Council of the
European Union

Brussels, 24 June 2015
(OR. en)

10294/15

DEVGEN 113
ACP 99
RELEX 520
FIN 465
OCDE 13
ENV 438
WTO 136

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	24 June 2015
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2015) 128 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EU Accountability Report 2015 on Financing for Development

Delegations will find attached document SWD(2015) 128 final.

Encl.: SWD(2015) 128 final

EUROPEAN
COMMISSION

Brussels, 23.6.2015
SWD(2015) 128 final

PART 1/2

COMMISSION STAFF WORKING DOCUMENT

EU Accountability Report 2015

on Financing for Development

Table of Contents

LIST OF ACRONYMS	
ACP	Africa, Caribbean and Pacific
ADF	Asian Development Fund
AEEP	Africa-EU Energy Partnership
AfT	Aid for Trade
AfTAEOI	Aid for Trade Automatic Exchange of Information
Afritac	African Technical Assistance Centre (IMF)
AGOA	U.S. African Growth and Opportunity Act
AIF	Asia Investment Facility
AIR	African Institute for Remittances
AITF	EU–Africa Infrastructure Trust Fund
ALSF	African Legal Support Facility
AMC	Advance market commitment
AMCOST	African Ministerial Council on Science and Technology
AML	Anti-money laundering
AMIS	Agricultural Market Information System
AML/CFT	Anti-money laundering/combating the funding of terrorism
APEC	Asia-Pacific Economic Cooperation
AT	Austria
ATAF	Africa Tax Administration Forum
BE	Belgium
BEPS	Base erosion and profit shifting
BG	Bulgaria
BEPS	Base Erosion and Profit Shifting
BIOPAMA	Biodiversity and Protected Areas Management Programme
BMZ	Germany's Federal Ministry for Economic Cooperation and Development
BPC	Building productive capacity
BPM	Balance of Payments Manual
BRICS	Brazil, Russia, India, China and South Africa
BSG	Budget Support Group
BWI	Bretton Wood Institutions
C2D	Debt Reduction Development Contracts
CAC	Collective action clauses
CBD	Convention on Biological Diversity
CDKN	Climate and Development Knowledge Network
CIAT	Inter-American Centre of Tax Administrations
CIC	Climate Innovation Centre
CIF	Caribbean Investment Facility
CIIP	Competitive Industries and Innovation Programme
COP	Conference of the Parties to the Convention on Biological Diversity
CPRD	Country Poverty Reduction Diagnostic
CPSS	Committee on Payment and Settlement Systems
CRS	Creditor Reporting System
CSO	Civil society organisation
CSR	Corporate social responsibility
CTCN	Climate Technology Centre and Network
CY	Cyprus
CZ	Czech Republic

DAC	Development Assistance Committee
DANIDA	Danish Development Assistance
DC	Developing country
DCFTA	Deep and comprehensive free trade agreement
DE	Germany
DECC	Department for Energy and Climate Change (UK)
DEFRA	Department for the Environment, Food and Rural Affairs (UK)
DFID	Department for International Development (UK)
DGGF	Dutch Good Growth Fund
DK	Denmark
DMF	World Bank Debt Management Facility for Low Income Countries
DMFAS	Debt Management and Financial Analysis System of UNCTAD
DoL	Division of Labour
DRM	Domestic resource mobilisation
DSF	Debt Sustainability Framework
EAC	East African Community
EAP	Environment Action Programme
EBA	'Everything but arms' arrangement
EBRD	European Bank for Reconstruction and Development
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
ECREEE	ECOWAS Regional Centre For Renewable Energy And Energy Efficiency
EDCTP	European and Developing Countries Clinical Trials Partnership
EDF	European Development Fund
EE	Estonia
EEAS	European External Action Service
EGA	Environmental Goods Agreement
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EL	Greece
ENVIRONET	Network on Environment and Development Co-operation
EPAs	Economic partnership agreements
ERMI	Renewable Energies and Industrial Maintenance
ES	Spain
ETS	EU Emission Trading System
EU	European Union
EUACC	EU-Africa Chamber of Commerce
EU-AITF	EU Africa Infrastructure Trust Fund
EUBEC	EU Platform on Blending in External Cooperation
EUEI	EU Energy Initiative
EUR	Euro
FAO	UN Food and Agriculture Organization
FDI	Foreign direct investment
FfD	Financing for development
FI	Finland
FP	Framework Programme
FR	France
FTA	Free trade agreement
FTT	Financial transaction tax

G20	Group of Twenty (G8 countries plus Argentina, Australia, Brazil, China, EU, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey)
G8	Group of Eight (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States, plus the EU)
GAMM	Global Approach to Migration and Mobility
GATS	General Agreement on Trade in Services
GAVI	Global Alliance for Vaccines and Immunisation
GCF	Green Climate Fund
GDP	Gross domestic product
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEF	Global Environment Facility
GESDPE	Global green economy in the context of sustainable development and poverty eradication
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GFR	Global Forum on Remittances
GIPO	Global Internet Policy Observatory
GIZ	Gesellschaft für Internationale Zusammenarbeit
GNI	Gross national income
GPEDC	Global Partnership for Effective Development Cooperation
GPGC	Global Public Goods and Challenges
GSP	Generalised System of Preferences
HIC	High-income country
HIF	Health Insurance Fund
HIPC	Highly indebted poor country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HLF	High-level forum
HLM	High-level meeting of the OECD-DAC
HR	Croatia
HU	Hungary
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICF	International Climate Fund
ICPE	International Center for Promotion of Enterprises
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IDPS	International Dialogue on Peace Building and State Building
IE	Ireland
IF	EIB Investment Facility
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFCA	Investment Facility for Central Asia
IFFIm	International Financial Facility for Immunisation
IFI	International financial institution
IFM	Innovative financing mechanism
IFP	Investment Facility for the Pacific
ILO	International Labour Organization
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility
IRENA	International Renewable Energy Agency

ISO	International Organization for Standardization
IT	Italy
ITC	International Tax Compact
KfW	Kreditanstalt für Wiederaufbau
KNOMAD	Global Knowledge Partnership on Migration and Development
LAIF	Latin America Investment Facility
LDC	Least-developed country
LECBP	Low Emission Capacity Building Programme
LDC	Least-developed country
LIC	Low-income country (LDC+OLIC)
LMIC	Lower-middle-income country
LT	Lithuania
LU	Luxembourg
LV	Latvia
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFF	Multi-annual Financial Framework
MIC	Middle-income country
MIGRRA	Maximizing the Impact of Global Remittances in Rural Areas
MMR	Mechanism for Monitoring and Reporting
MNC	Multinational corporation
MOI	Means of implementation
MoU	Memorandum of understanding
MRV	Monitoring, reporting and verification
MS	Member States
MSMEs	Micro, small and medium enterprises
MT	Malta
NAPs	National action plans
NGO	Nongovernmental organisation
NIF	Neighbourhood Investment Facility
NL	Netherlands
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the High Commissioner for Human Rights
OOF	Other official flows
OWG	Open Working Group on SDGs
P4P	Partnerships for Prosperity
PCD	Policy Coherence for Development
PEFA	Public Expenditure and Financial Accountability (Assessment)
PFD	Policy Forum on Development
PFM	Public Financial Management
PIDG	Private Infrastructure Development Group
PPP	Private-public partnership
PRF	Preliminary Reporting Framework
PRGT	Poverty Reduction and Growth Trust
PSD	Payment Services Directive
PSE	Private sector engagement
PSGs	Peace-building and state-building goals
PT	Portugal
R&D	Research and development

REACT	Renewable Energy and Adapting to Climate Technologies programme
REDD and REDD+	Reducing Emissions from Deforestation and Forest Degradation. REDD+ goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.
RO	Romania
SADC	Southern African Development Community
SSC	South-South Cooperation
SDG	Sustainable Development Goals
SE	Sweden
SE4ALL	Sustainable Energy for All Initiative
SEPA	Single euro payments area
SES	Senior Expert Service
SIDS	Small island developing state
SK	Slovak Republic
SL	Slovenia
SMEs	Small and medium-sized enterprises
SS GATE	South–South Global Assets and Technology Exchange
SSA	Sub-Saharan Africa
SSC	South-South cooperation
StAR	Stolen Assets Recovery Initiative
STI	Science, technology and innovation
TA	Technical assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TCX	The Currency Exchange
TEC	Technology Executive Committee
TiSA	Trade in Services Agreement
TOSD	Total official support for development
TPR	Trade policy and regulations
TRA	Trade-related assistance
TRAdj	Trade-related adjustment
TRI	Trade-related infrastructure
TRIPS	Agreement on Trade Related Aspects of Intellectual Property Rights
TT	Technology transfer
TTIP	Transatlantic Trade Investment Partnership
UK	United Kingdom
UN	United Nations
UN DESA	United Nations Department of Economic and Social Affairs
UNCAC	United Nations Convention Against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Convention on Climate Change
UNGA	United Nations General Assembly
UNGC	United Nations Global Compact
UNGPs	UN Guiding Principles on Business and Human Rights
UNHCR	United Nations High Commission for Refugees
UNITAID	International Drug Purchasing Facility
UNOSCC	United Nations Office for South-South Cooperation
UNRWA	United Nations Relief and Works Agency

UNTT	UN System Task Team on the Post-2015 UN Development Agenda
U.S. or USA	United States of America
USD	U.S. dollar
VAT	Value added tax
WB	World Bank
WBG	World Bank Group
WBIF	Western Balkan Investment Framework
WFP	World Food Programme
WIPO	World Intellectual Property Organisation
WP/STAT	Working Party on Development Finance Statistics
WTO	World Trade Organization

Overarching Summary

This year's EU Accountability Report on Financing for Development comes at a crucial juncture in the negotiations on the design of the new global framework for sustainable development. Financing issues will be discussed, as part of the overall Means of Implementation, at the UN Financing for Development Conference that will take place in Addis Ababa in July 2015, while a UN Summit is expected to agree on the new Sustainable Development Goals in New York in September 2015. These will in turn have a read-across to the Conference of the Parties to the UN Framework Convention on Climate Change in Paris in December. Implementing what will be an ambitious and comprehensive new development agenda will undoubtedly require an unprecedented effort by all, and securing the required means of implementation- including financing- for the agenda will be crucial to its success.

Throughout the years, the EU has put a particular emphasis on reporting on its performance on financing for development, and its yearly accountability reports should represent a source of information and inspiration for the future framework. The entire series of reports from 2002 to 2013 is reviewed in this report (Part I), as well as new information on progress in 2014 in the usual annual reporting format (Part II).

The overall picture that emerges from this review is encouraging. There are areas in which EU performance has not matched ambitions, but, as the report shows, 23 out of 41 EU commitments have been met or are on track to be met, while another 9 are only partially off track and could still be met.

The EU and its Member States have consistently met their targets for Trade-Related Assistance and Aid for Trade, the Fast Start Finance on climate change, and are globally the single largest providers of financial support for the developing world. The EU (through support provided by both the Commission and EU Member States) is the single-largest provider of trade-related technical assistance to developing countries and between 2008 and 2013, it has consistently met its stated ambition of delivering EUR 2 billion per annum. Similarly, the EU's provision of Aid for Trade stood at EUR 11.7 billion in 2013 and it remains – by a large margin – the most significant AfT donor in the world.

The EU has also been successful in supporting developing countries in improving domestic resource mobilization particularly in Middle-Income Countries and encouraging its private sector to invest in developing countries. Since 2000, the proportion of EU Foreign Direct Investment that went to Lower Middle Income Countries has increased significantly, although the share going to Least Developed Countries remains lower. While these investments were driven by the private sector, it should be noted that, between 2007 and 2013, the EU provided EUR 2 billion of 'aid' funding to unlock investments of more than EUR 44 billion, mostly for energy and transport infrastructure.

Since the inception of its programmes in Science Technology and Innovation, the EU has promoted cooperation with developing countries in critical areas such as agriculture and food, health and clean energy. The latest framework programme, Horizon 2020, continues promoting the participation by partners from developing countries. The EU is also actively involved in multilateral initiatives aimed at facilitating cooperation on science, technology and innovation.

As a firm supporter of multilateralism and good global governance, all EU member States have already ratified the 2010 IMF Quota and Governance Reform.

Between 2000 and 2014 EU Official Development Assistance (ODA) to developing countries, increased by nearly 70% or over EUR 20 billion. This represents the largest increase among 'traditional' donor countries and collective EU ODA, forecast to be 0.44% of GNI in 2015, is significantly above the DAC average GNI ratio of 0.30%. In recent years, the EU has collectively provided more than half of the total ODA reported to the OECD-DAC by its members.

However, due to an unexpected and major global financial and economic crisis, and subsequently the difficult fiscal situation of some EU Member States, the collective Official Development Assistance (ODA) of the EU will not reach the ambitious 0.7% of GNI target by the end of 2015. Provisional figures for 2014 set the level at 0.42%, with a slight increase forecast for 2015 to 0.44%, against 0.35% in 2002. Without the move to a new methodology for calculating GNI, which was used by most EU Member States for ODA reporting in 2014 these ODA/GNI ratios would be even higher (reaching 0.44% in 2014).

In the EU Innovative financial sources raise over EUR 2.3 billion annually and represent important alternative sources for special projects or development goals. The EU has been a leader in pioneering the use of innovative financing instruments and of blending public and private finance to maximise the resources available for development

Private financing from remittances has also grown considerably over the years and by focusing on reducing the cost of remittance transfers, the EU and its Member States have ensured that more of the benefits of remittances accrue to the families of the migrants. Increasing predictability of financing from diverse sources is one of the main tasks ahead.

Also essential to the development impact of the financial resources mobilised, is the *quality* of spending. Over the years, the EU has made considerable progress in improving the way it manages these resources through stronger partnership with developing countries. The engagement of the EU private sector has been enhanced through considerable progress on Corporate Social Responsibility (CSR). Many initiatives over the last decade (e.g., development of national CSR strategies, improving disclosure of social and environmental information, incorporation of CSR concerns into public procurement and a focus on CSR in global value chains) have positioned the EU as one of the global leaders in this arena. In parallel, the support that the EU has been providing to the private sector in partner countries has been reviewed and the forward looking strategy will focus on key areas (e.g. greater focus on innovative financial instruments and mechanisms to increase access to finance for micro and small sized enterprises, particularly those owned by women and youth; more extensive use of structured dialogue and inclusive business models; and improved coordination among the EU and its Member States).

Looking ahead, it is clear that the EU and its Member states should, and will, continue to play a critical role in helping to provide the finance needed to support development and improve the lives of people living in the poorest countries. However, it will be critical that the full range of means of implementation; financial, non-financial and from a variety of sources and actors; domestic and international, public and private, are successfully harnessed and monitored in support of the post-2015 development framework.

Part I – Review of Progress by the EU and Its Member States over the Period 2002–2014

Executive Summary

This 2015 EU Accountability Report is the thirteenth in a series of annual progress reports prepared by the European Commission since 2003. The report responds to the Council's mandate to the Commission to monitor progress on the collective commitments of the European Union (EU), initially focusing on commitments of official development assistance (ODA) agreed to at the 2002 International Conference on Financing for Development in Monterrey.[1] The Council later expanded the mandate to cover more areas of financing for development, including domestic revenue mobilisation, aid effectiveness, aid for trade and fast-start climate finance. The implementation table below summarises progress by the EU and its Member States in the implementation of 41 commitments in all areas of financing for development.

In a departure from past years, the 2015 EU Accountability Report reviews EU performance over the entire period since the Monterrey Conference (2003–14), while also focusing specifically on 2014. It found a mixed performance. Since 2003:

- 23 EU commitments have been **met (3) or are on track to be met (20),** concerning mostly domestic public, domestic private and external private finance for development, as well as their combination with external public finance; and

- 18 EU commitments are **partially off track** (9), have been **missed (3)** or **are completely off track** (6), concerning mostly the quantity and quality of external public finance for development.

Most EU commitments had no specific date for their achievement and therefore cannot be assessed as having been met or missed. Commitments that are on track are often process-oriented rather than output- or outcome-oriented, and so are less precise in their timing and target (with respect to both quantity and quality). Commitments that were missed or are off track are often measurable, time-bound and ambitious. For this reason, one should not draw conclusions about the relative progress in each area solely on the basis of the performance statistics above. The main text provides contextual information that is essential to understand the extent of the progress made on each front.

All commitments analysed in this report have emerged over the last decade, as new challenges became clearer and as the EU recognised the need to strengthen its global leadership in finding solutions to global problems.

The tables in this executive summary use the following coding. Cells are shaded in red when performance is 'completely off track', yellow when 'partially off track', and green when 'on track'. Cells shaded in grey with black dots indicate that the specific commitment does not apply to the corresponding year, because it had not been made yet, or because the target date for its achievement has passed.

[1] The first reports in this series of Staff Working Documents were entitled 'The Monterrey Report'.

Domestic Public Finance for Development

Progress in this area has been strong, with 8 out 11 commitments currently on track, and only one (related to EU Member States' action to restrict litigation against developing countries by distressed debt funds) completely off track.

Domestic public finance for development														
Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.														
		EU progress on commitments since 2003												**Overall grade**
#	**Commitment**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
1	Support on tax policy, administration and reform													
2	Support established regional tax administration frameworks (e.g., CIAT, ATAF)													
3	Explore country-by-country reporting by multinational corporations, exchange of tax information, transfer pricing and asset recovery													
4	Encourage participation of developing countries in international tax cooperation													
5	Ratify and implement the UN Convention Against Corruption and the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions													
6	Support transparency and accountability through Extractive Industries Transparency Initiative and similar initiatives, possibly also in other sectors													
7	Support existing debt relief initiatives, in particular the HIPC Initiative (since 2002) and the MDRI (since 2005)													

8	Support discussions, if relevant, on enhanced sovereign debt restructuring mechanisms, on the basis of existing frameworks and principles													
9	Participate in international initiatives such as the World Bank–IMF Debt Sustainability Framework (DSF) and promote responsible lending practices													
10	Promote the participation of non–Paris Club members in debt-workout settlements													
11	Take action to restrict litigation against developing countries by distressed debt funds													

Private Finance for Development

Progress in this area has been strong, with 4 out 7 commitments currently on track, one missed and two off track.

Private finance for development														
Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.														
		EU progress on commitments since 2003												**Overall grade**
#	**Commitment**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
12	Support the development of the private sector, including small and medium-sized enterprises, through measures to enhance the overall investment climate for their activity, inter alia by promoting inclusive finance and through relevant EU investment facilities and trust funds													
13	Enhance efforts to promote the adoption, by European companies, of internationally agreed principles and standards on Corporate Social Responsibility, the UN principles on business and human rights and the OECD Guidelines for Multinational													

Private finance for development														
Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.														
		EU progress on commitments since 2003												**Overall grade**
#	**Commitment**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
	Enterprises													
14	Respond to the Commission's invitation to develop or update Member States' plans or lists of priority actions in support of CSR													
15	Provide appropriate levels of financing support for Trade-Related Assistance, target support to LDCs and ACP regional packages, and implement measures to enhance the impact of Aid for Trade.													
16	Improve access to EU markets among developing countries and ensure complementarity and coherence between trade and development instruments													
17	Reduce the global average cost of transferring remittances from 10% to 5% by 2014 (G8/G20 commitment)													
18	Enhance the impact on development of remittances													

International Public Finance for Development

Progress in this area has been the weakest of any area, with 10 out of 14 commitments either missed (2), completely off track (4) or partially off track (4). On the positive side, the EU and its Member States achieved their ODA/GNI target in 2006, and their fast-start climate finance target in 2010–12. Even if it remained below commitments after 2006, ODA to developing countries from the EU and its Member States nevertheless increased by more than 69% over the period 2000–13, faster than ODA from non-EU donors belonging to the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

International public finance for development

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.

#	Commitment	EU progress on commitments since 2003												Overall grade
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
19	Achieve a collective ODA level of 0.39% of GNI by 2006													
20	Achieve a collective ODA level of 0.56% of GNI by 2010													
21	Achieve a collective ODA level of 0.7% of GNI by 2015													
22	Take realistic, verifiable actions for meeting individual ODA targets by 2015 and to share information about these actions													
23	Increase collective ODA to Sub-Saharan Africa													
24	Provide 50% of the collective ODA increase to Africa as a whole													
25	Provide between 0.15 and 0.20% of collective ODA/ GNI to the Least Developed Countries by 2010													
26	Establish a task force, open to all actors on a temporary basis, to identify global public goods													
27	Contribute EUR 7.2 billion over the period 2010–12 to fast start climate funding													
28	Work towards pathways for scaling up climate finance from 2013 to 2020 from a wide variety of sources, to reach the international long term committed goal of mobilising jointly USD 100 billion per year by 2020													

International public finance for development														
Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.														
		EU progress on commitments since 2003												**Overall grade**
#	**Commitment**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
29	By 2015, double total biodiversity-related international financial resource flows to developing countries, in particular the least-developed countries and small island developing states, as well as countries with economies in transition, and at least maintain that level until 2020 (compared with 2006–10)													
30	Improve mechanisms for international cooperation in science, technology and innovation (STI), and for the development of information and communication technologies for application to major challenges of sustainable development													
31	Promote clean and environmentally sound technologies as a means to facilitate a transition to a green economy for all countries, regardless of their development status													
32	Support STI research cooperation and capacity building to enhance sustainable development in developing countries, including through the new Horizon 2020 research and innovation programme													

Combining Public and Private Finance for Development

Progress in this area has been strong, with 4 out 5 commitments currently on track, and none completely off track. Revenue generation from innovative sources has been the weakest point, accounting for about 2% of ODA since 2010.

Combining public and private finance for development

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.

#	Commitment	EU progress on commitments since 2003												Overall grade
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
33	Further explore innovative sources of financing, taking into account the conclusions of the Commission's Globalisation Report.													
34	Consider proposals for innovative financing mechanisms with significant revenue generation potential, with a view to ensuring predictable financing for sustainable development, especially for the poorest and most vulnerable countries													
35	Promote new financial tools, including blending grants and loans and other risk-sharing instruments													
36	Use innovative financing mechanisms taking into account debt sustainability and accountability and avoiding market disturbances and budgetary risks.													
37	Strengthen the capacity of the European Investment Bank to support EU development objectives and promote the efficient blending of grants and loans in third countries, including in cooperation with Member States' finance institutions or through development financing facilities													

Using Development Finance Effectively

Progress in this area has been mixed. Two out of three commitments, relating to joint programming and the Mutual Accountability Agenda have been met, but there appears to have been slow progress on the implementation of the transparency commitment.

Using development finance effectively														
Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Greyed out cells indicate that the commitment had not yet been taken in that year or has expired.														
		EU progress on commitments since 2003												**Overall grade**
#	**Commitment**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
38	Take concrete steps to coordinate policies and harmonise procedures before 2004, both at the European and national levels, in line with internationally agreed best practices and recommendations from the OECD-DAC Task Force on Donor Practices													
39	Implement the European Transparency Guarantee and the commitments related to the common open standard for publication of information on development resources including publishing the respective implementation schedules by December 2012, with the aim of full implementation by December 2015													
40	Promote joint programming, and increase coordination in order to develop a EU joint analysis of and response to partner country's national development strategy													
41	Implement the Results and Mutual Accountability Agenda													

Introduction

Part 1 of the EU Accountability Report 2015 on Financing for Development analyses the progress of the EU and its Member States in implementing the commitments made at the Monterrey International Conference on Financing for Development of March 2002, and the Doha Financing for Development Follow-up Conference of December 2008. The third UN Financing for Development Conference will take place this year in Addis Ababa. It therefore seems timely to reflect on the EU's progress since Monterrey.

Between 2002 and 2014, EU commitments related to the Financing for Development (FfD) agenda grew from 8 to 41. The sections that follow review progress towards the achievement of those commitments, comparing it, where possible, with progress made by other donors. Each section ends with a discussion of the remaining challenges. The last section of this part of the report draws more general conclusions about overall EU performance, and about the monitoring exercise itself in view of the post-2015 aid framework.

The retrospective approach of this part of the report required a higher level of historical and comparative analysis than did reports for previous years. For maximum accessibility, it uses graphic representations and is deliberately concise. Only major developments in each area are covered.

A more detailed overview of progress during 2014 is available in the second part of the report. To ensure comparability and transparency, Part 2 includes a review of 2014 progress prepared in the same detailed format used in previous years. Reports for all previous years are available online.[2]

[2] https://ec.europa.eu/europeaid/policies/financing-development_en.

1. BACKGROUND

1.1. Financing for Development before Monterrey (1960–2001)

Development cooperation has evolved in both concept and practice. Introduced in the 1960s, it was initially understood to mean helping ‘less-developed countries help themselves’, as stated in the 1961 Declaration on the Common Effort issued by the new Development Assistance Committee (DAC) that had just been formed within the Organisation for Economic Co-operation and Development (OECD).

How that objective was achieved depended on the changing consensus among donors about what development entailed.[3]

In the 1960s, development cooperation often meant government-led industrialisation through import substitution, nationalisation and overall economic planning. The decade saw the introduction of the concept of official development assistance (ODA) and of the related target of providing 0.7% of gross national income (GNI) in aid.

In the 1970s, development cooperation meant broad-based economic growth ‘aimed at increasing the productive income of the poor’, with assistance provided to the poorest sections of the population in developing countries. One of the main lessons of the 1985 DAC review of 25 years of ODA was that, because policies were important, the policies of developing countries should be supported through ‘structural adjustment’.

The end of the Cold War created a significant discontinuity in the purpose, breadth and channels of development cooperation. Multilateral cooperation outside the Bretton Woods institutions formed in the aftermath of World War II gained importance. A series of key UN conferences—on education for all, children, the environment (Rio), women (Beijing), population (Cairo) and social development (Copenhagen)—brought about a new consensus that would eventually become enshrined in the Millennium Declaration of September 2000.

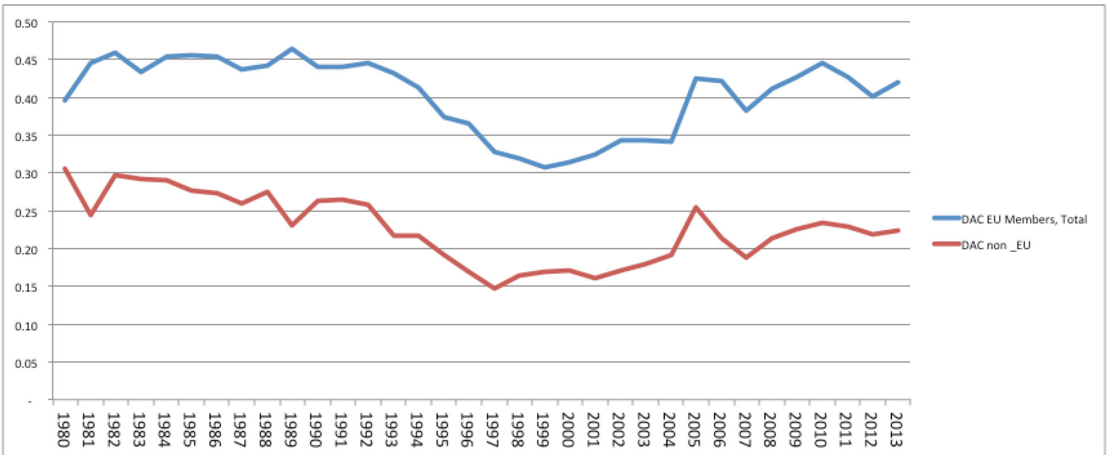
By the early to mid-1990s, aid had become somewhat more 'sustainable', with greater attention paid to environmental concerns, to broader participation by beneficiaries and progressively to the institutions of developing countries. The World Bank’s *World Development Report 1990* and the first *Human Development Report* from the United Nations Development Programme (UNDP) restored poverty reduction to the forefront of the development debate, now based on a multidimensional concept of poverty. The 1995 DAC Recommendation on Development Partnerships in the New Global Context stated that the goal of aid included sustainable development, poverty reduction, integration into the world economy and the building of viable economies and societies.

[3] See *Aid Architecture: an Overview of the Main Trends in Official Development Assistance Flows*, World Bank, IDA15 Background Paper, 2007.

By the time this new consensus was reached, however, aid was in crisis (**Figure 1.1a**). ODA from EU Member States peaked at 0.46% of GNI in 1989 before beginning a dramatic decline, falling to 0.37% by 1995 and 0.31% by 1999, when it bottomed out. In just a decade ODA from EU Member States had lost a third of its relative weight as a share of GNI. ODA from non-EU DAC donors followed a similar pattern, dropping from 0.27% of GNI in 1988 to 0.15% in 1998.

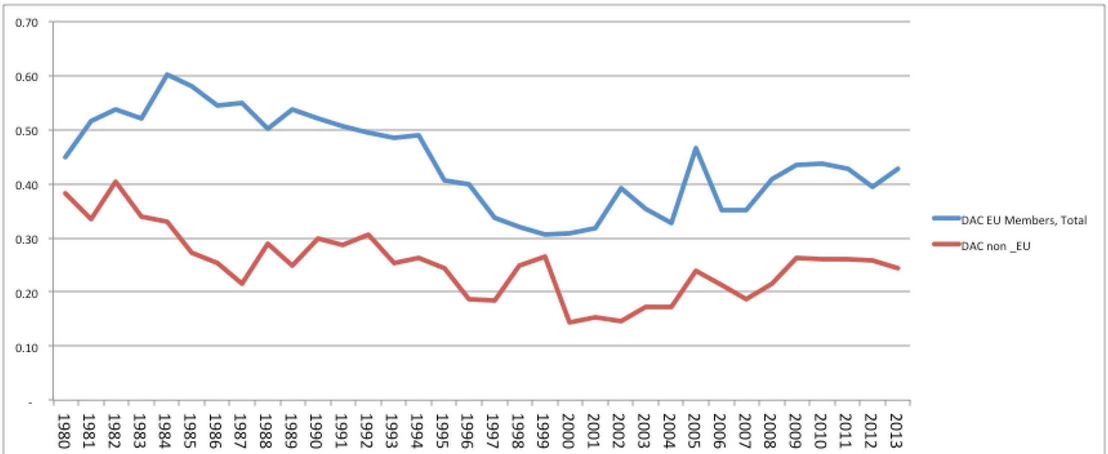
The end of the Cold War was the most obvious cause of the downward trend: Development cooperation budgets, particularly in the United States, were transferred to support countries of the former Soviet bloc. The EU lead in official support for developing countries was eroded, with non-EU DAC members catching up with EU DAC members by the end of the 1990s (**Figure 1.1b**). As this occurred, support for development cooperation among EU citizens was at its lowest (**Figure 1.1c**).

Figure 1.1a. Evolution of ODA/GNI ratios of EU and non-EU DAC donors since 1980 (% of GNI)



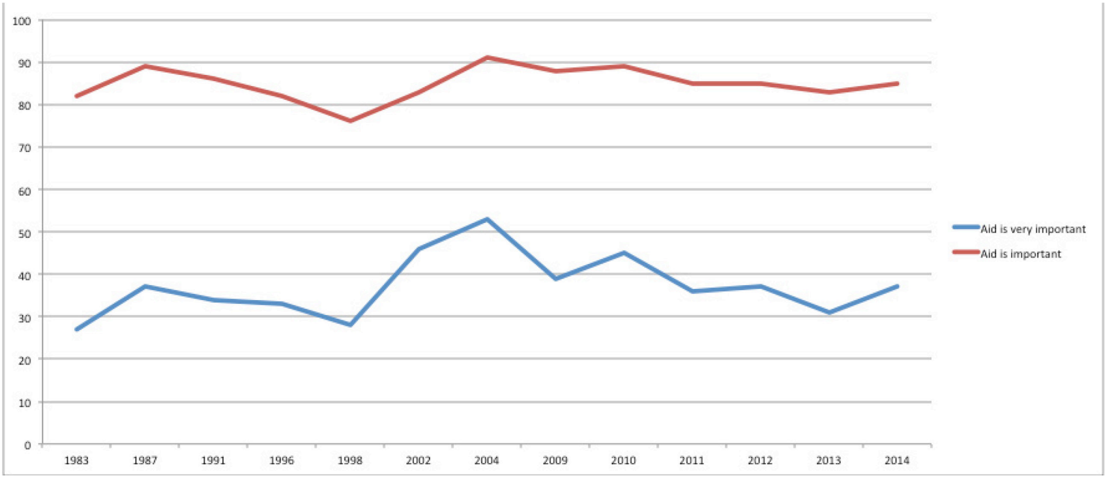
Source: OECD-DAC, DAC1 database.

Figure 1.1b. Evolution of ODA among EU and non-EU DAC donors, 1980–2013 (% of GNI)



Source: OECD-DAC, DAC1 database.

Figure 1.1c. Opinion of EU citizens on the importance of foreign aid



Source: Eurobarometer Special Reports on Development Cooperation, various editions. The question in the 1980s and 1990s was slightly different. Averages refer to EU averages with different numbers of Member States.

By the mid-1990s, then, ODA was declining and the trend was clear. While grand promises were made at UN conferences, development cooperation occupied low priority in budget formulation.[4] The global 'peace dividend' promised in 1990 after the end of the Cold War had not materialised. Aid had a negative image in developed countries. It became essential to show that development was an investment rather than a cost.

In this context, in 1996 the EU proposed a deliberative group within OECD-DAC to review the future of development assistance and the role of DAC itself, insisting that the group should operate at the political rather than technical level. The proposal received support and was approved. One of the first actions of the new deliberative group was to draw up a list of the declarations agreed at UN summits and to see whether a coherent list of commitments could be drawn from it. The concept of setting targets and linking them to budgets was a common idea pursued in many civil service reforms at the time, and the idea of combining goals and resources, as well as measuring progress towards them, was at the root of that philosophy. The work of the group led to *Shaping the 21st Century: The Contribution of Development Co-operation,* a report launched in May 1996 at the High-Level Meeting of Ministers of Development Cooperation. The document included seven international development goals (IDGs), a set of concrete development objectives that could be measured and monitored over time.

Shaping the 21st Century declared that it was 'time to select, taking account of the many targets discussed and agreed at international fora, a limited number of indicators of success by which our efforts can be judged'. The targets covered a period of 20 years, ending in 2015. The document committed DAC donors to make mutual commitments with their development partners, supported by adequate resources; to improve

[4] See, for example, Hulme, David, *The Millennium Development Goals (MDGs): A Short History of the World's Biggest Promise*, University of Manchester Brooks World Poverty Institute, Working Paper 100, 2009.

coordination of assistance; and to achieve coherence between foreign aid and other policies having an impact on developing countries.

The process begun within DAC continued in the UN context, leading to the Millennium Declaration, which was endorsed by 189 countries and adopted in September 2000. The Millennium Development Goals (MDGs) – inspired by the IDGs – were produced by September 2001 and the UN Financing for Development (FfD) Conference in Monterrey in March 2002 further discussed the required means of implementation.

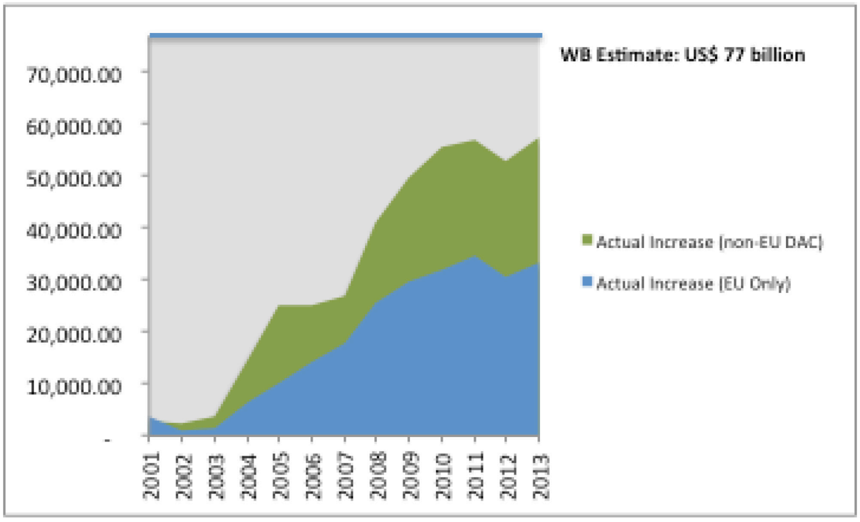
Monterrey was the first UN-sponsored summit-level meeting to address key financial issues pertaining to global development. The Monterrey Consensus, starting from the basic principle that each country has primary responsibility for its own economic and social development, covered several elements of FfD—among them domestic resource mobilisation, foreign direct investment and other private flows, trade, ODA (including the global target of donor nations providing 0.7% of GNI in aid), aid effectiveness, innovative sources of finance, sustainable external debt and global governance. The summit was successful: all major donors announced their political will to increase their funding for development cooperation just a few months after the attacks of September 11, 2001.

1.2. Financing for Development between the Monterrey Conference and the Onset of the Financial Crisis (2002–08)

At the Barcelona Council on 14 March 2002 the EU undertook eight commitments as its contribution to the Monterrey Conference. Those eight commitments pertained to the volume of ODA, aid coordination and harmonisation, the untying of aid from various conditions, trade-related technical assistance, global public goods, innovative sources of finance, reform of the international financial system and debt relief. At its November 2002 session the Council stressed the importance of adequately monitoring the implementation of those commitments. It requested the Commission to report back on the results in spring 2003, in particular concerning the financial commitments made by the EU on the increase in ODA. The first EU accountability report was issued in May 2003, with the EU's 0.7% commitment ultimately following in 2005 (*see section 4.1*).

The FfD process started at Monterrey was therefore crucial, as it explicitly linked a global development philosophy, funding to implement that philosophy and- within the EU at least- an annual monitoring exercise on progress made towards implementation. Within the UN context, by contrast, progress towards the MDGs was monitored at intervals of five years.

Figure 2.2. Increase in ODA to developing countries (USD million, 2012 prices)



1.3. Financing for Development after the Doha Conference in 2008

As shown in **Figure 1.1c** the 2008 crisis eroded public support for development cooperation, causing a significant drop in the share of Europeans who believed that foreign aid was 'very important' – from more than 50% to 30%. The clear lack of knowledge about the MDGs, as shown in **Table 1.3**, and the general misperception of the true level of foreign aid (which is widely overestimated by the public in most OECD countries, as discussed in section 4) did not help.

In 2008, after the Doha Follow-up International Conference on Financing for Development, the EU further broadened its commitments to cover not only ODA but also support for developing countries' overall revenue base for development, including trade, remittances, private sector investments and domestic resources, as well as new challenges, especially climate change and environmental issues.

Table 1.3. Knowledge of the MDGs among Europeans (%)

Question and answers	2004	2007	2009	2013
Have you ever heard or read about the MDGs?				
Yes, and I know what they are		4	5	6
Yes, but I do not know what they are		14	19	16
Total Yes	**12**	**18**	**24**	**22**

Source: Eurobarometer Special Reports on Development Cooperation, various editions.
Note: The question in the 1980s and 1990s was slightly different. Averages refer to EU averages with different numbers of Member States.

This review of progress on the EU's ambitious commitments deserves to be put in context. The EU is the only group of donors that has made concrete commitments and monitored them in a transparent way. Some commitments were harder than others, and some were missed. However, thanks to systematic monitoring, lessons can be learned. Some of those lessons are discussed in this document. This is a crucial step now that future goals are evolving with the shift from the MDGs to Sustainable Development Goals, and with funding needs growing from billions to trillions as discussed, for example, in the Report of the Intergovernmental Committee of Experts on Sustainable Development Financing.[5]

[5] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing – Final Draft*, United Nations, 8 August 2014.

2. DOMESTIC PUBLIC FINANCE FOR DEVELOPMENT

2.1. Domestic Revenue Mobilisation

In recent years there has been a growing emphasis on domestic sources of development finance. The shift has occurred for several reasons. First most donors have not been able to live up to their long-standing commitment to deliver aid equivalent to 0.7% of gross national income (GNI) and current fiscal constraints in many EU Member States underline the difficulty of meeting the commitment in the near future. Secondly, it has become increasingly clear that external resources alone, even if the commitment had been met, would be insufficient to meet the requirements of the Millennium Development Goals (MDGs), let alone the greater needs of the anticipated Sustainable Development Goals. Thirdly, and as recognised by developing countries, the successful growth experiences of China, East Asia generally and India have been underpinned by high levels of domestic saving and investment. The Commission on Growth and Development (2008), which examined the experiences of 13 high-growth economies since 1950, concluded that 'there is no case of a high investment path not backed up by high domestic savings'.[6] In this regard, domestic revenue mobilisation (DRM) can be a direct contributor to public savings.

DRM is not only the path out of aid dependency into financial autonomy, but it reflects national aspirations and expresses ownership of public policy. The Commission's 2012 Communication on Tax and Development[7] argued that taxes were essential for sustainable development, the legitimacy of the state, economic stability and the financing of public services and infrastructure. DRM strengthens a government's accountability as well as its ability to deliver the public and social goods and services that citizens expect, both of which help fulfil the *social compact* between citizens and government.

2.1.1. Evolution of EU Commitments

Even though enhanced DRM had been part of the 2002 Monterrey Consensus, no EU commitment was made in this area until 2008, and the monitoring of these commitments began with the 2009 EU Accountability Report.

Since 2008, the EU and its Member States have made six pertinent commitments.

The first two were made in 2008 in preparation for the second Financing for Development (FfD) Conference in Doha. They included (i) the ratification and implementation of the UN Convention Against Corruption[8] before 2010, and the OECD Convention on

---

[6] *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, Commission on Growth and Development, 2008.
[7] Tax and Development (2010). *Op. cit.*
[8] UN Convention Against Corruption (2010).

Combatting Bribery of Foreign Public Officials in International Business Transactions[9] (Commitment 5); and (ii) support for transparency and accountability through the Extractive Industries Transparency Initiative (EITI) and similar initiatives, and possibly also in other sectors (Commitment 6).

Four additional commitments were made in 2010. These were (i) to support developing countries on tax policy, administration and reform (Commitment 1); (ii) to support established regional tax administration frameworks (e.g., those in Latin America and Africa) (Commitment 2); (iii) to explore country-by-country reporting by multinational corporations, exchange of tax information, transfer pricing and asset recovery (Commitment 3); and (iv) to encourage developing countries' participation in international tax cooperation (Commitment 4).

2.1.2. EU Performance

Since Monterrey, the emphasis on DRM to meet the MDGs has grown. The Monterrey Consensus recognised that each country bore the primary responsibility for its own development, whereas the global community was responsible for providing an enabling environment.[10] This was a new and important principle for structuring the financing framework to meet the post-2015 development agenda.

Several accountability reports since 2009 have emphasised the role of domestic resources for development as a core ingredient of FfD. In 2014, development leaders met at the Global Partnership for Effective Development in Mexico and pledged to support existing cooperation to boost tax collection, cut illicit financial flows and strengthen policies to support inclusive development.[11]

Throughout this evolution, the EU was a driving force behind this issue at UN and World Bank events, advancing the view that achieving the MDGs required the reliable and sustainable generation of public finances, which, in turn, required an increase in stable domestic revenues in developing countries. The EU has drawn a firm connection between taxation and development policies and noted that well-administered, fair and sustainable tax systems that mobilise domestic revenue will aid development in low- and middle-income countries.[12]

Beginning in 2009, new emphasis was placed on fighting corruption, combatting bribery and recovering stolen assets. Member States began incorporating the related conventions into their domestic legislation.

Commitments in this area have been largely met but require ongoing efforts.

---

[9] Convention on Combating Bribery of Foreign Public Official in International Business Transactions, OECD, 2011.

[10] Bhushan, Aniket, *Domestic Resource Mobilization and the Post-2015 Agenda*, North-South Institute, June 2013.

[11] First High-Level Meeting of the Global Partnership for Effective Development Cooperation, *Building Toward an Inclusive Post-2015 Development Agenda,* 16 April 2014, Mexico.

[12] Tax and Development: Cooperating with Developing Countries on Promoting Good Governance in Tax Matters, 2010. http://europa.eu/rapid/press-release_MEMO-10-146_en.htm?locale=en

Commitment 1. The EU and most of its Member States have provided active support to developing countries' customs, judiciary and tax administrations through (i) their budget-support operations, (ii) technical assistance, and (iii) multilateral initiatives, including the Trust Fund and the Tripartite Initiative of the International Monetary Fund (IMF). Since the start of the monitoring period, the EU and many Member States are supporting the development of diagnostic tax tools such as the Public Expenditure and Finance Assessment Revision[13] and the Tax Administration Diagnostic Assessment Tool.[14]

Commitment 2. The EU and its Member States have supported developing countries' tax reform agendas through international regional initiatives such as the Africa Tax Administration Forum, the IMF's Regional Technical Assistance Centres (funded through its Topical Trust Fund), the Centro Interamericano de Administraciones, and the International Tax Compact.

Commitment 3. To promote good tax governance, the EU and its Member States have supported calls from the G20 and OECD for national and international action to fight tax fraud and avoidance, stop illicit financial flows, and curb corruption. Over the reporting period, Member States and the EU have initiated country-by-country reporting, the adoption of the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings[15] in June 2013 marking a cornerstone of EU's policy in that area. This text introduces a new obligation for large extractive and logging companies to report the payments they make to governments (the so-called country by country reporting-CBCR). Member States and the EU have also promoted exchange of tax information with developing countries, for instance supporting Tax Inspectors Without Borders.

Commitment 4. To promote international tax cooperation, the EU participates in international forums where tax issues are discussed, including the G7 and G20. The EU strongly supports OECD tax initiatives such as the Automatic Exchange of Information and the initiative on Base Erosion and Profit Shifting.

Commitment 5. All EU Member States have signed the UN Convention Against Corruption and the OECD Anti-Bribery Convention. However, the time required to prosecute bribery cases has steadily risen.

Commitment 6. Furthermore, the EU and almost all Member States either belong to or support international initiatives to prevent money laundering, the financing of terrorism and proliferation; to facilitate international cooperation on the repatriation of stolen assets (STAR, the Stolen Assets Recovery Initiative); to encourage tax accountability and transparency through the country-by-country initiative; and to promote the principles of transparency and accountability over natural-resource revenue (such as the EITI). The EU has recently become a member of the EITI board and chairs the Kimberley Process Monitoring Group.

[13] http://www.pefa.org/
[14] http://www.tadat.org/files/TADAT_Brochure.pdf.
[15] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF

2.1.3. Challenges Ahead

In the context of the proposed post-2015 Sustainable Development Goals, governments, the private sector and development agencies largely agree that DRM lies at the heart of efforts to meet development goals because it combines financial support with social accountability and legitimacy. Although donors have been raising their voices about the importance of DRM in funding development goals, the Center for Strategic and International Studies estimates that only about 1% of all ODA is targeted at improving it.[16]

To improve DRM, financial support must be complemented by additional technical assistance and more thorough sharing of information. In this regard, greater international cooperation is needed in exchanging information, tracking illicit capital flows, improving transparency in extractive industries, identifying tax-base erosion and improper transfer pricing, and sharing best practices through regional cooperation.

African countries have recognised the need to boost DRM and gain more control over development finance. In 2013, the New Economic Partnership for African Development proposed that Africa should set itself a target to move away from aid over the next two decades.[17] More recently, the African Union's Agenda 2063, which examined the future of the Union, argued the need to develop Africa with African resources.[18]

The EU and its Member States have successfully developed a multi-dimensional strategy for DRM support consisting of providing (i) budget support (which supposed progresses on public finance management, including DRM dimension); (ii) direct technical assistance; (iii) the need for Member States to implement the above mentioned Directive on financial statements and related reports by the 6th December 2016; (iv) continued indirect assistance through multilateral institutions (such as the IMF Trust Fund) and initiatives (EITI and the Tripartite Initiative on transfer pricing); and (v) participation in international tax forums and regional initiatives.

The EU and its Member States also support initiatives to address tax avoidance tax fraud and to fight against illicit capital flows (e.g., through automatic exchange of information).

2.2. External Debt

2.2.1. Evolution of EU Commitments

One of the eight commitments made by the EU at the 2002 Monterrey Conference pertained to debt sustainability. There, the EU and its Member States committed to

---

[16] Center for Strategic and International Studies, *Taxes and Development: The Promise of Domestic Resource Mobilization*, Washington, DC, December 2014, page v.

[17] *Mobilizing Domestic Financial Resources for Implementing NEPAD National and Regional Programmes and Projects: Africa Looks Within*, African Union, 2013. http://www.africanbondmarkets.org/fileadmin/pdf/Publications/Domestic%20Resource%20Mobilisation%20Study%20May%202013-NEPAD.pdf.

[18] http://agenda2063.au.int/en/vision.

provide debt relief in the context of the reviewed joint IMF–World Bank Enhanced Heavily Indebted Poor Countries (Enhanced HIPC) initiative, and thereby contribute toward growth, poverty reduction, and debt sustainability in the poorest, most heavily indebted countries.

In May 2005, the EU and its Member States made additional commitments. In addition to its support for HIPC, the EU committed to seek agreement on the scope and modalities for further multilateral debt relief in order to secure long-term debt sustainability on a case-by-case basis. The Multilateral Debt Relief Initiative (MDRI), approved in September, provided additional support to HIPCs to reach the Millennium Development Goals.

In 2009, the EU reaffirmed its support for the HIPC and MDRI initiatives. It also confirmed that it 'supports discussions … on enhanced forms of sovereign debt restructuring mechanisms, based on existing frameworks and principles, including the Paris Club, with a broad creditors' and debtors' participation and ensuring comparable burden-sharing among creditors with a central role for the Bretton Woods institutions in the debate'.

Then in 2012 the EU reaffirmed that it would (i) continue to deliver on debt-relief commitments to support the sustainability of public finances in developing countries, (ii) participate in international initiatives such as the debt sustainability framework of the World Bank and IMF, and (iii) promote responsible lending practices. Moreover, the EU would promote the participation of non–Paris Club members in debt-workout settlements and Member States that had not yet done so would take action to restrict litigation against developing countries by distressed-debt funds. The EU would also support developing countries' efforts to avoid reaching unsustainable levels of debt.

Accordingly, the EU, over time, made the following five commitments on debt relief. Periods of validity for each commitment are indicated in parentheses.

Commitment 7. Support existing debt relief initiatives, in particular the HIPC Initiative and the MDRI.

Commitment 8. Support discussions, if relevant, on enhanced sovereign debt restructuring on the basis of existing frameworks and principles.

Commitment 9. Participate in international initiatives such as the debt-sustainability framework of the World Bank and IMF, and promote responsible lending practices.

Commitment 10. Promote the participation of non–Paris Club members in debt-workout settlements.

Commitment 11. Take action to restrict litigation against developing countries by distressed-debt funds.

Monitoring of these commitments began with the 2003 EU Accountability Report. It was expanded as new commitments were added.

2.2.2. *EU Performance*

All the above commitments have been met.

*Commitment 7***.** The EU has been at the forefront of issues related to debt sustainability. The European Union and its Member States collectively have been by far the largest contributor to debt-relief programmes. Of the EUR 3.28 billion (USD 4.36 billion) that was contributed by bilateral donors to the Debt Relief Trust Fund through the end of August 2014, EUR 2.08 billion (USD 2.76 billion), or 63.4%, was contributed *directly* by the EU and its Member States. [19]

The main debt reduction program in this area has been the HIPC initiative, initiated in 1996 to provide debt relief and low-interest loans to cancel or reduce external debt repayments to sustainable levels[20]. The objective of debt relief is to free resources for expenditures aimed at reducing poverty in beneficiary countries, thus contributing to the achievement of MDGs. HIPC assistance is conditioned on beneficiary countries' satisfactory implementation of agreed key reforms and a poverty reduction strategy.

In 2006, the IMF, World Bank and African Development Fund approved the MDRI, which granted countries having completed the HIPC process full relief on eligible debt from the three multilateral organisations.[21] In 2007, the Inter-American Development Bank introduced its own debt-relief programme aimed at the five HIPCs in the Western Hemisphere. The EU also participates in debt-relief initiatives through the European Investment Bank and the European Development Fund.

There has been substantial progress in ensuring debt sustainability in low-income countries. Between 2001 and 2012, debt relief under HIPC and MDRI substantially alleviated debt burdens in recipient countries and enabled them to increase their poverty-reducing expenditures by almost 3.5 percentage points of GDP. During the same period, the 36 countries that received debt relief saw a reduction in debt service equivalent to 1.5% of GDP. Their debt stock decreased significantly, from 110% of GDP to less than 50%. Reducing the burden of debt contributed to economic recovery. Some of the beneficiary countries recorded strong economic growth for the period 2000–2015: the GDP of African developing countries, which include many HIPC countries, has grown, on average, by nearly 5.5% each year since 2011.

Commitment 8. During the period under review considerable progress has been made in debt relief and restructuring programmes, which achieved their objective of substantially lowering debt burdens and freeing up resources for social and economic investment. The

---

[19] World Bank and IMF, Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MMDRI)— Statistical Update, December 2014.

[20] Qualifying thresholds: Debt to exports target 150% for countries qualifying under the exports window and Debt to fiscal revenue target is 250% for countries qualifying under the fiscal window.

21 https://www.imf.org/external/np/exr/facts/mdri.htm.

EU has provided political and financial support to initiatives managed by international financial institutions, including the IMF and the World Bank.

Commitment 9. The EU's commitment to address the issue of debt distress for heavily indebted poor countries and to improve existing instruments and frameworks has been demonstrated at length over the last decade. The EU and several Member States have maintained strong support to enhance the debt-management capacities of developing countries, notably through the World Bank's Debt Management Facility and the Debt Management and Financial Analysis System of the UN Conference on Trade and Development. The IMF–World Bank Debt Sustainability Framework (DSF) for low-income countries is designed to balance the need for debt to finance development with the imperative to maintain the sustainability of debt over the long term. The EU is committed to implementing the DSF, which provides guidance on lending and grant allocation decisions. The DSF is a key reference for assessing debt sustainability in the context of the EU's development cooperation.

Commitment 10. All major EU lenders are members of the Paris Club, an informal group of creditor countries which convenes to negotiate debt-restructuring terms for HIPC and non-HIPC countries. EU Member States have led outreach actions by the Paris Club, which has organised several annual meetings with nonmembers. Those meetings have established strong cooperative ties that have led to the participation of 13 so-called *ad hoc* participants – including Brazil, the People's Republic of China, Korea, Mexico and South Africa – in country-specific discussions or workouts. In 2014, Israel became a member of the Paris Club.

Commitment 11. Three EU Member States contributed to the African Legal Support Facility administered by the African Development Bank. Established in 2010, the Facility provides legal advice and technical assistance to African governments in their negotiations and legal disputes with international investors. The Netherlands adopted a new law in 2013 preventing litigation by 'vulture funds'. France filed an amicus brief in the U.S. Supreme Court in support of Argentina's appeal in a case against a group of investors. In July 2013, German courts rejected a similar claim on Argentine assets that had been filed by a hedge fund.

2.2.3. Challenges Ahead

Undoubtedly, while requiring some adjustment, the international community's approach to concessional loans and grants has proven to be effective in addressing the issue of debt sustainability in HIPC countries. Going forward, the international community and governments receiving development assistance must agree on reasonable and achievable conditions for the provision of aid, thereby ensuring that resources are devoted to, rather than diverted from, the development agenda. Greater emphasis should be put on new vulnerabilities that could have widespread disruptive effects and negatively affect countries that have been able to reduce excessive debt on their own or through debt restructuring.

Several challenges call for continued work on instruments and policies to improve debt sustainability. Those challenges are to:

- Support the debt-management capacity of developing countries.
- Increase participation of new sovereign lenders to the Paris Club, thereby strengthening the coordination of creditors in debt-restructuring schemes.
- Address debt vulnerability in developing countries, including countries that benefited from HIPC/MDRI support.
- Promote responsible lending and borrowing practices.
- Support IMF work on strengthening the existing legal framework to sovereign debt restructuring.

3. PRIVATE FINANCE FOR DEVELOPMENT

3.1. Private Sector Investment

The Financing for Development (FfD) discussions have consistently recognised the importance of private international flows, particularly foreign direct investment (FDI), as vital complements to bilateral and multilateral assistance. The international community and governments must, as noted in the 2002 Monterrey Consensus document, address the 'central challenge [of creating] the necessary domestic and international conditions to facilitate direct investment flows, conducive to achieving national development priorities'.[22]

Over the past decade, three complementary approaches have been taken to encourage greater and more responsible FDI in developing countries. First, the regulatory environment, codes of conduct and corporate cultures of the originating (or home) countries and regions have played a significant role in ensuring that private sector practices are sustainable, notably through growing consensus on corporate social responsibility (CSR). A global dialogue on issues relevant to the private sector (for example, through the UN Global Compact or the post-Busan Partnerships for Prosperity initiative) as well as sector-specific initiatives (to promote responsible investment practices, for example) has also contributed. Second, FDI (like domestic private investment) requires a dynamic local private sector and strong local entities to partner with. Hence, support from governments and development partners to develop competitive local private sectors can play a key role. Such support includes enabling business environments, business development services, access to finance, public-private partnership (PPP) approaches and business-to-business interactions between enterprises of developed and developing countries. Finally, leveraging public finance (including export credits, cofinancing and risk-sharing instruments) can also play an important role in raising levels of private investment.

By the time of the 2008 Doha Declaration, international private capital flows had increased so significantly that focus shifted to those developing countries that had *not* yet benefited from such flows. Consequently, a commitment was made in the declaration to 'strengthen national, bilateral and multilateral efforts to assist developing countries in overcoming the structural or other constraints which currently limit their attractiveness as a destination for private capital and foreign direct investment'. [23]

Then the global financial crisis resulted in a massive reversal of private capital flows – as noted in the outcome document of the 2009 Crisis Conference on the World Financial and

[22] United Nations (2003). Financing for Development. Monterrey Consensus of the International Conference on Financing for Development, 2003.

[23] United Nations, 'Doha Declaration on Financing for Development: Outcome Document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus', 2009.

Economic Crisis and Its Impact on Development. [24] Levels of FDI have since been recovering, but have not yet returned to precrisis levels in many regions and countries.

3.1.1. Evolution of EU Commitments

The first and only EU Commitment (Commitment 12) on private sector development was made in 2010, as part of the EU Council Conclusions on the Millennium Development Goals. Here the EU and its Member States committed to continue encouraging and supporting the development of the private sector – including small and medium enterprises (SMEs) – through measures that enhance the overall investment climate for their activity (e.g., by promoting inclusive finance and through relevant EU investment facilities and trust funds).

The monitoring of this commitment started with the 2010 EU Accountability Report (though the topic had been mentioned in the 2009 report).

3.1.2. EU Performance

The commitment to private sector development has been met.

Throughout the past decade, the EU has been significantly involved in encouraging private investment, by improving the private sector environment in EU countries (see section 5.2), supporting private sector improvements in developing countries (see below) and leveraging public resources (see section 3.5).

During the early part of the decade, EU support for private sector development in developing countries was based on the EU's 2003 communication entitled 'European Community Co-operation with Third Countries: The Commission's Approach to Future Support for the Development of the Business Sector'. Five priority areas of assistance were identified: (i) supporting governments to improve their regulatory frameworks and institutional capacity relevant to private sector development, (ii) promoting investment and inter-enterprise cooperation, (iii) facilitating investment financing and access to financial markets, (iv) assisting SMEs through non-financial services; and (v) supporting micro-enterprises.

An evaluation of EU support[25] during 2004–10 found that grant funds totalling EUR 2.4 billion were committed directly to private sector development, with another EUR 1.0 billion committed in the form of general budget support and EUR 3.5 billion through the Africa, Caribbean and Pacific (ACP) Investment Facility (managed by the European Investment Bank, EIB). The evaluation noted the significance of the amounts committed to private sector development – relative to other sectors supported – and concluded that while EU support ensured that country partnership considerations were at the heart of the support, impact could have been maximised by ensuring complementarity and synergies

[24] United Nations, 'Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development', General Assembly Resolution 63/3/03 on 9 July 2009.
[25] European Commission, 'Evaluation of the European Union's Support to Private Sector Development in Third Countries', 2013.

among different mechanisms. The EU achieved greater results at the macro and meso levels (by improving institutional and regulatory frameworks, access to finance and some elements of enterprise competitiveness), with fewer results at the micro level.

The main recommendations were that the EU should continue to provide different types of support to private sector development, embedding that support in the wider context of cooperation with partner countries. However, adopting a generalist approach should not preclude the European Commission from ensuring that diagnoses, prioritisation and coordination of EU support mechanisms and appropriate monitoring and evaluation practices are undertaken. Similarly, because providing a wide range of support requires a variety of technical expertise, the EU should build on existing knowledge and expertise and also draw on partners' expertise, including through collaboration with private sector organisations. There were also recommendations to better differentiate support to middle-income countries (MICs) and to recognise the importance of private sector development for job creation.

The findings of the 2013 evaluation were incorporated in 2014 into a communication[26] that has since been considered twice by the Council. The communication defines the future direction of EU policy and support for private sector development in partner countries. Its strategic framework will be applied to programming EU development assistance in the period 2014–20. Future EU cooperation is expected to focus on the following main areas: (i) the business environment; (ii) support for micro, small and medium enterprises (MSMEs) and women; (iii) increasing access to finance and deepening financial inclusion; and, importantly, (iv) engaging the private sector to achieve development goals. Private sector development is to be mainstreamed in EU development cooperation with the goal of private sector engagement (PSE).

The EU regional investment facilities have, over the past eight years, allocated EUR 221 million (or 11% of the total amount for blending from EU grant contributions and loans or equity from financial institutions) to 20 projects involving private sector involvement. This has unlocked investments worth about EUR 3 billion. During the next programming period (2014–20), private sector mobilisation through blending is expected to increase, for several reasons that include: clarity provided by the communication and Council decisions (referenced in the previous paragraph), implementation of recommendations made to enhance the EU Platform for Blending in External Cooperation (EUBEC),[27] expected increases in amounts allocated to blending facilities (particularly for Africa) and the increased direct access of European development finance institutions (which are already or expected to soon meet requirements) to EU regional blending facilities.

[26] European Commission, Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, 263 final.

[27] European Commission, 'Report from the Commission to the Council and the European Parliament on the Activities of the EU Platform for Blending in External Cooperation since Its Establishment until End July 2014', 15 Dec 2014, 733 final.

3.1.3. Challenges Ahead

Contributions made through private sector development and support for private investment are incorporated into the Sustainable Development Goals (SDGs) in three ways.

First, several SDGs are related to inclusive and sustainable growth. These include SDG 8 (to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), SDG 9 (to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation) and SDG 12 (to ensure sustainable consumption and production patterns). Specific to these is a focus on promoting development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of MSMEs, including through access to financial services (indicator 8.3). Further, there is a desire to increase the access of small-scale industrial and other enterprises – in particular in developing countries – to financial services, including affordable credit, and to support their integration into value chains and markets (indicator 9.3). Finally, there is an emphasis for Governments to: encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (indicator 12.6) and promote public procurement practices that are sustainable, in accordance with national policies and priorities (indicator 12.7).

Second, the focus on levels and distribution of private investment in developing countries is contained in SDG 17, which focuses on strengthening the means of implementation (MOI) and revitalising the global partnership for sustainable development. Specifically, there is a call to mobilise additional financial resources for developing countries from multiple sources (indicator 17.3) and to adopt and implement investment promotion regimes for least-developed countries (LDCs) (indicator 17.5). Further, SDG 10 – on reducing inequality within and among countries – also includes a target to encourage official development assistance (ODA) and financial flows, including FDI, to states where the need is greatest, in particular LDCs, African countries, small island developing states (SIDS) and landlocked developing countries, in accordance with their national plans and programmes (indicator 10b).

Finally, in terms of PSE, the SDGs reveal several aims: (i) to enhance the global partnership for sustainable development, complemented by multistakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources; (ii) to support the achievement of the SDGs in all countries, in particular developing countries (indicator 17.6); and (iii) to encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships (indicator 17.17).

There is broad congruence between the areas of focus contained in the SDGs and the approach that the EU has taken in recent years, especially in the forward-looking strategy and action plan contained in the recent communication on private sector development. The EU is therefore well positioned to engage in the 2015 FfD discussions.

3.2. Corporate Social Responsibility

The FfD discussions have focused on the role that private investment can play in achieving sustainable development outcomes. There is broad recognition that both the quantity of investment and the quality of private sector engagement matter.

The 2002 Monterrey Consensus document, noting that businesses 'are expected to engage as reliable and consistent partners in the development process', urges them 'to take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertakings' and 'welcome all efforts to encourage good corporate citizenship and (...) global partnerships'. The document also voices support for new public and private financing mechanisms 'to benefit in particular small entrepreneurs and small and medium-size enterprises and infrastructure', observing that these initiatives 'could include the development of consultation mechanisms between international and regional financial organisations and national Governments with the private sector in both source and recipient countries as a means of creating business-enabling environments'.[28]

The 2008 Doha Declaration builds on these sentiments and encourages efforts to promote CSR and good corporate governance. It takes note of work undertaken at the national level and by the UN, including through the UN Global Compact and under internationally agreed CSR frameworks, such as the International Labour Organization's (ILO's) Tripartite Declaration. The Doha Declaration also emphasises the need to 'enact and uphold, as appropriate, labour and environmental protection and anti-corruption laws and regulations in accordance with obligations undertaken in relevant international conventions'.[29] Finally, the declaration encourages measures to enhance corporate transparency and accountability.

The outcome document of the 2009 Crisis Conference on the World Financial and Economic Crisis and Its Impact on Development reaffirmed 'the principles of sustainable development' [30] and underscored that corporate social and environmental responsibility were important elements of a global consensus on the key values and principles that would promote sustainable, fair and equitable economic development. It commented on the importance of the 10 principles of the UN Global Compact.

3.2.1. Evolution of EU Commitments

The EU has been a leader in the area of CSR. As early as 2001, it emphasised the importance of CSR, defining this as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with

[28] United Nations, 'Financing for Development', Monterrey Consensus of the International Conference on Financing for Development, 2003.

[29] United Nations, 'Doha Declaration on Financing for Development: Outcome Document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus', 2009.

[30] United Nations, 'Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development', General Assembly Resolution 63/3/03 on 9 July 2009.

stakeholders on a voluntary basis. It is about enterprises deciding to go beyond the minimum legal requirements and obligations stemming from collective agreements in order to address societal needs'.[31] This was followed in 2002 by a Communication on CSR[32] that identified several key actions, including (i) improving knowledge about the impact of CSR and facilitating the exchange of knowledge and good practice (including for SMEs); (ii) promoting convergence and transparency in CSR practices and tools (particularly in codes of conduct, management standards, accounting, auditing and reporting, labels and socially responsible investment); and (iii) launching an EU multistakeholder forum on CSR and integrating CSR into all EU policies (including those in the areas of employment and social affairs, enterprise, environment, consumer, public procurement, external affairs and public administration).

In 2006, in a new Communication,[33] the EU elevated the role of the European Alliance for CSR – a business-led initiative – and sought to make Europe a 'pole of excellence on CSR'. The Communication identified several areas of action and focus for the European Commission; chief among these is raising the awareness and exchange of best practices; supporting multistakeholder initiatives; cooperating with EU Member States; and promoting consumer information and transparency, research, education, SMEs and the international dimensions of CSR.

In 2011 the EU issued a new Communication on CSR that redefined CSR as 'the responsibility of enterprises for their impact on society', noting that 'enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders'.[34] Building on successes of the previous decade, the European Commission's 2011–14 Communication on CSR set out several priority areas, including: enhancing the visibility of CSR and disseminating good practices; improving and tracking levels of trust in businesses; improving self- and co-regulation processes; enhancing market reward for CSR in consumption, public procurement and investment; improving company disclosure of social and environmental information; integrating CSR into education, training and research; emphasising the importance of national and subnational CSR policies and better aligning European and global CSR approaches.

The Commission's subsequent strategy on corporate social responsibility is currently in preparation. The review process for the 2015–20 strategy included a public consultation on the 2011–14 Communication, which also collected data on the public's suggestions for the subsequent strategy, along with the launch of a Multistakeholder Forum on CSR, convened in Brussels on 3–4 February 2015. Inputs from these activities, along with those

[31] European Commission, 'Green Paper on Corporate Social Responsibility', COM (2001) 366.

[32] European Commission, Communication concerning Corporate Social Responsibility: A business contribution to Sustainable Development, COM(2002)347

[33] European Commission, 'Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility', COM (2006) 136.

[34] European Commission, 'A Renewed EU strategy 2011-14 for Corporate Social Responsibility', COM (2011) 681.

conducted in ongoing cooperation with stakeholders through the Commission's CSR Coordination Committee,[35] will serve as the basis for the next strategy.[36]

The Communication adopted in May 2014 on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries'[37] which highlights, among other things, the importance of CSR and sustainable and responsible business practices for private sector investment and trade in developing countries. One aim is to strengthen the contribution of the private sector to inclusive and sustainable growth.

Two recent sets of Council Conclusions (in June and December 2014) supporting this Communication on the role of the private sector in development will be important in shaping the CSR agenda. The June 2014 Council Conclusions emphasised that support for private sector development should be in line with a rights-based approach to development cooperation; in this context, the conclusions called upon the Commission to develop a successor to the 2011–14 CSR strategy with a strengthened external dimension. The December 2014 Council Conclusions supported the Commission's and Members States' efforts to promote CSR, in particular through the implementation of internationally recognised guidelines and principles. It also underlined that CSR was one of the priority areas for EU assistance through the European Instrument for Democracy and Human Rights during the 2014–20 period. It took note of the intensified international cooperation on responsible value chains. Finally, it highlighted the importance of referring to internationally recognised guidelines and principles on CSR in the negotiations of Economic Partnership Agreements (EPAs) and of other bilateral agreements, and welcomed revisions of the public procurement directives and of the accounting directive on the disclosure of nonfinancial information.

The Commission, together with an alliance of countries and nongovernmental organisations (NGOs), is also developing the Global Internet Policy Observatory (GIPO), an online platform for monitoring Internet-related policy, regulatory and technological developments across the world. The platform may be useful for actors interested in CSR, as it is supposed to process data related to Internet policies, including those relevant to human rights. In its Communication on Internet Policy and Governance of 12 February 2014[38], the Commission committed to launching the technical development of the GIPO as a resource for the global community.

Within the context of this considerable focus on CSR, the two specific CSR commitments relating to development cooperation are reviewed below:

---

[35] This committee includes members from civil society, business/industry and international organisations, and involves the cooperation of EU Member States and of the directorates-general for enterprise and industry and for employment, social affairs and inclusion.

[36] Further details, including on the public consultation on CSR and the executive summary of the 2015 Multistakeholder Forum on CSR, can be found at: http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm.

[37] European Commission, Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, COM (2014) 263 final

[38] European Commission, Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, COM (2014) 263 final

Commitment 13. As part of the 2010 Council Conclusions on the Millennium Development Goals, the EU and its Member States committed to enhance efforts to promote the adoption, by European companies, of internationally agreed principles and standards on CSR, such as the UN Principles on Business and Human Rights, the ILO Core Labour Standards and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Commitment 14. In 2011 the EU Member States committed to develop or update their plans or lists of priority actions in support of CSR.

The monitoring of these commitments started with the 2010 EU Accountability Report (though the topic was mentioned in the 2009 report).

3.2.2. EU Performance

Both CSR commitments have been partially met.

Commitment 13. The EU and its Member States have actively promoted the adoption and implementation of CSR principles and standards, notably through national initiatives involving European companies. Most EU Member States also support the multilateral initiatives, such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact and ILO conventions and recommendations.

Commitment 14. The EU's CSR strategy has contributed to raising awareness of CSR and has encouraged Member States to define national action plans on business and human rights. To date, five Member States have published and eight are preparing plans.

3.2.3. Challenges Ahead

There are no SDGs or targets pertaining to CSR. However, SDG 17 (to strengthen the MOI and revitalise the global partnership for sustainable development) cannot be achieved without the substantive engagement of the private sector. In this regard, the UN Global Compact produced a report on the role of business and finance in supporting the post-2015 business-engagement architecture. The report highlights five key areas: (i) empowerment of the SME sector; (ii) partnerships with and within the private sector; (iii) corporate transparency and accountability relevant to sustainable development; (iv) adoption of government policies that support and shape corporate sustainability, particularly by ensuring sustainability and transparency in public procurement; and (v) private sustainability finance.

It is clear that many of these elements align well with the EU's CSR agenda. As a global leader in CSR, the EU will bring important insights to the FfD discussions.

3.3. Trade and Development

International trade as an engine for development is among the key pillars of the FfD discussions.

The 2002 Monterrey Consensus observed that 'meaningful trade liberalisation' could substantially 'stimulate growth worldwide' and be beneficial for all countries. The Consensus document stressed two dimensions.[39] First, it focused on widening and stabilising market access for developing countries by reducing trade barriers, trade subsidies and other distorting measures and emphasising duty- and quota-free access for the LDCs. This was to be achieved multilaterally through the World Trade Organization (WTO) and through regional, subregional and free-trade agreements (FTAs). Second, the document emphasised financial and technical assistance to help developing countries negotiate trade agreements, develop trade institutions and policies, remove supply-side constraints, improve trade infrastructure, diversify export capacity and support an increase in the technological content of exports.

The 2005 Doha Ministerial Declaration emphasised the importance of aid for trade (AfT) noting that it should 'aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade'.[40]

The 2008 Doha Declaration maintains a similar focus on international trade and continues the key themes of the Monterrey Consensus, particularly the need to improve the market access of developing countries (and especially LDCs). The document indicates that participants were 'very concerned' that the Doha WTO Round had not been completed, particularly given global financial uncertainty. The declaration noted that AfT should be viewed as a complement to, and not a substitute for, a successful Doha Round. It also highlighted the importance of the Enhanced Integrated Framework for trade-related technical assistance for LDCs.

By the time of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development, it was clear that the crisis had 'severely impacted' global trade, especially in developing countries that are highly dependent on trade. The commitment to open trade was reaffirmed, the need for a successful Doha Round was reemphasised, and progress towards increasing developing countries' (and particularly LDCs') market access was noted. The agreement to meet existing AfT commitments was also acknowledged. [41]

In December 2013 the Ninth WTO Ministerial Conference adopted the 'Bali package', covering about half of the Doha Development Agenda negotiating items, including decisions on trade facilitation, agriculture and development. In November 2014 WTO members adopted a Protocol of Amendment to insert the Trade Facilitation Agreement into the WTO Agreement; it will enter into force once two-thirds of members have completed their domestic ratification process.

[39] United Nations, 'Financing for Development', Monterrey Consensus of the International Conference on Financing for Development, 2003.
[40] World Trade Organization, Para 57 of Doha Ministerial Declaration, 2005.
[41] United Nations, 'Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development', General Assembly Resolution 63/3/03 on 9 July 2009.

3.3.1. Evolution of EU Commitments

From the start of the FfD discussions, trade has been prioritised on the EU's FfD agenda. Over the past decade, the EU has pursued a two-pronged strategy to fulfil that commitment: (i) improving AfT, with a strong focus on the LDCs and ACP countries listed in 2007 (in Commitment 15), and (ii) increasing developing countries' access to EU markets (Commitment 16).

Commitment 15 – Increased AfT. One of the eight commitments made by the EU at the 2002 Monterrey Conference was 'to increase assistance for long-term trade-related capacity building, productive capacity and measures addressing supply-side constraints in developing countries, as well as to provide immediate support for trade-related technical assistance in order to improve the negotiating capacity of developing countries in trade negotiations, including by commitments made at the WTO pledging Conference in Geneva on 11 March 2002'.[42]

In 2007 the Council adopted an AfT strategy composed of actions organised under the following pillars: (i) increasing the volume of European AfT; (ii) enhancing the pro-poor focus and quality of that aid; (iii) increasing EU-wide and Member States' donor capacities in line with globally agreed aid effectiveness principles; (iv) building upon, fostering and supporting integration processes in the ACP regions through a dedicated aspect of the Joint EU AfT Strategy; and (v) supporting effective AfT monitoring and reporting.

Commitment 16 – Wider access to EU markets among developing countries. Over time, the EU has increased developing countries' access to its markets by reducing both tariff and nontariff barriers. This has occurred through unilateral measures and multilateral agreements, as well as bilateral agreements. Given the lengthy negotiations conducted in the Doha Development Round and the fact that the Bali agreement was only reached in December 2013, the bulk of the progress was made through other mechanisms. Specifically, the EU created preferential market access for developing countries through the Generalised System of Preferences (GSP) – which was updated in January 2014 to focus on 90 countries – GSP+ (additional tariff reductions for countries committed to implementing international standards) and the 'Everything But Arms' (EBA) arrangements for LDCs. Further, the EU has negotiated bilateral agreements (economic partnership agreements with ACP countries and FTAs with various regional economic communities and countries). The EU also continues to actively participate in ongoing negotiations on new trade agreements (e.g., the Trade in Services Agreement, the Environmental Goods Agreement) that promise to increase access to EU markets.

The monitoring of these commitments began with the 2003 EU Accountability Report, and was expanded as new commitments were added.

[42] Council of the European Union, Conclusions on 14 March 2002 Concerning the International Conference on Financing for Development.

3.3.2. EU Performance

The AfT commitment (Commitment 15) has been fully met and the commitment on wider access to EU markets has been partially met.

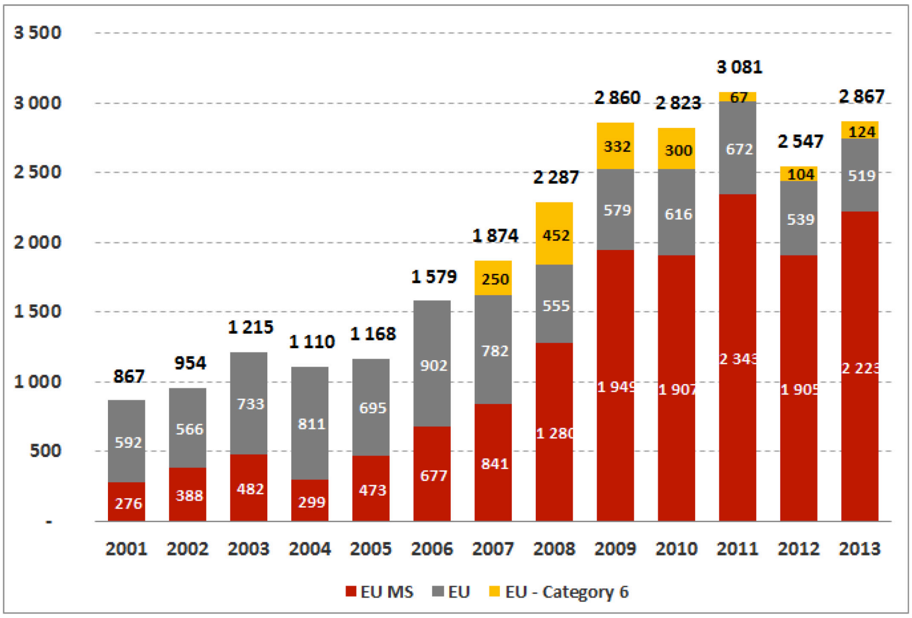
Commitment 15. The EU AfT commitment consists of three elements: provide appropriate levels of financial support for Trade-Related Assistance,[43] target support to LDCs and ACP regional packages[44] and implement measures to enhance the impact of AfT.[45] This strategy has been successfully implemented, with the EU becoming (through support provided by both the Commission and EU Member States) the single-largest provider of trade-related technical assistance to developing countries. It has consistently met its stated ambition of delivering EUR 2 billion per year since 2008 (with total assistance reaching EUR 11.7 billion in 2013, figure 5.1.2a).

[43] The AfT commitment regarding levels of assistance was to sustain EU and Member States' efforts to collectively spend EUR 2 billion annually on TRA by 2010 (EUR 1 billion from Member States and the Commission, respectively).

[44] There were two AfT commitments with regard to targeting of assistance. First, increased attention to LDCs and to joint AfT response strategies and delivery. Second, reaching agreement on regional AfT packages in support of ACP regional integration, under the leadership of the ACP regional integration organisations and their Member States, and involving other donors.

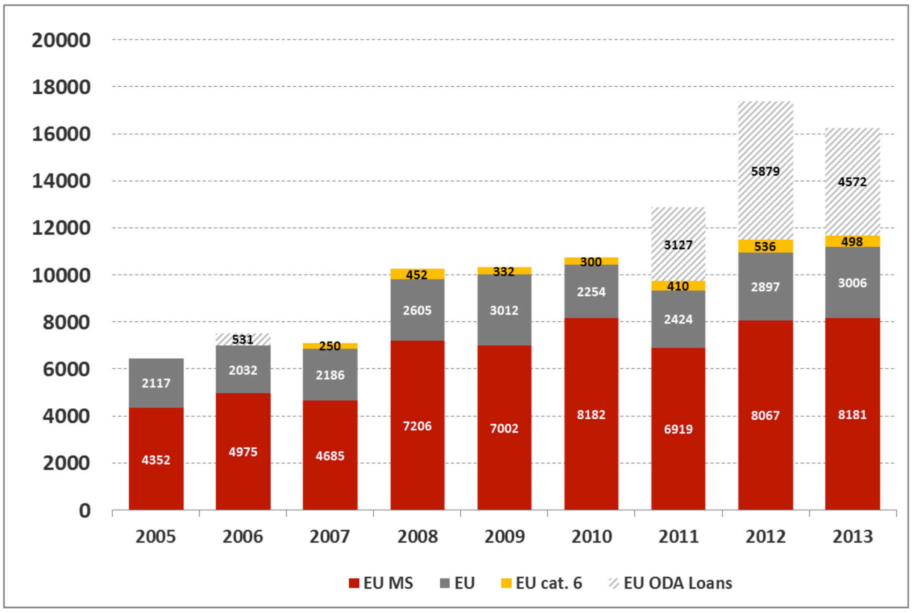
[45] There were two commitments to enhance the impact of AfT. First, to better coordinate EU AfT, and align with the development strategies of partner countries. Second, to continuously review the EU's AfT strategies and programmes, taking into account lessons learned and focusing on results.

Figure 5.1.2a EU trade-related assistance, by source, 2001–13 (EU and Member States, in EUR million)



Sources: OECD CRS, EU, EU Accountability Report Questionnaire.

Figure 5.1.2b EU aid for trade, by category, 2005–13 (EU and Member States, in EUR million)



Sources: OECD CRS, EU, EU Accountability Report Questionnaire.
Note: TPR = trade policy and regulations; TRI = trade-related infrastructure; BPC = building productive capacity; TRAdj = trade-related adjustment; EU cat. 6: AfT funding embedded in multisectoral interventions.

Beyond the levels of trade-related technical assistance, annual perception surveys of field-based EU and Member State delegations indicate improvements in the quality of support (as measured by better integration of trade into national development strategies and better alignment of technical assistance with country programmes), as well as in the coordination of European assistance in each country and in interactions with regional economic groupings.

In addition to delivering on the specific commitment for trade-related assistance (TRA) (trade policy, trade development and other trade-related needs, figure 5.1.2a), the EU has also been delivering broader AfT assistance, including through trade-related infrastructure (TRI) and by building productive capacity (BPC) in developing countries (figure 5.1.2b).

Commitment 16. Improve access to EU markets and ensure complementarity and coherence between trade and development instruments has been achieved through nonreciprocal preferential measures, bilateral agreements and multilateral measures. [46]

Thus far, nonreciprocal preferential measures have played a key role in the EU's implementation of a GSP for developing countries; following revision in October 2012, a new GSP entered into force in January 2014. This focuses on fewer beneficiaries (90 countries) in order to increase the impact on those countries most in need. Additional tariff reductions are also available (under GSP+) for countries committed to implementing international human rights, labour rights and environmental and good governance conventions. LDCs continue to receive duty- and quota-free access to the EU under the EBA arrangements for almost all products.

Multilateral measures did not play a major role in increasing market access during the period under review, but may play a larger role in future years. Specifically, the 'Bali package' (which includes several decisions on trade facilitation and on agriculture and development) was adopted in December 2013, but inserted into the Trade Facilitation Agreement in the WTO Agreement only in November 2014. It will enter into force once two-thirds of its members have completed their domestic ratification process.

Similarly, bilateral agreements will likely play a key role in the future, as negotiations are concluded on several key agreements. In 2014 progress was made on several EPAs with the Economic Community of West African States (ECOWAS), the East African Community (EAC) and the Southern African Development Community (SADC). Cameroon ratified an interim Central African EPA, and Fiji notified the EU that it had decided to implement an interim EPA. Association Agreement, including Deep and Comprehensive Free Trade Areas (DCFTAs) were signed with Ukraine, Georgia and Moldova in June 2014. FTA negotiations were concluded with Ecuador (as a member of the Andean Community) in October 2014, and the commercial pillar of the Association Agreement with Central America entered into force.

[46] The commitment was to enhance the complementarity and coherence between trade and development instruments, focusing on LDCs and developing countries most in need and increasing the engagement of the private sector.

Overall, low-income countries' (LICs') trade with the EU has remained stable over the past 10 years, while their trade with rest of the world has increased.[47] Thus far, nonreciprocal preferential measures (GSP, GSP+, EBA) have played a key role. Multilateral measures are expected to play a larger role in the future as WTO members ratify the 'Bali package'. Similarly, bilateral agreements are expected to play a key role in the future, following negotiations concluded on several key agreements in 2014.

3.3.3. Challenges Ahead

The Open Working Group (OWG) on SDGs has identified 17 SDGs and 169 targets. Trade is included under several of those SDGs, as described below.

SDG 17. Strengthen the MOI and revitalise the global partnership for sustainable development, with three targets:

- 17.10. Promote a universal, rules-based, open, nondiscriminatory and equitable multilateral trading system under the WTO, including through the conclusion of negotiations under the Doha Development Agenda.
- 17.11. Significantly increase the exports of developing countries, with the aim of doubling the LDCs' share of global exports by 2020.
- 17.12. Realise timely implementation of duty- and quota-free market access on a lasting basis for all LDCs, consistent with the WTO decisions, including by ensuring that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access.

SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all:

- 8a. Increase AfT support for developing countries, in particular LDCs, including through the Enhanced Integrated Framework for trade-related technical assistance to LDCs.

SDG 10. Reduce inequality within and among countries, with one target:

- 10a. Implement the principle of special and differential treatment for developing countries, in particular LDCs, in accordance with WTO agreements.

These SDGs and targets represent a continuation of the ongoing global dialogue and are consistent with EU priorities. Other ongoing work (such as the forthcoming Fifth Global Aid for Trade Review in mid-2015) can be expected to sharpen the focus of the discussion.

[47] European Report on Development, *Post 2015: Global Action for an Inclusive and Sustainable Future* (2013); see chapter 8 on goods, trade and investment.

The recent decision of the OECD Development Assistance Committee (DAC) to move to a grant-equivalent system for purposes of calculating ODA could have an impact on the AfT agenda. The decision would primarily affect how concessional loans are treated.[48] While most TRA is grant based, broader AfT includes loans and guarantees from European institutions (such as the EIB). These are likely to be better captured under a grant-equivalent system. In addition, the use of differential discount rates will likely raise the levels of AfT assistance attributed to the EU.

Motivated by the need to adapt to a new context and new challenges, the EU and its Member States shall jointly reflect on adapting the EU's AfT strategy.

3.4. Remittances

Remittances – cross-border, person-to-person, private payments of relatively low value – have developed into a significant inflow of foreign reserves and private capital for many countries. Foreign citizens living and working in the EU28 are sending around EUR 30 billion to home countries outside the EU each year. Global remittances are projected to reach EUR 511 billion in 2014. These figures illustrate the significant size of these private financial streams, which are more than double the EU's ODA of approximately EUR 14 billion per year (excluding Member States' bilateral aid). For some countries, including those in Europe's neighbourhood, the foreign currency income received from citizens abroad is larger than income from exports of goods and services, and can range between 17% and 52% of their gross domestic product (GDP).

Although private in nature, and thus not used for public investments as is most ODA, remittances can have an important impact on the development of migrants' home countries. Over the course of the past decade, they have become an important area of development financing and have received increasing recognition in global FfD discussions. Initially, remittances were discussed in the context of mobilising domestic financial resources. In 2002 the Monterrey Consensus document noted the importance of reducing the transfer costs of remittances and focusing on their development impact, including with regard to education, health and housing.

Given the multicountry nature of remittances, a standard setting was needed at a multilateral level. Consequently, in 2007, the General Principles for International Remittance Services were issued jointly by the Committee on Payment and Settlement Systems of the Bank for International Settlements and the World Bank. These five principles were designed to contribute to the public policy objectives of achieving safe and efficient international remittance services and making markets for remittance services contestable, transparent, accessible and sound. The principles focus on: transparency and consumer protection, payment system infrastructure, the legal and regulatory

[48] DAC High-Level Meeting Communiqué 2014. In addition to using grant equivalents, the proposal would use differential discount rates: a base factor, which will be the IMF discount rate (currently 5%), and an adjustment factor of 1% for upper-middle-income countries, 2% for lower-middle-income countries and 4% for LDCs and other LICs. Revised reporting directives providing more specific guidance are expected to be issued by the OECD-DAC Working Party on Statistics by the end of 2015.

environment, market structure and competition, governance and risk management and the roles of remittance service providers and public authorities.[49]

By the time of the 2008 Doha Declaration on Financing for Development, the volume of remittances was so substantial that they were considered a key part of FfD. The need to lower the transaction costs of remittances and enhance their development impact were therefore reemphasised.

The 2009 UN Conference on the World Financial and Economic Crisis and Its Impact on Development also considered the importance of remittances, particularly given that they had been seriously affected by the crisis. Their underlying linkages to migration were also highlighted in the outcome document, which notes that 'migrant workers are among the most vulnerable in the context of the current crisis'. It emphasises the need to 'resist unfair and discriminatory treatment of migrant workers and the imposition of unreasonable restrictions on labour migration'. [50]

In 2009 the Group of Eight (G8, i.e., Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States, plus the EU) agreed to the 5x5 Commitment (to reduce the cost of remittances by 5 percentage points in five years, from over 10% to 5%). The same commitment was subsequently adopted by the Group of Twenty (G20, i.e., the G8 members plus Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey) in 2011.

In 2014 the Open Working Group (OWG) on SDGs identified 17 SDGs and 169 targets, including one on remittances:

10.c by 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%

Subsequently, the European Commission has followed a similar line in is Communication "A Global Partnership for Poverty Eradication and Sustainable Development after 2015" of February 2015 by identifying the action "*Reduce the cost of remittances paid by migrants to less than 3% as well as reducing recruitment costs*".

In 2014 global remittance flows are estimated to have reached EUR 511 billion (growing by 5%), and are projected to reach EUR 558 billion by 2017. Remittance flows *to developing countries* were expected to reach EUR 382 billion in 2014 (+5% in 2014), and EUR 420 billion by 2017.[51] The global average cost of sending remittances decreased to

[49] BIS/World Bank, 'General Principles for International Remittance Services', 2007. http://siteresources.worldbank.org/INTPAYMENTREMMITTANCE/Resources/New_Remittance_Report.pdf.

[50] United Nations, 'Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development', General Assembly Resolution 63/3/03 on 9 July 2009.

[51] World Bank, 'Migration and Remittance Flows: Recent Trends and Outlook 2013-2016', (Migration and Development Brief n° 23, Washington, DC, 2014), http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief23.pdf. Estimates are in 2013 constant dollars; euros are converted from U.S. dollar projections at the 2013 USD/EUR exchange rate of 0.7523.

7.9% at the end of the third quarter of 2014, the first time this number had ever gone below 8.0%. (It had declined by more than 1 percentage point over the same period the previous year.[52])

3.4.1. *Evolution of EU Commitments*

Commitment 17. In 2012 the Council reaffirmed its commitment to reduce the global average cost of transferring remittances from 10% to 5% by 2014 (a G8/G20 commitment), already expressed (without quantitative targets) in 2008 and 2009.

Commitment 18. In the same Council decision, the EU and its Member States committed to fostering the development impact of remittances.

The monitoring of these commitments started with the 2010 EU Accountability Report (though the topic was mentioned in the 2009 report).

In addition, at the fourth EU-Africa summit in April 2014 a separate declaration on migration and mobility was adopted by the heads of states and government, which included a commitment to "(…) *stepping up efforts to significantly reduce the costs of remittances, consolidate the African Institute for Remittances and strengthen policy frameworks for enhancing Diaspora engagement*".

3.4.2. *EU Performance*

These commitments were only partially met. By mid-2014, the G8 achieved a reduction in the cost of remittances from over 10.00% to 7.54%. The average cost of sending remittances from major EU countries (Italy, Germany, France and the United Kingdom) decreased to approximately 8.30%. This is considerable progress, but much work remains to be done, particularly to lower the cost of remittances to Sub-Saharan Africa as well as those remittances being transmitted within South–South corridors. The EU (as part of the G20) has reaffirmed its commitment to work towards a 5% reduction as a long-term objective, and continues to address all aspects of the global impact of remittances in key international forums.

The EU's focus has been on three key aspects of remittances: their volume, their cost and their development impact. Its commitments mirror the evolution of the global agenda, as discussed above.

Commitment 17 – Reducing the transfer costs for remittances to 5%. The remittance transfers market within and from the EU has been heavily influenced by the 2007 Payment Services Directive (PSD1). This provides the legal basis of a single euro payments area (SEPA), with a view to promote competition and strengthen transparency in the market. Although the obligations it has created so far concern only intra-EU transfers, some EU Member States have chosen to extend its field among operators,

[52] World Bank 'Remittance Prices Worldwide' (Issue 9, September 2014), https://remittanceprices.worldbank.org/sites/default/files/rpw_report_september_2014.pdf.

including those outside the EU that deal in currencies beyond the euro and other European currencies. The EU has prepared an update of this directive (PSD2), which should further increase the transparency and security of financial transfers and lower their costs. The PSD2 is presently in the final stage of the legislative adoption procedure and is expected to be adopted in 2015. It is part of the EU commitment to the G20 plan for facilitating remittance transfers (which was issued at the end of 2014 under the Australian presidency).

In 2008 the Council also adopted the General Principles for International Remittance Services. Further progress was initiated in 2012, when the Council reaffirmed the need for faster, easier and cheaper remittance transfers; better linkages of remittances with social and economic development; and recognition of the G8 and G20 commitments.

While the EU can address the sender's side, governments of recipient countries outside the EU are required to undertake measures to lower the often steep costs charged on their side. In 2013 the Commission issued a communication identifying measures to facilitate remittance flows between developing countries and supporting research to better understand the role of diasporas residing in LICs and MICs as development actors in their countries of origin. That communication was followed by Council conclusions.

Commitment 18 – Fostering the development impact of remittances. The EU and its Member States support activities aimed at increasing the use of remittances for productive and social investments. These activities include supporting migrants' investment and business-creation initiatives in their countries of origin, including through training and cofunding of projects; undertaking initiatives to improve the financial literacy and access to financial services of remittance recipients; coordinating national-level task forces to ensure constant consultation with industry and civil society organisations; working with regulators in developing countries on regulation and supervision of mobile financial services markets; and working with migrant communities within the EU. The EU has also contributed to improving knowledge and global data on migration and remittances and providing capacity-building support to developing countries – particularly where remittance costs remain high, as in South–South corridors.

3.4.3. Challenges Ahead

While progress has been made in facilitating and reducing the costs of remittances and in enhancing the development impact of remittances, challenges remain. A continued focus on reducing the cost of remittances will be required; this will include efforts to strengthen public policy and data gathering within the EU and to support cost reduction in partner countries where remittances are received. An encouraging advancement has been made towards enhancing the development impact of remittances, but this is an area that requires further research and effort.

4. International Public Finance for Development

4.1. Official Development Assistance

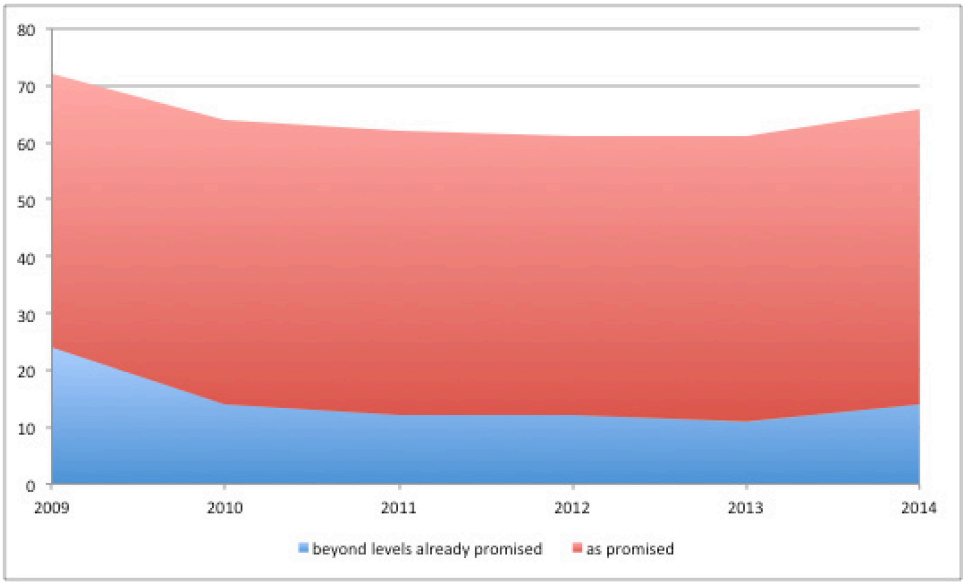
Official development assistance (ODA) remains an important part of financing for development, especially for countries most in need. The EU and its Member States are leading providers of ODA, having made ambitious commitments on both its volume and quality. In 2005 the EU and its Member States made a collective unilateral pledge to provide ODA equivalent to 0.7% of gross domestic product (GDP) by 2015. As noted at the time, no rich country not already exceeding the target had ever promised 0.7% of its income to development aid. Before 2005 many countries had 'promised to walk uphill, but not to attain the summit'.[53]

Support for development assistance remains strong in the EU, even though it has declined since the global crisis began in 2008 (figure 4.1). Yet few Europeans know what their governments are spending on ODA. A recent survey[54] found that Germans overestimated the amount of aid their country provides, on average attributing a figure of 2.4% of gross domestic product (GDP) – far higher than the actual ratio of 0.38%. Similar misperceptions are found in donor countries outside the EU as well. Australians[55] believe their foreign aid to be 16% rather than the actual 1.3% of the government budget.[56] These misperceptions are not without consequences. Polls consistently show that overestimations of the money spent on foreign aid leads citizens to believe international assistance should be cut.

The overall level of public support in the EU for development assistance and for meeting the 0.7% target fluctuated between 60% and 70% in 2009–14 (figure 4.1). According to the limited data available, these levels of support are not exceptionally high when compared with other members of the Organisation for Economic Co-operation and Development (OECD). A 2005 poll conducted in the United States, for example, found that 65% of Americans favoured the United States making a commitment to increase aid to 0.7% of gross national income (GNI), provided that other wealthy countries did so as well.[57]

[53] Michael A. Clemens and Todd J. Moss, 'Ghost of 0.7%: Origins and Relevance of the International Aid Target' (Working Paper Number 68, Center for Global Development, 2005).
[54] See http://www.euractiv.com/development-policy/80-germans-support-keeping-devel-news-530735.
[55] See http://www.lowyinstitute.org/files/pubfiles/Lowy_Poll_2011_WEB.pdf.
[56] See http://www.washingtonpost.com/blogs/wonkblog/wp/2013/11/07/the-budget-myth-that-just-wont-die-americans-still-think-28-percent-of-the-budget-goes-to-foreign-aid/.
[57] See http://www.worldpublicopinion.org/pipa/articles/btdevelopmentaidra/76.php?lb=btda&pnt=76&nid=&id=.

Figure 4.1. Public support for meeting the EU's ODA targets, 2009–14



Source: Eurobarometer Special Reports on Development Cooperation, various editions.
Note: Note that averages refer to an EU with a growing number of Member States. ODA = official development assistance.

4.1.1. Evolution of EU Commitments

The first quantitative EU targets for ODA were set between 2001 and 2002, following an iterative process. EU ODA had fallen to 0.33% by 2000 after a decade-long decline, and the EU committed to a higher target of 0.39% by 2006 (Commitment 19). That target was calculated by assuming that all EU Member States that had not already reached the 0.7% UN target would reach or exceed the 2000 EU average of 0.33% by 2006, and that those already providing more than that figure would continue to do so. A European Commission report to the EU Council, in preparation for Monterrey, noted that 'the new 0.39% average could be used as a minimum benchmark for all Member States to reach by 2010 at the latest. By this iterative process, the EU could achieve a sequence of realistic milestones on the way to reach the 0.7% target'.

However, the EU and its Members, having achieved their 2006 target one year in advance, decided to step up their ambitions, and, in 2005, adopted the goal of 0.56% for 2010 (Commitment 20) and 0.7% for 2015 (Commitment 21). The 2010 objective was calculated assuming that ODA would grow by a constant 0.028% per year, from 0.42% in 2005 to 0.7% in 2015 – and some Member States enshrined this target into law. Furthermore, in 2010 the Council asked Member States to take realistic, verifiable actions to meet their targets and to share relevant information on these plans (Commitment 22).

In addition to commitments on the quantity of overall ODA, the EU and its Member States have made commitments on the *targeting* of their aid. In 2005 the EU committed to provide rising levels of aid to Sub-Saharan Africa (Commitment 23) and to allocate to Africa half of any increase (Commitment 24). In 2008 it also committed to provide between 0.15% and 0.20% of the EU's collective GNI to the world's least-developed countries (LDCs) by 2010 (Commitment 25).

The monitoring of these commitments began in the 2003 EU Accountability Report, and was subsequently expanded as new commitments were added.

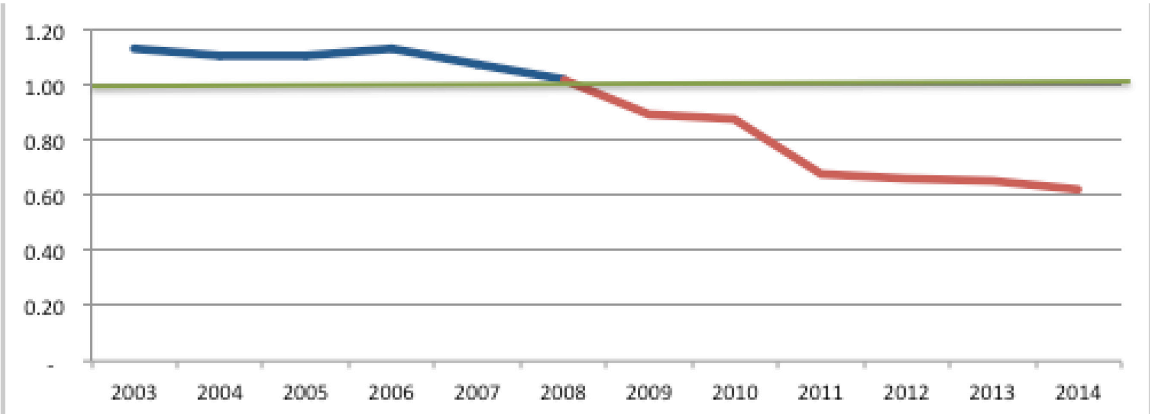
4.1.2. EU Performance

The EU and its Member States met Commitment 19 a year ahead of schedule and Commitment 4 for the entire period (2004–13), but missed or are very likely to miss the other four commitments.

Quantity. The EU and its Member States surpassed their 2006 ODA target of 0.39%; in that year, the collective ODA/GNI ratio reached 0.41% (Commitment 19). They then missed the 2010 intermediate target of 0.56% by 0.12%, reaching only 0.44% (Commitment 20), and are projected to miss the 2015 target of 0.7% by 0.26 percentage points, thus achieving only about three-fifths of this final target (Commitment 21). Since 2011 Member States have been sharing information on their future commitments for ODA spending up to 2015.

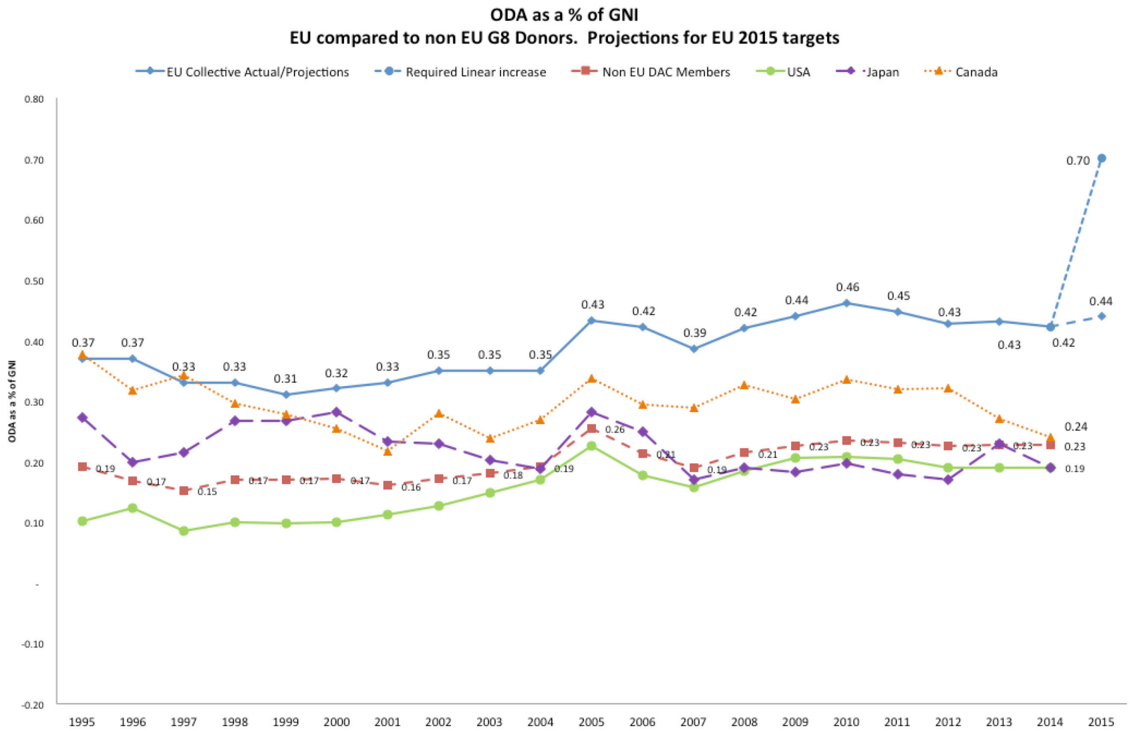
After the global financial crisis hit the EU in 2008, severely squeezing public spending, the level of ambition of the EU ODA goals was not adjusted to the new economic reality. In contrast, both actual and projected ODA volumes for EU Member States started to drop. Figure 4.1.2a shows the ratios between (i) the ODA projections cited in the accountability reports of 2003–14 and (ii) their temporally closest target. It is clear that after 2008 the EU and its Member States did not expect to be able to meet their ODA targets and the gap between goals and realistic expectations started to widen – without any adjustment to the former.

Figure 4.1.2a. Ratios between projected ODA and closest ODA target, 2003–14



Source: EU Accountability Report, various years.
Note: ODA = official development assistance.

Figure 4.1.2b. ODA from EU Member States and others, by donor group, 1995–2014 (% of GNI and EUR million, net disbursements, current prices)



Source: OECD-DAC and European Commission.
Note: ODA = official development assistance; GNI = gross national income; DAC = Development Assistance Committee.

Table 4.1.2. ODA from EU Member States and others, as share of GNI and per capita (2011 and 2014)

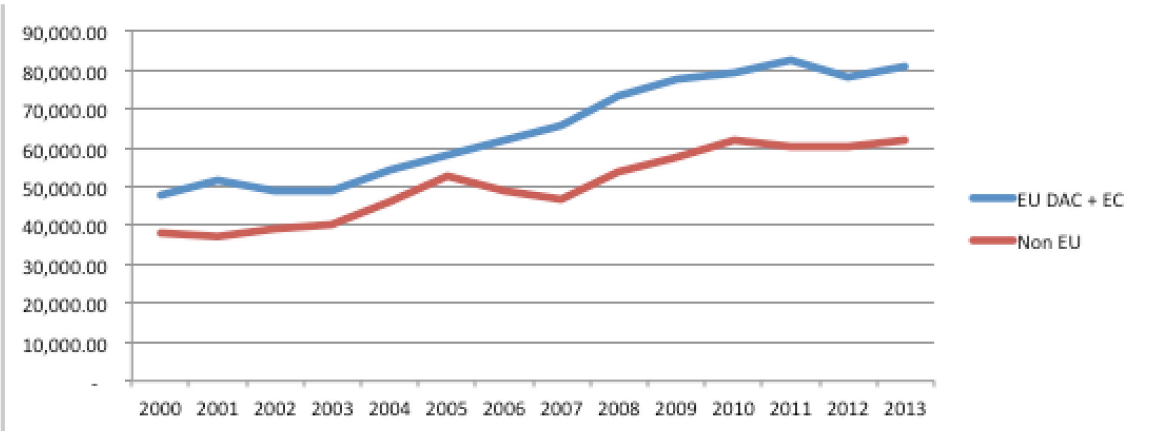
Donor	Net ODA per capita (EUR)		ODA/GNI (%)		Net ODA (EUR billion)	
	2011	2014	2011	2014	2011	2014
EU (collective)	112	115	0.45	0.42	56.6	58.2
Non-EU DAC members	79	82	0.23	0.23	44.4	47.2
United States	71	77	0.20	0.19	22.9	24.7
Japan	69	55	0.18	0.19	8.3	6.9
Canada	113	119	0.32	0.24	3.9	4.2

Source: OECD-DAC and European Commission.
Note: ODA = official development assistance; GNI = gross national income; DAC = Development Assistance Committee.

Nevertheless, as shown in figure 4.1.2b and table 4.1.2, the EU and its Member States outperformed non-EU donors by a wide margin during this period.

Between 2000 and 2013, EU ODA to developing countries, net of debt relief and provided either directly or through multilateral organisations, increased by 69% in real terms, from USD 48 billion (EUR 37.3 billion) to USD 81 billion (EUR 63 billion) at 2012 prices (figure 4.1.2c). This significant increase is in line with ODA from non-EU members of the OECD's Development Assistance Committee (DAC), which grew by 64% over the same period.

Figure 4.1.2c. Net ODA to developing countries from EU and non-EU DAC donors, 2000–13 (USD million, 2012 prices)



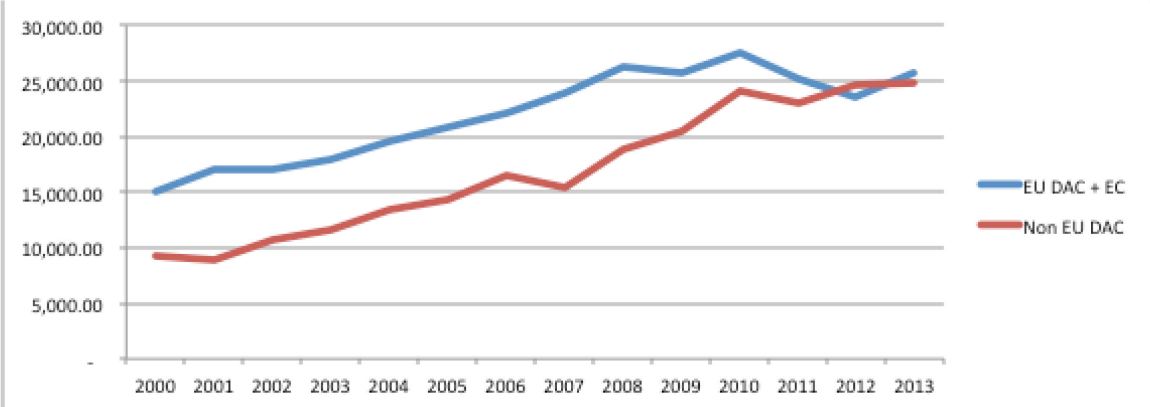
Source: OECD-DAC, Table 2A.
Note: Excludes debt relief but includes imputed multilateral assistance. ODA = official development assistance; DAC = Development Assistance Committee.

The EU's aid to Sub-Saharan Africa increased between 2004 and 2013, allowing the EU and its Member States to meet Commitment 23, but less than 15% of the growth in ODA over the same period went to Africa and only 0.12% of GNI was provided to LDCs (compared with 0.14% provided by non-EU DAC donors), thus missing Commitments 23 and 24.

Even though EU ODA to developing countries grew in line with that of non-EU DAC donors up to 2013, the share of the EU increase directed to low-income countries (LICs) was only 40%, compared with 60% for non-EU DAC donors, thus leading to a shift in the relative importance of EU and non-EU donors in LICs (figure 4.1.2d).

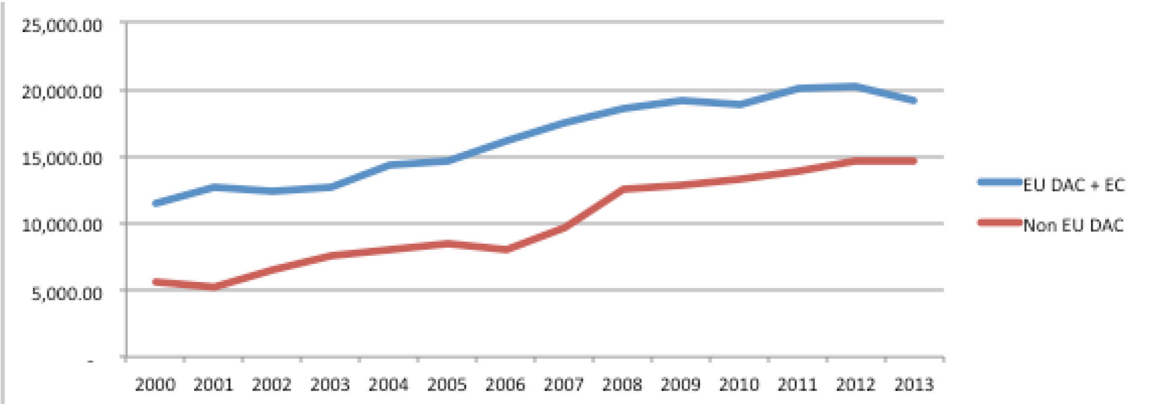
The result of these different ODA allocation patterns is that, while the EU remains an important donor for LICs, it has lost its position as the most important. Based on available projections, this trend is likely to continue beyond 2015.

Figure 4.1.2d. Net ODA to low-income developing countries from EU and non-EU DAC donors, 2000–13 (USD million, 2012 prices)



Source: OECD/DAC, Table 2A.
Note: Excludes debt relief but includes imputed multilateral assistance. ODA = official development assistance; DAC = Development Assistance Committee.

Figure 4.1.2e. Net ODA to African developing countries from EU and non-EU DAC donors, 2000–13 (USD million, 2012 prices)



Source: OECD/DAC, Table 2A.
Note: Excludes debt relief but includes imputed multilateral assistance. ODA = official development assistance; DAC = Development Assistance Committee.

4.1.3. Challenges Ahead

The EU has achieved significant progress, despite missing several quantitative targets. Its main achievements thus far are as follows:

The growth of ODA. Aid grew to meet or exceed targets until 2007, and has continued to rise even though hampered by the effects of the global financial crisis that began in 2008. Between 2002 and 2014 EU ODA increased by almost 70%, and the collective EU

ODA/GNI ratio of 0.42 in 2014 is significantly above the non-EU DAC average of 0.23%.

Clear commitments and transparent monitoring. The EU and its Member States were the first donors to make a clear collective commitment on the quantity and quality of their ODA and to measure this and subsequent commitments in an open and transparent manner. The monitoring process helped generate results that, despite falling short of targets, indicate an overall upward trend.

EU leadership within the OECD-DAC and UN. Within the DAC, the EU and its Member States made a substantial contribution to the rethinking of ODA and other official support for development. The EU's intellectual leadership dates back to the Monterrey conference of 2002.

The key challenge ahead is to find ways to use available resources in a catalytic way. ODA is an increasingly marginal- if important- source of financing in all but the poorest countries. It is therefore crucial that ODA is used strategically, to leverage and harness other resources where possible In MICs, EU ODA might be used to reach the poor by funding pilots that can then be scaled up – if successful – with domestic and private sector resources. In LICs the key is to broaden the scope of limited domestic resources while avoiding the trap of aid dependence. In this case, in addition to helping fund basic priority needs, EU ODA might be used to improve LICs' access to private external finance and to deepen domestic and regional financial markets.

4.2. Global Public Goods, Climate Change and Biodiversity

4.2.1. EU Commitments

Commitment 26. At the 2002 Monterrey Conference, the EU and its Member States proposed a task force to identify global public goods. The task force would be open to all actors on a temporary basis.

Commitment 27. At the 16th Conference of the Parties (COP16) to the United Nations Framework Convention on Climate Change (UNFCCC), convened in Cancun in December 2010, the EU and its Member States committed to contribute EUR 7.2 billion over the period 2010–12 in so-called fast-start finance to jump-start climate funding related to Commitment 13.

Commitment 28. Also at COP16, the EU and its Member States, together with developed countries outside the EU, committed to a goal of mobilising USD 100 billion per year by 2020 towards meaningful actions to mitigate climate change. They also committed to transparency in the implementation of those actions. In 2012 the EU and its Member States further committed to working with other developed countries to identify ways to scale up climate finance from a wide variety of sources, to reach the international long-term goal of jointly mobilising USD 100 billion per year by 2020.

Commitment 29. At COP11 of the Convention on Biological Diversity (CBD), convened in Hyderabad in October 2012, and at COP12, held in Pyeongchang in October 2014, the EU and its Member States committed to contribute to the 2015 target[58] of doubling total biodiversity-related financial resource flows. These are to come from a variety of sources and focus on developing countries, in particular LICs and small island developing states, as well as countries with economies in transition. The average of annual biodiversity funding in the years 2006–10 is to be at least maintained until 2020. At COP12, the EU and its Member States also committed to reducing the gap between identified needs and available resources at the domestic level.

4.2.2. EU Performance

Commitment 26. The task force proposed at Monterrey was set up in 2004 and concluded its work in 2006, identifying a set of priority global public goods. Even though there was broad agreement on the list, the decision-making process was too slow and the task force lost credibility. As a consequence, the Commission did not propose an EU action plan on global public goods, as envisaged in 2005 when the EU renewed its 'Monterrey commitments'.

Commitment 27. Not only have the EU and its Member States been the driving force behind prioritising climate change on the global development agenda and in the design of innovative climate financing, but they were the largest providers of both climate-change mitigation and adaptation-related ODA over the period 2011–13, committing more than EUR 26 billion. Over the period 2010-12, the EU provided EUR 7.3 billion in the form of fast-start finance, exceeding the goal of EUR 7.2 billion.

Commitment 28. The EU and its Member States have fully acknowledged the linkages between development and climate change. They have also recognised that addressing the climate-change challenge through mitigation and adaptation will require significant financial resources – domestic and external, private and public. In 2013 the EU and its Member States submitted their first report to the UNFCCC on the EU's strategies and approaches for mobilising and scaling up climate finance. A second report was submitted in 2014.

In 2013, according to reporting done through the Mechanism for Monitoring and Reporting (MMR) under Regulation 525/2013/EU, international climate finance from EU sources stood at EUR 9.5 billion. This figure does not include any private flows nor a significant portion of public climate finance channelled through the European Investment Bank, multilateral developments banks, and some national public financial institutions. The EU and its Member States are working to improve the methodologies for tracking and reporting these flows so that their coverage can be widened.

[58] This preliminary target of COP11 was adopted at COP12.

Commitment 29. The volume of EU ODA relating to biodiversity increased by 81% in nominal terms during the period 2006–10, from EUR 0.77 billion in 2006 to EUR 1.38 billion in 2010, according to the latest data provided by the EU and its Member States. Up to 2013, the EU as a whole seemed to be on track to deliver on its collective Hyderabad commitment. In that year, EU official flows for biodiversity reached a level 1.9 times higher than their 2006–10 average of EUR 1 billion. However, this positive trend might have been reversed in 2014, for which preliminary data on biodiversity-related finance indicate a decline to 142% of the 2006–10 average. Projections for 2015 point to a possible rebound to 175%, which is still short of the target. While these data reveal progress towards achieving the 2015 target, they offer an incomplete picture, absent most non-ODA flows, or an officially agreed baseline.

4.2.3. Challenges Ahead

Several major challenges lie ahead. First, the magnitude of the resources needed far exceeds what can be funded through official development finance, and there is no prior experience in global fund-raising from different sources on such a scale. The mobilisation of private climate and biodiversity finance via appropriate policies and investment frameworks remains crucial in order to shift investment patterns to focus on technologies and activities that emit relatively little greenhouse gases, support environmental resilience and protect and restore eco-systems.

Second, there is no precise, internationally agreed definition of climate finance and no specific intermediary targets for the period 2013–20. Third, the variety of mechanisms used to track biodiversity-related financing flows at the EU and national level makes it difficult to aggregate data at the EU level. Fourth, measuring private flows remains a particular challenge for both climate- and biodiversity-related finance.

4.3. Science, Technology and Innovation

The EU and its Member States are long-standing supporters of cooperation in science, technology and innovation (STI) with developing countries, including technology transfer and development in the area of clean technologies. Direct support for research institutions is complemented by exchange programmes, twinning arrangements and cooperation between researchers and innovators from Europe and developing countries through the EU’s Research and Innovation programme, Horizon 2020 as well as previous Framework Programmes.

4.3.1. Evolution of EU Commitments

In 2012 the EU and its Member States made three commitments related to science, technology and innovation:

Commitment 30. Improve mechanisms for international cooperation on STI and on the development of information and communication technology (ICT) applicable to major challenges relevant to sustainable development.

Commitment 31. Promote clean and environmentally sound technologies as a means to facilitate a transition to a green economy for all countries, regardless of their development status.

Commitment 32. Support international cooperation on STI research and capacity building to enhance sustainable development in developing countries, notably through the EU Framework Programme for Research and Innovation (Horizon 2020).

Monitoring of these commitments began in the 2013 EU Accountability Report.

4.3.2. EU Performance

Since 2012 the EU and several Member States have funded initiatives to improve STI cooperation and support ICT projects. Specifically, some Member State–funded initiatives focus on clean and environmentally sound technologies. Also, several have developed specific technology strategies or included technology as part of their overall development cooperation strategy (Commitment 30). The European Commission remained involved in relevant mechanisms for international cooperation in STI such as the Belmont Forum and the Science & Technology Alliance on Global Sustainability.

The EU funds STI programmes through two major channels: the Framework Programmes for Research and Innovation (currently Horizon 2020) and the development cooperation instruments managed by EuropeAid (DCI, the European Development Fund).

Between 2007 and 2013, the EU Seventh Framework Programme (FP7) for Research and Technological Development (the predecessor to Horizon 2020) channelled around EUR 340 million to 2700 researchers from around 80 different developing countries. Under the first call for proposals of Horizon 2020 a number of topics were relevant to the green economy. For instance, in the Societal Challenge 5 'Climate Action, Environment, Resource Efficiency and Raw Materials' some topics specifically addressed the Rio+20 follow-up in areas relevant to the green economy (i.e. waste, water and eco-innovation). The EU also supports the UN-led Climate Technology Centre and Network, having contributed EUR 5 million to its start. Several projects supported by EU Member States specifically promote a green economy (Commitment 31).

Several projects funded through the Framework Programmes and development cooperation instruments contributed directly to building capacity in developing countries in environmental and related monitoring, assessment and information. For instance, FP7-funded projects supported capacity building of African partners in the field of earth observation; a number of projects under the specific FP7 Africa call have already produced tangible results in areas such as climate change, as has the EU-India cooperation on water. Under the first call for proposals of Horizon 2020 that was launched in December 2013, researchers and innovators from developing countries have benefitted from targeted initiatives under the various Societal Challenges and Enabling Technologies. Examples to mention are in the area of vaccine development for poverty related and neglected diseases, sustainable intensification, waste, earth observation, green economy and climate change mitigation. The renewal in 2014 of the European and

Developing Countries Clinical Trials Partnership (EDCTP) with a financial contribution to the second programme (EDCTP2, 2014-2023) of nearly € 700 million from Horizon 2020 is also an important milestone (Commitment 32).

Through EuropeAid, the EU and its Member States also foster South–South cooperation and the development of local STI capabilities through training, exchanges and cooperation among universities and research centres in developing countries in areas such as agriculture, energy, engineering and health.

4.3.3. Challenges Ahead

Lessons learned. Technology needs to be adapted to the context in which it is to be deployed. Technology transfer alone, without adequate local capacities to adapt, implement and use the technology transferred, will not guarantee the achievement of development goals. Furthermore, given that technology for the most part is privately owned, governments cannot force private holders of patents and licences to transfer their property rights and knowledge to developing countries. Governments can, by contrast, promote technology transfer by helping create an environment enabling STI development and investments.

The post-2015 development agenda. The EU and its Member States consider technology advances essential for the development of modern societies, including for emerging economies and developing countries. Discussion on technology should be framed in a broader agenda of science, technology and innovation cooperation.

- The European Commission believes that the UN should continue to facilitate access to information on existing technology and promote coherence and coordination between technology mechanisms, including any new mechanisms. In order to bring additional value and avoid duplication, any new global mechanism to facilitate environmentally sound technology should aim to promote coordination and synergies between existing initiatives.
- It is important that developing countries, in particular LCDs, develop an enabling environment and knowledge base to develop their own solutions and adapt technologies to local contexts.
- Policies and reforms of regulatory frameworks for technology, particularly in the area of intellectual property rights, should be discussed in the appropriate forums, such as the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO).
- As a cross-cutting technology, ICT has a central role to play in enabling development and catalysing the achievement of internationally agreed development goals.

4.4. Global Governance

The EU is a firm supporter of multilateralism and good global governance. Effective governance is indeed a pillar of the Lisbon Treaty and the European Consensus on Development. Global trade, investment and financial stability are essential for sustained growth and prosperity. As the world becomes more globalised, addressing common challenges such as the fallout from the 2008 financial crisis and ensuring the global recovery requires enhanced international cooperation. In this regard, the EU's approach to strengthening global governance over the past decade has been informed by the recognised need (see, for example, the Council's Conclusions of 18 May 2009) to ensure that governance of international institutions is representative, open and transparent. Significant steps have been taken in this context including the 2010 IMF Quota and Governance Reform which has been ratified by all EU Member States.

In the past decade, global governance has possibly seen some of its biggest changes to date, as emerging economies such as Turkey, Brazil, the Gulf States, India, China and South Africa play an increasingly larger role on the international stage. Some new international financial institutions have been established such as the BRICS (Brazil, Russia, India, China and South Africa) Development Bank in July 2014 and the Asian Infrastructure Investment Bank. South Korea has led a key debate on development effectiveness (the Busan Partnership process) and the current UN Secretary is South Korean.

4.4.1. Communication of EU Priorities

The EU and its Member States communicated the following major priorities on global governance:

- At the Monterrey Conference in 2002, EU Member States committed to influence the reform of the international financial system by strengthening the underpinning of international financial stability; strengthening the voice of developing and emerging countries in international economic decision making; and, while respecting their different mandates, enhancing coherence between the UN, international financial institutions (IFIs) and the WTO.

- After the London G20 Summit in May 2009, the EU welcomed the G20 agreement on the reform of the mandates, scope and governance of IFIs to reflect, among other things, changes in the global economy and t to ensure greater voice and representation for emerging and developing countries.

4.4.2. EU Performance

Significant progress toward reforming the UN and IFIs has been achieved.

The 2008 financial crisis underlined the need for global co-operation. The EU continued its strategic and diplomatic engagement on global governance, particularly in debates on the global economic outlook, and coordinated actions to revive the world economy.

Amid the fallout from the financial crisis, the EU's engagement in global governance has evolved to emphasise that global governance delivers better results when it focuses on mutual interests. The 2011 *Agenda for Change* and the 2014 *Decent Life for All* communications set the stage for a decidedly new focus in the post-2015 agenda, asserting, among other things, that development cooperation must be matched by greater mobilisation of domestic resources, trade and security cooperation must be coherent with mutual interests and policies and economic growth has to be inclusive.

In the context of global governance, the private sector, non-state actors and global philanthropies and think tanks also play a critical and valuable role. The EU continued to emphasise these policy priorities in 2014, through a high-level dialogue with the World Bank and other international institutions that, among other topics, focused on policy coherence. The communication *A Decent Life for All*[59] urges the global community to (i) recognise the universality of poverty but to differentiate responses to national circumstances, (ii) adopt a transformative, sustainable development agenda and (iii) ensure accountability and transparency in addressing the three dimensions of sustainable development (social, economic and environmental). In June 2014 the 79 members of the African, Caribbean and Pacific (ACP) grouping and 28 members of the EU made a joint declaration[60] in support of making these principles part of the post-2015 global policy framework.

The EU supports the UN's mandate and favours increasing its impact by funding its operations globally. The United Nations Development Programme (UNDP), the World Food Programme (WFP) and the United Nations High Commission for Refugees (UNHCR) counted on the EU for 7% of their income in 2013. Even more remarkable, the EU financed 14% of the UN Food and Agriculture Organization (FAO), 18% of the United Nations Relief and Works Agency (UNRWA) and 11% of the Office of the High Commissioner for Human Rights (OHCHR). The EU is also a major contributor to global initiatives such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).Also, approximately half of the EU's development funding is channelled to crisis/conflict situations and fragile states.

4.4.3. Challenges Ahead

The EU is proactively taking its responsibility in global governance to contribute to a more resilient global financial architecture through a strong voice and will continue working towards this goal.

[59] http://ec.europa.eu/europeaid/documents/2013-02-22_communication_a_decent_life_for_all_post_2015_en.pdf.

[60] http://europa.eu/rapid/press-release_STATEMENT-14-202_en.htm.

5. COMBINING PUBLIC AND PRIVATE FINANCE FOR DEVELOPMENT

5.1. EU Commitments

At the 2002 Monterrey Conference, the EU and its Member States committed to further explore innovative sources of financing, taking into account the conclusions of the Commission's Globalisation Report (Commitment 33).[61]

In 2010, in a review of the external mandate of the European Investment Bank (EIB), the EU and its Member States also made the following commitments, subsequently confirmed in various Council decisions:

Commitment 34. To consider proposals for innovative financing mechanisms that have the potential to generate significant revenue, with a view to ensuring predictable financing for sustainable development, especially for the poorest and most vulnerable countries.

Commitment 35. To promote new financial tools, including blended grants and loans and other risk-sharing instruments.

Commitment 36. To use innovative financing mechanisms in a manner consistent with the aims of preserving debt sustainability and accountability and avoiding market disturbances and budgetary risks.

Commitment 37. To strengthen the capacity of the EIB to support EU development objectives and promote the efficient blending of grants and loans in partner countries, including in cooperation with Member States' financial institutions or through development-financing facilities.

The monitoring of these commitments started with the 2003 EU Accountability Report, and was expanded as new commitments were added.

5.2. EU Performance

Over the period 2003–14, EU Member States made good progress in promoting and using innovative sources of financing, even in the absence of consensus on the topic. In the first years of the decade, few Member States showed an interest in such mechanisms, but now more are getting involved, either by raising funds in innovative ways or by supporting specific schemes.

Blending is an innovative mechanism that has received broad and strong support in recent years. Eight blending facilities have been established and now cover all regions of EU external cooperation: the EU Africa Infrastructure Trust Fund (EU-AITF), the

[61] European Commission, *Responses to the Challenges of Globalisation*, February 2002.

Neighbourhood Investment Facility (NIF), the Western Balkan Investment Framework (WBIF), the Latin America Investment Facility (LAIF), the Investment Facility for Central Asia (IFCA), the Asia Investment Facility (AIF), the Caribbean Investment Facility (CIF), and the Investment Facility for the Pacific (IFP).

Progress on each commitment is summarised below.

Commitment 33. Since 2003 several Member States have been studying and implementing potential sources of innovative financing. Mechanisms identified include an airline ticket tax, the International Financial Facility for Immunisation, so-called advance market commitments to stimulate research into neglected diseases, financial transaction taxes, financing agreements with private foundations, carbon credits and tax-exempt voluntary contributions by private citizens. Several Member States,[62] as participants in the Leading Group of Innovative Financing for Development, are actively engaged in discussions on the future of innovative financing instruments and their role in achieving sustainable development.

Commitment 34. At the EU level, starting in 2010, available estimates set the annual volume of innovative financing sources at more than EUR 1.3 billion, representing approximately 2.3% of total ODA. The volume of innovative financing sources has remained relatively constant since 2010.[63]

Commitment 35. Over the past eight years, EU grants totalling nearly EUR 2 billion financed 270 blended projects. The EU grant contributions have leveraged EUR 19.3 billion in loans from European financial institutions and regional development banks. By strategically combining EU grants with public and private financing, blending is helping to unlock investments worth an estimated EUR 44 billion in EU partner countries.

The EU grants allocated to blending projects supported energy (41%) and transport (24%) infrastructure. Another 24% was invested in social infrastructure related to clean water access, waste treatment, housing, health, urban development and the environment. A further 11% helped the local private sector (notably micro, small, and medium-sized enterprises) to strengthen local production and create jobs.

The first report to the Council and Parliament on the EU Platform on Blending in External Cooperation (EUBEC)[64] was adopted by the Commission on 15 December 2014, covering the period from January 2013 to July 2014. The report highlights the requirements to access grant financing including through further enhancing financial instruments, placing emphasis on results to be achieved and the additionality of EU funding.

Commitment 36. A new application form for potential blending projects that came into force in January 2014 includes an item dealing with debt sustainability. Applicants are

[62] AT, BE, CY, DE, ES, FI, FR, IT, LU, NL, PO, RO, UK.

[63] Member State Questionnaires for the EU Accountability Reports on Financing for Development, 2013 and 2014.

[64] European Commission, *First report to the Council and Parliament on the EU Platform on Blending in External Cooperation (EUBEC)*, December 2014.

asked to provide information on the most recent World Bank–International Monetary Fund (IMF) Debt Sustainability Assessment; to state how close the country is to the debt ceiling under any programmes supported by the IMF; to specify how the sovereign or subsovereign loan or guarantee could affect the debt sustainability framework; and to specify how the grant would help to meet any IMF requirement or recommendation regarding concessionality.

Commitment 37. The Commission has delegated 36% of the amount of all blending facilities to the EIB, 21% to the European Bank for Reconstruction and Development; 18% each to the Agence Française de Développement and KfW; and 7% to other organisations. With regard to the Africa, Caribbean, and Pacific Investment Facility (also known as the Cotonou Facility), the European Commission assesses projects at the identification stage, subsequent to a request from the EIB. In particular, it analyses projects' conformity with the country cooperation strategy, regional cooperation strategy or the general objectives of the facility, with due consideration given to the coherence of EU external policies. During project appraisal, the EIB is bound to consult with the EU Delegation to maximise potential synergies with other projects.

5.3. Challenges Ahead

The main challenge. There is still no consensus on the innovative sources and mechanisms that have the highest potential to generate revenue or maximise development impact. In the face of budgetary constraints in the EU, the earmarking of revenue sources is not favoured, while blending has not yet been mainstreamed in EU development cooperation.

Concerning innovative financial instruments, there is a need to mainstream the blending of grants and loans into EU development cooperation, as noted in a May 2014 Commission communication on private sector development.[65] Blending EU grants with other sources of development finance has already proved to be a successful way to increase access to finance (particularly loan and equity financing for SMEs), for example through guarantee facilities and microfinance funds. A larger share of the EU blending facilities could therefore be allocated to financial instruments such as loans, guarantees, risk-sharing instruments and equity or quasi-equity instruments. A key objective of these instruments is to catalyse private investment for projects that have proved to be financially viable but do not give rise to sufficient funding from market sources. Access to finance and risk-sharing instruments in developing countries is also an important prerequisite for EU investors seeking to venture into these markets. Blending could also be used to encourage private sector participation where the EU is providing relevant sector budget support, thus accelerating the private investors' response and involvement to an improved enabling environment. Furthermore, it is also planned to improve the measurement of financing sources in blending operations, distinguishing private and public financing sources.

---

[65] COM (2014) 263 final, *A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*.

Meanwhile, the search for innovative sources of financing for development continues, including in various forums, such as the Leading Group on Innovative Financing for Development. The post-2015 framework should encourage and incentivise the further exploration and implementation of innovative sources, mechanisms and instruments by all relevant stakeholders, in close cooperation with multilateral banks and other donors, and ensure that these new financing sources fully comply with the principles of transparency, accountability and effectiveness.

Targets on mobilising innovative financing mechanisms in addition to ODA should be considered, with long-term and predictable contributions from multiple sources, public and private, international and domestic. At the same time, it is essential to agree on a common definition and enhance the monitoring of financing sources, with a focus on their volume and contribution to effective development.

6. AID EFFECTIVENESS

Improving the effectiveness of development spending has become a global priority in recent years for several reasons, not least of which is that the global financial crisis has focused attention on the importance of obtaining value for money. In many OECD countries, elected leaders are increasingly aware of the need to demonstrate that development spending delivers results and is cost-effective, as evident in the 2014 OECD studies on results[66] and on communication.[67] International development has delivered measurable progress towards the Millennium Development Goals in education, health and other social and economic areas. However, persistent poverty and growing inequality are clouding the success story.

The past ten years saw increasingly sophisticated efforts to improve development effectiveness. In 2005 global consensus focused on the Paris Declaration principles of enabling government ownership of development efforts, aligning programming with government priorities and harmonising aid to reduce duplication and increase complementarity. These principles of aid effectiveness were designed to be applied by strengthened donor-government partnerships that would be mutually accountable for the results-based management of development assistance.

Subsequent monitoring of progress in implementing the Paris Declaration led to a growing consensus on the need to adjust the Paris Declaration to better reflect the role that emerging powers, non-state actors and the private sector play in development. In 2011 to the Busan Outcome Document was adopted, Busan affirmed that development effectiveness is about engaging and partnering with the private sector and other development actors in a context that guarantees fundamental human and democratic rights. Since then, the evolving consensus on development effectiveness, as embodied in the Global Partnership for Effective Development Co-operation (GPEDC), established in 2011, has focused more on results, domestic accountability, the participation of the private sector and of emerging donors, and financing related to climate-change.

6.1. Evolution of EU Commitments

The EU and its Member States have made several commitments to improve development effectiveness since 2002.

At the 2002 Monterrey Conference, the EU and its Member States committed to take concrete steps to coordinate policies and harmonise procedures before 2004, both at the European and national levels, in line with internationally agreed best practices and recommendations from the OECD-DAC Task Force on Donor Practices (Commitment 38).

[66] 'Measuring and Managing Results in Development Co-operation' (OECD, 2014), www.oecd.org.
[67] 'Engaging with the Public: 12 Lessons from DAC Peer Reviews', (OECD, 2014), www.oecd.org.

Additional commitments to development effectiveness between 2009 and 2012 are as follows:

Commitment 39, transparency: To implement the European Transparency Guarantee[68] and the commitments related to the common open standard for publication of information on development resources, including publication of the respective implementation schedules by December 2012, with the aim of full implementation by December 2015.

Commitment 40, joint programming: To promote joint programming and increase coordination to develop EU joint analyses of and support responses to partner countries' national development strategies.[69]

Commitment 41, results and mutual accountability: To implement the results and mutual accountability agenda.[70]

In the past five years, the EU has also endorsed notable global commitments to development effectiveness. The 2014 First High-Level Meeting of the GPEDC, held in Mexico City on 15–16 April 2014, resulted in a communique emphasising the growing importance of making development policy coherent with related policies shaping and influencing international relations, such as policies on migration, trade and security. The EU and its Member States also committed to reduce aid fragmentation and implement commitments to improve development effectiveness. This is particularly important in view of the fact that more than half of the development assistance provided by the OECD-DAC is financed by the EU and its Member States. The Council also noted that the GPEDC should support the development of strong institutional capacity for tax administration and policy making alongside existing commitments to democracy, good governance and the rule of law. The GPEDC should also support the fight against corruption, tax havens, illicit financial flows and inefficient use of natural resource revenues.

On 12 December 2013, the EU Council's Conclusions on Financing Poverty Eradication and Sustainable Development beyond 2015 emphasised the importance of more effective development cooperation, the central role of the Busan Partnership agreement and the Council's commitment to implementing the Busan Outcome, thus making development effectiveness a global priority.

The Council Conclusions of 15 October 2012 on Financing for Development accentuated the importance of transparency in development financing to improve implementation and policy making. The EU committed to implementing the European Transparency Guarantee as well as a common open standard for the publication of information on development resources. This included publishing the respective implementation schedules by December 2012, with the aim of full implementation by December 2015, as set out in the Busan Outcome document.

---

[68] http://europa.eu/rapid/press-release_IP-11-1472_en.htm.

[69] Council Conclusions on *An Operational Framework on Aid Effectiveness*, Consolidated text, 18239/10, 11 January 2011.

[70] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126060.pdf.

The Council Conclusions of 17 November 2009[71] on an Operational Framework on Aid Effectiveness, with additions made in June 2010 (cross-country division of labour) and December 2010 (accountability and transparency)[72] contain measures in three areas: (i) division of labour (selected measures to further implement the EU Code of Conduct on the Complementarity and Division of Labour in Development Policy), (ii) use of country systems, and (iii) technical cooperation for enhanced capacity development. EU Member States and the Commission were asked to start implementing the conclusions immediately.

The EU adopted a Code of Conduct on Division of Labour in 2007 and agreed an Operational Framework on Aid Effectiveness in 2009.

The Council Conclusions of 14 November 2011 on the EU Common Position for the Fourth High-Level Forum on Aid Effectiveness emphasised the importance of joint programming, cross-country division of labour, use of country systems, mutual accountability, results and transparency. The EU also committed to reducing aid fragmentation and also endorsed application of aid-effectiveness principles to financing related to climate change.

Various accountability reports since 2002 and related technical studies (such as one on joint programming in 2011 and another on implementing the Busan commitments in 2014) have continued the monitoring and support of EU ambitions to improve development effectiveness.

6.2. EU Performance

All commitments made on development effectiveness have been met or are progressing.

Commitment 38. The 2004 Barcelona follow-up communication[73] contained substantial proposals for concrete action, building on existing political commitments. It led to the establishment of an Ad Hoc Working Party on Harmonisation, which came up with a list of eight recommendations that were endorsed by the Council of Ministers in November 2004. The EU reinforced its commitments at the second High-Level Forum on Aid Effectiveness in Paris in March 2005. In addition to the official declaration of this meeting, agreed by all participating donor and beneficiary countries, the EU committed itself unilaterally to specific additional targets.

Commitment 39. In terms of commitments to transparency, the EU is a founder member of and continues to invest in IATI, and making measurable progress in improving transparency. The 2014 reports on the aid transparency index[74], however, shows that the

[71] Council Conclusions on *An Operational Framework on Aid Effectiveness*, 15912/09, 18 November 2009
[72] Council Conclusions on *An Operational Framework on Aid Effectiveness*, Consolidated text, 18239/10, 11 January 2011.
[73] 2014 Communication from the Commission to the Council and the European Parliament, *Translating the Monterrey Consensus into Practice.*
[74] http://ati.publishwhatyoufund.org/wp-content/uploads/2014/09/EU-Report-2014-_Final.pdf.

EU group as a whole has not progressed toward its own transparency targets, even though some EU Member States are considered to exemplify best practices. This is largely because of divergence between a growing group of EU 'transparency champions' and those that have made no 'discernible progress to date'.[75] In order to make data visible and meaningful, the EU has set up its own "EU Aid Explorer" web site and continues to support its improvement.

Commitment 40. In November 2014 the EU and its Member States provided final inputs to EU joint programming guidelines that are currently being circulated and used operationally. A number of EU Member States – such as Denmark, France and Germany – have developed their own guidelines on how their country offices and headquarters should best support the joint programming processes. As of December 2014, the EU reported[76] that 19 countries had joint programming in place, 20 would finalise their joint programming processes by 2016, and 16 partner countries were in the process of deciding the way forward, meaning that joint programming processes are either concluded or ongoing in a total of 55 countries.

The 2014 Aid Fragmentation Index, produced by the European Commission's Joint Research Centre[77] as part of the EU Aid Explorer initiative, shows that progress has been slow towards the EU's stated goal of reducing fragmentation. Too much aid remains allocated to too many free-standing initiatives. The result is a concentration of aid on 'darlings', while vital sectors, populations and countries go orphaned by the aid community. Furthermore, the proliferation of small, free-standing initiatives tends to keep transaction costs high and undermines the potential for ownership because there are simply too many management structures, procurement processes and work plans to oversee. Fragmentation tends to be worst in countries most in need of concentrated efforts to alleviate poverty, such as Ethiopia and Kenya.

Commitment 41. The EU has committed to improve its focus on results, including designing a 'results framework' as the basis for his results reporting. In December 2013, the Commission issued a Staff Working Document on "Paving the way for an EU Development and Cooperation Results Framework" which aimed to set out the process to strengthen monitor and reporting of EU-funded development cooperation programmes and projects. The framework will be operational in 2015.[78]

6.3. Challenges Ahead

The biggest cross-cutting challenge is to continue the implementation of existing commitments to aid and development effectiveness. Notable progress has been made already, although it has not always been consistent or uniform.

[75] http://ati.publishwhatyoufund.org/wp-content/uploads/2014/09/EU-Report-2014-_Final.pdf.
[76] European External Action Service, presentation at technical seminar on EU joint programming in Stockholm, Sweden, November 2014.
[77] http://ipsc.jrc.ec.europa.eu/.
[78] SWD(2013) 530, *Paving the way for an EU Development and Cooperation Results Framework*. https://ec.europa.eu/europeaid/devcos-results-framework_en

Going forward, if the EU is to meet its own internal expectations for development effectiveness, it will need to focus on:

- Ensuring joint programming in partner countries where possible,
- Monitoring and creating dialogue between the EU and EU Member States on how to advance existing commitments to improve transparency,
- Continuing implementation of division of labour in line with the Code of Conduct target of focusing on sectors of comparative advantage and using lead, active and silent donor arrangements to improve coordination and joint programming,
- Enabling ownership through better dialogue with partner governments, and investing in programming adapted to each partner country's situation,
- Improving the use of results frameworks and strengthening partner countries' capacities for results-based programming and evidence-based policy making.

The EU and EU Member States could consider if organisational reforms are needed to fully meet its development effectiveness commitments, including management and performance incentives.

Conclusions

Official Development Assistance (ODA)

Since 2002, ODA has played an important role in reducing poverty and promoting sustainable development in developing countries. It remains an important and catalytic source of financing, especially for the very poorest countries. The EU has consistently been a major provider, supplying more that 50% of the ODA reported to the DAC in recent years. To ensure the continued effectiveness of development assistance, EU Member States must remain ambitious in their ODA decisions.

The significance of ODA as a share of the financing available to developing countries, especially middle-income countries, is declining. Financing from other sources – domestic and international, public and private – will have to fully harnessed for the post-2015 aid framework.

Even though the EU will not reach its collective ODA target by 2015, its contribution has grown by almost 70% since 2000. At 0.42%, the EU's ratio of ODA to gross national income (GNI) is significantly above the average of 0.29% for the Development Assistance Committee as a whole. In part, this may be due to the rigour and regularity with which the EU has monitored its commitments. Looking ahead, the EU should ensure that any future ODA commitments are also clear and measurable, thus permitting meaningful monitoring. It should encourage other actors to adopt similarly transparent and measurable objectives.

Transparent monitoring of ODA creates peer pressure, enables benchmarking and increases the political visibility of development cooperation. These factors are important at all times, but particularly in times of economic constraint. The post-2015 EU monitoring system should protect these features while introducing quantitative targets that are easy to understand, that more closely integrate the monitoring of financing for development (FfD) with other commitments, and that allow tracking of progress towards the new Sustainable Development Goals.

ODA spending levels are difficult to forecast. Projections may never match reality. But they will be more accurate and credible if they take into account and acknowledge unpredictability, the declining accuracy of any projection over time and practical factors such as the annual aid-budget cycles on which some large EU Member States operate.

Aid and Development Effectiveness

Going forward, if the EU is to meet its own internal expectations for development effectiveness, it will need to invest more in meeting its ambitions of:

- Ensuring joint programming in all partner countries;

- Encouraging and monitoring dialogue between the EU and Member States on the cross-country division of labour;
- Better supporting and accelerating implementation of the target, expressed in the Code of Conduct, of focusing on fewer sectors in which the EU or its Member States have a comparative advantage while institutionalising the use of lead, active and silent donor arrangements;
- Promoting ownership of development efforts by partner governments, responding to partners' needs and investing more to contextualise programming to the political economy in partner countries; and
- Adjusting organisational incentives to align the career aspirations of officials with the priority of ensuring that transparency and results are at the heart of decision making within the EU and its Member States.

Global Public Goods, Climate Change and Biodiversity

A common mechanism for tracking biodiversity-related financial flows at the EU and national levels is needed.

An agreement on collecting data and measuring private flows for both climate- and biodiversity-related finance would also be essential.

Science, Technology and Innovation

Transfers of technology alone are not sufficient to ensure that the technology is taken up in developing countries. An effort should be made to support local innovation systems and to create an enabling environment made up of technical know-how and skills, business readiness and conducive policy frameworks.

Transfers of technologies that are in the public domain or available on affordable terms can help developing countries accelerate technological adoption for development and environmental purposes.

International initiatives on technology development and transfer should be coordinated and streamlined. Specialised UN bodies should be involved in the definition and implementation of policies and programmes.

The role of information and communication technologies in achieving sustainable development and environmental goals should be emphasised.

Innovative Finance

There is a need for a common EU approach to the use of innovative sources and mechanisms that have the greatest potential to generate revenue. Given continued budgetary constraints in the EU, the earmarking of certain revenue sources is not favoured.

Grants and loans should be blended to mobilise private investment in developing countries.

The post-2015 aid framework should provide incentives for further exploration and implementation of innovative sources, mechanisms and instruments by all relevant stakeholders, in close cooperation with multilateral banks and other donors. Likewise, it should ensure that the new financing sources comply fully with the principles of transparency, accountability and effectiveness.

The adoption of targets for the mobilisation of innovative financing (in addition to ODA) should be considered, with the ultimate goal of identifying long-term and predictable contributions from multiple sources, public and private, international and domestic. At the same time, it is essential to agree on a common definition of financing sources in terms of their volume and development effectiveness. Monitoring of innovative financing should be improved.

Global Governance

The EU is proactively taking its responsibility in global governance to strengthen its voice and contribute to a more resilient global financial architecture.

Domestic Revenue Mobilisation (DRM)

DRM is strategically important as a means to support sustainable development. This is true for financial reasons as well as state legitimacy and ownership (the ‘social compact’). Evidence shows that in countries with rising incomes, donor aid falls more quickly than tax revenues rise, creating a risk for middle-income countries. And economies that succeed in raising domestic revenues through resource-based taxes (and non-tax revenues) may simultaneously be losing their nonresource tax base, which could pose serious problems in the future.

The EU and its Member States have successfully pursued a DRM strategy of multidimensional support consisting of (i) budget support; (ii) direct technical assistance; (iii) indirect assistance through multilateral institutions (for example, the IMF Trust Fund) and initiatives (such as EITI and the Tripartite Initiative on transfer pricing); and (iv) supporting international tax forums and regional initiatives (such as the International Tax Compact or African Tax Administration Forum).

The EU and its Member States also support initiatives to address tax avoidance, tax fraud and to fight against illicit capital flows (e.g., through automatic exchange of information).

External Debt

Sovereign lenders, particularly those that are members of the Paris Club, have made considerable progress towards relieving the debt burden of developing countries, mainly through the Heavily Indebted Poor Countries initiative and the Multilateral Debt Relief Initiative. The focus has therefore shifted to supporting countries' capacity for debt management and strengthening the contractual framework for debt resolution.

Private Sector Development

Ensuring that private investments advance development goals is an important topic. Quantity matters: Actions should enhance rather than discourage capital flows to developing countries. Quality also matters: Those flows should contribute to sustainable development. For both reasons, private sector engagement in the FfD discussions are important. The EU and its Member States can indirectly influence investment flows through policies and technical assistance. Their efforts have been generally effective.

- The regulatory environment, codes of conduct and corporate cultures of the originating (or home) countries and regions play a significant role in ensuring that private sector practices are sustainable, notably through growing consensus on corporate social responsibility (CSR). The EU has been a global leader in this area and in disclosure of nonfinancial information and public procurement.

- Because the presence of a dynamic local private sector and strong local entities with which to partner multiply the development impact of private foreign investment, donor support to build competitive local private sectors is often indicated. A comprehensive evaluation of the EU's support for private sector development in developing countries and new global challenges have led to a new strategy for programming in the 2014-20 period.

- The approach to be adopted in implementing the strategy will improve in five key areas. First, programming would be undertaken based on the specific principles and criteria for direct support to the private sector identified in the strategy. Second, innovative financial instruments and mechanisms (e.g., blending) would be utilized to increase access to finance for MSMEs, particularly those owned by women and youth. Third, more extensive use of structured dialogue and inclusive business models would be made. Fourth, CSR would be a priority for 2014-20 EU assistance programs, particularly in global supply chains. Finally, the strategy would be implemented through improved coordination among the EU and its Member States, including in financial institutions to support private sector development and engagement.

- Private sector engagement is a key subtopic in the Means of Implementation discussions for the forthcoming Third International Financing for Development Conference in Addis Ababa in July 2015. Through various mechanisms, including the UN Global Compact and the European Alliance for CSR, the EU's private sector is already engaged.

Corporate Social Responsibility

The EU has already made considerable progress in this area, particularly through the implementation of the 2011–14 EU strategy on CSR. It has set challenging targets that will position it well in the FfD discussions.

- The 2014 adoption of two EU directives on CSR issues (non-financial reporting and public procurement) was a major achievement. Their transposition into national legislation of EU Member States over the next few years will increase the information available on the sustainable development impact of public and private sector activities.
- The ongoing review of the current EU CSR strategy will also be an important milestone.
- Many Member States are preparing national action plans on CSR and business and human rights.

Trade and Development

Overall, trade between the EU and low-income countries has remained constant over the past 10 years, not following the trend that saw the same countries increase their trade with rest of the world. The EU has made some progress to counter this trend by adopting nonreciprocal preferential measures. Recent developments in multilateral and bilateral agreements – whose effects will become apparent over the medium term – have the potential to further increase developing countries' access to EU markets.

- Nonreciprocal preferential measures included a generalised system of preferences (GSP) which, as of January 2014, focuses on fewer beneficiaries (from 178 to around 90 countries most in need) in order to graduate competitive countries and ensure preferential space for the exports of the most vulnerable economies. Additional tariff reductions are also available (under GSP+) for countries committed to implementing international conventions on human rights, labour rights, the environment and good governance. The least-developed countries continue to receive duty- and quota-free access to the EU for almost all products under the Everything but Arms Arrangement.
- Multilateral measures may play a larger role in future as the World Trade Organization's 'Bali package' enters into force upon ratification by WTO members. The package includes several decisions on trade facilitation and on agriculture and development.
- Similarly, bilateral agreements will likely play a key role in the future, as negotiations are concluded on several key agreements – among them the Economic Partnership Agreements (EPAs) with the Economic Community of West African States (ECOWAS), the East African Community (EAC) and the Southern African Development Community (SADC); Association Agreements,

including Deep and Comprehensive Free Trade Areas (DCFTAs) with Ukraine, Georgia and Moldova; the commercial pillar of the Association Agreement with Central America; and negotiations towards a free trade agreement with Ecuador (as a member of the Andean Community).

The EU aid for trade strategy has been successfully implemented since 2007, with annual targets being consistently met and the EU becoming (through support provided by both the Commission and EU Member States) the single-largest provider of trade-related assistance and wider aid for trade to developing countries. Looking forward, the EU and its Member States are expected to develop a revised aid-for-trade strategy.

Remittances

Progress has been made in bringing the average cost of transferring remittances down to 7.9% worldwide and to 8.3% in several major EU countries.

- The G20/G8 target to reduce the average global transfer cost of remittances to 5% within 5 years was not achieved in 2014 but the G20, including the EU, has recommitted to reducing remittances transfer costs to 5% and to increasing remittances´ development impact as a long-term target.
- A continued focus on reducing the cost of remittances will be required. This will have to include efforts to strengthen public policy and data gathering both within the EU and the partner countries to support cost reduction.
- In recent years, money transfer operators (MTO) which are the main channel of remittances transfers to developing countries have experienced closures of their accounts with international banks, mainly in the US, Australia and UK, which seek avoid risks ("de-risking") in relations with fragile or "high-risk" countries. The Financial Action Task Force (FATF), in which the European Commission represents the EU's interests, is actively considering de-risking in its work in different areas, in particular its guidance on application of the risk based approach without discrimination of whole groups of customers and without creating access barriers to services and markets. End of 2014, the G20 agreed in their Financial Inclusion Action Plan (FIAP) to further analyse and consider ways to address the MTO bank account closure issue.

An encouraging start has been made towards enhancing the development impact of remittances, but this is an area that requires further research and effort.

Part II - Review of Progress by the EU and Its Member States over the Year 2014

Executive Summary

This 2015 EU Accountability Report is the thirteenth in a series of annual progress reports prepared by the European Commission since 2003. The report responds to the Council's mandate to the Commission to monitor progress on the collective commitments of the European Union (EU), initially focusing on commitments of official development assistance (ODA) agreed to at the 2002 International Conference on Financing for Development in Monterrey.[79] The Council later expanded the mandate to cover more areas of financing for development, including domestic revenue mobilisation, aid effectiveness, aid for trade and fast-start climate finance. The implementation table below summarises progress by the EU and its Member States in the implementation of 40 commitments in all areas of financing for development.

Overall, the 2015 EU Accountability Report found mixed performance:

- 23 EU commitments, concerning mostly domestic public and private finance for development, **have been** or are **on track to be met**.
- 17 EU commitments, concerning mostly the quantity and quality of external public finance for development, are **partially** (11) or **completely** (6) **off-track**.

All commitments analysed in this report have emerged over the last decade, as new challenges became clearer and the EU recognised the need to strengthen its global leadership in finding solutions to global problems.

The tables in this executive summary use the following coding. Green lights signal that the commitment was achieved or is on track. Yellow lights signal limited or partial achievement of commitments or that the commit is partly off track. Red lights indicate commitments and are off track. Change in the fourth column (+ improvement; – deterioration; = no change) refers only to change in colour of the traffic light; it does not reflect positive or negative changes other than those that contributed to a change in colour.

EU commitments	Target date	Status	Change 2013–14	Comments
Domestic Public Finance for Development				
1. Support tax policy, administration and reform	No date specified	●	+	The EU continues to provide DRM support through budget support operations, direct technical assistance, and multilateral initiatives (IMF trust fund for example). The EU launched

[79] The first reports in this series of Staff Working Documents were entitled 'The Monterrey Report'.

				the Pan-African programme for 2014–20, which will emphasise public financial management. The EU and other development partners also supported improvement or development of diagnostic tools such as the PEFA or the TADAT.
2. Support established regional tax administration frameworks	No date specified		=	The EU has continued to support the African Tax Administration Forum, IMF trust funds on tax administration and IMF's African Regional Technical Assistance Centre (Afritac).
3. Explore country-by-country reporting by multinational corporations, exchange of tax information, transfer pricing and asset recovery	No date specified		=	Directive 2013/34/EU, 26 June 2013, on financial statements and related reports; Directive 2013/50/EU on transparency requirements for listed companies: New obligation for listed and large non-listed extractive and logging companies to report all material payments to governments broken down by country and by project, when these payments have been attributed to a specific project. G20 (Brisbane) and the Global forum on Transparency and Exchange of information have invited development partners in discussions of the Automatic Exchange of Information (AEOI). Most EU Member States have cooperated with the STAR Initiative. EU revised the parent-subsidiary directive to reduce tax avoidance.
4. Encourage participation of developing countries in international tax cooperation	No date specified		=	EU supported developing countries involvement in international tax cooperation, notably though it's support to ATAF. G20 (Brisbane) emphasised importance of involving development partners in BEPS and AEOI discussions. The EU continued to support developing countries in fighting tax avoidance, fraud and evasion and harmful tax competition.
5. Ratify and implement the UN Convention Against Corruption (UNCAC) and the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business	As soon as possible, preferably before 2010 for UNCAC; no date specified		+	The EU and all MS have signed the UNCAC. All OECD Member States are signatories to the OECD anti-bribery convention and report cases under investigation. The average

Transactions	for OECD Conventio n			time taken to conclude a bribery case has steadily increased, peaking in 2013 at 7.3 years.
6. Support transparency and accountability through the Extractive Industries Transparency Initiative (EITI) and similar initiatives, possibly also in other sectors	No date specified		=	The EU became a member of the EITI board. The EU has launched a new study on EITI and CBCR. No consensus has been reached on whether or how the EITI approach should be extended to other sectors. The EU also supported with the World Bank the ITC Conference on Tax and Extractive Industries. The EU is supporting the OECD initiative to improve tax statistics in Africa.
7. Combat tax fraud, tax evasion, money laundering and illicit capital flows	No date specified		+	Directive, adopted in June 2014, on disclosure of non-financial and diversity information by certain large companies and groups, amending the Accounting Directive: Large companies and groups will disclose from 20178 information on policies, risks, and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues. The EC is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes and is supporting partner countries in Automatic exchange of information. The EU is fully committed as a full member of the FATF and actively participates in the Financial Action Task Force (FATF). Efforts to approve the anti–money laundering directive were renewed by EU.
8. Support existing debt-relief initiatives, in particular the HIPC Initiative and the MDRI	No date specified		=	The EU and several Member States are involved in either the Multilateral Debt Relief Initiative or the Heavily Indebted Poor Countries (HIPC) initiative, or both. No new country reached the completion point for HIPC in 2014; only one country (Chad) has yet to reach the completion point. Three other countries

				(Eritrea, Somalia and Sudan) remain eligible to access debt relief under HIPC.
9. Support discussions, if relevant, on enhanced sovereign debt restructuring mechanisms, on the basis of existing frameworks and principles	No date specified		=	
10. Participate in international initiatives such as the World Bank–IMF Debt Sustainability Framework and promote responsible lending practices	No date specified		=	Several Member States participate in the new DMF-II Trust Fund.
11. Promote the participation of non–Paris Club members in debt-workout settlements	No date specified		=	Member States report progress in efforts to reach out to Paris Club nonmembers and to conduct joint initiatives with the G20.
12. Take action to restrict litigation against developing countries by distressed debt funds	No date specified		=	Member States support international work by the IMF to strengthen the existing legal framework on sovereign debt restructuring.
Private Finance for Development				
13. Support the development of the private sector, including small and medium-sized enterprises, through measures to enhance the overall investment climate for their activity by promoting inclusive finance and through relevant EU investment facilities and trust funds, among other means	No date specified		=	A new Communication on A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries was approved in 2014. The EU and Member States continue to expand their initiatives to support the private sector with a variety of financial and nonfinancial instruments.
14. Enhance efforts to promote the adoption, by European companies, of internationally agreed principles and standards on corporate social responsibility, the UN Principles on Business and Human Rights and the OECD	No date specified		=	The EU and 16 Member States have indicated their support for various initiatives aimed at promoting internationally agreed principles of corporate social responsibility (CSR).

Guidelines for Multinational Enterprises				
15. Respond to the Commission's invitation to develop or update Member States' plans or lists of priority actions in support of CSR	No date specified		=	18 EU Member States have published their national action plans on CSR. Another 7 are under preparation.
16. Sustain EU and Member States' efforts to collectively spend EUR 2 billion annually on trade-related assistance by 2010 (EUR 1 billion from Member States and the Commission, respectively)	No date specified		=	Aid for trade (AfT) provided by the EU and Member States reached 11.7 billion in 2013. Concerning trade-related assistance (TRA), the EUR 3 billion committed in 2013 by the EU and its Member States exceed the EUR 2 billion target (approx. EUR 2.2 billion from Member States and EUR 0.8 billion from the Commission).
17. Give increased attention to LDCs and to joint AfT response strategies and delivery	No date specified		+	In absolute terms, AfT committed to LDCs increased from EUR 1. 8 billion in 2011 to EUR 2.6 billion in 2013, although its share decreased in percentage terms. 37% of AfT flows were dedicated to the Africa, Caribbean and Pacific (ACP) countries in 2013.
18. Reach agreement on regional AfT packages in support of ACP regional integration, under the leadership of the ACP regional integration organisations and their Member States, and involving other donors	No date specified		=	In support of the negotiation conclusion and future implementation of the EU–West Africa Economic Partnership Agreement, the EU, its Member States and the European Investment Bank (EIB) had already committed EUR 8.2 billion (exceeding their EUR 6.5 billion target) for the period 2010–14. An identical additional amount was committed in 2014 for the period 2015–20. Other packages are under preparation for other regions under the new multi-annual financial framework.
19. Continuously review the EU's AfT strategies and programmes, taking into account lessons learnt and focusing on results	No date specified		=	The EU and its Member States may start reflecting on revising the current EU AfT strategy, which dates back to 2007, especially in view of the future implementation of the WTO Trade Facilitation Agreement, and the upcoming conclusions of the post-2015 process and the 5th Global Aid for Trade Review, both taking place in 2015.

20. Enhance the complementarity and coherence between trade and development instruments, focusing on the least-developed countries (LDCs) and developing countries most in need and increasing the engagement of the private sector	No date specified		=	The new Communication on Strengthening the Role of the Private Sector in Achieving Inclusive Growth in Developing Countries provides policy and operational orientations on private sector engagement
21. Better coordinate EU AfT, and align it behind the development strategies of partner countries	No date specified		=	The annual AfT questionnaire reveals that 52% of EU delegations and Member States in partner countries consider that coordination and alignment of EU AfT has improved during 2014, in comparison to 2013, while 25% have perceived no particular change.
22. Enhance the development impact of remittances	No date specified		=	The EU and seven Member States reported specific actions to better channel remittances to productive and social investments.
23. Reduce the global average cost of transferring remittances from 10% to 5% by 2014 (G8/G20 commitment)	2014		-	The target to decrease the transaction cost to 5% by 2014 was not achieved. The G20 recommitted to achieving the reduction to the global average cost of 5% reduction has been set, but as a long-term target without a target date. Cost of sending remittances decreased in 2014, including in Italy, Germany and the United Kingdom. The EU and eight Member States have indicated that they are taking action to reduce the cost of remittances, including through the setting up or improvement of national mechanisms for comparing prices.
International Public Finance for Development				
24. The EU and its Member States agreed to achieve a collective ODA level of 0.7% of GNI by 2015	2015		=	EU collective ODA/GNI ratio declined to 0.42% in 2014 and is projected to increase to 0.44% by 2015, but 15 Member States – out of 19 that provided such projections - do not expect to reach their individual targets by the end of 2015.
25. Take realistic, verifiable actions to meet individual ODA targets by 2015 and share information about these actions	No date specified		=	19 Member States provided information about their 2015 financial year allocations. Information on realistic and verifiable actions was limited.

26. Increase collective ODA to Sub-Saharan Africa	No date specified		=	EU ODA to Sub-Saharan Africa was higher in 2013 than in 2004, but the increase is minimal (EUR 14 billion). EU bilateral ODA to SSA declined in 2013 over 2012.
27. Provide 50% of the collective ODA increase to Africa as a whole	No date specified		=	Less than 15% of total EU ODA growth between 2004 and 2013 went to Africa, and EU bilateral ODA decreased by EUR 0.5 billion in 2013.
28. Provide between 0.15% and 0.20% of collective ODA/ GNI to the LDCs by 2010	No date specified		=	Collective EU ODA/GNI to LDCs was 0.12% in 2013, substantially lower than the target. Only six Member States met this target in 2013.
29. The Cancun commitment to scaling up the mobilisation of climate finance in the context of meaningful mitigation actions and transparency of implementation, in order to contribute their share of the developed countries' goal to jointly mobilise USD 100 billion per year by 2020 from a wide variety of sources public and private, bilateral and multilateral, including alternative sources of finance.	2013–20		=	In 2013, the EU and its Member States provided EUR 9.5 billion (USD 12.5 billion) in climate finance to developing countries. This figure includes public grants and loans channelled through public finance institutions. It does not include mobilised private climate finance.
30. Pursue Hyderabad commitment to double, by 2015, total biodiversity-related international financial resource flows to developing countries, in particular LDCs and small island developing states, as well as countries with economies in transition, and to at least maintain that level until 2020 compared with 2006–10	2015 and 2020		=	EU biodiversity-related official financial flows to developing countries increased by 35% in 2011, 83% in 2012 and 88% in 2013 compared with the average for the period 2006–10, while preliminary data for 2014 indicate that the positive trend may have been reversed last year with a value that was just 42% above the 2006–10 average. In addition, 5 Member States are still unable to report any biodiversity-related financial data; 12 could not report data for 2014; 15 could not provide projections for 2015; and only one reported data on private flows but at the same nominal value for the entire period.
31. Improve mechanisms for international cooperation in science, technology and	Not specified		=	No new initiatives were reported by Member States in the area of STI cooperation. Several Member States supported ICT projects. The European

innovation (STI) and for the development of information and communication technologies (ICTs) on major sustainable development challenges				Commission remained involved in the Belmont Forum that coordinates funding for collaborative research actions (CRAs). The Belmont Forum as a member of the Science and Technology Alliance for Global Sustainability also promoted a global research platform called Future Earth. These mechanisms aim to increase international cooperation in STI and coordination of research in support of sustainability at global level.
32. Promote clean and environmentally sound technologies as a means to facilitate a transition to a green economy for all countries, regardless of their development status	2014–20		=	The EU Horizon Programmes started in 2014. It will devote at least 35% of its spending between 2014 and 2020 to climate change and 60% to sustainable development.
33. Support STI research cooperation and capacity building to enhance sustainable development in developing countries, including through the new Horizon 2020 research and innovation programme	2014–20		=	Horizon 2020 continued to fund STI projects involving developing countries. In 2014, the European and Developing Countries Clinical Trials Partnership with sub-Saharan Africa (EDCTP) was renewed. with a financial contribution to the second programme (EDCTP2, 2014-2023) of nearly € 700 million from Horizon 2020. The Competitiveness Council of December 2014 also adopted Conclusions on a 'Partnership for Research and Innovation in the Mediterranean Area'.
Combining Public and Private Finance for Development				
34. Consider proposals for innovative financing mechanisms having significant revenue generation potential, with a view to ensuring predictable financing for sustainable development, especially for the poorest and most vulnerable countries	No date specified		=	Some progress in the negotiations for the approval of a directive on a financial transaction tax, which 11 Member States are committed to implement. 13 Member States are participating in the Leading Group on Innovative Financing for Development.
35. Promote new financial tools, including blending grants and loans and other risk-sharing instruments	No date specified		=	The EU Platform on Blending in External Cooperation has achieved substantial progress. A revised grant application form, a results-based framework and a standardised reporting system have been put in place.

36. Use innovative financing mechanisms taking into account debt sustainability and accountability and avoiding market disturbances and budgetary risks.	No date specified		=	The new application form includes risks and debt sustainability.
37. Strengthen the EIB's capacity to support EU development objectives and promote the efficient blending of grants and loans in third countries, including in cooperation with Member States' finance institutions or through development financing facilities	No date specified		=	
Using Development Finance Effectively				
38. Implement the European Transparency Guarantee and the commitments related to the common open standard for publication of information on development resources, including publishing the respective implementation schedules by December 2012, with the aim of full implementation by December 2015	December 2012 (schedule) and December 2015 (imple-mentation)		-	By December 2013, the European Commission and 20 Member States, including all 9 that are signatories to the IATI, had published schedules to implement the common standard. By end-2014, 12 Member States and the European Commission reported publishing data in line with the 2015 common standard. The latest Aid Transparency Index reports, however, express concern that although a small and increasing number of Member States performing very well, the majority of Member States placed in the poor/very poor category.
39. Promote joint programming and increase coordination in order to develop a joint EU analysis of and response to partner countries' national development strategies	No date specified		=	Joint programming is under way or being prepared in 55 partner countries. It is increasingly seen as a norm in programming, shared analysis and collaboration with like-minded donors. For 2014–20, joint programming is becoming a regular feature of EU bilateral development cooperation. EU joint programming documents agreed in 2014 constitute a shared analysis and shared programming response in partner countries. The EU and its Member States agreed to guidelines on joint programming in late 2014; four Member States report substituting their joint programming documents for the equivalent of their own bilateral country strategy papers.

40. Implement the Results and Mutual Accountability Agenda	No date specified	●	=	At this stage, the EU and 18 Member States participate in mutual accountability arrangements in more than 50% of their priority countries, with only three reporting doing so in less than 10% of their priority countries. The EU and 16 Member States also participate in country-level results frameworks and platforms in more than 50% of their priority countries.

Introduction

This part of the report analyses the progress made in 2014 by the EU and its Member States on commitments made since the Monterrey International Conference on Financing for Development of March 2002. It follows the same format used in previous years to ensure comparability and transparency. All previous years' reports are available online.[80]

The section on each topic opens with a list of EU commitments, followed by a review of progress made to fulfil those commitments (summarised using 'traffic lights'), and ends with a discussion of policies and programmes adopted by the EU and its Member States during the year under review. It draws on a variety of sources, including an online questionnaire filled in by each Member State and the European Commission between December 2014 and February 2015.

[80] https://ec.europa.eu/europeaid/policies/financing-development_en.

1. DOMESTIC PUBLIC FINANCE FOR DEVELOPMENT

The first section of this chapter examines the mobilisation of domestic tax and non-tax revenues in developing countries benefitting from EU assistance. Such revenues, including natural-resource royalties, are used to provide public goods and services, to increase equity (through redistribution) and reduce poverty, and to ensure macroeconomic stability. The second section of the chapter deals with the issue of maintaining acceptable levels of public debt in those countries.

One of the paradoxes of public resources (government revenues plus grants and loans) is the so-called *missing middle*: as countries move from low-income to high-income status, overall public resources often fall before rising again because international assistance falls faster (with rising incomes) than tax revenues rise. Thus, middle-income countries, which account for a large share of the world's poor, face complex financing challenges.[81]

In recent years, donors have shown a growing interest in developing countries' capacity to administer taxes. That interest reflects the importance of domestic revenue mobilisation to provide public goods and services, as well as to facilitate growth and redistribution. The global financial crisis has also led many donor countries to pay more attention to the size and effectiveness of the aid they provide, and to ensure that they support rather than discourage developing countries' own revenue-raising efforts. This represents a shift from focusing on 'aid effectiveness' (Paris Declaration) to 'effectiveness of cooperation' (Mexico High-Level Meeting).[82]

1.1. Domestic Revenue Mobilisation

EU Commitments

- *EU policy on tax and development is set out in the 2010 Communication on 'Tax and Development Cooperating with Developing Countries on Promoting Good Governance in Tax Matters'*[83] *and the accompanying Staff Working Document. Their main recommendations were endorsed by the* ***Council in its Conclusions of 14 June 2010***[84] ***and by the European Parliament in a resolution of March 2011****. In these Conclusions, the Council encouraged the Commission and Member States to:*

1. *support developing countries in tax policy, tax administration and tax reforms, including in the fight against tax evasion and other harmful tax practices;*

---

[81] First High-Level Meeting of the Global Partnership for Effective Development Cooperation: Building Toward an Inclusive Post-2015 Development Agenda (16 April 2014, Mexico). http://effectivecooperation.org/wordpress/wp-content/uploads/2014/07/ENG_Final-ConsensusMexicoHLMCommunique.pdf.

[82] Global Partnership for Development, *Effective Development Cooperation,* http://effectivecooperation.org/wordpress/about/

[83].COM(2010) 163 final

[84] Council Conclusions on Tax and Development – Cooperating with developing countries in promoting good governance in tax matters, 11082/10, 15 June 2010

2. *support, including financially, already established regional tax administration frameworks such as CIAT (Centro Inter-Americano de Administraciones Tributarias) and ATAF (African Tax Administration Forum), as well as IMF Regional Technical Centre;*

3. *further promote a transparent and cooperative international tax environment, including the principles of good governance in tax matters; and enhance the aspects of policy coherence for development by exploring country-by-country reporting as a standard for multinational corporations; a global system for exchange of tax information; reducing incorrect transfer pricing practices; and promoting asset recovery;*

4. *encourage the participation of developing countries in structures and procedures of international tax cooperation should be strongly encouraged, including in the United Nations and the OECD, in the International Tax Dialogue and International Tax Compact; and*

5. *enhance their support to the EITI (Extractive Industries Transparency Initiative) and consider expanding similar practices to other sectors.*

- *The relevance of this agenda was reinforced through the 2011 Commission Communications on 'An Agenda for Change' and 'The future approach to EU Budget support to third countries'.[85] These Communications provide further emphasis on tax policy and administration by stating that 'the EU will continue to promote fair and transparent domestic tax systems in its country programmes, in line with the EU principles of good governance in the tax area, alongside international initiatives and country by country reporting to enhance financial transparency'.[86] The main recommendations of the Agenda for Change were endorsed by the* ***Council*** *in its* ***Conclusions of 14 May 2012****.*

- *In September 2012, the EU adopted new* ***Budget Support Guidelines*** *in line with the 2011 Communication, which places a stronger emphasis on encouraging partner countries' efforts to mobilise domestic revenues and to reduce their aid dependency. In particular, the guidelines state that 'within budget support contracts, DRM will be considered within the macroeconomic (fiscal policy) and public financial management (tax administration) eligibility criteria, and it should be given greater attention in policy dialogue and capacity development'.*

- *An updated synthesis of EU position on tax reform is presented in the* ***2012 Commission Communication on 'Improving EU support to developing countries in mobilising Financing for Development'***[87]*. The Commission stressed that 'it is up to the partner government to enact and uphold the appropriate regulatory measures and policies to ensure that the virtuous cycle of tax collection-development spending-development progress-increased tax collection materialises. The EU and its Member*

[85] COM(2011) 638 final
[86] COM(2011) 637 final
[87] Recommendations based on the 2012 EU Accountability Report on Financing for Development. COM(2012) 366

States can facilitate this process by continuing to expand their support to strengthen the capacity of tax systems, and to 'incorporate tax administration and fair tax collection, including rationalising tax incentives and good governance in tax matters, into policy dialogue with partner countries'. Additional support can be through regulatory means, such as combating illicit capital flows and reducing the misuse of transfer pricing as well as strengthening the Extractive Industries Transparency Initiative (EITI) and adopting legislation for country by country reporting for multinational enterprises.

- *In **June 2013**, the EU adopted a new obligation for large extractive and logging companies to report the payments they make to governments (the so called **country by country reporting**-CBCR, included in the **Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings** n° 2013/34/EU of 26 June 2013). The new disclosure requirement will improve the transparency of payments made to governments all over the world by the extractive and logging industries and will provide civil society in resource-rich countries with the information needed to hold governments to account for any income made through the exploitation of natural resources. By requiring disclosure of payments at a project level, where those payments had been attributed to a specific project and were material, local communities will have insight into what governments were being paid by EU multinationals for exploiting local oil/gas fields, mineral deposits and forests. The EU also aims by the same token to promote the adoption of the Extractive Industries Transparency Initiative (EITI) in these same countries.*

- *The EU has committed to take action at the international level to fight corruption, tax evasion and illegal financial flows. In the **Council Conclusions of 11 November 2008 (EU position for Doha FfD conference)**, §18, the EU promised in particular to:*

1. *ratify and implement the United Nations Convention against Corruption (Merida) as soon as possible and best before 2010;*

2. *adhere to the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions;*

3. *adopt and implement international norms to prevent money laundering, as well as the financing of terrorism and proliferation, support international cooperation repatriation of stolen assets, among those the Stolen Assets Recovery initiative (STAR); and*

4. *promote the principles of transparency and accountability over natural resource revenue by supporting and implementing the Extractive Industry Transparency Initiative (EITI), as well as other specific initiatives aiming at improved governance and transparency in the extractive sector.*

- ***Commission Communication of 6 December 2012 on an Action Plan to strengthen the fight against tax fraud and tax evasion**[88]. The Action Plan sets out 34 actions that*

[88] COM(2012) 722 final.

the Commission proposes to take with Member States over the next two years, in order to combat tax fraud and evasion.

- *The Action Plan was accompanied by two recommendations on measures intended to encourage third countries to apply minimum standards of good governance in tax matters, and on aggressive tax planning*[89].

- *The* ***Council Conclusions of 14 May 2013*** *recognised the useful role the Commission Action Plan and the two Recommendations on Aggressive Tax Planning and on good governance in tax matters in third countries can play to combat tax fraud, tax evasion and aggressive tax planning (§7).*

- ***The Council Conclusions of 12 December 2013***[90]*reiterated the EU and its Member States' commitment* **'***to supporting increased domestic resource mobilisation and supporting the capacity of partner countries in the area of taxation'. In particular, 'the EU and its Member States will continue to support good governance, including good financial governance, the fight against corruption, tax havens and illicit financial flows, and will increase its support for effective, efficient, transparent and sustainable tax policies and administration, including through providing its expertise and technical assistance. They also call for the gradual elimination of environmentally harmful subsidies'. In addition, 'the EU and its Member States will continue to encourage the participation of all countries in international tax cooperation and to support regional tax administration cooperation frameworks'.*

- *The European Parliament and the Council also adopted in 2014 the* ***Directive on disclosure of non-financial and diversity information by certain large companies and groups****, amending the Accounting Directive. Large companies and groups will disclose from 2017 information on policies, risks, and outcomes as regards environmental matters, social and employee aspects, respect for human rights, but also anti-corruption and bribery issues, as well as the diversity on boards of Directors. Member States will have two years to transpose the Directive into national legislation, i.e.: until December 2016.*

1.1.1. Introduction

Raising domestic revenue is essential to increase equity, reduce poverty, and maintain macroeconomic stability. National public finance strategies reflect these motivations and facilitate the implementation of sustainable development strategies.[91] Moreover, a sustainable tax system must be in line with good governance in tax matters—transparency, exchange of information and fair tax competition.

Since the Monterrey Consensus, there has been increasing emphasis on all forms of financing to support the Millennium Development Goals (MDGs). The 2011

[89] COM(2012)8805 and COM(2012)8806.

[90] Council Conclusions on financing poverty eradication and sustainable development beyond 2015, 12 December 2013

[91] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing* (August 2014).

Communication on Budget Support called for fair and transparent tax systems as central to fostering citizenship and state building. The 2011 *Agenda for Change* Communication and Policy Coherence Initiative called on the EU and its Member States to support inclusive and sustainable growth and good governance through greater progress in tax policy and administration. As a consequence, the EU began to pay greater attention to domestic revenue mobilisation (DRM) in budget-support programmes.

The 2012 Commission's Communication on Tax and Development[92] argued that taxes were essential for sustainable development, the legitimacy of the state, economic stability and the financing of public services and infrastructure.

In April 2014 some 1,500 development leaders met in Mexico for the Global Partnership for Effective Development and pledged to support existing development cooperation to boost tax collection, cut illicit financial flows and strengthen policies that support inclusive development:

> *We undertake to support the strengthening of taxation systems sustained by a broader tax base and a progressive structure that is fair and just, in line with international standards of tax good governance. We reaffirm our commitment to combating corruption, money laundering, and illicit financial flows, including by the return of stolen assets and the reinforcement of the implementation of the UN Convention against Corruption and other agreements to which we are party, such as the OECD Anti-Bribery Convention. We also welcome the OECD/G20 project on Base Erosion and Profit Shifting. Moreover, we acknowledge and further encourage efforts by countries, the UN Committee of Experts on International Cooperation in Tax Matters, and multilateral and bilateral institutions to enhance international cooperation and information exchange between countries on tax matters, and to provide expertise, technical assistance and capacity-building on fiscal matters as required by developing countries.*[93]

1.1.2. Implementation Table

The table below summarises progress made in implementing EU commitments on domestic resource mobilisation in 2014. Further details are discussed in the main text.

---

[92] Tax and Development (2010). *Op. cit.*

[93] First High-Level Meeting of the Global Partnership for Effective Development Cooperation*, Building Toward an Inclusive Post-2015 Development Agenda* (16 April 2014, Mexico), Para 21, http://effectivecooperation.org/wordpress/wp-content/uploads/2014/07/ENG_Final-ConsensusMexicoHLMCommunique.pdf.

EU commitment	Target date	Status	Change 2013–2014	Comments
Support tax policy administration and reform	No specified date		+	The EU continues to provide DRM support through budget support operations, direct technical assistance, and multilateral initiatives (IMF trust fund for example). The EU launched the Pan-African programme for 2014–20, which will emphasise public financial management. The EU and other development partners also supported improvement or development of diagnostic tools such as the PEFA or the TADAT.
Support for established regional tax administration initiatives (e.g. CIAT, ATAF, IEF, AFT and Afritac)	No specified date		=	The EU has continued to support the African Tax Administration Forum, IMF trust funds on tax administration and IMF's African Regional Technical Assistance Centre (Afritac).
Exploring country-by-country reporting by MNCs, automatic exchange of tax information (AEOI), transfer pricing, and stolen asset recovery trust (StAR).	No specified date		=	Directive 2013/34/EU, 26 June 2013, on financial statements and related reports; Directive 2013/50/EU on transparency requirements for listed companies: New obligation for listed and large non-listed extractive and logging companies to report all material payments to governments broken down by country and by project, when these payments have been attributed to a specific project. G20 (Brisbane) and the Global forum on Transparency and Exchange of information have invited development partners in discussions of the Automatic Exchange of Information (AEOI). Most EU Member States have cooperated with the STAR Initiative. EU revised the parent-subsidiary directive to reduce tax avoidance.
Encourage participation of developing countries in international tax cooperation	No specified date		=	EU supported developing countries involvement in international tax cooperation, notably though it's support to ATAF. G20 (Brisbane)

				emphasised importance of involving development partners in BEPS and AEOI discussions. The EU continued to support developing countries in fighting tax avoidance, fraud and evasion and harmful tax competition.
Ratify and implement the UN Convention Against Corruption and the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions	As soon as possible, for UNCAC; no date specified for OECD Convention		+	The EU and all MS have signed the UNCAC. All OECD Member States are signatories to the OECD anti-bribery convention and report cases under investigation. The average time taken to conclude a bribery case has steadily increased, peaking in 2013 at 7.3 years.
Support transparency and accountability through EITI and similar initiatives, possibly also in other sectors.	No specified date		=	The EU became a member of the EITI board. The EU has launched a new study on EITI and CBCR. No consensus has been reached on whether or how the EITI approach should be extended to other sectors. The EU also supported with the World Bank the ITC Conference on Tax and Extractive Industries. The EU is supporting the OECD initiative to improve tax statistics in Africa.
Combat tax fraud, tax evasion, money laundering and the reduction of illicit capital flows.	No specified date		+	Directive, adopted in June 2014, on disclosure of non-financial and diversity information by certain large companies and groups, amending the Accounting Directive: Large companies and groups will disclose from 20178 information on policies, risks, and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues. The EC is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes and is supporting partner countries in Automatic exchange of information. The EU is fully committed as a full member of the FATF and actively participates in the Financial Action Task Force (FATF).

				Efforts to approve the anti–money laundering directive were renewed by EU.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in the colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour.

1.1.3. Recent Trends and Developments

The ability to raise the ratio of government revenue to national income remains largely a reflection of a country's per capita income. Although tax collection ratios will change as a result of macroeconomic conditions – as well as institutional developments and an evolving gross domestic product (GDP) structure – change is generally slow because it is hard to quickly improve complex organisational structures. The *stickiness* of tax collection also reflects the fact that the overall 'government take' is to a significant degree determined by the structure of national economies. For logistical reasons, it is much easier to raise revenue from economies (i) that are high-income, urban and nonagricultural and (ii) where the ratio of international trade to GDP is high than it is to raise revenue in other types of economies. The governments of typical low-income countries (LICs) raise around 15% of GDP in total revenue, far from the 35% corresponding to the level of the Organisation for Economic Co-operation and Development (OECD). Furthermore, tax data are notoriously complex to organise, owing to varying classifications and definitions across countries.[94]

Notwithstanding these technical issues, the government revenue share of GDP for low-income and lower-middle-income countries rose significantly between 1990 and 2012 (figure 1.1.3). Evidence indicates that this is largely due to the substantial rise in the revenue-to-GDP ratio in Africa since 1996, which appears to be driven by 'other' taxes often related to commodity prices and royalties.[95]

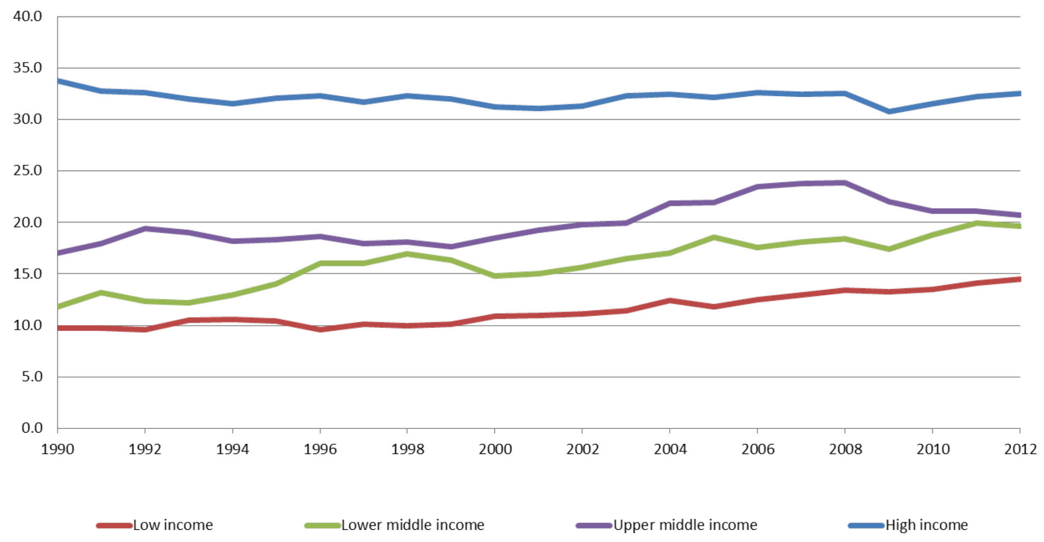
In recent years the revenue-to-GDP performance of LICs remained relatively resilient compared with the decreases in tax collection observed in some country groups following the international financial crisis that started in 2008. This resilience reflects expanded sources of tax revenues in LICs, particularly resource-related revenues in Africa, as well as the muted downturn in recent years among low-income African countries. At the same time, total African financial flows grew strongly, and African countries increased

[94] Care must be taken when comparing alternative data sources because government tax data may represent multiple levels of government (e.g., central, provincial, local), and data may reflect non-tax revenues as well tax revenues; foreign grants should be clearly specified. Data from the same source are usually consistently defined.

[95] North South Institute (2012). *Aid and Taxation in SSA*, and *Taxes and Development: The Promise of Domestic Revenue Mobilization*, op. cit.

domestic taxation about fourfold between 2000 and 2012, to more than USD 530 billion annually (in nominal terms).[96]

Figure 1.1.3. Trend in tax-to-GDP ratio, by country category, 1990–2012



Source: 2014 ODI CAPE Conference on The Role of Finance in Achieving the Sustainable Development Goals. Presentation of Michael Keen (IMF). http://www.odi.org/events/3897-cape-financing-development-sdgs-public-finance-future-development-finance-mdg.

Breaking down the composition of tax sources can shed additional light on the problems of LICs (table 1.1.3a), which have a greater dependence on grants (line 2) and perform weakly on non-tax revenues (line 3). Compared with high-income-countries, trade-related taxes (line 11) tend to be more important for both low- and middle-income countries, and corporate income tax is more important than personal income tax (line 9).

Among low- and middle-income countries, so-called *fragile states* face an even greater DRM challenge that requires special attention from the EU.[97] DRM remains important for these states, both as a state-building mechanism and as a sustainable source of financing.

[96] CSIS (2012). *Taxes and Development: The Promise of Domestic Revenue Mobilization*. Comparative figures quoted in http://csis.org/event/taxes-and-development-promise-domestic-resource-mobilization.

[97] OECD (2014). *Fragile States 2014-Domestic Revenue Mobilisation in Fragile States.* Of the 51 fragile states identified by the OECD, 23 are middle-income countries and the rest low-income.

Table 1.1.3a. Tax revenue breakdown, by type of tax and country category, 2009

	Country category:	*Low income*	*Lower-middle income*	*Upper-middle income*	*High income non-OECD*	*High income OECD*
	Number of countries:	37	48	41	16	30
Total Revenue as % of GDP						
1.	Government revenue and grants, % of GDP	18.4	26.4	28.5	33.8	41.5
2.	Of which: Grants, % of GDP	3.2	0.8	0.6	0.1	0.1
3.	Of which: non-tax revenues, % of GDP	2.2	7.9	7.2	18.0	6.0
4.	Of which: tax revenues, % of GDP	13.0	17.7	20.7	15.7	35.4
Composition of Tax Revenues						
5.	Taxes as a % of total government revenue	70.7	67.0	72.6	46.4	85.3
6.	Income taxes, % of tax revenue	26.9	28.2	26.1	37.6	36.4
7.	Corporate income taxes as a % of income tax	54.3	58.0	63.0	40.7	24.0
8.	Personal income taxes as a % of income tax	45.7	42.0	37.0	59.3	76.0
9.	Ratio of CIT to PIT revenue	1.2	1.4	1.7	0.7	0.3
10.	Taxes on goods and services, incl. VAT, % of tax revenue	38.5	34.5	34.3	32.5	31.6
11.	International trade taxes, % of tax revenue	28.5	27.7	22.2	17.2	1.7
12.	Other taxes, % of tax revenue	6.2	9.6	17.4	12.7	30.2

Source: International Centre for Tax and Development (December 2013), 'Obstacles to Increasing Tax Revenues in Low-Income Countries', Working Paper 15. Based on IMF data in *Revenue Mobilization in Developing Countries* (2011).

The centrepiece of tax reform in the developing world over the past 30 years has been the implementation of value added tax (VAT), which has affected about 80% of countries in Sub-Saharan Africa. The VAT has become the norm, typically accounting for more than one-quarter of all tax revenue. The evidence suggests that countries with a VAT raise more revenue – a sign of having a more efficient tax system, all else held equal.

Tax performance is also linked to the country's institutional framework and its capacity for collecting taxes. This aspect of performance is reflected in the average cost of collecting taxes, calculated as a ratio of the budget of the tax authority to the total revenue collected by the authority, and in the tax authority's staffing ratio, which is the number of tax authority staff members per 1,000 persons in the country (table 1.1.3b). LICs have a high average cost of tax collection and a low staffing ratio.

Although donors have been increasing their focus on the role of DRM in funding development goals, the Center for Strategic and International Studies has estimated that only about 1% of all official development assistance (ODA) is targeted at improving DRM, and the Global Partnership for Effective Communication called for a doubling of that amount in 2014.[98] At the same time, the governance framework within which revenue is raised, as well as the spending of that revenue, remain underlying issues.

[98] Center for Strategic and International Studies (December 2014), *Taxes and Development: The Promise of Domestic Resource Mobilization,* page v.

Table 1.1.3b. Tax performance indicators, by country category, 2011–12

Country category	Average cost	Average tax staff ratio
Low income	3.20	0.17
Lower middle income	1.54	0.43
Upper middle income	1.04	0.81
High income	1.14	1.01

Source: North–South Institute (2013). *Financing the Post-2015 Development Agenda: Domestic Revenue Mobilization in Africa*. Based on USAID database on Collecting Taxes. http://egateg.usaidallnet.gov/collecting-taxes

Because 2015 will be the 'year of development cooperation,' a year marked by the adoption of new Sustainable Development Goals, 2014 has been a period of consolidating ongoing initiatives, particularly in the realm of good governance. That period of preparation required considerable cooperation and coordination, as well as the development of supporting technical tools and methodology.

1.1.4. EU Policies and Programmes in Support of Domestic Revenue Mobilisation

As already noted, DRM has the potential to strengthen the social compact and enhance government accountability as well as supply needed finance for development. The EU and its Member States have supported both aspects of DRM – through technical efforts to strengthen the tax system and through efforts to improve governance, with the two frequently overlapping.

1.1.4.1. Strengthening the tax system

Supporting tax reform and tax administration. The EU provides support for DRM through technical assistance, budget support and IMF Topical Trust Funds. Many Member States report one or more new initiatives (34 reported) to strengthen the tax systems of developing countries – initiatives that ranged from bilateral technical assistance to support for regional initiatives.

Diagnostic tools to support DRM are being developed and enhanced. The Tax Administrative Diagnostic Tool (TADAT), which assesses tax administration outputs using a range of technical indicators, was completed in 2014 and will be officially launched by the IMF in 2015, with EU support.[99] TADAT comprises 9 high-level

[99] The TADAT Steering Committee is comprised of the EU, Germany, Japan, the Netherlands, Norway, Switzerland, and the United Kingdom along with the IMF, World Bank and South African Revenue Service.

performance indicators and some 60 additional indicators to identify improvements that can be made in tax administration. At the same time, the PEFA is being updated and the revised framework is expected to be rolled out in 2015.

According to the International Centre for Tax and Development (ICTD), developing countries are partially responsible for their low tax take. The ICTD has highlighted two key areas where poorer countries can take positive action.[100] First, tax exemptions need to be reduced. In poorer countries, exemptions are granted to companies on the premise that they attract new investment. However, experts claim that such exemptions more often erode the tax base and create a downward competition for corporate tax revenue. The ICTD argues that international organisations such as the African Union, the African Development Bank and the African Tax Administrators Forum (ATAF) should take the lead in developing new international guidelines on the use and effectiveness of exemptions. Second, poorer countries can boost their own domestic tax revenues by boosting property tax collections, which could be encouraged through the creation of a regionally based organisation that might be called the ‘African Property Tax Initiative’.[101]

Support for regional and multilateral tax initiatives. Some 22 countries reported one or more forms of support for regional organisations or initiatives that are active in the field of tax cooperation.[102]

The EU has been supporting multilateral regional training centres, such as the IMF’s regional technical assistance centres (AFRITAC West II is operational since 2014),[103] through the IMF’s Topical Trust Fund. Such centres, and also the Centro Interamericano de Administraciones (CIAT) or the African Tax Administration Centre (ATAF), provide tailored assistance to the particular requirements of the region and an enhanced ability to respond quickly to emerging needs. Such multilateral and regional initiatives support harmonisation and shared standards for public finance and DRM. These institutions strengthen the tax dialogue and improve coordination in tax matters at the international and regional levels.

As more than half of all LICs are in Africa, African tax-related initiatives are particularly relevant. In recent years, the EU has supported the creation and the development of a number of pan-African institutions that emphasize public finance management. This trend will be maintained through the EU pan-African program for 2014–20.[104]

---

[100] International Centre for Tax Development (2014). *Will Changes to the International Tax System Benefit Low-Income Countries?* http://www.ictd.ac/en/publications/will-changes-international-tax-system-benefit-low-income-countries

[101] Africa Research Institute (2015), ‘How Property Tax Would Benefit Africa’.

[102] Based on responses to Questionnaire Section B, Question 15. Support may be financial or nonfinancial.

[103] *IMF Opens Fifth Regional Technical Assistance Center in Africa and its Steering Committee Meets for the First Time in Accra*. http://www.afritacwest2.org/wp/wp-content/uploads/2014/04/PR-IMF-Opens-Fifth-Regional-Technical-Assistance-Center-in-Africa1.pdf

[104] These institutions promote good practices in numerous fields: (i) sharing international standards in public finance and taxation (ATAF); (ii) budgeting (Collaborative Africa Budget Reform Initiative, CABRI); (iii) auditing (African Organisation for Supreme Audit Institutions, AFROSAI); and (iv) legislative oversight (African Public Accounts Committee Organisation, AFROPAC). Pan-African Programme for 2014-2020, Multiannual Indicative Programme 2014–17 (2014).

The ATAF has been building its capacity in recent years.[105] Its priorities include audits of multinational enterprises, tax treaties and transfer pricing, reform of tax administrations, exchange of information, reduction of tax avoidance and combating bribery.

Fighting tax fraud and tax avoidance. The EU has become increasing concerned about tax evasion and avoidance, both within the Union and internationally. An action plan to fight tax fraud and tax evasion was created in 2013;[106] a Code of Conduct on Business Taxation has been issued; steps have been taken against aggressive tax planning; and the Fiscalis Programme to support the sharing of information between tax authorities was launched in 2014.[107] Some 17 Member States reported taking one or more actions to strengthen the tax systems of developing countries and fight cross-border tax evasion.[108]

The EU and many Member States strongly support implementation of the OECD programme on Base Erosion and Profit Shifting (BEPS).[109] In a world of increasingly globalised companies with operations in many jurisdictions, there are increasing instances where the interaction of different tax rules may allow companies to pay taxes at a rate that is less than they would pay if taxed in a single country. Furthermore, the spread of the digital economy poses additional challenges to determining residence and profit allocation for international taxation. It is estimated that developing countries may be losing substantial tax revenues through such profit shifting.

The EU and some Member States have supported the OECD's Global Forum on Tax Transparency, which will facilitate progress on information sharing.[110]

Strengthening good governance in the tax area through transparency and accountability and international cooperation. The EU has continued to emphasise the importance of good governance in taxation as part of development cooperation,[111] by emphasising: (i) transparency, (ii) exchange of information, and (iii) fair tax competition. In particular, the implementation of EU Directives 2013/34/EU on financial statements and related reports, and 2013/50/EU on transparency requirements for listed companies, will materialize the new obligation for large extractive and logging companies to report the payments they make to governments. This will improve the transparency of payments made to governments all over the world by the extractive and logging industries and will provide

---

https://ec.europa.eu/europeaid/sites/devco/files/mip-pan-african-programme-2014-2017_en.pdf

[105] African Tax Administration Forum, Strategic Plan 2013–15 (2013).

[106] An Action Plan to strengthen the fight against tax fraud and tax evasion (2012). Com(2012) 722. http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_fraud_evasion/com_2012_722_en.pdf

[107] Commissioner Moscovici welcomes Council agreement on measures against tax avoidance and unfair tax competition (09 December 2014).
http://europa.eu/rapid/press-release_STATEMENT-14-2501_en.htm.

[108] Based on answers to Questionnaire Section B, Questions 6 and 12: AT, BE, DE, DK, EE, ES, FI, FR, HU, IT, LU, LV, NL, PT, SE, SK, UK.

[109] AT, BG, DE, ES, FI, FR, HU, IE, LU, NL, PL, SE, SK, UK. OECD (2013). *Action Plan on Base Erosion and Profit Shifting*. http://dx.doi.org/10.1287/9789264202719.en

[110] OECD (2014). Tax Transparency. http://www.oecd.org/tax/transparency/GFannualreport2014.pdf Member States that joined and/or support the Global Forum: AT, DE, ES, FR, HU, LT, LV, MT, NL, PL, SE, SL, SK, UK.

[111] COM (2009) 201.

civil society in resource-rich countries with the information needed to hold governments to account for any income made through the exploitation of natural resources. By requiring disclosure of payments at a project level, where those payments had been attributed to a specific project and were material, local communities will have insight into what governments were being paid by EU multinationals for exploiting local oil/gas fields, mineral deposits and forests. This will also allow these communities to better demand that government accounts for how the money had been spent locally. Civil society will be in a position to question whether the contracts entered into between the government and extractive and logging companies had delivered adequate value to society and government. The EU also aims by the same token to promote the adoption of the Extractive Industries Transparency Initiative (EITI) in these same countries.

Ten Member States[112] reported supporting good governance in the tax area through widely varying activities, including: technical assistance, participation in tax-related conferences, exchange of information programmes and signing of treaties.

The Extractive Industries Transparency Initiative (EITI) receives strong support from the EU, which took a seat on the Board in 2014, and Member States[113], many of whom participate independently. There are now 48 countries implementing the EITI,[114] 31 of which are considered in full compliance. The EITI has demonstrated highly successful cooperation among resource-rich states, development partners and civil society in reducing the so-called political resource curse. Although it is difficult to verify a causal relationship between EITI participation and reduction of corruption, most EITI countries improved their Corruption Perceptions Index (CPI) scores in 2014. EITI-compliant countries improved their CPI rankings by an average of about 2.5 positions.[115] EU members reported that they generally did not feel it necessary to extend EITI coverage to other sectors.

Furthermore, the new 'standard' on Automatic Exchange of Information (AEOI) for tax-related information has been endorsed by all OECD and G20 countries and will be launched in September 2017. The active Global Forum on Transparency and Exchange of Information for Tax Purposes, which monitors the AEOI, has 57 members.[116] EU-supported regional initiatives, like the ATAF, are also collaborating on the exchange of information on tax matters and on transfer pricing.

The implementation of the Directive on disclosure of non-financial and diversity information by certain large companies and groups, amending the Accounting Directive' will force large companies and groups to disclose information on policies, risks, and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues. Member States will have two years to

[112] BG, DE, ES, FR, HU, LU, LV, NL, SK, UK.
[113] BE, DE, DK, EC, ES, FI, FR, IT, NL, SE, UK.
[114] http://eiti.org.
[115] *The 2014 Corruption Perception Index. How Have EITI Countries Fared?* https://eiti.org/blog/2014-corruption-perception-index-how-have-eiti-countries-fared.
[116] www.oecd.org/tax/transparency.

transpose the Directive into national legislation, i.e.: until December 2016. The obligation will be effective from 2017 onwards.

The EU and its Member States will also contribute to improve tax transparency through the implementation of the transparency directive that include 'country-by-country' reporting, which would require transnational corporations' tax information to provide country details that are not currently available.[117]

The EU, with its partners, has supported international conferences of the International Tax Compact (ITC) on important global tax topics, including: base erosion and profit shifting, taxing extractive industries, and fiscal justice.

Twenty-five Member States[118] have ratified the UN Convention Against Corruption and 22 Member States[119] have ratified OECD Convention on Combating Bribery. Notwithstanding this support, the average time taken to conclude a bribery case has steadily increased, reaching seven years in 2013.

1.2. Maintaining Sustainable Debt Levels

EU Commitments

- *The EU is committed to supporting debt sustainability in developing countries, in line with the 2001 Doha Declaration. That commitment was clearly articulated, inter alia, in the* ***Council Conclusions of 18 May 2009*** *(§12), which stated that 'the EU will continue supporting the existing debt-relief initiatives, in particular the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) and values the Evian approach as an appropriate flexible tool to ensure debt sustainability'. The EU also confirmed that it 'supports discussions, if relevant, on enhanced forms of sovereign debt restructuring mechanisms, based on existing frameworks and principles, including the Paris Club, with a broad creditors' and debtors participation and ensuring comparable burden-sharing among creditors with a central role for the Bretton Woods Institutions in the debate'.*

- *The* ***Council Conclusions of 15 October 2012*** *stated that (§3) 'The EU will continue to deliver on debt-relief commitments to support the sustainability of public finances in developing countries, participate in international initiatives such as the WB/IMF Debt sustainability framework, and promote responsible lending practices. Moreover, the EU will promote the participation of non–Paris Club members in debt-workout settlements, and Member States that have not yet done so will take action to restrict litigation against developing countries by distressed-debt funds. The EU will also support developing countries' efforts to avoid unsustainable debt levels'.*

[117]Guidance on Transfer Pricing and Country-by-Country Reporting (2014). OECD. http://dx.doi.org/10.1787/9789264219236-en

[118] AT, BE, BG, CY, DE, DK, EE, EL, FI, FR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SL, SK, UK.

[119] AT, BE, BG, CZ, DE, DK, EE, EL, ES, FR, HU, IE, IT, LU, LV, NL, PL, PT, SE, SL, SK, UK.

- *More recently, the* ***Council Conclusions of 12 December 2013*** *reaffirmed that the EU and its Member States would continue to support existing debt-relief initiatives; responsible lending and borrowing; and coordination, dialogue and transparency among stakeholders. They would also promote the participation of emerging creditors in debt discussions in different fora, including the Paris Club.*

1.2.1. Introduction

The HIPC initiative and the MDRI have been effective in reducing the debt burden of those countries that qualify as HIPCs – a debt burden that has decreased on average from 110% of GDP to less than 50%. While debt relief granted under the HIPC/MDRI Initiatives has substantially reduced debt stocks, maintaining debt sustainability will also crucially depend on future macroeconomic policies and growth performance.

1.2.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on debt sustainability.

EU commitments	**Target date**	**Status**	**Change 2013–14**	**Comment**
Support existing debt-relief initiatives, in particular HIPC and the MDRI	No date specified		=	The EU and several Member States are involved in either the MDRI or HIPC, or both. No new country reached the completion point for HIPC in 2014; only one country (Chad) has yet to reach the completion point. Three other countries (Eritrea, Somalia and Sudan) remain eligible to access debt relief under the HIPC.
Support discussions, as relevant, on enhanced mechanisms for restructuring sovereign debt on the basis of existing frameworks and principles	No date specified		=	
Participate in international initiatives such as the WB/IMF Debt Sustainability Framework and promote responsible lending practices	No date specified		=	Several Member States are participating in the new DMF-II Trust Fund.

EU commitments	Target date	Status	Change 2013–14	Comment
Promote the participation of Paris Club nonmembers in debt-workout settlements	No date specified	●	=	Member States report progress in efforts to reach out to Paris Club nonmembers and joint initiatives with the G20.
Take action to restrict litigation against developing countries by distressed-debt funds	No date specified	●	=	Member States support international work by the IMF to strengthen the existing legal framework on sovereign debt restructuring.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. HIPC = highly indebted poor country; MDRI = Multilateral Debt Relief Initiative; DMF = Debt Management Facility (of the World Bank and IMF).

1.2.3. Recent Trends

Developing countries as a whole confirm their improved debt situation. As of 2012, they were running historically low public debt ratios of about 46% of GDP.[120] On aggregate, low-income countries (LICs), including those that qualify as HIPCs or for the MDRI, had a low ratio of public debt to GDP (35%) in 2013.[121] However, recent trends show an uptick in debt, external or domestic, mostly in countries that completed HIPC support before 2007.

The growth of nonconcessional debt in LICs underlines the need for stronger debt-management capabilities in developing countries. It is essential that governments have a comprehensive understanding of the risk involved and that they take appropriate measures to reduce debt vulnerabilities and costs arising from recourse to non-traditional creditors. To that effect, the World Bank and IMF implemented the following initiatives:

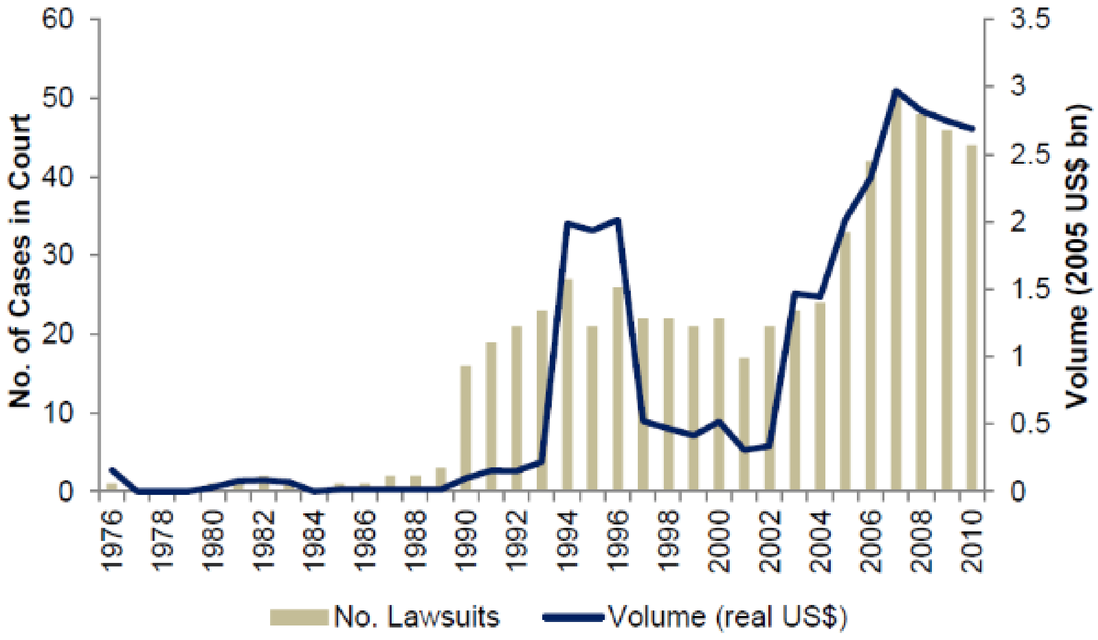
- In April 2014 the World Bank, in formal cooperation with the IMF, launched the new Debt Management Facility (DMF-II), which helps governments in low-income developing countries (i) to assess their debt sustainability (using the DSF framework), (ii) to design medium-term debt strategies (using the MTDS methodology) and (iii) to improve debt management (through DeMPA and Reform Plans).

- The IMF also revised its policies on debt limits, reviewing limits on nonconcessional lending to prevent the build-up of unsustainable debt.[122]

[120] UN DESA, *2014 World Economic Situation and Prospects*, p. 95.
[121] IMF, *Macroeconomic Trends of Low-Income Developing Countries,* October 2014, p. 40.
[122] IMF, Staff Report, Reform of the Policy on Public Debt Limits in Fund-Supported Programs, 14 November 2014, approved by the IMF Board on 5 December 2014.

In recent years, the issue of debt litigation involving developing countries has become a major topic of debate within the international community. The number of cases and the amounts at stake rose steeply after 2002 (figure 1.1.3).

Figure 1.1.3. Outstanding creditor lawsuits against sovereign entities in U.S. and U.K. courts, 1976–2010



Source: Julian Schumacher, Christoph Trebesch and Henrik Enderlein, Sovereign Defaults in Court, 6 May 2014.

The problem of litigation by holdout commercial creditors is being addressed in two instances, existing debt and future contracts. In the case of existing obligations, a few creditor countries, mostly EU Member States, have introduced legislation to prevent or reduce litigation; in others, legal loopholes still exist that have been or can be exploited by litigators. In addition, some creditor countries have provided support to legal assistance instruments.

As concerns future contracts, action has been taken at the international level: in September 2014 the IMF published a report aimed at strengthening the contractual framework to address collective action problems in sovereign debt restructuring.[123] Approved in October 2014, the report supports the widespread use of a modified *pari passu* clause in international sovereign bonds and recalls recent work by the International Capital Market Association (ICMA) in particular on the design of collective action

[123] IMF Report, *Strengthening the Contractual Framework to Address Collective Action Problems in Sovereign Debt Restructuring*, published on 2 September 2014 and approved by the IMF board in October 2014.

clauses (CACs) to include a more robust aggregation feature designed to limit the ability of holdouts to neutralise a restructuring operation. Any decisions regarding the design of contractual provisions and eventual inclusion of such clauses is to be made by the sovereign issuer and its creditors. The use of these new terms in sovereign notes is intended to facilitate future sovereign debt restructurings.[124]

1.2.4. EU policies and programmes

The EU and its Member States, collectively, have been by far the largest contributor to debt-relief programmes. Of the EUR 3.28 billion (USD 4.36 billion) that had been contributed by bilateral donors to the Debt Relief Trust Fund up to end-August 2014, EUR 2.10 billion (USD 2.76 billion), or 63.4%, was directly contributed by the EU and its Member States.[125]

Several Member States and the EU continued to fulfil their obligations under the HIPC initiative. In 2015 two Member States[126] will sign debt-relief agreements with Guinea (Conakry). No other countries reached the completion point in 2014. As in the past, several Member States are contributing to the MDRI,[127] which provides further incentives to beneficiary countries to reduce their debt burden and to invest in programmes that will help them reach the Millennium Development Goals. In 2014 three Member States[128] entered debt swap agreements.

Three Member States[129] have declared their support for DMF-II. The EU and its Member States also support early-stage discussions within the IMF on a debt-relief initiative for countries that have been struck by the Ebola disease.

Further progress has also been made in outreach to Paris Club non-members. In November 2014 the Paris Club and the Australian Presidency of the G20 organised a joint event, the ‘Paris Forum’, with the participation of China, Korea, Brazil, Mexico, Saudi Arabia, Poland and Turkey, among others. In 2014 Israel became a member of the Paris Club. The Paris Club plans to host an outreach session during the spring meetings of the IMF and World Bank. The purpose is to increase the dwindling share (currently 40%) of bilateral public credit flows represented by traditional Paris Club members.

At their meeting in Brisbane in November 2014, G20 leaders welcomed the international work on strengthened collective action and pari passu clauses, called for their inclusion in international sovereign bonds and encouraged the international community and private sector to actively promote their use.

---

[124] ‘ICMA publishes revised collective action clauses (CACs) and a new standard pari passu clause to facilitate future sovereign debt restructuring’, ICMA Press Release, August 29, 2014.

[125] World Bank, IMF, *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MMDRI)— Statistical Update*, December 2014:
http://www.imf.org/external/np/pp/eng/2014/121214.pdf

[126] ES, IT.

[127] AT, BE, DE, DK, EL, ES, FI, HR, IE, IT, LV, NL, PT, SE, SK, SL, UK.

[128] DE, ES, IT.

[129] AT, DE, NL.

In general, the EU supports ongoing IMF work on the contractual framework to address collective action problems in sovereign debt restructuring work. The EU is also actively engaged in the Paris Club and the Paris Forum discussions on debt restructuring and continues to view these institutions and forums, together with the IMF, as the appropriate venues to identify multilateral solutions to the matter at hand. During the past decade, some Member States[130] have also enacted national legislation to counter such litigation in their legal system. The French government supported the inclusion of the topic of contractual prevention of aggressive litigation at the G20 summit in Brisbane. Three Member States[131] maintained their support for the African Legal Support Facility, an initiative of the African Development Bank Group, which assists developing countries in Africa in carrying out complex negotiations or in following court procedures involving so-called vulture funds. Recently, the facility helped the Democratic Republic of Congo win a litigation in the United States against FG Hemisphere, a hedge fund.

The EU and Member States did not support the UN resolution ‘Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes’ and the resolution on its modalities adopted by the UN in September and December 2014.

[130] BE, NL, UK.
[131] BE, IT, NL.

2. PRIVATE FINANCE FOR DEVELOPMENT

2.1. Private Investment for Development

EU Commitments

- ***Council Conclusions of 15 June 2010 on the Millennium Development Goals, §25:*** *The EU and its Member States will continue to encourage and to support the development of the private sector, including small and medium enterprises, through measures enhancing the overall investment climate for their activity, inter alia through promoting inclusive finance and through relevant EU investment facilities and trust funds.*

- ***Council Conclusions of 9 March 2012 on Rio+20, §30:*** *This underscores the importance of the private sector and of partnerships between the private and the public sector in promoting investment, trade and innovation, including in delivering a global green economy in the context of sustainable development and poverty eradication (GESDPE).*

- ***Council Conclusions of 14 May 2012, 'Increasing the Impact of EU Development Policy: an Agenda for Change':*** *The private sector and trade development are important drivers for development. An enabling business environment and more effective ways of leveraging private sector participation and resources in partner countries as well as increased regional integration, aid for trade and research and innovation will be key to the development of a competitive private sector. This has to go along with promoting labour rights, decent work and corporate social responsibility.*

- ***Council Conclusions of 23 June 2014 on the Role of the Private Sector in Development Cooperation, §9:*** *The EU Council welcomes the Communication and notes the need to strengthen the private sector's engagement for development, including through innovative and soundly framed and managed public-private partnerships, notably with a meaningful role for civil society organisations. It also underlines the importance of inclusive business models and enhanced dialogue between national and local authorities, private enterprises, social partners, the civil society and academia, in light of their joint responsibility in achieving development objectives.*

- ***Council Conclusions of 14 December 2014, 'A Stronger Role of the Private Sector in Development Cooperation: An Action Oriented Perspective', §9:*** *The Council recognises that the European Commission's Communication proposes an ambitious set of actions that has the potential to improve the effectiveness of EU support to private sector development. The Council invites the Commission to ensure that this new strategic framework and related actions are appropriately reflected in the programming of EU development assistance for the period 2014–20, and invites the Commission to draw on the potential provided by its various instruments in order to* *ensure that this approach can be applied in a coherent, efficient and complementary manner at the subnational, national, regional and global level.*

2.1.1. Introduction

The private sector is a key partner in the development process, particularly with regard to job creation: 90% of jobs in developing countries are in the private sector.[132] Consequently, the role of the private sector has been emphasised throughout the Financing for Development (FfD) discussions of the past decade. The EU has engaged in furthering the role of the private sector in the following ways. First, EU companies have been financing foreign direct investment (FDI) in developing countries, in particular least-developed countries (LDCs). Second, the quality of FDI has been enhanced through appropriate measures emphasising sustainable business practices, including corporate social responsibility (CSR) (see section 2.2). The EU, Member States and European businesses have been leaders in the global dialogue on private sector standards and policies relevant to the private sector, including at the United Nations Global Compact (UNGC). Third, the EU and its Member States have been involved in supporting governments of developing countries, particularly LDCs, to develop competitive local private sectors given that domestic private investment requires a dynamic local private sector, and FDI also requires strong local partners. As the EU's Communication 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries'[133] notes, 'the Commission wants to remain an important partner of governments and business intermediary organisations in developing countries for supporting the creation of an enabling business environment and the development of local enterprises that are equipped to create decent jobs, generate public revenues and harness the opportunities offered by globally integrated markets'.

2.1.2. Implementation Table

The table below summarises progress made in 2013–14 in implementing the EU commitments on private sector development. Further details are discussed in the main text.

EU commitments	**Target date**	**Status**	**Change 2013–14**	**Comment**
Support the development of the private sector, including small and medium enterprises, through measures to enhance the overall investment climate for their activity, including by promoting inclusive finance and through relevant EU investment facilities and	No date specified		=	A new communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries' was approved in 2014. The EU and its Member States continue to expand their initiatives to support the private sector with a variety of financial

[132] World Bank, *World Development Report 2013*.

[133] Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, COM (2014) 263 final.

EU commitments	Target date	Status	Change 2013–14	Comment
trust funds.				and nonfinancial instruments.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour

2.1.3. Recent Trends

According to the latest statistics on global FDI released by the United Nations Conference on Trade and Development (UNCTAD),[134] after a sharp decrease between 2011 and 2012 from EUR 1.2 trillion to EUR 1.0 trillion, global FDI recovered partially in 2013, when it is estimated to have reached EUR 1.1 trillion.[135] Developing economies retained their lead among recipients of FDI, receiving a new high of EUR 586 billion in 2013[136] (or 54% of total FDI).

FDI outflows from the EU reached EUR 188 billion in 2013 (17.8% of world FDI outflows) and FDI inflows into the EU reached EUR 185 billion (17% of world FDI inflows).[137]

While a detailed breakdown of the destinations of EU FDI is not available for 2013, the latest data (from 2011) indicate that 14% of EU FDI went to lower-middle-income countries (LMICs) – up significantly from 2% in 2000 (in euro terms, the increase was even higher, as total FDI went up from EUR 63 billion in 2000 to EUR 97 billion in 2011). It is also observed that 2.2% of EU FDI went to LDCs and other low-income countries (LICs); this was a decrease from 3.2% in 2000. However, EU FDI still accounted for the largest share of FDI flows from developed countries to LDCs, amounting to between 20% and 30 % of the world total. The data also mask considerable fluctuations over the period – FDI from the EU15 ranged from a low of EUR 1.2 billion in 2002 to a high of EUR 3.2 billion in 2009.[138]

[134] UNCTAD (2014), *World Investment Report 2014.*

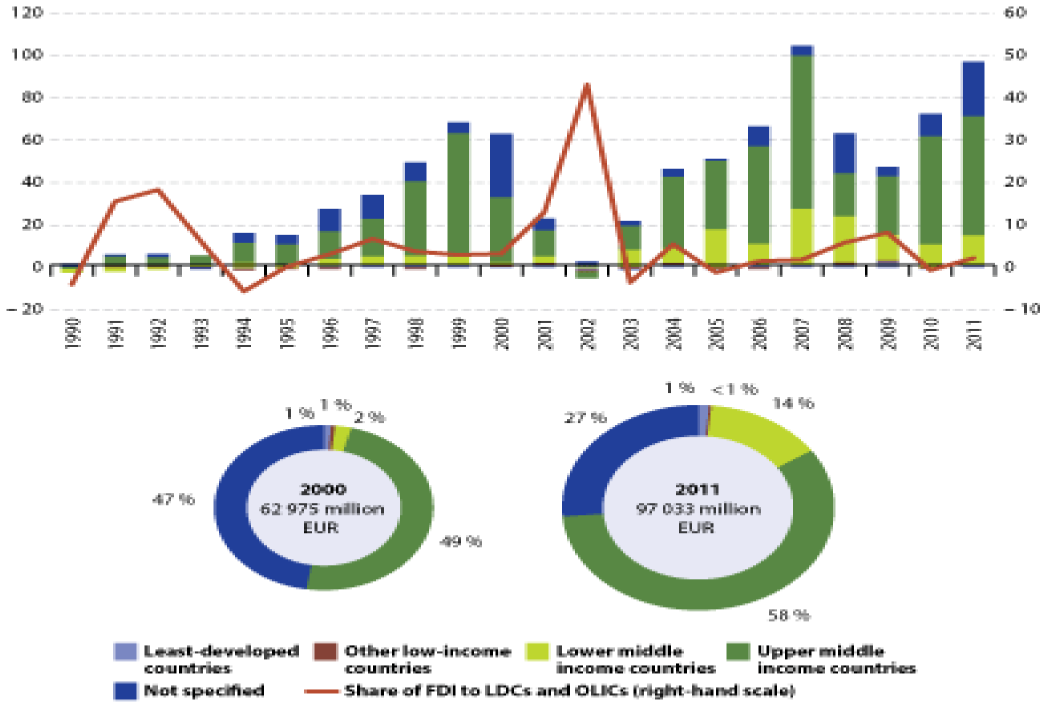
[135] Figures were reported in U.S. dollars as USD 1.69 trillion (2011), USD 1.32 trillion (2012) and USD 1.45 trillion (2013) and were converted into euros using OECD-DAC average annual exchange rates of 0.7192 (2011), 0.7780 (2012) and 0.7532 (2013).

[136] This figure was reported in U.S. dollars, as USD 778 billion, and was converted into euros using the 2013 OECD DAC average annual exchange rate of 0.7532.

[137] Figures were reported in U.S. dollars as USD 246 billion for EU inflows and USD 250 billion for EU outflows, and were converted using the 2013 OECD-DAC average annual exchange rate of 0.7532.

[138] European Commission, *Sustainable Development in the European Union'*, 2013 monitoring report of the EU sustainable development strategy, http://ec.europa.eu/eurostat/documents/3217494/5760249/KS-02-13-237-EN.PDF/f652a97e-e646-456a-82fc-34949bbff956.

Figure 2.1.3a. Share of EU foreign direct investment, by income status of receiving country, 2000 and 2011



Source: 'Sustainable Development in the European Union', 2013 monitoring report.

2.1.4. EU Policies and Programmes

At the start of the EU's multiannual financial framework for 2014–20, and amid preparations for a post-2015 global agenda, in May 2014 the Commission issued a communication that defines the future direction of EU policy and support to private sector development in partner countries[139]. Future EU cooperation is expected to focus on the following main areas: (i) creating a business environment conducive to private sector initiative; (ii) stepping up support for the development of micro, small and medium enterprises (MSMEs) in the formal and informal sectors; (iii) supporting women as entrepreneurs and workers; (iv) increasing access to finance and deepening financial inclusion and (v) engaging with the private sector to achieve development goals. Private sector development and engagement are also expected to be mainstreamed in EU development cooperation (particularly in sustainable energy, sustainable agriculture and agribusiness, infrastructure and green sectors) and private sector engagement in development is to be catalysed (through promoting responsible business practices, scaling up inclusive business and market-based solutions for development, facilitating public-private partnerships [PPPs] and multistakeholder alliances and defining the role and responsibility of the private sector on the global development agenda). In order to operationalise the communication, 12 specific actions have been proposed that deploy a full range of policy, technical assistance and financial instruments.

[139] Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, COM (2014) 263 final

This communication was the subject of two EU Council conclusions in 2014. In June 2014 the Council welcomed the principles and priorities set forth in the communication and underlined the importance of implementing these, consistent with the Busan principles. It emphasised the importance of developing a successor to the EU 2011–14 corporate social responsibility strategy, given the importance of respecting human and labour rights in investment, trade and business activities. The Council also noted the need for a differentiated and context-specific approach to private sector development, particularly in fragile and conflict-affected states. The Council endorsed the communication's increased focus on support to MSMEs, financial inclusion and access to finance (including through blending) and innovative PPPs.

Further, in December 2014 the Council adopted the following additional conclusions with regard to the communication. It invited the Commission to apply the new strategic framework for the programming of EU development assistance in the period 2014–20.[140] The Council focused on the challenges associated with leveraging private finance, and encouraged the use of innovative financial instruments and mechanisms (e.g., blending) and access to finance for MSMEs, particularly those owned by women and youth. It also highlighted the endorsement of the principles and the criteria for direct support to the private sector proposed by the Commission. The Council also emphasised the need for structured dialogue and inclusive business models, noting the Commission's follow-up on the Busan Joint Statement,[141] particularly through the subsequent Partnerships for Prosperity. The Council further noted its support for the Commission's and EU Member States' efforts to promote CSR, specifically through the implementation of internationally recognised guidelines and principles. It underlined that CSR should be a priority for 2014–20 EU assistance programmes, and welcomed efforts to improve CSR in global supply chains. Finally, the Council called for further coordination among the EU and its Member States, including in financial institutions to support private sector development and engagement.

Consultations with the private sector and representatives from civil society organisations (CSOs), local authorities, EU Member States and other stakeholders were conducted in October 2014 in Brussels, in a special workshop on the framework of the Policy Forum on Development (PFD). The meeting acknowledged the important role of the private sector in development and the need to demonstrate relevant results. The potential for multistakeholder approaches – including a specific EU platform and sector dialogues – and the role that donors could play as honest brokers were also discussed. A follow-up workshop is planned for early 2015.

---

[140] This framework includes principles (employment creation, inclusiveness and poverty reduction, differentiation, a market-based approach, emphasis on results, policy coherence for development) and criteria (measurable development impact; additionality; neutrality and transparency; shared interest, goals and cofinancing; demonstration effect; compliance with labour, social, environmental and fiscal standards, including respect for human rights).

[141] Fourth High-Level Forum on Aid Effectiveness, 'Expanding and Enhancing Public and Private Co-operation for Broad-Based, Inclusive and Sustainable Growth: A Joint Statement for Endorsement by Representatives from the Public and the Private Sectors', 2011.

In 2013 the Commission finalised the 'Evaluation of the European Union's Support to Private Sector Development in Third Countries'.[142] The study confirmed the role of the EU as one of the leading sources of finance and policy support for private sector development in partner countries, and recommended making better use of the Commission's own technical capabilities to programme and manage operations in this area of focus.

In October 2014 the European Court of Auditors released a special report on the effectiveness of blending provided by regional investment facility grants.[143] The report found that blending regional investment facility grants with loans from financial institutions to support EU external policies has been generally effective. The report also made several recommendations that included improving project selection and grant approval processes, disbursement of funds, the monitoring of the implementation of EU grants and the visibility of EU aid.

A new partnership was launched in April 2013 between the World Bank, the EU and the Secretariat of the African, Caribbean and Pacific Group of States (ACP) on the Competitive Industries and Innovation Programme (CIIP).[144] The CIIP, a five-year programme with a target funding of EUR 70 million, aims to help partner countries strengthen the competitiveness and innovation of specific industries in order to unlock the potential for firms and industries to compete successfully in the global marketplace. It is implemented through active dialogue and effective joint action between the private and public sector. The CIIP's first annual report, for the period up to June 2014, notes that significant knowledge management activities have been undertaken at the country level[145] and investment programmes have been launched in 12 countries[146] with some USD 5 billion of public finance leveraged (including USD 722 million for active projects).

2.2. Corporate Social Responsibility

EU Commitments

- ***Council Conclusions of 15 June 2010 on the Millennium Development Goals, §26:*** *The EU and its Member States commit to increasing their efforts to mobilise the private sector and engage with business to help accelerate progress towards the Millennium Development Goals, including by promoting the UN Global Compact and the corporate social responsibility (CSR) principles. Innovative public-private*

[142] European Commission/ADE, 'Evaluation of European Community Support to Private Sector Development in Third Countries', 2013.

[143] European Court of Auditors, 'The Effectiveness of Blending Regional Investment Facility Grants with Financial Institution Loans to Support EU External Policies', Special Report 16, 2014.

[144] World Bank, 'New Partnership Takes Fresh Approach to Creating Jobs and Strengthening Private Sector Growth Potential', Press Release, 18 September 2013. Contributions have also been made by the governments of Austria, Norway and Switzerland.

[145] Twenty-two sector-level detailed studies; 27 sectoral, local or national Public Private Dialogue mechanisms supported; 16 strategies or reform programmes informed and 5 laws or regulations supported and 4 client agencies informed and capacity built.

[146] Cote d'Ivoire, Croatia, Ethiopia, FYR Macedonia, Georgia, Haiti, Kazakhstan, Russia, Sierra Leone, Tanzania, Tunisia and Vietnam.

partnerships – with the business and nongovernmental organisations, combining and reinforcing each other's knowledge and capabilities – can enhance the effectiveness of our aid.

- ***Council Conclusions of 5 December 2011 on Competitiveness, §7:*** *The EU Council welcomes the communication from the Commission, 'A Renewed EU Strategy 2011–14 for Corporate Social Responsibility', as well as the social business initiative. The Council emphasises the market advantages of responsible business conduct, and encourages EU Member States to respond to the Commission's invitation to develop or update their plans or lists of priority actions in support of the Europe 2020 Strategy.*

- ***EU Strategic Framework and Action Plan on Human Rights and Democracy, 25 June 2012:*** *The EU will promote human rights in all areas of its external action, without exception. In particular, it will integrate the promotion of human rights into trade, investment, technology and telecommunications, Internet, energy, environmental, CSR and development policy as well as into common security and defence policy and the external dimensions of employment and social policy and the areas of freedom, security and justice, including counterterrorism policy. In the area of development cooperation, a human-rights-based approach will be used to ensure that the EU strengthens its efforts to assist partner countries in implementing their international human rights obligations.*

- ***Council Conclusions of 12 December 2013 on financing poverty eradication and sustainable development beyond 2015, §11:*** *The EU and its Member States urge companies to adhere to internationally agreed corporate social and environmental responsibility and accountability principles and standards, including the International Labour Organization (ILO) core labour standards and the Organisation for Economic Co-operation and Development (OECD) guidelines.*

- ***Council Conclusions of 12 December 2014 on a stronger role of the private sector in development cooperation: An action oriented perspective, §20–21:*** *The Council supports the Commission's and Members States' efforts to promote CSR, in particular through the implementation of the internationally recognised guidelines and principles (. . .). The Council underlines that CSR, in particular through the implementation of the UN Guiding Principles on Business and Human Rights, and the promotion of freedom to conduct business, as set out in Article 16 of the Charter of Fundamental Rights of the European Union, will be one of the priority areas of EU assistance for the European Instrument for Democracy and Human Rights in the 2014–20 period.*

2.2.1. Introduction

The 2011 Communication[147] on corporate social responsibility (CSR) defines this concept as the 'responsibility of enterprises for their impacts on society'. Considerable progress has been made over the past few years in implementing the activities defined in the 2011–

[147] European Commission, 'A Renewed EU Strategy 2011–14 for Corporate Social Responsibility', COM (2011) 681.

14 strategy. Assessing and measuring the impact of CSR on sustainable development outcomes in developing countries, however, remains challenging.

2.2.2. *Implementation Table*

The table below summarises progress made in 2014 in implementing the EU commitments on CSR. Further details are discussed in the main text.

EU commitments	Target date	Status	Change 2013–14	Comments
Enhance efforts to promote the adoption, by European companies, of internationally agreed principles and standards on CSR, such as the UN principles on business and human rights and the OECD Guidelines for Multinational Enterprises	No date specified.	●	=	The EU and 16 Member States have indicated their support of various initiatives aimed at promoting internationally agreed CSR principles.
Respond to the Commission's invitation to develop or update EU Member States' plans or lists of priority actions in support of CSR	No date specified.	●	=	18 EU Member States have published their national action plans on CSR and another 7 are under preparation.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. CSR = corporate social responsibility; OECD = Organisation for Economic Co-operation and Development.

2.2.3. *EU Policies and Programmes*

The communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries'[148] highlights, among other things, the importance of CSR and sustainable and responsible business practices for private sector investment and trade in developing countries. One aim is to strengthen the contribution of the private sector to inclusive and sustainable growth. The Council adopted two sets of conclusions (in June and December 2014) supporting this Communication. The June 2014 conclusions emphasised that support for private sector development should be in line with a rights-based approach to development cooperation, and in this context called upon the Commission to develop a successor strategy (to the 2011–14 CSR strategy) with a strengthened external dimension. The December 2014 conclusions (i) supported the Commission's and Members States' efforts to promote CSR, in particular through the implementation of internationally recognised guidelines and principles; (ii) underlined

[148] Communication on 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries', 13 May 2014, COM (2014) 263 final

that CSR is one of the priority areas of EU assistance for the European Instrument for Democracy and Human Rights during the 2014–20 period; (iii) acknowledged an increase in international cooperation on responsible value chains; (iv) highlighted the importance of addressing CSR in negotiations of economic partnership agreements (EPAs) and other bilateral agreements and (v) welcomed the revisions of the public procurement directives and of the Accounting Directive on disclosure of non-financial information.

Increasing the transparency of nonfinancial information is a key area of CSR on which progress was made in 2014. The European Parliament had earlier adopted two resolutions[149] acknowledging the importance of improving company transparency on environmental and social matters, including the need to improve the quality of CSR disclosure via regulatory measures. The Commission had also proposed an amendment[150] to existing legislation to improve the disclosure of information by certain large companies regarding respect for human rights, social and employee matters, environmental matters, anti-corruption and bribery issues as well as diversity in the board of directors. In September 2014 the Council adopted the directive on disclosure of nonfinancial and diversity information[151], which will affect 6,000 large companies and groups (with more than 500 employees). EU Member States will have two years to incorporate these changes into national law, after which the companies concerned will disclose information on policies, risks and outcomes regarding environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery, and diversity in their board of directors. Companies will have the choice to use appropriate international, European or national guidelines (e.g. UN Global Compact, ISO 26000).

In January 2014 the European Parliament adopted a new public procurement directive[152] that provides EU Member States with guidance on how to integrate social and environmental criteria into the evaluation and award of procurement contracts. EU Member States have until April 2016 to transpose the new rules into their national law (except for e-procurement, for which the deadline is October 2018).

Based on the 2013–14 peer review process of EU Member States' activities on CSR,[153] a Compendium of EU Member States' activities was prepared by the Commission in 2014.[154] This shows that most EU Member States made progress in preparing and

[149] European Parliament resolution of 6 February 2013 on 'Corporate Social Responsibility: Accountable, Transparent and Responsible Business Behaviour and Sustainable Growth', 2012/2098 (INI); and European Parliament resolution of 6 February 2013 on 'Corporate Social Responsibility: Promoting Society's Interests and a Route to Sustainable and Inclusive Recovery', 2012/2097(INI).

[150] COM (2013) 207 final, 'Proposal for a Directive of the European Parliament and the Council Amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of nonfinancial and diversity information by certain large companies and groups'.

[151] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of nonfinancial and diversity information by certain large undertakings and groups, OJ L 330, 15 November 2014, p. 1–9.

[152] Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, OJ L 94, 28.3.2014, p. 65–242.

[153] Peer review reports of the seven meetings are available at: http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=CSRprreport&mode=advancedSubmit&langId=en&policyArea=&type=0&country=0&year=0.

[154] European Commission (2014), 'Corporate Social Responsibility National Public Policies in the European Union Compendium 2014'.

implementing national action plans (NAPs) for CSR. Specifically, eighteen EU Member States have an NAP for CSR, another seven have NAPs under development, two have a series of actions under implementation and only one Member State does not have plans for developing a formal NAP.

As part of an ongoing review of the current EU CSR strategy (2011-2014), a public consultation process was conducted between April 30 and October 15, 2014. A subsequent report on the consultation process indicates that a majority of respondents had a positive view of the Commission's role in CSR and desired its continued engagement in this area. A majority also indicated that there is scope for further actions to realise the strategy's full potential. Further, respondents outlined the achievements of the Commission's agenda for action (as contained in the 2011 CSR Strategy) and the results of the actions undertaken within the eight work streams, noting in particular the Commission's impact in emphasising the importance of CSR in companies and society as a whole, followed by the provisions of the EU Directive on the disclosure of nonfinancial information and the new definition of CSR. Respondents reiterated CSR's importance for the future of the EU economy and expressed hope that the Commission would continue to engage in three key areas: improving transparency, working on international issues and raising awareness. They noted several key challenges that included a need to support SMEs, achieve an appropriate balance between regulatory and voluntary measures, and work towards levelling the opportunities open to businesses around the world. The findings of the report were discussed at a European Multistakeholder Forum held in Brussels on 3-4 February 2015.[155] A successor CSR strategy, which would run from 2015 to 2020, is expected to be developed in 2015.

The Commission, together with an alliance of countries and NGOs, is also developing the Global Internet Policy Observatory (GIPO), an online platform for monitoring Internet-related policy, regulatory and technological developments across the world. The platform can be useful for actors interested in CSR, as it is supposed to process data related to Internet policies, including those relevant to human rights. In its Communication on Internet Policy and Governance of 12 February 2014[156], the Commission committed to launching the technical development of the GIPO as a resource for the global community.

The Commission also promotes CSR through EU trade policy. Free Trade Agreements (FTAs) recently concluded by the EU with partner countries include, under their trade and sustainable development chapters, provisions on CSR. For instance, in the Deep and Comprehensive Free Trade Agreements (DCFTAs) between the EU and, respectively, Georgia and Moldova, provisionally applied since September 2014, the parties agree to promote CSR and refer to internationally recognised principles and guidelines, such as the OECD Guidelines for Multinational Enterprises.

[155] Further details, including on the public consultation on CSR and the executive summary of the 2015 Multistakeholder Forum on CSR, can be found at: http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm.

[156] European Commission, Communication on ' Internet Policy and Governance Europe's role in shaping the future of Internet Governance', COM(2014)72.

CSR and responsible business practices also deserve specific attention and action in certain industries where risks are particularly high. A Commission proposal presented in March 2014 for a regulation on voluntary certification of sourcing of conflict minerals[157] is currently in discussion in the Council and European Parliament.

EU involvement in global CSR initiatives. The EU and several Member States are deeply engaged in global initiatives to improve CSR, including the UN Global Compact Principles,[158] the OECD Guidelines for Multinational Enterprises,[159] ISO 26000[160] and the Global Reporting Initiative Framework. For example:

- Twenty-four EU Member States[161] support the promotion and implementation of the OECD Guidelines for Multinational Enterprises and have established national contact points as required under the guidelines.
- Seven EU Member States[162] support the UN Global Compact (especially with regard to promoting the role of the private sector in the post-2015 development framework, and Global Compact Local Networks).
- Four EU Member States[163] have adopted national guidelines or policies aimed at promoting CSR principles internally. For example, in 2014, Spain amended the Law of Corporations to improve corporate governance generally as well as specific legislation to improve the corporate governance of credit institutions. It also passed legislation requiring all public entities to publish information on contracts awarded, state subsidies and state aid as well as remuneration of senior executives.

Moreover, seven EU Member States[164] have established platforms and multistakeholder forums to facilitate the sharing of knowledge and experience as well as to foster partnerships.

---

[157] 'Commission proposal for a Regulation setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict affected and high-risk areas', COM (2014) 111.

[158] The Global Compact is a principle-based framework for businesses based on 10 principles in the areas of human rights, labour, the environment and anti-corruption. It brings together businesses with UN agencies, labour groups and CSOs; http://www.unglobalcompact.org/.

[159] The OECD Guidelines for Multinational Enterprises provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition and taxation; http://mneguidelines.oecd.org/.

[160] The International Organisation for Standardisation (ISO) is the world's largest developer and publisher of international standards. ISO 26000 is an international standard providing guidance on CSR; http://www.iso.org/iso/home/standards/iso26000.htm.

[161] AT, BE, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IE, IT, LT, LU, LV, NL, PO, PT, RO, SE, SK, SL and UK. Data as of April 2014 reported in European Commission, 'Corporate Social Responsibility National Public Policies in the European Union Compendium 2014'.

[162] BE, DE, DK, FR, IT, LT, SK and SE; other countries such as Slovenia have developed a list of priorities based on the UNGP and are establishing the means to enact these. Data as reported in European Commission, 'Corporate Social Responsibility National Public Policies in the European Union Compendium 2014'.

[163] ES, FR, LT, SK.

[164] AT, BE, DE, DK, EL, FR, PT.

The Commission and six EU Member States have programmes supporting CSR initiatives in developing countries.[165]

Three EU Member States[166] have indicated that they are paying particular attention to the promotion of CSR principles in global value chains, especially in the textile sector (following the tragedy in Bangladesh, for example). The Commission is preparing a flagship initiative on responsible management of the supply chain in the garment sector on the occasion of the European Year for Development. Denmark is planning to host, together with the World Bank, an international conference to promote sustainable global value chains in March 2015 and has signed an agreement with the International Finance Corporation (IFC) on implementation in this area.

The UN Guiding Principles on Business and Human Rights[167] identify the duty of governments to protect human rights, and the responsibility of corporations to respect human rights and provide access to remedy for victims of human rights abuse. Four EU Member States have published their NAPs on business and human rights;[168] seven other EU Member States[169] have plans under preparation. Two other EU Member States[170] will include business and human rights in their NAP on CSR. Several EU Member States are also undertaking, or planning to undertake, initiatives promoting the UN Guiding Principles on Business and Human Rights. For instance, Germany's Federal Ministry for Economic Cooperation and Development (BMZ) supports the Business and Human Rights Resource Centre.

In 2013 the Commission published guidance to help companies implement the UN Guiding Principles on Business and Human Rights.[171] In addition, the Commission plans to publish in 2015 a staff working document on Commission activities relating to the UN principles.

To enhance the visibility of CSR and disseminate good practices, the first edition of the EU-Africa Chamber of Commerce (EUACC) CSR awards in Africa was launched during the 2013 European Development Days. Awards were presented during the 2014 European Development Days in November in Brussels. The EUACC CSR Awards aim to increase

[165] AT, BE, DE, LU, SE, UK.
[166] DK, IT, NL.
[167] Endorsed in 2011 by the Council on Human Rights, the 'Guiding Principles' are recognised as the authoritative global standard for preventing and addressing adverse impacts on human rights arising from business-related activity, http://www.ohchr.org/EN/Issues/Business/Pages/BusinessIndex.aspx.
[168] DK, NL, IT, UK.
[169] BE, DE, ES, FR, IT, PT, SE.
[170] CZ, MT.
[171] This material includes a handbook for small and medium enterprises (SMEs) (*My Business and Human Rights: A Guide for Small and Medium-Sized Enterprises*); http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr-sme/human-rights-sme-guide-final_en.pdf and five SME case studies (*Demystifying Human Rights for Small and Medium-Sized Enterprises*). http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr-sme/human-rights-case-studies_en.pdf. There are three sector guidance notes (on information and communication technology [ICT], oil and gas, employment and recruitment agencies). http://www.shiftproject.org/ec-sectoral-guides-corporate-responsibility-respect-human-rights.

the visibility of CSR best practices among the business community in Africa and to raise awareness of the positive impact that sustainable business initiatives can have.

At the level of EU Member States, such awards have also been utilised to maintain a focus on CSR. Slovakia awarded 'Via Bona Slovakia' national CSR awards for the 14th time. Lithuania, as part of its Seventh National Responsible Business Awards, presented awards based on CSR progress in 2013. Beginning in 2015 Estonia plans to introduce a CSR subcategory in its Best of Entrepreneurship Award.

2.3. Trade and Development

EU Commitments

- ***Council Conclusions of 15 October 2007:*** *These set down a joint 'EU Strategy on Aid for Trade: Enhancing EU Support for Trade-Related Needs in Developing Countries'.*

- ***Council Conclusions of 15 June 2010, §24:*** *The EU and its Member States have already reached their collective target to spend EUR 2 billion annually on trade-related assistance (TRA), and their total aid for trade (AfT) has reached record-high levels of EUR 10.4 billion. The Council calls upon them to sustain their efforts, and in particular to give increased attention to least-developed countries (LDCs) and to joint AfT response strategies and delivery. In particular, the Council calls on the EU and its Member States to reach agreement on regional AfT packages in support of regional integration in Africa, the Caribbean and the Pacific (ACP), under the leadership of regional integration organisations and member states in ACP, and involving other donors.*

- ***Council Conclusions of 16 March 2012, §28:*** *The Council confirms that the EU and its Member States should continue to lead global efforts to respond to AfT demands, and calls on the Commission and EU Member States to continuously review the EU's AfT strategies and programmes, taking into account lessons learned and focusing on results.*

- ***Council Conclusions of 16 March 2012, §29:*** *The Council recognises the need for better targeted, results-oriented and coordinated AfT as part of the EU's aid and development effectiveness agenda, as agreed in Busan, by encouraging developing countries to integrate trade as a strong component of their development strategies, enhancing the complementarity and coherence between trade and development instruments, focusing on LDCs and developing countries most in need and increasing the engagement of the private sector.*

- ***Council Conclusions of 16 March 2012, §30:*** *The Council calls on the Commission and EU Member States to better coordinate their AfT, and to align it behind the development strategies of partner countries, supporting efforts to integrate the inclusive and sustainable growth dimension in these strategies, keeping in mind the importance of capacity building.*

- ***Council Conclusions of 15 October 2012, §4****: The EU will continue its work to deliver more focused, targeted and coordinated AfT in line with the EU's Agenda for Change and with a robust monitoring and evaluation framework.*

- ***Council Conclusions of 12 December 2013, §15:*** *The EU remains developing countries' largest trading partner and the market most open to them. The EU and its Member States have delivered on their commitments to increase AfT, helping developing countries to better harness the benefits of trade. Going forward, they will endeavour to improve the coordination and effectiveness of EU AfT and to align it with the development strategies of partner countries.*

2.3.1. Introduction

Trade can play a pivotal role in supporting the inclusive growth and sustainable development of developing countries, but this is not a given. An enabling domestic environment, including good governance, is necessary if countries are to harvest the positive potential of trade. The EU has consistently supported developing countries in this regard with a range of actions including the unilateral preferences afforded under the Generalised System of Preferences (GSP), bilateral and regional trade agreements and the provision of aid for trade (AfT). As the impact of trade policy on development is covered in a separate report on policy coherence for development, it is not covered in detail in this section, which concentrates on AfT. A full report on EU AfT is included in Annex 4 of this Accountability Report.

AfT should 'aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade'.[172] The 2013 Global Report on Aid for Trade[173] provides evidence that AfT indeed increases trade performance, estimating that every euro invested in aid for trade produces between 8 and 20 euros in additional exports from developing countries

2.3.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on trade and development. Further details are discussed in the main text.

EU commitments	Target date	Status	Change 2013–14	Comments
Sustain EU and Member States' efforts to collectively spend EUR 2 billion annually on TRA by 2010 (EUR 1 billion from Member States and the	No date specified	●	=	The EU's and Member States' collective AfT reached EUR 11.4 billion in 2013. Concerning TRA, the EUR 3 billion committed in 2013 by the EU and its Member States far exceeded the EUR 2 billion target

[172] WTO (World Trade Organization) (2005), Para 57 of Doha Ministerial Declaration.
[173] WTO (2013), *Aid for Trade at a Glance 2013: Connecting to Value Chains*, http://www.wto.org/english/res_e/publications_e/aid4trade13_e.htm.

Commission, respectively)				(approximately EUR 2.2 billion from Member States and EUR 0.8 billion from the Commission). An all-time high was reached in 2011 with EUR 3.0 billion, compared with EUR 1.8 billion in 2007.
Give increased attention to LDCs and to joint AfT response strategies and delivery	No date specified		+	In absolute terms, AfT committed to LDCs has increased from EUR 1.8 billion in 2012 to EUR 2.6 billion in 2013 and its share has gone up from 17% to 24%. 37% of AfT flows were dedicated to ACP countries in 2013.
Reach agreement on regional AfT packages in support of ACP regional integration, under the leadership of the ACP regional integration organisations and their Member States, and involving other donors	No date specified		=	In support of the negotiation and future implementation of the Economic Partnership Agreement EU–West Africa, the EU, its Member States and the EIB committed EUR 8.2 billion (exceeding their EUR 6.5 billion target) for the period 2010–14. An additional EUR 6.5 billion has again been committed in 2014 for the period 2015–20.Other packages are under preparation for other regions under the new MFF.
Continuously review the EU's AfT strategies and programmes, taking into account lessons learned and focusing on results	No date specified		=	The EU and its Member States may start reflecting on revising the current EU AfT strategy, which dates back to 2007, especially in view of the future implementation of the WTO Trade Facilitation Agreement, and the upcoming conclusions of the post-2015 process and the 5th Global Aid for Trade Review, both taking place in 2015.
Enhance the complementarity and coherence between trade and development instruments, focusing on LDCs and developing countries most in need and increasing the engagement of the private sector	No date specified		=	The new Communication on Strengthening the Role of the Private Sector in Achieving Inclusive Growth in Developing Countries provides policy and operational orientations on private sector engagement.
Better coordinate EU AfT, and align it with the development strategies of partner countries	No date specified		=	The Annual AfT Questionnaire reveals that 52% of EU delegations and Member States in partner countries consider that coordination and alignment of EU AfT has improved during 2014, in comparison to 2013, while 25% have perceived no particular

				change.[174]

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. ACP = Africa, Caribbean and Pacific AfT = aid for trade; EIB = European Investment Bank; LDCs = least-developed countries; TRA = trade-related assistance; WTO = World Trade Organization.

2.3.3. Recent Trends

According to the WTO,[175] world merchandise trade volume grew by 2.2% in 2013 (compared with 2.3% in 2012) against a backdrop of weak global demand and declining prices. This is significantly less than the average 5.3% increase in the 20 years between 1993 and 2013 and the 6.0% average in the 20 years preceding the 2008–09 crisis. Exports of goods and services from developed economies increased by 1.5% in 2013, and those of emerging and developing economies increased by 3.6%. The overall share of world merchandise exports in 2013 stood at 52% for developed economies, 44% for developing economies (up from 42% in 2012) and 1.1% for LDCs.[176]

The services sector is playing an increasingly important role in the global economy, and in growth and employment creation in developing countries in particular. World exports of commercial services saw a growth of 5% in 2013, which was an improvement over 2012, but still far below the 11% growth in 2011. The EU was the top exporter of commercial services in 2013, with exports valued at EUR 671 billion (25% of the world total).[177] While exports of commercial services vary significantly from region to region, it is estimated that developing economies accounted for 31% of world trade in commercial services in 2013. Tourism and transport continue to be the two major export items of developing countries, representing half of their total service exports.[178]

In December 2013 the Ninth WTO Ministerial Conference adopted the 'Bali package'. In particular, ministers adopted a number of decisions on trade facilitation, agriculture and development. In November 2014 WTO members adopted a Protocol of Amendment to insert the Trade Facilitation Agreement into the WTO Agreement; it will enter into force once two-thirds of members have completed their domestic ratification process.

The trade facilitation agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and

[174] More information can be found in the AfT report in Annex 4.

[175] WTO (2014), *World Trade Report 2014: Trade and Development: Recent Trends and the Role of the WTO*,
http://www.wto.org/english/res_e/booksp_e/world_trade_report14_e.pdf.

[176] WTO (2014), *International Trade Statistics 2014*,
http://www.wto.org/english/res_e/statis_e/its2014_e/its2014_e.pdf.

[177] This calculation by the WTO is predicated on excluding trade between the EU Member States, treating the EU as a single entity. Figures were reported in U.S. dollars (as USD 891 billion) and have been converted using the 2013 OECD-DAC average annual USD/EUR exchange rate of 0.7532.

[178] UNCTAD (United Nations Conference on Trade and Development), (2013), *Exploiting the Potential of the Trade in Services for Development*,
http://unctad.org/en/PublicationsLibrary/ditctncd2013d4_en.pdf.

customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. It is estimated that reducing global trade costs by 1% – notably through enhanced trade facilitation – would increase worldwide income by more than EUR 30 billion, 65% of which would accrue to developing countries. It is further expected that gains from the trade facilitation agreement would be distributed among all countries and regions implementing the agreement, with the largest benefits enjoyed by landlocked developing countries.[179] The EU has committed[180] to cover a significant share (up to EUR 400 million over the next five years) of the estimated funding needs of developing countries to implement the trade facilitation agreement.

2.3.4. EU Policies and Programmes

The EU is the most open market in the world for developing country exports.[181] In its approach to the post-2015 development agenda, the EU named trade as a key factor for inclusive and sustainable growth. Countries have the primary responsibility for maximising such potential through good governance, sound domestic policies and reforms that will allow the countries' integration in regional and global value chains, while respecting international labour standards and promoting the transition to a green economy. Through its Aid for Trade, the EU will continue supporting countries' trade and development priorities, in particular in LDCs.[182]

2.3.4.1. Trade Policies

Following its revision in October 2012, the new GSP entered into force in January 2014. The new scheme is focused on fewer beneficiaries (90 countries) in order to support countries most in need. Countries committed to implementing international human rights, labour rights and environment and good governance conventions benefit from additional tariff reductions (GSP+). LDCs continue to receive duty- and quota-free access under the 'everything but arms' (EBA) arrangements, for almost all of their products.

EPA negotiations made considerable progress in 2014, with several key developments between July and October 2014. First, heads of state from the Economic Community of West African States (ECOWAS) endorsed the West African EPA. Second, negotiations were concluded in July 2014 with the Southern African Development Community (SADC) EPA group, comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland.[183] Third, the interim Central African EPA was ratified by

---

[179] http://ec.europa.eu/trade/policy/eu-and-wto/doha-development-agenda.

[180] EU Press Release, 'EU Pledges New Financial Support to Help Developing Countries Implement WTO Trade Facilitation Agreement', http://europa.eu/rapid/press-release_IP-13-1224_en.pdf.

[181] http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148990.pdf.

[182] COM(2015) 44, *A Global Partnership for Poverty Eradication and Sustainable Development after 2015*: http://ec.europa.eu/europeaid/sites/devco/files/com-2015-44-final-5-2-2015_en.pdf

See also, ECDPM (European Centre for Development Policy Management), (2013), 'Interview with EU Trade Commissioner Karel De Gucht', *GREAT Insights* 2, No. 5 (July–August 2013).

[183] Overview of EPA Negotiations – Updated January 2015, http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf. Angola has an option to join the EPA in the future. Other Southern African Development Committee (SADC) countries (the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe) are

Cameroon. Fourth, Fiji notified the EU that it had decided to implement the interim EPA. Finally, in October 2014 negotiations were concluded for an EPA with the East African Community (EAC).

Other trade negotiations also progressed in 2014. Association agreements including DCFTAs were signed with Ukraine, Georgia and Moldova in June 2014.[184] Negotiations for an FTA were also concluded with Ecuador (as a member of the Andean Community) in October 2014, and the commercial pillar of the association agreement with Central America entered into force in December 2013.

The EU is participating in several other ongoing negotiations that could affect developing countries, and potential impacts are being closely considered by the EU. First, the multilateral Trade in Services Agreement (TiSA) is being negotiated by 24 WTO members – including the EU – whose trade accounts for 70% of the world's trade in services. The TiSA is based on the WTO's General Agreement on Trade in Services (GATS) and includes key provisions of the GATS – scope, definitions, market access, national treatment and exemptions. The 10th round of negotiations was completed in February 2015. In the area of trade in services, the EU offered LDCs preferential access to services in some 30 sectors and subsectors in the context of a high-level WTO meeting in February 2015.

Second, the fourth round of plurilateral negotiations for the Environmental Goods Agreement (EGA) was undertaken by 14 WTO members, including the EU, in February 2015. The objective is to reach agreement on an FTA for environmental goods and services that would fight air pollution, generate renewable energy, manage waste and stimulate sustainable development. The initial focus is to reduce tariffs on a list of 54 products for which Asia-Pacific Economic Cooperation (APEC) member countries have already agreed to reduce tariffs.

Third, the Transatlantic Trade Investment Partnership (TTIP) with the United States of America is being negotiated in an eighth round, undertaken in February 2015. The draft TTIP documents consist of three areas: market access; regulatory cooperation; and rules on exporting, importing and investing. A trade sustainability impact assessment is being conducted and shall be completed in 2015.

2.3.4.2. Aid for Trade

EU aid for trade.[185] With EUR 11.7 billion in 2013, total EU and Member States' AfT commitments were up marginally (by 1.6%%) from an all-time high reached in 2012. Collectively, the EU and its Member States remain – by a large margin – the most significant AfT donor in the world, ahead of Japan (EUR 7.8 billion) and the United States (EUR 2.9 billion). The ratio of EU and Member State contributions stood at 30% and 70%, respectively. Almost 75% of EU AfT comes collectively from Germany (EUR 3.8 billion), EU institutions (EUR 3.5 billion) and France (EUR 1.8 billion).

---

negotiating EPAs as part of other regional groups, namely Central Africa or Eastern and Southern Africa.

[184] European Commission, 'Overview of FTA and other Trade Negotiations', updated 27 January 2015, http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf.

[185] See Annex 4 of this report for the full EU AfT Report 2013.

The EUR 2.9 billion committed in TRA in 2013 by the EU and Member States far exceeds the EUR 2 billion target adopted in the 2007 joint EU AfT strategy. It also represents a significant increase (of 13%) over 2012 and is close to the historic high of EUR 3.1 billion achieved in 2011.

As in the previous two years, this edition of the EU Accountability Report reports EIB official development assistance (ODA) loans of EUR 4.57 billion, after having excluded them between 2007 and 2010; these amounts are in addition to the EUR 11.4 billion in AfT mentioned above.

In 2013 Africa again received the largest share of EU collective grants (55%), followed by Europe (15%), Asia (7%), America (7%) and Oceania (3%). Europe received the largest share of AfT in ODA loans and equity investments (66%), followed by Africa (19%), Asia (6%) and America (6%).

After a long period of decline, AfT commitments to LDCs notably increased in 2013, reaching EUR 2.6 billion, or 24% of total AfT (as compared with EUR 1.8 billion, or 17%, in 2012). The proportion of AfT flows dedicated to the ACP increased for the third consecutive year in 2013, reaching 37% or EUR 4.1 billion as compared with less than 29% of the total in 2010.

2.3.5. AfT Policies and Programmes: The Challenges Ahead

The Fifth Global Review of Aid for Trade, 'Reducing Trade Costs for Inclusive, Sustainable Growth', will be held from 30 June to 2 July 2015. The review is underpinned by a joint WTO and OECD exercise to draw lessons from experiences in reducing trade costs, assess how trade costs affect developing countries' competitiveness and their ability to connect to regional and global value chains and assess the role of AfT in reducing trade costs and affecting growth. Widespread inputs are being provided by the public and private sector, academia and NGOs.

The EU announced that it would aim to provide up to EUR 400 million over the next five years in order to support developing countries' implementation of the WTO Trade Facilitation Agreement (approved during the Ninth WTO Ministerial Meeting in Bali in December 2013) and other trade facilitation reforms. In November 2014 the EU – together with other donors – launched the World Bank Trade Facilitation Support Programme to help developing countries reform and modernise their border procedures and draw maximum benefit from the Bali agreement as it pertains to customs matters. The EU is the biggest contributor: its initial EUR 10 million contribution is more than one-third of the current financial envelope.[186] To date, more than 29 developing countries have requested support in reforming their customs in line with the trade facilitation agreement.

The EU has allocated over EUR 1.5 billion to trade, regional integration and private sector development through regional programmes worldwide. All regional programmes

[186] http://trade.ec.europa.eu/doclib/press/index.cfm?id=1202.

include trade facilitation as a component in order to meet the commitment announced in Bali. Trade facilitation is also included in some interventions at the national level, in particular in the EU neighbourhood.

Overall, LICs' trade with the EU has remained stable over the past 10 years, while their trade with rest of the world has increased. Thus far, nonreciprocal preferential measures (GSP, GSP+, EBA) have played a key role. Multilateral measures are expected to play a larger role in the future as WTO members ratify the 'Bali package'. Similarly, bilateral agreements are expected to play a key role in the future, following the conclusions of negotiations concluded on several key agreements in 2014.

The current EU AfT strategy was adopted in 2007 and most of its targets have long been met. The above developments call the EU and it Member States to start reflecting on adapting the AfT strategy.

2.4. Remittances for Development

EU Commitments

- *The Council has repeatedly committed to reduce the cost and improve the safety of transfers and to further work to enhance the impact of remittances on development (e.g.,* ***Council Conclusions of 18 May 2009, §11****). It has committed to 'adopt General principles for International Remittances Services agreed by the Committee on Payments and Settlements Systems (CPSS) and operational definitions and recommendations allowing the improvement of data on remittances' (****Council Conclusion of 11 November 2008, §27****). The Council has also committed 'to ensure that relevant legislation does not contain provisions hampering the effective use of legal remittances channels' (****Council Conclusion of 18 November 2009, §10****).*

- ***Council Conclusions of 29 May 2012, §27:*** *The Council reaffirms the need to ensure faster, easier and cheaper remittance transfers and enhance the impact on development of social and financial remittances, while ensuring coherence with other development priorities.*

- ***Council Conclusions of 15 October 2012, §5:*** *Remittances are a key private source of financing for developing countries. The Council recalls the G8 and G20 goal of reducing the average cost of transferring remittances from 10% to 5% by 2014 and reaffirms the need to ensure faster, easier and cheaper remittance transfers, in line with the* ***Council Conclusions of 29 May 2012,*** *to maximise the development impact of migration and mobility.*

- *On 21 May 2013, the Commission adopted a communication on 'Maximising the Development Impact of Migration'*[187] *that includes proposals on how the EU can adopt a more ambitious approach to migration and development. The main orientations of the communication were endorsed through the* ***Council Conclusions***

[187] COM (2013) 292 final.

of 23 September 2013,[188] *in which the Council acknowledged (§5) that remittances and diaspora investments can 'constitute innovative sources of private financing for development beyond 2015' and that efforts to lower the cost of remittances should be continued.*

- ***Council Conclusions of 12 December 2013, §14:*** *Recognising the key importance of remittances for many developing countries, the EU and its Member States recall the G8 and G20 goal of reducing the average cost of transferring remittances from 10% to 5% by 2014 and reaffirm the need to ensure faster, easier and cheaper remittance transfer, to maximise the development impact of migration and mobility. They will also endeavour to strengthen, extend and standardise the measurement of remittance flows.*
- ***Council Conclusions of 12 December 2014, §13:*** *While the efforts undertaken at the EU level to decrease the cost of remittance transfers should be maintained, more attention needs to be paid to enhancing transparency and competition in the remittance market and to promoting the widespread use of financial services. Policy dialogue with relevant authorities of partner countries can play an essential role in promoting the necessary reforms of the relevant legislative and regulatory frameworks and thereby maximising the development impact of remittances.*

2.4.1. Introduction

Remittances – that is, cross-border, person-to-person payments of relatively low value[189] – are a major source of private funds flowing to developing countries. Remittance volumes have increased over the past decade and today exceed global development aid to developing countries. To further improve their efficacy, efforts must be made to lower transaction costs and times and maximise their development impact.

2.4.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on remittances. Further details are discussed in the main text.

EU commitments	Target date	Status	Change 2013–14	Comments
Enhance the impact of remittances on development	No date specified		=	The EU and seven Member States reported specific actions to better channel remittances to productive and social investments.
Reduce the global average cost of transferring remittances from 10% to 5% by 2014 (G8/G20 recommitment)	2014		-	The target to decrease the transaction cost to 5% by 2014 was not achieved. The G20 recommitted to achieving the reduction to the global average cost of 5% reduction has been set, but as a long-term

[188] Council Conclusions on the 2013 UN High-Level Dialogue on Migration and Development and on broadening the development-migration nexus, 12415/13, 23 September 2013.
[189] Committee on Payment and Settlement Services and the World Bank (2007), 'General Principles for International Remittance Services'.

EU commitments	Target date	Status	Change 2013–14	Comments
				target without a target date. Cost of sending remittances decreased in 2014, including in Italy, Germany and the United Kingdom. The EU and eight Member States have indicated that they are taking action to reduce the cost of remittances, including through the setting up or improvement of national mechanisms for comparing prices.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. G8 = Group of Eight; G20 = Group of 20.

2.4.3. Recent Trends

Global remittance flows may have reached EUR 511 billion worldwide in 2014 (growing by 5.0%), and are projected to grow to EUR 558 billion by 2017. Remittance flows to developing countries alone are expected to reach EUR 382 billion in 2014 (+5.0% in 2014), and EUR 420 billion by 2017.[190] Middle-income countries (MICs) received the lion's share of global remittances, with an estimated 68% of global remittance flows in 2014, while LICs received only 6% of such flows. However, as a proportion of gross domestic product (GDP), remittances were more important for LICs (at 8% of GDP in 2012), than for MICs (at less than 2% of GDP). Further, the share of remittances to the GDP of LICs overall has more than doubled since 2000.[191]

Remittance flows in the EU, including both extra-EU28[192] and intra-EU28[193] flows, amounted to EUR 38.6 billion in 2013, according to the latest data from Eurostat.[194] Almost three-quarters of the total flows (EUR 28.3 billion) went to destinations outside the EU, with the balance incoming into the EU. These levels have remained largely stable over the past five years.

Among EU Member States for which data are published, the outflows of personal transfers in 2013 were highest in France (EUR 8.9 billion, of which 68% were extra-EU

[190] World Bank (2013), 'Migration and Remittance Flows: Recent Trends and Outlook 2013-2016', Migration and Development Brief no. 23, Washington, DC, http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief23.pdf. Estimates are in 2013 constant dollars; euros are converted from U.S. dollar projections at a 2013 USD/EUR exchange rate of 0.7523.

[191] Pew Research Center (2013), *Changing Patterns of Global Migration and Remittances*, Washington, DC.

[192] Extra-EU flows: money sent from an EU Member State to a country outside the EU.

[193] Intra-EU flows: money sent from an EU Member State to another EU Member State.

[194] Eurostat (2015), 'Personal Transfers in the EU28', STAT [no], Eurostat news release, 9 January 2015, http://ec.europa.eu/eurostat/documents/2995521/6457244/2-09012015-AP-EN.pdf/18f662ac-8b70-4254-a45b-10b78613a5a4.

flows), Italy (EUR 6.7 billion, 74% extra-EU), the United Kingdom (EUR 6.3 billion, 83% extra-EU) and Germany (EUR 3.3 billion, 58% extra-EU). These four EU Member States accounted for close to 89% of outflows in 2013.

According to the latest data from the World Bank,[195] the global average cost of sending remittances decreased to 7.90% at the end of Q3 2014; this is the first time this number has ever gone below 8% and constitutes a decline of more than 1 percentage point from the same period in the previous year. The average cost of sending remittances from G8 countries dropped to 7.49%, while it stood at 7.98% from the G20 countries. The average cost of sending remittances from major EU countries (Italy, Germany, France and the United Kingdom) in key corridors decreased in 2014, to approximately 8.3%.[196] However, there are still significant disparities in remittance prices across countries: according to the World Bank Remittance Prices Worldwide database, France has an average total cost above both the global and G8 averages; Germany and the United Kingdom have average costs below the global average but above the G8 average; and Italy has average costs below both the global and G8 averages.

2.4.4. EU Policies and Programmes

The EU's focus has been on three key aspects of remittances: their volume, their cost and their developmental impact.

The Global Approach to Migration and Mobility (GAMM), which provides the overarching framework for the EU external migration policy, aims to build mutually beneficial partnerships with non-EU countries. Under one of its four priority areas the GAMM addresses migration- and development-related issues, such as remittances and diasporas, with the aim of maximising the development impact of migration in partner countries.

In line with this, in 2013 the European Commission issued the communication 'Maximising the Development Impact of Migration', addressing, among other issues, measures to facilitate remittance flows between developing countries and to research the role of diasporas residing in low- and middle-income countries as development actors in their countries of origin; this communication was followed by Council conclusions (discussed below).

In March 2014 the European Parliament passed a resolution on the 2013 EU Report on Policy Coherence for Development, which includes a chapter on migration issues. The report indicates significant progress in improving the regulatory environment for remittance transfers (among other things, through the implementation of the payment systems directive). Adherence with the General Principles for International Remittance Services is considered good, though there were still some exclusivity issues and money-transfer operators still face obstacles to opening bank accounts. Alignment in partner countries is estimated as limited, and it is suggested this might be addressed through

---

[195] World Bank (2013), 'Remittance Prices Worldwide', Issue 9, September 2014, https://remittanceprices.worldbank.org/sites/default/files/rpw_report_september_2014.pdf.

[196] World Bank Remittances Prices Worldwide database.

external cooperation. The quality and comparability of remittance data also require improvement. From a policy coherence perspective, 'possible tensions between commitments to reduce the cost of transfers and the obligations stemming from Anti-Money Laundering (AML) regulations' are noted.[197]

In December 2014 the Council adopted its Conclusions on Migration in EU Development Cooperation. These conclusions emphasise the progress made in the context of the Second United Nations High-level Dialogue on International Migration and Development (convened in October 2013) and the Global Forum on Migration and Development (hosted by the government of Sweden in May 2014), and note that well-managed migration and human mobility should be recognised in the post-2015 agenda as potential development enablers. The Council reemphasised the importance of decreasing the cost of remittance transfers, enhancing transparency and competition in the remittances market and maximising the development impact of remittances by utilising financial services and policy dialogue with partner countries to promote the necessary legislative and regulatory reforms. In order to ensure that migration was fully integrated into EU development cooperation, the Commission was requested to provide further policy orientations and operational guidance by adopting a new communication by the end of 2015.

With regard to the cost of remittances, both the G8 (in 2009) and the G20 (in 2011) made commitments to lower the cost of remittances by 5 percentage points, from 10% to 5% (5X5 target) of the value of the remittances by the end of 2014. In the EU, achieving this full level of reduction for 2013 flows to developing countries would have put an extra EUR 1.4 billion in the hands of remitters and their families.[198] Despite positive technological advances, notably in the field of mobile money, the 5X5 target was not achieved in 2014. Future actions to address this unmet target have been considered at the G20 level, and a decision[199] has been taken to retain the target of reducing the average costs to 5% as a long-term goal (without a specific target date).

One of the key challenges to estimating progress in reducing costs and volume of flows relates to data accuracy: there are no harmonised standards for data on remittance transfers across EU Member States, and remittances are not currently covered by OECD–Development Assistance Committee (DAC) statistics. EU Member States undertook several initiatives in 2014 to improve data collection and reporting relevant to remittances. In particular, four EU Member States[200] indicated that they are improving national data-collection methodologies or updating national remittance price-comparison websites for this purpose. Italy's approach to data collection has been recognised as a best practice, as it allows for the control of so-called 'one-leg transactions'.

The EU and eight Member States[201] are taking action towards facilitating remittance transfers and lowering their costs. Member States have introduced greater policy

[197] European Commission (2013), *EU 2013 Report on Policy Coherence for Development*, https://ec.europa.eu/europeaid/sites/devco/files/pcd-report-2013_en.pdf.

[198] Some of these savings have already materialised where EU countries have reduced costs below 10%. The total savings are based on the assumption that all extra-EU flows go to developing countries (EUR 28.3 billion).

[199] https://g20.org/wpcontent/uploads/2014/12/brisbane_g20_leaders_summit_communique1.pdf

[200] DE, FR, PT, SE.

[201] BE, DE, FR, IT, LU, RO, SE, UK.

coherence in their development and migration policies, reviewed remittance flows and costs in corridors affecting remittance senders in their countries, revised policy guidance and best practices, and improved national remittance price-comparison sites to allow consumers to find the best and cheapest service for payment transfers. The websites of France, Germany, Italy and Sweden have been certified by the World Bank as meeting standards for national remittance price databases.[202]

In line with this approach, in July 2013 the Commission adopted a proposal for a new directive on payment services (PSD2) in the internal market that extends the rules on transparency to one-leg transactions, thus covering one part of payments to persons outside the EU. Increasing transparency should notably contribute to providing better information to money remitters and to lowering the cost of remittances. For the G20 Plan to Facilitate Remittance Flows, adopted in November 2014, the EU flagged the PSD2 as its key measure for enhancing cost transparency, innovation, security and competition. PSD2 has now reached the final stage of the legislative adoption procedure of the European Parliament, the EU Member States and the European Commission, and should be adopted in 2015.

The EU is funding several initiatives that seek to enhance competition in the African remittance market, in particular one flagship for enabling African post offices to become a competitive provider in the remittances market and to increase access to relevant financial services in rural areas.

The Directive on Payment Services[203] (Payment Services Directive) provides the legal basis of a single European market for payments, with a view to promote competition and strengthen transparency in the market. Although the obligations they create so far only concern intra-EU transfers, some EU Member States have already chosen to go to law and to extend its field among operators, one of whose players are located outside the EU and are in currencies other than the euro or other European currencies. This should facilitate the access of migrants to formal financial services.

The proposal for a revised Directive on Payment Services[204] aims at further encouraging competition among payment services providers, including money remitters. The text, which is currently in the last stage of negotiations, is set to improve the transparency

---

[202] Global Remittances Working Group. The key minimum mandatory requirements for a national remittance price database are defined as: two price points at minimum, inclusion of sender fees included, inclusion of exchange rate, total costs clearly identified/displayed, speed of transaction noted, type of transfer service noted, minimum of 60% of market coverage per corridor, independent researchers, validation through ‘mystery shopping’ exercises, no advertisements, no subscription policy and clear funding process, and linkage with other World Bank–approved databases; http://remittanceprices.worldbank.org/sites/default/files/StandardsNationalDatabases.pdf.

[203] DIRECTIVE 2007/64/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 November 2007 on payment services in the internal market
http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32007L0064&from=EN

[204] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services in the internal market and amending Directives 2002/65/EC, 2013/36/EU and 2009/110/EC and repealing Directive 2007/64/EC /* COM/2013/0547 final
http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52013PC0547&from=EN

(including price transparency) of payments between the EU and the third countries and to significantly extend the consumer rights for payments to and from the EU, with an expected effect of lowering the costs of such transactions.

While the global average prices of sending remittances are at a historic low, the costs of remitting money still remain particularly high in South-South corridors. Two-thirds of recorded remittance inflows to a Southern country were sent from another Southern country in 2010.[205] In particular, intra-African transfers remain among the most expensive in the world.[206] World Bank data indicate that the cost of sending money to and within Sub-Saharan Africa remains at 11.28% (Q3 2014). Meanwhile, efforts by national authorities, as well as the international community, are showing results – by the third quarter of 2014, costs had dropped by 1% (as compared with the third quarter of 2013).

Remittance service providers continue to face challenges to accessing payment systems. This is due to various factors, including a lack of consistency in applying anti-money laundering/combating the funding of terrorism (AML/CFT) standards, risk aversion among banks and high-risk conditions in receiving countries.[207] A variety of solutions are feasible to ensure that the application of the AML/CFT standards do not reduce access and increase prices. [208] The UK government has established an Action Group on Cross Border Remittances – comprised of private sector actors, regulators, and government and civil society representatives – to identify actions to improve guidance for banks and remittance service providers on risk, improve the sector's understanding of risk and develop a safer corridor for UK-Somalia remittances.[209]

2.4.4.1. Enhancing the Development Impact of Remittances

The EU and seven Member States[210] reported specific actions that aim to better channel remittances towards productive and social investments. Activities include support of migrants' investment and business creation initiatives in their countries of origin (including through training and co-funding of projects), initiatives to improve remittance recipients' financial literacy and access to financial services, national-level task forces to ensure constant consultation with industry and CSOs, cooperative efforts with regulators in developing countries on the regulation and supervision of mobile financial services,

---

[205] UNCTAD (United Nations Conference on Trade and Development) (2012), 'The Least Developed Countries Report 2012 – Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities', http://unctad.org/en/PublicationsLibrary/ldc2012_en.pdf.

[206] European Parliament (2014), 'The Impact of Remittances on Developing Countries', Directorate-General for External Policies of the Union.

[207] Global Remittances Working Group (2013), 'Barriers to Access to Payment Systems in Sending Countries and Proposed Solutions, Special-Purpose Note', http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/282044-1359488786791/barriers_web.pdf.

[208] The Financial Action Task Force (FATF), in which the European Commission represents the EU's interests, is actively considering de-risking in its work in different areas, in particular its guidance on application of the risk based approach.

[209] Action Group on Cross Border Remittances – 6 month update: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348649/Action_Group_on_Cross_Border_Remittances_-_6_month_update.pdf.

[210] BE, DE, FR, IT, LU, NL, UK.

markets and support to migrant communities within the EU (e.g., through 'champion cities' under the Greenback 2.0 project being implemented by the World Bank).

In 2014 a report was published by the European Parliament that includes a comprehensive review of the EU's support for remittances.[211] Its main recommendations are consistent with much of the recent activities of the EU and Member States, and emphasise addressing barriers to remittance markets that result from money-transfer regulations, harmonising remittance data collection and definitions, building on collaborations with migrants and diaspora members (both at home and in host countries), achieving multidimensional synergies and ensuring policy coherence, designing appropriate policies and incentives, adopting an integrated and inclusive financing approach for the post-2015 agenda and improving national infrastructures in developing countries.

In 2014 the Commission decided to support an EUR 6.9 million action (EUR 5.4 million is provided by the European Commission as co-funding) for 'Maximizing the Impact of Global Remittances in Rural Areas (MIGRRA)', to be implemented by the International Fund for Agricultural Development (IFAD).[212] The primary objectives of the action are to (i) contribute to reducing remittance transfer times and costs, and (ii) promote financial inclusion through research, (iii) support the inclusion of remittances in development strategies, and (iv) develop the capacity of governments and national development institutions relevant to leveraging remittances for development. This action was launched in early 2015.

In 2014 progress was also made on the EU-supported African Union project to establish an African Institute for Remittances (AIR). Kenya was selected by the African Union Executive Council as the host country for the institute.[213] The hosting agreement was signed, staff recruitment is under way and the institute is expected to become fully operational in 2015. It will focus, among other activities, on collecting data on South–South financial flows and developing regulatory frameworks in African countries.

[211] European Parliament (2014), 'The Impacts of Remittances on Developing Countries, Part IV', http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/433786/EXPO-DEVE_ET(2014)433786_EN.pdf.

[212] Annex 6 of the Commission Implementing Decision on the 2014 Annual Action Programme for the 'Global Public Goods and Challenges (GPGC) in the areas of Migration and Asylum' containing the Action Document for 'Maximizing the Impact of Global Remittances in Rural Areas (MIGRRA)'.

[213] The project is also supported by the World Bank and is implemented in cooperation with the African Development Bank and the International Organization for Migration (IOM). See http://pages.au.int/remittance/about.

3. International Public Finance for Development

3.1. Introduction

International public finance has been a stable and increasing source of finance at the global level, but it has been volatile at the country level. But the significance of international public finance as a source of funding varies by country context; while it accounts for only 4% of overall financing for development flows in MICs, it remains an important source of finance for LICs, where it accounts for 54% of overall financing for development flows.

There are two types of commitments relating to international public finance for development: those concerning the quantity and volume of flows, and those concerning their quality and effectiveness. *Quantitative commitments* are the subject of this chapter, while *qualitative commitments* are analysed in chapter 5. As the focus of this chapter is on quantitative targets, EU policies or programmes will not be reviewed, unless they have a direct bearing on such quantities.

A number of commitments have been made to increase the quantity of public finance and distribute it to meet development and other global challenges, as well as to improve its impact in developing countries. Most of these commitments involve ODA, which comprises concessional international public finance used for development purposes.

EU Member States and other donors have agreed to global targets for ODA to developing countries, expressed as shares of their gross national income (GNI), and to more specific targets concerning aid to particular groups of countries (e.g., LDCs, Africa, and Sub-Saharan Africa) or for specific purposes (e.g. aid for trade, fast-start climate finance). Other quantitative targets have been set for increasing public finance for global goals (e.g., climate change adaptation and mitigation activities).

As highlighted later in this chapter, the concept of ODA itself is presently under discussion, reflecting a consensus among members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) that the current rules and definitions should be modernised.

3.2. Official Development Assistance

EU Commitments

- *Official development assistance (ODA) levels. In 2002 the EU and its Member States adopted joint commitments on ambitious increases in ODA. These commitments were further developed and broadened, and endorsed by the European Council in 2005, ahead of the United Nations (UN) World Summit that undertook the first review of progress on the Millennium Declaration and the Millennium Development Goals. At that time, the EU and its Member States agreed to achieve a collective ODA level of*

0.7% of gross national income (GNI) by 2015 and an interim collective target of 0.56% by 2010. These collective targets were accompanied by individual national targets: most Member States agreed to increase their ODA to 0.51% of their GNI by 2010, while those countries that had already achieved higher levels (0.7% or above) promised to maintain these levels. Those Member States that acceded to the EU in or after 2004 promised to strive to individually spend 0.17% of their GNI on ODA by 2010 and 0.33% by 2015.

- *The Council's commitment to these goals has been repeatedly confirmed, including (but not limited to) in the following:*

- *In its **Conclusions of 15 June 2010 (§30)** and **14 May 2012 (on the Annual Report 2012 to the European Council on EU Development Aid Targets, §5b),** the Council asked Member States to take realistic, verifiable actions to meet individual ODA targets by 2015 and to share information about these actions and – within their budgetary processes – to share information on their planned ODA spending for the next budgetary year as well as their intentions for the remaining period until 2015.*

- *The **European Council Conclusions of 8 February 2013** reaffirmed the 0.7% goal as a key priority, adding that 'the European Union should as part of this commitment therefore aim to ensure over the period 2014-2020 that at least 90% of its overall external assistance be counted as official development assistance' according to the present definition established by the OECD Development Assistance Committee (OECD-DAC).*

- *Predictability of ODA increases. The Council has also stressed the importance of increasing the predictability of ODA increases through national multiannual planning. In 2007 the Council invited Member States concerned to introduce such timetables by the end of 2007. In November 2008 and May 2009 this call was reiterated and the deadline extended to the end of 2010.*

- *In its **Conclusions of 19 May 2014**, the Council both invited Member States that had not reached their ODA objectives to meet these commitments and to share information on their planned ODA spending to meet those objectives.*

- *ODA to Africa. In addition the EU committed in 2005 to: (i) increase ODA to Sub-Saharan Africa and (ii) provide 50% of the ODA increase to Africa as a whole (North Africa and Sub-Saharan Africa).*

- *ODA to least-developed countries. In 2008 the EU collectively committed to provide between 0.15 and 0.20% ODA/GNI to least-developed countries by 2010.*[214]

3.2.1. Introduction

Although the goal of annually allocating 0.7% of GNI to ODA is accepted to some extent by all OECD-DAC donors (except the United States), only the EU donors and Norway

[214] European Council, 11 November 2008, Doc. 15075/1/08, Rev. 1.

have set dates to achieve it, transforming the long-standing UN 0.7% goal, considered by many as aspirational, into a concrete, time-bound target. The EU decided to move forward and achieve this goal gradually over 15 years (2000–15), in line with the deadline set for reaching the Millennium Development Goals (MDGs), and based on a mix of individual and collective intermediate targets. The first intermediate EU ODA objectives were defined in 2002, during the preparation for the Monterrey International Conference on Financing for Development, and were based on the EU's collective ODA levels in 2000.

3.2.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU ODA commitments. Further details are discussed in the main text.

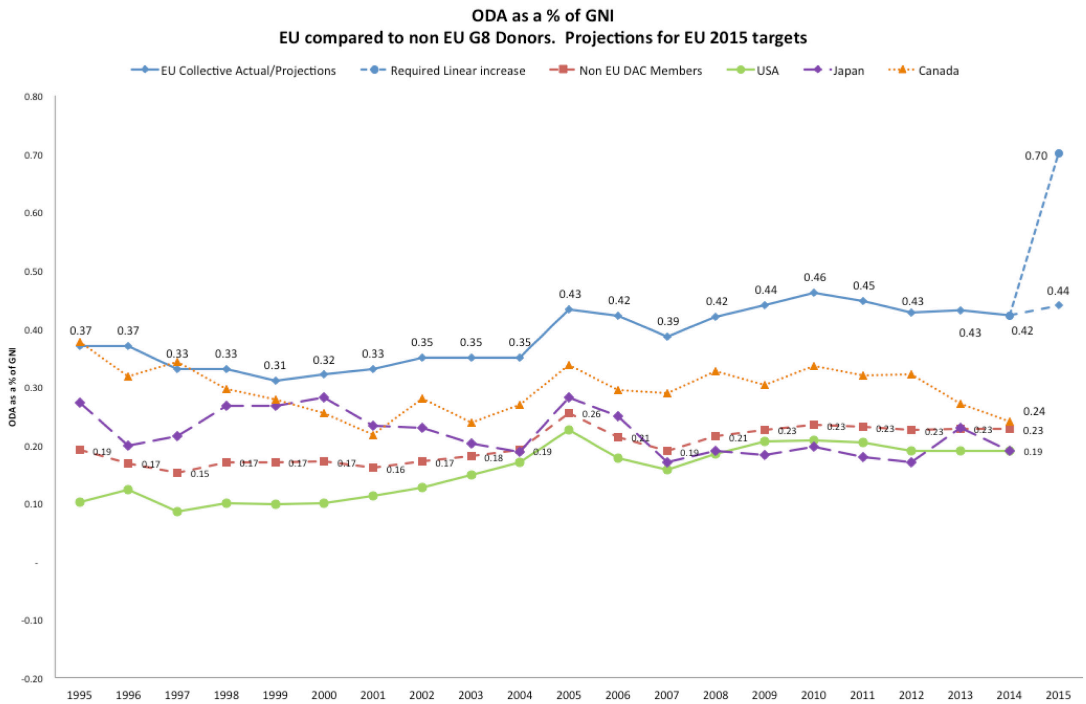
EU commitment	Target date	Status	Change 2013–14	Comment
The EU and its Member States agreed to achieve a collective ODA level of 0.7% of GNI by 2015	2015		=	EU collective ODA/GNI ratio declined to 0.42% in 2014 and is projected to increase to 0.44% by 2015, but 15 Member States – out of 19 that provided such projections - do not expect to reach their individual targets by the end of 2015
Take realistic, verifiable actions for meeting individual ODA targets by 2015 and to share information about these actions	No date specified		=	19 Member States provided information about their 2015 financial year allocations. Limited information was however provided on realistic/verifiable actions.
Increase collective ODA to Sub-Saharan Africa	No date specified		=	EU ODA to Sub-Saharan Africa was higher in 2013 than in 2004, with an increase of EUR 14 billion. EU bilateral ODA to Sub-Saharan Africa declined in 2013 compared to 2012.
Provide 50% of the collective ODA increase to Africa as a whole	No date specified		=	Less than 15% of total EU ODA growth between 2004 and 2013 went to Africa, and EU bilateral ODA decreased by EUR 0.5 billion in 2013.
Provide between 0.15% and 0.20% of collective ODA/GNI to LDCs by 2010	No date specified		=	Collective EU ODA/GNI to LDCs was 0.12% in 2013, lower than the target. Only six Member States met this target in 2013.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. ODA = official development assistance; GNI = gross national income; LDC = least-developed countries.

3.2.3. Recent Trends

The EU's performance in 2005–14 compared with that of other donors. The EU's combined efforts are already delivering substantially greater amounts of ODA than non-EU donors, and individual EU Member States (with few exceptions) are still making greater efforts than other donors in relative terms. Four out of only five countries globally that meet the UN 0.7% ODA/GNI target are EU Member States.

Figure 3.2.3a Official development assistance allocations, by donor (% and EUR million, net disbursements, current prices)



Source: OECD-DAC and European Commission.

Note: ODA = official development assistance; G8 = Group of Eight; GNI = gross national income.

Table 3.2.3a Official development assistance allotments: EU Member States and selected non-EU countries

Donor	Net ODA per Capita (EUR)			ODA/GNI (%)			Net ODA (EUR billion)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
EU (collective)	109	112	115	0.43	0.43	0.42	55.3	56.9	58.2
Non-EU DAC Members	85	84	82	0.23	0.23	0.23	48.4	47.7	47.2

United States	76	74	77	0.19	0.19	0.19	23.9	23.3	24.7
Japan	65	69	55	0.17	0.23	0.19	8.2	8.7	6.9
Canada	126	107	119	0.32	0.27	0.24	4.4	3.7	4.2

Source: OECD-DAC and European Commission.

Note: DAC = Development Assistance Committee; ODA = official development assistance; GNI = gross national income.

As shown in figure 3.2.3a and table 3.2.3a, both **the EU collective per capita net ODA and its ODA/GNI ratios are greater than those of non-EU members of the OECD-DAC**. Indeed, the collective ODA/GNI ratio of EU Member States is more than double that of the United States – and almost twice the average effort of non-EU members of the OECD-DAC. Collectively, the EU outperforms most other donors by a wide margin. The United States, Japan and Switzerland have higher per capita income than the average for EU Member States but much lower per capita ODA. The United States' GNI is close to the EU28's GNI, but U.S. ODA represents less than half of EU ODA. It is clear that, although the EU has not reached its target, most of the gap to achieving the 0.7% target lies outside the EU.

3.2.3.1. Performance on Official Development Assistance Targets (2005–14)

ODA figures on 2014 net disbursements are preliminary, based on information provided by the EU Member States and the European Commission. For those EU Member States that report to the OECD-DAC, final and more comprehensive ODA figures will become available at the end of 2015.

EU collective net ODA spending in 2014 was EUR 58.2 billion (equivalent to an ODA/GNI ratio of 0.42% of the EU collective GNI). This represents an increase in absolute terms and decline in relative terms compared with 2013, when collective EU ODA stood at EUR 56.9 billion (0.43% of GNI). The decline in relative terms is due to the fact that almost all EU member States reported their 2014 ODA levels using a new methodology for calculating their GNI. This resulted in an increase in GNI levels for those Member States, resulting in a relative decline in their ODA/GNI levels. So despite an overall increase in EU collective ODA of almost 2.4% Without this change in GNI methodology, EU collective ODA in 2014 would have reached 0.44% of EU GNI in 2014.

A significant amount of the EU institutions' ODA (EUR 2.1 billion, equivalent to 0.01% of EU GNI) is, however, not attributed to EU Member States by the OECD-DAC. For that reason, the ODA spending of the 28 Member States (i.e., the sum of bilateral ODA and EU institutions' ODA attributed to them) was EUR 56.1 billion in 2014, equivalent to an ODA/GNI ratio of 0.41%. The increase in nominal terms in 2014 was of EUR 2.1 billion (+4%) that was not reflected in an improved ODA/GNI ratio only due to the new methodology for calculating GNI.

Since 2002, when the EU made its initial time-bound ODA commitments, EU aggregate ODA has fluctuated on an annual basis, but was on an overall upward trend until 2010. Between 2010 and 2013, however, EU aggregate ODA declined in both absolute and relative terms, with the speed of the decline markedly accelerating in 2012. However, the 0.02% of GNI growth in 2013 temporarily reversed the downward trend of EU aggregate ODA spending, and would have continued in 2014 had it not been for the GNI revisions.

– *Why did EU ODA levels decline?* EU Member States were hard hit by the financial crisis of 2008, which triggered the deepest global economic recession in decades. State-financed rescue packages for the affected banking sector, higher social protection costs and lower budget revenues have dramatically changed the fiscal situation in many Member States. The crisis and the ensuing austerity measures that Member States introduced have led to low or even negative economic growth rates in the EU, which have in turn led to strong pressures on public spending, and of course ODA.

– Through the first three years of the crisis, the EU's aggregate ODA spending continued to increase, but budgetary pressure took its toll in 2011 and 2012, resulting in a reversal of the slow trajectory of scaling up to meet the targets. While the aftermath of the crisis persisted in 2013 and 2014, there were promising signs of the possibility of increasing ODA as countries reduced their budget deficits in these years.

15 Member States[215] increased their ODA in 2014 in nominal terms, amounting to a total of EUR 3.4 billion. This 2014 growth was largely attributable to significant ODA budget increases in Germany and the United Kingdom (alone representing almost half and one third of the total gross increase, respectively). At the same time, 13 Member States[216] reduced their ODA in nominal terms, by a total of EUR 1.3 billion. France and Spain count, respectively, for 56% and 28% of the reduction.

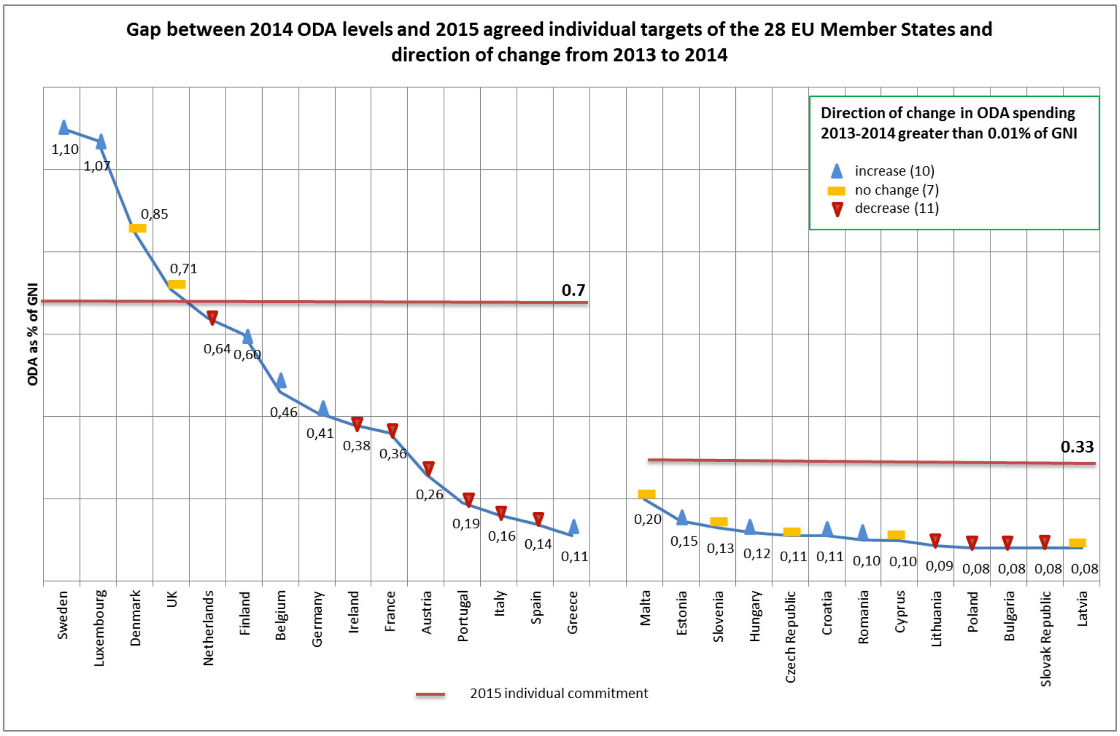
As shown in figure 3.2.3b*,* 11 Member States increased their ODA/GNI ratio between 2013 and 2014, 16 decreased it and 1 kept it unchanged.

Looking at overall developments since 2004, 6 EU Member States[217] now have lower ODA/GNI ratios than at the beginning of that period. 3[218] of these also have ODA volumes that, at current prices, were lower in 2014 than in 2004. Only four[219] Member States have already surpassed the 2015 target. The United Kingdom increased its

[215] BE, HR, CY, DK, EE, FI, DE, EL,HU, LV, MT, NL, RO, SE, UK
[216] AT, BG, CZ, FR, IE, IT, LT, LU, PL, PT, SK, SL, ES.
[217] FR, EL, IE, NL, PT, ES
[218] EL, PT, ES
[219] DK, LU, SE, UK.

ODA/GNI ratio from 0.36 in 2004 to 0.71 in 2014, while three (Denmark, Luxembourg, Sweden) had ratios above the 2015 collective target of 0.7% both at the beginning and the end of the period. The remaining 24 Member States have yet to reach their 2015 targets. No Member State that has not yet reached its 2015 target expects to be able to do so on time.

Figure 3.2.3b Gap between 2015 Targets and 2014 results



Source: OECD-DAC and European Commission (EU annual questionnaire on Financing for Development). *Note:* The direction of the arrows was determined based on changes between the 2014 and 2013 ratios. ODA = official development assistance; GNI = gross national income.

Achievement of the 0.7% ODA/GNI target by 2015. Based on the forecasts provided by Member States and/or estimates based on their 2008–14 compound annual growth rate,[220] the EU28 ODA is expected to increase to 0.44% of GNI by 2015, below the level of 0.46% reached in 2010, and 0.26% below the 0.7% target. Considering the expected GNI growth rate until 2015, reaching the 0.7% ODA/GNI target by 2015 would require the EU and its Member States to increase their current collective ODA by over 72% in nominal terms, raising it from EUR 58.2 billion in 2014 to EUR 96.8 billion in 2015. Table 3.2.3b shows the projections in individual Member States' budgets for 2015, and the sometimes significant increases that would be needed if they were to meet their targets by 2015.

The projections provided by Member States suggest that many of them do not plan to make such increases under the current tight budget conditions – and will certainly not do so during 2015. 19 Member States provided projections for their 2015 ODA. Responses to

[220] **Annex 2** outlines the methodology used to analyse ODA indicators and forecasts provided by Member States.

the 2015 EU annual questionnaire on financing for development suggest that all Member States that provided projections but four[221] (that have already achieved the 0.7% target) believe that they will not achieve their respective ODA/GNI targets by the end of 2015.

Twelve Member States[222] cite tight budgets and unfavourable fiscal circumstances as the main causes for failing to meet their 2015 ODA targets. Other Member States, such as the Netherlands, state that their own national plans envisage lower targets (0.59%) for 2015. Belgium has enshrined the 0.7% target into its legislation without providing a precise time frame for reaching the target, and does not expect to reach such a target by 2015. In contrast, the United Kingdom reached the target in 2013 based on a timetable put in place as part of the government's spending review in 2010; an International Development (Official Development Assistance Target) Bill was tabled in the House of Commons in July 2014 and is currently[223] at the report stage in the House of Lords.

[221] DK, LU, SE, UK.
[222] AT, BE, CZ, EE, EL, ES, FR, IT, PL, PT, RO, SK.
[223] Mid-February 2015.

Table 3.2.3b Estimates for and gaps to reaching the 2015 net ODA targets, based on member states' forecasts and commission simulation

Member State	2012		2013		2014 (preliminary)		2015 (projected)		2015 commitment		2015 financial gap	
	EUR Mn	% GNI	EUR Mn	% GNI	EUR Mn	% GNI	EUR Mn	% GNI	EUR Mn	% GNI	EUR Mn	% GNI
Austria	860	0.28	882	0.27	863	0.26	834	0.25	2,356	0.70	1,522	0.45
Belgium	1,801	0.47	1,732	0.45	1,797	0.46	1,772	0.43	2,862	0.70	1,090	0.27
Bulgaria	31	0.08	37	0.10	32	0.08	38	0.09	137	0.33	98	0.24
Croatia	15	0.03	32	0.07	49	0.11	49	0.12	217	0.33	168	0.21
Cyprus	20	0.12	15	0.10	15	0.10	13	0.08	56	0.33	43	0.25
Czech Republic	171	0.12	159	0.11	158	0.11	148	0.10	486	0.33	338	0.23
Denmark	2,095	0.83	2,205	0.85	2,258	0.85	2,379	0.87	2,740	1.00	361	0.13
Estonia	18	0.11	23	0.13	28	0.15	26	0.13	65	0.33	39	0.20
Finland	1,027	0.53	1,081	0.54	1,232	0.60	1012	0.49	1,458	0.70	446	0.21
France	9,358	0.45	8,543	0.41	7,817	0.36	9349	0.42	15,493	0.70	6,144	0.28
Germany	10,067	0.37	10,717	0.38	12,247	0.41	13,121	0.43	21,406	0.70	8,284	0.27
Greece	255	0.13	180	0.10	187	0.11	158	0.09	1,294	0.70	1,136	0.61
Hungary	92	0.10	97	0.10	118	0.12	126	0.13	333	0.33	206	0.20
Ireland	629	0.47	637	0.46	610	0.38	602	0.37	1,131	0.70	529	0.33
Italy	2,129	0.14	2,584	0.17	2,519	0.16	2,660	0.16	11,436	0.70	8,776	0.54

Latvia	16	0.08	18	0.08	19	0.08	19	0.08	83	0.33	64	0.25
Lithuania	40	0.13	38	0.11	30	0.09	31	0.08	125	0.33	93	0.25
Luxembourg	310	1.00	323	1.00	322	1.07	323	1.06	304	1.00	(19)	(0.06)
Malta	14	0.23	14	0.20	16	0.20	15	0.19	26	0.33	11	0.14
The Netherlands	4,297	0.71	4,094	0.67	4,200	0.64	3,953	0.59	4,652	0.70	699	0.11
Poland	328	0.09	355	0.10	329	0.08	498	0.12	1,325	0.33	827	0.21
Portugal	452	0.28	368	0.23	316	0.19	306	0.17	1,227	0.70	920	0.53
Romania	111	0.08	101	0.07	151	0.10	161	0.11	505	0.33	344	0.22
Slovak Republic	62	0.09	65	0.09	61	0.08	77	0.10	252	0.33	175	0.23
Slovenia	45	0.13	46	0.13	46	0.13	45	0.12	124	0.33	78	0.21
Spain	1,585	0.16	1,789	0.18	1,427	0.14	1,782	0.17	7,523	0.70	5,740	0.53
Sweden	4,077	0.97	4,389	1.01	4,690	1.10	4,441	1.00	4,441	1.00	-	-
UK	10,808	0.56	13,498	0.71	14,612	0.71	16,830	0.70	16,830	0.70	-	-
EU15 Total	**49,749**	**0.42**	**53,021**	**0.44**	**55,094**	**0.43**	**59,522**	**0.45**	**95,150**	**0.72**	**35,629**	**0.27**
EU13 Total	**964**	**0.10**	**1,000**	**0.10**	**1,053**	**0.10**	**1,248**	**0.11**	**3,733**	**0.33**	**2,485**	**0.22**
EU28 Total	**50,713**	**0.39**	**54,021**	**0.41**	**56,147**	**0.41**	**60,770**	**0.42**	**98,883**	**0.69**	**38,113**	**0.27**
EU Institutions ODA	13,669		11,995		12,139							
of which:												

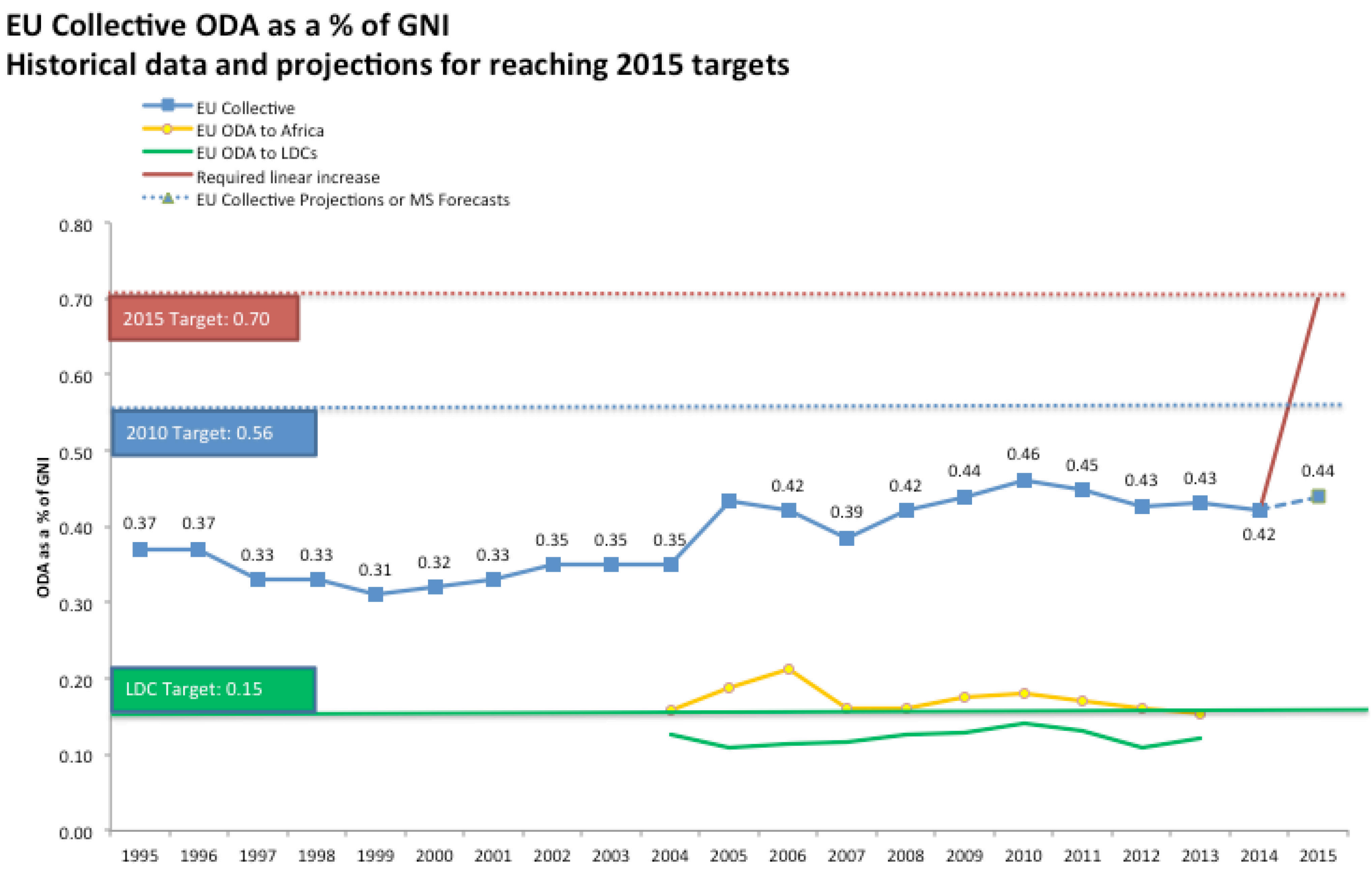
Gap between 2014 collective EU ODA

Imputed to Member States	*9,125*		*9,122*		*10,072*			
Not imputed to Member States	*4,544*	*0.04*	*2,873*	*0.02*	*2,067*	*0.02*	*2,338*	*0.02*
Collective EU ODA [1]	**55,257**	**0.43**	**56,894**	**0.43**	**58,214**	**0.42**	**63,108**	**0.44**

and 2015 collective EU ODA target (0.7%)	
Target in EUR Million	96,796
Gap in EUR Million	38,582

Note: (1) Including EU institutions' ODA not imputed to Member States. Shaded cells are Commission estimates. ODA = official development assistance. DK has a 1% national target but this is not time bound.

Figure 3.2.3c EU Collective ODA/GNI ratios (1995–2014) and projections (2015)


EU Collective ODA as a % of GNI
Historical data and projections for reaching 2015 targets
EU Collective
EU ODA to Africa
EU ODA to LDCs
Required linear increase
EU Collective Projections or MS Forecasts
2015 Target: 0.70
2010 Target: 0.56
LDC Target: 0.15
ODA as a % of GNI
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0.37
0.37
0.33
0.33
0.31
0.32
0.33
0.35
0.35
0.35
0.42
0.39
0.42
0.44
0.46
0.45
0.43
0.43
0.42
0.44
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

Source: OECD-DAC and European Commission (EU annual questionnaire on Financing for Development).

Note: ODA = official development assistance; GNI = gross national income.

Figure 3.2.3c shows the long-term trends in ODA volumes for the EU28. It appears that ODA growth has stalled and that most EU countries remain significantly behind their individual targets, making prospects for reaching the collective 0.7% target in the short term bleak. In 2015, EU collective ODA is projected to be EUR 60.8 billion.

The forecast (based on Member Sates' replies or the Commission's projections) points to a 0.44% projected ODA/GNI ratio for 2015, lower than the projected 0.45% mentioned in last year's EU Accountability Report. For the first time, France presented three-year ODA projections as part of its 2015 budget law.

The ODA graphs in annex 3 show the prospect for each EU Member State to meet its individual ODA targets[224] in 2015, as well as the size of the gap and how much of it is likely to be filled by 2015.

Based on past ODA performance and future plans, four categories of Member States can be identified:

- *Three Member States that are leaders in ODA performance.* Denmark, Luxembourg and Sweden have shown consistent performance over the entire period, always remaining above the 2015 targets.

- *One Member State that has recently reached the 0.7% target and is planning to maintain it.* The United Kingdom expects its ODA ratio to remain at 0.7% in 2015 and beyond.

- *Eighteen Member States[225] that do not expect to meet their EU targets in 2015.*

- *Six Member States did not provide any indication on their spending plans but data suggests that they are unlikely to meet their EU targets in 2015.*

Table 3.2.3c shows the funding gap between the current level of ODA from EU Member States and the 0.7% target. Unless decisive action is taken, the 2015 target will be missed by a large margin. Even considering projected increases of EUR 4.9 billion in EU Member States' and EU institutions' ODA, EU collective ODA will need to increase by an additional 53% to meet the collective target of 0.7% by 2015.

[224] ODA/GNI targets for 2015 are of 0.7% for EU15, and 0.33% for EU12.
[225] AT, BE, BG, CZ, DE, EE, EL, ES, FR, IT, LT, LV, MT, NL, PL, PT, RO, SK..

Table 3.2.3c. Gap between 2014 net ODA levels and the 0.7% and 0.33% ODA/GNI individual targets, by Member State

Member State	ODA 2014		Projected increase in ODA by 2015	Remaining gap to national targets		Total ODA in 2015 to meet national targets	
	EUR million	*% of GNI*	*EUR million*	*EUR million*	*% of gap*	*EUR million*	*% of GNI*
Austria	863	*0.26*	(29)	1,522	*4.5*	2,356	*0.70*
Belgium	1,797	*0.46*	(25)	1,090	*3.2*	2,862	*0.70*
Bulgaria	32	*0.08*	7	98	*0.3*	137	*0.33*
Croatia	49	*0.11*	-	168	*0.5*	217	*0.33*
Cyprus	15	*0.10*	(2)	43	*0.1*	56	*0.33*
Czech Republic	158	*0.11*	(9)	338	*1.0*	486	*0.33*
Denmark	2,258	*0.85*	121	361	*1.1*	2,740	*1.00*
Estonia	28	*0.15*	(2)	39	*0.1*	65	*0.33*
Finland	1,232	*0.60*	(220)	446	*1.3*	1,458	*0.70*
France	7,817	*0.36*	1,532	6,144	*18.2*	15,493	*0.70*
Germany	12,247	*0.41*	875	8,284	*24.6*	21,406	*0.70*
Greece	187	*0.11*	(29)	1,136	*3.4*	1,294	*0.70*
Hungary	118	*0.12*	8	206	*0.6*	333	*0.33*
Ireland	610	*0.38*	(8)	529	*1.6*	1,131	*0.70*
Italy	2,519	*0.16*	141	8,776	*26.1*	11,436	*0.70*
Latvia	19	*0.08*	0	64	*0.2*	83	*0.33*
Lithuania	30	*0.09*	1	93	*0.3*	125	*0.33*
Luxembourg	322	*1.07*	1	-19	*-0.1*	304	*1.00*
Malta	16	*0.20*	(0)	11	*0.0*	26	*0.33*
The Netherlands	4,200	*0.64*	(247)	699	*2.1*	4,652	*0.70*

Poland	329	*0.08*	169	827	*2.5*	1,325	*0.33*
Portugal	316	*0.19*	(10)	920	*2.7*	1,227	*0.70*
Romania	151	*0.10*	10	344	*1.0*	505	*0.33*
Slovak Republic	61	*0.08*	16	175	*0.5*	252	*0.33*
Slovenia	46	*0.13*	(1)	78	*0.2*	124	*0.33*
Spain	1,427	*0.14*	355	5,740	*17.0*	7,523	*0.70*
Sweden	4,690	*1.10*	(249)	-	-	4,441	*1.00*
United Kingdom	14,612	*0.71*	2,218	-	-	16,830	*0.70*
Total EU	**56,147**	***0.43***	**4,623**	**38,113**	***113.1***	**98,883**	*0.69*
Unassigned				-2,087	*-6.2*	-2,087	*-0.01*
EU institutions' ODA not imputed to Member States	2,067	*(0.00)*	271	-2,338	*-6.9*		
EU28	**58,214**	***0.43***	**4,894**	**33,688**	***100.0***	**96,796**	***0.70***

Source: OECD-DAC and European Commission (EU annual questionnaire on Financing for Development).

Note: ODA = official development assistance; GNI = gross national income.

There are three points to note when considering why, under the status quo, targets are likely to be missed.

First, the current fiscal crisis which has forced some countries to revise their national plans for meeting the commitments and targets downwards – has had a real impact on EU collective progress on ODA, as discussed in Part I. As mentioned above, most of the Member States do not plan to reach their individual targets.

Second, back-loading an increase in ODA expenditure is often unrealistic. Experience shows that missing intermediate targets in a significant way leads to missing subsequent targets, too. A good example is provided by those EU-15 Member States that significantly missed the 2006 target of 0.33% GNI (Greece, Italy and Portugal). Once this target was missed further scaling up became very difficult as the gap between spending and new targets widened considerable. Against a difficult economic backdrop, none of these Member States has yet been able to reach the 2006 target.

Third, reaching the collective EU ODA targets is particularly contingent on EU Member States with large economies not meeting their targets (such as France, Germany, Spain and Italy) moving towards 0.7% to boost EU average aid levels. These four countries in fact account for almost 86% of the gap to reaching 0.7% in 2015.

Falling short of the EU's promise on ODA to Africa.[226] From 2004 – the baseline year for the commitment made in 2005 to direct 50% of EU aid increases to Africa – to 2013, the combined EU aid to Africa rose by about EUR 2.1 billion at constant 2012 prices. For the first time, this report provides an assessment of the performance of all EU Member States on this commitment.

Overall, only 14.5% of EU ODA growth[227] between 2004 and 2013 – or EUR 2.1 billion out of EUR 14.2 billion – went to Africa, as shown in figure 3.2.3c. This is far short of the EU commitment to direct 50% of EU aid increases to Africa. However, Africa remains an important recipient of EU ODA, as shown by the fact that 30%, or EUR 20.4 billion, of EU ODA[228] was targeted to Africa in 2013, over 46% of which (EUR 9.4 billion) was through multilateral channels. EU institutions are particularly important in this respect, as practically all of the growth of EU ODA to Africa was through multilateral ODA channelled through EU institutions. Gross EU bilateral ODA to Africa declined over the period 2004–13 by EUR 0.5 billion at 2012 prices.

Preliminary data for 2014 show that bilateral EU ODA to Africa remained at the same level of 2013 in nominal terms, while forward spending plans included in the latest OECD-DAC *Global Outlook on Aid*[229] show a projected decline of programmable aid from all DAC countries to Africa of about 10%.

Several Member States[230] plan to make specific efforts to direct at least 50% of their new bilateral ODA commitments to Africa in 2015. For instance, the newly adopted French law on international development and solidarity calls for at least 85% of French ODA to be directed to Sub-Saharan Africa and countries in the Mediterranean. In addition, all of France's ODA priority countries, 11 of Belgium's 18, and 10 of the Netherlands' 15 ODA priority countries are from Sub-Saharan Africa. In 2015 almost 78% of Danish and more than 50% of Swedish bilateral ODA will be directed to Africa. However, similar plans had been mentioned in previous editions of the EU Accountability Report and were ultimately insufficient to increase the share of new ODA directed to Africa to reach the EU target.

---

[226] For the second time, OECD-DAC statistics include information on all EU Member States. Unlike previous editions of the Accountability Report, the analysis in this chapter concerns all EU Member States and not just the EU15; this change explains most differences in values.

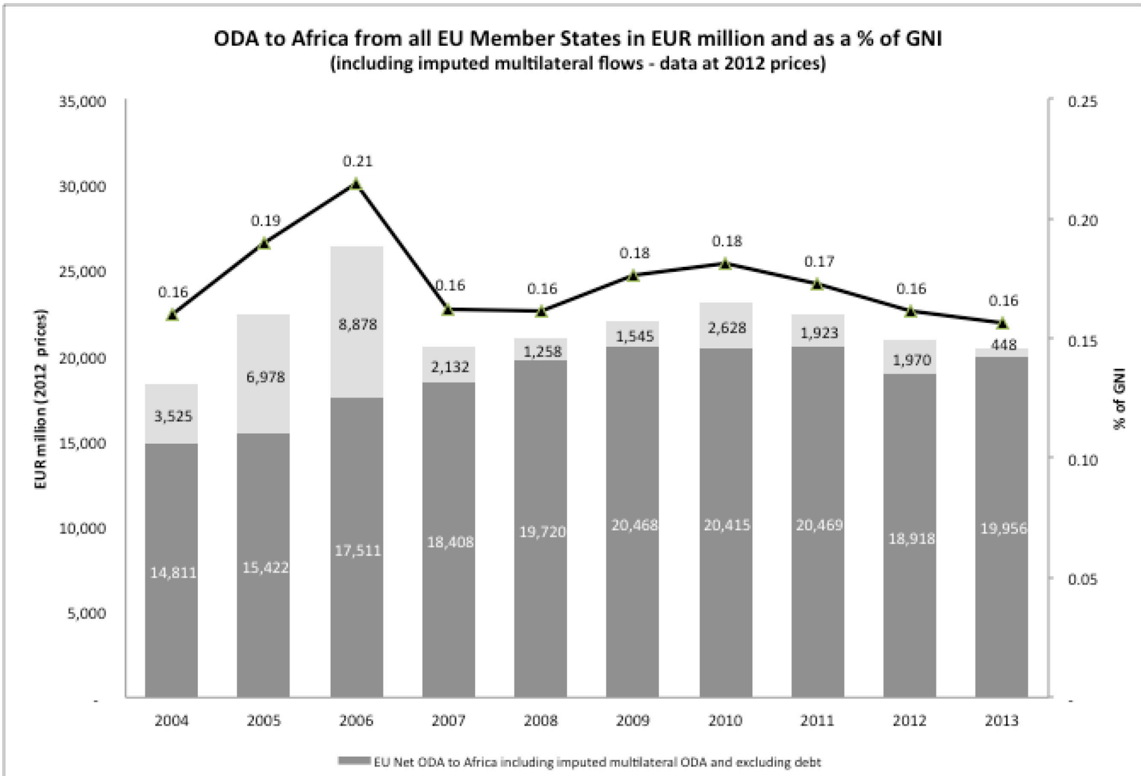
[227] Considering only EU ODA allocated geographically, plus imputed multilateral ODA.

[228] *Idem*.

[229] OECD-DAC (2014), *Global Outlook on Aid 2014.*

[230] AT, BE, DK, EE, EL, FR, IE, IT, LT, NL, PL, PT, RO, UK.

Figure 3.2.3d EU net ODA to Africa (in EUR million and as a % of GNI; including imputed multilateral flows)



Source: OECD-DAC table 2A.

Note: ODA = official development assistance; GNI = gross national income.

EU ODA to Sub-Saharan Africa has slightly increased since 2005. EU ODA to Sub-Saharan Africa increased by EUR 1.4 billion in real terms over the period 2004–13, thus enabling the EU and its Member States to achieve the less demanding target of increasing ODA to Sub-Saharan Africa. All of this increase was provided through multilateral channels, which grew by EUR 2.3 billion while bilateral ODA declined by EUR 0.9 billion over the same period. ODA to Sub-Saharan Africa through EU institutions accounted for one-third of EU ODA growth to the region. At the same time, seven Member States significantly decreased their bilateral ODA to Sub-Saharan Africa between 2004 and 2013: Portugal (-75%), the Netherlands (-41%), Italy (-70%), Greece (-85%), France (-41%), Austria (-48%) and Belgium (-15%). Preliminary data for 2014 show zero nominal growth in bilateral EU ODA to Sub-Saharan Africa compared with 2013.

Gross bilateral ODA to Sub-Saharan Africa declined over the period 2004–13 by EUR 0.9 billion at 2012 prices.

Missing the EU target on ODA to least-developed countries (LDCs). In November 2008 the EU Member States promised, as part of the EU's overall ODA commitments, to provide collectively 0.15% to 0.20% of their GNI to LDCs by 2010, while fully meeting the differentiated commitments set out in the 'Brussels Programme of Action for the LDCs for the decade 2001-2010'.

Figure 3.2.3e summarises the evolution of ODA/GNI ratios to LDCs for EU Member States over the period 2004–13. Between 2004 and 2010 the LDCs' share of EU ODA increased both in absolute and relative terms, almost reaching the 0.15% target by 2010. This positive trend was then drastically reversed, as EU ODA to LDCs dropped from EUR 18.3 billion (or 0.14% of GNI) in 2010 to EUR 14.3 billion (or 0.11% of GNI) in 2012 (-22%).

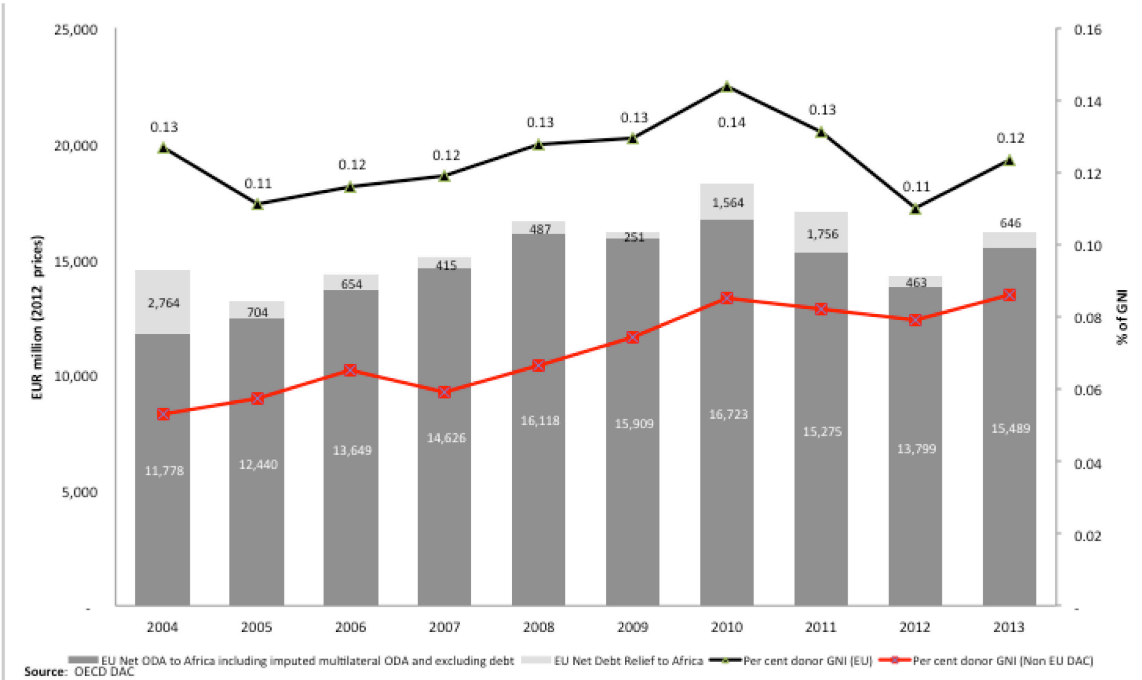
In 2013 EU ODA to LDCs started to grow again, albeit slowly, to EUR 16.1 billion, or 0.12% of GNI, a level that is nevertheless below the 0.13% reached at the beginning of the period under review.

Only Denmark, Luxembourg, the Netherlands, Sweden and the United Kingdom reached the 0.15% ODA/GNI to LDC target in 2013 and expect to be able to meet it again in 2015. Belgium, Finland and Ireland met the target in 2013 but did not confirm they would be able to do so again in 2015. Portugal, France and Slovenia missed the target but expected to be able to meet it in the future. Fourteen Member States missed the target and either did not expect to be able[231] or did not know[232] whether they would be able to reach the target any time soon. Those Member States that also provide non-grant ODA to developing countries do not provide ODA loans to LDCs. For several Member States, even allocating all of their ODA to LDCs would not suffice to enable them to meet the target, given that their actual and projected overall ODA spending on Country Programmable Aid will be below 0.15%.

Since 2004 the EU and its Member States have provided more ODA to LDCs relative to their GNI than all of the non-EU DAC donors combined, with the latter remaining below 0.10% up to 2013. The non-EU DAC average masks wide differences. In 2013, the United States (0.06%) and Korea (0.05%) were below the non-EU DAC country average, while Norway (0.30%), Japan (0.14%), Switzerland (0.12%), and Canada (0.10%) were above it.

[231] AT, BG, CY, CZ, EE, EL, ES, HU, IT, LT, LV, PL, RO, SK.
[232] DE, MT.

Figure 3.2.3e. EU Member States' net ODA to LDCs (in EUR million and as a % of GNI, including imputed multilateral flows)



Source: OECD-DAC table 2A.

Note: ODA = official development assistance; GNI = gross national income.

3.2.4. EU Policy

The EU and its Member States have frequently reiterated their commitments to achieve a 0.7% ODA-to-GNI ratio by 2015, as a concrete time-bound goal. Although EU heads of state and government confirmed that ODA remains an important element of the EU's support to developing countries, and have requested that progress is carefully monitored, the Council has not agreed any concrete measures to ensure the national steps necessary for fulfilling this commitment. Even though the EU and its Member States remain among the most generous donors in the world, some headline EU ODA commitments will not be met in 2015.

3.3. Climate Finance

EU Commitments

- *At the Conference of the Parties to the UN Framework Convention on Climate Change (COP)–16, held in Cancun in December 2010, developed countries committed to a goal of jointly mobilising USD 100 billion per year by 2020 for meaningful mitigation actions with transparent implementation that address the needs of developing countries. This funding should come from a variety of sources,* *public and private, bilateral and multilateral, including alternative sources of finance. This commitment has since been reconfirmed in numerous Council Conclusions, most recently in the* ***Council Conclusion of 28 October 2014****.*

- *The EU has frequently confirmed the importance of supporting developing countries to achieve sustainable economic growth and adapt to climate change (e.g.,* ***European Council Conclusions of 19–20 June 2008, §28****). It has also underlined that climate financing should not undermine or jeopardise the fight against poverty and continued progress towards the Millennium Development Goals (****§23 European Council Presidency Conclusions 30 October 2009****).*

- *In its* ***Council Conclusions of 15 May 2012 and 13 November 2012*** *the Council reaffirmed the importance of continuing to provide support beyond 2012 for policies, programmes and initiatives that will deliver substantial results and value for money in the context of meaningful mitigation actions, with transparent implementation, that increase climate resilience. The Council reiterated that EU Member States and other developed countries should work to identify pathways for scaling up climate finance in 2013– 20, from a wide variety of sources.*

- *In the* ***Council Conclusion of 15 October 2013 (****§5), the Council confirmed the EU and its Member States' efforts to mobilise climate finance as part of a comprehensive and integrated approach to financing various global policy goals, and expressed its support for ensuring the coherence and coordination of international financing discussions.*
- *In the* ***Council Conclusion of 15 October 2013*** *(§10), the Council stressed that a robust and harmonised monitoring, reporting and verification (MRV) framework and the development of a common understanding are essential to ensure necessary transparency and trust. In particular, the tracking and transparency of climate-finance flows are key to increasing the effectiveness of the resources provided.*
- *In the* ***Council Conclusions of 28 October 2014****, the Council reaffirmed the EU's and Members States' commitment to scaling up the mobilisation of climate finance in the context of meaningful mitigation actions with transparent implementation.*

3.3.1. Introduction

Development and climate change are closely interconnected. If not contained, climate change risks undermining years of progress in reducing poverty and meeting the MDGs. Conversely, economic development and consumption growth, and the associated increased use of fossil fuels and other resources, are the main drivers of climate change. Investing in a green, low-emission and climate-resilient growth path early in the development process is likely to be more efficient and cost-effective than polluting first and cleaning up afterwards. The integration of climate change and development efforts promises win-win opportunities.

Climate change poses a significant challenge to many developing countries, adding costs and complexity to poverty reduction efforts. Reducing the risks of climate change – thus far highly correlated with increases in prosperity – therefore offers benefits for both developing and developed countries. The adoption of a new global climate agreement at the Conference of the Parties to the UN Framework Convention on Climate Change (COP)–21 in Paris in December 2015 is crucial in order to limit the impacts of climate change, which are likely to hit the poorest countries the hardest. In the absence of such an agreement, applicable to all countries, climate finance is less likely to be able to address the huge challenges posed by climate change.

The EU's approach to mobilising climate finance to support developing countries comprises a variety of sources and channels (public, private and alternative; bilateral and multilateral). Climate finance needs to be seen in the context of sustainable growth for human development and of transformation to low-emission and climate-resilient economies. International public finance will continue to play a key role in supporting climate change mitigation and adaptation, especially in the LDCs and other particularly vulnerable developing countries. However, to achieve a broader transformation to a low, climate-resilient pathway, financial resources from all sources need to be mobilised, including improved domestic resource mobilisation, private finance and new and innovative finance sources. The EU is working constructively to develop and use public interventions to mobilise private sector finance for climate measures.

3.3.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on climate finance. Further details are discussed in the main text.

EU commitment	**Target date**	**Status**	**Change 2013–2014**	**Comment**
Scaling up the mobilisation of climate finance in the context of meaningful mitigation actions with transparent implementation, in order to contribute their share of the developed countries' goal to jointly mobilise USD 100 billion per year by 2020 from a wide variety of sources	2013–2020		=	In 2013 the EU and its Member States provided EUR 9.5 billion (USD 12.5 billion) in climate finance to developing countries.

Note: Green = achieved or on track to be achieved; Orange = limited achievement, partly off track; Red = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour.

3.3.3. Recent Trends

Tracking and monitoring ODA related to climate change and other environmental issues has long been a difficult task, because of the complexity of the issues involved and their multidimensional character. For a number of years, the OECD-DAC Creditor Reporting System (CRS) has included specific policy markers for environment and climate change mitigation. Since 2010 reporting also includes a climate change adaptation marker. Data prepared on the basis of both climate markers (mitigation and adaptation) were released for the first time in January 2012, and now cover ODA committed during the period 2010–13.

Most of those EU Member States that are also OECD-DAC members base their reporting to the United Nations Convention on Climate Change (UNFCCC) on the so-called Rio markers.[233] Although the OECD has provided some guidance on using Rio Markers, there is no internationally agreed methodology for assessing the exact share of aid activity expenditure that contributes to climate change adaptation or mitigation. As a result, Member States use different approaches to convert the Rio-marked OECD-DAC data to quantified climate-finance flows. Some report 100% of aid marked as principal or significant, while others, including the Commission, report 100% of aid marked as principal but only a fraction of their ODA marked as significant. Thus, the methodology used by the EU and its Member States to report on climate finance to the UNFCCC is only partially harmonised.

The same applies to the internal reporting conducted under the 2011 Regulation on a Mechanism for Monitoring and Reporting Greenhouse Gas Emissions and for Reporting Other Information at National and Union level relevant to Climate Change[234] that entered into force in mid-2013 and requests Member States to report annually to the Commission on financial and technological support to developing countries, in accordance with the UNFCCC provisions. In 2014 Member States started using the Reportnet online infrastructure of the European Environment Information and Observation Network as their mechanism for monitoring and reporting (MMR) financial and technical support provided to developing countries; reporting is due by the end of September each year.

During 2014 the Commission also provided guidance to Member States on their MMR reporting, heeding one of the recommendations of the 2013 report of the European Court of Auditors on EU climate finance.[235] In particular, the Commission recommended using: (i) the UNFCCC Common Tabular Formats as a template for reporting, (ii) national currency and the euro and (iii) the OECD-DAC's definitions for grants, sectors, climate relevance, adaptation and mitigation. Member States reporting other financial instruments like loans or guarantees were requested to specify the exact type of instrument and the

[233] The OECD-DAC is monitoring aid targeting the global environmental objectives of the Rio Conventions through its Creditor Reporting System (CRS) using the 'Rio markers'. Every aid activity reported to the CRS should be screened and marked as either (i) targeting the Conventions as a 'principal' objective or a 'significant' objective, or (ii) not targeting the Conventions. Five statistical markers exist to monitor aid for environmental purposes within the CRS. These are: the 'environment marker', introduced in 1992; the 'Rio markers' covering climate change mitigation, biodiversity and desertification, introduced in 1998; and the 'Rio marker' for climate change adaptation, introduced in 2010. The Rio markers are applicable to ODA and recently also to other official flows (i.e., nonconcessional developmental flows, excluding export credits), where OECD-DAC members have started reporting on 2010 data onward.

[234] COM (2011) 789 final.

[235] 'The Commission and its Member States should agree on common standards for monitoring, reporting and verification of climate finance for developing countries in the framework of the Monitoring Mechanism Regulation' (p. 30).

methodology used in their calculation (e.g., gross flows, net flows, grant equivalent). In terms of methodologies to quantify the climate-relevant portion of Rio-marked activities, the Commission recommended that Member States, while waiting for the outcome of the ongoing work in the OECD-DAC on this issue, continue reporting using their existing methodology, provided that it is clearly explained in their submission. The Commission encouraged Member States to include a minimum of 10 examples of each type of support for technology transfer and capacity building, and to start providing information on private climate finance, explaining the methodology used to estimate such flows.

Table 3.3.3 presents the overall ODA committed by EU donors in 2011–13 for activities relevant to climate change adaptation and mitigation, based on data from the OECD-DAC's CRS database.

These data show that the EU and its Member States committed almost EUR 26 billion to climate change over the period 2011–13. With a share of 52% of ODA relevant to climate change, the EU and its Member States were the world's largest contributors to both mitigation- and adaptation-related ODA in the period 2011–13.[236] A slight upward trend, with a peak in 2011, can be observed. EU ODA for adaptation enjoyed stable growth, while that for mitigation had some fluctuations.

Table 3.3.3. EU ODA for climate change adaptation and mitigation in 2011–13 (commitments, EUR million at constant 2012 prices)

Type	2011	2012	2013	Total
Adaptation	**2,009**	**2,463**	**2,697**	**7,169**
of which:				
Principal	*483*	*953*	*1,037*	*2,474*
Significant	*1,525*	*1,510*	*1,661*	*4,696*
Mitigation	**4,026**	**4,946**	**3,823**	**12,795**
of which:				
Principal	*2,799*	*3,465*	*2,766*	*9,031*
Significant	*1,227*	*1,480*	*1,057*	*3,764*
Adaptation and mitigation	**1,774**	**1,983**	**2,123**	**5,881**
of which:				

236 The United States did not provide data on its climate-relevant development finance to OECD-DAC for this period.

Type	2011	2012	2013	Total
Both principal	*259*	*404*	*464*	*1,126*
Both significant	*1,516*	*1,580*	*1,659*	*4,755*
Total climate change	**7,809**	**9,392**	**8,644**	**25,845**

Source: OECD-DAC CRS.

Note: The table avoids double counting using the following method: principal (2) always prevails over significant (1). If mitigation is set as principal and adaptation as significant for the same activity, the higher mark prevails and the activity is classified as mitigation. When the ratings are equal, the ODA is classified under 'adaptation and mitigation'. The combinations are as follows – mitigation or adaptation: principal (2+0 and 2+1), significant (1+0); mitigation and adaptation: principal (2+2), significant (1+1).

The EU institutions' totals do not yet include funds provided by the European Investment Bank (EIB). Likewise, certain flows from EU Member States' national financing institutions are not included in the ODA figures provided by the OECD-DAC. The EIB's climate action financing, in particular, has grown substantially in recent years, towards the target that at least 25% of its total activity be for climate action as part of its operational plan for 2014–16. The EIB expects to provide climate-finance loans of around EUR 2 billion per year to developing countries over this period, in line with the funding provided in 2013. The EIB supports renewable energy and energy efficiency, meaningfully contributing to the EU's climate change and energy sustainability objectives. Since 2011 the EIB's climate-relevant operations in countries within the EU's Eastern and Southern neighbourhoods, and Africa, the Caribbean and the Pacific (ACP) have grown.

In particular, the Decision 466/2014/EU introduces a new requirement whereby at least 25% of EIB External Lending Mandate operations covers by the EU guarantee over the 2014-2020 period are in support of climate change mitigation and adaptation, accompanied by the introduction of a tracking system to calculate significant absolute and relative GHG (Greenhouse Gas) emissions throughout the portfolio of EIB investment projects.

Figures resulting from the first MMR in 2014 are provided in table 3.3.4. Please note that even though the OECD CRS figures and MMR largely build on the same basic data, they cannot be compared directly. Differences in reporting methodologies and in the scope of the data reported remain, amid efforts by the EU and its Member States to harmonise reporting methodologies.

In 2013, the EU together with 23 MS contributed a total amount of EUR 9.46 billion to climate finance. Of this amount, the EU provided EUR 919 million.

The EU and its MS supported both activities that reduce greenhouse gas emissions (mitigation) and adaptation to the consequences of climate change with approximately 43 % for mitigation and 23% for adaptation. The remaining 34% was multi-purpose climate finance with both adaptation and mitigation objectives (including REDD+).

Improving the tracking of climate-relevant financial support is a key priority, in particular for nonpublic flows. In this context, the current work of the OECD, which aims to improve the tracking of climate finance (including by devising methodologies for tracking private flows), is very important. This work is continuing in the context of a task team under the OECD-DAC and the Research Collaborative on Tracking Private Climate Finance. The research collaborative is scheduled to release a synthesis report of its work in early 2015.

3.3.4. EU Policies and Programmes

Finding funding in suitable forms and volumes to enable developing countries to implement their mitigation commitments and address adaptation challenges will remain a central concern in the UNFCCC climate change negotiations of 2015.

The Council Conclusions of October 2014 emphasised the importance of agreeing to an ambitious legally binding agreement under the UNFCCC in Paris in 2015, applicable to all parties, and reaffirmed a commitment to scale up the mobilisation of climate finance. In September 2014 the EU and its Member States made a submission to the UNFCCC on EU strategies and approaches for scaling up climate finance.[237] The key elements of the EU's approach to mobilising climate finance in support of developing countries are the concept of creating a set of dedicated climate-finance vehicles for adaptation, mitigation and REDD+; mainstreaming climate action into the entire EU budget by setting a dedicated climate-relevant spending target; engaging with European financial institutions and multilateral development banks on climate standards and investment targets; and exploring alternative sources of finance. Key to scaling up levels of climate finance is private finance and investment, as a vector for achieving the long-term transformation of developing countries into low-carbon, sustainable and climate-resilient economies.

The EU understands that significant financial resources will be needed to help developing countries adequately address climate change, both to reduce greenhouse gas emissions and to adapt to the consequences of climate change. Both public and private flows are indispensable elements of climate finance. Given the magnitude of the task, the most sustainable and effective strategies for scaling up climate finance will draw on a wide variety of sources, and the EU and its Member States have a range of strategies and approaches in place to unlock their potential. Scaling up climate finance by 2020 will be an iterative process. It will need to go hand in hand with developing enabling environments through, for example, domestic climate strategies, policies, instruments and mechanisms, and conducive regulatory frameworks. These will facilitate actions and

[237] http://ec.europa.eu/clima/policies/finance/docs/eu_strategies_and_approaches_en.pdf.

create viable projects that are ready for support. Such approaches will provide incentives to (re)direct private investment towards low-carbon development.

Information is available on several EU initiatives where official finance is used to catalyse private climate finance. For example, in 2010 all EU blending facilities – discussed in chapter 4 – established ‘climate change windows’ with the aim to improve project design, so that low-carbon and climate-resilience considerations are incorporated in strategic infrastructure areas such as transport, energy and environment. Since 2007 total EU grants relevant to climate change of around EUR 1 billion have been combined with additional public and private financing, including more than EUR 6 billion of loans from European public finance institutions and regional development banks. This amounts to total project financing of more than EUR 25 billion benefiting both low- and middle-income countries through more than 120 climate-relevant projects.

It is expected that a significant amount of future international climate funding will be channelled through the Green Climate Fund (GCF), which became operational in May 2014. The fund will play a key role in channelling financial resources to developing countries and is expected to catalyse climate finance, both public and private, at the international and national levels. Over time, it aims to establish a 50:50 balance in the allocation of resources to climate mitigation and adaptation.

The Global Climate Change Alliance (GCCA) aims to pave the way for climate-compatible development by supporting the mainstreaming of climate-change considerations into development planning. The Global Climate Change Alliance (GCCA) is the largest EU initiative focused on cooperation in climate change and development. It was launched in 2007 by the EU to strengthen dialogue and cooperation with developing countries most vulnerable to climate change. In 2014 the new flagship initiative Global Climate Change Alliance+ was established as the successor of the GCCA. Today, over 50 GCCA+ programmes are ongoing or are about to be launched in 39 countries, 8 regions and subregions and 1 global programme, with a budget of over EUR 315 million.

The NAMA[238] facility, a joint initiative of Germany, the United Kingdom and, since 2014, the EU, funds ambitious climate-protection measures in developing countries, and has raised EUR 120 million in funding – EUR 50 million of it in 2014 – which was committed through two calls for proposals. The facility is expected to leverage significant amounts of additional public and private finance. Projects approved in 2014 were in Burkina Faso, Peru, Tajikistan and Thailand.

In June 2014 the United Kingdom, United States and Germany – in partnership with Denmark, France, Japan, the Netherlands, Norway and key private sector representatives – launched the Global Innovation Lab for Climate Finance, a unique public-private platform whose goal is to design the next generation of climate-finance instruments that most effectively trigger private sector investment in low-carbon, climate-resilient infrastructure. The platform will deliver its results in 2015.

[238] Nationally Appropriate Mitigation Actions.

Kreditanstalt für Wiederaufbau (KfW) Development Bank raises important climate-relevant finance from capital markets, which is partially leveraged by finance provided by the German public budget. In 2013 the KfW Development Bank provided flows of this nature amounting to EUR 1.05 billion. In addition, the bank's private sector arm, DEG, provided EUR 448 million in climate-relevant funds.

The UK government has established two main sources of international climate finance. The first source is the International Climate Fund (ICF) – a joint fund managed by the Department for International Development (DFID), Department of Energy and Climate Change (DECC), and Department for Environment, Food and Rural Affairs (DEFRA) - established in 2010 to help poor countries adapt to climate change, promote jobs and livelihoods to help reduce poverty and promote cleaner economic growth. The ICF received a new, additional budget allocation of EUR 4.8 billion for the financial years from 2011/12 to 2015/16.

The second source is the Foreign and Commonwealth Office's Prosperity Fund Programme that funds projects around the world aimed at generating global and UK prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth. In FY2013/14 the fund supported 350 projects in 14 priority countries and regions. In FY2014/15 the fund has a budget equivalent to EUR 24.2 million, of which EUR 8.5 million (35%) is allocated to projects supporting action on climate change.

3.4. Funding to Address Biodiversity Challenges

EU Commitments

- *In the **Council Conclusions of 14 October 2010** on 'Preparation of the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity (CBD)', the Council asked the Commission to 'continue reporting on the amount of funds related to biodiversity conservation and sustainable use'. Previously, such monitoring was done via reporting on the Biodiversity Action Plan, which ended in 2010.*

- *At the 10th meeting of the COP in Nagoya, participants, including the EU, made a commitment to mobilise financial resources to effectively implement the Strategic Plan 2011–20 and to substantially increase resources from all sources, including innovative financial mechanisms, against an established baseline.*
- *Within the EU, the **Council Conclusions of 21 June 2011** endorsed the EU Biodiversity Strategy to 2020.[239] Action 18 of the strategy – 'Mobilise additional resources for global biodiversity conservation' – requests the Commission and EU Member States to 'contribute their fair share to international efforts to significantly*

[239] COM (2011) 244 final – 'Our Life Insurance, Our Natural Capital: An EU Biodiversity Strategy to 2020'.

increase resources for global biodiversity as part of the international process aimed at estimating biodiversity funding needs and adopting resource mobilisation targets for biodiversity at CBD COP11 in 2012'. The strategy also stresses that 'discussions on funding targets during COP11 should recognise the need for increases in public funding, but also the potential of innovative financing mechanisms'.

- *In the **Council Conclusions of 11 June 2012** on the preparation of the 11th meeting of the COP of the CBD, the Council recognised the need to further improve the effectiveness of existing funding and mobilise new types of funding sources, including the private sector and other stakeholders. The Council emphasised the importance of innovative financing mechanisms as an essential and necessary funding source, in addition to traditional financing mechanisms, and as a tool for mainstreaming.*

- *At CBD COP 11 in Hyderabad, in October 2012, the parties decided to substantially increase total biodiversity-related funding from a variety of sources, and resolved to achieve a number of preliminary targets including to '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, by 2015 and at least maintain this level until 2020, in accordance with Article 20 of the Convention, to contribute to achieving the Convention's three objectives, including through a country-driven prioritisation of biodiversity within development plans in recipient countries', using the preliminary baseline of annual biodiversity funding for the years 2006–10. The parties agreed on complementary targets for appropriate domestic financial provisions, reporting and developing national financial plans. They also decided to use a preliminary reporting framework[240] as a flexible and preliminary framework to report on and monitor the resources mobilised for biodiversity at a national and global level. Progress will be reviewed at COP 12 with the aim of adopting the final target for resource mobilisation.*

- *The **decision of the European Parliament and of the Council on the 7th EU Environment Action Programme (EAP) of 20 November 2013** indicates that the global biodiversity targets under the Convention on Biological Diversity need to be met by 2020 as the basis for halting and eventually reversing the loss of biodiversity worldwide. The EU will contribute its fair share to these efforts, including to the doubling of total biodiversity-related international resource flows to developing countries by 2015 and at least maintain this level until 2020, as set out among the preliminary targets agreed in the context of the CBD's resource mobilisation strategy.*

- *In the **Council Conclusions of 12 December 2013** the EU and its Member States reaffirmed their resolve to contribute to the achievement of the Hyderabad commitments to double total biodiversity-related financial resource flows to developing countries by 2015, using as a reference level the average of annual biodiversity funding for the years 2006–10. They committed to at least maintaining*

[240] UNEP/CBD/COP/11/14/Add.1

this level until 2020 and to including biodiversity in national prioritisation and planning.

- *In the **Council Conclusions of 12 June 2014** the EU and its Member States, together, committed to contribute towards doubling total biodiversity-related financial resource flows from a variety of sources to developing countries, in particular least-developed countries (LDCs) and small island developing states (SIDS), as well as countries with economies in transition, by 2015, using as reference level the average of annual biodiversity funding for the years 2006–10. They recommitted to at least maintaining this level until 2020 and to including biodiversity in national prioritisation and planning.*

They also committed to report on biodiversity-related financing flows using the preliminary reporting framework, to identify ways to further improve this framework and to build capacity in developing countries for reporting activities.

- *At the CBD COP 12 in Pyeongchang, the parties reaffirmed their commitment to a substantial increase in total biodiversity-related funding for the implementation of the Strategic Plan 2011–20 for biodiversity from a variety of sources. The Hyderabad 'preliminary targets' were adopted as 'targets'. In addition to the target of doubling international financial resource flows to developing countries, the parties also committed to mobilise domestic financial resources from all sources to reduce the gap between identified needs and available resources at the domestic level, in accordance with Article 20. Progress towards these targets and their adequacy will be reviewed at CBD COP 13, as well as the need for appropriate action, based on information reported by Parties. Parties in a position to do so – as well as national, regional and international funding institutions – are encouraged to provide additional financial support to capacity-building activities, based on needs expressed by the parties.*

- *In the **Council Conclusions of 9 December 2014** the Council recognised that biodiversity is a critical foundation of the earth's life support system – on which humanity's present and future welfare depends (as emphasised by the CBD). The Council supported the integration and mainstreaming of biodiversity in the post-2015 agenda and recognised that meeting the Aichi Biodiversity Targets would contribute significantly to global sustainable development priorities.*

3.4.1. Introduction

As noted in the EU Biodiversity Strategy to 2020,[241] biodiversity – defined as the world's extraordinary variety of ecosystems, species and genes – is humanity's natural capital, delivering ecosystem services that underpin the world's economy. Its deterioration and loss jeopardise the provision of these services. In addition, biodiversity and climate change are inextricably linked: biodiversity contributes positively to climate change

[241] Council Conclusions on the EU Biodiversity Strategy to 2020, 11978/11, 23 June 2011.

mitigation and adaptation.[242] Achieving the 'two degrees' target, coupled with adequate adaptation measures to reduce the impact of the unavoidable effects of climate change, is essential to avert further loss of biodiversity.

3.4.2. *Implementation Table*

The table below summarises progress made in 2014 in implementing the EU commitments on biodiversity-related finance. Further details are discussed in the main text.

EU commitment	Target date	Status	Change 2012–13	Comment
Hyderabad commitment to double total biodiversity-related international financial resource flows to developing countries, in particular LDCs and SIDS, as well as countries with economies in transition, by 2015 and at least to maintain this level until 2020 (compared with 2006–10)	2015 and 2020		=	EU biodiversity-related official financial flows to developing countries increased by 35% in 2011, 83% in 2012 and 88% in 2013, compared with the average for the period 2006–10. But preliminary data for 2014 indicate that this positive trend might have been reversed in that year, with a value just 42% above the 2006 -10 average. In addition, five Member States are still unable to report any biodiversity-related financial data, 12 could not report data for 2014, 15 could not provide projections for 2015, and only 1 reported data on private flows but at the same nominal value for the entire period.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. LDCs = least-developed countries; SIDS = small island developing states.

3.4.3. *Recent Trends*

Up to the 2012 edition of the EU Accountability Report on FfD, EU support to biodiversity was measured using the Rio marker specific to biodiversity of the OECD-DAC CRS. In July 2012 the Convention on Biological Diversity (CBD) invited the EU and its Member States to report biodiversity-related financial flows, including but not limited to ODA, through the preliminary reporting framework (PRF) agreed by the parties of the CBD. It is thus the third time that data on biodiversity-related finance included in the EU Accountability Report have been collected using the Common Reporting Format (see tables 3.4.3a and 3.4.3b).

Data are slightly different from those reported in previous editions of the Accountability Report, due to refinements in the methodology used by the EU and some of its Member

[242] See for example the Report from the Secretariat of the Convention on Biological Diversity (2009), *Connecting Biodiversity and Climate Change Mitigation and Adaptation*.

States leading to estimates that are 3% higher than previous ones. They also refer to a mix of disbursements and commitments and should therefore be considered as a very rough estimate of actual biodiversity-related flows. Several Member States[243] commented that forward-looking figures are difficult to provide amid annual budgeting cycles. Some lack a specific budget line for biodiversity, and biodiversity-related expenditures are identified as such only when concrete commitments or disbursements are made. Others (like Poland) are non-Annex 2 parties and have therefore no obligation to provide climate finance data, and this aspect of international financing is not considered in their budget formulation process.

Data summarised in tables 3.4.3a and 3.4.3b show that during the period 2011–14 the EU and 23 Member States that reported data committed or disbursed an average of EUR 1,564 million[244] per year in biodiversity-related official finance, including ODA. These data also indicate that biodiversity-related finance from the EU and its Member States rose in nominal terms from 135% of the 2006–10 average in 2011, to 183% in 2012, and 188% in 2013, before declining in 2014 (although only 16 Member States provided data for 2014). Based on such data, the 2014 biodiversity-related finance from the EU and 16 Member States was only 142% of the corresponding 2006–10 baseline, down from 192% for the same respondents just one year earlier. Projections for 2015 are available only for the EU and 13 Member States whose biodiversity-related finance in 2015 is expected to be 175% of their 2006–10 average, thus indicating a possible reversal of the decline that took place in 2014.

The above data show that the EU as a whole seems to be on track to deliver on the collective Hyderabad commitments. However, this assessment is only indicative. The Hyderabad commitment involves 'all sources' of funding (including private funds and innovative funding mechanisms), whereas the vast majority of reliable data that the EU and its Member States have been able to provide are on ODA, since OOF data are inadequate and Member States have made little progress so far in reporting on financing from their private sector. While the responsibility for such reporting falls on the individual Member States, many are ill-equipped to do so.

[243] AT, DE, FR, LT, NL, SE.
[244] At current prices.

Table 3.4.3a Official and private financial flows directly or indirectly related to biodiversity, by Member State and type of flow (2006–10 commitments or disbursements in EUR million at current prices)

Country or Institution	2006				2007				2008				2009				2010				Average			
	ODA	OOF	Other Flows	Total	ODA	OOF	Other Flows	Total	ODA	OOF	Other Flows	Total	ODA	OOF	Other Flows	Total	ODA	OOF	Other Flows	Total	ODA	OOF	Other Flows	Total
Austria (*)	7.8			**7.8**	8.3			**8.3**	10.9			**10.9**	12.6			**12.6**	15.2			**15.2**	11.0	-	-	**11.0**
Belgium				-				-				-				-				-	-	-	-	-
Bulgaria				-				-				-				-				-	-	-	-	-
Croatia				-				-				-				-				-	-	-	-	-
Cyprus				-				-				-				-				-	-	-	-	-
Czech Republic (*) (**)	1.9	0.0		**1.9**	2.0	0.0		**2.0**	2.4	0.0		**2.4**	2.0	0.0		**2.0**	1.7	0.0		**1.7**	2.0	0.0	-	**2.0**
Denmark (*)	100.8	11.8		**112.6**	75.2	5.4		**80.5**	114.8	1.6		**116.4**	83.4	0.9		**84.3**	239.3	2.0		**241.3**	122.7	4.3	-	**127.0**
EU Institutions (**)	127.1	-		**127.1**	128.0	1.4		**129.4**	129.7	-		**129.7**	199.5	-		**199.5**	245.8	-		**245.8**	166.0	0.3	-	**166.3**
Estonia				-				-				-				-				-	-	-	-	-
Finland	10.8			**10.8**	8.7			**8.7**	12.5			**12.5**	10.5			**10.5**	11.6			**11.6**	10.8	-	-	**10.8**
France (**)	106.6		10.0	**116.6**	50.8		10.0	**60.8**	135.8		10.0	**145.8**	98.2		10.0	**108.2**	137.1		10.0	**147.1**	105.7	-	10.0	**115.7**
Germany (*) (**)	75.0	-		**75.0**	125.0	-		**125.0**	216.0	3.0		**219.0**	244.0	6.0		**250.0**	298.0	2.0		**300.0**	191.6	2.2	-	**193.8**
Greece (*)(**)				-				-				-				-				-	-	-	-	-

Hungary (*)				**-**	-	0.0		**0.0**	-	0.0		**0.0**	-	0.0		**0.0**	-	0.0		**0.0**	-	0.0	-	**0.0**
Ireland	-			**-**	20.0			**20.0**	14.0			**14.0**	75.0			**75.0**	25.0			**25.0**	26.8	-	-	**26.8**
Italy (**)	44.1			**44.1**	117.8			**117.8**	78.6			**78.6**	65.3			**65.3**	25.9			**25.9**	66.3	-	-	**66.3**
Latvia (*)	-			**-**	-			**-**	0.1			**0.1**	0.0			**0.0**	0.0			**0.0**	0.0	-	-	**0.0**
Lithuania (**)				**-**				**-**				**-**				**-**				**-**	-	-	-	**-**
Luxembourg				**-**				**-**				**-**				**-**				**-**	-	-	-	**-**
Malta				**-**				**-**				**-**				**-**				**-**	-	-	-	**-**
Netherlands	159.1			**159.1**	97.3			**97.3**	93.3			**93.3**	94.7			**94.7**	87.4			**87.4**	106.3	-	-	**106.3**
Poland	0.9			**0.9**	1.0			**1.0**	1.1			**1.1**	1.1			**1.1**	1.5			**1.5**	1.1	-	-	**1.1**
Portugal	3.8			**3.8**	3.9			**3.9**	4.1			**4.1**	5.2			**5.2**	3.4			**3.4**	4.1	-	-	**4.1**
Romania (*)				**-**				**-**				**-**				**-**				**-**	-	-	-	**-**
Slovak Republic (*)	-			**-**	0.1			**0.1**	0.2			**0.2**	0.3			**0.3**	0.3			**0.3**	0.2	-	-	**0.2**
Slovenia				**-**				**-**				**-**				**-**				**-**	-	-	-	**-**
Spain (*)	28.4			**28.4**	60.7			**60.7**	49.3			**49.3**	49.9			**49.9**	64.9			**64.9**	50.6	-	-	**50.6**
Sweden (*)	31.3			**31.3**	47.2			**47.2**	65.5			**65.5**	103.6			**103.6**	120.6			**120.6**	73.6	-	-	**73.6**
United Kingdom (*)	36.4	10.4		**46.8**	41.7	10.7		**52.4**	29.0	5.8		**34.8**	49.7	5.3		**54.9**	85.6	6.5		**92.1**	48.5	7.7	-	**56.2**
Total	**733.8**	**22.2**	**10.0**	**766.0**	**787.4**	**17.5**	**10.0**	**814.9**	**957.1**	**10.4**	**10.0**	**977.6**	**1,094.9**	**12.3**	**10.0**	**1,117.2**	**1,363.2**	**10.6**	**10.0**	**1,383.9**	**987.3**	**14.6**	**10.0**	**1,011.9**

Source: 2015 EU Financing for Development Questionnaire.

Note: BE, HR, CY, LU and SI did not provide any new data this year. Totals may not match due to rounding. ODA = official development assistance; OOF = other official flows. OOF generally refer to Member States' contributions to international agreements and international conventions related to biodiversity. (*) disbursement data; (**) commitment data; and (*) (**) a mixture of disbursement and commitment data.

Table 3.4.3b Official and private financial flows directly or indirectly related to biodiversity, by Member State and type of flow (2011–13 actual and 2014–15 projected commitments or disbursements in EUR million at current prices)

Country or Institution	2011				2012				2013				2014				2015			
	ODA	**OOF**	**Other Flows**	**Total**	**ODA**	**OOF**	**Other Flows**	**Total**	**ODA**	**OOF**	**Other Flows**	**Total**	**ODA**	**OOF**	**Other Flows**	**Total**	**ODA**	**OOF**	**Other Flows**	**Total**
Austria (*)	11.9			**11.9**	8.5			**8.5**	15.4			**15.4**				-				-
Belgium				-				-				-				-				-
Bulgaria				-				-				-				-				-
Croatia				-				-				-				-				-
Cyprus				-				-				-				-				-
Czech Republic (*) (**)	1.9	0.3		**2.2**	2.4	0.6		**3.1**	1.6	1.3		**2.9**	1.4	1.2		**2.6**	1.2	0.3		**1.6**
Denmark (*)	117.6	0.7		**118.2**	251.8	-		**251.8**	272.2	0.1		**272.3**	254.9	0.7		**255.5**	274.3	0.7		**274.9**
EU Institutions (**)	125.9	-		**125.9**	393.9	3.0		**396.9**	313.1	6.2		**319.3**	117.3	-		**117.3**	500.0			**500.0**
Estonia				-				-				-				-				-
Finland	20.3			**20.3**	18.3			**18.3**	16.2			**16.2**				-				-
France (**)	114.7		10.0	**124.7**	173.6		10.0	**183.6**	226.5		10.0	**236.5**	150.5		10.0	**160.5**	160.0		-	**160.0**
Germany (*) (**)	490.0	9.0		**499.0**	533.0	-		**533.0**	552.0	-		**552.0**	500.0	-		**500.0**	-	-		-
Greece (*) (**)	-			-	-			-	0.2			**0.2**	0.3			**0.3**	-			-
Hungary (*)	0.0	0.0		**0.0**	0.0	0.0		**0.0**	-	0.0		**0.0**	0.0	0.0		**0.0**				-
Ireland	20.6			**20.6**	21.6			**21.6**	15.0			**15.0**	15.0			**15.0**	15.0			**15.0**
Italy (**)	84.0			**84.0**	61.3			**61.3**	70.0			**70.0**	25.9			**25.9**	-			-

Latvia (*)	-			-	0.1			**0.1**	0.1			**0.1**				-				-
Lithuania (**)				-				-				-				-				-
Luxembourg				-				-				-				-				-
Malta				-				-				-	-			-	-			-
Netherlands	64.9			**64.9**	90.8			**90.8**	74.5			**74.5**	62.1			**62.1**				-
Poland				-				-				-				-				-
Portugal	3.4			**3.4**	1.5			**1.5**	1.0			**1.0**				-				-
Romania (*)				-				-				-				-				-
Slovak Republic (*)	0.3			**0.3**	0.5			**0.5**	0.5			**0.5**	0.7			**0.7**	-			-
Slovenia				-				-				-				-				-
Spain (*)	23.8			**23.8**	6.0			**6.0**	23.9			**23.9**				-				-
Sweden (*)	141.1			**141.1**	203.9			**203.9**	238.4			**238.4**				-				-
United Kingdom (*)	120.9	4.7		**125.6**	60.4	8.4		**68.8**	57.9	8.0		**66.0**	-	-		-	-	-		-
Total	**1,341.2**	**14.7**	**10.0**	**1,365.9**	**1,827.5**	**12.0**	**10.0**	**1,849.6**	**1,878.5**	**15.6**	**10.0**	**1,904.2**	**1,128.2**	**1.9**	**10.0**	**1,140.1**	**950.5**	**1.0**	**-**	**951.5**

Source: 2015 EU Financing for Development Questionnaire.

Note: BE, HR, CY, LU and SI did not provide any new data this year. Totals may not match due to rounding. ODA = official development assistance; OOF = other official flows. OOF generally refer to Member States' contributions to international agreements and international conventions related to biodiversity. (*) disbursement data; (**) commitment data; and (*) (**) a mixture of disbursement and commitment data.

3.4.4. *EU Policies and Programmes*

A few Member States provided additional information about their policies and programmes relevant to biodiversity-related finance. Germany, for example, is supporting partner countries in the valuation of biodiversity and ecosystem services, with the aim to integrate biological diversity into development planning and political and economic decision-making processes. The objective is to develop innovative financial mechanisms and tap into non-ODA sources to mobilise funding for the conservation and sustainable use of biodiversity at a national and community level. Such approaches include, for example, schemes for payments for ecosystem services, as well as the certification of products (green markets) and biotrade. In this context, Germany also supports public-private partnerships (PPPs) to benefit biodiversity. Germany is currently also evaluating ways to support private investments in the conservation and sustainable use of biodiversity. This includes supporting the implementation of the Nagoya Protocol on Access and Benefit Sharing as an effective tool to raise non-ODA funding for biodiversity conservation and its sustainable use.

In 2014 France completed a study on innovative finance for biodiversity.[245] This study identified 20 funding modalities grouped into three broad categories: (i) green markets and the integration of biodiversity considerations into global value chains that could help catalyse more sustainable production and consumption models; (ii) removal of subsidies that negatively affect biodiversity (e.g., fuel subsidies) and tie up resources that might be used for protecting rather than harming biodiversity; and (iii) creation of automatic international financial transfers linked to net biodiversity gains, particularly in conservation areas of global importance.

Tracking biodiversity-related expenditures is needed to fulfil the EU's commitment, along with that of other CBD parties, to report on both domestic and international biodiversity-related financing flows. The EU's methodology for tracking should identify and track biodiversity-related expenditure throughout the EU budget in a simple, effective way without overly increasing the bureaucratic burden.

As part of this process, the EU and some Member States have developed methodologies to capture biodiversity-related ODA, based on the 'Rio marker' approach promoted by the OECD-DAC. A common requirement for Rio marking is that the project or programme must support the achievement of at least one of the three objectives of the CBD: (i) conservation, (ii) sustainable use of biodiversity and (iii) the fair and equitable sharing of benefits. While the entire value of projects or programmes marked as principal (Rio marker 2) are reported as biodiversity relevant, coefficients are used for expenditures marked as significant (Rio marker 1) – and these are not uniform. For example, Germany considers only the full amount of the specific biodiversity 'sectoral component' of a project or programme as a contribution towards biodiversity conservation, while the remaining project or programme components are not taken into account. The Czech Republic, the European Commission, the Netherlands, Poland and Spain use a 40% coefficient, while Austria applies a 50% coefficient. France applied different coefficients

---

245 http://www.diplomatie.gouv.fr/fr/IMG/pdf/InitiativesInnov_Biodiv_Rapport_Complet_FR_cle03396f.pdf .

(80%, 50%, 30% and 5%) to different projects and programmes marked as significant to biodiversity protection. Portugal, the Slovak Republic and the United Kingdom report 100% of expenditure of all relevant projects without using coefficients because it is not a requirement for reporting to the CBD, and there is no single internationally agreed methodology for quantitative estimations.

The Commission and Denmark are currently reviewing their methodologies. The Commission recently assessed the quality of its Rio-marking and the accuracy offered by the 40% coefficient approach by analysing a representative sample of data. The findings of this analysis did not lead to a reconsideration of the approach adopted. To comply with the reporting requirements of the CBD and other international forums, the Commission is now addressing the need to track biodiversity-related expenditure in a consistent way across the entire EU budget, similar to the obligations related to climate-change-related expenditure tracking. The Commission's approach to tracking biodiversity and climate-related expenditure is based on the established Rio-marker methodology. This system was first used by those directorates-general that manage external aid funding instruments (i.e., the DG for International Cooperation and Development, DEVCO; and the DG for Neighbourhood and Enlargement Negotiations, NEAR) to report international spending on biodiversity and climate change. It is now used by all DGs across the Commission. A study on tracking biodiversity expenditure in the EU Budget was commissioned by the Directorate-General for the Environment (DG-ENV) to develop an improved expenditure-tracking methodology to be applied to all relevant EU funding instruments; the study is expected to be completed by early 2015. A new study, building on the former, will review progress as well as experience gained in tracking expenditures, and will further refine the methodology.

3.5. Science, Technology and Innovation

EU Commitments

- *In the **Council Conclusion of 9 March 2012 on Rio+20 (§33),** the Council underlined the important role played by cooperation on technology, research and innovation, and education and training programmes, and emphasised the need to improve mechanisms for international research cooperation and for the development of information and communication technology on major sustainable development challenges.*

- *In the **Council Conclusion of 25 October 2012 on follow-up to Rio+20** (§36), the Council reaffirmed the EU's commitment to promote clean and environmentally sound technologies as a means to facilitate a transition to a green economy for all countries, regardless of their development status, as well as its commitment to support cooperation and capacity building in developing countries. The Council recalled that the EU research framework programmes are open to third countries and noted that the EU will further cooperate with developing countries through its new programme for research and innovation, 'Horizon 2020', to promote sustainable development.*

- *In the **Council Conclusions of 30 May 2013 on EU international cooperation in research and innovation,** the Council recognised the added value of deepening cooperation with developing countries (§10) and recommended further exploration of ways to strengthen the innovation dimension of such cooperation (§9).*

- *In the **Council Conclusion of 12 December 2013 (§5),** the EU and its Member States committed to continue their support of science, technology and innovation, as well as capacity building, including through the provision of expertise.*

3.5.1. Introduction

Science, technology and innovation (STI) play an important role in empowering developing countries to lift themselves out of poverty. STI capacity is a factor in increasing productive capacity and trade, in delivering more effective services (e.g., in health care, agricultural and food production, and water provision) at a lower cost, and in achieving sustainable growth (e.g., through cleaner energy sources and the reduction of environmental pollution). New development pathways can encourage innovation that leads to sustainable development, while the design and transfer of technology is a key development enabler when adapted to local social and economic contexts. Applying new and existing technologies successfully will be critical to reduce greenhouse gas emissions and adapt to the adverse effects of climate change.

The EU is already contributing significantly to science, technology and innovation in developing countries by financing research and development projects both for capacity-building, as well as for research collaboration. Greater involvement from other stakeholders is also needed to enhance such activities.

3.5.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on STI.

EU commitment	**Target date**	**Status**	**Change 2012–13**	**Comments**
Improve mechanisms for international STI cooperation and for the development of ICT on major sustainable development challenges	Not specified		=	No new initiatives reported by Member States in the area of STI cooperation. Several Member States supported ICT projects. European Commission remained involved in the Belmont Forum that coordinates funding for collaborative research actions (CRAs). The Belmont Forum as a member of the Science and Technology Alliance for Global Sustainability also promoted a global research platform called Future Earth. These mechanisms aim to increase international cooperation in STI and coordination of research in support of sustainability at global level.

Promote clean and environmentally sound technologies as a means to facilitate a transition to a green economy for all countries, regardless of their development status	2014–20	🟠	=	The EU Horizon Programmes started in 2014. It will devote at least 35% of its spending between 2014 and 2020 to climate change and 60% to sustainable development.
Support STI research cooperation and capacity building to enhance sustainable development in developing countries, including through the new Horizon 2020 research and innovation programme	2014–20	🟢	=	Horizon 2020 continued funding STI projects involving developing countries. In 2014, the European and Developing Countries Clinical Trials Partnership with sub-Saharan Africa (EDCTP) was renewed. with a financial contribution to the second programme (EDCTP2, 2014-2023) of nearly € 700 million from Horizon 2020. The Competitiveness Council of December 2014 also adopted Conclusions on a 'Partnership for Research and Innovation in the Mediterranean Area'.

Note: Green = achieved or on track to be achieved; Orange = limited achievement, partly off track; Red = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that did not lead to a change in colour.

3.5.3. *Recent Trends*

Recent international discussions, including around the post-2015 agenda, have given added profile to issues of science, technology and innovation. STI underpin the implementation of the Sustainable Development Goals. Fostering innovation is also part of the proposed Goal number 9. For the first time the Financing for Development (FfD) Conference is addressing STI. In this context a number of enabling factors at domestic level, as well as cooperation in STI are highlighted as important to achieving sustainable development.

As a follow-up to the Rio+20 conference a series of UN-led structured dialogues in 2013-2014 were organized to discuss ways to promote the development, transfer and dissemination of clean and environmentally sound technologies. These dialogues identified some relevant functions, namely: 1/ a mapping of existing technology facilitation mechanisms, frameworks and process on clean and environmentally sound technologies through creation of an online knowledge-sharing platform; 2/ improved UN inter-agency coherence on technology facilitation through better coordination; and 3/ further promotion of technology needs assessments and capacity building. These functions were included in the recommendations by the President of the General Assembly following the dialogues.

The synthesis report 'A Life of Dignity for All'[246], released by the UN Secretary-General in December 2014 to pave the discussion on the post-2015 agenda called for concerted action to support STI for a sustainable future. The report recognises the role of technology in modern life and advocates for an increase in developing countries' access to technology. UN Member States are currently discussing what measures might support the further development, transfer and dissemination of clean and environmentally sound technologies, in the context of the post-2015 agenda. Building on the outcomes of the above mentioned structured dialogues, the possible establishment of a global platform for mapping existing technology mechanisms is under consideration in the preparatory work of the FfD Conference. At the same time, developing countries are calling for additional measures, including the establishment of a new technology facilitation mechanism and the operationalization of the Technology Bank for LDCs for which options are currently being elaborated at UN level.

Ongoing international negotiations on a new global climate agreement involving all countries, due to be concluded in Paris in 2015, acknowledge the crucial role that technologies have to play in mitigation and adaptation efforts in developing countries.

At the UN climate conference in Cancún in 2010, the UNFCCC members, including all EU Member States, agreed to implement a technology mechanism to facilitate enhanced action on technology development and transfer. The technology mechanism is made up of two components: a Technical Executive Committee, comprising 20 elected experts, and a Climate Technology Centre and Network (CTCN) that helps developing countries access information on mitigation and adaptation technologies. Projects requesting support have ranged from renewable energy policies and biodiversity monitoring to saving mangrove forests to protect coastal integrity. The EU and its Member States are major supporters of the CTCN.

The CTCN, which was established in 2013, became operational in 2014. The UN-led initiative aims to transfer technologies for tackling climate change to developing nations. So far, over 100 national entities from developed and developing countries have been designated. The network will concentrate on capacity building, promotion and the ad hoc assistance of international technology transfer.

In addition, the UN has launched a new technology-transfer platform, the South–South Technology Transfer Facility, to foster the spread of technology, assets and financing among private companies in LICs. The scheme focuses specifically on LDCs and the challenges they face in areas such as sustainable agriculture, climate change adaptation and water management. It is modelled on a platform already hosted by the UN – the South–South Global Assets and Technology Exchange (SS GATE) – and will act as a matchmaker for companies by providing a space for networking and tools for building collaboration. The facility, funded by UNOSCC, will focus initially on agriculture, energy and the environment and could later expand to health.

ICT will play an increasing role in enabling developing countries to achieve sustainable development goals. In 2002 the WSIS had already set the stage for the development of

[246] UN Secretary-General, *The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet*, Synthesis Report of the Secretary-General on the post-2015 Sustainable Development Agenda, December 4th, 2014.

ICT in areas directly linked to the MDGs. During its session in May 2014, the UN Commission for Science and Technology for Development initiated studies[247] and discussion to help articulate the role of ICT and STI in the post-2015 development agenda.

3.5.4. EU Policies and Programmes

Development cooperation. The EU supports the development and deployment of technologies, including climate-relevant technologies, in developing countries through substantial investments in innovation. Such cooperation requires governments, private sector entities, financial institutions, nongovernmental organisations (NGOs) and research and education institutions in developing countries to play their part. Efforts to facilitate cooperation include support to increase administrative capacities, exploration of opportunities for PPPs, and the leveraging of private funding for infrastructure projects.

The EU also supports new forms of partnerships and multistakeholder alliances between national and local authorities, enterprises and NGOs to enhance the development of skills and the provision of basic services. Such partnerships facilitate access to sustainable and affordable energy, water and agriculture. They develop synergies between public and private interests in technology transfer, and engage stakeholders in the development and diffusion of technology across and between developing countries.

Capacity building and innovation are important, and the EU works closely with governments in developing countries to help them develop and implement policies in support of private sector involvement. The aim is to reinforce administrative capacities and support the development of legal and regulatory frameworks and guidelines for PPPs.

DG-DEVCO funds two research and innovation projects focused on China and India. In Africa the EU is carrying on a High-Level Policy Dialogue on Science, Technology and Innovation with the African Union and its member states. In 2014 the EU-Africa Summit confirmed the need for continuous dialogue between developed and developing countries and named sustainable agriculture and food and nutrition security as areas to prioritise in efforts to promote STI. The new African Research Grants Programme will devote EUR 10 million in 2014 for grants to African researchers.

The DEVCO-supported Global Energy Efficiency and Renewable Energy Fund (GEEREF) invests in private equity funds, which in turn invest in private sector projects, further enhancing the leveraging effect of its investments. It is estimated that with EUR 200 million in public funds, up to EUR 9.5 billion in private investment can be mobilised.

The Biodiversity and Protected Areas Management Programme (BIOPAMA) aims to address threats to biodiversity in African, Caribbean and Pacific (ACP) countries, while reducing poverty in communities in and around protected areas. Specifically, the programme will enhance existing institutions and networks by making the best available science and knowledge available for building capacity to improve policies and better

[247] Commission on Science and Technology for Development 2014-2015 Inter-sessional panel 26-28 November 2014 Geneva, Switzerland *Issues Papers on Strategic Forecast for the post-2015 Development Agenda & on Digital Development.*

decision-making on biodiversity conservation, protected areas management and access and benefit sharing.

An evaluation of EuropAid's STI-related initiatives with partners in developing countries over the period between 2007 and 2013 is under way, and should contribute to a redefinition of EuropAid's action in the coming years. The Commission's research and innovation services will examine the contribution of the EU Framework Programme for Research and Innovation to development programmes.

EU research programmes. **Horizon 2020** is the largest programme to support research and innovation within the EU. Horizon 2020 is open to participants from all around the world, including from developing countries. Almost EUR 80 billion will be made available between 2014 and 2020 under Horizon 2020 under three different pillars: excellent science, industrial leadership and societal challenges.

Horizon 2020 projects foster cooperation among researchers, innovators and entrepreneurs of different countries in Europe and beyond. Under the first calls for proposals of Horizon 2020 launched in December 2013, developing countries have benefitted from targeted initiatives under the various Societal Challenges and Enabling Technologies. Examples to mention are in the area of vaccine development for poverty-related and neglected diseases, sustainable intensification, waste, earth observation and climate change mitigation.

PPPs are another instrument to promote research and innovation under Horizon 2020. Through these partnerships private sector partners, the Union and, where appropriate, other partners, such as public sector bodies, commit to jointly support the development and implementation of a research and innovation programme or activities. Seven large PPPs were launched in 2014. These focused on technologies such as fuel cells and hydrogen and sectors that included air traffic management and rail transport. An EU contribution of EUR 7.3 billion will unlock an estimated EUR 12.2 billion investment from the private sector and individual EU Member States. In 2014 the European Union has decided to continue and extend its strategic engagement with the European and Developing Countries Clinical Trials Partnership with sub-Saharan Africa (EDCTP) with a financial contribution to the second programme (EDCTP2, 2014-2023) of nearly € 700 million from Horizon 2020. The EDCTP2 programme will support the clinical development and testing of new or improved medical treatments and prevention for HIV/AIDS, tuberculosis, malaria and other poverty-related diseases, including more neglected ones such as river blindness, sleeping sickness, bilharzia and other parasitic diseases, in populations that are most affected by these diseases.

To facilitate knowledge sharing and to enhance research and innovation capacity, including in developing countries, the EU is putting in operation the Copernicus Climate Change Service, which – together with the national climate service centres of the Member States – will deliver, once completed, a consistent layer of Earth observation data, data products, and model outputs on a free and open access mode. This will have a great potential for supporting climate policy decision-making, as well as the co-development of climate services, not only in the EU but all around the world.

In the field of earth observation, the European Commission is also involved and contributes to the intergovernmental Group on Earth Observations (GEO) that aims to promote and coordinate full and open sharing and use of Earth observations (EO) and to interconnect existing EO systems across the world via the Global Earth Observation System of Systems (GEOSS). GEOSS, as a key instrument to deliver data and information on a number of sustainability issues, has great potential for supporting monitoring of progress towards sustainability, including the Sustainable Development Goals. GEO aims to enhance the coordination of efforts to strengthen individual, institutional and infrastructure capacities, particularly in developing countries, to produce and use Earth observations and derived information products. A number of European Projects under FP7 contributed to capacity building in GEO.

The European Commission also continues to provide important support to global scientific initiatives such as the Intergovernmental Panel on Climate Change (IPCC). The IPCC is the key global climate science-policy interface, underpinning European and international climate policy making and is the leading body responsible for the scientific assessment of climate change. Numerous research projects funded under the EU's 6th and 7th Framework Programmes for Research (FP6 and FP7) were essential for the key findings of the Fifth Assessment Report (AR5) that was published on 2 November 2014. The European Commission also supported financially on behalf of the EU the IPCC secretariat (hosted by the World Meteorological Organisation in Geneva, Switzerland) to support the preparation of the IPCC AR5 and to facilitate the participation of scientists from the EU and from developing countries in this process.

The European Commission also participates in relevant initiatives such as the Belmont Forum, an informal group of funding agencies mainly from G8 and emerging economies (excluding Russia) that engage on common research activities on global change, including through the launch of Collaborative Research Actions. Since February 2015, DG Research and Innovation of the European Commission is one of the co-chairs of the Belmont Forum. One of the main deliverables of the Belmont Forum as a member of the Science and Technology Alliance for Global Sustainability, that comprises also a number of UN organisations and programmes, has been the promotion of a global research platform called Future Earth providing the knowledge and support to accelerate transformations to a sustainable world.

The European Union has Scientific and Technical Cooperation Agreements with 14 countries in Africa, Asia, Latin America and the Southern Mediterranean region under the TFEU. The Scientific and Technical Cooperation Agreements are administered through annual Joint Committee meetings at which synergies are sought with the EU's external policies. Science and technology are also often an important part of broader policy dialogues such as the Africa-EU Strategy, the EU-LAC Summits, the EU-ASEAN Cooperation Agreement and the EU-Mediterranean Partnership.

In 2013 a group of Member States and non-EU Mediterranean Partner Countries started a dialogue and work on the initiative "Partnership for Research and Innovation in the Mediterranean Area" (PRIMA) aimed at improving the cooperation in research and innovation in the Mediterranean Area and creating a stable long-term and sustainable framework on the basis of mutual benefit, equal footing partnerships, co-ownership, co-decision, and co-financing, as well as excellence and added value. The initiative defined a scientific programme based on the objectives of enhancing knowledge and unlocking its innovation potential for food security and water availability through end user-friendly solutions in a context of ecological, demographic and climatic change, as well as of advancing existing knowledge and innovations for water and food quality and safety. The Competitiveness Council of December 2014 adopted Conclusions on PRIMA.

Other examples of projects and programmes supported by Member States are the following:

- The **Renewable Energy and Adapting to Climate Technologies** (**REACT)** programme is part of the Africa Enterprise Challenge Fund, which aims to stimulate private sector investment in low-cost clean energy and climate adaptation technologies, such as solar power, biogas, irrigation and water-efficiency measures. REACT provides risk capital to businesses that offer potentially transformative solutions. Around 300,000 rural households and small-scale farmers and 40,000 small and medium enterprises (SMEs) should benefit from innovations brought about by this fund, which is supported by the **United Kingdom** and **Sweden**.
- The Vocational Training Centre for Renewable Energies and Industrial Maintenance in Cape Verde, supported by **Luxembourg**, aims to strengthen human resources through education, training and increased access to jobs. This capacity building action supports Cape Verde’s national target to generate 50% of total electricity from renewables by 2020.
- The **GreenEvo Programme** is managed by the government of **Poland** and helps establish PPPs between Polish suppliers of environmental technologies and partners in developing countries. Around 60 Polish SMEs work with partner countries to implement projects, create jobs and enhance local infrastructure.
- The recently established **Kenya Climate Innovation Centre** is promoting home-grown green technologies throughout the East African region. The centre offers support to climate-focused technology ventures in order to boost agricultural productivity and agro-processing. The governments of the **United Kingdom** and **Denmark** are partners in this World Bank initiative.
- Some EU Member States[248] have funded programmes specifically aimed at helping SMEs to adopt and implement new technologies in priorities areas, such as food, agriculture and energy. Cooperation between EU Member States and developing countries can also be seen in exchanges of researchers from universities and research centres.[249] ICT is a recurrent topic in projects funded by the EU and its Member States.[250]
- **The Netherlands** has set up knowledge platforms with a focus on the priority areas of Dutch development policies. The platforms aim at increasing policy as well as practical knowledge in areas such as food security and water provision – areas that stand to benefit from technology innovation and transfer.
- **Italy** has launched different projects to transfer technology aimed at preserving the cultural heritage of developing countries and countries afflicted by war.

[248] CZ, DK, EC, ES, FI, IT, UK.
[249] AT, BE, CZ, EC, EE, ES, IE, IT, LU, NL, PL, PT, SE, SK, UK.
[250] EC, EE, ES, IT, LU, SE.

3.6. Towards a New External Development Finance Measurement Framework

As discussed in previous EU Accountability Reports, the current debate on post-2015 development goals and finance is accompanied by an ongoing discussion on how to best measure and monitor development finance. Proper mutual accountability requires that all financial and nonfinancial means of implementation in both developed and developing countries be properly measured and monitored. As part of this broader process, at a high-level meeting (HLM) held in Paris on 15–16 December 2014, the OECD-DAC agreed on important changes to its current external development finance measurement framework. These are briefly summarised, and their implications discussed, in the following paragraphs.

3.6.1. The New External Development Finance Measurement Framework

The current OECD-DAC framework for measuring external development finance, centred on the concept of ODA, was established in the late 1960s and has not changed much since (see box 3.6.1). Yet the practice of development finance has evolved significantly over the past decades: new instruments have been introduced to complement grants, a broader set of objectives are being pursued in the context of sustainable development, developing countries have become a more heterogeneous group and increasing attention is being paid to the effectiveness and quality of aid, with a stronger focus on measuring results.

Box 3.6.1 An Evolving Definition of Official Development Assistance

The definition and measurement of 'aid' was one of the first priorities of the Development Assistance Committee of the Organisation for Economic Co-operation and Development when the committee was established in the early 1960s. The first comprehensive survey of flows of financial resources to developing countries (then called 'countries in course of economic development') was published in March 1961, and covered the period 1956–59. This was followed by DAC annual reports, and time series were collected from 1961 onwards for aggregate flows (DAC data) and from 1973 for country-level activities (creditor reporting system data). The definition of official development assistance (ODA) was fixed in 1969, allowing a distinction to be made between development assistance and other international public flows. The ODA definition as such was until last year changed only once, in 1972, to include a more precise definition of 'grant element' and replacing the previous term 'social development' with 'welfare'. In addition, there have been two categories of adjustments: first, activities considered as promoting economic development and welfare have been changed; and second, the DAC list of aid recipients has evolved in line with changes in per capita incomes and income-group definitions.

Pending implementation of the December 2014 reform, the OECD-DAC defines ODA as 'those flows to countries and territories on the DAC list of ODA Recipients and to multilateral institutions which are: i) provided by official agencies, including state and local governments, or by their executive agencies; and ii) each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)'.[251]

[251] OECD, *Is It ODA?,* – Factsheet November 2008: http://www.oecd.org/dac/stats/34086975.pdf

The current measurement framework has proved useful. However, it now needs to be adapted to the new development landscape and made more responsive to today's challenges.

Against this background, the OECD-DAC agreed at its HLM of December 2012 to: (i) elaborate a proposal for a new measure of total official support for development; (ii) explore ways of representing both 'donor effort' and 'recipient benefit' of development finance and (iii) investigate whether any resulting new measures of external development finance (including any new approaches to the measurement of donor effort) suggest the need to modernise the ODA concept. It also agreed to establish, as soon as possible and at the latest by 2015, a clear quantitative definition of the criterion 'concessional in character', in line with prevailing financial market conditions.

This undertaking is complex. Part of the work was completed in December 2014, and its conclusions are highlighted in the following paragraphs. Further changes will depend on the decisions made during 2015 on the post-2015 framework. The DAC HLM will reconvene in early 2016 to take stock of progress in implementing the decisions made in December 2014, and to bring to closure efforts to modernise the DAC's statistical system for the post-2015 era.

Concessional loans. Participants in the DAC HLM agreed to modernise the reporting of concessional loans to make it easier to compare the effort involved in extending them against that of providing grants. This goal was achieved by introducing a grant equivalent system for the purpose of calculating ODA figures. This means that under the new reporting system, only the concessional element of a loan will be reported, as opposed to the full flow (on net terms) today. This reform will also ensure that among loans that pass the tests for ODA scoring, more concessional loans will earn greater ODA credit than less concessional loans. Alongside headline reporting on a grant equivalent basis, ODA figures will continue to be calculated, reported and published in cash-flow terms, ensuring full transparency.

Loan tests for ODA scoring. Participants of the DAC HLM also decided to assess concessionality based on differentiated discount rates, consisting of a base factor, which will be the International Monetary Fund (IMF) discount rate (currently 5%), and an adjustment factor of 1% for upper-middle-income countries, 2% for lower-middle-income countries and 4% for LDCs and other LICs. This reform, combined with the grant equivalent method, will eliminate the disincentive to lend to LDCs and other LICs. To ensure that loans to LDCs and other LICs are provided on highly concessional terms, loans to these countries will have to include a grant element of at least 45%, to be reportable as ODA. Loans to lower-middle-income countries will instead need to have a grant element of at least 15%, and those to upper-middle-income countries of at least 10%, in order to be reportable as ODA. In addition, to ensure debt sustainability, loans whose terms are not consistent with the IMF's debt limits policy or the World Bank's nonconcessional borrowing policy will not be reportable as ODA. These changes will be implemented gradually. ODA will be reported for 2014 on the basis of the 2013 DAC agreement on concessionality. It will then be reported from the year 2015 (i.e., in reports issued from early 2016) to the year 2017 using both the new and the current (2013) system. The new system will finally become the standard of reporting from 2018 (for which ODA reporting will take place in early 2019).

Reporting on debt relief of ODA loans. Changing the measurement system from net flows to risk-adjusted grant equivalents will also change the basis on which DAC members report on the debt relief of ODA loans. Participants of the DAC HLM therefore agreed that the rules on reporting ODA debt relief would need to be updated accordingly.

Use of ODA to mobilise additional private sector resources for development. While participants of the DAC HLM did not introduce any change to the way such support is currently measured, they agreed to undertake further work to ensure that ODA better reflects the effort of the official sector to catalyse private sector investment in effective development.

Accounting for peace and security efforts. Participants of the DAC HLM also agreed to further explore how support in this area could be better reflected in the DAC statistical system.

Introducing a measure to capture international public contributions above and beyond ODA. Participants of the DAC HLM agreed to introduce a new measure that will complement rather than replace the ODA concept. 'Total official support for sustainable development' is a working title for this new measure, which would potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms. The ultimate parameters of the measure will be clarified once the post-2015 agenda has been agreed, as monitoring is a tool to serve policy and not an end in itself.

3.6.2. Six Advantages of the New Concessionality Definition

The new definition of concessionality:

Strengthens the credibility of the OECD-DAC and of its statistical system. A modernised measurement framework that covers all development-related official flows and fairly measures donor efforts, increases both the credibility and the relevance of the OECD-DAC statistical system.

Allows for fair measurement, and benchmarking, of real donor effort by establishing a level playing field for grants and concessional loans. A key purpose of the measurement framework is to benchmark donor efforts. The new system provides a better picture of relative effort.

Establishes a level playing field within the loan instrument, including via the removal of current disincentives to extend long-term finance to countries most in need.

Incentivises higher concessionality, particularly to countries most in need, while confirming the developmental value of loans and offering strong debt sustainability safeguards. The new system, which counts the grant element rather than the face value of loans, encourages higher concessionality, as the latter generates more ODA per euro lent.

Adapts the ODA system to today's practice of external development finance. As noted in the 2014 EU Accountability Report, to remain fully relevant in today's world, the external finance measurement framework must be more inclusive and cover more players and types of flows. The new system clearly represents a move in this direction.

Combines statistical integrity and full transparency. The new system introduces substantial changes, but allows enough time for the new rules to take effect, with a few years of overlap when both systems (i.e., grant-equivalent and cash-flow accounting methods) will be used. Finally, it does not mix up different accounting models within a single statistical aggregate.

The new system also includes *a plan for further reviews of the current arrangement.*

4. COMBINING PUBLIC AND PRIVATE FINANCE FOR DEVELOPMENT

EU Commitments

- ***Council Conclusions of 15 June 2010****: In the framework of the review of the European Investment Bank's (EIB) external mandate, the EU and its Member States resolved to strengthen the capacity of the EIB to support EU development objectives and to promote efficient blending of grants and loans in third countries, including in cooperation with financial institutions in Member States and through facilities for development financing (§27). The EU committed to seriously consider 'proposals for innovative financing mechanisms with significant revenue generation potential, with a view to ensuring predictable financing for sustainable development, especially towards the poorest and most vulnerable countries' (§31). The EU also committed to use these resources in line with international principles of aid effectiveness (§32).*

- ***Council Conclusions of 14 May 2012*** *on Agenda for Change (§17): In order to leverage further resources and increase the EU's impact on poverty reduction, new financial tools were to be promoted, including blending grants and loans and other risk-sharing instruments.*

- *The* ***Council Conclusions of 15 October 2012*** *(§1) made a distinction, as in this year's report, between the funding side (innovative financing sources) and the expenditure side (innovative financial instruments). The Council stressed the importance of increasing the use of innovative financial instruments to promote stronger private sector engagement in inclusive and sustainable development, especially at the local level. The EU resolved to use grants more strategically and effectively for leveraging public and private sector resources, including in the context of blending grants and loans and innovative risk-sharing and joint financing mechanisms. The Council supported the setting up of the EU Platform for External Cooperation and Development to provide guidance to existing blending mechanisms. The EU also stressed the central role of enabling domestic business environments and promoting corporate social responsibility principles, at the local and global levels. Innovative financing mechanisms should be used in ways that preserve debt sustainability and accountability, avoid market disturbances, and minimise budgetary risks.*

- ***22 July 2013 Council Conclusions*** *on Local Authorities in Development (§11): The Council encouraged the Commission to explore new and innovative funding modalities in support of local authorities and their associations that were in line with internationally agreed development effectiveness principles and commitments.*

- ***28 May 2013 Council Conclusions*** *on the EU Approach to Resilience (§10): For countries facing recurrent crises, the EU and its Member States would work to make humanitarian and development funding more timely, predictable, flexible, multiannual and sufficient. In this context, the EU and its Member States would examine ways to strengthen the coordination of humanitarian and development funding. The use of innovative financing mechanisms was also to be encouraged.*

- ***12 December 2014 Council Conclusions** on 'A Stronger Role of the Private Sector in Development Cooperation: An Action-Oriented Perspective' (§11): The Council supported the use of innovative financial instruments to leverage additional financing. These might include solidarity funds, multidonor mechanisms, microdonations, impact investment and blending.*

4.1. Introduction

The debate over financing the post-2015 development agenda extends to the various sources of financing that can be mobilised to achieve sustainable and inclusive development. While low-income and fragile countries will continue to rely on official development assistance (ODA) to achieve their development goals, such official financing is acknowledged to be insufficient to cover the needs of middle-income countries, where most of the poor live. Given growth in trade and foreign direct investment, and the growing involvement of middle-income countries in international markets, policy makers in donor and partner countries alike see an opportunity to raise additional funds from the private sector to help meet development needs.

With domestic resources and ODA funding devoted to sectors that are essential to reduce poverty and ensure basic public services, financing needs in other areas will remain largely uncovered unless private finance is mobilised. Public resources in developing countries are insufficient to cover all of the financing needed for investment in infrastructure, public utilities, energy and other types of services.[252] According to World Bank estimates,[253] the investment needs for infrastructure in developing countries will amount, on average, to approximately EUR 600 billion each year between 2015 and 2030. Debt and equity funding from the private sector will be essential in meeting such huge needs. To attract the necessary volume of private finance, combinations of public and private financing, also referred to as innovative financing, will be required.

Traditionally, innovative financing mechanisms encompass mechanisms aimed at stimulating, mobilising and channelling new sources of financing. However, the definition and classification of innovative financing mechanisms (including the question of counting public incentives as ODA) is still debated in the international community. As mentioned in chapter 3, the Organisation for Economic Co-operation and Development (OECD) is reviewing the definition of ODA to possibly take into account guarantees and other innovative finance mechanisms.

4.2. Implementation Table

The table below summarises progress made in 2014 in implementing the EU commitments on innovative financing sources and instruments. Further details are discussed in the main text.

EU commitment	Target date	Status	Change 2013–14	Comments

[252] M. Barliamoune-Lutz, 'ODA and the Quest for Innovative Sources of Financing Development', EUI, 2013. http://cadmus.eui.eu/bitstream/handle/1814/27497/RSCAS_PP_2013_06.pdf?sequence=1
[253] World Bank (2013), *Financing for Development Post-2015*

EU commitment	Target date	Status	Change 2013–14	Comments
To consider proposals for innovative financing mechanisms with significant revenue generation potential, with a view to ensuring predictable financing for sustainable development, especially for the poorest and most vulnerable countries	No date specified		=	Some progress in the negotiations for the approval of a directive on a financial transaction tax, which 11 Member States are committed to implement; 13 Member States are participating in the Leading Group on Innovative Financing for Development.
To promote new financial tools, including blends of grants, loans and other risk-sharing instruments	No date specified		=	The EU Platform on blending in External Cooperation has achieved substantial progress. A revised grant application form, a results-based framework and a standardised reporting system have been put in place.
To use innovative financing mechanisms, taking due account of debt sustainability and accountability and avoiding market disturbances and budgetary risks	No date specified		=	The new application form includes risks and debt sustainability.
To strengthen the European Investment Bank's capacity to support EU development objectives and promote the efficient blending of grants and loans in partner countries, including in cooperation with financial institutions in Member States and through development financing facilities	No date specified		=	

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. IATI = International Aid Transparency Initiative.

4.3. Recent Trends

The discussions on the post-2015 financing for development framework emphasise the important role that innovative financing sources and instruments can play in mobilising multiple financing resources to help achieve sustainable development goals. In September 2014 the Intergovernmental Committee of Experts on Sustainable Development Financing presented a report on how to integrate sustainable development financing strategies.[254] Further contributions to the discussions on the role of financing sources came from the Leading Group on Innovative Financing for Development is an informal forum established in 2006 under the leadership of France, Chile, Brazil and Spain.[255] France presented a concept paper on innovative finance, detailing how innovative financing mechanisms could contribute to achieving sustainable development goals that will not likely be met through only traditional sources of funding. At the EU level, the volume of innovative financing sources has been relatively stable since 2010, reaching more than EUR 1.3 billion annually, representing over 2.3% of ODA spending.

While EU Member States have provided increased resources for innovative finance instruments, such instruments still represent only a small portion of official aid. The latest data available from the OECD Development Assistance Committee[256] show that the volume of guarantees provided to elicit private financing more than doubled between 2009 and 2010, but grew only by 5% in 2011. The EU blending facilities have provided a formal structure for combinations of grants and other forms of public and private finance since their inception in 2007 (table 4.3). The facilities' investment portfolios have grown steadily. In 2014, EUR 425 million was made available to 45 new blended projects.[257]

Table 4.3. EU regional blending facilities, 2007–14, EUR million

Name of the facility	Launch	Allocation of funds (EUR million)	Participating financial institutions
EU Africa Infrastructure Trust Fund (EU-AITF)	2007	Grant funds allocated: • 647.7 from 9th and 10th EDF (incl. 329 SE4ALL) • 162.7 from Member States budgets (as of 31 Dec. 2014)	AFD, AfDB, BIO, COFIDES, EIB, FINNFUND, KfW, Lux-Development, OEeB, SIMEST, SOFID, PIDG
Neighbourhood Investment Facility (NIF)	2008	• 1,151.12 for 2007–14 from EU budget • 81.3 from Member States budgets (as of 31/12/14)	AECID, AFD, Cassa Depositi Prestiti, CEB, EBRD, EIB, KfW, NIB, OeEB, SIMEST, SOFID
Western Balkan Investment Framework (WBIF)	2009	• 166 from EU budget • 10 EIB, 10 EBRD, 10 CEDB • 88.1 in grants from Member States budgets (+ Norway) (as of 31/12/13)	CEB, EBRD, EIB, World Bank Group, KfW, MFB, CMZR, OEeB, SID

[254] United Nations, 'Report of the Intergovernmental Committee of Experts on Sustainable Development Financing', September 2014, http://www.un.org/esa/ffd/wp-content/uploads/2014/12/ICESDF.pdf.

[255] The Group gathers 64 states (including 13 EU Member States) and about 20 nongovernmental organisations, international organisations, private foundations and local entities dedicated to the eradication of poverty and the preservation of public goods. The primary objective of the group is to create a conducive forum for the exchange of experiences and best practices on various innovative solutions to achieve development goals.

[256] DCD/DAC/STAT(2013)17, Guarantees for Development: Options for Data Collection.

[257] European Commission (2014), 'Blending – European Union Aid to Catalyse Investments'. Downloadable at: http://ecdpm.org/wp-content/uploads/blending-leaflet.pdf

Latin America Investment Facility (LAIF)	2010	226.65 for 201–014 from EU budget	EIB, NIB, AECID, AFD, KfW, OeEB, SIMEST, SOFID. Regional development banks in association: BCIE, IDB, CAF.
Investment facility for Central Asia (IFCA)	2010	85.57 for 2010–14 from the EU budget	EIB, EBRD, NIB, AFD, KfW, OeEB, SIMEST, SOFID
Asia Investment Facility (AIF)	2011	86 for 2011–14 from the EU budget	EIB, EBRD, NIB, AFD, KfW, OeEB, SIMEST, SOFID and ADB in association
Caribbean Investment Facility (CIF)	2012	70.2 from 10th EDF	EIB, NIB, AECID, AFD, KfW, OeEB, SIMEST, SOFID, CDB, IDB. Regional development banks in association: CAF, CABEI.
Investment Facility for the Pacific (IFP)	2012	10	EIB, AFD, KfW, ADB, and World Bank Group in association.

Source: Adapted and updated from J. Nuñez Ferrer and A. Behrens, *Innovative Approaches to EU Blending Mechanisms for Development Finance*, CEPS Special report, 2011.

4.4. EU Policies and Programmes

4.4.1. Innovative Financing Sources

Some progress was made in 2014 in political discussions on the proposed financial transaction tax (FTT). Member States are still negotiating a Council directive[258] presented by the European Commission in 2013 and approved by the EU parliament with some amendments.[259] In May 2014, of the 11 Member States[260] that had agreed to discussions under an enhanced cooperation procedure, all but one, Slovenia, committed to implement the directive by 1 January 2016.[261] In December 2014 the Presidency of the European Council presented a report at a meeting of the Economic and Financial Affairs Council[262] that detailed the status of the proposed FTT and reviewed issues related to the taxation principles and collection mechanisms that need to be addressed by the Council. The participating Member States agreed on the FTT's progressive implementation. In a side discussion of a Economic and Financial Affairs Council meeting held on January 27, 2015, the participating Member States reached a consensus: the FTT should have the broadest possible scope and be set low, while its economic impact and any risk of relocation should be taken into consideration.[263] While there is still no consensus on the

---

258 COM (2013) 71.
259 http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2013-312.
260 AT, BE, DE, EE, EL, ES, FR, IT, PT, SI, SK.
261 EU Council, *Press release,* 6th May 2014.
262 Council of the European Union, 'Outcome of the Council Meeting on Economic and Financial Affairs', Press release, 9 December 2014, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/146136.pdf; Council of the European Union, Proposal for a Council Directive implementing enhanced cooperation in the area of Financial Transaction Tax - State of play, 4 December 2014, http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2016498%202014%20INIT.
263 German Federal Ministry of Finance, Eurogroup and ECOFIN meetings in January 2015: The German Finance Ministry reports, 4 February 2015,

allocation of future tax revenues, the European Commission supports the objective of devoting part of the revenue raised from the FTT to development and the mitigation of climate change.

According to an impact assessment carried out by the European Commission,[264] an FTT set at 0.01% could raise as much as EUR 37.7 billion if applied to financial markets such as equity, bonds and derivatives. France and Hungary (since 2012) and Italy (since 2013) are the only EU Member States already levying an FTT. Belgium adopted a currency transaction tax law in November 2014 that will become operational as soon as a consensus is reached in the euro zone. France reported that of the revenue generated by the FTT in 2014, EUR 100 million (compared with EUR 60 million each in 2012 and 2013) was allocated to development aid and qualified as ODA.

France is considering the introduction of several financing sources. Small, voluntary payments to NGOs by individuals could be associated with electronic payment transactions (GoodTransaction) and exempted from taxation. A new lottery game under preparation could devote 2% of its revenue to projects selected by the French Development Agency and carried out by NGOs. Also considered was a concessional loan to be provided by the French Development Agency to the Gavi Alliance, to be reimbursed by the Bill and Melinda Gates Foundation.

France is also leading EU efforts to raise funds through the airline ticket levy, which raised EUR 204.5 million for development financing in 2014. Other countries, including developing countries, also participate in the airline ticket levy.

Belgium raised EUR 79.4 million through a tax on lottery tickets. The funds were invested in the Special Fund for Food Security and Agriculture.

Austria will support the establishment of private foundations dedicated to 'common goods', to probably include those organisations working in the field of development cooperation.

The Netherlands created the Inclusive Business Accelerator, which facilitates the acceleration of impactful entrepreneurship in base-of-the-pyramid markets through the delivery of business services and tools to businesses in developing countries, and through the match of investment-ready business plans to investors.

The United Kingdom, France, Italy, the Netherlands and Sweden have made long-term pledges to the International Finance Facility for Immunisation (IFFIm).[265] To date, nearly EUR 4.3 billion has been raised by the facility.

---

http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Europe/Articles/2015-02-04-eurogroup-ecofin-january-2015.html.

[264] SWD (2013) 28 final, http://ec.europa.eu/taxation_customs/resources/documents/taxation/swd_2013_28_en.pdf; Technical fiche : http://ec.europa.eu/taxation_customs/resources/documents/taxation/other_taxes/financial_sector/fact_sheet/revenue-estimates.pdf

[265] Launched in 2006, the IFFIm aims to rapidly accelerate the availability and predictability of funds for immunisation. IFFIm sells bonds (called Vaccine Bonds) on capital markets to raise funds for the Gavi Alliance. The World Bank has been appointed as treasury manager of the facility.

4.4.2. *Innovative Financing Instruments*

The blending of loans and grants[266] is designed to mobilise investment, including project finance, in developing countries by combining grant funding with additional financing from private or public sources. Blending includes the use of guarantees and insurance schemes, risk capital (equity and quasi-equity), interest rate subsidies and technical assistance. By addressing financing gaps, blending can leverage private finance for projects with a low financial but high social return.

Blending can be particularly useful in circumstances where, because of market failures, market participants, possibly including development finance institutions, are not providing financing in sufficient amounts or on suitable terms for otherwise financially viable projects. Addressing market failures is not enough, however.

To justify the use of scarce EU budget funds, blended financing packages must offer clear value added (additionality), and their design must reflect an alignment of interest between the Commission and its implementing partners. Used properly, blending has the potential to use limited grant resources to leverage significant amounts of nongrant resources and thus to enable projects to reach more people, to have a broader impact, and to generate better outcomes.

As a tool of EU external policy, blending follows the priorities of EU partner countries and relevant EU policies. Projects supported through blending are demand-driven and always subject to thorough screening.[267]

Under the 2014–20 Multiannual Financial Framework, the EU intends to deploy a greater share of its external cooperation funds through blending mechanisms in order to support responsible investments in infrastructure, small and medium enterprises, and other areas. Blending is particularly relevant in energy, transport, environment, agriculture and social sectors. Its expanded use is motivated by the need to use limited budget funds as efficiently as possible, as well as by the belief that grants may not constitute the optimal type of support in some settings, particularly those that generate cash flow but whose viability may be impeded by specific market or institutional failures that can be obviated or addressed by financial instruments.

In December 2012 the EU launched the Blending in External Cooperation (EUBEC) Platform to further increase the effectiveness of blending. The EUBEC Platform is led by a policy group that makes recommendations based on work carried out in seven technical groups formed in 2013–14. The policy group is chaired by the Commission and involves

---

[266] The revised financial regulation that governs the establishment and implementation of the EU budget defines EU 'financial instruments' as 'measures of financial support provided on a complementary basis from the budget in order to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants'.
See, http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm

[267] Projects to be supported by the EU facilities go through a selection process during which the following criteria are examined: (i) geographic and sector eligibility; (ii) the degree of local ownership; (iii) development criteria, including poverty reduction and contribution to economic development and trade; (iv) the economic viability of the project and its noneconomic benefits; (v) debt sustainability; and (vi) social and environmental impact.

representatives from Member States, the European Parliament and the European External Action Service. It has met six times (December 2012; June and December 2013; April, July and December 2014) to discuss the work of the technical groups and other topics, such as the future governance of EU blending facilities and the role of non-EU financial institutions in those blending facilities.

The technical groups are made up of experts from the EU, financial institutions and Member States. Their themes are (i) review of existing blending mechanisms; (ii) enhancement of blending activities; (iii) improvement of processes, including the *ex ante* technical and financial analysis of projects and indicators for measuring results; (iv) promotion of financial instruments; (v) contracting, monitoring and reporting; (vi) mobilisation of private sector resources; and (vii) climate change financing.

In addition to the meetings of its policy group and technical groups, the EUBEC Platform has organised four workshops on (i) climate change mainstreaming in blending facilities, (ii) debt sustainability, (iii) blending and ODA, and (iv) export credit (which took the form of a roundtable with European export credit agencies). A training session on financial instruments was organised in July 2014 for representatives of Member States.

The EUBEC Platform's first report to the European Council and Parliament, covering the period up to July 2014, was adopted by the Commission on 15 December 2014.[268]

A concrete outcome of the work done by one of the EUBEC Platform's technical groups was a revised grant application form and detailed guidelines that were made effective for all new project proposals in early 2014. The new application has 37 areas in which applicants provide information about their projects, including local consultation, the involvement of EU delegations, additionality, financial structure, risks, debt sustainability (keyed to the debt-sustainability framework of the International Monetary Fund) and indicators of results.

Thanks to the EUBEC Platform, EU blending mechanisms now have a results-based framework and a more standardised reporting method. Under the results framework applicants provide *ex ante* information on the expected results of blending projects, measure the outcomes of their funding activities, and compile more detailed and comparable reports. The framework includes sector-specific indicators (e.g., number of people benefitting from safe drinking water), cross-sector indicators (e.g., number of beneficiaries living below the poverty line), and more general considerations.

While the duplication of effort should be avoided, financial institutions are now asked to involve EU delegations more systematically in project consultations held with local civil society and stakeholder populations. To date, four such meetings have been held with representatives of civil society organisations and the private sector – two in April and July 2013; a brainstorming session on how to catalyse private financing with blending, organised in the context of the European Development Days in November 2013; and another in July 2014.

[268] European Commission, 'First Report to the Council and Parliament on the EU Platform on Blending in External Cooperation (EUBEC)', December 2014.
http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-733-EN-F1-1.Pdf

As noted, grant additionality is a key concept relevant to blended finance.[269] The use of scarce grant funding is justified only when it can be shown to generate significant additionality (or added value). In order to assess EU grant additionality in a structured and measurable manner, the EUBEC Platform has determined several dimensions of additionality (including financial additionality and project quality) and incorporated them into the new application form.

In October 2014 the European Court of Auditors issued a report on the effectiveness of blending. The audit focused on the set-up and management of the regional investment facilities and on the extent to which the intended benefits of blending were achieved. The court concluded that blending regional investment facility grants with loans from financial institutions to support EU external policies has been generally effective, though the potential benefits of blending have not been fully realised owing to management shortcomings within the Commission (e.g., an insufficiently thorough approval process, decisions not adequately supported by evidence, insufficient guidance on decision making).

Overall, between 2007 and 2013, the EU earmarked nearly EUR 2 billion to leverage investments amounting to more than EUR 19.3 billion in 270 blended projects. However, the leveraging of private resources remains very limited. Out of EUR 2 billion, only EUR 221 million was allocated to 20 projects involving some form of private sector involvement. The EU grants allocated to blending projects supported energy (41%) and transport (24%) infrastructure. Another 24% was invested in social infrastructure related to access to clean water, waste treatment, housing, health, urban development and the environment. A further 11% helped the local private sector (notably micro, small, and medium-sized enterprises) to strengthen local production and create jobs. Neighbouring countries in Eastern Europe and the Mediterranean received EUR 291 million in grants; Sub-Saharan Africa, EUR 60 million; Asia, EUR 26 million; Central Asia, EUR 18 million; Latin America, EUR 14 million; and the Pacific, EUR 9.3 million.

[269] The EU financial regulation specifically requires that 'the added value of Union involvement' be demonstrated *ex ante* for all programmes and activities occasioning budget expenditure. In the context of blending, the benefits and probable outputs of the grant element must be demonstrated.

5. USING DEVELOPMENT FINANCE EFFECTIVELY

EU Commitments

- ***Council Conclusions of 17 March 2014 on the EU Common Position for the First High-Level Meeting of the Global Partnership for Effective Development Co-operation, held in Mexico City on 15–16 April 2014****: The EU and EU Member States commit to improving the coherence of policy for development, with the aim that development cooperation complement the relevant policies shaping international relations. The EU and EU Member States also commit to reducing aid fragmentation and implementing commitments to improve development effectiveness. The European Council notes that the Global Partnership for Effective Development Co-operation (GPEDC) should support the development of strong institutional capacity for tax administration and policy making, alongside existing commitments to democracy, good governance and the rule of law. The GPEDC should also support the fight against corruption, tax havens, illicit financial flows and the inefficient use of natural resource revenues. The conclusions also link the GPEDC to the post-2015 agenda and the High-Level Forum, reiterating existing commitments and priorities and calling for 'the implementation of the post-2015 agenda [to] integrate the Busan principles of country ownership, inclusive development partnerships, transparency and mutual accountability, and focus on results'.*

- ***Council Conclusions of 12 December 2013 on financing poverty eradication and sustainable development beyond 2015:*** *The Council underlines the importance of supporting more effective development cooperation. The Busan Partnership agreement has a critical role to play in this effort, and the Council is committed to implementing the Busan Outcome.*

- ***Council Conclusions of 15 October 2012 on financing for development:*** *The EU will implement the European Transparency Guarantee and the commitments related to the common open standard for publishing information on development resources. These include the goal of publishing relevant implementation schedules by December 2012, with the aim of full implementation by December 2015. The EU is also committed to reducing aid fragmentation in line with the Busan Outcome Document, notably through promoting joint programming, as defined in the Council Conclusions on the EU Common Position for the Fourth High-Level Forum on Aid Effectiveness, and increasing coordination in order to develop a common EU joint analysis of and response to partner countries' national development strategies.*

- ***Council Conclusions of 14 November 2011 on the EU Common Position for the Fourth High-Level Forum on Aid Effectiveness:*** *The Council emphasises the importance of joint programming, the cross-country division of labour, the use of country systems, mutual accountability, results and transparency. It also endorses application of the aid effectiveness principles to climate-change finance.*

- ***Council Conclusions of 17 November 2009*** [270] ***on an Operational Framework on Aid Effectiveness, with additions made in June 2010 (cross-country division of labour) and December 2010 (accountability and transparency*** [271]***):*** *This contains measures in three areas: (i) division of labour (including selected measures to further implement the EU Code of Conduct on the Complementarity and Division of Labour in Development Policy); (2) the use of country systems, and (3) technical cooperation for enhanced capacity development. EU Member States and the Commission were asked to start implementing these measures immediately (both individually and jointly).*

5.1. Introduction

Development effectiveness is about how to get more out of development financing. The EU and EU Member States actively promote development effectiveness in what has become in an increasingly complex policy space, amid ongoing calls to developed countries to allocate 0.7%[272] of their gross national incomes (up from 0.3%[273] reported in 2013) to development cooperation. An international consensus on the need to make aid more effective by reducing transaction costs and focusing more on results emerged in the four high-level forums (HLFs) of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). These four high level meetings were held in Rome (2002), Paris (2005), Accra (2008) and Busan (2011). The Paris Declaration in particular (endorsed at the second HLF) presented five key aid effectiveness principles: ownership, alignment, harmonisation, results-based management and mutual accountability. The Paris Declaration helped to frame the debate on effectiveness and galvanised donors and partners.

In 2011, at the fourth HLF (in Busan), the aid effectiveness principles were further expanded to accommodate a focus on the broader and higher-level objective of development effectiveness. The focus on the effectiveness of development over that of aid implies expanding ownership beyond individual partner country governments to include both governments and non-state actors in the pursuit of effective development cooperation. Meanwhile, more attention is being paid to how aid complements other sorts of development financing. The OECD's 2014 *Development Cooperation Report*[274] points out that official development assistance (ODA) is only one part of the equation: 'at nearly USD 135 billion in 2012 (around EUR 120 billion at current rates), ODA represented only 28% of all official and private flows from the 29 member countries of the OECD's Development Assistance Committee (DAC). Overall in 2012, developing countries

[270] Council Conclusions on an Operational Framework on Aid Effectiveness, 15912/09, 18 November 2009.

[271] Council Conclusions on an Operational Framework on Aid Effectiveness – Consolidated text, 18239/10, 11 January 2011.

[272] Paragraph 42 of the 2002 Monterrey Consensus states 'we urge developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of gross national Income (GNI) as ODA to developing countries'. Currently only five Member States (NK, LU, NL, UK and SE) have met or expressed their continued intention to meet the 0.7% target, although 11 reported increasing their budgets or increasing debt relief in 2014 (BG, DK, EL, FR, IE, IT, LV, MT, PL, RO and SE). Nine (BE, DK, FI, FR, IE, LU, NL, SE and UK) also reported in 2014 that they intended to meet the target of spending at least 0.15% of GNI on least-developed countries.

[273] http://oecd.org/dac/stats/idsonline.htm.

[274] OECD (Organisation for Economic Co-operation and Development), (2014), *Mobilising Resources for Sustainable Development*, OECD Development Co-operation Report.

received USD 474 billion from DAC countries'. (This last figure combines public sector lending at below-market rates, philanthropy, charity and foreign direct investment.) Furthermore, ODA increasingly accompanies significant grants, loans, barter, investments and trade from developing countries – including 'emerging' donors such as China, Brazil and India. Recognising this evolving and increasingly complex environment, a new and more inclusive Global Partnership for Effective Development Co-operation (GPEDC) was established to bring together a wider range of countries and organisations committed to development cooperation and better results.

The GPEDC has, in itself, become an important and authoritative institution. It was set up following the Fourth High-Level Meeting on Aid Effectiveness in Busan in 2011. It marked a shift in focus from aid effectiveness to aid and development effectiveness, enshrining the principles of country ownership, focus on results, inclusive partnerships, transparency and accountability.

The first GPEDC high-level meeting took place in Mexico in April 2014. The meeting highlighted key strengths of the GPEDC, among them the ability to convene a genuinely diverse group of actors to focus on issues that really matter for developing countries, the establishment of a mechanism to monitor and measure progress and a genuine commitment to improve effectiveness on the ground. At the same time, however, the need to improve in other areas became clearer too. Those areas include the scope of the GPEDC's role, including with regard to UN-led processes; the need to strengthen relationships between industrialised and emerging economies; the need for better data and more robust methodologies in monitoring; better governance (in terms of GPEDC working arrangements) and ways to advance the aid and development effectiveness agenda in light of differing levels of commitment from members of the partnership.

In preparation for the high-level meeting in Mexico City, the GPEDC circulated a report on progress subsequent to Busan, focusing on the four principles of ownership: results, inclusive development partnerships, transparency and accountability. GPEDC monitors development effectiveness across ten indicators that embody the five principles of the Paris Declaration and, importantly, add[275] an enabling environment for civil society, private sector participation, the transparency of development cooperation information, parliamentary oversight of aid, predictability and untying of aid as well as gender equality.

The GPEDC report finds that important progress was achieved after Busan. However, one ongoing and persistent challenge is not being met by development partners: that of enabling partner governments' ownership of donor-funded initiatives. A lack of joint ownership undermines the effectiveness of programming globally. As the report notes, 'Longstanding efforts to change the way development cooperation is delivered are paying off, but much more needs to be done to transform cooperation practices and ensure country ownership of all development efforts, as well as transparency and accountability among development partners'.[276]

---

[275] http://effectivecooperation.org/files/about-trackingprogress/INDICATORS.pdf.
[276] See http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/MakingDevCoopMoreEffective2014PROGRESSREPORT.pdf (p. 6).

The EU prepared a joint report before the 2014 GPEDC meeting that also highlights persistent challenges to enabling partner country ownership. On the other hand, the report cites significant advances in mainstreaming development effectiveness considerations into both EU and EU Member State programming: 'There is evidence that previous achievements … of aid effectiveness principles have been sustained, giving the EU and its Member States an incentive for targeted action to build on success, encourage continued investments in the implementation of Busan Commitments and address the remaining bottlenecks'. Notably, the EU reports success in harmonisation and coordination and reducing transaction costs, even though fragmentation persists. In terms of *ownership*, the EU is rolling out joint programming (that is, joint country strategies to support partner country development plans) that promises further results in the post-2015 environment.

The EU and EU Member States are also focusing more on managing for *results* and on consulting and partnering with civil society and the private sector to ensure more *inclusive development partnerships*. At the same time, the EU has invested significantly in increasing *transparency* to improve accountability, most notably by being an early supporter of the International Aid Transparency Initiative (IATI). The EU has submitted its data to IATI since 2012 and contributes more than its membership fees to IATI's organisational costs. In April 2014 the EU also established the 'EU Aid Explorer', providing public access to EU data. A detailed internal transparency action plan was approved in June 2014 to ensure that the EU moves towards a policy of 'full disclosure' of aid-related information.

The EU Common Position for the First High-Level Meeting of the Global Partnership[277] sees 'the Global Partnership [making] an important contribution to the post-2015 agenda, offering a more effective means of implementation [through integrating] the Busan principles of country ownership, inclusive development partnerships, transparency and mutual accountability, and focus on results'. The Council Conclusions also emphasise integrating the 'building blocks' of the GPEDC into decision-making, implementation and advisory structures as well as supporting implementation at the country level. In this regard, the EU actively supports dialogue around and monitoring of the building blocks, particularly in the areas of fragmentation, fragile states and country ownership.

5.2. Implementation Table

The following table summarises progress made in 2013–14 in implementing the EU commitments on aid transparency, joint programming and mutual accountability. Further details are discussed in the main text.

EU commitments	Target date	Status	Change, 2013–14	Comments
Implement the European Transparency Guarantee and the commitments related to the common open standard for publication of	December 2012 (schedule) and December 2015 (implementation)		-	By December 2013, the European Commission and 20 Member States, including all 9 that are signatories to the IATI, had published schedules to implement the common standard.

[277] Council Conclusions on the EU Common Position for the First High-Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico City on 15-16 April 2014.

EU commitments	Target date	Status	Change, 2013–14	Comments
information on development resources, including of relevant implementation schedules by December 2012, with the aim of full implementation by December 2015				By end-2014, 12[a] Member States and the European Commission reported publishing data in line with the 2015 common standard. The latest reports of the Aid Transparency Index, however, express concern that a small but increasing number of Member States are performing well while the majority remain in the poor/very poor category.
Promote joint programming and increase coordination in order to develop a EU joint analysis of and response to partner countries' national development strategies	No date specified		=	Joint programming is under way or in the process of being developed in 55 partner countries and increasingly seen as a norm in programming, alongside shared analysis and collaboration with like-minded donors. In the period 2014–20, joint programming is becoming a regular feature of EU bilateral development cooperation. EU joint programming documents agreed in 2014 constitute a shared analysis and shared programming response in partner countries. The EU and its Member States agreed to guidelines on joint programming in late 2014; four Member States[b] report substituting their joint programming documents for the equivalent of their own bilateral country strategy papers.
Implement the results and mutual accountability agenda	No date specified		=	At this stage, the EU and 18[c] Member States participate in mutual accountability arrangements in more than 50% of their priority countries, with only three reporting doing so in less than 10% of their priority countries. The EU and 16[d] Member States also participate in country-level results frameworks and platforms in more than 50% of their priority countries.

Note: **Green** = achieved or on track to be achieved; **Orange** = limited achievement, partly off track; **Red** = off track. Change in the fourth column refers only to change in colour of the traffic light, and does not reflect positive or negative changes that were not great enough to justify a change in colour. IATI = International Aid Transparency Initiative.

[a.] BE, CZ, DE, DK, ES, FI, FR, IE, NL, PL, SE, UK.

[b.] AT, DE, DK, FR.

[c.] AT, BE, CZ, DE, DK, ES, FI, FR, IE, IT, LU, LV, NL, PL, PT, RO, SE, UK.

[d.] AT, BE, CZ, DE, DK, FI, FR, HU, IE, IT, LU, LV, NL, PL, RO, UK.

5.2.1. Post-Busan Implementation

Five Member States[278] have now published their Busan implementation plans and two have adopted it as an internal document,[279] an increase from only two in 2013. Many Member States[280] have opted instead to integrate the Busan principles into their development cooperation policies, strategies or plans. For example, the United Kingdom's Department for International Development (DFID) has incorporated the principles and commitments from Busan into its working practices, and is co-chairing the GPEDC. Austria has developed a guidance document, and Germany intends to adopt an implementation plan following a 2015 peer review. Greece plans to incorporate the principles into its Mid-Term National Development Cooperation Plan. The European Commission has incorporated aid and development effectiveness principles in its programming guidelines and hopes to publish a Busan Implementation Plan in 2015.

5.2.2. Transparency of Development Finance

The communiqué of the GPEDC's first high-level meeting[281] echoes EU efforts to invest in increasing transparency and accountability by making information publicly available and creating space for development partners and partner governments to monitor and hold one another accountable for implementing commitments. As previously noted, the EU has continued to invest its own resources in strengthening the capacity of the IATI, ensured continued support for maintaining the OECD's accessible aid databases and improved transparency internally by publishing more data on EU websites. Support of the EU Aid Explorer, a web-based tool, is ongoing.

Yet the 2014 Aid Transparency Index[282] reports that the performance of the 28 EU Member States is off track overall and that the Member States as a group will likely not meet their 2015 goal to 'share openly aid information that is timely, comprehensive, comparable and accessible'. There are growing divergences between a group of EU 'transparency champions' and those that have made 'no discernible progress to date'. IATI also assesses four main Commission departments that manage aid. All rank well and have progressed. Out of 67 agencies monitored, DG Europeaid ranks 13th, DG Enlargement ranks 14th, DG ECHO ranks 16th and FPI ranks 12th.

---

278 ES, FR, LU, PL, PT.
279 DK, IE.
280 AT, BE, BG, DE, EC, EL, FI, IE, LV, RO, UK.
281 First High-Level Meeting of the Global Partnership for Effective Development Co-operation: Building Towards an Inclusive Post-2015 Development Agenda Mexico High Level Meeting Communiqué, 16 April 2014:
http://effectivecooperation.org/wordpress/wp-content/uploads/2014/07/ENG_Final-ConsensusMexicoHLMCommunique.pdf.
282 http://ati.publishwhatyoufund.org/wp-content/uploads/2014/09/EU-Report-2014-_Final.pdf.

5.2.3. *Joint Programming*

Joint programming is, essentially, the process of formulating a joint country strategy for programming in partner countries. Joint programming comprises a shared analysis, a shared response and a division of labour that indicates which participating donors are in which sector, and their financial allocations. Joint programming involves synchronising EU and EU Member States' development planning processes with those of partner countries, thus enabling greater partner country ownership and reducing transaction costs. Joint programming is now considered the norm, and is explicitly outlined in the programming instructions of the EU and some Member States. The Council Conclusions of November 2011[283] set joint programming as a priority at the highest level and target the 2014–20 programming period for its widespread implementation.

Joint programming is designed to be as flexible as possible, to allow for partner country specificities, and thus tends to produce unique formulations. Joint programming has also attracted the attention of 'like-minded' donors: Switzerland and Norway are frequent participants. In November 2014 the EU and EU Member States provided final inputs into EU joint programming guidance that is now in circulation and being used operationally. The EU and eight EU Member States – Belgium, Denmark, Finland, Germany, Italy, Luxembourg and the Netherlands and Spain – have also elaborated their own guidelines on how their country offices and headquarters should best support joint programming processes.

As of December 2014 the EU reported[284] that in 19 partner countries joint programming is in place; 20 more will finalise their joint programming processes by 2016, and 16 more partner countries are in the analysis phase. In sum, joint programming processes are either concluded or ongoing in a total of 55 partner countries.

5.2.4. *Common, Results-Based Approach*

To promote a common, results-based approach, the EU is designing an International Cooperation and Development Results Framework, which will be based on partner countries' own poverty reduction and related strategies. The structure of the framework is similar to that used by other donors. It will have measures of performance that assess overall development progress, specific outcomes and outputs to which the EU is contributing and measures of organisational performance. Where feasible, indicators already being used by others will be adopted. Furthermore, as with other donors, the number of indicators will be limited to a manageable set to facilitate assessment of overall performance. Data will be drawn from country-level results frameworks, and will aim at strengthening transparency and mutual accountability.

The development of the EU's new framework fits neatly with the focus on results in the medium term. The December 2014 report of UN secretary-general Ban Ki-moon, 'Road to Dignity', reinforces the EU's and GPEDC's repeated calls to improve programming for

[283] Council Conclusions of 14 November 2011 on the *EU Common Position for the 4th High-Level Forum on Aid Effectiveness*, Doc. 16773/11.

[284] European External Action Service, presentation to technical seminar on EU joint programming in Stockholm, Sweden, November 2014.

results.[285] Much of the thinking and analysis on the issue of results is captured in the November 2014 OECD report 'Measuring and Managing Results in Development Co-operation', which neatly pins the core of the problem as 'a lack of institutional demand for results information for decision making and learning'[286] in donors' own organisations. Pressure on donors to change their organisational cultures and to focus more on results is building. The prioritisation of results can also be seen in a push for development cooperation that delivers results that are meaningful to and measurable by partner countries (accompanied by a push to strengthen partner countries' statistical systems). At the same time, the results agenda is intertwined with the political imperative to better report to donors' domestic audiences on how aid is being spent. This has led some donors to argue that development financing should be measured against universal indicators (using a common, results-based approach). The EU is currently exploring the use of joint results frameworks in countries that include Cambodia, Kenya and Senegal.

5.2.5. New Deal for Engagement in Fragile States

The New Deal for Engagement in Fragile States was formulated by the International Dialogue on Peace Building and State Building (IDPS) and presented at the Fourth High-Level Forum on Aid Effectiveness in Busan in December 2011. It was endorsed by the EU following Council conclusions. The EU's Common Position on Busan resolved to 'adopt a new approach to fragile and conflict-affected situations, based on effective support for peace-building and state-building goals agreed jointly at the level of partner countries'. The New Deal (which focuses on the unique challenges facing fragile states) was subsequently signed by 43 countries and 6 international institutions. It was endorsed by 35 countries, as well as by the EU.

The New Deal's three pillars of (i) peace-building and state-building goals (PSGs), (ii) focus principles and (iii) trust principles support mutual trust and strong partnerships between countries and their international partners

Substantial progress has been made in implementing the New Deal's provisions at the country level and through reforms and action by development partners and governments. Six countries (the Democratic Republic of Congo, Liberia, Sierra Leone, South Sudan, Timor-Leste and Comoros) have already taken the first step towards implementation by conducting their fragility assessment, a country-led measurement of the country's fragility with the PSGs as a benchmark. The fragility spectrum is a diagnostic tool that draws on local knowledge to facilitate self-assessment, helping a country understand its current position in the overall transition process and adjust its planning to the needs of that specific stage. Discussions and agreement on implementing other components of the New Deal (such as transition compacts) are ongoing in several countries, including Somalia, where the EU is heavily involved.

There is no blueprint for the New Deal, which allows it to be adapted to each country's priorities and challenges. In all cases, however, the New Deal is an important

---

[285] United Nations, 'The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet', synthesis report of the Secretary-General on the post-2015 sustainable development agenda, 4 December 2014, http://www.un.org/ga/search/view_doc.asp?symbol=A/69/700&Lang=E.

[286] OECD.org (2014), 'Measuring and Managing Results in Development Cooperation'.

commitment between donors and partners to change how support is provided and received, with a focus on putting partner countries in the driver's seat. It represents a partnership between countries and donors that enables each to hold the other to account on behaviours and actions.

The EU and 15 Member States[287] have adapted their procedures to the specificities of fragile and conflict-affected countries. For example, in 2013 the EU revised its joint programming approach in South Sudan to better complement and support the New Deal. The EU has also changed its financial regulations to allow for EU trust funds where the context calls for them. Just as important, more space has been created in the context of the New Deal for high-level policy dialogue on fragility and conflict.

Since Busan, the EU has adopted new policies and aid modalities to advance the principles of the New Deal. These include Council Conclusions on Increasing the Impact of EU Development Policy, an Agenda for Change (2012) and the Joint Communication on the EU's Comprehensive Approach to External Conflict and Crisis (2013).

The European Commission has adopted flexible procedures in crisis situations related to procurement and calls for proposals, enabling accelerated programme implementation to address urgent needs. Special measures can also be adopted for *ad hoc* financing decisions outside the Annual Action Plan, and programming guidelines for 2014–20 now provide flexibility for programming in fragile states and will strive to link sector interventions to the PSGs where appropriate. A short-term component of the Instrument Contributing to Stability and Peace enables the EU to prevent and respond to crisis.

The EU renewed its policy on budget support in October 2011, recognising the uniqueness of budget support for state building in fragile contexts. The policy offers three options for budget support, including good governance development contracts, sector reform and state-building contracts to support fragile states' transition to democratic governance and development.

Measures are being taken by the EU to improve aid transparency in fragile states. The European Commission and EU Member States established the EU Transparency Guarantee as part of the Common Position for the Fourth High-Level Forum on Aid Effectiveness in Busan. The Aid Transparency Index measures the implementation of international aid.

Since the launch of the New Deal, substantial progress has been made in implementing its principles at the country level by aligning national indicative programmes with the PSGs and ensuring selection of the sectors most susceptible to improvement under the deal (in terms of entry points and constraints). Moreover, significant efforts have been made to build staff capacity to perform in fragile and conflict-affected contexts. Guidance for staff has been formalised through a systematic approach to training and the development of a staff handbook for operating in fragile environments.

The EU and its Member States complement their country work though active participation in the OECD-DAC International Network on Conflict and Fragility (INCAF) and in the

[287] AT, BE, CZ, DE, DK, EC, EE, FI, FR, IE, IT, LT, NL, PT, SE, UK.

International Dialogue on Peace-building and State-building. In 2014, the EU co-chaired the INCAF Task Team on Implementation and Reform, which aims to focus attention on implementation on the ground.

5.2.6. The Resilience Approach in Crisis-Prone Countries

In June 2013 the Commission adopted an Action Plan for Resilience in crises-prone countries, setting out proposals for progress on the implementation of the principles and priorities outlined in related communications and the Council conclusions on building effective links with the New Deal.

Building on the overall Agenda for Change framework, the action plan lays the foundations for more effective EU collaborative action in complex contexts by addressing the multiple, interlinked causes of poverty, fragility and vulnerability. The underlying element in building resilience is the need to address the root causes of the crisis rather than perpetually reacting to its consequences and to build synergies between humanitarian action, long-term development cooperation and ongoing political engagement.

The aim is to establish a systematic and holistic approach in crisis and risk-prone contexts, notably by helping at-risk populations to withstand, cope with, adapt and quickly recover from stresses and shocks without compromising long-term development prospects. Resilience was successfully mainstreamed in 2014–20 programming for sectors ranging from food and nutrition to health and employment. The tools needed to implement the concept, such as the Joint Humanitarian Development Framework, are under continuous development. The First Resilience Forum, held in April 2014, proved that the concept has been widely accepted by Member States and international donors, who have integrated it in their respective programmes.

5.2.7. Public-Private Engagement in Development

In an increasingly globalised world it is impossible to approach development financing without recognising complementarities with the private sector and opportunities to partner with it. The EU and 18 Member States[288] thus ensure regular dialogue with the private sector on development cooperation. The role of the private sector is becoming increasingly important in achieving inclusive and sustainable growth, as for instance in Bangladesh,[289] where the EU supports a joint public-private initiative, the Global Sustainability Compact, to address the causes of the 2013 factory fires, and aims to improve labour and environmental standards. In May 2014 the EU adopted a new communication entitled ‘A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries’.[290] In the second set of Council Conclusions of 12 December 2014, the Council welcomed the commitment of Member States to apply a common framework based on a set of principles and criteria to address challenges such as how to (i) identify the most promising approaches to and models of

[288] In 2014 AT, CZ, DK, EC, EE, ES, FI, FR, HU, IT, LT, LV, NL, PL, PT, RO, SE, SK and UK all reported having access to and/or using dedicated public-private mechanisms for dialogue and knowledge sharing on development with the private sector.

[289] This features prominently in the EU+ joint programming process in Bangladesh.

[290] EU 2014 Communication, ‘A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries’.

collaboration with the private sector in development cooperation; (ii) ensure effective guidance on and oversight of due diligence, in particular with respect to human rights; (iii) ensure alignment of interests and mutual accountability among different stakeholders; (iv) mitigate reputational and fiduciary risks, in particular for the EU and its Member States; and (v) assess and measure the development impact of private sector engagement. This framework will also raise awareness of the opportunities and conditions for successful partnerships with the private sector.

To harness the potential of the private sector as a partner in development cooperation, the communication proposes to develop a framework for structured dialogue at all levels. At the global level, the Commission endorsed in July 2014 the Busan Joint Statement on Public-Private Collaboration and joined active Member States in the Partnerships for Prosperity (P4P) that emerged from the Busan private sector building block. At the EU level, an initial workshop involving private sector actors and organisations, civil society organisations, and local authorities was held in October 2014 within the framework of the Policy Forum on Development (PFD). Interactions are also taking place at the sector level in infrastructure, energy and health, and are under preparation in other sectors, including in agriculture.

The EU also uses existing national and regional, government-led public-private dialogue mechanisms in countries where private sector development, trade and regional integration are focal sectors. Member States use national private sector platforms to discuss how their private sector can participate in development cooperation. These platforms either have a general scope and cover all sectors (e.g., Austria's CorporAID platform for business, development and global responsibility; the Czech Republic's Business Platform for Development Cooperation; France's Global Compact; Sweden's Leadership for Sustainable Development Network; the Slovak Republic's Platform of Entrepreneurs for International Development Cooperation; the United Kingdom's Business Fights Poverty and Business Call to Action), or are sector- or issue-specific (e.g., the German Food Partnership, Health Care Partnership, and Sustainable Cocoa Forum; the Dutch Initiative for Sustainable Trade).

Meanwhile, the EU and EU Member States, among other donors, are increasingly using innovative financing such as through blending loans and grants and financing equity. In 2014 the EU was preparing to extend blending through seven regional instruments[291] to reduce the initial investment and overall cost for partner countries in eligible projects. It was also financing specialised technical assistance, mobilising risk capital and reducing risks by providing guarantees.

The European Commission has identified the potential of blending EU grants with loans and/or equity from public and private financiers to increase the contribution of aid to economic and social development. Blending is seen as a means to leverage substantially larger loan resources by reducing the risk and/or reducing the costs associated with deploying lending to development objectives. The European Commission has established the EU Platform for Blending in External Cooperation that works with financial institutions and EU Member States to identify potentially catalytic opportunities to use blending to attract more private financing. This involves the EU making greater use of financial instruments such as guarantees, equity and other risk-sharing instruments for

[291] https://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

infrastructure investments. The EU is also exploring options to expand the scope of blending in new areas, such as for sustainable agriculture and social sectors, and to facilitate more projects with a strong impact on local private sector development. One area in need of focus is improving small and medium-sized enterprises' access to finance through dedicated private sector windows in regional blending facilities.

5.2.8. Domestic Accountability, National Ownership and Public Financial Management

Managing development cooperation to ensure results is easier where circumstances are predictable (well reported in the OECD's 2014 *Global Outlook on Aid*[292]). Accurately forecasting aid volumes remains a daunting task, and the debate on how and what to classify as development financing persists. In 2015 it is possible that competing perspectives on how to define ODA will give way to a new definition that better incorporates information on related private sector investment.

The 2014 data indicate that budget support is still far from the norm across most Member States. Only Romania, France, Belgium and Austria report allocating more than 10% of their spending to general or sector budget support although the European Commission reports as much as 50% of its spending using such modalities. It is notable, however, that Austria, Belgium, Denmark, Finland, France and Luxembourg report using an alternative approach that makes use of partner government systems for more than 10% of their spending; in fact Belgium, Denmark and Finland report using 'other' partner government systems to disburse between 50% and 80% of their programming.

At the partner country level, it is also important to note that national aid architectures are steadily becoming more institutionalised and gaining capacity to ensure sustained dialogue and mutual accountability. This capacity embedded in national aid architectures is only set to increase as joint programming becomes a reality and partners opt to use or strengthen existing architectures. The implication is that the EU could be supporting national aid architectures (whether directly or indirectly) in more than 50 partner countries by the end of 2016.

The use of country systems by the EU and its Member States remains below the targeted levels, both because of political and technical considerations as well as the will and interest of partner countries. Meanwhile, there is growing understanding that sound public financial management is just as important for the efficient use of domestic resources as is budget support or comparable modalities. The EU and EU Member States continue to invest in public financial management and are strong advocates of the Public Expenditure and Financial Accountability (PEFA) assessment tool that has contributed measurable to a common agenda for supporting partner country systems. Additionally, the EU and EU Member States often invest in strengthening related capacities such as in macroeconomic management, procurement and tax collection. In 2014 the EU and its Member States provided assistance in this field, as 13 Member States[293] supported public financial management reform in partner countries.

[292] http://www.oecd.org/dac/aid-architecture/GlobalOutlookAid-web.pdf.
[293] AT, BE, CZ, DE, DK, EC, ES, FR, LV, NL, PT, SE, SK and UK.

At the same time, it is important to note the increasing global commitment to strengthen national ownership and the inherent link between fundamental human and democratic rights and sound government stewardship of domestic and international development resources. The EU's 2011 Agenda for Change, the 2014 joint EU-ACP declaration on 'A Better Life for All' and the UN secretary-general's 'Road to Dignity' report affirm the need to safeguard fundamental human and democratic rights and democratic governance principles to ensure sustainable development. The communiqué of the GPEDC's first high-level meeting[294] went further, to call for development cooperation to strengthen 'the critical role of parliaments [in] overseeing development cooperation processes and action plans'. And the April 2014 GPEDC report on progress after Busan[295] calls attention to *democratic* ownership as a central pillar of sustainable development.

In 2012 the EU and its Member States established a European Endowment for Democracy that currently focuses on the Southern and Eastern neighbourhoods, in complement to the EU's European Instrument for Democratisation and Human Rights. The 2011 Busan Partnership agreement also enshrines greater space for civil society to participate in national development processes, the principles of which are echoed in EU policies. In this and other ways, the EU is mainstreaming civil society road maps in country-level programming and ensuring an enabling environment for civil society in all partner countries.

[294] http://effectivecooperation.org/wordpress/wp-content/uploads/2014/07/ENG_Final-ConsensusMexicoHLMCommunique.pdf.

[295] http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/Final-draft-ownership-paper-clean-10th-April1.pdf.

6. STRENGTHENING GLOBAL GOVERNANCE

EU Council Conclusions
In the ***Council Conclusions of 18 May 2009 (§36),*** *the Council cited global trade, investment and financial stability as essential for sustained growth, and welcomed the G20 agreement on the reform of the mandates, scope and governance of international financial institutions to reflect several priorities. These priorities include adapting to the new challenges of globalisation, ensuring greater voice and representation for emerging and developing countries, and integrating open, transparent and merit-based top management selection processes.*

The EU is committed to effective multilateralism, a pillar of the Lisbon Treaty and the European Consensus on Development. The EU provides more than half of global development aid and is a critical financer and advocate in the governance of international organisations and on development effectiveness. In January 2014 the EU revised its Financial and Administrative Framework Agreements (FAFAs) with the United Nations system and World Bank Group (WBG). The new framework agreements improve and strengthen cooperation at the operational level, enhance coherence and improve consistency.

Further, in 2014 Austria, France, Italy, Luxembourg, Romania and the United Kingdom underlined the need for further reform of international governance to restructure sovereign debt in order to prevent debt distress in low-income countries.

International Financial Institutions

The EU remains committed to supporting the role international financial institutions (IFIs) play in development financing. In the wake of the 2008 financial crisis, the EU continued its strategic and diplomatic engagement with a focus on the global economic outlook and coordinated actions to revive the world economy. The EU plays an important role in the global financial architecture and continues to be a vital contributor to multilateral development banks both globally and regionally: some 29% of EU development resources are channelled through international organisations. Furthermore, the EU provides key contributions to the WBG's global and national operations, with a strong emphasis on health and social services, public administration and law, education, agriculture, transportation and water and sanitation.

Governance reforms of Bretton Woods institutions. IMF members are currently ratifying the 2010 Quota and Governance Reform, which, once implemented, will enhance the credibility, legitimacy and effectiveness of the fund. All EU Member States have concluded their national ratification procedures. Given that the 2010 reforms were not implemented by end-2014, as requested by the IMF and G20 members, IMF members are working on interim steps to make meaningful progress in the key areas covered by the 2010 reforms, pending their full implementation. IMF members also agreed to move the deadline for the completion of the 15th General Review of Quotas and the associated review of the quota formula from January to December 2015. The 15th review is expected to result in further increases of the quota shares in emerging market and developing countries, in line with their relative positions in the world economy.

Regarding the World Bank governance reform, communiqués of the Development Committee of April and October 2014 underscored the need to remain committed to the implementation of the 2010 WBG shareholding realignment, urging all members to subscribe to their allocated International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) shares.

The WBG reviews its shareholder structure every five years to better align with shifts in the global economy and achieve an equitable distribution of voting power between developed, developing and transition countries. The last review took place in 2010, and the next is due in 2015.

The EU also follows developments in the global monetary and financial system and particularly the establishment of new development banks, such as the New Development Bank funded by Brazil, Russia, India, China and South Africa, as well as the Asian Infrastructure Investment Bank proposed by China.

In 2014 the EU began implementing new strategies for the post-2015 environment-based 2011 Agenda for Change and the 2014 Decent Life for All. The EU maintained a high-level dialogue with the World Bank throughout 2014 in part to maintain policy coherence.

United Nations

The EU supports the UN's fundamental role in global governance. The EU is investing heavily in the post-2015 agenda: in June 2014 it published the report 'A Decent Life for All: From Vision to Collective Action', which asserts that poverty eradication is an achievable goal within the lifetime of the current generation. 'A Decent Life for All' urges the global community to (i) recognise the universality of poverty but to differentiate responses to national circumstances, (ii) adopt a transformative sustainable development agenda and (iii) ensure accountability and transparency in addressing the three dimensions of sustainable development (i.e., social, economic and environmental). In June 2014 the 79 members of the Africa, Caribbean and Pacific (ACP) grouping and 28 members of the EU made a joint declaration[296] that these principles should be prioritised in the post-2015 global policy framework.

The EU contributes to major UN proceedings as well as to supporting regional integration. The EU played a lead role in securing a successful outcome to major UN conferences (on small island and landlocked developing states) and to preparing resolutions adopted by the United Nations General Assembly (UNGA). These included three resolutions addressing macroeconomic policy efforts to enhance the coherence and consistency of the international monetary, financial and trading systems (the Resolution on International Financial System and Development, Resolution on International Trade and Development and Resolution on the Follow Up to the International Conference on Financing for Development).

[296] http://europa.eu/rapid/press-release_STATEMENT-14-202_en.htm.

At the operational level the EU supports coordination globally and in partner countries through its network of delegations, participation in donor coordination mechanisms, multidonor trust funds, joint and pooled initiatives and support of national aid architecture in partner countries. The EU is a key investor in global stability, with approximately half of its development funding being channelled to crisis/conflict situations and fragile states. The EU supports the UN's mandate and increases its impact through funding UN operations globally. The United Nations Development Programme (UNDP), World Food Programme (WFP) and United Nations High Commissioner for Refugees (UNHCR) counted on the EU for 7% of their income in 2013. Beyond this, the EU financed 14% of the Food and Agriculture Organization (FAO), 18% of the United Nations Relief and Works Agency (UNRWA) and 11% of the Office of the High Commissioner for Human Rights (OHCHR). The EU is also a major contributor to global initiatives such as the Global Fund to Fight AIDS, Tuberculosis, Malaria (GFATM) and efforts to address the Ebola crisis.

G20 priorities

In 2014 the EU supported Australia's focus in the Development Working Group on prioritising financial inclusion, infrastructure and domestic resource mobilisation. Furthermore, the EU is in favour of greater involvement of groups such as the African Union both at summits and in preparatory meetings, where feasible.

Annex 1 – Bibliography

Integrated and Comprehensive Approach to Financing for Development and Post-2015

CONCORD/AID WATCH (2012) Global *financial flows, aid and development*

COUNCIL OF THE EU (2013) *Conclusions on policy coherence for development*, Foreign Affairs (Development) Council, Brussels, 12 December 2013

COUNCIL OF THE EU (2013) *Conclusions of the Council and of the representatives of the governments of the member states, meeting within the Council, on financing poverty eradication and sustainable development beyond 2015*, Brussels, 12 December 2013

COUNCIL OF THE EU (2012) *Conclusions on Rio+20: Outcome and follow-up to the UNCSD 2012 Summit*, 3194th ENVIRONMENT Council meeting, Luxembourg, 25 October 2012

COUNCIL OF THE EUROPEAN UNION (2013) *Conclusions on the overarching post-2015 agenda*, General Affairs Council, Brussels, 25 June 2013

COUNCIL OF THE EUROPEAN UNION (2012) *Conclusions on Financing for Development*, 3191st Foreign Affairs Development Council meeting, Luxembourg, 15 October 2012

EUROPEAN COMMISSION (2013) *A decent life for all: Ending poverty and giving the world a sustainable future*, COM(2013) 92 final

EUROPEAN COMMISSION (2013) *EU 2013 Report on Policy Coherence for Development*, SWD(2013) 456 final

EUROPEAN COMMISSION (2012) *Improving EU support to developing countries in mobilising Financing for Development – Recommendations based on the 2012 EU Accountability Report on Financing for Development*, COM(2012) 366 final

EUROPEAN COMMISSION (2012) *EU Accountability Report on Financing for Development*, SWD (2012) 199 final

EUROPEAN COMMISSION (2012) *Report on the consultation process on 'Towards a post-2015 development framework',* EuropeAid/IBF

EUROPEAN COMMISSION (2011) *Increasing the Impact of EU Development Policy: An Agenda for Change*, COM (2011) 637 final

EUROPEAN REPORT ON DEVELOPMENT (2013) *Post-2015: Global Action for an Inclusive and Sustainable Future*, Overseas Development Institute (ODI), German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), European Centre for Development Policy Management (ECDPM)

Greenhill, Romilly and Ali Ahmed (2013), *Paying for progress: how will emerging post-2015 goals be financed in the new aid landscape?*, ODI, Working Paper 366

HIGH-LEVEL PANEL ON THE POST-2015 DEVELOPMENT AGENDA (2013) *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development,* Final Report

SUMNER, ANDREW (2012), *From Deprivation to Distribution: Is Global Poverty Becoming A Matter of National Inequality?*, June 2012, Institute of Development Studies, IDS Working Paper Volume 2012 No 394.

OECD/DAC (2013) *Guarantees for Development: Options for Data Collection*, DCD/DAC/STAT(2013)17

UN GENERAL ASSEMBLY (2012) *Follow-up to and implementation of the Monterrey Consensus and Doha Declaration on Financing for Development*, Report of the Secretary-General

UN GENERAL ASSEMBLY (2012) *Modalities of the Financing for Development follow-up process*, Report of the Secretary-General

UN TASK TEAM on the Post-2015 Development Agenda (2013) *Financing for sustainable development: Review of global investment requirement estimates*, UNTT Working Group on Financing for Sustainable Development - Background Papers

UN TASK TEAM ON THE POST-2015 UN DEVELOPMENT AGENDA (2012) *A Renewed Global Partnership for Development*

UN TASK TEAM ON THE POST-2015 UN DEVELOPMENT AGENDA (2012) *Realizing the future we want for all,* Report to the Secretary General

WOLRD BANK (2013) *Financing for Development*, Washington, 2013

<u>Domestic Public Finance for Development</u>

- **Domestic Revenue Mobilisation**

COUNCIL OF THE EU (2010) *Conclusions on Tax and Development - Cooperating with developing countries in promoting good governance in tax matters,* 11082/10, 15 June 2010

COUNCIL OF THE EU (2013) *Conclusions on Tax Evasion and Tax Fraud*, Economic and Financial Affairs Council meeting, Brussels, 14 May 2013.

DANIDA (2013), *Guidelines for development contracts*

Development Initiatives (2014), *Aid for domestic resource mobilisation: how much is there?*, Tim Strawson and GutoIfan, Briefing, February 2014

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC

EURODAD (2013) *Giving with one hand and taking with the other: Europe's role in tax-related capital flight from developing countries 2013*

EURODAD (2013) *Secret structures, hidden crimes: Urgent steps to address hidden ownership, money laundering and tax evasion from developing countries*

EURODAD/ACTIONAID (2011) *Approaches and Impacts IFI tax policy in developing countries*

EUROPEAN COMMISSION (2012), *Budget Support Guidelines: Executive Guide - A modern approach to Budget support*, Brussels, September 2012

EUROPEAN COMMISSION (2012) *Communication on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries,* COM(2012) 351 final

EUROPEAN COMMISSION (2012) *Commission Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters,* COM(2012) 8805 final

EUROPEAN COMMISSION (2012) *Commission Recommendation on aggressive tax planning*, COM(2012) 8806 final

EUROPEAN COMMISSION (2011) *Proposal for a Directive of the European Parliament and of the Council amending Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC*, COM(2011) 683 final

EUROPEAN COMMISSION (2012) *An Action Plan to strengthen the fight against tax fraud and tax evasion*, COM(2012) 722 final

EUROPEAN COMMISSION/ EuropeAid (2012) *Budget Support Guidelines*

EUROPEAN COMMISSION (2011) *The Future Approach to EU Budget Support to Third Countries*, COM(2011) 638 final

EUROPEAN COMMISSION (2011) *Transfer pricing and developing countries – Final Report*, EuropeAid/PwC

EUROPEAN COMMISSION (2010) *Tax and Development: Cooperating with Developing Countries on Promoting Good Governance in Tax Matters*, COM(2010) 163 final

EUROPEAN COMMISSION (2009) *Promoting Good Governance in Tax Matters*, COM(2009) 201 final

EUROPEAN PARLIAMENT (2013) *Thematic Paper on Money Laundering: Relationship between Money Laundering, Tax Evasion and Tax Havens*, Special Committee on Organised Crime, Corruption and Money Laundering, Author: Mr Rui Tavares

EUROPEAN PARLIAMENT (2012) *Resolution of 19 April 2012 on the call for concrete ways to combat tax fraud and tax evasion*

G20 (2013) *G20 Leader's Declaration*, Saint Petersburg Summit, September 2013

GLOBAL FINANCIAL INTEGRITY (2013)*Illicit Financial Flows from Developing Countries: 2002-2011*

GIZ/International Tax Compact (2010) *Addressing tax evasion and tax avoidance in developing countries*

GLOBAL FINANCIAL INTEGRITY (2012) *Illicit Financial Flows From Developing Countries: 2001-2010*

ICTD (2012) *Donors, Aid and Taxation in Developing Countries – An Overview*, Working paper 6

ICTD (2012) *Taxing the Informal Economy: Challenges, Possibilities and Remaining Questions*, Working paper 4

ICTD (2012) *Taxation and Development: What Have We Learned from Fifty Years of Research?*, Working paper 1

IMF (2009) *Empirical Evidence on the Effects of Tax Incentives, WP/09/136*

IDB (2010) *Tax Expenditure Budgets - Concepts and Challenges for Implementation*, IDB-WP-131

IMF (2012) *Tax Composition and Growth: A Broad Cross-Country Perspective,* WP/12/257

IMF (2012), *Taxation and Development – Again,* WP/12/220

IMF (2012) *Foreign Aid and Revenue: Still a Crowding Out Effect?*, WP/12/186

IMF (2012) *Mobilizing Revenue in Sub-Saharan Africa: Empirical Norms and Key Determinants*, WP/12/108

IMF (2011) *Revenue Mobilization in Developing Countries,* Policy paper

ITC (2010) *Addressing tax evasion and tax avoidance in developing countries,* GIZ GmbH/BMZ

ODI (2013), *Taxation and Developing Countries – Training Notes*, EPS Peaks, September 2013

OECD (2013), *Action Plan on Base Erosion and Profit Shifting*, OECD (2014), *Fragile States Report 2014 – Domestic Resource Mobilisation in Fragile States*

OECD (2013) *Saint Petersburg Development Outlook*,

OECD (2013) *Tax and Development - Aid Modalities for Strengthening Tax Systems*

OECD (2013) *Addressing Base Erosion and Profit Shifting*

OECD (2011) *Tax transparency 2011 – Report on progress*

OECD (2011) *Convention on combating bribery of foreign public officials in international business transactions*

OECD (2011) *Revisiting MDG Cost Estimates from a Domestic Resource Mobilisation Perspective*, OECD Development Centre, Working Paper No. 306

OECD/Global Forum on Transparency and Exchange of Information for Tax Purposes (2012) *Progress Report to the G20*, Los Cabos, Mexico, June 2012

PwC (2012) *Tax transparency and country-by-country reporting: An overview and comparison of the transparency initiatives*

TAX JUSTICE NETWORK-Africa/ACTIONAID (2012) *Tax Competition in East Africa, a race to the bottom?*

TAX JUSTICE NETWORK (2011) *The cost of tax abuse: Briefing paper on the cost of tax evasion worldwide*

TRANSPARENCY INTERNATIONAL (2013) *Exporting Corruption – Progress Report 2013: Assessing Enforcement of the OECD Convention on Combating Bribery*, October 2013

TRANSPARENCY INTERNATIONAL (2012) *Exporting Corruption? Country enforcement of the OECD anti-bribery Convention,* Progress Report 2012

TRANSPARENCY INTERNATIONAL (2013) *Natural resource corruption dealt a blow by new EU transparency rules*, Press Release, 9 April 2013

UK HOUSE OF COMMONS International Development Committee (2012) *Tax in Developing Countries: Increasing Resources for Development*, Fourth Report of Session 2012–13

UNDP (2011) *Illicit Financial Flows from the Least Developed Countries: 1990–2008*, Discussion Paper

WORLD BANK (2012) *Draining Development? Controlling Flows of Illicit Funds From Developing Countries*, Ed. Peter Reuter

- **Debt**

Bua, G., Pradelli, J., and A. Presbitero (2013); *Domestic public debt in low-income countries: trends and structure*; World Bank Policy Research Working Paper

CANUTO, Otaviano, and LILI Liu, Eds. (2013) *Until Debt Do Us Part: Subnational Debt, Insolvency, and Markets,* World Bank

IMF (2013) *Review of the policy on debt limits in fund-supported programs*

IMF (2012) *World Economic Outlook: Coping with High Debt and Sluggish Growth*

IMF (2012) *Review of the policy on debt limits in fund supported programs*

PARIS CLUB (2012) *Press release of the Meeting of the Paris Club with representatives of non-Paris Club bilateral creditors and representatives of the private sector*

Sudarshan Gooptu (2013), *Debt Sustainability in ACP Countries*, Presentation at the ACP-EU Joint Parliamentary Assembly, Meeting of the Committee on Economic Development, Finance, and Trade, Brussels

Sharma, Ruchir (2014) *China's debt-fuelled boom is in danger of turning to bust*, Financial Times, 27 January 2014

UNCTAD (*2013 Mid-Term review of the Strategic Plan for 2011-2014 - Debt Management and Financial Analysis System Programme*, N. Kappagoda and R. Culpeper, October 2013

UNCTAD (2012) *Strategic Plan 2011 – 2014*, DMFAS Programme

UN/DESA (2013) *World Economic Situation and Prospects*

UN GENERAL ASSEMBLY (2012) *External debt sustainability and development*, Report of the Secretary General, A/67/174

Wigglesworth, Robin and Wagstyl, Stefan (2014), *Quantitative easing: End of the line*, Financial Times, 23 June 2013

WORLD BANK (2014), *International Debt Statistics – 2014*, Washington DC

WORLD BANK (2014), *Global Economic Prospects – Copying with Policy Normalization in High-Income Countries*, volume 8, Washington DC

WORLD BANK (2013) *International Debt Statistics 2013*

WORLD BANK (2012) *Global Development Finance 2012: External Debt of Developing Countries*

WORLD BANK (2011), *Restructuring sovereign debts with private sector creditors: theory and practice' in Sovereign Debt and the Financial Crisis: Will This Time Be Different?,* Eds. Carlos Braga and Gallina Vincelette

WORLD BANK/IMF (2012) *Revisiting the Debt Sustainability Framework for Low-Income Countries*

Private Finance for Development

- **Private investment for development**

ECDPM (2012) *GREAT Insights - Thematic focus: 'Private Sector for Development'*, Vol. 1, Issue 8, October 2012

EUROPEAN COMMISSION (2012) *Social Protection in European Union Development Cooperation*, COM(2012) 446 final

EUROPEAN COMMISSION (2013) *Evaluation of European Community Support to Private Sector Development in Third Countries*, EuropeAid/ADE

EUROPEAN COMMISSION (2003) *European Community Cooperation with Third Countries: The Commission's approach to future support for the development of the Business sector*, COM (2003) 267

Federal Ministry for Economic Development and Cooperation(2013) *develoPPP.de Public-Private Partnerships with the BMZ*, Berlin

IMF (2013) *Outward Foreign Direct Investment and Domestic Investment: the Case of Developing Countries*, WP/13/52

OECD (2014), *FDI in Figures - International Investment Struggles*

UNCTAD (2014), *Global Investments Trend Monitor*, No. 15, January 2014

UNCTAD (2012) *World Investment Report 2012: Towards a New Generation of Investment Policies*

WOLRD BANK (2013) *New Partnership Takes Fresh Approach to Creating Jobs and Strengthening Private Sector Growth Potential*, Press Release, September 18, 2013.

WORLD BANK/IFC (2013) *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*

WORLD BANK/IFC (2012) *International Finance Institutions and Development Through the Private Sector*

- **Corporate Social Responsibility**

COUNCIL OF THE EU (2013) *Conclusions on the first anniversary of the EU Strategic Framework and Action Plan on Human Rights and Democracy and the appointment of the EUSR for Human Rights*, Foreign Affairs Council meeting, Brussels, 22 July 2013

EUROPEAN COMMISSION (2013) *Proposal for a Directive of the European Parliament and the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of nonfinancial and diversity information by certain large companies and groups*, COM(2013) 207 final

EUROPEAN COMMISSION (2012) *My business and human rights: A guide to human rights for small and medium-sized enterprises*

EUROPEAN COMMISSION (2011) *A renewed EU strategy 2011-14 for Corporate Social Responsibility*, COM(2011) 681 final

EUROPEAN PARLIAMENT (2013) Resolution of 6 February 2013 on Corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth, 2012/2098(INI)

EUROPEAN PARLIAMENT (2013) Resolution of 6 February 2013 on Corporate social responsibility: promoting society's interests and a route to sustainable and inclusive recovery, 2012/2097(INI)

UN OHCHR (2011) *Guiding Principles on Business and Human Rights*

- **Trade and Development**

ECDPM (2013*) Interview with EU Trade Commissioner Karel De Gucht*. GREAT Insights, Volume 2, Issue 5. July-August 2013

EUROPEAN COMMISSION (2013) *Evaluation of the European Union's Trade Related Assistance in Third Countries*

EUROPEAN COMMISSION (2013) *A comparative analysis of EU and US trade preferences for the LDCs and the AGOA beneficiaries*, Directorate-General for Trade, Chief Economist Note, Issue 1

EUROPEAN COMMISSION (2012) *Trade, Growth and Development: Tailoring trade and investment policy for those countries most in need*, COM(2012) 22 final

EUROPEAN COMMISSION (2012) *Trade as a driver of development*, Commission Staff Working Document

EUROPEAN COMMISSION (2012) *EU Trade and Investment 2012,* Directorate-General for Trade

EUROPEAN COMMISSION (2012) *Ten Benefits of Trade for Developing Countries*, Directorate-General for Trade

ODI (2013) *Future directions for Aid for Trade*, Y. Basnett, December 2013

UNCTAD (2013) *Exploiting the Potential of the Trade in Services for Development*

WTO (2013) *International Trade Statistics 2013*

WTO (2013) *Aid for trade at a Glance 2013: Connecting to value chains*

- **Remittances for Development**

COUNCIL OF THE EU (2013) *Council Conclusions on the 2013 UN High-Level Dialogue on Migration and Development and on Broadening the Development-Migration Nexus*, Council and Representatives of the Governments of Member States, Brussels, 23 September 2013.

EUROPEAN COMMISSION (2013) *Maximising the Development Impact of Migration The EU contribution for the UN High-level Dialogue and next steps towards broadening the development-migration nexus*, COM(2013) 292 final

EUROPEAN COMMISSION (2012) *EU Remittances for Developing Countries, Remaining Barriers, Challenges and Recommendations*, EuropeAid/HTSPE

EUROPEAN PARLIAMENT (2014) *The Impact of Remittances on developing countries, Directorate-General for External Policies of the Union*

HUDSON INSTITUTE (2012) *Index of Global Philanthropy and Remittances 2012*, Centre for Global Prosperity

OECD (2011) *Tackling the Policy Challenges of Migration: Regulation, Integration, Development*

UNCTAD (2012) *The Least Developed Countries Report 2012 - Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities*

WORLD BANK (2013) *Remittance Prices Worldwide*, Issue 9, March 2014

WORLD BANK (2012) *Migration and Development Brief*, No19

WORLD BANK (2011) *Leveraging Migration for Africa Remittances, Skills, and Investments,* edited by Dilip Ratha

International Public Finance for Development

- **Official Development Assistance**

COUNCIL OF THE EU (2013), *Conclusions: Annual Report 2013 to the European Council on EU Development Aid Targets*, Foreign Affairs Council meeting, Brussels, 28 May 2013

COUNCIL OF THE EU (2008) Council Conclusions - Guidelines for EU participation in the International Conference on Financing for Development (Doha, 29 November - 2 December 2008), General Affairs and External Relations Council meeting, Brussels, 29 November 2008

ECDPM (2012), *Reporting on Development: ODA and Financing for Development*. Study commissioned by The Netherlands Ministry of Foreign Affairs and the German Federal Ministry for Economic Cooperation and Development

EUROPEAN PARLIAMENT (2014), *Modernising ODA in the framework of the post-MDG Agenda: Challenges and opportunities*,

EUROPEAN COURT OF AUDITORS (2013) *EU climate finance in the context of external aid*, Special Report No 17/2013, December 2013

IEA (2013), *IEA World Energy Outlook 2013*

OECD/DAC (2013) *Moving Towards Accession to the DAC*, DCD/DAC (2013)1

OECD/DAC (2013) *Loan Concessionality in DAC Statistics*, DCD/DAC (2013)2

OECD/DAC (2012) *Concessionality in Character: Sensitivity Analysis Using Differentiated Discount Rates*, DCD/DAC/STAT(2012)21

OECD/DAC (2012) *DAC High-Level Meeting Communiqué*, London, December 2012

OECD/DAC (2012) *DAC Report on Aid Predictability: Survey on Donors' Forward Spending Plans, 2012-2015 and efforts since HLF-4*

- **Climate Finance / Sustainable Development**

AFRICA GROWTH INITIATIVE (2013) *Foresight Africa – Top Priorities for the Continent in 2013*, Brookings Institute

COUNCIL OF THE EU (2013) *Conclusions on the United Nations Framework Convention on Climate Change*, Economic and Financial Affairs Council meeting, Brussels, 15 October 2013

COUNCIL OF THE EU (2012) *Conclusions on Rio+20: Outcome and follow-up to the UNCSD 2012 Summit*, 3194th ENVIRONMENT Council meeting, Luxembourg, 25 October 2012

COUNCIL OF THE EU (2013) *Conclusions on climate finance – fast start finance*, Economic and Financial Affairs Council meeting, Brussels, 14 May 2013.

COUNCIL OF THE EU (2011) *Conclusions on the EU Biodiversity Strategy to 2020*, Brussels, 23 June 2011

EUROPEAN COMMISSION (2011) *Our life insurance, our natural capital: an EU biodiversity strategy to 2020*, COM(2011) 244 final

EUROPEAN COMMISSION (2012) *European Union fast start funding for developing countries*, 2010-2012 Report

EUROPEAN COMMISSION (2012) *Catalogue of EU funded projects in Environmental research (2007-2012),* Directorate-General for Research and Innovation

EUROPEAN COMMISSION (2011) *Proposal for a Regulation of the European Parliament and of the Council on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change*, COM(2011) 789 final

EUROPEAN COMMISSION (2011) *Scaling up international climate finance after 2012*, Commission Staff Working Document, SEC(2011) 487 final

EUROPEAN PARLIAMENT (2012) *Report on the proposal for a regulation of the European Parliament and of the Council on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change,* Committee on the Environment, Public Health and Food Safety, 2012,Rapporteur: Bas Eickhout, A7-0191/2012

IMF (2011) *Promising Domestic Fiscal Instruments for Climate Finance*, Background Paper for the Report to the G20 on Mobilising Sources of Climate Finance

OECD (2011) *OECD Environmental Outlook to 2050 – The consequences of inaction*

OECD/DAC (2011) *Identifying New Measures for Non-ODA Development Contributions*

OECD (2010) *Financing Climate Change Action*

Secretariat of the Convention on Biological Diversity (2009), *Connecting Biodiversity and Climate Change Mitigation and Adaptation*, Report of the Second Ad Hoc Technical Expert Group on Biodiversity and Climate Change. Montreal, Technical Series No. 41

UNECA (2012) *Bridging the means of implementation gap: Key issues for Africa*

UNFCCC (2012) *Report of the Global Environment Facility to the Conference of the Parties*, FCCC/CP/2012/6

UNFCCC (2012) *Report of the Conference of the Parties on its eighteenth session, held in Doha from 26 November to 8 December 2012*

UNFCCC (2007) *Investment and Financial Flows to Address Climate Change*

WORLD BANK (2012) *Adaptation Fund Trust Fund Financial Report*, December 2012

WORLD BANK (2012) *Turn Down the Heat: Why a 4°C Warmer World Must Be Avoided*, November 2012.

WORLD BANK (2010) *Economics of Adaptation to Climate Change – Synthesis Report*

WORLD BANK (2010) *The Cost to Developing Countries of Adapting to Climate Change: New Methods and Estimates*

- **Science, Technology and Innovation**

Bravo-Biosca, A., C.Criscuolo and C. Menon (2013) *What Drives the Dynamics of Business Growth?*, OECD Science, Technology and Industry Policy Papers, No. 1,OECD Publishing

BROZSKA, Michaela (2010) *Analysis of and recommendations for covering security relevant expenditures within and outside of official development assistance*, Paper 53, Bonn International Centre for Conversion

COUNCIL OF THE EU (2013), *Conclusions on 'Enhancing and Focusing EU International Cooperation in Research and Innovation: a Strategic Approach'*, Competitiveness Council meeting, Brussels, 29-30 May 2013

EUROPEAN COMMISSION (2012) *Enhancing and focusing EU international cooperation in research and innovation: A strategic approach*, COM 2012(497)

EUROPEAN COMMISSION (2007) *A New Approach to International S&T Cooperation in the EU's 7th Framework Programme (2007-2013),* Directorate-General for Research,

EUROPEAN COMMISSION (2003) *Communication from the European Communities and their Member States to the TRIPs Council*, Ref. 032/03 final

FALVEY, R. and FOSTER, N. (2006) *The Role of Intellectual Property Rights in Technology Transfer and Economic Growth: Theory and Evidence*, UNIDO.

ICTSD (2012) *Technology Transfer and Innovation: Key Country Priorities for Rio+20*

IDS (2012) *Renewable Technology Transfer to Developing Countries: One Size Does Not Fit All*, Working Paper Volume 2012 No 412

ODI (2012) *From high to low aid: a proposal to classify countries by aid receipt*, Background Note

OECD/DAC (2012) *New directions in DAC measurement and monitoring of external development finance*, Paper prepared for the DAC High Level Meeting of December 2012

OECD/DAC (2011) *Identifying New Measures for Non-ODA Development Contributions*, DCD/DAC (2011)43;

PARK,KRYLOVA, REYNOLDS, BARDER (2014)*Europe Beyond Aid: Evaluating Europe's Contribution to the Transfer of Technology and Knowledge to Developing Nations*, Center for Global Development, 2014.

UN GENERAL ASSRMBLY (2013) *UN Resolution on Science Technology and Innovation for Development*, Resolution adopted by the General Assembly on 20 December 2013

UN (2014) Commission on Science and Technology for Development 2014-2015 Inter-sessional panel 26-28 November 2014 Geneva, Switzerland *Issues Papers on Strategic Forecast for the post-2015 Development Agenda & on Digital Development*

UNCTAD (2012) *Technology and Innovation Report 2012: Innovation, Technology and South-South Collaboration*

UNCTAD (2004) Facilitating *Transfer of Technology to Developing Countries: A Survey of Home-Country Measures*

UNFCCC (2006) *Innovative options for financing the development and transfer of technologies,* Technical Paper, FCCC/TP/2006/1

WTO (2013) *European Union Report on the Implementation of Article 66.2 of the TRIPS Agreement*, IP/C/W/594/Add.3 4, October2013

WTO (2012) *European Union Report on the Implementation of Article 66.2 of the TRIPS Agreement*, IP/C/W/580/Add.7

WTO (2012) *Questions posed by the LDC Group in the context of the tenth annual review under paragraph 2 of the Decisions on the implementation of Article 66.2 of the TRIPS Agreement*, IP/C/W/578

WTO (2011) *European Union Report on the Implementation of Article 66.2 of the TRIPS Agreement*, IP/C/W/551/Add.7

Combining Public and Private Finance for Development/Innovative financing mechanisms

COUNCIL OF THE EU (2013) *Conclusions on local authorities in development*, Foreign Affairs Council meeting, Brussels, July 22 2013

COUNCIL OF THE EU (2014), *Outcome of the Council Meeting on Economic and Financial Affairs*, Press release, 9 December 2014

EUROPEAN COMMISSION (2013) *Mid-Term Evaluation of the Neighbourhood Investment Facility under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013*, Final Report, Jacques Poirson et al.

EUROPEAN COMMISSION (2013) *Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes*, COM(2013) 280 final

EUROPEAN COMMISSION (2014), *Blending – European Union Aid to Catalyse Investments*

EUROPEAN COMMISSION (2014), *Report from the Commission to the Council and the European Parliament on the activities of the EU Platform for Blending in External Cooperation since its establishment until end July 2014*

EUROPEAN THINK TANK GROUP (2011)*EU Blending Facilities: Implications for Future Governance Options,* ODI/FRIDE/DIE/ECDPM

MIRABILE, M., BENN, J., and SANGARÉ, C. (2013), *Guarantees for Development*, OECD Development Cooperation Working Papers , No. 11, OECD Publishing.

OECD/DAC (2011) *Mapping of some important innovative finance for development mechanisms*, DCD/DAC/STAT/RD(2011)1/RD1

WORLD BANK (2013) *Financing for Development Post-2015*, The World Bank Group, October 2013

WORLD BANK (2009), *Innovating Development Finance: From Financing Sources to Financial Solutions*, CFP Working Paper Series No. 1

Using Development Finance Effectively

COUNCIL OF THE EU (2014) *Conclusions on the EU common position for the First High Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico City on 15-16 April 2014*, Foreign Affairs Council meeting, Brussels, 17 March 2014

COUNCIL OF THE EU (2011) *Conclusions on the EU Common Position for the 4th High Level Forum on Aid Effectiveness (Busan, South Korea, 29/11 -1/12/2011)*, 16773/11, 14 November 2011

COUNCIL OF THE EU (2011) *Conclusions on An Operational Framework on Aid Effectiveness – Consolidated text*, 18239/10, 11 January 2011

COUNCIL OF THE EU (2013), *Conclusions on EU approach to resilience*, Foreign Affairs Council meeting, Brussels, 28 May 2013

COUNCIL OF THE EU (2014) *A Decent Life for All: From Vision to Collective Action*

EUROPEAN COMMISSION (2014) *Communication: A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*

GPEDC (2014) *Communique: First High-Level Meeting of the Global Partnership for Effective Development Co-operation: Building Towards an Inclusive Post-2015 Development Agenda*

GPEDC (2014) *Progress Since Busan: Country and Democratic Ownership*

IMF/EUROPEAN COMMISSION (2013) *Good Practice Note on Sequencing PFM Reforms*, Jack Diamond, PEFA

IATI (2014) *Publish What You Fund: EU Report*

KHARAS, Homi (2008) *Measuring the cost of aid volatility*, Brookings Global Economy and Development

OECD (2005) *Paris Declaration on Aid Effectiveness*

OECD (2011) *Busan Partnership Agreement on Development Effectiveness*

OECD (2014) *Development Co-operation Report 2014, Mobilising Resources for Sustainable Development*

OECD (2014) *Measuring and Managing Results in Development Cooperation*

OECD (2014) *2014 Global Outlook on Aid*

OECD/DAC (2012) *What is the common standard for aid information?*, Communications Note drafted by the ad-hoc group for the common standard, October 2012

OECD/UNDP (2014) *Making Development Co-operation More Effective: 2014 Progress Report*, Global Partnership for Effective Development Cooperation, OECD Publishing

OPEN FORUM FOR CSO DEVELOPMENT EFFECTIVENESS (2013) *Istanbul CSO Development Effectiveness Principles*

UN/ECOSOC (2013) *Preparations for the Development Cooperation Forum - Phase IV: 2012-2014*, DCF Support Strategy

UN (2014) *The Road to Dignity by 2030*

UN (2014), *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, September 2014

WOOD, Bernard, et al (2011) *The Evaluation of the Paris Declaration, Phase 2 Final Report*, Danish Institute for Development

Annex 2 – Methodology

All figures that were not originally expressed in Euro have been converted into EUR using the OECD/DAC average exchange rates for the relevant year.

Detailed Finance Statistics 2002-2011

The FFD data in Chapter 1 are based on further developments to the methodology used in the 2013 EU Accountability Report and present time series for all countries and for different country groups for the decade 2002-2011. As such, it is an illustration of the spectrum of country situations and can provide a factual basis for discussions about the mix of financing sources.

This exercise highlights the data availability and quality issues. The data included in the file are expressed in USD millions at 2005 prices and have been calculated using two main sources:

- World Bank: World Development Indicators(WDI) and International Debt Statistics (IDS)
- OECD DAC: Geo Book and Table 1

Not all series are complete, due to lack of comparable data for some countries. In particular, public and private domestic finance suffer from under-reporting. Issues to highlight:

- There are no national data on key aggregates for low-income countries for 2000 and 2001.As a result, years 2000 and 2001 have not been included in the summary. Besides, as time-series are not complete, the aggregates for country groupings are calculated as sums of available data, and not scaled to estimate the missing data. Therefore, some fluctuations may reflect changes in the available data.
- The inconsistency of different data sources results in certain anomalies where public international finance, private domestic finance or private international finance may exceed a country's GDP.
- **For public domestic finance**, the WDI show systemically and significantly lower government revenues than those calculated by the IMF on the basis of country-by-country analysis (ex: WDI show tax revenues at 14% of GDP for MICs, while IMF estimated their share at 22% in a recent study[297]; WDI show sub-20% values for several developed and developing countries). The detailed and more accurate country data of the IMF is not publicly available, but this indicates that public domestic finance for developing countries in the attached table would in aggregate be underestimated by about 20%.
- **For private domestic finance**, the data for the Private Gross Capital Formation (GCF) for OECD countries is not published, and therefore, aggregates for these countries cannot be drawn. The OECD does publish the annual *change* in GCF, but the underlying data is not made public. **Also, for private domestic finance**, the inconsistency of data from national accounts (WDI capital formation data) and balance of payments (WB IDS data on FDI) results in a downward bias (e.g., for Liberia and Mozambique).

[297]http://www.imf.org/external/pubs/ft/wp/2012/wp12108.pdf.

- **In the international public finance,** the receipts of developing countries are double what developed countries have reported as having provided. This is due to the operations of the multilateral organisations, which use donor funds to raise resources on the capital markets (leverage), and therefore, increase the resources available to developing countries. There is some double counting on the contributions to peacekeeping, as a small part of these operations are also reported as ODA (7% of peacekeeping contributions).
- On **peacekeeping and private grants**, data are provided for donor countries, but not for recipient countries. For peacekeeping finance, the recipients could be calculated on the basis of UN PKO data. Data on private grants is not available, as there is no comprehensive reporting platform for the private givers.

Flow	**Methodology and Source**
Public Domestic Finance	
Tax revenue	WB WDI.
Public or Publicly Guaranteed (PPG) External Debt	WB International Debt Statistics 2014, PPG external debt from nonofficial creditors. Short-term debt not included. Official creditors covered under "Public international Finance".
Total Reserves	WB International Debt Statistics 2014
Public International Finance	
ODA Grants	OECD DAC Geo Book[298] Net Disbursement
Concessional Loans	OECD DAC Geo Book Net Disbursement
Other official finance	OECD DAC Geo Book Net Disbursement
International security operations	OECD DAC 1
Domestic Private Investment	(Private) Gross Capital Formation (Domestic Private Investment) is calculated on the basis of private and total Gross Fixed Capital Formation (source WB WDI). First, the ratio between Private Fixed Capital Formation and Public Fixed Capital Formation is applied Gross Capital Formation to find a proxy for Private Gross Capital Formation. Second, FDI and Private nonguaranteed external debt (source: World Bank IDS) are deducted from the private GCF, which gives the estimate for Domestic Private Gross Capital Formation.

[298] http://stats.oecd.org/Index.aspx?DataSetCode=DACGEO

External private finance (debt, FDI, portfolio investment, remittances)	
Private nonguaranteed External Debt	WB International Debt Statistics 2014, Short term debt not included.
FDI	WB WDI.
Foreign Portfolio Investment	WB WDI.
Remittances	WB WDI.
Private charity	DAC1

Figures on Official Development Assistance (ODA) are in current prices and taken from:

- the OECD Development Assistance Committee (DAC) for those Member States on which the DAC reports.
- Member States' replies, for those Member States whose ODA data are not available through DAC.
- From 2014 onwards, ODA figures are taken, as far as available, from Member States' replies.
- Where a Member State presents only the ODA/GNI ratio, ODA will be calculated by multiplying it with the Commission's GNI figure. Where a Member State gives both the ODA figure and the ODA/GNI ratio, we will give preference to using the ODA figure as this gives a better indication of where the achievement of ODA/GNI targets is sensitive to differing assumptions on GNI.
- When information on both ODA and ODA/GNI ratio for 2014 and/or beyond is missing, the trend for the missing years is established on the basis of Compound Annual Growth Rate of 2008-2013, except if indicated differently.
- Imputed multilateral aid for LDCs and Africa in 2014 was not calculated this year..
- Data on bilateral ODA to LDCs in 2013 were once again not provided by Germany. We therefore did not consider Germany in calculating the change in EU bilateral ODA to LDCs between 2012-2013.

Exchange rates used for conversion into EUR are:

- the annual DAC exchange rate in the case of the OECD/DAC data,
- for Member States national currencies, the Commission's annual average exchange rates from Ameco database (extracted on March 11, 2014) up to 2015.

- **Figures for Gross National Income (GNI) are taken in current prices from**:
- the OECD/DAC statistics, when available, to ensure consistency of the ODA/GNI data.
- the AMECO database as of March 11, 2014, for other Member States, and for the years not covered by the DAC, as well as for projections up to 2015.
- **There is often reference to OECD, and DAC membership of EU Member States**. All EU OECD members report to DAC, while only EU DAC Members report to DAC in great detail.

The table below summarises the OECD and DAC membership of EU Member States.

EU MEMBER STATES	OECD MEMBERS	DAC MEMBERS	REPORTING TO DAC
AT	Y	Y	Y
BE	Y	Y	Y
BG			Y
CY			Y
CZ	Y	Y	Y
DK	Y	Y	Y
EE	Y		Y
FI	Y	Y	Y
FR	Y	Y	Y
DE	Y	Y	Y
EL	Y	Y	Y
HR			Y
HU	Y		Y
IE	Y	Y	Y
IT	Y	Y	Y
LV			Y
LT			Y
LU	Y	Y	Y
MT			Y
NL	Y	Y	Y
PL	Y	Y	Y
PT	Y	Y	Y
RO			Y

EU MEMBER STATES	OECD MEMBERS	DAC MEMBERS	REPORTING TO DAC
SK	**Y**	**Y**	**Y**
SI	**Y**	**Y**	**Y**
ES	**Y**	**Y**	**Y**
SE	**Y**	**Y**	**Y**
UK	**Y**	**Y**	**Y**
	21	**19**	**28**

There is often reference to EU 28, EU 27, EU 15 and EU 12. The table below gives the list of Member States in each category:

EU MEMBER STATES	EU 28	EU 27	EU 15	EU 12
AT	**Y**	**Y**	**Y**	
BE	**Y**	**Y**	**Y**	
BG	**Y**	**Y**		**Y**
CY	**Y**	**Y**		**Y**
CZ	**Y**	**Y**		**Y**
DK	**Y**	**Y**	**Y**	
EE	**Y**	**Y**		**Y**
FI	**Y**	**Y**	**Y**	
FR	**Y**	**Y**	**Y**	
DE	**Y**	**Y**	**Y**	
EL	**Y**	**Y**	**Y**	
HR	**Y**			
HU	**Y**	**Y**		**Y**
IE	**Y**	**Y**	**Y**	
IT	**Y**	**Y**	**Y**	
LV	**Y**	**Y**		**Y**
LT	**Y**	**Y**		**Y**
LU	**Y**	**Y**	**Y**	
MT	**Y**	**Y**		**Y**
NL	**Y**	**Y**	**Y**	
PL	**Y**	**Y**		**Y**
PT	**Y**	**Y**	**Y**	

RO	**Y**	**Y**		**Y**
SK	**Y**	**Y**		**Y**
SI	**Y**	**Y**		**Y**
ES	**Y**	**Y**	**Y**	
SE	**Y**	**Y**	**Y**	
UK	**Y**	**Y**	**Y**	

Annex 3 – Statistical Annex on ODA Trends

EU ODA volumes and as % of GNI 2005 – 2014

Member State	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014 (prel.)	
	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI	EUR Mn	% of GNI
Austria	1 266	0,52	1 194	0,47	1 321	0,50	1 188	0,43	820	0,30	912	0,32	799	0,27	860	0,28	882	0,27	863	0,26
Belgium	1 580	0,53	1 575	0,50	1 425	0,43	1 654	0,48	1 874	0,55	2 268	0,64	2 019	0,54	1 801	0,47	1 732	0,45	1 797	0,46
Bulgaria	-	-	1	0,00	17	0,06	13	0,04	12	0,04	31	0,09	35	0,09	31	0,08	37	0,10	32	0,08
Croatia													15	0,03	15	0,03	32	0,07	49	0,11
Cyprus	12	0,09	21	0,15	25	0,17	26	0,17	33	0,20	39	0,23	27	0,16	20	0,12	15	0,10	15	0,10
Czech Republic	109	0,11	128	0,12	131	0,11	173	0,12	154	0,12	172	0,13	180	0,12	171	0,12	159	0,11	158	0,11
Denmark	1 697	0,81	1 782	0,80	1 872	0,81	1 944	0,82	2 018	0,88	2 168	0,91	2 108	0,85	2 095	0,83	2 205	0,85	2 258	0,85
Estonia	8	0,08	11	0,09	12	0,08	15	0,10	13	0,10	14	0,10	17	0,11	18	0,11	23	0,13	28	0,15
Finland	726	0,46	665	0,40	717	0,39	808	0,44	926	0,54	1 006	0,55	1 011	0,53	1 027	0,53	1 081	0,54	1 232	0,60
France	8 067	0,47	8 445	0,47	7 220	0,38	7 562	0,39	9 049	0,47	9 751	0,50	9 348	0,46	9 358	0,45	8 543	0,41	7 817	0,36
Germany	8 112	0,36	8 313	0,36	8 978	0,37	9 693	0,38	8 674	0,35	9 804	0,39	10 136	0,39	10 067	0,37	10 717	0,38	12 247	0,41
Greece	309	0,17	338	0,17	366	0,16	488	0,21	436	0,19	383	0,17	305	0,15	255	0,13	180	0,10	187	0,11
Hungary	81	0,11	119	0,13	76	0,08	74	0,08	84	0,10	86	0,09	100	0,11	92	0,10	97	0,10	118	0,12
Ireland	578	0,42	814	0,54	871	0,55	921	0,59	722	0,54	676	0,52	657	0,51	629	0,47	637	0,46	610	0,38
Italy	4 096	0,29	2 901	0,20	2 901	0,19	3 370	0,22	2 368	0,16	2 262	0,15	3 111	0,20	2 129	0,14	2 584	0,17	2 519	0,16

Latvia	9	0,07	9	0,06	12	0,06	15	0,07	15	0,07	12	0,06	14	0,07	16	0,08	18	0,08	19	0,08
Lithuania	12	0,06	20	0,08	35	0,11	33	0,11	26	0,11	28	0,10	37	0,13	40	0,13	38	0,11	30	0,09
Luxembourg	206	0,79	232	0,89	274	0,92	288	0,97	298	1,04	304	1,05	294	0,97	310	1,00	323	1,00	322	1,07
Malta	7	0,17	7	0,15	8	0,15	11	0,20	10	0,18	10	0,18	14	0,25	14	0,23	14	0,20	16	0,20
The Netherlands	4 115	0,82	4 343	0,81	4 547	0,81	4 848	0,80	4 615	0,82	4 800	0,81	4 563	0,75	4 297	0,71	4 094	0,67	4 200	0,64
Poland	165	0,07	239	0,09	265	0,10	258	0,08	269	0,09	285	0,08	300	0,08	328	0,09	355	0,10	329	0,08
Portugal	303	0,21	316	0,21	344	0,22	430	0,27	368	0,23	490	0,29	509	0,31	452	0,28	368	0,23	316	0,19
Romania	-	-	3	0,00	84	0,07	85	0,09	110	0,08	86	0,07	118	0,09	111	0,08	101	0,07	151	0,10
Slovak Republic	46	0,12	44	0,10	49	0,09	64	0,10	54	0,09	56	0,09	62	0,09	62	0,09	65	0,09	61	0,08
Slovenia	28	0,11	35	0,12	40	0,12	47	0,13	51	0,15	44	0,13	45	0,13	45	0,13	46	0,13	46	0,13
Spain	2 429	0,27	3 038	0,32	3 755	0,37	4 761	0,45	4 728	0,46	4 492	0,43	3 001	0,29	1 585	0,16	1 789	0,18	1 427	0,14
Sweden	2 705	0,94	3 151	1,02	3 170	0,93	3 281	0,98	3 266	1,12	3 423	0,97	4 030	1,02	4 077	0,97	4 389	1,01	4 690	1,10
UK	8 667	0,47	9 926	0,51	7 194	0,36	7 973	0,43	8 102	0,51	9 855	0,57	9 948	0,56	10 808	0,56	13 498	0,71	14 612	0,71
EU15 Total	**44 856**	**0,44**	**47 033**	**0,43**	**44 954**	**0,39**	**49 207**	**0,43**	**48 264**	**0,45**	**52 594**	**0,46**	**51 840**	**0,44**	**49 749**	**0,42**	**53 021**	**0,44**	**55 094**	**0,43**
EU13 Total	**476**	**0,09**	**637**	**0,09**	**753**	**0,09**	**815**	**0,09**	**831**	**0,10**	**863**	**0,09**	**965**	**0,10**	**964**	**0,10**	**1 000**	**0,10**	**1 053**	**0,10**
EU28 Total	**45 332**	**0,42**	**47 670**	**0,41**	**45 706**	**0,37**	**50 021**	**0,40**	**49 096**	**0,42**	**53 457**	**0,44**	**52 805**	**0,42**	**50 713**	**0,39**	**54 021**	**0,41**	**56 147**	**0,41**

EU ODA to LDCs – Net disbursements

(Including Imputed Multilateral Flows for MS reporting to DAC - Euro millions, constant 2013 prices)

Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Austria	154	215	214	196	209	255	349	209	184	245
Belgium	608	545	629	601	688	707	1100	755	530	584
Bulgaria	0	0	0	0	0	0	0	11	7	10
Croatia	0	0	0	0	0	0	0	0	1	5
Cyprus	0	4	4	5	5	7	8	5	3	3
Czech Republic	25	28	33	41	66	52	53	44	44	39
Denmark	749	765	787	859	805	824	841	777	756	665
Estonia	2	2	4	4	0	0	5	5	6	5
Finland	200	224	264	286	296	333	372	330	335	365
France	3090	1948	2234	2251	2220	2365	2762	2556	1908	2477
Germany	2022	1598	2195	2273	2641	2449	2739	2596	2770	2405
Greece	60	72	88	84	107	82	78	46	38	33
Hungary	13	29	18	37	23	27	30	23	20	20
Ireland	266	280	386	400	438	356	368	336	315	310
Italy	742	1265	672	993	1179	820	890	1077	528	688
Latvia	0	3	3	4	1	0	0	0	4	5

Lithuania	2	5	9	22	17	11	16	17	18	14
Luxembourg	83	90	104	121	127	123	120	109	110	115
Malta	0	0	0	0	0	0	0	0	1	1
Netherlands	1481	1418	1146	1354	1421	1170	1389	1028	878	981
Poland	41	48	130	55	72	78	80	62	59	91
Portugal	740	140	157	150	157	148	209	240	133	103
Romania	0	0	0	0	26	28	23	23	18	20
Slovak Republic	8	33	27	27	31	13	15	12	11	15
Slovenia	0	0	0	0	9	10	11	8	8	8
Spain	467	702	630	817	1039	1187	1180	749	364	325
Sweden	789	1053	1041	1121	1216	1228	1155	1412	1161	1299
United Kingdom	2461	2150	2882	2740	3105	3218	3756	3932	3476	4639
EU Total	**14004**	**12616**	**13657**	**14439**	**15898**	**15493**	**17547**	**16362**	**13686**	**15468**

Source: DAC Online (Table 2A)

EU ODA to Africa – Net disbursements

(Including Imputed Multilateral Flows - Euro million, constant 2013 prices)

Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Austria	262	275	664	507	268	341	407	282	344	276
Belgium	737	824	1006	784	802	911	1254	920	874	715
Bulgaria	0	0	0	0	0	0	0	15	11	14
Croatia	0	0	0	0	0	0	0	0	0	5
Cyprus	0	5	5	5	6	8	8	6	5	5
Czech Republic	24	36	41	40	45	41	48	50	55	48
Denmark	812	832	979	1033	969	927	913	933	880	766
Estonia	2	3	5	5	0	0	5	5	5	5
Finland	232	261	317	325	346	401	417	403	429	425
France	4636	5388	5877	4133	3901	5071	5054	4740	4575	3714
Germany	2613	3218	4360	3371	3569	3133	3155	3450	3641	3190
Greece	81	82	112	108	136	122	114	79	72	54
Hungary	14	24	25	37	26	27	29	27	32	27
Ireland	291	308	425	434	503	407	389	361	354	345
Italy	955	2013	1543	1213	1243	1046	1036	1326	755	854
Latvia	0	4	5	5	0	0	0	0	7	7

Lithuania	4	6	7	9	11	10	7	9	10	9
Luxembourg	111	114	130	145	148	151	145	126	121	124
Malta	0	0	0	0	0	0	0	0	2	2
Netherlands	1680	1769	1561	1789	1601	1332	1470	1256	1079	1225
Poland	53	66	148	72	88	102	91	84	96	124
Portugal	762	165	176	171	247	193	295	340	312	226
Romania	0	0	0	0	33	40	29	37	36	32
Slovak Republic	10	32	29	31	34	17	19	18	21	21
Slovenia	0	0	0	0	12	14	12	11	14	12
Spain	655	991	1031	1136	1417	1720	1533	1012	541	629
Sweden	894	1244	1256	1369	1390	1415	1258	1647	1490	1409
United Kingdom	2838	3889	5629	3022	3334	3710	4449	4377	4276	5284
Total EU	**17665**	**21551**	**25329**	**19741**	**20130**	**21137**	**22138**	**21514**	**20037**	**19548**

Source: DAC Online (Table 2A)

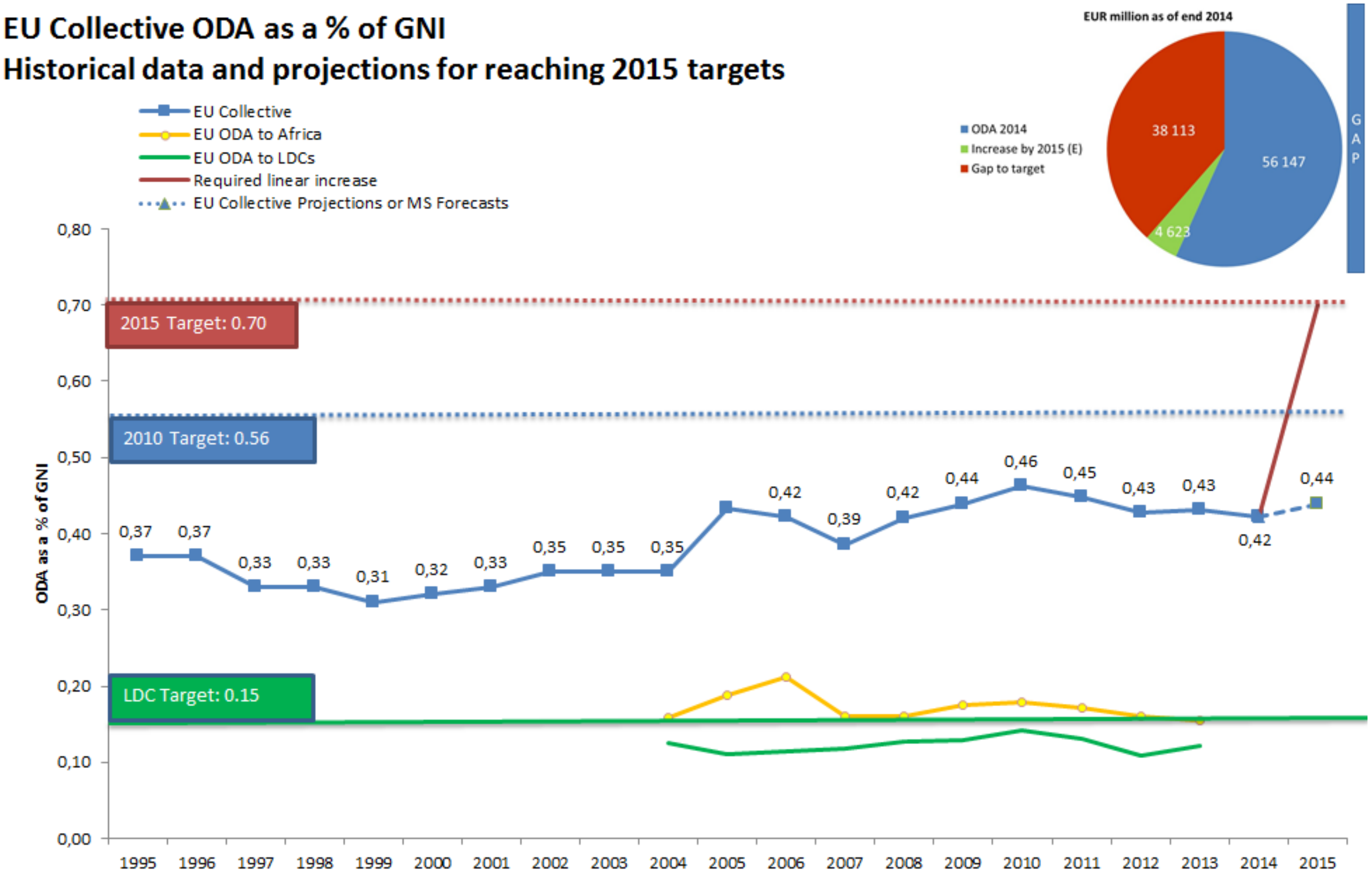
EU ODA to Sub-Saharan Africa – Net disbursements

(Including Imputed Multilateral Flows - Euro million, 2013 constant prices)

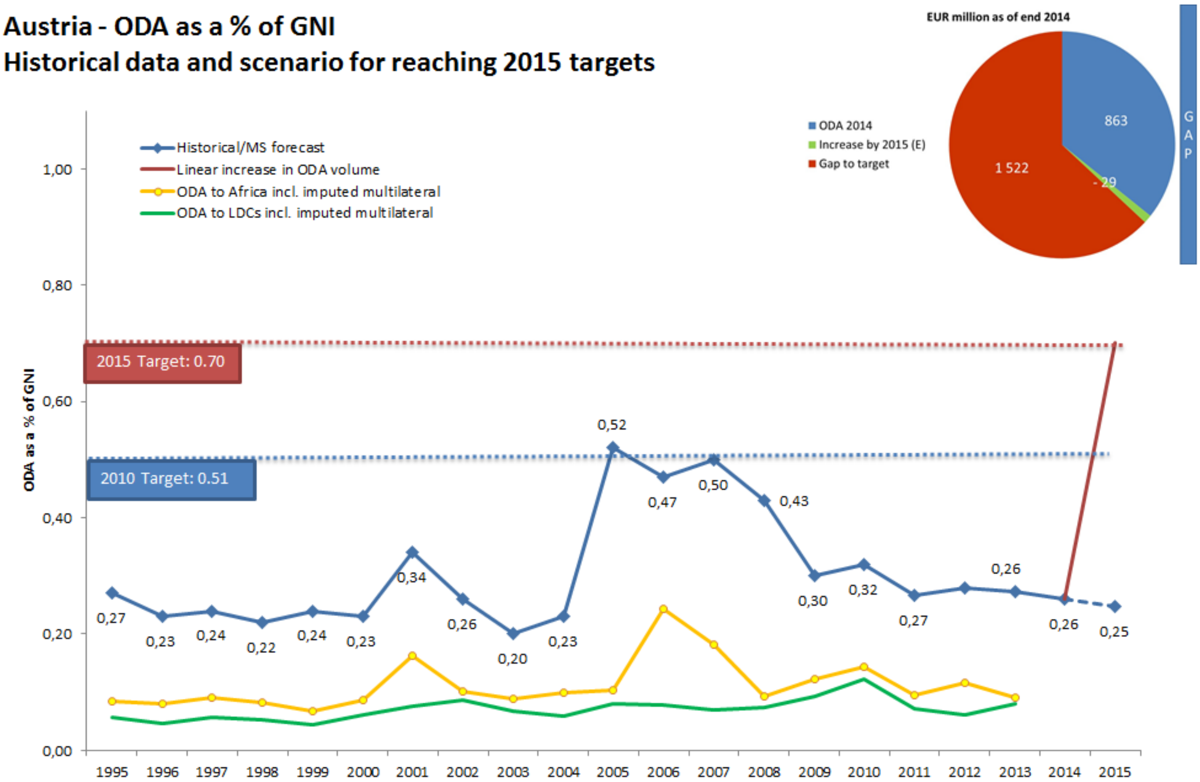
Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	223	236	623	463	227	295	375	243	305	241
Belgium	675	754	937	720	740	839	1 193	832	806	653
Bulgaria	0	0	0	0	0	0	0	13	8	11
Croatia	0	0	0	0	0	0	0	0	0	4
Cyprus	0	4	4	4	5	7	8	5	3	3
Czech Republic	20	29	32	34	39	36	43	39	42	39
Denmark	753	779	905	951	886	865	843	804	791	684
Estonia	2	3	4	4	0	0	4	4	4	4
Finland	201	228	276	288	304	346	380	343	356	376
France	3 782	4 583	4 961	3 404	3 235	4 336	4 371	3 725	3 528	2 796
Germany	2 266	2 823	3 956	2 833	3 084	2 579	2 698	2 819	2 969	2 411
Greece	59	65	93	82	111	93	90	55	49	40
Hungary	12	20	20	33	22	24	26	21	23	22
Ireland	281	298	413	423	479	399	377	345	334	329
Italy	764	1 844	1 404	1 026	1 138	943	943	1 148	586	707
Latvia	0	3	3	4	0	0	0	0	5	5

Lithuania	3	5	5	7	10	8	6	7	7	7
Luxembourg	102	108	123	129	134	142	129	116	111	113
Malta	0	0	0	0	0	0	0	0	1	1
Netherlands	1 561	1 641	1 462	1 678	1 495	1 251	1 402	1 160	971	1 142
Poland	45	54	135	59	76	89	79	64	66	100
Portugal	751	153	166	149	174	167	285	327	252	213
Romania	0	0	0	0	28	34	25	28	24	23
Slovak Republic	8	30	27	27	32	15	17	14	15	16
Slovenia	0	0	0	0	10	12	10	9	10	9
Spain	498	855	792	863	1 099	1 261	1 202	712	402	516
Sweden	809	1 153	1 151	1 274	1 282	1 282	1 160	1 514	1 270	1 297
United Kingdom	2 569	3 753	5 448	2 800	3 034	3 312	4 153	4 030	3 834	4 869
EU Total	**15 385**	**19 420**	**22 942**	**17 252**	**17 645**	**18 334**	**19 819**	**18 376**	**16 772**	**16 631**

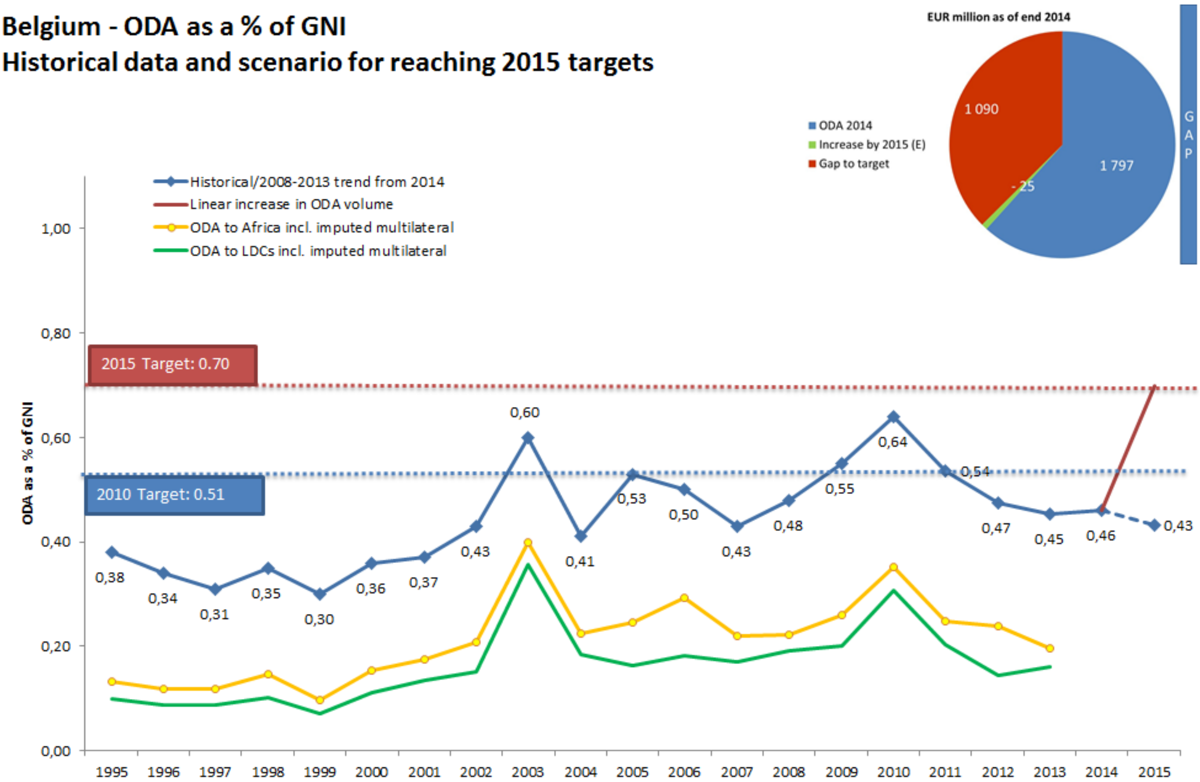
Source: DAC Online (Table 2A)


EU Collective ODA as a % of GNI
Historical data and projections for reaching 2015 targets
EU Collective
EU ODA to Africa
EU ODA to LDCs
Required linear increase
EU Collective Projections or MS Forecasts
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
38 113
56 147
4 623
GAP
2015 Target: 0.70
2010 Target: 0.56
LDC Target: 0.15
ODA as a % of GNI
0,80
0,70
0,60
0,50
0,40
0,30
0,20
0,10
0,00
0,37
0,37
0,33
0,33
0,31
0,32
0,33
0,35
0,35
0,35
0,42
0,39
0,42
0,44
0,46
0,45
0,43
0,43
0,42
0,44
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

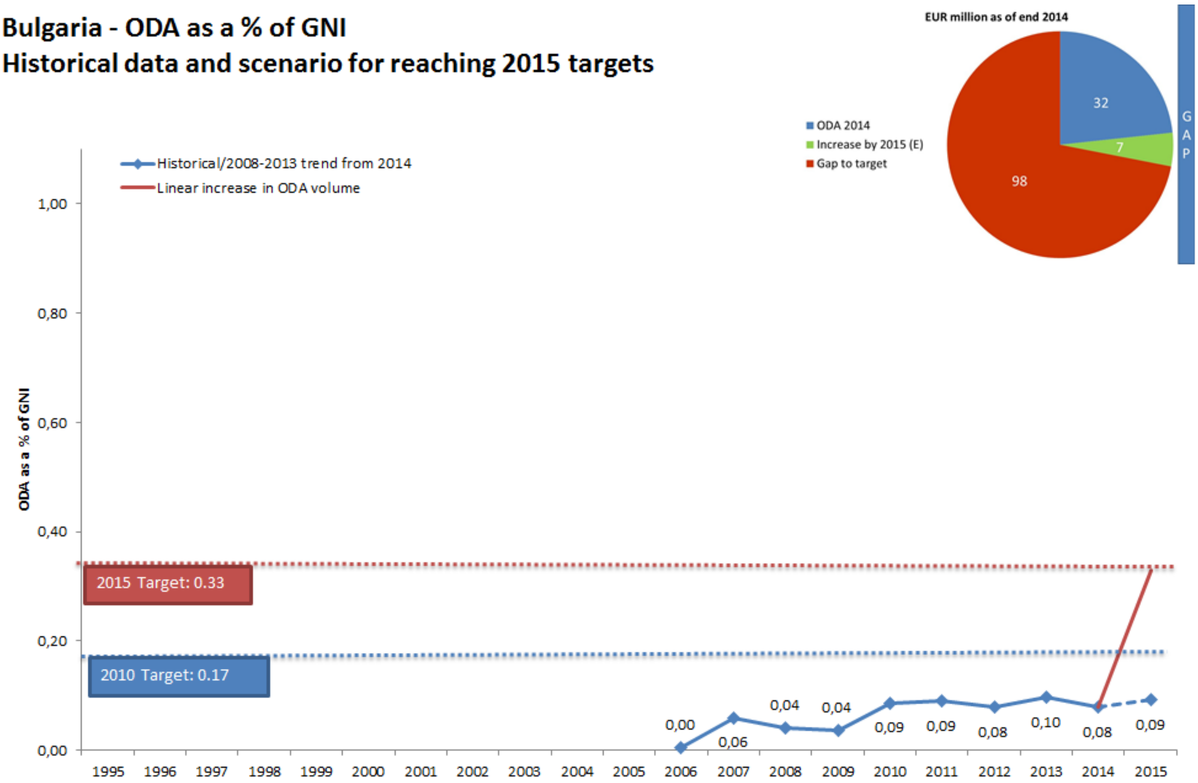
Austria - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



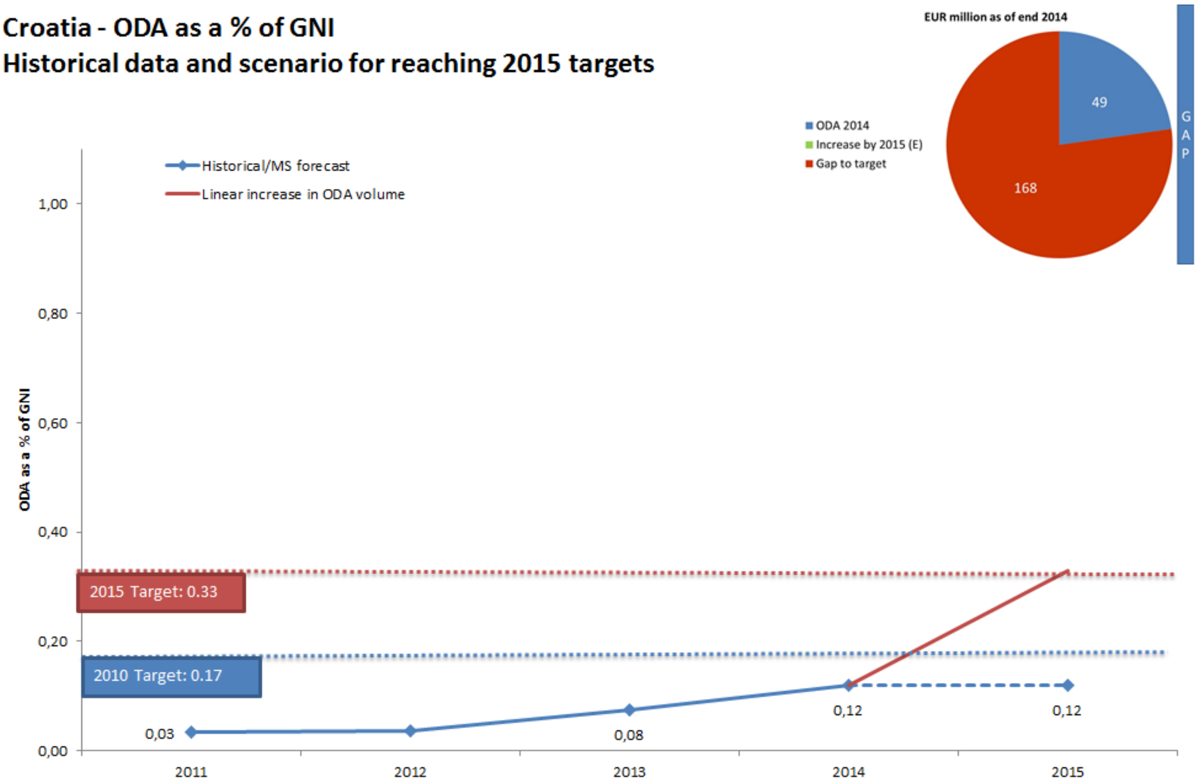
Belgium - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



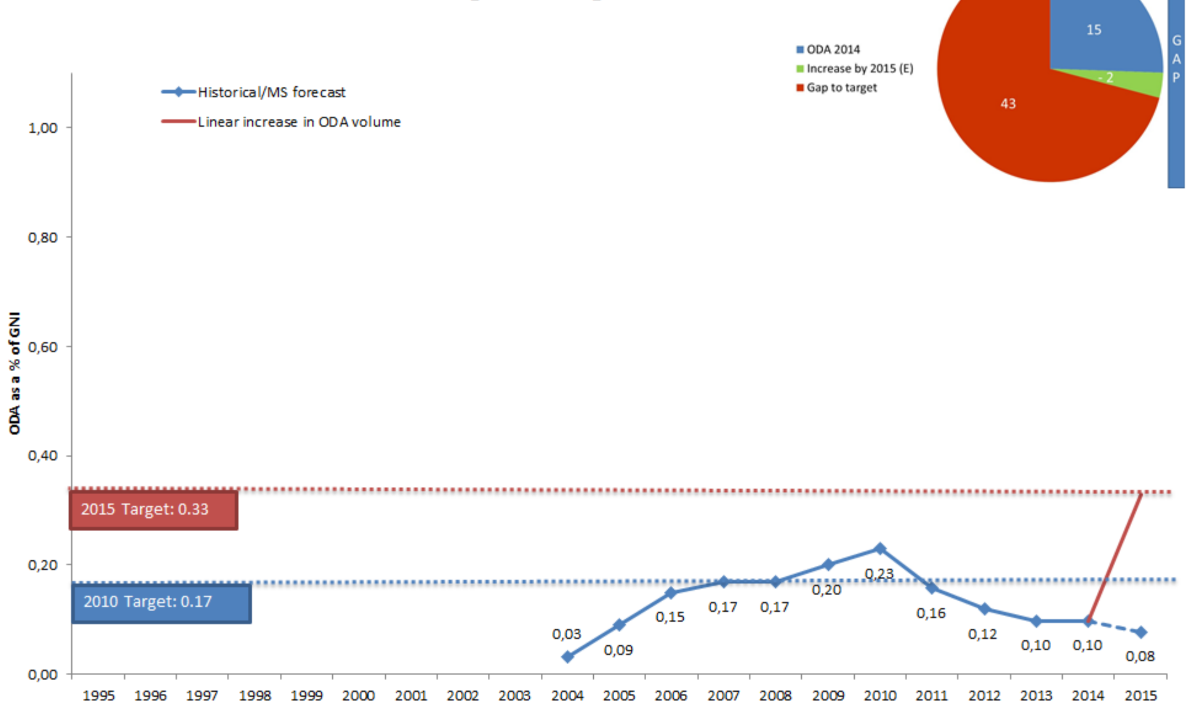
Bulgaria - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



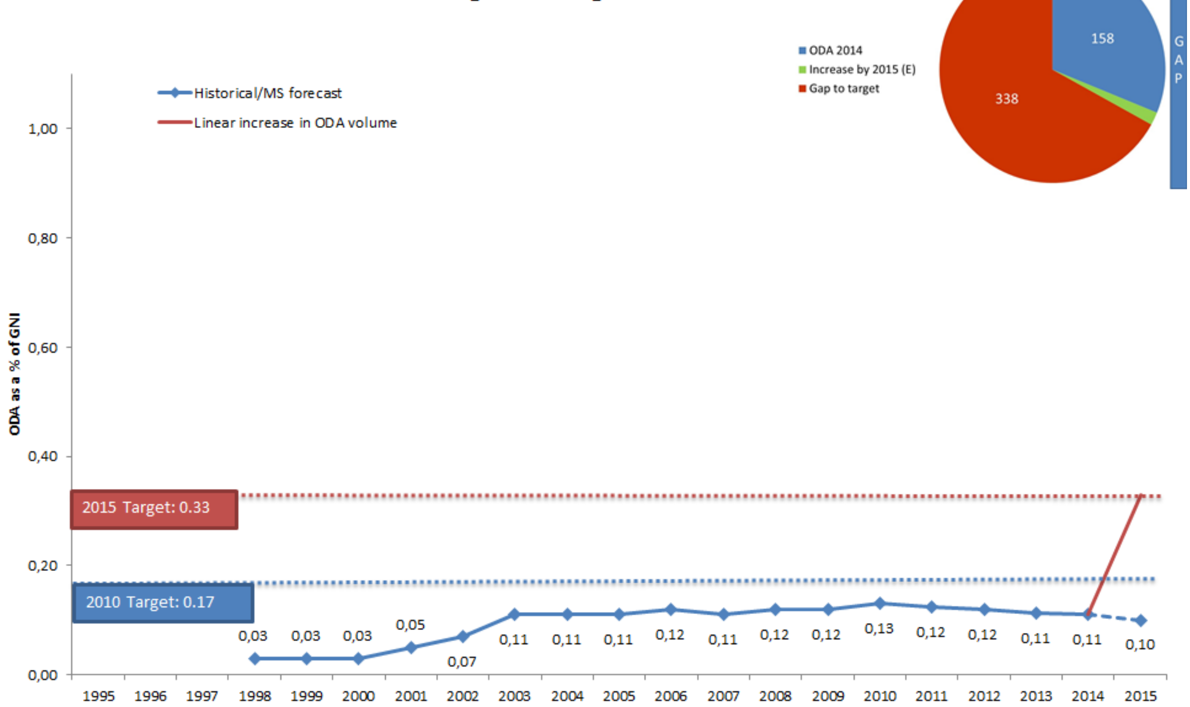
Croatia - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

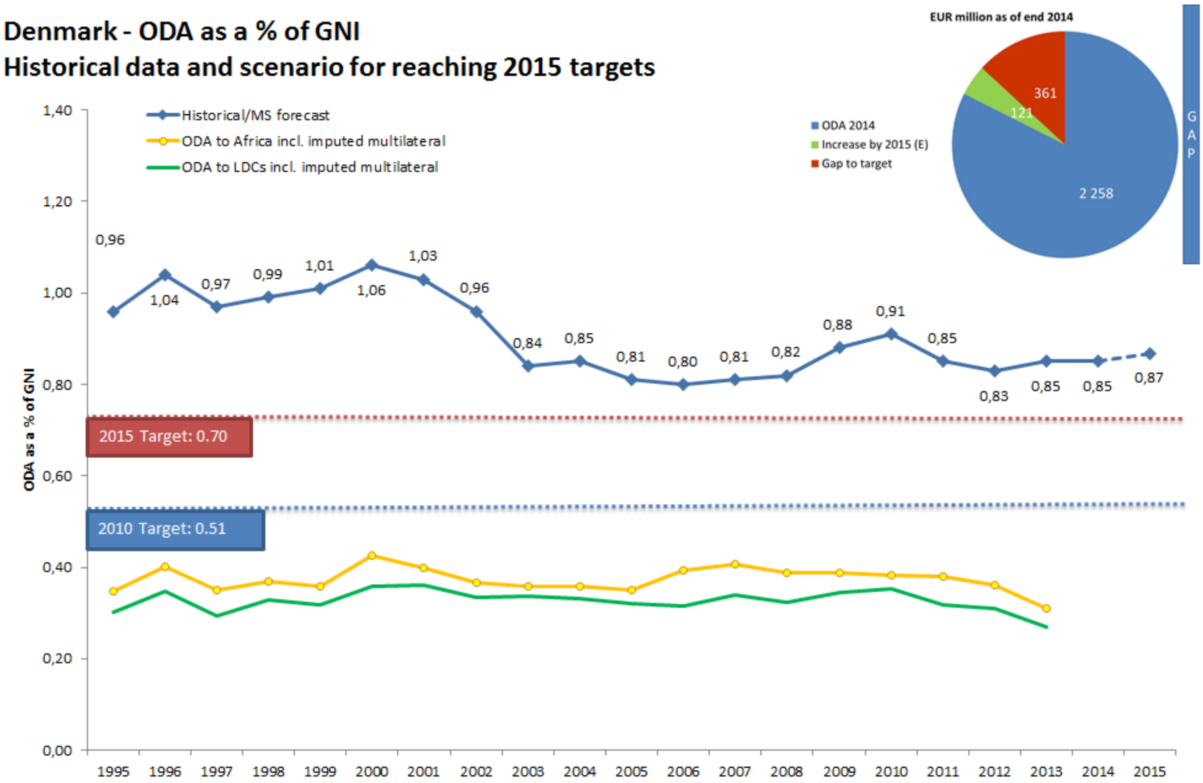


Cyprus - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

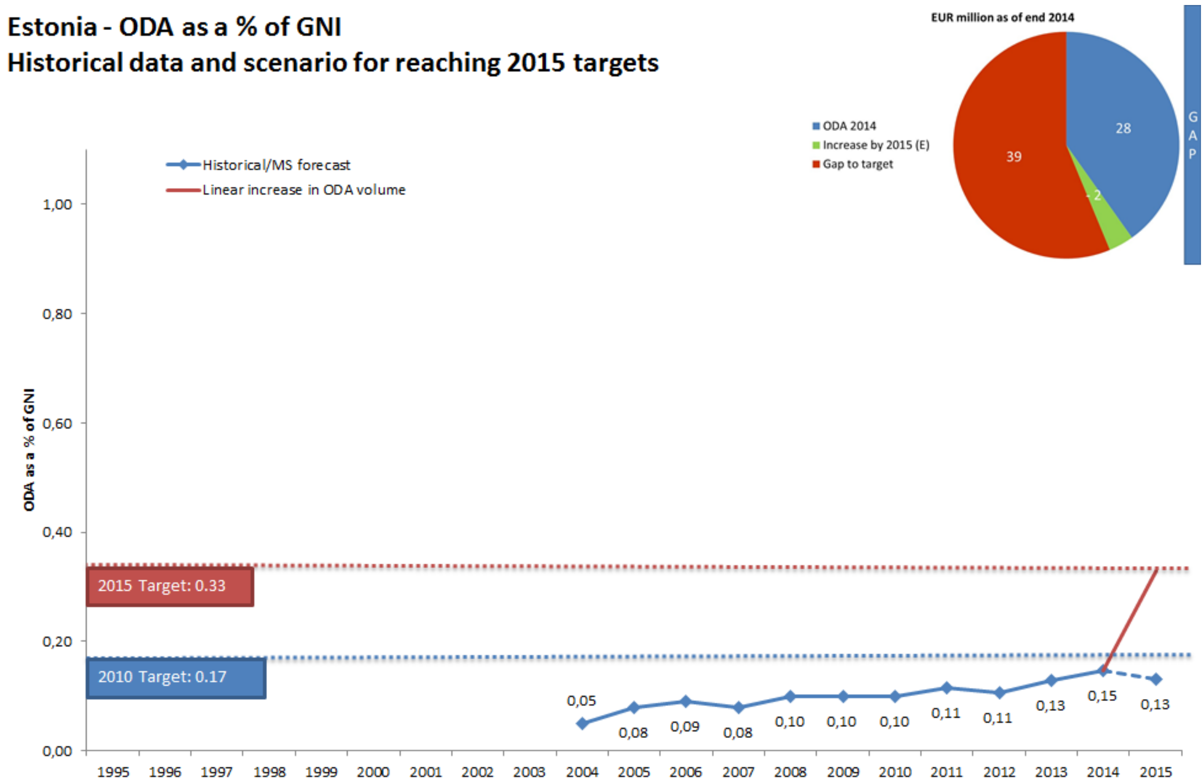


Czech Republic - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



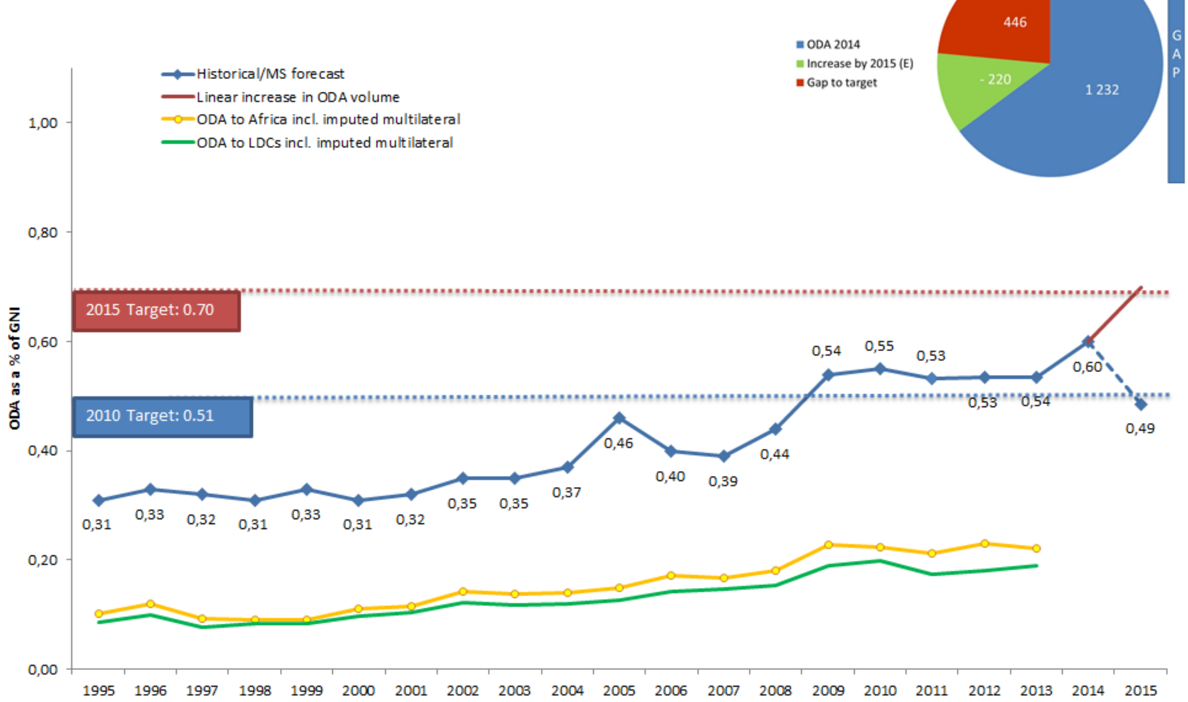


Denmark - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
361
121
2 258
GAP
Historical/MS forecast
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
2015 Target: 0.70
2010 Target: 0.51
ODA as a % of GNI

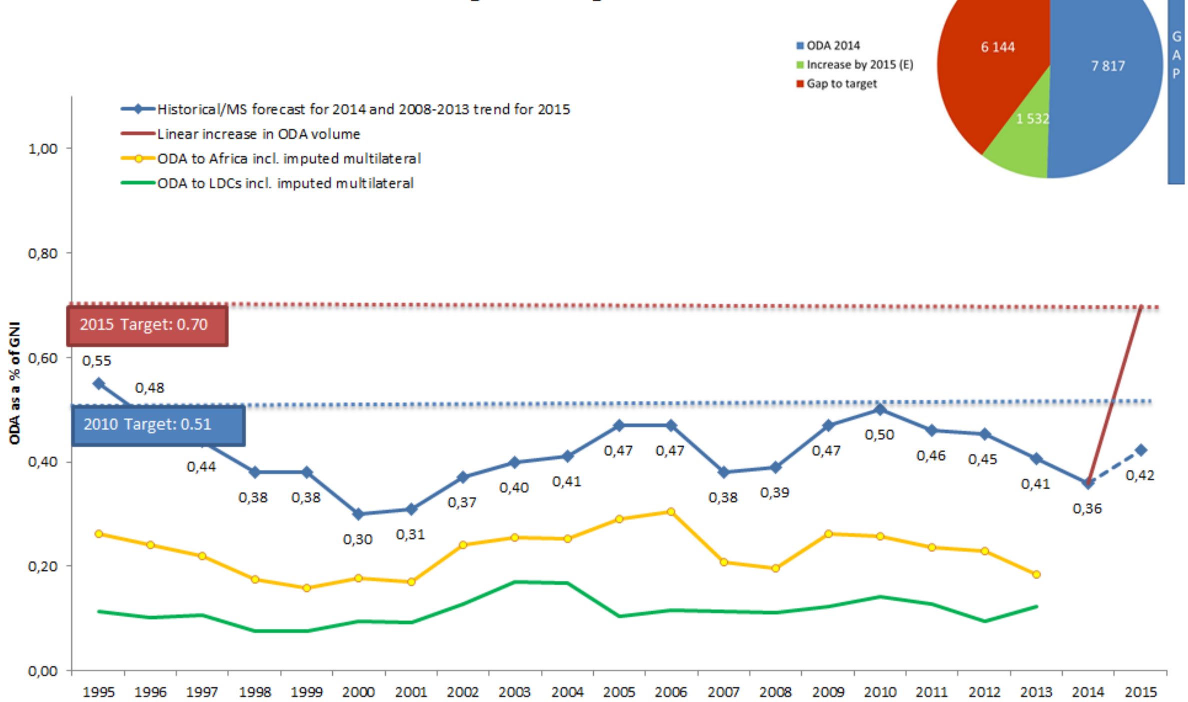


Estonia - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
28
39
2
GAP
Historical/MS forecast
Linear increase in ODA volume
2015 Target: 0.33
2010 Target: 0.17
ODA as a % of GNI

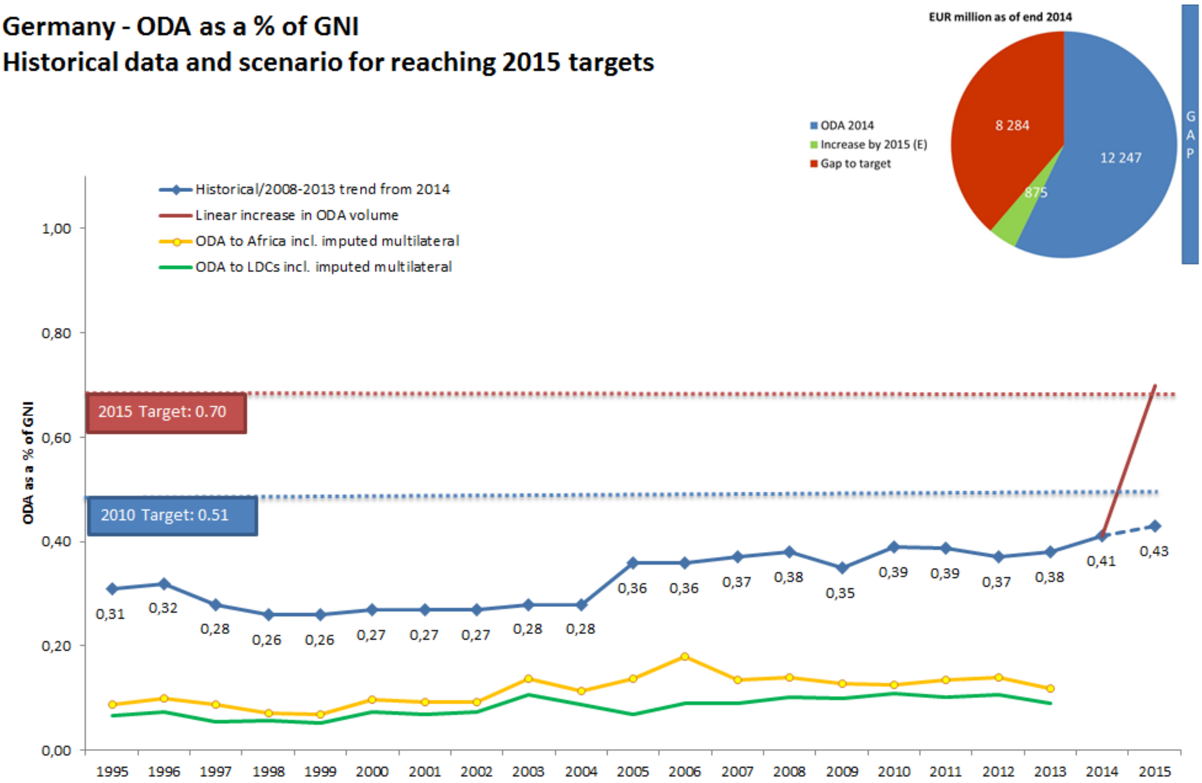
Finland - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



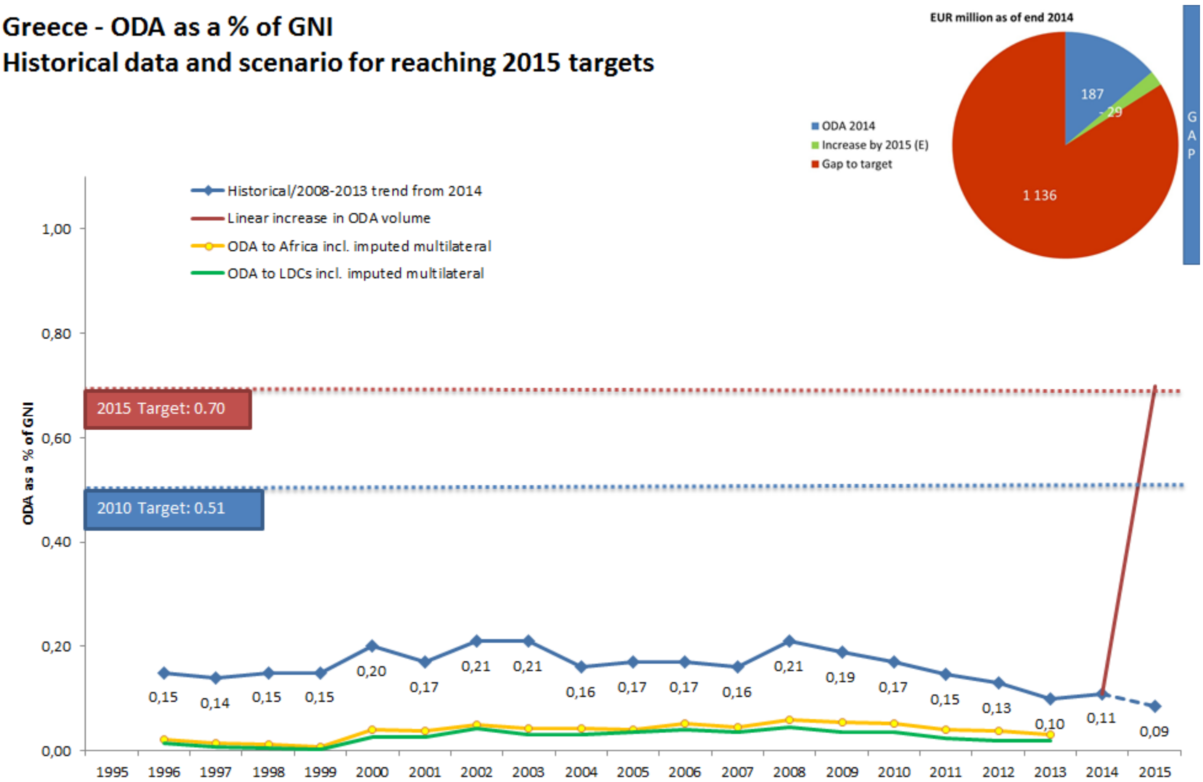
France - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



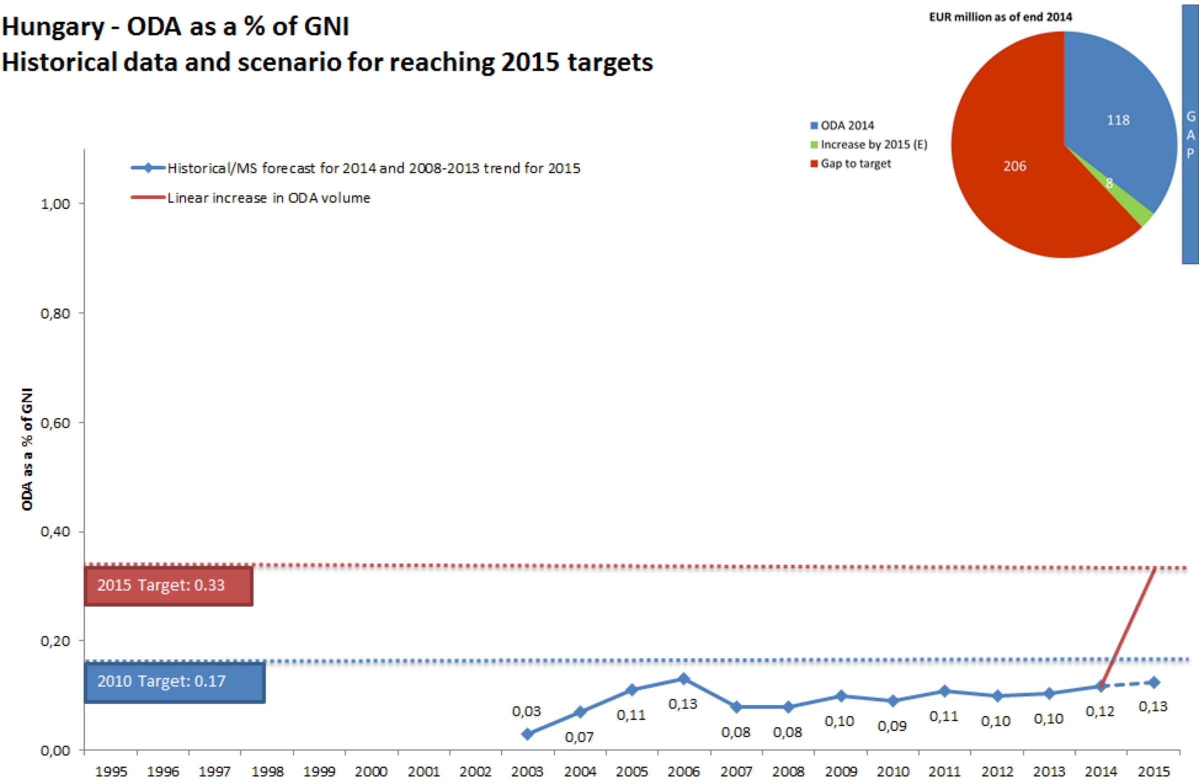
Germany - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



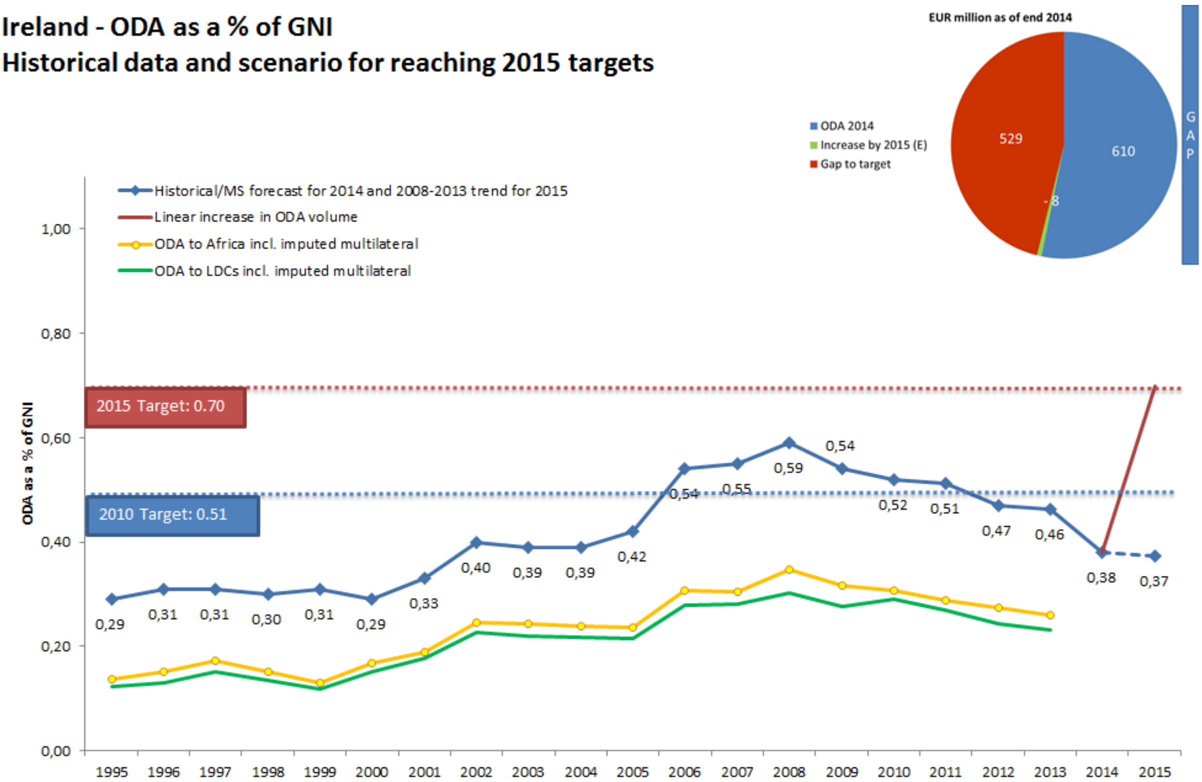
Greece - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



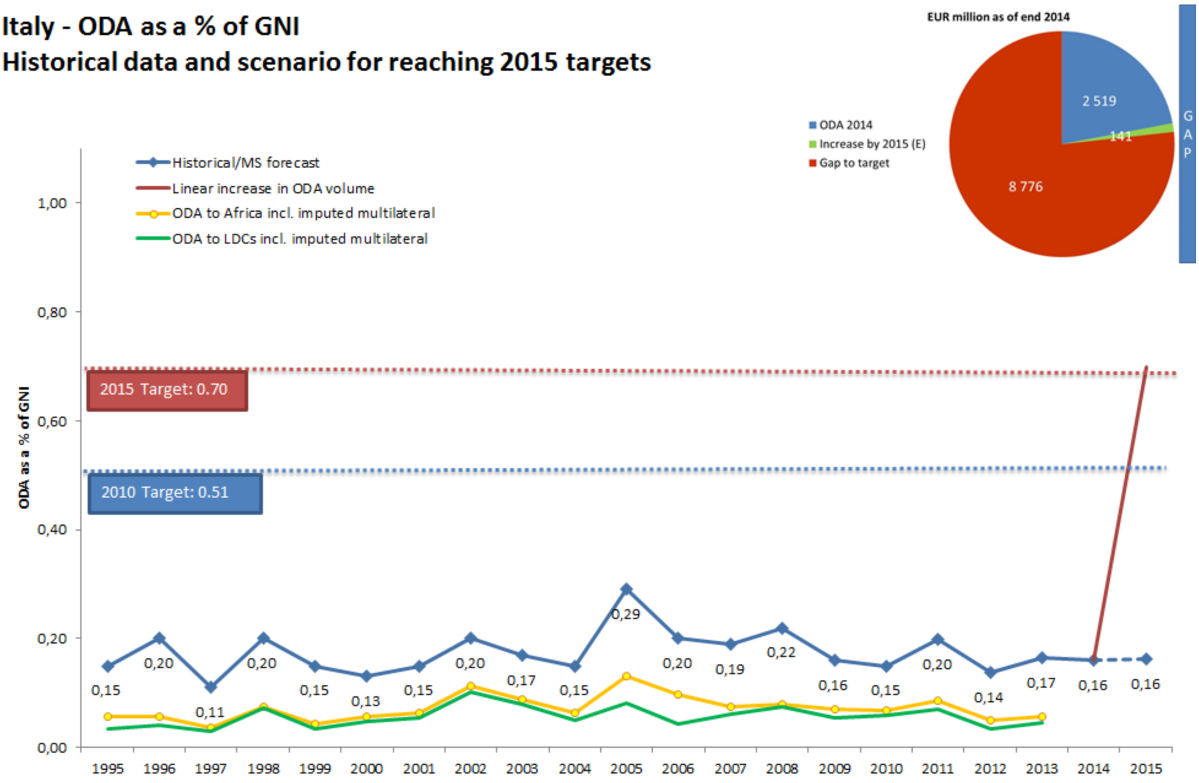
Hungary - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



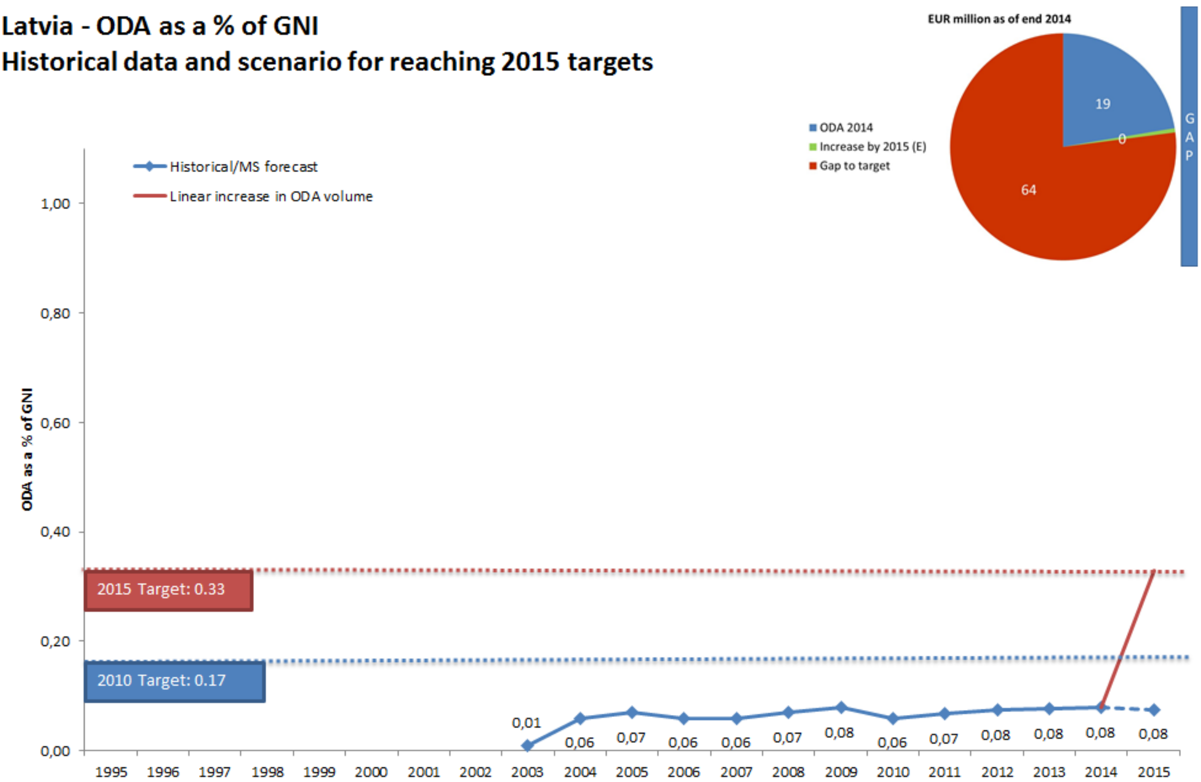
Ireland - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

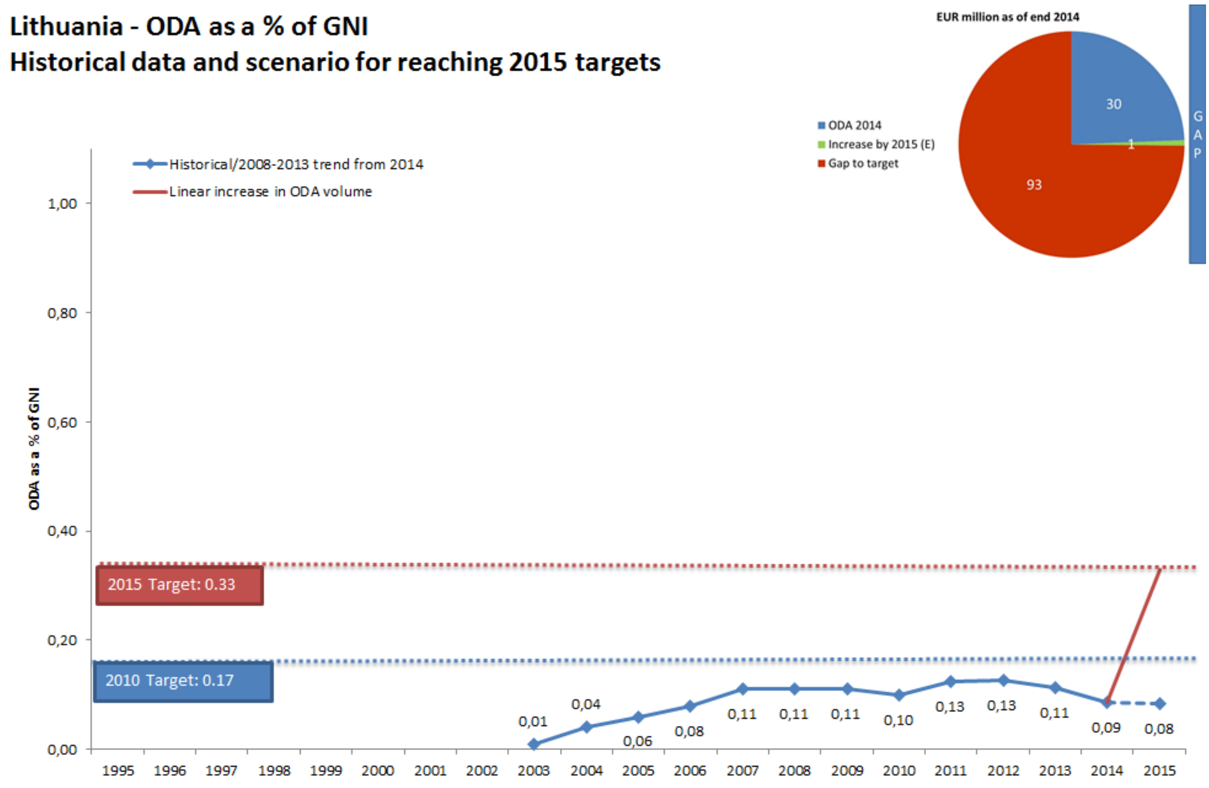


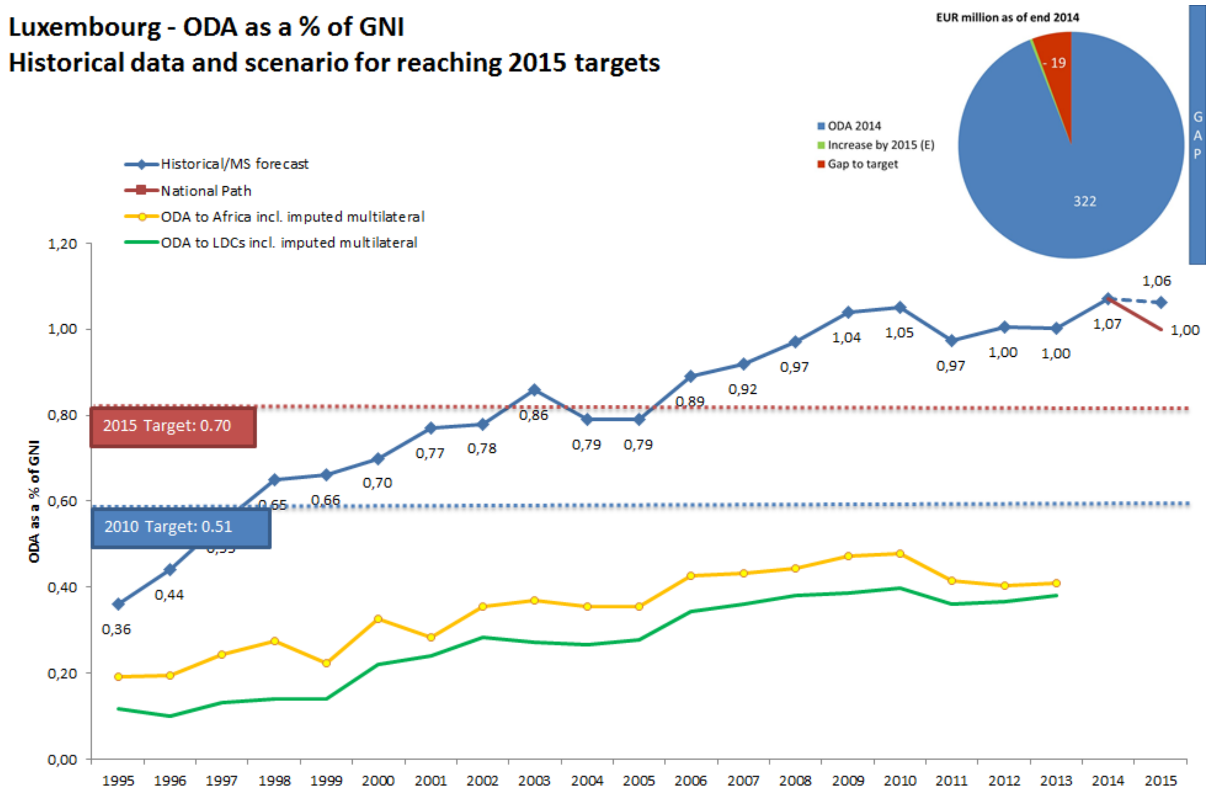
Italy - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

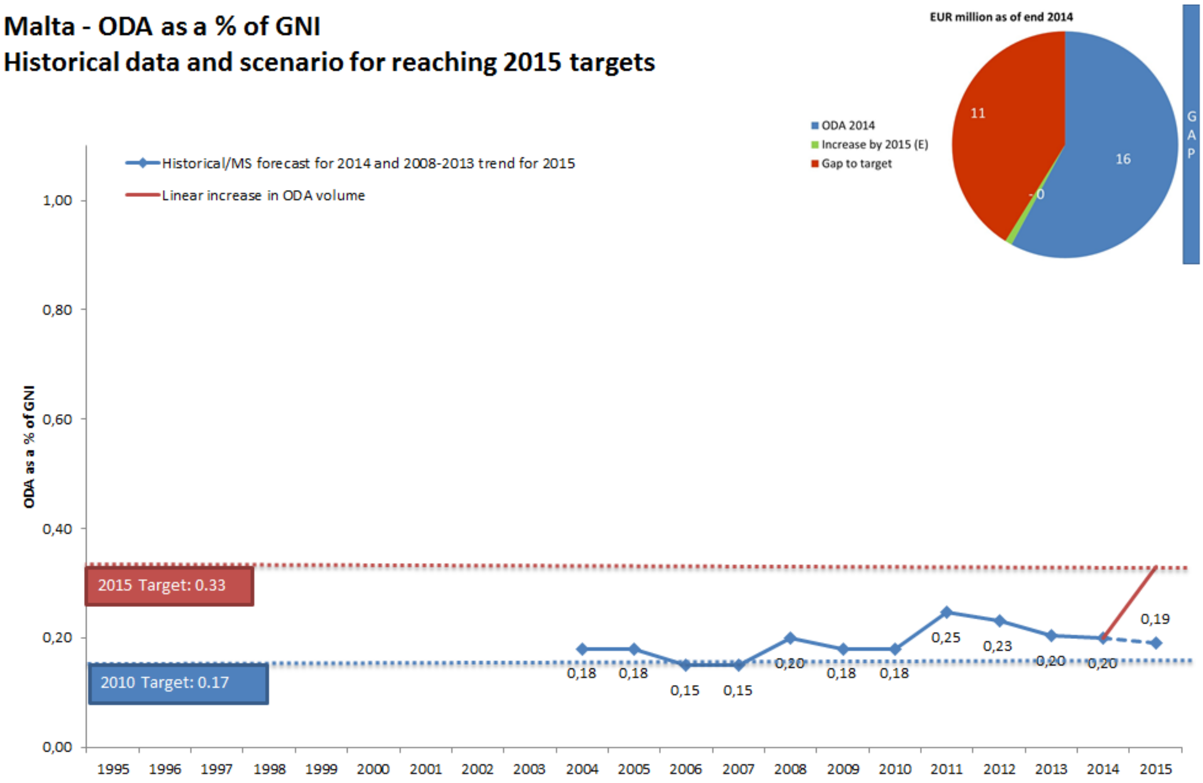


Latvia - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

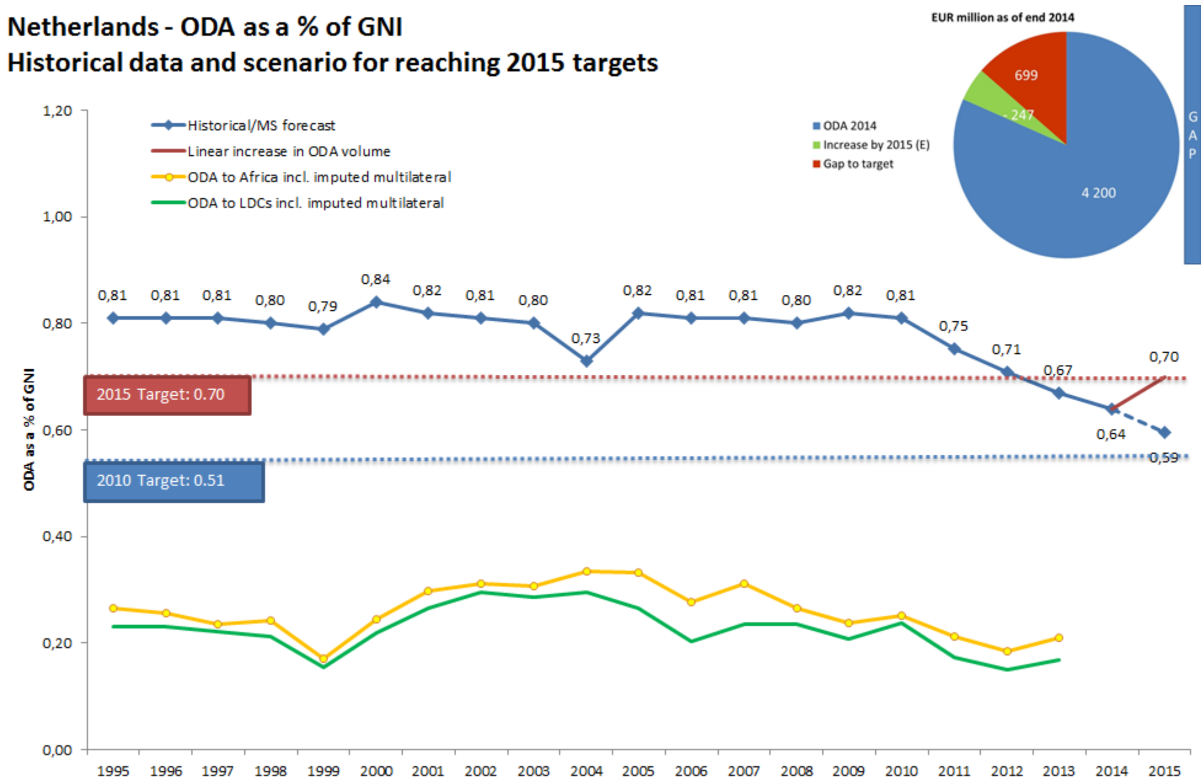



Lithuania - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
30
1
93
GAP
Historical/2008-2013 trend from 2014
Linear increase in ODA volume
ODA as a % of GNI
1,00
0,80
0,60
0,40
0,20
0,00
2015 Target: 0.33
2010 Target: 0.17
0,01
0,04
0,06
0,08
0,11
0,11
0,11
0,10
0,13
0,13
0,11
0,09
0,08
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015


Luxembourg - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
19
322
GAP
Historical/MS forecast
National Path
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
1,20
1,00
0,80
0,60
0,40
0,20
0,00
2015 Target: 0.70
2010 Target: 0.51
0,36
0,44
0,65
0,66
0,70
0,77
0,78
0,86
0,79
0,79
0,89
0,92
0,97
1,04
1,05
0,97
1,00
1,00
1,07
1,06
1,00
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

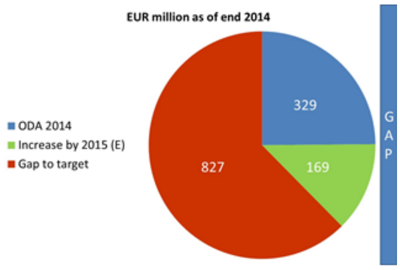


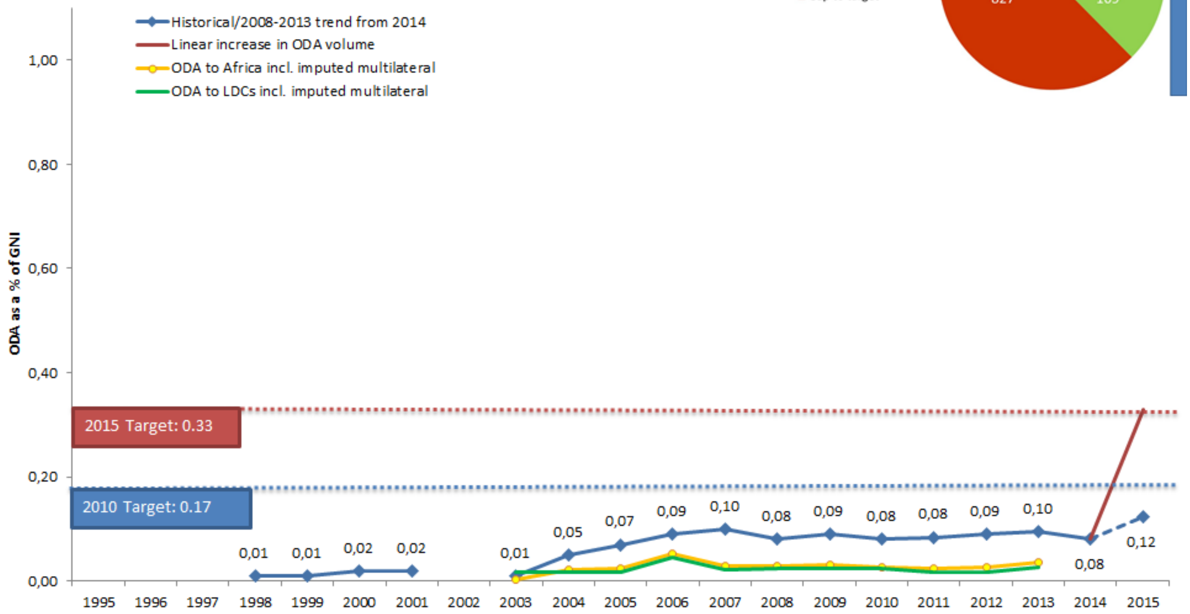
Malta - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
11
16
- 0
G A P
Historical/MS forecast for 2014 and 2008-2013 trend for 2015
Linear increase in ODA volume
ODA as a % of GNI
2015 Target: 0.33
2010 Target: 0.17
0,18
0,18
0,15
0,15
0,20
0,18
0,18
0,25
0,23
0,20
0,20
0,19



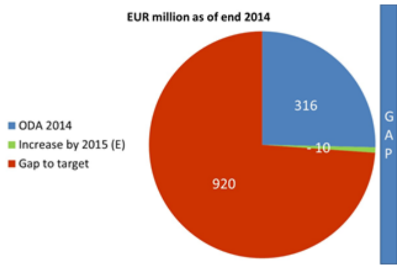
Netherlands - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets
EUR million as of end 2014
ODA 2014
Increase by 2015 (E)
Gap to target
699
- 247
4 200
G A P
Historical/MS forecast
Linear increase in ODA volume
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
2015 Target: 0.70
2010 Target: 0.51
0,81
0,81
0,81
0,80
0,79
0,84
0,82
0,81
0,80
0,73
0,82
0,81
0,81
0,80
0,82
0,81
0,75
0,71
0,67
0,64
0,70
0,59

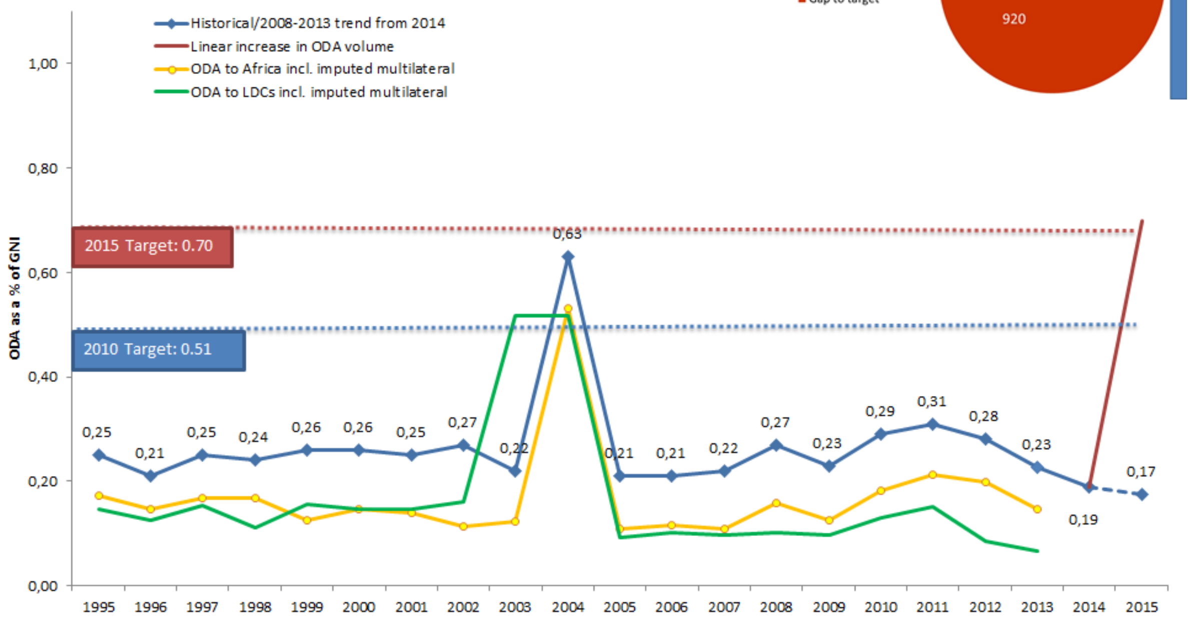
Poland - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



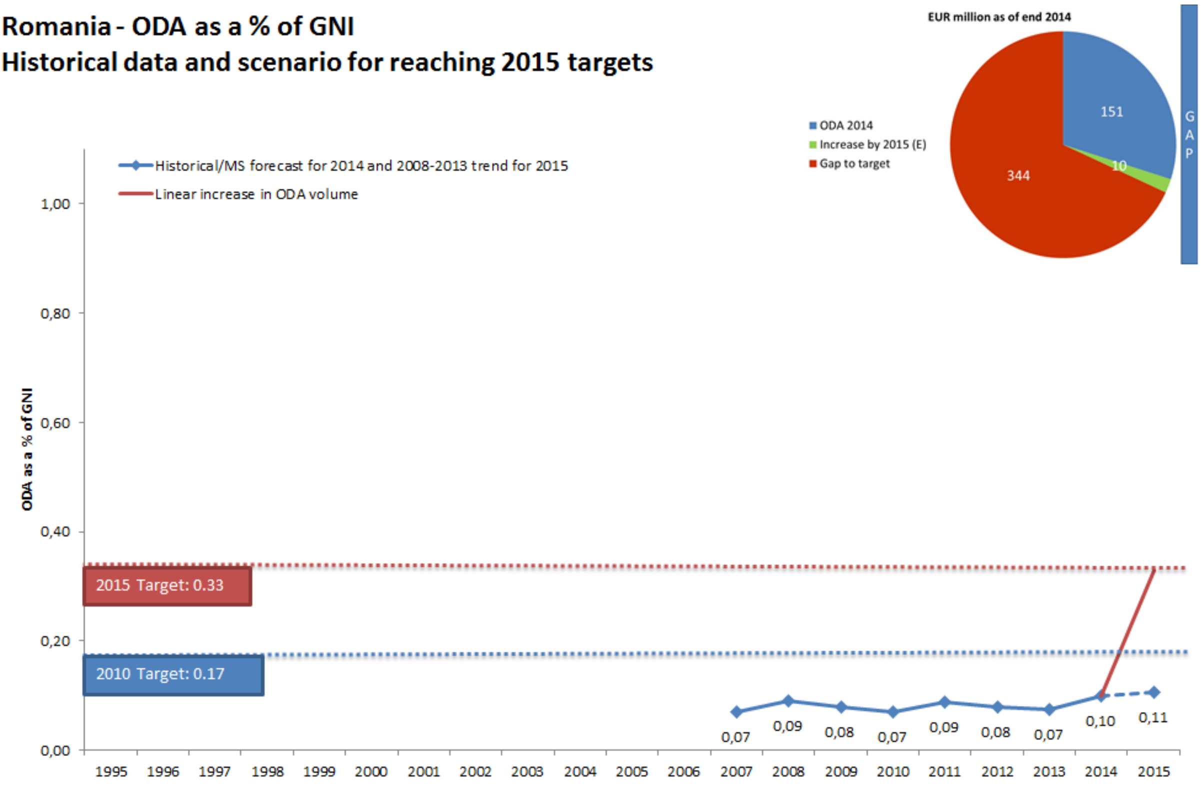


Portugal - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets

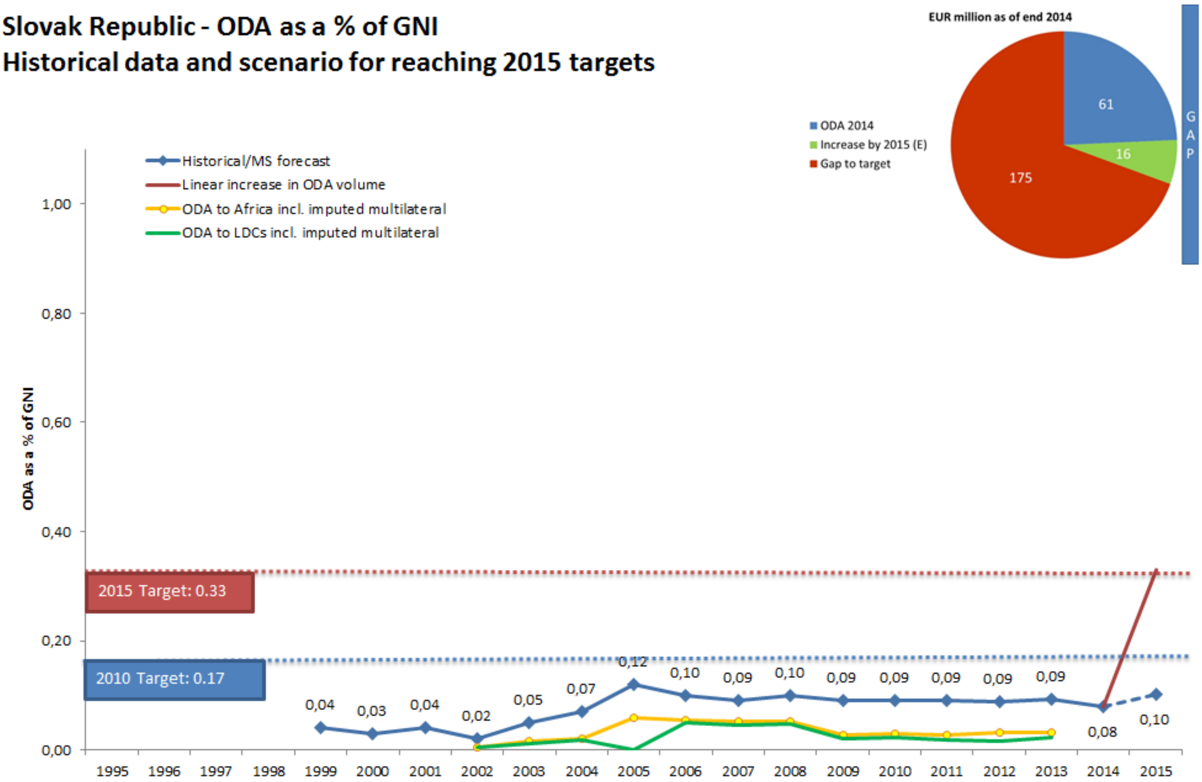




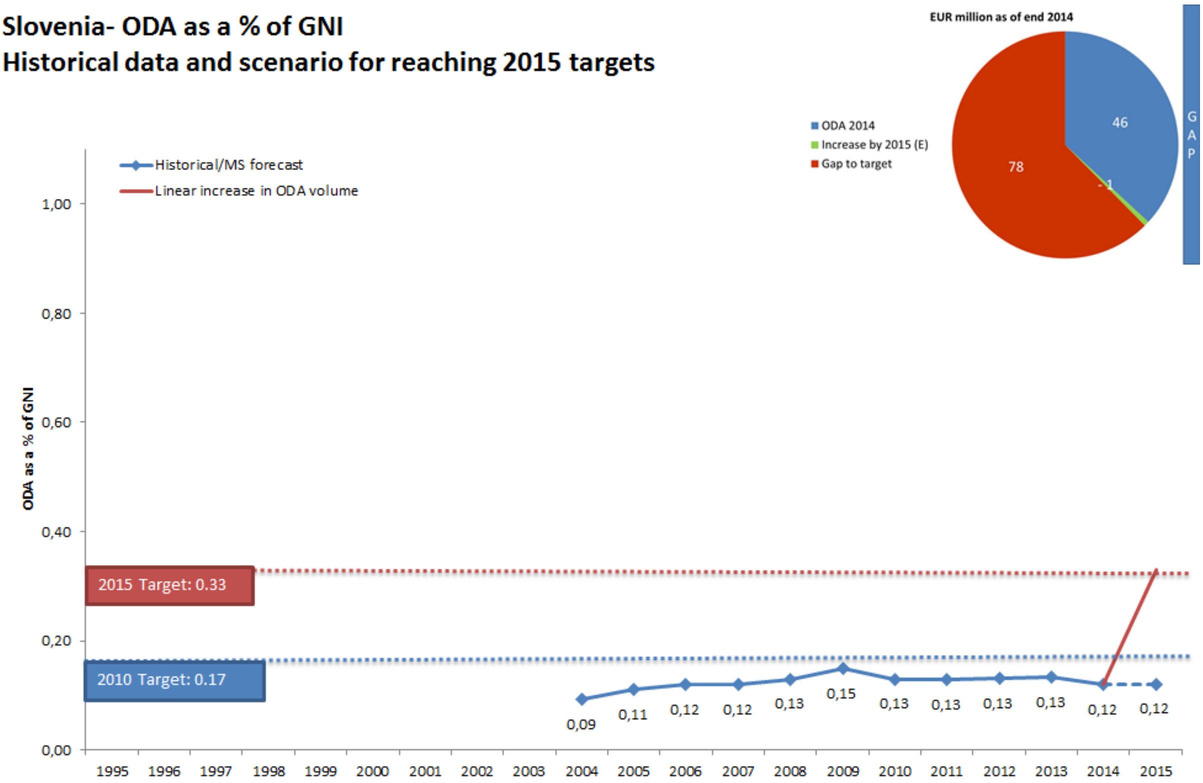
Romania - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



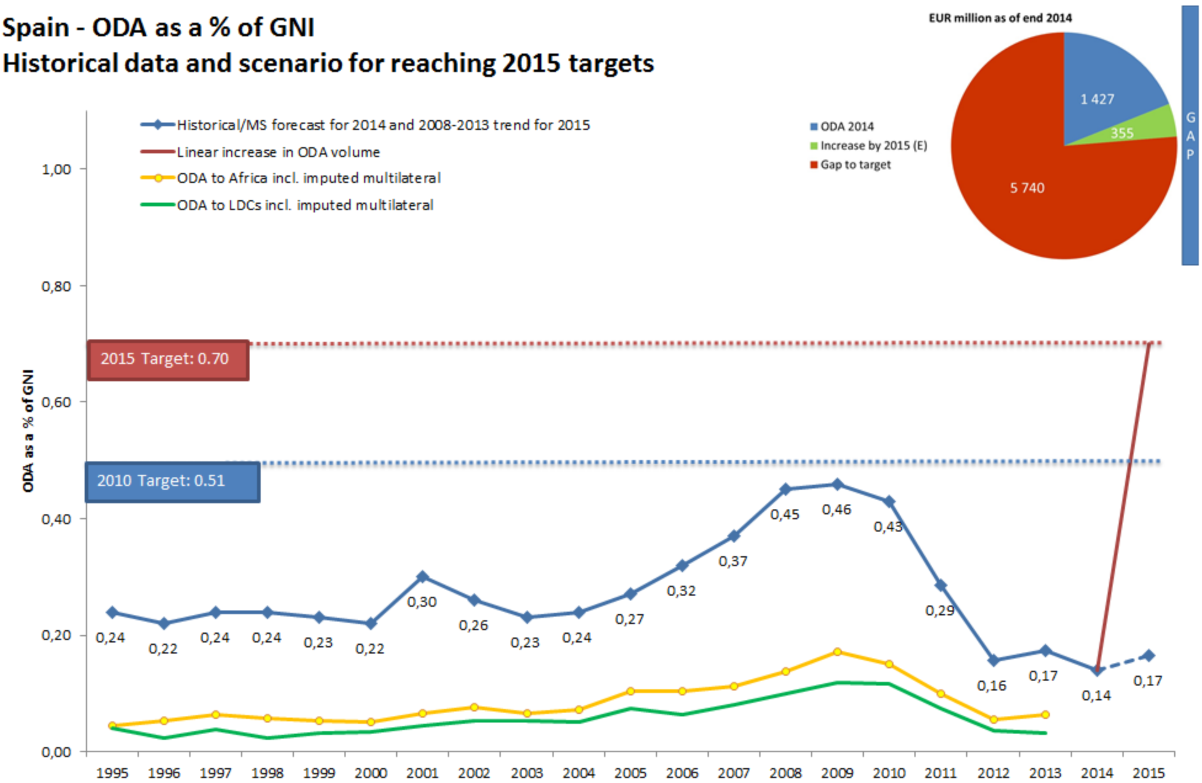
Slovak Republic - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



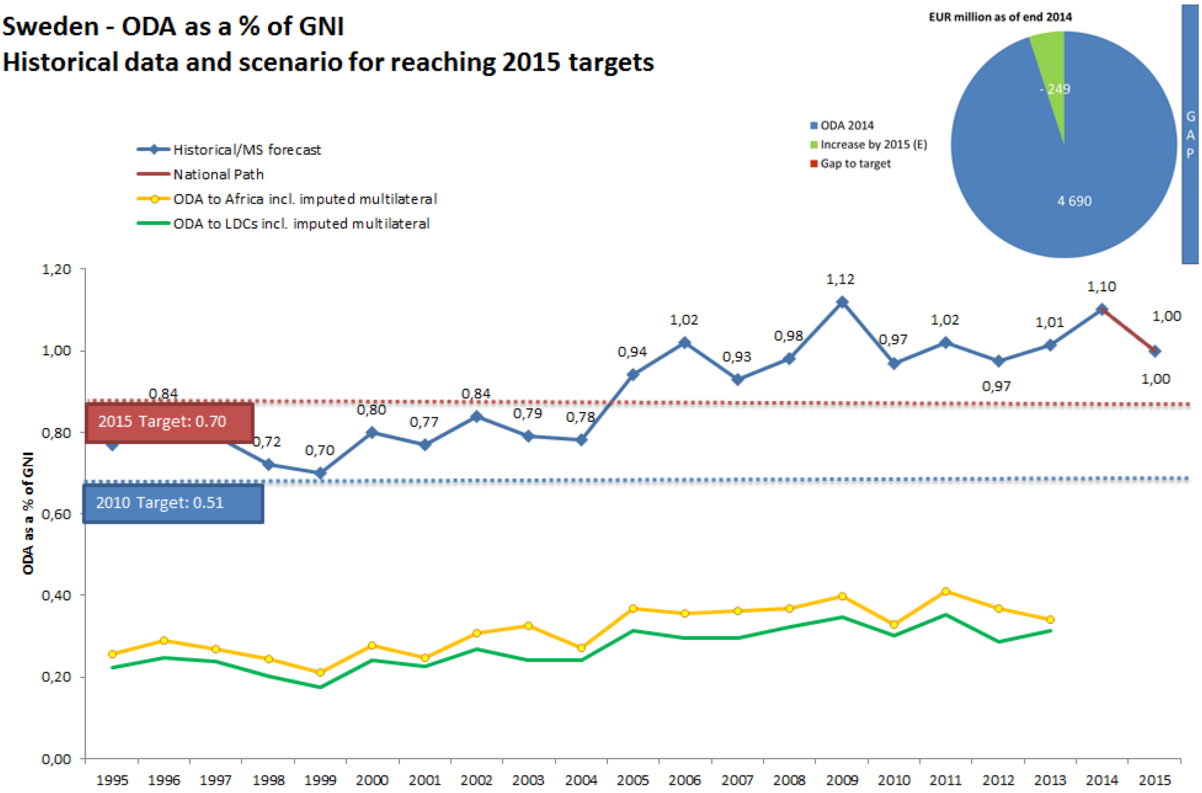
Slovenia- ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



Spain - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



Sweden - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets



United Kingdom - ODA as a % of GNI
Historical data and scenario for reaching 2015 targets