



INVESTING IN SUSTAINABLE DEVELOPMENT

PROGRESS REPORT 2018-2020

#TEAMEUROPE



EUROPEAN COMMISSION

Rue de la Loi 41 | 1049 Brussels, Belgium.

Printed by the Publications Office of the European Union in Luxembourg.

The European Commission is not liable for any consequence stemming from the reuse of this publication.

Luxembourg: Publications Office of the European Union, 2022.

© European Union, 2022

The reuse policy of European Commission documents is implemented based on Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39).

Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.



For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders. The European Union does not own the copyright in relation to the following elements:

- All the photographs after page 10, © Pexels.com.

Print	ISBN 978-92-76-47820-1	Dol: 10.2841/402944	MN-06-22-094-EN-C
PDF	ISBN 978-92-76-47819-5	Dol: 10.2841/156351	MN-06-22-094-EN-N

Foreword



Jutta Urpilainen
**Commissioner
for International
Partnerships**

The COVID-19 pandemic has had a dramatic impact on all countries, reversing years of progress towards the Sustainable Development Goals (SDGs). Millions of people have been pushed into extreme poverty and inequalities have further increased. But, developing countries are suffering disproportionately from the crisis. The global economic fallout has exacerbated financing needs and has decreased the level of resources available. Foreign direct investment, tax revenues, export proceeds and remittances have all dropped, in some cases substantially. Developing countries have not been able to afford the stimulus packages put into place by advanced economies. Our partner countries are at a critical juncture, but there are also signs of recovery and together we should seize the opportunity to accelerate the huge growth potential underpinned by the twin – green and digital – transitions.

Massive investments are needed to close the financing gap that OECD estimates at USD 4.2 trillion a year for developing countries. The current geopolitical crisis, notably the war in Ukraine and its economic shock to the world economy, represent an additional challenge. All funding sources (public/private, domestic/international) combined with effective policy reforms need to be efficiently deployed to help meet the SDGs and the Paris Agreement's objectives.

With the Union's new Global Gateway strategy, the EU has set up a plan for investment in sustainable infrastructure development to ensure a green, digital, just and resilient recovery from the pandemic. It is a positive offer to our partners to support projects that are sustainable and of high quality, and implemented with high levels of transparency and standards in order to deliver lasting social and economic benefits for local communities. Global Gateway aims at mobilising important investments to mobilise private sector finance and expertise and supports access to sustainable finance.

In this respect and for the first time, the present report discusses the importance of sustainable finance in supporting the achievement of the SDGs. It is indeed crucial, given the scale of the financing gap, to mobilise financing from all sources, including international private capital, notably banks, institutional investors and asset managers. I will soon have the pleasure of launching the work of a high-level expert group to help us further scale up sustainable finance in our partner countries. On that basis, the European Commission will present an EU strategy on scaling up sustainable finance in low- and middle-income countries in 2023.

The report also takes stock of the EU's strong efforts and progress on the Addis Agenda commitments. Together with the Member States, the EU has significantly increased its contribution to official development assistance (ODA), crucial at a time when so many people in our partner countries face significant health, economic and social challenges linked to the COVID-19 crisis.

In response to COVID-19 crisis, in a Team Europe approach, the EU, its Member States and European development financial institutions have mobilised, as of April 2021, EUR 46 billion supporting 130 partner countries in responding to the crisis.

I am also proud that the EU and its Member States have shown strong performance on domestic public resources and domestic resource mobilisation. For example, under the Addis Tax Initiative they surpassed their commitment of collectively doubling technical cooperation on domestic resource mobilisation well in advance of the target date. Furthermore, the Union's and its Member States' assistance to private sector development has grown by two thirds over the last decade to reach EUR 28 billion in 2019. Financial instruments have catalysed a significant amount of much needed private investment to partner countries; for instance with EUR 1.55 billion, the recently created European Fund for Sustainable Development is expected to leverage over EUR 17.5 billion in investments.

However, we also need to acknowledge the areas for improvement. There is a need to focus more of our efforts on least developed countries. I also believe we need to better target the more vulnerable elements of society, as we will not have a fair and sustainable recovery unless we invest in people and address inequalities. Fair and sustainable recovery for all also means that women and young people must be actively empowered. We are already taking active steps in this regard.

The EU is committed to delivering on the Sustainable Development Goals and the Paris Agreement. With the EUR 79 billion new Neighbourhood Development and International Cooperation Instrument (NDICI) – Global Europe for the period 2021-2027 - representing a 12% increase compared to the previous long-term budget - we are well equipped to contribute to eradicating poverty and fighting inequalities, promoting sustainable development, prosperity, peace and stability. We will seek to achieve transformational impact through Team Europe Initiatives together with our Member States and European development financial institutions.

The EU will continue providing strong support to developing countries in implementing the Addis Ababa Action Agenda and will be taking further transformational actions to leverage finance from all sources to the benefit of our partner countries and their populations, leaving no one behind.



Jutta Urpilainen

Commissioner for International Partnerships

Table of Contents

Foreword	3
In a Nutshell	8
Introduction	11
Chapter 1 Sustainable Finance	14
Supporting partner countries' efforts to scale up sustainable finance	16
Promoting sustainable finance policy in global fora	18
Domestic experience in sustainable finance inside the European Union	18
<i>Building a sustainable finance ecosystem</i>	19
<i>Green, social and sustainable bond issuances</i>	21
Chapter 2 Domestic Public Resources	22
Collect more, spend better: Tax policy and administration, public financial management and governance	25
<i>Objectives</i>	25
<i>Implementation</i>	25
International cooperation on tax matters and against illicit financial flows	28
<i>Objectives</i>	28
<i>Implementation</i>	28
Chapter 3 Domestic and International Private Business and Finance	31
Private sector development	34
<i>Objectives</i>	34
<i>Implementation</i>	34
Sustainable business practices	37
<i>Objectives</i>	37
<i>Implementation</i>	37
Remittances	39
<i>Objectives</i>	39
<i>Implementation</i>	39
Chapter 4 International Development Cooperation	42
Official development assistance	43
<i>Objectives</i>	43
<i>Implementation</i>	43

Development effectiveness, joint programming and joint implementation	46
<i>Objectives</i>	46
<i>Implementation</i>	46
ODA as catalyst: Innovative sources of finance and financial instruments	50
<i>Objectives</i>	50
<i>Implementation</i>	50
Climate finance and the environment	52
<i>Climate finance</i>	53
<i>Sustainable energy</i>	56
<i>Natural resources, biodiversity and ecosystems: conservation and sustainable management</i>	58
Strengthening resilience	61
<i>Objectives</i>	61
<i>Implementation</i>	62
Human development	63
<i>Objectives</i>	64
<i>Implementation</i>	64
Chapter 5 International Trade as an Engine for Development	66
Objectives	68
Implementation	68
<i>Widening market access for developing countries</i>	69
<i>Aid for Trade</i>	71
Chapter 6 Debt and Debt Sustainability	74
Objectives	76
Implementation	76
<i>Support from the EU and its Member States in international fora</i>	76
<i>Actions by the EU and its Member States to further debt relief and debt sustainability</i>	77
Chapter 7 Addressing Systemic Issues	80
International governance	81
<i>Objectives</i>	81
<i>Implementation</i>	81
Policy coherence for sustainable development	84
<i>Objectives</i>	84
<i>Implementation</i>	84

Chapter 8 Science, Technology, Innovation and Digitalisation	86
Objectives	87
Implementation	89
<i>Science, technology and innovation</i>	89
<i>Digitalisation</i>	91
Chapter 9 Data Monitoring and Follow-up	94
The contribution of the EU and its Member States to the global SDG indicator framework	94
Providing relevant financing-for-development data in a user-friendly manner	95
Enhancing statistical capacity in partner countries	96
Annex 1 – Summary of Progress by EU and Member States on Financing for Development Commitments, 2018-2020	99
Annex 2 – Statistics on Sustainable Finance	105
Annex 3 – Statistics on Trends in Official Development Assistance	112
Annex 4 – Regional ODA and Financing for Sustainable Development	132
Annex 5 – Methodology for Monitoring Progress towards the Addis Agenda	146
Annex 6 – Bibliography	148
Annex 7 – Abbreviations and Acronyms	153

In a Nutshell

The UN Agenda 2030 for Sustainable Development, with its 17 Sustainable Development Goals (SDGs) and the political commitment to leave no one behind, offers a common and universal development agenda for the world. Agreed upon in the same year, the Paris Agreement on climate change sets targets to reduce global warming and build climate resilience.

With the SDG funding gap for developing countries estimated at USD 4.2 trillion per year (OECD 2020a), an unprecedented scale of investment and capacity is required for the global green, inclusive and resilient growth that will enable the world to achieve the SDGs for all.

The **Addis Ababa Action Agenda** highlights ways of financing the required sustainable growth and transformative processes and stresses the importance of engaging with all actors, to support the sustainable growth of developing countries and emerging economies. Beyond official development assistance, there is a need to tap into all financing sources (public/private, domestic/international). This is all the more true seven years on, particularly with the **dramatic socio-economic impact of the COVID-19 pandemic**, since foreign direct investment, tax revenues, exports, and remittances have all dropped with the pandemic, and many developing countries are struggling with unsustainable debt levels. The current geopolitical crisis, including the Russian war of aggression against Ukraine, is expected to create another huge economic shock to the world economy.

To achieve the SDGs and the Paris Agreement objectives, the EU fosters its international partnerships, in support of developing countries and emerging economies, notably in making necessary investments. This **report on “Investing in Sustainable Development”** documents how the EU, its Member States and European development financial institutions are implementing the Addis Ababa Action Agenda to support partner countries in financing their sustainable development priorities. It addresses cooperation within each of the fields defined by the Addis Ababa Action Agenda. The report also includes a thematic chapter on sustainable finance, recognising that innovative financing mechanisms are crucial to leverage sustainable private financing through blending operations, de-risking tools, and attention to policies and regulatory frameworks.

The EU and its Member States have been at the forefront in implementing the Addis Ababa Action Agenda to support partner countries in financing the SDGs, notably in terms of supporting domestic resource mobilisation and supporting initiatives ensuring debt sustainability. Importantly, the EU launched its new **Global Gateway strategy** in December 2021 as a tool to deliver on the twin transitions externally through sustainable infrastructure investments. Underpinned by a values-driven approach, Global Gateway is a plan for major investment in infrastructure development around the world to strengthen digital, transport and energy networks through sustainable and high-quality projects. .



The EU has shown strong leadership in promoting **sustainable finance** within the EU as well as globally and in partner countries.

Accelerating private financial flows to partner countries will be critical to collectively deliver our global sustainability commitments. The European Commission will be developing a **comprehensive strategy to scale up sustainable finance in low- and middle-income countries** with the support of a tailored high-level expert group (HLEG). The HLEG will provide recommendations to the Commission to accelerate private financial flows for the implementation of the external dimension of the Green Deal and a green, just and resilient recovery. The EU will support efforts to scale up green bonds in our partner countries, as they are a key tool to mobilise institutional investors towards sustainable investments. The EU and its Member States are highly engaged in sharing the EU experience and in helping partner countries to scale up sustainable finance, e.g. by providing technical assistance to build the foundations for

sustainable finance (taxonomy, benchmarks, standards, sustainability-related disclosures) and de-risking private investment in partner countries. Working on taxonomies, standards, labels and disclosures is essential to scale up sustainable finance as it will enhance market transparency and help investors identify investment opportunities that truly contribute to sustainable objectives across the globe. Domestically, the EU has taken major steps to build a sustainable finance ecosystem, notably with the EU taxonomy establishing a list of environmentally sustainable economic activities and the introduction of sustainability-related disclosure requirements.



In terms of **domestic public resources**, the EU and its Member States have substantially increased their support for domestic revenue mobilisation and public financial management, through global, regional, and country-level initiatives, that have benefitted over 90 partner countries. Furthermore, the EU has shown perseverance in its important efforts to reduce illicit financial flows and contribute to fighting tax avoidance and tax evasion worldwide.

As regards **domestic and international private business and finance**, the EU and its Member States made considerable efforts in facilitating private sector development in partner countries. EU assistance to private sector development has grown by 65% over the last decade.

Many programmes provide direct credit, guarantees and technical support to support the access to finance of micro-, small- and medium-sized enterprises (MSMEs), notably in rural areas and for women entrepreneurs. Yet, amounts must still increase in order to meet the needs and commitments in this area.

Furthermore, the EU and its Member States have taken important steps to support remittances as an important source of sustainable investments. Some progress has been made in reducing the costs associated with the transfer of remittances from the EU to developing countries, but current costs remain well above the 2030 target of 3%.

In the realm of **international development cooperation**, the EU and its Member States are by far the largest provider of ODA worldwide in both relative and absolute terms. The EU and its Member States in a Team Europe approach have taken important steps to address the COVID-19 pandemic and have mobilised a EUR 46 billion package to support partner countries facing the socio-economic consequences of the pandemic. Notwithstanding those efforts, and even though some EU Member States are meeting or even exceeding the target of providing 0.7 % ODA/GNI, more will be needed to collectively achieve the target of 0.7% ODA/GNI by 2030.

Likewise, the EU and its Member States allocate more ODA to Least Developed Countries (LDCs) than other individual donors. Nevertheless, the target of providing 0.15% of ODA/GNI to LDCs has not been achieved. Hence, the 2030 target of providing 0.20% of (collective) ODA/GNI to the LDCs will need further attention in the years to come.

Because public resources are not enough to reach the SDGs, the EU and its Member States use ODA to leverage private capital, notably through blending or guarantees. Innovative financing mechanisms mobilised close to EUR 10 billion of additional resources in 2020, almost nine times the amount generated in 2019 and close to 15% of EU ODA in 2020.

The EU and its Member States have shown strong leadership in promoting a global green, inclusive and resilient recovery. The 2020 target of spending at least 20% of the EU budget on **climate finance** has been achieved and exceeded. The EU is now committed to reaching a target of 30% for climate finance, with an additional EUR 4 billion for climate finance for partner countries until 2027. Moreover, the EU has substantially increased its support for biodiversity as well as disaster risk reduction.

Also worth mentioning is the EU's strong support for Integrated National Financing Frameworks that enable countries to devise a financial strategy to mobilise and align public, private, domestic and international financing sources.

Within the area of **international trade as an engine for development**, the EU has fully implemented the Bali package, an important trade agreement designed to lower global trade barriers. Moreover, the EU forms a trade bloc that offers an extensive network of free-trade agreements and arrangements, with unilateral preferences offered to the developing countries

most in need and import duties removed for two thirds of tariff lines. The EU has thus become the main export market for LDCs, but progress towards doubling the share of LDCs in EU imports has been insufficient, as the latter remained at about 2% from 2010 to 2020, thus missing the 2020 target. While the EU has shown consistent efforts to remove tariff and non-tariff barriers for LDCs, their capacity to export needs to be further strengthened.

The COVID-19 pandemic highlighted the need for enhanced progress in ensuring debt sustainability – a goal that will require efforts from the entire global community. The EU and its Member States have been leading efforts to manage **debt and debt sustainability** for vulnerable low-income countries and provided substantial liquidity support to them through the G20-Paris Club Debt Service Suspension Initiative, helping them manage the socio-economic impact of the COVID-19 pandemic. They provided financial and technical support to World Bank and IMF facilities set up to address debt crises, notably the Catastrophe Containment and Relief Trust. The EU recognises the importance of responsible lending and borrowing practices and has supported efforts within existing initiatives such as those promoted by the G20, the Paris Club, the International Financial Institutions, and the UN.

The pandemic has again illustrated the value and strength of multilateralism and the need for international cooperation between countries in **addressing systemic issues**. The EU and its Member States have been the largest contributor to the multilateral system and the largest provider of core contributions to multilateral organisations for the entire period under review. The recent Joint Communication on strengthening the EU's contribution to rules-based multilateralism is evidence of the importance the EU places on close partnerships with multilateral organisations. Furthermore, the EU and its Member States have taken measures to ensure policy coherence for sustainable development in their national policies as well as at the EU level. They have supported partner countries in their own efforts to put in place institutional mechanisms to enhance policy coherence for sustainable development.

The EU is the world's second largest provider of ODA **for science, technology and innovation** to developing countries, reaching almost EUR 1 billion in 2019. As regards **scholarships** for students from developing countries, the EU and Member States increased their funding by 45% between 2014 and 2019; they now account for almost 90% of donors' total ODA spending on scholarships. Regarding **digitalisation**, the EU's funding to bridge the 'digital divide' remained quite low. However, a positive trend is that EU commitments for digital transformation to LDCs grew extensively, contributing to the 2020 commitment of providing access to the Internet in LDCs. Tackling the digital divide is crucial, and global digital partnerships are one of five priority areas for the EU's external cooperation. The EU launched several new initiatives in 2020 to promote digitalisation in partner countries.

Finally, there is broad international consensus on the importance of **data monitoring and follow-up** on SDG indicators, so that the SDGs and their targets can become a management tool to help countries in designing better policies and actions reinforced by adequate resources and effective implementation strategies. The EU and its Member States are supporting and pushing for improved follow-up and monitoring of the SDG commitments in multiple ways. Particularly noteworthy is the EU Aid Explorer which provides additional transparency on EU and Member States' spending. The EU also played a key role in developing the Total Official Support for Sustainable Development (TOSSD) statistical tool. The EU also supports partner countries in their efforts to produce national data and statistics for effective SDG monitoring at the country level.



In **conclusion**, this report shows the breadth and depth of the support provided by the EU and its Member States to partner countries around the world. It positions the EU and its Member States as the world's largest ODA provider by far, while also acknowledging that ODA alone will not be sufficient to close the SDG funding gap. For that reason, all sources of financing continue to be actively explored, including innovative mechanisms of sustainable finance.

The report amply demonstrates the need to face global challenges through international partnerships that promote sustainable approaches, allowing the world to achieve the SDGs and leave no one behind.



Introduction

Financing the Sustainable Development Goals (SDGs) requires massive public and private investment to make them a reality for all people, everywhere. The COVID-19 pandemic has added to the urgency of tackling development challenges. This report on investing in sustainable development comes at a critical juncture, as resources are dwindling while needs are rising.

The decline in financial resources for sustainable development is largely ascribable to COVID-19. GDP in developing countries in 2022 is projected to be about 7.5% lower, on average, than what was expected before the health crisis. Estimates provided by the International Monetary Fund in April 2021 (IMF, 2021) show that fiscal balances in low-income developing countries deteriorated by 1.6% of GDP between 2019 and 2020, growing from -3.9% to -5.6%. Resources generated by external flows also declined: foreign direct investment in developing countries fell by EUR 450 billion (-40%), developing countries' merchandise exports to the European Union (EU) by almost EUR 100 billion, and remittances by close to EUR 10 billion (UN, 2021). The current geopolitical crisis, including the war in Ukraine, is expected to create another huge economic shock to the world economy.

At the same time, COVID-19 has increased developing countries' needs. Progress towards the SDGs slowed with the onset of COVID-19, with poverty increasing for the first time in 20 years¹. But even before COVID-19, progress towards the SDGs, while on an upward trend for all income groups, was uneven. Once the pandemic set in, progress worsened for all developing countries, with the 2021 SDG Index dropping by 1.5 percentage points for both low-income and lower middle-income countries, and by 2.4 for upper-middle-income countries (Sachs, Kroll et al. 2021).

The Organisation for Economic Co-operation and Development (OECD, 2020a) estimates that COVID-19 has caused an overall decline in resources of USD 700 billion, and an increase in needs of USD 1 trillion (the scissor effect). As a consequence, the SDG funding gap in developing countries is projected to grow from USD 2.5 trillion before COVID to USD 4.2 trillion a year for the foreseeable future – a 70% increase.

A massive step up in domestic resource mobilisation, greater efficiency in public spending and better SDG alignment are fundamental to finance the SDGs, but even coupled with the billions in official flows to developing countries, they will not be enough to fill the widening funding gap. There is an urgent need to tap into more private financial assets, growing shares of which have been invested in sustainable activities in recent years. One of the main challenges is that, while 84% of the world's population (OECD, 2020) and 99% of the 700 million extremely poor² live in developing countries, less than 20% of the USD 379 trillion in global financial assets are invested there – and most of that in the upper-middle-income group.



This report documents how the EU, its Member States and European development financial institutions have been progressing on their commitments with regard to financing for sustainable development and how they have been implementing the Addis Ababa Action Agenda³ to support partner countries in financing their sustainable development priorities. This report covers the period 2018-2020⁴. Further information on European commitments can

1. According to UNDP. See, for example, [SDG Integration](#).

2. People living on less than USD 1.90 a day at 2011 international prices in low- and middle-income countries in 2017 (latest year for which comprehensive data is available). Source: World Bank – [World Development Indicators](#).

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

4. The 2018 [Investing in Sustainable Development Report](#) covered the years 2015-2017.

be found in the 2017 joint statement that provides the framework for a common approach to development policy for EU institutions and the Member States⁵.

The Addis Agenda supports the implementation of the 2030 Agenda for Sustainable Development, and the Paris agreement on climate change, both approved by the UN in 2015⁶. The 2030 Agenda includes the 17 SDGs and their 169 targets.

The Addis Agenda highlights the need to unlock the full potential of all financial flows – private and public, domestic and international – and emphasises the critical importance of good policies and non-financial means of implementation. Serving as a guide for action by governments, international organisations, businesses and civil society, it emphasises the need for individual countries to take domestic actions, while also offering a framework for policies of cooperation between developed countries and their developing partners.

In this report, progress is examined through a Team Europe lens, aggregating, wherever possible, indicators for the EU and its Member States in a single measure⁷. Team Europe refers to the EU, its Member States – including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and national development banks – as well as implementing agencies. The EIB and EBRD were consulted for the first time to provide their inputs and contribution to this report.

The Team Europe approach started as a successful collective response to COVID-19 that proved the value of coordinated action by the EU and Member States, particularly with respect to achieving the SDGs. Building on this strong collaboration, the EU and its Member States, are now committed to making Team Europe a more stable feature of our external actions in international partnerships and cooperation.

The report is not meant to measure overall progress towards the SDGs⁸, but it complements several other reporting exercises carried out by the Commission. Since 2016, Eurostat (the statistical office of the European Union) has published reports on progress in sustainable development covering both internal and external actions of the EU (Eurostat, 2021). In addition, a collective Joint Synthesis Report (European Union, 2019) on contributions to the external implementation of the SDGs was published in May 2019; the next one is due in 2023.



This report analyses for the first time the crucial role that sustainable finance can play in closing the estimated financing gap to meet the SDGs and assesses the key role that the EU and its Member States are playing in the area (**Chapter 1**).

Chapters 2 through 9 focus on the levels, quality, catalytic effects and impact of spending on the SDGs in developing countries, based on the commitments made by the EU and its Member States. They analyse progress on domestic public resources (Chapter 2); private business and finance (Chapter 3); international development co-operation (Chapter 4); trade and development (Chapter 5); debt and debt sustainability (Chapter 6); addressing systemic issues (Chapter 7); science technology, innovation and digitalisation (Chapter 8); and data monitoring and follow-up (Chapter 9). Each of chapters 2-8 reviews efforts and progress towards one of the Addis Agenda action areas, rating performance in each, except where progress cannot be established because of data limitations, as detailed in **Annex 5**, which describes the methodology used in assessing performance. Europe's overall effort and progress on the Addis Agenda are summarised in **Annex 1**.

The report is based on a review of institutional reports and websites, donor policies and

5. Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission (2017), The New European Consensus on Development, [2017/C 210/01](#).

6. United Nations (2015), Transforming our world: the 2030 Agenda for Sustainable Development, A/RES/70/1; United Nations (2015), [Paris Climate Agreement](#).

7. Given the United Kingdom's withdrawal from the European Union on 1 February 2020, statistics included in this report, unless stated otherwise, exclude the United Kingdom even for years when it was still a Member State.

8. Boxes referring to the most relevant SDG indicators and targets related to the commitments we are monitoring are included in the different chapters for illustration purposes.

strategies, relevant legislation, and studies prepared by academics and civil society organisations. All are cited in short form in the text or footnotes and listed in the bibliography (**Annex 6**). For financial resources, the analysis focused chiefly on the statistics on finance for development provided by the Organisation for Economic Co-operation and Development. Details on sources for each indicator are available in each chapter and section. In addition, a survey questionnaire comprising 110 questions was completed in May-June 2021 by all Member States, the European Commission, the EIB and the EBRD. Qualitative results from the questionnaire are included in each chapter wherever relevant, while quantitative results are briefly summarised in the main report. Statistical data on sustainable finance and ODA are provided in **Annexes 2 and 3**, respectively. Infographics on EU regional ODA and progress on financing for sustainable development can be found in **Annex 4**. Tech4Dev BV, in cooperation with EPRD Ltd, has been assigned as a contractor to produce and provide inputs and graphical design to the report.

SUSTAINABLE FINANCE



IMPORTANCE

Low- and middle-income countries face massive investment needs to finance their sustainable development. Accelerating private financial flows towards partner countries for sustainable investments will be critical to deliver on global sustainability commitments.

According to the OECD, the annual SDG funding gap for developing countries is estimated at USD 4.2 trillion. However, a change of just 1.1% in the allocation of global financial assets (over USD 379 trillion) could fill the yawning SDG funding gap in developing countries.

Developing credible and coherent sustainable finance frameworks is essential to build a conducive environment to scale up sustainable finance. This entails providing transparent and reliable information for investors who seek truly sustainable investment opportunities. In addition, it is fundamental to provide public support (guarantees and blending instruments) to crowd in private investors at scale for sustainable investments in low- and middle- income countries.

The European Commission will develop a comprehensive strategy by 2023 to help scale up sustainable finance in our partner countries with the support of a dedicated high-level expert group.

1

The EU will support efforts to scale up green bonds in our partner countries, as they are a key tool to mobilise institutional investors towards sustainable investments.

2

The EU has also set up with several partner countries the International Platform on Sustainable Finance as a multilateral forum for dialogue among sustainable finance policy makers and regulators to exchange best practices and promote the development of coherent frameworks.

3

Meanwhile, the EU and its Member States are highly engaged in sharing the EU experience and helping partner countries to scale up sustainable finance by:



- providing capacity-building to support the development of credible sustainable finance frameworks, sharing our EU experience (taxonomy, benchmarks, standards, sustainability-related disclosures),
- providing de-risking mechanisms to crowd in private investors in sustainable investment in developing markets by covering part of the risks that investors are not ready to take.

4

Domestically, the EU has taken major steps to build a sustainable finance ecosystem, notably with the EU taxonomy establishing a list of environmentally sustainable economic activities and the introduction of sustainability-related disclosure requirements.

5



#TEAMEUROPE

Chapter 1

Sustainable Finance



Low- and middle-income countries face massive investment needs to finance their sustainable development. The OECD's *Global Outlook on Financing for Sustainable Development 2021* (OECD 2020a) estimates that the USD 2.5 trillion SDG annual funding gap in developing countries before the pandemic could rise by 70% to USD 4.2 trillion in the near future. Financial markets are global and have the potential to bridge this gap by linking green investment demand to global sources of funding. Indeed, there is more than enough capital in the world – over USD 379 trillion of global financial assets are held by banks, institutional investors and asset managers.

It is widely acknowledged that financial markets have a critical role to play in supporting the implementation of the SDGs⁹. Redirecting funds into policy-targeted long-term investments is essential to support the transition to climate-neutral, climate-resilient, resource-efficient and fair economies and finance countries' sustainable development priorities. However, capital is not yet flowing towards sustainable projects in developing countries at the scale and speed required. The challenge is that only 20% of global financial assets are held in developing countries, where 84% of the world population and the vast majority of the poor live. The good news is that even a change of just 1.1% in the allocation of the total financial assets held by banks, institutional investors or asset managers could provide sufficient funds to fill the yawning SDG funding gap (OECD 2020a).

Developing credible and coherent sustainable finance frameworks (including sustainability-related disclosures, standards and labels, taxonomy) is essential to build a conducive environment to scale up sustainable finance. This entails providing transparent and reliable information for investors who seek truly sustainable investment opportunities. In addition, it is fundamental to provide public support (guarantees and blending instruments) to crowd in private investors at scale for sustainable investment in low- and middle- income countries including providing risk-sharing mechanisms to cover part of the risks that investors are not ready to take.

This chapter focuses on the EU and its Member States efforts to promote sustainable finance globally, inspired by its domestic experience.

Redirecting funds into policy-targeted long-term investments is essential to support the transition to climate-neutral, climate-resilient, resource-efficient, fair economies, and countries' sustainable development priorities.



9. **EU**: Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, *Action Plan: Financing Sustainable Growth*, COM/2018/097 final; **United Nations**, Inter-agency Task Force on Financing for Development (2021). *Financing for Sustainable Development Report 2021*; *Financing for Development in the Era of COVID-19 and Beyond: Menu of Options for the consideration of Heads of State and Government*; UN Global Compact (2019); **OECD** (2020). *Global Outlook on Financing for Sustainable Development 2021*; **G20** (2021). *Innovative Instruments for an Efficient and Effective Financing for Sustainable Development*; **IMF** (2020). *Greening the Recovery*. **WB (IFC)** (2021) *Accelerating Sustainable Finance Together: Global Progress Report on the Sustainable Banking and Finance Network*.

Supporting partner countries' efforts to scale up sustainable finance

In July 2021, the Commission published its **new Strategy for Financing the Transition to a Sustainable Economy**¹⁰. The new strategy builds on the 2018 Action Plan on Financing Sustainable Growth¹¹ and lays down measures to support the financing of the transition to a sustainable economy by proposing actions in four areas: transition finance, inclusiveness, resilience and contribution to sustainability of the financial sector, and global scope and ambition. The new strategy underlines the need to help low- and middle-income countries expand their access to sustainable finance and work with international partners in all fora.

The European Commission will develop a comprehensive strategy to scale up sustainable finance in low- and middle-income countries by 2023.

Low- and middle-income countries face massive investment needs to finance their sustainable development. Accelerating private financial flows towards partner countries will be critical to collectively deliver our global sustainability commitments.

However, scaling up sustainable finance in these countries remains a challenge and will require dedicated support. This is the reason why the European Commission announced in its Strategy for Financing the Transition to a Sustainable Economy that it will develop a **comprehensive strategy to scale up sustainable finance in low- and middle-income countries** by 2023.

To inform the Commission on the most pressing issues to address, an expert group composed of senior, highly qualified experts in the area of sustainable finance is being set up. It will be mandated to provide state-of-the-art recommendations to the Commission about transformative and innovative actions the EU can take to scale up sustainable finance in low- and middle-income countries. It will notably be focussing on the following issues:

- Supporting sustainability-related financial instruments and products to mobilise private capital for a sustainable transition in low- and middle-income countries
- Enhancing the development of strong pipelines of bankable and sustainable or SDG-aligned projects and facilitating global and local investments in sustainable projects
- Building coherent frameworks and ecosystems conducive to accelerating private finance flows for sustainable development, building on the EU's sustainable finance experience.

The EU is committed to supporting efforts to scale up **sustainability-related financial instruments in our partner countries, including green bonds** because they are a key tool to mobilise institutional investors towards sustainable investments.

With the increasing interest of institutional investors and asset managers in new trends such as impact investing, the sustainable finance market is witnessing the development of sustainability-related instruments and products, such as thematic bonds or impact investment vehicles. They can help mobilise private capital towards sustainable investments. However, while the growth of these instruments and products is exponential they still represent only a fraction, and their full potential is still far from being reached, especially in low- and middle-income countries.

The EU will promote the development of sustainability-related financial instruments, including green bonds, in our partner countries notably through its new instrument for external action, the NDICI – Global Europe and its European Fund for Sustainable Development Plus ('EFSD+'). Sustainable finance has been recognised as a key priority for the EFSD+, notably with the creation of a "sustainable finance investment window" designed to increase partner countries' access to international and domestic private capital for sustainable investments and enabling them to scale up sustainable finance in an inclusive and innovative way to deliver on the SDGs and Paris Agreement objectives. To support the development of green bond markets, capacity

10. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Strategy for Financing the Transition to a Sustainable Economy, [COM/2021/390 final](#).

11. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions Action Plan: Financing Sustainable Growth, [COM\(2018\) 97 final](#).

The EU and its Member States are highly engaged in sharing the EU experience and helping partner countries to scale up sustainable finance.

building and providing technical assistance to develop credible green bond frameworks, help identify a pipeline of green bankable projects and help carry out issuances will be crucial as will be the use of de-risking mechanisms to provide confidence and attract institutional investors to frontier markets where they would not invest otherwise.

Meanwhile, the EU and its Member States are highly engaged in sharing the EU experience and helping partner countries to scale up sustainable finance by:

- providing capacity-building to support the development of credible sustainable finance frameworks, sharing our EU experience (taxonomy, benchmarks, standards, sustainability-related disclosures),
- providing de-risking mechanisms to crowd in private investors in sustainable investment in developing and emerging markets.

Box 1.1 - Specific actions by the EU, its Member States and European Development Financial institutions

Thanks to the **EU's** technical assistance and information exchange instrument, TAIEX, and with the help of experts from **Luxembourg, Greece, Italy** and the European Commission, Vietnam has benefitted from support to develop a regulatory framework for sustainable finance, with a particular focus on green bonds.

The **Swedish International Development Cooperation Agency** and **Luxembourg's Ministry of Finance** developed a Green Bond Technical Assistance Programme in partnership with the Swiss State Secretariat for Economic Affairs and the International Finance Corporation, which manages and administers the programme, to provide technical assistance to create a market for green bonds in developing countries.

In the realm of technical assistance, **GIZ**, the German development cooperation agency, has been providing capacity-building services to countries and entities worldwide. Its activities include preparing banks for corporate green bond issuances, helping governments develop an enabling market infrastructure and adequate policy framework. For instance, GIZ is assisting Brazil's Ministry of the Economy and Central Bank in developing framework conditions to improve greening of the country's financial sector. With the Peruvian government, GIZ will develop an advisory service and a mechanism to increase private investment in biodiversity-friendly businesses in Peru.

With regard to green, social and sustainable bonds, **Luxembourg** is supporting the Luxembourg Microfinance and Development Fund, a regulated investment fund that invests in emerging microfinance institutions, and SDG500, an impact investment platform whose objective is to channel USD 500 million into six impact funds targeting businesses in agriculture, finance, energy, education and healthcare in partner countries around the world.

Germany and the **EU** are also supporting the Latin America Green Bond (LAGREEN) Fund, which aims to support finance climate- and resource-friendly investments and to mobilise local and international private capital towards the issuance of more green bonds in Latin America.

France's Proparco (the affiliate of the French development agency that promotes private investment) and **Italy's CDP** are investing in the HSBC Real Economy Green Investment Opportunity Global Emerging Markets Fund ('REGIO'). REGIO supports the ecological transition by financing green bonds issued by private companies in emerging countries in Africa, Asia and Latin America.

The **EIB, EBRD, CDP and Proparco** are also supporting the Amundi Planet Emerging Green One ('EGO') fund, which, at EUR 1.42 billion, is the world's largest targeted green bond fund focused on emerging markets. According to EGO's 2020 Impact Report, the fund's portfolio consists of 30 green bond issuances from 22 issuers, of which 17 are first-time issuers.

Through a technical assistance facility called 'Propulse', **Proparco** supports partner banks in the development of GSS bond frameworks.





The **EIB** has been supporting sustainable finance efforts in partner countries, e.g. by acting as anchor investor to attract other local and institutional investors in sustainable projects or funds. It has notably supported the Green for growth fund which invests in green projects in 19 markets across Southeast Europe, including Turkey, the European Eastern Neighbourhood Region, and the Middle East and North Africa.

In Kazakhstan and Mongolia, the **EBRD** is analysing the incentives for green investments. The analysis will result in a roadmap of policy actions. Incentives include policies, regulations and market practices to encourage green capital market investments.

Promoting sustainable finance policy in global fora

The EU and several Member States are a strong supporter and engine in many international sustainable finance initiatives and fora, with the purpose of contributing to global coherence, cooperation and harmonisation.

In particular, the EU launched in October 2019, together with relevant authorities of Argentina, Canada, Chile, China, India, Kenya and Morocco, the **International Platform on Sustainable Finance (IPSF)**¹². With the aim to exchange best practices and align national and regional policy initiatives, the platform offers a multilateral forum for dialogue among policymakers that are responsible for sustainable finance policy and regulatory measures. Since its launch, membership has continued to grow; currently it includes the EU and 17 other countries, among which 8 developing countries¹³. The current members account for more than 55% of greenhouse gas emissions globally, 50% of the world population and 55% of global GDP.

The IPSF has started a working group on taxonomies, co-chaired by China and the EU, to undertake a comprehensive assessment of existing taxonomies developed by public authorities of its member countries. This work has resulted in a so-called Common Ground Taxonomy Report to display the common features of existing taxonomies, starting with China and the EU. Another example of the work of IPSF is that a dedicated working group on sustainability-related disclosures has been set up to compare disclosure requirements in IPSF member jurisdictions for companies (including banks, asset managers and institutional investors), and to identify commonalities and differences in their respective approaches. The final report¹⁴ of this working group aims at supporting global efforts to improve sustainability disclosures as a key cornerstone of sustainable finance, and at facilitating corresponding policy cooperation amongst members of the IPSF – and beyond. It provides an overview of the state of ESG disclosure related policy measures, including laws, regulations, but also recommendations and guidelines, across IPSF jurisdictions, Brazil and the US.

Beyond the IPSF, the EU and its Member States also play an important role in various international fora and networks working on sustainable finance, notably the G20 Sustainable Finance Working Group, the Network of Central Banks and Supervisors for Greening the Financial System¹⁵, and the Coalition of Finance Ministers for Climate Action¹⁶.

Domestic experience in sustainable finance inside the European Union

The European Union is well placed to support partner countries on sustainable finance issues thanks to its domestic experience, having built and further developing a strong sustainable finance ecosystem and being a global pioneer in the issuance of sustainability-related financial instruments. In some cases, countries decide to align as much as possible with the European framework – while taking into account their specific challenges and realities, with the understanding that the closer their standards are to those of the EU, the more likely they are to easily attract European investors willing to achieve impact and invest in truly sustainable economic activities.

12. [International Platform on Sustainable Finance](#).

13. Argentina, China, India, Indonesia, Kenya, Malaysia, Morocco, and Senegal

14. https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/211104-ipsf-esg-disclosure-report_en.pdf

15. [The Network of Central Banks and Supervisor for Greening the Financial System](#).

16. [The Coalition of Finance Ministers for Climate Action](#).

The International Platform on Sustainable Finance (IPSF) is a multilateral forum for dialogue among policymakers to exchange best practices and align national and regional policy initiatives.

Building a sustainable finance ecosystem

The EU sustainable finance ecosystem is built around major building blocks which help increase transparency and provide tools for investors to identify truly sustainable investment opportunities.

Domestically, the EU has taken major steps to build a sustainable finance ecosystem around a number of building blocks (taxonomy, sustainability-related disclosures, benchmarks, standards), which help increase transparency and provide tools for investors to identify truly sustainable investment opportunities.

The **EU Taxonomy** is at the heart of the European sustainable finance ecosystem. It is a robust, science-based transparency tool introducing clear performance criteria for determining which economic activities make a substantial contribution to the European Green Deal objectives. To qualify as environmentally sustainable, an economic activity needs to make a substantial contribution to at least one of six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. At the same time, the activity must not significantly detract from other environmental objectives and must meet minimum social safeguards.

The Taxonomy Regulation¹⁷ entered into force on 12 July 2020. It is meant to be complemented by delegated acts that set technical screening criteria for the different environmental objectives. The first EU Taxonomy Climate Delegated Act¹⁸ is applicable since January 2022. It details criteria to assess the sustainability of specific activities relevant to the first two of the six environmental objectives (climate change adaptation and mitigation) in sectors such as energy, forestry, manufacturing, transport and buildings.

The introduction of **sustainability**-related disclosure requirements also help investors identify economic activities can be considered environmentally sustainable. The Delegated Act of Article 8 of the Taxonomy Regulation¹⁹ lays down taxonomy-related disclosure requirements for a number of undertakings and financial market participants. It specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. What's more, the Sustainable Finance Disclosure Regulation²⁰ lays down the disclosure obligation for manufacturers of financial products and financial advisors towards end-investors. Financial market participants who offer financial products in the EU are thus required to disclose the extent to which their financial products are sustainable, providing information on the integration of sustainability risks as well as on the adverse impacts on sustainability matters, for instance by considering negative externalities on environment of investment decisions. Moreover, in April 2021 the Commission has proposed a Corporate Sustainability Reporting Directive (CSRD)²¹ requiring the disclosure of information on the way companies operate and manage social and environmental challenges.

Other important building blocks of the EU Sustainable Finance frameworks are benchmarks **and** standards that make it easier for financial market participants to align their investment strategies with climate and environmental goals by providing greater transparency to market participants. In 2019, the EU adopted the EU Climate Benchmark regulation²² that defines two types of benchmarks: climate transition benchmarks, and Paris-aligned benchmarks.

17. [Regulation \(EU\) 2020/852](#) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

18. [Commission Delegated Regulation \(EU\) 2021/2139](#) of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

19. [Commission Delegated Regulation \(EU\) 2021/2178](#) of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities and specifying the methodology to comply with that disclosure obligation.

20. [Regulation \(EU\) 2019/2088](#) of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019, p. 1.

21. Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting [COM/2021/189 final](#), 21.4.2021.

22. European Commission, [EU climate benchmarks and benchmarks' ESG disclosures](#).



Furthermore, the European Commission proposed in July 2021 a regulation introducing the voluntary EU Green Bond Standard²³, the aim of which would be to introduce transparency, comparability and credibility of the green bond market and to encourage market participants to issue and invest in such bonds. The EU Commission aims to set up a 'gold standard' for which green bonds need to fulfil requirements: EU taxonomy-alignment of financed projects, transparency on how the bond proceeds are allocated as well as mandatory external review.

Box 1.2 Sustainable finance initiatives by Member States and European financial institutions

Beyond the EU, a number of Member States have also developed sustainable finance strategies or policies. **France** has had a sustainable finance strategy since 2017. By addressing climate-related risks through the finance system, the strategy aims to finance the transition to sustainable economies in France and in developing countries and, in so doing, to consolidate French leadership in green finance. **Germany** has developed a sustainable finance strategy²⁴ through a multi-stakeholder process designed to consider sustainability in all financial decisions of public and private actors. The national strategy, published in May 2021, focuses on financial policy coherence, regulation and risk-management to strengthen sustainable finance practices in Germany, Europe and the world. **Luxembourg**, which was the listing location for the world's very first green bond (issued by the EIB in 2007), established Europe's first sovereign sustainability bond framework. These efforts culminated in the launch of a roadmap for sustainable finance in 2018, and of a full-fledged sustainable finance strategy in 2021²⁵, making sustainable finance a key government priority as well as one of the financial centre's ambitions for 2025²⁶. **Finland** has laid out its sustainable finance roadmap to make finance work for the SDGs.

Most other EU Member States have adopted a framework requiring financial institutions to include sustainability considerations in their governance and risk management. The EU, EBRD, EIB and 12 Member States mention that they encourage the use of sustainable finance methodologies and frameworks, both at home and in partner countries.



23. Proposal for a Regulation of the European Parliament and of the Council on European green bonds, [COM/2021/391 final](#), 06.07.2021; European Commission, [European green bond standard](#). See [Commission proposal for a regulation of the European Parliament and of the Council on European green bonds](#).

24. The Federal Government (2021), [German Sustainable Finance Strategy](#).

25. Luxembourg Sustainable Finance Strategy (2021), [Luxembourg Sustainable Finance Strategy](#).

26. [Luxembourg's Ambitions for 2025: Financing a Sustainable Future](#).



Green, social and sustainable bond issuances

The EU and its Member States have a good track-record in the issuance of sustainability-related financial instruments; in fact, they are global pioneers in this domain. According to Climate Bonds Initiative, there have been USD 860 billion issued to date in Europe (which includes the EU, its Member States, the EIB and the EBRD)²⁷ of which green bonds represent over 80%.

For the first time in history, the EU itself has issued thematic bonds (both green and social) for the whole EU to finance the recovery from the COVID-19 pandemic, e.g. through NextGenerationEU. In October 2021, the EU issued the first NextGenerationEU green bond, raising EUR 12 billion to be used exclusively for green and sustainable investments across the EU. It was the world's largest green bond transaction to date. With planned new issuances of up to EUR 250 billion, the EU will become the single largest source of green bonds.

By the end of 2020, about 42% of all issuances of green bonds globally were completed by entities domiciled in the EU; those issuances totalled USD 465 billion. Sustainability bonds accounted for USD 75 billion (23%); social bonds for USD 103 billion (33%)²⁸. Climate-aligned bonds (i.e. bonds not explicitly labelled by the issuer as green or social but that finance climate-related activities or projects) reached almost USD 1 trillion. Issuances of sovereign GSS bonds approached USD 100 billion globally in 2020, with the EU's share exceeding 80%²⁹. The interest of large sovereign issuers in the market is relatively recent. 10 Member States have issued sovereign bonds, showing leadership in assisting GSS market creation. The first EU Member State to enter the market was Poland (2016), while the EIB had issued the first green bond globally in 2007, for EUR 600 million.

27. [Climate Bonds Initiative Database](#), CBI. Please also refer to Annex 2 - Statistics on Sustainable Finance which includes data up to the end of 2021.

28. See Table 2 in Annex 2 - Statistics on Sustainable Finance.

29. See Table 3 in Annex 2 - Statistics on Sustainable Finance.

DOMESTIC REVENUE MOBILISATION



IMPORTANCE

Effective Domestic Revenue Mobilisation and sound Public Finance Management are key to governments' efforts to achieve inclusive growth, poverty eradication and sustainable development. Because domestic public finance is vital in providing public goods and services, the EU is committed to its 'collect more and spend better' strategy.

Reaching a tax to percentage of GDP ratio of 15% is vital for any country to provide basic services to its citizens. Yet tax revenues are reaching only around 10% of GDP in many low-income countries.

To counter the impact of COVID-19, advanced economies were able to spend 15% of their GDP in 2020, while low-income countries were only able to spend 2%.

Every year, an estimated USD 88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight, and tax havens cost low-income countries USD 200 billion a year in lost corporate tax revenues.

In 2019, the EU and its Member States have committed almost EUR 1 billion in ODA support for domestic revenue mobilisation and public finance management to over 90 countries notably contributing to improving partner countries' fiscal strategy and budgeting, improving transparency of public finance and strengthening accountability.



1

To combat international tax evasion and avoidance, the EU and its Member States support the Global Forum on Transparency and Exchange of Information for Tax Purposes, which helped identify more than EUR 100 billion in additional revenues.

3

The EU and a number of Member States are keen supporters of the Addis Tax Initiative that aims to improve transparency, fairness, effectiveness and efficiency of tax systems. The EU and Member States surpassed their commitment of doubling technical cooperation on domestic resource mobilisation. The recently endorsed Addis Tax Initiative Declaration 2025 provides the direction for further improvements in the field.



2

All EU Member States are committed to the Base Erosion and Profit Shifting framework to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

4



#TEAMEUROPE

Chapter 2

Domestic Public Resources

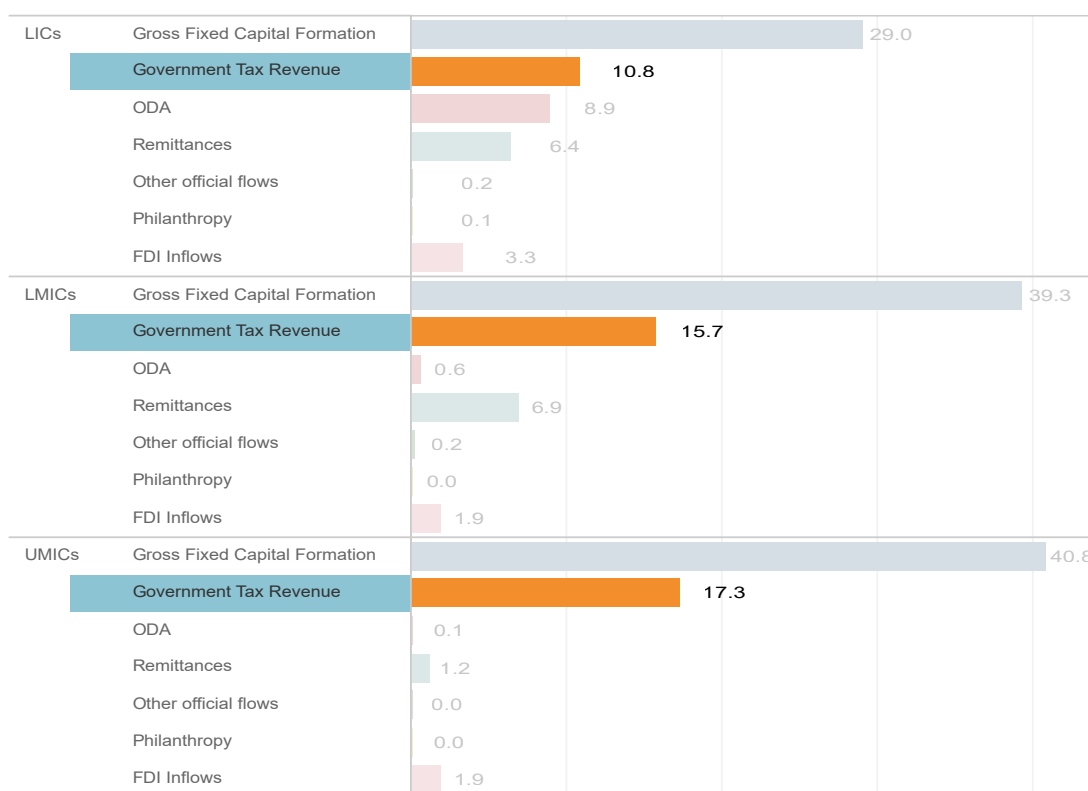


DRM delivers more public goods and services for the benefit of all, strengthening the social contract between government and citizens.

Effective domestic revenue mobilisation (DRM) and sound public finance management (PFM) are a prerequisite for inclusive growth, poverty eradication and sustainable development. It increases the predictability and stability of financing for development and reduces aid dependency. It is key to increasing countries' resilience and building fiscal space, which are especially important in view of the large 2020 and 2021 fiscal deficits caused by COVID-19. Coupled with sound public expenditure management, DRM delivers more public goods and services for the benefit of all, strengthening the social contract between government and citizens.

As shown in Figure 2.1, domestic revenues remain, after domestic private investment, the second-most reliable and accessible long-term source of financing for sustainable development.

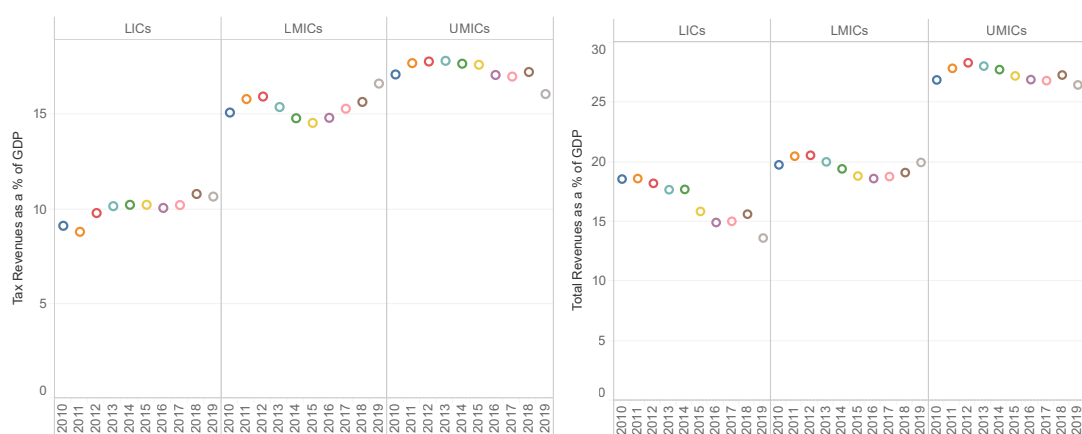
Figure 2.1 – Financing for development as a share of GDP by income group in 2018-2019



Source: World Bank Development Indicators

Countries are ill-positioned to guarantee delivery of basic public services if their tax revenues are below 15% of GDP (Gaspar, Jaramillo and Wingender, 2016). Yet tax revenues – though increasing – are still only around 10% of GDP in most low-income countries (Figure 2.2). Most middle-income countries have stable or slightly increasing tax rates, mostly above the 15% level.

Figure 2.2 – Evolution of domestic public resources, by country group



Tax revenues refer to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue.

Total revenues refer to tax revenues, non-tax revenues (fees, charges, profits from state-owned enterprises, mineral royalties) and grants (including ODA grants).

Sources: For total revenue and tax revenue: IMF World Revenue Longitudinal Data, using GDP-weighted averages of total revenues in per cent of GDP for 131 developing countries; for income groups: World Bank classification (2019 ratios are based on a smaller group of 47 for which data are available); for progress toward SDGs: (Sachs, Schmidt-Traub, et al. 2020); for ODA and OOF: OECD DAC; for other indicators, World Bank WDI.

Sustained periods of low economic growth sap tax revenues. Emerging markets and developing economies suffered a 2.1% recession in 2020 (IMF, 2021a), severely undermining revenues at the same time governments were facing increasing needs. Developing countries were constrained in their fiscal stimulus package by limited fiscal space (United Nations, Inter-agency Task Force on Financing for Development, 2021). To counter the impact of COVID-19, advanced economies were able to spend 15% of their GDP in 2020, while low-income countries could spend only 2%.

The tax gap can be closed through improved tax policy and tax compliance³⁰, with a particular focus on tax evasion, tax avoidance and illicit financial flows, all of which have a major negative impact on the level of domestic revenues. But sound public financial management also depends on other aspects of domestic public finance so that revenues are converted efficiently and effectively into public goods and services. Recognising the close linkages of all these areas, the EU adopted its ‘**collect more**’ and ‘**spend better**’ approach in 2015³¹ to provide a holistic take on domestic public finance.

Developing countries depend almost twice as much on corporate income tax for revenues as developed countries do³². As such, they are much harder hit by the problems of tax fraud, tax evasion and tax avoidance. By conservative estimates, developing countries are deprived every year of an amount between USD 20 and 40 billion. The IMF estimates that tax havens cost governments between USD 500 billion and USD 600 billion a year in lost corporate tax revenue, of which low-income economies account for USD 200 billion (Shaxson, 2019). **International cooperation on tax matters** can help developing countries collect more corporate income tax.

Fighting illicit financial flows can also help. Every year, an estimated USD 88.6 billion, equivalent to 3.7% of Africa’s GDP, leaves the continent as illicit capital flight (UNCTAD, 2020). Global Financial Integrity, a US think tank, estimates that the annual value of trade-related illicit financial flows in and out of developing countries has amounted to, on average, about 20% of the value of their total trade with advanced economies (Global Financial Integrity, 2020).

30. The tax gap is the difference between total taxes owed and total taxes paid on time. This gap can be closed through improved policy (e.g. eliminating legislative loopholes), better voluntary compliance by taxpayers or stronger enforced compliance (e.g. more effective interventions by the tax authorities).

31. European Commission, Staff Working Document, [Collect More – Spend Better, Achieving Sustainable Development in an Inclusive and Sustainable Way](#), October 2015.

32. Corporate income tax accounts for 16% of total tax revenues in low- and middle-income economies, compared to 8% in developed countries. See Communication from the Commission to the European Parliament and the Council on Tax Good Governance in the EU and beyond, 15/07/2020, [COM\(2020\) 313 final](#).

Collect more, spend better: Tax policy and administration, public financial management and governance



Capacity-building to improve tax policy and tax administration in developing countries can be accelerated through official development assistance (ODA).

Objectives

Capacity-building to improve tax policy and tax administration in developing countries can be accelerated through official development assistance (ODA). The EU and other development partners adhering to the Addis Tax Initiative committed to doubling their support for technical cooperation related to DRM by 2020 against a 2015 baseline. An important objective is to help partner countries to improve their PFM and budget transparency, to set financially sustainable public policies and to improve good governance at all levels.

Most Relevant SDG Goals and Targets

- **17.1** Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.
- **17.1.1** Total government revenue as a proportion of GDP, by source.
- **17.1.2** Proportion of domestic budget funded by domestic taxes.

Implementation

The EU and its Member States demonstrated their support for DRM through EUR 161.9 million in commitments in 2019 and EUR 99.7 million in gross disbursements³³.

The EU and its Member States are strong **supporters of the Addis Tax Initiative (ATI)**, a multi-stakeholder partnership of development partners and partner countries established in 2015 to improve the transparency, fairness, effectiveness and efficiency of tax systems. Besides the European Commission, 12 EU Member States are signatories to the initiative: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Slovakia, Slovenia and Sweden.

Under the 2015 declaration, ATI Members committed to collectively doubling technical cooperation in the area of DRM by 2020. Technical cooperation comprises several activities, among them capacity building for revenue authorities, information technology for revenue collection, and formulation of new tax legislation and policies. Data show that EU ATI Members (including the United Kingdom, an EU member at the time) had already met this target by 2018, as their commitments to support DRM have more than tripled (from USD 103 million to USD 366 million), while their DRM gross disbursements have doubled (from USD 106 million to USD 214 million). In contrast, non-EU ATI Members have doubled their DRM ODA commitments but increased their disbursements only by 38% over the same period. By 2018, the latest year for which data have been published, European ATI members' ODA for DRM represented 68% of all ATI members' total commitments and 57% of gross disbursements³⁴.

The EU and these 12 Member States, along with other partners, recently endorsed the **Addis Tax Initiative Declaration 2025**³⁵. The EU was instrumental in the negotiating and drafting process, and in achieving renewed international consensus on further advancing the DRM agenda, in line with Building Back Better. The renewed declaration builds on commitments to deploy equitable tax policies, efficient revenue administration, capacity development, policy coherence and accountability in tax and revenue matters to close recognised gaps in development finance for the SDGs. Endorsement of the renewed declaration by the EU Ministers of Economy and Finance in November 2021 and Commissioner Urpilainen's signature of the Declaration on behalf of the Union reflect EU engagement at the highest political level. By signing the declaration, the Union lays the ground for more EU and Member States initiatives on DRM.

33. Source: OECD Creditor Reporting System.

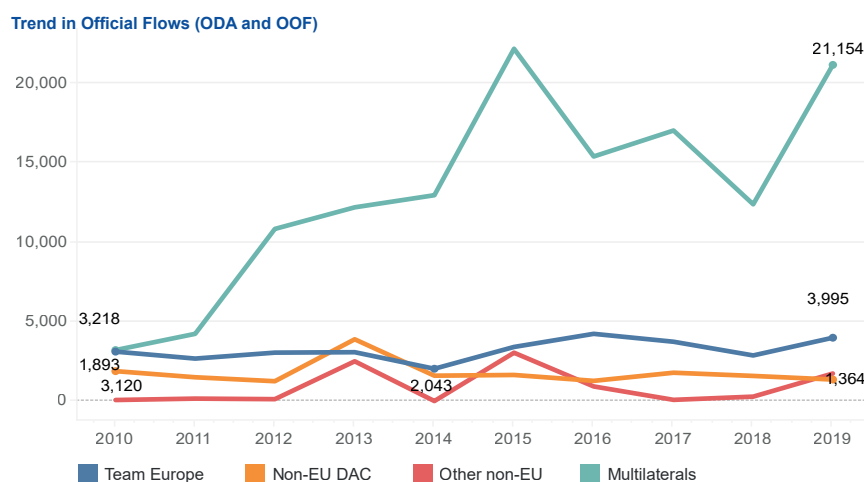
34. [ATI Monitoring Reports](#).

35. [Addis Tax Initiative](#). The ATI Declaration 2025 builds on the original declaration adopted in 2015 and reflects the renewed international consensus on further advancing the DRM agenda.

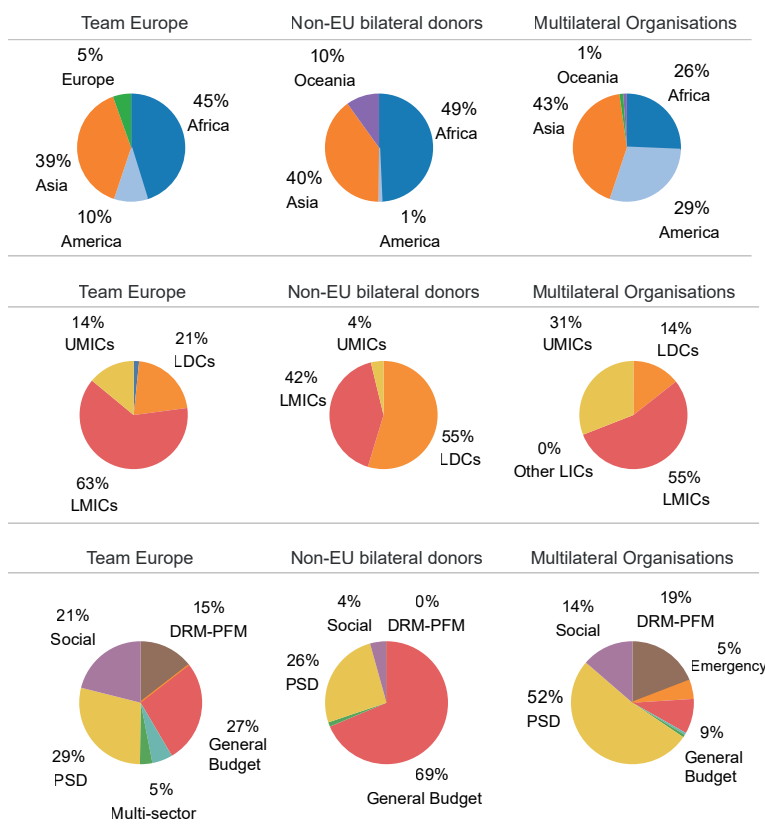
For the EU, budget support programmes are key to promoting good governance, domestic revenue mobilisation and public financial management in partner countries.

For the EU, budget support programmes are key to promoting good governance, DRM and public financial management in partner countries. The latter two are part of the eligibility assessment and policy dialogue between EU and partner countries under budget support contracts, as shown in Figure 2.3. Over 90 countries profited from budget support through a combination of technical assistance, policy dialogue and incentivised reform support. The EU and its Member States are the second-largest provider of budget support after multilateral organisations. In 2019, Commission payments for DRM amounted to EUR 98 million, of which 63% was channelled through budget support indicators, and 37% through projects. According to data from the IMF, African countries where the Commission introduced such DRM indicators³⁶ saw increased ratios of tax revenue to GDP by 2 percentage points on average between 2015 and 2019.

Figure 2.3 – General and sector budget support provided by the EU and its Member States
Commitments, EUR million, 2019 prices

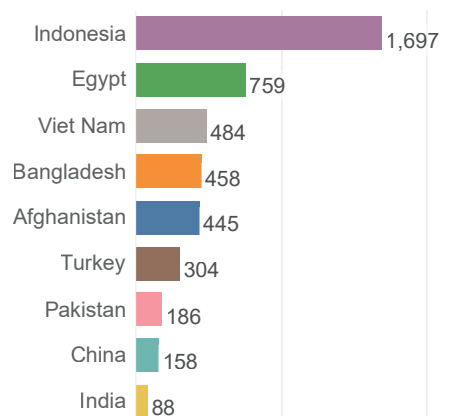


Official Flows (ODA and OOF) by Region, Income and PFM-DRM focus, 2019

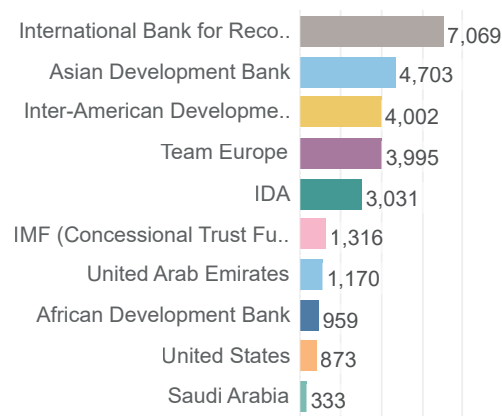


36. Namely Benin, Burkina Faso, Cabo Verde, Cameroon, the Central African Republic, Chad, Côte d'Ivoire, Ghana, Guinea, Liberia, Mali, Morocco, Niger, Sierra Leone, Somalia, Tanzania, The Gambia, Togo and Tunisia.

Top 10 recipients of EU ODA, 2019



Top 10 donors, Official Flows, 2019



Source: OECD/DAC - Creditor Reporting System.

The EU and its Member States' ODA commitments for public financial management grew by 20% in real terms (2019 prices) from 2016-2017 to 2018-2019 to reach EUR 766 million. In 2019, the Commission made gross disbursements of EUR 335 million in support of financial management reforms, of which 77% was implemented through budget support indicators and 23% through projects.

The EU, France, Luxembourg and the Slovak Republic provided financial support to the **Public Expenditure and Financial Accountability initiative**, which assesses strengths and weaknesses of public financial management systems in over 150 countries, contributing to the reform process.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic Public Resources	DRM and PFM	2020	For Addis Tax initiative development partners, double support for Technical cooperation in the area DRM by 2020, in terms of both disbursements and commitments. Official development assistance financing for DRM in 2015 is consider the baseline.	▲	✓
Domestic Public Resources	DRM and PFM	2015-2030	Help countries to improve their public financial management and budget transparency, to set public policies which are financially sustainable, and improve good governance at all levels.	▲	

Effort and Progress

- Very strong effort ▲ Commitments met ✓
- Consistent effort ▲

International cooperation on tax matters and against illicit financial flows



Objectives

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

Most Relevant SDG Goals and Targets

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

Implementation

Global policies and standards

Exchange of information on request is the most important practical tool that jurisdictions and their tax administrations can use to combat international tax avoidance and tax evasion in cases that concern a specific taxpayer or a defined group of taxpayers.

Good governance in tax matters is enshrined in the **EU internal and external strategy on taxation**³⁷. Transparency and exchange of information are important tools for domestic revenue mobilisation. Promoting fair taxation reduces unfair tax competition, which hinders DRM.

The EU supports the **OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes**³⁸, which promotes standards for exchanging information in tax matters among its 163 member countries (including all EU Member States), provides technical assistance to developing countries in implementing those standards and in identifying additional revenues (about EUR 107 billion to date). Exchange of information on request is the most important practical tool that jurisdictions and their tax administrations can use to combat international tax avoidance and tax evasion in cases that concern a specific taxpayer or a defined group of taxpayers. The Global Forum performs peer reviews of its member jurisdictions' ability to co-operate with other tax administrations in accordance with the internationally agreed standard. All EU Member States have committed to the international standard on automatic exchange of financial account information since 2017 or 2018, have signed the related Common Reporting Standard Multilateral Competent Authority Agreement and have put the Convention on Mutual Administrative Assistance in Tax Matters into effect. Timely and accurate exchange of tax information among countries is crucial in the fight against illicit capital flight and tax evasion.

The EU and its Member States have provided support to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)³⁹, which had 141 members as of March 2022. All 27 EU Member States are politically committed to the anti-base erosion and profit shifting minimum standards elaborated by the Inclusive Framework and have endorsed its outputs.

Good governance in tax matters is promoted among EU Member States through legislative initiatives or tools such as the **Code of Conduct on Business Taxation**, which is the EU's primary instrument for preventing harmful tax competition. The original focus of the Code of Conduct was on EU Member States. However, Member States have since committed to promoting the adoption of good tax governance principles by third countries in the interest of improving the global tax governance context, ensuring a level playing field at the international level and supporting third-country governments in their effort to implement commitments and actions taken at global level.

The **EU list of non-cooperative tax jurisdictions** was first proposed in 2016 as a tool to deal with external risks of tax abuse and unfair tax competition. Since then, it has become a powerful tool to promote good tax governance internationally and has contributed to fighting tax avoidance and tax evasion worldwide. The EU Council has published a list of non-cooperative tax jurisdictions regularly since December 2017, following screening and dialogue with a large number of third countries, on criteria for tax transparency, fair

37. See https://ec.europa.eu/taxation_customs/taxation-1/eu-tax-policy-strategy_en

38. OECD, [Global Forum on Transparency and Exchange of Information for Tax Purposes](#).

39. OECD (2018), [OECD/G20 Inclusive Framework on BEPS](#).

In July 2020, the European Commission issued a Communication on Tax Good Governance in the EU and Beyond, identifying needed changes and identifying priorities for action to enhance good governance and ensure fair taxation.

taxation and measures to fight base erosion and profit shifting. In this context, the European Commission has increased its dialogue with partner countries on tax good governance issues, including the reform of preferential tax regimes that are considered harmful. The process of drawing up an EU list of non-cooperative tax jurisdictions has prompted **several developing countries to join international fora** such as the Global Forum on Transparency and Exchange of Information for Tax Purposes and the BEPS Inclusive Framework, as well as to become parties to the Convention on Mutual Administrative Assistance in Tax Matters. Moreover, the fact that dozens of third countries have taken concrete measures to improve their tax transparency standards has contributed to raising the level of good governance globally, which is particularly beneficial for developing countries disproportionately affected by illicit financial flows. In connection to the EU list, the Commission also adopted on 14 July 2020 a Recommendation on making state financial support to undertakings in the Union conditional on the absence of links to non-cooperating jurisdictions⁴⁰. The aim has been to exclude companies with links to listed jurisdictions from receiving public funds and to curb cases of tax avoidance and illicit financial flows.

In July 2020, the European Commission issued a Communication on Tax Good Governance in the EU and Beyond⁴¹, identifying needed changes and identifying priorities for action to enhance good governance and ensure fair taxation. The Commission has also developed a toolbox⁴² for Member States to use when negotiating double taxation treaties with developing countries to support their DRM.

In 2021, the EU Council and European Parliament adopted a directive on public **country-by-country reporting**⁴³ that requires public disclosure of tax information by companies, EU-based or foreign, with a total consolidated revenue of more than EUR 750 million. When the directive will be transposed by Member States, such companies will have to publicly disclose income tax information for each EU Member State, as well as non-EU States included in the EU's list of non-cooperative jurisdictions for tax purposes.

The OECD-led and G20-mandated **global tax agreement**, approved by 137 countries on 8 October 2021, is based on two pillars. Pillar 1 foresees a fairer distribution of profits and taxing rights among countries with respect to the largest and most profitable multinational enterprises. It is estimated that it will re-allocate more than USD 125 billion of the profits earned by about a hundred of the world's largest and most profitable multinational enterprises from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there. Pillar 2 introduces a global minimum effective corporate tax rate of 15%. The new minimum rate will apply to companies with revenue above EUR 750 million; it is estimated to generate around USD 150 billion in additional tax revenues annually at global level. Governments may still set whatever domestic corporate tax rate they want, but if companies pay lower rates in a particular country, their country of tax residence must 'top up' their taxes to the 15% minimum, eliminating the advantage of shifting profits. The agreement is expected to be implemented by 2023 by all 137 countries that signed the agreement. Through swift implementation, the European Commission is making an important contribution to the wider agenda on tax avoidance and BEPS worldwide and has made a legislative proposal for a directive for the implementation in the EU of Pillar 2⁴⁴.

Support for partner countries

The EU and its Member States have been providing support to partner countries, both through global programmes and through direct bilateral support.

40. Commission Recommendation on making State financial support to undertakings in the Union conditional on the absence of links to non-cooperative jurisdictions, 14/7/2020, [C\(2020\)4885](#).

41. European Commission, [Tax Good Governance](#).

42. European Commission, [Platform for Tax Good Governance](#).

43. [Directive \(EU\) 2021/2101](#) of the European Parliament and of the Council of 24 November 2021, amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches, L429/1.

44. Proposal for a Council Directive on ensuring a global minimum level of taxation for multinational groups in the Union, 22.12.2021, [COM\(2021\) 823 final](#).



The European Commission is making an important contribution to the wider agenda on tax avoidance.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic Public Resources	2.2 Illicit financial flows	2015-2030	Increase the exchange of information and close loopholes and mismatches in the legal framework to limit tax evasion and tax avoidance.	▲	✓
Domestic Public Resources	2.2 Illicit financial flows	2015-2030	Scale up international cooperation against illicit financial flows.	▲	

Effort and Progress

Consistent effort ▲ Commitments likely to be met ✓

DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE



IMPORTANCE

Private investment and remittances are key sources of funding for sustainable development.

Improvements in the business environment and greater access to finance for Micro, Small and Medium Enterprises and the poor are crucial to unlock the potential of the private sector for job creation and sustainable development.

Reaching the SDG target on reduction of remittances costs at the EU level would result in saving EUR 1.5 billion in transaction costs every year.

1 The EU and its Member States have made private sector development a top policy priority. Commitments to private sector development have grown by two thirds over the last decade to over EUR 28 billion in 2019.

1

4 The EU and its Member States are supporting the use of responsible business practices along supply chains through policies on human rights, trade, and responsible value chains, as well as sustainability disclosure requirements.

4

2 The EU-Africa Summit and the EU-Africa Business Forum recently highlighted the important role of private sector development and investment to promote jobs and growth in Africa.

2

5 The EU and its Member States have taken important steps to support remittance flows, notably steps to increase market transparency and provide free information to help migrants make an informed decision about which channels to use.



5

3 The EU and its Member States have contributed to improving the business environment and investment climate. 42% of the EU's sector budget support in 2019 concerned private sector development.



3

The Investment Climate Reform Facility supports public-private dialogue on investment climate in African, Caribbean and Pacific countries.



#TEAMEUROPE

Chapter 3

Domestic and International Private Business and Finance



Private business and finance are powerful drivers of economic growth, productivity, innovation and jobs. Both serve as important sources of funding for sustainable development through gross fixed capital formation⁴⁵, which includes private domestic investment, remittances and foreign direct investments (see Figure 3.1).

Low-income and lower middle-income countries still face major challenges in accessing and using sources of finance for sustainable investments (Sachs, Kroll et al., 2021). Progress in this Action Area has so far been limited. The cost of remittances to developing countries is falling – but at a slow pace. Access to credit by micro, small and medium-sized enterprises (MSMEs) stagnated over the period 2014-2019 as a percentage of GDP in lower middle-income and declined in low-income and upper middle-income countries, implying low levels of private sector development.

The COVID-19 pandemic led to a further decline in external financial flows to low- and middle-income countries, where foreign direct investments fell by over 30% in 2020 (excluding China). While flows of foreign direct investment recovered overall in 2021, the recovery was concentrated in high-income countries, while low-income economies suffered a further 9% decline (UNCTAD, 2021). Officially recorded remittance flows remained relatively resilient in 2020, dropping just 1.6% below 2019 (and totalling USD 548 billion), thanks to a shift to digital channels in the first half of 2020.

Both economic growth and private investment in developing countries have been negatively affected by COVID-19. The pandemic has likely lowered potential output because of its protracted toll on human and physical capital. In emerging and developing economies, growth is expected to drop from 6.3% in 2021 to 4.6% in 2022 and 4.4% in 2023. By 2023, while all advanced economies will have achieved a full output recovery, output *and* investment in emerging and developing economies will remain 4% below their pre-pandemic trends (World Bank, 2022).

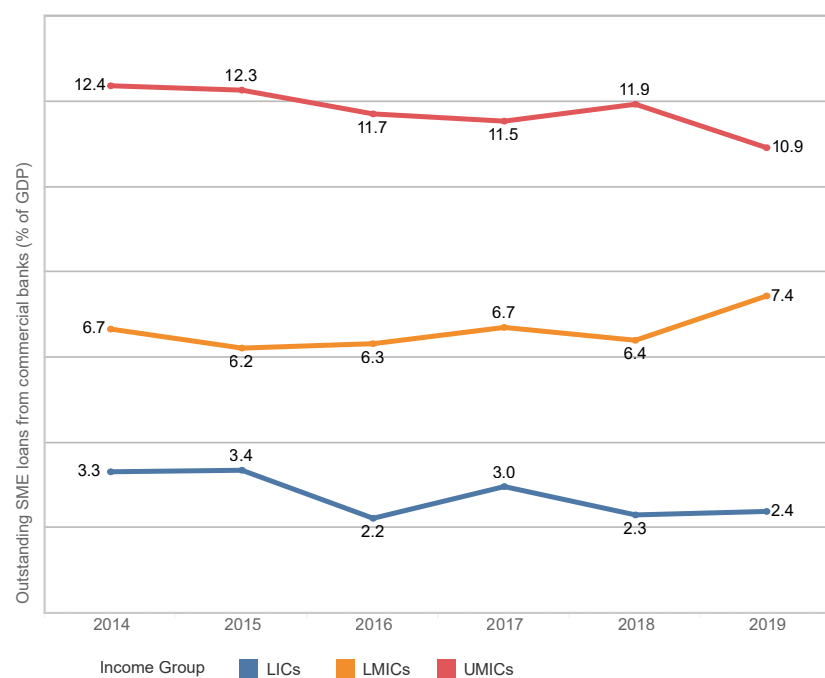
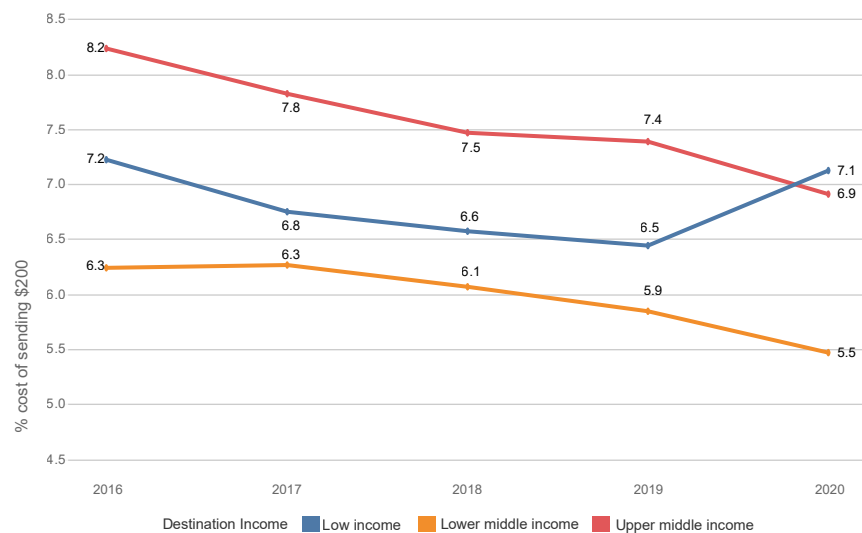
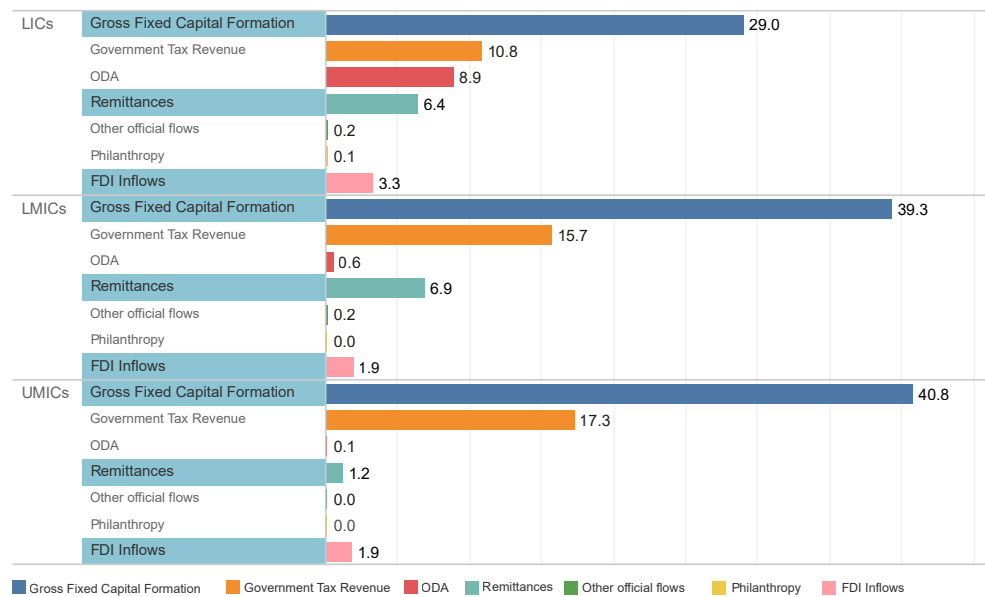
The main objectives of EU commitments in this area are to:

- i) support private sector development, sustainable investment, and policies to improve the regulatory environment for the private sector and improve access to finance for MSMEs and the poor;
- ii) support responsible business practices and responsible management of supply chains; and
- iii) strengthen remittances as a source of private investment by reducing the average cost of remittance transactions to less than 3% by 2030 (with no remittance corridor having costs higher than 5%), while encouraging efforts to channel remittances into productive investments.

This chapter focuses on the efforts of the EU and its Member States to achieve these objectives.

⁴⁵ Gross fixed capital formation, also called 'investment', is defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals (OECD).

Figure 3.1 – Domestic and international private business and finance: Progress on means of implementation



Source: Sachs, Kroll et al., 2021 and World Bank Development Indicators.

Private sector development



In recent years, the EU and Member States have launched several high-level initiatives to emphasise the importance of the private sector in promoting growth and employment.

Objectives

To unlock the potential of the private sector for job creation, innovation and overall sustainable development, Action Area B of the Addis Agenda calls for more sustainable investment (by international and EU companies, among others), improvements in the business environment for the local private sector and greater access to finance for MSMEs and the poor.

Implementation

Private sector development as a priority

Jobs and growth in partner countries are among the most important priorities for the EU and its Member States, which should work closely with partner countries to help them develop and implement policies in support of private sector development and private sector engagement.

In recent years, the EU and Member States have launched several high-level initiatives to emphasise the importance of the private sector in promoting growth and employment. The African continent has attracted most attention.

The **Africa-Europe Alliance for sustainable investment and jobs** was launched in 2018 to modernise the EU's long-standing partnership with Africa. Focusing on investment and trade, it seeks to boost employment and sustainable growth on the continent.

The **G20 Compact with Africa**, launched in 2017 under the German G20 Presidency, promotes private investment in Africa through improvements in the macroeconomic, business and financing frameworks. To date, 12 African countries have joined: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia. Since 2018, most countries have strengthened their macroeconomic frameworks, their business frameworks by leveraging digital solutions (e.g. e-government) and their financial frameworks by facilitating secured lending (e.g. property rights, leasing and commercial courts).

Investment mobilisation and private sector development in Africa, as well as support for the African Continental Free Trade Agreement, are top priorities on the agenda of the EU (as discussed further in Chapter 5).

The Commission's November 2017 communication on **Aid for Trade**⁴⁶ was designed to modernise EU trade assistance to partner countries and support local small and medium-sized enterprises (SMEs). To further highlight the relevance of the private sector in both Africa and the EU, the European Commission issued a new joint communication, 'Towards a comprehensive strategy with Africa', in 2020. The Commission also provides yearly progress reports on the EU's contribution to the global Aid for Trade initiative and an

Most Relevant SDG Goals and Targets

- **8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- **9.3:** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
- **17.17:** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

46. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Achieving Prosperity through Trade and Investment Updating the 2007 Joint EU Strategy on Aid for Trade, [COM\(2017\) 667 final](#); Joint communication to the European Parliament and the Council (2020), Towards a comprehensive Strategy with Africa', [JOIN \(2020\) 4 final](#).

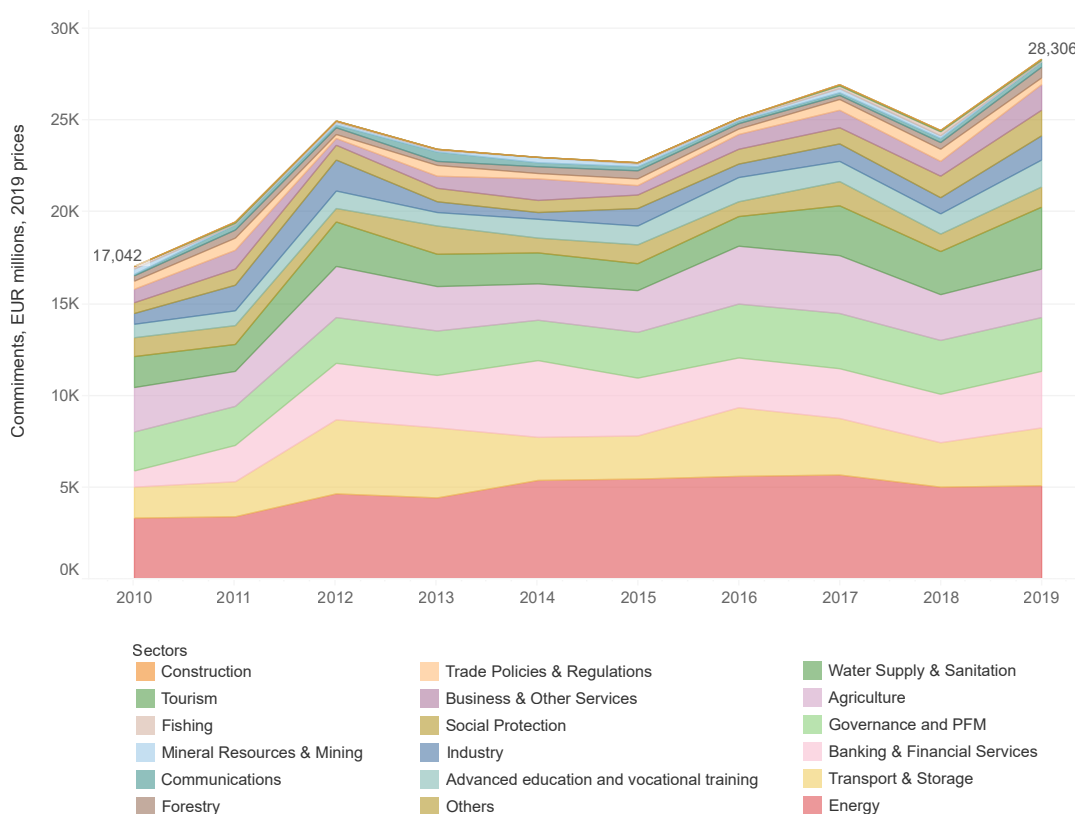
overview of the implementation of the EU's Aid for Trade Strategy⁴⁷. Platforms such as the EU Africa Summit and the EU Africa Business Forum regularly bring together business representatives and high-level representatives from the EU and Africa to align and discuss major development priorities.

Several Member States have included private sector development as a key objective of their development cooperation strategies, recognising the important role of access to finance.

The EU and its Member States deliver substantial grant funding for private sector development across a wide range of activities, including access to finance for MSMEs, financial inclusion, inclusive business models, regulatory reforms and the provision of business development services, with a particular focus on improving the investment climate. Figure 3.2 shows that EU collective assistance for private sector development grew by two-thirds over the last decade, from EUR 17 billion in 2010 to over EUR 28 billion in 2019.

Figure 3.2 – The EU and Member States' assistance for private sector development

Commitments, EUR millions, constant 2019 prices.



Source: OECD/DAC Creditor Reporting System.

The new Neighbourhood Development and International Cooperation Instrument (**NDICI – Global Europe**)⁴⁸ introduced in 2021 puts a strong focus on private sector development as a cross-cutting means to build resilience and promote the creation of decent jobs in low- and middle-income countries. Under the mantle of the European Fund for Sustainable Development Plus (EFSD+), NDICI – Global Europe will support sustainable investment worldwide by leveraging private capital to complement direct external cooperation grants, including blending and guarantees to support MSMEs.

47. See also chapter 5.

48. [Regulation \(EU\) 2021/947](#) of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009.

The European Union and Member States have are supporting MSMEs thanks to technical support, credit and guarantees

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic and international private business and finance	3.1 Private- sector development	2015-2030	Facilitate sustainable investment and private-sector development in partner countries.		

Effort and Progress

Very strong effort

Improving partner countries' investment climate and business environment

As part of their interventions to develop the private sector, the European Commission, the EIB, EBRD and 16 Member States⁴⁹ have been providing support to partner countries to improve their investment climate, particularly their **business environment**⁵⁰.

EU budget support is one important tool to support the investment climate in partner countries. Through eligibility requirements (pertaining to macroeconomic stability and public financial management) and related policy dialogue with local authorities, budget support has had a positive impact on the local investment climate. 42% of sector budget support provided by the EU and its Member States in 2019 concerned private sector development.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic and international private business and finance	3.1 Private- sector development	2015-2030	Support policies aimed at improving the regulatory environment for the private sector.		

Effort and Progress

Consistent effort

Financial and technical support for micro, small and medium-sized businesses

In addition to overall framework conditions and investment packages, the European Commission and 11 Member States⁵¹ have funded more than 75 bilateral programmes to provide **direct credit, guarantees and technical support for MSMEs in partner countries.** Most are focused on access to finance and technical assistance in rural areas; two-thirds target women entrepreneurs. The programmes further help to make local businesses bankable, removing a major obstacle to investment. A growing number of interventions support SMEs in accessing not only traditional sources of finance, such as microfinance and bank finance, but also through capital markets or venture capital.

However, EU official development assistance for formal and informal financial intermediaries declined from EUR 3.1 billion in 2015 to EUR 2.8 billion in 2019. In parallel, **access to credit by SMEs** stagnated over the period 2014-2019 as a percentage of GDP in lower middle-income and declined in low-income and upper middle-income countries, implying low levels of private sector development⁵². In 2018, 31 million **formal MSMEs in developing countries (41%) have unmet financing needs**⁵³. The impact of COVID-19 restrictions on access to finance for accelerated digitalisation of financial services remains to be assessed.

The EU4Business programme⁵⁴ is an umbrella initiative of the EU that includes all EU support SMEs in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. One EU-supported

49. Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovenia, and Sweden.

50. The business environment is a sub-set of the investment climate with a narrower focus on the legislation, regulation, and administration pertaining to starting and operating a business.

51. Austria, Belgium, Cyprus, Estonia, France, Germany, Finland, Hungary, Luxembourg, Slovenia, and Spain.

52. <https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>.

53. <https://www.smefinanceforum.org/data-sites/msme-finance-gap>.

54. [EU4Business](#)

project managed by the EBRD targets women entrepreneurs, helping partner financial institutions understand the sector and develop relevant product offerings and advising and mentoring female entrepreneurs as they expand their businesses.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic and international private business and finance	3.1 Private- sector development	2015-2030	Provide micro, small, and medium-sized enterprises (MSMEs) and the poor with greater access to finance.		

Effort and Progress

Minimal effort

Sustainable business practices



Objectives

The EU and its Member States strive to support responsible business conduct and the responsible management of supply chains.

Businesses are asked to step up their efforts to report sustainability information. Doing so incentivises them to transform their business models by adopting sustainable business practices across entire supply chains.

Most Relevant SDG Goals and Targets

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

Action Area B calls on stakeholders to directly encourage companies to adopt sustainable practices and to ensure that their company operations have no harmful impact.

Implementation

EU policies to promote responsible and sustainable business conduct along supply chains

The European Commission is cooperating with international organisations, the private sector and civil society to encourage responsible business conduct, and to address human rights violations, labour rights, environmental risks and corruption, in global supply chains. The Commission has introduced legal requirements for EU businesses to report on sustainability impacts across entire supply chains.

The EU and its Member States are committed to further strengthening the EU's global leadership in human rights, democracy, and responsible and sustainable trade that leaves no one behind.

With regard to specific trade policies affecting third countries, the European Commission adopted in February 2021 a **Trade Policy Review: An Open, Sustainable and Assertive Trade Policy**⁵⁵ that reflects the EU's goal of stepping up efforts to promote EU values and standards (including on human rights and sustainable development). The 2017 **Aid for Trade** Communication more explicitly aligned Aid for Trade with responsible social and environmental sustainability principles⁵⁶. Another Commission initiative, '**Trade for All – Towards a more responsible trade and investment**' (European Union, 2015), was designed to facilitate responsible management of global supply chains on specific issues (conflict minerals, illegal logging, and labour regulations) and to promote fair and ethical trade schemes while developing more sustainable trade opportunities for small producers in third countries.

55. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Trade Policy Review – An Open, Sustainable and Assertive Trade Policy*. Brussels, 18.2.2021, [COM\(2021\) 66 final](#).

56. European Commission (2017), *Achieving Prosperity through Trade and Investment – Updating the 2007 Joint EU Strategy on Aid for Trade*, Commission Communication, [COM\(2017\) 667 final](#).



Several EU Member States have measures in place to raise awareness among EU businesses and to provide guidance on implementing international standards of corporate social responsibility.

The EU has also adopted a set of legislative measures specifically related to supply chains. Among these are the 2017 Council Conclusions on Sustainable Garment Value Chains⁵⁷ and the December 2020 Council Conclusions on Human Rights and Decent Work in Global Supply Chains⁵⁸. In February 2022, the Commission presented a Communication on Decent Work Worldwide⁵⁹ that reaffirmed the EU's commitment to champion decent work both at home and around the world. The elimination of child labour and forced labour is at the heart of this endeavour. The Commission has also proposed a Directive on Corporate Sustainability Due Diligence⁶⁰ that would impose extensive and legally enforceable duties on large European companies, as well as large non-EU companies doing business in Europe, related to the human rights and environmental impacts of their operations and value chains.

The EU has also adopted the **EU Non-Financial Reporting Directive** requiring EU companies to report on due diligence. A proposal for a Corporate Sustainability Reporting Directive is currently being discussed by the co-legislators⁶¹.

In January 2021 the **EU Conflict Mineral Regulation** came into force. It obliges importers of certain minerals from conflict-affected and high-risk areas to do supply chain due diligence to ensure that they are sourcing minerals responsibly.

Several EU Member States have measures in place to raise awareness among EU businesses and to provide guidance on implementing international standards of corporate social responsibility.

Using development cooperation to promote sustainable business practices

In the 2018-2020 period, the EU and Member States⁶² supported a range of measures and programmes to promote the **adoption of internationally agreed principles and standards of corporate social responsibility**. During the same period, the EU used development cooperation funding instruments to promote responsible business conduct and corporate social responsibility in partner countries. In Asia, the 'Ship to Shore Rights' (EUR 4.2 million) of the International Labour Organisation, concluded in 2020, provided support to the Thai government to combat forced labour (primarily by migrant workers from Cambodia and Myanmar) in the fishing and seafood industries. The EU-funded 'Safe and Fair' project (EUR 25 million) helps ensure that labour migration is safe and fair for all women workers in the ASEAN region. Since 2017 the EU has provided financial support for the ILO-led 'Trade for Decent Work' project, which covers 12 partner countries in Africa, Asia and Latin America.

The EU and its Member States also provide direct support to promote sustainable business practices. Programmes consider the local context, challenges and standards in specific supply chains (e.g. textile, minerals) as well as the needs of specific segments of the population (e.g. migrants). EU support for partner countries in the sustainable development and good governance of their mineral resources totalled EUR 35 million in 2020. This included support for the European Partnership on Responsible Minerals, a multi-stakeholder partnership between governments, companies and civil society that accompanied the EU Conflict Minerals regulation.

Another example is the Digital2Equal initiative, a partnership between the EU and the International Finance Corporation, which works with international companies and start-ups to increase women's engagement in the digital economy across global supply chains and in recruitment, management and training.

57. Council of the European Union (2017), Sustainable garment value chains – [Council Conclusions 9381/17](#).

58. Council of the European Union (2020), Human Rights and Decent Work in Global Supply Chains, [Council Conclusions 13512/20](#).

59. Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on decent work worldwide for a global just transition and a sustainable recovery - [COM\(2022\) 66 final](#).

60. Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937, [COM\(2022\) 71 final](#).

61. For more details, please see chapter 2.

62. Notably Austria, Czech Republic, Germany, Spain, Finland, Luxembourg, Slovenia, and Sweden.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic and international private business and finance	3.2 Sustainable business	2030	Support responsible business practices and responsible management of supply chains.	▲	

Effort and Progress

Consistent effort ▲

Remittances



Objectives

Remittances are an important consumption-smoothing mechanism for recipient households, one that increases their resilience. Excluding China, remittance flows surpassed the sum of foreign direct investment (USD 259 billion) and official development assistance (USD 161 billion) in 2020 (World Bank, 2021). They are also expected to increase by 2.6% in 2021 with the rebound in global growth.

Most Relevant SDG Goals and Targets

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

Remittances from the EU have a truly global reach and more than 100 million people in developing countries benefit from remittances sent from within the EU

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

Early in the pandemic, as volumes for cash-based services fell, countries cooperated with remittance service providers to move to digital services, thus allowing remittances to rapidly recover. A study prepared for the October 2021 G20 in Rome concluded that countries that were able to achieve cooperation and coordination between the public and private sectors were able to better withstand the early shock as the pandemic took hold (IFAD and World Bank, 2021).

Implementation

Remittances from the EU have a truly global reach, with the largest share going to Asia (31%), followed by Africa (29%), non-EU European states (21%) and Latin America (11%). In total, about 105 million people in the developing countries benefit from remittances sent from within the EU (European Commission, 2021).

The EU and its Member States are striving to enhance the impact of remittances by: (1) reducing the cost of remittances through regulation and transparency; and (2) encouraging the productive use of remittances in partner countries.

Reducing the cost of remittances through regulation and transparency

The Addis Agenda calls for public interventions, including technical and legal improvements, to effectively reduce the costs of remittances, e.g. by increasing transparency in the market. **The EU and its Member States have taken steps to reduce the costs of sending and receiving remittances in EU Member States, but more needs to be done to achieve the SDG 2030 target of 3%.**

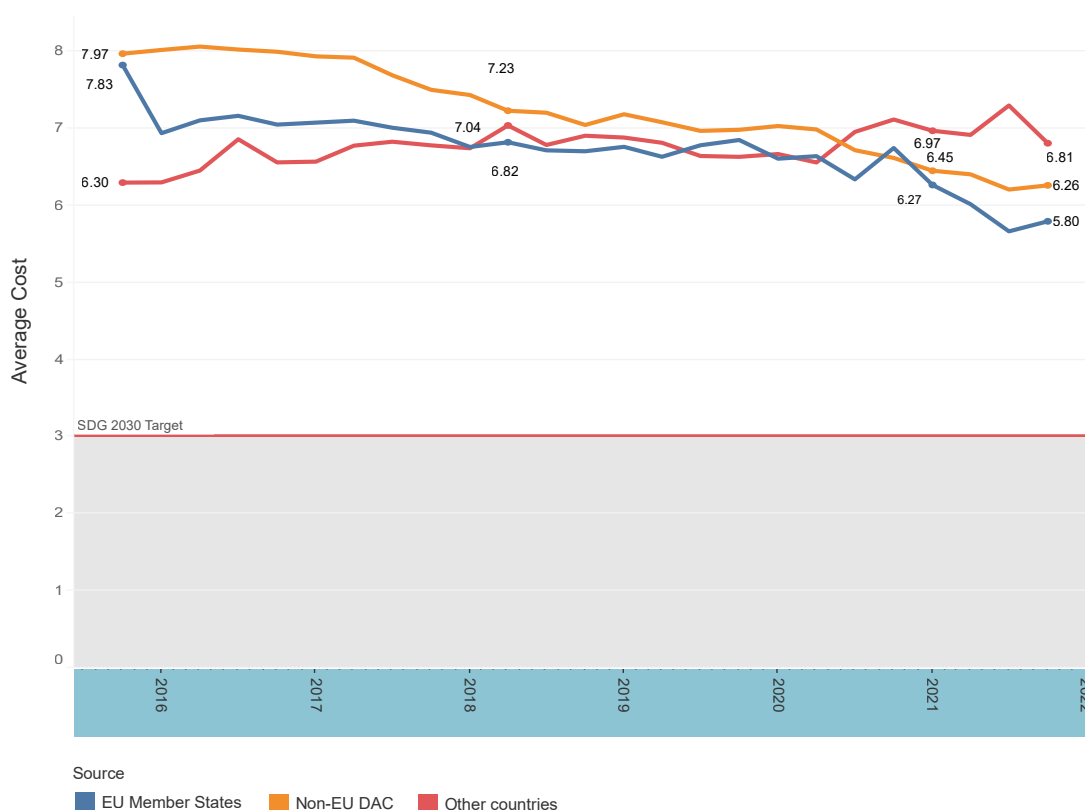
The average cost of sending remittances from the EU to developing countries has dropped by 2 percentage points since the adoption of the SDGs. The decline in prices for transfers of remittances to developing countries from the EU Member States included in the World Bank's remittance database was generally slow through the end of 2020, with

the simple average declining from 7.8% in Q3 2015 to 6.5% at the end of 2020 and to 5.8% by Q3 2021 (Figure 3.3)⁶³. Reaching the SDG target on remittance costs reduction at the EU level would save EUR 1.5 billion in transaction costs every year.

The European Union has adopted legislation favouring greater transparency in the market. The revised EU Payment Services Directive⁶⁴ that was transposed into national legislation of EU Member States in 2018 increased the transparency of remittances costs in the EU. In addition, the revised Cross-border Payments Regulation⁶⁵ that came into force in 2019 introduced enhanced currency conversion transparency requirements for intra-EU credit transfers.

Several EU Member States have also introduced services to directly provide citizens with information and costs comparisons of different remittances providers⁶⁶. To enhance transparency and help migrants make informed choices, France, Germany, Italy and Sweden have introduced portals⁶⁷ comparing prices of transfers, certified by the World Bank as meeting 12 minimum mandatory requirements of a national price database for remittance services.

Figure 3.3 – Costs of remittances to low- and middle-income countries in 10 EU Member States
Cost as percentage of a USD 200 remittance, simple average, 2016-2022.



Source: World Bank, remittance prices worldwide, <http://remittanceprices.worldbank.org/en>.
Note: Included are Member States that report cost in a matrix format: Austria, Belgium, Czech Republic, France, Germany, Italy, Netherlands, Portugal, Spain, and Sweden.

63. Source: World Bank Data, available at: <https://remittanceprices.worldbank.org/en>.

64. [Directive \(EU\) 2015/2366](#) of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.

65. [Regulation \(EU\) 2019/518](#) of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges.

66. Global Partnership for Financial Inclusion (2017), G20 2017 National Remittance Plans Overview.

67. <http://www.envoirdargent.fr>; www.GeldtransFAIR.de; <https://www.mandasoldiacasa.it/en>; <https://www.moneyfromsweden.se/en>

Remittances may constitute the first access to formal financial services for vulnerable segments of the population.

Encouraging the productive use of remittances

Remittances not only enable receivers to meet daily consumption needs but also to invest in health, skills and business activities. **The EU and its Member States are supporting several initiatives at the global, regional and national levels to improve the productive use of remittances** (see Box 3.1). While most projects provide technical assistance to support entrepreneurship skills among remittance receivers, some also offer additional financial support for local business development. Furthermore, Member States support interventions improving access to financial services among migrants and populations in home countries, as remittances may constitute the first access to formal financial services for vulnerable segments of the population.

Box 3.1 – Enhancing the productive use of remittances

In December 2018, the European Commission and IFAD launched the ‘Platform for Remittances, Investments and Migrants’ Entrepreneurship in Africa’ (PRIME Africa, EUR 15 million, 2019-2023), aiming to improve the management of remittances, reduce the cost of transfers and improve their use for development outcomes on the continent. PRIME Africa empowers migrants and their families through financial education, digitalisation and financial inclusion, while also encouraging migrant investment and entrepreneurship. The initiative targets 7 African countries (Senegal, The Gambia, Ghana, Kenya, Uganda, South Africa and Morocco).



The EU and France encourage productive investments by members of the diaspora in their countries of origin through the Meet Africa project, the second phase of which was launched in 2020. Meet Africa aims to strengthen the ecosystem of actors in charge of supporting entrepreneurship among the diaspora and to provide technical and financial support to entrepreneurs involved in business development in African countries. Meet Africa 2 aims to promote a sustainable relationship between the expatriate community and targeted African countries to create and strengthen economic bridges, formalise new or existing partnerships and foster the creation of economic and employment activities in Africa.

Germany’s Development Cooperation consults regulators in various partner countries (e.g. Morocco, Mozambique, Jordan and Ghana) on the regulation and supervision of mobile financial services and inclusive payment systems. In Jordan, for instance, it is advising the central bank on how to improve access to remittances and other financial services through digital solutions. Germany also continues to support KNOMAD to generate recommendations for policy through research and knowledge exchange. Germany encourages diaspora investments in six African countries to support start-ups and micro-entrepreneurs through the digital ‘WIDU.africa’ platform, which channels remittances into sustainable investments by small businesses owned by friends and family members at home, topping them up with a 100% grant. Since 2019, 9,000 members of the Ghanaian and Cameroonian diaspora registered with the platform and invested a total of EUR 2 million in over 1,300 approved projects. To respond to COVID-19-induced challenges, WIDU has made additional grants available in the health, food and mobility industries since 2020.

Sweden’s aid agency, Sida, supports ‘Remittances for Development in Africa 2019-2022’, a programme of the UN Capital Development Fund designed to enhance regional harmonisation of remittance policies and the availability of affordable, accessible and reliable digital remittances and financial products for migrants and their families in Africa.

Source: 2021 Questionnaire and Global Partnership for Financial Inclusion 2020. a. <https://openaid.se/en/activities/SE-0-SE-6-11792A0101-RSS-24010>.

EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Domestic and international private business and finance	3.2 Remittances	2030	Reduce the average cost of remittance transactions to less than 3% by 2030, with no corridor having costs greater than 5%, and encourage efforts to channel remittances into productive investments.		

Effort and Progress

Minimal effort  Insufficient progress 

INTERNATIONAL DEVELOPMENT COOPERATION



IMPORTANCE

Official development assistance (ODA) is a major source of funding, particularly for least developed countries as a complement to other sources of finance.

COVID-19 has hit developing countries particularly hard, reducing fiscal space by several percentage points of GDP in 2020 in several countries. In a context of increasing financing needs and decreasing available resources, international development cooperation can play a major counter-cyclical role.

ODA also helps catalyse private finance to fill the SDG funding gap.

Mobilisation of finance for climate mitigation and adaptation in developing countries is essential to address the multiple negative consequences of climate change for populations.

The EU and its Member States are by far the largest provider of ODA in both relative and absolute terms, representing EUR 70.2 billion, i.e. 0.49% of collective gross national income, in 2021.

1

The Global Gateway strategy is a plan for major investment in infrastructure development around the world underpinned by a value-driven approach and aiming to mobilise additional finance for sustainable, transparent and high-quality projects fully aligned with the SDGs and the Paris Agreement.



4

The EU and its Member States, in a Team Europe approach, impressively mobilised EUR 46 billion by April 2021 to provide additional fiscal space and better respond to the COVID-19 crisis.

2

The EU and its Member States have shown strong leadership in pushing for a global green, inclusive and resilient recovery, substantially increasing support for biodiversity, disaster risk reduction and human development among others.

5

Because public resources are not enough to reach the SDGs, the EU and its Member States use ODA to leverage private capital, notably through blending or guarantees.

3

Innovative finance mechanisms mobilised close to EUR 10 billion of additional financial resources in 2020.

The 2020 target of spending at least 20% of the EU budget on climate finance has been met by far.

The EU is now committed to reaching a target of 30% for climate finance, with an additional EUR 4 billion for climate finance for partner countries by 2027.

6



#TEAMEUROPE

Chapter 4

International Development Cooperation



This chapter analyses the Addis Agenda commitments of the EU and its Member States related to official development assistance (ODA). The chapter opens with the levels and quality of EU ODA before moving to the sustainable private investment catalysed by ODA. The chapter concludes with a thematic analysis of ODA for climate finance, environment, biodiversity, resilience and human development.

Official development assistance

Official development assistance (ODA) is still a major source of SDG funding for low- and middle-income countries, especially in the context of the COVID-19 pandemic. ODA can catalyse private investment, both domestic and foreign, as anticipated in the previous chapter, and draw on innovative sources beyond government budgets.



Objectives

The objectives of the EU and its Member States are to:

- achieve the target ratio of 0.7% ODA/GNI by 2030;
- collectively give to least developed countries ODA amounting to between 0.15 and 0.20% of the EU's GNI in the short term, and at least 0.20% by 2030; and
- reverse the decline in the proportion of EU ODA going to the least developed countries (LDCs).

Most Relevant SDG Goals and Targets

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

Team Europe reacted swiftly to counter the impact of COVID-19 and mobilised EUR 46 billion to support 130 partner countries in responding to the crisis.

Implementation

The EU and its Member States reacted swiftly to counter the impact of COVID-19 on their partner developing countries. Renewed commitments were made as Team Europe, both in the Joint Communication on the Global EU Response to COVID-19⁶⁸ and in the Council Conclusions on Team Europe's Global Response to COVID-19⁶⁹. To provide much-needed additional fiscal space, Team Europe mobilised EUR 46 billion by April 2021 to better respond to the crisis. This amount included additional new funding, as well as ongoing funding that was adjusted to tackle the impacts of the COVID-19 pandemic.

This support helped foster partner countries' resilience, allowing them to focus on reforms in various sectors and preventing further economic and social setbacks. Indeed, budget support and complementary assistance have played a major role in the EU's global response to the

68. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Communication on the Global EU response to COVID-19. JOIN(2020), 11 final, [8 April 2020](#).

69. Outcome of Proceedings from the General Secretariat of the Council, Brussels, [8 June 2020](#) and [23 April 2021](#).

The EU and its Member States are by far the largest provider of ODA.

pandemic, enabling it to react quickly, coordinate with partners and maintain a strong policy dialogue – even in times of lockdown. It has helped countries take measures in public health, social protection and tax policy to mitigate the impact of the pandemic on the poorest and the most vulnerable. The EU and its Member States have been a major contributor to the global distribution of vaccines through COVAX and provided close to EUR 3.5 billion to the COVAX initiative since the start of the pandemic, resulting in 250 million vaccines being distributed to low- and middle-income countries.

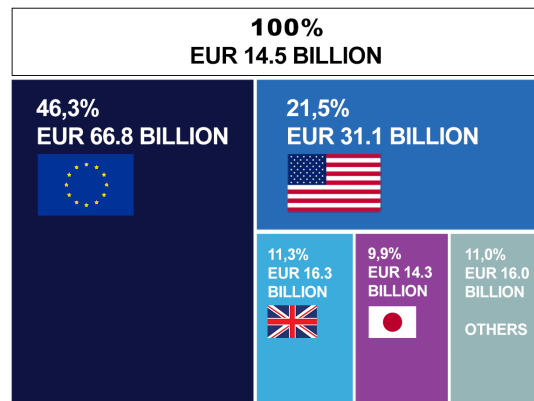
Achieving the collective target ratio of 0.7% ODA/GNI by 2030

The EU and its Member States are by far the largest provider of ODA. In 2020, Team Europe ODA increased to EUR 66.8 billion – equivalent to 0.5% of collective gross national income (GNI)⁷⁰. The ODA/GNI ratio of the EU and its Member States has remained about twice as high as the aggregate of all non-EU members of the OECD’s Development Assistance Committee (DAC)⁷¹. Figure 4.1 shows that the EU and its Member States provided 46.2% of global ODA for developing countries from the EU and all non-EU DAC donors in 2020. Annex 3 provides ODA charts for all EU members.

Figure 4.1 – Official development assistance from the EU and its Member States and other DAC donor countries.

Preliminary OECD figures for 2020.

Source: OECD, April 2021.



The European Consensus on Development reaffirms the EU’s collective commitment to provide 0.7% of its GNI as ODA within the timeframe of the 2030 Agenda. Four Member States (Denmark, Germany, Luxembourg, and Sweden) have enshrined the 0.7% target in legislation or in their government’s multi-year programme. In 2020, they provided 0.7% or more of their GNI in ODA: **Sweden** (1.14%), **Luxembourg** (1.02%), **Denmark** (0.73%) and **Germany** (0.73%).

EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.1 Official support and development assistance	2030	Achieve collectively the target of 0.7% ODA/GNI by 2030.	▲	☑

Effort and Progress

Consistent effort ▲ Insufficient progress ☑

Figure 4 in Annex 3 shows the distribution of ODA from the EU and its Member States by SDG target and income group, comprising over 60% of all commitments over the period 2018-2019. As the figure shows, ODA from the EU and its Member States is addressing SDGs in areas where low-income and lower middle-income countries face the most significant challenges and where there has been little progress over time. The figure also demonstrates that the EU and

70. [Press release: Team Europe increased Official Development Assistance to €66.8 billion as the world’s leading donor in 2020 | International Partnerships \(europa.eu\)](#).

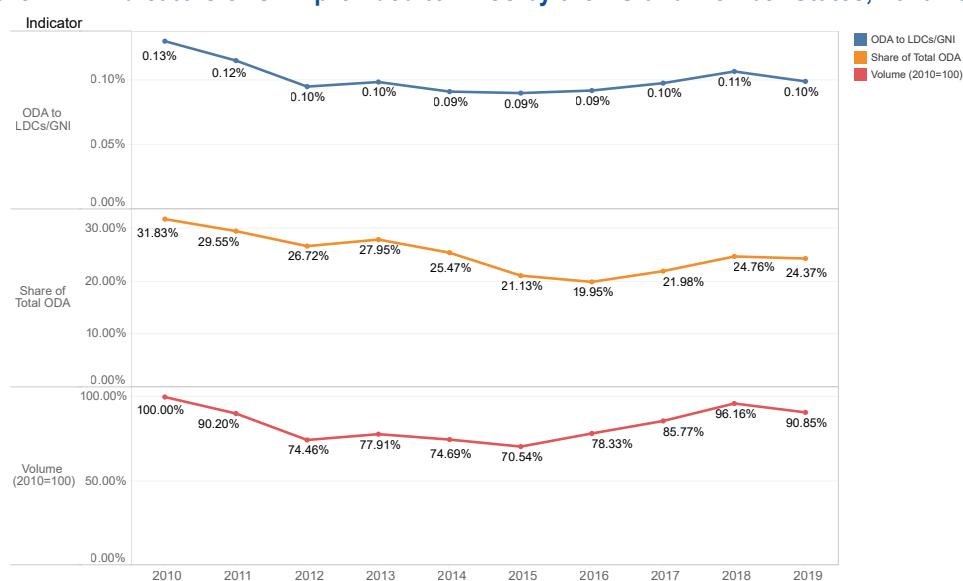
71. OECD/DAC. Non-EU DAC donors include the United States of America, Japan, Canada, Norway, Switzerland, Australia, Korea, New Zealand, Iceland and, as of the reporting on year 2020, the United Kingdom.

its 27 Member States increased their ODA/GNI to 0.5% in 2020, marking a turn in the previous trend of declining ODA since the peak in 2016. This turn is due partly to an absolute increase in collective ODA in nominal terms (also dedicated to the response to the consequences of the COVID-19 pandemic), and partly to an absolute decrease in collective GNI in nominal terms.

Achieving the targets for ODA to LDCs

While the EU is committed to giving collectively between 0.15% and 0.20% of EU GNI to LDCs in the short term and 0.20% by 2030, the amount of ODA going to LDCs as a share of GNI remained below the short-term target of 0.15% (EUR 13.8 billion) in 2019, as shown in Figure 4.2. Having said that, the trend has been positive overall since 2015, with the LDC share of ODA/GNI growing from 0.09% to 0.10%, and the proportion of the EU's ODA going to LDCs rising from 19.95% in 2016 to 24% by 2019 – still far from the 2010 peak. The efforts of the EU and its Member States to reverse the decline in the share of ODA to LDCs have been consistent. The target of increasing the share of EU ODA allocated to the LDCs has seen corresponding progress, accompanied by policy changes that are conducive to further increases over time. For example, NDICI – Global Europe instrument should contribute to the collective LDC target and gives priority to countries most in need in the resource allocation process and special attention is given to LDCs under the EFSD+. Belgium has redrawn its list of priority countries to include more LDCs. France has committed to increasing its ODA/GNI ratio to 0.55% in 2022 and LDCs will be the main beneficiaries of this additional effort. Hungary's new Development Cooperation Strategy places greater emphasis on promoting development cooperation with LDCs. Data on ODA to LDCs, Africa and other specific recipients for 2020 are expected by April 2022.

Figure 4.2 – Indicators of ODA provided to LDCs by the EU and Member States, 2010-2019



Source: OECD/DAC Table 2A (excluding UK).

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.1 Official support and development assistance	2020	Provide to the least-developed countries (LDCs) between 0.15 and 0.20% of collective ODA/GNI in the short term.	⬇️	❌
International development cooperation	4.1 Official support and development assistance	2030	Provide at least 0.20% of collective ODA/GNI to the LDCs by 2030.	⬇️	❌
International development cooperation	4.1 Official support and development assistance	2015-2030	Reverse the decline in the share of ODA going to LDCs.	⬆️	✅

Effort and Progress

Hardly any effort ⬇️ Little or no progress ❌

Consistent effort ⬆️ Commitments met ✅

Development effectiveness, joint programming and joint implementation



Objectives

The Addis Agenda reiterated commitments to improving the effectiveness of development cooperation, including adherence to agreed development cooperation effectiveness principles⁷². International development cooperation also needs to be more predictable, forward looking, and transparent. Development actors should decrease transaction costs while increasing knowledge sharing among themselves and with partners.

The European Union and its Member States have further affirmed their commitment to **working better together** to ensure greater coordination and coherence and to better contribute to the implementation of the 2030

Agenda. Commitments were renewed as part of the new Team Europe approach in the Joint Communication on the Global EU Response to COVID-19⁷³, in the Council Conclusions on Team Europe Global Response to COVID-19⁷⁴ and in the Council Conclusions on Team Europe⁷⁵.

In addition, after the Wise Persons Group report (Wieser et al., 2019) on the future of the European financial architecture for development and the subsequent feasibility study⁷⁶, the Council adopted conclusions⁷⁷ on enhancing the European financial architecture for development. The conclusions stress the urgent need to increase development impact in partner countries and to address the development challenges aggravated by the COVID-19 pandemic and invite the Commission to present a roadmap for improvement of the current architecture. The Commission roadmap⁷⁸ focuses on actions in 4 areas: i) affirming a strong EU policy steer, ii) promoting enhanced coordination, iii) building a more inclusive financial architecture and iv) ensuring increased visibility and influence for EU and Member States actions in a Team Europe approach.

Most Relevant SDG Goals and Targets

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

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

Implementation

Development effectiveness

The EU is a key supporter of the international agenda on development cooperation effectiveness.

The EU is a key supporter of the international agenda on development cooperation effectiveness through, for example, its engagement in the Global Partnership for Effective Development Cooperation (GPEDC) and the support it gives to the OECD DAC.

The GPEDC monitors progress on implementation through a biennial and voluntary monitoring exercise. The use of country-defined priorities and development results is a fundamental aspect of country ownership, a theme developed in Box 4.1. According to the 2019 GPEDC

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

73. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Communication on the Global EU response to COVID-19, [JOIN \(2020\) 11 final](#).

74. Council conclusions on [Team Europe Global Response to COVID-19](#), Brussels, 8 June 2020.

75. Council conclusions on [Team Europe](#), Brussels, 23 April 2021.

76. Feasibility study on options for strengthening the future European Financial Architecture for Development - Executive Summary, 14/04/2021, GSC(2021) 6961/1/21 REV 1

77. Council conclusions on enhancing the European financial architecture for development, Brussels, 10 June 2021 (OR. en); 9462/1/21 REV 1.

78. Report from the Commission to the Council, Commission's roadmap for an improved European financial architecture for development and 2021 progress report, 24.3.2022, [COM\(2022\) 139 final](#).



monitoring report (European Commission, 2020a), the EU decreased its use of country-owned results frameworks and planning tools between 2016 and 2018, although the EU as a whole still performed better than other DAC as well as non-DAC bilateral development partners. The 2019 GPEDC monitoring report analysed almost 1,800 projects in over 70 partner countries to gauge of the performance of the EU as a whole. The sample was equivalent to just over half of the full GPEDC data set.

Ownership of development priorities by the partner countries is essential for development effectiveness. In 2020, EU delegations in 49 out of 114 countries reported that adherence to effectiveness principles had been a regular agenda item in donor-government co-ordination meetings⁷⁹.

On using **partner-country public financial management systems**, there has been a marginal overall decline in the EU, while DAC members improved (from 47% to 55% between 2016 and 2018). The EU decline is attributable to the drop in the use of partner-country systems in financial reporting. The EU has remained steady in terms of using partner-country audit and procurement systems, while also maintaining its performance on getting aid into partner country budgets. The EU and its Member States⁸⁰ increased the level of untied aid from 82% of all bilateral commitments in 2015 to 92% in 2019, well above the average for other DAC members (76%). Ten Member States⁸¹ consistently scored above 95% on **untied aid**, with Ireland and the Netherlands reaching 100% by 2015 and 2019, respectively. Also, when looking at bilateral ODA to LDCs and non-LDC Heavily Indebted Poor Countries as covered by the untying recommendation, the average score for EU and its Member States over the period 2014-2018 was 96%, well above the rest of DAC (81%).

Eleven Member States⁸² reported making specific efforts to deliver on the Busan commitment to make partnerships more inclusive by encouraging triangular and South-South cooperation.

The EU and MS have been supporting partner countries in developing comprehensive strategies to their financing needs.

Box 4.1 – EU support for integrated national financing frameworks

Countries are increasingly seeking to steer their own development by having more influence on the financing of their development objectives. Integrated national financing frameworks (INFFs) are country-led approaches that enable governments to strengthen planning processes and overcome impediments to financing their sustainable development. INFFs lay out the full range of financing sources – domestic and international sources of both public and private finance – and allow countries to develop a strategy to increase investment, manage risks and focus on the priorities identified in their national sustainable development strategy.

Since 2019, the EU has been playing a leading role in building an INFF multilateral initiative together with UN partners and the International Monetary Fund. INFFs are now recognised as a key tool in the recovery from the pandemic and have been endorsed by the G20 Development Working Group.

With support from the EU and under the auspices of the Inter-agency Task Force on Financing for Development, UN DESA has been developing the methodology of INFFs. Task Force members include the IMF, UNDP and the World Bank. The methodology has four building blocks: 1) diagnostics and assessment, 2) financing strategy, 3) monitoring and review, and 4) governance and coordination.

The European Union financed the UN's INFF.org, a knowledge management platform for INFFs. Developed in partnership with the UN, INFF.org is a digital space where countries can obtain the information they need to implement INFFs, connect with other INFF stakeholders, and bring together new knowledge and experiences with INFFs around the globe.

Countries are showing strong demand for multilateral support on SDG financing and INFFs in particular. At the country level, the UN (under the political leadership of the UN Resident Coordinator and the technical leadership of the UN Development Programme), the EU and other

79. External Assistance Management Report 2020.

80. OECD/DAC (2020), 2020 Report on the DAC Untying Recommendation, DCD/DAC(2020)54/FINAL.

81. Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, and Sweden.

82. Austria, Czech Republic, Germany, Spain, France, Hungary, Lithuania, Luxembourg, Malta, the Netherlands, and Portugal.



multilaterals have committed to supporting INFF processes in 16 pioneer countries (Bangladesh, Burkina Faso, Cabo Verde, Colombia, Ghana, Indonesia, Ivory Coast, Kenya, Kyrgyzstan, Namibia, Nigeria, Rwanda, Senegal, Timor Leste, Uganda and Vietnam).

Some EU Member States are also supporting INFF-pilots in their partner countries (e.g. Germany in Namibia and Senegal). Moreover, the Joint SDG Fund – to which the EU and 8 EU Member States (Denmark, Germany, Ireland, Luxembourg, the Netherlands, Portugal, Spain and Sweden) contribute – is now financing INFF processes in 62 countries, bringing the total number of countries developing INFFs to more than 70. UNDP, UN DESA, the OECD, the EU, Italy and Sweden came together in 2021 to establish an INFF technical assistance facility. The overall aim of the facility is to support country-led INFFs that mobilise and align financing with national sustainable development priorities, promote financing innovations and build integration across government and wider constituencies at the national level.

Joint programming

Joint programming is a strategic engagement process by the EU and its Member States, acting as Team Europe, together with other European development actors. The process begins with a joint analysis of the challenges and opportunities in a partner country and then develops a joint response at the country level. There is strong evidence of the importance of joint programming in development cooperation. It encourages ownership by aligning cooperation resources with the development plans of each partner country and its financing strategy for the SDGs. It strengthens the complementarity and efficiency of the external assistance development policies of the EU and its Member States.

At the policy level, the EU has significantly strengthened its commitments on joint programming. In May 2016, the Council adopted conclusions on stepping up joint programming⁸³ as part of an ongoing effort to increase the impact of the EU's development and neighbourhood policies. In the same year, the Global Strategy for the EU's Foreign and Security Policy identified joint programming as contributing to greater integration of the Union's external policies and between the Union and its Member States.

Joint programming delivers on commitments towards the Addis Agenda objectives of improving predictability and forward planning, increasing transparency, reducing transaction costs and improving knowledge sharing. An independent evaluation of joint programming published in March 2017 concluded that it helps improve alignment, reduce fragmentation and enable mutual accountability⁸⁴. The evaluation recognised the value of joint programming in grouping sectors and breaking boundaries by bringing different actors together. By the end of 2020, the EU and its Member States had 22 joint programming documents in place.

The newly adopted NDICI – Global Europe specifies that joint programming is the preferred approach for country programming for the period of the instrument (2021-2027) and that, where possible and appropriate, a joint programming document shall replace the Union's and Member States' programming documents to increase the impact of collective cooperation of the Union.

The EU and its Member States are also engaged in **joint implementation**. The EU and 12 Member States⁸⁵ have procedures in place to contribute to a better division of labour by collectively reducing fragmentation and sharing the coordinating workload at the sector level or by policy area. The EU applied the practice to three sectors during the programming period 2014-2020.

In this regard, an important innovation came as the COVID-19 crisis was putting the EU's external action to test. The magnitude of the crisis needed the combined efforts, resources and expertise of all European actors. The EU championed the **Team Europe approach**, which allowed a joint offer to be made to Europe's partner countries, combining humanitarian aid; supporting the health, water and sanitation systems; and addressing the pandemic's socio-economic fallout.

83. Council conclusions on Stepping up Joint Programming, Brussels, 12 May 2016, [Council Conclusions, 8331/16](#).

84. European Commission (2017), Evaluation of EU Joint Programming Process of Development Cooperation (2011-2015).

85. Austria, Belgium, the Czech Republic, Germany, Spain, Finland, Italy, Luxembourg, Poland, Portugal, Slovenia, and Sweden.

The Team Europe response to the crisis demonstrated the scale and visibility that can be achieved when working together⁸⁶. In the preparatory stages of the 2020 EU programming exercise, the Team Europe approach was established as a guiding principle for how programming strategies were formulated, and the novel idea of Team Europe Initiatives – large transformational projects commonly designed, funded and implemented by the EU and its Member States – became an integral part of Europe’s efforts to ‘build back better and greener’.

In a changing geopolitical context, the Team Europe configuration establishes EU leadership on the global stage, protects common interests, promotes EU values and enhances the visibility of EU interventions. The joint approach also emphasises the need for coordinated action by the EU institutions and Member States, particularly with respect to achieving the SDGs. Combining the resources of the EU, its Member States, and their bilateral financial institutions and development banks, plus the EIB and EBRD, maximises transformative impact in partner countries. The Team Europe approach is at the heart of the Commission’s plan to ensure that the European financial architecture for development is effective, efficient and visible⁸⁷.

Building on this strong collaboration, the EU and its Member States, are now committing to making Team Europe a permanent feature of their external actions in international partnerships and cooperation, using the occasion of the start of the new EU programming cycle 2021-2027. Programming at the country and regional level, whether joint or bilateral, is increasingly focused on supporting **Team Europe Initiatives (TEIs)**. TEIs link the EU and Member States’ programming and financial contributions through a coordinated approach in-country, offering a unique opportunity to prove the potential of a more EU coordinated and strategic approach. In joint programming, the EU and Member States agree on a joint response from the EU and its Member States to the development strategy of the partner country or region, providing an immediate opportunity to increase coordination, efficiency and impact. TEIs are fully embedded in the EU programming documents, with a substantial share of the multi-annual budgets dedicated to them.

Despite consistent effort the EU and its Member States have shown disappointing performance on development effectiveness, with declining GPEDC ratings on 1) short-term predictability; 2) use of indicators drawn from partner country-owned results frameworks or of their public finance management systems; 3) involvement of partner governments in project evaluations; and 4) transparency. At the same time, there have been strong efforts and progress on mid-term predictability, joint programming and untied aid. In particular, at the policy level, the EU has significantly strengthened its capacity to implement commitments on joint programming. At the same time, there is a strong drive to expand the use of joint monitoring and results frameworks, which can be found in 12 joint programming documents. The Team Europe approach will become the EU’s way forward at country and regional level; Team Europe Initiatives are being developed in partner countries to be more efficient, impactful and visible.

In a changing geopolitical context, the Team Europe configuration establishes EU leadership on the global stage, protects common interests, promotes EU values and enhances the visibility of EU interventions.



EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.2 Development effectiveness	2015-2030	Improve ownership, focus on results, predictability, forward planning, transparency, reducing transaction costs and knowledge sharing.	▲	✓

Effort and Progress

Consistent effort ▲ Insufficient progress ✓

86. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Communication on the Global EU response to COVID-19, [JOIN \(2020\) 11 final](#).

87. Council conclusions on enhancing the European financial architecture for development, Brussels, 10 June 2021 (OR. en); [9462/1/21 REV 1](#).

ODA as catalyst: Innovative sources of finance and financial instruments



Objectives

The objectives of the EU and its Member States in this area are:

- a) to set up innovative finance facilities aimed at supporting investments in partner countries (including in infrastructure, clean technology and energy) that create market dynamics favourable to mobilising private investment at scale; and
- b) to put in place innovative financing mechanisms, instruments and modalities that do not burden developing countries. These include special purpose facilities and funding schemes that raise funds from other sources (debt swaps, bonds, special taxes).

Most Relevant SDG Goals and Targets

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

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

Implementation

Blending and guarantees

Public resources will not be enough to reach the SDGs. As a result, the EU and its Member States are going beyond the more traditional aid channels and using official development assistance (ODA) in ways that help generate additional sources of finance, notably by crowding in private capital. Working in partnership with financial institutions and relying increasingly on innovative financial instruments, they are using public funds to leverage investments, for example through blending or guarantees.

The EU's **External Investment Plan**, adopted in 2017, and its European Fund for Sustainable Development (EFSD)⁸⁸ attract public and private investments to the EU's partner countries. The Plan follows an integrated approach based on three complementary pillars: private investment mobilisation (notably through the EFSD), technical assistance and investment climate improvements. In 2020, the External Investment Plan was refocussed to help countries respond to the COVID-19 pandemic by providing support for small business and healthcare.

The EU provides support through its **blending operations**⁸⁹. Seven programmes cover all regions of EU external cooperation and mobilise investments in infrastructure and the private sector in developing countries. Between 2017 and 2020, blending operations under the EIP in Sub-Saharan Africa and the Neighbourhood resulted in a total of EUR 36.5 billion in expected investment, of which EUR 3.8 billion came from EU contributions.

The **EFSD Guarantee** supports investments and increased access to financing, primarily in Africa and the Neighbourhood by sharing risks with private investors and helping to leverage additional resources where they are most needed, e.g. for refugees or women entrepreneurs. The Guarantee serves as a risk-mitigation mechanism to leverage public and private sector financing while avoiding market distortions (see Figure 4.3). It spreads the risks (such as commercial risks, political and country risks, currency risks, climate change and environmental risks) involved in lending and investing so that development banks and private investors feel confident enough to lend to local entrepreneurs or finance development projects. In the process, the EFSD Guarantee contributes to job creation and boosts economies.

As of 31 December 2020, the Commission had exhausted the capacity of the EFSD Guarantee after signing 18 guarantee agreements worth EUR 1.55 billion with 10 partner institutions. Individual guarantee agreements focus on the following five key sectors: small

88. [Regulation \(EU\) 2017/1601](#) of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund; OJ L 249, 27.9.2017, p. 1–16.

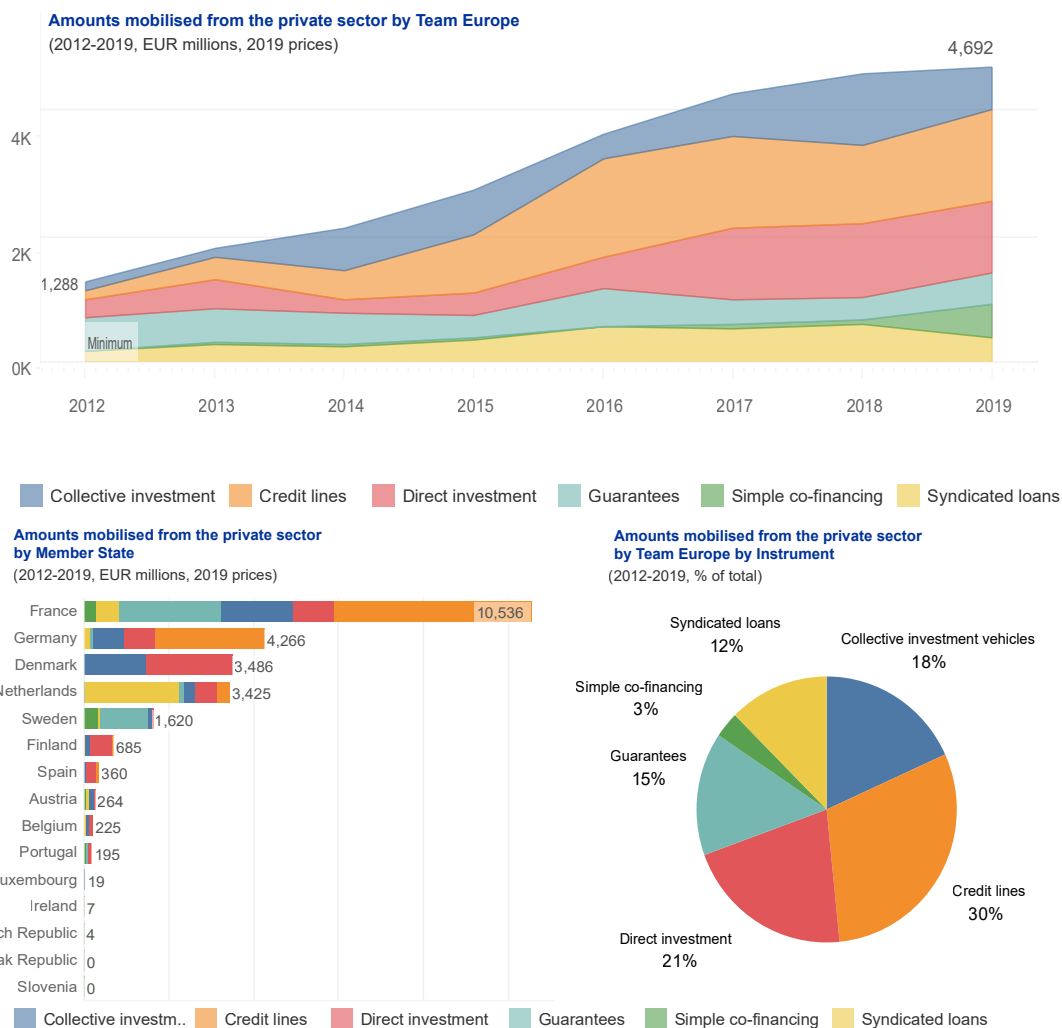
89. 'Blending' means combining EU grants with loans or equity from public and private financiers.

With the Global Gateway strategy, the EU has set up a plan for major investment in sustainable infrastructure to ensure a green, digital, just and resilient recovery through projects that are sustainable and of high quality.

businesses and sustainable agriculture, sustainable energy and connectivity, financing for MSMEs, digitalisation, and sustainable cities. EUR 17.5 billion is expected to be leveraged in overall investment.

NDICI – Global Europe’s financial arm has been reinforced, providing more firepower for financial instruments like the External Action Guarantee, which will cover investments up to EUR 53.4 billion, including EUR 40 billion in EFSD+ operations for the period 2021-2027, notably to help mobilise additional public and private investment⁹⁰.

Figure 4.3 – Amounts mobilised from the private sector by the EU and its Member States
Commitments, EUR million, 2019 prices



Source: OECD DAC - DCR Provider Profiles 2020-21

In line with the new geopolitical ambition and commitment to the 2030 Agenda, the European Commission announced its new development strategy, the Global Gateway⁹¹ in 2021. This plan for major investment in infrastructure development around the world is underpinned by a value-driven approach and is fully aligned with the UN’s Agenda 2030 and the SDGs, as well as the Paris Agreement. It promotes sustainable and trusted connections that tackle the most pressing global challenges, from climate change and environmental protection to strengthening digitalisation, improving health security, boosting EU competitiveness and securing global supply chains. Global Gateway intends to mobilise up to EUR 300 billion in investments between 2021 and 2027 using the potential of the EU and Member States to anchor a lasting global recovery. It will generate sustainable, high-quality projects implemented transparently and in accordance with rigorous standards so as to deliver lasting social and economic benefits for local communities.

90. For further details see: https://ec.europa.eu/international-partnerships/news/eu-external-action-budget-2021-2027-final-adoption_en

91. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the EIB - The Global Gateway, 01/12/2021, [JOIN\(2021\) 30 final](#).

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.3.ODA as a catalyst	2015-2030	Contribute to the set-up of innovative finance facilities aimed at supporting investments in partner countries, including in infrastructure, clean technology and energy.	▲	✓

Effort and Progress

Consistent effort ▲ Commitments likely to be met ✓

Other innovative financing mechanisms, instruments and modalities

The EU and its Member States mobilised close to EUR 10 billion of additional financial resources in 2020 thanks to innovative finance mechanisms.

The EU and its Member States have made strong efforts to meet the target of mobilising additional financial resources for developing countries from multiple sources. Moreover, the EU and its Member States have striven to establish innovative finance facilities to support investments in partner countries and to implement innovative mechanisms, instruments and modalities of finance that do not burden developing countries.

As reported by the EU and its Member States in this year's questionnaire, innovative finance mechanisms mobilised close to EUR 10 billion of additional financial resources in 2020, almost 9 times the amount generated in 2019 and close to 15% of EU ODA in 2020, a significant share. About 60% of the total was raised through issuances of green, social or sustainable (GSS) bonds, another 30% through pledges to the International Finance Facility for Immunisation, with taxes on air travel and financial transactions accounting for most of the remaining balance.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.3.ODA as a catalyst	2015-2030	Implement innovative finance mechanisms, instruments and modalities which do not burden developing countries.	▲	✓
International development cooperation	4.3.ODA as a catalyst	2015-2030	Mobilise additional financial resources for developing countries from multiple sources.	▲	✓

Effort and Progress

Consistent effort ▲ Commitments likely to be met ✓

Very strong effort ● Commitments met ✓

What's more, important progress has been achieved on developing and reporting on Total Official Support for Sustainable Development (TOSSD) which aims to measure all resources for the SDGs, beyond the flows captured in ODA, including resources mobilised from the private sector. For further details, please see chapter 9.

Climate finance and the environment

COVID-19 has aggravated concerns about climate change and led to calls for greater public support for greener recovery packages, as documented in a recent IMF study (Mohammad and Pugacheva, 2022) using data from a unique survey of 14,500 individuals across 16 major economies. Another study finds that the G7, G20 and BRICS are indeed 'building back better' with greener packages to recover from COVID-19 (Johnstone, 2022).



Climate finance

Objectives

Objectives in this area are to:

- a) contribute significantly to joint mobilisation of USD 100 billion annually from 2020 to 2025, and
- b) continue scaling up the global mobilisation of climate finance, in particular by providing balanced support for climate mitigation and adaptation in developing countries.

Most Relevant SDG Goals and Targets

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

Implementation

Mobilising climate finance is a key objective for the EU and its Member States. It has been embedded in key strategic documents and legislation, notably in the framework for development cooperation (Box 4.2).

The European Commission and nine Member States⁹² have set a minimum for spending on climate-related objectives.

Box 4.2 – EU budget targets for climate finance

EUR 216 billion of the EU budget was dedicated to the fight against climate change over the multiannual financial framework period from 2014 to 2020, an annual average of 20.15% of the budget^a. This exceeded the target of spending at least 20% of the EU budget on climate action by 2020^b Under the Development Cooperation Instrument, 25.7% of annual commitments were climate-change-related.

The EU's ambition with respect to climate finance will be scaled up further in the years to come. The new multiannual financial framework, approved in December 2020, sets an overall climate target of 30% of total expenditure for the EU budget 2021-2027. Climate change is one of the priority areas for external cooperation underlined in the new NDICI – Global Europe, which also includes a 30% spending target. The EU's commitment has been further strengthened by President von der Leyen's announcement, in her State of the Union speech on 15 September 2021, of an additional EUR 4 billion for climate finance over the period 2021-2027, which equates to a 35% spending target. It is thus expected that spending to support climate action in developing countries under the EU's core budget should exceed EUR 28 billion over the 2021-2027 period.

a. Draft budget 2022, Programme Statement for Operational Expenditures – Working Document I.

b. https://ec.europa.eu/clima/eu-action/funding-climate-action/supporting-climate-action-through-eu-budget_en.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.4.1 Climate finance	2020	Spend at least 20% of the EU budget on climate action by 2020.	▲	✓

Effort and Progress

Very strong effort ▲ Commitments met ✓

92. Austria, Belgium, Cyprus, Germany, Denmark, Finland, Italy, Portugal and Slovenia.



Together, the EU and its Member States are the largest contributor of climate finance to developing countries.

The EIB, EBRD and several development finance institutions have also set a minimum for spending on climate-related objectives (Box 4.3).

Box 4.3 – Examples of climate finance commitments by some European financial institutions

According to the EIB Group's Climate Bank Roadmap 2021-2025, all EIB financing must be aligned with the Paris Agreement as of 1 January 2021. More than half of all financing will be dedicated to climate action and environmental sustainability beginning in 2025, and the EIB Group will support the mobilisation of EUR 1 trillion in green finance in the critical decade leading up to 2030.

In 2020, the EBRD launched its new Green Economy Transition approach, which aimed to raise the bank's share of climate investments to more than 50% of its lending by 2025. By November 2021, it had already reached that target. The approach calls for the EBRD to channel finance to sectors that require urgent and rapid decarbonisation, to enhance policy engagement and to help countries formulate and implement ambitious climate strategies aligned with the objectives of the Paris Agreement. The EBRD is planning to align all its activities with those objectives by end of 2022.

In November 2020, the Association of European Development Finance Institutions announced that its 15 publicly owned member institutions would align all new financing decisions with the objectives of the Paris Agreement by 2022. They would immediately cease new coal or fuel oil financing, conclude all existing investments in fossil fuels by 2030 and ensure that their portfolios achieved net zero emissions by 2050.

The EU and its Member States are committed to contributing to the collective goal of mobilising jointly USD 100 billion annually through to 2025 from a wide variety of sources.

Together, the EU and its Member States are the largest contributor of climate finance to developing countries. For 2019 the EU reported an amount of EUR 21.9 billion (USD 25 billion), representing 30.8% of total annual climate finance mobilised globally (Table 4.1). In 2020, total commitments by the EU and its Member States were almost EUR 23.39 billion (USD 27 billion), not counting private finance mobilised by public climate finance. Owing to new reporting and aggregation rules, the 2020 figure cannot be directly compared with figures from previous years.

Table 4.1 – Annual climate finance mobilised globally and by the EU and its Member States

Annual climate finance	2015	2016	2017	2018	2019	2020 ^a
Total provided globally (USD billion)	N/A	58.6	71.2	78.3	79.6	N/A
Total provided by the EU (EUR billion)	17.6	20.2	20.4	21.7	21.9	23.4
European Commission	1.5	2.7	2.8	2.7	2.5	2.5
Member States	13.9	15.6	15.0	16.1	16.2	20.9
European Investment Bank	2.2	1.9	2.6	2.9	3.2	
Share of EU over global (%)	N/A	38.1	32.4	31.1	30.8 ^b	N/A

Source: Council of the European Union.

Source for total climate finance provided globally: OECD report, [Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data](#), published on 17 September 2021;

Source for EU figures: EU (CLIMA) answer to the Climate Finance questionnaire circulated by Canada and Sweden in August 2021, based on reporting under the EU's Monitoring Mechanism Regulation.

a. Provisional estimate (not counting private finance mobilised by public climate finance).

b. Without the United Kingdom.

The EU and its Member States are committed to balancing climate finance towards climate adaptation.

As regards future climate finance ambitions, the EU, its Member States and the EIB report their financial commitments under Article 9.5 of the Paris Agreement in the form of joint biennial communications. The first report, in December 2020, covered 2021 and 2022. It indicated that climate finance will remain at least constant for the EU and its Member States, while increasing for the EIB. The next submission is due to be transmitted by the end of 2022 under the Czech Presidency of the EU.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.4.1 Climate finance	2020-2025	Contribute to the collective goal of mobilising USD 100 billion annually by 2020 and through to 2025 from a wide variety of sources.	▲	

Effort and Progress

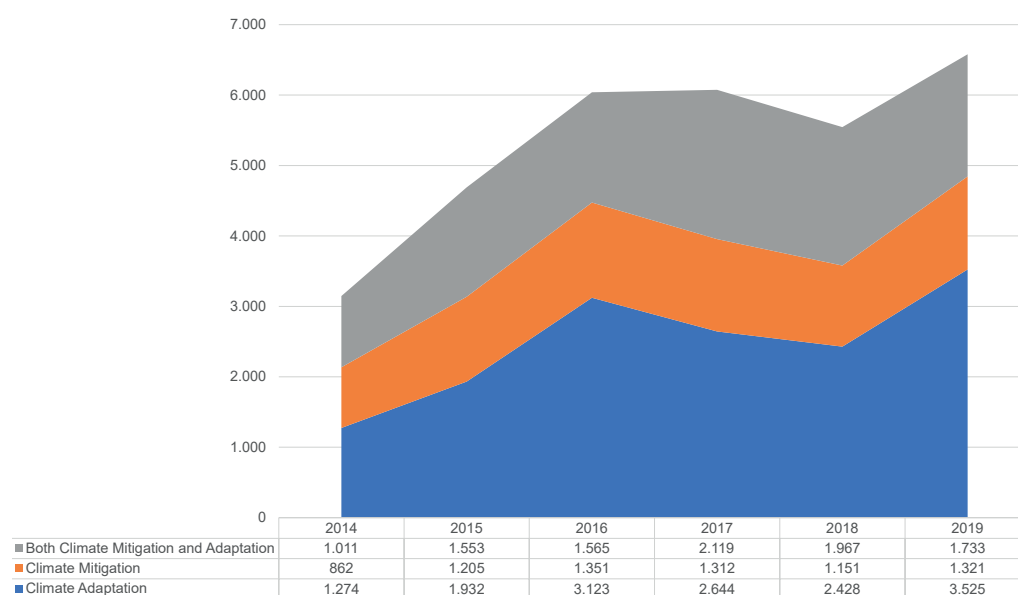
Consistent effort ▲

The EU and its Member States are also committed to providing balanced support for climate mitigation and adaptation in developing countries.

Figure 4.4 shows that ODA grants from the EU and its Member States for climate activities in developing countries, part of the overall EU climate finance but covering only concessional finance from the public sector, have grown substantially, from EUR 3.1 billion in 2014 to a peak of EUR 6.6 billion in 2019.

Figure 4.4 – ODA grants for climate activities in developing countries, 2014 and 2019

Commitments, EUR million, 2019 prices



Source: OECD/DAC Creditor Reporting System.

Note: Includes only activities with climate markers equal to 1 or 2; excludes recipients that are either regional or unspecified.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.4.1 Climate finance	2015-2030	Provide balanced support for climate mitigation and adaptation in developing countries	▶	✓

Effort and Progress

Minimal effort ▶ Commitments likely to be met ✓

The EU and its Member States have been contributing to numerous initiatives on climate finance. A few examples can be found in Box 4.4.



Box 4.4 – Examples of support from the EU and its Member States for global and regional initiatives on climate finance

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

The **Global Climate Change Alliance (GCCA+)**, an **EU flagship initiative**, is helping the world's most vulnerable countries address their climate change challenges. It has funded more than 80 projects of national, regional and worldwide scope in Africa, Asia, the Caribbean and the Pacific, helping many small island developing states and some of the least developed countries increase their resilience to climate change. The EU GCCA+ also assists countries in these groups in meeting their commitments under the Paris Agreement on Climate Change.

As a group, EU Member States are the largest contributor to the **Green Climate Fund**. Their total commitments of USD 8.9 billion account for 50% of the total amount pledged. The Green Climate Fund, established in 2010, is the financial mechanism of the United Nations Framework Convention on Climate Change.

The **Green for Growth Fund (GGF)**⁹³, an EU supported multi-donor public-private fund, fosters the reduction of energy consumption and CO₂ emissions through the provision of finance to intermediate lending institutions that on-lend to micro and small enterprises and private households for energy-efficiency and renewable energy investments in the Enlargement and Neighborhood regions. Overall, since the fund's inception in 2009, it has facilitated over EUR 1.1 billion in subloans to over 40,000 end-borrowers.

The efforts and progress of the EU and its Member States on climate action have been significant. The 2020 target of spending at least 20% of the EU budget on climate finance has been achieved. The EU and its Member States are the largest source of public climate finance for developing countries, accounting for nearly one-third of the global commitment to raise USD 100 billion annually. The EU and its Member States are also committed to balancing climate finance towards climate adaptation.

Sustainable energy

According to the World Bank's World Development Indicators, the share of the population enjoying access to electricity in low- and middle-income countries grew from 82.7% in 2014 to 88.2% in 2019, and in LDCs from 39.2% to 52.8% over the same period⁹⁴. Several countries are on track to reach the target of electricity for all by 2030. Despite widespread global progress on energy access, however, electrification is not keeping up with population growth in Sub-Saharan Africa. By 2030, 600 million of the 674 million people worldwide who lack access to electricity will live in Sub-Saharan Africa, most of them in rural areas. More than USD 30 billion – equivalent to EUR 25 billion – will be needed annually to ensure that no one is left behind.

93. [GGF_Impact_Report_2020_web_compressed.pdf](#)

94. <https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS>



Objectives

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

Implementation

As shown in Table 4.2, the ODA commitments of the EU and its Member States for energy access (electric power transmission and distribution), efficiency (energy conservation and demand-side efficiency and energy research) and balance (energy generation from renewable sources) increased by almost 50% between 2012 and 2014 in real terms, from EUR 2.9 billion in 2012 to EUR 4.6 billion in 2014; they have remained above EUR 4 billion since then.

Most Relevant SDG Goals and Targets

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

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

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

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

Table 4.2 – EU ODA for energy access, efficiency and balance

Commitments, EUR millions, 2019 prices

ODA purpose	2012	2013	2014	2015	2016	2017	2018	2019	% ODA, all donors
Energy generation, renewable sources of which:	1,360	1,482	2,876	2,075	2,600	2,803	2,825	1,966	58
Hydro	192	97	237	200	278	297	365	302	31
Solar	107	276	861	396	229	199	932	224	52
Wind	0	1	313	77	189	264	9	261	70
Geothermal	-	13	90	219	27	31	177	1	24
Multiple technologies	1,061	1,096	1,375	1,184	1,877	2,012	1,341	1,179	77
Electric power transmission and distribution	1,530	1,236	1,715	1,936	1,964	1,114	1,194	1,244	35
Energy conservation and demand-side efficiency	-	-	-	24	289	345	397	932	74
Energy research	5	2	6	1	12	7	2	3	19
Total	2,895	2,721	4,596	4,037	4,865	4,269	4,418	4,145	47
Largest EU contributors (%)									
Germany	32%	47%	64%	41%	49%	42%	64%	42%	49
EU institutions and bodies	24%	31%	20%	22%	39%	26%	23%	26%	27

Source: OECD/DAC Creditor Reporting System.

The EU and its Member States have provided a consistent level of funds for **sustainable energy** (EUR 4–5 billion a year between 2014 and 2019), while its partner countries' performance has been mixed, with energy efficiency improving and the share of renewables in total energy generation declining. While the effort was therefore consistent over time, more needs to be done to raise the share of renewables in the energy mix and to improve access to energy, in particular sustainable energy.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.4.2 Sustainable energy	2015-2030	Address the lack of energy access; increase energy efficiency and renewable energy generation to achieve a sustainable balance between energy production and consumption..	▲	

Effort and Progress

Consistent effort ▲

Natural resources, biodiversity and ecosystems: conservation and sustainable management



Objectives

The main objective in this area is to support the conservation and sustainable management and use of natural resources, as well as the conservation and sustainable use of biodiversity and ecosystems. The Strategic Plan for Biodiversity 2011-2020⁹⁵ and its Aichi Biodiversity Targets⁹⁶, agreed in 2010, set the international policy framework for biodiversity conservation⁹⁷.

The *EU Biodiversity Strategy to 2020*⁹⁸ sought to align EU efforts to this international framework. In line with the Aichi Biodiversity Targets, the EU and its Member States together agreed to the commitment made in Hyderabad, India in 2012, and confirmed in Pyeongchang, South Korea in 2014, to double total biodiversity-related financial resource flows to developing countries by 2015 from the average level of annual biodiversity funding for the years 2006-2010 and to maintain that level until 2020. The Hyderabad Commitment⁹⁹ was part of a package that also addressed domestic biodiversity financing from a variety of sources.

Most Relevant SDG Goals and Targets

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

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

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

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

95. CBD, [COP Decision](#), [Key Elements of the Strategic Plan 2011-2020](#).

96. The 20 Aichi Biodiversity Targets, adopted in 2010, articulate a 2050 vision of a world without loss of biodiversity or degradation of ecosystems.

97. This framework is currently being updated through the negotiations of the post-2020 global biodiversity framework, to be adopted in 2022 during the 15th Conference of the Parties to the UN Convention on Biological Diversity.

98. Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, Our life insurance, our natural capital: an EU biodiversity strategy to 2020. [COM\(2011\) 244 final](#).

99. CBD Decision XII/3, paragraph 1a: 'Double total biodiversity-related international financial resource flows to developing countries, in particular least developed countries and small island developing states, as well as countries with economies in transition, using average annual biodiversity funding for the years 2006-2010 as a baseline, by 2015, and at least maintain this level until 2020 (...)'.
 58



May 2020 saw the adoption of the *EU Biodiversity Strategy for 2030 Bringing nature back into our lives*¹⁰⁰. The strategy proposes, *inter alia*, ambitious global goals for biodiversity for 2050, in line with the 2030 Agenda and the vision of 'living in harmony with nature'. The ambition should be that, by 2050, all of the world's ecosystems are restored, resilient and adequately protected. A much stronger implementation, monitoring and review process should also be put in place.

Implementation

Policies. The **FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan** is the EU's policy to combat illegal logging and related trade¹⁰¹. With countries expressing their interest, the FLEGT Action Plan also envisages voluntary partnership agreements (VPA) to improve forest governance and ensure that timber and timber products exported to the EU come from legal sources. So far, seven countries have signed a VPA (Indonesia, Cameroon, Ghana, Liberia, Central African Republic, Republic of Congo) with the EU, making them 'VPA partner countries'. Indonesia started issuing FLEGT licenses in 2016; to date, it is the only VPA partner country to do so.

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

Table 4.3 – Annual bilateral biodiversity-related ODA mobilised globally and by the EU-27 and its Member States

Annual bilateral biodiversity-related ODA	2014	2015	2016	2017	2018	2019	2020 ^a
Total provided globally (2019 constant USD billion)	4,6	6,4	5,0	5,7	4,7	4,2	N/A
Total provided by the EU (2019 constant USD billion)	1,8	2,8	2,9	4,0	3,4	2,9	N/A
European Commission	0,2	0,4	0,4	0,9	1,0	0,7	N/A
Member States	1,7	2,5	2,4	3,1	2,4	2,2	N/A
Share of EU over global (%)	40%	44%	57%	69%	72%	69%	N/A

Source: OECD Dataset on *Aid activities targeting Global Environmental Objectives (CRS)*, data extracted on 17th March 2022: <https://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS#>

a. Data to be uploaded on OECD dataset.

NB: United Kingdom excluded from all years.

Increased resource mobilisation is paramount to successful COP-15 negotiations and the achievement of objectives of the Convention on Biological Diversity. In her State of the Union speech on 15 September 2021, the Commission President made a commitment to double EU external funding for biodiversity, in particular for the most vulnerable countries. This will concretely mean dedicating EUR 7 billion to support biodiversity-related action in partner countries under the EU's budget over the 2021-2027 period.

Support for global and national initiatives on biodiversity. The European Commission, the EIB and 13 Member States¹⁰² have supported 131 initiatives to achieve the Aichi targets over the period 2018-2020. Several examples are presented in Box 4.5.

100. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, EU Biodiversity Strategy for 2030, [COM\(2020\) 380 final](#).

101. Communication from the Commission to the Council and the European Parliament - Forest Law Enforcement, Governance and Trade (FLEGT) - Proposal for an EU Action Plan, [COM/2003/0251 final](#).

102. Austria, Belgium, Czech Republic, Finland, France, Germany, Hungary, Ireland, Lithuania, Luxembourg, Slovenia, Spain, and Sweden.



Commission President announced in September 2021 that the EU was increasing its efforts further by doubling external funding for biodiversity, especially for the most vulnerable countries.

Box 4.5 – Examples of support for biodiversity from the EU and its Member States through bilateral and multilateral channels

In addition to the EU's Forest Law Enforcement, Governance and Trade Facility, the EU, France, Germany, Ireland, Spain and the Netherlands fund the EU Reducing Emissions from Deforestation and Forest Degradation (REDD) Facility, which supports countries in testing strategic and innovative solutions for designing, implementing and monitoring REDD+ strategies and monitoring the fulfilment of zero-deforestation commitments. The facility collaborates with a broad range of stakeholders in the public and private sectors, including civil society organisations, to contribute to subnational, national, EU and international policy-making.

The REDD concept emerged in 2005 as part of the United Nations Framework Convention on Climate Change negotiations. It was later expanded to include conservation of forest carbon stocks, sustainable forest management and enhancement of forest carbon stocks. The combination of REDD and these three additional activities is called REDD+.

EU. The EU is contributing to achieve the Good Environmental Status of the Mediterranean Sea and coast through an ecologically representative and efficiently managed and monitored network of Marine Protected Areas (IMAP-MPA)¹⁰³, in seven beneficiary countries, namely Algeria, Egypt, Israel, Lebanon, Libya, Morocco and Tunisia (2019-2023).

France. In December 2019, the French development agency (AFD) launched BIODEV 2030 as a pilot group of 16 partner countries. The main objectives of BIODEV 2030 are to take biodiversity into account in strategic economic sectors to reduce pressure on nature over the next decade, and to promote the creation of national and regional coalitions to ensure the sustainability of sector-based commitments. The AFD has set the goal of devoting 30% of its climate funding in nature-based solutions, effectively doubling its investment in biodiversity to reach a target of €1 billion by 2025. The AFD further leads the Data4Nature Initiative, aiming at encouraging development banks to systematically share the raw biodiversity data collected during impact assessments on the Global Biodiversity Information Facility (GBIF).

Germany. Germany funds several initiatives to preserve and protect biodiversity. The Partnership against Poaching and Illegal Wildlife Trade in Africa and Asia combats poaching of African elephants and rhinos along the entire illegal trade chain, both in the countries of origin and transit and in the predominantly Asian consumer countries. BioInnovation Afrika supports African countries by concluding benefit-sharing agreements between African providers of raw biological materials and ingredients, and users from Europe. The Blue Action Fund provides targeted grants to non-governmental organisations active in developing countries, with the aim of enhancing the management and use of coastal and marine ecosystems. The eco.Business Fund aims to promote business and consumption practices that conserve biodiversity and use natural resources sustainably. The Legacy Landscapes Fund secures the core financial needs for a network of up to 30 of the world's most important 'legacy landscapes', while at the same time respecting users' rights and needs.

Portugal. To fight illegal fishing, Portugal's navy is working with the coast guards of Angola, Cape Verde, Cameroon, Ivory Coast, Gabon, Nigeria, Senegal, Togo, Guinea-Bissau and São Tomé and Príncipe to combat the growing incidence of illegal activities at sea, such as piracy, armed robbery and trafficking in drugs, weapons and persons. At the same time, it works to protect marine resources against illegal logging, fishing, poaching and other illegal activities.

On natural resources, biodiversity and ecosystems, the EU and its Member States have shown significant effort in policy making, with the EU renewing its biodiversity strategy and enforcing policies against illegal logging and wildlife trafficking. The Union has also doubled its ODA support for biodiversity, meeting the Aichi targets every year between 2015 and 2019; it likely met them again in 2020. Efforts are deemed to have been consistent and its commitments met. Commission President Ursula von der Leyen announced in her State of the Union in September 2021 that the EU was increasing its efforts further by doubling external funding for biodiversity, especially for the most vulnerable countries.

103. [The IMAP-MPA Project \(2019-2023\) | UNEPMAP](#)

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.4.3 Biodiversity	2015-2030	Support the conservation and sustainable management and use of natural resources, and the conservation and sustainable use of biodiversity and ecosystems.	▲	

Effort and Progress

Consistent effort ▲

Strengthening resilience

Half of the world's poor people live in fragile or conflict-affected countries, and developing countries generally are more exposed and vulnerable to natural disasters – including pandemics. The 2019 Global Assessment Report on Disaster Risk Reduction (United Nations Office for Disaster Risk Reduction, 2019) found that severe inequalities between low- and high-income countries persist, with the lowest-income countries bearing the greatest relative costs of disasters and developing countries suffering 92% of the mortality attributed to internationally reported natural disasters.

Due to under-reporting, the true impact of COVID-19 on mortality in developing countries has been underestimated. A recent study by the Brookings Institution based on estimates produced by *The Economist* (Gill and Schellekens, 2021) concluded that 86% of excess mortality since the onset of the pandemic were in the developing world, a substantially higher share than the one for reported COVID-19 deaths (55%).

Poverty and security are closely linked. That is why the 2030 Agenda and the European Consensus on Development explicitly acknowledge the mutually reinforcing nature of security and sustainable development. Preventing conflicts and ensuring sustainable post-conflict recovery are both essential to build resilience, which in turn is a necessary precondition for sustainable development.

Objectives

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

The EU's objectives in this area are to:

- a) strengthen the resilience, particularly of vulnerable populations, to environmental and economic shocks, natural and man-made disasters, conflicts and global health threats;
- b) support national strategies, including cross-governmental planning and programming, promoting resilience, reducing climate risk and helping to reduce emissions;
- c) encourage consideration of climate and disaster resilience in development financing to ensure the sustainability of development results;

Most Relevant SDG Goals and Targets

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

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





Member States have launched more than 40 initiatives and policies to increase the resilience of vulnerable countries and populations to environmental, economic, natural and man-made disasters, conflicts, and global health threats.

- d) support domestic efforts tailored to the needs and context of each society to build sustainable democratic states resilient to external and internal shocks and address the causes of vulnerability, including inequality;
- e) make coordinated, accelerated and cross-sectoral efforts to end hunger, increase the capacity for diversified local and regional food production, ensure food security and nutrition, and strengthen the resilience of the most vulnerable.

Nature-based solutions, ecosystem-based and community-based approaches are a key instrument for increasing resilience and simultaneously contributing to climate change adaptation and mitigation and to biodiversity conservation.

Implementation

Collective EU ODA for disaster risk reduction and multi-hazard response preparedness¹⁰⁴ rose from EUR 271 million in 2015 to EUR 410 million in 2019, almost twice the 2010 level in real terms. Almost half of such ODA over the decade 2010-2019 was provided by the European Commission and the EIB.

The 2016 EU Sendai Action plan¹⁰⁵ – aimed at fulfilling the 2030 Agenda requirements of addressing poverty, vulnerability and risk in crisis-prone and fragile contexts – calls for ‘a disaster risk-informed approach to policy-making’. The plan spells out a coherent agenda to strengthen resilience to risks and shocks. In order to better track its progress, the EU has developed its **Results Chain on Resilience, Conflict Sensitivity and Peace** for use in designing future EU actions. The chain comprises approximately 400 indicators related to resilience and peacebuilding, as well as conflict sensitivity.

Resilience

The Joint Communication on Resilience¹⁰⁶ issued in June 2017 aims to enhance joint action to build resilience. It expands the scope of the 2012 Commission Communication¹⁰⁷, drawing lessons from the implementation of the latter. The 2017 communication places strong emphasis on anticipating, preventing and preparing for a broad spectrum of risks and addressing the roots of state and societal instability.

Member States have launched more than 40 initiatives and policies to increase the resilience of vulnerable countries and populations to environmental, economic, natural and man-made disasters, conflicts, and global health threats. To build the resilience of vulnerable communities, the EU will also use its chairmanship of the Platform on Disaster Displacement in 2022 to promote global efforts to protect people displaced by disasters and climate change¹⁰⁸.

Conflict sensitivity

As requested by the new NDICI – Global Europe regulation, a systematic conflict analysis exercise for fragile and crisis- or conflict-affected countries was begun in 2020 by the European Commission and the European External Action Service. A joint methodology for the exercise was developed and incorporated into programming guidelines. Its application will allow for more conflict-sensitive EU programming.

104. Since 2018, OECD DAC replaced the code 74010 (disaster prevention and preparedness) with a code solely dedicated to disaster risk reduction in the sector category 430; and a code solely dedicated to multi-hazard response preparedness in the sector category 740.

105. Commission Staff Working Document, [Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030. A disaster risk-informed approach for all EU policies](#). SWD(2016) 205 final/2.

106. Joint communication to the European Parliament and the Council, [A Strategic Approach to Resilience in the EU's external action](#), JOIN(2017) 21 final.

107. Communication from the Commission to the European Parliament and the Council on the EU Approach to Resilience: Learning from Food Security Crises, [COM\(2012\) 586 final](#).

108. Communication from the Commission to the European Parliament and the Council on the EU's humanitarian action: new challenges, same principles, [COM/2021/110 final](#).

With respect to post-crisis, post-conflict and post-disaster response plans and frameworks, the UN, the World Bank and the EU continue to apply their tripartite commitment to conduct post-disaster needs assessments, pandemic recovery needs assessments, and recovery and peace-building assessments. A central part of these assessments is identifying the specific needs of fragile and conflict-affected countries, as well as designing resilience-related measures. In coordination with local authorities and governments, this joint process should now be revived and strengthened to ensure a coherent, complementary and sustainable approach to conflict prevention, reconstruction and ‘building back better’.

Nexus of humanitarian aid, development and peace

In May 2017, Council Conclusions were adopted on ‘Operationalising the Humanitarian and Development Nexus’, later renamed the Humanitarian-Development-Peace nexus. The June 2017 Communication on Strengthening Resilience highlighted the need to prioritise and enhance close cooperation of EU political, humanitarian and development actors on protracted crises. Over 2018-2020, important progress was made to ensure greater complementarity and coordination among humanitarian, development cooperation and political actions.

Resilience and COVID-19

The COVID-19 pandemic has not significantly modified the approach to resilience of the EU and its Member States. On the contrary, the COVID-19 pandemic has demonstrated the benefits of the integrated, multidimensional and joint assessments already promoted by EU policy and translated into EU procedures, especially in fragile and crisis- or conflict-affected countries. The pandemic also confirmed the need for greater complementarity and coordination between humanitarian, development and peacebuilding actions and between EU Delegations and Member States.

The pandemic has further highlighted the value of the nexus approach in dealing with unexpected and complex crises in a timely and effective way. In countries where the EU already had nexus mechanisms in place, these proved useful in responding promptly to the short- and medium-term impacts of the COVID-19 crisis.

The EU and its Member States have made consistent efforts to supply ODA for disaster risk reduction and multi-hazard response preparedness. Aid amounts increased from EUR 271 million in 2015 to EUR 410 million in 2019, almost twice the 2010 level in real terms. The EU and its Member States have also supported multiple actions on resilience, both at the global and country levels. Finally, the EU’s new Results Chain on Resilience, Conflict Sensitivity and Peace will be useful in designing future EU actions. The framework has already been useful in addressing the impact of the COVID-19 pandemic in fragile and conflict-affected countries. To conclude, on the target of strengthening disaster resilience and preparedness through financing and policy reforms, the EU’s efforts have been consistent.

EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.5 Strengthening resilience	2015-2030	Strengthen disaster resilience and preparedness through financing and policy reform.	▲	

Effort and Progress

Consistent effort ▲

Human development

COVID-19 has reversed decades of progress in human development and made achieving the SDGs by 2030 much more challenging, affecting as it has three of the fundamental building blocks of human development: health, income and education (OECD, 2020d).

COVID-19 has increased inequality in **health** – in the availability of vaccines; in access to healthcare; in the spread of other diseases and in mortality rates (World Bank, 2022). A recent study estimates that the years of life lost due to the indirect effects of COVID-19 on the treatment of HIV, tuberculosis and malaria could be as high as 60% of the losses from the direct impact of the pandemic (Hogan et al., 2020).



The pandemic has raised global **income** inequality, partly reversing the decline in inequality achieved over the previous two decades. Income per capita in about 50% of low-income countries is forecast to remain below pre-pandemic levels this year, owing to recurrent COVID-19 outbreaks, very low vaccination rates, rising poverty and limited fiscal space (World Bank, 2022). An estimated additional 115 million people could be pushed into extreme poverty, living at or below USD 1.90 (World Bank, 2020). Accounts of the impact of lockdown measures in the first half of 2020 suggest that the global Human Development Index will suffer a sharp decline.

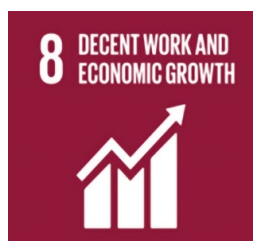
In **education**, school closures disrupted learning, and unequal access to remote learning exacerbated inequalities. Over 100 million additional children will fall below the minimum proficiency level in reading as a result of the pandemic, according to UNESCO¹⁰⁹. Globally, COVID-19 could result in a loss of 0.6 years of quality-adjusted schooling, with larger losses in low-income countries (Azevedo et al., 2020).



Objectives

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

- a) promote social inclusion and cohesion, provide meaningful economic opportunities, and open the policy space to civil society;
- b) continue to support partner countries in their efforts to build strong, resilient healthcare systems, and to provide equitable, universal access to healthcare services;
- c) allocate at least 20% of ODA to social inclusion and human development; and
- d) substantially expand the number of higher-education scholarships available to developing countries, in particular the least developed countries, small island developing states and African countries.



Implementation

The EU is committed to allocating at least 20% of ODA to social inclusion and human development. Between 2014 and 2019 the EU allocated an annual average of 18.7% of its ODA commitments to human development. The 20% target was exceeded in 2015 (21%) and as of 2018 (23.3% in 2018, 20.5% in 2019 and around 20.5% in 2020¹¹⁰).

The commitment was reconfirmed again in 2021. Under the NDICI – Global Europe regulation of March 2021, human development is incorporated in geographic programmes and also figures as a thematic priority. Areas like education, health, gender equality, culture and youth have also been included under the thematic ‘global challenges’ to which the EU will allocate future funding. NDICI – Global Europe includes a commitment to allocate 20% of the funding to human development.

Most Relevant SDG Goals and Targets

3.8.: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

5.1.: End all forms of discrimination against all women and girls everywhere

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

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

109. UNESCO, [Education: From disruption to recovery](#).

110. ODA data from the OECD/DAC Creditor Reporting System are less complete than those provided by the European Commission and the EIB. To fully capture social transfers, the EU also manually picks programmes and funding for social protection that are reported under other purpose codes. This is not possible for OECD DAC Creditor Reporting System data, as the information is not available.

ODA for gender equality from the EU and its Member States has also grown rapidly in real terms, from EUR 14.6 billion in 2014 to EUR 27.2 billion in 2019 (10% of which has a gender equality policy marker of 2). In relative terms, it has increased from 32% to 48% of all EU ODA commitments¹¹¹. NDICI – Global Europe will be implemented in accordance with the principles of gender equality, women and girls’ empowerment, and preventing and combating violence against women. It will pursue the objective of making at least 85% of new blending and guarantee actions gender responsive (principal or significant objective); at least 5% of those actions should have gender equality as a principal objective.

However, while the 20% goal was met by EU Institutions in 2019 and 2020, the EU and its Member States allocated EUR 8.2 billion to human development in 2019, growing by over 70% in real terms since 2015, but remaining at 13% of total ODA, well below the 20% goal.

EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.6 Human Development	2015-2030	Allocate at least 20% of ODA to social inclusion and human development, including health, education and social protection.		

Effort and Progress

Consistent effort Insufficient progress

The EU and its member states provided close to EUR 3.5 billion in grants and loans to COVAX, delivering 250 million vaccine doses in low- and middle-income countries by the end of 2021.

Improving education in developing countries

The Commission strives to strengthen education systems in partner countries and to build their capacity to design and manage robust lifelong learning systems open to all. Forty-nine countries received support between 2014 and 2020.

The EU and its Member States have also provided capacity building and mobility opportunities in higher education and training, notably through the Erasmus+ programme. See Chapter 8 for more information on the EU and its Member States’ scholarships.

Building good-quality, resilient healthcare systems

Member States are funding numerous projects to support national healthcare systems and global health.

The EU and its Member States, in a Team Europe approach, have pursued multiple initiatives aimed at ending the pandemic. They provided close to EUR 3.5 billion in grants and loans to COVAX, the vaccine pillar of the **ACT-Accelerator**, a global partnership created to accelerate the development and equitable distribution of COVID tools (tests, treatments and vaccines). Most Member States’ donations (85% so far) have been channelled through the COVAX mechanism, delivering 250 million vaccine doses in low- and middle-income countries by the end of 2021. The EU and its Member States have also set up initiatives to local enhance vaccine manufacturing, access to medicines, and health technologies in Africa.

EU and Member States’ progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.6 Human Development	2015-2030	Promote social inclusion and cohesion and continue to support partner countries in their efforts to build strong, resilient healthcare systems of good quality		

Effort and Progress

Minimal effort



111. OECD DAC, Creditor Reporting System.

INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT



IMPORTANCE

The share of developing countries' exports has been increasing significantly over the last decade, from 42.8% of global merchandise exports in 2011 to 45.2% in 2020, mostly with developing economies in Asia, including China. African exports are still marginal (2.5% in 2020).

Trade facilitation — the simplification, modernisation and harmonisation of export and import processes — could save from 2% to 15% of the value of the goods traded and help to significantly improve trade flows.

Trade can have both positive and negative effects on labour rights and the environment, that are addressed globally at the WTO and bilaterally through trade agreements.

Aid for Trade helps partner countries to make the most of their trade agreements.

The EU offers preferential treatment to 126 developing countries, removing import duties for 2/3 of tariff lines through trade agreements with developing countries (e.g. Economic Partnership Agreements with ACP countries) or unilateral trade preferences like the EU Generalised Scheme of Preferences.



1

The EU and its Member States have fully implemented the Bali package, simplifying rules of origin for goods imported from developing countries, in particular LDCs. In 2019, nearly half of global development cooperation towards Trade Facilitation was from the EU and its Member States.



4

All EU recent trade agreements include Trade and Sustainable Development chapters on the respect of international labour and environment conventions.

2

The EU imports more from LDCs than the US, Canada, Japan and China put together, fuels excluded.

5

The EU's Generalised Scheme of Preferences is widely recognised as the world's most generous regime of unilateral trade preferences for developing countries that accounted, excluding China, for 32% of total EU27 imports of goods over the decade 2011-2020.



3

The EU and its Member States provided over 56% of global Aid for Trade (EUR 17.9 billion), with a share of 15% going to LDCs.

6



#TEAMEUROPE

Chapter 5

International Trade as an Engine for Development



Trade can be an important driver for sustainable development and inclusive growth. Developing economies in Asia, including China, account for most exports from developing countries, representing 37.1% of global trade in 2020. African exports, still marginal, decreased from their peak of 3.4% in 2011 to 2.5% in 2020. Developing countries in the Americas (including Argentina, Brazil, Chile and Mexico) saw their share in world trade drop from 6.1% in 2012 to 5.6% in 2020.

The EU market is the most open to developing countries and a major destination for exports from low-income countries – Africa, in particular – and from the EU's neighbours, thus helping to foster development and economic growth worldwide.

According to WTO, the merchandise trade of the least developed countries (LDCs) amounted to USD 226 billion in 2019, a 2% decrease from 2018, while their commercial services trade totalled USD 43 billion, increasing by 10%. Exporters of manufactured goods and oil accounted for 65% of LDCs' merchandise exports. In services, travel receipts were the largest source of export earnings for this group of countries (WTO, 2020).

The rate of growth in world trade is expected to slow.

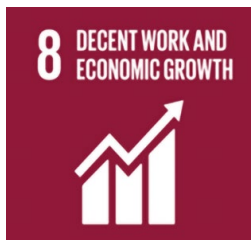
In emerging markets and developing economies, new export orders are still not expanding, and industrial production is growing slowly, according to the latest *World Bank Global Economic Prospects* (World Bank, 2022). Orders are backlogged because of bottlenecks in supply chains, depleted inventories and record high shipping costs, which, at their peak in October 2021, were six times their 2019 levels.

Commodity prices' boom and bust cycles are becoming more intense. Prices collapsed with the arrival of COVID-19 and then surged in 2021, in some cases to all time-highs. These cycles, particularly important for many developing countries that are heavily dependent on commodity exports, are likely to continue, causing macroeconomic instability (World Bank 2022).

The EU is the biggest exporter and importer of goods and services worldwide. The EU market is also the most open to developing countries and a major destination for exports from low-income countries – Africa, in particular – and from the EU's neighbours, thus helping to foster development and economic growth worldwide. Excluded, the EU imports more from LDCs than do the US, Canada, Japan and China combined (WTO, 2020). Total EU imports from LDCs reached EUR 32 billion in 2020, equivalent to 1.9% of global imports and to 21% of total LDCs exports with fuel included and 24% with fuel excluded (down from 22% and 27% in 2019, respectively, due to the impact of COVID-19 on trade)¹¹². In 2019, EU trade with Central Asia also intensified, making the EU the region's main trading partner, accounting for about a third of its overall external trade. While more than half of EU exports to the region are machinery and transport equipment, Central Asian exports to the EU largely centre on a few commodities, particularly crude oil, gas, metals and cotton fibre.



112. Source: [UNCTAD Stats](#).



Objectives

The EU's main objectives on trade are to:

- significantly increase world trade in a manner consistent with the SDGs, including exports from developing countries, in particular the LDCs, with a view to doubling their share of global exports by 2020 as stated in the Istanbul Programme of Action¹¹³;
- implement the Bali package¹¹⁴ (and ratify its trade facilitation agreement), thereby introducing simplified and preferential rules for imports from LDCs, giving preferential treatment to services and suppliers of services from LDCs, and granting market access to LDCs free of duties and quotas;
- ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively; and
- promote Aid for Trade to support implementation of the 2030 Agenda, better address developing countries' trade and productive capacities, integrate micro, small and medium-sized enterprises into global value chains, and allocate a larger share of Aid for Trade to LDCs.

Implementation

The EU *Trade Policy Review – An Open, Sustainable and Assertive Trade Policy*, adopted in 2021, includes several priority areas related to trade with developing countries, such as promoting responsible and sustainable value chains, as well as strengthening the EU's partnerships with Africa¹¹⁵.

Trade is at the heart of the strategic relationships the EU builds with partner regions.

The EU adopted a new strategy for Africa in March 2020. The strategy, *Towards a comprehensive strategy with Africa*¹¹⁶, includes a pillar on boosting trade and investment. Cooperation on the strategic corridors that facilitate intra-African and Africa-Europe trade and investment (thus providing sustainable, efficient and safe connectivity between the two continents) will be enhanced by the long-term prospect of creating a comprehensive continent-to-continent free-trade area.

113. United Nations Conference on the Least Developed Countries, 'Programme of Action for the Least Developed Countries for the Decade 2011-2020', 23 May 2011.

114. The Bali Ministerial Declaration and accompanying ministerial decisions – known informally as the Bali Package – were adopted at the Bali Ministerial Conference on 7 December 2013.

115. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Trade Policy Review – An Open, Sustainable and Assertive Trade Policy*. Brussels, 18.2.2021, [COM \(2021\) 66 final](#).

116. Joint communication to the European Parliament and the Council, *Towards a comprehensive Strategy with Africa*, [JOIN\(2020\) 4 final](#).

Most Relevant SDG Goals and Targets

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

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

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

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

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

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

The Africa-Europe Alliance for sustainable investment and jobs, launched in 2018 to promote intercontinental cooperation, seeks to boost employment and sustainable growth in Africa, in good part through investment and trade. The African Continental Free Trade Area (AfCFTA) is a key pillar of that alliance, and, from the outset, the EU has led in support for AfCFTA. Through its Pan-African Programme the EU has set aside EUR 74 million in direct support for AfCFTA negotiations and implementation.

As laid down in the 2019 Joint communication 'European Union, Latin America and the Caribbean: joining forces for a common future'¹¹⁷ (which constitutes the current framework for EU-LAC cooperation), bi-regional prosperity hinges on stronger and more inclusive growth, more diversified production structures, and greater productivity and competitiveness, as well as on deeper regional integration, consolidated trade relations with the EU, upgraded technology and a narrower digital gap. The EU is looking to progressively modernise its trade agreements with Latin America and the Caribbean to include provisions on sustainable development, and to revise or introduce provisions on intellectual property rights, services, investment, public procurement and regulatory cooperation.

The EU benefits developing countries by using several trade and development instruments aligned with the SDGs and the European Development Consensus. These instruments focus on strengthening market opportunities for developing countries¹¹⁸ and supplying Aid for Trade to support developing economies, particularly LDCs and other countries most in need.

Widening market access for developing countries

Through its trade agreements, the EU supports regional economic integration and endeavours to build skills and capacities in economic governance, trade facilitation and sustainable development.

The EU firmly believes in the central development role of the **multilateral trading system**. The EU is committed to advancing development issues within the WTO and encourages its members to engage in an open and constructive discussion of new approaches to trade and development, emphasising the importance of WTO negotiations in promoting growth.

Multi- and bilateral trade arrangements

The EU forms a trade bloc that offers an extensive network of free trade agreements and arrangements¹¹⁹. Forty per cent of EU external trade is governed by bilateral and regional trade agreements¹²⁰. Through its trade agreements, the EU supports regional economic integration and endeavours to build skills and capacities in economic governance, trade facilitation and sustainable development.

The Cotonou Partnership Agreement (soon to be replaced by a new agreement whose broad outlines were approved in April 2021) offers the EU and the 79 African, Caribbean and Pacific countries opportunities to negotiate development-oriented free-trade arrangements called economic partnership agreements (EPAs). To date, the EU has concluded 9 such agreements involving 53 African, Caribbean and Pacific countries. Of these, 7 are being implemented, involving 32 countries. Economic partnership agreements have a specific development focus, as they include a series of principles, objectives and specific initiatives to use trade to promote development. Development cooperation is an essential dimension in implementation of the agreements, which contain provisions aimed at supporting developing countries' trade with the EU, such as 1) very long transition periods to gradually and selectively open markets, 2) special safeguards for the development of infant industries and for food security, and 3) voluntary EU restraint with respect to WTO safeguards and dispute-settlement mechanisms.

In parallel, the EU has concluded a series of free trade agreements with other developing countries in Asia, Latin America, Europe's Eastern neighbourhood and the Southern Mediterranean. Altogether, the EU has concluded **bilateral free trade agreements**¹²¹ with 85 countries eligible for EU development cooperation; 54 are under implementation.

117. Joint communication to the European Parliament and the Council, European Union, Latin America and the Caribbean: joining forces for a common future. [JOIN/2019/6 final](#).

118. i.e. support for advancing development issues in multilateral trade negotiations, unilateral trade preferences, and regional and bilateral trade agreements with developing countries.

119. See list of countries under the different trade arrangements [here](#).

120. European Commission (2019), 2019 Annual report on the implementation of EU trade agreements.

121. In force or about to be ratified.





The EU is pursuing a comprehensive approach that looks beyond tariffs at a wide range of issues such as trade facilitation, technical, social and environmental rules, services, intellectual property rights and public procurement, all of which make trade work better for development. All of the EU's recent trade agreements systematically include provisions on labour standards, environmental protection and other issues relevant to sustainable development. The EU regularly monitors these provisions to ensure that they are implemented effectively. The EU and its Member States also offer support to partner countries in following through with commitments on trade and sustainable development.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International Trade	5. International trade	2015-2030	Ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively	▲	✓

Effort and Progress

Consistent effort ▲ Commitments likely to be met ✓

Unilateral trade preferences

The EU's Generalised Scheme of Preferences (GSP) is a preferential tariff system aimed at enabling trade with developing countries. It has three separate components, or 'arrangements'. The general arrangement ('standard GSP') offers unilateral preferences to low-income and lower-middle income countries that do not benefit from other means of preferential trade access to the EU market, granting duty reductions for two-thirds of all tariff lines. In addition to the standard GSP arrangement, the GSP+ is a special incentive arrangement for sustainable development and good governance, removing tariffs for two-thirds of tariff lines for vulnerable low- and lower-middle income countries that commit to ratifying and implementing certain international conventions on human rights, labour rights, protection of the environment and good governance. The Everything But Arms (EBA) scheme is the special arrangement that provides LDCs with duty-free, quota-free access for all products except arms and ammunition.

Regarding the impact of preferences, GSP has grown in importance, both in absolute and relative terms. Despite a declining number of beneficiaries, between 2014 and 2019, EU27 imports from current GSP beneficiaries utilising any of the existing schemes increased by 25%, whereas overall imports from third countries rose by just 16% over the same period. GSP is especially important for the poorest countries: Imports under EBA increased by 47% between 2014 and 2019, from EUR 17.1 billion to EUR 25.2 billion. As shown in Table 5.1, imports from LDCs accounted for 2% of total EU imports in 2019. Two-thirds of these imports benefitted from EBA preferences (from less than half in 2014). The share of imports under EBA grew more quickly over the period (from less than half of all imports from LDCs in 2014 to over two-thirds in 2019) than did the share under the GSP as a whole (from 32% of all imports from all GSP beneficiaries in 2014 to 39% in 2019), suggesting that LDCs are diversifying away from fuels and other goods not eligible for EBA preferences¹²². As fuels and minerals do not receive EBA preferences, the growth in the use of EBA preferences means more value added imports from LDCs

The EU took several measures between 2005 and 2020 to simplify rules of origin for goods imported from developing countries, in particular LDCs.

In 2017, the EU introduced the Registered Exporters (REX) scheme in 2017. Open to all countries benefitting from the GSP, REX expanded in several countries between 2018 and 2020¹²³. REX replaced the previous system of certifications of origin issued by governments with self-certification by registered exporters. Today, LDC exporters need only include on their commercial documents a statement of origin containing their registration number. REX saves time, cuts red tape and improves efficiency.

122. Commission Staff Working Document, Impact Assessment Report accompanying the document Proposal for a Regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council, 22.9.2021, [SWD\(2021\) 266 final](#). p. 15.

123. [REX – Registered Exporter system \(europa.eu\)](#).

All of the EU's recent trade agreements systematically include provisions on labour standards, environmental protection and other issues relevant to sustainable development.

Table 5.1 – Shares of imports into the EU27 by partner/region, 2011-2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Extra EU27	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
OECD (excl EU27)	42%	42%	43%	43%	45%	46%	45%	43%	44%	44%	40%
Canada	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Japan	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Norway	4%	4%	4%	4%	3%	3%	3%	3%	3%	2%	4%
South Korea	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%
Switzerland	5%	5%	5%	5%	6%	6%	6%	5%	6%	6%	6%
United Kingdom	11%	11%	11%	11%	11%	11%	11%	10%	10%	10%	7%
USA	9%	10%	10%	10%	12%	12%	11%	11%	12%	12%	11%
BRICS	32%	31%	31%	31%	30%	30%	31%	31%	31%	32%	35%
Brazil	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%	2%
India	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
China	15%	15%	15%	16%	18%	19%	18%	18%	19%	22%	22%
Russia	12%	12%	12%	11%	8%	7%	8%	8%	7%	6%	8%
South Africa	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
LDC (Least Developed Countries) - UN definition	1%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%
ACP Total (African Caribbean and Pacific Countries)	4%	5%	5%	5%	4%	4%	4%	4%	4%	3%	4%
GCC 6	3%	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%

Source: Eurostat COMEXT

Aid for Trade

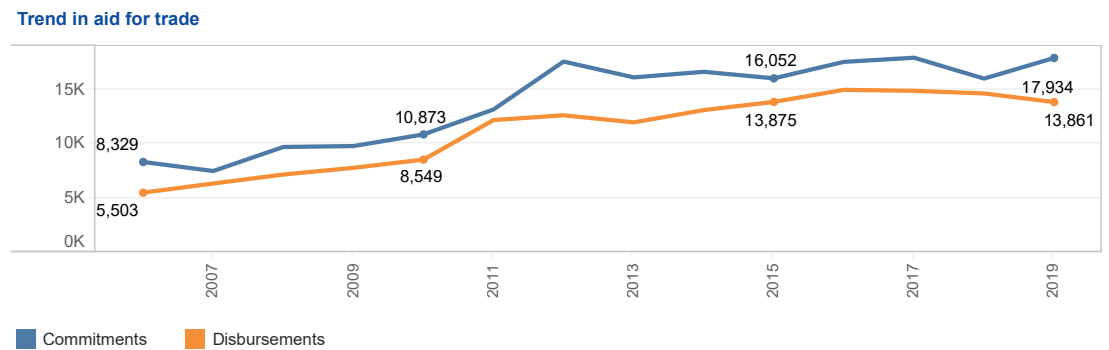
Aid volumes

As shown in Figure 5.1, the EU and its Member States increased their Aid for Trade spending in real terms from EUR 16.1 billion in 2015 to EUR 17.9 billion in 2019. They were by far the biggest donor, providing over 38% of global Aid for Trade. In 2019, 5 of the top 10 recipients of EU Aid for Trade were in Asia; only 1 (Ethiopia) was in Sub-Saharan Africa. However, Africa received 43% of all EU Aid for Trade in 2019, followed by Asia with 21%. Just over half of EU Aid for Trade went to building productive capacity (with services receiving about half of that); most of the rest went for economic infrastructure, mainly energy and transport.

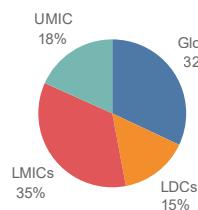
Member States committed EUR 5.2 billion to Aid for Trade, with Germany providing the largest share (52%), followed by France (27%) and the Netherlands (12%). More than half of Member States' Aid for Trade was in the form of loans (EUR 2.8 billion). Between 2010 and 2019, such loans represented on average about 83% of France's Aid for Trade and more than 70% of Germany's.

Figure 5.1 – EU Aid for Trade

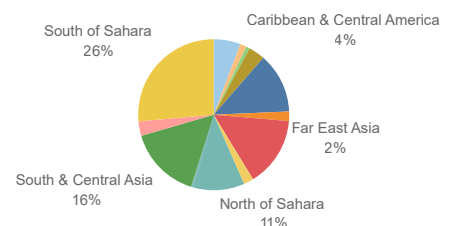
Commitments, EUR million, 2019 prices



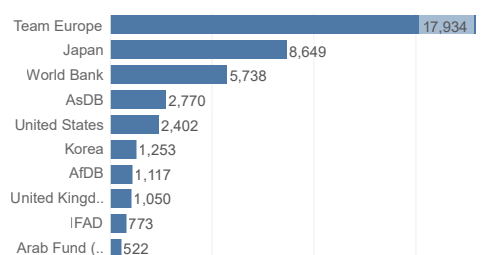
Distribution of EU aid for trade by income group, 2019



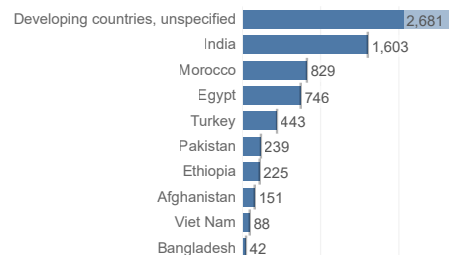
Regional Distribution of EU aid for trade, 2019



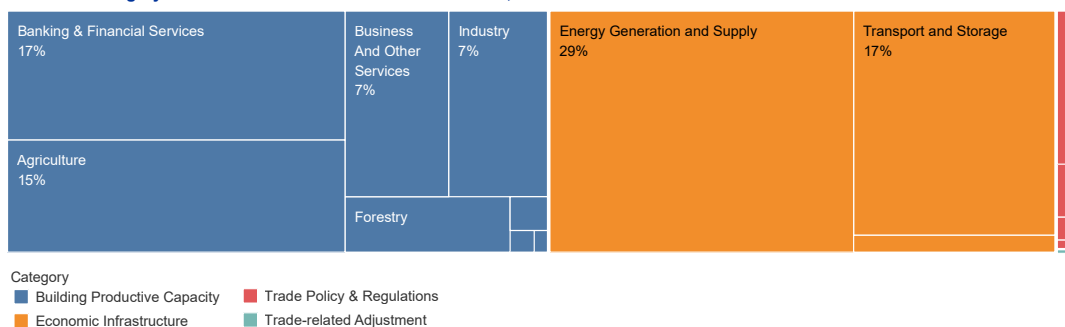
Top 10 donors of aid for trade 2019



Top 10 recipients of EU aid for trade 2019



Category and Sector Breakdown of EU Aid for Trade, 2019



Source: OECD DAC, Creditor Reporting System.

In the EU 2017 Aid for Trade Strategy, the EU and its Member States have committed to boosting Aid for Trade to LDCs in order to improve their export capacities and raise their share in global export markets. The share of EU Aid for Trade going to LDCs stood at 15% in 2019, slightly up from 14.6% in 2015, but still far from the target of 25% set for 2030.

The EU and eight of its Member States¹²⁴ support Phase Two of the **Enhanced Integrated Framework** to help the LDCs harness trade for poverty reduction, inclusive growth and sustainable development. ODA commitments by the EU and its Member States at the end of 2019 amounted to EUR 67 million, 53% of total commitments from all donors. The Enhanced Integrated Framework has so far prepared 45 diagnostic trade integration studies to identify trade priorities for LDCs. It has been associated with USD 1.5 billion in exports and 10,000 micro, small and medium-sized enterprises.

The EU and seven of its Member States¹²⁵ also support the **Standards and Trade Development Facility**, which assists developing countries in implementing international standards of human, animal and plant health so as to improve their access to global markets.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International Trade	5. International Trade	2020	Increase significantly world trade in a manner consistent with the Sustainable Development Goals, including exports from developing countries, in particular from the LCDs with a view towards doubling their share of global exports by 2020.	▲	✓

Effort and Progress

Consistent effort ▲ Commitments not likely to be met ✓

Trade facilitation

Bureaucratic delays and red tape pose a burden for traders trying to move goods across borders. Trade facilitation – the simplification, modernisation and harmonisation of export and import processes – could save from 2% to 15% of the value of the goods traded according to the OECD and would significantly improve trade flows.

124. Denmark, Estonia, Finland, France, Germany, Luxembourg, Netherlands and Sweden.

125. Denmark, Finland, France, Germany, Ireland, the Netherlands and Sweden.



Trade facilitation has become an important and prominent topic on the EU Aid for Trade agenda since the entry into force of the WTO Trade Facilitation Agreement (TFA) on 22 February 2017, following its ratification by two-thirds of the WTO membership. Negotiated at the Bali WTO Ministerial Conference in 2013, the TFA includes commitments (so-called 'type C' in particular) that are to be implemented by developing countries within an extended period of time and with benefit of technical assistance.

The European Commission set a goal of spending EUR 240 million for trade facilitation over the 2014-2020 Multiannual Financial Framework. The cumulative value from 2014-2019 was EUR 423.7 million, by far exceeding the commitment made to WTO when the TFA was signed.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International Trade	5. International trade	2015-2030	Promote Aid for Trade and facilitate MSME integration in global value chains. Allocate an increased proportion of Aid for Trade to LDCs	▲	✓
International Trade	5. International trade	2015-2030	Implement the Bali package, including ratifying the WTO Trade Facilitation Agreement, introducing simplified and preferential rules for imports from LDCs offering preferential treatment to services and suppliers of services of LDCs (Services Waiver), and offering duty- and quota-free market access to LDCs.	▲	✓

Effort and Progress

Very strong effort ▲ Commitments met ✓

DEBT AND DEBT SUSTAINABILITY



IMPORTANCE

Unsustainable debt puts countries on a difficult path and can be a clear obstacle to sustainable development.

While rising public debt levels were already a cause for concern at the end of last decade, the COVID-19 pandemic has triggered a massive increase in debt accumulation and has exacerbated the risk of debt crises for low- and middle-income countries.

More than half of the least developed countries are currently in debt distress or at high risk of it.

The debt structure has shifted with a growing share of the private sector and non-Paris club bilateral creditors.

The EU and its Member States have provided substantial liquidity support to vulnerable low-income countries through the G20 Debt Service Suspension Initiative (DSSI) to help the poorest countries manage the impact of the COVID-19 pandemic. The EU and its Member States also supported the extension of the DSSI to the end of 2021, enabling a smooth transition to the G20's Common Framework for debt treatments.



1

The EU and its Member States support the reallocation of the International Monetary Fund's Special Drawing Rights (SDRs) to vulnerable countries.

3

The EU and its Member States finance one third of the Catastrophe Containment and Relief Trust that provides grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters.

2

The EU and its Member States have supported global initiatives on responsible lending and borrowing practices such as those promoted by the G20, the Paris Club, UN, and the International Financial Institutions. For example, Team Europe supports the OECD Debt Transparency Initiative aiming to set up a database and reporting system focused on the recording of private lenders.



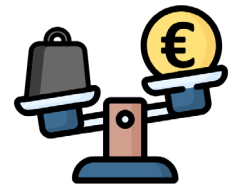
4



#TEAMEUROPE

Chapter 6

Debt and Debt Sustainability



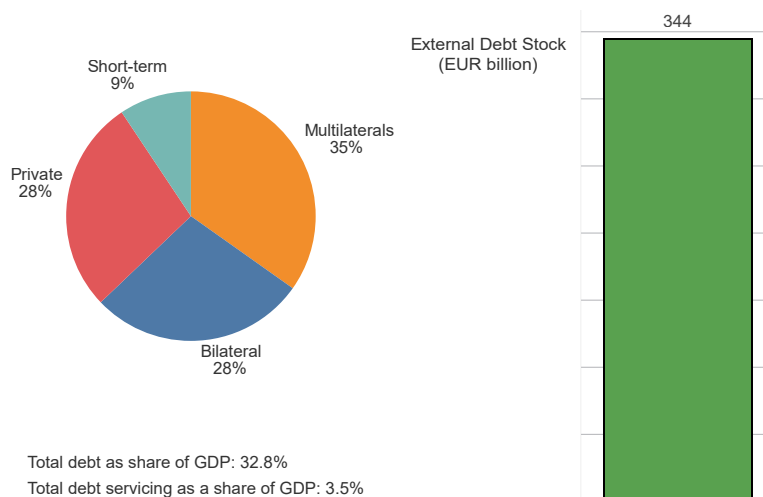
COVID-19 pushed total global debt to its highest level since the 1970s.

Before the onset of the COVID-19 pandemic, rising public debt levels were already a cause for concern, particularly in many of the world's poorest countries (Kose et al., 2021). The level of external debt in the least developed countries (LDCs) had already risen from 24% of GDP in 2012 (following the debt relief of the 2000s) to 32% of GDP in 2019.

COVID-19 pushed total global debt to its highest level since the 1970s. In emerging and developing economies, government debt rose by 9 percentage points to 63% of GDP in 2020, the fastest one-year increase over the past three decades. Government debt in low-income countries roughly doubled from a decade ago – constraining fiscal space and leading to an increase in the cost of debt service. In October 2021, the World Bank and International Monetary Fund (IMF) deemed that 55% of the LDCs were at high risk of debt distress or already in distress¹²⁶.

Moreover, the debt structure in LDCs has shifted, with a growing share now held by the private sector and non-Paris Club bilateral creditors¹²⁷. China alone accounted for about 20% of the total debt (UN, 2021). Figure 6.1 shows the debt structure of LDCs; and Figure 6.2, that of countries eligible for the Debt Service Suspension Initiative (DSSI), which are discussed later in this chapter. Almost three-quarters of the bilateral external debt of DSSI-eligible countries is owed to bilateral creditors not belonging to the Paris Club. As most DSSI-eligible countries are LDCs, the same is likely to be true for them, though complete data for all LDCs is not publicly available.

Figure 6.1 – External debt structure in the least developed countries (LDCs)

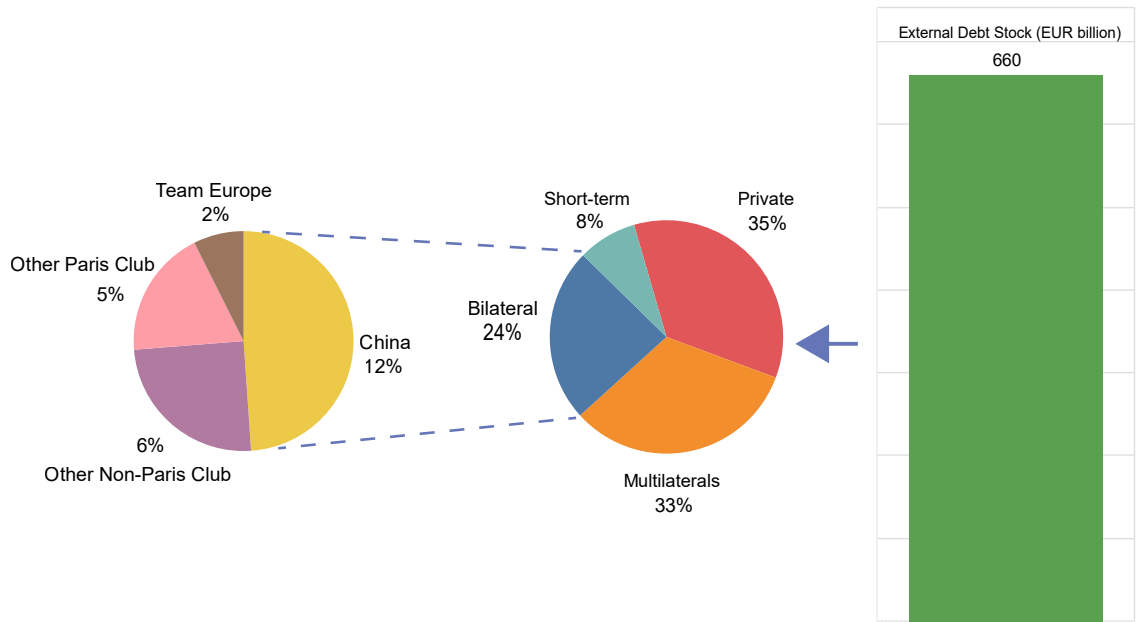


Source: World Bank International Debt Statistics.

126. At high risk of debt distress are Afghanistan, Angola, Burundi, Central African Republic, Chad, Djibouti, Ethiopia, Gambia, Haiti, Kiribati, Lao People's Democratic Republic, Mauritania, Sierra Leone, South Sudan, Tuvalu and Zambia (defaulted). Four already in distress are Mozambique, São Tomé and Príncipe, Somalia and Sudan.

127. Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Spain and Sweden are permanent members of the Paris Club and contribute to its deliberations and actions, with France also the chair and the secretariat of the Club. The Club is an important platform for debtor-creditor engagement: it has signed 475 debt restructuring agreements with 100 debtor countries, covering more than USD 580 billion in debt. The Paris Club intends to progressively expand its membership to major emerging creditors in view of the changing debt landscape (Brazil and South Korea recently joined the club as full members, while India did so in a way assimilated to that of an observer).

Figure 6.2 – External debt structure of DSSI eligible countries



Source: World Bank International Debt Statistics.

While a certain degree of debt is desirable to finance new investment, unsustainable debt puts countries on a difficult path and can be a clear obstacle to sustainable development. The high debt-service cost (in some countries more than half of the government’s budget or export revenues) drastically reduces governments’ fiscal space for social and development spending. Most low-income countries have already lost access to the international financial market, leaving them dependent on relatively limited domestic resources and concessional funding. According to the IMF, sixteen African countries have been downgraded by at least one rating agency since the start of the pandemic, and one has defaulted (Zambia).



Objectives

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

Most Relevant SDG Goals and Targets

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

Implementation

Support from the EU and its Member States in international fora

The EU has taken a leading role in several existing initiatives on responsible lending and borrowing practices, on top of them those promoted by the G20, the Paris Club, the UN and international financial institutions.

During the German Presidency of the **G20**, the European Commission and all G20 countries¹²⁸ **endorsed operational guidelines for sustainable financing** at their meeting in Baden-Baden in March 2017. The guidelines cover five principles: 1) adequate financing for

128. The G20 includes France, Germany and Italy as members and Spain as a permanent invited country.



The World Bank/IMF Debt Sustainability Framework is a key reference for assessing debt sustainability in the context of EU development cooperation.

sustainable development; 2) information-sharing and transparency; 3) consistency of financial support; 4) coordination of stakeholders; and 5) promotion of contractual and new financial instruments and minimisation of litigation issues to strengthen resilience. The G20 is also committed to greater debt transparency, which is an essential for sustainable borrowing and lending. G20 supported the **OECD Debt Transparency Initiative**, in partnership with the Institute of International Finance (IFF), which aims at setting up a debt database and reporting system focused on the reporting of private lenders.

In April 2020, the G20 and the Paris Club adopted the **Debt Service Suspension Initiative (DSSI)**, to provide liquidity to help low-income countries respond to the COVID-19 crisis. The G20 and the Paris Club also launched, in November 2020, the Common Framework for Debt Treatments beyond the DSSI (the Common Framework), which provides additional debt relief for low-income countries facing unsustainable debt burdens. The Common Framework is discussed further below.

The World Bank/IMF Debt Sustainability Framework is a key reference for **assessing debt sustainability** in the context of EU development cooperation. More than half of the LDCs and low-income countries using the framework¹²⁹ are now considered at high risk of debt distress or already in debt distress (United Nations, 2021). The framework helps low-income countries maintain a sustainable level of debt while striving to achieve their development plans¹³⁰. It also supports countries that have received debt relief under the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives¹³¹. Two diagnostic tools are used: 1) a debt sustainability analysis for upstream debt management, which assesses the country's risk of debt distress; and 2) a debt management performance assessment to assess debt management performance based on standard indicators. In addition, the IMF and the World Bank adopted in 2018 a multipronged approach for addressing emerging debt vulnerabilities that is based on four pillars: 1) strengthen debt transparency, by working with borrowing countries and creditors to make available better data on public sector debt; 2) support capacity development in public debt management to mitigate debt vulnerabilities; 3) provide suitable tools to analyse debt developments and risks; and 4) adapt the IMF's and World Bank's surveillance and lending policies to better address debt risks and promote efficient resolution of debt crises.

Some Member States, such as France and Belgium, have enacted **laws to stop vulture funds from undermining efforts to restructure debt**. In broad terms, the laws are meant to protect developing countries from being sued and having their assets seized by creditors who bought the debt when the debtor was in or near default. In addition, since the IMF endorsed their use in 2014, collective action clauses have been included in almost all new sovereign bonds.

Actions by the EU and its Member States to further debt relief and debt sustainability

The EU recognises the importance of responsible lending and borrowing practices and supports efforts to this end within the international framework. The EU has participated actively in several such efforts. The participation has come proceeded from either a multilateral or a bilateral perspective.

Multilateral framework

Over the period 2018-2020, the EU and its Member States took steps to help restore and preserve debt sustainability in low-income countries through various multilateral mechanisms.

129. For a detailed list see <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>

130. Sweden and the Netherlands have been particularly active in the latest review of the framework, under implementation since June 2018.

131. For more details see <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative>.



The EU and its Member States have supported the Catastrophe Containment and Relief Trust to provide grants for debt relief for the poorest and most vulnerable countries.

The EU and its Member States¹³² supported the **DSSI**. Discussed in the previous section, the DSSI was launched by the G20-Paris Club in April 2020 to provide liquidity for low-income countries trying to manage the impact of the COVID-19 pandemic. DSSI consists of a temporary moratorium of payments by sovereign borrowers between May 2020 and December 2021 (including medium/long term export credits) for countries that request it.

According to the World Bank's 2021 International Debt Statistics, the total external debt of DSSI-eligible countries climbed by 9.5% to a record USD 744 billion in 2019 from the previous year. Only 2.4% of the increase is owed to the EU and its Member States. The pace of debt accumulation for DSSI-eligible countries was nearly twice the rate of other low- and middle-income countries in 2019.

With the extension of DSSI through the end of 2021, 40 out of 73 eligible countries benefited from around USD 13 billion in debt service suspensions, with savings contributing to the pandemic response (United Nations, 2021).

The EU and its Member States have supported the **G20-Paris Club Common Framework for Debt Treatments beyond the DSSI (the Common Framework)** launched in November 2020. The Common Framework provides a mechanism to low-income countries facing unsustainable debt burdens for negotiating a debt restructuring agreement with their creditors. With broad participation by creditors, the Common Framework is a way of addressing the underlying structural problems in heavily indebted countries and a comprehensive mechanism for addressing the need for debt relief. Its goal is to facilitate on a case-by-case and transparent basis a timely and orderly restructuring of debts with G20 bilateral creditors and private creditors. In compliance with the Paris Club rules, the Common framework imposes a fair burden sharing among all creditors. Non-G20 official creditors, as well as private creditors, are required to participate and provide debt relief on comparable terms. Three countries (Chad, Ethiopia and Zambia) have so far requested debt restructuring under the Common Framework (United Nations, 2021).

The EU and its Member States have supported the **Catastrophe Containment and Relief Trust**. Initially established in February 2015 during the Ebola outbreak to provide grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters, the Trust was modified in March 2020 to enable the IMF, as trustee, to provide grants for debt relief to its poorest and most vulnerable members to tackle the COVID-19 pandemic and its economic repercussions for up to two years from April 14, 2020. The relief on debt service payments frees up additional resources to meet exceptional balance-of-payments needs created by the disaster and for containment and recovery. At the end of December 2021, 9 EU Member States had contributed: Germany, France, Netherlands, Spain, Greece, Sweden, Bulgaria, Luxembourg, Malta for a total of 217.3 million USD. The EU contribution (EUR 183 million or USD 212.5 million) brings the total contribution of the EU and Member States to USD 429.8 million or 50.43% of all contributions. The EU is the biggest donor of the trust. The EU, Austria, Germany and the Netherlands also support the **Debt Management Facility**, a multi-donor trust fund managed by the World Bank, the objective of which is to strengthen the debt management capacity of low-income countries. EU support focuses on capacity building for debt management performance assessments, reform plans, medium-term debt strategies, debt sustainability analysis, and other knowledge and training activities. The EU, together with Germany, Ireland, Netherlands and France, is also supporting UNCTAD's **Debt Management and Financial Analysis System** programme, which aims to increase the ability of debtor countries to record and report accurate and reliable debt data domestically and internationally.

Moreover, the new general allocation of **IMF Special Drawing Rights** totalling USD 650 billion became effective on 23 August 2021, providing additional liquidity to countries struggling with the financial consequences of COVID-19. Low-income countries will receive USD 21 billion of that allocation. The EU and its Member States support the ongoing efforts for voluntary channelling of SDRs from members with strong external positions to the benefit of low-income and vulnerable middle-income countries. The meeting of G20 leaders in Rome in October 2021 confirmed the commitment made at the Summit on Financing African Economies in Paris in May 2020 to rechannel up to USD 100 billion of the SDR allocation for Africa and

132. Including financial support from Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Portugal, Spain and Sweden.

In the framework of its bilateral cooperation, the European Commission is implementing budget support programmes offering grants under 230 contracts with 95 countries and territories.

other vulnerable countries. The pledges will significantly scale up the lending capacity of the Poverty Reduction and Growth Trust. The EU and its Member States also support the IMF in its effort to establish a new **Resilience and Sustainability Trust (RST)** to provide affordable long-term financing to help low-income countries – including those on the African continent, small island developing states and vulnerable middle-income countries – reduce threats to their balance of payments, including those stemming from pandemics and climate change. A last option put forward by the IMF is rechanneling SDRs via multilateral development banks. In March 2022, IMF members had pledged USD 60 million – over half of the target – including USD 13.3 million from EU Member States.

Bilateral framework

In the framework of its bilateral cooperation, the European Commission is implementing budget support programmes offering grants under 230 contracts with 95 countries and territories. On average, the budget support accounts for about 40% of national cooperation with partner countries. Macroeconomic stability and debt sustainability are an integral part of the conditions, analysis and policy dialogue of the programmes, which include building capacity to enhance debt management and transparency. If the risk of debt distress increases, mitigating measures can be designed, together with the national authorities, to address the situation. EU budget support has also enabled access to debt relief for LDCs in fragile situations.

Moreover, Austria, Denmark and Germany have allocated significant funds to debt relief and debt sustainability, while nine¹³³ are considering new debt-relief operations.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Debt and debt sustainability	6. Debt and debt sustainability	2015-2030	Assist developing countries in reaching long-term debt sustainability through coordinated policies aimed at debt financing, debt relief, debt restructuring and sound debt management. Increase collaboration between debtors and creditors to prevent and resolve unsustainable debt situations.	▲	

Effort and Progress

Consistent effort ▲

133. Austria, Czech Republic, Denmark, France, Germany, Hungary, Italy, Spain and Portugal.

ADDRESSING SYSTEMIC ISSUES



IMPORTANCE

2020 was a key year for multilateralism as the worldwide impact of the pandemic demonstrated the need for intensified international cooperation between scientists, economists and policymakers at the United Nations, International Monetary Fund and within the G7 and G20 and other international fora.

Countries need to assess their policies' impact on all three dimensions of sustainable development - economic, social, and environmental dimensions – and take measures to ensure policy coherence for sustainable development.

1 The recent Joint Communication on strengthening the EU's contribution to rules-based multilateralism (2021) is evidence of the importance the EU attaches to close partnerships with multilateral organisations.

4 The EU and its Member States advocated for reforms of the United Nations and Bretton Woods Institutions aimed at a more inclusive global governance.

2 The EU and its Member States are the largest contributor to the multilateral system and the largest provider of core contributions to multilateral organisations. Official Development Assistance commitments reached EUR 34 billion in 2019.

5 To ensure policy coherence for sustainable development, the European Commission's system of better regulation seeks to address interlinkages, synergies, and trade-offs between the three dimensions of sustainable development.

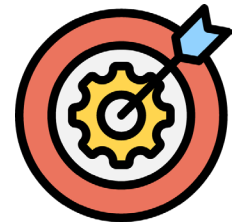
3 The EU and its Member States contributed to the replenishment of multilateral and regional development banks' concessional funds, as well as to capital increases.

6 The Commission has reviewed its better regulation framework which is now used to actively pursue the Sustainable Development Goals in decision-making. All Commission services should identify and assess the contribution to the relevant SDGs in all impact assessments, legislative proposals and evaluations.



Chapter 7

Addressing Systemic Issues



International governance



Objectives

The Addis Agenda calls for measures to improve and strengthen global economic governance and to arrive at a stronger, more coherent and more inclusive and representative international structure for sustainable development. It also recognises the important role of multilateral development banks in supporting sustainable development.

Implementation

The EU and its Member States are the largest contributor to the multilateral system and the **largest provider of core contributions to multilateral organisations**. As shown in Figure 7.1, they also tend to channel a large share of their efforts through the multilateral system. The EU and its Member States express their commitment to multilateral and regional organisations by contributing to replenishments of multilateral development banks' concessional funds and to capital increases.

During the period 2018-2020, the EU and its Member States participated in the 19th replenishment of the International Development Association (IDA-19); the 15th replenishments of the African Development Fund (ADF-15); and the 13th replenishment of the Asian Development Fund. They also contributed to the capital increases of the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC); and of the African Development Bank (AfDB).

Through these replenishment and capital increase processes, the EU and its Member States keep advocating for reforms of multilateral development banks aimed at a more inclusive global governance, supporting reforms to the voting powers of developing countries.

The Global Strategy on the EU's Foreign and Security Policy¹³⁴ anticipated the importance of a strong UN as the bedrock of the multilateral rules-based order and affirmed the EU's commitment to it. While the concept of multilateralism has been challenged in recent years, the EU has remained a staunch supporter of an international rules-based order, with the UN at its core. In 2020, when the UN celebrated its 75th anniversary, the EU strongly supported the position that multilateralism remains the best method of addressing global challenges. This was reconfirmed in February 2021 in the Joint Communication on strengthening the EU's contribution to rules-based multilateralism¹³⁵. The Communication is evidence of the importance the EU places on close partnerships with multilateral organisations. At the same time, it lays out the EU's

Most Relevant SDG Goals and Targets

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

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

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

134. A Global Strategy for the EU's Foreign and Security Policy, June 2016. For more details see https://eeas.europa.eu/topics/eu-global-strategy/17304/global-strategy-european-unions-foreign-and-security-policy_en

135. Joint Communication to the European Parliament and the Council on strengthening the EU's contribution to rules-based multilateralism, Brussels, 17.2.2021 [JOIN\(2021\) 3 final](#).

While the concept of multilateralism has been challenged in recent years, the EU has remained a staunch supporter of an international rules-based order, with the UN at its core.

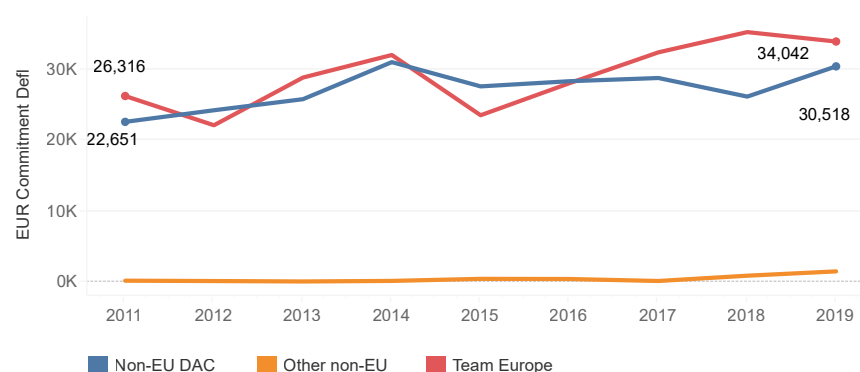
expectations of and ambitions for the multilateral system. The new approach frames a more strategic approach to our partnerships and alliances in the context of an evolving and more competitive multilateral environment. It maps out main goals and means at the EU's disposal to promote multilateral solutions to global challenges. In this context, the EU actively continues to engage in development-related multilateral processes in the United Nations and other fora.

The EU is a driving force behind the ambitious **reform agendas of the multilateral development banks**, which aim to make the institutions more effective and efficient, enable compliance with social and environmental standards at the highest level, and strengthen future-oriented themes in their programmes. These include environmental and climate protection, involving the private sector, global public goods, the migration and development nexus, and sustainable infrastructure.

Figure 7.1 – The EU and its Member States' use of the multilateral system in terms of ODA

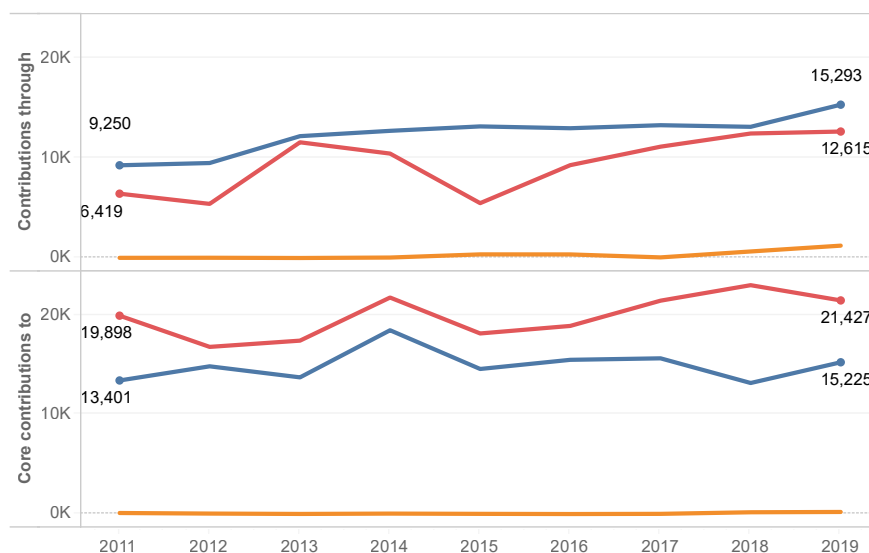
Trend in the use of the multilateral system by donor group

(Commitments, EUR millions, 2019 prices)



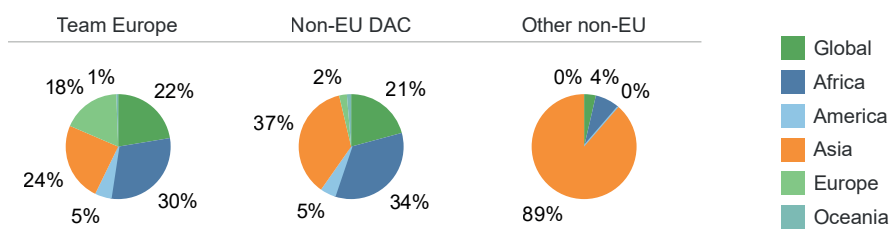
Trend in the use of the multilateral system by donor group and type of contribution

(Commitments, EUR millions, 2019 prices)



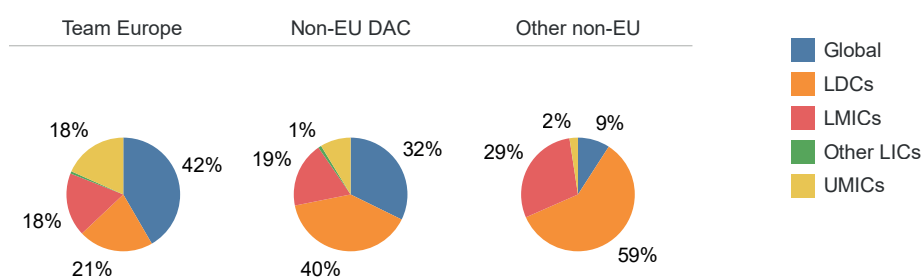
Use of the multilateral system by donor group and region, excluding core contributions

(Commitments, EUR millions, cumulative 2011-2019, 2019 prices)



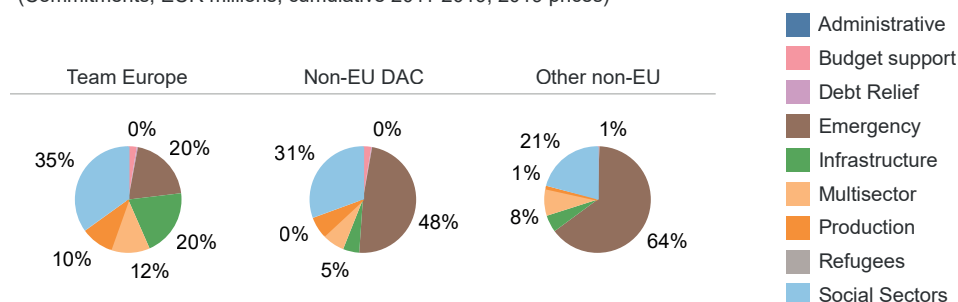
Use of the multilateral system by donor group and income group, excluding core contributions

(Commitments, EUR millions, cumulative 2011-2019, 2019 prices)



Use of the multilateral system by donor group and sector, excluding core contributions

(Commitments, EUR millions, cumulative 2011-2019, 2019 prices)



Source: OECD/DAC Creditor Reporting System.

In January 2021, the EU and its Member States participated in the **International Monetary Fund's** Bilateral Borrowing Agreements and the New Arrangements to Borrow, which will allow the IMF to maintain its lending capacity at around USD 1 trillion in coming years. Moreover, the EU and its Member States support the ambitious new **SDR general allocation**, equivalent to USD 650 billion, to provide additional liquidity to the global economic system by supplementing the reserve assets of the IMF's 190 member countries. The increase was submitted for approval to the IMF's Executive Board in June 2021¹³⁶ and took effect on 23 August 2021¹³⁷.

The EU also continued to play an influential role in major OECD Development Assistance Committee (DAC) policies, acts and events, e.g. in negotiations for the new DAC Global Relations Strategy. The European Union has a long-standing collaboration with the OECD (since 1992) via the SIGMA programme, which monitors progress on public administration reforms and good governance, while also providing policy guidance to the partners of the EU's Neighbourhood Policy.

The EU has been active in the G7 and G20 and endorsed the G20's Support to COVID-19 Response and Recovery in Developing Countries¹³⁸.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Systemic issues	7.1 International governance	2015-2030	Improve and enhance global economic governance and arrive at a stronger, more coherent and more inclusive and representative international architecture for sustainable development.	▲	

Effort and Progress

Consistent effort ▲

136. IMF (2021), [Press Release No. 21/77](#).

137. IMF (2021), [2021 General SDR Allocation](#).

138. G20 Development Ministerial Session, A global response to support COVID-19 recovery in developing countries and foster progress on the 2030 Agenda for Sustainable Development, [Communiqué, Matera, 29th June 2021](#).

Policy coherence for sustainable development



Objectives

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

Most Relevant SDG Goals and Targets

17.14: Enhance policy coherence for sustainable development.

Implementation

Article 208 of the Treaty on the Functioning of the European Union¹³⁹ stipulates that the EU 'shall take account of the objectives of development cooperation in the policies it implements which are likely to affect developing countries'. The European Consensus on Development¹⁴⁰ reaffirmed the importance of this principle, known as 'policy coherence for development'. The consensus recognised policy coherence as a crucial element of the EU's strategy to achieve the SDGs and as an important contribution to the broader objective of policy coherence for sustainable development.

In view of this new perspective on policy coherence for development, the Commission adapted its approach to ensure its relevance in the new political framework. The Commission reporting on policy coherence for development was integrated into the function of reporting on SDGs, notably in the EU's comprehensive reporting at the UN High Level Political Forum in 2019. Policy coherence has been integrated into the Commission's overall work on implementation of the 2030 Agenda, notably by making it an integral part of the inter-service steering group on the SDGs.

Every year, the steering group identifies several policy coherence initiatives to prepare over the year that offer the potential of significantly improving partner countries' ability to achieve the SDGs. This inventory is meant to promote synergies among policies and minimise incoherencies at an early stage of policy formulation, e.g. when carrying out *ex ante* impact assessments. It is, therefore, an important instrument to promote policy coherence and a good example of the EU's continuous commitment to the SDGs.

All Commission services should assess the contribution to the relevant SDGs in all impact assessments, legislative proposals and evaluations.

Addressing interlinkages, synergies and trade-offs in the three dimensions of sustainable development is embedded in the European Commission's guidance on improving regulation. In 2018, the Commission initiated the review of its 'better regulation' guidance¹⁴¹ aiming, among other things, to integrate the SDGs into the 'better regulation' system (European Commission, 2019a). In 2020, the Commission launched the Staff Working Document "Delivering on the SDGs". The report focuses on the governance of the SDG implementation and confirms a whole-of-Commission approach to implement the SDGs. It also highlights the close interconnection between the ambitions of the Commission and the SDGs. It puts forward the context of policy coherence for sustainable development and announces that the SDGs will be integrated in the Better Regulation framework.

139. Consolidated version of the Treaty on the Functioning of the European Union, Part Five - The Union's External Action, Title III - Cooperation with Third Countries and Humanitarian Aid, Chapter 1 - Development Cooperation, Article 208, [OJ C 202, 7.6.2016, p. 141-141](#).

140. Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission (2017), The New European Consensus on Development.

141. Commission Communication, Better regulation: taking stock and sustaining our commitment, [COM\(2019\) 178](#).



The subsequent revision in 2021 of the Better Regulation implies that all Commission services should identify and assess the contribution to the relevant SDGs in all impact assessments, legislative proposals and evaluations.

The better regulation package introduced a tool (Tool #35 – Developing Countries) to ensure that, when the screening process reveals a likely impact, appropriate consultation should be promptly planned and should include stakeholders in developing countries. If consultation indicates that impacts are likely to be significant, a thorough assessment, with a strong focus on LDCs and countries most in need, must be carried out. Since 2015, all major European Commission *ex post* evaluations and reviews are subject to quality control by the Regulatory Scrutiny Board, contributing to strengthened oversight of such evaluations.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Systemic issues	7.2. policy coherence	2015-2030	Mainstream policy coherence for sustainable development across all three dimensions of sustainable development.	▶	✓

Effort and Progress

Minimal effort ▶ Commitments not likely to be met ✓

SCIENCE, TECHNOLOGY, INNOVATION AND DIGITALISATION



IMPORTANCE

Science, technology and innovation play a central role in achieving the SDGs to address pressing societal and economic challenges, accelerate green transition, create new jobs and businesses, and help reduce poverty.

In the post-COVID-19 world, strong digital connections have become even more essential.

Digital technologies and services are powerful enablers for sustainable, inclusive development and growth.

The access and use of Internet and digital technologies is not equally distributed around the world, and nearly 40% of the world's population remains unconnected, most of them in LDCs. Tackling the digital divide is essential.

The EU and its Member States are the second largest provider of ODA for science, technology and innovation to developing countries reaching almost EUR 1 billion for STI in 2019.

1

The EU and the African Union have established the African-European Innovation Bridge (AEDIB) as a pan-African network of digital innovation hubs.

4

The Digital4Development (D4D) approach is the European Commission's comprehensive framework for its digital development policy since 2017.

2

The EU-AU Data Flagship aims to strengthen the African data economy, facilitating investments in African data infrastructure and data technologies and services that can accelerate the digital transformation of the continent.

5

The Digital4Development Hub, launched at the end of 2020 gathers key stakeholders from EU Member States, private sector, civil society and financial institutions in a Team Europe spirit notably to scale up investments in the digital transformation of partner countries.



3

In 2021, the European Commission published its Communication 2030 Digital Compass: the European way for the Digital Decade, which presents the vision and strategy of Europe's digital transformation through 2030.

6



#TEAMEUROPE

Chapter 8

Science, Technology, Innovation and Digitalisation



Science, technology, innovation and digitalisation have continued to gain importance in all spheres of human activity. They play a cross-cutting role in the Sustainable Development Goals (SDGs) related to pressing societal and economic challenges, such as accelerating the green transition, creating new jobs and businesses, and reducing poverty.



COVID 19 caused innumerable companies and public services to shift to digital tools, but the digital divide, which is particularly strong in developing countries, meant that inequalities among and within low-income countries grew even wider. The digital divide, particularly where it is widest, worsened income inequality and human capital accumulation in low-income households, as discussed in Chapter 4.



Objectives

Through the Addis Agenda and the SDGs, governments are committed to adopting national science, technology and innovation strategies so as to promote access to technology and establish enabling environments for the digital economy and sustainable development more broadly. Specific commitments were made to support developing countries in their efforts to promote science, technology and innovation (STI), including the enhancement of national innovation systems, improvement of STI policies, strengthening of capacities and the provision of scholarships. In the European Consensus¹⁴², the EU and its Member States further committed to mainstreaming digital solutions in

Most Relevant SDG Goals and Targets

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

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

9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

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

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

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

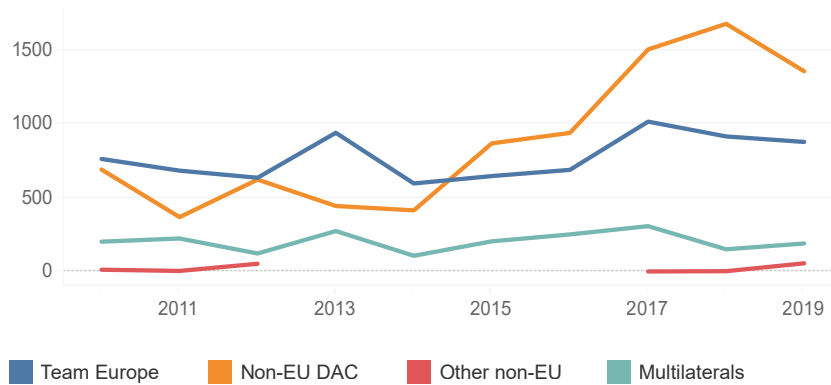
142. Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission (2017), The New European Consensus on Development, [2017/C 210/01](https://ec.europa.eu/europeaid/european-consensus-development_en).

development, promoting the use of digital technologies and supporting enabling environments for the digital economy by improving free, open and secure connectivity and removing obstacles to the realisation of the digital economy's full potential for sustainable development.

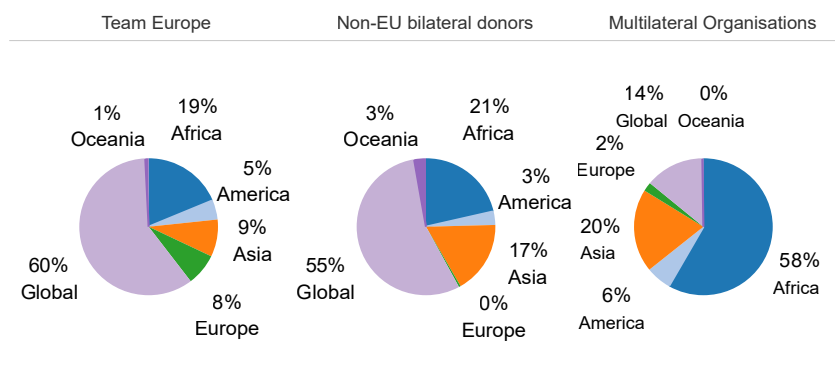
Figure 8.1 – The EU and its Member States' ODA for science, technology and innovation

Commitments, EUR million, 2019 prices

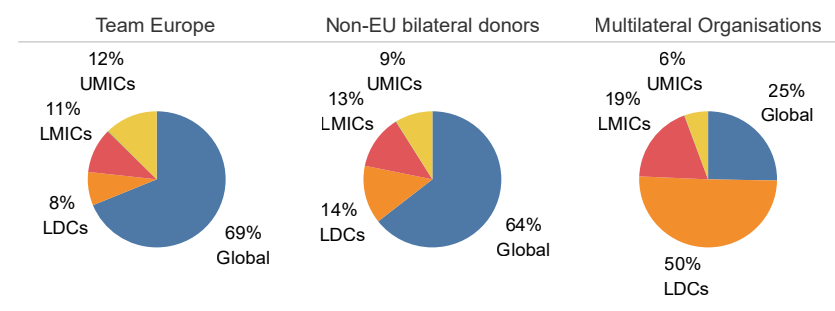
Trend in ODA for Science, Technology and Innovation (STI)



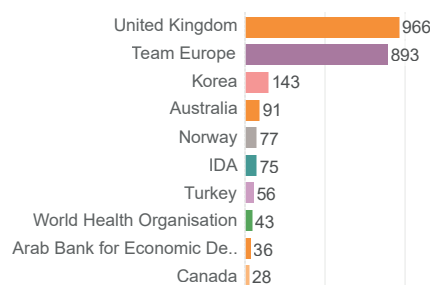
ODA for STI by Region, 2019



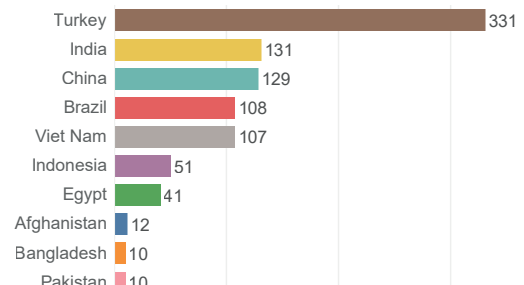
ODA for STI by Income Group, 2019



Top 10 donors of ODA for STI, 2019



Top 10 recipients of EU ODA for STI, 2019



Agricultural research 308	Research/scientific institutions 244	Environmental research 147	Medical research 74	
			Advanced technical and managerial training 52	

Source: OECD/DAC – Creditor Reporting System

Implementation

Science, technology and innovation

As shown in Figure 8.1, the EU and its Member States are the second largest provider of official development assistance (ODA) for STI to developing countries. Between 2010 and 2019, EU commitments in this area – not including digital transformation and scholarships – grew by 20%, from EUR 764 million to EUR 880 million, representing more than 40% of global ODA for STI¹⁴³. Most programmes are either global or regional, with Africa receiving about half of bilateral STI support. Agricultural, environment and medical research receive the largest share of EU STI support. The EU and 13 Member States¹⁴⁴ reported some 60 STI projects valued at EUR 630 million.

Since 2018, the European Commission has been contributing to the development of STI for SDGs roadmaps in the context of the Global Pilot Programme launched by the United Nations Inter-Agency Task Team on STI for SDGs (UN IATT) of the Technology Facilitation Mechanism¹⁴⁵. In 2021, a series of guidance documents were published jointly with UN IATT. This new approach is based on an EU approach to the design and implementation of localised STI agendas. Two out of six global pilot countries have already used the methodology, which is now being applied in developing countries in Africa. In 2021, a series of awareness raising and capacity building activities on STI for SDGs were organised, reaching more than a thousand policy makers and interested stakeholders.

By a wide margin, the EU, collectively, is **the world's largest source of scholarships for students from developing countries**. European spending represents almost 90% of total ODA spending for scholarships by donor countries. Some Member States are particularly active in this area: Germany and France together provided 75% of the EU total in 2019.

Figure 8.2 shows that the objective of substantially expanding the number of scholarships available to developing countries by 2020 is within reach, although the impact of COVID-19 on student travel may have affected these programmes in 2020. Between 2014 and 2019, European annual commitments for scholarships grew by 45%, from EUR 2 billion to EUR 2.9 billion (at 2019 prices). EU scholarships to residents of African countries also grew in real terms, from EUR 654 million in 2014 to EUR 790 million in 2019, and to residents from LDCs from EUR 234 million to EUR 277 million, though declining in relative terms from 12% in 2014 to 9% in 2019.

Capacity-building is central to boosting innovation in developing countries. The European Commission supports the **Partnership for Research and Innovation in the Mediterranean Area**, a multilateral funding programme involving EU Member States, Horizon 2020 associated countries and Mediterranean partner countries on an equal footing of co-ownership, co-management and co-funding.

France, through a network of operators such as CIRAD (*Centre de coopération internationale en recherche agronomique pour le développement*) and IRD (*Institut de recherche pour le développement*), strengthens the role of international scientific communities in developing countries and helps in building their capacity. In February 2021, France established an Innovation Fund for Development to support low- and middle-income countries in accelerating the deployment of solutions to fight poverty.

143. Source: Creditor Reporting System, OECD, commitments, 2019 prices. Data for the European Institutions does not include funding from the research and innovation framework programme Horizon 2020.

144. Austria, Belgium, the Czech Republic, Germany, Estonia, Finland, Hungary, Lithuania, Malta, Portugal, Romania, Slovenia, and Sweden.

145. See Global Pilot Programme on STI for SDGs Roadmaps; [Technology Facilitation Mechanism](#)

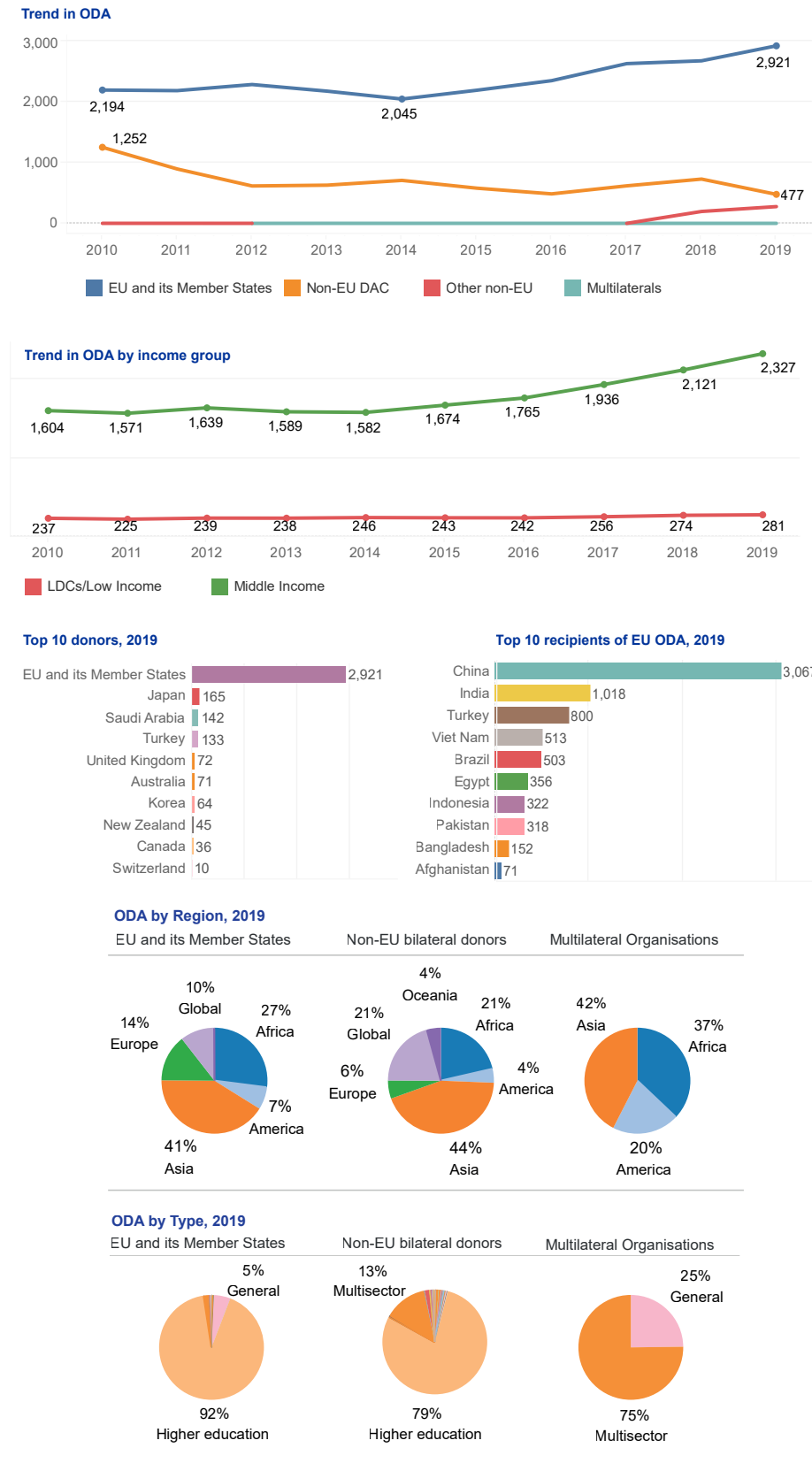
The EU, collectively, is the world's largest source of scholarships for students from developing countries.



Lithuania supports hydroponic fodder technology to promote entrepreneurship in Mali. The aim of the project is to improve social and economic conditions of young Malians through skills development, improved access to basic services and adaptation of innovative technologies to local conditions.

Figure 8.2 – The EU and its Member States’ ODA for scholarships and study costs

Commitments, EUR million, 2019 prices.



Source: OECD/DAC - Creditor Reporting System.

In 2019, in cooperation with the Istanbul Regional Hub of the UN Development Programme, **Poland** launched a new modality to promote private sector engagement in development cooperation. The Polish Challenge Fund is a platform for identifying and implementing innovations from the private sector, research institutes and academia that are sustainable, relevant to the local context, scalable and replicable.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Science, technology, innovation and digitalisation	8.1 Science, technology and innovation	2015-2030	Continue investing in research and development in and for developing countries, including the enhancement of national innovation systems	▲	✓
Science, technology, innovation and digitalisation	8.1 Science, technology and innovation	2020	Expand substantially the number of scholarships available globally to developing countries by 20220.	▲	✓

Effort and Progress

Consistent effort ▲ Commitments likely to be met ✓

Very strong effort ▲ Commitments met ✓

The central role of digitalisation for developing countries has grown gradually over the years. Global digital partnerships are now one of five priorities for the EU's external cooperation efforts.

Digitalisation

Over the decade from 2010 to 2019, ODA provided by the EU and its Member States to bridge the 'digital divide' remained quite low, although OECD DAC data on digitalisation underestimate volumes¹⁴⁶. The EU and its Member States provided on average EUR 136 million in ODA for digital transformation in 2018-2019¹⁴⁷, almost twice the 2015 level of EUR 70 million, but representing 13.5% of global ODA for digital in 2019. However, a positive trend is that EU commitments for digital transformation to LDCs grew sharply, from EUR 2 million in 2014 to EUR 28 million in 2019.

The central role of digitalisation for developing countries has grown gradually over the years, but global digital partnerships are now one of five priorities for the EU's external cooperation efforts. Tackling the digital divide is essential. The access and use of Internet and digital technologies is not equally distributed around the world, and nearly 40% of the world's population remains unconnected, most of them in LDCs. The EU's long-term budget, coupled with NextGenerationEU, will be the largest stimulus package ever financed in Europe; one of its main purposes is to promote a more equitable digital future.

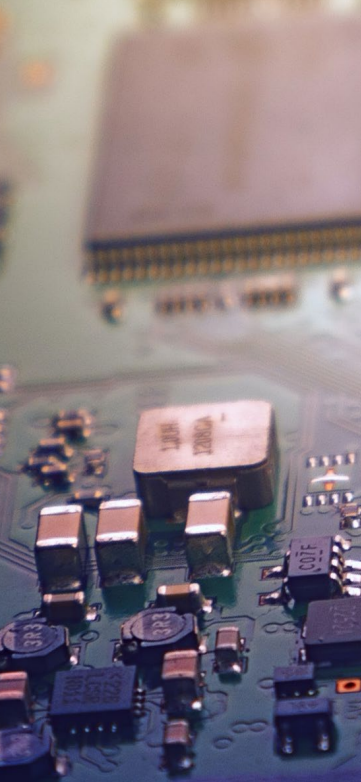
In early 2021, the Commission published its **Communication 2030 Digital Compass: the European way for the Digital Decade**¹⁴⁸. The communication presents the vision and strategy of Europe's digital transformation through 2030. Its external dimension includes a strong focus on international partnerships and a commitment to develop digital economy packages for developing and emerging countries. These packages are being designed so that the cardinal points of the Digital Compass remain linked and addressed comprehensively, guaranteeing the promotion of a human-centric approach to digital development within international organisations, in cooperation with Member States and like-minded partners.

146. OECD (2019), [Connecting ODA and STI for inclusive development: measurement challenges from a DAC perspective](#), DCD/DAC(2019)38.

147. Source: OECD Creditor Reporting System. Reporting of ODA for ICT could be substantially higher than the figures shown here. Because ICT is a cross-sector investment, most donors attribute ICT spending to the sector in which the technology is used.

148. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2030 Digital Compass: the European way for the Digital Decade, [COM\(2021\) 118 final](#).





The EU-AU Data Flagship is one initiative to strengthen the African data economy, foster digital sovereignty on the African continent and link African and European digital markets.

The **Digital4Development (D4D)**¹⁴⁹ approach has been the Commission's comprehensive framework for digital development policy since 2017¹⁵⁰. It acknowledges the potential of digital technologies and services as powerful enablers for sustainable, inclusive development and growth. The EU's development cooperation response to digital challenges is structured into four pillars of digital transformation aligned with the cardinal points of the Digital Compass: 1) governance, policy and regulatory frameworks; 2) support for universal access to enhanced, affordable and secure connectivity; 3) digital literacy, skills and entrepreneurship; and 4) accelerated adoption of e-services for achieving the SDGs.

The **Global D4D Hub**, established by the EU and five founding EU Member States¹⁵¹, gathers key stakeholders from EU Member States, the private sector, civil society and financial institutions in a Team Europe spirit and connects them with stakeholders in partner countries having three objectives; 1) to scale up investments in the digital transformation of partner countries; 2) to promote a comprehensive values-based rulebook for a digital economy and society worldwide; and 3) to promote a stronger and more strategic EU engagement in international digital partnerships. The African Union-European Union D4D Hub, the first operational regional component of the larger hub, began operations in January 2021. It will operate as a strategic tool to advance stakeholder dialogue, joint partnerships and investments in the African digital economy. The Latin America and Caribbean branch was launched in December 2021 and will become operational in 2022, while the launch of the South East Asia leg was foreseen at the Indo-Pacific forum on 22 February 2022 with its start later on this year.

The sixth EU-Africa business forum, held in 2017, concluded that the digital economy is a driver of inclusive job creation and sustainable development, and that it provides cost-effective solutions to ongoing development challenges. The importance of an EU-Africa digital cooperation platform involving all relevant stakeholders was acknowledged. The D4D policy included support for digital integration on the African continent, the deployment of affordable broadband connectivity and equipping young people with digital skills.

At the same time, the EU and the African Union also established the **African-European Innovation Bridge (AEDIB)** as a pan-African network of digital innovation hubs. AEDIB will promote joint ventures between Africa and Europe; provide technical innovation expertise and experimentation for small and medium-sized businesses and start-ups; and connect digital transformation professionals, academia, investors, incubators, and the public sector. It will work to overcome technological and entrepreneurial challenges by facilitating access to financing for African Digital Innovation Hubs (DIHs), mutual learning and joint development of solutions. A digital and entrepreneurial skills academy will be created, with a special focus on youth and women. AEDIB's partners include some 80 countries, of which more than 30 have established DIHs. The goal is to establish DIHs in every country so as to form a single market for digital innovation in Europe and Africa.

The **EU-AU Data Flagship** is another initiative to strengthen the African data economy, foster digital sovereignty on the African continent and link African and European digital markets. This partnership will facilitate investments in African data infrastructure and data technologies and services that can accelerate the digital transformation of the continent. It will also create a more enabling data economy in Africa by increasing the number of highly qualified data professionals, with a focus on issues related to data protection, collection, storage, analysis, interpretation and visualisation.

The **2019 Joint communication 'European Union, Latin America and the Caribbean'**¹⁵² stated that digital cooperation should be made central to the relationship, assisting the economies of both regions to reap the benefits of new technologies, while promoting innovation and digitalisation.

149. [D4D Hub](#).

150. Commission Staff Working Document Digital4Development: mainstreaming digital technologies and services into EU Development Policy, [SWD\(2017\) 157](#).

151. Founding Member States: Belgium, Estonia, France, Germany and Luxembourg, now also joined by Finland, Lithuania, Netherlands, Portugal, Spain, Sweden.








152. Joint Communication to the European Parliament and the Council, European Union, Latin America and the Caribbean: joining forces for a common future, 16.4.2019, [JOIN\(2019\) 6 final](#).

The **BELLA programme**, launched in 2016 and implemented through 2022, is providing for the long-term interconnectivity of European and Latin American research and education communities. To significantly enhance the ability of researchers and academics across the two regions to collaborate together, BELLA-S aimed to meet the transatlantic data-sharing needs of the European and Latin American research and education communities. BELLA-S concluded successfully in 2021 with the operationalisation of the EllaLink submarine transatlantic cable. The territorial section of the programme (BELLA-T) will complete the terrestrial optical fibre network infrastructure of RedCLARA, thus significantly improving the Latin American research and education backbone (to be fully completed in 2022).





The Joint Communique of the EU27 - Latin America and Caribbean Informal Ministerial Meeting (Berlin 2020) highlighted the progress on BELLA, underscoring the potential of a **bi-regional Digital Alliance** now expected to be launched in 2022 and supported by ODA.

The EU and 11 Member States (Austria, Belgium, Czech Republic, Germany, Estonia, Finland, France, Hungary, Lithuania, Portugal and Slovenia) reported more than 70 actions taken between 2018 and 2020 to support sustainable development in developing countries through use of digital technology.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
Science, technology, innovation and digitalisation	8.2 Digitalisation	2015-2030	Continue to support information and communication technologies in developing countries as powerful enablers of inclusive growth and sustainable development.		
Science, technology, innovation and digitalisation	8.2 Digitalisation	2015-2030	Support digital entrepreneurship, including for MSMEs, to develop locally relevant content and promote innovation and decent job creation, as well as digital literacy and skills to empower people.		
Science, technology, innovation and digitalisation	8.2 Digitalisation	2015-2030	Support enabling environments for the digital economy by enhancing free, open and secure connectivity and removing obstacles to unleash its full potential for sustainable development.		
Science, technology, innovation and digitalisation	8.2 Digitalisation	2015-2030	Increase significantly access to information and communications technology and strive to provide universal affordable access to the Internet in LDCs by 2020.		
Science, technology, innovation and digitalisation	8.2 Digitalisation	2015-2030	Work on better mainstreaming digital solutions in development and promoting the use of digital technologies in a range of priority areas (such as e-governance, agriculture, education, water management, health and energy)		

Effort and Progress

- Consistent effort  Commitments likely to be met 
- Minimal effort  Commitments not likely to be met 

Chapter 9

Data Monitoring and Follow-up



Accurate and timely data are essential to the design of better policies and actions.

This chapter reviews the efforts made by the EU and its Member States on three fronts:

- supporting and participating in the global SDG indicator framework,
- providing relevant data on financing for development in a user-friendly manner,
- enhancing partner countries' capacity to collect meaningful data in a timely fashion.

The contribution of the EU and its Member States to the global SDG indicator framework



The **global SDG indicator framework**, developed by the Inter-Agency and Expert Group on the Sustainable Development Goal Indicators (IAEG-SDGs), was adopted by the UN General Assembly in July 2017.

The EU and its Member States contribute to the Global SDG Indicator Framework by participating in the IAEG-SDGs meetings at the UN (Denmark, Hungary, Ireland, Italy and Sweden are currently members of this group) and by providing financial support for the annual publication of the SDG Index and Dashboards.

The Sustainable Development Goals Reports have been published annually by the UN since 2015. Considerable progress has been made on the availability of internationally comparable data on the SDGs. The number of indicators measured in the global SDG database grew from 115 in 2016 to around 160 in 2019 and 211 in 2021 (UN, 2021, p.5).

Most Relevant SDG Goals and Targets

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

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

To follow up on the SDG commitments, the EU and its Member States produce a **joint synthesis report on the new Consensus**, including the impact of their actions in support of the 2030 Agenda in developing countries. The first report was published in May 2019¹⁵³. Future reports will be presented to the High-level Political Forum (HLPF) every four years, with the next one due in 2023. The joint synthesis report should be integrated as part of broader EU reporting on SDG implementation through internal and external action to be presented at the 2023 HLPF. The Investing in Sustainable Development Report focussing on the means of implementation also feeds into the joint synthesis report.

153. Report from the Commission, Supporting the Sustainable Development Goals across the world: The 2019 Joint Synthesis Report of the European Union and its Member States, [COM\(2019\) 232 final](#).



Providing relevant financing-for-development data in a user-friendly manner

The EU and its Member States make a substantial contribution to sustainable development statistics through tools that make access to more user-friendly data.

The **EU Aid Explorer** allows users to find comprehensive aggregate data as well as detailed information on international development projects funded by the EU and its Member States. The platform does not alter or interpret the data in any way. It is built from European Commission data and open data furnished by EU Member States to the OECD Creditor Reporting System and the International Aid Transparency Initiative. Data providers are the European Commission (both the EU budget and the European Development Fund), EU Trust Funds, the European Investment Bank and EU Member States.

The European Union also publishes infographics on **official development assistance (ODA) and sustainable development**. These provide a snapshot of financing for development resource flows for each partner country, mapping Team Europe's financial contribution in particular (see examples in Annex 3) and are available online¹⁵⁴.

The EU is committed to accurate measurement of the full spectrum of financing for development and particularly to the measure of **total official support for sustainable development (TOSSD)**¹⁵⁵, which aims to measure all resources for the SDGs, beyond the flows captured in ODA (e.g. non-concessional flows, resources mobilised from the private sector, support from emerging donors, etc.). The measure has been developed and is being fine-tuned by a task force of statisticians and development policy makers from recipient and provider countries (including six EU Member States) and international organisations. It is co-chaired by the European Commission and South Africa, with the OECD secretariat providing technical support.

The TOSSD task force finalised the first version of its reporting instructions in June 2019. Its first data survey demonstrated that reporting on TOSSD is feasible and worth undertaking. TOSSD is now recognised as a data source for SDG indicator 17.3.1 and has been adopted by the UN Statistical Commission.

TOSSD data, collected and published for the first time in 2021, covered flows for the year 2019, increasing transparency on all officially supported resources for the SDGs, including South-South cooperation, support for global public goods such as vaccine research and climate mitigation, and private finance mobilised by official interventions. The first real TOSSD reporting was a success: 87 bilateral and multilateral reporters participated in the exercise, including all but five EU Member States¹⁵⁶ and ten entities that had never before reported their development finance statistics (including Chile, Costa Rica, Indonesia, Nigeria and several UN agencies). The EU has put considerable effort into the data collection and reporting efforts, striving to provide as comprehensive a picture as possible.

The EU Aid Explorer allows users to find comprehensive aggregate data as well as detailed information on international development projects funded by the EU and its Member States.

EU and Member States' progress on financing for development commitments (2018-2020)

Area	Section	Deadline	Commitments	Effort	Progress
International development cooperation	4.1 Official support and development assistance	2015-2030	Support initiatives to better measure the full spectrum of financing for development, such as Total Official Support for Sustainable Development (TOSSD).	▲	

Effort and Progress
Consistent effort ▲

Figure 9.1 shows the findings of the 2020 exercise covering the year 2019. The EU and its Member States provided the largest share of total official assistance for sustainable

154. European Union, [Joint Programming & Joint Implementation](#).

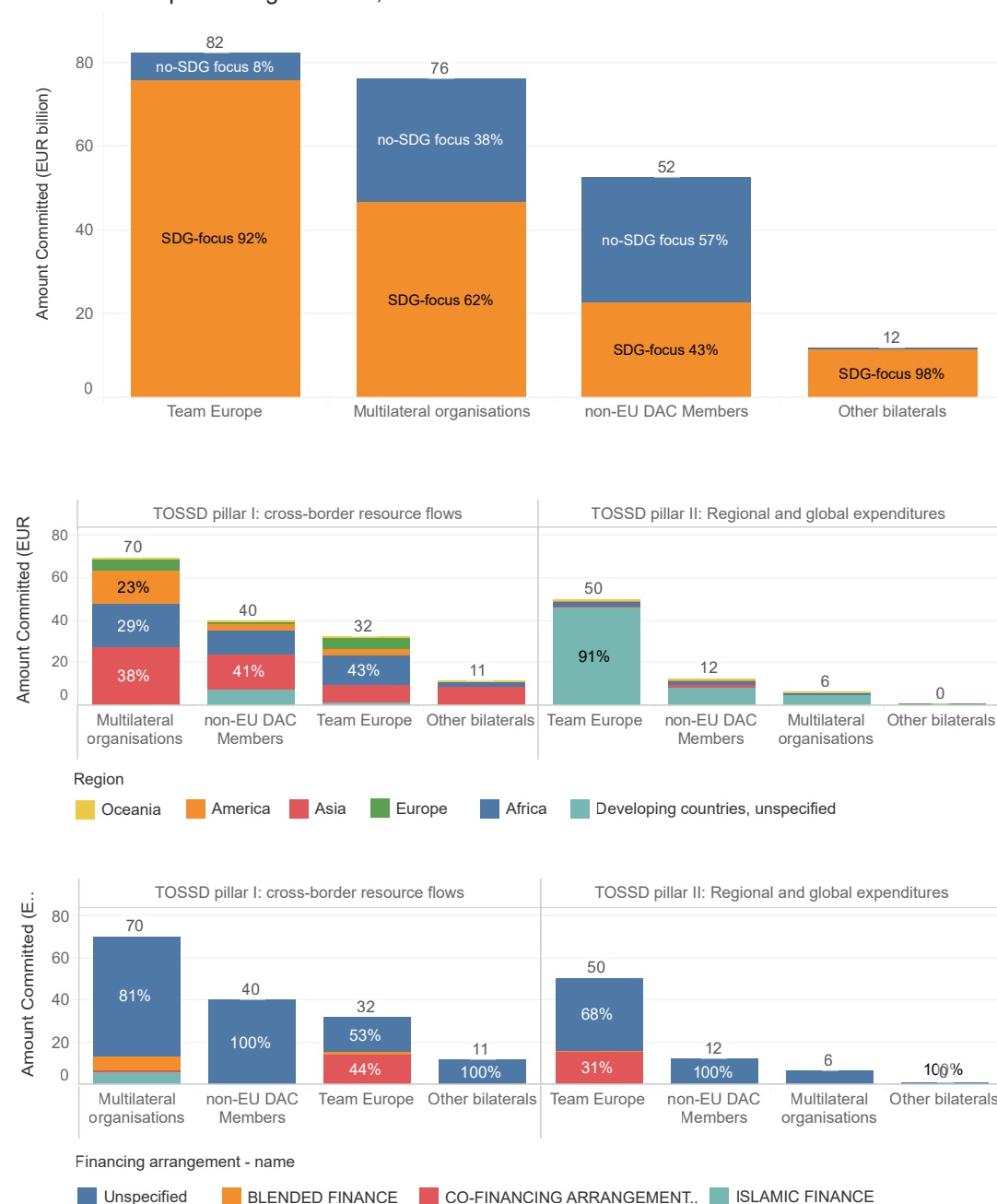
155. [Total Official Support for Sustainable Development](#).

156. i.e. Bulgaria, Czech Republic, Germany, Malta, and the Netherlands.

development, with a total of EUR 82 billion (even though five Member States did not participate in the 2020 TOSSD reporting exercise). This figure compares favourably with a collective ODA of EUR 58 billion in the same year from the EU and its 27 present Member States. By 2021, nearly all the ODA commitments reported by EU institutions include information on the relevant SDGs, well above the average reporting rate across OECD. Most of the EU and its Member States' TOSSD falls under Pillar II (global and regional), while its Pillar I contributions (cross-border flows) went in great part to Africa (43%).

Figure 9.1 – Results of the TOSSD 2020 data collection exercise

EUR billion or percentage of total, 2019 data



Source: TOSSD.org.

Enhancing statistical capacity in partner countries

The capacity to produce national data and statistics is a crucial prerequisite for an effective SDG monitoring system at the country level. In 2020, 132 countries and territories reported that they were implementing a national statistical plan, with 84 having plans that were fully funded, including 4 of the 46 LDCs (UN, 2021, p. 61). According to UN Stats, 63% of low-income and lower-middle income countries need additional financing for data and statistics to face the challenges posed by the COVID-19 pandemic.



Based on data from EU Aid Explorer, the EU and its Member States disbursed EUR 110 million over the period 2018-2020 to more than 50 partner countries for statistical capacity building. EU institutions are among the largest providers of funding for data and statistics, strengthening partner country capacities to produce and disseminate statistics and thereby enhancing accountability. Support focuses in particular on statistics for key economic and societal variables. The EU and its Member States contribute to global and multilateral initiatives such as the IMF's Data for Decisions Fund¹⁵⁷ and the PARIS21 consortium (Partnership in Statistics for Development in the 21st Century). It has also developed some 50 projects to support statistical capacity in partner countries.

The European Commission's statistical office, Eurostat, is supporting the quality, reliability and harmonisation of official statistics in Africa at the national, regional and continental levels. Eurostat continues to support the development and use of statistical tools, including guidelines on statistical cooperation, tools to support compilation of national accounts, trade statistics and the assessment of national statistical systems. During the years 2018-2020, Eurostat supported the use of statistical tools in Africa by adapting them to the African context (Snapshot), conducting workshops to support their implementation (by ERETES, Eurotrace and others) and providing bilateral targeted assistance. Eurostat also supported 16 peer reviews on the continent and supported the production of continental trade statistics for 2017, 2019 and 2020. Eurostat maintains a regular guide to statistical cooperation and funded workshops and trainings that tackle the specific statistical needs of partner countries.

EU institutions are among the largest providers of funding for data and statistics, strengthening partner country capacities to produce and disseminate statistics and thereby enhancing accountability.

In partnership with the African Union Commission, Eurostat has been implementing the Pan-African Statistics Programme (2016-2021). For the second phase of the programme, which is in preparation, Eurostat and some European national statistical institutes will work together to provide support to the African statistical system. The objectives of the programme are to widen the availability of statistical information for decision-making and policy monitoring; to strengthen frameworks for collecting, producing and disseminating harmonised statistics in Africa; and to build institutional capacity for official statistics of good quality that support the African integration process and measure progress towards global goals. Its objectives build on the Strategy for the Harmonisation of Statistics in Africa¹⁵⁸ and the African Charter on Statistics¹⁵⁹.

France, Germany, Greece, Luxembourg, Portugal, Spain and Sweden have global, regional and bilateral programmes on statistical capacity building.

157. IMF, [Data for Decision \(D4D\) Fund](#).





158. <https://au.int/en/ea/statistics/shasa>

159. https://au.int/sites/default/files/treaties/36412-treaty-african_charter_on_statistics_eng.pdf





Annexes

Annex 1 – Summary of Progress by EU and Member States on Financing for Development Commitments, 2018-2020

Effort

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













Progress












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

Action area	Section	Deadline	Commitments	Effort	Progress
A: Domestic public resources	2.1 Domestic resource mobilisation (DRM) and public financial management (PFM)	2020	For Addis Tax Initiative development partners, double support for technical cooperation in the area of DRM by 2020, in terms of both disbursements and commitments. Official development assistance financing for DRM in 2015 is considered the baseline.	The EU and its Member States showed very strong and consistent efforts in supporting DRM through global, regional and country-level initiatives, mostly using ODA.	EU ATI Members met this target by 2018, as their DRM commitments more than tripled and gross disbursements doubled between 2015 and 2018.
		2015-2030	Help countries to improve their public financial management and budget transparency, to set financially sustainable public policies, and improve good governance at all levels.	The EU and its Member States' ODA for PFM grew by 20% in real terms (2019 prices) from an average of EUR 641 million in 2016-2017 to EUR 766 million in 2018-2019.	The need for support on PFM capacity remains significant. As shown in the 2020 PEFA Global Report, only nine of the 31 performance indicators improved between 2016 and 2019.
	2.2 Illicit financial flows	2015-2030	Increase the exchange of information and close loopholes and mismatches in the legal framework to limit tax evasion and tax avoidance.	The EU and its Member States have shown consistent efforts in scaling up international cooperation on tax matters. EU Member States are either fully or largely compliant with the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.	Member States are politically committed to the Base Erosion and Profit Shifting framework. They have activated its country-by-country information exchange network, and most have a domestic law on country-by-country reporting in place.
			Scale up international cooperation against illicit financial flows.	There has been a consistent effort by the EU and its Member States to help partner countries to reduce illicit financial flows. That effort includes the provision of support for key international fora and the publication of a list of tax jurisdictions that are not cooperating.	Global progress has been insufficient. Every year, an estimated USD 88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight, according to UNCTAD.
	B: Domestic and international private business and finance	3.1 Private-sector development	2015-2030	Facilitate sustainable investment and private-sector development in partner countries.	The EU and its Member States have made private sector development a top policy priority. Assistance for the purpose grew by two-thirds over the last decade, with a growing amount of ODA resources committed to it, evidence of a strong effort. Complementing ODA, the EU and its Member States have mobilised a significant amount of private investment in partner countries.
Support policies aimed at improving the regulatory environment for the private sector.				The EU and its Member States' efforts to support improvements of the business environment in partner countries have been consistent, notably in the regulatory environment for the private sector.	85% of policy-based lending to improve the regulatory environment for the private sector comes through multilateral organisation. This global commitment is likely to be met.
Provide micro, small, and medium-sized enterprises and the poor with greater access to finance.				Even though the EU and its Member States have many programmes supporting access to credit by MSMEs, amounts have been relatively small. Progress in this area has been limited.	Global progress has been insufficient. Access to credit by MSMEs stagnated over the period 2014-2019 as a percentage of GDP in lower-middle-income countries. The percentage declined in low-income and upper-middle-income countries.
3.2 Remittances		2030	Reduce the average cost of remittance transactions to less than 3% by 2030, with no corridor having costs greater than 5%, and encourage efforts to channel remittances into productive investments.	Efforts have been limited to legislation and transparency, leading to a modest reduction of 2 percentage points since 2015 to 5.8% in Q3 2021.	Progress has been insufficient, as remittance costs in the EU remain well above the 2030 target of 3%.
3.3 Sustainable business		2015-2030	Support responsible business practices and responsible management of supply chains.	The EU and its Member States are supporting the use of responsible business practices along supply chains through policies on human rights, trade and responsible value chains, as well as environmental, social, and governance disclosure requirements for large financial and non-financial corporations in the EU.	Similar support is provided by non-EU countries. This global commitment is likely to be met.

Action area	Section	Deadline	Commitments	Effort	Progress
C: International development cooperation	4.1 Official support and development assistance	2030	Achieve collectively the target of 0.7% ODA/GNI by 2030.	There has been some consistent effort towards reaching the 0.7% target, but it is insufficient.	Progress has been insufficient. Still, the EU and its Member States increased their ratio of ODA to gross national income (GNI) to 0.5% in 2020, marking a turn in the previous declining trend since following the peak in 2016-19.
		2020	Provide to the least-developed countries (LDCs) between 0.15 and 0.20% of collective ODA/GNI in the short term.	While the EU and its Member States are allocating more ODA to LDCs than other donors, the ratio to GNI remained steady in 2019 (0.10%)	Progress has been insufficient, as 0.10% is significantly below the 2020 short-term target (0.15%).
		2030	Provide at least 0.20% by 2030.	While the EU and its Member States are allocating more ODA to LDCs than other donors, the ratio to GNI remained steady in 2019 (0.10%)	The gap between the present level and the 2030 target widened.
		2015-2030	Reverse the decline in the share of ODA going to LDCs.	The EU and its Member States introduced policy changes that are conducive to further increases over time.	This commitment has been met. The proportion of ODA going to LDCs grew by 4% from one-fifth in 2016 to about one-fourth (24%) between 2015 in 2019.
			Support initiatives to better measure the full spectrum of financing for development, such as Total Official Support for Sustainable Development (TOSSD).	The EU and its Member States have been instrumental in developing the TOSSD statistical measure and have largely embraced TOSSD as a new statistical framework for reporting on support for the SDGs.	TOSSD is now recognised as a data source for SDG indicator 17.3.1 and has been adopted by the UN Statistical Commission. Ensuring that even more development providers report will further improve the success of the measure.
	4.2 Development effectiveness	2015-2030	Improve ownership, the focus on results, predictability, forward planning, transparency, transaction costs and knowledge sharing.	The EU and its Member States have shown deteriorating performance on development effectiveness, with declining ratings from the Global Partnership for Effective Development Co-operation.	Progress has been insufficient. Performance in the following areas worsened: short-term predictability; the use of indicators drawn from partner countries' results frameworks or PFM systems; involvement of partner governments in project evaluations; and transparency. At the same time, mid-term predictability, joint programming and untied aid improved.
	4.3 ODA as a catalyst	2015-2030	Mobilise additional financial resources for developing countries from multiple sources.	The average amounts mobilised by the EU and its Member States from its the private sector, as measured by OECD-DAC, almost doubled in 2018-2019 compared to the previous three years.	This target is directional and not quantified. The upward direction of progress made to date permits the conclusion that this commitment has been met.
			Contribute to the set-up of innovative finance facilities aimed at supporting investments in partner countries, including in infrastructure, clean technology and energy.	Innovative finance mechanisms mobilised close to EUR 10 billion of additional financial resources for the EU and its Member States in 2020, almost 9 times the amount generated in 2019 and close to 15% of EU ODA in 2020.	Contributions to the establishment of facilities were substantial enough that this commitment is likely to be met.
			Implement innovative finance mechanisms, instruments and modalities which do not burden developing countries.	The EU and its Member States were also able to mobilise EUR 5 billion through a mix of guarantees, investments, credit lines and collective investment vehicles.	Implementation of innovative instruments was substantial enough that this commitment is likely to be met.

Action area	Section	Deadline	Commitments	Effort	Progress
C: International development cooperation (cont'd)	4.4.1 Climate finance	2020-2025	Contribute to the collective goal of mobilising USD 100 billion annually by 2020 and through to 2025 from a wide variety of sources.	In 2019, the EU reported an amount of EUR 21.9 billion (USD 25 billion), representing 30.8% of total annual climate finance mobilised globally.	The sum of USD 79.6 billion was mobilised globally in 2019. While the target was probably not met in 2020, the OECD projects it will be met by 2023.
		2015-2030	Provide balanced support for climate mitigation and adaptation in developing countries.	Climate adaptation received 49% of the ODA grants for climate finance that the EU and its Member States made in 2018-2019.	Climate adaptation is the most pressing need of developing countries but received only 27% of global ODA support for climate finance in 2018. The EU's progress has therefore been better than that of the larger pool of donors.
		2020	Spend at least 20% of the EU budget on climate action by 2020.	For the 2014-2020 period, EUR 216 billion (20.15%) of the EU budget was spent on climate action.	The commitment has been met.
	4.4.2 Sustainable energy	2015-2030	Widen access to energy, increase energy efficiency, and step up the generation of renewable energy to achieve a sustainable balance between energy production and consumption.	The EU and its Member States have provided a consistent level of funds for sustainable energy (EUR 4 to 5 billion a year between 2014 and 2019).	Access to energy in developing countries grew from 82.7% in 2014 to 88.2% in 2019. Indicators on energy efficiency and renewable energy generation worsened.
	4.4.3 Biodiversity	2015-2030	Support the conservation and sustainable management and use of natural resources; support the conservation and sustainable use of biodiversity and ecosystems	The EU and its Member States have shown significant effort in policy-making, with the EU renewing its biodiversity strategy and enforcing policies against illegal logging and wildlife trafficking. It has also doubled its ODA support for biodiversity, meeting the Aichi targets every year between 2015 and 2019.	ODA for biodiversity provided by non-EU donors and multilateral institutions, was not only smaller than ODA from the EU and its Member States (40% vs 60% of total in 2019) but has also declined between 2015 and 2019,
	4.5 Strengthening resilience	2015-2030	Strengthen disaster resilience and preparedness through financing and policy reform.	The EU and its Member States have made consistent efforts in providing ODA for disaster risk reduction and multi-hazard response preparedness. Support increased from EUR 271 million in 2015 to EUR 410 million in 2019, almost twice the 2010 level in real terms. The EU and its Member States have also supported multiple actions on resilience, both at global and country levels.	ODA for disaster risk reduction and multi-hazard response preparedness from non-EU bilateral donors increased from EUR 539 million in 2015 to EUR 850 million in 2019. ODA for the same purposes from multilateral organisations declined from EUR 1,652 million in 2015 to EUR 1,405 million in 2019.
	4.6 Human development	2015-2030	Promote social inclusion and cohesion and continue to support partner countries in their efforts to build strong, resilient healthcare systems of good quality.	There are several examples of the EU and its Member States promoting social inclusion and cohesion. One is the development of an 'Inequality Marker' to assess EU contribution to reducing inequality in partner countries. Also, in countries where inequality is significant, Team Europe 'equality flagship' initiatives were set up.	Promotion of social inclusion is being pursued globally through many programmes managed by key multilateral organisations and funded by their own resources as well as by EU and non-EU donors.
			Allocate at least 20% of ODA to social inclusion and human development, including health, education and social protection.	The EU and its Member States allocated EUR 8.2 billion, or 13% of their ODA commitments to human development in 2019, a real-term rise of more than 70% since 2015.	Progress has been insufficient. ODA for human development in 2019 remained at 13% of total ODA, well below the 20% goal. Regarding the EU budget, the 20% target has been met as of 2018.

Action area	Section	Deadline	Commitments	Effort	Progress
D: International trade	5. International trade	2015-2030	Significantly increase world trade in a manner consistent with the Sustainable Development Goals, particularly exports from the LDCs and other developing countries, with a view towards doubling their share of global exports by 2020, as stated in the Istanbul Programme of Action.	 The EU has become the main export market for LDCs, benefitting from the EU's extensive system of duty- and quota-free market access for LDCs.	 Progress towards doubling the share of LDC exports in EU imports has been insufficient, as the latter remained at about 2% from 2010 to 2020.
			Implement the Bali package, including ratifying the WTO Trade Facilitation Agreement, introducing simplified and preferential rules for imports from LDCs; giving offering preferential treatment to services and suppliers of services of LDCs (Services Waiver), and offering duty- and quota-free market access to LDCs	 The Trade Facilitation Agreement was ratified in 2015. The EU has taken steps to simplify rules of origin for goods imported from developing countries, in particular LDCs. In 2015, it notified the WTO of its approval of the Service Waiver. It has granted duty- and quota-free market access to LDCs.	 The EU has fully implemented the Bali package. and The commitment has been met.
			Ensure that the provisions in trade agreements relating to trade and sustainable development are implemented and used effectively.	 All EU's recent trade agreements negotiated and implemented with partner countries systematically include provisions on labour standards, environmental protection and other societal issues.	 The commitment is likely to be met once older trade agreements are re-negotiated.
			Promote Aid for Trade and facilitate MSME integration in global value chains. Allocate an increased proportion of Aid for Trade to LDCs.	 The EU and its Member States increased their Aid for Trade from EUR 16.1 billion in 2015 to EUR 17.9 billion in 2019 in real terms, providing over 56% of global Aid for Trade. The share going to LDCs grew from 14.6% in 2015 to 15% in 2019.	 The commitment is being met.
E: Debt and debt sustainability	6. Debt and debt sustainability	2015-2030	Assist developing countries in reaching long-term debt sustainability through coordinated policies aimed at debt financing, debt relief, debt restructuring and sound debt management. Increase collaboration between debtors and creditors to prevent and resolve unsustainable debt situations.	 The EU and its Member States have been leading global efforts to manage debt sustainability for the poorest countries and provided financial and technical support for World Bank and IMF facilities set up to address the debt crisis exacerbated by the COVID-19 pandemic.	Because of COVID, the World Bank and IMF assessed that almost half of the LDCs were at high risk of debt distress or already in distress by 2021, showing deteriorating progress in this area.
F: Systemic issues	7.1 International governance	2015-2030	Improve and enhance global economic governance and arrive at a stronger, more coherent and more inclusive and representative international architecture for sustainable development.	 The EU and its Member States have been the largest contributor to the multilateral system and the largest provider of core contributions to multilateral organisations for the entire period under review, showing consistency of effort. The EU and its Member States have also successfully advocated for reforms of the UN and Bretton Woods institutions (IMF and World Bank) aimed at a more inclusive global governance. Those reforms are finally underway, and commitments in this area are likely to be met.	Progress in the reform of the UN and Bretton Woods institutions has been limited; developing countries are still under-represented in international financial institutions.
	7.2 Policy coherence	2015-2030	Mainstream policy coherence for sustainable development across all three dimensions of sustainable development.	 The EU and its Member States have institutionalised its Addis Agenda commitments into national SDG strategies and policies. In so doing, they have used policy coherence for sustainable development as a means of implementation.	 The lack of proper baselines and indicators to measure policy coherence for sustainable development makes monitoring and managing performance on this front very challenging.

Action area	Section	Deadline	Commitments	Effort	Progress
G: Science, technology, innovation and digitalisation	8.1 Science, technology and innovation	2015-2030	Continue investing in research and development in and for developing countries, including the enhancement of national innovation systems.	 The EU and its Member States are the second-largest provider of ODA for science, technology and innovation to developing countries, reaching almost EUR 1 billion in 2019.	 The commitment being met.
		2020	Expand substantially the number of scholarships available globally to developing countries by 2020.	 By a wide margin, the EU, collectively, is the world's largest source of scholarships for students from developing countries. EU spending in this area grew by 45% in real terms between 2014 and 2019. The EU and its Member States are the second-largest provider of ODA for science, technology and innovation to developing countries, reaching almost EUR 1 billion in 2019.	 The commitment is likely to be met.
	8.2 Digitalisation	2015-2030	Continue to support information and communication technologies in developing countries as powerful enablers of inclusive growth and sustainable development.	 The EU and its Member States provided on average of EUR 110 million in ODA for information and communication technology during the period 2017-2019, representing only 0.2% of total ODA in 2019.	 Data show that the amounts involved, even if growing rapidly, remain insufficient.
			Increase significantly access to information and communications technology and strive to provide universal affordable access to the Internet in LDCs by 2020.	 Given the limited support provided as indicated above, the EU contribution to the goal has been minimal.	
			Work on better mainstreaming digital solutions in development and promoting the use of digital technologies in a range of priority areas (such as e-governance, agriculture, education, water management, health and energy).	 In December 2020, the EU launched three flagship initiatives to ensure a strong and unified European voice to promote EU values, standards and strategic interests in the digital sphere. Those initiatives are the Digital4Development (D4D) Hub, the African European Innovation Bridge (AEDIB) and the EU-AU Data Flagship.	 While the financial amounts provided for some aspects of this commitment are still too low, the recent increase in funds for digitalisation makes this commitment likely to be met.
			Support enabling environments for the digital economy by enhancing free, open and secure connectivity and removing obstacles to unleash its full potential for sustainable development.	 The EU and several Member States (e.g. Finland, France and Germany) stress a human rights-based approach to innovation and digital development and target positive impacts on the lives of people living in vulnerable situations.	Support for an enabling environment for the digital economy has been growing over time and is often funded by private donors within and outside the EU. This commitment is likely to be met.
			Support digital entrepreneurship, including for MSMEs, to develop locally relevant content and promote innovation and decent job creation, as well as digital literacy and skills to empower people.	 The EU and 11 Member States (Austria, Belgium, Czech Republic, Germany, Estonia, Finland, France, Hungary, Lithuania, Portugal and Slovenia) reported 71 actions taken between 2018 and 2020 to support sustainable development in developing countries through the use of digital technology.	Support for digital entrepreneurs has been growing over time and is often funded by private donors from within and outside the EU. This commitment is likely to be met.

Annex 2 – Statistics on Sustainable Finance

Table 1 – Snapshot of global sustainable investing assets under management, 2016-2020						
Region	2016		2018		2020	
	USD billion	% of total	USD billion	% of total	USD billion	% of total
Europe	12,040	52.6	14,075	48.8	12,017	41.6
United States	8,723	21.6	11,995	25.7	17,081	33.2
Japan	474	3.4	2,180	18.3	2,874	24.3
Canada	1,086	37.8	1,699	50.6	2,423	61.8
Australia/ New Zealand	516	50.6	734	63.2	906	37.9
Africa	721		418		N/A	
Latin America	N/A		1,200		N/A	
Total	23,549	27.9	32,301	33.4	35,301	35.9

Source: Global Sustainable Investment Alliance (GSIA), 2021.

Table 2 – Green, social, sustainable and climate aligned bonds issued as of end 2020 by type of issuer						
Indicator	Green	Sustain-ability	Social	Sub-Total	Climate Aligned	Total
Total size of market (USD billion)	1,100	317	316	1,732	913	2,646
of which Europe	465	75	103	643	n/a	643
Number of issuers	1,428	178	601	2,207	420	2,627
Number of instruments	7,716	885	1,230	9,831		9,831
Number of countries	71	30	36		45	
Number of currencies	42	33	25		33	

Source: Climate Bonds Initiative database.

Table 3 – Sovereign GSS bonds issued through end 2020		
Theme	Country	USD billion
Green	France	30.7
	Germany	13.6
	Netherlands	10.0
	Belgium	8.2
	Ireland	5.7
	Poland	4.3
	Sweden	2.3
	Hungary	1.9
	Lithuania	0.1
	Non-EU Sovereign	11.3
Sustainability	Luxembourg	1.8
	Non-EU Sovereign	3.0
Social	Non-EU Sovereign	4.5
Total		97.4

Source: Climate Bonds Initiative.

Table 4 – GSS bond issuance by developing country issuers or to be used for sustainable development, 2014-2020					
Issuer	Green	Social	Sustainable	Climate aligned	Total
Developing countries (excluding China)	42	4	8	60	114
of which Sovereign	4	3	2		9
China	130	69	3	325	527
of which Sovereign	1				1
Total Developing Countries	172	73	11	385	641
Multilateral Development Banks	86	37	182		305
The EU and its Member States (proceeds allocated to developing countries or development cooperation)	14	3	2		19
of which Sovereign	4				4
Total	272	113	195	385	965

Source: Climate Bonds Initiative.

Table 5 – Proceeds from the EU and its Member States' GSS bond issuances allocated to development cooperation - EUR millions, cumulative 2015-2021	
Green Bonds	13,982
EU DFIs	7,517
<i>EBRD</i>	5,211
<i>EIB</i>	2,306
Germany	4,156
<i>Federal Republic of Germany</i>	4,156
<i>KfW</i>	0
France	2,000
<i>AFD</i>	2,000
Belgium	211
<i>Kingdom of Belgium</i>	211
Spain	93
<i>ICO (Instituto de Credito Oficial)</i>	93
Ireland	5
<i>Republic of Ireland</i>	5
SDG Bonds	2,178
Austria	178
<i>OeKB</i>	178
France	2,000
<i>AFD</i>	2,000
Social Bonds	2,943
EU DFIs	2,943
<i>EBRD</i>	2,000
<i>EIB</i>	943
Total	19,104

Source: ICMA database plus proceeds allocation reports.

Table 6 – GSS bond issuances by the EU and its Member States by type of issuer (USD million, 2015-2021)								
	2015	2016	2017	2018	2019	2020	2021	Total
Type of bond/Issuer								
Green bond	8.618	8.905	20.926	23.679	33.919	47.770	44.840	188.657
Sovereign		792	10.609	16.258	17.734	28.642	27.787	101.822
Germany						13.616	7.292	20.908
Sweden						2.316		2.316
France			10.609	6.016	6.583	7.412	10.157	40.778
Hungary						2.234	100	2.333
Ireland				3.444	2.195			5.638
Italy							10.238	10.238
Lithuania				24		130		155
Poland		792		1.243	2.276			4.311
Netherlands					6.680	2.934		9.614
Belgium				5.531				5.531
Agency	4.060	3.049	5.022	2.493	10.104	11.407	9.120	45.254
Agence Francaise de Developpement			874	578		1.095		2.546
FMO					500			500
Instituto de Credito Oficial					561	590	605	1.757
KfW	4.060	3.049	4.148	1.915	9.043	9.722	8.514	40.451
Supranational	4.557	5.065	5.295	4.928	6.081	7.722	7.933	41.581
EBRD	172	712	554	167	2.452	1.671	60	5.787
European Investment Bank	4.385	4.353	4.741	4.761	3.629	6.051	7.873	35.794
Social bond	1.138	570	1.774	1.278	1.963	56.022	64.992	127.737
Supranational			532	707	560	51.555	64.157	117.511
Council of Europe Development Bank			532	614	560	1.596	1.647	4.950
EBRD				93		3.250	704	4.046
European Union						46.708	61.806	108.515
Agency	1.138	570	651	571	554	2.542		6.026
Agence Francaise de Developpement						2.000		2.000
Instituto de Credito Oficial	1.138	570	651	571	554	542		4.026
Financial Institution			590		849	1.925	836	4.200
Cassa depositi e prestiti Spa			590		849	1.925	597	3.961
European Bank for Reconstruction and Development							239	239
Sustainability bond	534	293	589	1.169	313	11.468	4.850	19.216
Supranational				581	276	5.347	1.832	8.037
EBRD						33		33
European Investment Bank				581	276	5.314	1.832	8.004
Agency	534	293	589		37	3.457	1.825	6.734
Agence Francaise de Developpement						2.361	1.825	4.185
FMO	534	293	589		37	548		2.000
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV - FMO						548		548
Sovereign						1.777	1.193	2.970
Luxembourg						1.777		1.777
Slovenia							1.193	1.193
Financial Institution				588		888		1.476
Cassa depositi e prestiti Spa				588		888		1.476
Total	10.289	9.769	23.289	26.126	36.195	115.260	114.683	335.610

Source: Environmental Finance Database.

Table 7 – GSS issuances by type of issuer and SDG alignment for all countries and developing countries (percent)

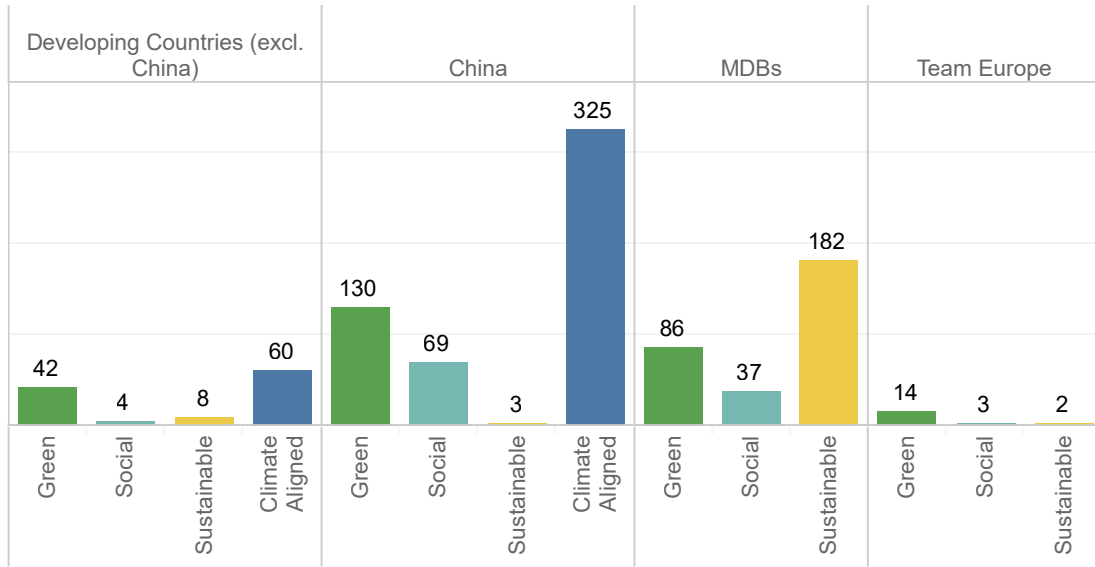
	Green		Social		Sustainable	
Type of issuer	All	Dev.	All	Dev.	All	Dev.
Agency	20	6	36	3	9	1
Corporate	34	39	5	2	14	28
Financial Institution	23	51	17	56	18	48
Municipal	7	1	3	14	17	1
Sovereign	8	4	2	26	1	17
Supranational	9	1	37	0	41	5
	2018		2019		2020	
SDG alignment	All	Dev.	All	Dev.	All	Dev.
% aligned	34	6	38	14	64	25
Goal 1: No poverty	2	1	2	2	5	5
Goal 2: No hunger	3	4	2	1	0	1
Goal 3: Good health and well-being	4	2	4	4	16	5
Goal 4: Quality education	4	1	2	2	3	1
Goal 5: Gender equality	2	0	2	0	1	0
Goal 6: Clean water and sanitation	6	13	5	7	5	10
Goal 7: Affordable and clean energy	14	18	17	27	13	12
Goal 8: Decent work and economic growth	5	2	6	12	5	8
Goal 9: Industry, innovation and infrastructure	11	11	11	7	8	10
Goal 10: Reduced inequalities	3	1	2	2	4	6
Goal 11: Sustainable cities and communities	14	18	16	16	15	17
Goal 12: Responsible consumption and production	9	14	7	5	5	6
Goal 13: Climate action	12	11	13	7	11	8
Goal 14: Life below water	3	0	3	0	2	3
Goal 15: Life on land	6	1	5	7	5	8
Goal 16: Peace, justice and strong institutions	1	0	1	0	0	0
Goal 17: Partnerships for the goals	1	1	2	0	0	0

Source: Environmental Finance Database.

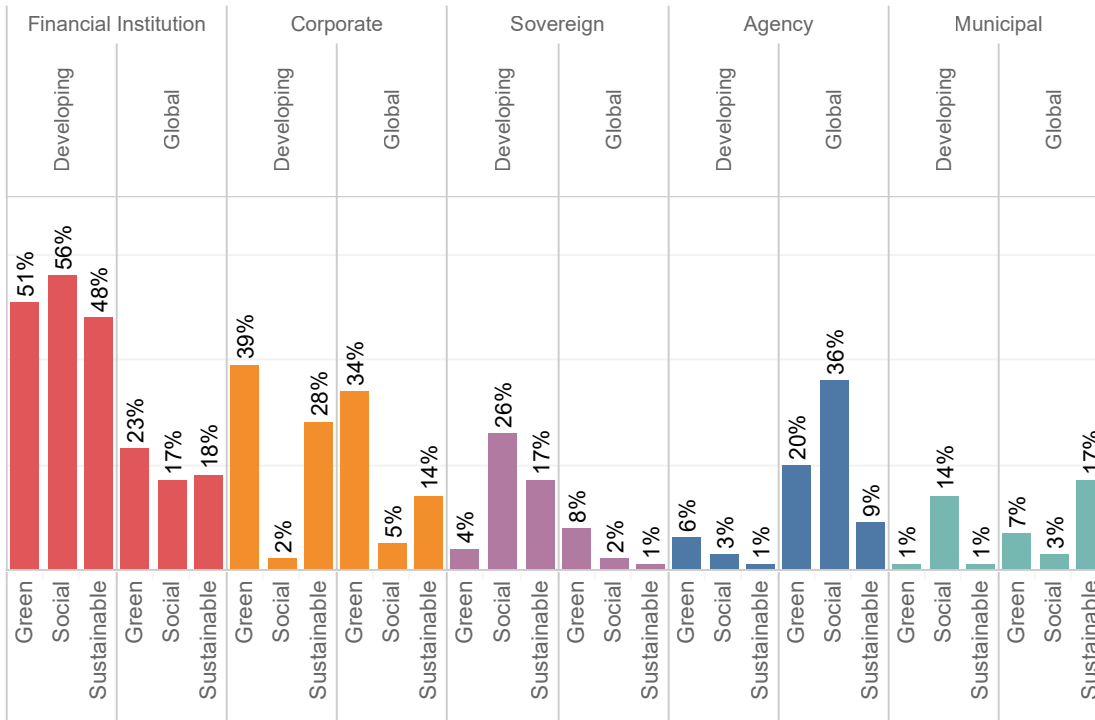
Figure 1 – GSS bonds issued by or for developing countries

USD billion or percentage, current prices

GSS Bonds Issuances by developing country issuers or to be used for sustainable development (2014-2020)



GSS Issuances by Type of Issuers, Developing Countries vs Global Averages, 2014-2020



Source: Environmental Finance Database.

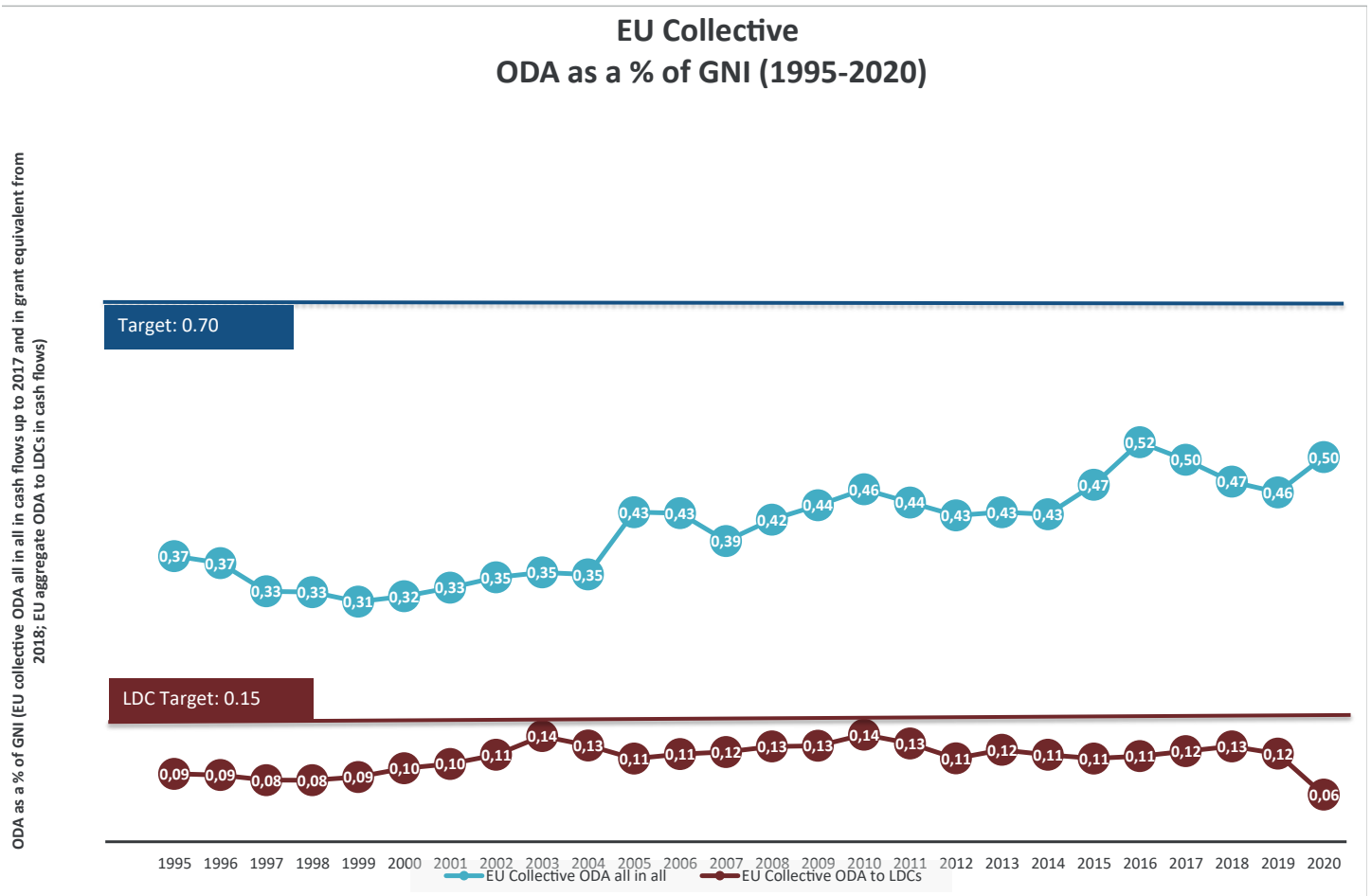
GSS Issuances by SDG Alignment, Developing Countries vs Global Averages, 2014-2020

Indicator	Topic				
% aligned to SDGs	Developing	15%			
	Global	51%			
Goal 7: Affordable and clean energy	Developing	19%			
	Global	14%			
Goal 11: Sustainable cities and communities	Developing	17%			
	Global	15%			
Goal 6: Clean water and sanitation	Developing	10%			
	Global	5%			
Goal 9: Industry, innovation and infrastructure	Developing	9%			
	Global	9%			
Goal 13: Climate action	Developing	9%			
	Global	12%			
Goal 12: Responsible consumption and production	Developing	9%			
	Global	6%			
Goal 8: Decent work and economic growth	Developing	7%			
	Global	5%			
Goal 15: Life on land	Developing	5%			
	Global	5%			
Goal 3: Good health and well-being	Developing	4%			
	Global	10%			
Goal 10: Reduced inequalities	Developing	3%			
	Global	3%			
Goal 1: No poverty	Developing	3%			
	Global	4%			
Goal 2: No hunger	Developing	2%			
	Global	1%			
Goal 4: Quality education	Developing	1%			
	Global	3%			
Goal 14: Life below water	Developing	1%			
	Global	2%			
Goal 17: Partnerships for the goals	Developing	0%			
	Global	1%			
Goal 5: Gender equality	Developing	0%			
	Global	1%			
Goal 16: Peace, justice and strong institutions	Developing	0%			
	Global	0%			

Source: Environmental Finance Database.

Annex 3 – Statistics on Trends in Official Development Assistance

Figure 1 – EU collective ODA as a percentage of GNI (1995-2020)



Source: OECD DAC

NB1: Figures are given in cash flows up to 2017 and in grant equivalents from 2018.

NB2: For each year, this graph and its aggregate and collective figures only consider those countries which were a Member State of the EU at the time. In particular, the EU Aggregate and Collective include the United Kingdom up to and including 2019 but not in 2020 given its withdrawal from the European Union taking effect on 1 February 2020.

Table 1 – EU Member States' and EU collective ODA, 2010-2020

Member State	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		Change 2019-2020	
	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI	Volume in EUR Million	% of GNI
Austria	912	0.32	799	0.27	860	0.28	882	0.27	930	0.28	1,193	0.35	1,479	0.42	1,110	0.30	991	0.26	1,099	0.28	1,113	0.29	14.34	0.0184
Belgium	2,268	0.64	2,019	0.54	1,801	0.47	1,732	0.45	1,844	0.46	1,717	0.42	2,080	0.50	1,948	0.45	1,959	0.43	1,943	0.41	2,010	0.47	67.12	0.0582
Bulgaria	31	0.09	35	0.09	31	0.08	37	0.10	37	0.09	37	0.09	61	0.13	55	0.11	58	0.11	58	0.10	73	0.13	15.08	0.0306
Croatia					34	0.08	34	0.08	54	0.13	46	0.09	37	0.07	48	0.10	67	0.13	64	0.12	74	0.15	9.76	0.0334
Cyprus	39	0.23	27	0.16	20	0.11	15	0.10	14	0.09	16	0.09	-	-	-	-	21	0.12	18	0.09	18	0.08	0.14	-0.0123
Czech Republic	172	0.13	180	0.12	171	0.12	159	0.11	160	0.11	179	0.12	235	0.14	270	0.15	259	0.13	276	0.13	263	0.13	-12.75	-0.0014
Denmark	2,168	0.91	2,108	0.85	2,095	0.83	2,205	0.85	2,264	0.86	2,313	0.85	2,142	0.75	2,172	0.74	2,195	0.72	2,281	0.72	2,324	0.73	42.95	0.0129
Estonia	14	0.10	17	0.11	18	0.11	23	0.13	28	0.14	31	0.15	39	0.19	38	0.16	41	0.16	43	0.16	43	0.16	-0.04	0.0017
Finland	1,006	0.55	1,011	0.53	1,027	0.53	1,081	0.54	1,232	0.59	1,161	0.55	958	0.44	961	0.42	834	0.36	1,010	0.42	1,119	0.47	108.63	0.0492
France	9,751	0.50	9,348	0.46	9,358	0.45	8,540	0.41	8,005	0.37	8,149	0.37	8,701	0.37	10,052	0.43	10,283	0.43	10,908	0.44	12,407	0.53	1,498.56	0.0909
Germany	9,804	0.39	10,136	0.39	10,067	0.37	10,717	0.38	12,486	0.42	16,173	0.52	22,368	0.70	22,182	0.67	21,163	0.61	21,616	0.61	24,926	0.73	3,309.92	0.1158
Greece	383	0.17	305	0.15	255	0.13	180	0.10	186	0.11	215	0.12	333	0.19	278	0.16	246	0.13	329	0.18	209	0.13	-119.91	-0.0484
Hungary	86	0.09	100	0.11	92	0.10	97	0.10	109	0.11	140	0.13	180	0.17	132	0.11	241	0.21	279	0.21	361	0.27	82.25	0.0542
Ireland	676	0.52	657	0.51	629	0.47	637	0.46	615	0.38	648	0.32	726	0.32	743	0.32	792	0.31	870	0.32	853	0.31	-16.62	-0.0072
Italy	2,262	0.15	3,111	0.20	2,129	0.14	2,584	0.17	3,022	0.19	3,609	0.22	4,601	0.27	5,197	0.30	4,397	0.25	3,906	0.22	3,673	0.22	-233.15	0.0030
Latvia	12	0.06	14	0.07	16	0.07	18	0.08	19	0.08	21	0.09	27	0.11	28	0.11	29	0.10	31	0.10	35	0.12	4.60	0.0180
Lithuania	28	0.10	37	0.13	40	0.13	38	0.11	34	0.10	43	0.12	52	0.14	53	0.13	55	0.12	60	0.13	59	0.12	-1.67	-0.0042
Luxembourg	304	1.05	294	0.97	310	1.00	323	1.00	319	1.06	327	0.95	354	1.00	376	1.00	401	0.98	421	1.03	395	1.02	-26.54	-0.0093
Malta	10	0.18	14	0.25	14	0.23	14	0.20	15	0.20	15	0.17	19	0.20	22	0.21	28	0.25	37	0.30	51	0.44	14.48	0.1343
Netherlands	4,800	0.81	4,563	0.75	4,297	0.71	4,094	0.67	4,200	0.64	5,162	0.75	4,491	0.65	4,399	0.60	4,795	0.62	4,727	0.59	4,703	0.59	-24.70	0.0056
Poland	285	0.08	300	0.08	328	0.09	367	0.10	341	0.09	397	0.10	600	0.15	603	0.13	649	0.14	694	0.14	705	0.14	10.84	0.0007
Portugal	490	0.29	509	0.31	452	0.28	368	0.23	324	0.19	278	0.16	310	0.17	338	0.18	349	0.18	367	0.17	338	0.17	-29.06	-0.0009
Romania	86	0.07	118	0.09	111	0.09	101	0.07	161	0.11	143	0.09	184	0.11	195	0.11	211	0.11	227	0.10	268	0.13	41.05	0.0221
Slovak Republic	56	0.09	62	0.09	62	0.09	65	0.09	63	0.09	77	0.10	96	0.12	106	0.13	117	0.13	103	0.11	123	0.14	19.27	0.0256
Slovenia	44	0.13	45	0.13	45	0.13	46	0.13	46	0.12	57	0.15	74	0.19	67	0.16	71	0.16	78	0.17	79	0.17	0.36	0.0070
Spain	4,492	0.43	3,001	0.29	1,585	0.16	1,769	0.17	1,415	0.13	1,259	0.12	3,819	0.34	2,271	0.19	2,449	0.20	2,629	0.21	2,606	0.24	-23.91	0.0262
Sweden	3,423	0.97	4,030	1.02	4,077	0.97	4,389	1.01	4,698	1.09	6,391	1.40	4,425	0.94	4,935	1.02	5,085	1.07	4,650	0.96	5,571	1.14	920.70	0.1888
United Kingdom	9,855	0.57	9,948	0.56	10,808	0.56	13,461	0.70	14,519	0.70	16,725	0.70	16,325	0.70	16,060	0.70	16,446	0.70	17,309	0.70				
EU aggregate	53,457	0.44	52,790	0.42	50,698	0.39	53,975	0.41	57,139	0.41	66,522	0.46	74,716	0.51	74,638	0.49	74,230	0.47	76,034	0.46	64,397	0.48	-11,637.32	0.0213
EC and EIB ODA not imputed to EU Member States (and the UK)	3,183	0.03	3,453	0.03	4,544	0.04	2,873	0.02	2,131	0.02	1,372	0.01	2,750	0.02	1,926	0.01	627	0.00	-829	-0.01	2,358	0.02	3,187.30	0.0228
EU Collective*	56,640	0.46	56,243	0.44	55,242	0.43	56,848	0.43	59,270	0.43	67,894	0.47	77,466	0.52	76,563	0.50	74,857	0.47	75,205	0.46	66,755	0.50	-8,450.02	0.0441

Source: OECD DAC

NB1: Figures are given in cash flows up to 2017 and in grant equivalents from 2018.

NB2: For each year, this table and its aggregate and collective figures only consider those countries which were a Member State of the EU at the time. In particular, the EU Aggregate and Collective include the United Kingdom up to and including 2019 but not in 2020 given its withdrawal from the European Union taking effect on 1 February 2020.

NB3: The sign "-" indicates that no ODA data has been reported by the respective Member State for the respective year.

* Including EC and EIB ODA not imputed to Member States or the UK.

Table 2 – Financial gaps in ODA/GNI targets, by Member State

Member State	2020 ODA		EU commitment		EU financial gap	
	EUR Million	% of GNI	EUR Million	% of GNI	EUR Million	% of GNI
Austria	1,113	0.29	2,648	0.70	1,535	0.41
Belgium	2,010	0.47	3,010	0.70	1,000	0.23
Bulgaria	73	0.13	193	0.33	119	0.20
Croatia	74	0.15	160	0.33	86	0.18
Cyprus	18	0.08	72	0.33	54	0.25
Czech Republic	263	0.13	669	0.33	406	0.20
Denmark	2,324	0.73	2,229	0.70	(95)	(0.03)
Estonia	43	0.16	90	0.33	46	0.17
Finland	1,119	0.47	1,680	0.70	562	0.23
France	12,407	0.53	16,326	0.70	3,919	0.17
Germany	24,926	0.73	23,990	0.70	(936)	(0.03)
Greece	209	0.13	1,134	0.70	925	0.57
Hungary	361	0.27	447	0.33	86	0.06
Ireland	853	0.31	1,935	0.70	1,082	0.39
Italy	3,673	0.22	11,703	0.70	8,030	0.48
Latvia	35	0.12	97	0.33	62	0.21
Lithuania	59	0.12	156	0.33	98	0.21
Luxembourg	395	1.02	385	1.00	(10)	(0.02)
Malta	51	0.44	39	0.33	(13)	(0.11)
Netherlands	4,703	0.59	5,557	0.70	854	0.11
Poland	705	0.14	1,668	0.33	963	0.19
Portugal	338	0.17	1,382	0.70	1,044	0.53
Romania	268	0.13	707	0.33	439	0.20
Slovak Republic	123	0.14	295	0.33	173	0.19
Slovenia	79	0.17	151	0.33	72	0.16
Spain	2,606	0.24	7,758	0.70	5,152	0.46
Sweden	5,571	1.14	4,865	1.00	(705)	(0.14)
EU Aggregate	64,397	0.48	89,347	0.67	24,950	0.19
EU Collective*	66,755	0.50	93,090	0.70	26,336	0.20
EC and EIB ODA <i>(pour mémoire)</i>	17,004					
				Gap between 2020 EU Collective ODA and collective EU ODA target (0.7%) in EUR Million		
				EU27 collective target:	93,090	
				EU27 collective gap:	26,336	

NB1: Figures are given in grant equivalents.

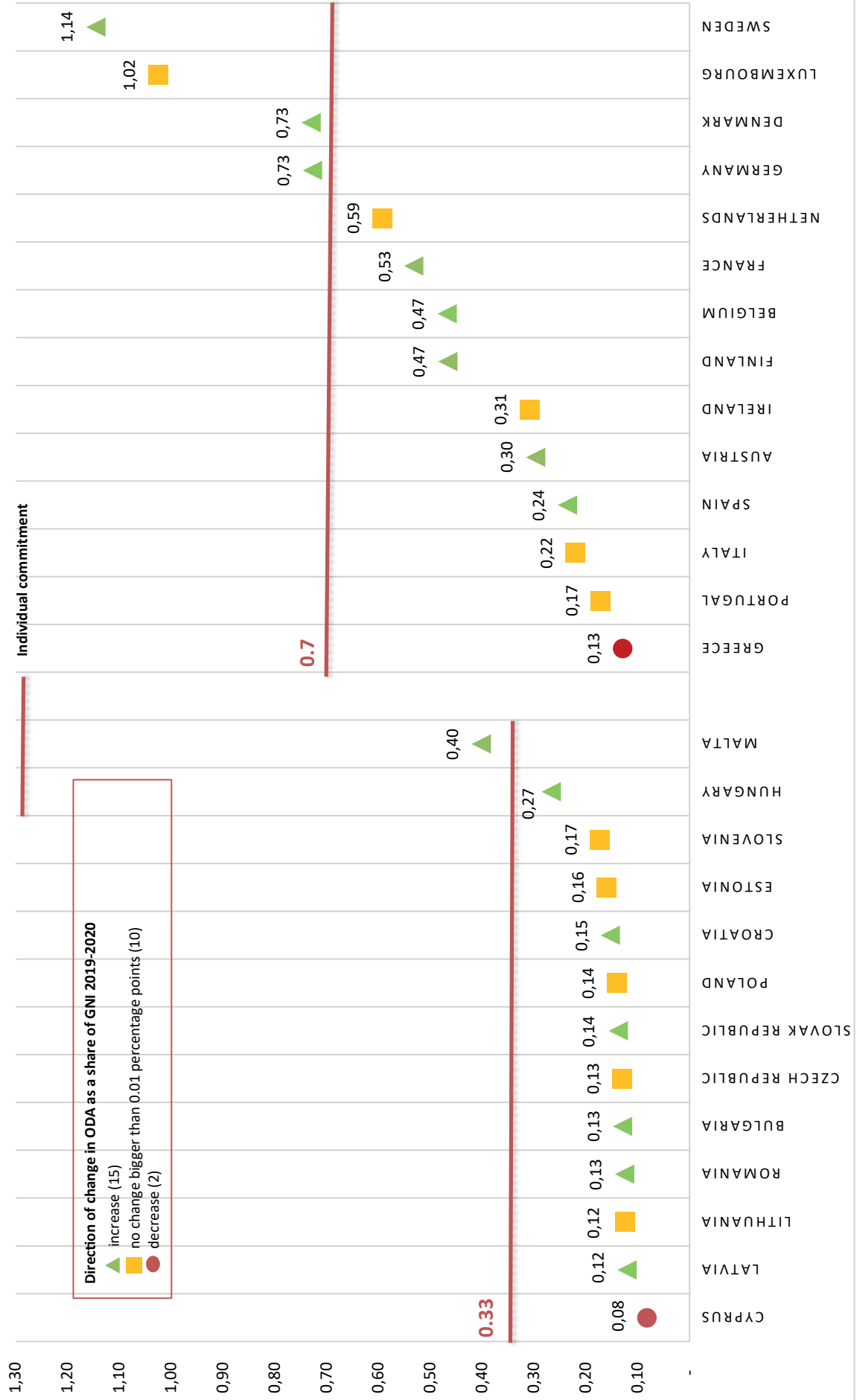
NB2: The EU Aggregate and Collective do not include the United Kingdom given its withdrawal from the European Union taking effect on 1 February 2020.

* Including EC and EIB ODA not imputed to Member States or the UK.

Source: OECD DAC

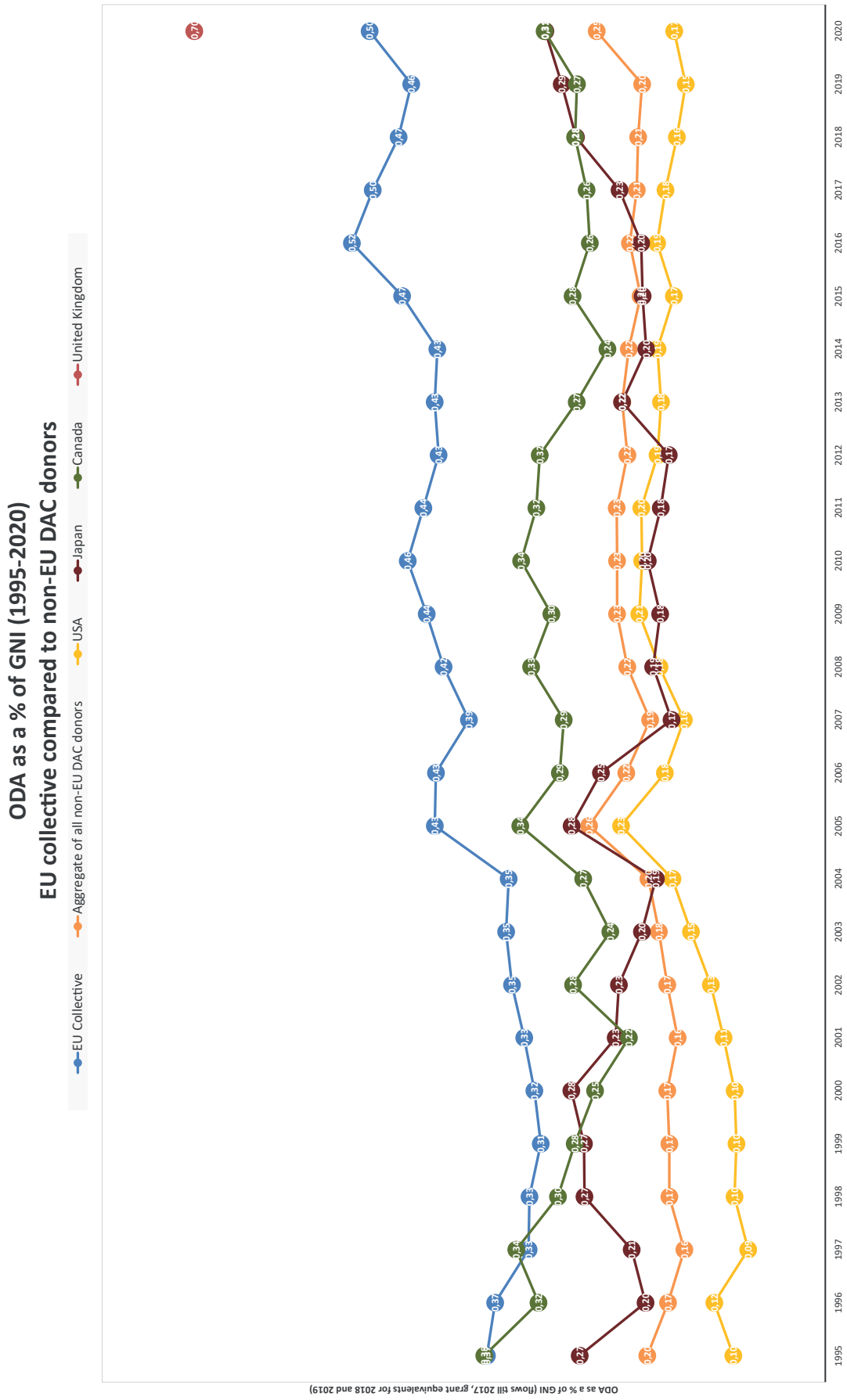
Figure 2 – Percentage gaps between 2020 ODA/GNI levels and agreed individual targets of the 27 EU Member States, 2019-2020

GAP BETWEEN 2020 ODA/GNI LEVELS AND AGREED INDIVIDUAL TARGETS OF THE 27 EU MEMBER STATES (IN %) AND DIRECTION OF CHANGE FROM 2019 TO 2020 (ALL ON A GRANT EQUIVALENT BASIS)



Source: OECD DAC

Figure 3 – ODA as a percentage of GNI, EU collective compared with non-EU DAC donors



Source: OECD DAC

NB1: Figures are given in cash flows up to 2017 and in grant equivalents from 2018.

NB2: For each year, the EU collective figures in this graph consider only those countries that were Member States of the EU at the time, while the aggregate of all non-EU DAC donors considers only those non-EU countries that were DAC members at the time. In particular, the EU Collective includes the United Kingdom up to and including 2019, but not 2020, given its withdrawal from the European Union as of 1 February 2020; the aggregate of all non-EU DAC donors includes the UK starting from 2020.

Figure 4 – Progress on international development cooperation



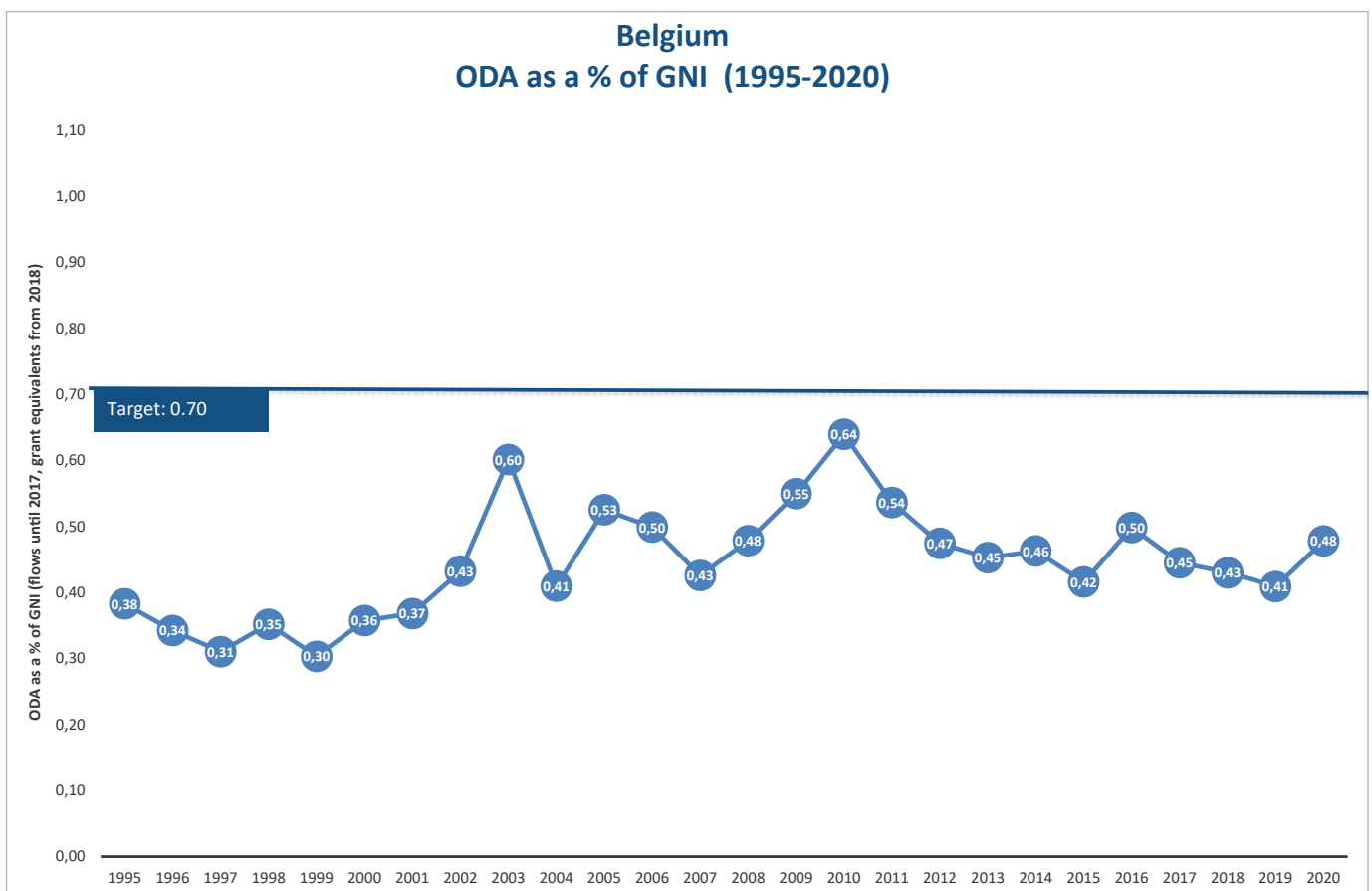
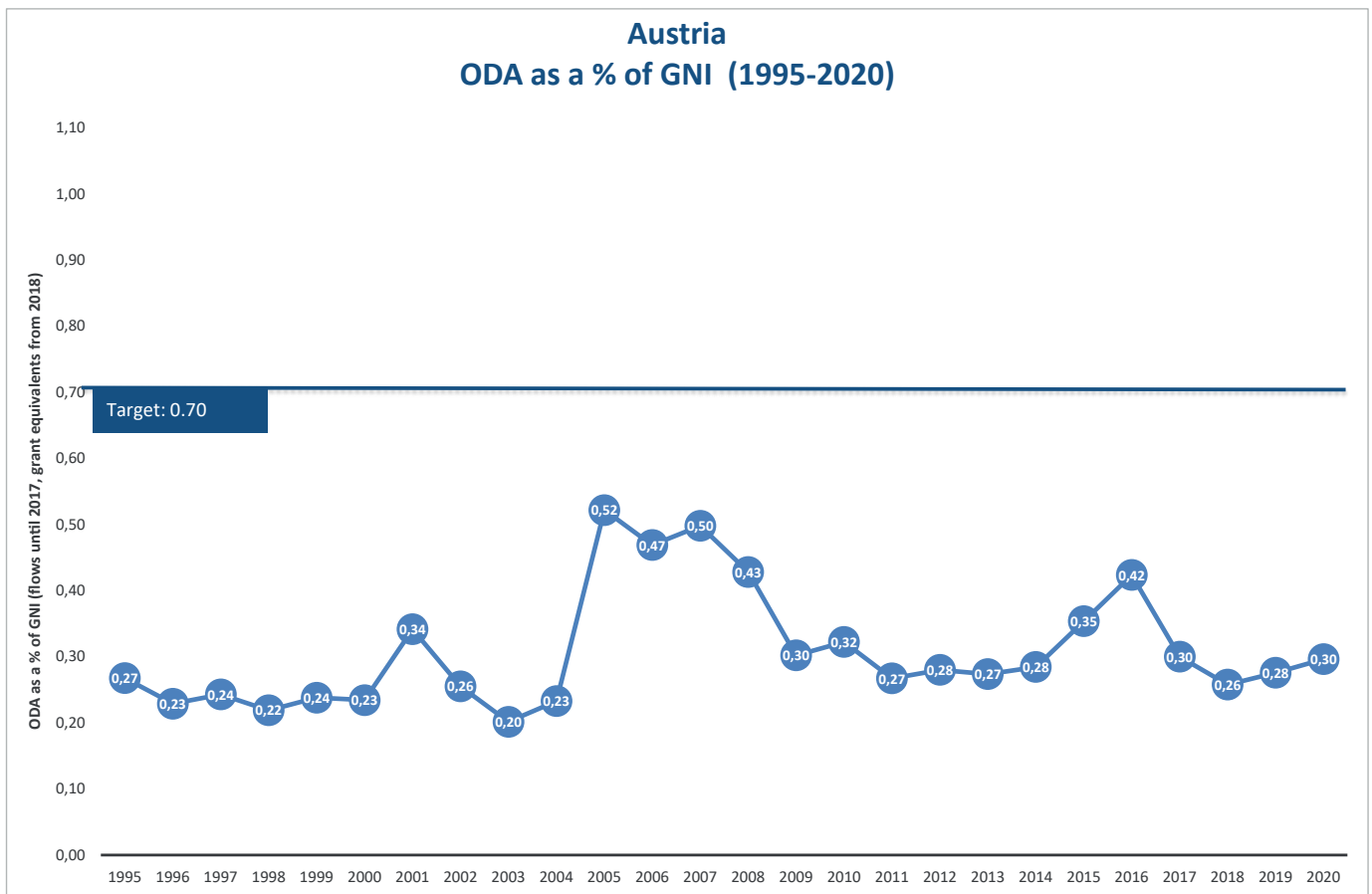
Source: SDG Progress: Sachs, Schmidt-Traub et al., 2020; ODA by SDG: OECD SDG Financing Lab¹⁶⁰; ODA: OECD DAC; GDP: World Bank WDI.

160. OECD DAC introduced SDG markers from the reporting of ODA flows for 2018, but two-thirds of the data are not marked. To address this issue, OECD established the SDG Financing Lab offering the SDG tracker – an artificial intelligence tool that links official development flows for the SDGs. In the first round of TOSSD reporting (2019), for which the SDG field is mandatory, 54% of the data includes information on alignment to specific SDGs, also indicating room for improvement in future reporting rounds.

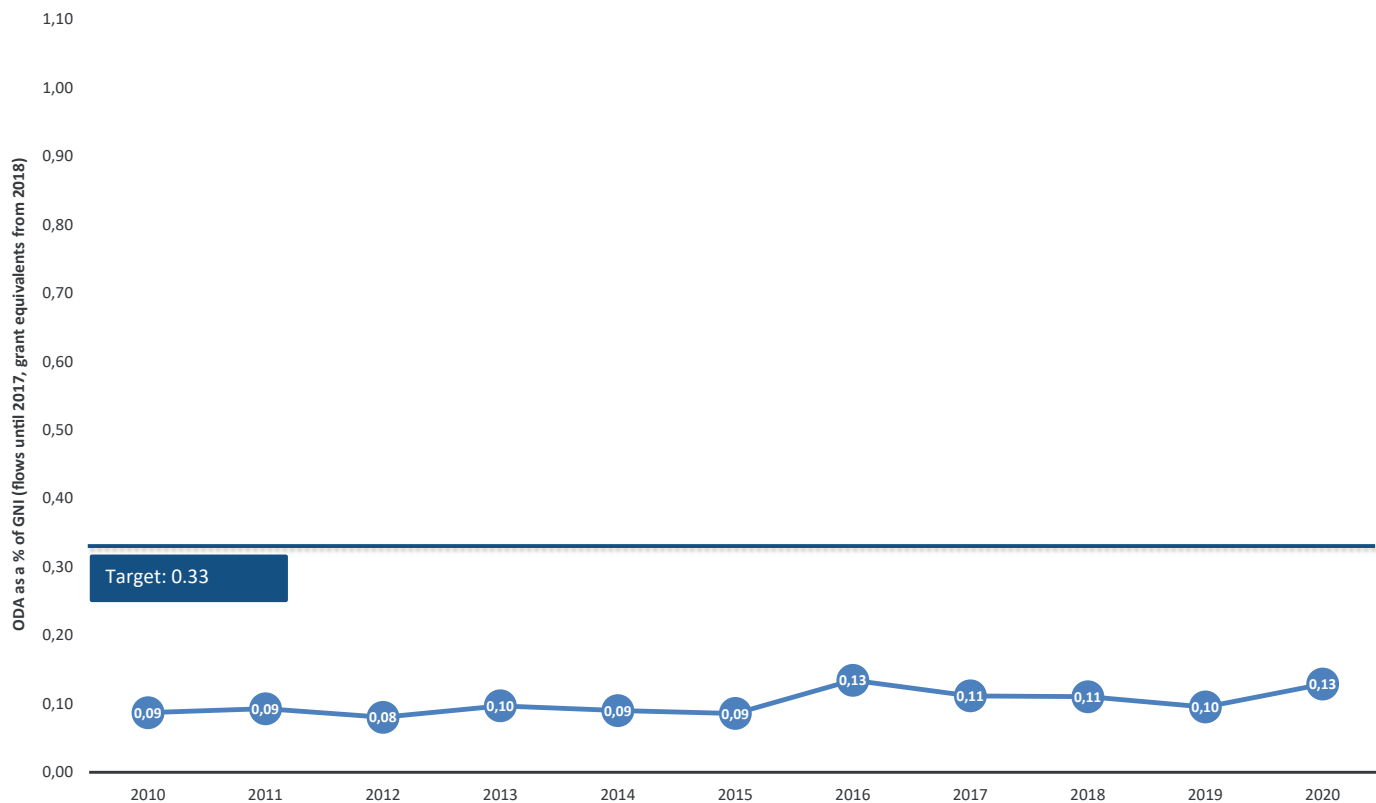
Figure 5 – ODA as a percentage of GNI in individual Member States (1995-2020)

NB: For all graphs, figures are given in cash flows up to 2017 and in grant equivalents from 2018.

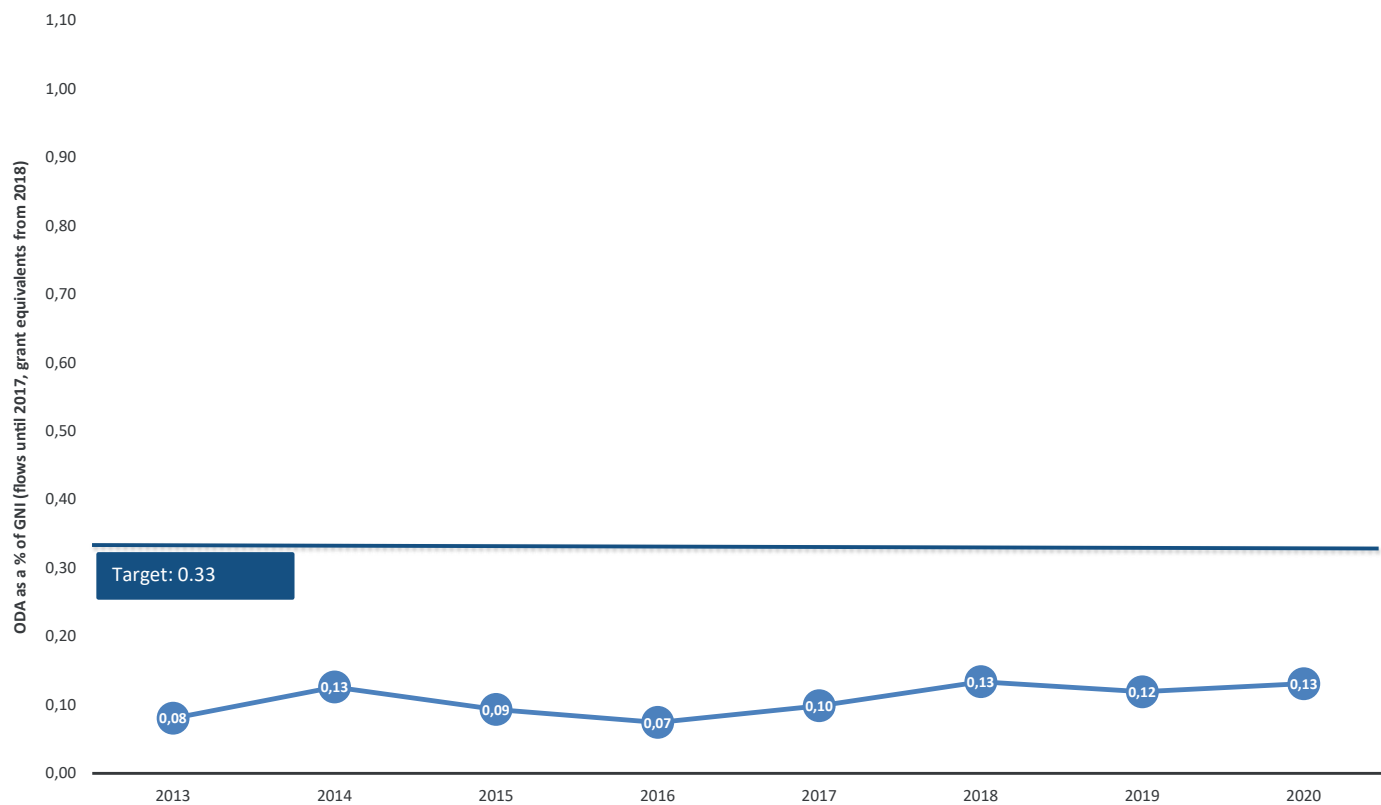
Source: OECD DAC



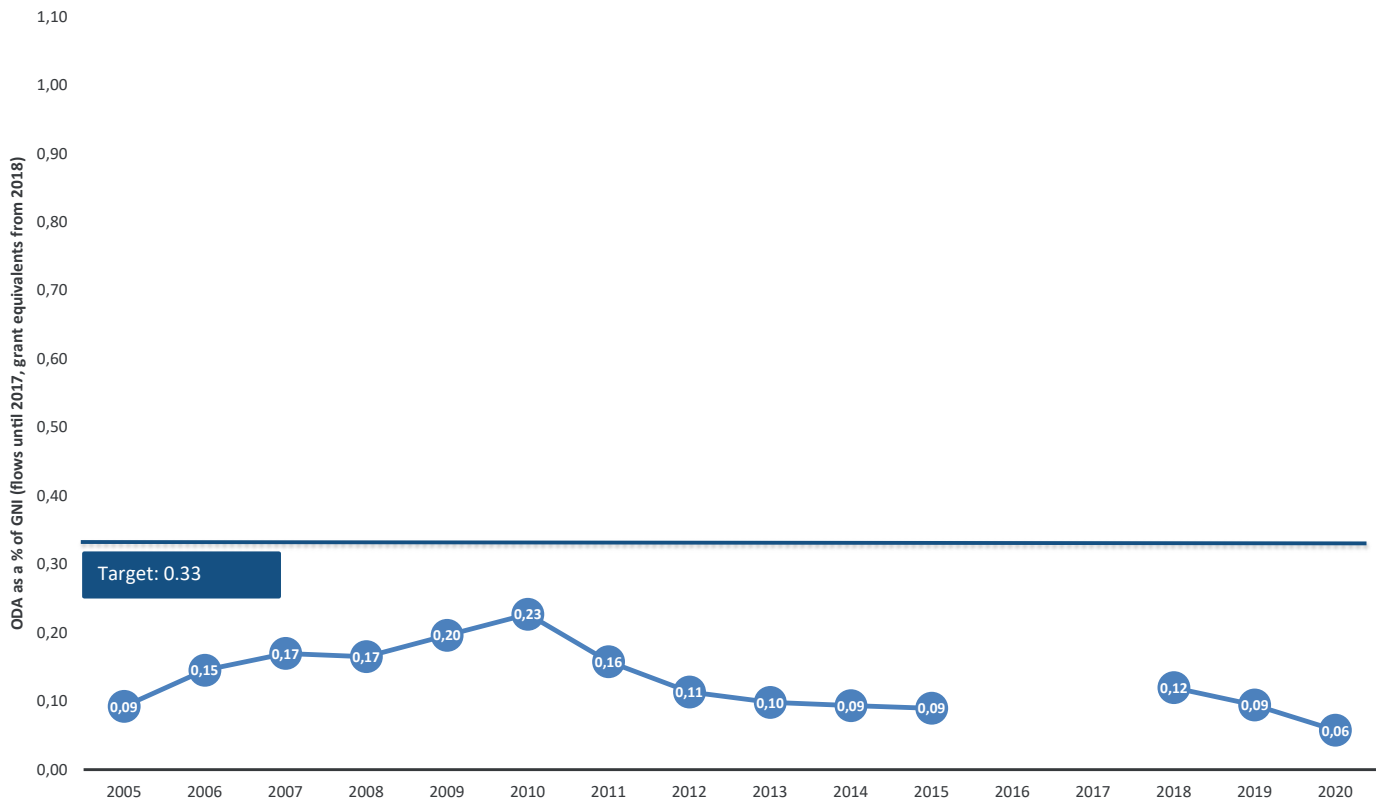
Bulgaria ODA as a % of GNI (2010-2020)



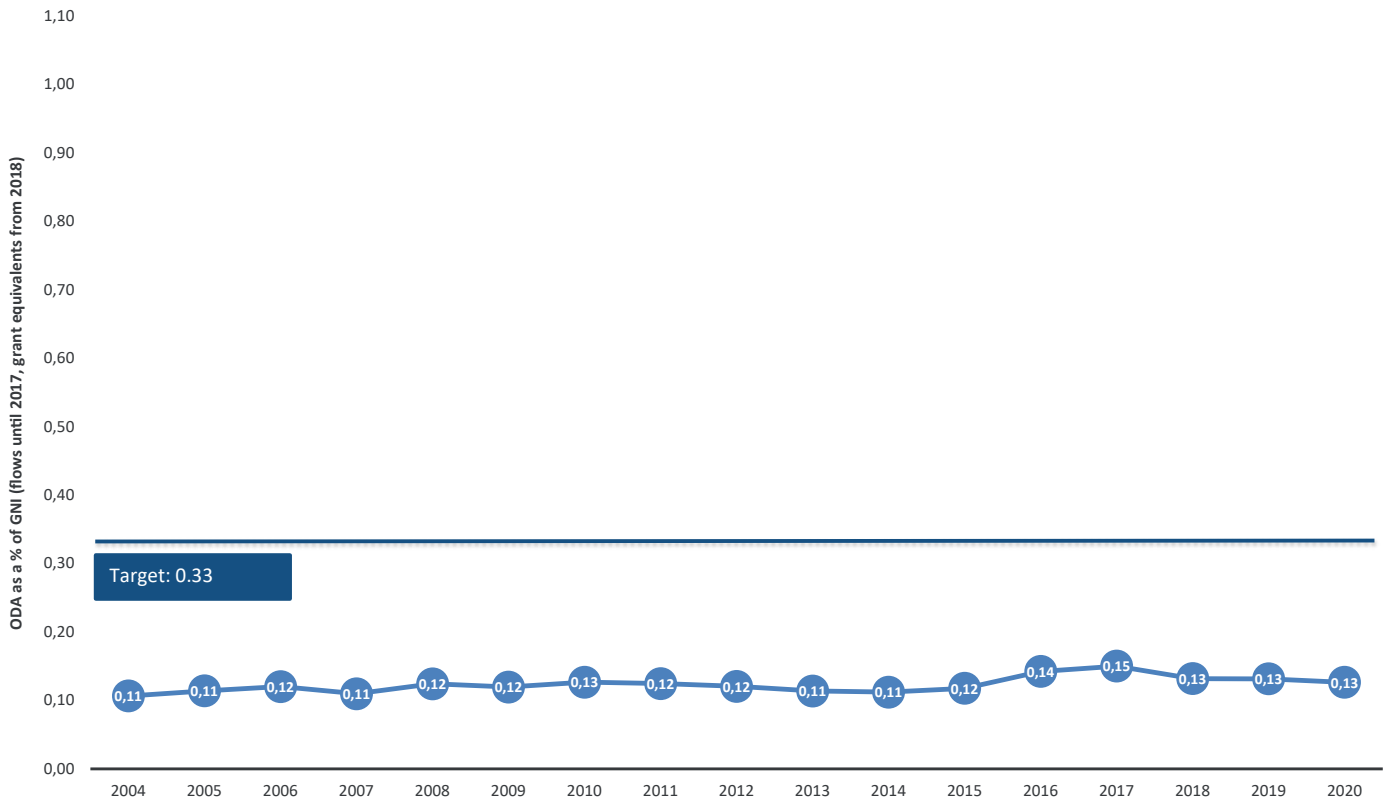
Croatia ODA as a % of GNI (2013-2020)



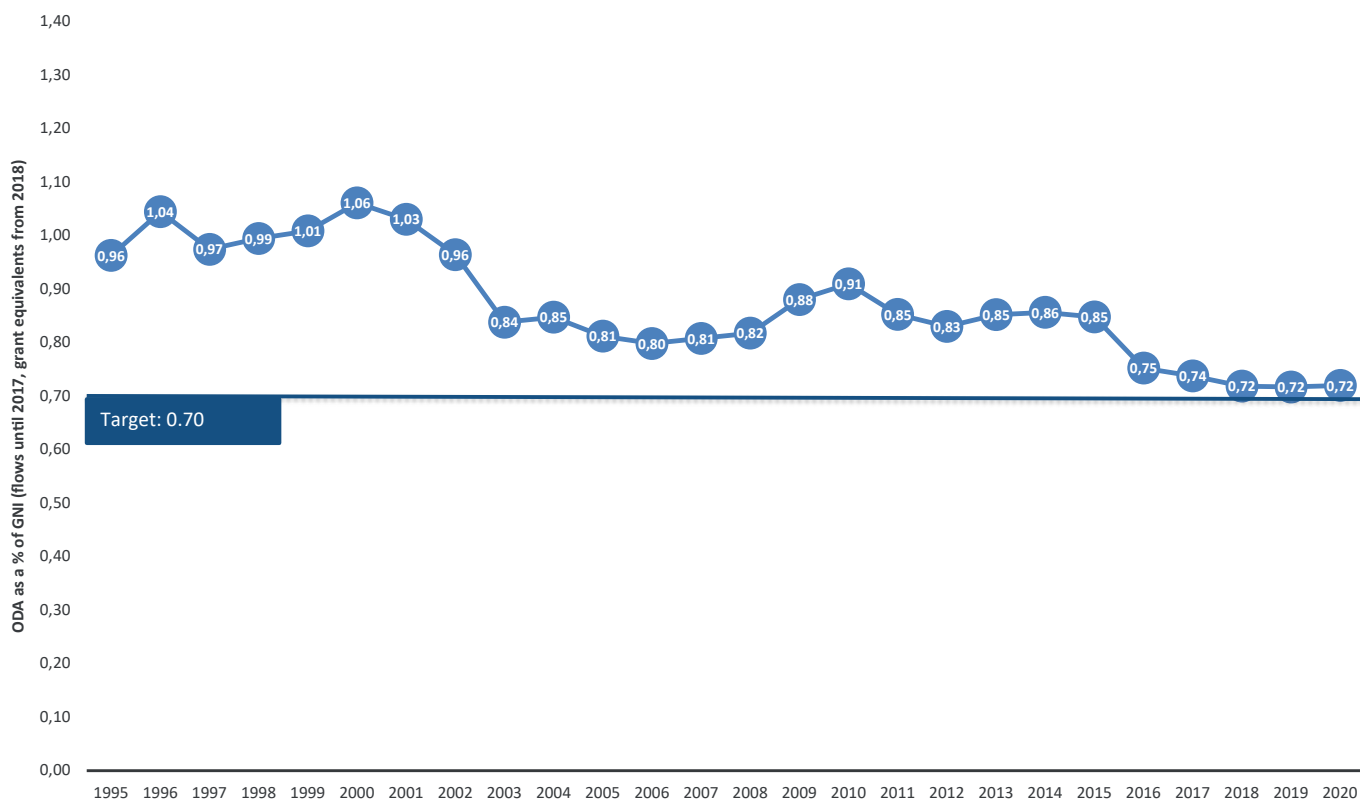
Cyprus ODA as a % of GNI (2005-2015 and 2018-2020)



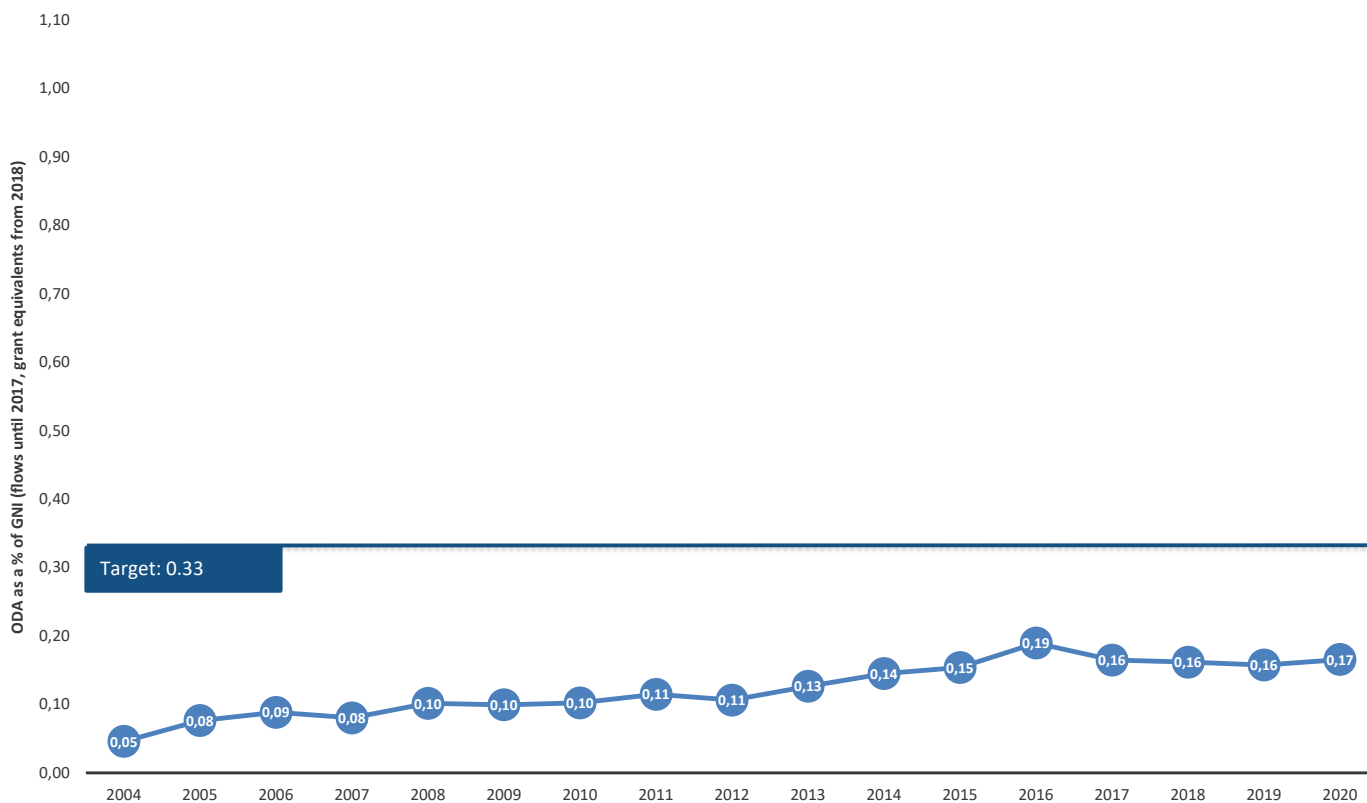
Czech Republic ODA as a % of GNI (2004-2020)



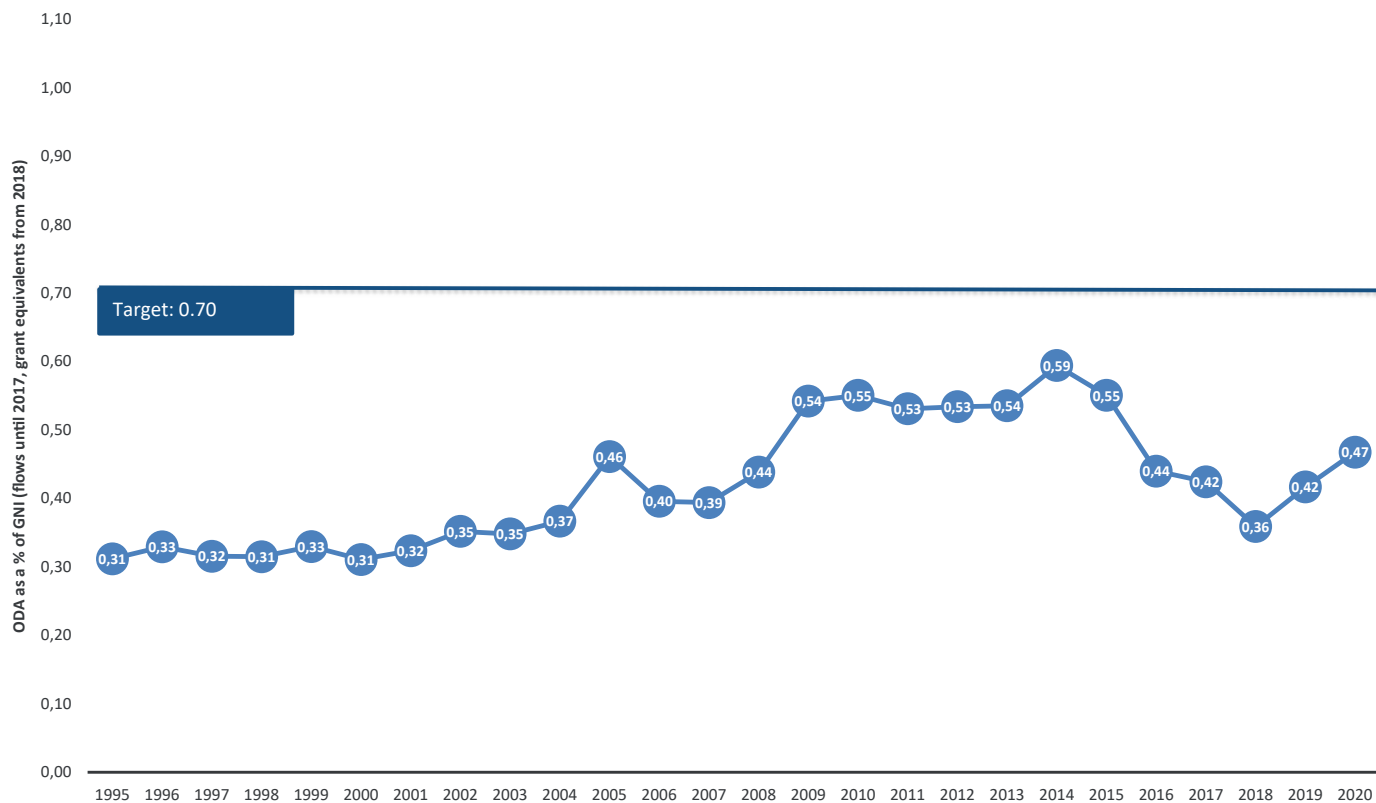
Denmark ODA as a % of GNI (1995-2020)



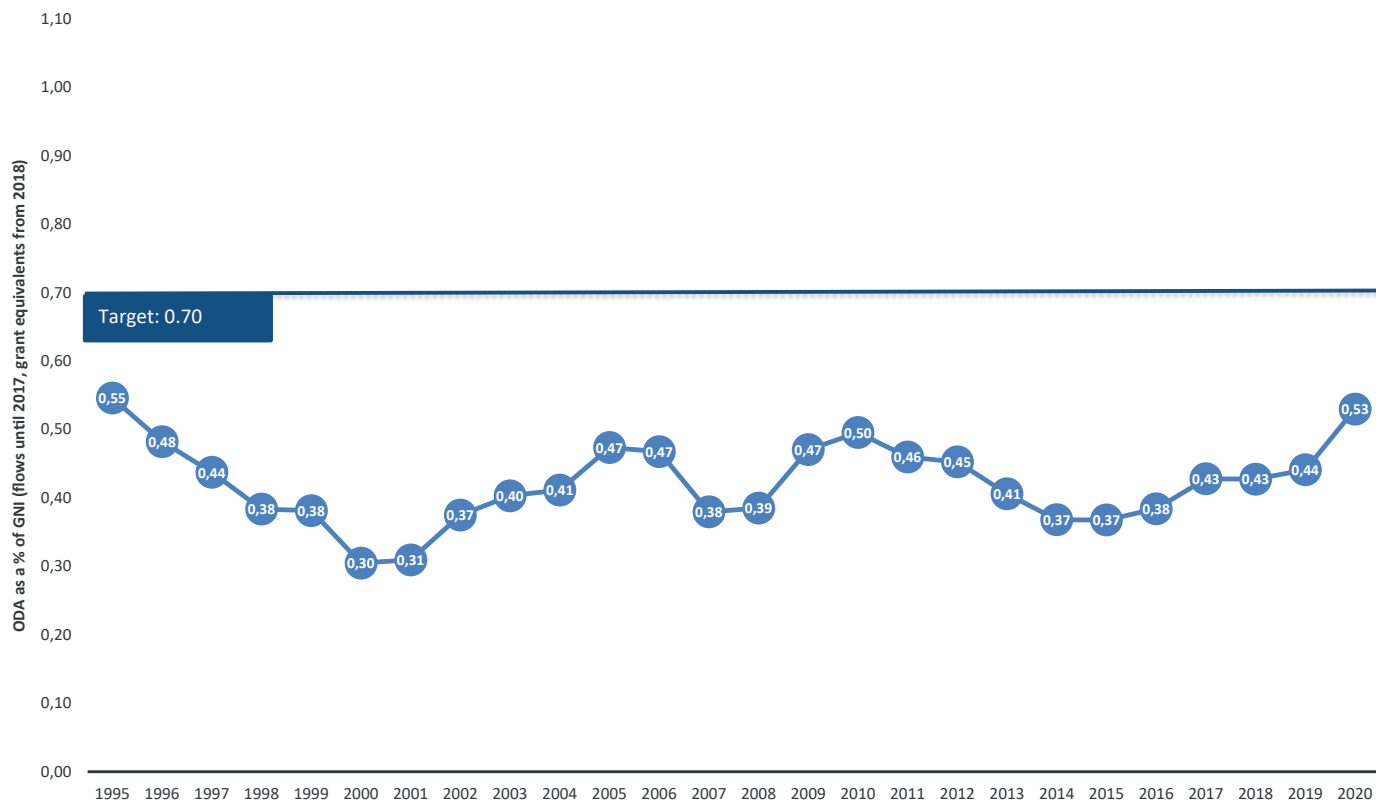
Estonia ODA as a % of GNI (2004-2020)



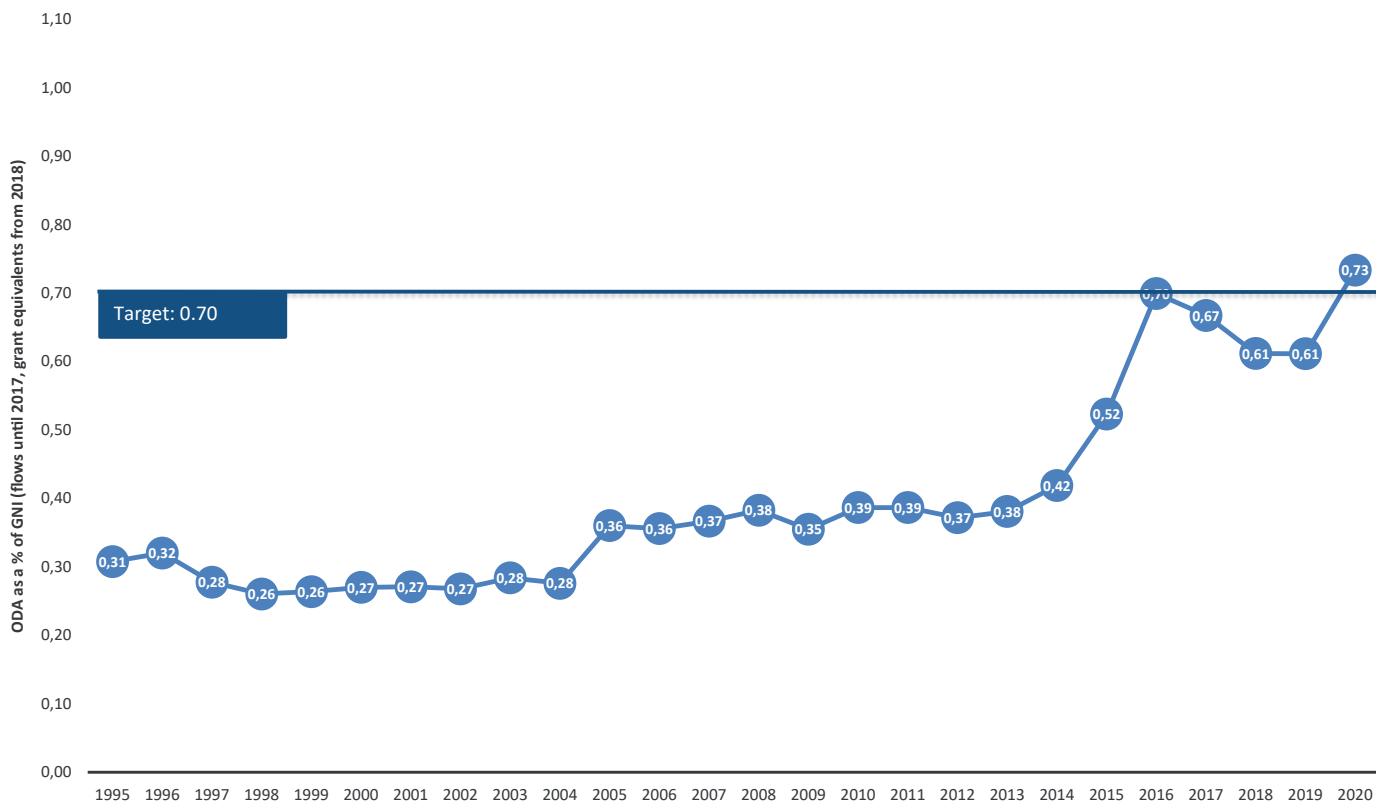
Finland ODA as a % of GNI (1995-2020)



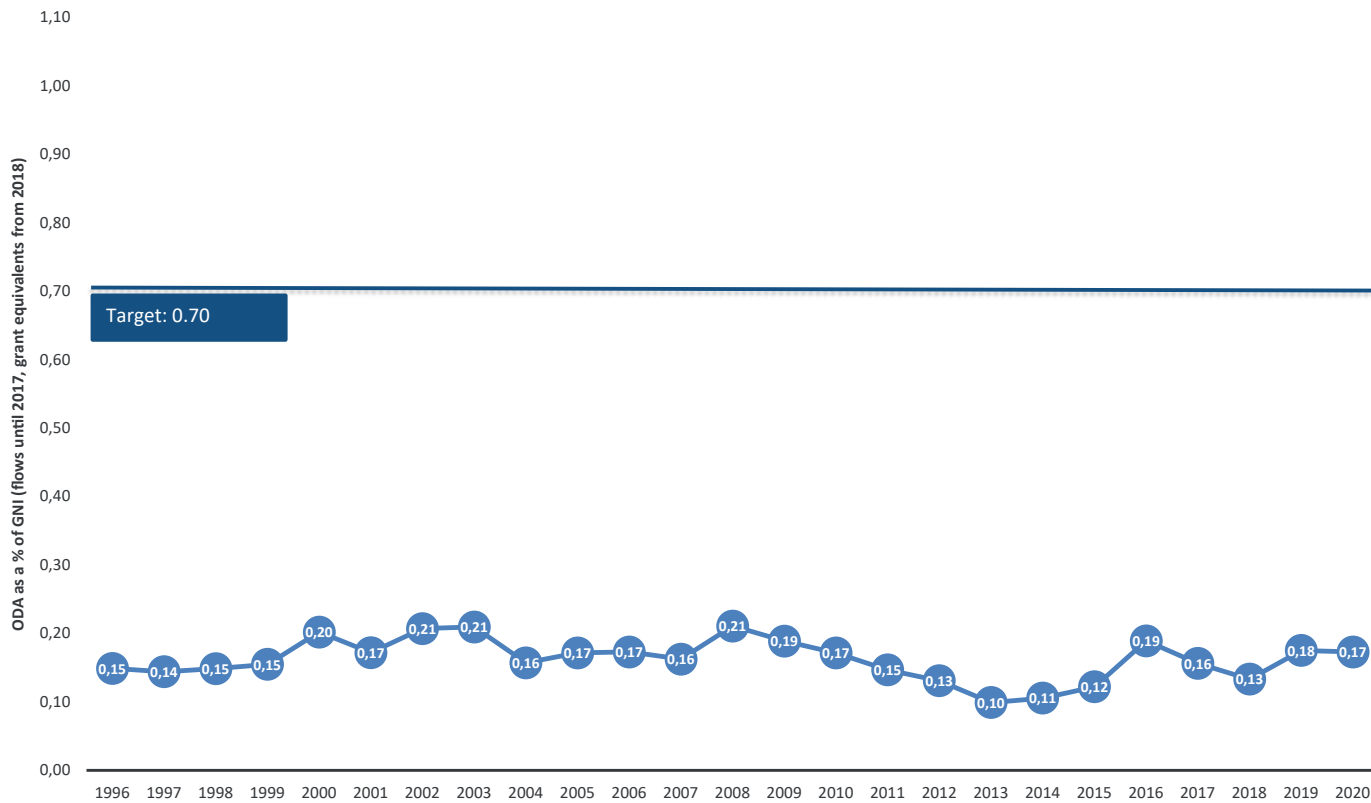
France ODA as a % of GNI (1995-2020)



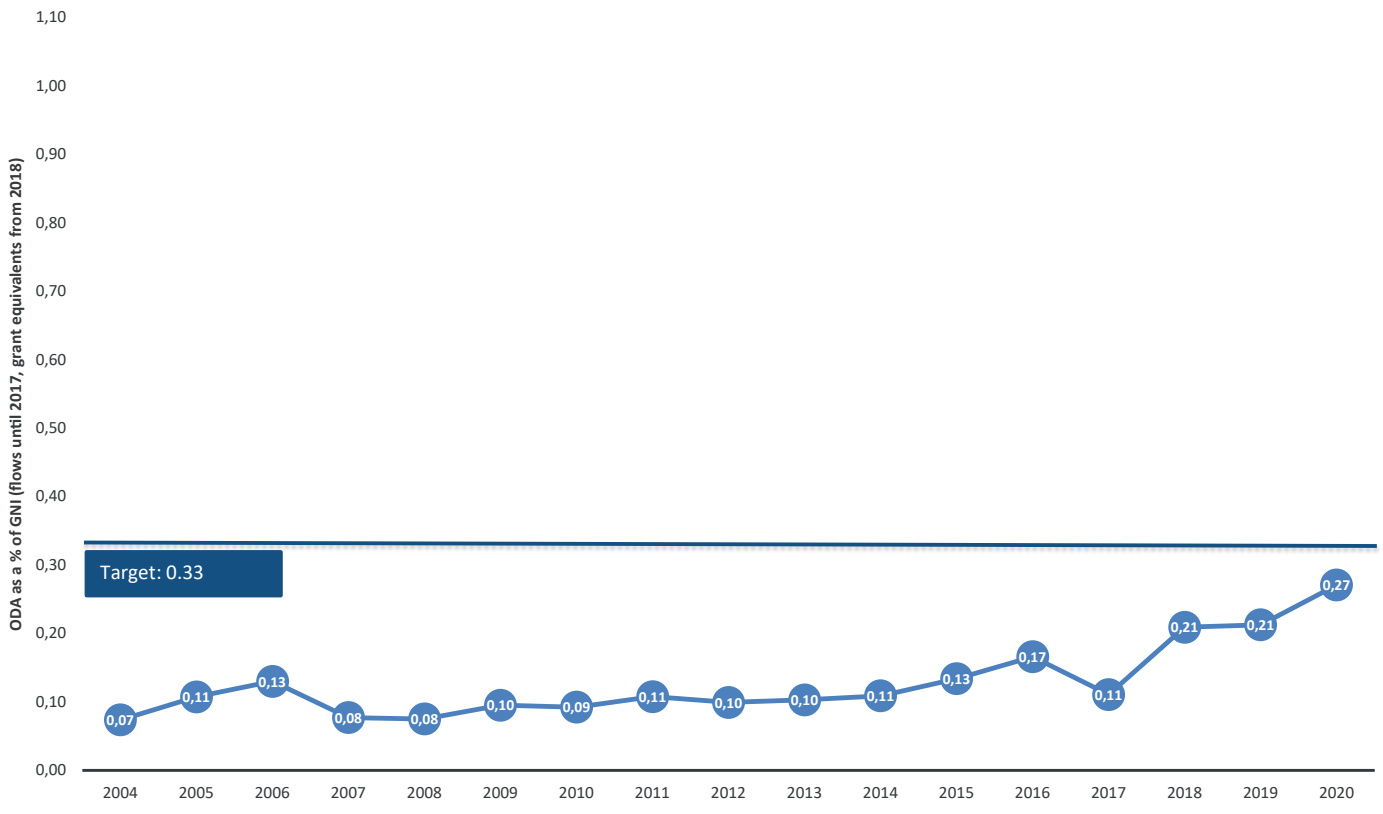
Germany ODA as a % of GNI (1995-2020)



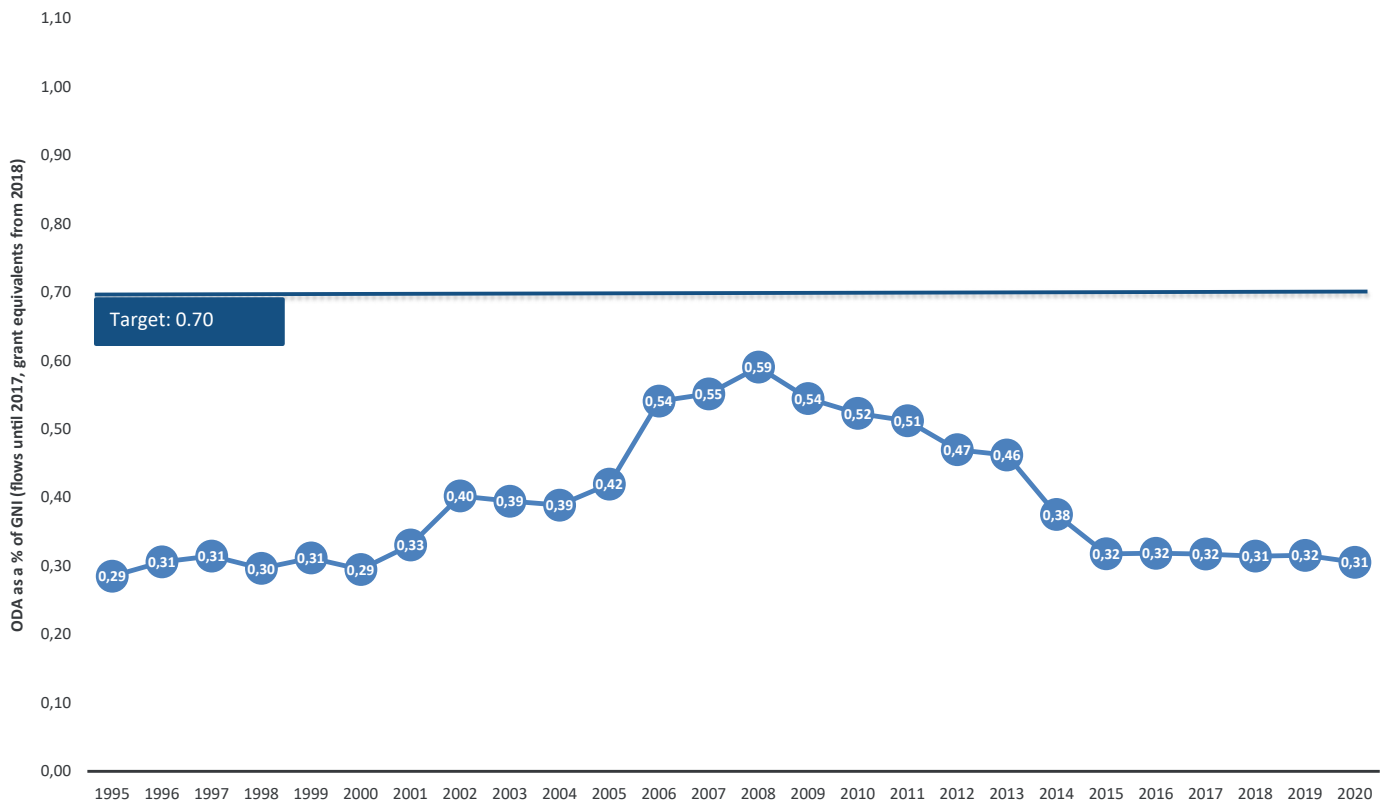
Greece ODA as a % of GNI (1996-2020)



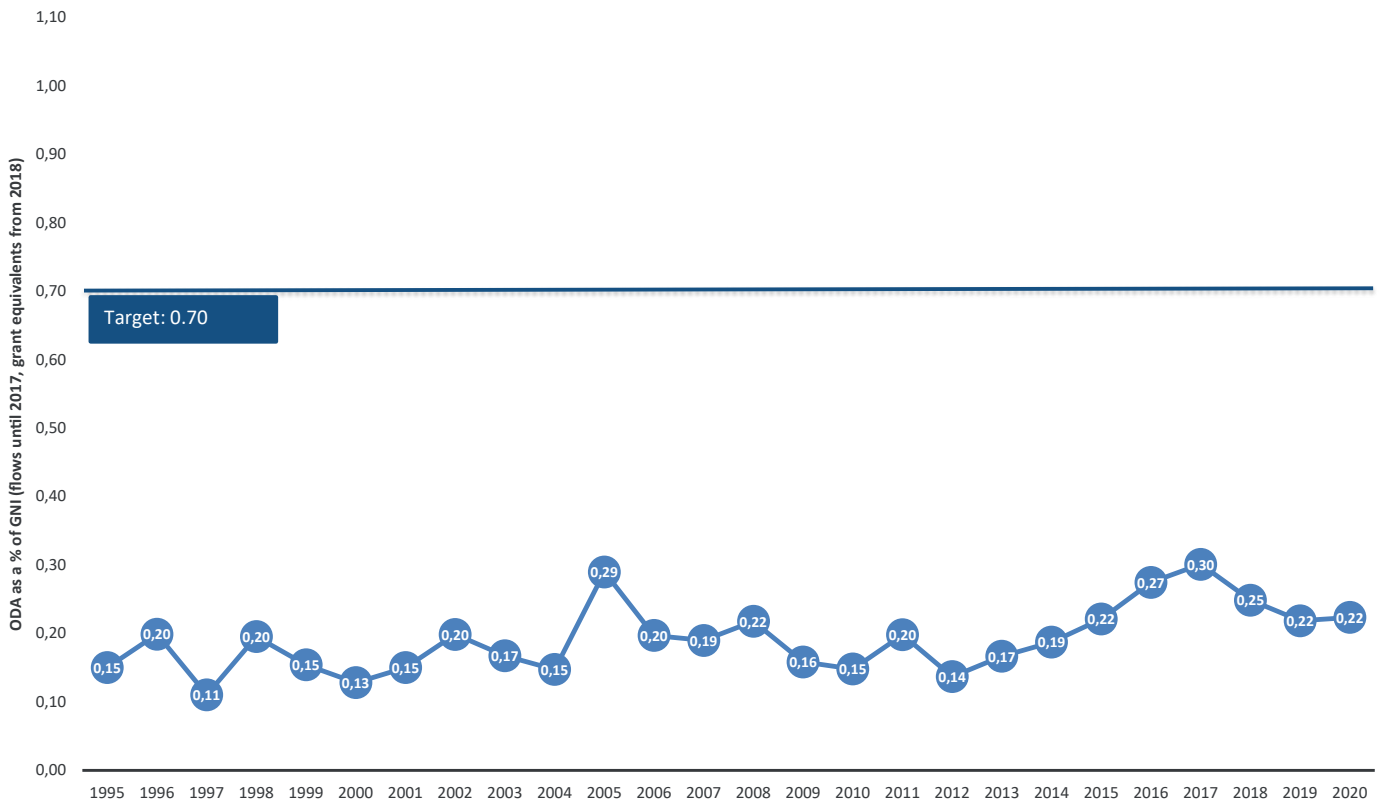
Hungary ODA as a % of GNI (2004-2020)



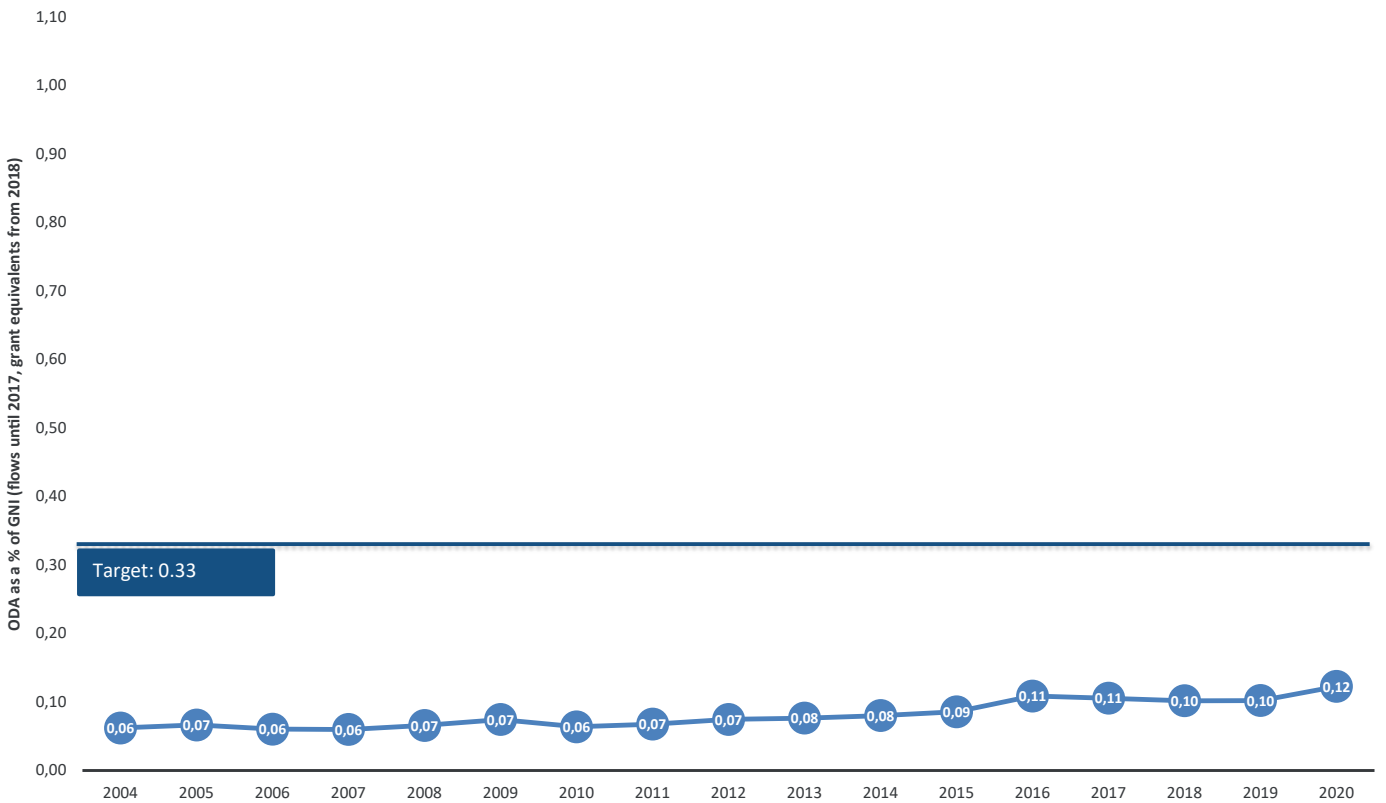
Ireland ODA as a % of GNI (1995-2020)



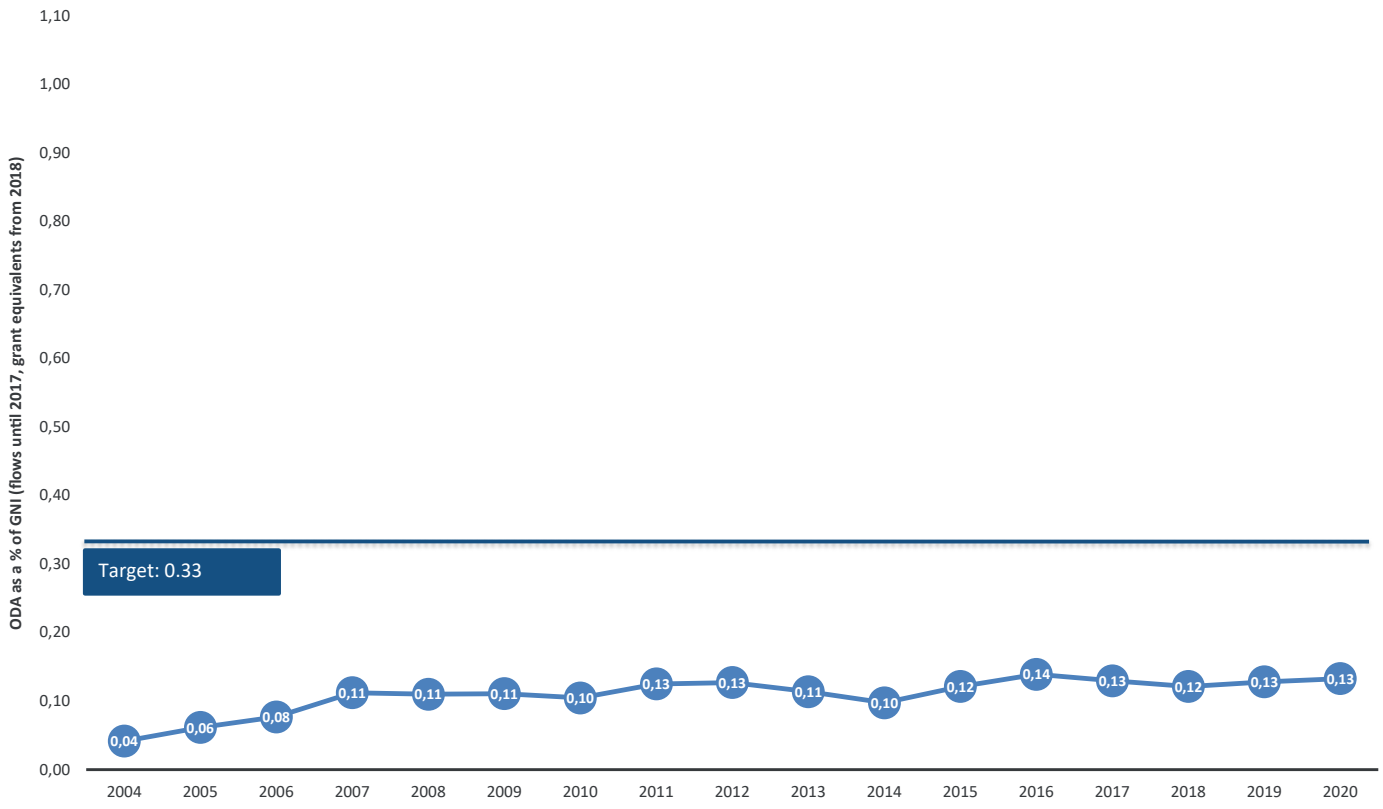
Italy ODA as a % of GNI (1995-2020)



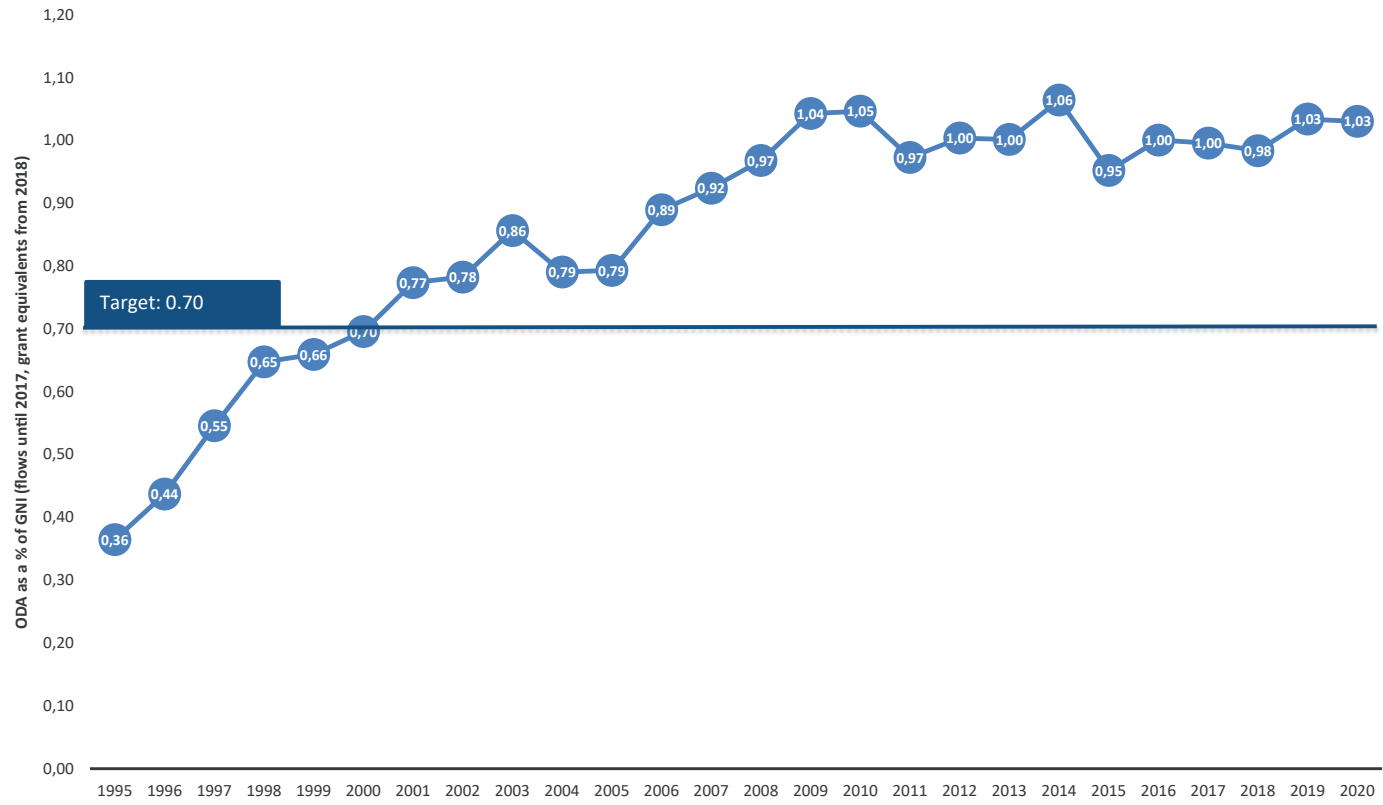
Latvia ODA as a % of GNI (2004-2020)



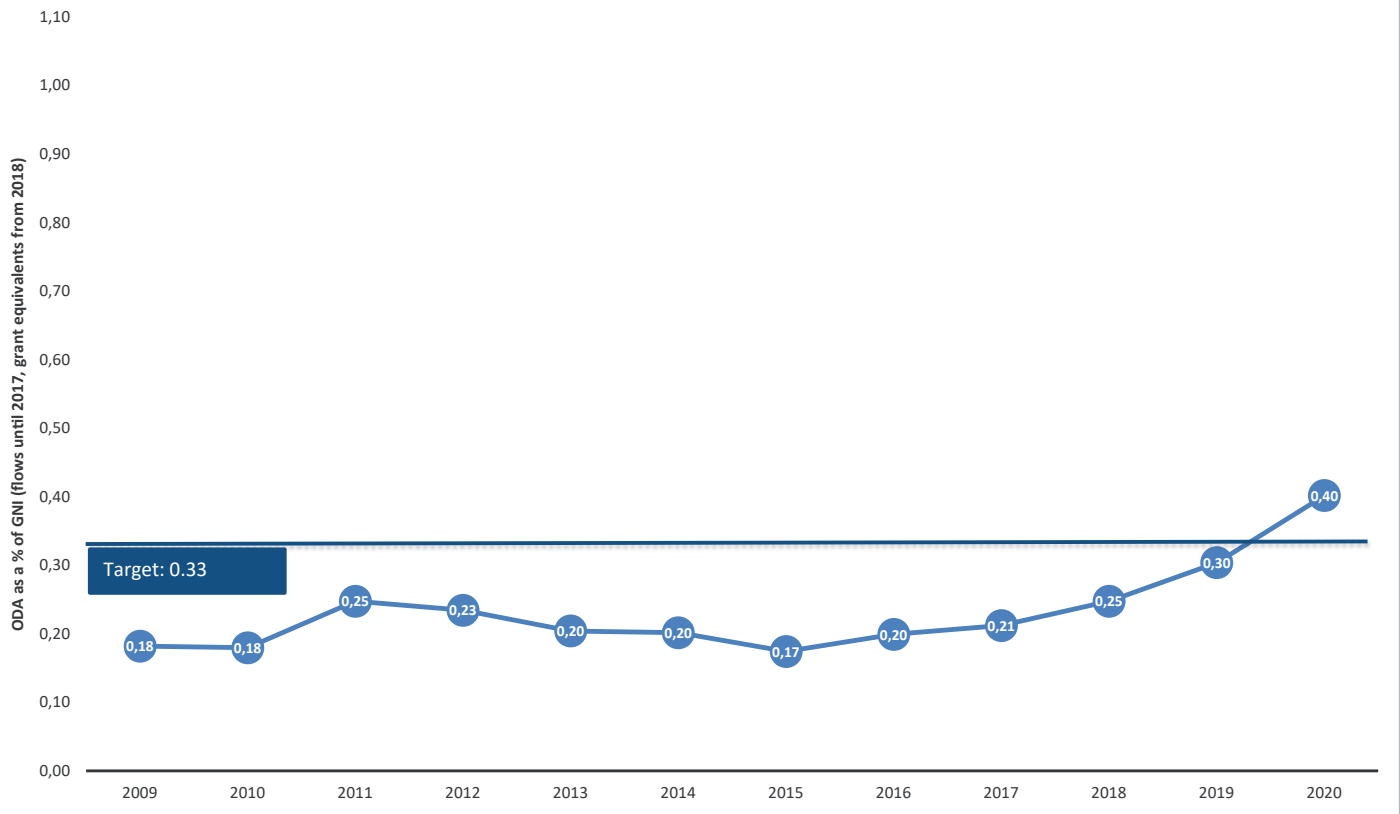
Lithuania ODA as a % of GNI (2004-2020)



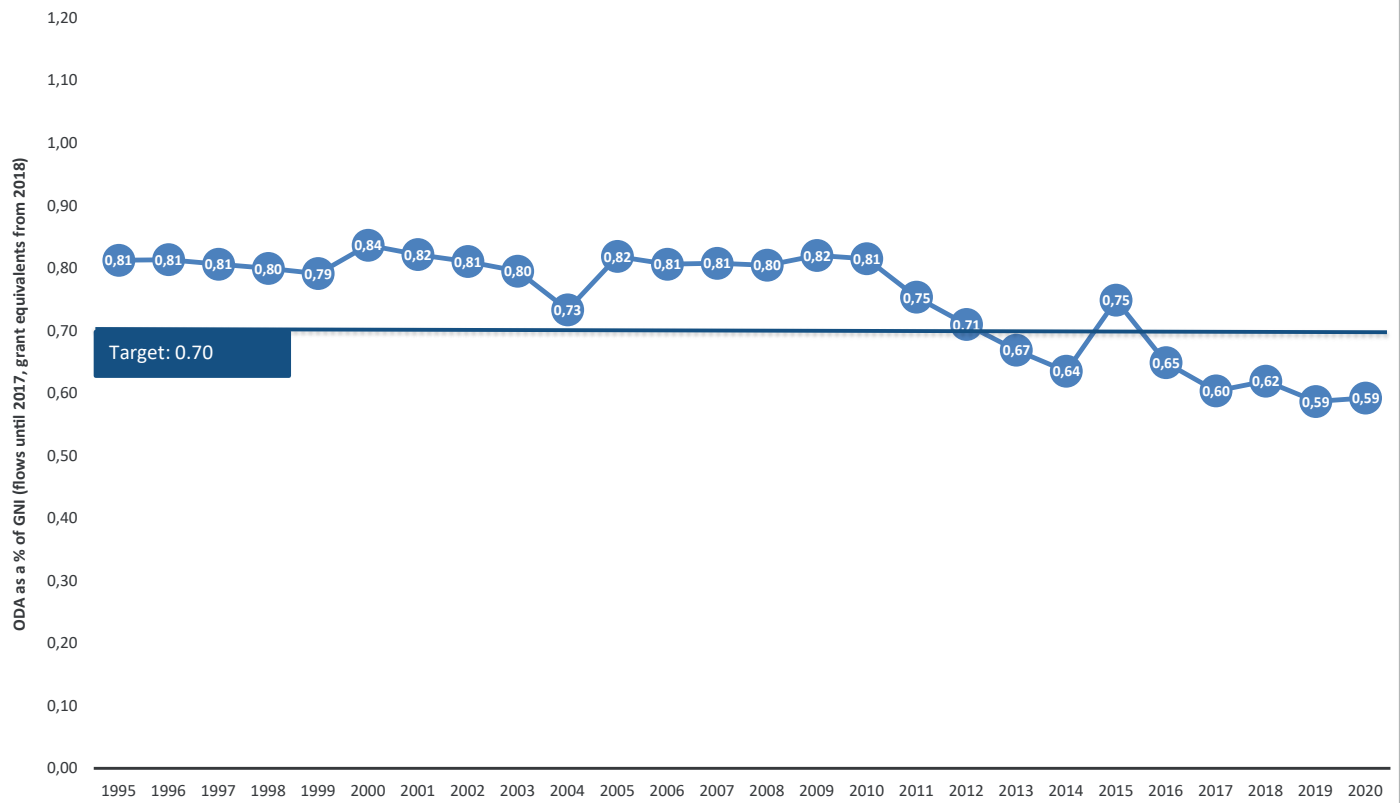
Luxembourg ODA as a % of GNI (1995-2020)



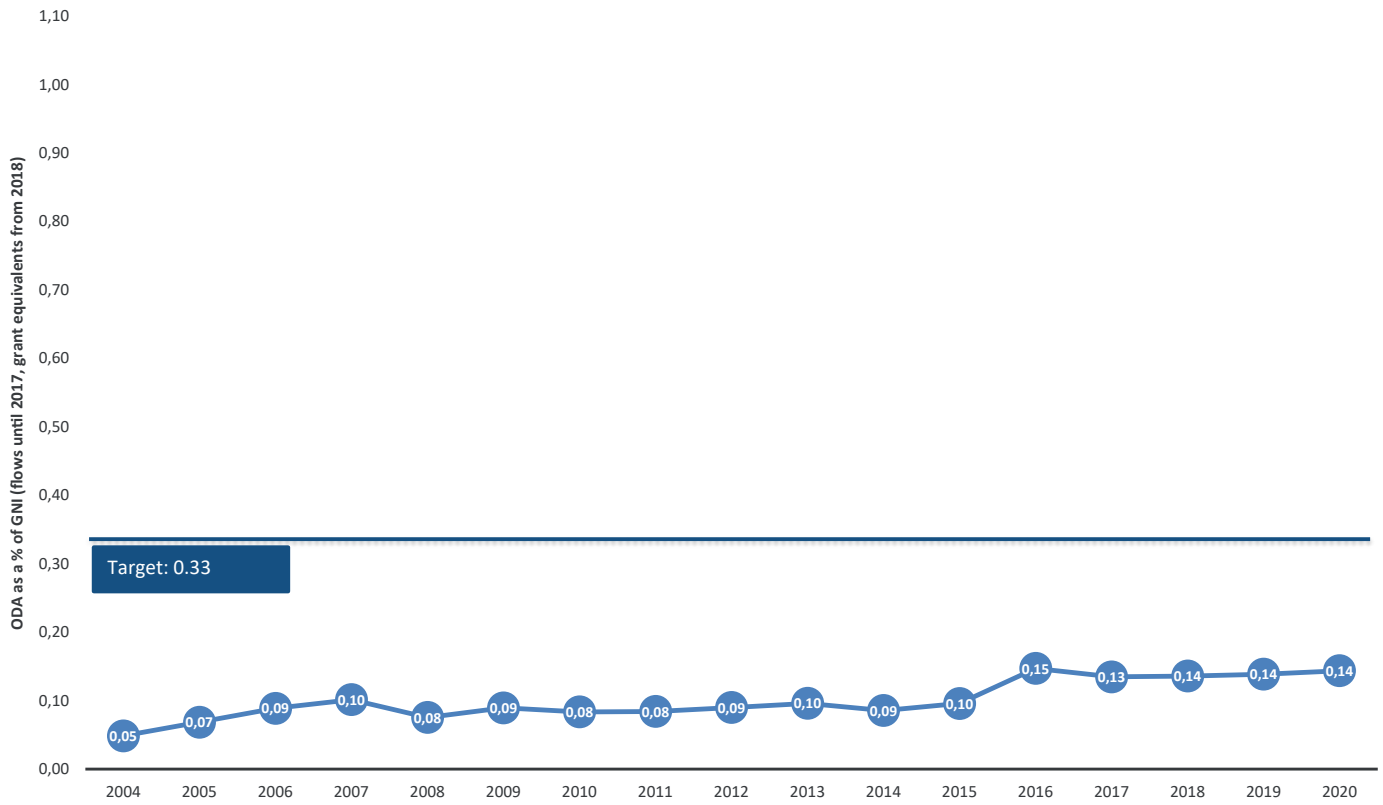
Malta ODA as a % of GNI (2009-2020)



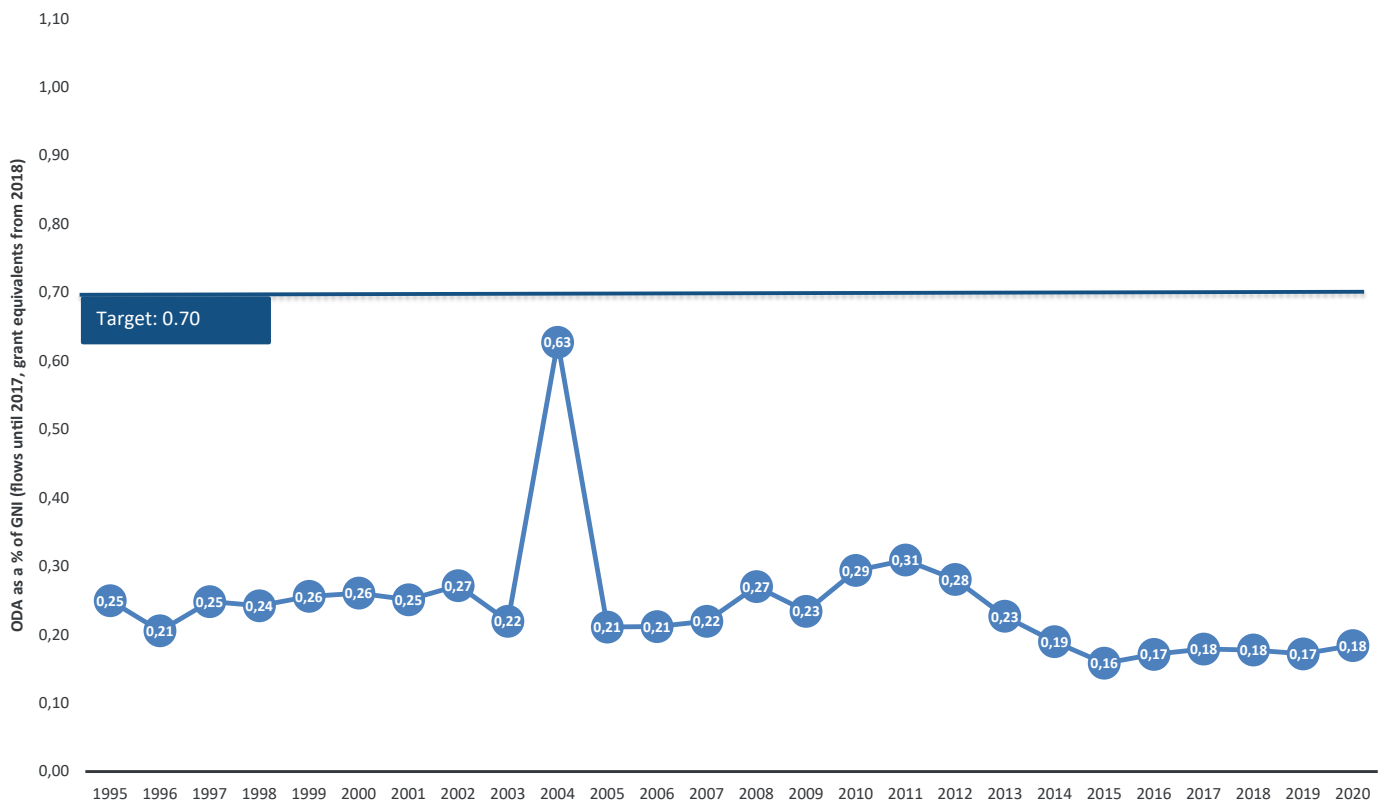
Netherlands ODA as a % of GNI (1995-2020)



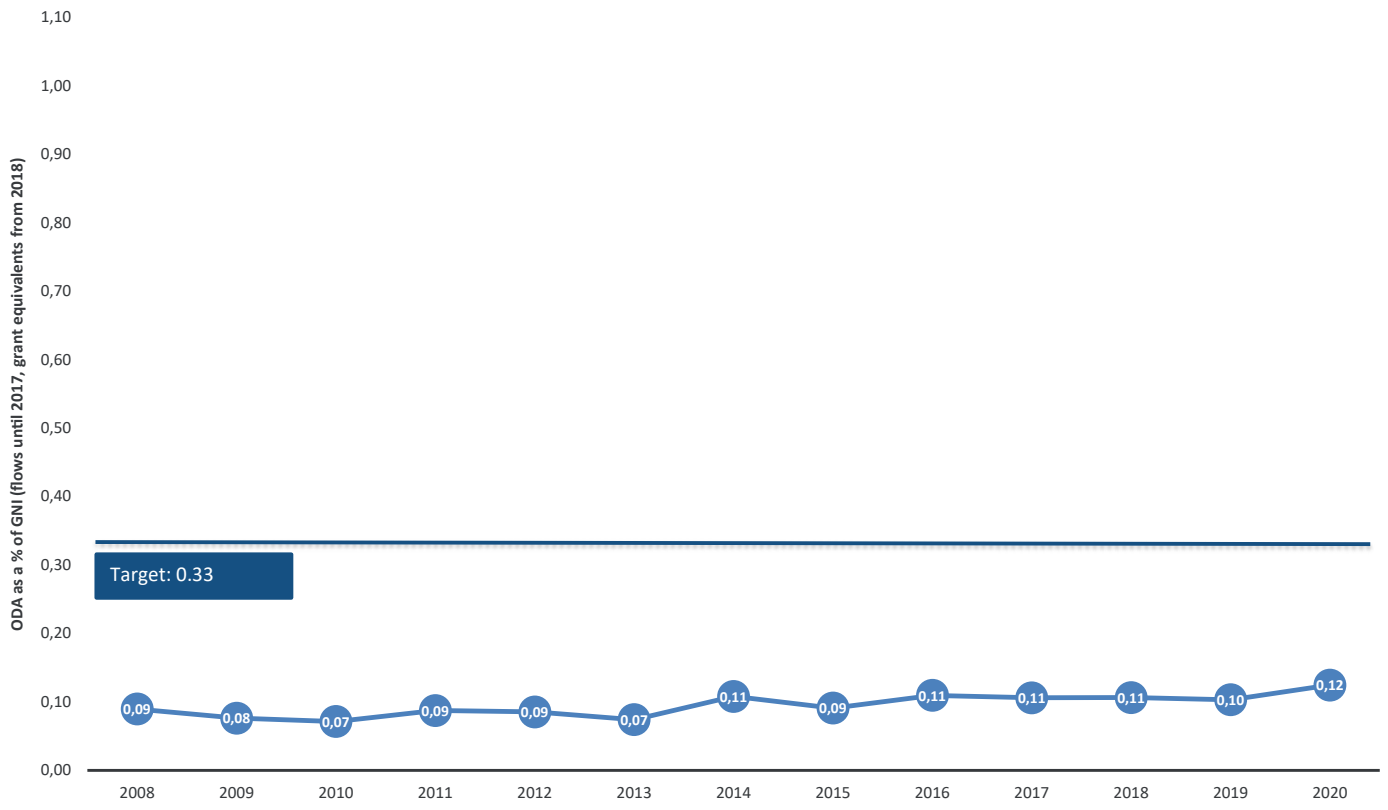
Poland ODA as a % of GNI (2004-2020)



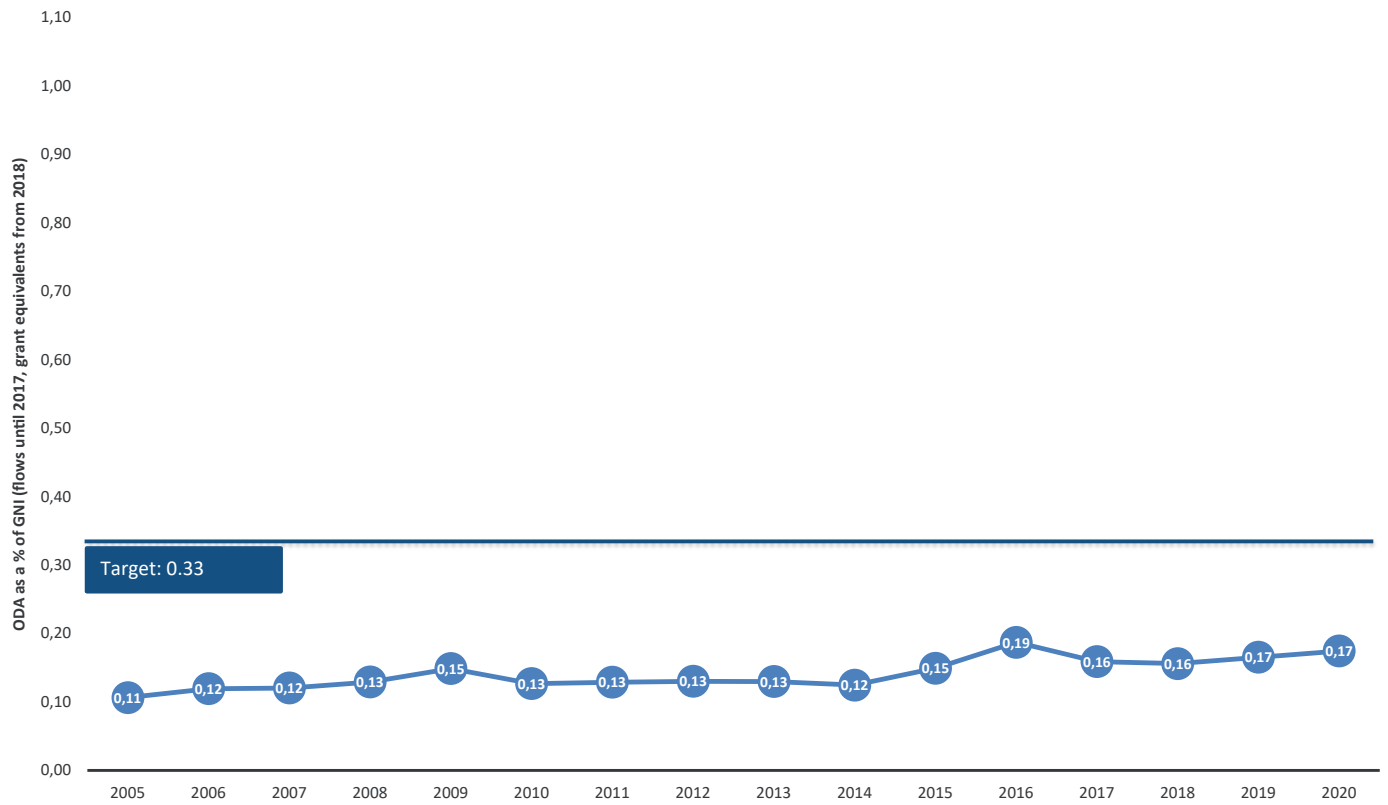
Portugal ODA as a % of GNI (1995-2020)



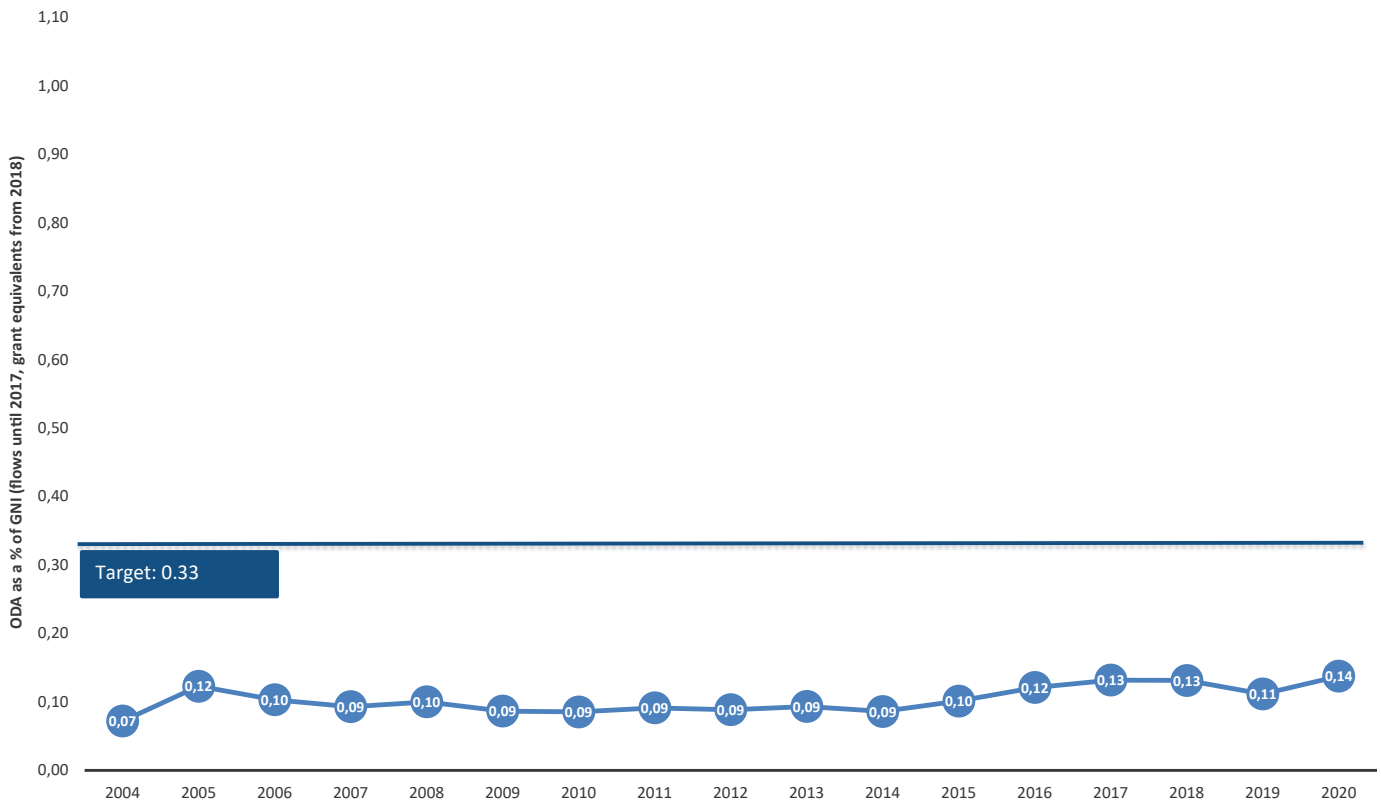
Romania ODA as a % of GNI (2008-2020)



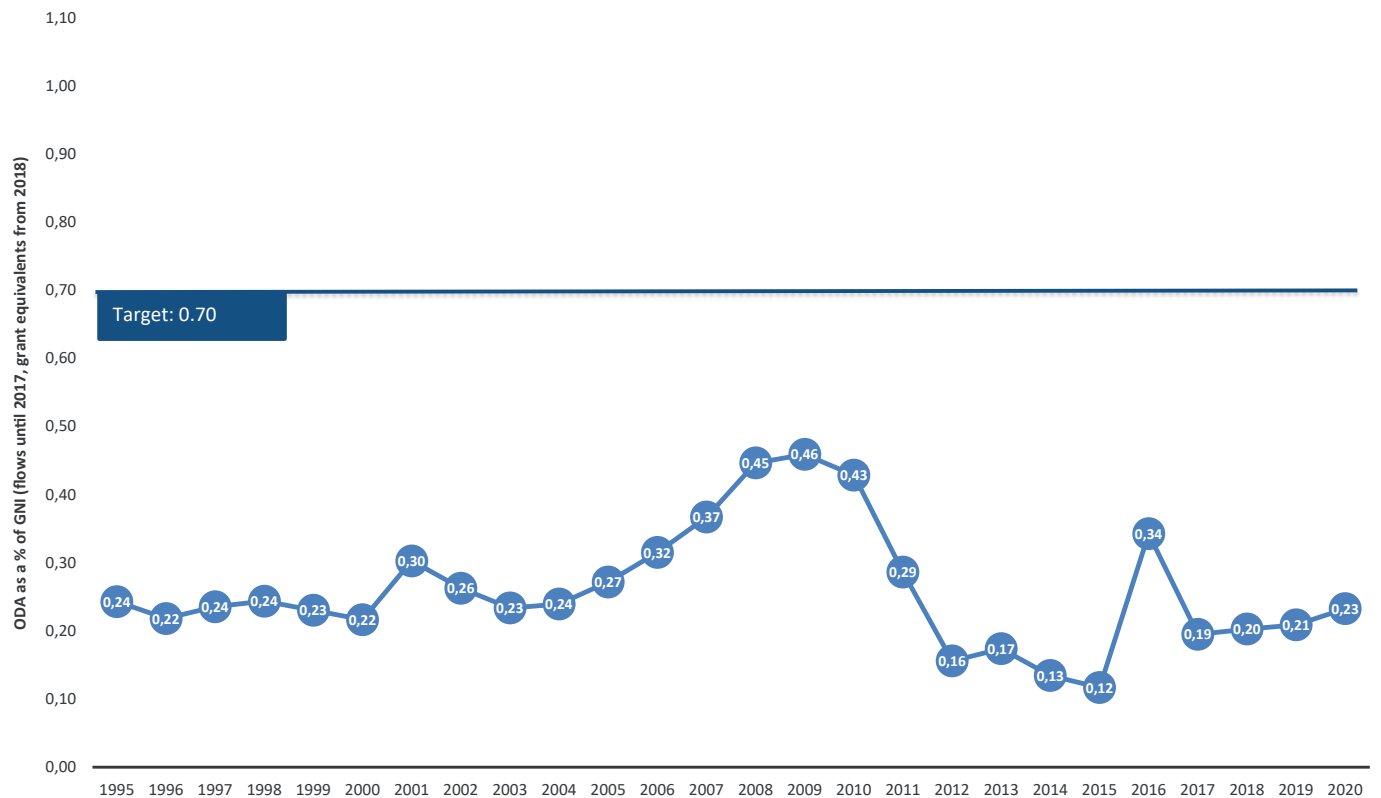
Slovenia ODA as a % of GNI (2005-2020)



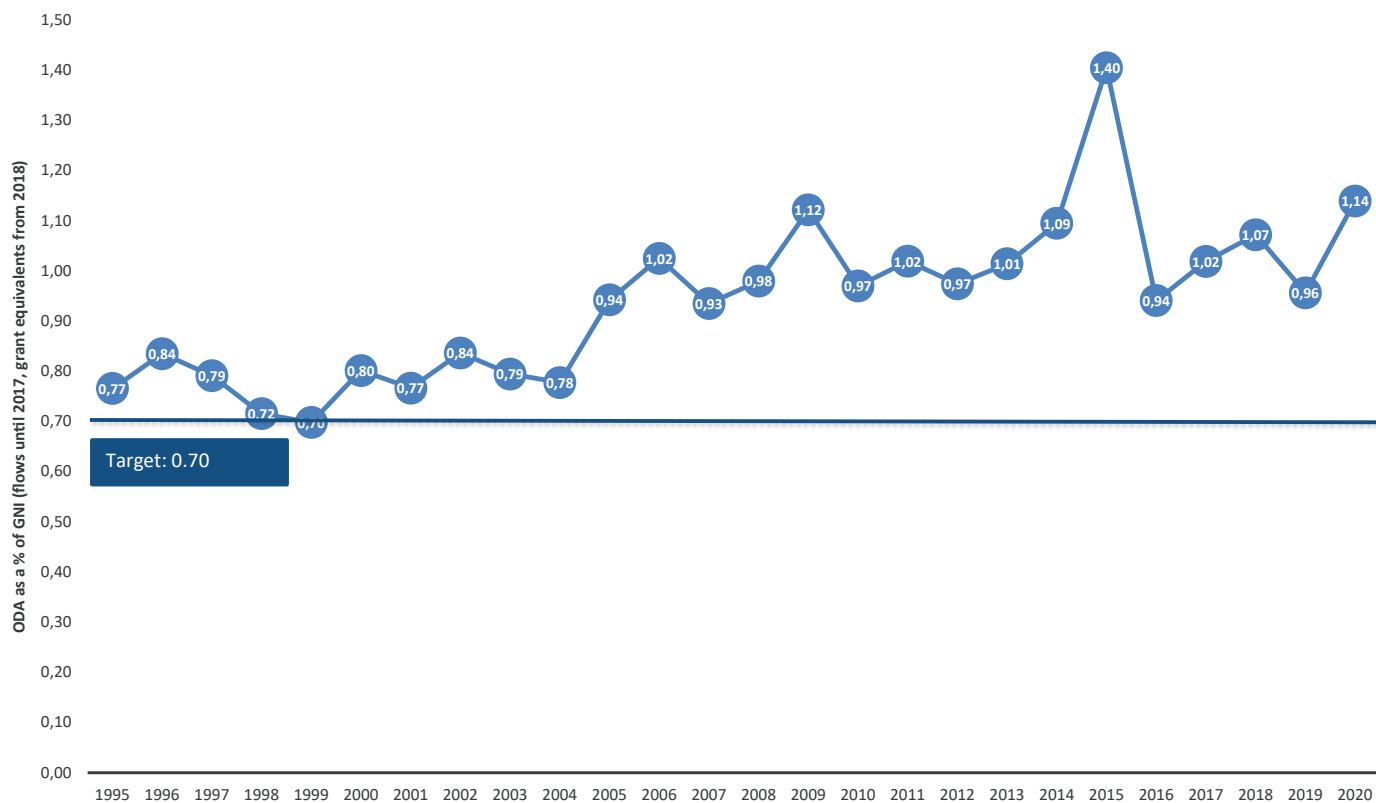
Slovak Republic ODA as a % of GNI (2004-2020)



Spain ODA as a % of GNI (1995-2020)

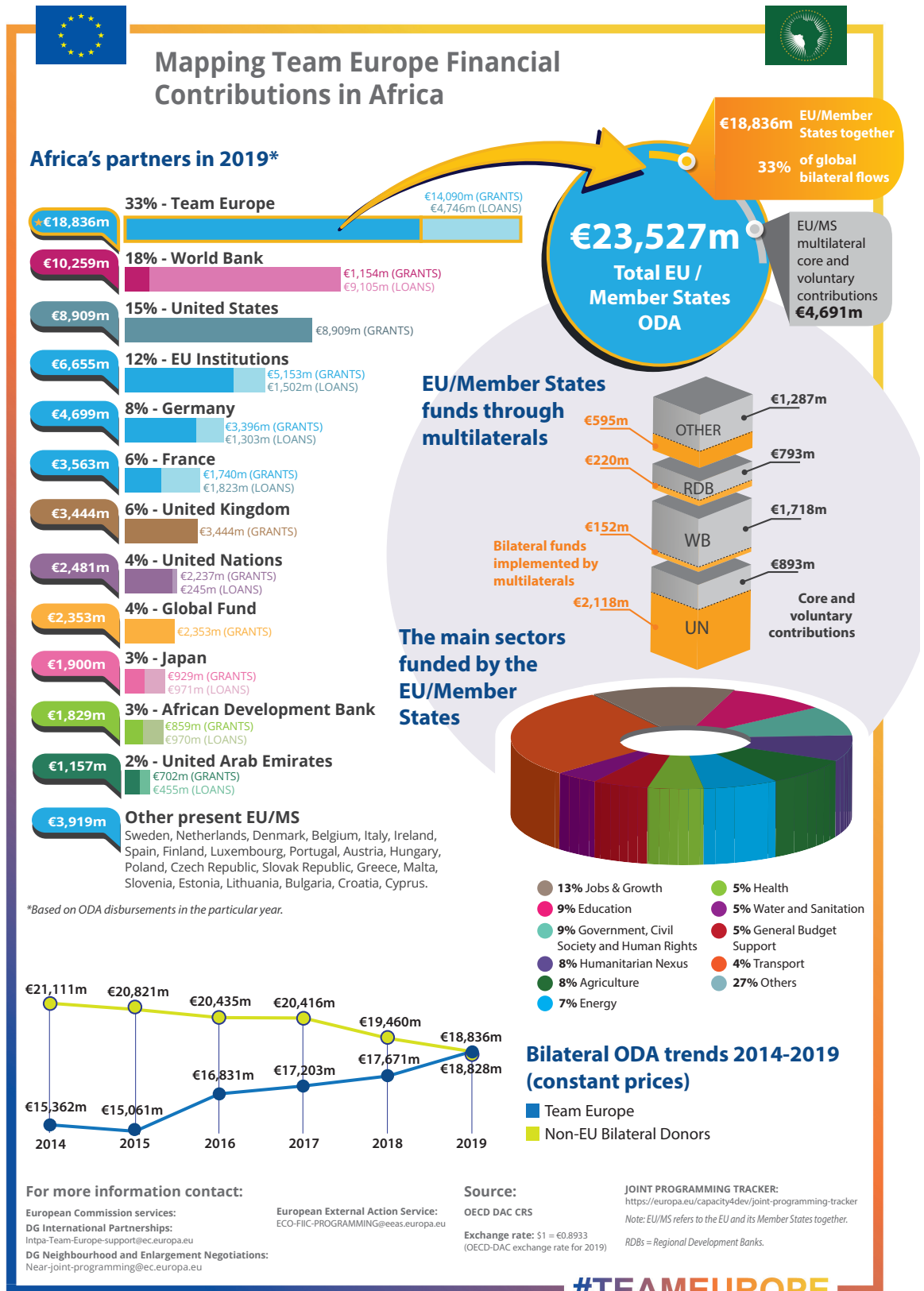


Sweden ODA as a % of GNI (1995-2020)



Annex 4 – Regional ODA and Financing for Sustainable Development

Figure 1 – Africa





Investing in Sustainable Development in Africa

GDP €2.2tn ↑*

GDP per capita
Fiscal position

€1,611 ↑
-1.69%



Population 1.3bn ↑

Multidimensional poverty 0.26

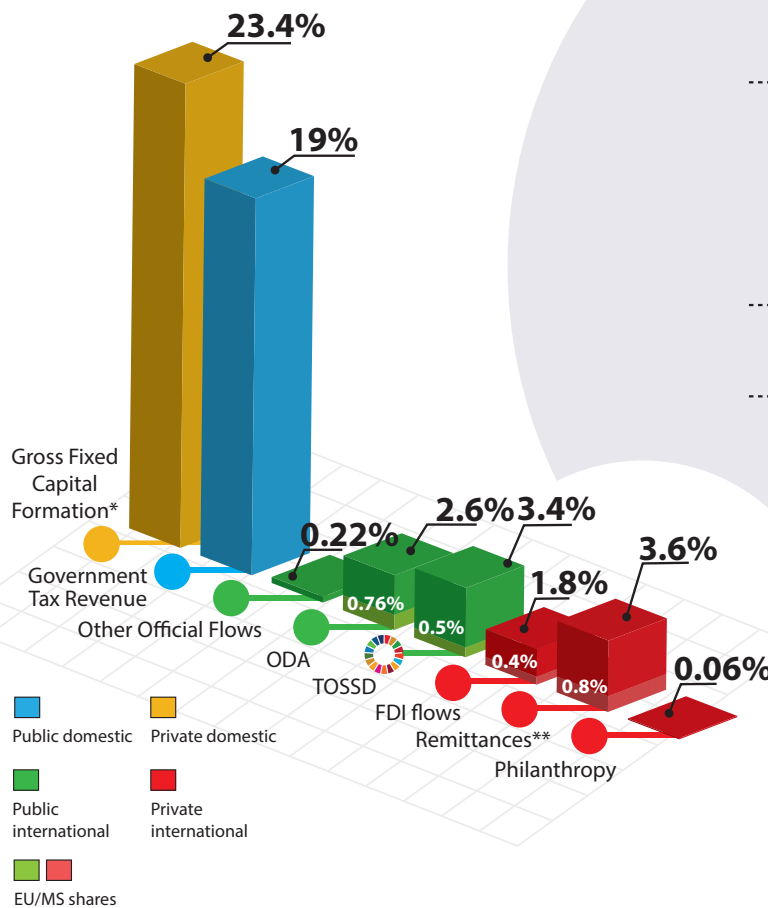
Trade (in € bn)

Imports of goods	523 ↑
Exports of goods	482 ↓
Imports of goods (EU)	145 ↓
Exports of goods (EU)	136 ↓

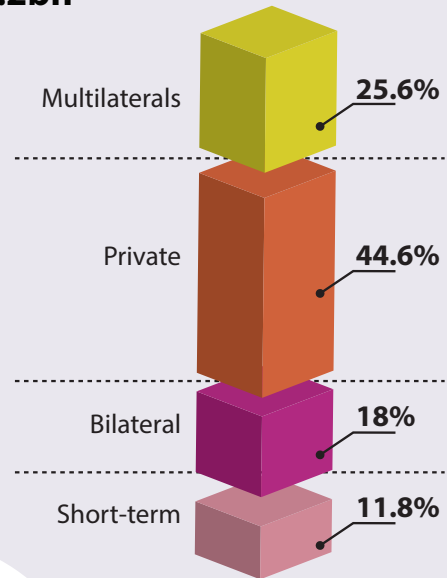


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €751.2bn



Total Debt as share of GDP **34.5%**

Total Debt servicing as share of GDP **3.1%**

For more information contact:
 INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933
 (OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases: (a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020), Global Multidimensional Poverty Index 2020, UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together
 For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)
 **Data on remittances from the EU is taken from KNOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

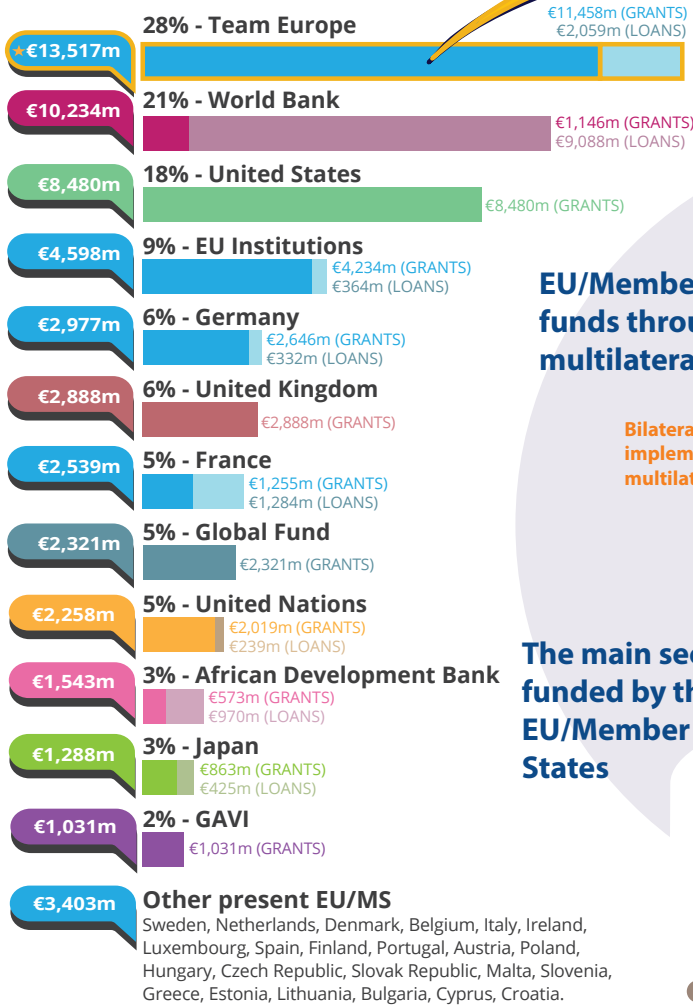
#TEAMEUROPE

Figure 2 – Sub-Saharan Africa



Mapping Team Europe Financial Contributions in Sub-Saharan Africa

Sub-Saharan Africa's partners in 2019*

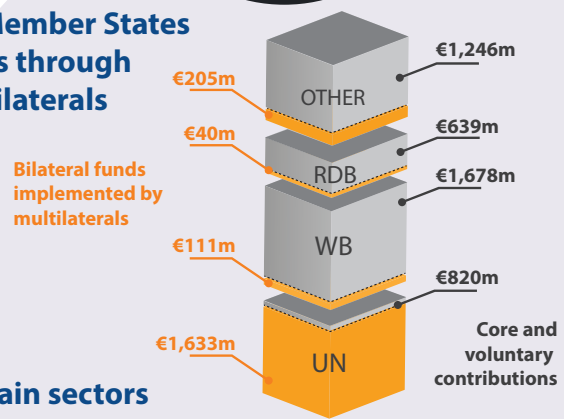


€17,900m
Total EU / Member States ODA

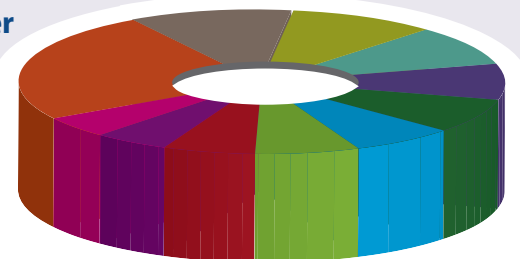
€13,517m EU/Member States together
28% of global bilateral flows

EU/MS multilateral core and voluntary contributions
€4,383m

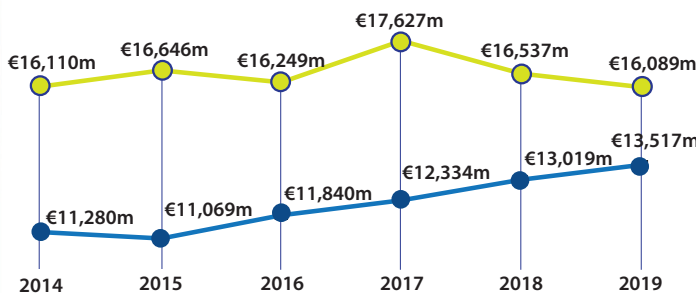
EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



*Based on ODA disbursements in the particular year.



Bilateral ODA trends 2014-2019 (constant prices)

■ Team Europe
■ Non-EU Bilateral Donors

For more information contact:

European Commission services:
DG International Partnerships:
Intra-Team-Europe-support@ec.europa.eu
DG Neighbourhood and Enlargement Negotiations:
Near-joint-programming@ec.europa.eu

European External Action Service:
ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

OECD DAC CRS
Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

JOINT PROGRAMMING TRACKER:
<https://europa.eu/capacity4dev/joint-programming-tracker>
Note: EU/MS refers to the EU and its Member States together.

RDBs = Regional Development Banks.

#TEAMEUROPE



Investing in Sustainable Development in Sub-Saharan Africa

GDP €1.5tn ↑*

GDP per capita €1,358 ↑
Fiscal position -2.07%

Population 1.1bn ↑

Multidimensional poverty 0.26

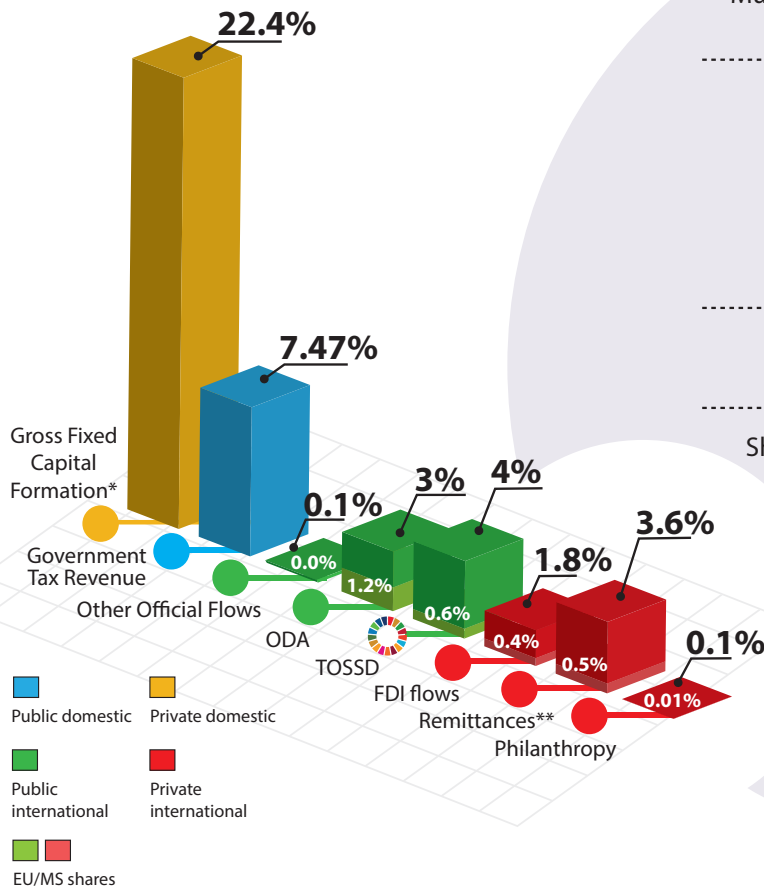
Human Development Index (UN) Index 0.55 ↑

Trade (in € bn)

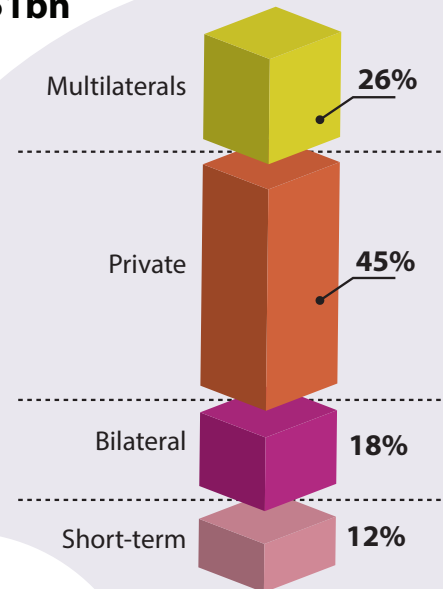
Imports of goods	523	↑
Exports of goods	349	↓
Imports of goods (EU)	70	↓
Exports of goods (EU)	70	↓

* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €751bn



Total Debt as share of GDP **35.7%**

Total Debt servicing as share of GDP **3.3%**

For more information contact: INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933 (OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases: (a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI) **Data on remittances from the EU is taken from KNOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

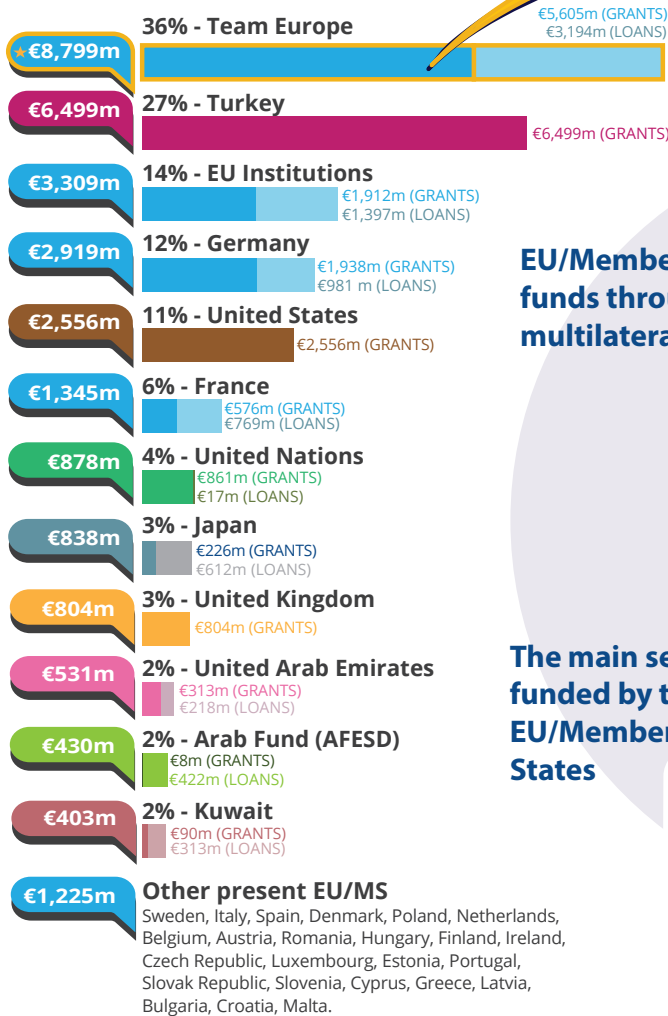
#TEAMEUROPE

Figure 3 – Neighbourhood

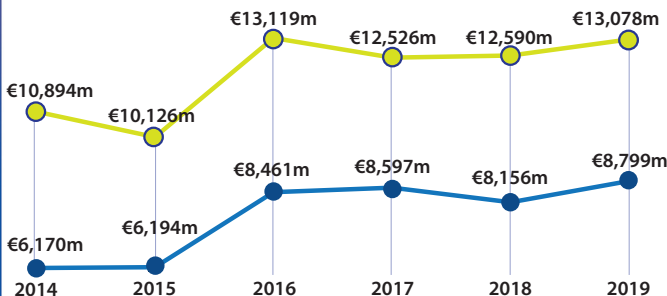


Mapping Team Europe Financial Contributions in Neighbourhood

Neighbourhood's partners in 2019*



*Based on ODA disbursements in the particular year.



For more information contact:

European Commission services:
 DG International Partnerships:
 Intra-Team-Europe-support@ec.europa.eu
 DG Neighbourhood and Enlargement Negotiations:
 Near-joint-programming@ec.europa.eu

European External Action Service:
 ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

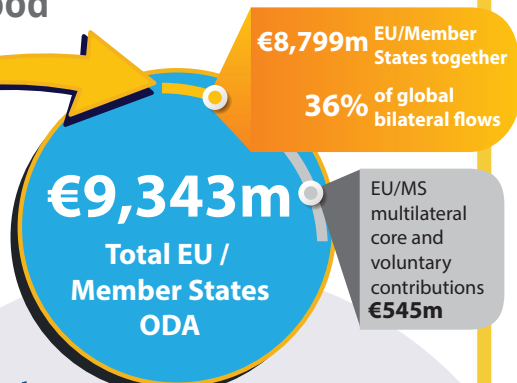
OECD DAC CRS

Exchange rate: \$1 = €0.8933
 (OECD-DAC exchange rate for 2019)

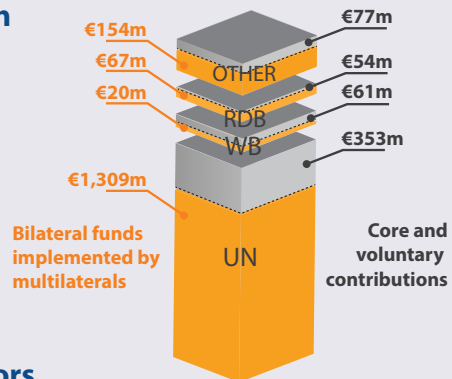
JOINT PROGRAMMING TRACKER:
<https://europa.eu/capacity4dev/joint-programming-tracker>

Note: EU/MS refers to the EU and its Member States together.

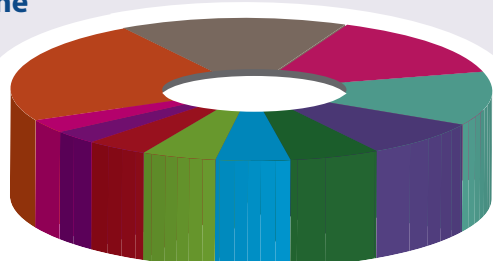
RDBs = Regional Development Banks.



EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



Bilateral ODA trends 2014-2019 (constant prices)

■ Team Europe
 ■ Non-EU Bilateral Donors

#TEAMEUROPE



Investing in Sustainable Development in Neighbourhood

GDP €973 bn ↑*

GDP per capita €3,136 ↑
Fiscal position -1.06%

Population 310m ↑

Multidimensional poverty 0.02



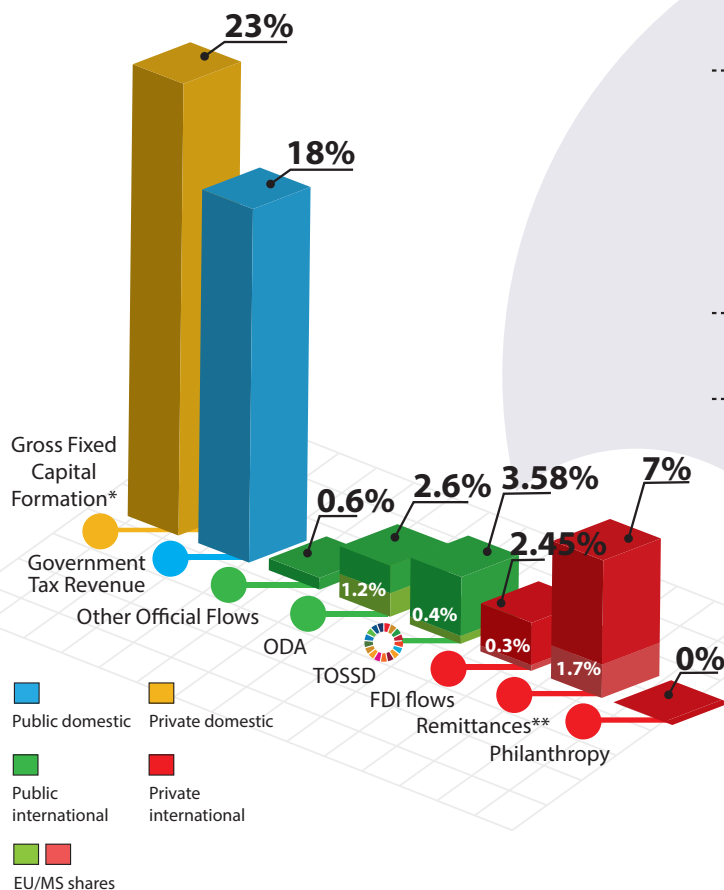
Trade (in € bn)

Imports of goods 332 ↓
Exports of goods 244 ↓
Imports of goods (EU) 123 ↓
Exports of goods (EU) 104 ↓

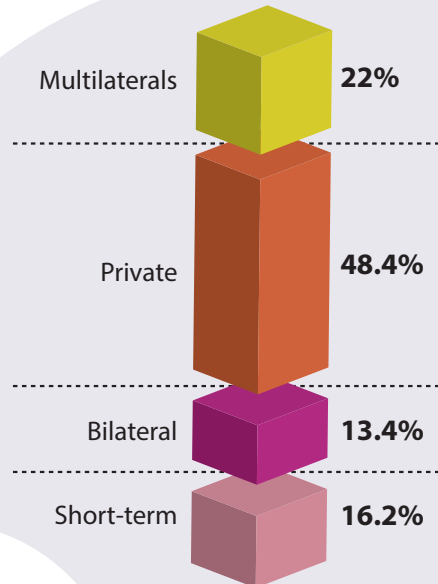


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €485bn



Total Debt as share of GDP **49.8%**

Total Debt servicing as share of GDP **5.8%**

For more information contact: INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933 (OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases: (a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)

**Data on remittances from the EU is taken from KINOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

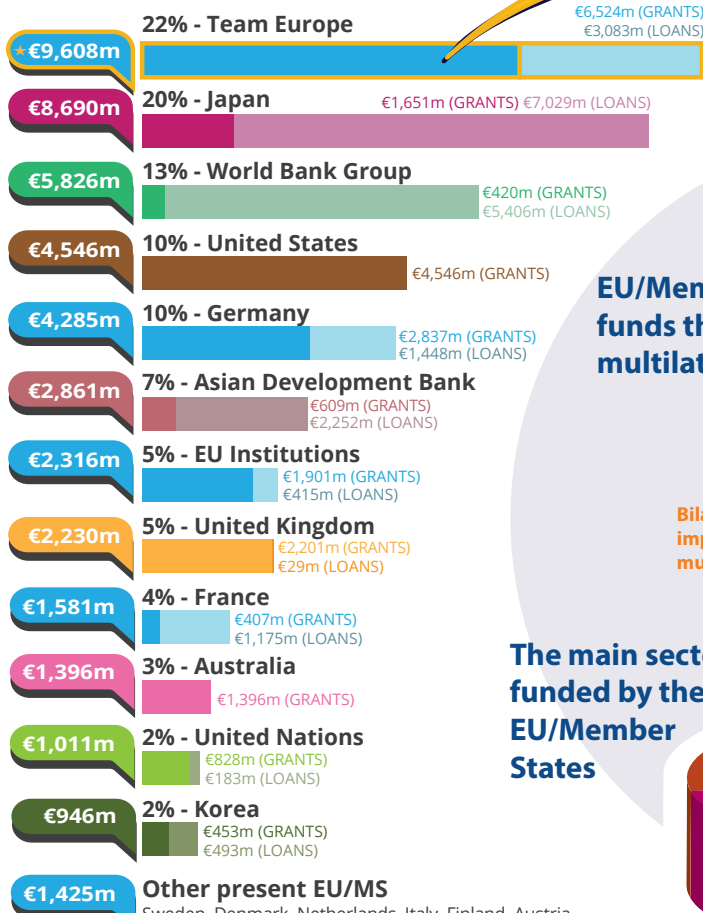
#TEAMEUROPE

Figure 4 – Asia-Pacific



Mapping Team Europe Financial Contributions in Asia-Pacific

Asia-Pacific's partners in 2019*



*Based on ODA disbursements in the particular year.

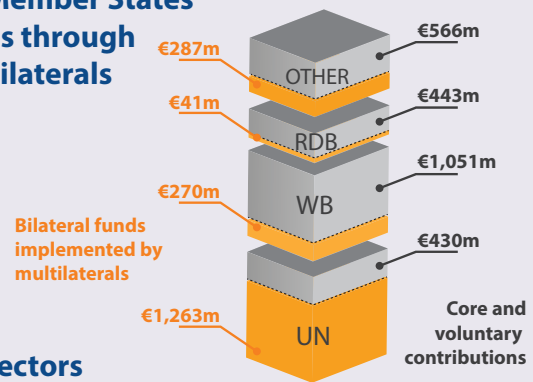
€9,608m EU/Member States together

22% of global bilateral flows

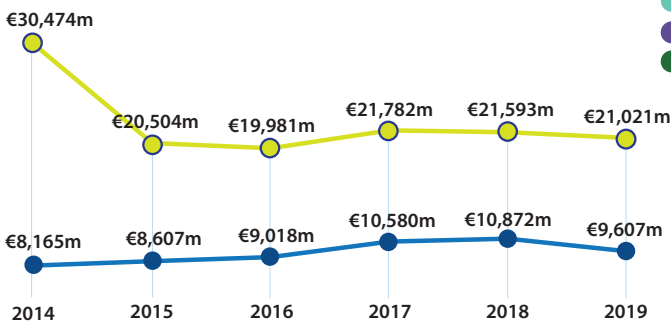
€12,097m Total EU / Member States ODA

EU/MS multilateral core and voluntary contributions **€2,490m**

EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



Bilateral ODA trends 2014-2019 (constant prices)

■ Team Europe
■ Non-EU Bilateral Donors

For more information contact:

European Commission services:
DG International Partnerships:
Intpa-Team-Europe-support@ec.europa.eu
DG Neighbourhood and Enlargement Negotiations:
Near-joint-programming@ec.europa.eu

European External Action Service:
ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

OECD DAC CRS

Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

JOINT PROGRAMMING TRACKER:

<https://europa.eu/capacity4dev/joint-programming-tracker>

Note: EU/MS refers to the EU and its Member States together.

RDBs = Regional Development Banks.

This infographic includes among others Iraq and Yemen, but not the countries of the EU's Southern Neighbourhood.

#TEAMEUROPE



Investing in Sustainable Development in Asia-Pacific

GDP €19 tn ↑*

GDP per capita €4,562 ↑
Fiscal position -0.26%



Population 4.1 bn ↑

Multidimensional poverty 0.05

Human Development Index (UN) Index 0.70 ↑



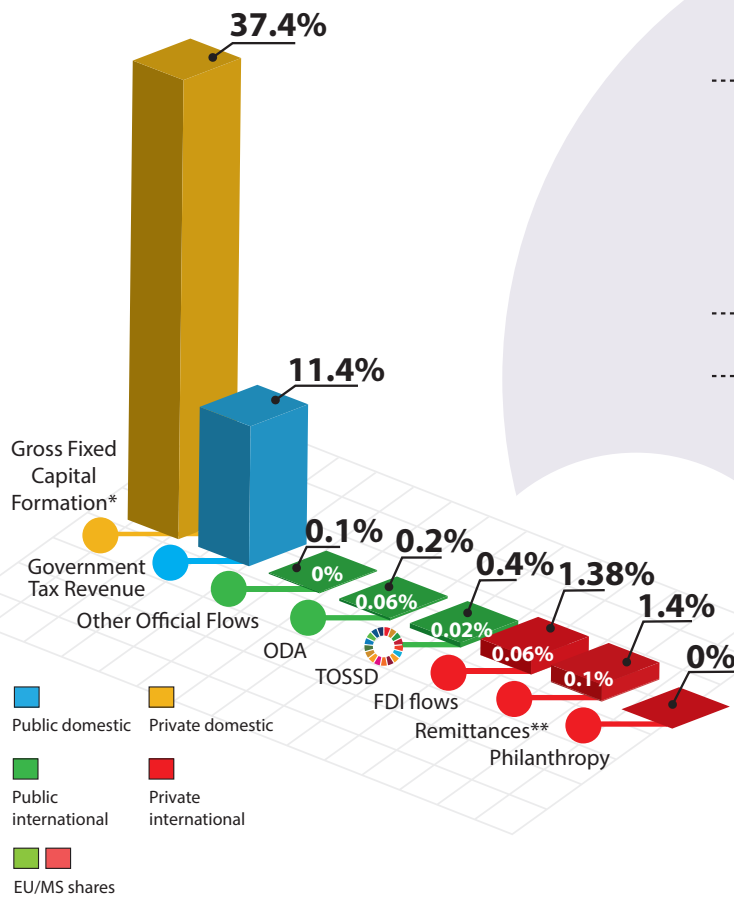
Trade (in € bn)

Imports of goods 3,314 ↓
Exports of goods 4,000 ↓
Imports of goods (EU) 327 ↓
Exports of goods (EU) 585 ↓

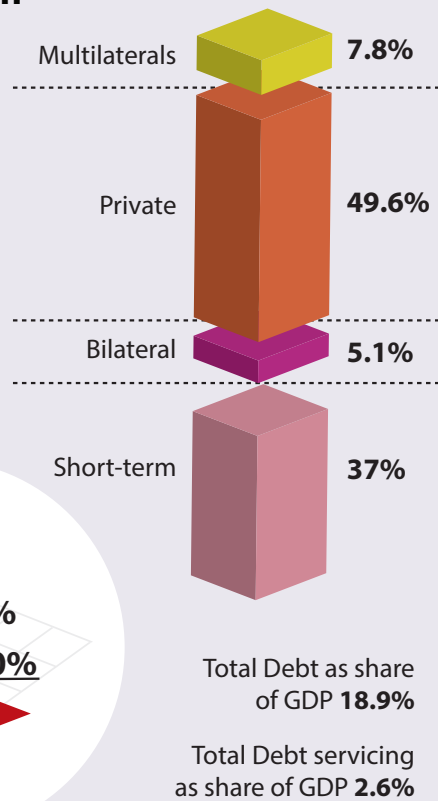


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €3.7 tn



For more information contact:

INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases: (a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together
For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)
**Data on remittances from the EU is taken from KINOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

This infographic includes among others Iraq and Yemen, but not the countries of the EU's Southern Neighbourhood.

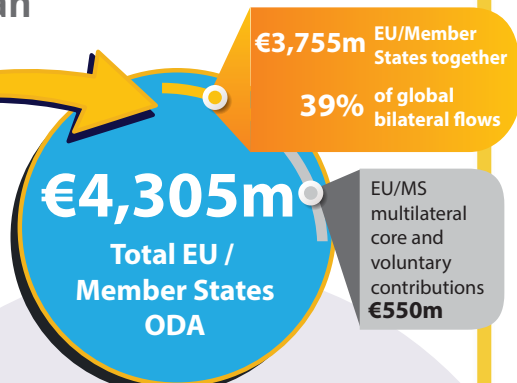
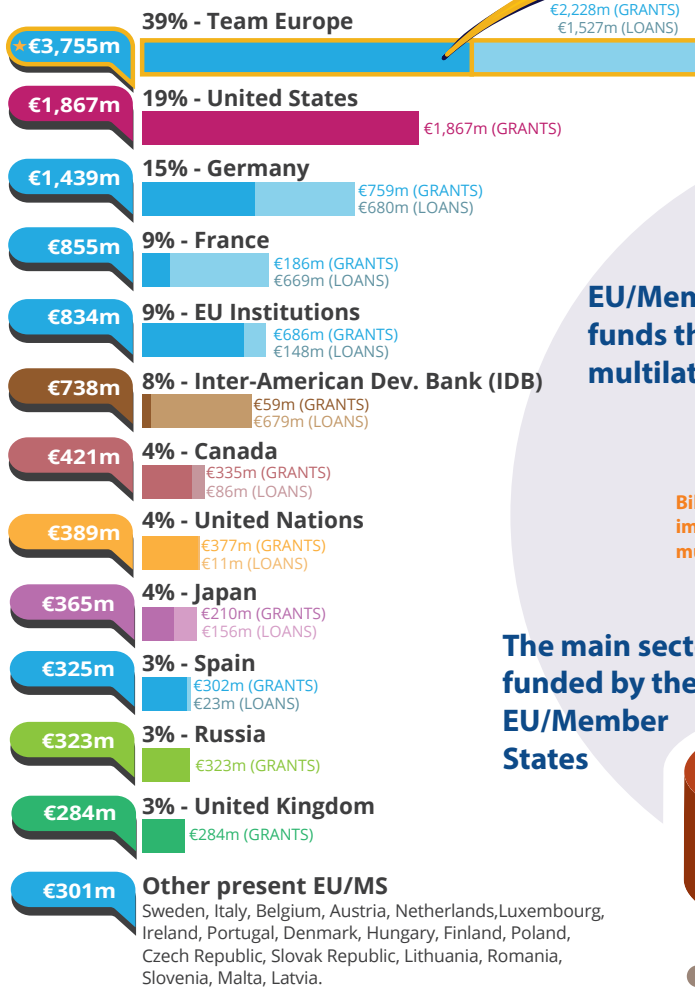
#TEAMEUROPE

Figure 5 – Latin America and Caribbean

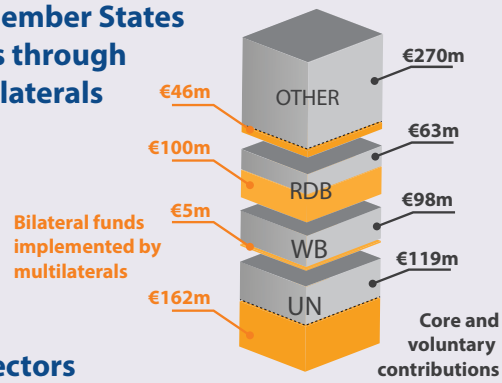


Mapping Team Europe Financial Contributions in Latin America and Caribbean

Latin America and Caribbean's partners in 2019*



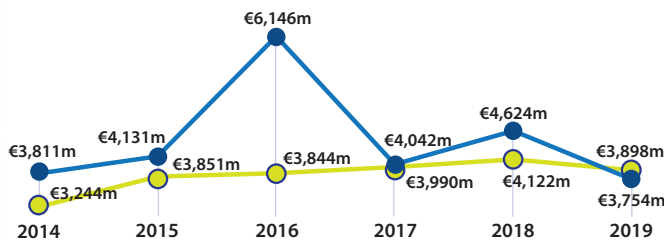
EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



*Based on ODA disbursements in the particular year.



Bilateral ODA trends 2014-2019 (constant prices)



For more information contact:

European Commission services:
 DG International Partnerships:
 Intra-Team-Europe-support@ec.europa.eu
 DG Neighbourhood and Enlargement Negotiations:
 Near-joint-programming@ec.europa.eu

European External Action Service:
 ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

OECD DAC CRS
 Exchange rate: \$1 = €0.8933
 (OECD-DAC exchange rate for 2019)

JOINT PROGRAMMING TRACKER:
<https://europa.eu/capacity4dev/joint-programming-tracker>

Note: EU/MS refers to the EU and its Member States together.

RDBs = Regional Development Banks.

#TEAMEUROPE



Investing in Sustainable Development in Latin America and Caribbean

GDP €4.2tn ↓*

GDP per capita €7,389 ↓
Fiscal position -3.47%



Population 568m ↑

Multidimensional poverty 0.002

Human Development Index (UN)
Index 0.77 ↑

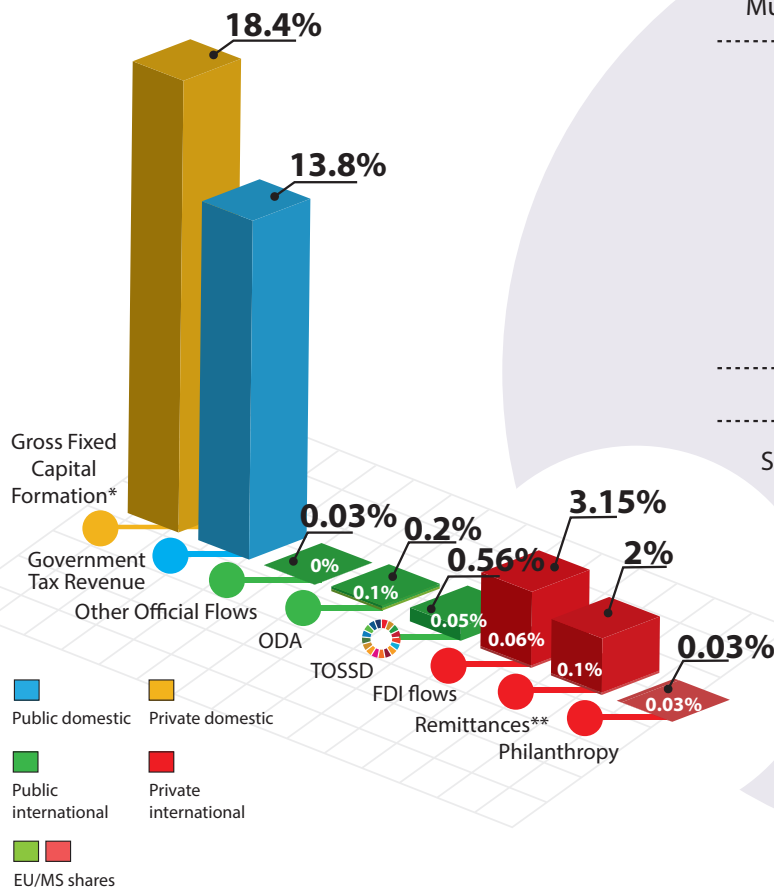
Trade (in € bn)

Imports of goods	821 ↓
Exports of goods	919 ↓
Imports of goods (EU)	103 ↓
Exports of goods (EU)	82 ↓

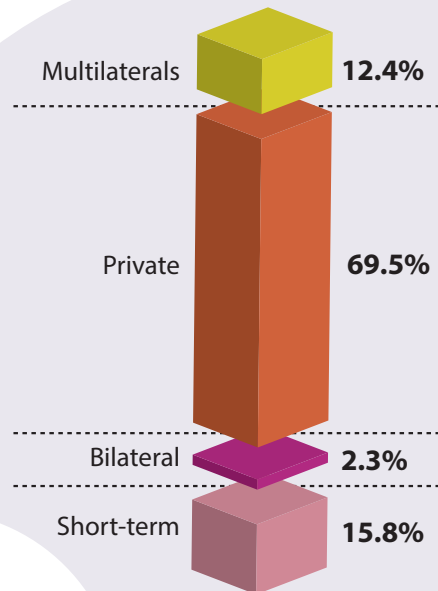


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €1.7 tn



Total Debt as share of GDP **41%**

Total Debt servicing as share of GDP **6.7%**

For more information contact:

INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases:
(a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together
For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)

**Data on remittances from the EU is taken from KINOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

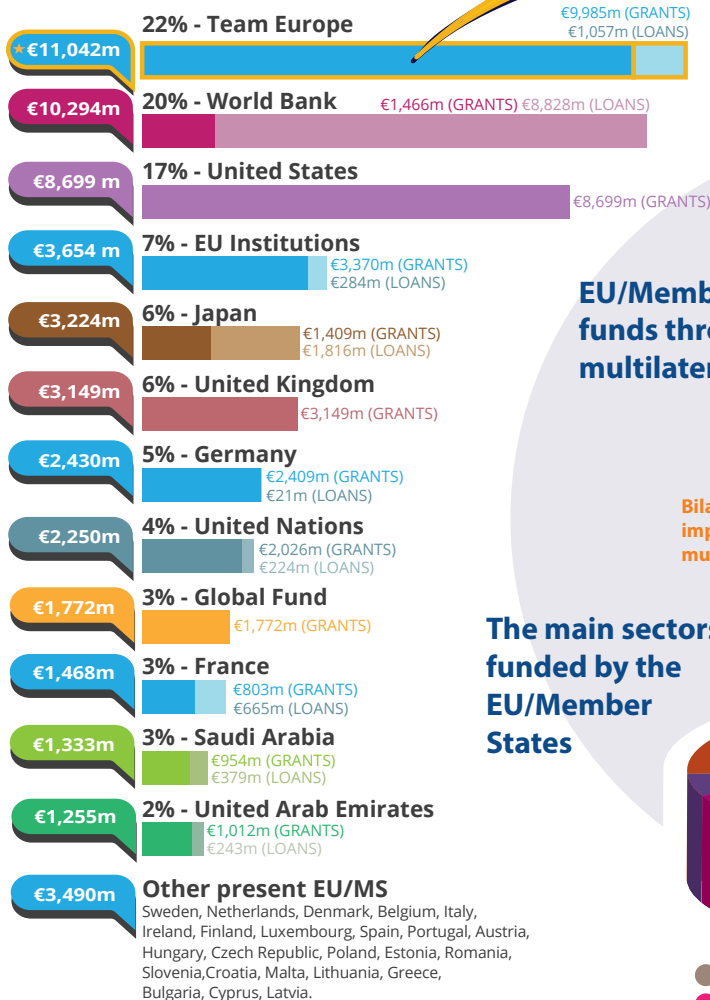
#TEAMEUROPE

Figure 6 – Least Developed Countries



Mapping Team Europe Financial Contributions in Least Developed Countries

Least Developed Countries' partners in 2019*



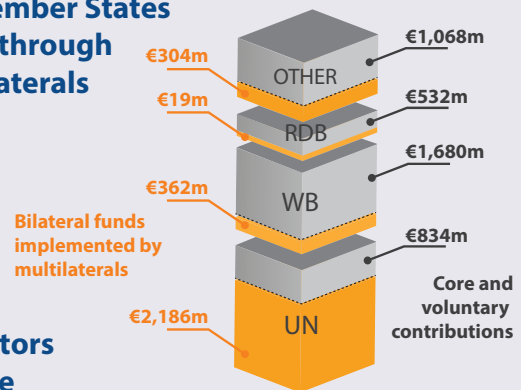
*Based on ODA disbursements in the particular year.

€11,042m EU/Member States together
22% of global bilateral flows

€15,157m Total EU / Member States ODA

EU/MS multilateral core and voluntary contributions **€4,115m**

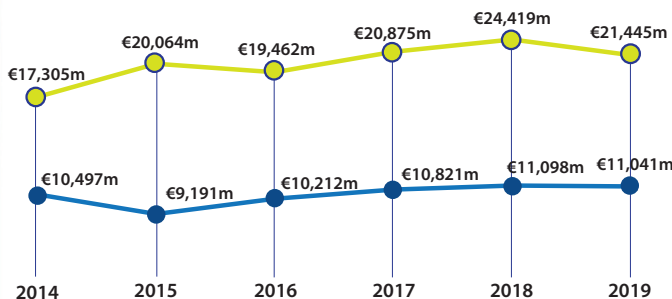
EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



Bilateral ODA trends 2014-2019 (constant prices)



■ Team Europe
 ■ Non-EU Bilateral Donors

For more information contact:

European Commission services:
 DG International Partnerships:
 Intra-Team-Europe-support@ec.europa.eu
 DG Neighbourhood and Enlargement Negotiations:
 Near-joint-programming@ec.europa.eu

European External Action Service:
 ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

OECD DAC CRS

Exchange rate: \$1 = €0.8933
 (OECD-DAC exchange rate for 2019)

JOINT PROGRAMMING TRACKER:
<https://europa.eu/capacity4dev/joint-programming-tracker>

Note: EU/MS refers to the EU and its Member States together.

RDBs = Regional Development Banks.

#TEAMEUROPE



Investing in Sustainable Development in Least Developed Countries

GDP €984bn ↑*

GDP per capita
Fiscal position

€955 ↑
-0.98%



Population 1,029m ↑

Multidimensional poverty 0.23

Human Development Index (UN)
Index 0.54 ↑



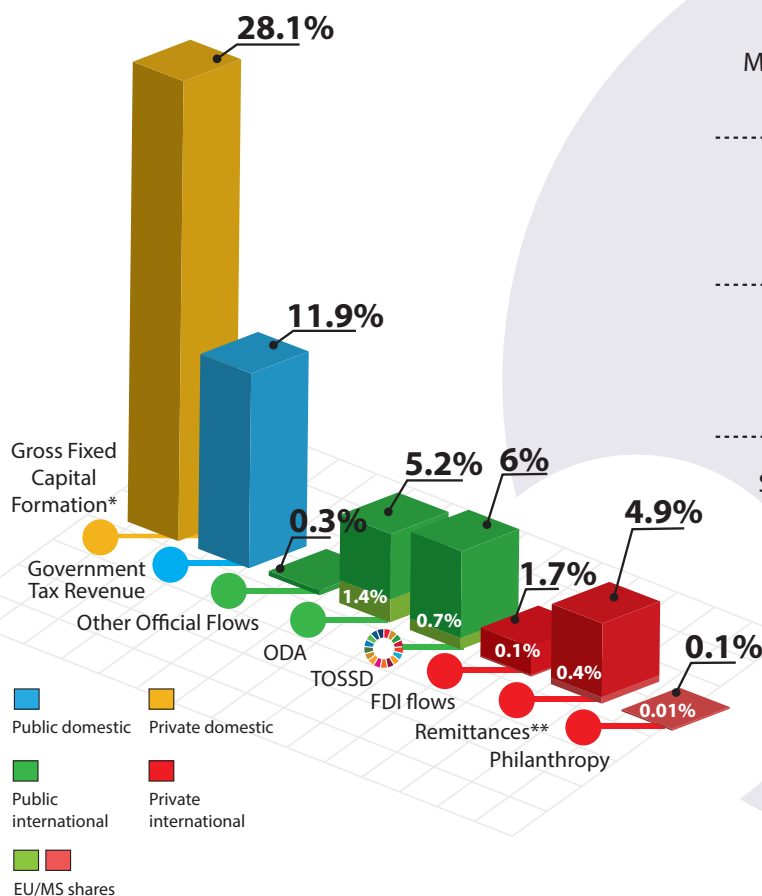
Trade (in € bn)

Imports of goods	282 ↑
Exports of goods	199 ↑
Imports of goods (EU)	29 ↓
Exports of goods (EU)	38 ↑

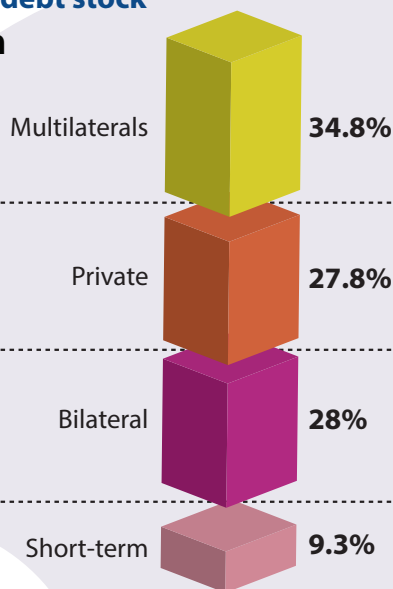


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €344bn



Total Debt as share of GDP **34.9%**

Total Debt servicing as share of GDP **2.9%**

For more information contact:

INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases:
(a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together
For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)

**Data on remittances from the EU is taken from KINOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020

Paris refers to debts to the Paris Club of creditors (22 countries)

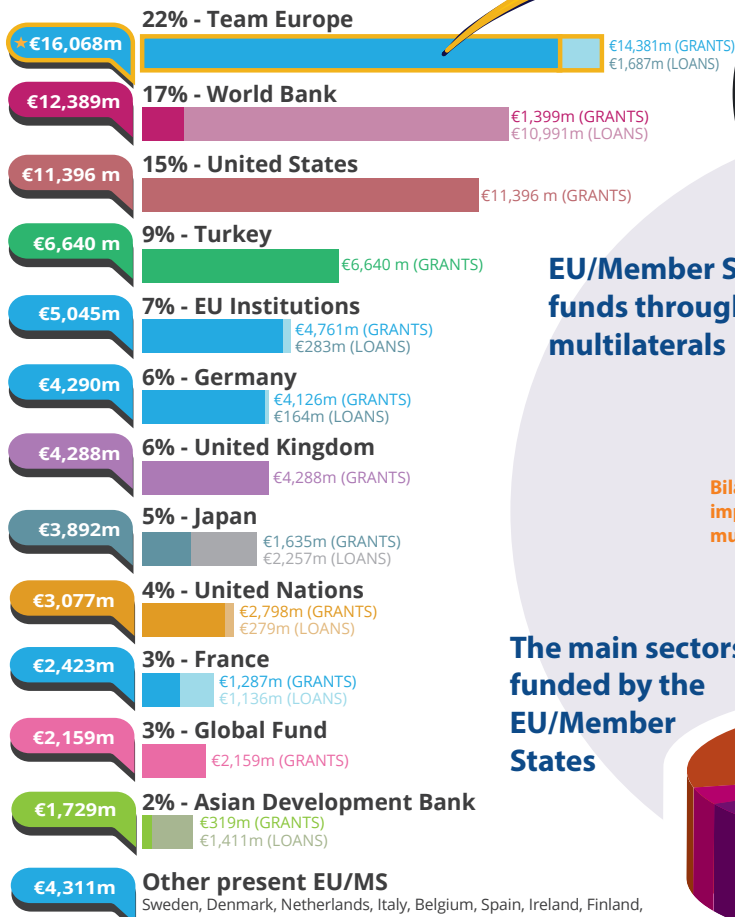
#TEAMEUROPE

Figure 7 – Fragile States

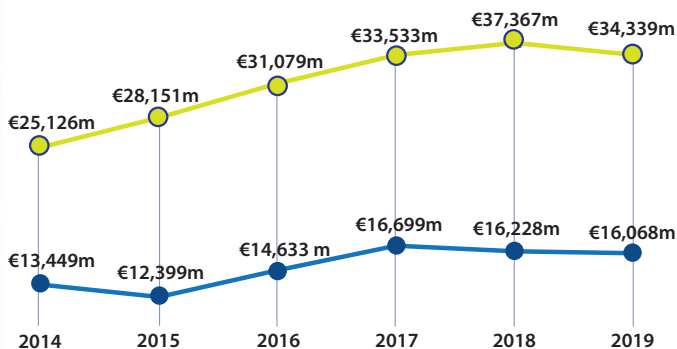


Mapping Team Europe Financial Contributions in Fragile States

Fragile States' partners in 2019*



*Based on ODA disbursements in the particular year.



For more information contact:

European Commission services:
 DG International Partnerships:
 Intra-Team-Europe-support@ec.europa.eu
 DG Neighbourhood and Enlargement Negotiations:
 Near-joint-programming@ec.europa.eu

European External Action Service:
 ECO-FIIC-PROGRAMMING@eeas.europa.eu

Source:

OECD DAC CRS

Exchange rate: \$1 = €0.8933
 (OECD-DAC exchange rate for 2019)

JOINT PROGRAMMING TRACKER:

<https://europa.eu/capacity4dev/joint-programming-tracker>

Note: EU/MS refers to the EU and its Member States together.

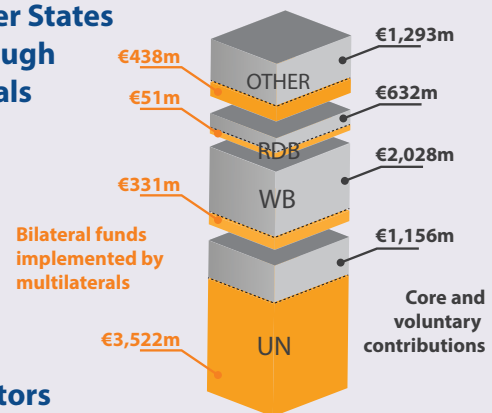
RDBs = Regional Development Banks.

€21,177m
 Total EU / Member States ODA

€16,068m EU/Member States together
 22% of global bilateral flows

EU/MS multilateral core and voluntary contributions €5,109m

EU/Member States funds through multilaterals



The main sectors funded by the EU/Member States



Bilateral ODA trends 2014-2019 (constant prices)

■ Team Europe
 ■ Non-EU Bilateral Donors

#TEAMEUROPE



Investing in Sustainable Development in Fragile States

GDP €2.1tn* ↓

GDP per capita €1,268 ↓
Fiscal position -0.50%

Population 1.7b ↑

Multidimensional poverty 0.192



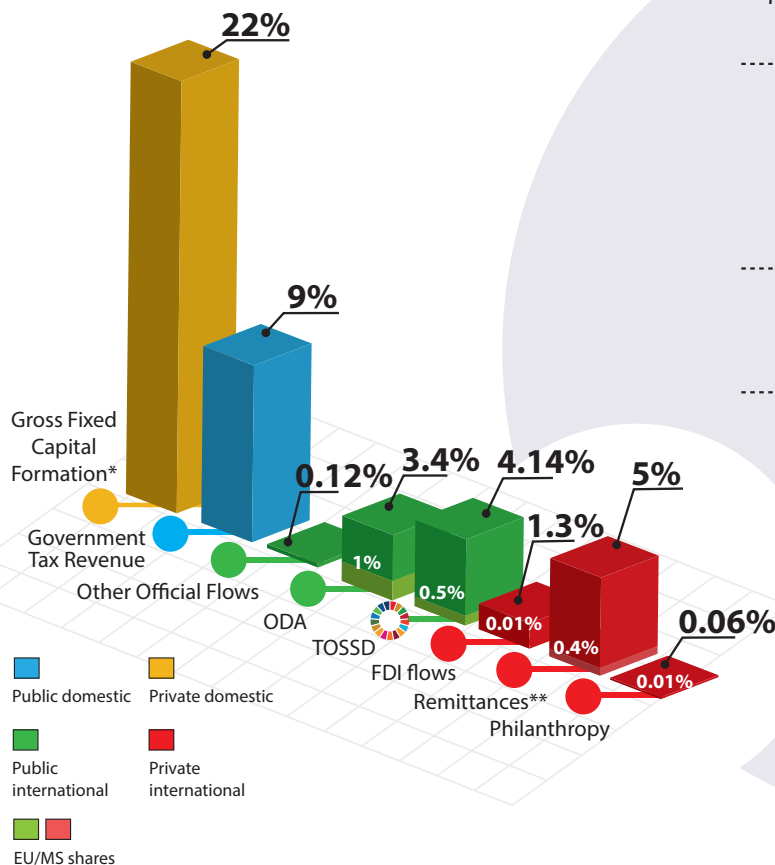
Trade (in € bn)

Imports of goods	511 ↓
Exports of goods	495 ↓
Imports of goods (EU)	63 ↓
Exports of goods (EU)	113 ↓

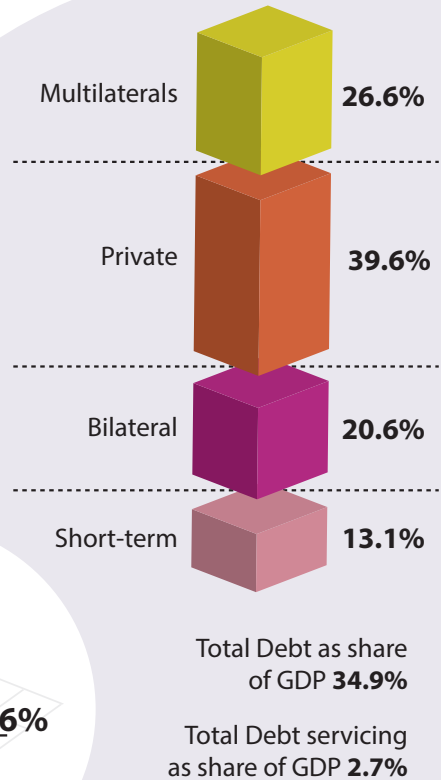


* Compared to latest year with available data

Financing for Development as % share of GDP



External debt stock €750bn



For more information contact:

INTPA-SUSTAINABLE-FINANCE@ec.europa.eu

Exchange rate: \$1 = €0.8933
(OECD-DAC exchange rate for 2019)

Sources:

OECD-DAC International Development Statistics (IDS) online databases:
(a) DAC Online and (b) Creditor Reporting System, World Bank (World Development Indicators), Remittances database, International Debt Statistics, Joint External Debt Hub, Data Help Desk, Classification of Fragile and Conflict-Affected Situations, UNDP (Human Development Report 2020, Global Multidimensional Poverty Index 2020), UN CDP (List of LDCs), IMF (Direction of Trade Statistics), EUROSTAT (Balance of Payment Statistics, EU FDI data), TOSSD data visualisation tool.

Note: EU/MS refers to the EU and Member States together
For more information on TOSSD: www.tossd.org

*Measure of total investment in the domestic economy (overlap with FDI)
**Data on remittances from the EU is taken from KINOMAD-World Bank staff estimates, Bilateral Remittance Matrix 2020
Paris refers to debts to the Paris Club of creditors (22 countries)

#TEAMEUROPE

Annex 5 – Methodology for Monitoring Progress towards the Addis Agenda

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

Most of the commitments agreed in the Addis Agenda have no quantifiable targets. Progress may relate to financial aspects, policy decisions, changes in the regulatory framework, or other projects and initiatives that can be either quantitative or qualitative. Quantitative targets suffer frequently from a lack of data (for example, private sector climate finance is not yet properly measured¹⁶¹). Qualitative targets at any level (input, output or outcome) also introduce an element of subjectivity that complicates both measurement and attribution.

The first step of the analysis – carried out for the first edition of this report in 2018 – consisted in identifying and selecting commitments in the Addis Agenda most relevant to the EU in relation to its partnerships with developing countries, as well commitments in the European Consensus on Development. These were updated for the current edition, which includes 42 commitments in total.





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

The commitments are mostly related to inputs, which are the centrepiece of the Addis Agenda. However, commitments related to outputs and outcomes were also considered when appropriate. Due to the lack of data and the scope of the report, it has not always been possible to provide disaggregated data by types of beneficiaries, such as women, youth and indigenous people.

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

- ▶ How strong was the **effort** made by the EU and its Member States in the period 2018-2020 to attain the commitments set by the Addis Agenda?

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





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

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

- ▶ What **progress** was made over the period 2018-2020? Is the current trend sufficient to meet the commitments by the applicable deadline (2020 or 2030)?

¹⁶¹. See, for example, Weikmans and Timmons Roberts, 2019.

Wherever relevant, the second measurement refers to progress by the EU and its Member States. No attempt has been made to attribute progress to the EU and its Member States, as this would require a formal evaluation that is beyond the scope of the present report. The questions the report attempts to answer are 'Have the EU and its Member States and/or their partner countries already met the targets?', or 'Are they attainable in the relevant timeframe?' Four colours have been used to measure progress, again using a traffic light metaphor but with different shapes (circles for progress vs arrows for effort):

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

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

It is straightforward to determine whether the commitment to lower the cost of remittances to less than 3% has been met or not.

However, measuring progress on the commitment to support policies designed to improve the legal environment for businesses in developing countries is less clear-cut. Any future improvement will be the outcome of several actions, including those of partner countries and other developing partners.

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

► Where a numeric target for effort or progress is available, the following scale is used to determine the colour for both dimensions.

Green	99% or more
Yellow	70%-99%
Orange	40%-70%
Red	40% or less

As to sources, a survey sent to EU Member States, offices of the European Commission, EIB and EBRD – carried out in May-June 2021 – was the main basis for information. This was complemented by interviews and other sources of data (such as national policy documents, statements, press articles, etc.). For financial resources, the analysis focused chiefly on statistics on finance for development provided by the Organisation for Economic Co-operation and Development. Details on sources for each indicator are available in each chapter and section.

ODA data from the OECD DAC online databases for 2020 were not available yet as of April 15, 2022, except for the DAC1 aggregate figures. Full datasets, covering ODA data up to 2019, were extracted from the CRS and DAC2A online databases on April 10 and April 13, 2021, respectively.

Annex 6 – Bibliography

Azevedo, J., Hasan, A., Goldemberg, S., Iqbal, A., & Geven, K. (2020). Simulating the Potential Impacts of the COVID-19 School Closures on Schooling and Learning Outcomes: A Set of Global Estimates. Washington DC: World Bank.

Balima, H., Daly, D., & Loko, B. (2020). External Private Financing and Domestic Revenue Mobilization: A Dilemma? Washington DC: IMF.

BSR and GlobeScan. (2020). The State of Sustainable Business 2019. New York: BSR and GlobeScan.

Caldecott, B. (2020). Defining transition finance and embedding it in the post-Covid-19 recovery. *Journal of Sustainable Finance & Investment*.

Chang, E. S., Gavin, E., Gueorguiev, N., & Honda, J. (2020). Raising Tax Revenue: How to Get More from Tax Administrations? IMF Working Paper WP/20/142. Washington DC: IMF.

Climate Bonds Initiative (CBI). (2021). Sustainable Debt Global State of the Market 2020. London: CBI.

Crotty, J., Kotsogiannis, C., & Leigh, R. (2019). 2019 TADAT Impact Survey Results-Key messages, lessons for capacity development, and possible next steps. Washington DC: TADAT.

Environmental Finance. (2021). Sustainable Bonds Insight 2021. London: Environmental Finance.

EU Platform on Sustainable Finance. (2021). Transition Finance Report. Brussels: EU Platform on Sustainable Finance.

European Commission. (2015). Collect More - Spend Better Achieving Development in an Inclusive and Sustainable Way, Staff Working Document. Brussels: European Commission.

European Commission. (2016). External Strategy for Effective Taxation (COM/2016/024 final). Brussels: European Commission.

European Commission. (2018). Investing in Sustainable Development: The EU at the forefront in implementing the Addis Ababa Action Agenda. Brussels: European Commission.

European Commission. (2019). Budget Reports - Trends and Results 2019. Brussels: European Commission.

European Commission. (2019a). Policy Coherence for Development 2019 EU Report. Brussels: European Commission.

European Commission. (2020). Budget Support. Trends and Results 2020. Brussels: European Commission.

European Commission. (2020a). Effective Development Cooperation. Does the EU deliver? Brussels: European Commission.

European Commission. (2020b). FLEGT Regulation: Union-wide Overview for the year 2019. Overview based on the analysis of information on the application of the Forest Law Enforcement, Governance and Trade (FLEGT) Regulation (Council Regulation (EC) No 2173/20. Brussels: European Commission.

- European Commission. (2020c). Report on the Generalised Scheme of Preferences covering the period 2018-2019 (JOIN(2020) 3 final). Brussels: European Commission.
- European Commission. (2021). European Financial Stability and Integration Review 2021. Brussels: European Commission.
- European Commission. (2021a). Strategy for Financing the Transition to a Sustainable Economy - COM(2021) 390 final. Brussels: European Commission.
- European Court of Auditors. (2018). Special report No 9/2018: Public Private Partnerships in the EU: Widespread shortcomings and limited benefits. Brussels: ECA.
- European Union. (2015). Trade for all - Towards a more responsible trade and investment policy. Luxembourg: European Union.
- European Union. (2019). Supporting the sustainable development goals across the world - Joint synthesis report of the European Union and its Member States, 2019. Luxembourg: Publications Office of the European Union.
- Eurostat. (2021). Sustainable development in the European Union — Monitoring report on progress towards the SDGs in an EU context — 2021 edition. Eurostat.
- Federal Republic of Germany, Ministry of Finance. (2021, April). Green Bond allocation report 2020. Retrieved from <https://ddei5-0-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=https%3a%2f%2fwww.deutsche%2dfinanzagentur>.
- Fried, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 210-233.
- Garbacz, W., Vilalta, D., & Moller, L. (2021). *The role of guarantees in blended finance OECD Development Co-operation Working Papers, No 97*. Paris: OECD Publishing.
- Gaspar, V., Jaramillo, L., & Wingender, P. (2016). *Political Institutions, State Building, and Tax Capacity: Crossing the Tipping Point*. Washington DC: IMF.
- Gill, I., & Schellekens, P. (2021, May 27). COVID-19 is a developing country pandemic. *Future Development*.
- Global Financial Integrity. (2020). *Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008-2017*. Washington DC: GFI.
- Global Partnership for Financial Inclusion. (2020). *2020 Update to Leaders on Progress Towards the G20 Remittance Target*. Washington DC: GPFI.
- GSIA. (2021). *Global Sustainable Investment Review 2020*. Washington: GSIA.
- Hogan, A., & co-authors. (2020). Potential Impact of Covid-19 Pandemic on HIV, Tuberculosis, and Malaria in Low-Income and Middle-Income Countries: A Modelling Study. *The Lancet Global Health* 8, e132-e141.
- Humphrey, C. (2020, April). *All hands on deck How to scale up multilateral financing to face the Covid-19 crisis*. Retrieved from https://cdn.odi.org/media/documents/200408_mbdscoronavirus_final.pdf
- ICMA. (2020). *Sustainability-Linked Bond Principles Voluntary Process Guidelines*. Zurich: ICMA.
- ICMA. (2020a). *Sustainable Finance High-level definitions*. Zurich, Switzerland: International Capital Market Association (ICMA).
- ICMA. (2021). *Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds*. Zurich: ICMA.

- ICMA. (2021a). *Social Bond Principles Voluntary Process Guidelines for Issuing Social Bonds*. Zurich: ICMA.
- ICMA. (2021b). *Sustainability Bond Guidelines*. Zurich: ICMA.
- IFAD and World Bank. (2021). *Resilience in the market for international remittances during the COVID-19 crisis A report prepared by the International Fund for Agricultural Development and the World Bank to the G20 Global Partnership for Financial Inclusion*. Washington DC: World Bank.
- IFFIm. (2020). *Annual Report 2020*. IFFIm.
- IMF. (2020, December 10). *Revenue Mobilization Thematic Fund FY21 Mid-Year Report*. Retrieved from <https://www.imf.org/external/np/ins/english/files/RMTFMidyearreportFY21.pdf>
- IMF. (2021). *Fiscal Monitor - A Fair Shot*. Washington DC: IMF.
- IMF. (2021a). *World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures*. Washington DC: International Monetary Fund.
- IMF-World Bank. (2020, October 16). *2020 Shareholding Review: Report to Governors at the Annual Meetings - DC2020-0009*. Retrieved from <https://www.devcommittee.org/sites/dc/files/download/Documents/2020-09/Final%20DC2020-0009%20Shareholding.pdf>
- IMF-World Bank. (2020a, October 16). *IDA Voting Rights Review – Interim Progress Report to Governors, Annual Meetings 2020*. Retrieved from https://www.devcommittee.org/sites/dc/files/download/Documents/2020-09/Final_DC2020-0008%20ida%20voting%20rights.pdf
- International Tax Compact (ITC). (2020). *2018 ATI Monitoring Report*. Bonn: International Tax Compact (ITC).
- Johnstone, I. (2022). Global governance and the Global Green New Deal: the G7's role. *Humanit Soc Sci Commun* 9, 33, <https://doi.org/10.1057/s41599-022-01046-2>.
- KfW. (2021). *“Green Bonds – Made by KfW” Allocation Report: Use of proceeds of 2020 Green Bond issuances*. Berlin: KfW.
- KNOMAD, World Bank. (May 2021). *Migration and development brief n. 34*. Washington DC: World Bank.
- Kose, A. M., Nagel, P., Ohnsorge, F., & Sugawara, N. (2021). *Global Waves of Debt: Causes and Consequences*. Washington DC: World Bank.
- LMA. (2021). *Green Loan Principles Supporting environmentally sustainable economic activity*. London: LMA.
- LMA. (2021a). *Sustainability Linked Loan Principles Supporting environmentally and socially sustainable economic activity*. London: LMA.
- Mohammad, A., & Pugacheva, E. (2022). *Impact of COVID-19 on Attitudes to Climate Change and Support for Climate Policies*. Washington DC: IMF.
- OECD. (2018). *OECD Development Co-operation Peer Reviews: European Union 2018*. Paris: OECD.
- OECD. (2020). *Developing Sustainable Finance Definitions and Taxonomies*. Paris: OECD.
- OECD. (2020a). *Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet*. Paris: OECD.
- OECD. (2020b). *OECD business and finance outlook 2020 sustainable and resilient finance: Sustainable and resilient finance*. Paris: OECD.

- OECD. (2020c). *Amounts mobilised from the private sector by official development finance interventions in 2017-18*. Paris: OECD.
- OECD. (2020d). *Development Co-operation Report 2020: Learning from Crises, Building Resilience*. Paris: OECD.
- OECD. (2021). *2020 Report on the DAC Recommendation on Untying ODA*. Paris: OECD-DAC.
- PEFA. (2020). *2020 Global Report on Public Financial Management*. Retrieved from <https://www.pefa.org/global-report-2020>
- Sachs, J., Kroll, C., Lafortune, G., Fuller, G., & Woelm, F. (2021). *The Decade of Action for the Sustainable Development Goals: Sustainable Development Report 2021*. Cambridge: Cambridge University Press.
- Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., & Woelm, F. (2020). *The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020*. Cambridge: Cambridge University Press.
- Shaxson, N. (2019). Tackling Tax Havens. *Finance & Development*, 7 - 10.
- Sustainable Banking Network. (2020). *Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges*. Washington: SBN.
- Tax Justice Network. (2020). *The State of Tax Justice 2020: Tax Justice in the time of COVID-19*. Chesham: Tax Justice Network.
- UN. (2021). *Comprehensive Study on the Impact of COVID-19 on the Least Developed Country Category*. New York: United Nations.
- UN. (2021). *The Sustainable Development Goals Report 2021*. New York: UN.
- UN DESA. (2021). *World Economic Situation And Prospects, July 2021 Briefing, No. 151*. New York: UN DESA.
- UN Global Compact. (2019). *SDG Bonds: Leveraging Capital Markets for the SDGs*. New York: UN Global Compact.
- UNCTAD. (2020). *Economic Development in Africa Report 2020*. Geneva: UNCTAD.
- UNCTAD. (2021). *Global investment flows rebound in first half of 2021, recovery highly uneven*. Retrieved from <https://unctad.org/fr/node/35081>
- UNDP-OECD. (2020). *Framework for SDG Aligned Finance*. Retrieved from <https://www.oecd.org/development/financing-sustainable-development/Framework-for-SDG-Aligned-Finance-OECD-UNDP.pdf>
- UNDP-OECD. (2020). *Framework for SDG Aligned Finance*.
- United Nations. (2021). *Liquidity and Debt Solutions to Invest in the SDGs: The Time to Act is Now*. New York: United Nations.
- United Nations Office for Disaster Risk Reduction. (2019). *GAR - Global Assessment Report on Disaster Risk Reduction 2019*. Geneva: United Nations.
- United Nations, Inter-agency Task Force on Financing for Development. (2021). *Financing for Sustainable Development Report 2021*. New York: United Nations.
- Veron, P., & Sergejeff, K. (2021). *Reinvigorating human development in EU external action - Discussion Paper no. 296*. Maastricht: ECPDM.

Weikmans, R., & Timmons Roberts, J. (2019). The international climate finance accounting muddle: is there hope on the horizon? *Climate and Development*, 97-111.

WHO - World Bank. (2020). *Global Monitoring Report on Financial Protection in Health 2019*. Washington: WHO-World Bank.

Wieser, T. (2019). *Europe in the world - The future of the European financial architecture for development. An independent report by the High-Level Group of Wise Persons*.

World Bank. (2020). *Poverty and Shared Prosperity 2020: Reversals of Fortune*. Washington DC: World Bank.

World Bank. (2021). *KNOMAD - Migration and development brief n. 34*. Washington DC: World Bank.

World Bank. (2022). *Global Economic Prospects, January 2022*. Washington DC: World Bank.

WTO. (2020). *World Trade Statistical Review 2020*. Geneva: WTO.

Annex 7 – Abbreviations and Acronyms

ACP	African, Caribbean and Pacific
ASEAN	Association of Southeast Asian Nations
ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
COVAX	COVID-19 Vaccines Global Access
DAC	Development Assistance Committee
DRM	Domestic Resource Mobilisation
ESG	Environmental, Social and Governance
EBA	Everything but Arms
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FLEGT	Forest Law Enforcement, Governance and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GPEDC	Global Partnership for Effective Development Cooperation
GSP	Generalised System of Preferences

GSP+	GSP+ special incentive arrangement for Sustainable Development and Good Governance
GSS	Green, Social and Sustainable
IFC	International Finance Corporation
IMF	International Monetary Fund
LDC	Least Developed Countries
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SME	Small and Medium-sized Enterprises
STI	Science, Technology and Innovation
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	U.S. dollar
VPA	Voluntary Partnership Agreement
WTO	World Trade Organisation

Getting in touch with the EU

In person

All over the European Union there are hundreds of Europe Direct information centres. You can find the address of the centre nearest you at: https://europa.eu/european-union/contact_en

On the phone or by email

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by email via: https://europa.eu/european-union/contact_en

Finding information about the EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: https://europa.eu/european-union/index_en

EU publications

You can download or order free and priced EU publications at: <https://publications.europa.eu/en/publications>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://europa.eu/european-union/contact_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

Open data from the EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en>) provides access to datasets from the EU. Data can be downloaded and reused for free, for both commercial and non-commercial purposes.



Publications Office
of the European Union

ISBN 978-92-76-47819-5