a sense of interconnectedness between all of us. Never has there been such a sense of common purpose. We are all concerned that 767 million people still live in extreme poverty. We want to live in a world where our planet is durably preserved and where everyone can thrive in peaceful and prosperous communities.

The Addis Ababa Action Agenda, adopted in July 2015, provides the international community with an important blueprint to set the 2030 Agenda in motion. The Financing for Development Fora that followed have operationalised it further.

The key message is simple. Increasing our financial support to development and activating contributions from different stakeholders is essential if we are to succeed in eradicating poverty and achieving sustainable development. And fundamentally, we will need to work together to shape policies creating the right set of incentives for all actors.

Since 2015, the European Union has intensified its efforts to support the fulfilment of Sustainable Development Goals, in line with the Addis Agenda. We have equipped ourselves in 2017 with a collective strategy - the new European Consensus on Development - reflecting our acute sense of responsibility for the years ahead.

This Report on 'Investing in Sustainable Development' showcases how the European Union and its Member States, as the world's leading development actor, work to turn global commitments into concrete actions. The selection of examples illustrated in this report provides a comprehensive but far-from-exhaustive picture of our efforts to mobilise a broad range of means of implementation: from official development assistance and domestic resources, to private investment and enabling policies.

The Report confirms that the European Union and its Member States have so far responded to the Addis and 2030 Agendas by an increase in both policy effort and financial resources. Yet there is no room for complacency. Areas remain where the European Union can and should improve and overall major efforts are still needed at the global level in order to achieve the Sustainable Development Goals by 2030.

I trust that this Report will inform discussions in dedicated multilateral fora and will also find a wider resonance. I also hope it will serve as a point of reflection and inspiration for our development partners and partner countries and would warmly welcome their feedback on its findings. Finally, I would encourage civil society and the private sector to engage and to partner with us as we strive to achieve the SDGs. The European Union is more determined than ever to play a leading role and join forces with all partners to make a real difference towards global sustainable development.

Commissioner Neven Mimica

International cooperation and development

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## KEY FINDINGS

In September 2015, the Member States of the United Nations approved a new global development framework, the 2030 Agenda for Sustainable Development, built around 17 Sustainable Development Goals, covering economic, social and environmental issues. The Addis Ababa Action Agenda (Addis Agenda) adopted in July 2015 which is an integral part of the 2030 Agenda. It provides a global framework for financing for development and sets a new paradigm for achieving the Sustainable Development Goals through effective use of all financial flows as well as non-financial means of implementation, emphasising domestic action and sound policies.

In June 2017, the EU adopted a new policy framework, the new European Consensus on Development, which builds upon the 2030 Agenda and the Addis Agenda. The new Consensus provides the framework for a common approach to development policy for EU institutions and the Member States. The new European Consensus puts particular focus on policy areas and means of implementation where the potential for meaningful change is greatest.

This report reviews progress made by the European Union and Member States on the Addis Agenda within the framework set by the new European Consensus on Development. It covers progress between 2015 and 2017.

EU institutions and Member States have swiftly started implementing the Addis Agenda in the context of the overall 2030 Agenda and are pursuing their efforts to meet their commitments. If current efforts are kept up, the EU should be able to meet most of its Financing for Development commitments by 2030.

Official Development Assistance (ODA) continues to play a crucial role. The EU has maintained its position as the world's largest provider of ODA, accounting for over half of the total ODA provided to developing countries. The EU's collective ODA grew from 0.31 % of GNI in 1999 to 0.50 % in 2017. The EU's collective ODA stood at EUR 75.7 billion in 2017. Four EU Member States have already reached or exceeded the 0.7 % ODA/GNI threshold in 2017. The EU has also collectively increased its ODA to Least Developed Countries (LDCs) in absolute terms, though more work is needed to reach the 2020 target of 0.15 % of GNI.

The EU has been particularly involved in important areas. The EU and its Member States are collectively the **largest provider of public climate finance**. EU public support for climate finance has even almost doubled in nominal terms between 2013 and 2016. The EU and its Member States are the **main provider of ODA for science, technology and innovation** to developing countries. Between 2009 and 2016, EU spending in this area more than doubled to EUR 1.4 billion, which represents a share of over 75 % of global ODA for science, technology and innovation. Similarly, the EU is by far the **largest donor of scholarships for students from developing countries**: EU spending represented almost 90 % of total ODA spending for scholarships by donor countries. Between 2014 and 2016, EU yearly in-donor country disbursements for scholarships grew by 20 %, from EUR 2.1 billion to EUR 2.5 billion.

It is also noteworthy that the EU has created an array of **innovative financial instruments** with high potential. The EU and its Member States have introduced innovative sources of development funding. First, innovative funding sources generated over EUR 2.4 billion in financial resources, more than doubling from just over EUR 1 billion in 2016. Second, the EU has set up an innovative European Fund for Sustainable Development and, with an EU contribution of EUR 4.1 billion, it is expected to leverage into at least EUR 44 billion of extra public and private investment to improve economic and social development in Africa and in the countries bordering the EU. Some Member States use special purpose vehicles similar to EU blending facilities to provide innovative financial tools to partner countries.

As well as being the most generous provider of ODA in quantitative terms, the EU also puts a strong emphasis on the quality of development cooperation. The EU supported **development effectiveness** for instance by favouring more inclusive partnerships through triangular and South-South cooperation. **Joint programming** and **joint implementation** are also effective means of implementing development cooperation partnerships. By the end of 2017, the EU and its Member States had 21 finalised joint programming documents. The EU and its Member States are also heavily engaged in joint implementation, for instance through four **different Trust Funds** they have set up since 2015, the largest one being the Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa which is worth over EUR 3.4 billion.

However, ODA is only a small part of the development funding landscape. In line with the Addis Agenda, the EU has a comprehensive and integrated approach to mobilising financing and other means of implementation, including developing good policies, from all available sources (public/private, domestic/international) and actors to support of developing countries' sustainable development. The EU's actions help to bring together aid, investment, remittances, trade and domestic resource mobilisation.

Given the importance of **private sector** as a contributor to growth and job creation, the EU has taken strong measures to promote private-sector development. These include assistance for investment climate reforms, lending and venture capital facilities, and technical assistance to businesses. EU Member States have specific bilateral programmes that provide credit, guarantees and technical support to micro, small and medium-sized enterprises (MSMEs) in partner countries. The EU has set up a European External Investment Plan (EIP), an initiative with three strands which aims to increase private investment and improve the business climate in non-EU countries. In addition, the EU continues to provide support and mobilise investments through blending mechanisms in all regions of EU external cooperation.

The EU and its Member States have taken steps to **reduce the cost of remittances** and increase their use for development. Between 2014 and 2017, prices for transfers of remittances were significantly reduced in a number of EU Member States.

Regarding **trade**, the EU has taken measures to increase market access for developing countries, by supporting the advancement of development issues in multilateral trade negotiations, by means of unilateral trade preferences (Generalised Scheme of Preferences, including the Everything but Arms arrangement) and via bilateral and regional trade agreements with developing countries, including Economic Partnership Agreements. The EU and its Member States are also the **leading provider of Aid for Trade globally**. The EU is the world's most open market for Least Developed Countries.

The EU has been scaling up its support for **domestic revenue mobilisation** in developing countries. In 2015 the EU was one of the founders of the **Addis Tax Initiative**, a multi-stakeholder partnership that aims to improve the transparency, fairness, effectiveness and efficiency of tax systems. EU ODA financing for domestic revenue mobilisation in 2015 represented 61 % of development partners' total disbursements under the initiative. The European Commission also adopted the '**Collect More, Spend Better**' approach in 2015, which aims to support developing countries in three critical areas: i) improved domestic revenue mobilisation, ii) more effective and efficient public expenditure and iii) debt management. **Budget support** programmes contribute to **promoting governance, public financial management and domestic resource mobilisation in partner countries**. In 2015-2017, 263 EU budget support contracts were implemented in 88 countries creating a portfolio of EUR 12.7 billion and disbursements amounting to EUR 5.5 billion. The EU and its Member States also support initiatives on exchanging of information for tax purposes, and on anti-corruption and illicit flows.

## 1. INTRODUCTION

### 1.1 The Addis Ababa Action Agenda: the means of implementation of the 2030 Agenda for Sustainable Development

In September 2015, a special Summit of the United Nations (UN) approved the 2030 Agenda for Sustainable Development<sup>1</sup>, including its 17 Sustainable Development Goals (SDGs) and 169 targets. The 2030 Agenda is a renewed global commitment to eradicate poverty and achieve sustainable development by 2030 worldwide, ensuring that no one is left behind. These goals build upon the Millennium Development Goals (MDGs) and upon the international efforts to promote sustainable development, through the UN Conference on Sustainable Development (Rio+20). The SDGs differ from the MDGs in several ways. First, the new agenda is a universal one, applying to all countries. Second, the SDGs address a broader and more holistic range of issues than the MDGs, incorporating inequality, climate change, sustainable cities, renewable energy, peaceful and inclusive societies, and sustainable consumption and production, among others. Third, the SDGs emphasise the need for broad partnerships that include all actors and make use of the full range of means of implementation, both financial and not financial.

The Addis Ababa Action Agenda<sup>2</sup>, adopted in July 2015, is an integral part of the 2030 Agenda. It provides a global framework for Financing for Development by aligning policies and financial flows with economic, social and environmental priorities. The Addis Agenda builds on the outcomes of the previous conferences on Financing for Development held in Monterrey (2002) and Doha (2008). With respect to the previous international agreements, the Addis Agenda sets a new paradigm for achieving the SDGs through effective use of financial and non-financial means, and places domestic action and sound policies at the forefront. It places particular emphasis on the role of domestic resources as the key to achieving sustainable development, even in Least Developed Countries (LDCs). The agenda also calls on the private sector to contribute to sustainable development within an enhanced regulatory and financial framework.

The Addis Agenda highlights the need to unlock the full potential of all financial flows – private and public, domestic and international – and also emphasises the critical importance of good policies and non-financial means of implementation. It underlines the need to draw upon all sources of funding, technology and innovation; promote trade and debt sustainability; make best use of data; and address systemic issues. It creates a strong foundation to support the implementation of the 2030 Agenda for Sustainable Development.

The Addis Agenda serves as a guide for action by governments, international organisations, businesses and civil society. The Addis and the 2030 Agendas, along with other international agreements such as the Paris Climate Agreement (2015) and the Sendai Framework for Disaster Risk Reduction (2015), support a revitalised and strengthened global partnership for sustainable development to end extreme poverty and deliver sustainable development for all.

In 2017, the European Union (EU) adopted a new policy framework, the new European Consensus on Development<sup>3</sup>, which builds upon the 2030 and Addis Agenda. It provides the framework for a common approach to development policy to be applied by the EU institutions and EU Member States in their cooperation with all developing countries. The new Consensus is

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<sup>1</sup> United Nations (2015), *Transforming our world: the 2030 Agenda for Sustainable Development*, A/RES/70/1.

<sup>2</sup> United Nations (2015), *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, A/RES/69/313.

<sup>3</sup> Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission (2017), *New European Consensus on Development - 'Our world, our dignity, our future'*, OJ, C 210, 30.6.2017, p. 1.

framed around the '5 Ps' of the 2030 Agenda: People, Planet, Prosperity, Peace and Partnership. It recognises that, to reflect the framework set out in the Addis and the 2030 Agendas, the EU and its Member States must adapt their approach to mobilise and make effective use of all means of implementation, including through innovative financing mechanisms. This requires a renewed focus on creating an enabling and conducive policy environment at all levels. This includes mobilising domestic and international public funding, stimulating the domestic and international private sector, strengthening the capacity of partner countries to deliver change, stimulating trade and investment, encouraging science, technology and innovation and addressing the challenges from and harnessing the positive effects of migration.

## **1.2 Rationale and methodology of the report**

The framework set out in the Addis Agenda is somewhat complex with respect to reporting the progress of individual countries towards commitments, targets and goals.

Through the lens of the new European Consensus on Development, this report examines progress by the EU and its Member States in meeting their Addis commitments in relation to their partnerships with developing countries.

The report is not meant to measure overall progress in achieving the SDGs<sup>4</sup>. It is complementary to a number of other reporting exercises carried out by the Commission, which will increasingly be aligned with the Consensus and the SDGs. The Statistical Office of the European Union, Eurostat, regularly publishes monitoring reports on progress towards sustainable development covering both EU internal and external actions. In addition, in 2019, the EU and its Member States will produce a joint synthesis report on the new Consensus based on a range of inputs and reports. This will include the impact of their action supporting the 2030 Agenda in developing countries. The joint synthesis report will contribute to EU reporting to the United Nations High Level Political Forum (HLPF).

The structure and content of this monitoring report broadly follow the Addis Agenda. The Report does not however cover all aspects of the Addis Agenda. The report fine-tunes the action areas into separate sub-areas, within which commitments are grouped.

Succeeding chapters review progress on the Addis Agenda action areas in terms of policies and action by the EU and its Member States, providing ratings for Europe's effort and progress made on each action area.

Each area and sub-area includes a box with SDG targets. While the SDGs are not directly discussed in the report, these boxes are a reminder of the goal or goals to which each area of the Addis Agenda contributes.

Like the 2030 Agenda, the Addis Agenda emphasises the need for individual countries to take domestic actions, while also offering a framework for cooperation policies of developed countries with developing partners.

Monitoring progress towards ambitious objectives such as those included in the Addis Agenda can be a challenging task.

Most of the commitments agreed in Addis Ababa have no quantifiable targets. Progress may relate to financial aspects, policy decisions, changes in the regulatory framework, or other projects and

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<sup>4</sup> Boxes referring to the most relevant SDG indicators and targets related to the commitments we are monitoring are included in the different chapters for illustration purposes.

initiatives which can be either quantitative or qualitative. Quantitative targets suffer frequently from a lack of data (for example, private sector climate finance is not properly measured yet). Qualitative targets at any level (input, output or outcome) also introduce an element of subjectivity that complicates both measurement and attribution.

The first step of the analysis consisted in identifying and selecting commitments in the Addis Agenda most relevant to the EU in relation to its partnerships with developing countries as well commitments in the new European Consensus on Development.






The commitments identified are grouped into seven different areas (the same set of areas in the Addis Agenda) and 16 sub-areas.

The commitments are mostly related to inputs which are the centrepiece of the Addis Agenda. However, commitments related to outputs and outcomes were also considered when appropriate.

For each commitment, the report considers the following when analysing data and information sources.

- 1) How strong is the **effort** made by the EU and its Member States to attain the commitments set by the 2030 Agenda and further developed in the new European Consensus on Development?

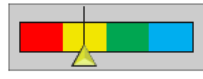




The first question measures the current level of and trends in investment (in resources, policies, etc.) by the EU and its Member States. Some of these actions will bear fruit only in later stages, but they offer an indication of current European effort. Four colours have been used to measure this effort:

		Hardly any or no effort (input)
		Minimal effort
		Consistent effort showing a high level of engagement
		Very strong commitment and effort

The assessment takes several elements into account, such as the intensity of policy changes and outreach activities and the magnitude of financial resources provided at a given time. When meaningful, the analysis reviews ODA spending volumes and trends as an additional input indicator to measure efforts made to meet non-quantifiable commitments.

- 2) What **progress** has already been made? Is the current trend sufficient to meet the commitments in the given timeframe?

Wherever relevant, the second measurement refers to progress by the EU and its Member States. Has the EU already met the targets or are they attainable in the relevant timeframe? Four colours have been used to measure progress:

		Little or no progress, commitments are likely not to be met
		Insufficient progress, but commitments may still be met if efforts are intensified
		Commitments are likely to be met in the required timeframe if efforts are sustained
		Commitments have been met or are close to being met

Assessments of progress vary depending on the type of commitments. While inputs can be measured and attributed, outputs and outcomes, even when measurable, are often difficult to attribute to a single set of actions or factors. Two examples may help to illustrate the differences.

- It is straightforward to determine whether the commitment to lower the cost of remittances to less than 3 % has been met or not.
- However, it is less clear-cut to measure progress on the commitment to support policies to improving the legal environment for businesses in developing countries. Any future improvement will be the outcome of several actions, including those of partner countries and other developing partners.

In cases where commitments relate to an outcome at global level that depends on action by a number of different stakeholders, first and foremost by beneficiary countries, and where a number of external factors might also have an influence, it is not possible to provide an assessment of progress from the EU side and the report only provides an assessment of the European effort.

As to sources, a survey of EU Member States, services from the European Commission and the European External Action Service was the main basis for information about non-financial activities. This was complemented by interviews and other sources of data (such as national policy documents, statements, press articles etc.). For financial resources, the analysis mostly focused on the statistics on finance for development provided by the Organisation for Economic Co-operation and Development (OECD).

For the selection of examples, we gained inspiration from the Inter-Agency Task Force Report on Financing for Development and selected examples which were significant quantitatively and/or were demonstrating elements of innovation for the implementation of the Addis Agenda. Lists of examples are not exclusive.

## 2. DOMESTIC PUBLIC RESOURCES (ACTION AREA A)

### 2.1 Tax policy and administration, public finance management and governance

#### 2.1.1 Objectives

The Addis Agenda and the 2030 Agenda identify domestic resource collection as a key area to achieve the SDGs and thus are an important area for donor support.

#### Most relevant SDG goals and targets

17.1: Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

17.1.1 Total government revenue as a proportion of GDP, by source

17.1.2 Proportion of domestic budget funded by domestic taxes

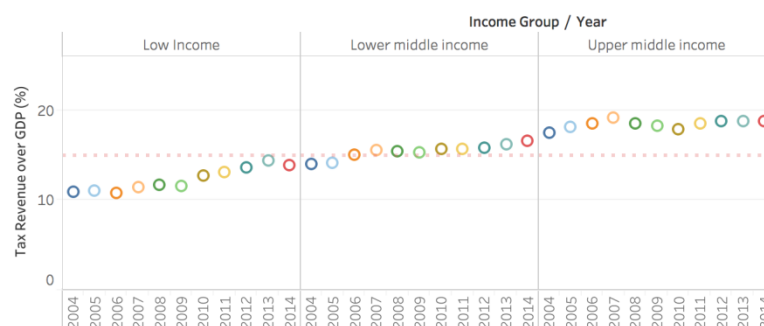
17 PARTNERSHIPS FOR THE GOALS



Effective domestic revenue mobilisation (DRM) is key to all governments' efforts to achieve inclusive growth, poverty eradication and sustainable development. It increases the predictability and stability of financing for development and reduces aid dependency.

Figure 1 shows that low-income countries have experienced a moderate increase in DRM in recent years, but their level of tax revenue as a percentage of gross domestic product (GDP) is still low. Most middle-income countries have recovered the tax levels they had before the 2008 crisis, but their tax growth trends are uneven. More and more evidence seems to indicate that below a 15 % of GDP minimum level of tax revenues, states are not able to guarantee delivery of basic public services.<sup>5</sup>

**Figure 1: Median tax revenues as percentage of GDP by income group**



Source: IMF Revenue Longitudinal Dataset (WoRLD), November 2016. Country classification according to World Bank country income groups, 2018. Revenue Statistics in Africa, OECD April 2016, co-financed by the European Union

Capacity-building to improve tax policy and tax administration in developing countries can be accelerated through official development assistance. Development partners adhering to the Addis Tax Initiative committed to double their support for technical cooperation in the area of DRM by 2020, in terms of both disbursements and commitments. Official Development Assistance (ODA) for domestic revenue mobilisation in 2015 is considered the baseline.

<sup>5</sup> United Nations (2017), *Financing for Development: Progress and Prospects – Report of the Inter-Agency Task Force on Financing for Development*, p.30

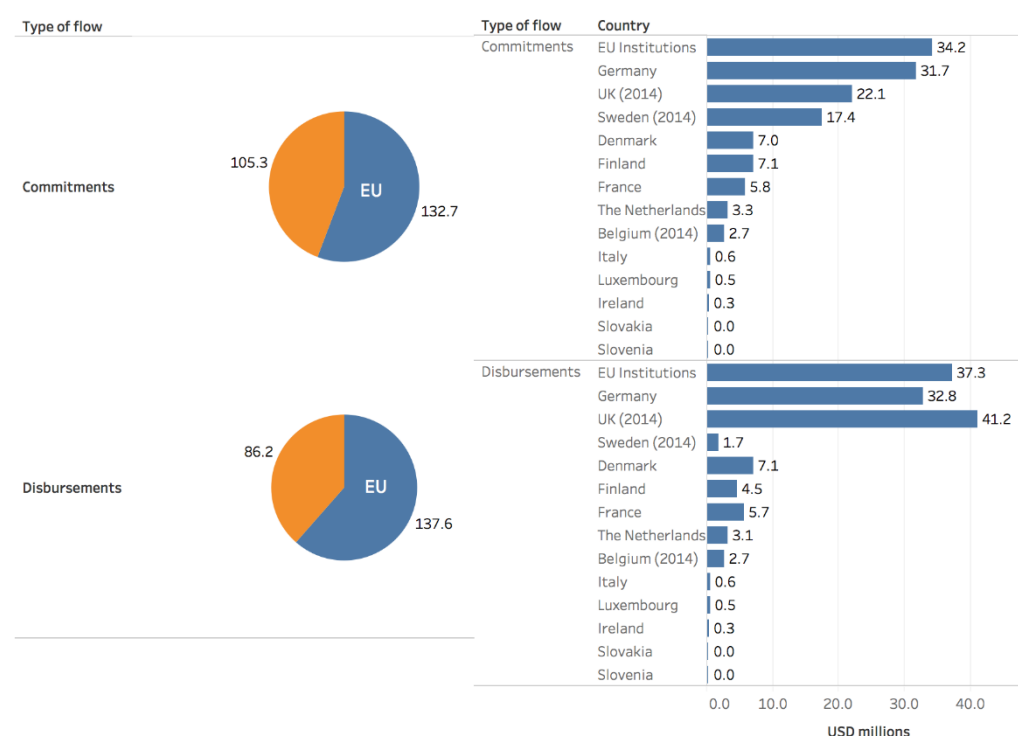
Coupled with sound public expenditure management, DRM delivers more public goods and services where they are most needed, strengthening the social contract between each government and its citizens. The new European Consensus on Development also commits the European Union to promote progressive taxation and redistributive public policies.

The EU and its Member States are also helping countries to improve their public financial management and budget transparency, to set public policies which are financially sustainable, and improve good governance at all levels.

### 2.1.2 Implementation

In 2015, **the EU was among the founders of the Addis Tax Initiative**, a multi-stakeholder partnership of development partners and partner countries that aims to improve the transparency, fairness, effectiveness and efficiency of tax systems. Besides the EU institutions, the following EU Member States are signatories to the initiative: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Slovakia, Slovenia, Sweden and the UK.

As shown in Figure 2, EU support for DRM in the form of ODA was already significant in 2015, the baseline year, compared to that of other non-EU development partners of the Addis Tax Initiative (ATI), both in terms of commitments and disbursements. **In 2015, the EU's official development assistance for DRM represented 61 % of ATI development partners' total disbursements and 56 % of their commitments.** Germany, the UK as well as the EU Commission are among the top five contributors, which also include the US and Norway.



**Figure 2: Reported ATI support to domestic revenue mobilisation from EU (compared to non-EU ATI Development Partners)** Source: Addis Tax initiative Monitoring Report 2015. Australia, Canada, Korea, Norway, Switzerland and the United States of America are non EU-signatories of the ATI.

ATI data are not available yet for 2016 for DRM. However, the EU has increased by 76 % its resources earmarked for domestic resource mobilisation in two years, from EUR 112.7 million in 2015 to EUR 197.9 million in 2016 in constant values according to the database of the OECD Development Assistance Committee (DAC). Most of the increased commitments have targeted developing countries in the Asia region.

The EU has for example provided technical assistance to Nepal as part of a locally-managed multi-donor trust fund. In the past 3 years, these trust funds have helped raise DRM above the 15 % threshold of tax revenues as a share of GDP. Significant results have also been recorded for example in the area of mobilisation of domestic revenues through improved tax policies in Burkina Faso.

The EU has supported the increased use of **Development Finance Assessments**, a tool developed by the United Nations Development Programme to support the effective management of financing flows. Development Finance Assessments help countries link development planning and development financing systems, allowing for smarter prioritisation and more efficient use of resources. The EU has financed the launch some preparatory activities for Development Finance assessments in Cameroon, Comoros, Malawi, Nepal, Timor-Leste and Solomon Islands. The European Union has also been supporting the adoption of **Medium-Term Revenue Strategies** by partner countries. DRM is increasingly included in the EU's cooperation on public financial management (PFM).

Several Member States have a dedicated strategic approach to supporting DRM. France, Italy, the Slovak Republic and the UK, apply a 'whole-of-government' approach which involves stronger collaboration between the foreign and finance ministries as well as the development agency in the planning and implementation of DRM actions.

The Czech Republic, Denmark and Germany have specific DRM priorities and programmes in their development strategies.

#### **Box 1 - Examples of support to domestic revenue mobilisation**

- **Finland** has provided technical assistance to the Namibian Large Tax Payers' Office, including capacity-building on client management, risk analysis and auditing practices applied to large businesses.
- **The Netherlands'** International Bureau of Fiscal Documentation has organised several workshops and seminars on taxation, such as a specialised training course on offshore entities offered in African countries in 2016.

The EU and its Member States also support several international DRM initiatives:

- **Trust Funds of the International Monetary Fund (IMF), such as the Revenue Mobilisation Trust Fund,**<sup>6</sup> which provides technical assistance to partner countries. The Trust Fund uses nine modules designed to address critical areas in building sustainable revenue systems. In total, 21 partner countries are being assisted. Solid tax-revenue

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<sup>6</sup> The European Union, Belgium, Germany, Luxembourg and the Netherlands.

growth (>0.3 % of GDP per annum) has been achieved in Côte d'Ivoire, Georgia, Mali, Nepal, and Senegal for instance.

- the **IMF's Tax Administration Diagnostic Assessment Tool (TADAT<sup>7</sup>)**, which provides an objective assessment of the key components of a country's tax administration system. Assessments have been conducted in 43 developing countries.

The EU and its Member States also support regional DRM initiatives:

- the **African Tax Administration Forum (ATAF)**, supported by the EU, Austria, Germany, Finland, the Netherlands, and the UK
- the **Centro Inter-Americano de Administraciones Tributarias (CIAT)**, supported by the EU, Germany, Spain, and the Netherlands.

**In 2015, the EU adopted the 'collect more, spend better' approach<sup>8</sup>.** Under this approach, the EU's support for DRM and related capacity development actions are part of a broad intervention in the area of domestic public finance that covers both revenue and expenditure:

### **Box 2 - The EU's 'collect more, spend better' approach**

The approach prioritises the following action in the area of tax:

- promoting the principles of good tax governance at the national and international levels
  - developing and implementing international standards and action plans to avoid base erosion and profit shifting
  - tackling illicit financial flows
  - improving international exchange of information between tax authorities
- improving coordination and cooperation among key players at the international and regional levels
- strengthening legislative and regulatory frameworks governing transfer pricing
- strengthening capacity-building in tax policy and tax administration
- improving revenue statistics
- supporting the development and implementation of fiscal assessment tools
- improving transparency and accountability in the extractive industry sector
- improving transparency, accountability and oversight in domestic public finance
- promoting efficiency in public investment and public procurement
- Strengthening sustainable debt management

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<sup>7</sup> The European Union, Belgium, Germany, the Netherlands and the UK.

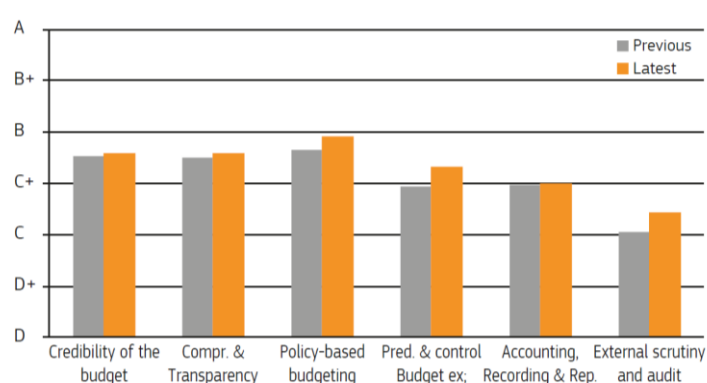
<sup>8</sup> COLLECT MORE - SPEND BETTER ACHIEVING DEVELOPMENT IN AN INCLUSIVE AND SUSTAINABLE WAY, *Staff Working Document*, October 2015 <https://ec.europa.eu/europeaid/sites/devco/files/swd-collect-more-spend-better.pdf>

The EU, France and the UK are partners of the Public Expenditure and Financial Accountability (PEFA) **programme**, which has provided a tool for assessing the status of public financial management in partner countries, with a total of 573 assessments carried out worldwide so far.

**EU budget support programmes are key to promoting governance and public financial management in partner countries.** Some 263 EU budget support contracts have been implemented in 88 countries, covering a portfolio of EUR 12.7 billion and disbursements amounting to EUR 5.5 billion during 2015-2017. The assessment of whether countries are eligible for budget support programmes includes general and specific conditions on public policies, macroeconomic stability, PFM, and budget transparency. In 2017, the European Commission revised its guidelines, strengthening the DRM dimension for both macroeconomic and PFM eligibility. DRM is part of the eligibility assessment and policy dialogue between EU and partner countries under budget support contracts.<sup>9</sup>

EU support -including through budget support contracts- has helped improve public finance management in partner countries. Between 2014 and 2016, overall PFM has improved in 27 countries benefitting from EU programmes<sup>10</sup>. As shown in Figure 3, PEFA results continue to suggest progress across the different PFM dimensions, albeit at a slow pace. Overall, progress can be noted in all six dimensions and encouragingly, it is more significant in areas which had the lowest PEFA scores, notably predictability and control in budget execution and external scrutiny and audit<sup>11</sup>.

**Figure 3: EU budget support countries with repeat PEFA (69)**



**Source:** EU Budget Support – Trends and Results 2017.

The EU and its Member States also strive to improve fight against corruption. The EU introduced a new multi-sector approach to fight corruption. The idea is to further strengthen connexions across a wide array of sectors – justice, public administration reform, security sector reform, improvement of the business environment and customs reform – and actors exercising some form of oversight and control function – civil society, media, whistle-blowers, Supreme Audit Institutions, and Parliaments.

<sup>9</sup> Refer to section 5.5 of the Guidelines, available at [https://ec.europa.eu/europeaid/budget-support-guidelines\\_en](https://ec.europa.eu/europeaid/budget-support-guidelines_en).

<sup>10</sup> 2017 Annual report on the implementation of the European Union's instruments for financing external actions in 2016, staff working document, [https://ec.europa.eu/europeaid/2017-annual-report-implementation-european-unions-instruments-financing-external-actions-2016\\_en](https://ec.europa.eu/europeaid/2017-annual-report-implementation-european-unions-instruments-financing-external-actions-2016_en)

<sup>11</sup> Budget Support, Trends and Results, European Commission 2017.

Domestic revenue mobilisation, fiscal transparency and sound public financial management are closely interlinked and supported by a number of actions on national (including budget support), regional and global levels.

Support is also provided to **IMF Regional Technical Assistance Centres (RTACs)** who provide technical assistance and cooperation in core macroeconomic and financial management areas, including DRM. The EU, Germany, Luxembourg, the Netherlands, and the UK are among the contributors to IMF RTACs.



The EU and its Member States support initiatives that contribute to improving governance. Among these are the **United Nations Convention against Corruption, the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions, the Stolen Assets Recovery initiative (STAR) and the Extractive Industry Transparency Initiative (EITI).**


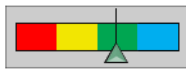
STAR, an initiative promoting institutional and legal reforms for increased transparency, is financed by the World Bank Group and the United Nations Office on Drugs and Crime (UNODC). Contributors include France, Luxembourg and Sweden. STAR has provided assistance to 43 countries in the last ten years. The EITI promotes accountability in the management of natural resources (oil, gas and mineral resources). In 2017, the European Commission as well as Belgium, Denmark, Finland, France, Germany, the Netherlands, Sweden and the UK have provided financial support to the EITI.

### Box 3 - Examples of support to governance and PFM from the Member States

- Between 2015 and 2017, **Sweden** supported over 70 measures to improve public sector transparency, including joint EU-Sweden support for the Partnership for Accountability and Transparency in Cambodia.
- **Portugal** has provided technical assistance on PFM to Timor-Leste, São Tomé and Príncipe, Mozambique, Guinea-Bissau, Cape Verde and Angola.
- **Latvia** in collaboration with Sweden has provided assistance to build the capacity of the supreme audit institutions of Georgia, Moldova and Ukraine to establish a transparent and effective control system for public funds.
- **Luxembourg** supported training of the State Inspection Authority, the Office of the Supreme People's Prosecutor and the Anti-Money Laundering Intelligence Office in Laos.

### 2.1.3. Conclusion on tax policy and administration, public finance management and governance

Commitment	Effort	Progress
Addis Tax initiative development partners committed to doubling their support for technical cooperation in the area of DRM by 2020, in terms of both disbursements and commitments. Official development assistance financing for DRM in 2015 is considered the	 <p>The EU and its Member States are leading the donor community in their support for DRM. EU official development assistance for DRM in 2015 represented 61 % of the total disbursements of Addis Tax initiative development partners and 56 % of their commitments. Germany and the UK, as</p>	 <p>The EU and its Member States have launched several initiatives at international, regional and country levels to support partner countries in their drive towards DRM. The target of doubling official development assistance financing for DRM by 2020 is credible but needs sustained commitment to be reached.</p>

baseline.	well as the EU as a whole, are among the top five contributors. There have been substantive efforts between 2015 and 2016, but it has been uneven across regions.	
Helping countries to improve their public financial management and budget transparency, to set public policies which are financially sustainable, and improve good governance at all levels.	 <p>The EU and its Member states have made significant efforts on governance and public finance management thanks to its budget support programmes and the implementation of global governance initiatives. The EU has large and effective budget support programmes in partner countries to promote governance and public financial management.</p>	 <p>Between 2014 and 2016, overall PFM has improved in 27 countries benefitting from EU programmes. PEFA results continue to suggest progress across the different PFM dimensions.</p>

## 2.2 International cooperation against illicit financial flows

### 2.2.1 Objectives

The Addis Agenda declaration points to the need to scale up international tax cooperation. The aim is to increase information exchanges and close loopholes in the legal framework so as to limit illicit flows, tax evasion and tax avoidance. In addition, capacity-building in tax governance must be strengthened in partner countries.

#### Most relevant SDG goals and targets

16.4: By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime



Illicit financial flows from developing countries remain persistently high with estimates ranging from USD 0.6 trillion to 1 trillion in 2014, according to a 2017 study by Global Financial Integrity<sup>12</sup>. The same report found that Sub-Saharan Africa lost between USD 36 billion and 69 billion in 2014 due to illicit flows. This is greater than the amount of official development assistance going to the region in the same year (USD 40 billion).

**Figure 4: Corporate tax-avoidance estimate, 2014-2015**

Estimate provider	Date of estimates	Volume	Underlying data
G20/OECD BEPS Action 11 report	2015	USD 100-240 billion annual revenue loss	Corporate financial information databases
United Nations Conference on Trade and Development	2015	USD 100 billion annual revenue loss	Locational data on FDI flows and multi-national enterprise profitability reporting
IMF Staff	2014	USD 123 billion in short-term revenue loss	Macro-level differences in statutory corporate income and effective tax rates

<sup>12</sup> Global Financial Integrity – GFI (2017), *Illicit Financial Flows to and from Developing Countries: 2005-2014*, Washington DC

Source: Inter-agency Task Force on Financing for Development, 2017, p.37.

### 2.2.2 Implementation

The European Union intends to lead by example in strengthening tax governance in its internal market. The **Anti-Tax Avoidance Package and the related directive presented by the Commission in January 2016 offer direction to Member States** on how to coordinate actions to prevent tax avoidance and ensure that companies pay tax wherever they make profits in the EU. As of 2017, Member States apply the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters, or Common Reporting Standard, a detailed international format for the exchange of information on bank accounts of non-residents. The EU has also amended its legislation to require listed and large non-listed EU companies with activities in the extractive and forestry sectors to disclose payments to governments on a country and project basis.

**The European Union, Germany and the Netherlands have provided support to the UN Tax Committee<sup>13</sup>** in recognition of the need to strengthen the capacity of UN subcommittees on taxation. The EU has co-financed the participation of partner countries representatives in subcommittee meetings on specific tax topics. Spain has been active in providing support to partner countries in Latin America to implement exchanges of tax information among tax authorities and to address cross-border tax evasion and harmful tax competition.

**The EU and its Member States have provided support to the OECD's BEPS (Base Erosion and Profit Shifting) initiative**, which counts 114 members as of January 2018. The BEPS-project was agreed in June 2015 and provides 15 actions to tackle the erosion of tax bases and profit shifting for tax avoidance. All 28 EU Member States are politically committed to the BEPS project and have endorsed its outputs.

Under one of the BEPS measures, large multinational companies are required to file certain information about the entire corporate group to the tax authorities of the country in which they are a resident (country-by-country reporting). These reports are shared with the tax authorities of the jurisdictions in which the group operates and may be liable for tax.

The European Commission has also proposed a **Directive that requires multinational firms to publicly disclose country-by-country information** (public country-by-country reporting)<sup>14</sup>. The proposal follows the adoption of the 2016 Directive which provides for country-by-country reporting to tax administrations.

The EU also supports the **Global Forum on Transparency and Exchange of Information for Tax Purposes**, which promotes standards for exchanging information in tax matters and provides technical assistance to developing countries in implementing those standards. In 2017, most of the 28 EU Member States exchanged information for the first time under the OECD standard on automatic exchange of financial account information in tax matters.


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<sup>13</sup> The Committee of Experts on International Cooperation in Tax Matters, the 'UN Tax Committee' for short, reviews and updates the UN Model Double Taxation Convention. It promotes international tax cooperation and assesses how emerging issues could affect such cooperation. Recent work has focused on application of tax treaties, legislation on transfer pricing and taxation of extractive industries. The Committee is also responsible for guiding partner countries on tax matters, providing recommendations on capacity-building and offering technical assistance.

<sup>14</sup> European Commission (2016), *Proposal for a Directive of the European Parliament and of the Council mending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches*, COM/2016/0198 final.

On **combatting tax evasion, tax avoidance and illicit financial flows**, the **Council of the EU** published a list of non-cooperative tax jurisdictions in December 2017, following screening and dialogue with a large number of third countries. Those that appear on the list failed to commit to address identified deficiencies and did not engage in a meaningful dialogue based on criteria of tax transparency, fair taxation and measures to fight base erosion and profit shifting.<sup>15</sup> The list is regularly reviewed and updated so as to continue the fight against tax evasion and avoidance. The **process of drawing up an EU list of non-cooperative tax jurisdictions has prompted several developing countries to join international fora such as the Global Forum on Transparency and Exchange of Information for Tax Purposes or BEPS**. In these fora, developing countries participate on an equal footing and have the opportunity to contribute to decision-making in the areas in question.

### 2.2.3 Conclusion on international cooperation against illicit financial flows

Commitment	Effort
Scaling up international cooperation against illicit financial flows. Increasing the exchange of information and closing loopholes and mismatches in the legal framework so as to limit tax evasion and tax avoidance.	 <p>The EU and its Member States have provided support to key international fora.</p> <p>The EU published a list of tax jurisdictions that were not cooperating in combatting illicit financial flows.</p> <p>The EU and its Member States also support developing countries through capacity-building activities.</p>

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<sup>15</sup> The list is available at [https://ec.europa.eu/taxation\\_customs/tax-common-eu-list\\_en](https://ec.europa.eu/taxation_customs/tax-common-eu-list_en).

### 3. DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE (ACTION AREA B)

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda have identified private business and finance as key areas for donor support. This priority is reflected in the new European Consensus for Development.

The main objectives of action are to: i) support private-sector development as well as policies to improve the regulatory environment for the private sector in partner countries, ii) improve access to finance for micro, small and medium-sized enterprises (MSMEs) and the poor, iii) reduce the average cost of remittance transactions to less than 3 % by 2030 (with no remittance corridor (i.e. outflow of funds from one country to another) having costs higher than 5 %), while encouraging efforts to channel remittances into productive investments; and iv) support responsible business practices and responsible management of supply chains.

#### 3.1 Private-sector development

##### 3.1.1 Objectives

The main objective is to support the private sector in partner countries, including by supporting policies intended to **improve the regulatory environment** for the private sector and by **providing MSMEs and the poor with improved access to finance**.

The Commission had already recognised a **stronger role for the private sector in development** in its Communication of May 2014<sup>16</sup>. That recognition was confirmed in two sets of EU Council conclusions and in a European Parliament resolution adopted in 2016.

##### Most relevant SDG goals and targets

9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships



The new European Consensus on Development **further stresses the importance of private-sector investment** to sustainable development, in particular to inclusive and sustainable growth and job creation. Private sector also plays a critical role in the global transition to circular economy<sup>17</sup>.

##### 3.1.2 Implementation

The EU and its Member States have several programmes that favour **financing for the private sector in partner countries**.

Eight Member States (Austria, Belgium, France Germany, Finland, Luxembourg, the Netherlands, Spain and Sweden) have bilateral programmes that provide **credit, guarantees and technical support to MSMEs in partner countries**. Most are focused on credit and technical assistance in rural areas.

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<sup>16</sup> European Commission (2014), *A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*, European Commission Communication COM(2014)263

<sup>17</sup> European Commission (2015), *Closing the loop - An EU action plan for the Circular Economy*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM/2015/0614 final.

Additionally, ten Member States (Austria, Belgium, the Czech Republic, Germany, Spain, Finland, France, Ireland, the Netherlands and Sweden) have established mechanisms for **knowledge sharing and exchange between their national business communities and those of partner countries.**

#### **Box 4 - Mobilising private investment in developing countries**

The **Austrian Development Cooperation Agency** helps strengthen the technical and vocational qualification and enforcing business clusters and associations. Supporting the enabling environment is primarily done via cooperation with the International Financial Institutions. The Austrian Development Bank facilitates access to finance for initiatives in partner countries.

The **Czech Republic** continues to encourage private-sector involvement in development cooperation through business-to-business programmes and by building synergies between the public, private and non-governmental sectors in partner countries.

**Finland** supports and leverages sustainable development goals through equity and other investments, with an emphasis on poor countries.

As of 2016, the **Italian Cassa Depositi e Prestiti** operates as the Italian development bank with an increased focus on private-sector partnerships and private-sector development in partner countries. The institution leverages a wide array of financial instruments to increase the impact of its development cooperation resources.

The **Netherlands** and **Sweden** back Convergence, an investors' platform designed to support new and early-stage blended financing opportunities through the strategic use of capital from public institutions. The goal is to rapidly unlock and leverage private-sector investments into deals that support development.

Since 2017, **Lithuanian** business associations are members of the National Commission on Development cooperation.

In addition, eight Member States (Austria, Belgium, the Czech Republic, France, Germany, Ireland, the Netherlands and Sweden) have programmes that focus on improving the business environment or offer non-financial incentives to encourage foreign direct investment in partner countries.

In addition, the EU continues to provide support through its **blending operations** ('blending' means a combination of EU grants with loans or equity from public and private financiers). Eight programmes cover all regions of EU external cooperation and mobilise investments in infrastructure and the private sector in developing countries. Since the creation of the first EU facilities in 2007, more than EUR 2.7 billion in EU grants have leveraged almost EUR 23 billion of loans with a total investment volume in partner countries of more than EUR 50 billion. New thematic initiatives – ElectriFI<sup>18</sup> and AgriFI<sup>19</sup> – have been set up to catalyse private resources

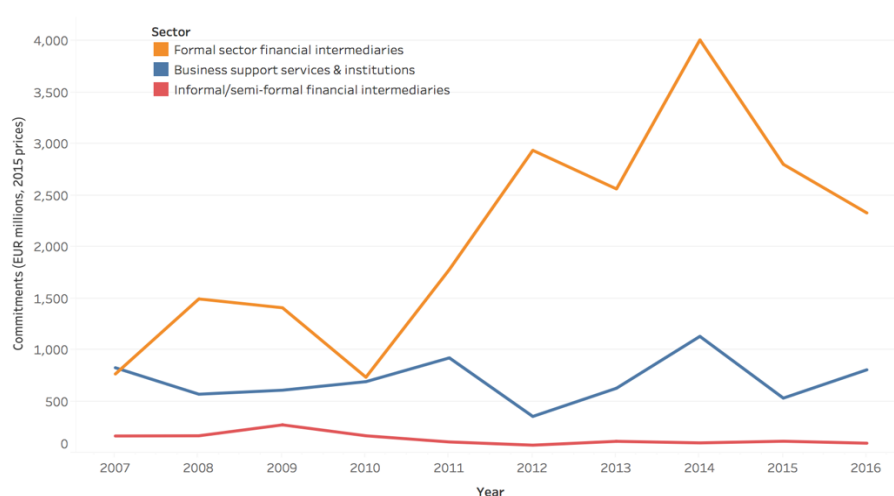
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<sup>18</sup> The Electrification Financing Initiative (ElectriFI) aims at accelerating access to electricity and modern energy services through intervention at the development stage of a project. The first invitation for applications under ElectriFI generated 290 project proposals requesting EUR 800 million of financial support to leverage for a total investment amount of EUR 8.5 billion for installing 3.7 Gigawatts new renewable energy generation capacity in 55 countries (35 in Africa).

through risk sharing between the public and private sectors. ElectriFI and AgriFI have received initial funding of EUR 75 million and EUR 69 million respectively. In its work on blending facilities, the Commission collaborates with European finance institutions (such as the European Investment Bank and the European Bank for Reconstruction and Development), but also with bilateral development finance institutions from Member States.

Figure 5 describes EU collective assistance to the private-sector development. It has three components (support to formal sector financial intermediaries; business support services & institutions and support to informal/semi-formal financial intermediaries). Annual commitments for formal financial intermediaries trended upward during the 2007-2016 period, while assistance for informal and semi-formal intermediaries (i.e. those not subject to regulation by financial authorities) declined slightly in constant prices, possibly reflecting the difficulties of providing and measuring financing in this area.

**Figure 5: The EU and its Member States' assistance for private-sector development**  
(EUR millions, constant 2015 prices)



Source: OECD/DAC Creditor Reporting System

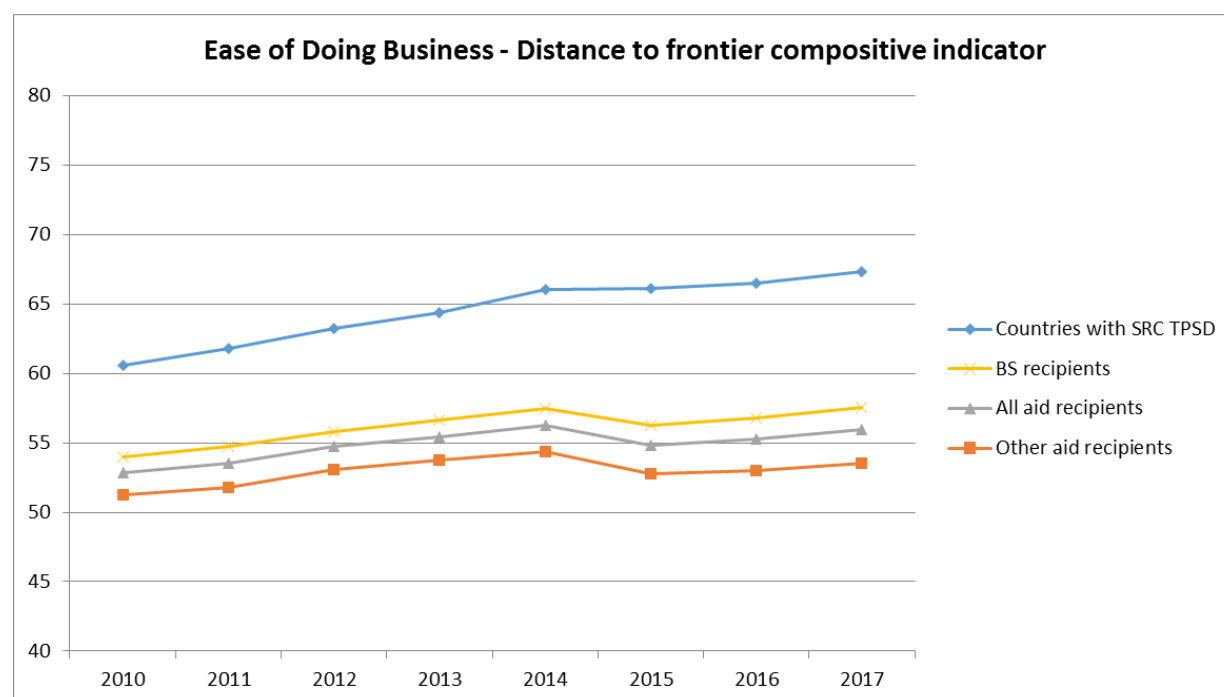
EU budget support operations affect the business climate through their eligibility requirements (pertaining to macroeconomic stability or public finance management) and through the related policy dialogue with the authorities.

The impact of EU budget support in beneficiary countries can be estimated using indicators from the World Bank Group's *Doing Business* index. In particular, the 'distance-to-frontier' score assesses the level of regulatory performance over time. It measures each country's distance from the best performance observed across all economies in the sample. Economies' distance to the best-performance frontier is reported on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. Since 2010, countries that have received (budget support) sector reform contracts related to trade and private-sector development have improved their overall business climate (Figure 6)<sup>20</sup>.

<sup>19</sup> Agriculture Financing Initiative (AgriFI)'s objective is to unlock, accelerate and leverage investments with a value chain approach focusing on smallholder's inclusiveness and/or MSME agri-business.

<sup>20</sup> European Commission (2017), *Budget Support, Trends and Results*..

**Figure 6: Differential progress in business climate of countries receiving sector reform contracts on trade and private-sector development and other groups of aid recipients**



Source: EU Budget Support – Trend and Results 2017, European Commission.

Several programmes have addressed **the needs of MSMEs, including financing needs.**

In South Africa, a new budget support operation was initiated in 2016. This new operation supports small and medium-sized enterprises (SMEs) to access finance, to capitalise on opportunities as suppliers to bigger companies or to the public sector.

There are also other modalities. The EU is for example supporting the Women in Business programme<sup>21</sup>, managed by the European Bank for Reconstruction and Development. The programme facilitates access to finance and know-how so that female entrepreneurs can successfully grow their businesses, thus creating more wealth and more jobs. In parallel, the programme helps local financial institutions recognise the huge potential of the women-run SME market and adapt product offerings to suit their needs. Women in Business **combines dedicated financing for female entrepreneurs, delivered through partner financial institutions, with two types of technical assistance:** one to help partner institutions understand the sector and develop relevant product offerings; the other to advise and mentor female entrepreneurs as they expand their businesses.

The European Union Emergency Trust Fund for stability and addressing root causes of irregular migration has contributed substantially to the implementation of successful MSME-targeted projects in fragile contexts. For example in Mauritania, the PECOBAT programme targeted 40 SMEs and trained their staff on new eco-construction building methods and energy-saving technologies.

<sup>21</sup> Covering Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

EU Member States also have programmes supporting MSMEs:

### Box 5 - Supporting MSMEs

**France and Germany** have broad development cooperation programmes that support **policy reforms and assistance to small and medium-sized enterprises** through financing, technical assistance and investment promotion.

The **Dutch Good Growth Fund provides financing to SMEs and entrepreneurs** in 68 emerging markets and developing countries. As of 2016, it had mobilised three to five times as much private capital as the amount invested and had helped create 12,000 new jobs in low- and middle-income countries.

**Luxembourg** has launched a new **Business Partnership Facility** to encourage European companies to create **sustainable partnerships with SMEs** in developing countries, thereby facilitating the transfer of investment, technology and skills.

Overall, there is evidence that the business environment has improved in partner countries since 2014, reflecting in part programmes initiated before 2014. Data for 2014-2016 show that:

- 29 countries covered by EU programmes improved their business environment; and
- 650 quality certifications were issued for firms supported by EU programmes, enabling those firms to export quality-compliant products<sup>22</sup>.

### A major initiative: the EIP and its European Fund for Sustainable Development

A major initiative has also been adopted in 2017. The European Investment Plan is a **three-pillar initiative** that rounds out the EU's financial instruments of external cooperation in a manner particularly relevant to private sector activities.

The **first pillar** of the EIP is an innovative financial instrument, the European Fund for Sustainable Development (EFSD), that combines an EFSD guarantee of EUR 1.5 billion with blending activities in two regional investment platforms (Africa and European Neighbourhood), with EUR 2.6 billion for blending operations to stimulate private investment. The EFSD Guarantee can cover specific risks in investment projects (such as commercial risks, political and country risks, currency risks, climate change and environmental risks) and thus encourage investors to participate. For example, in renewable energy projects, the EFSD Guarantee can help to alleviate short-term liquidity problems and that way encourage investors to get on board.

The EFSD is expected to leverage EU contributions and contingent liabilities of EUR 4.1 billion into at least EUR 44 billion of extra public and private investment to improve economic and social development in Africa and in the countries neighbouring the EU to the east and south.

Five investment windows have been identified as crucial for creating decent and sustainable jobs in Africa and the European Neighbourhood:

- Sustainable energy and connectivity – to attract investments in renewable energy, energy efficiency and transport.

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<sup>22</sup> European Commission (2017), *Annual report on the implementation of the European Union's instruments for financing external actions in 2016*, Staff Working Document.


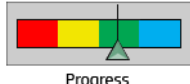
- Financing of micro, small and medium-sized enterprises– to improve the access of MSMEs to finance.
- Sustainable agriculture, rural entrepreneurs and agribusiness – to provide better access to finance for smallholders, cooperatives and MSMEs so as to address food security issues.
- Sustainable cities – to mobilise investments in sustainable urban development of municipal infrastructure, including urban mobility, water, sanitation, waste management and renewable energy services.
- Digital for development – to promote investments in innovative digital solutions for local needs, financial inclusion and decent job creation.

The **second pillar** of the EIP involves stepping up technical assistance and helping beneficiaries develop financially attractive and mature projects that can mobilise more investment, as well as supporting the third pillar.

As raising additional funding without first improving the investment climate and business environment is unlikely to succeed, the **third pillar** of the EIP comprises the following initiatives:

- the Sustainable Business for Africa (SB4A), a platform for structured dialogue with the private sector under the EIP at country, sector and strategic levels. It helps to identify and prioritise necessary investment climate reforms and attract private investment in partner countries.
- the Structural Reform Facility for the Eastern Neighbourhood, which helps the European Commission identify and formulate structural reforms to promote investments in areas agreed with partner countries in countries neighbouring the EU to the east.
- sector and value chain analyses at country level to gather market intelligence and identify investment opportunities in key sectors and value chains that offer high potential.
- policy and political dialogue with partner countries on governance, sector reforms and value chain upgrading.

### 3.1.3 Conclusion on private-sector development

Commitment	Effort	Progress
Facilitate sustainable investment and private-sector development in partner countries		 Progress
Support policies aimed at improving the regulatory environment for the private sector	The EU and its Member States have made efforts to increase their support for private-sector investment.	29 countries benefitting from EU programmes improved their business environment. The EIP brings substantially increased financing resources to mobilise private investment in partner countries.
Provide MSMEs and the poor with improved access to finance	A major initiative has also been adopted in 2017. The European Investment Plan is a three-pillar initiative that rounds out the EU's financial instruments of external cooperation in a manner particularly relevant to private sector activities.	

## 3.2 Remittances

### 3.2.1 Objectives

While remittances support around 700 million people in the world, migrants still carry an important share of the costs of these transactions. Therefore, the objective of the EU and its Member States is to reduce the average cost of remittance transactions to less than 3 % by 2030, with no remittance corridor having costs higher than 5 %. Another key objective is to encourage efforts to channel remittances into productive investments.

#### Most relevant SDG goals and targets

*10.c.1: By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent*



### 3.2.2 Implementation

The EU and its Member States have taken vigorous steps to reduce the cost of remittances and improve their use. Key objectives for public intervention include technical and legal improvements, such as equipping citizens with information about compared costs of remittances from different providers<sup>23</sup>. The European Union has revised the EU Payment Services Directive in 2016 to improve transparency and has committed to improving the development impact of remittances in the Valletta Action Plan<sup>24</sup> adopted in November 2015.

Eight Member States declare having introduced new measures to reduce the cost of remittances and improve their effectiveness. They include Germany (from which 13.6 % of all EU remittances to partner countries originate), the UK (23.2 %), France (15.1 %), the Netherlands (3.9 %), Austria (2.2 %), Croatia (1.3 %), Denmark (1.1 %), and Finland (0.5 %). Together these countries account for over 60 % of total EU remittances to partner countries. Figure 7 illustrates the decline in prices for transfers of remittances.

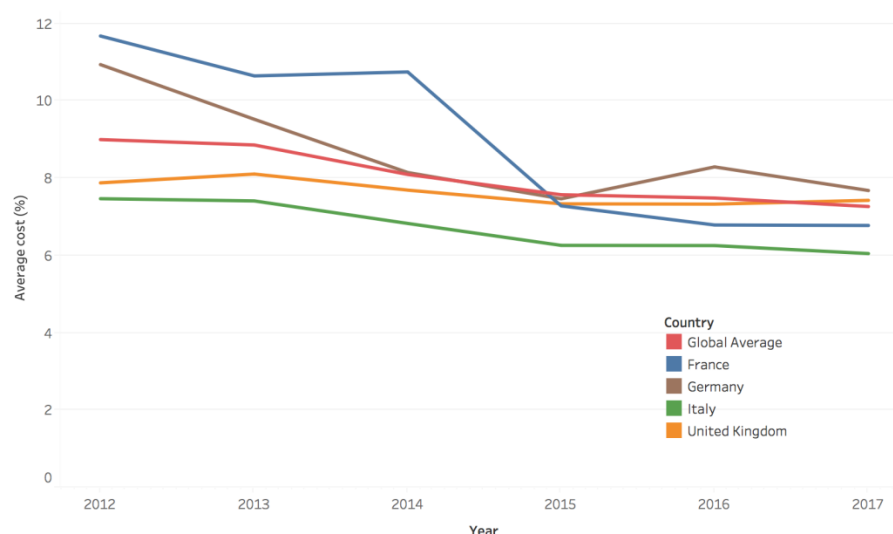
A number of Member States, including France and Germany, have introduced activities on transparency and consumer protection, for example through portals comparing prices of transfers.

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<sup>23</sup> Global Partnership for Financial Inclusion (2017), *G20 2017 National Remittance Plans Overview*.

<sup>24</sup> The European Council (2015), *Valletta summit on migration, 11-12 November 2015 - action plan and political declaration*.

**Figure 7: Trends in remittance costs for select EU Member States, 2012–2017 (percent)**



Source: *World Bank, remittance prices worldwide*, <http://remittanceprices.worldbank.org/en>.

In 2017, Italy and France have average costs of remittances below the global average. Remittance costs for the four EU Member States with the largest volume of remittances point to a downward trend. In those countries, the average cost for the last quarter of 2017 ranged from 6.2 % to 7.3 % of the remittance amount. France is the country that has taken the most significant measures to reduce costs, which had been among the highest in the region in 2012.

**Figure 8: Average costs of remittances in four countries**

Remittances ( %)			
Country	Share of EU total volume (2016)	Average cost (Q4 2017)	Difference from average cost in Q3 2012
France	15.1	6.5	-5.2
Germany	13.6	7.2	-3.7
United Kingdom	23.2	7.3	-0.6
Italy	13.6	6.2	-1.3
Global average		7.1	-1.9

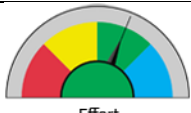
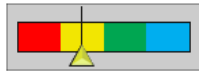
Source: World Bank, Migration and Remittances Data

The review period is too brief to show the impact of changes in transaction costs on the volume of remittances and of recently initiated programmes to increase the impact of remittances.

### Box 6 - Enhancing the productive use of remittances

- The EU adopted in 2017 a EUR 15 million programme to **enhance the use of remittances for development in rural Africa** with the International Fund for Agricultural Development as implementing partner.
- A pilot project financed by **Belgium** seeks to encourage Moroccans residing in Belgium to invest in a number of regions in Morocco. It aims to **provide potential investors (15 investment projects selected according to predetermined eligibility criteria) with up-to-date technical, financial and administrative information and insights into how best to access existing national mechanisms** to facilitate their investment and contribute to the socio-economic development of some of the poorest regions of the country.
- The **German** development cooperation agency plans to **leverage remittances with ODA** funds to support small and micro entrepreneurial projects. The focus is set on African families living in rural and marginalised areas that are difficult to reach with classic instruments of development cooperation.

### 3.2.3 Conclusion on remittances

Commitment	Effort	Progress
Reduce the average cost of remittance transactions to less than 3 % by 2030, with no corridor having costs higher than 5 %, and encourage efforts to channel remittances into productive investments.	 <p>EU Member States have taken strong steps to reduce the cost of remittances and have introduced innovations to improve their use.</p>	 <p>The cost of remittances has declined in the four countries from which 65 % of EU remittances originate. Costs are still significantly above the average target that needs to be attained.</p>

## 3.3 Sustainable business practices

### 3.3.1 Objectives

The objective of the EU and its Member States is to continue to support responsible business practices and responsible management of supply chains.

### 3.3.2 Implementation

The European Commission is cooperating with international organisations, the private sector and civil society to encourage responsible business conduct,

#### Most relevant SDG goals and targets

12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

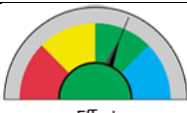


particularly in global value chains that are sensitive to human rights, fair labour practices, environmental concerns and the fight against corruption. The European Commission adopted in October 2015 a new strategy entitled ‘Trade for All: Towards a more responsible trade and investment policy’<sup>25</sup>. The strategy bases EU trade and investment on three key principles-effectiveness, transparency and values. The EU also adopted Council Conclusions on Responsible Value Chains<sup>26</sup> in 2016 and Council conclusions on sustainable garment value chains in 2017<sup>27</sup>. The EU also adopted Council Conclusions on Business & Human Rights in 2016<sup>28</sup> recalling Member States' commitment related to the development and adoption of National Action Plans to implement UN Guiding Principles on Business and Human Rights. The 2017 Aid for Trade Communication explicitly aligns Aid of Trade with responsible social and environmental sustainability principles<sup>29</sup>. The European Commission is currently mapping best practices of co-operation between traditional enterprises and social economy actors in order to better integrate social impact in companies' value chains.

In the 2015-2017 period, the EU and 18 Member States<sup>30</sup> supported a range of measures and programmes to promote the adoption of internationally-agreed principles and standards of corporate social responsibility. Corporate social responsibility action plans include actions to improve the environmental impact of investments, social services (including education, health and community services), fair trade, labour rights and workforce well-being, and the integration of women and youth. In Bulgaria, a consultative Council to the Minister of Labour and Social Policy has been set up in view of the elaboration, implementation, assessment and monitoring of the national policy on Corporate social responsibility.

Currently, over 9 500 companies or NGOs are members of the UN Global Compact, which seeks to align business operations with 10 voluntary principles. Assets under management by signatories increased substantially in the 2006-2016 period. Over 50 % of active companies who have subscribed to the UN Global Compact principles are based in the EU. Many are small and medium-sized enterprises.

### 3.3.3 Conclusion on sustainable business practices

Commitment	Effort
Support for responsible business practices and responsible management of supply chains	 <p>The EU and its Member States have developed initiatives and programmes to promote responsible business practices throughout the business cycle.</p>

<sup>25</sup> European Commission (2017), *Trade for all - Towards a more responsible trade and investment policy*, Commission's Communication.

<sup>26</sup> Council of the European Union (2016), *Council Conclusions on Responsible Value Chains*, 8833/16.

<sup>27</sup> Council of the European Union (2017), *Council Conclusion on Sustainable garment value chains*, 9381/17.

<sup>28</sup> Council of the European Union (2016), *Council Conclusions on Business & Human Rights*, 10254/16.

<sup>29</sup> European Commission (2017), *Achieving Prosperity through Trade and Investment - Updating the 2007 Joint EU Strategy on Aid for Trade*, Commission Communication, COM(2017) 667 final.

<sup>30</sup> Austria, Belgium, Bulgaria, Czech Republic, Germany, Estonia, Spain, Finland, France, Ireland, Lithuania, Luxembourg, Latvia, the Netherlands, Portugal, Romania, Sweden, and the United Kingdom.

## 4. INTERNATIONAL DEVELOPMENT COOPERATION (ACTION AREA C)

### 4.1 Official support and official development assistance

#### 4.1.1 Objectives

Official Development Assistance is still a major source of funding for many partner countries.

The objectives in this area are to:

- achieve collectively the target ratio of 0.7 % ODA/GNI by 2030;
- collectively give to least developed countries ODA amounting to between 0.15 and 0.20 % of the EU's GNI in the short term, and at least 0.20 % by 2030;
- reverse the decline in the proportion of ODA going to the LDCs; and
- get involved in initiatives to better measure the full spectrum of financing for development, such as the proposed measure of total official support for sustainable development.

#### Most relevant SDG goals and targets

17.2: Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries; ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries.

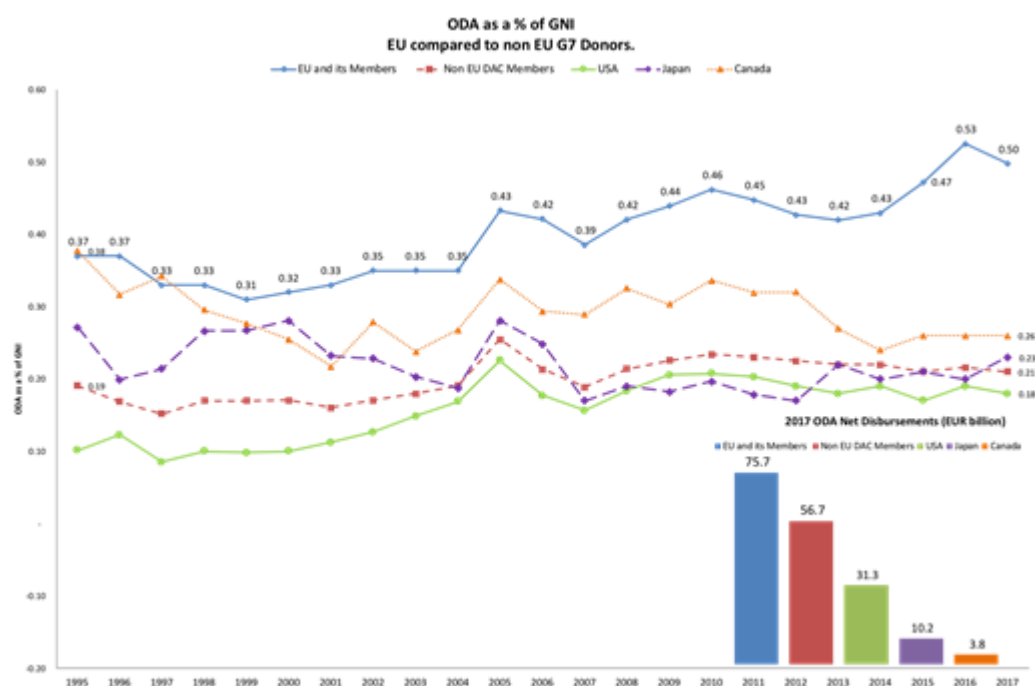


#### 4.1.2 Implementation

##### Achieving collectively the target ratio of 0.7 % ODA/GNI by 2030

The EU and its Member States are by far the largest provider of ODA in both relative and absolute terms. As shown in Figure 9, 20 years ago, the ODA/GNI ratio of the EU and its Member States was twice that of non-EU DAC members like the United States and Japan. Today, the EU collective ODA/GNI ratio is almost 2.5 times greater than the non-EU ratio.

**Figure 9: ODA as a percentage of GNI: EU compared with other G7 donors**



Source: OECD/DAC

The new European Consensus on Development reaffirms the EU's collective commitment to provide 0.7 % of its GNI as ODA within the timeframe of the 2030 Agenda. Four Member States (the UK, Denmark, Luxembourg and Sweden) have enshrined the 0.7 % target in legislation or in their government's multi-year programme. Other Member States have taken steps to meet their individual ODA commitments by 2030, including on the LDCs. For example, in its 2018 finance bill ('Projet de Loi de Finances pour 2018'), France has set itself the important objective of increasing its ODA/GNI ratio from 0.38 % in 2016 to 0.41-0.43 % in 2018 and to 0.55 % in 2022.

Preliminary OECD figures show ODA provided by the EU and its Member States has reached 75.7 billion in 2017. In 2017, EU collective ODA represented 0.50 % of EU Gross National Income (GNI). This is significantly above the 0.31 % average of the donor members of the Development Assistance Committee (DAC).

The 2017 figures however show a slight decrease of aid in real terms compared to the level reached in 2016. This decrease is explained by a small reduction of in-donor refugee costs, which represented 10 billion in 2017 compared to 11 billion in 2016, and by decreases in some bilateral aid programmes and debt relief operations.

In 2017, four EU Member States provided 0.7 % or more of their GNI in Official Development Assistance: Denmark, Luxembourg, Sweden, United Kingdom.

### Achieving the target of ODA to LDCs

As shown in Figure 10, the proportion of EU ODA going to LDCs has remained at 0.11 % of GNI since 2014, well below the short-term target of 0.15 %.

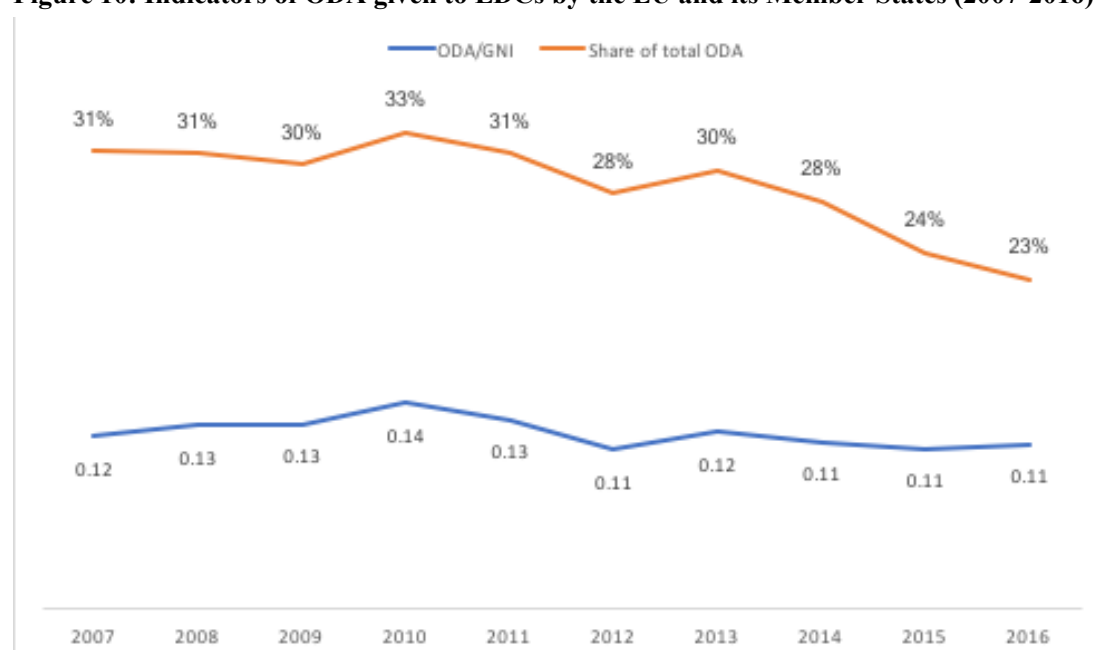
The increase in overall EU ODA has not been matched by a corresponding increase in ODA to LDCs. While the EU and its Member States are providing more ODA to the LDCs than other donors, there is a shift in relative terms away from spending in LDCs. This means that in relative terms, there is a move away from ODA spending on LDCs, causing the proportion of ODA going to LDCs to decline from a peak of 33 % in 2010 to 23 % in 2016, when only 2 of the 10 top recipients of EU ODA were LDCs. Had the share remained in the 30 %-33 % range – the average

for the period up to 2013 – the EU and its Member States would have reached the short-term target of 0.15 % of ODA/GNI's going to the LDCs.

LDCs are the top recipients of EU institutions' ODA in line with the new Consensus. The recent increase of aid to Upper Middle Income Countries is caused mainly by the particular case of Turkey, as a major recipient of pre-accession assistance as well as by the circumstantial fact that, in the context of the Syrian crisis, Turkey is the host of the Facility for Refugees. In addition, some of the biggest recipients of ODA channelled through the EU institutions among Middle Income Countries are countries in a state of fragility or conflict.

Member States remain committed to increasing the proportion of ODA that is directed to LDCs in two ways. First, in their bilateral aid, LDCs make a great share of priority countries (e.g. all for the Czech Republic, Finland and France, 31 out of 48 for the German Federal Ministry for Economic Cooperation and Development, 5 out of 11 for Austria, 10 out of 22 for Italy, and 4 out of 11 for Poland). Secondly, the multilateral aid strategies or approaches of some Member States (e.g. France, Italy) encourage international financial institutions, international agencies, or civil society organisations they fund to give LDCs a greater proportion of financial support.

**Figure 10: Indicators of ODA given to LDCs by the EU and its Member States (2007-2016)**




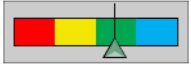

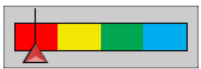
Source: OECD/DAC Table 2A.

### Measuring the full spectrum of financing for development

Measurements of development assistance should be adapted to innovations in financing and increasing demands that donors be transparent and accountable. The modernisation process at the OECD, to which the EU is contributing, has so far succeeded in clarifying reporting rules for funds related to peace and security, but there is more work to do on non-concessional financial tools.

The EU is committed to helping develop the measure of total official support for sustainable development (TOSSD), which aims to gauge the totality of officially supported resources available for sustainable development. An international task force was established in mid-2017 to define the TOSSD statistical framework. It has held three meetings so far, out of the four envisaged for the first phase of its work (July 2017-March 2018). The task force includes statisticians and development experts from recipient and provider countries (including three EU Member States) and international organisations and is co-chaired by the European Commission.

### 4.1.3 Conclusion on Official Development Assistance

Commitments	Effort	Progress
Reaching collectively the target of 0.7 % ODA/GNI by 2030	 <p>The increase in 2015-2016 was equal to 0.10 of ODA/GNI and in 2016 was the second largest of the last 20 years in relative terms.</p>	 <p>The EU has reached 75 % of the ODA target for 2030, but there is still a gap.</p>
<p>Give LDCs between 0.15 and 0.20 % of [collective] ODA/GNI in the short term, and at least 0.20 % by 2030.</p> <p>Reverse the decline of the proportion of ODA going to the LDCs.</p>	 <p>EU Member States are giving more ODA to the LDCs than other donors but the ODA/GNI ratio has stagnated and the proportion declined from 24 % in 2015 to 23 % in 2016.</p>	 <p>Both gaps to target for the short-term and long-term are wide and essentially stable and the proportion of ODA going to LDCs is still declining.</p>

## 4.2 Development effectiveness, joint programming and joint implementation

### 4.2.1 Objectives

The Addis Agenda reiterated commitments to improving the effectiveness of development cooperation including adherence to agreed development cooperation effectiveness principles.<sup>31</sup>

International Development Cooperation needs to be more effective to support partner countries – it needs to be more predictable, forward looking and transparent. Development actors should also decrease transaction costs as well as increase knowledge sharing among themselves and with partners.

As one of the major EU flagship initiatives for development effectiveness, joint programming contributes to these objectives. Joint programming featured prominently in the 2011 Busan Partnership for Effective Development Cooperation and has subsequently been adopted as a Global Partnership Initiative by the Global Partnership for Effective Development Cooperation.<sup>32</sup> It is the joint planning of development cooperation by the Union, the Member States and non-

#### Most relevant SDG goals and targets

*17.15: Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development*

*17.16: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology, and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries*

<sup>31</sup> United Nations (2015), *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, A/RES /69/313., Article 58.

<sup>32</sup> (a) Council of the European Union (2015), *Implementation of the 11th European Development Fund*, Council Regulation (EU) 2015/322 of 2 March 2015. (b) European Parliament and the Council (2014), *Regulation establishing a financing instrument for development cooperation for the period 2014-2020*, Regulation no 233/2014 of the European Parliament and of the Council of 11 March 2014. (c) European Parliament and the Council (2014), *Regulation*

EU partners when assessed as relevant by the EU and Member States at country level<sup>33</sup>. Joint programming encourages ownership by aligning cooperation resources with the development plans of the partner country. It also strengthens the complementarity and efficiency of EU and Member States' development policies in line with Article 210 of the Lisbon Treaty. Joint programming is also part and parcel of the EU response to the commitments in the 2030 and Addis Agendas to improving policy coherence, respecting partner countries' leadership and ensuring 'nationally owned sustainable development strategies, supported by integrated national financing frameworks'<sup>34</sup> as well as building effective partnerships.

#### 4.2.2 Implementation

The EU and its Member States are key drivers of global agreements and commitments, such as those reached in Rome in 2002, in Paris in 2005, in Accra in 2008, in Busan in 2011, in Mexico City in 2014 and in Nairobi in 2016. The EU is a vital supporter of the international agenda on development cooperation effectiveness through its engagement in the Global Partnership for Effective Development Cooperation (GPEDC) and the support it gives to the OECD DAC. The new Consensus reframes its approach to development effectiveness as an integral part of the achievement of the Sustainable Development Goals.

The EU and its Member States have made sustained progress in raising the profile of development effectiveness in their respective policies and strategies. This is complemented with their having also increased their allocations to development cooperation globally.

**Ownership of development priorities by the partner countries** is essential for development effectiveness. In the period 2014-2020, the EU extended its programming period to 7 years, further improving its performance in medium-term **predictability**. It also introduced the national/regional development strategies as the basis for EU programming, and promoted synchronisation with national cycles where possible. This is reflected in a score of 85 % in the 2016 GPEDC Monitoring Report<sup>35</sup>, the highest of all participating organisations and the same as Luxembourg. Overall EU and the Member States have improved their medium term predictability compared with the previous survey.

The **use of country systems** is key to strengthening national institutional capacity. The GPEDC found that Denmark, France, the UK, Sweden, Ireland, Belgium and Italy performed better than the average of 50 % in the use of country systems and the EU increased its performance from 40 % in 2005 to 45 % in 2015. Budget support remains the main aid modality that makes full use of the partner country's public financial management systems. As mentioned above, the EU and its Member States are committing large amounts of aid for improving Public Financial Management and procurement systems in developing countries.

The EU and its Member States<sup>36</sup> have kept a stable and low level of tied aid at around 17-18 % of all bilateral commitments in 2014-2015, well below the average of the rest of DAC members (26-

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*establishing a European Neighbourhood Instrument*, Regulation no 232/2014 of the European Parliament and of the Council of 11 March 2014.

<sup>33</sup> Council of the European Union (2015), *Stepping up Joint Programming*, Council Conclusions 8831/16 of 12 May 2016.

<sup>34</sup> United Nations (2015), *Transforming our world: the 2030 Agenda for Sustainable Development*, A/RES/70/1.Article 63..

<sup>35</sup> Global Partnership for Effective Development Co-operation (2016), *Making Development Co-operation More Effective. 2016 Progress Report*.

<sup>36</sup> OECD/DAC (2017), *2017 Report on the DAC Untying Recommendation*, DCD/DAC(2017)6/FINAL.

29 %) in the same period. In particular, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, and the UK consistently score above 80 % of **untied aid**, with Denmark, Ireland and UK at 100 %.

Also, when looking at the bilateral ODA to LDCs and non-LDC Heavily Indebted Poor Countries as covered by the Untying recommendation, the average score for EU and its Member States in the past two years is well above 92 %, compared to the rest of DAC members (77-81 %).

All Member States participating in the GPEDC 2016 monitoring report and the EU on average align 93.5 % of their interventions to national priorities. The adoption of the **EU International Cooperation and Development Results Framework** in 2015 and publication of the '**First report on selected results**' in 2016 has improved EU performance in this area. The use of results in programming and project documents has also been strengthened in line with the new framework. Regarding the use of partner country-led results frameworks in design, monitoring and evaluation, the EU and its Member States perform comparatively well. Belgium, Denmark, the EU, Finland, France, Germany, Ireland, Italy, the Netherlands are all reported as having drawn more than half of their results indicators from country-led results frameworks. However, the EU averages were lower than the one of all participating organisations in the 2016 GPEDC report.

In 2017 the EU and 11 Member States<sup>37</sup> reported making specific efforts to deliver on the Busan commitment to make **partnerships more inclusive** by encouraging triangular and South-South cooperation. For example the UK reported significantly investing in promoting the effectiveness of Brazil in South-South cooperation. Using a triangular approach, the UK teamed up with Brazil to strengthen the latter's programming in Africa by focusing more on gender, integrated monitoring and evaluation, and value for money as a key performance measure.

The 2016 GPEDC progress report found that the EU and its Member States are among the more transparent donors with most EU Member States ranked 'good' or 'excellent' in reporting on disbursements and forward spending plans to the OECD. However, there were significant gaps in Member States' reporting to the International Aid **Transparency** Initiative (IATI) in 2016 with 5 Member States and the EU ranked very good or good by the 2016 Aid Transparency Index<sup>38</sup>. Five out of six donors that publish data monthly are from the EU (the European Commission, Denmark, the Netherlands, Sweden and the UK)<sup>39</sup>.

The 2016 comprehensive study on the EU and effective development cooperation confirms that the 'EU is a strong advocate of aid transparency' with the EU, Sweden and the UK providing almost half of all voluntary contributions to IATI in 2016.<sup>40</sup> Slovenia and Italy have recently starting publishing to IATI.

At the policy level, the EU has significantly **strengthened its capacity to implement commitments on joint programming**. In May 2016, the Council adopted conclusions on stepping it up<sup>41</sup>. In the same year, the Global Strategy for the EU's Foreign and Security Policy identified joint programming as contributing to a more joined-up Union across external policies

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<sup>37</sup> France, Germany, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Romania, Spain and the UK.

<sup>38</sup><http://www.publishwhatyoufund.org/the-index/comparison-chart/>

<sup>39</sup> Global Partnership for Effective Development Co-operation (2016), *Making Development Co-operation More Effective. 2016 Progress Report*.

<sup>40</sup> European Commission (2016), *Effective Development Cooperation: Has the European Union delivered?*

<sup>41</sup> Council of the European Union (2015), *Stepping up Joint Programming*, Council Conclusions 8831/16 of 12 May 2016.

and between Member States and the EU. The new European Consensus on Development emphasised the crucial role of joint programming as way for the EU and Member States to work better together, including doing so in fragile contexts and conflict situations. It also emphasised the importance of joint analysis and implementation as an effective way of putting development cooperation partnerships into practice.

Joint programming delivers on commitments to achieving the Addis Agenda objectives of improving predictability and forward planning, increasing transparency, reducing transaction costs, and improving knowledge sharing. An independent evaluation of joint programming published in March 2017 concluded that it helps improve alignment, reduce fragmentation and enable mutual accountability<sup>42</sup>. The evaluation recognised the value of joint programming Documents in taking a strategic approach to grouping sectors and breaking boundaries by bringing different actors together. This is particularly relevant in the context of the Addis Agenda, which advocates for greater policy coherence and cross-sector integration of policy actions: *‘Joint programming has delivered uneven contributions to improved aid effectiveness: positive results regarding predictability, but limited ones concerning measures of aid fragmentation, transparency and transaction costs. However, joint programming has boosted EU aid complementarities and synergies, thus contributing to development effectiveness.’*

There is strong evidence of the increasing importance of joint programming in development cooperation. By the end of 2017, the EU and its Member States had 21 finalised joint programming documents, 12 of which had joint results frameworks in place. The EU has replaced its bilateral programming documents with joint programming documents in relation to three partner countries while France and Germany have replaced their bilateral strategies in a total of four partner countries. In five partner countries (Bolivia, Ethiopia, Ghana, Laos, Mali and Senegal), European development cooperation partners have institutionalised joint programming so much that lessons learnt are now being used to improve development cooperation effectiveness in a second generation of joint programming.

The EU and seven Member States (Belgium, Denmark, France, Germany, the Netherlands, Spain and Sweden) have issued specific guidance on joint programming. Among those Member States without stand-alone guidance in place, joint programming is largely supported at the policy and management levels. For example Austria implements joint programming in its priority countries and the Czech Republic has stated its intention to incorporate joint programming into its new programming guidelines.

The EU and Member States are also heavily engaged in joint implementation. The EU and 16 Member States<sup>43</sup> have procedures in place to contribute to a better division of labour, a foundational component of joint programming. The four different Trust Funds and the facility the EU and Member States have set up since 2015 are also good examples of joint implementation. The Bêkou trust fund is the first trust fund managed by the European Commission to have been set up (2014). The European Union, France, Germany, the Netherlands, Italy along with Switzerland have decided to join forces to support the exit from crisis and reconstruction of the Central African Republic for an amount of EUR 239 million. The Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa (Trust Fund for Africa), worth over EUR 3.4 billion with funding from EU institutions, 26 EU Member



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<sup>42</sup> European Commission (2017), *Evaluation of EU Joint Programming Process of Development Cooperation (2011-2015)*

<sup>43</sup> Austria, Belgium, the Czech Republic, Germany, Spain, France, Ireland, Italy, Lithuania, Luxembourg, Latvia, the Netherlands, Poland, Portugal, Sweden, and Slovenia.

States as well as Norway and Switzerland, aims to foster stability and to contribute to better migration management, including by addressing the root causes of destabilisation, forced displacement and irregular migration. The EU-Colombia Trust Fund (EUR 96 million) focuses on support to the implementation of the peace agreement with the Revolutionary Armed Forces of Colombia and is supported by 19 Member States. The EU Regional Trust Fund in response to the Syrian crisis (Madad) reinforces the integrated EU aid response to the Syrian crisis, primarily addressing the longer term educational, economic and social needs of Syrian refugees and overstretched host communities and their administrations in countries neighbouring Syria. The Trust Fund has a volume of EUR 1.4 billion with contributions from the EU, 22 EU Member States and Turkey. The EU Facility for Refugees in Turkey allows the EU to collectively deliver humanitarian assistance to refugees in Turkey and their host communities with main focus areas on humanitarian assistance, education, migration management, health, municipal infrastructure, and socio-economic support. The Facility is already endowed with EUR 3 billion with funding from the EU institutions and all 28 Member States.

#### 4.2.3 Conclusion on development effectiveness, joint programming and joint implementation

Commitment	Effort	Progress
Improving ownership, focus on results, predictability and forward planning, increasing transparency, reducing transaction costs and improving knowledge sharing.	 <p>The EU and its Member States significantly contribute to improvements in development effectiveness and 21 joint programming Documents have been finalised. The EU and Member States are also heavily engaged in joint implementation.</p>	 <p>The EU and several Member States show good performance in monitoring of development effectiveness. More 'joined up' approaches but transaction costs are still high.</p>

### 4.3 ODA as a catalyst: innovative financial sources and instruments

#### 4.3.1 Objectives

Many partner countries lack the infrastructure and energy sources they need for sustainable economic growth. However, on its own, international development aid cannot cover the investment needs in this area. ODA can help mobilise further financing sources while minimising risk for funding agencies and recipient governments. Other sources of financing, including facilities and fundraising schemes, can help alleviate the financial burden of partner countries.

The EU's objectives in this area are:

- to help set-up innovative finance facilities aimed at supporting investments in partner countries, including in infrastructure, clean technology, and energy; and

#### Most relevant SDG goals and targets

17.3: Mobilise additional financial resources for developing countries from multiple sources

17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships



- b) to put innovative finance mechanisms, instruments and modalities in place that do not burden developing countries. These include special purpose facilities and funding schemes that levy funds from other sources (debt swaps, bonds, special taxes)

#### *4.3.2 Implementation*

##### **Blending**

Between 2008 and 2017, the EU has set up **eight regional investment platforms, giving blended financing** to Latin American, Asian, Central Asian, African, Caribbean, Pacific, EU eastern and southern neighbouring countries, and the Western Balkans. These facilities also support three thematic initiatives on electrification, agriculture, and climate finance. In the last 10 years, around EUR 4.5 billion worth of EU grants has financed over 440 blended projects. The EU grant contributions have leveraged approximately EUR 28.2 billion of loans from European finance institutions. By strategically combining EU grants with public and private financing, blending helps unlock investments worth an estimated volume of EUR 66.3 billion in EU partner countries.

About 63 % of EU grants allocated to blending projects supported energy and transport infrastructure initiatives while 24 % was invested in social infrastructure related to access to clean water, waste treatment, housing, health, taking both the needs of urban population as well as the environment into account. Furthermore 13 % of the grant funds supported the local private sector, notably MSMEs, in strengthening local production capacity and giving people jobs.<sup>44</sup>

As described in the previous chapter, in September 2017, the EU adopted the European External Investment Plan to help boost investment in partner countries in Africa and the European Neighbourhood. The first pillar of the EIP is the European Fund for Sustainable Development combining a guarantee with blending activities in two Regional Investment Platforms (Africa and the European Neighbourhood) to surmount obstacles to private investment by addressing the risks involved. Using an innovative approach, the EFSD and funds from other EU programmes will be ‘blended’ with loans to attract greater investment in development projects.

The guarantees will underwrite loans and other forms of funding or credit enhancement offered by trusted institutions, such as development banks, to governments or private companies investing in development projects in Africa or the European Neighbourhood. Both local and foreign firms are eligible for support. The guarantees cover commercial and political risks. Under the EIP, climate-relevant investments in three targeted areas - sustainable cities, sustainable energy and connectivity and sustainable agriculture, rural enterprise and agribusiness - are expected to generate up to EUR 9 billion in investments by 2020.

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<sup>44</sup> These figures and percentages do not contain the Neighbourhood Investment Facility (NIF) figures for 2017, under consolidation.

### Box 7 - Some Member States use special purpose vehicles similar to blending facilities to provide partner countries with innovative financial tools

In April 2017, **France** set up the Africa and Emerging Countries Infrastructure Fund. A EUR 600 million special purpose vehicle to invest in the infrastructure of developing countries is expected to raise EUR 6 billion to invest in several sectors including energy, water and sanitation, telecommunications, healthcare and education.

The Infrastructure Development Fund, set up in 2002 by the **Netherlands** to support private investments in the infrastructure of low- and middle-income countries, invested EUR 600 million in developing countries in 2016.

### Other innovative finance mechanisms, instruments and modalities

Innovative finance mechanisms generated over EUR 2.4 billion in financial resources or 3 % of EU collective ODA in 2017, more than double the amount generated in 2016 (Figure 11).

**Figure 11: Innovative financial sources (EUR million)**

Source	Recent contributions by Member States	2016	2017
<b>A. Special purpose vehicles</b>			
International Finance Facility for Immunisation (IFFIm) pledges	France, Italy, the Netherlands, Spain, Sweden and the UK	..	220
Green and impact bonds and funds <sup>45</sup>	Belgium, France, Italy, Spain, Sweden, the UK	..	800
<b>B. General development budget funding</b>			
Taxe de solidarité sur les billets d'avion	France	210	210
Financial transaction tax	France	377	800
Debt for Development Swaps	France, Germany	402	404
National lotteries	Belgium, Denmark	30	30
<b>Total</b>		<b>1,010</b>	<b>2,464</b>

Source: Member States' own declarations

Between when it was set up in 2005 and the end of 2016, the **International Finance Facility for Immunisation** (IFFIm) has received binding pledges from donors for a total of USD 4.6 billion, 91 % of which from EU Member States (i.e. France, Italy, the Netherlands, Spain, Sweden and the UK). Overall donor support has been used to raise USD 5.7 billion over a decade through bond issuances on international capital markets, and fund USD 3 billion of the Global Alliance for Vaccines and Immunisation (GAVI) country programmes or investment cases, two thirds of which have been used for new and underused vaccine support.

Over the period 2015-2017, the **airline ticket tax** (*taxe de solidarité sur les billets d'avion*) generated over EUR 0.6 billion of resources for French development cooperation.

The **financial transaction tax** introduced in France in 2012 levies a 0.2 % tax on stock purchases of French publicly traded companies with a market value of over EUR 1 billion. France is the only




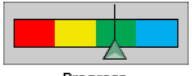
<sup>45</sup> <https://www.climatebonds.net/>

country in the world using part of the proceeds of such a tax for development cooperation. The financial transaction tax has funded French ODA for EUR 1.3 billion over the period 2015-2017.

**National lotteries** in the EU are also a relatively small source of funding for development cooperation, at an average of EUR 30 million per year over the period 2015-2017. In recent years about 0.1 % of Danish ODA has been funded by distributing lottery funds to non-profit organisations. The Belgian Fund for Food Security financed from the profits of the Belgian National Lottery supports projects in Sub-Saharan Africa.

**Impact bonds and funds.** The International Committee of the Red Cross (ICRC) issued the first Humanitarian Impact Bond for EUR 22 million in September 2017 to build three physical rehabilitation centres in conflict zones. Belgium, Italy, the UK and Spain's Caixa Foundation are its 'outcome funders' who will pay the ICRC according to the results achieved. Social investors will be paid back partially, fully or with an additional return, depending on how efficient the ICRC centres are.

### 4.3.3 Conclusion on ODA as a catalyst

Commitments	Effort	Progress
Mobilise additional financial resources for developing countries from multiple sources Help set up innovative finance facilities aimed at supporting investments in partner countries, including investments in infrastructure, clean technology, and energy.	 Many initiatives have been launched (EFSD, new facilities, increased funding for EU blending).	 Blending mechanisms set up by the EU and Member States have a high leverage rate.
Implementing innovative finance mechanisms, instruments and modalities that do not burden developing countries	 In 2017 EUR 2.4 billion were from innovative sources, more than double the amount generated in 2016.	 Several initiatives are under way in different Member States though in limited number.

## 4.4 Climate finance and the environment

Environmental degradation, climate change, extreme weather, and natural or man-made disasters can undermine development gains and economic progress, especially for the poor. The new European Consensus on Development puts an emphasis on climate change and environmental issues, helping partner countries to achieve the SDGs and fulfil their commitments under the Paris Agreement.

### 4.4.1 Climate finance

#### Objectives

Objectives in this area are to:

- help raise over USD 100 billion in annual investments by 2020, through to 2025, by setting up market-based initiatives, creating partnerships and leveraging development banks;
- continue scaling up the mobilisation of climate finance as part of a global

#### Most relevant SDG goals and targets

13.a: Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilising jointly USD 100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalise the Green Climate Fund through its capitalisation as soon as possible



effort, in particular by providing balanced support for climate mitigation and adaptation in developing countries.

### *Implementation*

EU public support for climate-specific finance has almost doubled in nominal terms over the period 2013-2016 as shown in Figure 12 below. Based on the most recent available data, namely the 3<sup>rd</sup> national Biennial Reports to the United Nations Framework Convention on Climate Change, the EU and its Member States are collectively the largest provider of public climate finance to developing countries, amounting to at least EUR 19.8 billion in 2016, i.e. USD 22 billion. This is up from EUR 18.3 billion in 2015, EUR 13.4 billion in 2014 and EUR 10.6 billion in 2013. The 2016 figure includes climate finance sources from national public budgets and other development finance institutions, EUR 2.7 billion from the EU budget and EUR 1.9 billion from the European Investment Bank (EIB).

**Figure 12: EU collective public support for climate-specific finance (2013-2016, EUR millions, current prices)**

Climate objective	2013	2014	2015	2016
Mitigation	5,294	5,843	10,001	11,387
Adaptation	1,817	1,838	2,215	3,813
Cross-cutting	1,900	2,290	2,943	3,435
Other	1,611	3,430	3,174	1,117
<b>Total</b>	<b>10,622</b>	<b>13,400</b>	<b>18,333</b>	<b>19,751</b>

Source: Second and Third Biennial Reports to the United Nations Framework Convention on Climate Change (Table 5.7); climate-specific activities only.

Note: Based on the United Nations Framework Convention on Climate Change questionnaires that are complete for 2013-2014 and incomplete for 2015-2016, with only 26 Member States plus the European Commission having published their replies so far.

Nearly half (45 %) of the above collective EU public support for climate finance comes from Germany. Another quarter is provided by EU Institutions with a strong focus on leveraging private climate finance.

In addition, as of July 2017, the EU Member States were also collectively the largest contributor to the Green Climate Fund (GCF)<sup>46</sup> with a total of USD 4.7 billion committed, accounting for almost half of the USD 10.1 billion already raised.

It is less clear where matters stand on private climate finance is difficult to assess as there is no agreed format under the United Nations Framework Convention on Climate Change for reporting private climate finance, and the information that is available is rather piecemeal.

France has committed to raise its climate finance to EUR 5 billion by 2020. It estimates that the French Development Agency mobilised EUR 1.7 billion of private climate finance in 2015-2016, in addition to the public support it provided for EUR 5.8 billion in 2015-2016.

The Swedish International Development Cooperation Agency mobilised over USD 100 million in private climate finance in 2016 with a guarantee of USD 37 million.

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<sup>46</sup> The Green Climate Fund, established in 2010, is the financial mechanism of the United Nations Framework Convention on Climate Change.

Since 2007, 62 % of EU blending grant commitments have been used to finance projects with climate change objectives. Around EUR 1 billion in EU grants has been committed to green projects attracting financing from private investors with an estimated total value of EUR 25 billion.


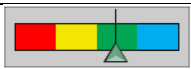
Eleven Member States are participating in the OECD Research Collaborative on Tracking Private Climate Finance. A paper published by the OECD DAC in 2017<sup>47</sup> shows that an average of USD 20 billion per year was mobilised from the private sector by bilateral and multilateral agencies during the period 2012-2015. Approximately a third of this amount (USD 6.4 billion) was mobilised from EU Member States and the EIB.

Ten EU development finance institutions and the EIB are shareholders of the **Interact Climate Change Facility (ICCF)** that has provided almost EUR 400 million since 2011 for renewable energy and energy efficiency projects in the private sector of developing countries and emerging economies. It has helped reduce carbon emissions by almost two million per year and to install 1.1 megawatts of additional renewable energy capacity.

**Policies.** The EU has set out its strategy for mobilising more climate finance by 2020.<sup>48</sup> To this end, at least 20 % of the EU budget will be spent on climate action by 2020. At least EUR 14 billion (an average of EUR 2 billion per year) will consist of public grants to support activities in developing countries between 2014 and 2020, and funding for international climate action will more than double (compared to the average in the period 2012-2013).

In line with the new policy agenda, efforts to systematically integrate or mainstream climate change and the environment into all sectors and instruments of the EU and its Member States' cooperation (e.g. Belgium, European Commission, Latvia, Luxembourg, the Netherlands, Poland, Sweden and the UK) have been intensified. EU cooperation has also strengthened its support to partner countries to implement their commitments under the Paris Agreement and the transition to a low-emission climate-resilient green economy, in particular through the Global Climate Change Alliance Plus (GCCA+) Flagship Initiative, the Switch to Green Flagship Initiative, and the EU REDD Facility (reducing emissions from deforestation and forest degradation).

### *Conclusion on climate finance*

Commitments	Effort	Progress
<p>Help raise USD 100 billion annually by 2020 through to 2025 from a wide variety of sources</p> <p>Provide balanced support for climate mitigation and adaptation in developing countries</p>	 <p>EU public support for climate-specific finance has doubled in nominal terms between 2013 and 2016, both for adaptation and mitigation.</p>	 <p>The EU and its Member States are the largest provider of public climate finance. EU public support has almost doubled in nominal terms between 2013 and 2016 and reached USD 22 billion in 2016, meaning we have significantly scaled up the</p>

<sup>47</sup> OECD/DAC - Benn, Sangaré, and Hos (2017), *Amounts Mobilised from the Private Sector by Official Development Finance Interventions. Guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies and credit lines*. OECD Development Co-Operation Working Paper 36

<sup>48</sup> Council of the European Union (2014), *EU submission 2014 on strategies and approaches for scaling up climate finance*.

Commitments	Effort	Progress
		mobilisation of international climate finance and are thus within reach of achieving the goal by 2020 if efforts are sustained and if other developed countries meet their commitments and mobilise private finance towards this collective goal. A broader range of contributors would further increase the mobilisation of international climate finance supporting the poorest and most vulnerable countries.

#### 4.4.2 Sustainable energy

##### Objectives

Objectives in this area are interlinked: addressing the lack of energy access; increasing energy efficiency and renewable energy generation to achieve a sustainable balance between energy production and consumption; contributing to the global fight against climate change in line with the Paris Agreement and the related nationally determined contributions of the Parties to the Agreement.

##### Implementation

According to the International Energy Agency's *Energy Access Outlook 2017*, the rate of new annual connections to electricity has accelerated over the last five years, and several countries are on track to reach the target of electricity for all by 2030. Despite widespread global progress, however, electrification is not keeping up with population growth in sub-Saharan Africa, and those without electricity are becoming increasingly concentrated in that region. By 2030, 600 million out of the 674 million people without access to electricity will live in Sub-Saharan Africa, most of them in rural areas. Over USD 30 billion -equivalent to EUR 25 billion- will be needed annually to ensure that no one is left behind.

##### Most relevant SDG goals and targets

7.1: By 2030, ensure universal access to affordable, reliable and modern energy services

7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

7.3: By 2030, double the global rate of improvement in energy efficiency

7.b: By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programmes of support



EU ODA commitments for energy access (electric power transmission and distribution), efficiency (energy conservation and demand-side efficiency and energy research), and balance (energy generation from renewable sources) have increased by two thirds over the last five years (2012-2016) in real terms, from EUR 2.9 billion in 2012 to EUR 4.7 billion in 2016. However, the EU proportion of global ODA commitments for these was only 27 %, rather low considering that the EU collectively accounts for over 50 % of total ODA provided to developing countries. Additionally, Germany and EU institutions together accounted for three quarters of total EU ODA

commitments to sustainable energy, an indication that spreading the effort among a greater number of Member States would lead to a significant improvement in EU performance on this front.


**Figure 13: EU ODA for energy access, efficiency and balance (EUR millions, 2016 prices)**

ODA purpose	2012	2013	2014	2015	2016	% ODA, all donors
Energy generation, renewable sources	1,349	1,444	2,739	1,966	2,542	32 %
<i>of which:</i>						
<i>Hydro</i>	185	91	225	190	265	14 %
<i>Solar</i>	101	263	812	377	218	24 %
<i>Wind</i>	0	1	297	72	178	25 %
<i>Geothermal</i>	7	12	85	212	36	14 %
<i>Multiple technologies</i>	1,056	1,077	1,320	1,115	1,845	52 %
Electric power transmission and distribution	1,460	1,177	1,624	1,841	1,876	23 %
Energy conservation and demand-side efficiency	-	-	-	23	272	44 %
Energy research	79	21	13	8	32	95 %
<b>Total</b>	<b>2,888</b>	<b>2,642</b>	<b>4,376</b>	<b>3,838</b>	<b>4,723</b>	<b>27 %</b>
<b>Largest EU contributors ( %)</b>						
Germany	30 %	44 %	63 %	40 %	48 %	46 %
EU institutions	22 %	30 %	20 %	21 %	39 %	27 %

Source: OECD/DAC Creditor Reporting System.

Some innovative financing mechanisms, such as blending, can enable the mobilisation of green investments in the energy sector. In 2016, the Netherlands invested EUR 100 million in the Access to Energy Fund to help provide sustainable access to energy in developing countries by providing risk-bearing funding, equity, subordinated loans, local currency loans and, to a limited extent, convertible grants. Under the Electrification Financing Initiative (ElectriFI), the European Union has made resources available to a number of instruments all aimed at mobilising private sector funding for investments in the sustainable energy sector.

#### *Conclusion on sustainable energy*

Commitment	Effort
Address the lack of energy access; increase energy efficiency and renewable energy generation to achieve a sustainable balance between energy production and consumption	 <p>EU ODA for energy access, efficiency and balance grew by two-thirds over the last five years (2012-2016), but the EU and its Member States are allocating proportionally less to this goal than non-EU donors.</p>

#### 4.4.3 Natural resources, biodiversity and ecosystems - conservation and sustainable management

##### Objectives

The main objective in this area is to support the conservation and sustainable management and use of natural resources, and the conservation and sustainable use of biodiversity and ecosystems

The Strategic Plan for Biodiversity 2011-2020<sup>49</sup> and its Aichi Biodiversity Targets<sup>50</sup>, agreed in 2010, sets the international policy framework for biodiversity conservation. The EU Biodiversity Strategy to 2020<sup>51</sup> seeks to align EU efforts to this international framework. In line with the Aichi Biodiversity Targets, the EU and its Member States, together, agreed to the commitment made in Hyderabad in 2012, and confirmed in Pyeongchang in 2014, to double total biodiversity-related financial resource flows to developing countries by 2015 compared to the average level of annual biodiversity funding for the years 2006-2010 and to at least maintain that level until 2020 ('the Hyderabad Commitment')<sup>52</sup>. This was part of a package that also addressed domestic biodiversity financing from a variety of sources and related reporting.

The fourth Global Biodiversity Outlook (GBO4) in 2014, found that there has been significant progress towards the Aichi Biodiversity Targets, such as conserving at least 17 percent of terrestrial and inland water areas. However, in most cases this progress will not be sufficient to achieve the targets set for 2020 and to keep the Strategic Plan for Biodiversity 2011-2020 on course.

##### Implementation

EU cooperation supports developing countries in implementing the Strategic Plan for Biodiversity 2011-2020 and its Aichi Biodiversity Targets. Various Member States have significantly increased biodiversity financing as well.

By end of March 2018, the EU and most of its Member States have reported updated data on biodiversity-related international financial flows to the Convention on Biological Diversity (CBD) up to 2015. This information confirms that they together make a strong contribution to the global commitment undertaken in

##### Most relevant SDG goals and targets

15.9 By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts

15.a: Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

15.b: Mobilise significantly resources from all sources and at all levels to finance sustainable forest management, and provide adequate incentives to developing countries to advance sustainable forest management, including for conservation and reforestation

15.c: Enhance global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities



<sup>49</sup> <https://www.cbd.int/decision/cop/?id=12268>, <https://www.cbd.int/sp/elements/>

<sup>50</sup> The 20 Aichi Biodiversity Targets, adopted in 2010, aim at achieving a 2050 vision of a world without biodiversity loss or degradation of ecosystems.

<sup>51</sup> [European Commission \(2011\). Our life insurance, our natural capital: an EU Biodiversity Strategy to 2020](#), Communication from the Commission, COM(2011) 244.

<sup>52</sup> *CBD Decision XII/3, paragraph 1a: 'Double total biodiversity-related international financial resource flows to developing countries, in particular least developed countries and small island developing states, as well as countries with economies in transition, using average annual biodiversity funding for the years 2006-2010 as a baseline, by 2015, and at least maintain this level until 2020 (...)'*.

Hyderabad and in Pyeongchang to double these international financial flows. Aggregated flows in 2015 close to doubled compared to the baseline period.

**Figure 14: EU ODA commitments for biodiversity (percentage of the 2006-2010 average)**

Indicator	2006-2010 baseline	2011	2012	2013	2014	2015
ODA from the EU and its Member States for biodiversity (percentage of the 2006-2010 baseline as reported to the CBD <sup>[1]</sup> )	100	125	151	168	165	195

Source: reports from <https://www.cbd.int/financial/reporting.shtml> as of 6 March 2018. The index provides an indication of the trend of how the EU and Member States together are contributing to the global target. For 2015, the index compares the sum of the 2015 value with the sum of the baseline taking account only those countries for which 2015 data has been included (20 at end of March) and therefore do not represent a complete overview of the commitments from EU and its Member States. For countries that reported in national currency or USD, the average annual exchange rates are based on OECD data (<https://data.oecd.org/conversion/exchange-rates.htm>). Methodological approaches differ between Member States and contributions are not fully comparable.

In 2016, the EU adopted an Action Plan against Wildlife Trafficking<sup>53</sup>. It sets out a comprehensive blueprint for joined-up efforts by EU institutions and Member States to fight wildlife crime inside the EU, and strengthen the EU's role in the global fight against it. The plan is threefold – better enforcement, closer cooperation and more effective prevention. It includes support for developing countries with the Biodiversity for Life flagship initiative. This initiative aims to help halt biodiversity loss and react promptly to biodiversity and ecosystem crises, such as deforestation, wildlife poaching and ecosystem function collapse, by fully integrating biodiversity and ecosystem conservation into socioeconomic development and poverty eradication using a comprehensive, cross-cutting approach.

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<sup>[1]</sup> Member States applied different methodologies as regards the value of development aid for which biodiversity is a significant, but not the main, objective.

<sup>53</sup> European Commission (2016), *EU Action Plan Against Wildlife Trafficking*, COM(2016) 87 final.

### Box 8 - Supporting biodiversity

There are several examples of EU Member States supporting biodiversity through bilateral and multilateral channels:

- The ‘Capacities for Biodiversity and Sustainable Development’ (CeBios) programme supported by **Belgium**, focuses on the biodiversity of terrestrial (tropical forest, dry and highland forests, savannahs, grasslands) and aquatic ecosystems (marine and wetlands).
- The Blue Action Fund, financed by **Germany**, is a charitable foundation that supports national and international non-governmental organisations in their efforts to help conserve ocean and coastal ecosystems.
- The **Portuguese Environmental Fund**, set up in 2017, supports partner countries in preparing their application to the "Man and Biosphere" Programme of the United Nations Educational, Scientific and Cultural Organisation.
- The **UK** supports the Eco.business fund, a public-private partnership promoting business and consumption practices that help conserve biodiversity, ensure that natural resources are used sustainably and mitigate climate change and adapt to its impacts.

The benefits of financing biodiversity protection are visible in other sectors, such as water provision and regulation, energy, pollination and air pollution, to name a few. However, in the absence of a well-established arrangement for paying for ecosystem services, private investments are difficult to channel towards biodiversity protection, except through wildlife- or nature-based tourism. So it mainly relies on grants.

The **FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan** is the EU’s policy to combat illegal logging and related trade<sup>54</sup>. Support for timber-producing countries is one of the main stays of the policy. With countries expressing their interest, the FLEGT Action Plan also envisages concluding FLEGT Voluntary Partnership Agreements (VPA), legally binding trade agreements between the EU and timber-producing countries outside the EU. The purpose of a VPA is to improve forest governance and ensure that timber and timber products exported to the EU come from legal sources. The agreements help timber-exporting countries stop illegal logging by improving regulation and governance of the forest sector in a multi-stakeholder process and by putting timber legality assurance systems in place. They also include provisions to ensure transparency and disclosure of information. So far, six countries have signed a VPA (Indonesia, Cameroon, Ghana, Liberia, Central African Republic, Republic of Congo) with the EU, and Vietnam completed negotiations with the EU in 2017, making them ‘VPA partner countries’. One of them, Indonesia, started issuing licenses in 2016. The others are developing the systems needed to control, verify and license legal timber. Other partner countries also receive support of this nature.

Member States have been supporting developing countries to improve forest governance and promote trade in legal timber and have supported the VPA process under bilateral programmes at

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<sup>54</sup> European Commission (2003), *Forest Law Enforcement, Governance and Trade (FLEGT) - Proposal for an EU Action Plan*, Communication from the Commission to the Council and the European Parliament, COM/2003/0251 final.


regional level (i.e. Association of Southeast Asian Nations (ASEAN), Central African Forests Commission (COMIFAC)) and national level. For instance, Germany has been supporting the process in Cameroon, Honduras, Côte d'Ivoire, Laos, and Vietnam. The UK has bilateral programmes to support FLEGT VPAs in Ghana, Cameroon, and Liberia whilst Belgium supports the process in the Democratic Republic of Congo. Several Member States also provide funding to the EU FLEGT Facility which is hosted by the European Forest Institute. Member States also support the EU FLEGT Action Plan through information sharing, dialogue, and capacity-building. The Forest Governance, Markets and Climate (FGMC) programme is the flagship global programme of the UK Department for International Development (DFID) on forests, with the aim of bringing about governance and market reforms to reduce the illegal use of forest resources, benefiting poor people who depend on forests for their livelihoods.

In addition to the EU FLEGT Facility, the European Commission, Germany, Sweden, the Netherlands and the UK fund the EU REDD<sup>55</sup> Facility that supports countries in testing strategic and innovative solutions for designing, implementing and monitoring REDD+ strategies and monitoring the fulfilment of zero-deforestation commitments. It collaborates with a broad range of stakeholders in the public and private sectors and civil society organisations to contribute to subnational, national, EU and international policy-making.

The EU is promoting the transition towards a low-carbon, resource-efficient and circular economy by incorporating environmental concerns into all its programmes. The new European Consensus includes ambitious commitments to supporting this transition. EU support to this transition is provided primarily through the **Switch-to-Green Flagship** initiative.

The European External Investment Plan offers a great opportunity to leverage private and public funding for investment in low-emissions and resource-efficient business projects and the sustainable use of natural resources (28 % of future portfolio earmarked).

### *Conclusion on natural resources, biodiversity and ecosystems*

Commitment	Progress
Support the conservation and sustainable management and use of natural resources, and the conservation and sustainable use of biodiversity and ecosystems	 <p>The EU and its Member States, together, made a strong contribution to the Hyderabad commitment in 2015, but efforts will need to be maintained up to 2020.</p>

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<sup>55</sup> The concept of reducing emissions from deforestation and forest degradation (REDD) emerged in 2005 as part of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. It was later expanded to include conservation of forest carbon stocks, sustainable forest management and enhancement of forest carbon stocks. The combination of REDD and these three additional activities is called REDD+.

## 4.5 Strengthening resilience

### 4.5.1 Objectives

Strengthening partner countries' resilience is a central objective of the development and humanitarian assistance of the EU and its Member States in line with the Sendai Framework for Disaster Risk Reduction 2015-2030. The EU and its Member States recognise the need to move from crisis containment to a more structural, long-term approach to vulnerabilities, with an emphasis on anticipation, prevention and preparedness. Support for strengthening resilience at all levels is an integral part of the new European Consensus on Development.

The EU's objectives in this area are to:

- a) strengthen the resilience, particularly of vulnerable populations, to environmental and economic shocks, natural and man-made disasters, conflicts and global health threats;
- b) support national strategies, including cross-government planning and programming, promoting resilience, reducing climate risk and helping to reduce emissions;
- c) encourage consideration of climate and disaster resilience in development financing to ensure the sustainability of development results;
- d) support domestic efforts tailored to the needs and context of each society, to build sustainable democratic states resilient to external and internal shocks and address the causes of vulnerability, including inequality;
- e) make coordinated, accelerated and cross-sectoral efforts to end hunger, increase the capacity for diversified local and regional food production, ensure food security and nutrition and strengthen the resilience of the most vulnerable.

Nature-based solutions and ecosystem-based approaches are a key instrument for increasing resilience and contributing at the same time to the objectives for climate change adaptation, mitigation and biodiversity conservation.

### 4.5.2 Implementation

EU collective ODA for disaster preparedness and prevention increased from EUR 64 million in 2015 to EUR 287 million in 2016, over twice its 2007 level in real terms. Almost half of such ODA is given under the auspices of EU institutions.

#### Most relevant SDG goals and targets

1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters

11.b: By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation of and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels



The 2016 EU Sendai Action plan<sup>56</sup> aimed at fulfilling the 2030 Agenda requirements of addressing poverty, vulnerability, risk and crisis together in crisis prone and fragile contexts, calls for ‘a disaster risk-informed approach to policy-making, offering a coherent agenda across different EU policies to strengthen resilience to risks and shocks.’

In July 2017, the European Commission and European External Action Service launched a Joint Communication on Resilience<sup>57</sup> that aims to enhance joint action to build resilience on the ground. It expands the scope of, and builds on the experience of implementing the 2012 Commission Communication ‘The EU approach to resilience: Learning from food security crises’<sup>58</sup>. It puts a strong emphasis on anticipating, preventing and preparing for a broader spectrum of risks and addressing the roots of state and societal instability. The Council Conclusions on Resilience of December 2017<sup>59</sup> are in the same vein.

In 2015, the EU introduced the resilience marker in all its humanitarian projects. It enables the monitoring of activities aimed at reducing disaster risks and strengthening people’s coping capacities. The EU also launched the Resilience Compendium — a collection of 29 practical examples of disaster risk reduction and resilience-strengthening activities carried out by the EU, other donors, organisations and vulnerable communities.

In May 2017, Council Conclusions were adopted on ‘Operationalising the Humanitarian and Development Nexus’<sup>60</sup> to help push this further. The Communication on Strengthening Resilience in June 2017 suggested greater complementarity and coordination between humanitarian and development cooperation. Six countries (Chad, Iraq, Myanmar, Nigeria, Sudan and Uganda) have been identified to operationalise the humanitarian/development nexus to advance work on resilience in practice.

In response to massive food crises, the EU and its Member States, in co-operation with other donors and stakeholders, have supported national resilience strategies with two initiatives: the *Alliance Globale pour l’Initiative Résilience* (AGIR) in the Sahel and West Africa, and the *Supporting Horn of Africa Resilience* (SHARE), which aims to build the resilience of communities who are regularly affected by food insecurity and protracted conflicts. 11 out of 17 West African countries have adopted national resilience priorities under AGIR and another four have drafted resilience priorities under SHARE.

In addition, the EU’s strategic approach in this area has been implemented in a number of countries including Bangladesh, Ethiopia, Haiti, Jordan, Lebanon, Mali, Nepal, Niger, Sudan and Zimbabwe. A recent evaluation identified programmes with a total funding of around EUR 5 billion between 2007 and 2015 for building resilience in African drylands, and has generally confirmed their effectiveness<sup>61</sup>.

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<sup>56</sup> European Commission (2016), *Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030. A disaster risk-informed approach for all EU policies*. Commission Staff Working Document, SWD(2016) 205 final/2.

<sup>57</sup> European Commission and High Representative of the Union for Foreign Affairs and Security Policy (2017), *A Strategic Approach to Resilience in the EU's external action*, Joint communication to the European Parliament and the Council, JOIN(2017) 21 final.

<sup>58</sup> European Commission (2012), *The EU Approach to Resilience: Learning from Food Security Crises*. COM(2012) 586 final.

<sup>59</sup> Council of the European Union (2017), *A Strategic Approach to Resilience in the EU's External Action*, Council Conclusions of 13 November 2017, 14191/17.

<sup>60</sup> Council of the European Union (2017), *Operationalising the Humanitarian-Development Nexus*, Council Conclusions of 19 May 2017, 9383/17.

<sup>61</sup> ADE (2017), *Evaluation of the EU Approach to Building Resilience to Withstand Food Crises in African Drylands 2007-2015*.

Member States are keen to strengthen resilience, with over 100 initiatives and policies in place to increase the resilience of vulnerable countries and populations to environmental, economic, natural and man-made disasters, conflicts and global health threats. Figure 15 shows that preparedness and rebuilding, as well as risk reduction have been the main focus of Member States' actions in this area.

**Figure 15: Initiatives and policies put in place by the EU and its Member States to increase resilience (number, 2015-2017)**

Total number of resilience related actions	of which:			
	Risk knowledge	Risk governance	Risk reduction	Preparedness and rebuilding
<b>100</b>	<b>41</b>	<b>42</b>	<b>61</b>	<b>67</b>

Source: Member States' own declarations. Actions can serve more than one purpose at the same time.

In addition, Croatia, Italy, Lithuania, Luxemburg, Poland, the Slovak Republic and Slovenia contributed to the Economic Resilience Initiative (ERI), an investment programme of the European Investment Bank to promote economic resilience in the Western Balkans and in the countries neighbouring the EU to the south. Focused on infrastructure and private-sector development, a new dedicated Trust Fund, the Economic Resilience Initiative Trust Fund, has received EUR 6 billion in additional EIB financing and EUR 730 million from bilateral donors to generate new investments worth EUR 15 billion in the period 2016-2020.

The EU and 12 Member States<sup>62</sup> adapt their procedures to the specific needs of fragile and conflict-affected countries in line with the EU Common Position for the Fourth High Level Forum on Aid Effectiveness (taking into account the Fragile States Principles, New Deal for Engagement in Fragile States, Conflict Sensitivity/Do No Harm assessments, political/social/conflict analysis) – in terms of both design and programming.



- In the case of Germany, the Ministry of Economic Cooperation and Development requires programmes in contexts of conflict, fragility and violence to follow context- and conflict-sensitive implementation procedures.
- One of the Netherlands' best examples of conflict-related flexible programming is the Addressing Root Causes programme, set up in 2016, which funds 21 medium- to large-sized NGO-programmes addressing the root causes of instability, armed conflict or forced migration in 12 fragile and conflict-affected countries.

A central part of the jointly (EU/UN/WB) undertaken Post-Disaster Needs Assessments (PDNAs) and the Recovery and Peace Building Assessments (RPBAs) are linked to identifying and taking into account the specific needs of fragile and conflict-affected countries, as well as designing resilience-related measures. In PDNAs, a considerable effort is made to analyse the conflict/political crisis (if relevant), to ensure conflict sensitivity and define disaster risk reduction/disaster risk management measures (ensuring that the country is better prepared to manage the next disaster). The RPBAs revolve around a conflict/political crisis analysis, with all the recovery actions identified fully integrating conflict sensitivity and prioritised based on their contribution to the peace-building process.

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<sup>62</sup> Austria, Belgium, the Czech Republic, France, Finland, Germany, Ireland, Italy, the Netherlands, Portugal, Romania, and Sweden.

### 4.5.3 Conclusion on strengthening resilience

Commitment	Effort	Progress
Strengthen disaster resilience and preparedness with financing and policy reform	 <p>The EU and its Member States have made a significant effort towards scaling up aid for resilience.</p> <p>EU collective ODA for disaster preparedness and prevention increased from EUR 264 million in 2015 to EUR 287 million in 2016, over twice its 2007 level in real terms.</p>	 <p>The Sendai framework for Disaster Risk Reduction is in place and there is strong support for domestic efforts in partner countries.</p>

## 4.6 Human development

### 4.6.1 Objectives

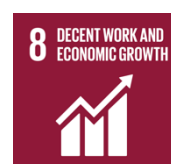
Eradicating poverty, tackling discriminations and inequalities and leaving no-one behind are at the heart of EU development cooperation policy. To this end the EU and its Member States pursue the following objectives:

- promote social inclusion and cohesion, and provide economic opportunities with decent employment and through people-centred businesses, and policy space for civil society;
- continue to support partner countries in their efforts to build strong, good quality resilient healthcare systems, by providing equitable access to healthcare services and universal healthcare coverage.
- EU to allocate at least 20 % of its ODA to social inclusion and human development

#### Most relevant SDG goals and targets

8.b.: by 2020 develop and operationalise a global strategy for youth employment and implement the ILO Global Jobs Pact

10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality



### 4.6.2 Implementation

According to the World Bank (2017), the number of developing countries with social safety nets (SSN) doubled from 72 in 2000 to 149 in 2017, or almost all developing countries that spend on average 1.6 % of their GDP on SSNs. However, only 20 % of poor people in low-income countries have access to SSN programmes where SSN benefits account, on average, for only 12 % of their income/consumption. This increases to 40 % and 20-24 % respectively, in lower-middle income countries.

The 2017 monitoring report by the World Health Organisation and the World Bank on universal healthcare coverage shows that the gap remains wide: at least half the world's population lacks access to essential healthcare services. On top of that, 800 million people spend more than 10 % of their household budget on healthcare, and almost 100 million pushed into extreme poverty each year because of out-of-pocket healthcare expenses. Equity of coverage is impossible to measure at present, but for a set of seven basic services for maternal and child healthcare, the report found that only 17 % of mothers and infants in households in the poorest wealth quintile in low-income and lower-middle-income countries in the period 2005-2015 received at least six of the seven basic services, compared with 74 % in the richest quintile.

As Figure 16 shows, the EU and its Member States allocated EUR 12.8 billion, or 15 % of their ODA commitments, to social inclusion and human development in 2016, keeping above the 12 % proportion of non-EU DAC donors and growing by over 30 % in real terms since 2015.

**Figure 16: EU collective ODA commitments for social inclusion and human development (EUR millions, 2016 prices)**

EU ODA for health education and social protection	2012	2013	2014	2015	2016
Health	2 145	3 029	2 034	2 142	2 814
Education	5 857	5 219	5 233	5 546	6 420
Social protection	2 157	2 015	1 753	1 704	3 567
<i>of which:</i>					
<i>Basic nutrition</i>	95	261	159	197	464
<i>Employment policy and administrative management</i>	631	341	247	64	562
<i>Food aid/Food security programmes</i>	501	394	470	502	1 217
<i>Low-cost housing</i>	82	147	129	86	23
<i>Multisector aid for basic social services</i>	631	341	247	64	562
<i>Social/welfare services</i>	586	574	479	662	930
<b>Total</b>	<b>10 159</b>	<b>10 263</b>	<b>9 020</b>	<b>9 392</b>	<b>12 801</b>
Proportion of total EU ODA	15 %	16 %	14 %	12 %	15 %

Source: OECD DAC – Creditor Reporting System.

Note: Definition of social inclusion and human development from *European Commission Strategic Plan 2016-2020*.

Definition of ODA for social protection from OECD/DAC (2015) *Evolution of ODA for Social Protection*.

The EU is committed to allocating at least 20 % of ODA to social inclusion and human development in the period 2014-2020 and has reiterated its commitment in the new Consensus. Between 2014 and 2016 the EU has allocated EUR 3 736 million to this objective that includes measures for health, education and social protection, representing 16.8 % of its total ODA.

The European Union and 13 Member States (Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Romania, Spain, Sweden and the UK) support the Global Partnership for Education (GPE), a multi-stakeholder partnership and funding platform that aims to strengthen education systems in developing countries by bringing together developing countries, donors, international organisations, civil society, teacher organisations, the private sector and foundations.

### **Promoting social inclusion and cohesion**

EU Member States (in particular Belgium, Finland, France, Germany and Sweden) and the European Union are supporting the World Bank-ILO initiated Global Partnership for Universal Social Protection set up in September 2016. It aims to increase the number of countries that can provide social protection for all, in all walks of life, and to support countries in designing and implementing universal and sustainable social protection systems. European Commission's programmes have a major focus on social assistance to combat poverty and benefit vulnerable/marginalised populations but they are equally committed to strengthening social protection systems. The contribution of the global programmes EU Social Protection Systems (SPS) and SOCIEUX+ show a strong link with, and support for, the activities of other development partners at global, regional and country level.

The European Commission has also launched several actions to promote social inclusion, such as 'Bridging the gap' for people living with a disability, 'Making the SDGs work for indigenous people' and the Vocational Education and Training toolbox supporting vulnerable groups' access

to vocational education. This is complemented by more work on inequality, under the Research Facility on Inequality for example.

There are also several examples of bilateral programmes promoting social inclusion and cohesion.

#### **Box 9: Member States promoting social inclusion and cohesion**

**Belgium** supports NGOs working on the promotion of decent work conditions in partnership with local trade unions and the private sector.

**Germany** is helping Malawi implement its National Social Support Programme, and helping harmonise the country's social protection sector.

**Finland** is supporting an initiative that aims to mobilise financing, and influencing policies to help facilitate Syrian and host-community children get back to school, improve child protection and improve conditions for young people and adolescents.

**Italy** is funding a multi-sectoral three-year project in Sudan to support inclusive governance models that aim to promote the rights and social protection of vulnerable groups and groups that are discriminated against in migrant and host communities in Khartoum and Red Sea states and to obtain access to education for children, women and people with disabilities.

**Portugal** is supporting several Fight Against Poverty programmes in its priority countries, aimed at bringing about community development by creating a set of social protection measures for vulnerable groups, especially children, adolescents at risk, women and elderly people.

#### **Building good quality, resilient healthcare systems**

Member States are funding over 40 projects supporting healthcare systems for the period 2015-2017. For example, France, Germany, and Spain are supporting the Social Health Protection Network (P4H), a global network for healthcare financing and social healthcare protection using insight and knowledge brokerage, collaborative technical expertise, and policy dialogue. The P4H digital platform enables members to connect and collaborate.

#### Box10: Member States promoting health

**Germany** provided support for national healthcare protection schemes in India, Indonesia and Pakistan, and for Health Equity Funds in Cambodia. In 2015, it set up a special programme called Health for Africa, to strengthen healthcare systems and reduce vulnerability to healthcare crises. The programme focuses on healthcare workforce training, healthcare education and equipment.


**Finland** is supporting Somalia's Joint Health and Nutrition Programme (JHNP), whose main objectives are to improve the health and nutritional status of the Somali population and support the institutional development of the Somali healthcare system.

**Lithuania** has provided assistance to regions of Eastern Ukraine in reforming the psychosocial rehabilitation sector and tackling problems of post-traumatic stress disorder. Portugal supported a programme of quality improvement of laboratory medicine in Portuguese-speaking African Countries and Timor Leste. It has also supported Health for All in São Tomé and Príncipe and Guinea Bissau, focusing on basic and specialised care.

**The UK** funded a project aimed at improving the quality and affordability of healthcare services for poor people, provided by non-state providers in Ghana, Kenya, Nigeria and Tanzania, to ensure they contribute to progress towards universal healthcare coverage in low- and lower-middle-income countries

Support during epidemics is also essential, and needs to be multi-faceted. During the West-African Ebola virus epidemic of 2013-2016, the EU provided support on many fronts: financial support for the emergency response, the subsequent recovery, and research into vaccines. Using the EU Civil Protection mechanism, several West African countries were provided with four mobile laboratories shipped over on 150 cargo flights and dozens of epidemiological experts.

#### 4.6.3 Conclusion on human development

Commitment	Effort
Promote social inclusion and cohesion and continue to support partner countries in their efforts to build strong, good quality resilient healthcare systems	 <p>There have been efforts by the EU and its Member States to provide a wide range of support on human development.</p>
EU to allocate at least 20 % of its Official Development Assistance to social inclusion and human development	

## 5. INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT (ACTION AREA D)

### 5.1 Objectives

Trade is the centrepiece of the new development framework: the Addis Agenda and the SDGs stress its contribution to reducing poverty, promoting decent employment, empowering women and reducing inequalities. The vision set by the 2030 Agenda is at the core of the new European Consensus on Development. The EU recognises the driving role of trade in addressing poverty in developing countries and promoting sustainable development. The main objectives on trade are to:

- a) significantly increase world trade in a manner consistent with the SDGs, including exports from developing countries, in particular from the LDCs with a view towards doubling their share of global exports by 2020 as stated in the Istanbul Programme of Action;<sup>63</sup>
- b) implement the Bali package,<sup>64</sup> including ratifying the Trade Facilitation Agreement, introducing simplified and preferential rules for imports from LDCs; giving preferential treatment to services and suppliers of services from LDCs (Services Waiver), and duty free/quota free market access for LDCs;
- c) ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively; and
- d) promote aid for trade to support the implementation of the 2030 Agenda to better address developing countries' trade and productive capacities, facilitate MSME integration into global value chains, and allocate an increased proportion of aid for trade to LDCs.

#### Most relevant SDG goals and targets

2.b: Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round

8.a: Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries

10.a: Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organisation agreements

17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organisation, including through the conclusion of negotiations under its Doha Development Agenda

17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020

17.12: Realise timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organisation decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access



<sup>63</sup> United Nations (2011), *Fourth United Nations Conference on the Least Developed Countries, 'Programme of Action for the Least Developed Countries for the Decade 2011-2020*, 23 May 2011.

<sup>64</sup> The Bali Ministerial Declaration and accompanying ministerial decisions — known informally as the Bali Package — were adopted at the Bali Ministerial Conference on 7 December 2013.

## 5.2 Implementation

### *Multilateral, regional and bilateral trade*

Trade is in every aspect an important driver for inclusive growth and sustainable development. The share of developing countries' exports has increased significantly and in 2015 it reached 44.6 % of global merchandise exports (see figure 17).

In 2016, a sluggish global demand curbed their exports to 43.7 %. Developing economies in Asia, including China, account for the majority of the exports from developing countries, representing 35.9 % of global trade in 2016. Other developing regions did not perform as well. African exports are still marginal and decreased from their peak of 3.5 % in 2012 to 2.2 % in 2016. Developing countries in the Americas (including Argentina, Brazil, Chile and Mexico) saw their share in world trade drop from 6.1 % in 2012 to 5.5 % in 2016. Such a decrease is partially due to the drop of international commodity prices. However, World Trade Organisation (WTO) projections for 2017 and 2018 show an upward trend with a 4 % increase in merchandise exports from developing economies.<sup>65</sup>

<b>Figure 17: Share of total merchandise exports by groups, 2007-2016 ( % )</b>										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Developed economies	58.3	56.5	56.4	53.9	52.5	51.1	51.2	51.4	52.2	53.5
EU-28	38.2	36.8	36.7	33.9	33.2	31.4	32.1	32.4	32.7	33.6
Developing economies	37.8	39.0	39.9	42.1	43.1	44.5	44.5	44.6	44.6	43.7
Developing ex-China	29.1	30.2	30.3	31.8	32.7	33.4	32.9	32.3	30.8	30.6
Developing: Africa	3.1	3.5	3.1	3.4	3.3	3.5	3.2	2.9	2.4	2.2
Developing: America	5.6	5.6	5.6	5.8	6.1	6.1	5.9	5.7	5.6	5.5
Developing: Asia	29.0	29.9	31.1	32.8	33.6	34.9	35.4	35.9	36.6	35.9
LDCs	0.9	1.0	1.0	1.1	1.1	1.1	1.1	1.1	0.9	0.9
ACP	2.3	2.5	2.3	2.6	2.7	2.6	2.5	2.4	2.0	1.8
Memo: World exports (USD billions)	3 579	4 017	3 589	3 919	4 406	4 530	4 820	5 154	4 862	4 879

**Source:** United Nations Conference on Trade and Development, UNCTADStat, Merchandise: Total trade and share, annual, 1948-2016.

While the share of LDCs in world merchandise and commercial services exports remains far too low, below 1 %, there are some positive signs for a potential recovery driven by access to EU markets. Firstly, over the past few years the EU strengthened its role as the main export market for LDCs' goods, followed by China (21 %) and the United States (8.2 %): its share of global LDCs' exports of goods increased from 20.5 % in 2012 to nearly 25 % in 2016. Secondly, the composition of EU imports from LDCs has significantly changed, shifting progressively from fuel and mining products to manufactured goods. In 2016, EU imports of manufactured goods grew by nearly 8 % to EUR 25.3 billion, or 68.4 % of total imports from LDCs, against 47.1 % in 2012.

<sup>65</sup> WTO (2017), *Overview of Developments in the International Trading Environment, Annual Report by the Director-General*, 16 November 2017, p. 19.

However, these trade figures can be volatile. A sharp fall in commodity prices in 2016 led to an 8.3 % decrease of EU imports from LDCs compared to 2015<sup>66</sup>.

External trade is an exclusive EU competence. The EU overall strategy for trade and investment, *Trade for All*, adopted in 2015, includes guidelines on trade with developing countries. The focus is on reducing poverty, ensuring sustainable development, respecting human rights and promoting good governance.<sup>67</sup>

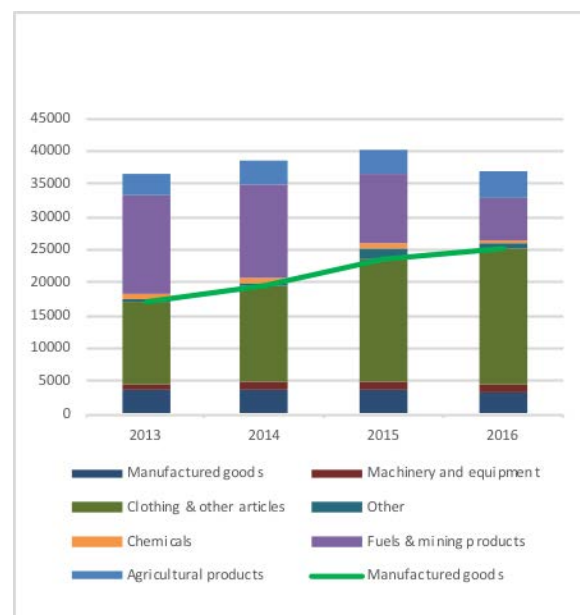
The EU uses several trade and development instruments to the benefit of developing countries, aligned to the SDGs and the new Consensus. These focus essentially on strengthening market access opportunities for developing countries, via support for advancing development issues in multilateral trade negotiations, via unilateral trade preferences and bilateral and regional trade agreements with developing countries, and supporting developing economies, particularly LDCs and other countries most in need via aid for trade.

The EU firmly believes in the central role of the **multilateral trading system** and its crucial role for development. The WTO negotiations are particularly important for promoting growth in developing countries. In multilateral negotiations and in particular in the recent 11th WTO Ministerial Conference (Buenos Aires, December 2017), the EU has shown a readiness to engage constructively on the development dimension of all issues which were discussed. The EU is committed to advancing development issues and will encourage WTO Members to engage in an open and constructive discussion on new approaches on trade and development issues.

Deepening the debate on development and **special differential treatment**, which is fundamental for the WTO, is also a priority for the EU. While the EU has made important steps in the direction of reducing non-tariff barriers (e.g. technical standards) for importers from developing countries, there is room for improvement. Therefore the EU will seek to cooperate with other partners to reduce regulatory fragmentation related to non-tariff measures, which affects mostly SMEs and in particular producers in developing countries. It will also further support exporters in developing countries in reaching compliance with technical regulations and safety standards.

The EU played a significant role in spearheading the agreement on **agricultural export subsidies** at the WTO Conference in Nairobi in December 2015. Under the agreement, developed countries committed to immediately remove export subsidies, except for a handful of agriculture products, and developing countries to do so by 2018, with a longer time-frame in some limited cases. There

**Figure 18: EU imports of goods from LDCs, 2013-2016 (EUR millions)**



Source: European Commission, "European Union, Trade in goods with LDCs", November 2017

<sup>66</sup> European Commission (2017), *Trade in goods with LDC (Least Developed Countries)*, p. 7.

<sup>67</sup> European Commission (2015), *Trade for All - New EU Trade and Investment Strategy*, Communication from the Commission, October 2015.

was also some progress made on development issues, in particular for LDCs on for example preferential rules of origin, and preferential treatment to services.

The EU was also among the promoters of the **Trade Facilitation Agreement (TFA)**<sup>68</sup>, agreed at the Ninth WTO Ministerial Conference of Bali in December 2013, which entered into force on 22 February 2017. The Agreement aims at reducing red tape (e.g. through enhanced customs cooperation) and at accelerating the movement, release and clearance of goods, including goods in transit. The Agreement provides a differential treatment for developing countries as well as an even higher greater degree of flexibility for LDCs. It also recognises the need for donors to enhance assistance and support for capacity-building.

The EU and nine of its Member States<sup>69</sup> earmarked EUR 600 million over 3 years starting from the ratification of the WTO's Trade Facilitation Agreement in 2015, to support trade facilitation with developing countries, with LDCs receiving high priority. The EU prioritises trade facilitation: 30 % of its trade-related support includes a component on trade facilitation. Furthermore, the EU has also contributed to the trade facilitation work of other organisations, e.g. UNCTAD.<sup>70</sup>

Services represent a growing sector in the world's economy, with a high potential for job creation, and trade can be a stimulus for building up the sector in developing countries. Granting preferential treatment for services and service suppliers from LDCs can contribute to boosting the sector. In November 2015, the EU opened its market to services from LDCs, in accordance with the **LDC Services Waiver** adopted through WTO ministerial decisions in 2011 and 2013. In doing so, the EU responded to the collective request of LDCs and offered an improved market access in a number of service sectors, such as travel and tourism, financial services, transport and ICT. These measures, along with others aimed at strengthening bilateral and regional trade, should boost trade in services from LDCs, which currently lingers at a very low 0.7 % of global exports in services.

**Preferential trade schemes.** The EU's new Generalised Scheme of Preferences (GSP), a preferential tariff system aimed at enabling trade with developing countries, entered into force in January 2014. The GSP has three separate arrangements:

- a) the general arrangement ('standard GSP') grants duty reductions for around 66 % of all EU tariff lines to low-income or lower-middle income countries, which do not benefit from other means of preferential trade access to the EU market. During 2016, there were 23 standard GSP beneficiaries whose imports to the EU amounted to EUR 31.6 billion;
- b) the special incentive arrangement for sustainable development and good governance ('GSP+') grants full duty suspension for essentially the same 66 % of tariff lines as standard GSP to vulnerable low-income or lower-middle income countries. In return, beneficiary countries must ratify and effectively implement 27 core international conventions, as listed in the GSP Regulation, which cover human and labour rights, environmental protection and good governance. During 2016, there were 10 GSP+ beneficiaries whose import to the EU amounted to EUR 7.5 billion; and
- c) the special arrangement 'Everything But Arms' ('EBA') grants full duty-free, quota-free access for all products except arms and ammunition to countries classified by the UN as LDCs. Other

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<sup>68</sup> WTO (2014), *Protocol Amending the Marrakesh Agreement Establishing the World Trade Organisation*, Decision of 27 November 2014 - 'Trade Facilitation Agreement', WT/L/940

<sup>69</sup> Austria, Finland, France, Germany, Ireland, the Netherlands, Spain and the UK.

<sup>70</sup> WTO (2017), *Trade Policy Review – The European Union*, Report by the Secretariat, 13 October 2017.

than for standard GSP and GSP+, countries do not lose EBA status by entering into a Free Trade Agreement (FTA) with the EU. During 2016, the EU imported EUR 23.5 billion from the 49 countries benefiting from the EBA regime<sup>71</sup>.

**Regional and bilateral trade agreements.** The EU has thus far concluded and signed nine Economic Partnership Agreements (EPAs) involving 50 African, Caribbean and Pacific (ACP) countries. EPAs have a specific development focus, as they include a series of principles, objectives and specific initiatives to use trade as an instrument to promote development and systematically include development cooperation as an essential dimension in implementing the agreement. EPAs offer provisions aimed at helping weaker developing countries to trade with the EU, such as i) very long transition periods or even exclusions from market opening, ii) special safeguards for the development of infant industry and on food security, and iii) voluntary EU restraint on WTO safeguards or the use of dispute settlement<sup>72</sup>. EU funding from the European Development Fund and other sources supports partner countries to make the most of such trade agreements. Of these, the EPAs in the Caribbean and in the Pacific, as well as three African EPAs are already at implementation stage, involving 29 ACP countries. Not all countries that would be eligible to adhere to the EPAs have opted to do so.

In parallel, the EU has concluded a series of Free Trade Agreements with other developing countries in Asia, Latin America, Europe's Eastern neighbourhood and the Southern Mediterranean. The EU is pursuing a comprehensive approach which looks beyond tariffs at a wide range of 'behind-the-border issues' such as trade facilitation, technical, social and environmental rules, services, intellectual property rights and public procurement, all of which can play an increasingly important role in making trade work for development. As of January 2018, the EU has 23 Free Trade Agreements in place and six further FTAs have been concluded but implementation has not started yet.

Within the context of its preferential treatment and regional trade agreements, between 2005 and 2016, the EU took several measures to simplify **rules of origin** for goods imported from developing countries, in particular LDCs. The EU has also introduced more flexibility for sourcing based on regional and trans-regional cumulation between countries. These provisions allow LDC exporters to export goods to the EU that may have been partially sourced from other countries that meet certain requirements, such as geographical proximity, adherence to a regional trade agreement or qualifying as LDCs.<sup>73</sup>

**Trade and sustainable development.** EU's recent trade agreements systematically include provisions on labour standards, environmental protection and other societal issues negotiated and implemented with partner countries, involving both government and civil society. The EU regularly monitors these provisions to ensure that they are implemented effectively by partner countries. The EU and its Member States also offer support to partner countries in following through with commitments on trade and sustainable development.

- Germany helped nearly 900 Bangladeshi textile factories to comply with national labour laws and international guidelines and over 200 factories to improve their environmental standards.

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<sup>71</sup> European Commission (2018), *Report on the Generalised Scheme of Preferences covering the period 2016-2017*, COM(2018) 36 final.

<sup>72</sup> European Commission (2017), *Implementation of Free Trade Agreements; 1 January 2016 - 31 December 2016*, COM(2017) 654 final.

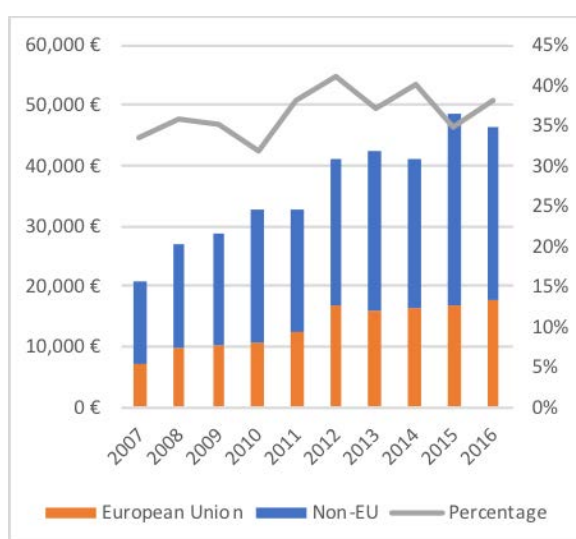
<sup>73</sup> World Trade Organisation (2015), *Preferential Rules of Origin for Least Developed Countries*, Ministerial Decision of 19 December 2015

- The Netherlands has been instrumental in enabling Trademark East Africa to set up projects to address the specific needs of female cross border traders. By 2017, 25,000 small-scale female traders have been trained through Trademark East Africa.

### *Aid for trade*

The European Union confirmed its strong leadership among the providers of aid for trade (AfT). Between 2010 and 2016, the EU and its Member States collectively more than doubled their aid for trade commitments which reached EUR 17.6 billion (EUR 13.5 billion excluding EIB loans), representing a share of 38 % of worldwide aid for trade.<sup>74</sup>

**Figure 19: EU aid for trade commitments, 2007-2016 (EUR millions, current prices)**



Source: OECD Stats.

Member States allocated EUR 9.8 billion to aid for trade, with Germany providing the majority of this amount (54 %) followed by France (22.6 %), the UK (7.7 %) and the Netherlands (4.6 %). While the collective aid for trade grew in 2016, aid for trade from Member States declined by approximately EUR 1 billion, a drop which does not necessarily imply a negative trend given the overall volatility of aid for trade. Two Member States also report sizeable concessional loans. Between 2012 and 2016, such loans represented on average about 90 % of aid for trade for France and about 66 % for Germany. The latter also reported equity investments representing on average 11 % of AfT.

<sup>74</sup> Data from OECD - Creditor Reporting System. Included are EIB loans (since 2011); not included: Category 6: 'Other trade related needs', reported separately by the EU.

The EU and 13 of its Member States<sup>75</sup> support the **Enhanced Integrated Framework** to help the LDCs harness trade for poverty reduction, inclusive growth and sustainable development. The EU and 7 of its Member States<sup>76</sup> also support the **Standards and Trade Development Facility**, which assists developing countries to better implement international human, animal and plant health standards in order to improve access to global markets. Aid for trade initiatives focus also on MSMEs in developing countries: given their prominent role in local economies and as exporters, several initiatives by the EU and its Member States are devoted to increasing their participation in global value chains, complying with technical and safety standards of export markets, easing access to markets through digital platforms and promoting and facilitating fair trade linkages.

#### **Box 11 - Initiatives to boost exports by developing economies**

- **Austria** set up an information hub for exporters in developing countries in collaboration with the Austrian retailer association.
- **Belgium** allocates EUR 5-10 million yearly for its trade development centres in partner countries.
- The **Czech Republic, Germany and Sweden** support capacity-building for exporters in partner countries.
- **Hungary** helps Vietnamese exporters to better understand rules and regulations that are applicable to their market.
- The **Netherlands** reported over 40 different initiatives aimed at strengthening SMEs and facilitating trade from developing countries. These include also private public-private partnerships with Dutch firms to develop sustainable value chains involving producers in developing countries.
- The **Netherlands, Portugal and Romania** reported on their initiatives aimed at assisting developing countries to meet food safety standards and regulations.
- **Denmark, Finland, Ireland, the Netherlands, Sweden and the UK** support the Advisory Centre on WTO Law, which provides legal advice and training to developing countries on WTO law and support in dispute settlements.

Initiatives also target non-LDC partner countries. With the Euromed Trade help-desk, which came online in 2017, the EU's goal is to strengthen economic ties with Southern Mediterranean countries, and to strengthen economic integration between these countries. The help-desk was developed by the Euro-Mediterranean Trade and Investment Facilitation Mechanism project which is a joint initiative between the EU and the International Trade Centre (ITC). It provides free of charge and up-to-date market access information in all partner countries. This one-stop-shop for trade related information enables businesses, especially SMEs, to easily find data on the market conditions and requirements in their export destinations.

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<sup>75</sup> Belgium, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Luxembourg, Netherlands, Spain, Sweden, the United Kingdom.

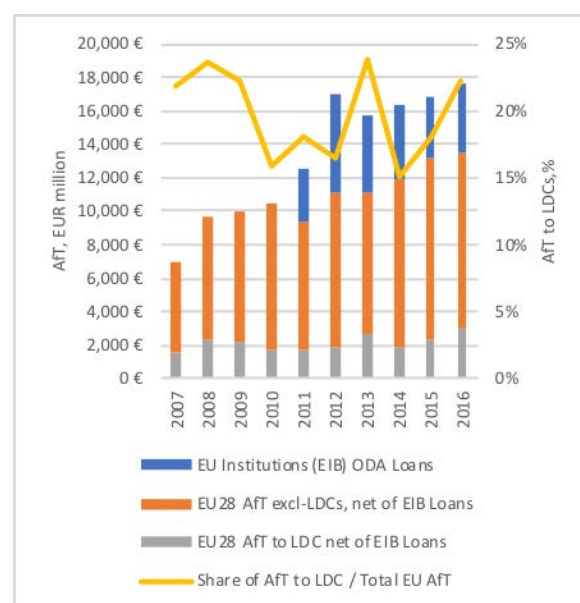
<sup>76</sup> Germany, Finland, France, Ireland, the Netherlands, Sweden, the United Kingdom.

**Updating the EU Aid-for-trade strategy.** In November 2017, the Commission adopted a Communication on achieving prosperity through trade and investment which updated the joint EU strategy on AfT. The Communication<sup>77</sup> further identifies cross-cutting drivers such as trade and investment to fight poverty and create more and better jobs. It is also in line the Trade for All Strategy<sup>78</sup>. Indeed, the EU and its Member States seek to encourage a more coherent mobilisation of EU AfT in view to helping developing countries to take full developmental advantage from the various policy instruments at the EU's disposal, notably EU trade agreements/unilateral trade preferences with developing countries. The updated strategy, endorsed by the Council in December 2017,<sup>79</sup> builds on 10 years of EU AfT assistance and establishes guidance for:

- i) reducing aid fragmentation while increasing developmental leverage,
- ii) boosting the relevance and impact of AfT through dialogue and cooperation with stakeholders,
- iii) improving environmental and social sustainability through economic development,
- iv) establishing different approaches towards Least Developed Countries and countries in situations of fragility, and v) improving monitoring and reporting.

The EU and its Member States have also committed to increasing AfT to LDCs, in order to reach up to a quarter of their collective spending in this area to improve these countries' export capacities and thus contribute to doubling their share in global export markets<sup>80</sup>. The average aid for trade share going to LDCs from 2010 to 2015 was 18 %. In 2016, the EU raised the share of AfT to LDCs to nearly 23 %.

**Figure 20: EU28 Aid for Trade, 2007-2016 (EUR millions, %)**



Source: OECD Stats.



<sup>77</sup> European Commission (2017), *Achieving Inclusive and Sustainable Prosperity through Trade and Investment: Updating the joint EU Strategy on Aid for Trade*, Commission Communication, COM(2017) 667.

<sup>78</sup> European Commission (2015), *Trade for all – Towards a more responsible trade and investment policy*, COM(2015) 497 final; and European Commission (2017), *Report on the Implementation of the Trade Policy Strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation*, COM(2017) 491 final.

<sup>79</sup> Council of the European Union (2017), *Achieving Inclusive and Sustainable Prosperity through Trade and Investment: Updating the joint EU Strategy on Aid for Trade*, Council Conclusions (11 December 2017).

<sup>80</sup> "Increase the proportion of EU and Member States' aid for trade directed towards Least Developed Countries with a vision to progressively achieve one fourth of total EU aid for trade by 2030." In European Commission (2017), *Achieving Inclusive and Sustainable Prosperity through Trade and Investment: Updating the joint EU Strategy on Aid for Trade*, Commission Communication, COM(2017) 667.

### 5.3 Conclusion on international trade

Commitments	Effort	Progress
<p>a) Significantly increase world trade in a manner consistent with the Sustainable Development Goals, including exports from developing countries, in particular from the LDCs with a view towards doubling their share of global exports by 2020</p> <p>b) Implement the Bali package, including ratifying the Trade Facilitation Agreement, introducing simplified and preferential rules for imports from LDCs; giving preferential treatment to services and suppliers of services of LDCs (Services Waiver), and duty free / quota free market access for LDCs</p> <p>c) Ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively.</p> <p>d) Promote Aid for Trade and facilitate MSME integration in global value chains. Allocate an increased proportion of Aid for Trade to LDCs.</p>	 <p>The EU has played a driving role in negotiating multilateral agreements within the WTO.</p> <p>The EU is negotiating or has concluded in recent times several trade agreements with developing countries.</p> <p>Several measures to increase exports by LDCs have been implemented.</p> <p>EU's recent trade agreements systematically include provisions on labour standards, environmental protection and other societal issues.</p> <p>Aid for trade by the EU and its Member States is supporting productive capacity of MSMEs in developing countries, helping them to join global value chains.</p> <p>The average aid for trade share going to LDCs from 2010 to 2015 was 18 %.</p>	 <p>The Trade Facilitation Agreement has been ratified. The EU notified to the WTO its approval of the Service Waiver.</p> <p>Duty free/quota free market access have been granted to LDCs.</p> <p>The EU has become the main export market for LDCs.</p> <p>The composition of exports from LDCs to the EU has shifted away from commodity dependency towards manufactured goods.</p> <p>With a share of 38 % the EU is collectively the main provider of Aid for Trade.</p> <p>In 2016, the EU collectively raised the share of AfT to LDCs to nearly 23 %.</p>

## 6. DEBT AND DEBT SUSTAINABILITY (ACTION AREA E)

### 6.1 Objectives

The Heavily Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) managed to rein in the unsustainable debt levels of the early 2000s, which led to an improvement of debt indicators of highly indebted poor countries. The HIPC initiative has been effective in reducing the debt burden of the 36 post-decision point countries: i) their present value of debt to GDP went from 114 % in 1999 to 22 % in 2015; and ii) their poverty-reducing expenses as a percentage of government revenues increased from 42 % to 45 % in the same period.

#### Most relevant SDG goals and targets

17.4: Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress



Yet, in their drive to scale up investment spending to attain their development objectives, developing countries and in particular low-income economies have experienced rapidly rising debt levels in the last 3 years. While a certain degree of debt is inevitable, unsustainable debt puts countries on a difficult path.

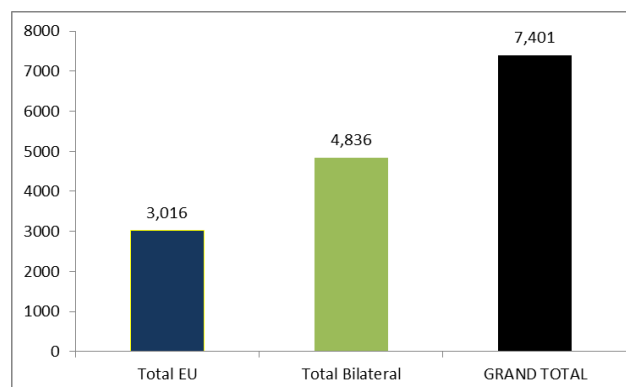
In the Addis Agenda, the need to assist developing countries in attaining long-term **debt sustainability** is to be achieved through coordinated policies aimed at debt financing, debt relief, **debt restructuring and sound debt management**. The Addis Agenda also calls for collaboration between debtors and creditors to prevent and resolve unsustainable debt situations and encourages the study of new financial instruments for developing countries.

### 6.2 Implementation

**Figure 21: EU contribution to the Debt Relief Trust Fund (USD millions) as of end-August 2016**

	Resources Contributed	Accumulated Investment Income	Resources Allocated for Debt Relief Grants	Available Balance
Austria	82	5	-85	2
Belgium	59	4	-60	2
Denmark	72	-	-66	6
EU Institutions	953	70	-1,022	-
Finland	98	16	-97	17
France	101	11	-101	10
Germany	195	20	-214	1
Greece	5	2	-7	1
Ireland	27	7	-31	3
Italy	99	7	-100	6
Luxembourg	1	-	-1	-
Netherlands	454	26	-464	15
Portugal	15	1	-16	-
Spain	125	6	-125	7
Sweden	105	22	-119	8
UK	423	5	-428	-
<b>Total EU</b>	<b>2,814</b>	<b>202</b>	<b>-2,936</b>	<b>78</b>

**The EU is at the forefront of debt relief** thanks to its contribution to the World Bank's Debt Relief Trust Fund which funds the HIPC initiative (Figure 22). The EU's collective financing is equal to 62 % of the total bilateral contribution and 41 % of the overall total contribution. Selected activities from individual Member States are worth-mentioning:



**Figure 22: Contribution to the Debt Relief Trust Fund (USD millions) as of end-August 2016**

**Source: HIPC/MDRI Initiatives – WB/IMF Statistical Update August 2017.**

#### **Box 12 - Promoting debt sustainability**

- France provided EUR 686 million in 2015-2016 under its Debt Reduction-Development Contract (C2D), **a tool to restructure the debt of heavily indebted poor countries**. After repaying a debt tranche on time, the indebted country receives an equivalent grant from France, which is earmarked for poverty reduction initiatives.
- Spain approved **debt swaps** in exchange for increased public investment expenditures with the Democratic Republic of Congo and Côte d'Ivoire (EUR 110.8 million) in 2017.
- Germany provided **debt relief to Chad and Guinea-Bissau** (completion point relief as part of the HIPC process) in 2016.
- Poland signed a **debt swap with Mongolia and Cambodia** in 2017. It freed resources for higher education and renovation works.
- Sweden financed a **forensic audit of three state-guaranteed off-budget loans**, totalling USD 2 billion or around 20 % of GDP, in Mozambique in 2016-2017.

The EU recognises the importance of responsible lending and borrowing practices and supports efforts within existing initiatives such as those promoted by the G20, the Paris Club, UN and the International Financial Institutions.

Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden and the UK are **members of the Paris Club** and contribute to its deliberations and actions. The Club is an important platform for debtor-creditor engagement. *Pari passu* clauses, which limit the power of hold-out creditors, are included in euro-denominated bonds. The UK, France, and Belgium have enacted **laws to stop vulture funds from undermining debt restructuring processes**. In broad terms, the laws are meant to protect developing countries from

being sued and having their assets seized by creditors who bought their debt when they were in, or near default.

Additionally Belgium, France, the Netherlands and the UK are members of the African Legal Support Facility (ALSF), a public international institution hosted by the African Development Bank Group, which provides, among other things, legal services in cases of foreign creditor litigations.

**For debt management**, the European Union, France, Germany, Ireland, Italy, the Netherlands and Sweden support UNCTAD's Debt Management and Financial Analysis System (DMFAS) programme. The programme has developed an IT platform for debt management that is used in 86 institutions in 57 developing countries. The European Union, Austria, Germany and the Netherlands also support the Debt Management Facility (DMF). It is a multi-donor trust fund managed by the World Bank whose objective is to strengthen the debt management capacity of Low-income countries.

The World Bank/IMF Debt Sustainability Framework (DSF) is a key reference for **assessing debt sustainability** in the context of EU development cooperation. **The UK, Sweden and the Netherlands have been particularly active in the 2017 review of the DSF.** The DSF helps low-income countries maintain a sustainable level of debt while striving to achieve their development plans. It also supports countries that have received debt relief under the HIPC/MDRI Initiatives. Two diagnostic tools are used: i) the debt sustainability analysis (DSA) for upstream debt management, which assesses the country's risk of debt distress; and ii) the debt management performance assessment (DeMPA) to assess the debt management performance of countries, based on standard indicators and help identifying weaknesses and actions plans to address them.

Through the European Commission – IMF strategic partnership framework, the EU is a major player in supporting developing countries in macroeconomic and fiscal management. It is a major contributor to the IMF Regional Technical Assistance Centres, which deliver hands-on, regular technical assistance to developing countries, including on debt management.

In the framework of its bilateral cooperation, the European Commission is implementing budget support programmes in 90 countries and territories worldwide, in the form of grants. Macroeconomic stability and debt sustainability are an integral part of the conditions, analysis and policy dialogue of budget support programmes. If the risk of debt distress increases, mitigating measures can be designed, together with the national authorities, to address the situation.

The export credits agencies of the EU Member States participate in the Working Party on Export Credits and Credit Guarantees (ECG) organised by the OECD. In 2016 the ECG approved the **revised principles and guidelines to promote sustainable lending practices** when providing official export credits to developing countries. This agreement will guide ECG members in their decision whether or not to support a transaction involving a public-sector buyer (or guarantor) in a lower income country. In particular they will take into account the results of the most recent debt sustainability analysis and respect the limits on public sector non-concessional borrowing for a specific country.

Under the German Presidency of the **G20**, the European Commission and all G20 countries, which include France, Germany, Italy and the UK, **endorsed operational guidelines for sustainable financing** at their meeting in Baden-Baden in March 2017. The guidelines cover five principles: i) adequate financing for sustainable development; ii) information-sharing and transparency; iii) consistency of financial support; iv) coordination of stakeholders; and v) promotion of contractual and new financial instruments and minimisation of litigation issues to strengthen resilience.

### 6.3 Conclusion on debt and debt sustainability

Commitment	Effort
<p>Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at debt financing, debt relief, debt restructuring and sound debt management. Addis Agenda also calls for collaboration between debtors and creditors to prevent and resolve unsustainable debt situations</p>	<div data-bbox="1018 286 1220 385" data-label="Figure"> </div> <p>The EU and its Member States are at the forefront of debt relief thanks to the EU's contribution to the World Bank Debt Relief Trust Fund, managed by World Bank which funds the HIPC initiative. The EU financing is equal to 62 % of the total bilateral contribution and 41 % of the overall total contribution. The EU is also active in the area of debt management.</p>

## 7. ADDRESSING SYSTEMIC ISSUES (ACTION AREA F)

### 7.1 International governance

#### *Objectives*

Since the financial crisis ten years ago there has been the realisation that economic events in a country can have significant and immediate spill-over effects in the surrounding region and worldwide. Despite few exceptions, the international community as a whole has intensified its efforts to strengthen global governance and its regulatory standards.

The Addis Agenda calls for measures to improve and strengthen global economic governance and to arrive at a stronger, more coherent and more inclusive and representative international structure for sustainable development. It also recognises the importance of supporting Multilateral Development Banks. The new European Consensus on Development also restates the need of strengthening partnerships with multilateral organisations, at both international and regional level. Additionally, the Global Strategy on the EU's Foreign and Security Policy approved in June 2016 promotes a rules-based global governance. Cooperative regional orders and global governance for the 21<sup>st</sup> century feature prominently among its priorities.

#### Most relevant SDG goals and targets

10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

16.8: Broaden and strengthen the participation of developing countries in the institutions of global governance

17.13: Enhance global macroeconomic stability, including through policy coordination and policy coherence



#### *Implementation*

**The EU and its Member States have been active in promoting and implementing the reform of international governance.** In particular, they supported the **reform of the IMF** which became effective in 2016. The reform led to the doubling of the quota resources and an increase in aggregate vote rights for developing countries.

**The EU and its Member States continue to be advocates of a reform of the United Nations.** The EU and its Member States played an active role in negotiations on the Quadrennial Comprehensive Policy Review, through which the General Assembly assesses the effectiveness, efficiency, coherence and impact of UN operational activities for development. They provided active support to ensuing discussion on the reform of the United Nations Development System in line with the 2030 Agenda.

The European Commission and several Member States, among which Germany, Ireland and Italy, support the **Global Partnership for Effective Development Cooperation**, which is a multi-stakeholder platform to advance the effectiveness of development efforts by all actors, to deliver results that are long-lasting and contribute to the achievement of the Sustainable Development Goals (SDGs). It advocates for greater inclusivity to take in due consideration the needs and concerns of developing countries.

Member States have contributed to strengthening global governance through several other initiatives.

### **Box 13 - Contributing to strengthened global governance**

- **Italy** held the G7 Presidency in 2017. The May 2017 summit in Taormina agreed on a roadmap for a gender-responsive economic environment and an action plan on innovation, skills and labour. It also highlights the key role of the African Union and regional organisations and insists on joined up efforts in various action areas.
- **Germany** held the G20 Presidency from December 2016 to November 2017 and succeeded in launching the **G20 Compact with Africa** to promote private investment in Africa, including in infrastructure. It also helped progress on a wide range of essential topics in the Addis Agenda such as economic resilience, international financial architecture, international tax policy cooperation and remittances.
- Since July 2017, the **Czech Republic** has been presiding over the United Nations Economic and Social Council (ECOSOC). The priority topic of its Presidency is 'Towards sustainable, resilient and inclusive societies through participation of all'.


**The EU and its Member States are firm supporters of multilateral and regional organisations and support has been directed to strengthen multilateral development banks and regional organisations.** In 2017, the EU and 16 of the 28 Member States reported investments at the international level in strengthening multilateral and regional organisations. Investments crossed a wide range of global challenges including in peace-building and conflict mitigation and development effectiveness. Some Member States have decided to channel most of their development cooperation aid through international organisations, this is the case for Cyprus for instance for which 75 % goes through international organisations.

The European Union supports the **African Union** through numerous initiatives, including through the strengthening of the financial systems of the African Union Commission (AUC). It also supports the organisation through the Pan-African programme which focuses on five priority areas of intervention: peace and security; democracy, good governance and human rights; human development; sustainable and inclusive development and growth and continental integration; and global and cross-cutting issues. It has a budget of EUR 845 million for the period 2014-2020. The African Peace Facility aims at supporting the African Union and African Regional Economic Communities in the area of peace and security.

Germany supported **multilateral development banks**, namely the Asian Development Bank, African Development Bank, Caribbean Development Bank, Inter-American Development Bank and the International Fund for Agricultural Development in strengthening their financial profile which is critical to ensure their triple-A rating.

The EU and 14 Member States<sup>81</sup> reported continued outreach to developing countries to improve their participation in decision making. Portugal has for example been involved in the efforts undertaken by multilateral institutions to align their respective mandates, policies and instruments to the SDGs, in particular the newly created contact network of the Community of Portuguese-Speaking Countries (CPLP) aimed at achieving the SDGs.

### *Conclusion on international governance*

Commitment	Effort
The Addis Agenda calls for measures to improve and enhance global economic governance and to arrive at a stronger, more coherent and more inclusive and representative international architecture for sustainable development	 <p>The EU and its Member States have been active in promoting and implementing the reform of international governance, including the 2016 reform of the IMF. The EU and its Member States are also a strong advocate for the UN reform. EU support has been directed to strengthen multilateral development banks and regional organisations. EU support has also been directed to strengthening international and regional regulatory standard setting and their entities.</p>

## 7.2 Policy coherence for sustainable development

### *Objectives*

The Addis Agenda calls for greater attention to policy coherence across all three dimensions of sustainable development – economic, social and environmental. It recognises that countries need to assess their policies' impact on sustainable development. The SDGs reaffirm the commitment to eradicate poverty but inscribe this commitment within the wider context of supporting democratic values, protecting fundamental human rights, investing in sustainable environmental management and promoting dignity and fair labour practices. Policy coherence among these different features is essential.

#### Most relevant SDG goals and targets

17.14: Enhance policy coherence for sustainable development



### *Implementation*

Since 2015, the EU has also taken steps to further promote policy coherence for development. The new Consensus calls on development partners to ensure that development cooperation objectives are mainstreamed in related policies that are likely to affect developing countries, including trade, finance, environment, climate change, food security, migration and security. Additionally, the 2016 Global Strategy for the EU's Foreign and Security Policy is the basis for a shared vision and common approach to security, international development and foreign relations policies. It

<sup>81</sup> Austria, Belgium, the Czech Republic, Germany, Estonia, Greece, Spain, Finland, Ireland, Malta, the Netherlands, Portugal, Slovenia, and the United Kingdom.

advocates for policy coherence across EU institutions while at the same time emphasizing the need for policy coherence consistent between the EU and its Member States.

The EU's external migration policy – the Global Approach to Migration and Mobility (GAMM) helps for example to ensure policy coherence between migration and development. It strengthens the cooperation between the EU and partner countries and contributes to social and economic development by improving migration management in selected countries (better organising legal migration of non-EU country residents towards the EU, addressing irregular migration, maximising the development benefit of migration and promoting international protection). Impact Assessments and other studies are a key tool for the European Commission for promoting policy coherence for development and ensuring that policy initiatives and proposals take better account of possible impacts on developing countries. For example, a study assessed the economic benefits generated by the EU Trade Regimes towards developing countries in 2015<sup>82</sup>.

The promotion of policy coherence for development and of common approaches is a stepping stone for the promotion of policy coherence for sustainable development at all levels. As part of its effort to align its policies and practice with the SDGs, the EU set out its strategic approach for achieving sustainable development in Europe and around the world in November 2016. The Commission Communication on Next Steps for a Sustainable European Future<sup>83</sup> describes how the SDGs join up to the European policy framework and Commission priorities, assessing where the Union stands, identifying the most relevant sustainability concerns and ensuring that all Union actions and policy initiatives, within the EU and globally, take the Sustainable Development Goals on board at the outset.

The European Commission uses its 'Better Regulation' tools to ensure that the sustainability dimension is factored into its policies. The structure of the Juncker Commission, organised around 'projects' managed by the Vice-Presidents, aims at breaking down silos between sectoral policy fields to ensure policy coherence. A Commission inter-service steering group on the 2030 Agenda has been established, fully embracing the 'whole of government' approach. A mapping of EU policies and measures against the SDGs was released in July 2017. The EU has established a multi-stakeholder platform on the implementation of the SDGs in the EU, bringing together practitioners from civil society, academia and the private sector, and providing a forum for exchanging experience and best practice across sectors and at local, regional, national and EU level. The EU and 20 Member States<sup>84</sup> reported taking measures to improve institutional mechanisms to improve policy coherence. The EU and its Member States are also further enabling policy coherence by making progress in operationalising joint implementation arrangements.

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<sup>82</sup> [https://ec.europa.eu/europeaid/policies/policy-coherence-development\\_en](https://ec.europa.eu/europeaid/policies/policy-coherence-development_en)

<sup>83</sup> European Commission (2016), Next steps for a sustainable European future, Commission Communication, COM(2016) 739 final.

<sup>84</sup> Austria, Belgium, the Czech Republic, Germany, Estonia, Spain, France, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, the Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, and the United Kingdom.

#### **Box 14 - Measures to improve policy coherence for development and sustainable development**


In **Belgium** the Inter-Ministerial Conference for Sustainable Development (IMCSD), is the central coordination mechanism for dialogue between the various federal and federated authorities implementing the 2030 Agenda in Belgium. Since 2014, Belgium has also established a regulatory framework and structures to ensure policy coherence for development (PCD).

**Ireland** has agreed coordination arrangements to oversee Ireland's implementation of the SDGs. The Department of Foreign Affairs and trade and Department of Finance work closely together on all areas relating to development finance.

**The Netherlands** have established an inter-ministerial team to ensure the SDGs are implemented domestically as well as being included in their international cooperation activities.

The European Commission's Sustainable finance Action Plan for a greener and cleaner economy, presented in March 2018, is a landmark example of the promotion of policy coherence for sustainable development. Its goal is to further connect finance with sustainability and to create a common language for all actors in the financial system<sup>85</sup>.

#### *Conclusion on policy coherence for sustainable development*

Commitment	Effort
Policy coherence for sustainable development is mainstreamed across all three dimensions of sustainable development	 Increasing efforts to operationalise policy coherence for sustainable development at all levels using experience in policy coherence for development as a stepping stone

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<sup>85</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

## 8. SCIENCE, TECHNOLOGY, INNOVATION AND CAPACITY-BUILDING (ACTION AREA G)

### 8.1 Objectives

During the last decade, science, technology and innovation and information and communication technology (ICT) have continued to gain importance for sustainable development in all spheres of human activity. The role of science, technology and innovation and ICT is recognised in the Addis Agenda which dedicates a whole action area to them. It also highlights the cross-sectoral dimension, pinpointing areas such as environmental protection, clean energy, gender equality and private-sector development.

Through the Addis Agenda and SDGs, the governments committed to adopt national science, technology and innovation strategies as part of their sustainable development policy to promote access to technology and establish enabling environments. They recognise that technology, innovation and know-how are ‘powerful drivers of economic growth and sustainable development’. The Agendas also include specific commitments to support developing countries in their efforts to promote science, technology and innovation and ICT strategies. These were further corroborated by the new European Consensus on Development which insists, in particular, on public and private participation in promoting science, technology and innovation in developing countries. It also stresses the potential of official development assistance (ODA) to ‘unlock private sector investment and drive inclusive sustainable growth in developing countries’ and therefore insists on its role in leveraging science, technology and innovation. The commitments agreed in Addis Ababa were further specified in the new European Consensus on Development, i.e. to:

- a) seek to maximise opportunities from science, technology and innovation to seek new solutions to global challenges;
- b) continue investing in research and development in and for developing countries, including the enhancement of national innovation systems and the provision of scholarships;

#### Most relevant SDG goals and targets

2.a: increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development, and plant and livestock gene banks to enhance agricultural productive capacity in developing countries, in particular in least developed countries

4.b: By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing states and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries

17.6: Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism

17.7: Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed.

17.8: Fully operationalise the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology



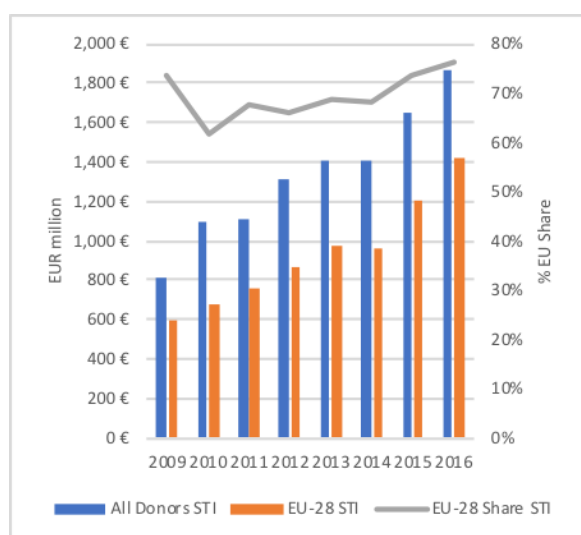
- c) continue to support information and communication technologies in developing countries as powerful enablers of inclusive growth and sustainable development;
- d) work on better including digital solutions in development and promoting the use of digital technologies in a range of priority areas (such as e-governance, agriculture, education, water management, health and energy);
- e) support enabling environments for the digital economy by improving free, open and secure connectivity and removing obstacles to unleash its full potential for sustainable development;
- f) support digital entrepreneurship, including for micro, small and medium-sized enterprises, to develop locally relevant content and promote innovation and decent job creation, as well as digital literacy and skills to empower people.

## 8.2 Implementation

### *Science, technology and innovation*

EU development cooperation has **traditionally supported higher education in developing countries, which received over EUR 1.5 billion for 2007-2014**. A review of these actions

**Figure 23: ODA for science, technology and innovation, 2007-2016 (EUR millions, %)**



Source: OECD/DAC Creditor Reporting System

concluded that they had been especially effective in improving the conditions for education, increasing the employability of students and promoting closer cooperation between regions<sup>86</sup>. The EDULINK II programme for example strengthens the capacity and improves the quality of higher education institutions in ACP countries and fosters their cooperation with EU counterparts. Gender equality is mainstreamed in the intra-African mobility scheme which seeks to provide incentives for female PhD students.

Globally, the EU is collectively by far **the largest donor of scholarships for students from developing countries**: EU spending represents almost 90 % of total ODA spending for scholarships by donor countries. Between 2014 and 2016, EU yearly in-donor country disbursements for scholarships grew

by 20 %, from EUR 2.1 billion to EUR 2.5 billion. Some Member States are very active in this area: Germany and France together provide over 70 % of the EU's yearly ODA. Scholarships are also made available to students worldwide to take part in the 'Erasmus Mundus joint master degrees': study programmes run by at least two institutions in different countries.

<sup>86</sup> European Commission (2017), *Evaluation of the EU Development Co-Operation Support to Higher Education in Partner Countries (2007-2014)*, October 2017.

### Box 15 - Medical research

The **European & developing countries clinical trials partnership programme** supports collaborative research that accelerates the clinical development of new or improved interventions against HIV/AIDS, tuberculosis and malaria and against neglected infectious diseases in sub-Saharan Africa. The partnership's second programme (2014-2024) is being implemented under Horizon 2020 with a contribution of EUR 683 million from the EU. The overall budget is nearly EUR 2 billion and the partnership involves 14 African countries and 14 European Member States.

Portugal supports the Health Research Centre in Angola which aims to carry out research directed to the main diseases that affect the LDCs.

During the **Ebola crisis**, the EU quickly mobilised EUR 138 million from its research programmes and leveraged an additional EUR 100 million from the pharmaceutical industry to fund research for vaccines, diagnostics and treatment that has the potential to save lives. The funding was partially provided through the Innovative Medicine Initiatives, a public-private partnership between the pharmaceutical industry and the EU. The research has been successful in developing vaccines and quick tests to diagnose the disease.

The EU and its Member States are also the **main providers of ODA for science, technology and innovation to developing countries**. Between 2009 and 2016, EU spending in this area (not including ICT and scholarships) more than doubled to EUR 1.4 billion, representing over 75 % of global ODA for STI.<sup>87</sup> The UK supports a significant number of projects, covering by itself over 50 % of total ODA spending by the EU in this area. The European Union, France, Germany and Sweden are other important providers.

**Capacity-building** is central to boost innovation in developing countries. The European Union supports **capacity-building in research** in key sectors such as agriculture and food security. For instance, the African Union Research Grants, funded by the Pan-African Programme with EUR 17.5 million, support research on food and nutrition security and sustainable agriculture with a view to fostering Africa's S&T capacity. Horizon 2020 is the EU's funding programme for research and innovation. With nearly EUR 80 billion in funding for 7 years (2014-2020), its aim is to improve Europe's global competitiveness. Participants from developing countries are in general automatically eligible to participate in Horizon 2020. The programme is essentially aligned with the objectives of the SDGs, focusing in particular on climate change and sustainable development. The main channel of cooperation with developing countries is through collaborative projects to tackle global challenges. Science, technology and innovation researchers and organisations in the EU work with their counterparts in third countries. However, their participation in Horizon 2020 projects during the first 2 years has been below expectations. Indeed, the share of international partners almost halved in percentage compared to previous programmes<sup>88</sup>.

To increase cooperation with developing countries on science, technology and innovation, the Commission has launched several initiatives. The Partnership for Research and Innovation in the

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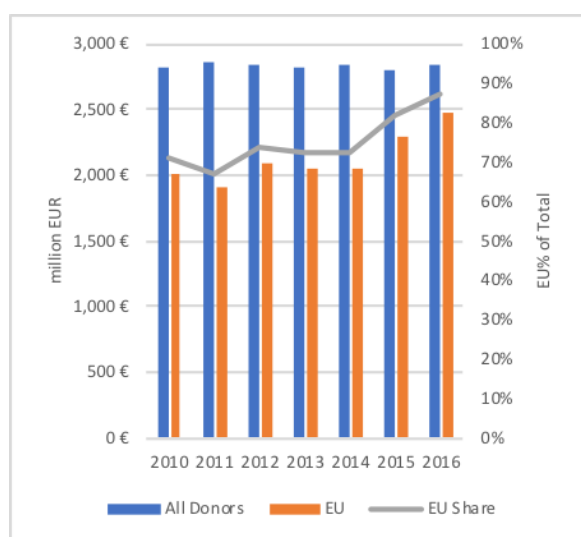
<sup>87</sup> Source: *Creditor Reporting System*, OECD, [Gross disbursements, current prices; data retrieved on 25/01/2018]. Data for the European Institutions does not include funding from the research and innovation framework programme Horizon 2020.

<sup>88</sup> European Commission (2016), *Implementation of the strategy for international cooperation in research and innovation*, Report from the Commission, COM(2016) 157, 13 October 2016

Mediterranean Area (PRIMA) initiative was successfully set up with funding by Horizon 2020 with a EUR 220 million budget until 2020, and by 19 participating States providing so far a total budget of EUR 274 million (both Member States, as well as partner countries from the Southern Mediterranean). The first calls were published in 2018<sup>89</sup>. This initiative aims at improving the knowledge base and fostering innovative solutions for sustainable agro-food systems and integrated water management. Also, two key research and innovation partnerships were signed recently with the African Union on cooperation in terms of science, technology and innovation and capacity-building/technology transfer. A first activity carries a global investment of EUR 70 million and focuses on food, nutrition and sustainable agriculture. The second partnership covers climate change and energy, with EUR 40 million in funding earmarked under Horizon 2020 in line with the Paris Agreement and the Global Framework for Climate Services<sup>90</sup>.

The European Commission also provides **policy advice** in science, technology and innovation. In 2017, it launched the EU-CELAC policy advice mechanism in research and innovation. The advisory services provided by independent high-level experts are aimed at improving the design and implementation of national/regional research and innovation policies or instruments to increase international cooperation and help Latin American and Caribbean countries achieve the SDGs. A pilot exercise was launched in June 2017 with six countries in the Central America sub-region. Another example is a policy dialogue facility (E-READI) which began end of 2017 to promote EU-ASEAN dialogues, seminars, workshops or studies in support of science, technology and innovation. The facility is aimed at encouraging closer collaboration between ASEAN and EU officials and experts, and relevant research/academia, private sector or civil society actors.

**Figure 24: Scholarships and student costs in donor countries, 2010-2016 (EUR millions, %)**  
Source: OECD/DAC



<sup>89</sup> <http://www.prima-med.org/>

<sup>90</sup> <http://www.wmo.int/gfcs/about-gfcs>

### **Box 16 – Support to research and innovation**

In 2015, **Sweden** approved a strategy for research cooperation and research in development cooperation, with a yearly budget of approximately EUR 25 million. The policy aims to strengthen research institutions of high quality and of relevance to poverty reduction and sustainable development, with a primary focus on low-income countries and regions. Sweden invests mostly in capacity-building, both to improve government policies and strengthen research institutions.

The **Austrian** programme APPEAR aims to strengthen the institutional capacities in higher education, research and management in the targeted partner countries through academic partnerships with Austrian higher education institutions; master's and PhD scholarships are an integral part of the partnerships.

**Finland** invested nearly EUR 15 million in a regional programme to support innovation and entrepreneurship in southern Africa: the first phase of the programme, has created important networks among innovation institutions and supported nearly 150 innovative companies.

The Global Environment Facility received EUR 89 million from the **Netherlands** to support technology transfer projects in the following categories: technologies with transformational potential; acceleration of low emission technology innovation and uptake through demonstration, deployment, transfer using policies and mechanisms; and collaborative initiatives with stakeholders to adapt technologies to user needs.

**Germany** contributed to the **Technology Facilitation Mechanism** (TFM) established by the Addis Agenda by helping to set up a worldwide databank on industry and industrialisation through a project carried out by the United Nations Industrial Development Organisation.

## *Information and Communication Technology*

The central role of **Information and Communication Technology** for developing countries has grown gradually over the years. Until recently, the European Union did not fully value the strategic role of ICT for development. Until 2016, overall funding provided by the EU and its Member States to bridge the ‘digital divide’ remained quite low. According to OECD data, for 2015-2016 the EU and its Member States provided less than EUR 200 million in official development assistance for ICT<sup>91</sup>. It represented only 0.1 % of total ODA in 2016.

Given the growing evidence from successful initiatives, it is now clear that ICT is of great importance. The 2030 Agenda makes extensive reference to the central role of digital technologies. The new European Consensus also emphasises the role of digital technologies and networks in developing countries ‘as powerful enablers of inclusive growth and sustainable development’. In May 2017, the Commission released a strategic document on ‘Digital4Development: Mainstreaming digital technologies and services into EU development policy’<sup>92</sup>, which was later endorsed by the Council<sup>93</sup>. The objective of the new approach is twofold: first, to help partner countries to address the key challenges of digitalisation and the technological revolution bring; and second, to allow digitalisation to play a central role in improving lives – in particular by empowering women and girls, increasing democratic governance and transparency, and boosting productivity and job creation. The new Digital4Development approach highlights in particular the great enabling potential of digital technologies and services in other sectors and their ability to make sector interventions more efficient and effective. The European Commission is actively exploring the use of ICT, i.e. mobile phone technologies and collaborative approaches (e.g. crowdsourcing) for data collection to improve agricultural and food price statistics. ICTs allow people along the food chain (farmers, companies, consumers, etc.) to connect to each other and to information as both producers and users of data. Digital crowdsourced data that has undergone robust quality checks could be a valuable complement to official statistics, contributing to food security and poverty measurements. The EU has funded projects to improve research network infrastructures in Africa, Latin America, the Caribbean and Asia to provide high-quality high-bandwidth internet connectivity. This can create progress in tele-medicine, disaster management, weather forecasting, and crop research. The European Commission recently approved a new project to help pose an underwater fibre optic cable which will connect Wallis and Futuna to Fiji and Samoa. This programme also includes developing ICT training courses in fields such as e-health, e-training, e-administration and e-economy

The EIB has also been actively involved in the ICT sector: between 2015 and 2017, the Bank signed financing for projects in telecommunications and to support digital start-ups and services in developing countries for nearly EUR 160 million.

Member States have already started specific initiatives to **expand the application of technologies in developing countries**. Belgium, Estonia, Finland, Germany, Ireland, Italy, Spain, and Sweden have funded several initiatives in this sector. ICT also features as a key strategic area in Malta’s 2014-2020 strategy for Development Assistance.

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<sup>91</sup> Source: OECD Creditor Reporting System. **Reporting of ODA for ICT could be substantially higher than the figures shown here. Because of ICT’s nature as a cross-sector investment, donors attribute in most cases ICT spending to the sector in which the technology is used.**

<sup>92</sup> European Commission (2017), *Digital4Development: mainstreaming digital technologies and services into EU Development Policy*, Commission Staff Working Document, 2 May 2017, SWD(2017) 157.

<sup>93</sup> Council of the European Union (2017), *Digital for Development*, Council Conclusions of 20 November 2017.

Germany is one of the major donors for ICT projects. Through the Digital Africa initiative, Germany allocated around EUR 100 million on digital projects in all sectors between 2015 and 2017. Its current portfolio includes around 390 projects, in 79 countries, where digital technologies play a central role. Areas of interventions include good governance (e.g. involving citizens in decision-making through text messaging), rural development (e.g. access to market information), education (e.g. e-learning), human rights (e.g. mapping right abuses), health (e.g. management information systems), and economic development (e.g. access to financial services).

ICT is a promising area in which to use blending to mobilise additional investments from the public and private sector. One of the investment windows of the European Fund for Sustainable Development is 'Digital for Development' which can support the following: digitalised public services to increase the performance of public services for individuals and business; venture capital funds, business angels and other non-institutional investors to finance digital innovative solutions; digital payment systems and digital financial services; and the de-risking of last mile connectivity.

It also creates challenges. The Africa Flagship Report, published in 2017 identifies for example cyber-security as an area where further work is needed: *"The increasing use of mobile technology for financial transactions is more sustainable when accompanied by legislation and best practices to promote cybersecurity and fight cybercrime."*<sup>94</sup>

### Box 15 - Enabling ICT

**Employment.** The Finnish programme BEAM, Business with Impact, funded the online career and recruitment platform Fuzu in Kenya, which has grown rapidly and which now has over 700,000 users. The platform helps to unblock a considerable bottleneck caused by the country's malfunctioning public employment services.

**e-Health.** Ireland supported innovations in e-health platforms, which proved invaluable in making Sierra Leone's Ebola response more effective, from on-site diagnostics to information campaigns, and managing logistics.




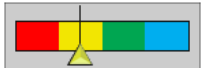
**Agriculture.** The Geodata for Agriculture and Water project (G4AW), funded by the Netherlands, uses information from satellites and translates it into agricultural advice for producers, thus increasing food security.

**Gender equality.** The Women and Girls First Initiative in Myanmar, supported by Italy, developed a youth App for mobile devices, which targets young people and integrates sexual and reproductive human rights with gender-based violence.

**eLearning.** To support Palestinian medical doctors and researchers, Belgium funded the project on efficient learning through digital information resources in health sciences (ELDIR-med).

<sup>94</sup> Science for the AU-EU Partnership - Building knowledge for sustainable development, <http://europa.eu/!vR46Wk>

### 8.3 Conclusion on Science, Technology, Innovation and Capacity-Building

Commitments	Effort	Progress
<p>a) Seek to maximise opportunities from science, technology and innovation to find new solutions to global challenges</p> <p>b) Continue investing in research and development in and for developing countries, including the improvement of national innovation systems and the provision of scholarships</p>	 <p>Horizon 2020 is ‘open to the world’. However, few of Horizon 2020’s lines of activities target developing countries specifically. Initial participation by developing economies in the new framework programme has been below the levels attained in the previous science, technology and innovation framework programme.</p> <p>The EU signed two research and innovation partnerships with the African Union to build capacity and support technology transfer. The partnerships have a combined value of EUR 110 million.</p>	 <p>The EU is the main source of funds for science, technology and innovation in developing countries. Between 2009 and 2016, ODA for science, technology and innovation more than doubled to EUR 1.4 billion, representing more than three-quarters of global ODA in this area.</p> <p>Worldwide, the EU is by far the largest donor of scholarships for students from developing countries: EU spending represents almost 90 % of total ODA spending for scholarships by donor countries.</p>
<p>c) Continue to support information and communication technologies in developing countries as powerful enablers of inclusive growth and sustainable development.</p> <p>d) Work on better mainstreaming digital solutions in development and promoting the use of digital technologies in a range of priority areas (such as e-governance, agriculture, education, water management, health and energy).</p> <p>e) Support enabling environments for the digital economy by increasing free, open and secure connectivity, and removing obstacles to unleash its full potential for sustainable development</p> <p>f) Support digital entrepreneurship, including for MSMEs, to develop locally relevant content and promote innovation, decent job creation,</p>	 <p>According to OECD data, for 2015-2016 the EU and its Member States provided less than EUR 200 million in official development assistance for ICT<sup>95</sup>. It represented only 0.1 % of total ODA in 2016.</p> <p>Only 1.1 % of grants approved by the EU blending facilities between 2007 and 2016 were invested in ICT projects.</p>	 <p>In 2017, the EU established a strategic Digital4Development framework aimed at mainstreaming digital technologies in relevant sectors for developing countries. The strategy should help boost EU support for digital technologies.</p> <p>There is a specific ‘digital window’ in the new EIP which is expected to mobilise private-sector investment.</p>

<sup>95</sup> Source: OECD Creditor Reporting System. Reporting of ODA for ICT could be substantially higher than the figures shown here. Because of ICT’s nature as a cross-sector investment, donors attribute in most cases ICT spending to the sector in which the technology is used.

Commitments	Effort	Progress
digital literacy and skills to empower people.		

## 9. DATA MONITORING AND FOLLOW-UP

There is international consensus on the importance of monitoring the SDGs at national level, so that the SDGs and their targets can become a management tool to help countries in developing implementation strategies and allocating resources accordingly.

The global indicator framework, developed by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators, was adopted by the UN General Assembly in July 2017. The framework includes 244 indicators.

To follow-up on the SDG commitments, the EU and its Member States have committed to produce a joint synthesis report on the new Consensus including the impact of their actions in support of the 2030 Agenda in developing countries. This report is to be presented to the High-level Political Forum in 2019 and every 4 years after that. The institutional structure of the European Commission's Directorate General for International Cooperation and Development has been adapted to reflect the 5Ps of the 2030 Agenda (People, Planet, Prosperity, Peace and Partnerships). All new EU and Member State actions in support of activities must demonstrate how they are supporting implementation of the 2030 Agenda, including the Addis Agenda, and development programmes are being progressively aligned with the Agenda. The EU has also created specific structures and processes to ensure an effective follow-up on the Financing for Development commitments and provide inputs to the multinational processes outlined above.

Several Member States (Austria, Belgium, Finland, France, Greece, Ireland, Italy, the Netherlands, Spain, and Sweden) and the European Union support the activities of the PARIS21 consortium (**Partnership in Statistics for Development in the 21st Century**). PARIS21 is a global programme established by the United Nations, the European Commission, the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund and the World Bank to build national capacity in statistics. In addition, Belgium, France, Italy and the UK are members of the **Global Partnership for Sustainable Development Data**. The partnership was established to help stakeholders across countries and sectors fully harness the data revolution for sustainable development and use this new knowledge to improve lives and protect the planet. The Global Partnership is a growing network of more than 280 members, including governments, the private sector, civil society, international organisations, academic institutions, foundations, statistics agencies and other data communities.

The capacity to produce national data and statistics is a crucial prerequisite for an effective SDG monitoring system at the country level. Member States have reported about 100 projects to **support statistical capacity in partner countries**.

### Most relevant SDG goals and targets

17.18: By 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts

17.19: By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries

17 PARTNERSHIPS  
FOR THE GOALS



#### **Box 17 - Projects to support data monitoring and statistical capacity**

The **Hellenic Statistical Authority (ELSTAT)** participates in a multi-beneficiary programme in the Balkans to help the beneficiary countries align their present methodologies and output with the EU acquis in statistics and gradually integrating them into the European statistical system.

**Italy** is supporting population censuses in several countries (e.g. Burkina Faso, Egypt, Ethiopia, Myanmar, and Mozambique).





**Italy, Portugal, Luxembourg and Poland** provide capacity-building support to several national statistical offices.




**Austria's** support has been focused on developing a comprehensive, qualitative and quantitative evidence base on and an analytical overview of the role of social institutions in producing gender equality outcomes in Burkina Faso and in eastern and southern Africa using the OECD's social institutions and gender index (SIGI).








The European Union also supports statistical offices in several Asian countries (e.g. Laos, Vietnam, Myanmar and Indonesia) for the collection of statistics on agriculture, education, energy, or health and for institutional strengthening through delegated cooperation with Sweden in Cambodia. Eurostat supports statistical capacity through **several regional programmes**, such as the pan-African statistical programme, the Medstat IV programme, the ENP (E)regional programme, and the IPA pre-accession support. The Global Monitoring for Environment and Security & Africa (GMES and Africa), a joint initiative by the European Union and Africa, contributes to strengthening Africa's capacity to exploit satellite Earth observations to monitor the environment and protect natural resources.









For SDGs-specific activities, the UK supports a global programme to improve the use and dissemination of the Sustainable Development Goal indicators at national and international levels so that governments, researchers, international organisations and civil society can make evidence-based decisions. This project focuses on helping developing countries to build their capacity in i) disseminating data; ii) modernising national statistical systems with up-to-date technology and skills; iii) engaging with key users of data and iv) creating an online, international data and visualisation platform for Sustainable Development Goal indicators. Germany too has supported capacity development to strengthen statistical capacity at national and sub-national level to monitor progress on SDG implementation in Ghana.



## SUMMARY OF EU EFFORTS AND PROGRESS




Area	Chapter and sub-chapter	Commitments	Efforts	Progress
Action Area A – Domestic Public Resources	<b>2. Domestic Public Resources</b>			
	<b>2.1. Tax policy and administration, public finance management and governance</b>	Addis Tax initiative development partners committed to doubling their support for technical cooperation in the area of DRM by 2020, in terms of both disbursements and commitments. Official development assistance financing for DRM in 2015 is considered the baseline.	 <p>The EU and its Member States are leading the donor community in their support for DRM. EU official development assistance for DRM in 2015 represented 61 % of the total disbursements of Addis Tax initiative development partners and 56 % of their commitments. Germany and the UK, as well as the EU as a whole, are among the top five contributors. There have been substantive efforts between 2015 and 2016, but it has been uneven across regions.</p>	 <p>The EU and its Member States have launched several initiatives at international, regional and country levels to support partner countries in their drive towards DRM. The target of doubling official development assistance financing for DRM by 2020 is credible but needs sustained commitment to be reached.</p>
		Helping countries to improve their public financial management and budget transparency, to set public policies which are financially sustainable, and improve good governance at all levels.	 <p>The EU and its Member states have made significant efforts on governance and public finance management thanks to its budget support programmes and the implementation of global governance initiatives.</p> <p>The EU has large and effective budget support programmes in partner countries to promote governance and public financial management.</p>	 <p>Between 2014 and 2016, overall PFM has improved in 27 countries benefitting from EU programmes. PEFA results continue to suggest progress across the different PFM dimensions.</p>


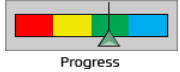

	<b>2.2. International cooperation against illicit financial flows</b>	<p>Scaling up international cooperation against illicit financial flows.</p> <p>Increasing the exchange of information and closing loopholes and mismatches in the legal framework so as to limit tax evasion and tax avoidance.</p>	 <p>Effort</p> <p>The EU and its Member States have provided support to key international fora.</p> <p>The EU published a list of tax jurisdictions that were not cooperating in combatting illicit financial flows.</p> <p>The EU and its Member States also support developing countries through capacity-building activities.</p>	
<b>Action Area B - Domestic and International Private Business and Finance</b>	<b>3. Domestic and International Private Business and Finance</b>	<b>3.1. Private-sector development</b>	 <p>Effort</p> <p>Facilitate sustainable investment and private-sector development in partner countries.</p> <p>Support policies aimed at improving the regulatory environment for the private sector.</p> <p>Provide MSMEs and the poor with improved access to finance.</p> <p>The EU and its Member States have made efforts to increase their support for private sector investment.</p> <p>A major initiative has also been adopted in 2017. The European Investment Plan is a three-pillar initiative that rounds out the EU's financial instruments of external cooperation in a manner particularly relevant to private sector activities.</p>	 <p>Progress</p> <p>29 countries benefitting from EU programmes improved their business environment.</p> <p>The EIP brings substantially increased financing resources to mobilise private investment in partner countries.</p>





	<b>3.2.Remittances</b>	Reduce the average cost of remittance transactions to less than 3 % by 2030, with no corridor having costs higher than 5 %, and encourage efforts to channel remittances into productive investments.	 <p>Effort</p> <p>EU Member States have taken strong steps to reduce the cost of remittances and have introduced innovations to improve their use.</p>	 <p>The cost of remittances has declined in the four countries from which 65 % of EU remittances originate. Costs are still significantly above the average target that needs to be attained.</p>
	<b>3.3. Sustainable business practices</b>	Support for responsible business practices and responsible management of supply chains	 <p>Effort</p> <p>The EU and its Member States have developed initiatives and programmes to promote responsible business practices throughout the business cycle.</p>	
<b>4. International Development Cooperation</b>				
<b>Action Area C - International Development Cooperation</b>	<b>4.1.Official support and development assistance</b>	Achieving collectively the target of 0.7 % ODA/GNI by 2030	 <p>Effort</p> <p>The increase in 2015-2016 was equal to 0.10 of ODA/GNI and in 2016 was the second largest in relative terms of the last 20 years.</p>	 <p>Progress</p> <p>The EU has reached 75 % of the ODA target for 2030, but there is still a gap.</p>
		Provide between 0.15 and 0.20 % of [collective] ODA/GNI to the LDCs in the short term, and at least 0.20 % by 2030. Reverse the decline of the share of ODA going to the LDCs.	 <p>Effort</p> <p>EU Member States are providing more ODA to the LDCs than other donors but the ODA/GNI ratio has stagnated and the share declined from 24 % in 2015 to 23 % in 2016.</p>	 <p>Both gaps to target for the short-term and long-term are large and essentially stable and the share of ODA going to LDCs is still declining.</p>



<b>4.2. Development effectiveness, joint programming and joint implementation</b>	<p>Improving ownership, focus on results, predictability and forward planning, transparency, reducing transaction costs and knowledge sharing.</p>	 <p>The EU and its Member States significantly contribute to improvements in development effectiveness and 21 Joint Programming Documents have been finalised. The EU and Member States are also heavily engaged in joint implementation.</p>	 <p>The EU and several Member States show good performance in monitoring of development effectiveness. More 'joined up' approaches but an important reduction in transaction costs is still needed.</p>
<b>4.3. ODA as a catalyst: innovative financial sources and instruments</b>	<p>Mobilise additional financial resources for developing countries from multiple sources Contribute to the set-up of facilities of innovative finance aimed at supporting investments in partner countries, including in infrastructure, clean technology, and energy.</p>	 <p>Many initiatives have been launched (EFSD, new facilities, increased funding for EU blending).</p>	 <p>Blending mechanisms set up by the EU and Member States have a high leverage rate.</p>
	<p>Implementing innovative finance mechanisms, instruments and modalities which do not burden developing countries</p>	 <p>In 2017 EUR 2.4 billion were from innovative sources - more than double the amount generated in 2016.</p>	 <p>Several initiatives are under way in different Member States though in limited number.</p>
<b>4.4. Climate finance and the environment</b>			
<b>4.4.1 Climate finance</b>	<p>Contribute to the collective goal of mobilising USD 100 billion annually by 2020 and through to 2025 from a wide variety of sources</p> <p>Provide balanced support for climate mitigation and adaptation in developing countries.</p>	 <p>EU public support for climate-specific finance has doubled in nominal terms between 2013 and 2016, both for adaptation and mitigation.</p>	 <p>The EU and its Member States are the largest provider of public climate finance. EU public support has almost doubled in nominal terms between</p>

				2013 and 2016 and reached USD 22 billion in 2016, meaning we have significantly scaled up the mobilisation of international climate finance and are thus within reach of achieving the goal by 2020 if efforts are sustained and if other developed countries meet their commitments and mobilise private finance towards this collective goal. A broader range of contributors would further increase the mobilisation of international climate finance supporting the poorest and most vulnerable countries.
	<b>4.4.2 Sustainable energy</b>	Addressing the lack of energy access; increasing energy efficiency and renewable energy generation to achieve a sustainable balance between energy production and consumption.	 <p>EU ODA for energy access, efficiency and balance grew by two-thirds over the last five years (2012-2016), but the EU and its Member States are allocating proportionally less to this goal than non-EU donors.</p>	
	<b>4.4.3 Natural resources, biodiversity and ecosystems - conservation and sustainable management</b>	Support the conservation and sustainable management and use of natural resources, and the conservation and sustainable use of biodiversity and ecosystems	 <p>The EU and its Member States, together, made a strong contribution to the Hyderabad commitment in 2015, but efforts will need to be maintained up to 2020.</p>	

<b>4.5 Strengthening resilience</b>			
	Strengthen disaster resilience and preparedness through financing and policy reform	 <p>The EU and its Member States have made a significant effort towards scaling up aid for resilience. EU ODA for disaster preparedness and prevention grew from EUR 264 million in 2015 to EUR 287 million in 2016, over twice its 2007 level in real terms.</p>	 <p>Progress</p> <p>The Sendai framework for Disaster Risk Reduction is in place and there is strong support for domestic efforts in partner countries.</p>
<b>4.6 Human development</b>			
	<p>Promote social inclusion and cohesion and continue to support partner countries in their efforts to build strong, good quality resilient healthcare systems.</p> <p>Allocate at least 20 % of its Official Development Assistance (ODA) to social inclusion and human development, including for health, education and social protection</p>	 <p>There have been efforts by the EU and its Member States to provide a wide range of support on human development.</p>	

<b>Action Area D - International Trade as an Engine for Development</b>	<b>5. International Trade as an Engine for Development</b>			
	<b>5. Ibid.</b>	<p>a) Significantly increase world trade in a manner consistent with the Sustainable Development Goals, including exports from developing countries, in particular from the LDCs with a view towards doubling their share of global exports by 2020</p> <p>b) Implement the Bali package, including ratifying the Trade Facilitation Agreement, introducing simplified and preferential rules for imports from LDCs; giving preferential treatment to services and suppliers of services of LDCs (Services Waiver), and duty free / quota free market access for LDCs</p> <p>c) Ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively.</p> <p>d) Promote Aid for Trade and facilitate MSME integration in global value chains. Allocate an increased proportion of Aid for Trade to LDCs.</p>	 <p>The EU has played a driving role in negotiating multilateral agreements within the WTO.</p> <p>The EU is negotiating or has concluded in recent times several trade agreements with developing countries.</p> <p>Several measures to increase exports by LDCs have been implemented.</p> <p>EU's recent trade agreements systematically include provisions on labour standards, environmental protection and other societal issues.</p> <p>Aid for trade by the EU and its Member States is supporting productive capacity of MSMEs in developing countries, helping them to join global value chains.</p> <p>The average aid for trade share going to LDCs from 2010 to 2015 was 18 %.</p>	 <p>The Trade Facilitation Agreement has been ratified The EU notified to the WTO its approval of the Service Waiver.</p> <p>Duty free/quota free market access have been granted to LDCs.</p> <p>The EU has become the main export market for LDCs.</p> <p>The composition of exports from LDCs to the EU has shifted away from commodity dependency towards manufactured goods.</p> <p>With a share of 38 % the EU is the main provider of Aid for Trade.</p> <p>In 2016, the EU raised the share of AfT to LDCs to nearly 23 %.</p>
<b>Action Area E - Debt and Debt Sustainability</b>	<b>6. Debt and Debt Sustainability</b>			
	<b>6. Ibid.</b>	<p>Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at debt financing, debt relief, debt restructuring and</p>	 <p>The EU and its Member States are at the forefront of debt relief thanks to its contribution to the Debt Relief Trust</p>	

		sound debt management. Addis Agenda also calls for collaboration between debtors and creditors to prevent and resolve unsustainable debt situations.	Fund, managed by World Bank which funds the HIPC initiative. The EU financing is equal to 62 % of the total bilateral and 41 % of the overall total contribution. The EU is also active in the area of debt management.	
<b>Action Area F - Addressing Systematic Issues</b>	<b>7.Addressing Systematic Issues</b>			
	<b>7.1.International governance</b>	The Addis Agenda calls for measures to improve and enhance global economic governance and to arrive at a stronger, more coherent and more inclusive and representative international architecture for sustainable development.	 <p>The EU and its Member States have been active in promoting and implementing the reform of international governance, including the 2016 reform of the IMF.</p> <p>The EU and its Member States are also a strong advocate for the UN reform. EU support has been directed to strengthen multilateral development banks and regional organisations. EU support has also been directed to strengthening international and regional regulatory standard setting and their entities.</p>	
	<b>7.2.Policy coherence for sustainable development</b>	Policy coherence for sustainable development is mainstreamed across all three dimensions of sustainable development.	 <p>Increasing efforts to operationalise policy coherence for sustainable development at all levels using experience in policy coherence for development as a stepping stone.</p>	
<b>Action Area G - Science, Technology, Innovation and Capacity-Building</b>	<b>8.Science, Technology, Innovation and Capacity-Building</b>			
	<b>8. Ibid.</b>	a) Seek to maximise opportunities from science, technology and innovation to seek new solutions to global challenges.	 <p>Horizon 2020 is 'open to the world'.</p>	 <p>The EU is the main source of funds for science, technology and innovation</p>

		<p>b) Continue investing in research and development in and for developing countries, including the enhancement of national innovation systems and the provision of scholarships.</p>	<p>However, few lines of activity of Horizon 2020 target developing countries specifically.</p> <p>Globally, the EU is by far the largest donor of scholarships for students from developing countries. EU spending represents almost 90 % of total ODA spending for scholarships by donor countries.</p> <p>The EU signed with the African Union two research and innovation partnerships aimed at building capacity and supporting technology transfer. The partnerships have a combined value of EUR 110 million.</p>	<p>in developing countries. Between 2009 and 2016, ODA for science, technology and innovation more than doubled to EUR 1.4 billion, representing more than three-quarters of global ODA for STI.</p> <p>Globally, the EU is by far the largest donor of scholarships for students from developing countries. EU spending represents almost 90 % of total ODA spending for scholarships by donor countries.</p>
		<p>c) Continue to support information and communication technologies in developing countries as powerful enablers of inclusive growth and sustainable development.</p> <p>d) Work on better mainstreaming digital solutions in development and promoting the use of digital technologies in a range of priority areas (such as e-governance, agriculture, education, water</p>	 <p>According to OECD data, for 2015-2016 the EU and its Member States provided less than EUR 200 million in official development assistance for ICT<sup>96</sup>. It represented only 0.1 % of total ODA in 2016.</p> <p>Only 1.1 % of grants approved by the EU blending facilities between 2007 and</p>	 <p>In 2017, the EU established a strategic Digital4Development framework aimed at mainstreaming digital technologies in relevant sectors for developing countries. The strategy should help boosting EU support in this area</p> <p>The new EIP has set-up a 'Digital window', which is expected to</p>

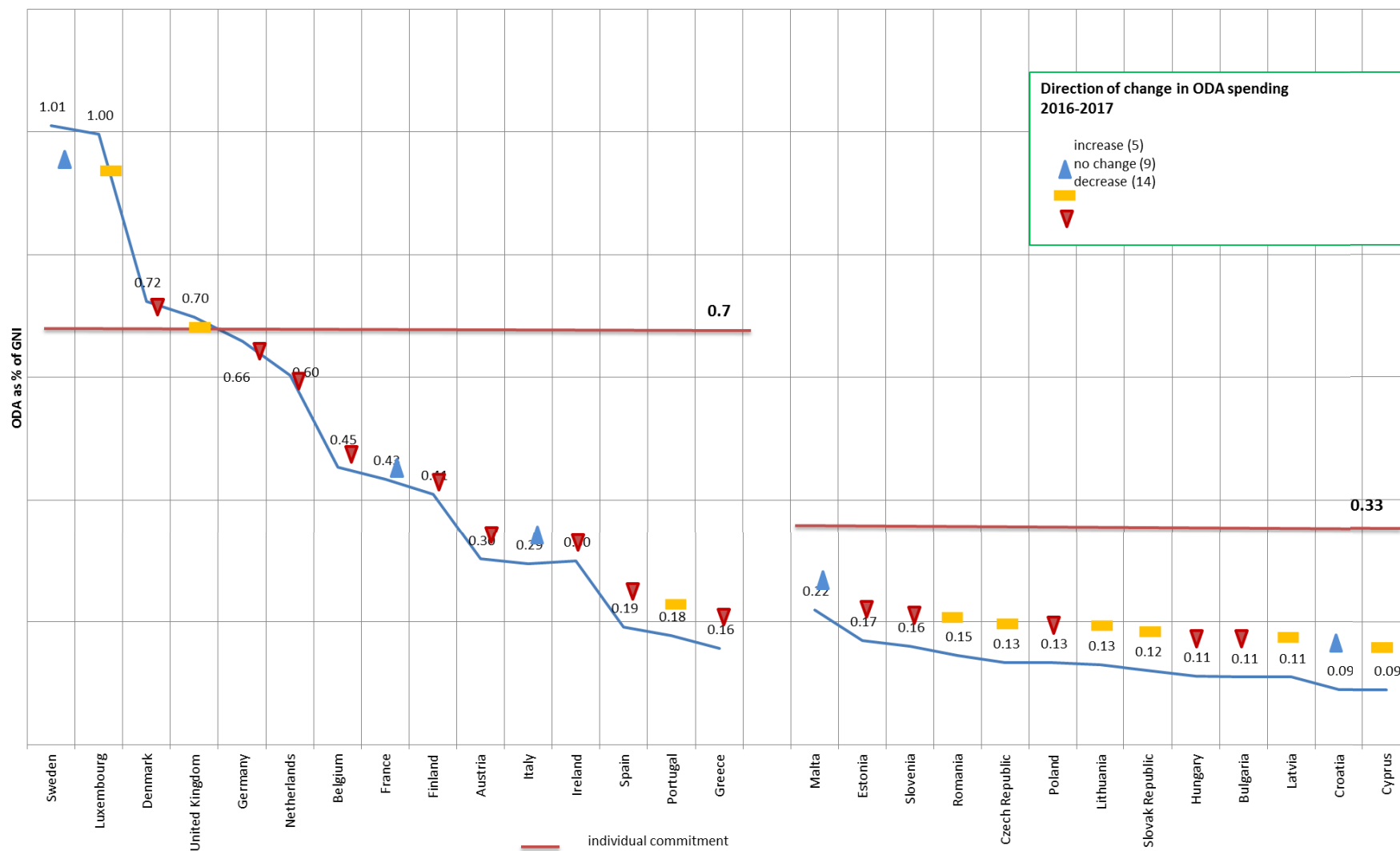
<sup>96</sup> Source: OECD Creditor Reporting System. Reporting of ODA for ICT could be substantially higher than the figures shown here. Because of ICT's nature as a cross-sector investment, donors attribute in most cases ICT spending to the sector in which the technology is used.

		<p>management, health and energy).</p> <p>e) Support enabling environments for the digital economy by enhancing free, open and secure connectivity, and removing obstacles to unleash its full potential for sustainable development</p> <p>f) Support digital entrepreneurship, including for MSMEs, to develop locally relevant content and promote innovation and decent job creation, as well as digital literacy and skills to empower people.</p>	2016 were invested in ICT projects.	mobilise private-sector investment
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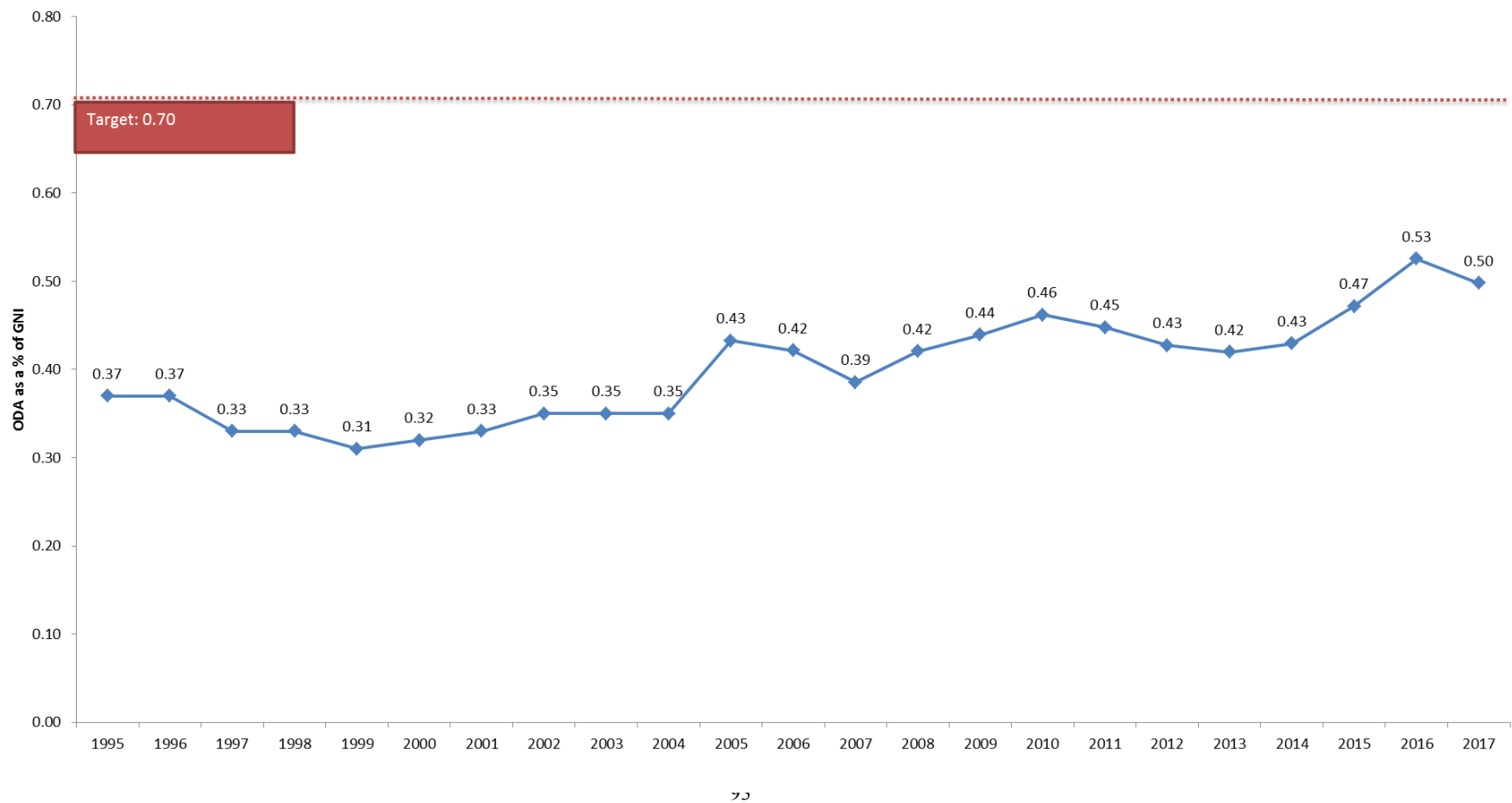
# ANNEX 1 – STATISTICAL ANNEX ON ODA TRENDS

Member State	2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI
Austria	545	0.23	1,266	0.52	1,194	0.47	1,321	0.50	1,188	###	820	0.30	912	0.32	799	0.27	860	0.28	882	0.27	930	0.28	1,193	0.35	1,479	0.42	1,091	0.30
Belgium	1,178	0.41	1,580	0.53	1,575	0.50	1,425	0.43	1,654	###	1,874	0.55	2,268	0.64	2,019	0.54	1,801	0.47	1,732	0.45	1,845	0.46	1,717	0.42	2,080	0.55	1,955	0.45
Bulgaria	-	-	-	-	1	0.00	17	0.06	13	###	12	0.04	31	0.09	35	0.09	31	0.08	37	0.10	37	0.09	37	0.09	61	0.13	55	0.11
Croatia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	0.03	15	0.03	32	0.07	54	0.12	46	0.09	37	0.07	44	0.09
Cyprus	4	0.03	12	0.09	21	0.15	25	0.17	26	###	33	0.20	39	0.23	27	0.16	20	0.12	15	0.10	15	0.10	16	0.09	16	0.09	16	0.09
Czech Republic	87	0.11	109	0.11	128	0.12	131	0.11	173	###	154	0.12	172	0.13	180	0.12	171	0.12	159	0.11	160	0.11	179	0.12	235	0.14	242	0.13
Denmark	1,640	0.85	1,697	0.81	1,782	0.80	1,872	0.81	1,944	###	2,018	0.88	2,168	0.91	2,108	0.85	2,095	0.83	2,205	0.85	2,264	0.86	2,313	0.85	2,142	0.75	2,130	0.72
Estonia	4	0.05	8	0.08	11	0.09	12	0.08	15	###	13	0.10	14	0.10	17	0.11	18	0.11	23	0.13	28	0.14	31	0.15	39	0.19	38	0.17
Finland	547	0.37	726	0.46	665	0.40	717	0.39	808	###	926	0.54	1,006	0.55	1,011	0.53	1,027	0.53	1,081	0.54	1,232	0.59	1,161	0.55	958	0.44	935	0.41
France	6,820	0.41	8,067	0.47	8,445	0.47	7,220	0.38	7,562	###	9,049	0.47	9,751	0.50	9,348	0.46	9,358	0.45	8,543	0.41	8,005	0.37	8,149	0.37	8,701	0.38	10,080	0.43
Germany	6,064	0.28	8,112	0.36	8,313	0.36	8,978	0.37	9,693	###	8,674	0.35	9,804	0.39	#####	0.39	10,067	0.37	#####	0.38	12,486	0.42	16,173	0.52	22,368	0.70	21,895	0.66
Greece	258	0.16	309	0.17	338	0.17	366	0.16	488	###	436	0.19	383	0.17	305	0.15	255	0.13	180	0.10	186	0.11	215	0.12	333	0.19	281	0.16
Hungary	56	0.07	81	0.11	119	0.13	76	0.08	74	###	84	0.10	86	0.09	100	0.11	92	0.10	97	0.10	109	0.11	140	0.13	180	0.17	132	0.11
Ireland	489	0.39	578	0.42	814	0.54	871	0.55	921	###	722	0.54	676	0.52	657	0.51	629	0.47	637	0.46	615	0.38	648	0.32	726	0.32	717	0.30
Italy	1,981	0.15	4,096	0.29	2,901	0.20	2,901	0.19	3,370	###	2,368	0.16	2,262	0.15	3,111	0.20	2,129	0.14	2,566	0.17	3,022	0.19	3,610	0.22	4,601	0.27	5,086	0.29
Latvia	7	0.06	9	0.07	9	0.06	12	0.06	15	###	15	0.07	12	0.06	14	0.07	16	0.08	18	0.08	19	0.08	21	0.09	27	0.11	29	0.11
Lithuania	7	0.04	12	0.06	20	0.08	35	0.11	33	###	26	0.11	28	0.10	37	0.13	40	0.13	38	0.11	34	0.10	43	0.14	52	0.14	52	0.13
Luxembourg	190	0.79	206	0.79	232	0.89	274	0.92	288	###	298	1.04	304	1.05	294	0.97	310	1.00	323	1.00	319	1.06	327	0.95	354	1.00	377	1.00
Malta	8	0.18	7	0.17	7	0.15	8	0.15	11	###	10	0.18	10	0.18	14	0.25	14	0.23	14	0.20	15	0.20	15	0.17	19	0.20	23	0.22
The Netherlands	3,384	0.73	4,115	0.82	4,343	0.81	4,547	0.81	4,848	###	4,615	0.82	4,800	0.81	4,563	0.75	4,297	0.71	4,094	0.67	4,200	0.64	5,162	0.75	4,491	0.65	4,395	0.60
Poland	95	0.05	165	0.07	239	0.09	265	0.10	258	###	269	0.09	285	0.08	300	0.08	328	0.09	355	0.10	341	0.09	397	0.10	600	0.15	598	0.13
Portugal	830	0.63	303	0.21	316	0.21	344	0.22	430	###	368	0.23	490	0.29	509	0.31	452	0.28	368	0.23	324	0.19	278	0.16	310	0.17	336	0.18
Romania	-	-	-	-	3	0.00	84	0.07	85	###	110	0.08	86	0.07	118	0.09	111	0.08	101	0.07	162	0.11	143	0.09	243	0.15	250	0.15
Slovak Republic	23	0.07	46	0.12	44	0.10	49	0.09	64	###	54	0.09	56	0.09	62	0.09	62	0.09	65	0.09	63	0.09	77	0.10	96	0.12	100	0.12
Slovenia	25	0.10	28	0.11	35	0.12	40	0.12	47	###	51	0.15	44	0.13	45	0.13	45	0.13	46	0.13	46	0.12	57	0.15	74	0.19	68	0.16
Spain	1,962	0.24	2,429	0.27	3,038	0.32	3,755	0.37	4,761	###	4,728	0.46	4,492	0.43	3,001	0.29	1,585	0.16	1,789	0.17	1,415	0.13	1,259	0.12	3,868	0.35	2,142	0.19
Sweden	2,191	0.78	2,705	0.94	3,151	1.02	3,170	0.93	3,281	###	3,266	1.12	3,423	0.97	4,030	1.02	4,077	0.97	4,389	1.01	4,698	1.09	6,391	1.41	4,425	0.94	4,889	1.01
UK	6,362	0.36	8,667	0.47	9,926	0.51	7,194	0.36	7,973	###	8,102	0.51	9,855	0.57	9,948	0.56	10,808	0.56	#####	0.71	14,551	0.70	16,718	0.70	16,325	0.70	15,915	0.70
EU15 Total	34,441	0.35	44,856	0.44	47,033	0.43	#####	0.39	49,207	###	#####	0.45	#####	0.46	#####	0.44	49,749	0.42	#####	0.44	#####	###	#####	0.49	#####	0.54	72,223	0.52
EU13 Total	316	0.07	476	0.09	637	0.09	753	0.09	815	###	831	0.10	863	0.09	965	0.10	964	0.10	1,000	0.10	1,083	###	1,203	0.11	1,679	0.14	1,647	0.13
EU28 Total	34,756	0.34	45,332	0.42	47,670	0.41	#####	0.37	50,021	###	#####	0.42	#####	0.44	#####	0.42	50,713	0.39	#####	0.41	#####	###	#####	0.46	#####	0.51	73,870	0.49
EU Institutions' ODA not imputed to EU Member States	1,173	0.01	1,385	0.01	1,636	0.01	1,932	0.02	2,282	###	2,695	0.02	3,183	0.03	3,453	0.03	4,544	0.04	2,873	0.02	2,139	0.02	1,372	0.01	2,737	0.02	1,854	0.01
Collective EU ODA	35,929	0.35	46,717	0.43	49,306	0.42	#####	0.39	52,303	###	#####	0.44	#####	0.46	#####	0.45	55,257	0.43	#####	0.43	#####	###	#####	0.47	#####	0.53	75,724	0.50

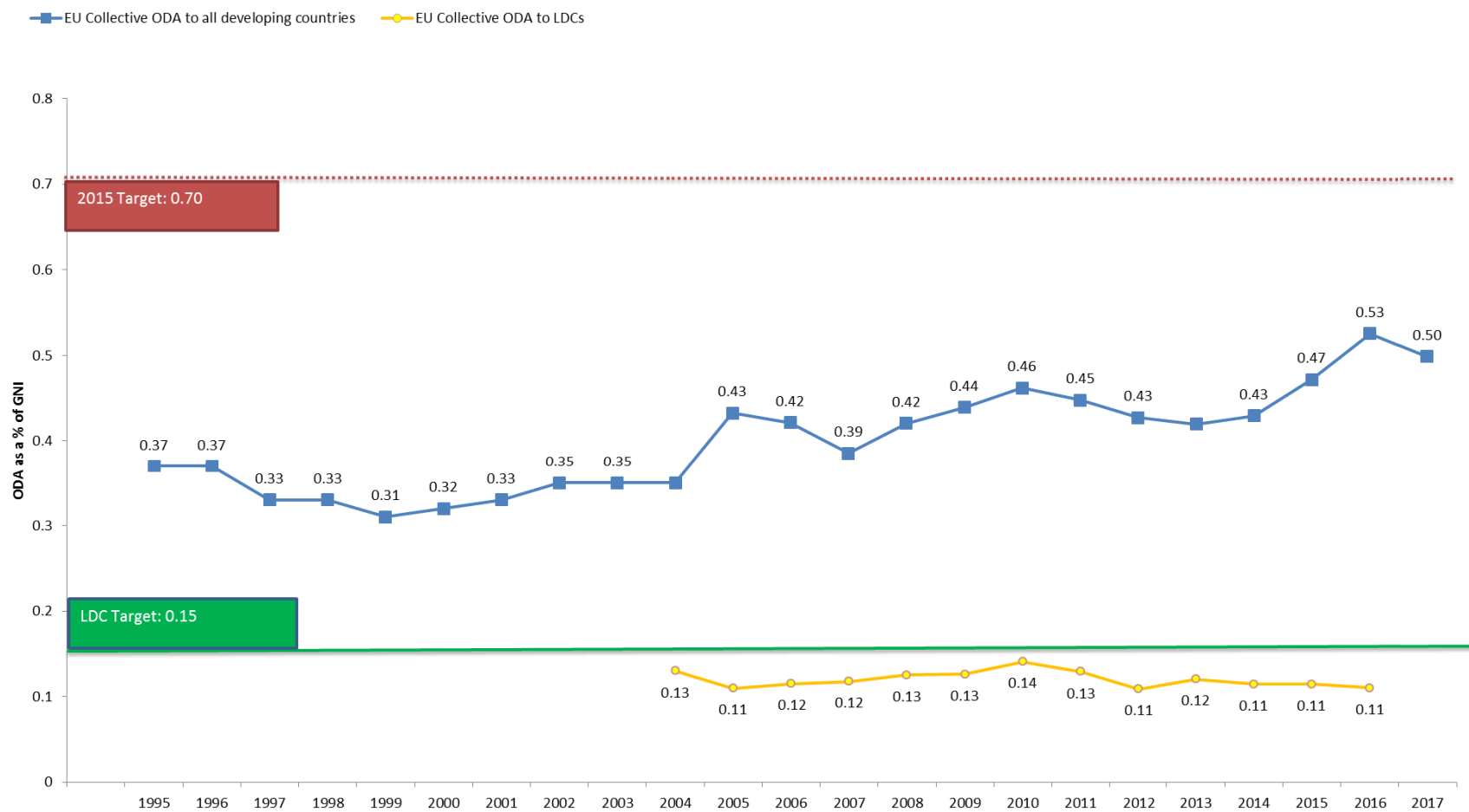
Gap between 2016 ODA levels and agreed individual targets of the 28 EU Member States and direction of change from 2016 to 2017



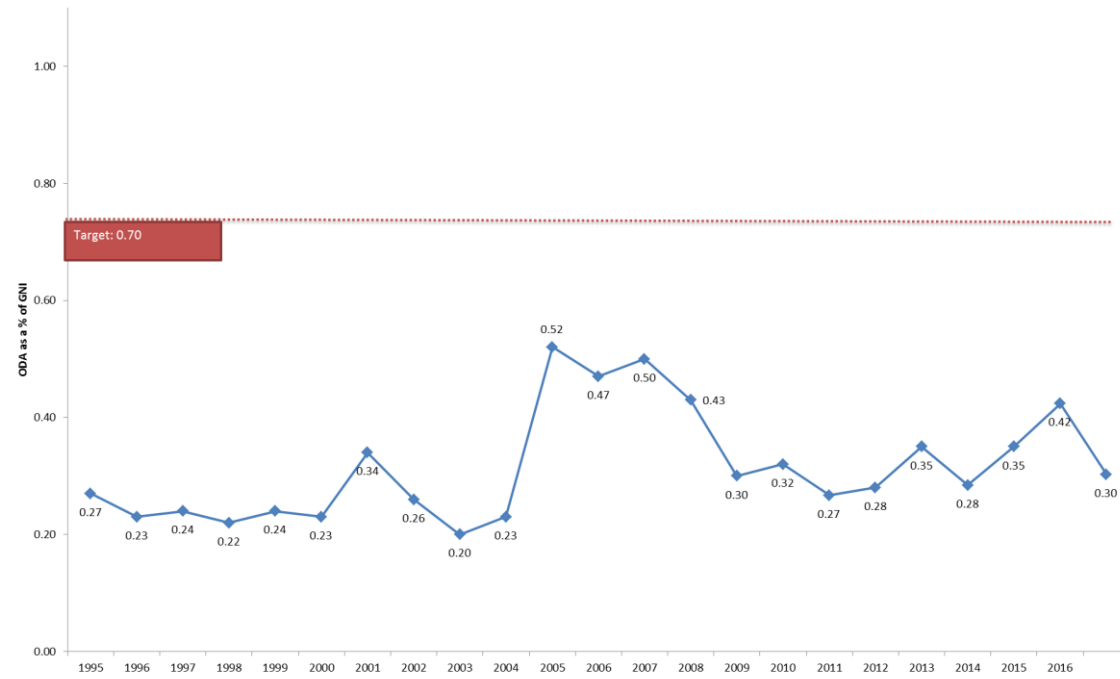
EU Collective ODA to all developing countries as a % of GNI  
1995-2017



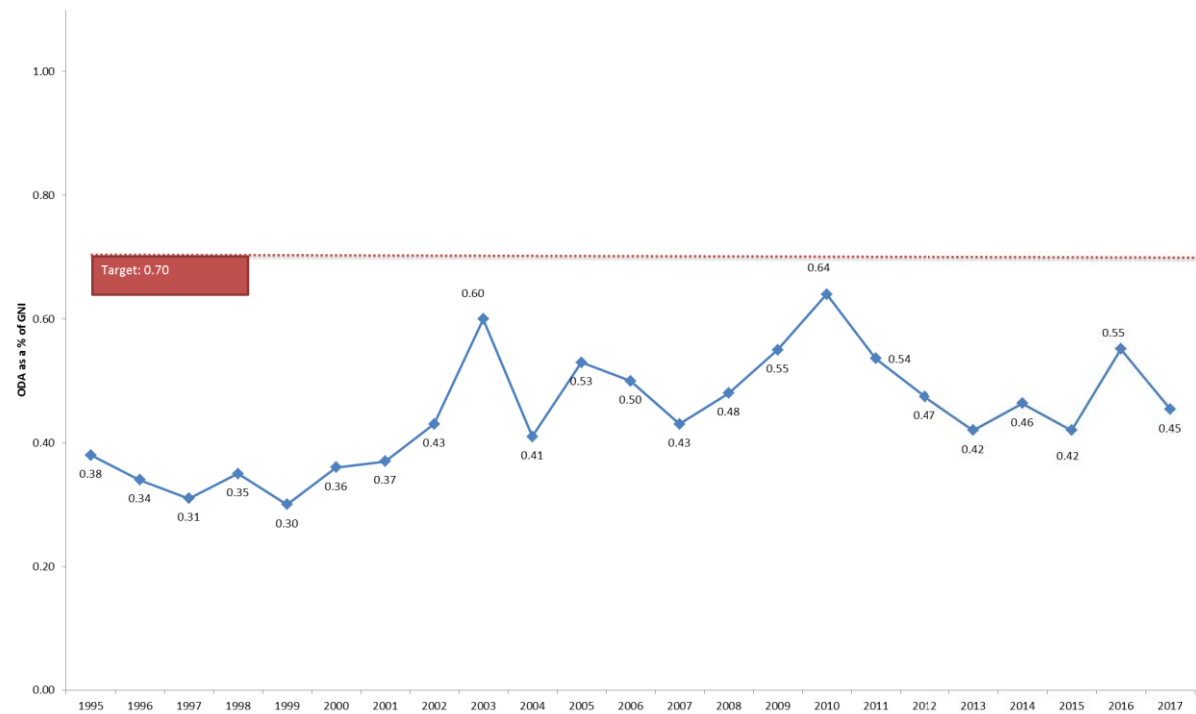
## EU Collective ODA to all developing countries and LDCs as a % of GNI



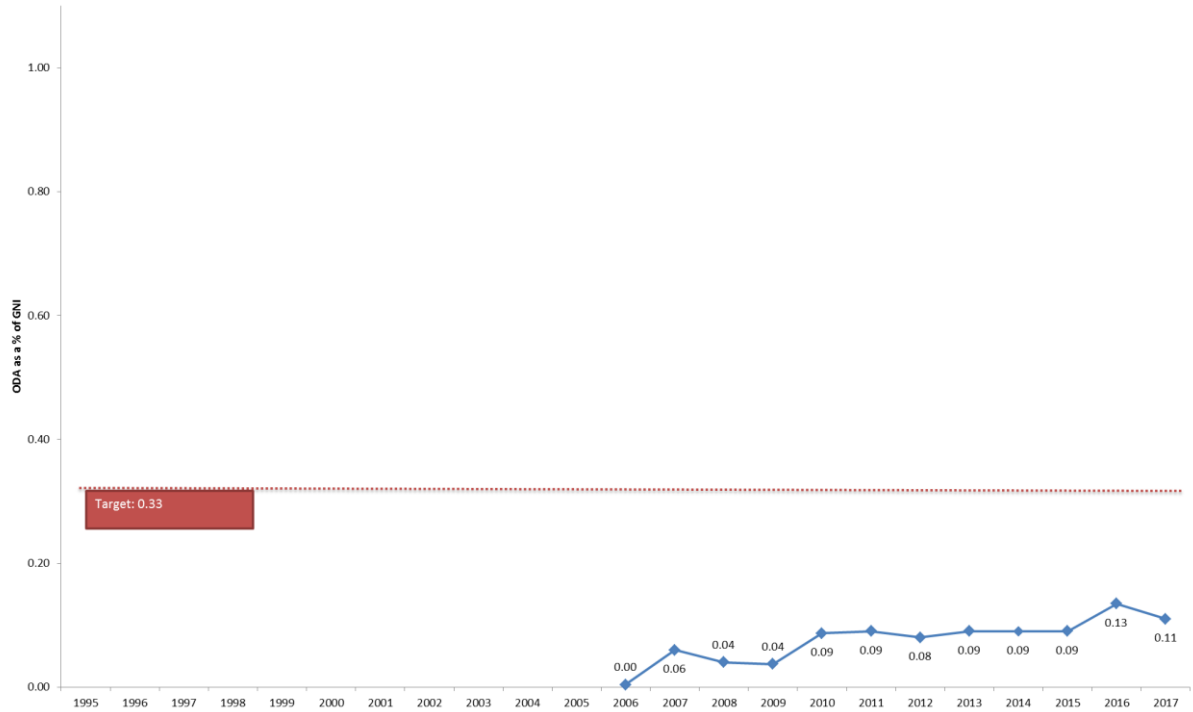
**Austria**  
**ODA as a % of GNI 1995-2017**



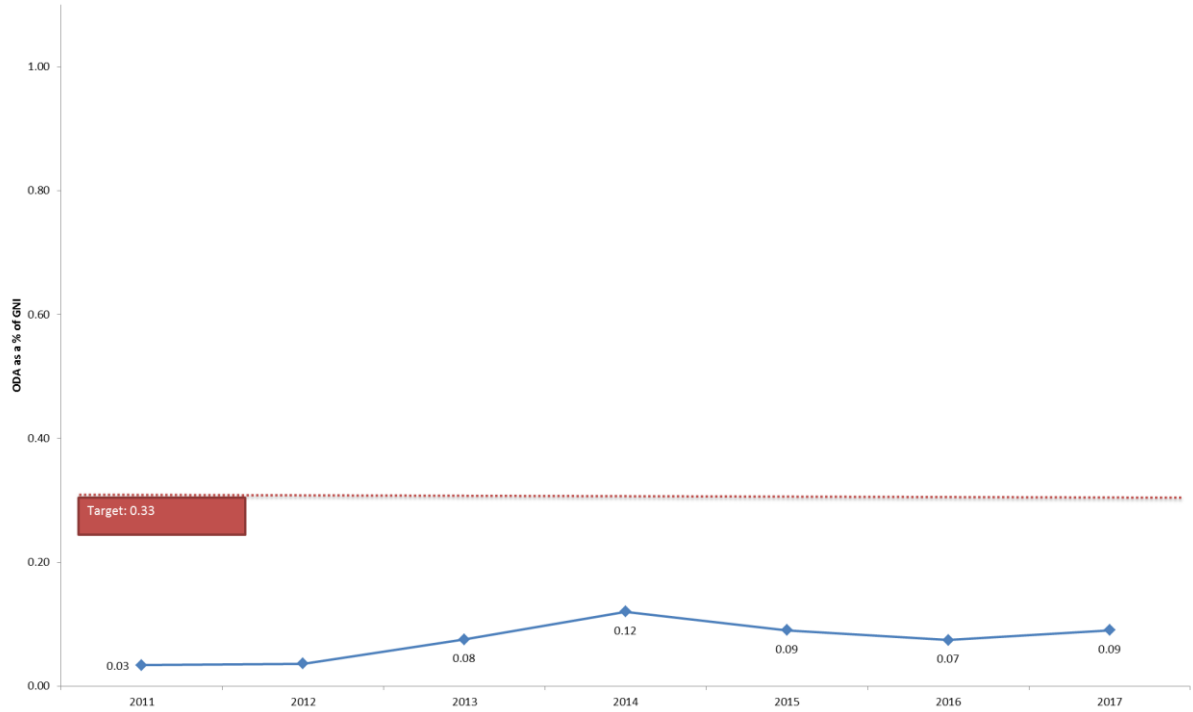
**Belgium**  
**ODA as a % of GNI (1995-2017)**



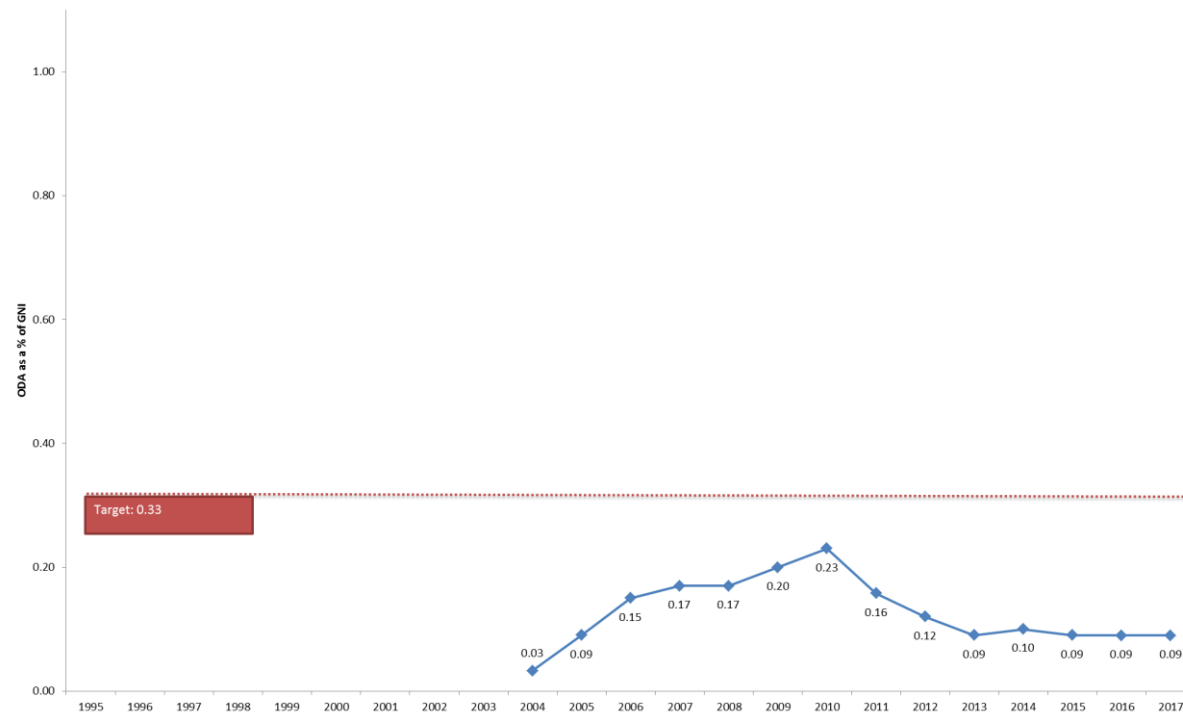
Bulgaria  
ODA as a % of GNI (1995-2017)



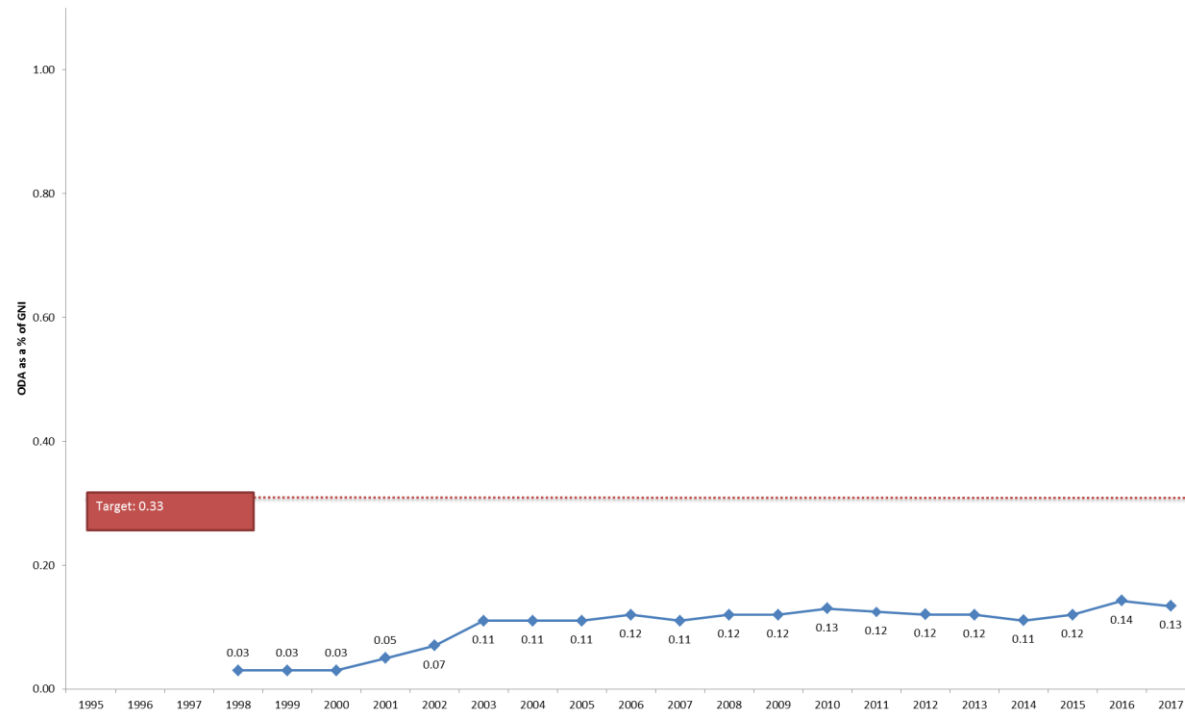
Croatia  
ODA as a % of GNI (1995-2017)



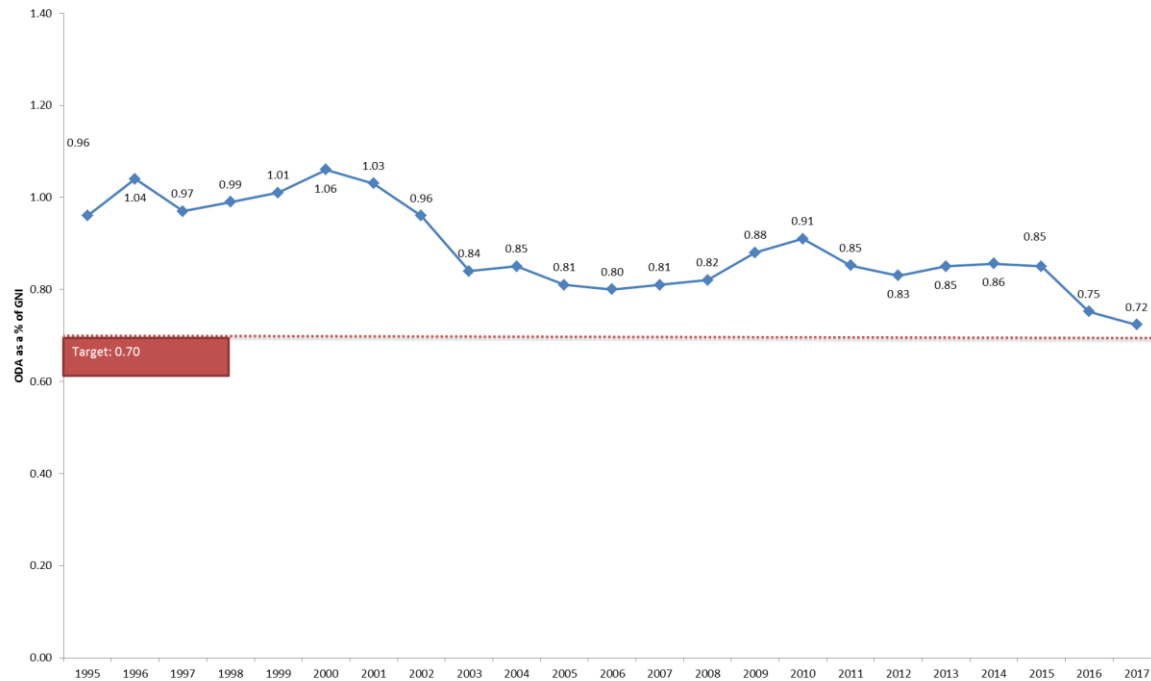
Cyprus  
ODA as a % of GNI (1995-2017)



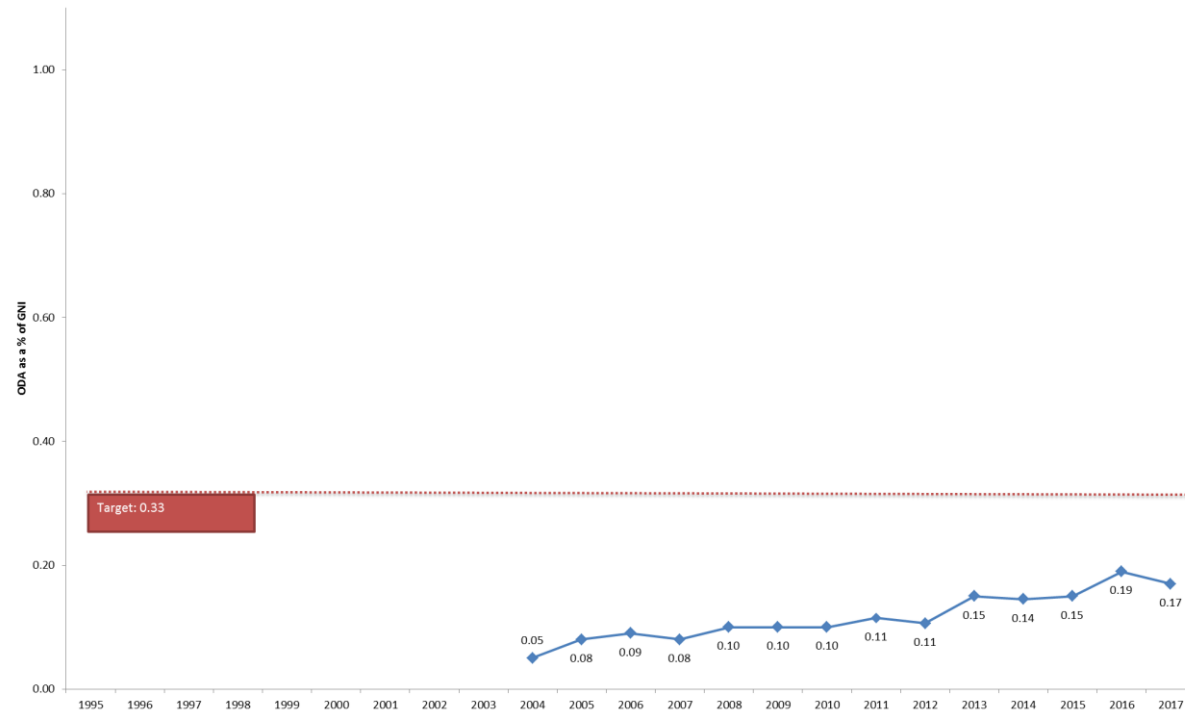
**Czech Republic**  
**ODA as a % of GNI (1995-2017)**



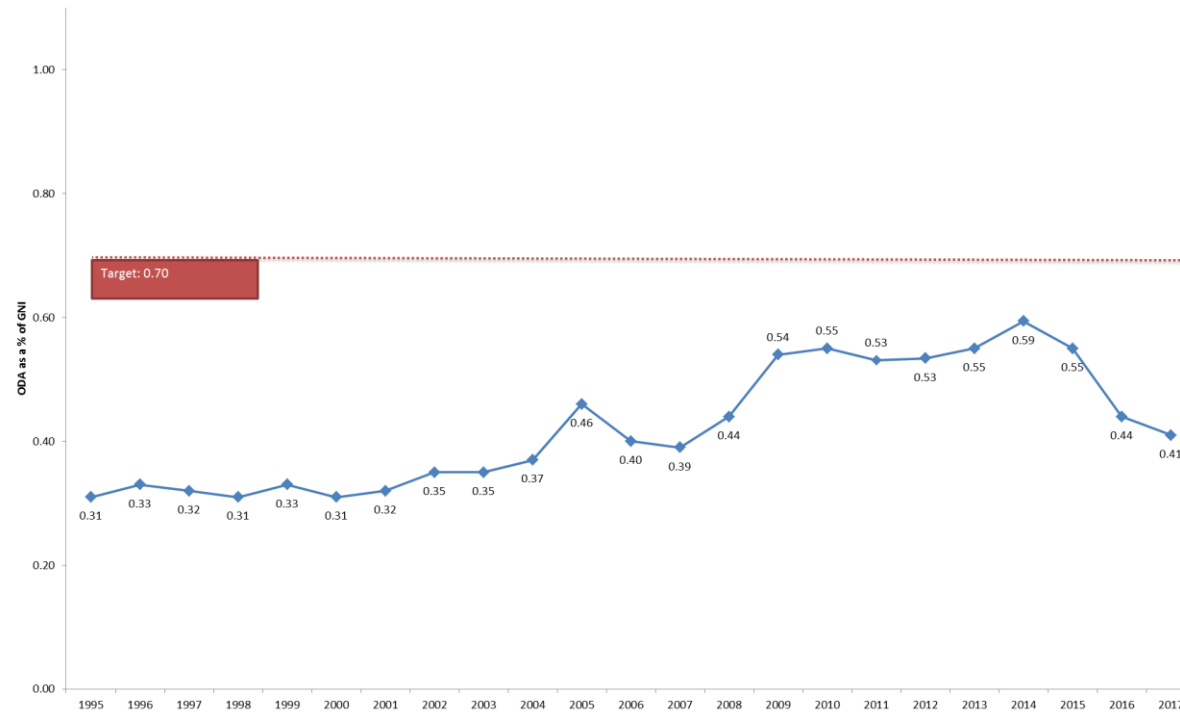
**Denmark**  
**ODA as a % of GNI (1995-2017)**



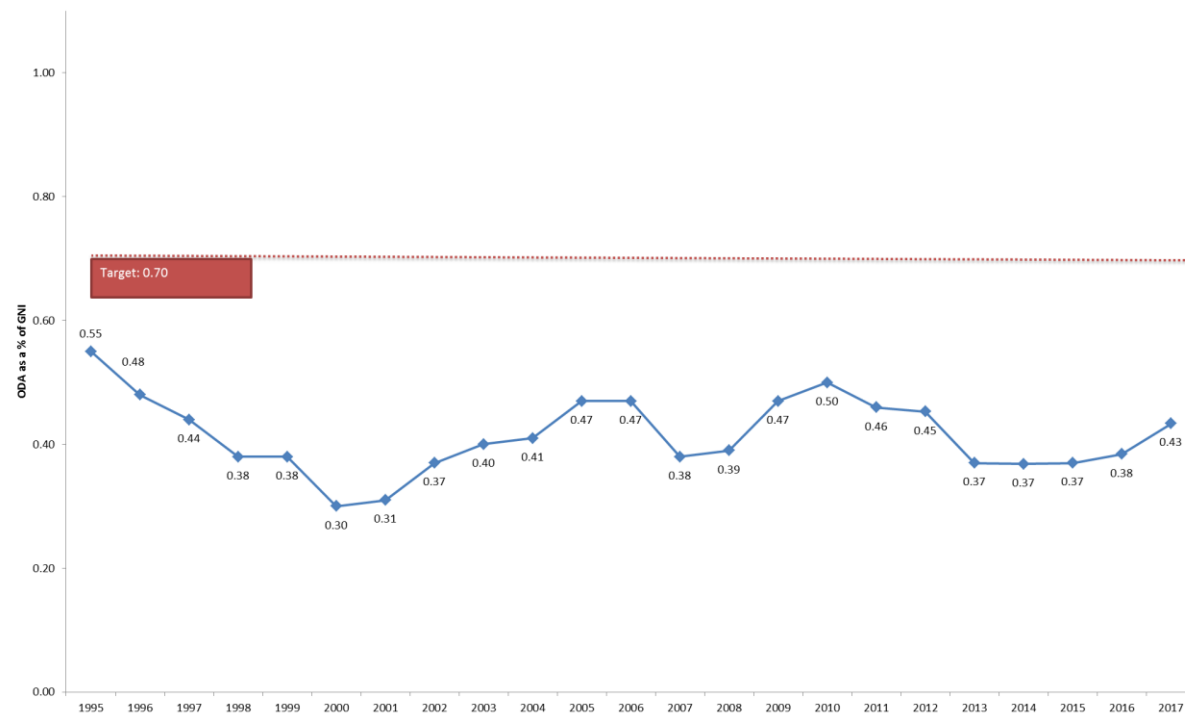
**Estonia**  
**ODA as a % of GNI (1995-2017)**



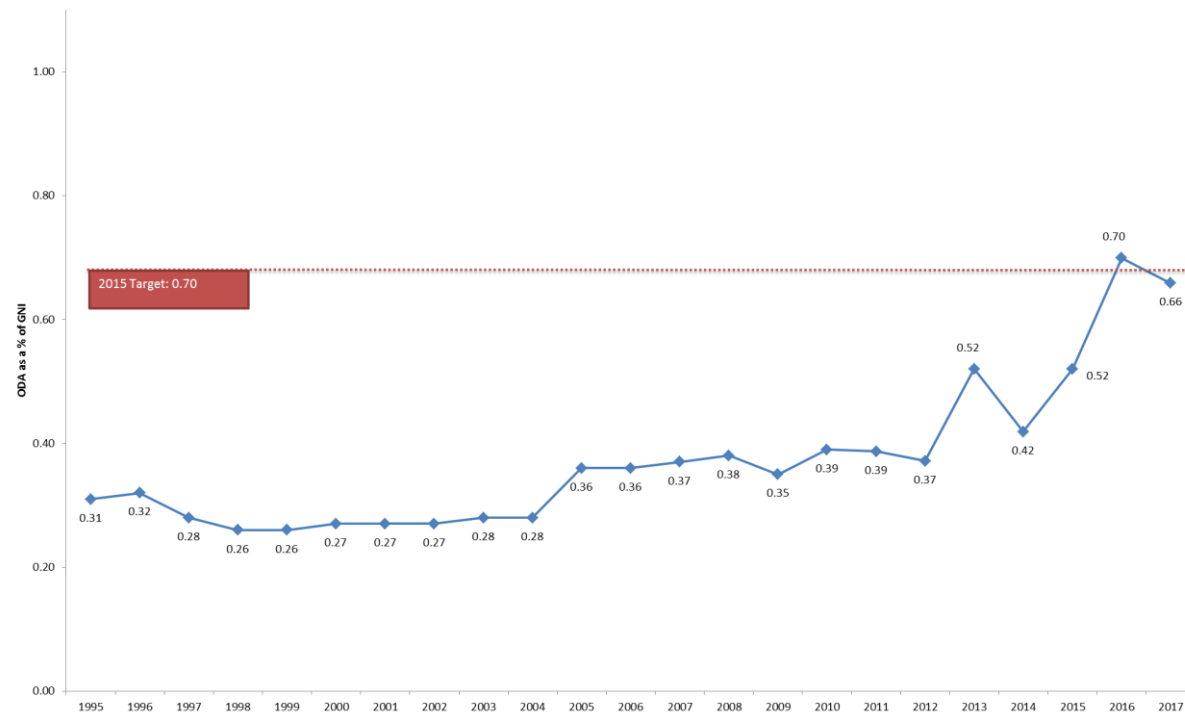
**Finland**  
**ODA as a % of GNI (1995-2017)**



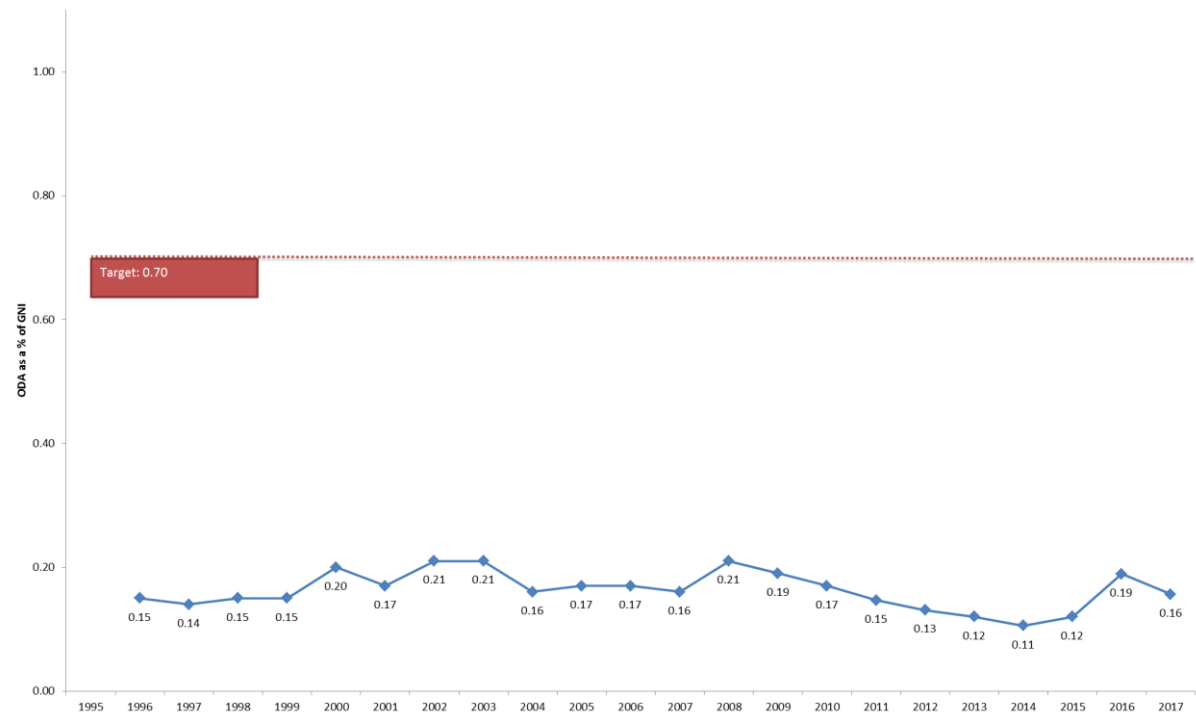
France  
ODA as a % of GNI (1995-2017)



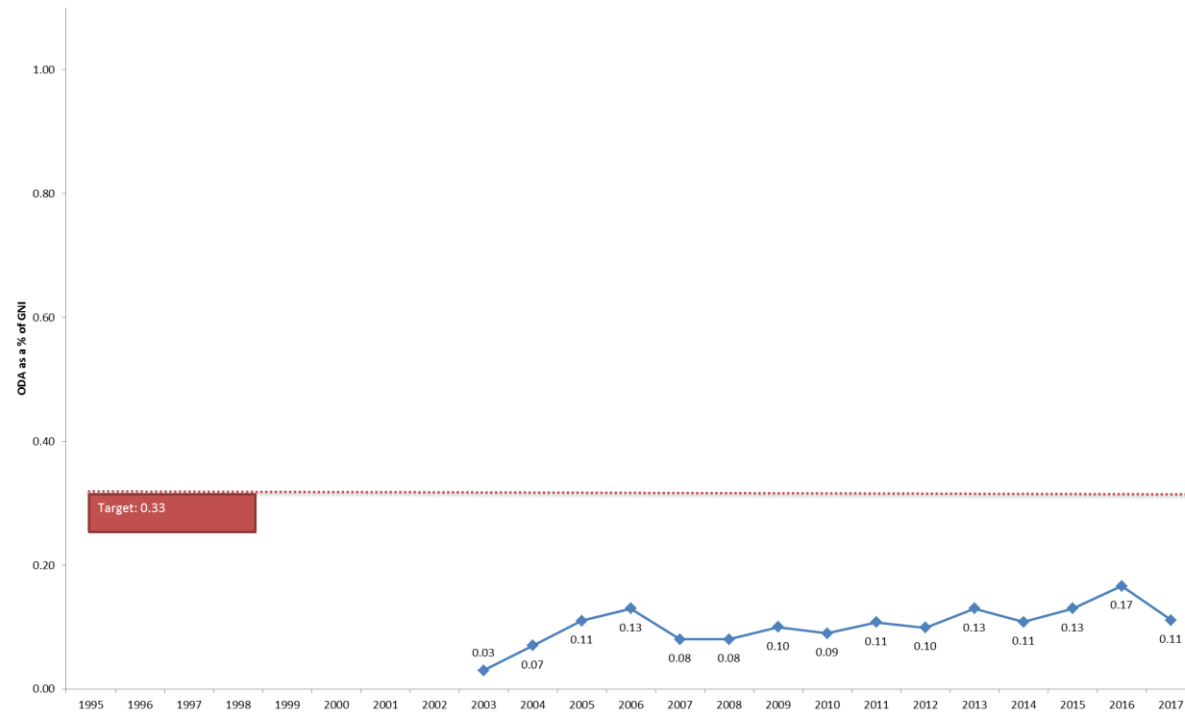
Germany  
ODA as a % of GNI (1995-2017)



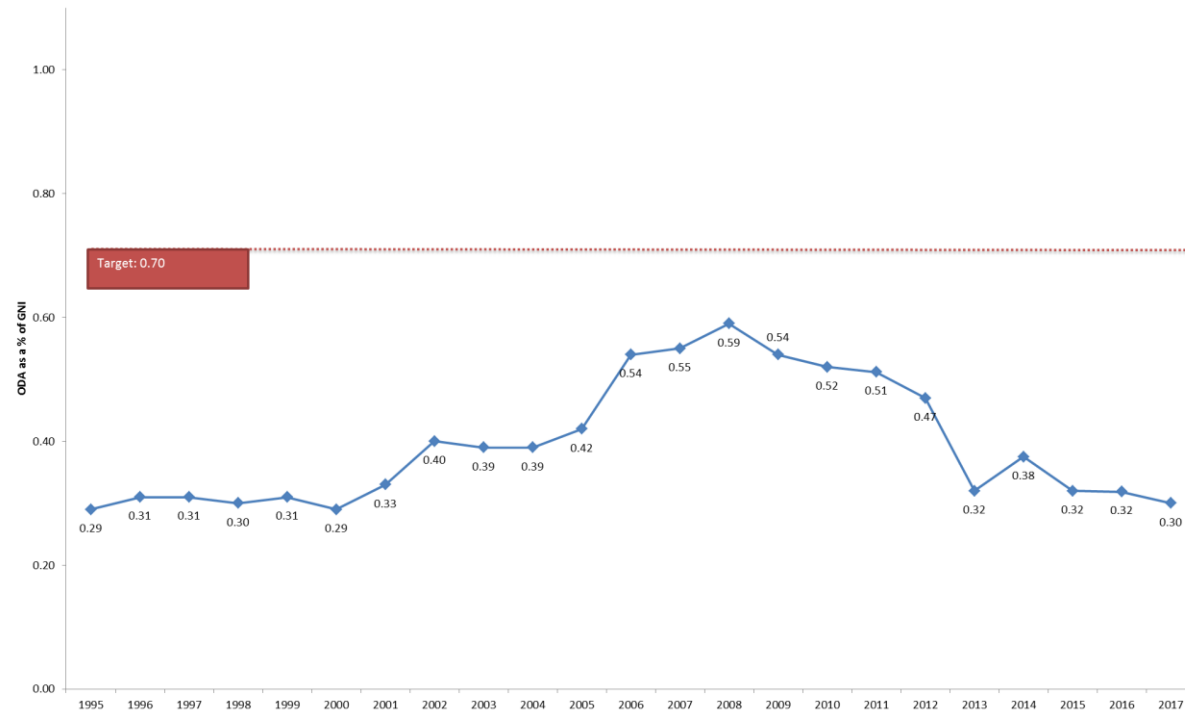
**Greece**  
**ODA as a % of GNI (1995-2017)**



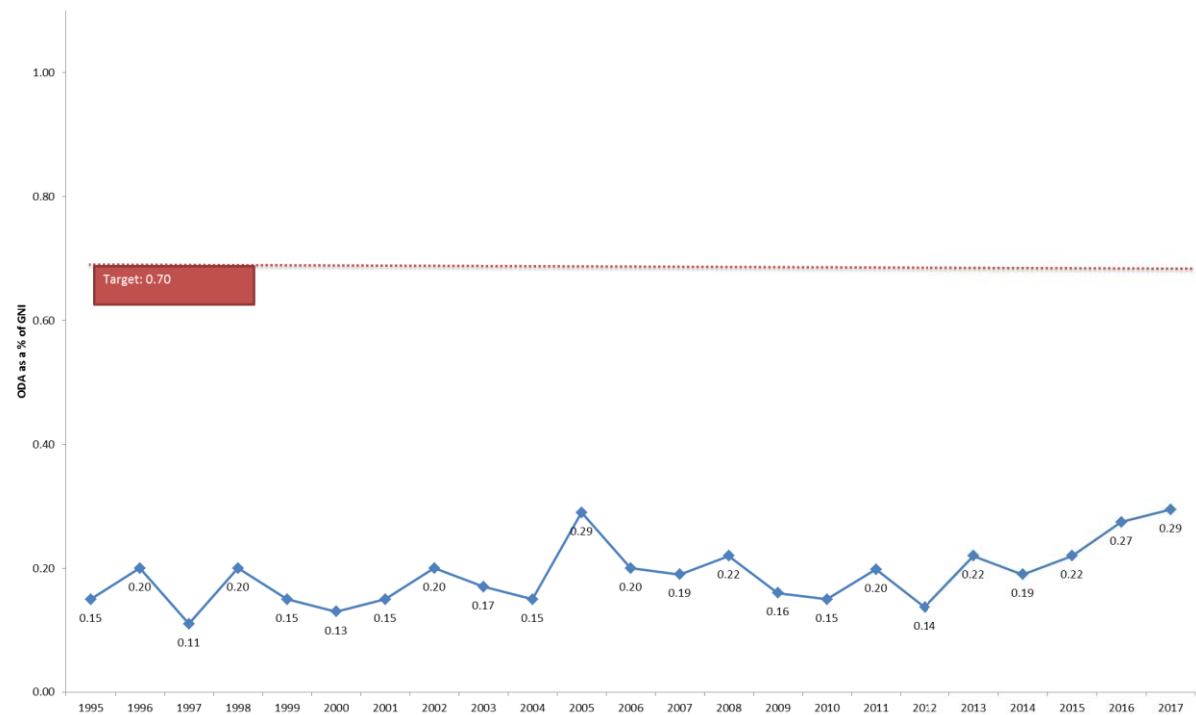
**Hungary**  
**ODA as a % of GNI (1995-2017)**



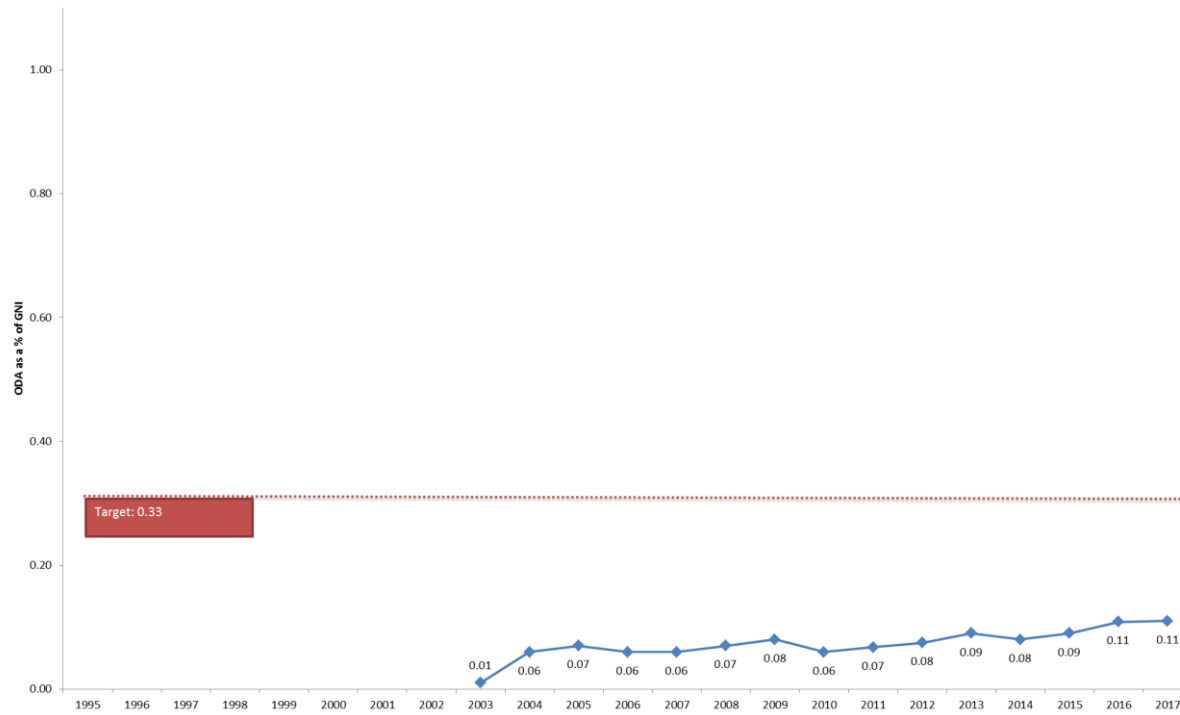
**Ireland**  
**ODA as a % of GNI (1995-2017)**



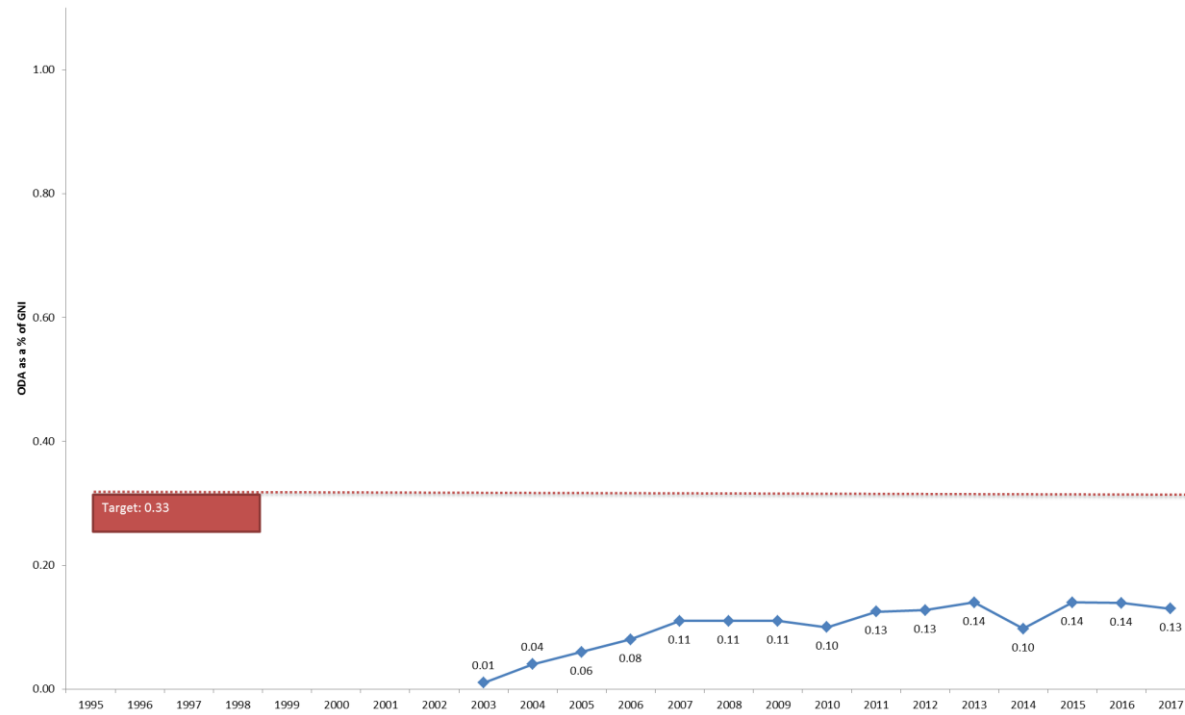
Italy  
ODA as a % of GNI (1995-2017)



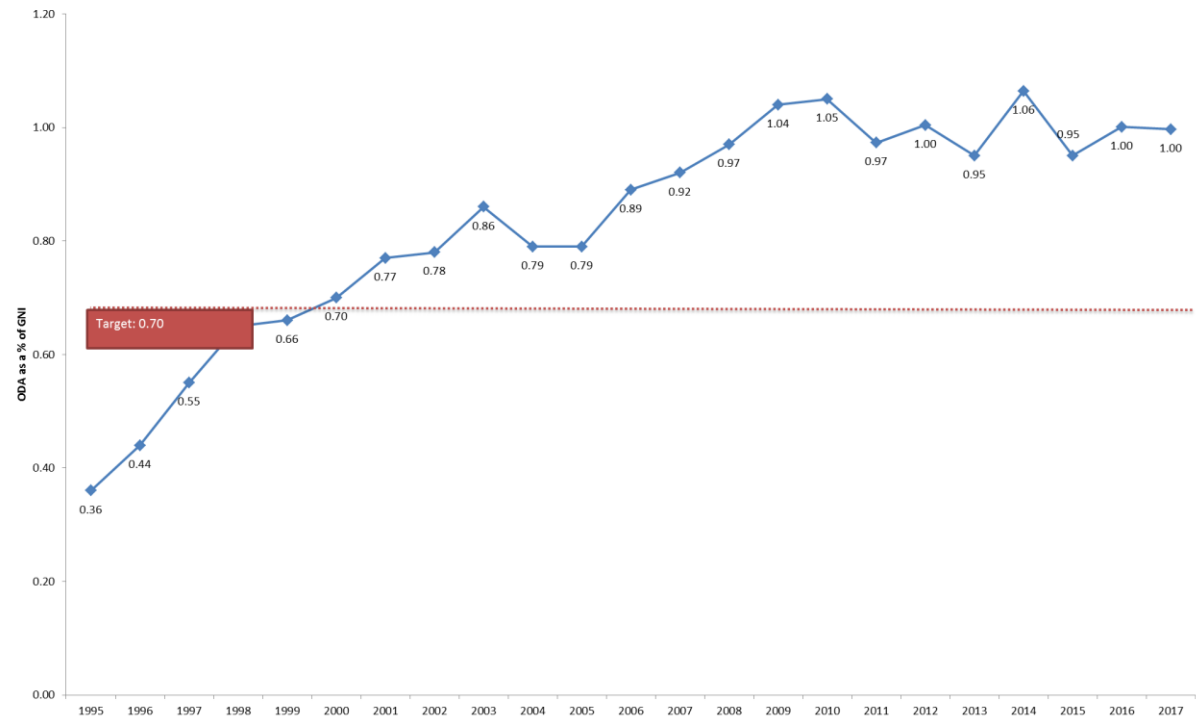
Latvia  
ODA as a % of GNI (1995-2017)



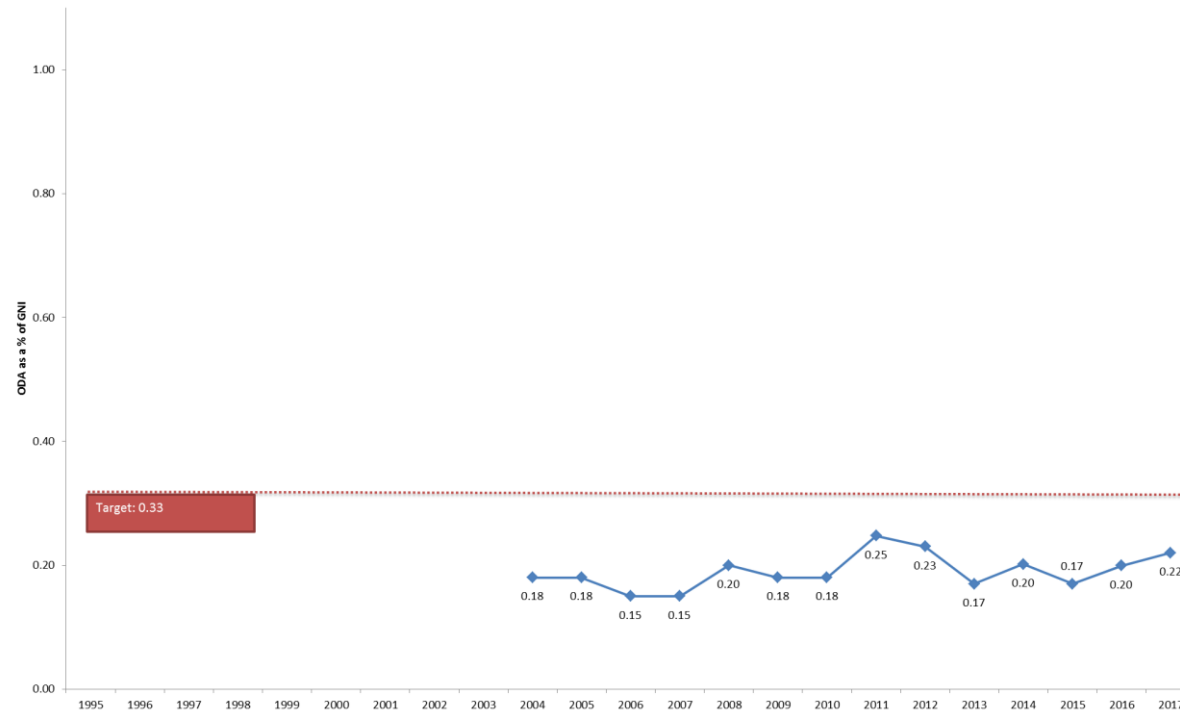
Lithuania  
ODA as a % of GNI (1995-2017)



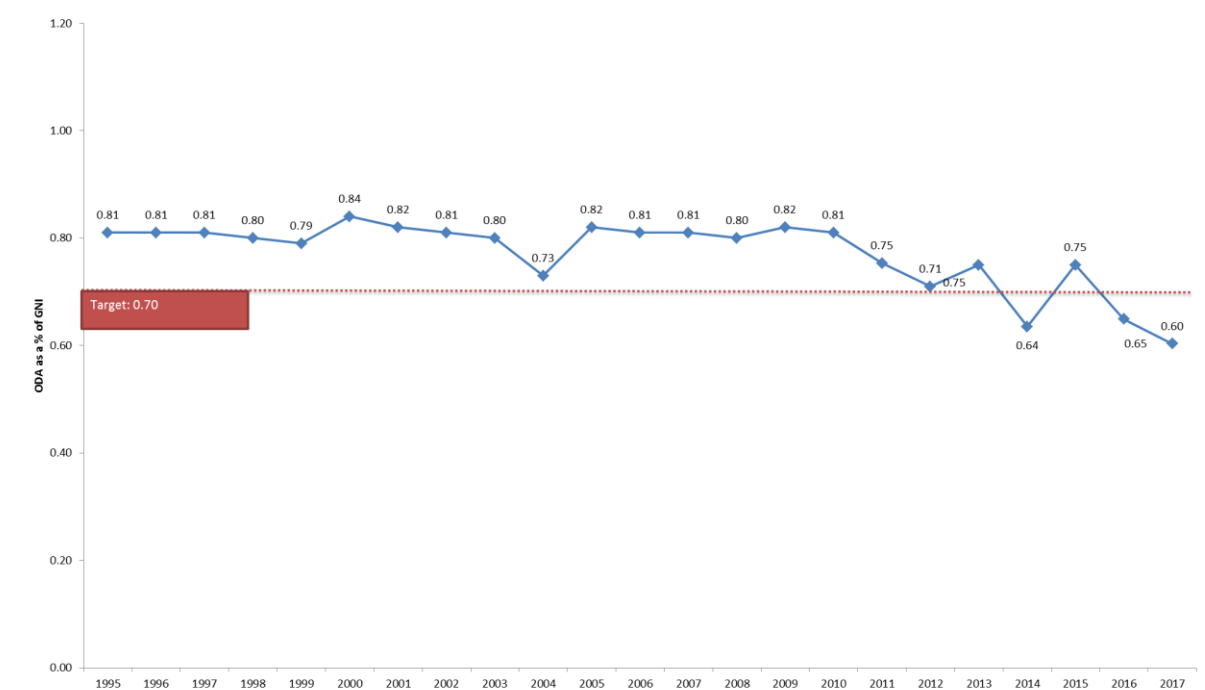
**Luxembourg**  
**ODA as a % of GNI (1995-2017)**



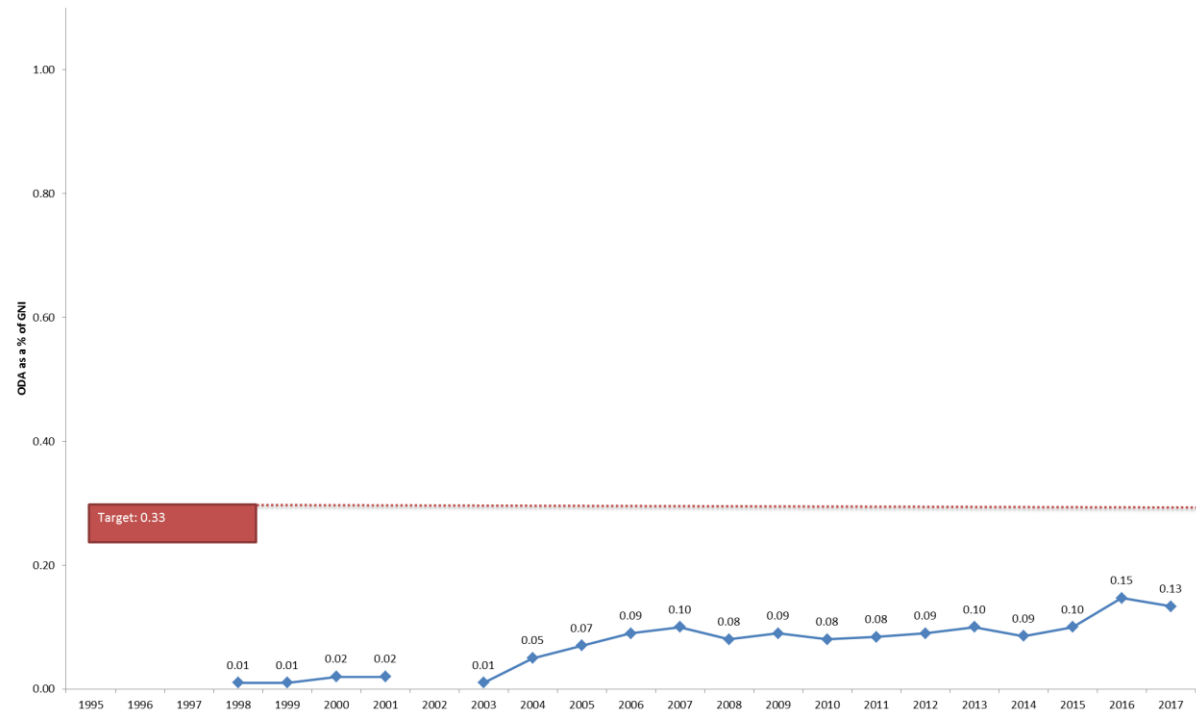
**Malta**  
**ODA as a % of GNI (1995-2017)**



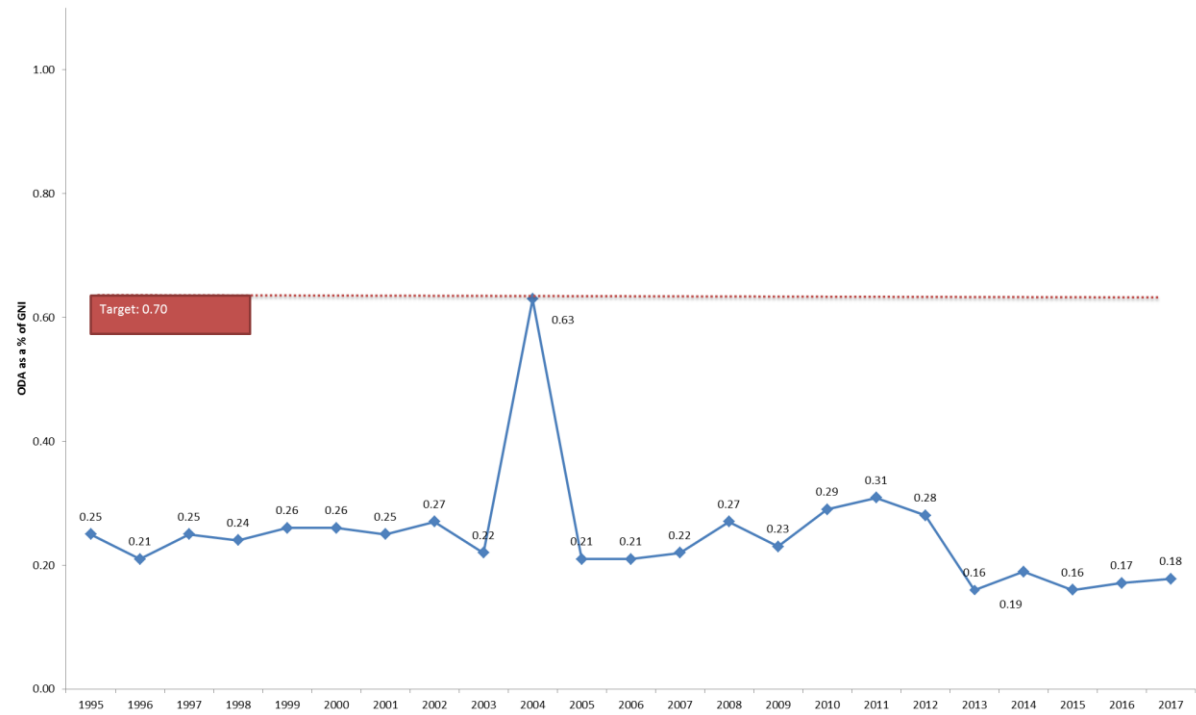
**Netherlands**  
**ODA as a % of GNI (1995-2017)**



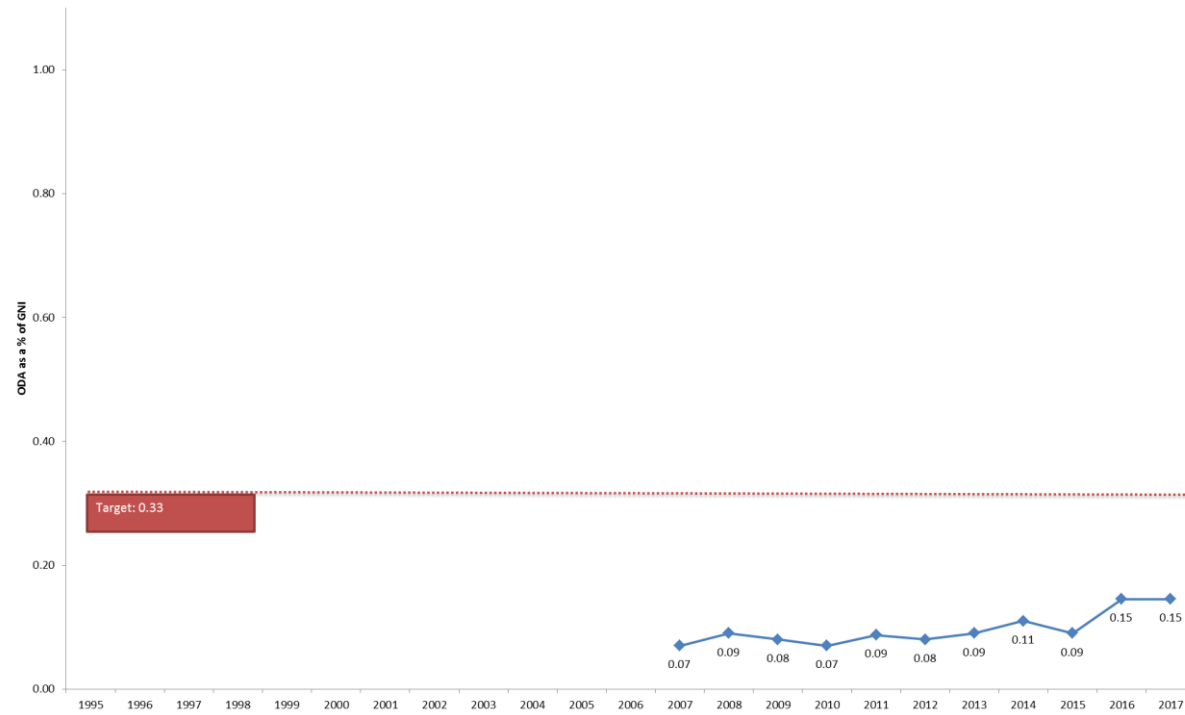
**Poland**  
**ODA as a % of GNI (1995-2017)**



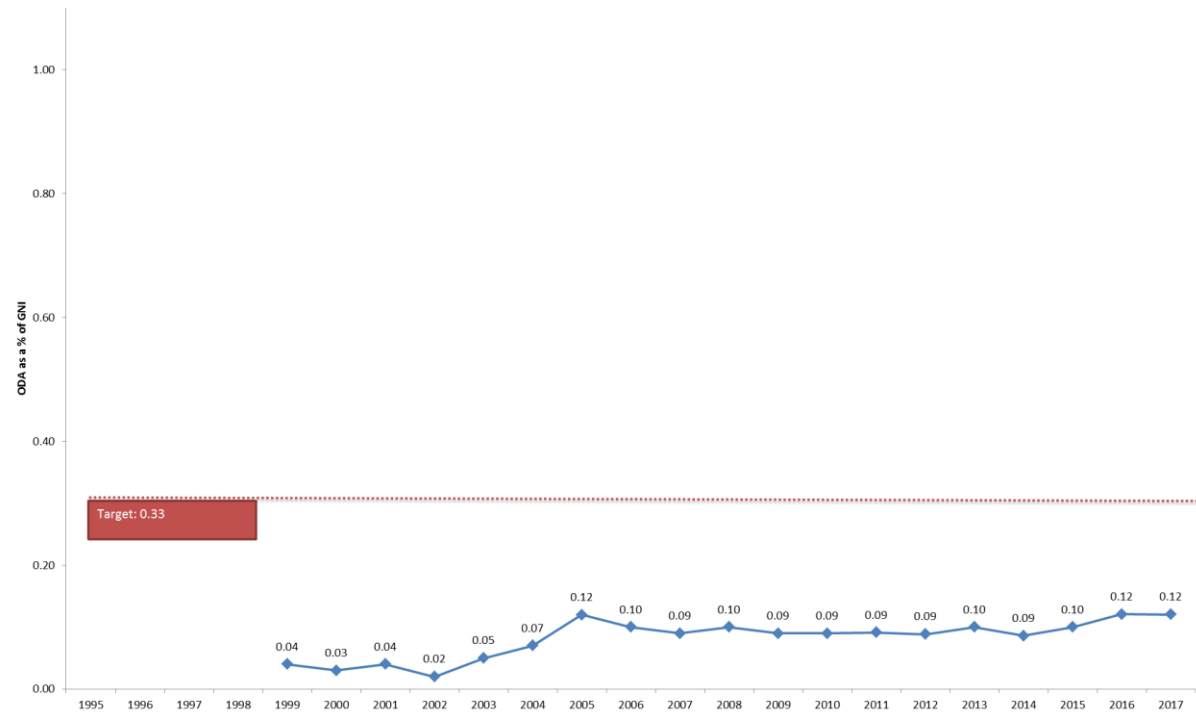
Portugal  
ODA as a % of GNI (1995-2016)



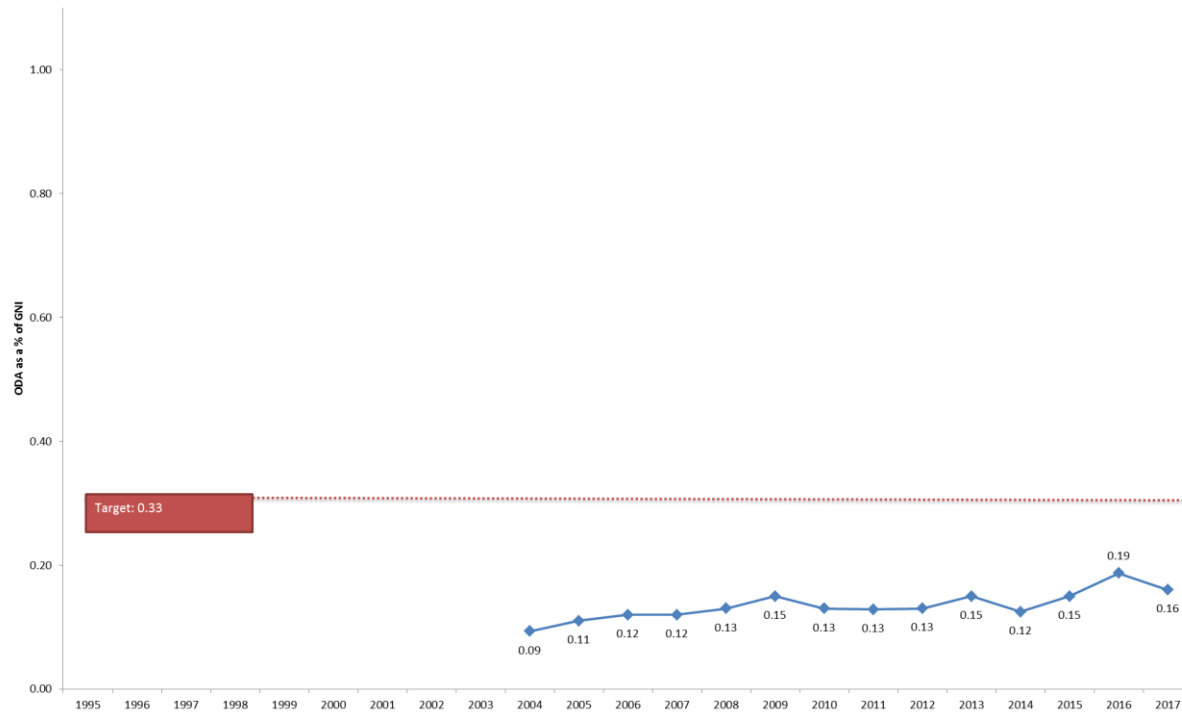
Romania  
ODA as a % of GNI (1995-2017)



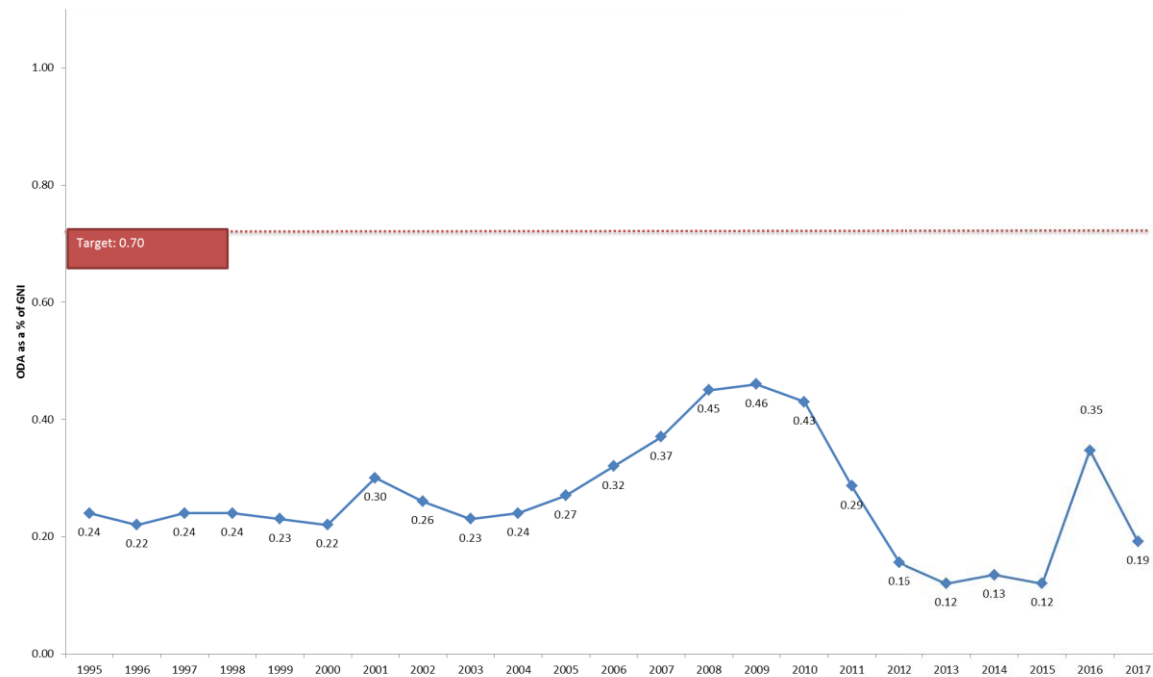
**Slovak Republic**  
**ODA as a % of GNI (1995-2017)**



**Slovenia**  
**ODA as a % of GNI (1995-2017)**

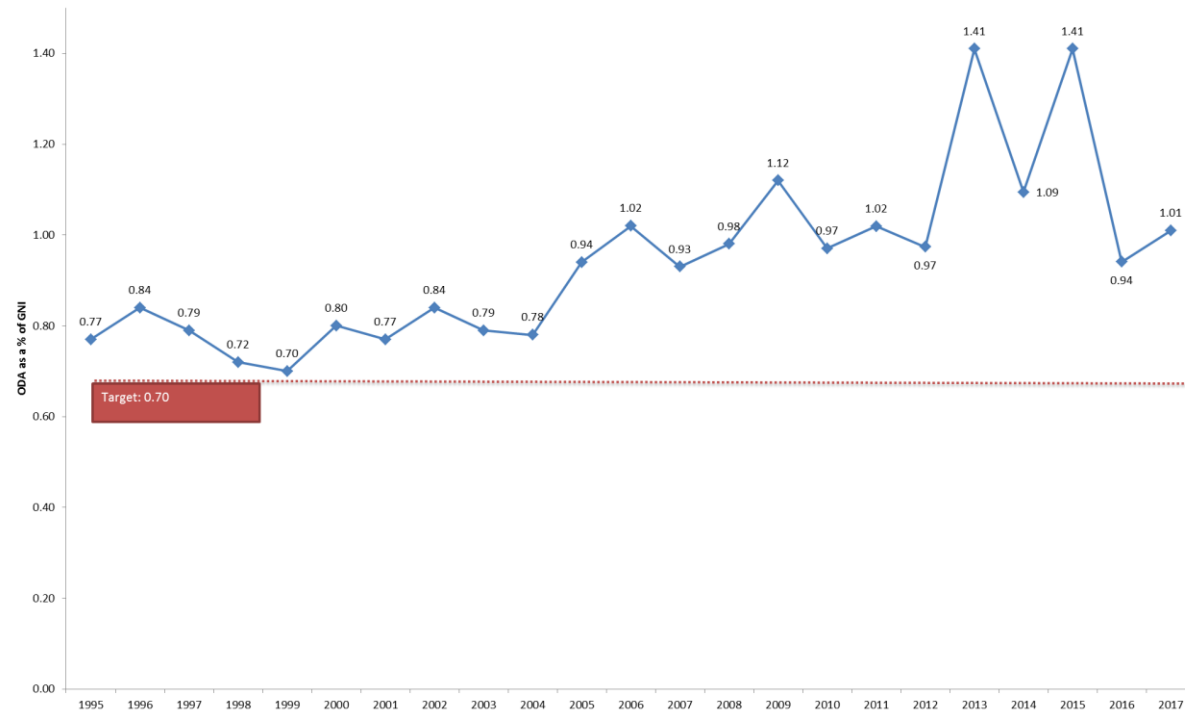


**Spain**  
**ODA as a % of GNI (1995-2017)**

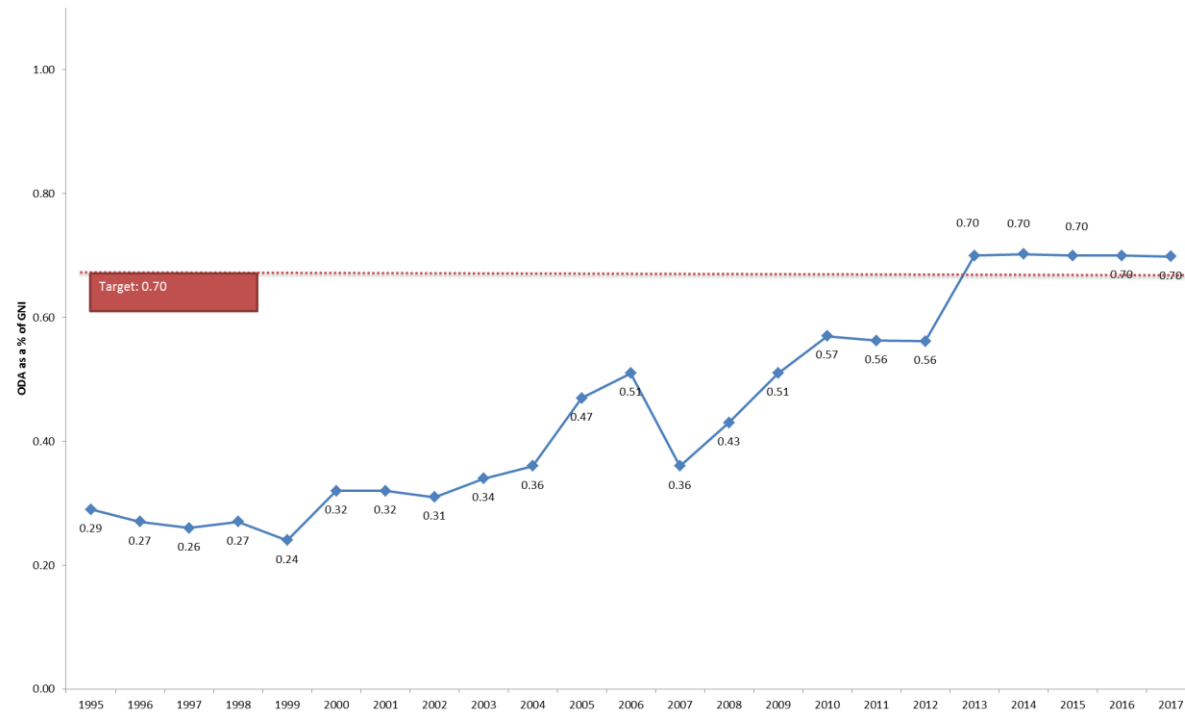


## Sweden

### ODA as a % of GNI (1995-2017)



United Kingdom  
ODA as a % of GNI (1995-2017)



## **ANNEX 2 – OF ABBREVIATIONS AND ACRONYMS**

ACP	African, Caribbean and Pacific
AfT	Aid for Trade
AGIR	Alliance Globale pour l’Initiative Résilience
ASEAN	Association of Southeast Asian Nations
ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
DAC	Development Assistance Committee
DRM	Domestic Resource Mobilisation
DSF	Debt Sustainability Framework
EBA	Everything But Arms
ECG	Export Credit Group
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EIP	External Investment Plan
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EU	European Union
EUR	Euro
FLEGT	Forest Law Enforcement, Governance and Trade
FTA	Free Trade Agreement
GCF	Green Climate Fund
GDP	Gross Domestic Product
GNI	Gross National Income
GPEDC	Global Partnership for Effective Development Cooperation
GSP	Generalised System of Preferences
GSP+	GSP + special incentive arrangement for Sustainable Development and Good Governance
HIPC	Highly Indebted Poor Countries
IATI	International Aid Transparency Initiative
ICCF	Interact Climate Change Facility
ICRC	International Committee of the Red Cross
ICT	Information and Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund

LDC	Least Developed Country
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MSME	Micro, small and medium-sized enterprises
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
P4H	Social Health Protection Network
PDNA	Post-Disaster Needs Assessments
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
REDD	Reducing Emissions from Deforestation and Forest Degradation
REDD+	REDD+ conservation of forest carbon stocks, sustainable management of forests and enhancement of forest carbon stock
RPBA	Recovery and Peace Building Assessment
RTAC	Regional Technical Assistance Centre
SB4A	Sustainable Business for Africa Platform
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprises
SSN	Social Safety Net
STAR	Stolen Assets Recovery initiative
STI	Science Technology Innovation
TFA	Trade Facilitation Agreement
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	US Dollar
VPA	Voluntary Partnership Agreement
WTO	World Trade Organisation