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European Union

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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
On:	19 May 2017
To:	Delegations

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Subject:	European Court of Auditors' Special Report No 35/2016 on 'The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa'
	- Council conclusions (19 May 2017)

Delegations will find in the annex the Council conclusions on the European Court of Auditors' Special Report No 35/2016 on 'The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa', as adopted by the Council at its 3540th meeting held on 19 May 2017.

Council conclusions on the European Court of Auditors' Special Report No 35/2016 on 'The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa'

1. The Council welcomes the European Court of Auditors' Special Report No 35/2016 on 'The use of budget support to improve domestic revenue mobilisation (DRM) in sub-Saharan Africa'. Approximately 20% of EU development funding is channelled through budget support, sub-Saharan Africa being the largest recipient.
2. The Council stresses the EU's strong support to the Sustainable Development Goals. The Addis Ababa Action Agenda recognised that their implementation requires predictable and sustainable financing, beyond Official Development Assistance, where domestic revenues play a significant role.
3. The Council recalls its earlier conclusions on 'Tax and development – cooperating with developing countries in promoting good governance in tax matters',¹ and on 'The future Approach to EU budget Support to Third Countries'.² The Council reiterates its commitment to use budget support to effectively support poverty reduction and the use of country systems, make aid more predictable and strengthen partner countries' ownership of development policies and reforms.
4. As stressed in the new European Consensus on Development, domestic resource mobilisation is of key importance for developing countries in implementing the 2030 Agenda and achieving sustainable development. Budget support will help to promote SDG implementation efforts in partner countries, improve macroeconomic and public financial management, and improve the business environment.

¹ 11082/10

² 9371/12

5. The Council underlines that budget support can be a valuable way to support partner countries to mobilise domestic revenue. The consistent application of the eligibility criteria in the design and implementation of budget support programmes would be conducive for such efforts. The Council further emphasises the need to promote principles of good governance in tax matters, transparency and enabling environments for civil society, as well as to strengthen support to tax systems and DRM in developing countries.
6. The Council takes note of the recommendations of the Court and calls on the Commission to:
- strengthen DRM assessments and risk analysis;
 - strengthen the use, of DRM-specific disbursement conditions;
 - strengthen reporting on the use of budget support to improve DRM;
 - strengthen the policy dialogue component in DRM;
 - strengthen the use of capacity development in DRM; and
 - evaluate the impact of budget support on the improvement in DRM.
7. The Council underlines the importance of the Court's recommendations, welcomes the fact that the Commission has accepted all of them and looks forward to their effective implementation. Furthermore, it acknowledges that the time since the introduction of the new budget support policy in 2013 was not sufficient to achieve significant results in an area like revenue mobilisation, where reforms take time. It also notes that budget support is only one of the various modalities through which the EU supports DRM in developing countries. Such support to DRM can also be complemented by other instruments and initiatives at global, regional and country level.

8. The Council also highlights the need to strengthening coordination, both at headquarters, regional and country level, between the EU and its Member States and other relevant development partners when supporting DRM, in particular for the provision of capacity building, in line with the Addis Tax Initiative and the Addis Ababa Action Agenda.
 9. The Council calls on the Commission to step up its efforts regarding DRM, particularly in the context of the Collect More - Spend Better approach, and thus paying increased attention to the expenditure aspect of public finances. The Council further calls on the Commission to strengthen guidance on DRM analysis and policy dialogue particularly in the context of the ongoing update of the Budget Support Guidelines, as well as to improve the evaluation and reporting framework on DRM.
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