

**CONCORD reaction to  
The European Commission Staff Working Document  
“Investing in Sustainable Development”  
and  
the EU Council Conclusions of 22 May 2018  
Version 1.0, 15 June 2018**

CONCORD welcomes the European Union's efforts to stand “at the forefront of implementing the Addis Ababa Action Agenda” (AAAA) as stated in the European Commission's staff working document “[Investing in Sustainable Development](#)”, published in April 2018. In terms of quantity and quality of development finance, the EU is in the process of defining the next Multiannual Financial Framework, which lays out, inter alia, the role that the EU will be able to play in the world. CONCORD is concerned about maintaining a significant budget for high-quality, effective EU development cooperation, in line with globally agreed commitments, and would like to offer some observations, focusing especially on the section “International development cooperation” in the European Commission's Staff Working Document “Investing in Sustainable Development”, with the hopes that they may also provide useful recommendations for the roadmap to implement the AAAA as well as in the continued negotiations on the MFF.

**Key recommendations:**

1. While CONCORD welcomes the Investing in Sustainable Development Report, EU institutions and member states should ensure more regular monitoring and reporting on progress to realise the Addis Ababa Action Agenda (AAAA) and also **present a strategy for how the EU intends to realise the AAAA in order to achieve the SDGs by 2030**. In the next monitoring report, **the European Commission should take a more holistic look at the AAAA**, and strengthen its focus on the democratic global governance of tax and of debt management, on country-by-country reporting and more binding rules and regulations on sustainable business practices as these aspects are key to reducing financial irresponsibility, inequalities and human rights abuses;
2. The analysis of **policy coherence for sustainable development (PCSD) must much more clearly connect to the real risks and effects of EU policies on people living in poverty**;
3. With the next MFF in mind, **funds currently allocated to sustainable development and/or poverty eradication should not be diverted to other priorities** and, given the importance attributed to achieving the Agenda 2030, should rather be increased. Therefore, the EU and its member states should present strategies how to reach the 0.7%/GNI target on time, to avoid dropping levels of total ODA and review also the use of ODA for domestic purposes;
4. The EU is failing to meet the target for LDCs, and thus not meeting its promise to leave no one behind. **The 0.15-0.2%/GNI target needs to be safeguarded and the EU should**



**formulate clear criteria to justify the allocation of ODA funds to other country categories than those most in need;** and we look forward to the *measures* and *initiatives* announced with the Council Conclusions of 22 May 2018;

5. In the next MFF, we call for at least 90% ODA eligibility for all resources allocated under the “Neighbourhood and the World” heading in line with existing Council Conclusions; resources under the MFF heading 6 “Neighbourhood and the World” should be earmarked to reach the collective 0,7% target;
6. Within the GPEDC framework of monitoring development effectiveness commitments, CONCORD recommends that **the EU and Members States further expand current efforts to collect national data to be able to comprehensively monitor the EU’s performance against the whole set of effectiveness commitments;** CONCORD further recommends that the EU monitors the implications stemming from recent policy decisions (including the EIP and Trust Funds) to ensure that they do not undermine the policy space of partner countries;
7. As it is yet to be proven why the EU should allocate its relatively small ODA budget in support of the private sector, CONCORD is concerned that the focus on quantitative achievements means that quality concerns such as ‘do no harm’ and ‘seek positive development outcomes’ are not prioritised. **The EU must make an assessment of the safeguards needed in order to ensure that people living in poverty will in fact be the beneficiaries of private sector investments subsidised by EU ODA.**

## Introduction

CONCORD welcomes the European Union's efforts to stand "at the forefront of implementing the Addis Ababa Action Agenda" (AAAA) as stated in the European Commission's staff working document "**Investing in Sustainable Development**", published in April 2018. On the other hand, we strongly agree with Commissioner Neven Mimica's words in the foreword of the report, that "there is no room for complacency" and welcome the **Council conclusions of May 22nd** for reaffirming the EU's *commitment on financing for development* as well as for the stated support for the UN system.

Global inequalities continue to increase, and people living in poverty and oppression are bearing the negative consequences of global environmental, financial and political problems that they did not create. As this is the first EU report on Financing for Development since 2015, we appreciate the efforts for greater transparency and **invite EU institutions and Members states to ensure more regular monitoring and reporting on the entirety of such a vital agenda**. In this regards, we are encouraged that the EU is committed to report *annually* on ODA Commitments.

The commitments in the AAAA have the potential to remove many of the barriers that currently prevent a fair and sustainable development from taking place. The agenda can, by addressing systemic issues and reforming global economic frameworks, truly work for people and the environment. With some concern however, CONCORD notes that the current monitoring of the AAAA commitments is not effective. The FfD Forum should not be a place for donors to showcase achievements if it does not also demand accountability to all areas of the AAAA, especially those which are of high importance to developing countries. We urge the EU to work for a more consistent reporting and monitoring system and propose a FfD Summit of Heads of State in 2020 to give increased impetus to both generating the funding and the necessary systemic changes for the achievement of the Global Goals.

We note that on key issues most important to reducing financial irresponsibility, inequalities and human rights abuses - which developing countries and civil society organisations have long since highlighted - the report "Investing in Sustainable Development" only addresses efforts and not progress. This includes, for example, illicit financial flows, sustainable business practices, strengthened regulation of financial markets, and policy coherence for sustainable development. **In the next EU AAAA monitoring report, we urge the European Commission to focus also on the democratic global governance of tax and of debt management, country-by-country reporting and more binding rules and regulations on sustainable business practices. The analysis of policy coherence must much more clearly connect to the real risks and effects of EU policies on people living in poverty.**

In terms of quantity and quality of development finance, the EU is in the process of defining the next Multiannual Financial Framework, which lays out, inter alia, the role that the EU will be able to play in the world. CONCORD is concerned about maintaining a significant budget for high-quality, effective EU development assistance, in line with globally agreed commitments, and would like to offer below some of our observations starting with the



section on international development cooperation of the European Commission's report on FfD, with the hopes that they may also provide useful recommendations in the continued negotiations on the MFF.

## Private sector in development and International Development Cooperation

### *Official support and official development assistance*

- **ODA levels:** we appreciate that the EU is the major donor block globally, which is also the very reason why Europe should show the way by 'leading by example'. Current figures are a powerful reminder of the overreliance by some key Member States on aid spent in their own countries (see CONCORD's [AidWatch assessment of genuine aid](#)) to address specific development and social challenges, such as in the case of refugees costs.
- As these challenges may quickly vary in size and impacts over time, the overall EU ODA performance seems to be affected by dynamics that may only partially be planned; realising the 0,7% target is then less likely, with currently only 4 member states on target.
- CONCORD notes with concern that the Council Conclusions from 22 May 2018 do not explicitly recommit to the collective 0.7% target but rather "*recalls the individual and collective ODA commitments of the EU and its Member States*", however welcomes the reaffirmation that "*more efforts are needed to meeting that target*";
- CONCORD is especially concerned that the Council welcomes efforts to continue to increase development cooperation resources to address migration management, for example through the EU Emergency Trust Funds for Africa;
- Moreover, current options regarding MFF are not clear on the extent to which resources under heading 6 "Neighborhood and the World" *beyond* the Neighbourhood, Development and International Cooperation Instrument will be DAC compliant and will support the realization of the collective 0,7% target;
- **Least Developed Countries and Leave No One Behind:** we welcome the clear messages from the report and the Council conclusions of May 22nd, which specifically notes "... *with increasing concern that the EU is no closer to meeting its collective target to provide 0,15%-0,20% of GNI to LDCs*".
- However, we believe that the EU should clearly justify reasons behind any development strategies that allocate ODA to other country categories than those most in need. **The current trends highlight inconsistencies with the stated intention to fulfill the LNOB principle; our concerns also focus on efforts regarding human development with dedicated support of only 16% of total ODA.** The EU should revisit policies on in-donor costs and on supporting other concerns - such as migration management - through ODA.
- **We look forward to *measures and initiatives that may help reach ODA commitments, including with regard to LDCs* (Council conclusions, May 22nd)**

## *Development effectiveness, joint programming and implementation*

- **Development effectiveness:** We appreciate the EU's continued support for the Global Partnership for Effective Development Cooperation (GPEDC) and, in particular, for the monitoring framework to track progress on the Busan commitments. In this regard, **we would like to advance the recommendation that the EU and Members States further expand current efforts by providing more data from the capitals.** We are submitting such a suggestion also in light of the recent decision by the GPEDC to go ahead with a Global Action Plan (GAP) to address the unfinished business from the commitments endorsed with the Paris principles on effectiveness (2015); in short, **it would be appropriate to monitor comprehensively the EU's performance against the whole set of the effectiveness commitments.**
- From the Report, we would like to highlight some of the areas that call for renewed efforts:
  - the use of County Results Frameworks, as CRFs are a precondition to a genuine alignment with national priorities; the current EU's overall performance seems to be below reasonable expectations;
  - better coordination and division of labour as current progress on joint programming (only 12 plans with results framework in place) are far below the ambitions stated in Busan;
  - similarly reporting according to the highest transparency standards seems to lag behind in light of the poor results against IATI;
  - last but not least, we would like to recommend that **the EU monitor the implications stemming from recent policy decisions** – including the EU Development Consensus and the new external investment architecture – which may give way to a variety of concerns, such as *political dialogue* and crowding in of the private sector, which may undermine the policy space of the partner countries.
- We object to the use of the EU Trust Funds (EUTF) as an example of development effectiveness. For the EUTF to be effective, it must be 'ascertained by measuring its contribution to economic opportunities and equal opportunities for all people, and to strengthening the resilience of vulnerable people, human security and development, rather than reductions in migrant numbers, whether at Europe's borders or between African countries which is at present'<sup>1</sup>. This focus on migrant numbers rather than results for development is not in the spirit of the Busan agreements which the EU made commitments to.
- Since the vast majority of the EUTF for Africa funding comes from ODA instruments, most EUTF projects must fulfil this objective. Nevertheless, the EUTF for Africa is a fungible instrument, meaning no project can be directly connected to a specific source of funding (i.e. EDF, DG ECHO, DG HOME, etc.). Due to the instrument's fungible nature, it is unclear whether EUTF for Africa spending complies with the rules that establish, for each fund, how much of it should be counted as official development assistance and if it complies to development effectiveness principles. The approach of mixing funds and adopting flexible ways of operating can also be manipulated to

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<sup>1</sup> See the OXFAM report "AN EMERGENCY FOR WHOM? The EU Emergency Trust Fund for Africa – migratory routes and development aid in Africa"(November 2017)

promote internal political agendas if it lacks sufficient accountability, supervision and consultation.

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

- A responsible private sector is rightly identified as an important partner in the EU Consensus and implementing AAAA. However, **it is yet to be proven why the EU should allocate its relatively small ODA budget in support of the private sector** when, in its current design, the EIP does not deliver its sustainable development objectives as stated in the latest EU blending evaluation where the design and implementation of **EU blending projects generally did not have strong pro-poor dimensions**. An independent evaluation pointed out that most projects, examined in depth, did not convincingly target the poor or most marginalised, and “gender was rarely targeted”.
- The over focus on quantitative achievements means that quality concerns such as ‘do no harm’ and ‘seek positive development outcomes’ seem to be missing in the Investing in Sustainable Development reports’ analysis. For example, stating that there has been an increase in support through financial intermediaries without assessing what this trend means for donors’ ability to ensure sound developmental impacts for the beneficiaries of the project.
- **When aid is used to subsidise the European private sector, there is a risk that shareholders in Europe – rather than people living in poverty – will be the biggest beneficiaries. Rigorous safeguards need to be in place to ensure this disparity does not occur.** Data from the OECD DAC shows that a large share of aid already flows back to companies based in donor countries. In the case of blended finance, the risk of aid being used to offer hidden support to donor country companies is likely to be even greater. **Due to the complexity of the transactions involved, there are multiple risks that benefits accrue disproportionately to companies based in the donor country.** The EU does not make an assessment of this in the Investing in Sustainable Development report.

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European NGO confederation for relief and development

