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Financing for Development - Annual progress report 2010

Getting back on track to reach the EU 2015 target on ODA spending?

accompanying the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A twelve-point EU action plan in support of the Millennium Development Goals

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1. FINANCING FOR DEVELOPMENT: A CORE INGREDIENT OF THE GLOBAL PARTNERSHIP

This monitoring and progress report on financing for development forms part of the overall 2010 spring 'development package'[1], which proposes EU actions for speeding up progress towards the **Millennium Development Goals** (MDGs), to contribute to the forthcoming **UN MDG Review High Level Plenary Meeting** (HLPM) in September 2010[2].

This is the **eighth of the Commission's annual monitoring reports**, which assess where the EU and its Member States stand in relation to their commitments on financing for development (FfD). Based on the **Council's mandate** to the Commission after the International Conference on Financing for Development in 2002, progress reports ("Monterrey reports") have been presented to the Council every spring since 2003[3]. The Council extended the monitoring mandate to cover aid effectiveness and aid for trade[4], for which separate Staff Working Papers have been prepared[5]. The report follows the structure of the Doha Declaration on Financing for Development[6] and builds on the input provided by the EU Member States and Commission departments in the annual 'Monterrey questionnaire', which covers all EU commitments on FfD issues. EU action to support developing countries in coping with the crisis is tackled as a crosscutting issue in this document.

Financing for development aims to create a favourable environment for development by addressing the responsibilities of both the developing countries and the global community. At the UN Doha follow-up Conference on Financing for Development in 2008, the global community reiterated that mobilising financial resources for development and the effective use of all those resources are **central to the global partnership** for sustainable development. It was also recognised that each country has primary responsibility for its own development and that national policies, domestic resources and national development strategies are essential.

The EU and other donors need to demonstrate that they are ready to **live up to their commitments**, to keep their part of the agreement on what is needed to achieve the MDGs. This report shows that despite the impact of the crisis on Member States' economies, in 2009 **EU Official Development Assistance (ODA)** continued to increase as a share of GNI, reaching 0.42%, but at the same time the total ODA

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1 COM(2010) 159 'A twelve point action plan to support the Millennium Development Goals'; COM(2010) xxx 'Tax and Development - Cooperating with Developing Countries on Promoting Good Governance in Tax Matters' and SEC(2010) xxx on the same subject; SEC(2010) 418 'Progress made on the Millennium Development Goals and key challenges for the road ahead'; SEC(2010) 422 'Aid Effectiveness Progress Report 2010"); SEC(2010) 419 "Aid for Trade Monitoring Report 2010'; SEC(2010) 421 'Policy Coherence for Development Work Programme 2010-2013; all published on 21 April 2010.

2 http://www.un.org/millenniumgoals/

3 Council Conclusions of 21 May 2003 and 24 May 2005.

4 Council Conclusions of 15 May 2007 on the European Conduct of Division of Labour in development policy, Council Conclusions of 29 October 2007 on the EU Aid for Trade Strategy.

5 See footnote 1.

6 Doha Declaration, available at: http://www.un.org/esa/ffd/doha/

volume decreased to EUR49 billion[7]. Nonetheless the EU remains the world's most generous donor both in absolute aid volumes (accounting for about 56% of DAC ODA) and in terms of relative effort (ODA as a share of GNI).

This report also reveals that the EU is far from the collective EU target level of 0.56% of GNI that was promised for 2010. With fair EU internal burden-sharing, however, the target of 0.7% of GNI by 2015 is still attainable. Other donors have yet to demonstrate similar efforts. According to OECD estimates for 2010[8] the DAC average ODA spending will be 0.31% of GNI, with the US and Japan expected to stand at only 0.20% and 0.18% respectively, and Canada at 0.30%. Based on the forecasts of the 27 EU Member States, the Commission estimates that the EU will provide in 2010 collectively 0.45-46% of its income as ODA.

The Monterrey Consensus and the Doha Declaration recognise the importance of **other financial flows** for development besides ODA. To achieve sustainable progress towards the MDGs the financing discussion should look holistically at increasing developing countries' overall revenue base for development. The EU can effectively support increasing partners' **domestic resources for development.** The Communication **"Tax and Development - Cooperating with Developing Countries on Promoting Good Governance in Tax Matters"**[9] proposes measures for improving domestic tax revenue and the international environment. This report demonstrates that innovative sources and mechanisms of financing can also be used to raise new funds for development.

Global challenges are multiplying, and the growing importance of issues such as climate change, international peace and security and migratory flows in relation to development is increasingly recognised. The report underlines that these challenges **need to be dealt with in a coherent and mutually supportive manner,** taking into account the development dimension.

The **UN** has a **central role** in global **FfD** discussions, and the **EU** has been one of the **driving forces** behind this. The **Doha Conference** of late 2008 decided to strengthen the FfD follow-up process at the UN. The **UN Conference on the World Financial and Economic Crisis and its Impact on Development** of June 2009 therefore created separate follow-up processes relating to the crisis[10]. The July 2009 **UN ECOSOC** meeting suggested several concrete measures to the **General Assembly** (**UNGA**) to strengthen the FfD process, including greater interaction with the international financial and trade organisations, changing the timing of the ECOSOC (Economic and Social Council) spring meeting to better link with World Bank/ IMF spring meetings and devoting more time for FfD discussions.

The changes made in the UN FfD follow-up process have not yet really been tried and tested. But there is potential for overlap with the follow-up actions to the economic crisis, including the **ad-hoc UNGA Open-Ended Working Group on the follow-up to the outcome of the UN Conference on the economic crisis and its**

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7 The 2008 outcome was 0.40% of GNI and EUR 50 billion in current prices.

8 OECD DAC press release 14 April 2010: http://www.oecd.org/document/0,3343,en_2649_34487_44981579_1_1_1_1,00.html.

9 See footnote 1.

10 http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/63/303&Lang=E

impact on development (OEWG) and the proposed **UN 'ad hoc panel of experts on the world economic and financial crisis and its impact on development'**, both resulting from the UN Crisis Conference and dealing partly with the same issues as the FfD process. The EU should use its influence in the UN to seek the best added value from both processes, while recognising the temporary nature of the economic crisis follow-up in comparison to the established and continuing FfD process. It is clear that the EU's performance on the FfD agenda and commitments will come under increasing and more regular scrutiny at global level in the UN, notably at the UN 2010 High-Level Plenary Event on the MDGs.

2. THE PATH FOR GROWING OUT OF AID DEPENDENCY – EFFICIENT TAX SYTEMS IN SUPPORT OF DEVELOPMENT

It is widely recognised that the sustainable provision of public services needed to achieve and maintain the MDGs requires an **increase in stable domestic revenue in the developing countries**. Building on the EU position for the Doha Conference of late 2008, the Doha Declaration and the G-20 London Summit conclusions, the communication "**Tax and Development - Cooperating with Developing Countries on Promoting Good Governance in Tax Matters"** aims to enhance the link between tax and development policies. It suggests how the EU could better assist developing countries in building efficient, fair and sustainable tax systems and administrations, with a view to enhancing domestic resource mobilisation. This will contribute to further promoting EU principles of good governance in tax matters.

Sound, transparent and reliable customs systems are equally important to increasing domestic revenues, reducing customs evasion and smuggling and facilitating access to international markets.

2.1. Fighting corruption, illegal capital outflows and tax evasion

The international community has set up conventions and initiatives to effectively address the issues of corruption, tax evasion and illegal financial flows on a global scale. According to the Member States' replies to the Monterrey questionnaire there was little change in EU Member States support for these Conventions in 2009.

The UN (Merida) Convention against Corruption requires signatory countries to implement measures against corruption, notably by adapting their legislation regarding corruption prevention, criminalisation of corrupt acts, international cooperation and asset recovery. The European Community ratified the Convention in November 2008 Cyprus, Estonia and Italy followed by the beginning of 2010. Of the 27 EU Member States, the **Czech Republic, Germany** and **Ireland** lag behind and have yet to ratify the Convention (see Annex 1).

The **OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions** has been adopted and implemented by 22 Member States. So far, remainder are not members of the OECD Working Group on Bribery in International Business Transactions (**Cyprus, Latvia, Lithuania, Malta,** and **Romania**).

Further progress is required in the EU Member States to implement the Council Framework Decision[11] on combating corruption in the private sector.

The **Stolen Assets Recovery Initiative** (**StAR**) aims to enhance international cooperation on repatriating stolen assets. While the fight against corruption has often focused on corruption issues in developing countries, StAR looks at the other side of the problem: the financial centres where the money is placed are often located in developed countries and bribes sometimes originate from multinational companies based in the industrialised world. Despite the importance of the problem, only eight member states[12] have reported that they support the initiative. Moreover, several Council Framework Decisions oblige the Member States to ensure a common EU approach to confiscation and call on all Member States to designate **Asset Recovery Offices** to facilitate the tracking of proceeds of crime, including assets stolen through corruption. So far 18 Member States have designated such offices.

The **Extractive Industries Transparency Initiative** (**EITI**) is a coalition of governments, companies, civil society, investors and international organisations that **promotes transparency and accountability in the extractive industries**, by supporting **verification and full publication of company payments and government revenues from oil, gas and mining**. Ten Member States and the European Commission support the initiative[13] through the World Bank's Multi-Donor Trust Fund, the EITI International Secretariat, and through bilateral projects supporting partner countries in the implementation of the EITI. Denmark and Portugal are considering their participation in the EITI. **Several EU Member States,** in reply to the Monterrey questionnaire, **provided specific suggestions for a more active Commission role in the EITI**, e.g. more active participation inboard meetings, greater promotion of the EITI as part of the Raw Materials initiative and mainstreaming the EITI in EU delegations' policy dialogue with resource-rich partner countries.

The EU Action Plan on Forest Law Enforcement Governance and Trade (FLEGT) tackles the problems of illegal logging and trade in illegally harvested timber (which lead to revenue losses for developing country governments), and offers support for wood-producing countries.

2.2. The way forward

Further to its communication "Tax and Development – Cooperating with Developing Countries on Promoting Good Governance in Tax Matters" the Commission recommends that Member States:

- speed up ratification of the United Nations (Merida) Convention against Corruption if they have not yet ratified it;
- expand their support to the Stolen Assets Recovery Initiative and other relevant initiatives to fight bribery and corruption effectively and help developing countries to recover the proceeds of such practices;

[11] Council Framework Decision 2005/568/JHA

[12] France, Greece, Italy, Luxembourg, the Netherlands, Spain, Sweden and the UK.

[13] Belgium, Finland, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden and the UK.

- Enhance their support for the Extractive Industries Transparency Initiative and actively participate in discussions to further extend its field of application.

3. ENHANCING THE IMPACT OF INTERNATIONAL PRIVATE FLOWS ON DEVELOPMENT- AN ISSUE FOR A 'WHOLE OF THE UNION' APPROACH

When endorsing the 'whole of the Union' approach in 2009, the Council emphasised the importance of mobilising all possible sources of financing for development, including export credits, investment guarantees and technology transfers, as instruments to leverage assistance aimed at stimulating inclusive growth, investment, trade and job creation[14]. The quality of information on this type of donor financing is important to ensure global accountability and to better grasp the development impact of different financial sources and flows. This requires a comprehensive overview of as many development-relevant financial flows as possible and from as many donors as possible.

Some of these non-ODA flows are, in principle, tracked under the established OECD/DAC reporting system, which needs to be developed further. Not all EU Member States have a reliable system in place yet to monitor such flows. Improving data on the different flows is, however, essential to enable better use of ODA to leverage more, and complementary, flows for development.

3.1. Private capital flows - a favourable business climate required

The economies of developing countries suffer from a general shortage of capital, especially **foreign direct investment (FDI)**[15], which is worsened in the low income countries by the prevalence of public capital. To increase foreign investment and prevent domestic private capital flight, many developing countries are working to provide companies with transparent and simple regulatory and fiscal frameworks, expanded access to finance, business development services, technology and innovation, in short creating a favourable business climate. This will help create a solid productive base for generating incomes for people and budget revenues for the state. In their replies to the Monterrey questionnaire, the Member States concurred on the importance of private capital flows for development. The majority of Member States reported that they support private flows through investment guarantees, dedicated funds, preferential loans and support for joint ventures in developing countries in sectors that have high returns in terms of development[16]. Some Member States also have special programmes to promote microfinance. Dedicated institutions in the Member States are in charge of specific tools and projects such as national development agencies and development finance institutions. Several Member States

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14 Council Conclusions of 18 May 2009 on Supporting developing countries in coping with the crisis, point 15.

15 World foreign direct investment flows fell moderately in 2008 following a five-year period of uninterrupted growth, in large part as a result of the global economic and financial crisis. While developed economies were initially affected most, the decline has now spread to developing countries, with inward investment in most countries falling in 2009 too. The decline poses challenges for many developing countries, as FDI has become their largest source of external financing. In particular, FDI inflows in Africa appear to have fallen by about 10% in 2008.

16 Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Slovenia, and Spain.

also contribute to initiatives led by the international financial institutions that provide capital, guarantees, various forms of finance and risk management tools to the private sector.

On average between 2005 and 2008, Member States committed around three times more than the European Commission in terms of total ODA[17] for private investment: respectively EUR 1.62 billion and EUR 0.55 billion a year. *For ACP countries, the support of the European Commission including the Investment Facility reached EUR 131 million p.a., whereas the Member States together provided EUR 249 million p.a.*

3.2. Corporate social and environmental responsibility – a way to contribute to development objectives

Corporate social responsibility (**CSR**[18]) has become an increasingly important concept and is part of the debate about globalisation, climate change, competitiveness and sustainability. CSR practices are not a substitute for public policy but can contribute to a number of public policy objectives in developing countries, especially in relation to labour markets, labour standards, skills development, more rational use of natural resources and overall poverty reduction.

In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion. To promote awareness and the adoption of CSR principles by companies operating in developing countries, the Commission is supporting several projects totalling approximately EUR 50 million in the period 2004 - 2010.

The vast majority of Member States undertake national action to promote CSR principles and nine of them report[19] that they advocate the adoption of internationally agreed principles and standards on corporate social and environmental responsibility by European companies. Most of them strongly support multilateral initiatives such as:

- The **OECD Guidelines for Multinational Enterprises,** which set recommendations for good corporate behaviour[20];
- The **UN Global Compact**, a voluntary corporate citizenship initiative for companies committed to supporting and enacting a set of 10 core values in the areas of human rights, labour, the environment and combating corruption[21];
- The **International Labour Organisation (ILO) Conventions and recommendations on labour standards**[22].

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17 For statistical information on support for private investment, the OECD Creditor Reporting System database uses the following codes: Banking and Financial System (24000), Business and Other Services (25000), Industry (32100), Tourism (33200).

18 Voluntary inclusion of social and environmental concerns, beyond the minimum legal requirements, in companies' business operations to address societal needs.

19 Austria, Belgium Finland, Germany, Ireland, Italy, Slovenia, Sweden and the UK.

20 http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html

21 http://www.unglobalcompact.org/

There is a variety of other activities that a few **Member States support**. These include development partnerships with the private sector promoting international standards such as the International Finance Corporation (IFC) "Performance Standards on Environment and Social Sustainability" and "Towards Sustainable Development – European Development Finance Institution (EDFI) Principles for Responsible Financing", public information and awareness raising, international initiatives like Fair Trade, the UN Special Representative for Business and Human Rights, the Third International Finance Conference [23] and company initiatives.

3.3. Social and environmental considerations in public procurement rules

The EU public procurement Directives[24] allow contracting authorities to take into account environmental and social considerations at all stages of the procurement procedure. The prerequisite is that these considerations are linked to the subject matter of the contract or to the execution of the contract, if they are addressed in the contract performance clauses, and comply with the fundamental principles of the Treaty on the Functioning of the EU (transparency, non-discrimination) and with relevant EU law.

EU Member States may introduce more specific rules in their national legislation, in order to further promote the inclusion of social and environmental considerations in public procurement, provided such national rules are in line with the public procurement Directives and all relevant EU law. Most Member States did not report substantial reforms of their rules in 2009. **Germany** and the **Netherlands** reported that they had **introduced a social clause into their national procurement rules,** while **Sweden** and **Spain** (the latter specifically for ODA financing) are working to strengthen social and environmental considerations in national procurement laws.

3.4. EU remittances: resilient to the global economic crisis?

Remittances sent by migrants to their countries of origin are essential to improving the livelihoods of millions of people and often more significant in volume than ODA. The economic **downturn has strongly affected remittance transfers**. The impact of the economic crisis on migration employment, migrants stocks and flows and irregular migration is **not easy to assess,** but it is generally recognised that migrants are often more affected by the economic downturn either because they work in sectors that are more affected by the crisis, such as tourism or construction, or because of their particular vulnerability[25]. In the Monterrey survey some Member States observed a slight fall in both the number of new work permit applications and the number of new work permits awarded in 2009, but this phenomenon very much depends on the system in place in each Member State. Some Member States also observed a small fall of the estimated number of migrants irregularly entering the EU

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22 http://www.ilo.org/global/What_we_do/InternationalLabourStandards/lang--en/index.htm

23 http://ifc3.org.

24 Directive 2004/17/EC of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.4.2004) and Directive 2004/18/EC of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004).

25 Source – International Organisation for Migration (IOM) Policy Brief. *The impact of the global financial crisis on migration. J* January 2009

territory[26]. However, the economic downturn can only be considered as one of the factors possibly influencing the number of new work permits.

Remittance flows grew rapidly in 2007 (up to EUR 208 billion) and reached EUR 231 billion in 2008. Remittance flows started to decrease from the last quarter of 2008; for 2009 ***global*** *remittances to developing countries are expected to have decreased to EUR 228 billion, because of a deterioration in migrant-receiving countries' economic and employment situation*[27]*. Countries and regions* ***differ in their exposure to the crisis*** *through remittance effects. For example, three quarters of remittances to Sub-Saharan Africa come from the United States and Europe, which have been badly affected by the downturn; the long-term impact on remittances is uncertain*[28]*. Remittance flows to* ***North Africa*** *are expected to have declined by 7.2 percent and to* ***Sub-Saharan Africa*** *by 2.9 percent in 2009, and to return to positive growth in 2010 and 2011, according to the World Bank.*

In the ***EU, outflows of workers remittances*** *had greatly increased from beginning of 2004 reaching a peak in the last quarter of 2007. While remaining almost stable in 2008 EU outflows are supposed to have markedly fallen in 2009 and to resume their growth in 2011. The drop in the remittances outflows was particularly severe in Spain*[29]*.*

Continuing progress in meeting EU commitments on remittances

In recent years the importance of remittances has been recognised and several international initiatives propose concrete measures to make them more development-friendly.

Some of the main initiatives are: guidelines for the compilation of data on remittances by the ***'Luxembourg Group***[30]***',*** *the '****General Principles for International Remittances Services'*** *and the recent* ***G8*** *initiative of a* ***'Global Remittances Working Group'*** *coordinated by the World Bank. In July 2009, at* ***the L´Aquila summit****, the G8 Heads of States endorsed the* ***'5x5' objective*** *and made a pledge 'to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in five years through enhanced information, transparency, competition and cooperation with partners'.*

It is encouraging to see that this objective has been reaffirmed beyond the EU, and the drivers of remittance costs are generally recognised. Regarding the three main areas of EU commitments on remittances[31] the Member States' replies to the Monterrey survey can be summarised as follows:

(1) Improving data on remittances

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[26] Source – Frontex (http://www.frontex.europa.eu/) estimates.

[27] Ratha, D., S. Mohapatra, and A. Silwal (November 3, 2009), *Migration and Remittances Trends 2009: A better-than-expected outcome so far, but significant risks ahead*, Migration and Remittances Team, Development Prospects Group, World Bank, Migration and Development Brief 11.

[28] The UNDP Human Development Report 2009. *Overcoming barriers: Human mobility and development.*

[29] Eurostat, tables with Quarterly Balance of Payments data per country: http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/data/database.

[30] The Luxembourg Group is an informal IMF working group for collecting and compiling remittance data: http://www.imf.org/external/np/sta/bop/2006/luxgrp/060106.htm.

[31] Council Conclusions of 11.11.2008 (EU position for Doha FfD Conference), point 27, Council Conclusions of 18.05.2009 (Support to Developing countries in Coping with the Crisis), point 11, Council Conclusions of 18.11.2009 (PCD), points 5-13.

- Member States are increasingly adopting the **definition of remittances** and the recommendations regarding the quality and coverage of data on remittances made by the Luxembourg Group:

– data on remittances provided in Member States' balance of payments now tends to cover flows of remittances both via banks and via Money Transfer Operators

– household surveys and targeted studies are still not widely used in the Member States, but they are the only way to obtain better estimates of informal flows

– The availability of **consolidated data at European level** has **improved,** as in February 2010 Eurostat started to publish annual data on remittance flows between each EU Member State and non-EU countries. The new tables cover 2004-2008 and will be updated annually. In January 2010 Eurostat began to publish quarterly data on remittances, with less geographical detail.

(2) Favouring cheaper, faster and more secure remittances flows

Within the EU, substantial progress has been achieved with the adoption of the ***Payment Services Directive*** *(**PSD**)*[32]*, which lays the legal foundation for an EU-wide single market for payments and facilitates access of migrants to formal remittance services. 'Payment institutions', i.e. money transfer operators or telecom providers for their post-paid activities, now have to make charges and other conditions (such as the transfer time and the charge to the recipient) clear to customers. In line with the rationale behind Special Recommendation VI of the Financial Action Task Force on Money Laundering, the Directive provides a mechanism whereby operators unable to meet all the requirements to become "payment institutions" are not forced into the black economy but may provide remittance services, once their identity has been registered. This, however, requires proper enforcement by the Member States competent authorities. The PSD has been implemented in most of the Member States of the EU/EEA.*

The new ***E-Money Directive*** *(**EMD**) 2009/110/EC, adopted in October 2009*[33]*, authorises e-money institutions (such as issuers of pre-paid cards, on-line or telecom providers for their pre-paid activities), as from 30 April 2011, to carry out other business' activities, including payment services such as money remittance. This will allow cross-overs of new payment methods between them (e.g. on-line payment accounts with mobile payments: PayPal or Google) and with traditional payment methods used to send money (e.g. Western Union with telecom providers or with prepaid cards issuers).*

The PSD and the new EMD apply only to payments inside the EU/EEA and do not cover remittances between the EU/EEA and non-EU countries. Extending these rules to extra-EU transfers would help lower remittance costs.

- Fourteen Member States are already **applying all or part of the requirements to some extra-EU transfers** (one-leg transactions) carried out in currencies other than those of the Member States. It is also positive that Money Transfer Operators with global reach (such as Western Union or Money Gram) and telecom providers (such as Vodafone or Telefónica) are envisaging applying the principles voluntarily.

- To **improve financial literacy and access to financial services**, Member States inform migrants about financial products suited to their needs and also work

32 2007/64/EC (OJ L 319).

33 Directive 2009/110/EC of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions (OJ L 267, 10.10.2009).

through dialogue with the private sector, for instance in the **UK**. Member States continue to **promote increased transparency** by setting up websites[34] comparing the prices and conditions offered by the different money transfer providers. In addition, the **Netherlands,** for instance, evaluated its initiative's impact on the cost of remittances; the UK prepared a leaflet explaining what information has to be given to the sender of money, what needs to be checked to make sure that the money reaches the recipient safely and what rights the sender has if things go wrong[35].

As most migrants have access to financial services similar to that of the rest of the population, the cost of remittances mainly depends on **access to financial services in non-EU countries**. So some Member States and the Commission run programmes in partner countries aimed at developing the financial sector (e.g. microfinance, and technical assistance with financial sector regulation and supervision) and improving financial literacy, to familiarise households receiving remittances with banking services[36]. If some of the remittances are saved, banks can build up their role as intermediaries, turning savings into productive investment with a positive impact on development.

(3) Enhancing the development impact of remittances from the EU

A number of targeted initiatives have been set up to support developing countries in establishing a policy framework more conducive to remittances, such as the Commission's support for the **African Remittances Institute**[37] and the contributions of a number of Member States and the Commission to the multi-donor Financial Facility for Remittances of the International Fund for Agricultural Development (**IFAD**), which provides **grants for innovative projects** that contribute to expanding rural access to finance. In a different vein, recent measures by some Member States such as the decree in Italy requiring money transfer organisations to inform local police within 12 hours if the person wishing to transfer funds is unable to present a residence permit, could be counter-productive from a development perspective, because such restrictions will increase the use of informal channels to transfer remittances.

Further actions required to facilitate remittance transfers

The current, substantial initiatives focus on implementing current commitments and will continue to do so. Special consideration should be given to further facilitating remittance transfers:

- through reinforced support to new technology-based transfers (cell phones, Internet) via targeted projects;

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34 Examples of such websites are: www.sendmoneyhome.org (UK), www.geldtransfair.de (Germany), www.envoidargent.fr (France), and www.geldnaarhuis.nl (Netherlands). Sweden is working on a similar initiative.

35 www.moneymadeclear.fsa.gov.uk.

36 For instance France, Germany, Luxembourg, the Netherlands, Spain and the United Kingdom.

37 Under preparation under the leadership of the African Union and in collaboration with the World Bank.

- by extending the requirements of the Payment Services Directive to extra-EU transfers when the Directive is revised in 2011;
- by better coordinating work on specific remittance 'corridors' in which flows from several Member States are of particular importance;
- by ensuring proper enforcement of the Payment Services Directive in all EU Member States, bringing all operators providing remittance services within the ambit of its minimum legal and regulatory requirements;
- by ensuring that identification requirements under EU Member States 'national security or immigration laws do not hamper the globally agreed objective of reducing remittance costs.

4. ODA FLOWS TO DEVELOPING COUNTRIES - A CRUCIAL SOURCE OF FINANCING

In 2002, the EU Member States adopted their initial joint commitments on ODA increases. These commitments were further developed and broadened, and endorsed by the European Council in 2005 ahead of the UN World Summit that undertook the first review of progress on the Millennium Declaration and the MDGs. The EU and its Member States agreed to achieve a collective ODA level of 0.7% of GNI by 2015 and an interim target of 0.56% by 2010, both accompanied by individual targets. The EU Member States agreed to increase their ODA to 0.51% of their national income by 2010 while those Member States that had already achieved already higher levels (0.7% or above) promised to maintain these levels; the Member States that acceded to the EU in or after 2004 (EU-12) promised to strive to spend 0.17% of their GNI on ODA[38] by 2010 and 0.33% by 2015.

4.1. EU ODA decreased in 2009

Since 2008 the financial crisis has hit EU Member States hard, triggering the deepest global economic recession since decades. State-financed rescue packages for the affected banking sector, higher social protection costs and lower budget revenues have dramatically changed the fiscal situation of many Member States. The crisis has affected EU ODA levels. **In 2009 EU-27 ODA continued to increase as a share of GNI from 0.40% in 2008 to 0.42%, but decreased in volume terms to EUR49 billion.** The trend among Member States varied, as the tables and figures in **Annex 2** show.

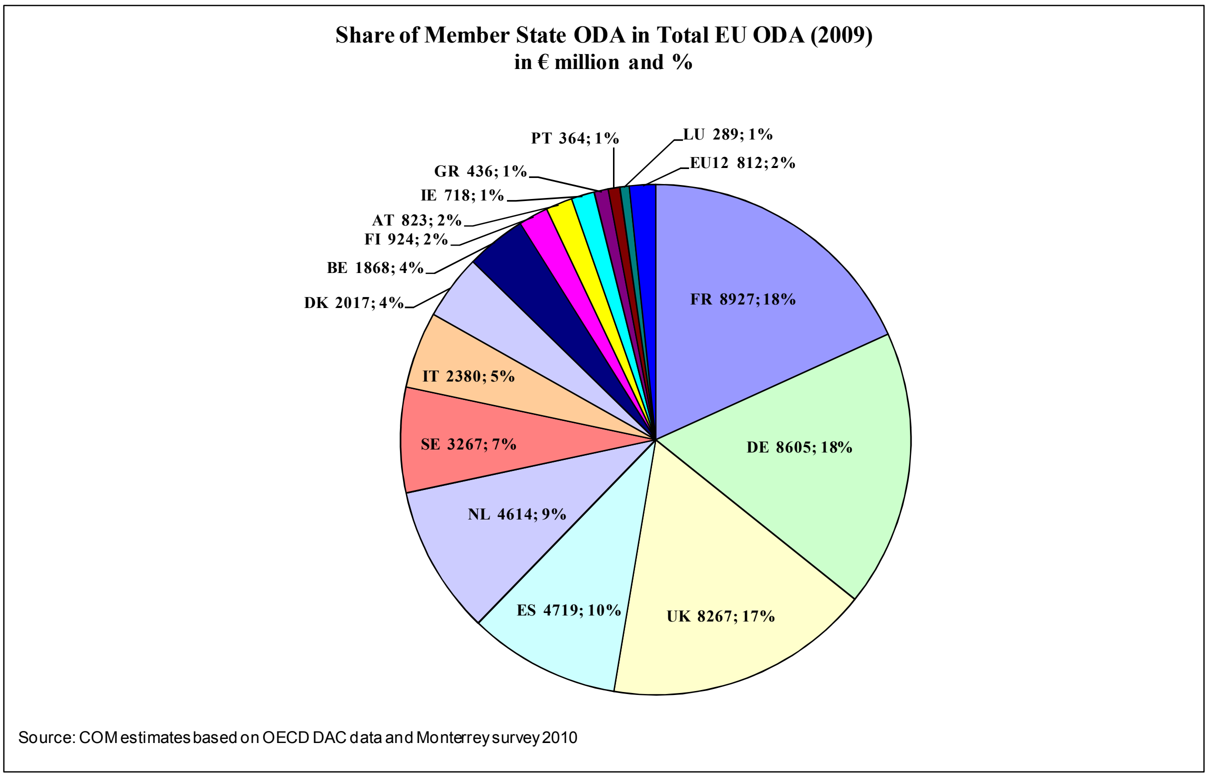
The **increase** was led by **France**, which contributed EUR1.3 billion, followed by the **UK** (EUR285 million), and **Belgium** (EUR214 million). Malta (0.20%) and Cyprus (0.17%) attained or exceeded the individual, intermediate target threshold of 0.17 ODA/GNI, one year ahead of schedule.

Aid volume **increases** or maintenance in 12 Member States were **offset by aid cuts** in others. The biggest cuts occurred in **Germany;** its aid was reduced by almost EUR1.1 billion. The worst aid cuts – more than 30% - were made in **Italy** (down EUR990 million, to 0.16% ODA/GNI), putting Italy's ODA lowest among the EU

38 For the exact wording see European Council, 18 June 2005, Doc. 10255/05 Conc. 2, par. 26 onwards.

donors that had committed to spend at least 0.51% of their income as ODA by 2010, and **Austria** (down EUR365 million), bringing the country's ODA down to 0.30% of GNI, i.e. below the level that the EU-15 Member States had promised to achieve in 2006 (0.33% ODA/ GNI). **Greece**' aid declined by EUR51 million from already low ODA levels. For the first time in many years ODA spending was substantially reduced in the **Netherland**s (down EUR234 million) and **Spain** (EUR42 million). Under the impact of the crisis, **Irish aid** disbursements were cut by EUR203 million, albeit from higher levels and keeping aid spending at 0.54% of GNI.

Member States' Percentage share of EU ODA 2009



4.2. Set to miss the agreed intermediate ODA targets of 2010

According to preliminary Commission estimates, the EU needs to bridge a **EUR18.4 billion gap to reach the collective 0.56% ODA/GNI target in 2010 from 2009 outcome levels**. According to Member States' forecasts, EU ODA should increase in 2010, but the collective EU result in **2010** would be in the range of **0.45% - 0.46**% of GNI (around EUR55 billion). The EU is thus set to miss its collective intermediate target of 0.56% of GNI by 2010 by a wide margin because many Member States will not reach the individual minimum intermediate EU ODA targets fixed for 2010.

Low or negative economic growth rates in the EU as a consequence of the crisis, and given the austerity measures that Member States introduced, lead to different risks. On the one hand lower GNI growth combined with higher public expenditure elsewhere may lead to a cut-back in spending on development co-operation, which in turn would result in a lower trajectory of up-scaling to meet 2015 targets. On the other hand, where aid volumes are not cut, they will show higher aid levels expressed as a percentage share of GNI, without providing additional ODA funding for developing countries. These prospects will harm the credibility of the EU as a whole. Urgent action is therefore needed to remedy this.

In their replies to the survey, a majority of Member States expressed their resolve to further increase ODA in 2010 despite the fact that many of them are facing uncertain budgetary positions due to the crisis-related situation.

The EU scaling-up process has been uneven, with asymmetric efforts. Member States not contributing their fair share to the **burden-sharing** effort endanger the performance of the EU as whole and substantially increase the risk of collective failure on ODA targets. This needs to change. All Member States are important for a sustained, joint EU scaling-up. The prospects for 2010 according to Member States' reports are as follows:

- Four EU Member States – **Sweden, Luxembourg, the Netherlands and Denmark -** continued to spend at least 0.8% of their GNI or more on development and are planning to maintain this level or to achieve and sustain a more ambitious target, i.e. a 1% target. These four countries account for over 20% of the EU ODA although their relative economic weight within the EU is much smaller. **Belgium** is set to join this group of early ODA target achievers by bringing its ODA spending up to 0.7% of GNI in 2010.

- According to the forecasts provided, the **UK** remains on track to deliver on its ODA spending plans for the financial years (April to March) 2009-10 and 2010-11 (0.56% ODA/GNI) with a view to attaining 0.7% ODA/GNI by 2013[39].

- **Ireland** and **Spain** had set themselves national thresholds more ambitious than the EU timeframes. While they may miss those, they want, along with Finland, to meet or surpass the agreed EU individual target of 0.51% of GNI set for 2010.

- While remaining below the 0.51% ODA/GNI threshold, **France** indicated aid increases for 2010 corresponding to 0.43-0.47% of GNI and **Germany** targets spending 0.40% of its GNI on aid. **Italy** should increase its ODA to 0.20% of GNI but risks remaining the weakest performer of the EU-15; it **has, meanwhile, been overtaken by some of the EU-12**, for which much lower individual ODA targets apply. Due to their combined weight in the EU economy **these three Member States** are the **key** to the **EU's collective scaling up**. Without their contribution the EU cannot reach its collective ODA goal.

- **Austria** and **Portuga**l's ODA levels remain far below the EU average; both are set to miss the 2010 target, although they project increasing ODA levels. **Greece's position** remains uncertain due to fiscal restraints; it is unlikely that Greece will fulfil its ambition to spend 0.35% of its national income on ODA in 2010.

- There is some good news amongst EU-12 Member States: **Cyprus and Malta achieved or exceed their commitments of 0.17 one year ahead** of the 2010 deadline. **Lithuania** steadily increased its figures in recent years; but no forecast

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[39] According to Commission estimates on the future economic growth in the Member States the UK may even exceed the national 2010/11 target, as a consequence of a lower economic growth forecast for the UK for 2010.

has been made available and the country is hard hit by the economic crisis. The **other EU-12 donors are off-track, as they forecast they will not reach** the **0.17% ODA/GNI** target in 2010, although **Slovenia is relatively close to the target in 2009**. They need to take decisive steps to get their ODA budgets back on target.

The ODA indicators graphs in **Annex 3** show each EU Member State's readiness to meet the individual ODA target levels of 0.51% and 0.17% of GNI respectively in 2010. **Annex 4** outlines the methodology used to analyse ODA indicators and forecasts provided by the Member States.

4.3. Lessons learnt - the impact of EU ODA targets on policy decisions in EU Member States

Some key lessons can be drawn from experience since the adoption, in 2002, of EU ODA commitments and their revision in 2005: **back-loading** the increase in ODA expenditure has been the main factor in missing target levels. **Sustained scaling-up process through debt relief grants** is impossible: debt relief grants are "one-off" exercises by nature and **insufficient** if not replaced after the debt relief spike by "fresh money" in ODA budgets.

The EU commitments have been a useful anchor for scaling-up processes in a number of Member States:

- *by bolstering more ambitious national plans or multi-annual budget planning (e.g. Spain and the UK: 0.56% by 2010);*
- *by "limiting the damage" in those Member States that have decided, since 2005, to slow down their initially more far-reaching national ODA plans: in France, Finland and Ireland 0.51% ODA/GNI provided the bottom line for downgraded national objectives for 2010;*
- *by setting in motion some kind of national process to increase ODA although not at a pace sufficient to meet the 2010 target (e.g. the Czech Republic, Germany, Greece, Portugal, and Slovenia).*

*This proves that the targets agreed at EU level have had a positive effect on increasing ODA. Some Member States, however, have not demonstrated any sustained trend of increasing ODA levels and some have yet to strengthen their efforts as new donors (see tables in **Annex 5** on the ODA trajectories of individual EU Member States since 1995).*

4.4. Enabling factors for aid increases in Member States

There has been some progress in establishing what can be considered "multi-annual timetables" for ODA, as called for by repeated Council Conclusions[40]. Timetables have proven a useful tool for embedding the scaling-up of aid volumes in national budgets in line with stated commitments. Member States have taken different paths in developing timetables.

***Enacting legislation** to make 0.7% ODA/GNI a binding obligation. **Belgium** has set, by law, a minimum aid level commitment, called the 'growth-path' towards the 0.7 target. The 'growth path' is set out in the solidarity notes and can also be amended by the solidarity notes; these are drafted and approved by the government but the government cannot amend the legally binding target of 0.7% to be reached in 2010[41]. In the **UK**, a draft International*

[40] Most recently in the Council Conclusions of 18 May 2009, point 14.

[41] See Article 10. http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=1991071746&table_name=loi.

Development Spending Bill, published on 15 January 2010, introduces a legal obligation to spend 0.7% of GNI on ODA as from 2013; it is now being examined by the House of Commons[42]*.*

Multi-year budget spending plans*/inclusion of ODA targets in national budget laws. So far the* ***UK*** *Government has set departmental budgets on a multi-year spending cycle over a three-year period through spending reviews. The Pre-Budget Report and Comprehensive Spending Review 2007 covers the financial years 2008/9 to 2010/11; it includes the ODA allocation to 2010 and details the commitment to reaching 0.7% ODA/GNI by 2013. In* ***Ireland*** *and* ***Sweden*** *the national ODA targets are enshrined in the annual budget law*[43]*.*

Government-endorsed development policy documents*:* ***Spain'****s "Master Plan for Development Cooperation 2009-2012" was endorsed by the Spanish Government and Parliament. The Master Plan sets out the timeframes for reaching national ODA targets (which are more ambitious than the EU goals).* ***Portugal*** *published an annex to the budget law outlining future aid increases that are, however, not commensurate with its individual target of 0.51% for 2010)*[44]*. The* ***Finnish*** *Development Policy Programme, i.e. a Government Decision-in-Principle, has stated the Government's commitment to ensuring that development cooperation appropriations will take Finland towards 0.7%.*

Indicative multi-annual timetables*: Both* ***Bulgaria*** *and* ***Romania*** *intend to have an indicative multi-annual timetable ready in 2010.* ***Estonia*** *will include a timetable for 2015 ODA targets in the Strategy for Estonian development cooperation and humanitarian aid for 2011-2015, which is under preparation.*

4.5. How to demonstrate the EU's resolve to reach the 0.7% ODA/ GNI target by 2015?

As outlined in the Communication[45], the EU now needs to demonstrate **how** to get back on-track to reach the **0.7% ODA/ GNI target** and to **prepare a credible pathway for bridging the gap to meeting the 2015 deadline**. Any back-loaded scaling up of aid would be detrimental to supporting partner countries in achieving the MDGs and other internationally agreed development objectives, which is the rationale behind the EU ODA targets. As development assistance takes time to trigger results in reducing poverty, a sudden increase in aid only in 2015 would not help. Member States should therefore begin early with gradual ODA increases and indicate their chosen trajectories. Such **national action plans** should consist of the following, complementary elements:

(1) ***Confirmation of the 0.7% target for 2015*** *as the EU collective target. Achieving this target entails that individually*

- The Member States (EU-15) undertake to achieve 0.7% ODA/GNI;

- those which have achieved that target commit themselves to remaining above the target;

- the Member States that joined the EU since 2004 (EU-12) strive to increase their ODA/GNI to 0.33%.

This re-confirmation is necessary albeit, on its own, insufficient to re-establish EU credibility and needs to be complemented by action on the part of each Member State.

(2) ***Establishment of realistic and verifiable national ODA Action Plans*** *by all Member States outlining how they aim to scale up and strive to achieve the 2015 ODA targets. Each*

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42 In view of the forthcoming parliamentary elections in the UK the government has stated its intention to present a full Bill in the next parliamentary session. Draft bill: http://www.official-documents.gov.uk/document/cm77/7792/7792.pdf

43 http://www.regeringen.se/content/1/c6/13/17/16/95c2a5d5.pdf.

44 http://www.dgo.pt/oe/2009/Aprovado/Relatorio/Rel-2009.pdf.

45 See footnote 1.

Member State should commit to publishing individual plans for year-on-year ODA increases. The first action plans (covering actions in 2010 and 2011) should be published prior to the September UN HLPM. Subsequent annual action plans should be published by the end of the year preceding the spring Foreign Affairs Council (Development) (FAC). Core elements of the action plan are:

*- Increasing **ODA each year** (by volumes and as a percentage of GNI) compared to the previous year in order to reach and sustain EU targets. ODA increases are an issue of political choice, even in difficult budgetary situations.*

*- Indicating **ODA estimates for the remaining period until 2015**. Overall ODA increases in the period 2010–2015 should be commensurate with the individual target to be reached or sustained by and beyond 2015 (= 0.7% of GNI for the EU-15 and 0.33% for the EU-12; higher aid levels already achieved by the strong performers above established EU ODA thresholds should be maintained);*

*- Describing **concrete actions to build public support for development** in the Member State concerned;*

*- Outlining **concrete actions to improve coverage of development-related issues in the national media** and find new and better means of communication on development[46]. The EU and its Member States need to better communicate development success stories and should do this more systematically and jointly. A better informed and educated public that is supportive to development cooperation can be a powerful ally in government commitments to increase ODA spending: only an educated public will be able to hold governments accountable for delivering on their commitments.*

*(3) Creating an **EU-internal annual "ODA Peer Review" mechanism** at the spring session of the FAC (Development) to assess the progress of each Member State, based on the annual monitoring report. The FAC should assess progress in every Member State and make recommendations to improve performance, as appropriate. The FAC should **report the res**ults of the ODA Peer Review and progress towards the 0.7% ODA/ GNI target **annually to the European Council**.*

*(4) Describing **mechanisms for ensuring scaling up**. The existence of national legislation, ring-fencing ODA goals or making them legally binding has proven instrumental in some Member States to ensuring ODA increases designed to reach the 0.7% target early (Belgium) or to maintain aid levels at or above that level (Sweden). Against this background, Member States should consider enacting national legislation on ODA levels with a view to reaching the agreed EU ODA targets or maintaining higher national aid levels (either through specific legislation, such as that currently being examined in the UK) or through specific annotations in the national budget laws.*

The Commission is ready to extend its support, especially to those Member States that have joined the EU since 2004. Member States more advanced in the scaling-up process could also offer their cooperation to identify success factors that could foster national processes in those Member States that have to do better.

There are different options for going forward. Each Member State will have to define its individual path to reach the 2015 targets. The trajectory will differ depending on the choice made. Various options are available to bridge the gap from

[46] The Eurobarometer survey "Development aid in times of economic turmoil" of October 2009 revealed that 72% of Europeans are in favour of honouring or going beyond existing aid commitments to the developing world. Public support for the EU's motto "keeping our promises" is real. Europeans expressed a genuine interest in knowing more about development, mainly through better press coverage; most of the Mediterranean countries of the EU are dissatisfied with the level of media coverage: http://ec.europa.eu/public_opinion/archives/ebs/ebs_318_en.pdf.

2010–2015 (see illustrating graphs in **Annex 5** for each Member State)[47]. Whatever choice Member States make, serious and sustained efforts are required during the entire period. Back-loading ODA increases would harm efforts to reach the MDGs, as resources to support progress before 2015 are needed immediately.

- **Adoption of an intermediate target for 2012** to bridge the gap between the 2009 results (EU 27 0.42% of GNI) and the 0.7% target for 2015. **Individual** minimum targets in the range of:

– EU-15: 0.57% ODA/ GNI by 2012[48]

– EU-12: 0.22% of GNI by 2012[49]

could lead to a collective EU average of the order of 0.6% by 2012.

- **Linear ODA volume increases** from 2009 aid levels to individually reach a minimum of 0.7% ODA/GNI by 2015 (EU-15) and of 0.33% (EU-12) and to maintain high levels once thresholds have been achieved.

- **Regular percentage increase in ODA volumes from 2010–2015** with a view to reaching 0.7% by 2015 (same percentage of the absolute amounts in each year, but different percentage levels depending on where Member States stand today). The average annual increase required in ODA volumes is 12% for the EU-15 and 30% for the EU-12[50]. This option is also ambitious but entails some slight back-loading compared to linear scaling-up.

Fair burden-sharing among EU Member States is a key element in this undertaking. Lack of action will jeopardise the success of the EU as a whole on its collective 0.7% ODA/GNI target and each Member State needs to demonstrate its contribution to achieving the agreed common goal.

4.6. International burden-sharing

At the Pittsburgh Summit, the G-20 leaders reaffirmed their resolve to support the achievementof the MDGs and to deliver on their respective ODA pledges, including commitments on "Aid for Trade", debt relief, and those made at Gleneagles, especially to Sub-Saharan Africa, by 2010 and beyond[51].

Global ODA levels have steadily increased since 2000[52], and ODA volumes are expected to rise by about 36% between 2004 and 2010. However, this **increase falls short** of **demonstrating the necessary dynamics to meet the international ODA commitments**, including those given by the G-8 in Gleneagles. While there should be additional aid of USD28 billion from 2004 to 2010, there is a USD22 billion shortfall between the 2005 pledges and recent OECD estimates for the 2010

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47 The graphs confront the proposed trajectory with the forecast figures that Member States have provided for 2010 and beyond.

48 0.7%–0.44% of GNI in 2009 = 0.26%: 2 = 0.13% + 0.44% = 0.57%.

49 0.33%-0.10% of GNI in 2009 = 0.23%: 2 = rounded up 0.12% + 0.10% = 0.22%.

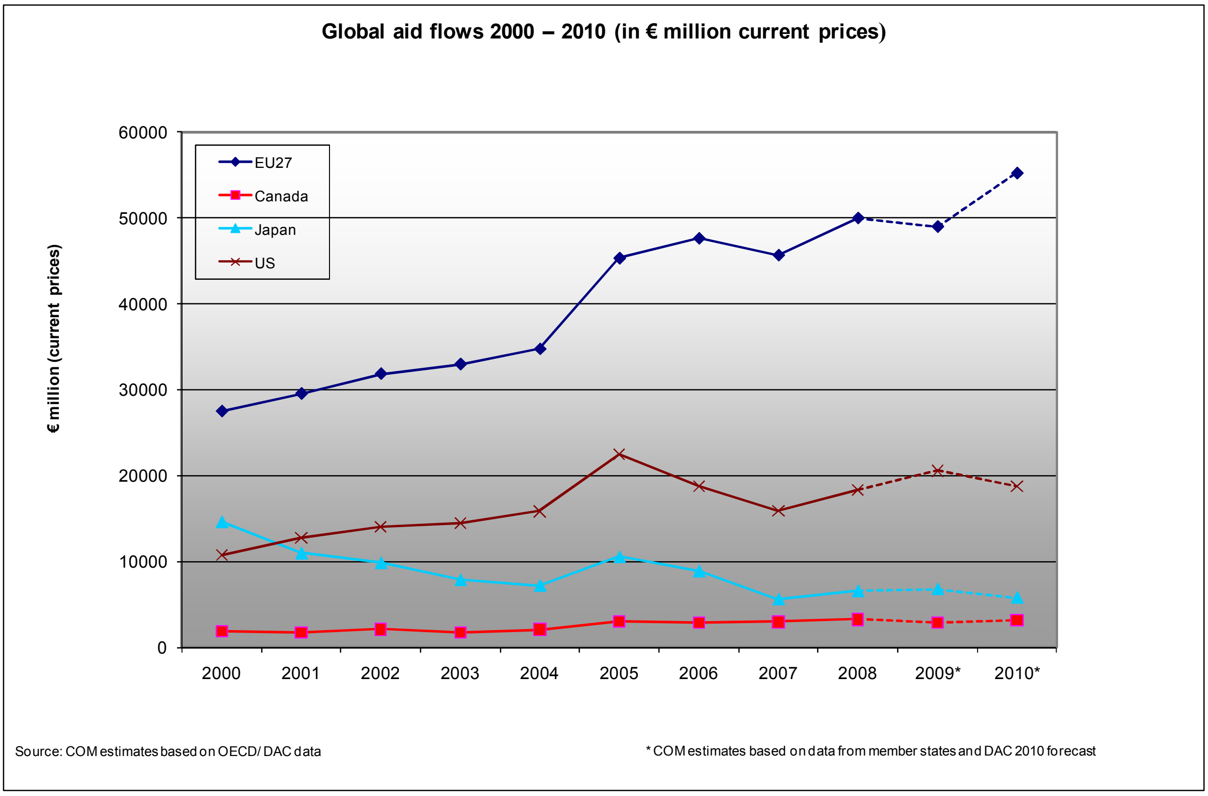
50 Annex 5 details the individual increase required under this option for each Member State.

51 G-20 Pittsburgh Summit Leaders' Statement 24-25 September, 2009, point 37.

52 Except in 2007, when global and EU aid slumped.

outcome. Of this shortfall, USD18 billion results from lower-than-promised ODA spending, and USD4 billion from lower-than-expected GNI growth[53].

Figure: Aid flows of EU and non-European G7 countries 2000 – 2010



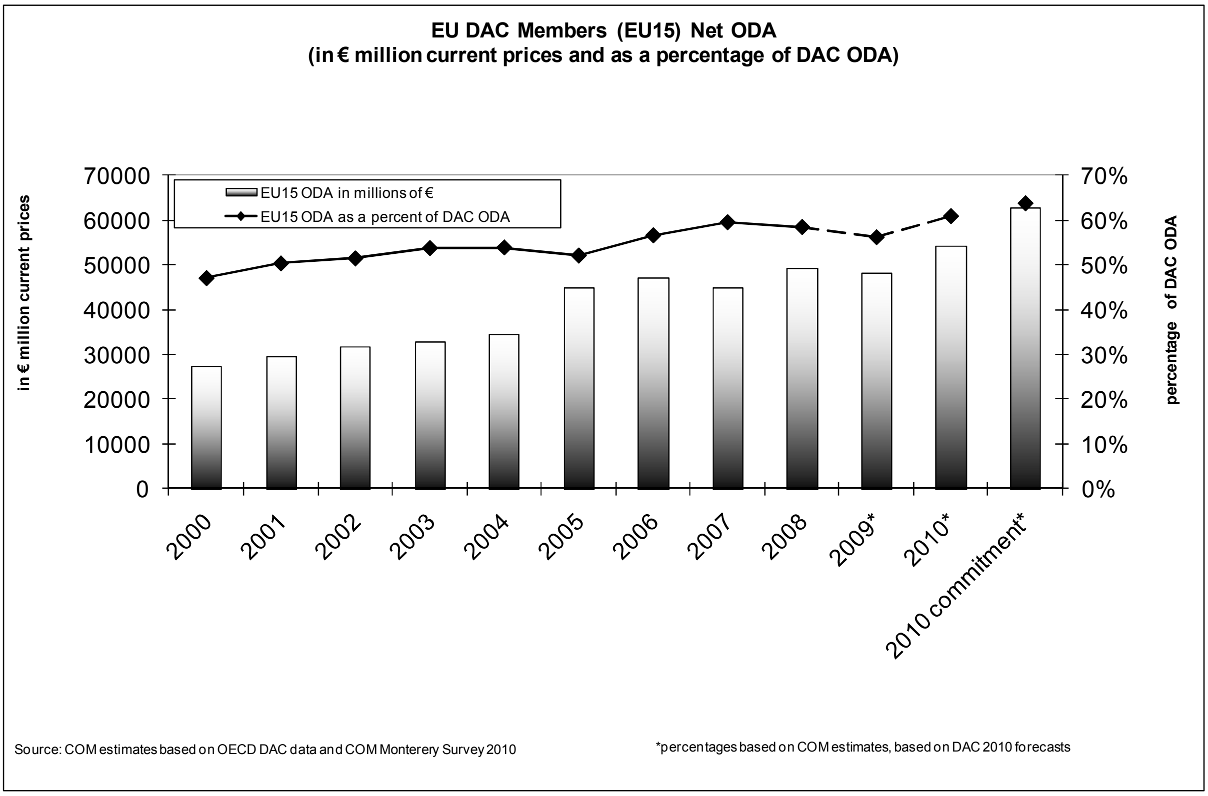
According to OECD projections for 2010 only Norway (1.0% ODA/GNI) and Switzerland (0.47% ODA/GNI) will achieve aid levels higher than the expected combined EU-27 result: all other donors that are members of the OECD/DAC will have a substantially lower outcome, despite increasing aid volumes. The US may double its ODA to Sub-Saharan Africa between 2004 and 2010, but overall aid levels are forecast to remain as low as 0.19% of GNI. Japan may reduce the aid level to 0.18% of GNI in 2010. Canada, Australia and New Zealand are expected to live up to their pledge to double aid volumes from 2004 levels, reaching between 0.32% and 0.35% of their national income. New partners in development also need to contribute their fair share to the effort.

The **EU** continues to stand out as the **only group of donors that has given a time-bound commitment on the 0.7% of GNI goal for ODA** (by 2015). EU disbursements in line with this pledge could add up to EUR55.3 billion in 2010, mobilising an additional EUR7.6 billion compared with 2006 levels.

The difference in donors' aid targets demonstrates a global imbalance in commitment to supporting developing countries in achieving their development goals. As in previous years, in 2009 the majority of the global ODA came from the EU, which

[53] OECD DAC press release 14 April 2010: http://www.oecd.org/document/0,3343,en_2649_34487_44981579_1_1_1_1,00.html.

disbursed around 56% of the aid provided by DAC members. As up to now, most of the global ODA increase is set to come from the EU[54].



4.7. EU not acting in line with its promise on ODA to Africa

Since making the commitment to direct 50% of EU aid increases to Africa in 2005, the combined EU aid to Africa has not risen, but fallen. 2005 and 2006 were peak years for debt relief operations, also benefitting some African countries. In the years that followed, the increases in programmable aid did not make up for the drop in debt relief grants. As a result, the **EU-15 total net ODA to Africa fell by EUR2.7 billion from its 2005 level. The fall in aid to Sub-Saharan Africa was even more acute** as net ODA fell by EUR3.2 billion from its 2005 level. Combining this result with the fact that the EU's overall ODA continued to increase, the EU has not delivered on the commitment to provide 50% of the collective EU ODA increase to the African continent. Only **Belgium, Denmark, Finland, Luxembourg and Portugal channelled more than 50% of the ODA increase to Africa in 2009, compared to 2005 levels**.

Sub-Saharan Africa has also fared particularly badly in terms of the G8 Gleneagles pledge of an additional USD25 billion per year, with a gap of USD14 billion (in 2004 prices) estimated by the OECD.

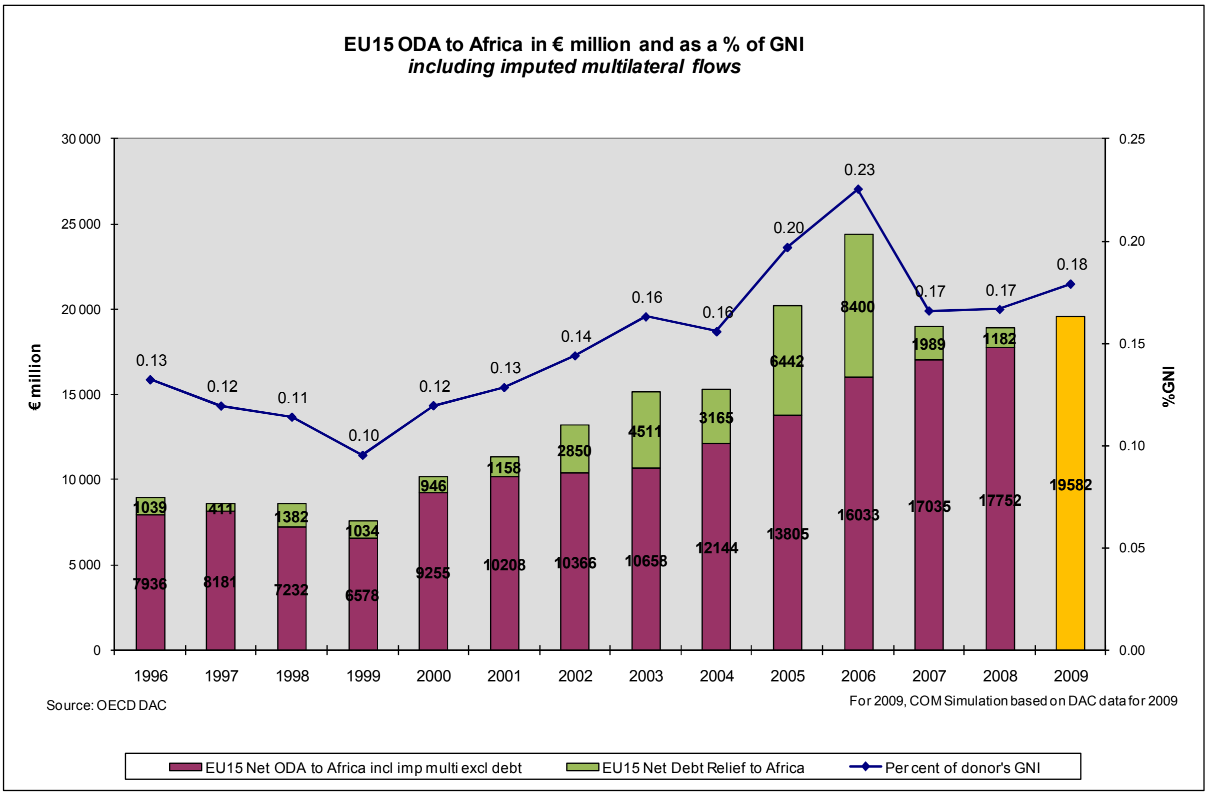
Africa's overall share in the collective EU ODA has fallen from 44% to 37% from 2005 to 2009. **A positive sign** though is that if looking exclusively at total net aid excluding debt relief, ODA from the EU-15 to Africa rose from EUR7.2 billion in

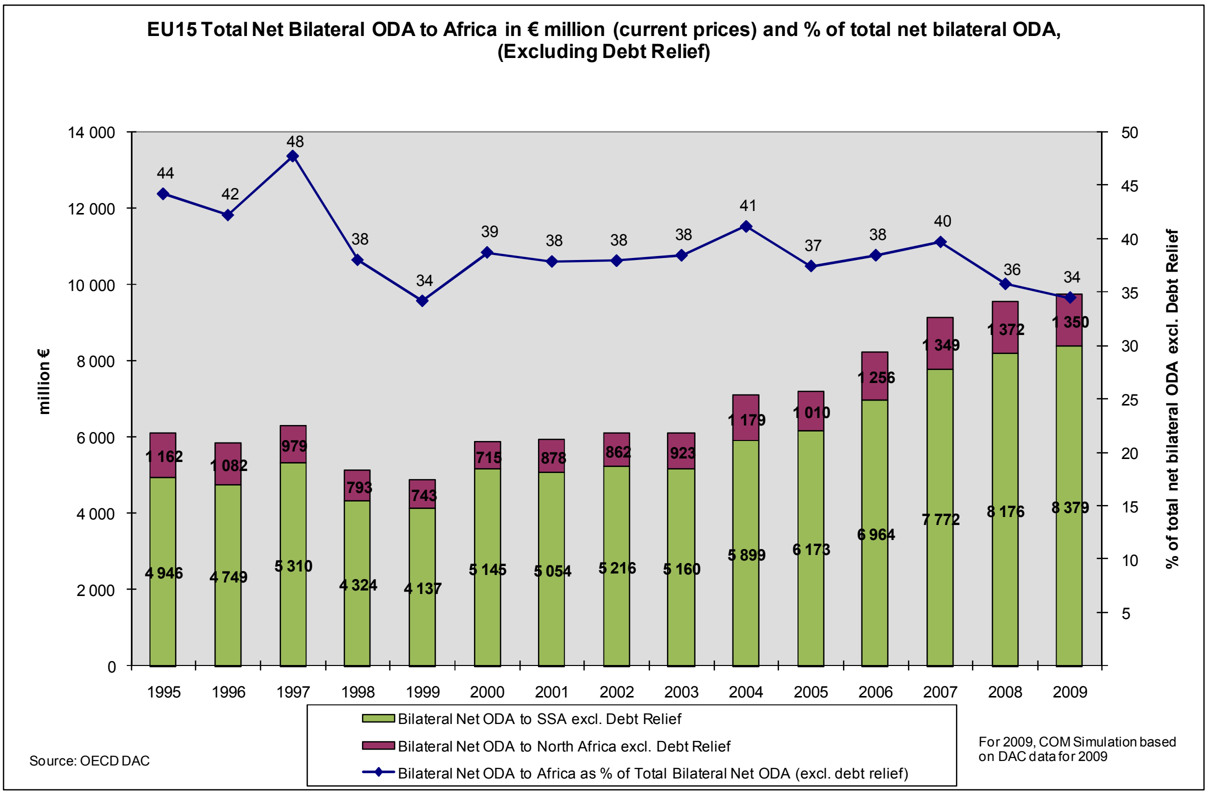
54 See previous footnote.

2005 to EUR9.7 billion in 2009. Sub-Saharan Africa accounted for most of this increase (from EUR 6.2 billion to EUR 8.4 billion).

Some EU countries stand out for their special focus on Africa and Sub-Saharan Africa. Looking at the accumulated flows since 2005, 63% of **Irish** ODA has gone to Africa, the same for 60% of **French** and **Portuguese** ODA**, with Belgium**, **Denmark**, and **Luxembourg** and the **UK also around the 50% level.**

Many Member States stated in reply to the Monterrey survey that their bilateral aid programmes focus on Africa. The *White Paper on Irish Aid* states that Africa should remain the primary geographic focus for Ireland's development programme. Other Member States - Belgium, Cyprus, Finland, France, Italy, Netherland, Portugal and Spain - have decided to spend or are spending at least 50% of their bilateral programmable aid in Africa. Most of the EU-12 contribute to Africa through multilateral channels, although some are considering increasing their bilateral commitment to the region as well.





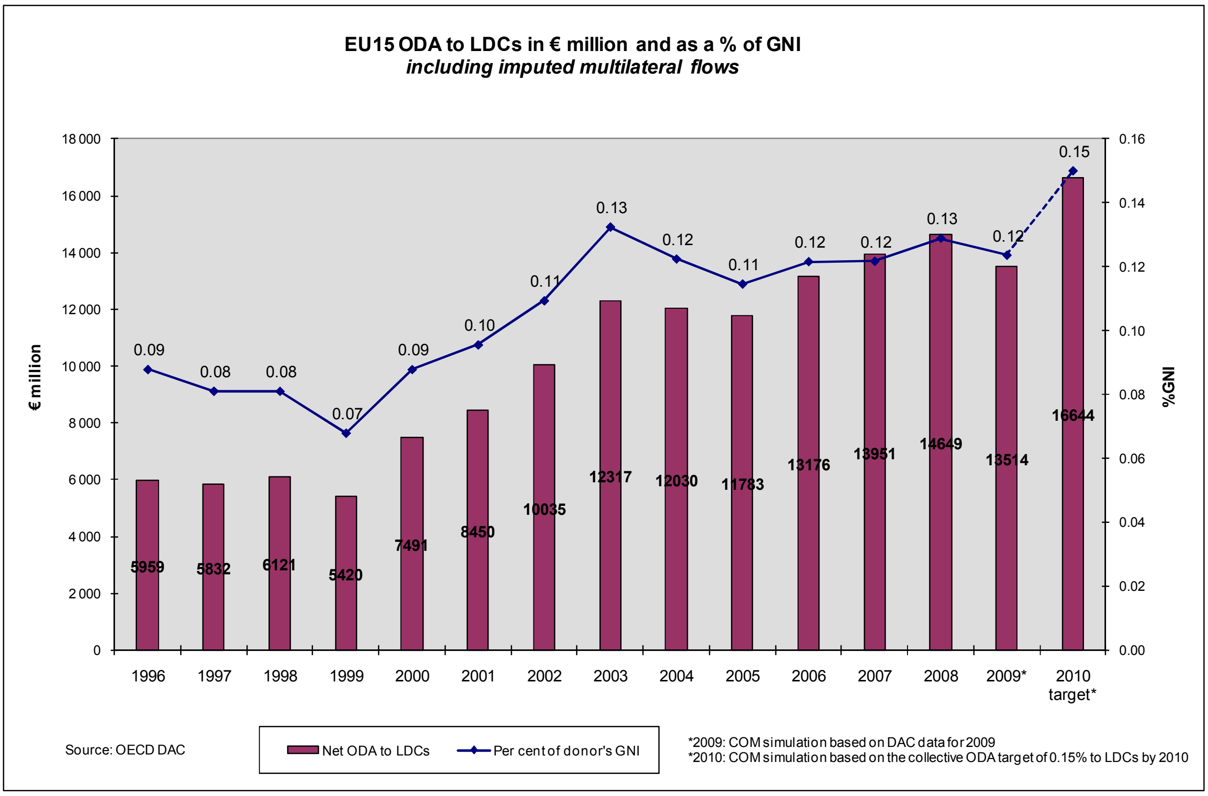
4.8. ODA to Least Developed Countries – EU target still within reach

In November 2008, Member States promised, as part of the EU's overall ODA commitments, to provide collectively 0.15% to 0.20% of their GNI to Least Developed Countries (LDCs) by 2010 while fully meeting the differentiated commitments set out in the "Brussels Programme of action for the LDCs for the decade 2001-2010".

According to the Commission simulations, LDCs' share of EU ODA has decreased both in absolute and relative terms and was at EUR 13.5 billion or 0.12% of GNI in 2009. Nevertheless, reaching collectively the lower end of the target of 0.15%-0.20% ODA/GNI allocated to LDCs by 2010 and onwards remains feasible. According to the replies to the 2010 Monterrey survey, 10 of the EU-15[55] will reach or have already reached this target. The vast majority of the EU-12 are ready to reserve a certain amount of ODA for LDCs.

[55] Austria, Belgium, Denmark, Finland, Ireland, Italy, Luxembourg, the Netherlands, Sweden, the UK.

Figure: EU ODA to LDCs



4.9. Reinforced reporting on ODA flows

Most EU non-DAC donors report their ODA to the OECD/DAC. The Commission encourages all of them to do this, in line with DAC reporting rules, although none of the EU-12 are yet DAC members. **Bulgaria** and **Malta** have yet **to start reporting systematically to the DAC**. The Commission will continue to work with the DAC secretariat on providing support to the EU's non-DAC donors in enhancing their statistical reporting capacity.

The Commission is ready to support the OECD/DAC in its efforts to develop, in addition to the work on ODA, more detailed reporting on other, non-ODA financial flows that have an impact on development. This information could provide transparency in donors' non-ODA actions, which may help or hinder developing countries' progress towards their development objectives.

4.10. A credible pathway for the future

- In order to reach the ultimate EU goal to provide 0.7% of the combined national income as ODA by 2015 and beyond, drawing up **annual national action plans** is essential and should be complemented by reinforced **EU internal** monitoring (**annual ODA "Peer Review"**).

- Consideration should be given to **enacting national legislation on ODA levels** with a view to reaching the 0.7% ODA target by and beyond 2015 and to ring-fencing ODA spending commensurate with this target.

- Member States should redouble their efforts to **increase** their **aid to Sub-Saharan Africa** and to provide half of the pledged aid increases to the African continent.

- Member States need to enhance their efforts to **increase aid to LDCs** with a view to meeting the 0.15-0.20% ODA/ GNI target in 2010 and to sustain their efforts once they have achieved that level.

- The EU should call on **all international donors and new actors to contribute their fair share** of the effort by increasing their aid levels.

- Reinforced efforts are required by the EU and its Member States and by the OECD DAC to **better track and report on ODA and non-ODA flows** relevant to the development of poor countries.

5. INNOVATIVE SOURCES AND MECHANISMS OF FINANCING: A NEW DEBATE

The **European Council**[56]**:**

- agreed on the need to prepare a coordinated strategy for exiting from the broad-based stimulus policies when recovery is secured,

- **invited the Commission to examine innovative financing at global level**, with a view to facilitating fiscal exit strategies and fiscal consolidation,

- recognised the need to significantly increase financing to help developing countries implement ambitious climate mitigation and adaptation strategies, without jeopardising the fight against poverty and continued progress towards the MDGs,

- highlighted the role of innovative financing in ensuring predictable flows of financing for sustainable development, especially towards the poorest and most vulnerable countries.

Initially, innovative financing mechanisms were considered in order to address financing needs for development. Not least because of many donor countries' difficulties in meeting their ODA commitments in the medium term, innovative sources of financing could play a more prominent role in the near future. Development budgets are coming under increasing pressure, partly because of the significant commitments that developed countries made in the Copenhagen Accord to scale up the financing of climate change measures in developing countries.

The Leading Group on Innovative Financing for Development is spearheading the international debate on this issue. *It was founded in 2006 with a Secretariat in Paris and now has 59 member countries from the North and South, in addition to the main international organisations and NGO platforms*[57]*.* ***EU Member States are very supportive*** *of this initiative: nine are* ***members (Belgium, Finland, France, Germany, Italy, Luxembourg, Poland, Spain and the UK)****, as is the Commission;* ***Austria,*** *the Netherlands and* ***Romania*** *are* ***observers****, and* ***Denmark, the Netherlands, Portugal and Sweden*** *have* ***expressed***

56 Conclusions of the European Council of 29-30 October 2009, point 27.
57 For further information see www.leadinggroup.org.

interest in joining. *Sector-relevant discussions are pursued in a number of thematic working groups where concrete proposals for action against hunger and poverty, on illicit flows and tax evasion, on international financial transactions for development, and on education and development are examined. In addition, the Leading Group cooperates with the Taskforce on Innovative Finance for Health Systems led by the World Bank and the UN.*

In October 2009 the Leading Group on Innovative Financing for Development established a Taskforce on International Financial Transactions for Development, in which Belgium, France, Germany Spain and the UK are represented, in addition to six non-EU countries.

In its recent Staff Working Paper "Innovative financing at a global level"[58], the European Commission provided an assessment of the various instruments of innovative financing relating to the financial sector, climate change and development on the basis of a number of criteria.

5.1. EU Member States lead most initiatives on innovative sources of finance

Depending on the definition, only about a third of all EU Member States raised funds via innovative mechanisms in 2009, but they are piloting most of the existing mechanisms.

- ***Air ticket levy***: ***France*** *was one of the first countries (in July 2006) to introduce an air ticket levy with a sliding scale based on destination and class. Most of the proceeds are earmarked for development finance, notably an International Drug Purchase Facility (UNITAID) aimed at combating the major pandemic diseases affecting the developing world. The French air ticket levy collected EUR 165 million in 2007, EUR 173 million in 2008 and EUR 162 million in 2009. Following this example, which was subsequently promoted by the Leading Group on Innovative Financing for Development , several other countries around the world introduced similar air ticket levies, including* ***Chile****, the* ***Ivory Coast****, the* ***Republic of Korea****,* ***Madagascar****,* ***Mauritius*** *and* ***Niger,*** *which allocate all or a share of the revenues to UNITAID. Furthermore,* ***Luxembourg*** *and* ***Spain*** *collect voluntary contributions from air passengers.* ***Cyprus*** *(EUR 0.4 million), Luxembourg (EUR 0.5 million) and the UK (£25 million) are supporting UNITAID from their general budgets.*

- ***International Financing Facility (IFF)****: The general concept of the IFF was first put forward by the* ***UK*** Government in 2003. *It is designed to frontload aid by issuing bonds in international capital markets, backed by binding long-term commitments from donors to provide regular payments to the facility. The first concrete implementation of the IFF concept is the* ***International Finance Facility for Immunisation*** *(****IFFIm****) begun in November 2006. The IFFIm' total anticipated disbursement of USD 4 billion is expected to protect more than 500 million children through immunisation in more than 71 developing countries. So far, IFFIm bonds have raised more than USD 2 billion for immunisation programmes run by a charity called the GAVI Alliance. IFFIm's financial base consists of legally binding grants from its sovereign sponsors, which are* ***France****,* ***Italy****,* ***Norway****,* ***Spain****,* ***Sweden, the United Kingdom*** *and* ***South Africa****.*

- ***Advance Market Commitment (AMC):*** *The idea of an AMC was strongly promoted by the governments of* ***Italy*** *and the* ***UK*** *from the end of 2005. The idea is that donors guarantee a set envelope of funding to purchase at a given price a new product that meets specified requirements, thus creating the potential for a viable future market. In June 2009, the governments of Italy, the UK,* ***Canada, the Russian Federation, Norway and the Bill & Melinda Gates Foundation*** *launched the pilot AMC against pneumococcal disease with a collective USD 1.5 billion commitment. The supporters of this pilot AMC estimate that the introduction of a pneumococcal vaccine through the AMC*

[58] SEC(2010) 409 of 1 April 2010.

could save approximately 900,000 lives by 2015 and over 7 million lives by 2030. In October 2009, four suppliers made offers to supply vaccines under the Pneumococcal Advance Market Commitment.

- ***Debt-for-development swaps:*** *for instance* ***Germany*** *introduced the conversion of debt into grants for health financing in the "Debt2Health initiative". It reduces partner countries' debt as the corresponding amounts are invested in additional financial resources for health systems through the Global Fund. In this way, Germany disbursed EUR 40 million in 2008 and EUR 10 million in 2009. Similarly, the government of* ***Australia*** *is implementing an arrangement worth some EUR50 million with the Indonesian Government.*

- ***Tax discounts:*** *Many Member States provide tax exemptions or write-offs for private funding of development, for example through civil society organisation, foundations or charities. Such tax reductions exist in* ***Austria, Belgium, Denmark, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and the UK****.*

Some Member States are considering broadening the application of the above existing mechanisms either by joining them or by extending their scope to new areas. Romania considers the introduction of an airline ticket levy to support UNITAID and Portugal is assessing possible support to UNITAID. The UK is currently exploring the potential for a second vaccine AMC and an AMC for climate change. The Commission proposed in early 2009 to launch an IFF for climate change, but this is finding little support among Member States[59].

In their replies to the annual questionnaire **several Member States** indicated their **interest in introducing new levies, with all or part of the revenues earmarked for development.** Several Member States consider a **financial transactions tax or a currency transaction levy**, in particular, a promising instrument for raising revenues[60].

More recently, a stability levy on certain positions on banks' balance sheets is gaining increasing international support. This follows its use by **Sweden** for a crisis management fund and the proposal by the US administration to recover support for the financial sector from the general budget in the current crisis. For **climate change**, **auctioning emission allowances** will be the mainstay of the EU Emission Trading Scheme (ETS) from 2013 on, at least half of the revenues of which should be used for energy and climate change purposes, some of it for developing countries. Already Member States can auction part of the ETS emission allowances. Germany has taken this approach and raised revenues of EUR 933 million in 2008 and about EUR 530 million in 2009, of which EUR 120 million and EUR 230 million respectively were used for ODA. Several Member States also support using revenues from **levies on international aviation and maritime transport to finance climate change projects in developing countries[61]**. The feasibility of a specific mechanism for tax discounts called **"De-Tax"** is being examined by **Italy**: a certain share of value

59 Communication COM(2009) 39 of January 2009 "Towards a comprehensive climate change agreement in Copenhagen".

60 For instance Austria, Belgium, Spain and the UK.

61 Finland, France and Poland would support aviation and maritime levies to fund climate change related projects. Belgium, Denmark and Spain only explicitly supported an aviation levy for that purpose, but did not mention maritime transport levies. (Austria explicitly disagrees to an aviation levy for this purpose).

added tax (VAT) on goods and services, based on consumer and business choices, would be earmarked for development and then be topped up by voluntary contributions by the businesses benefitting from the scheme in a dedicated fund to strengthen health systems in poor countries. Finally, **Belgium** has earmarked nearly EUR 90 million of **lottery proceeds** for development-related purposes.

5.2. Broadening existing mechanisms and introducing new ones

The above FfD mechanisms, most of them frontloading public funding through the capital markets or leveraging private finance through public incentives, have proven to deliver important contributions. While their individual revenue-raising potential might be limited, the combination of these instruments has a significant effect in specific areas, notably in the health sector. Frontloading public finance for development can be particularly efficient if it prevents substantially higher costs or risks in the future by acting at an early stage. However, these debt-based instruments can entail the risk of additional and hidden burdens on the aid budgets of donor countries in the future. As a consequence, future aid flows may be adversely affected, creating inter-temporal distribution problems where the projects financed have a lower-than-expected economic rate of return. Instruments aimed at leveraging private finance increase the capacity of public funds to channel resources into investments with high economic returns, but the risk of deadweight effects in the private sector needs to be properly addressed.

The value added of innovative mechanisms compared to general budget resources as sources of financing for development should be properly assessed. While the general budgets of donor countries will have to be the major source of development finance, there is little doubt that pressure will mount to further exploit the potential of innovative finance mechanisms, notably to increase the prospects of meeting the MDGs. However, innovative financing related to economic activities, e.g. taxes on transactions, transport or emissions, can also be subject to volatility as the tax base changes with economic cycles. This became evident in the lower revenues from some of the above mechanisms in 2009. Revenues from innovative financing are also frequently used for so-called "**vertical funds**" which face **problems of aid effectiveness** by often being insufficiently owned by partner countries and not well integrated into their broader poverty reduction strategies. Furthermore, setting-up and managing such vertical funds can be complex and tie up considerable resources for administration, which are then not available for their main purpose of reducing poverty. It is therefore indispensable to **secure**, also **in the field of innovative finance, the full respect of the agreed principles of aid effectiveness**. Relevant implementation issues to ensure effective disbursement at beneficiary level have to be addressed. This requires specific in-depth analysis and full agreement among the main stakeholders concerned.

6. DEBT SUSTAINABILITY AND DEBT MANAGEMENT CAPACITY – MAJOR CONCERNS

Debt relief has substantially alleviated debt burdens in recipient countries. However, a number of challenges remain as Heavily Indebted Poor Countries (**HIPCs**), which have not yet reached completion point[62] under the IMF/ World Bank **HIPC initiative** and the **Multilateral Debt Relief Initiative** (**MDRI**)[63], need to strengthen **their debt management policies and institutions** with continued support from the international community. It is crucial to that HIPCs are granted full debt relief, if eligible under the HIPC Initiative and the MDRI, from all creditors, including smaller multilateral creditors, non-Paris Club bilateral official creditors, and private creditors. Moreover, these **international debt relief initiatives themselves need to be fully financed,** also to cover potential new HIPCs which may require additional resources from some contributors.

Notwithstanding debt relief, maintaining **debt sustainability** beyond the completion point is **a worry for many HIPCs** and the global crisis has exacerbated such concerns. Although analyses from the World Bank and the IMF do not so far indicate a great danger of a widespread debt crisis among HIPCs, the risks are increasing. HIPCs need to carry out **sound borrowing policies** and strengthen their capacity to manage public debt to avoid falling back into debt distress situations.

6.1. Implementing debt relief and preserving debt sustainability: all donors need to participate

Continued participation by creditors and donors in existing debt relief initiatives, in particular the HIPC and MDRI, is central to debt sustainability. In order to alleviate the impact of the financial and economic crisis on progress towards the MDGs, the EU needs to continue to give full support to the HIPC/MDRI initiatives. The statements by **almost all Member States** in their replies to the Monterrey survey that they have **delivered on their commitments to the HIPC/ MDRI initiatives on time**, are consistent with World Bank/IMF reporting on the subject.

Member States' replies also suggested that **existing debt management and sustainability mechanisms should be further enhanced, their membership broadened and capacity in developing countries improved.**

Despite the risk of more restricted access to new loans and the higher borrowing costs, many developing countries will be forced to resort to new borrowing to support continued investment in human and physical capital. These new loans need to be carefully managed, especially since a number of post-completion-point HIPCs were already assessed as being at high risk of debt distress prior to the economic downturn. **Maintaining long-term debt sustainability** in post-HIPC/MDRI Low-Income Countries (**LICs)** will be central in the future. EU Member States apply the OECD principles and guidelines to promote sustainable lending practices in the provision of official export credits to low income countries and are committed to using the joint World Bank/IMF Debt Sustainability Framework to make informed decisions on lending. Much of the debt sustainability problem derives from the failure to enhance debt management capacity. It is therefore encouraging that twelve

62 Completion point is the second and last step (after the decision point) towards receiving a full and irrevocable reduction in debt under the HIPC/MDRI initiatives. It is reached once the triggers agreed at the decision point are met by the debtor country.

63 See 'Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) - Status of Implementation 2009' of September 15, 2009, available on the IMF and World Bank web sites.

Member States[64] reported that they were taking action to promote debt sustainability, mainly by participating in existing international initiatives in this area such as the Debt Management and Financial Analysis System Programme (DeMFAS) managed by UNCTAD[65] and the Debt Management Facility (DeMF)[66] managed by the World Bank, to which the Commission is also planning to contribute. Moreover, some Member States are exploring the possibility of supporting the African Legal Support Facility[67].

Member States have not usually taken individual action to mitigate the **negative impact of the economic and financial crisis on debt sustainability** but have rather supported and participated in multilateral initiatives, e.g. the EU Vulnerability Flex initiative or the World Bank crisis response window.

Questioned on the need to reform the **international architecture for restructuring sovereign debt** in order to deal with potential future cases of debt distress in LICs, Member States do not propose to go beyond the line expressed in the Council Conclusions of May 2009[68], which is 'to support discussions, if relevant, on enhanced forms of sovereign debt restructuring mechanisms, based on existing frameworks and principles (…)'. Most Member States do not expect the EU or the Commission to take the initiative in this field but to participate in a coordinated manner in discussions which are mainly led by the international financial institutions (IFIs).

A majority of Member States see a role for the EU and the Commission in encouraging more **participation from the non-Paris Club creditors** in debt relief for LICs and to promoting **comparable treatment for non-HIPC countries** that have benefited from the Evian approach of the Paris Club.

In its May 2008 Conclusions[69], the EU committed itself to not sell claims on HIPCs to creditors unwilling to provide debt relief and called on all countries to do likewise and to deter aggressive litigation by **distressed-debt funds** (commonly referred to as 'vulture funds'). Questioned on the need for specific interventions to prevent these aggressive litigations against HIPCs, the questionnaire replies demonstrate that specific interventions by EU Member States are still rare and isolated and that, for the moment, there seems to be no desire for a Commission proposal or an EU initiative in this area.

6.2. Next steps

In the light of these findings and challenges, and reflecting earlier Council Conclusions, the following measures should be taken:

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64 Austria, Belgium, Czech Republic, Denmark, France, Germany, Ireland, the Netherlands, Poland, Portugal, Spain, the UK.

65 See http://r0.unctad.org/dmfas/.

66 Information available on the Wold Bank web site: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:22359443~menuPK:6030665~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html.

67 http://www.afdb.org/en/topics-sectors/initiatives-partnerships/african-legal-support-facility/.

68 Council Conclusions 18 May 2009 (Support to developing countries in coping with the crisis) point 12.

69 Council Conclusions of 27 May 2008, point 41.

- provide continued full and timely support for implementation of the HIPC/MDRI initiatives including for arrears clearance;

- call on commercial and non-Paris Club official creditors to step up their contribution to implement the HIPC initiative and to granting comparable treatment to non-HIPC countries that have benefited from the Evian approach;

- support discussions on enhanced sovereign debt restructuring mechanisms based on existing frameworks and principles, including the Paris Club, with a broad participation by creditors and debtors and comparable burden sharing among creditors and with a central role for the IMF and the World Bank in the debate[70];

- strengthen the debt management capacity of debtor nations giving a preference to participation in existing international initiatives;

- provide highly concessional loans to HIPC graduated countries in risk of debt distress.

7. INTERNATIONAL GOVERNANCE REFORMS – STRENGTHENING THE VOICE AND REPRESENTATION OF DEVELOPING COUNTRIES

International financial stability is a global public good. The global financial and economic crisis has revealed a clear global and economic governance deficit. The ongoing **international review of the international financial and monetary architecture and global economic governance** should ensure more effective and coordinated management of global issues such as financial stability, food and energy security, climate change and the fight against major pandemics. The review should encompass the World Bank, other multilateral development banks (MDBs), the IMF and the United Nations and its specialised agencies, funds and programmes (such as the FAO, the WHO and the ILO), the WTO and relevant regional organisations. The main challenge is to strike the correct balance between the legitimacy (through representativeness) and the effectiveness of global institutions. In this context the implementation of the G20 London Summit commitments including those on the reform of global financial governance are essential[71]. Europe, in line with its long-standing commitments[72], should be driving the necessary reforms and should ensure that the **interests and needs of developing countries** are taken into account.

7.1. Governance reform of the Bretton Woods institutions

The 2008 **reform package adopted by the International Monetary Fund** was a first step in improving the alignment of members' quotas with their relative positions in the world economy and has helped to strengthen the voice and representation of developing countries; the next review of quotas should be completed by January 2011[73].

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70 As reflected in the May 18, 2009 Council Conclusions.
71 G-20 London Summit Communique of 2 April 2009.
72 Council Conclusions on the UN Conference on Financing for Development (Monterrey), 14 March 2002 point 7 g).
73 G-20 London Summit Leaders' Statement of 2 April.2009, point 20.

The currently discussed World Bank governance reform package includes an **increase in developing and transition countries' voting shares** in the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) with special emphasis on the smallest poor members as an important first step. The G20 and Development Committee decided a shift in voting rights of at least 3% towards developing and transition countries in addition to the 1.46% increase favouring underrepresented countries, agreed on in the first phase of the reform. The majority of EU Member States agree that a further realignment of shareholdings in the Bank should take account of the evolving weight of all members in the world economy[74] and contributions to the World Bank Group, particularly to the IDA[75]. This is consistent with the **World Bank Group's 'Development Mission'**. A number of Member States[76] and the Commission believe that strengthening basic votes (in the IBRD and IFC[77]) would be a good option to protect and strengthen the voting power of the poorest, **the low income countries (LICs**). The crucial question is how this increase in voting power for developing and transition countries will be implemented. For the EU, t**he long-term objective should be one single European seat at the IMF and the World Bank.**

The majority of EU Member States[78] and the Commission support an **open, transparent merit-based process to select the IMF Managing Director, the World Bank President** and senior staff of the two institutions regardless of their nationality.

7.2. Improving the efficiency and instruments of the International Financial Institutions (IFIs)

The G20 called for **increased the resources and improved IFI instruments**, particularly for low-income countries, and the Bretton Woods institutions took steps to support developing countries:

- Regarding the **IMF**[79]: (1) allocation of USD250 billion of Special Drawing Rights (SDR); (2) gold sales; (3) changes to IMF instruments, also favouring low income countries; (4) an appeal from the G-20 Pittsburgh Summit to developed countries, to volunteer their own Special Drawing Rights (SDR) resources to support IMF lending to the poorest countries[80].

- The **World Bank** created a new crisis response window in IDA to help LICs cope with the current crisis and to protect them from future crises. The World Bank Group, namely its concessional arm IDA, should have sufficient resources to fulfil its development mandate and future development challenges[81].

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74 14 out of 27: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the UK.

75 This was stated by several EU Member States, e.g. Belgium, France, Germany, Finland and Spain.

76 Austria, Denmark, Finland, France, Greece, Italy, Luxembourg and the UK.

77 The International Bank for Reconstruction and Development and the International Finance Corporation.

78 All Member States that were members of the EU prior to 2004.

79 http://www.imf.org/external/np/exr/facts/sdr.htm.

80 G-20 London Summit Leaders' Statement point 36.

81 Development Committee Communiqué of October 2009.

- The G20 called on all **Multilateral Development Banks** to conclude all reviews during the first half of 2010 to ensure that requests for capital increases can be examined together with similar requests to the World Bank Group and to avoid having available resources distributed on a first come first served basis.

The EU Economic and Financial Committee recently agreed on principles for future capital increases for Multilateral Development Banks and the division of labour between them. Several Member States, in their answers to the Monterrey questionnaire, agreed that special emphasis should be given to replenishments for the banks' concessional arms such as the IDA at the World Bank and the African Development Fund (ADF) at the African Development Bank.

7.3. United Nations governance reform

The systemic reforms decided at the 2005 World Summit have yet to be fully implemented; they include improved transparency, representativeness and effectiveness of the principal UN bodies. Moreover, the 'UN system-wide coherence reform' needs to progress in order to reduce fragmentation of the UN system, to strengthen its operational capacity and to improve the UN's efficiency at headquarters and in the countries where it operates. The coherence of policies and actions between the IFIs and the UN needs to be strengthened. The UN's contribution to the work of the IFIs should be improved and made more systematic.

7.4. The way forward

- The Commission will monitor emerging discussions on how best to use the new SDR allocations in particular to the benefit of low-income countries.

- In line with the decision by the G20 and the Joint World Bank/IMF Development Committee, the EU and other Governors on the Boards need to ensure that the increases in developing and transition countries' voting shares are swiftly and essential and a good solution would be to increase basic votes.

- Europe's voice in the International Financial Institutions should be strengthened through consolidated, less fragmented European representation, with the ultimate objective of a single European seat at the IMF and the World Bank and EU coordination should be stepped up, particularly within regional development banks.

- the replenishments for concessional arms of Multilateral Development Banks such as the IDA at the World Bank Group and the African Development Fund at the African Development Bank are of particular concern in relation to capital adequacy.

- The 'UN system-wide coherence reform' needs support in order to reduce fragmentation of the UN to strengthen its operational capacity and improve its efficiency headquarters and in the countries where it operates.

8. SUCCESSIVE CRISES AND CLIMATE CHANGE - THE MOST IMPORTANT GLOBAL CHALLENGES

8.1. Impact of the financial and economic crisis on developing countries

In 2009 the European Commission reacted rapidly to support developing countries in coping with the crisis[82] and proposed a set of comprehensive, timely, targeted and coordinated measures to be taken by the EU, largely endorsed by the Council[83].

One of the main concrete and short-term instruments is the ***ad hoc*** **Vulnerability FLEX (V-FLEX)** mechanism to mobilise EUR 500 million in 2009 and 2010 to support the most vulnerable ACP countries with poor resilience, with a view to enabling them to maintain priority spending, notably in social sectors. In 2009, the first tranche of the allocations came to EUR 215 million for 13 ACP countries. In collaboration with the IFIs, the Commission has already started working towards identifying the ACP countries potentially eligible under the 2010 V-FLEX exercise.

The EU response also includes measures decided to address the previous **food crisis** (including the EUR 1 billion Food Facility set up in reaction to the soaring food prices in 2008). The Commission has delivered the main elements of a collective EU response but several EU Member States also acted, through bilateral responses as well as their contributions to IFI resources.

While the **analyses and reports** of the IFIs, the UN and the OECD have provided useful information on the impact of the crisis on developing countries, several Member States (**Belgium, Germany, the Netherlands** and **the UK**) have also conducted **specific assessments** for a number of developing countries, including through enhanced consultations with partner countries. Most of the Member States have sought close cooperation and coordination with the IFIs and the Commission in their response to the crisis. Some (**Austria, Finland, France, Germany, Spain, Sweden** and **the UK**) have contributed to the support mechanisms set up by the UN and the IFIs, including the World Bank's operational crisis response initiatives. A majority of Member States have either reviewed or plan to review their development cooperation programmes on the basis of new needs and priorities resulting from the crisis.

8.2. Global Public Goods and global challenges

The **financing of global public goods**, such as global health, food security and security, is a priority for the European Union and its Member States. Member States and the European Commission contribute through a **variety of instruments**, including humanitarian assistance, country development assistance, contributions to global funds and multilateral programmes. This reflects the variety of needs and the fact that **development and global public goods** often **strongly interact**. Furthermore, the outcome on global public goods also greatly depends on non-development policies and regulations.

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82 COM (2009) 160, Brussels, 8.04.2009 Commission Communication '*Supporting developing countries in coping with the crisis*'.

83 10018/09, Brussels, Council Conclusions of 18 May, 2009.

Besides a strengthening of the international governance, notably in the area of food security, the new EU approach to Policy Coherence for Development (PCD) focusing on policies implemented to tackle global challenges (Trade and Finance, Climate Change, Food Security, Migration and Security) should contribute to greater aid efficiency and effectiveness.

8.3. Climate change financing - a major issue in the international negotiations

The key challenges for climate negotiations are to **agree on emission reduction targets and appropriate actions** to ensure that the global average temperature rise remains below 2°C and on international and national actions to adapt to the impact of climate change. The financing issue is central to the prospects for reaching this ambitious post-2012 agreement. Throughout 2009 the EU intensely debated the climate change-related financing.

- *The Commission's views are summarised in the Communication '**Stepping up international climate finance: a European blueprint for the Copenhagen deal**'[84]: By 2020 roughly EUR 100 billion will be required for mitigating emissions and adapting to climate change in all developing countries. Financing should come from three main sources: (1) domestic public and private finance from developing countries (estimated share at 20-40 %), (2) the international carbon market (up to 40 %, depending on carbon price) and (3) international public finance in the range of EUR22 to 50 billion per year. Industrialised countries and economically more advanced developing countries should contribute, while LDCs should not. International public funding contributions should be shared on the basis of two criteria: the ability to pay and responsibility for emissions.*

- *The **Council** recognised: (1) that a climate agreement will require a gradual but significant scaling up of both public and private financial flows to developing countries - including through the carbon market - for adaptation, mitigation, deforestation reduction, technology and capacity-building activities and that current institutional arrangements for climate finance were not designed to handle disbursal of finance; (2) that adequate, predictable and timely financial support for implementation of an international agreement is crucial; and (3) that the EU is prepared to take on its fair share, in the framework of a global and comprehensive Copenhagen agreement which entails appropriate and adequate contributions by the Parties.*

- *The **European Council** called on all international parties to undertake that such financing would not undermine or jeopardise the fight against poverty and continued progress towards the MDGs and recognised the role of innovative financing for sustainable development[85]. It also stressed the importance of improving climate finance-related statistics for monitoring financial flows to developing countries, including ODA.*

- *The European Council of December 2009 **pledged** that the EU would collectively provide **fast-start funding for 2010-2012** of EUR2.4 billion on average per year.*

The main outcome of the **Copenhagen Accord (CA)**[86], which contains solid elements on finance for climate change, is consistent with the overall EU line on

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84 COM(2009) 475, 10.9.2009.

85 Conclusions of the European Council of 29-30 October 2009.

86 The Copenhagen Accord, includes a 'collective commitment by developed countries to provide new and additional resources, including forestry and investments through international institutions, approaching USD 10 billion annually for the period 2010-2012, with balanced allocation between adaptation and mitigation'. Council Conclusions of 11.12.2009 on the Copenhagen Conference on Climate Change, paragraph 37 concerning the climate fast-start international public support: 'The EU and its Member

finance. By March 2010, more than 100 developed and developing countries have, so far, associated themselves, and notified their pledges for mitigation targets and action, demonstrating sound support to the Accord and their commitment to act now.

The Copenhagen Accord contains several positive points for developing countries that can be considered a step forward:

- *recognition that **temperature rise should remain below 2°C**; responding to demands especially of island states there will be a review by 2015 to consider a target of 1.5°C;*
- *(emerging) developing countries are expected to implement mitigation actions; Least Developed Countries (**LDCs**) and Small Island Developing States may undertake voluntary actions on the basis of support;*
- *special attention is envisaged to **help LDCs, Small Island Developing States and Africa;** adaptation funding is to be prioritised for the most vulnerable;*
- *recognition of the crucial role of **reducing emissions from deforestation and degradation**, and the need, in this context, to **provide positive incentives**;*
- *recognition of the importance of **technology transfers** and of the need to a mechanism to enhance such transfers;*
- *a collective financial commitment of developed countries for **fast start funding** during 2010-12 approaching USD 30 billion for developing countries;*
- *a **joint goal** to mobilise USD 100 billion per year by 2020 from a range of private and public sources to address the needs of developing countries for mitigation (including regarding deforestation), and adaptation, technology transfer and capacity building.*

As a precursor to the High Level Panel agreed upon in the Accord the UN Secretary General set up a High Level Advisory Group on Climate Finance to study the contribution of potential sources of revenue, including alternative sources of finance.[87].The European Commission pledged a contribution of EUR50 million per year to fast start finance for 2010-12, which is covered - for 2010 - by the EC budget for the Environment and Natural Resources Thematic Programme (ENRTP).

Almost all **Member States** – in the Monterrey questionnaire – indicate **adaptation as a priority**[88] for support and especially highlighted **water management**. Other priorities reported are: energy efficiency, renewable energy and Reducing Emissions from Deforestation and Degradation (REDD). The majority of Member States and the Commission concur on the need to further consider innovative financing to support developing countries coping with climate change. Among possible innovative sources, revenues linked to the **carbon market** as well as to **international maritime or air transport** are interesting options. In accordance with the EU Emission Trading Scheme (**ETS**) Directive[89], as agreed by EU Member States and the European Parliament in December 2008, at least 50% of the revenues generated from the auctioning of allowances under the ETS should be used, inter alia, for supporting developing countries that have ratified the international agreeement on climate change to finance measures to avoid deforestations and

States are ready to contribute with fast-start funding of EUR 2.4 billon annually for the years 2010 – 2012.'

87 The UN Secretary-General announced the launch of the High-level Advisory Group on 12 February 2010. It will be co-chaired by the UK Prime Minister Gordon Brown and the Ethiopian Prime Minister Meles Zenawi.

88 Austria, Belgium, Cyprus, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the UK.

89 Directive 2009/29/EC of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, OJ L 140, 5.6.2009, p 63.

increase afforestation and reforestation, to transfer technologies and to cope with adverse effects of climate change. Global instruments addressing international aviation and maritime transport could provide an important source of innovative financing building on existing commitments under the EU ETS for all aviation action revenues to be use for climate change measures.

For the way ahead, **priority should be given to**:

- **implementing** as soon as possible the EU **financial pledge to the fast-start funding under the Copenhagen Accord** of EUR2.4 billion per year during 2010-2012. The European Commission could take a facilitating and coordinating role in the implementation of the EU's fast-start funding commitment;

- **Continued** work for the effective **implementation of the Global Climate Change Alliance** between the EU and poor developing countries most vulnerable to climate change;

- exploring the contribution **that innovative sources and mechanisms of funding** can make to support developing countries cope with climate change;

- promoting **mechanisms** that can **leverage private sector finance by using public funding in innovative ways**, including by taking into account the experience of the EU's Global Energy Efficiency and Renewable Energy Fund **(GEEREF);**

- **reflecting** on the **relation between climate funding and ODA;**

- establishing a fully transparent reporting system, using a comprehensive set of climate finance statistics, which build on the OECD-DAC system;

- promoting a **more balanced geographical distribution of financing under the Clean Development Mechanism** and encouraging to move from a pure project approach towards a sector-wide carbon market mechanism;

- **further promoting renewable energy**, in the context of improved energy security and sustainability, and **paying careful attention to the sustainability of bio-fuels** as one of the sources of renewable energy.

ABBREVIATIONS

ACP	African, Caribbean and Pacific States, party to the Cotonou Agreement
ADF	African Development Fund
AfDB	African Development Bank
AfT	Aid for Trade
AMC	Advance Market Commitment
AT	Austria
AWEPA	Association of European Parliamentarians for Africa
ATAF	African Tax Administration Centre
BCPR	United Nations Development Programme's Bureau for Crisis Prevention and Recovery
BE	Belgium
BG	Bulgaria
CAP	Common Agricultural Policy
CIAT	Centro International de Agricultura tropical
CIF	Climate Investment Funds
COM	European Commission
CPSS	Committee on Payments and Settlements Systems
CSP	Country Strategy Paper
CSR	Corporate social responsibility
CY	Cyprus
CZ	Czech
DAC	Development Assistance Committee of the OECD
DDR	Disarmament, Demobilisation and Reintegration of former combatants
DE	Germany
DK	Denmark
DRR	Disaster risk reduction
DRRP	Disaster Risk Reduction Prevention
DSF	Debt Sustainability Framework
DTC	Double Tax Convention
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECOFIN	Economic and Financial Affairs Council
ECOSOC	Economic and Social Council
EDF	European Development Fund
EE	Estonia
EEA	European Economic Area
EIB	European Investment Bank
EIF	European Investment Fund
EITI	Extractive Industries Transparency Initiative
EL	Greece
ENP	European Neighbourhood Policy
EPA	Economic Partnership Agreement
ES	Spain
ETS	Emission Trading Scheme
EU-27	European Union and its 27 Member States
EU-15	The 15 Member States of the EU members of the EU prior to 2004
EU-12	The 12 Member States of the EU joining the EU in or after 2004
FAO	Food and Agriculture Organisation

FFD	Financing for Development
FI	Finland
FLEGT	Forest Law Enforcement, Governance and Trade
FLEX:	The EU instrument to compensate African, Caribbean and Pacific (ACP) countries for short term fluctuations in export earnings
FoS	Framework of Standards
FR	France
FFD	Financing for Development
FSF	Financial Stability Forum
G 8	Group of Eight (Summit of Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States)
GAERC	General Affairs and External Relations Council
GAVI	Global Alliance for Vaccines and Immunisation
GCCA	Global Climate Change Alliance
GDP	Gross Domestic Product
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEF	Global Environment Facility
GFATM	Global Fund Against AIDS, Tuberculosis and Malaria
GFDRR	Global Facility for Disaster Risk Reduction
GIIF	Global Index Insurance Facility
GNI	Gross National Income
GPG	Global Public Goods
GVP	Global Vertical Programmes
HIPC	Heavily Indebted Poor Countries
HLPM	High Level Plenary Meeting
HU	Hungary
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICF	Investment Climate Facility for Africa
IDA	International Development Association
IDB	Inter-American Development Bank
IDLO	International Development Law Organisation
IE	Ireland
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFF	International Financial Facility
IFFI	International Finance Facility for Immunisation
IFIs	International Financial Institutions
IFM	Innovative Finance Mechanisms
ILO	International Labour Organisation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IPG	International Public Goods
ISDR	International Strategy for Disaster Reduction
ISO26000	Standard on Social responsibility
IT	Italy
ITC	International Tax Compact
ITRS	International Transactions Reporting System
LDCs	Least Developed Countries
LICs	Low Income Countries

LT	Lithuania
LU	Luxembourg
LV	Latvia
MDG	Millennium Development Goals
MDRI	Multinational Debt Relief Initiative
MDTF	Multi-Donor Trust Fund of World Bank
MTOs	Money Transfer Operators
MTR	Mid-Term Review
MoU	Memorandum of Understanding
MS	Member States
MT	Malta
NAMAs	Nationally Appropriate Mitigation Actions
NAPA:	National Adaptation Programmes of Action
NGO	Non-Governmental Organisation
NL	The Netherlands
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD CRS	Organisation for Economic Cooperation and Development Creditor Reporting System
OEWG	Open-ended Working Group
PCD	Policy Coherence for Development
PEFA	Public Expenditure and Financial Accountability
PFM	Performance Measurements Framework
PGA	President of UN General Assembly
PIU	Project Implementation Units
PL	Poland
PSD	Payment Service Directive
PT	Portugal
REDD	Reducing emissions from deforestation and degradation
RO	Romania
RSP	Regional Strategy Paper
SE	Sweden
SI	Slovenia
SIDS	Small Island Developing States
SK	Slovakia
SME	Small and medium-sized enterprises
Stabex	System to Stabilise Export Earnings
SRF	Statistics for Results Facility
STAR	Stolen Assets Recovery Initiative
TIEAs	Tax Information Exchange Agreements
TRA	Trade Related Assistance
UK	United Kingdom
UN	United Nations
UNDEF	United Nations Democracy Fund
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
UNFCCC	United Nations Framework Convention on Climate Change
UNITAID	United Nations International Drug Purchase Facility
UNODC	United Nations Office on Drugs and Crime
UNSC:	United Nations Security Council

WB	World Bank
WCO	World Customs Organisation
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

Annex 1: UN Convention against Corruption (Merida Convention) - State of signature and ratification by the EU

	Date of Ratification, Accession, Acceptance, Approval	Date of Signature
Austria	11-Jan-06	10-Dec-03
Belgium	25-Sep-08	10-Dec-03
Bulgaria	20-Sep-06	10-Dec-03
Cyprus	23-Feb-09	09-Dec-03
Czech Republic	---	22-Apr-05
Denmark	26-Dec-06	10-Dec-03
Estonia	20-Jan-10*	N/A
Finland	20-Jun-06 (accepted)	09-Dec-03
France	11-Jul-05	09-Dec-03
Germany	---	09-Dec-03
Greece	17-Sep-08	10-Dec-03
Hungary	19-Apr-05	10-Dec-03
Ireland	---	09-Dec-03
Italy	05-Oct-09	09-Dec-03
Latvia	04-Jan-06	19-May-05
Lithuania	21-Dec-06	10-Dec-03
Luxembourg	06-Nov-07	10-Dec-03
Malta	11-Apr-08	12-May-05
The Netherlands	31-Oct-06 (accepted)	10-Dec-03
Poland	15-Sep-06	10-Dec-03
Portugal	28-Sep-07	11-Dec-03
Romania	02-Nov-04	09-Dec-03
Slovak Republic	01-Jun-06	09-Dec-03
Slovenia	01-Apr-08	N/A
Spain	19-Jun-06	16-Sep-05
Sweden	25-Sep-07	09-Dec-03
UK	09-Feb-06	09-Dec-03
EC	12-Nov-08	15-Sep-05

* Estonia has concluded the national ratification process and is in the process of depositing the ratification instruments at the UN/

Annex 2: EU ODA levels 2006-2009, estimates and gaps for 2010 (ODA in EUR million and % of GNI) - Baseline Case

GNI and ODA in million € at current prices	2006		2007		2008		2009		2010 (forecast)		2010 (commitments/forecast)		2010: financial gap to meet INDIVIDUAL targets		2010: financial gap to meet COLLECTIVE target 0.56%		
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	Gap in million €	Gap in % of GNI	ODA target in million €	Gap in million €	Gap in % of GNI
Official Targets												EU-15: 0.51 EU-12: 0.17 (or national target)		EU-15: 0.51 EU-12: 0.17			
Austria	1194	0.47	1321	0.50	1188	0.43	823	0.30	1031	0.37	1411	0.51	380	0.14			
Belgium	1575	0.50	1425	0.43	1654	0.48	1868	0.55	2434	0.70	2434	0.70					
Bulgaria	1	0.00	17	0.06	13	0.04	12	0.04	16	0.05	57	0.17	41	0.12			
Cyprus	21	0.15	18	0.12	26	0.17	29	0.17	30	0.17	30	0.17					
Czech Republic	128	0.12	131	0.11	173	0.12	161	0.12	170	0.13	221	0.17	51	0.04			
Denmark	1782	0.80	1872	0.81	1944	0.82	2017	0.88	2042	0.88	1863	0.80					
Estonia	11	0.09	12	0.08	16	0.10	14	0.11	13	0.10	22	0.17	9	0.07			
Finland	665	0.40	717	0.39	808	0.44	924	0.54	966	0.54	921	0.51					
France	8445	0.47	7220	0.38	7562	0.39	8927	0.46	9364	0.47	10223	0.51	859	0.04			
Germany	8313	0.36	8978	0.37	9693	0.38	8605	0.35	9925	0.40	12655	0.51	2729	0.11			
Greece	338	0.17	366	0.16	488	0.21	436	0.19	815	0.35	1188	0.51	373	0.16			
Hungary	119	0.13	76	0.08	74	0.08	83	0.09	78	0.09	154	0.17	76	0.08			
Ireland	814	0.54	871	0.55	921	0.59	718	0.54	671	0.51	671	0.51					
Italy	2901	0.20	2901	0.19	3370	0.22	2380	0.16	3043	0.20	7915	0.51	4872	0.31			
Latvia	9	0.06	12	0.06	15	0.07	15	0.08	20	0.12	29	0.17	9	0.05			
Lithuania	20	0.08	35	0.11	35	0.11	35	0.14	35	0.15	40	0.17	6	0.02			
Luxembourg	232	0.89	274	0.92	288	0.97	289	1.01	300	0.95	315	1.00					
Malta	7	0.15	8	0.15	11	0.20	11	0.20	11	0.19	10	0.17					
The Netherlands	4343	0.81	4547	0.81	4848	0.80	4614	0.82	4708	0.83	4515	0.80					
Poland	236	0.09	265	0.10	258	0.08	249	0.08	437	0.13	551	0.17	114	0.04			
Portugal	316	0.21	344	0.22	430	0.27	364	0.23	514	0.33	806	0.51	292	0.18			
Romania	3	0.00	84	0.07	94	0.07	99	0.08	99	0.08	211	0.17	112	0.09			
Slovak Republic	44	0.10	49	0.09	64	0.10	53	0.08	53	0.08	114	0.17	62	0.09			
Slovenia	35	0.12	40	0.12	47	0.13	51	0.15	52	0.15	60	0.17	8	0.02			
Spain	3038	0.32	3755	0.37	4761	0.45	4719	0.46	5265	0.52	5689	0.56					
Sweden	3151	1.02	3170	0.93	3281	0.98	3267	1.12	3020	0.96	3143	1.00					
UK	9926	0.51	7194	0.35	7973	0.43	8267	0.52	10159	0.62	9117	0.56					
EU 15 TOTAL	47033	0.43	44954	0.39	49207	0.43	48217	0.44	54257	0.49	62866	0.56	**9506**	**0.09**			
EU 12 TOTAL	635	0.09	745	0.09	825	0.09	812	0.10	1012	0.11	1499	0.17	**488**	**0.06**			
EU 27 TOTAL	47664	0.41	45699	0.37	50032	0.40	49029	0.42	55270	0.46	64365	0.53	**9994**	**0.08**	**67384**	**12114**	**0.10**

EU ODA levels 2006-2009, estimates and gaps for 2010 (ODA in EUR million and % of GNI)- Low Case

	2006		2007		2008		2009		2010 (forecast)		2010 (commitments/forecast)		2010: financial gap to meet INDIVIDUAL targets		2010: financial gap to meet COLLECTIVE target 0.56%		
	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	ODA in million €	ODA in % of GNI	Gap in million €	Gap in % of GNI	ODA target in million €	Gap in million €	Gap in % of GNI
Official Targets												EU-15: 0.51 EU-12: 0.17 (or national target)		EU-15: 0.51 EU-12: 0.17			
Austria	1194	0.47	1321	0.50	1188	0.43	823	0.30	1031	0.37	1411	0.51	380	0.14			
Belgium	1575	0.50	1425	0.43	1654	0.48	1868	0.55	2434	0.70	2434	0.70					
Bulgaria	1	0.00	17	0.06	13	0.04	12	0.04	16	0.05	57	0.17	41	0.12			
Cyprus	21	0.15	18	0.12	26	0.17	29	0.17	30	0.17	30	0.17					
Czech Republic	128	0.12	131	0.11	173	0.12	161	0.12	170	0.13	221	0.17	51	0.04			
Denmark	1782	0.80	1872	0.81	1944	0.82	2017	0.88	2042	0.88	1863	0.80					
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Finland	665	0.40	717	0.39	808	0.44	924	0.54	966	0.54	921	0.51					
France	8445	0.47	7220	0.38	7562	0.39	8927	0.46	8664	0.43	10223	0.51	1559	0.08			
Germany	8313	0.36	8978	0.37	9693	0.38	8605	0.35	9925	0.40	12655	0.51	2729	0.11			
Greece	338	0.17	366	0.16	488	0.21	436	0.19	815	0.35	1188	0.51	373	0.16			
Hungary	119	0.13	76	0.08	74	0.08	83	0.09	78	0.09	154	0.17	76	0.08			
Ireland	814	0.54	871	0.55	921	0.59	718	0.54	671	0.51	671	0.51					
Italy	2901	0.20	2901	0.19	3370	0.22	2380	0.16	3043	0.20	7915	0.51	4872	0.31			
Latvia	9	0.06	12	0.06	15	0.07	15	0.08	20	0.12	29	0.17	9	0.05			
Lithuania	20	0.08	35	0.11	35	0.11	35	0.14	35	0.15	40	0.17	6	0.02			
Luxembourg	232	0.89	274	0.92	288	0.97	289	1.01	300	0.95	315	1.00					
Malta	7	0.15	8	0.15	11	0.20	11	0.20	11	0.19	10	0.17					
The Netherlands	4343	0.81	4547	0.81	4848	0.80	4614	0.82	4708	0.83	4515	0.80					
Poland	236	0.09	265	0.10	258	0.08	249	0.08	437	0.13	551	0.17	114	0.04			
Portugal	316	0.21	344	0.22	430	0.27	364	0.23	514	0.33	806	0.51	292	0.18			
Romania	3	0.00	84	0.07	94	0.07	99	0.08	99	0.08	211	0.17	112	0.09			
Slovak Republic	44	0.10	49	0.09	64	0.10	53	0.08	53	0.08	114	0.17	62	0.09			
Slovenia	35	0.12	40	0.12	47	0.13	51	0.15	52	0.15	60	0.17	8	0.02			
Spain	3038	0.32	3755	0.37	4761	0.45	4719	0.46	5265	0.52	5689	0.56					
Sweden	3151	1.02	3170	0.93	3281	0.98	3267	1.12	3020	0.96	3143	1.00					
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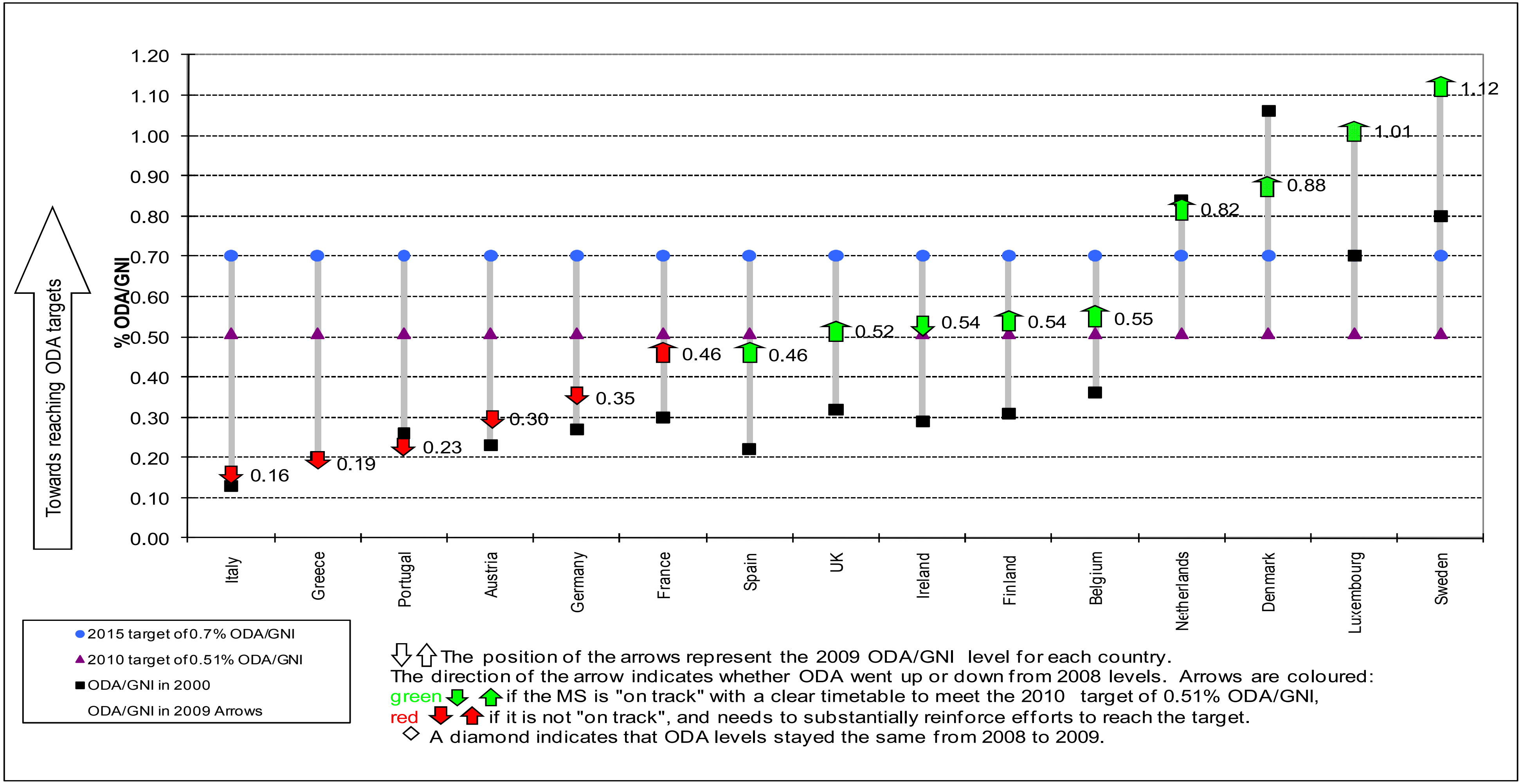
EU 12 TOTAL	635	0.09	745	0.09	825	0.09	812	0.10	1012	0.11	1499	0.17	**488**	**0.06**			
EU 27 TOTAL	47664	0.41	45699	0.37	50032	0.40	49029	0.42	54570	0.45	64365	0.53	**10694**	**0.09**	**67384**	**12814**	**0.11**

*Source: OECD/DAC for 2006-2009, where available; otherwise Commission data based on Member States' information to the Commission. Note: shaded cells contain information supplied by Member States, white cells are OECD DAC or Commission data or simulations. ODA is at current prices. **Annex 4** describes the Commission's methodology applied for analysing ODA indications/ forecasts provided by EU Member States.*

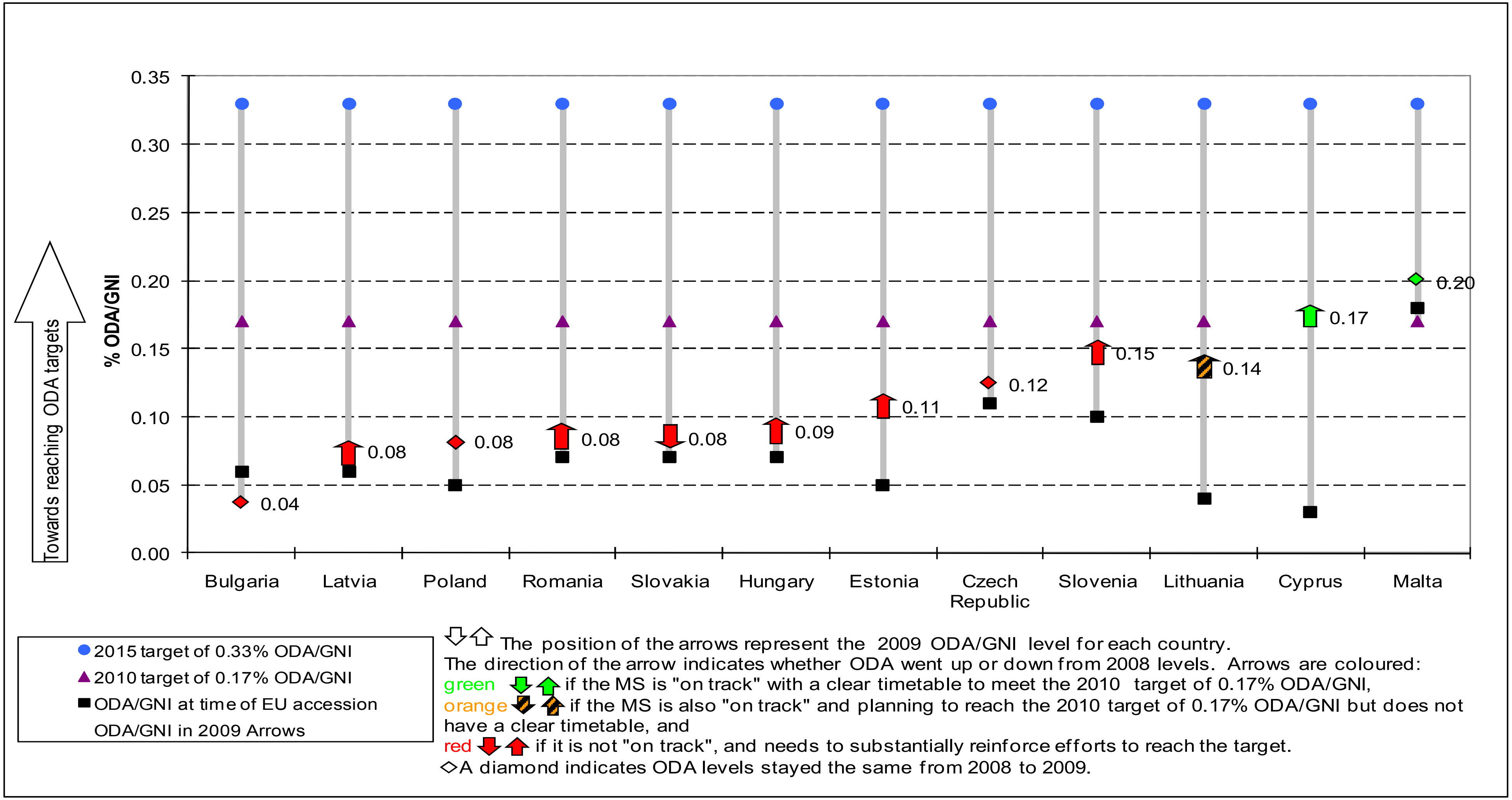
Annex 3: ODA indicators – preparedness to meet the individual commitments

ODA indicator for the EU-15 – preparedness to meet the individual commitments of 0.51% and 0.7% ODA/GNI by 2010 and 2015



Source: European Commission 2010

ODA indicator for the EU-12 – preparedness to meet the individual commitments of 0.17% and 0.33% ODA/GNI by 2010 and 2015



Source: European Commission 2010

Annex 4: The Commission methodology applied for analysing ODA indications/ forecasts provided by EU Member States:

Figures on Official Development Assistance (ODA) are in current prices and have been taken from the OECD Development Assistance Committee (DAC) for the years 1995 to 2009, inclusive, for those Member States for which DAC reports[90]. For those Member States that do not report ODA volumes to DAC, figures for 2008 and 2009 have been taken from Member States' replies to the annual questionnaire. Where Member States did not make an indication for their 2009 ODA volume, it was assumed that those Member States would maintain their 2008 nominal ODA volume.

The Commission requested all Member States to share their replies to the DAC Advance Questionnaire on ODA 2009, in order to ensure consistency between figures published here and those that Member States report to the OECD DAC in the Advance Questionnaire.

From 2010 onwards, ODA figures have been taken, as far as available, from Member States' replies. For those Members States that gave ODA figures in national currencies the Commission's annual average exchange rates for the respective years have been applied to convert them into euro. Up to 2011, the exchange rates have been taken from the Commission's autumn 2009 forecast and, beyond that, nominal exchange rate stability has been assumed. Where a Member State has presented only the ODA/GNI ratio, ODA has been calculated by multiplying it with the Commission's estimate of GNI. ***Where a Member State has given both the ODA figure and the ODA/GNI ratio, we have given preference to using the ODA volume figure as ODA/GNI targets are more sensitive to differing assumptions on GNI.***

The ***ratios of ODA to GNI might be subject to change*** *after the publication of this report. For the year 2009 only preliminary GNI figures were available from the Commission's official AMECO database[91] and from EU Member States' information on their ODA volumes and national GNI provided to the Commission (in the replies to the Monterrey questionnaire) and the OECD/ DAC (March 2010 in response to the DAC advance ODA questionnaire).*

For 2010:

- *indications show both (1) the forecasts the Member States made regarding their ODA levels in 2010 and (2) the individual ODA/GNI targets of each Member States for that year (0.51% for EU-15 Member States and 0.17% for Member States that joined the EU after 2004).*

- *When Member States did not provide a forecast for 2010 ODA levels, it was assumed that they will maintain their nominal ODA volume of 2009.*

- *When Member States indicated ODA volumes that exceed their individual targets, that aid level is reflected in the commitment column for 2010.*

- *A baseline and a low case scenario were created to show the lower and higher outcome, when Member States indicated a range of possible ODA volumes.*

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90 For figures between 1995 and 2009, the Commission services used the OECD DAC exchange rates and GNI figures to ensure consistency with percentages already published by the OECD DAC. For figures between 2010 and 2015, Commission estimates for exchange rates and GNI were used. Marginal differences in the ODA/GNI ratios for some countries in the Commission calculations compared to the OECD DAC calculations could still, however, be due to minor differences in the applied exchange rates and GNI estimates. The OECD DAC also published figures for EU Member States that are not DAC members. Where available, this data was used. For 2008 data however, some non-DAC Member States provided more up to date information to the Commission than the data published by the DAC. Where this was the case, the Commission used the more up to date information.

91 http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm

For the remaining years the Commission established 3 different scenarios for reaching the 2015 targets for Member States (0.7% for EU-15 Member States and 0.33% for Member States that joined the EU after 2002).

-A linear increase scenario. In this scenario, the ODA volume required to meet the 2015 target for each Member State, was calculated by using the official Commission estimates for GNI levels. The Commission calculated the ODA amount that is required in addition to the 2009 ODA volume by distributing this required increase evenly between 2010 and 2015. On that basis ODA as a % of GNI was calculated using the official Commission GNI estimates.

-A constant growth scenario. In this scenario, the ODA volume required to meet the 2015 target for each Member State, were calculated as above. The Commission determined the average annual growth rate in the ODA volumes required to reach this target, starting from 2010. This growth rate was then applied to the 2009 ODA result, to obtain the ODA volumes in interim years. Finally ODA as a % of GNI was established using the official Commission GNI estimates.

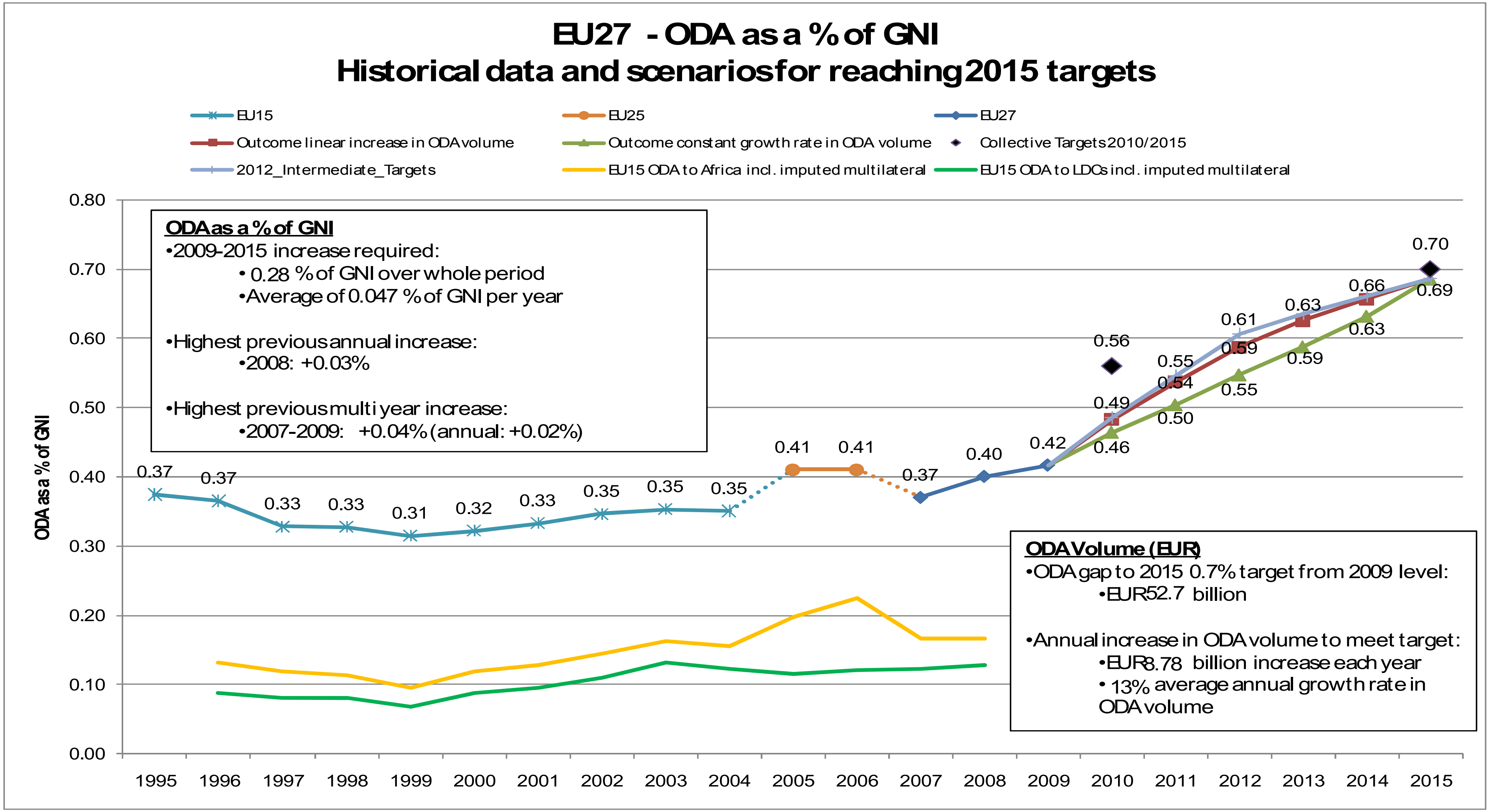
-A scenario with an interim 2012 target. The Commission determined an interim target that lies half way – i.e. in 2012, between ODA as a % of GNI in 2009 and the 2015 targets. For this scenario, the Commission calculated a linear progression in ODA as a % of GNI, between the 2009 ODA outcome and the 2012 interim target, and between the 2012 interim target and the 2015 target. On this basis, ODA volumes for interim years were calculated by multiplying the expected ODA as a % of GNI, applying the official Commission GNI estimates.

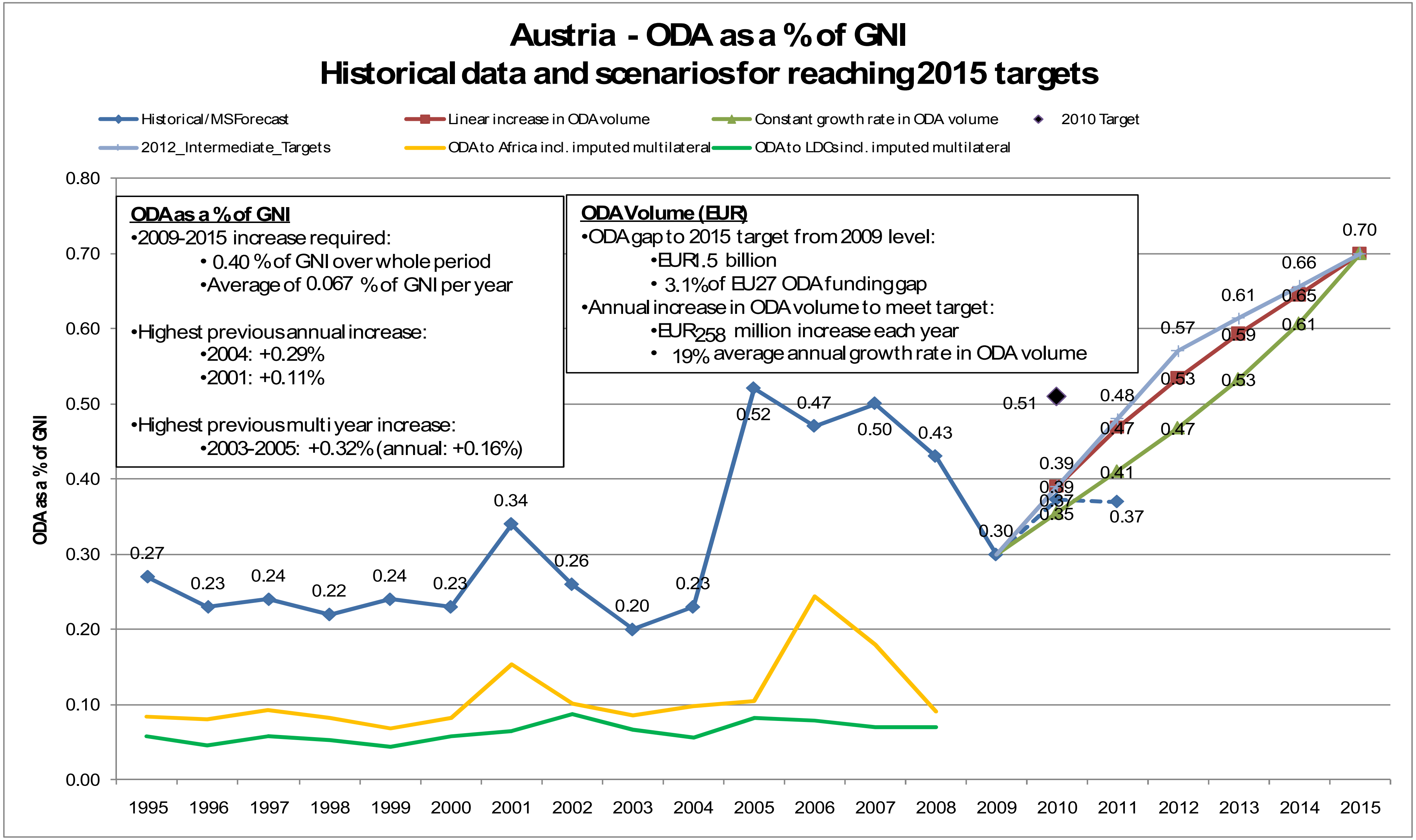
-Where provided, the Commission also indicated Member State's estimates for their ODA volumes between 2010 and 2015.

Figures for Gross National Income (GNI) in current prices are estimates for 2009 and from the Commission's autumn 2009 forecast and February 2010 interim forecast for the years 2010 and 2011. GNI figures for the years 2012 to 2013 were calculated by applying the Commission's country-specific projections of nominal GDP growth rates. The Commission's projections are based on potential output growth estimates until 2013, based on a methodology which was also used for the purpose of budgetary calculations in the context of the EU financial framework 2007-2013.[92] The GNI growth rates applied for the years 2014 and 2015 were assumed to be equal to the 2013 growth rate respectively.

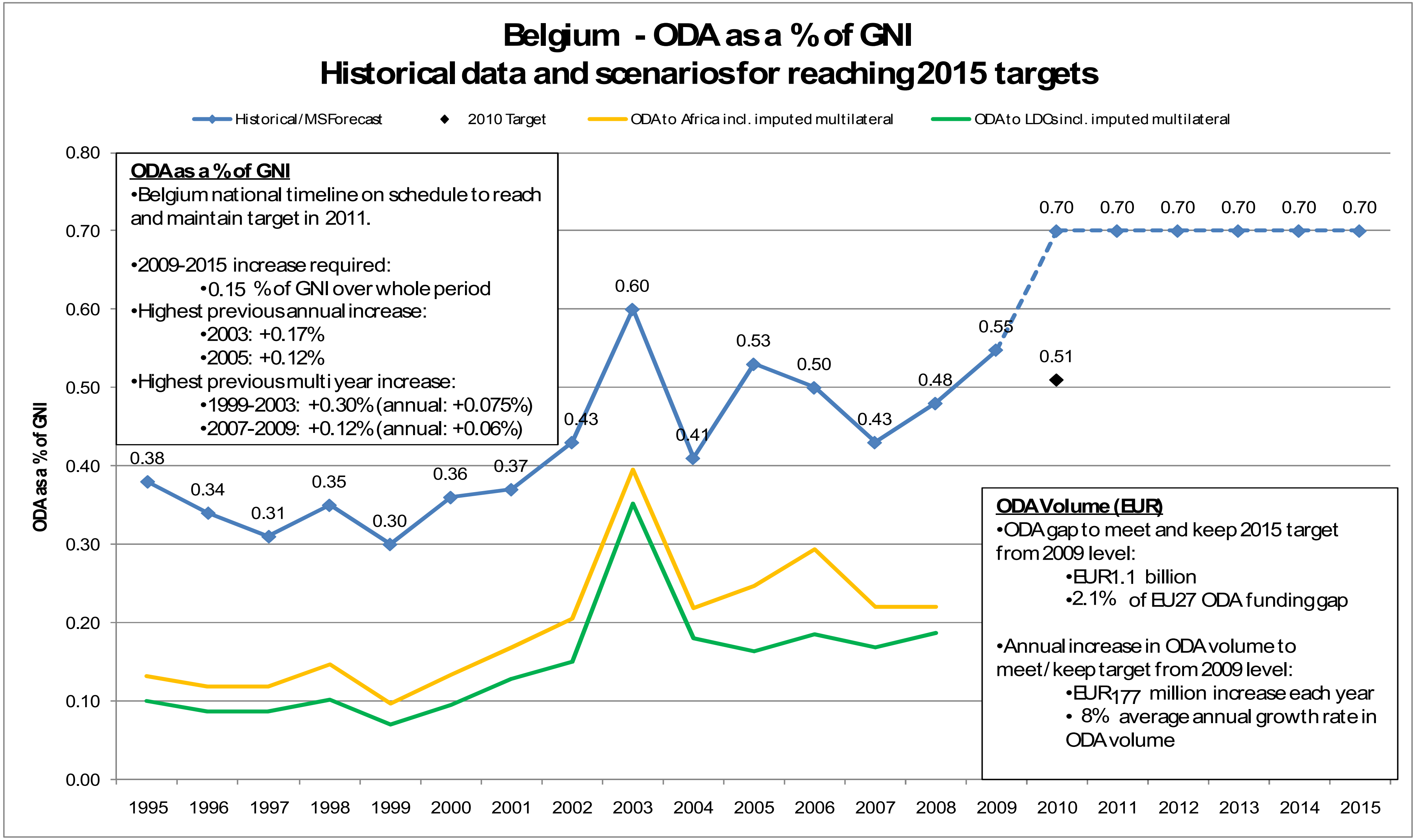
[92] The Commission estimates Member States' potential output growth on the basis of the production function approach. For further technical details see Cécile Denis, Kieran Mc Morrow and Werner Röger (2002), "Production function approach to calculating potential growth and output gaps – estimates for the EU Member States and the US" *Economic Papers* No. 176, European Commission, Brussels, September 2002, and Cécile Denis, Daniel Grenouilleau, Kieran Mc Morrow and Werner Röger (2006), "Calculating Potential Growth Rates and Output Gaps - A revised Production function approach ", *Economic Papers* No. 247, European Commission.

Annex 5: ODA trajectories of all EU Member States 1995 – 2015

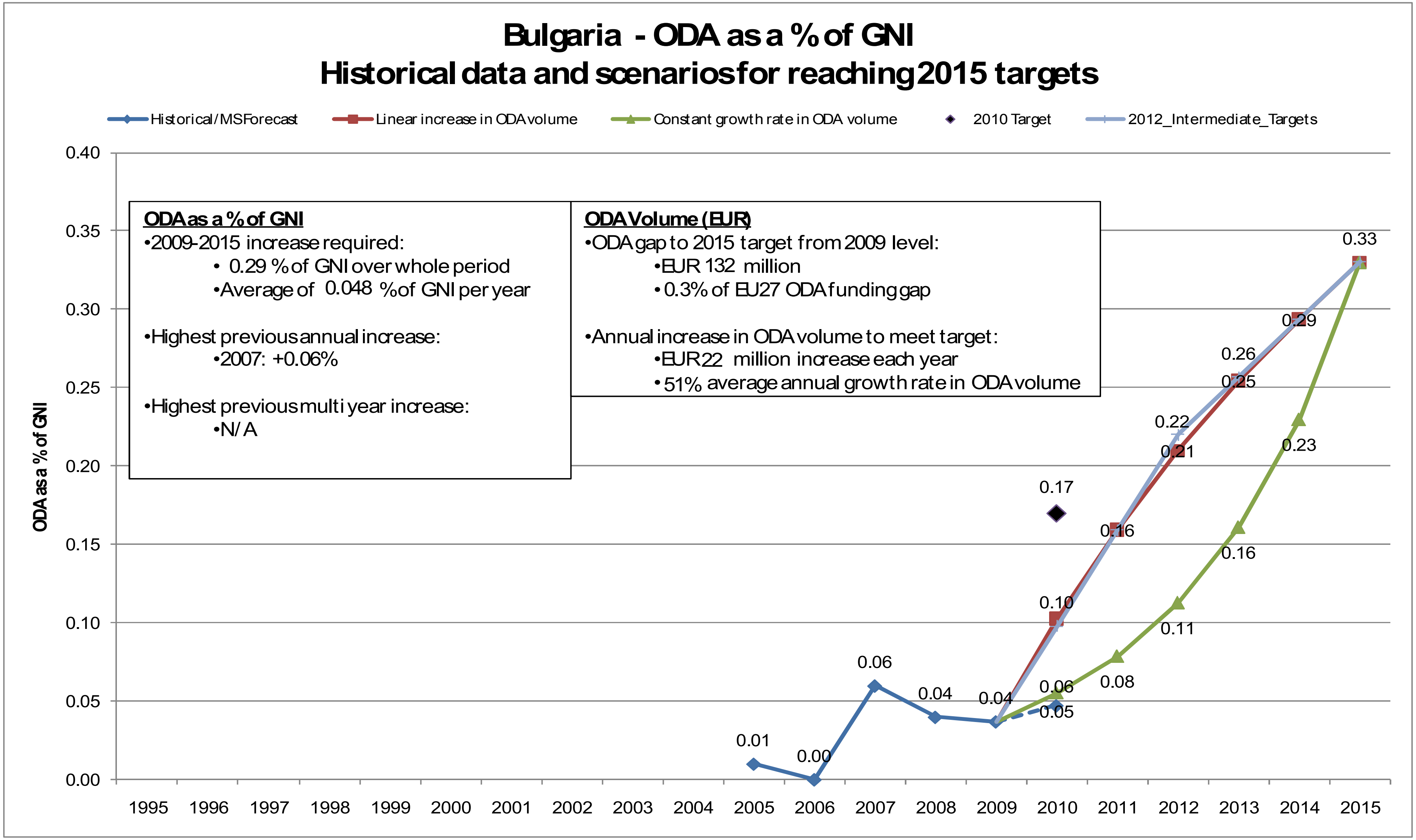




Austria - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.40 % of GNI over whole period
•Average of 0.067 % of GNI per year
•Highest previous annual increase:
•2004: +0.29%
•2001: +0.11%
•Highest previous multi year increase:
•2003-2005: +0.32% (annual: +0.16%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR1.5 billion
• 3.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR258 million increase each year
• 19% average annual growth rate in ODA volume
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

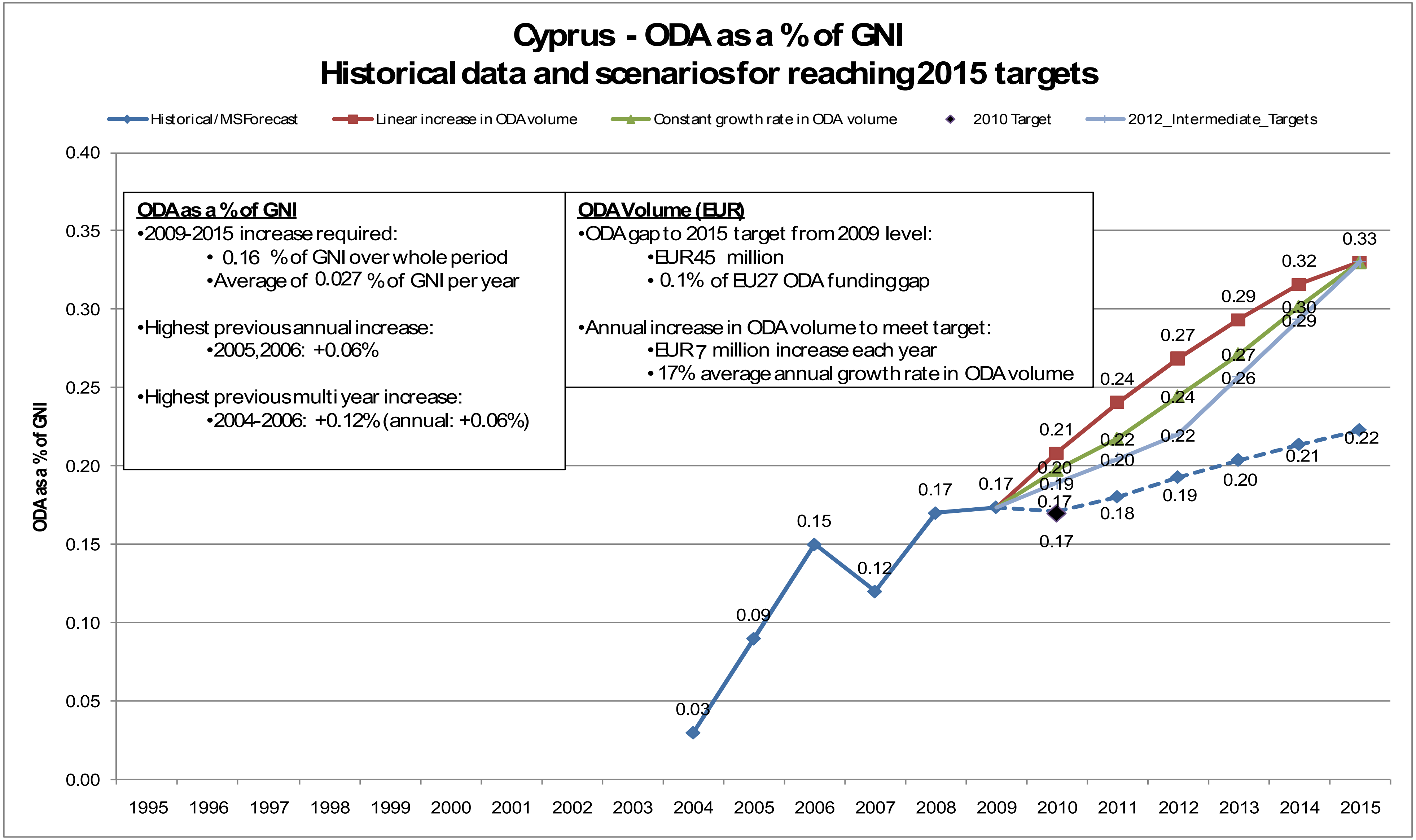

Belgium - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
ODA as a % of GNI
•Belgium national timeline on schedule to reach and maintain target in 2011.
•2009-2015 increase required:
•0.15 % of GNI over whole period
•Highest previous annual increase:
•2003: +0.17%
•2005: +0.12%
•Highest previous multi year increase:
•1999-2003: +0.30% (annual: +0.075%)
•2007-2009: +0.12% (annual: +0.06%)
0.38
0.34
0.31
0.35
0.30
0.36
0.37
0.43
0.60
0.41
0.53
0.50
0.43
0.48
0.55
0.51
0.70
0.70
0.70
0.70
0.70
0.70
ODA Volume (EUR)
•ODA gap to meet and keep 2015 target from 2009 level:
•EUR1.1 billion
•2.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet/keep target from 2009 level:
•EUR177 million increase each year
• 8% average annual growth rate in ODA volume
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

EN EN



Bulgaria - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
• 0.29 % of GNI over whole period
•Average of 0.048 % of GNI per year
•Highest previous annual increase:
•2007: +0.06%
•Highest previous multi year increase:
•N/A
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 132 million
• 0.3% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 22 million increase each year
• 51% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
0.01
0.00
0.06
0.04
0.04
0.05
0.06
0.08
0.11
0.16
0.23
0.33
0.10
0.16
0.21
0.25
0.29
0.17
0.22
0.26

EN EN



Cyprus - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.16 % of GNI over whole period
•Average of 0.027 % of GNI per year
•Highest previous annual increase:
•2005,2006: +0.06%
•Highest previous multi year increase:
•2004-2006: +0.12% (annual: +0.06%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR45 million
• 0.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR7 million increase each year
• 17% average annual growth rate in ODA volume
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
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2014
2015
0.03
0.09
0.15
0.12
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0.17
0.21
0.20
0.19
0.17
0.17
0.24
0.22
0.20
0.18
0.27
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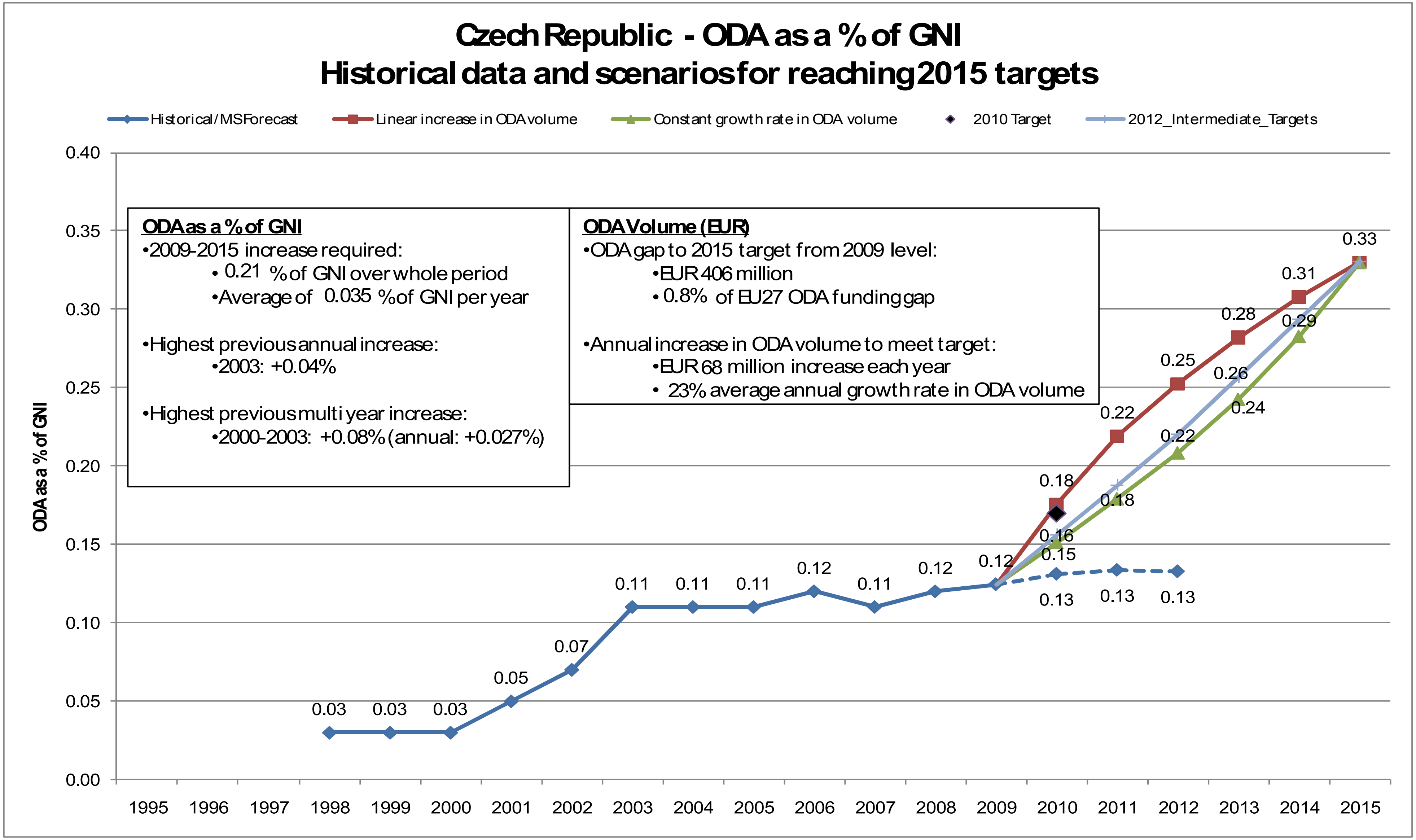
0.21
0.33
0.22



Czech Republic - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
• 0.21 % of GNI over whole period
•Average of 0.035 % of GNI per year
•Highest previous annual increase:
•2003: +0.04%
•Highest previous multi year increase:
•2000-2003: +0.08% (annual: +0.027%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 406 million
• 0.8% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 68 million increase each year
• 23% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
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2003
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2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.03
0.03
0.03
0.05
0.07
0.11
0.11
0.11
0.12
0.11
0.12
0.12
0.13
0.13
0.13
0.18
0.22
0.25
0.28
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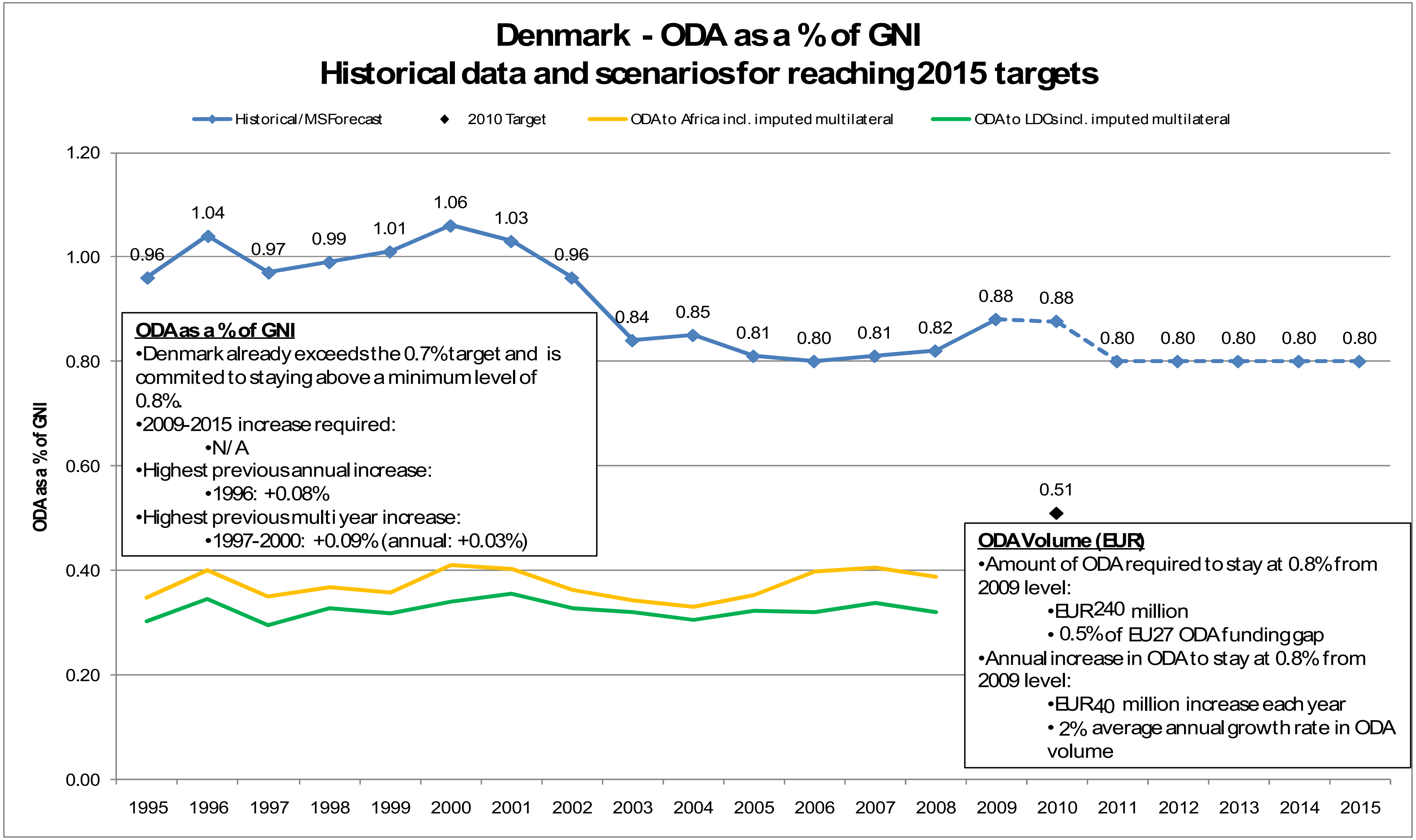
0.16
0.15
0.18
0.22
0.26
0.24
0.29


Denmark - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.96
1.04
0.97
0.99
1.01
1.06
1.03
0.96
0.84
0.85
0.81
0.80
0.81
0.82
0.88
0.88
0.80
0.80
0.80
0.80
0.80
0.51
ODA as a % of GNI
•Denmark already exceeds the 0.7% target and is commited to staying above a minimum level of 0.8%.
•2009-2015 increase required:
•N/A
•Highest previous annual increase:
•1996: +0.08%
•Highest previous multi year increase:
•1997-2000: +0.09% (annual: +0.03%)
ODA Volume (EUR)
•Amount of ODA required to stay at 0.8% from 2009 level:
•EUR240 million
• 0.5% of EU27 ODA funding gap
•Annual increase in ODA to stay at 0.8% from 2009 level:
•EUR40 million increase each year
• 2% average annual growth rate in ODA volume
1995
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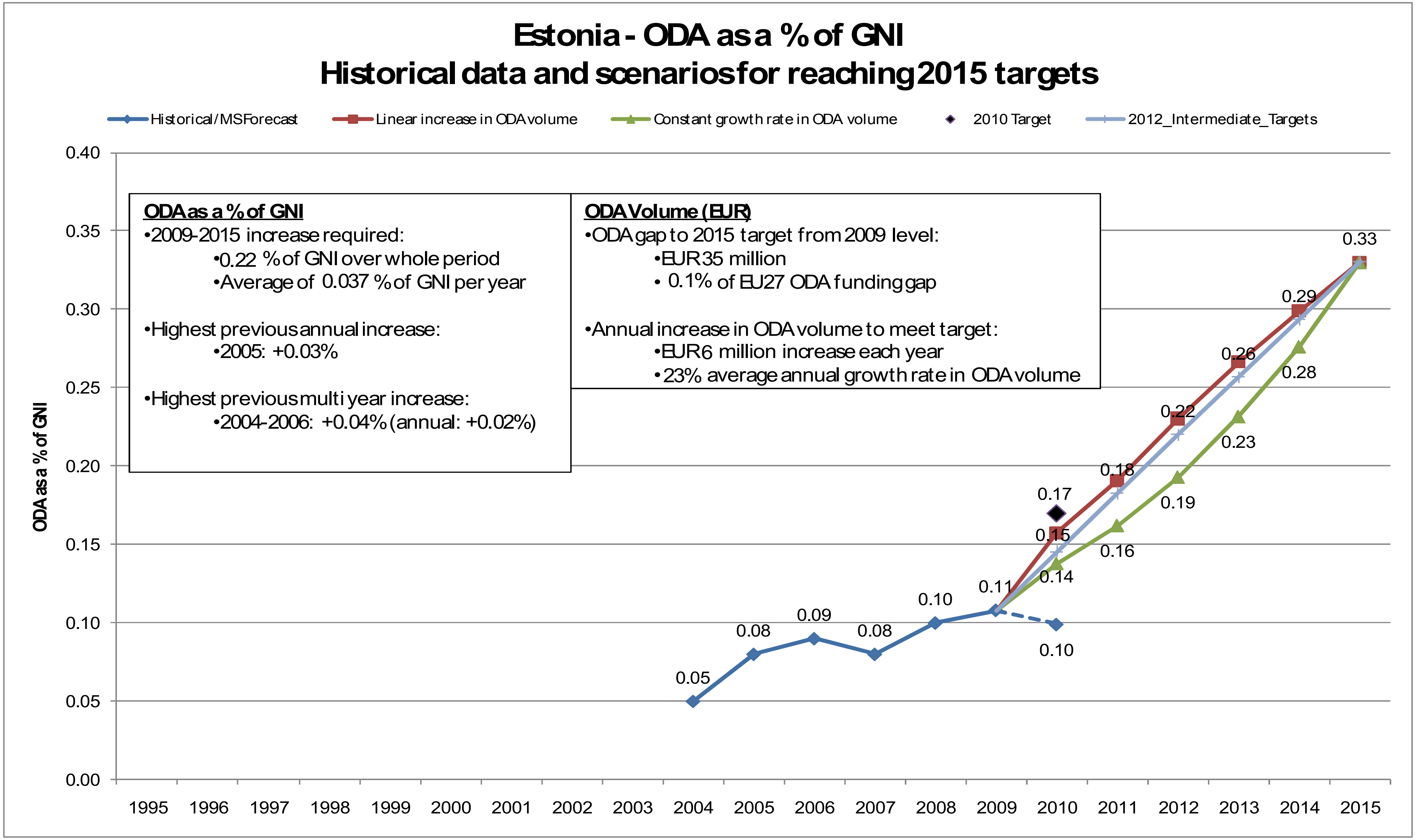
2011
2012
2013
2014
2015



Estonia - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
•0.22 % of GNI over whole period
•Average of 0.037 % of GNI per year
•Highest previous annual increase:
•2005: +0.03%
•Highest previous multi year increase:
•2004-2006: +0.04% (annual: +0.02%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 35 million
• 0.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 6 million increase each year
•23% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
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2006
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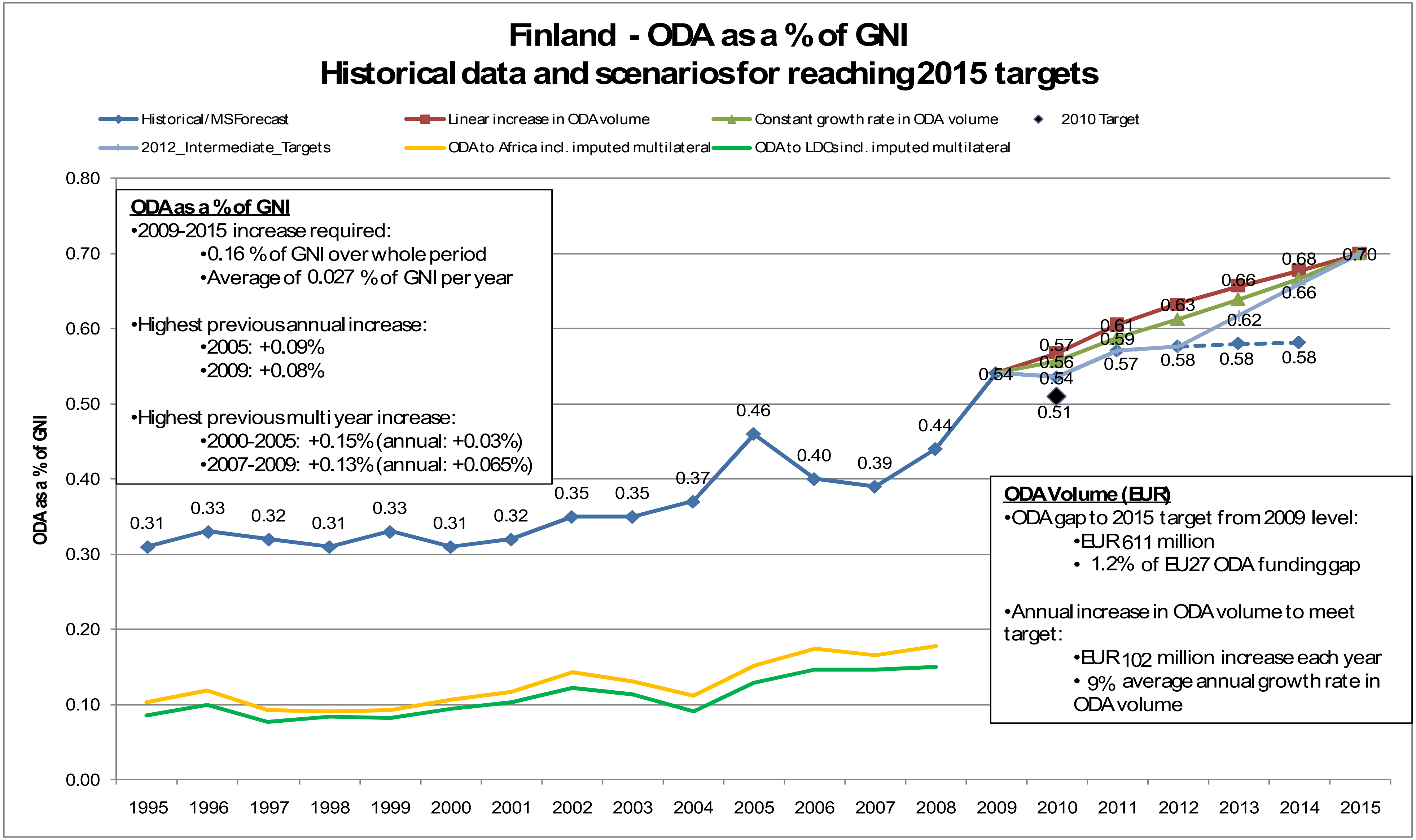
2008
2009
2010
2011
2012
2013
2014
2015
0.05
0.08
0.09
0.08
0.10
0.11
0.10
0.17
0.15
0.14
0.18
0.16
0.22
0.19
0.26
0.23
0.29
0.28
0.33


Finland - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.16 % of GNI over whole period
•Average of 0.027 % of GNI per year
•Highest previous annual increase:
•2005: +0.09%
•2009: +0.08%
•Highest previous multi year increase:
•2000-2005: +0.15% (annual: +0.03%)
•2007-2009: +0.13% (annual: +0.065%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 611 million
• 1.2% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 102 million increase each year
• 9% average annual growth rate in ODA volume
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
1995
1996
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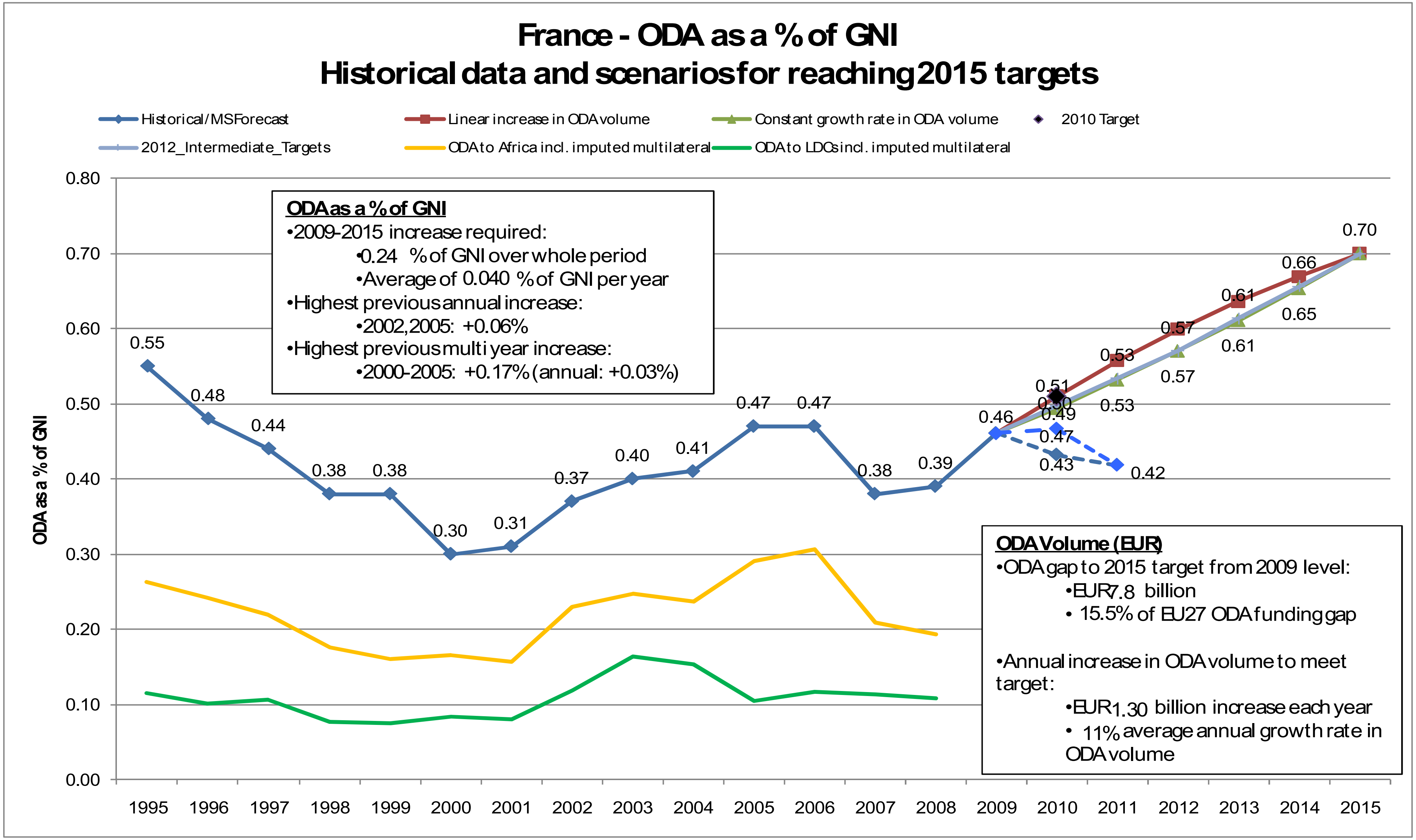
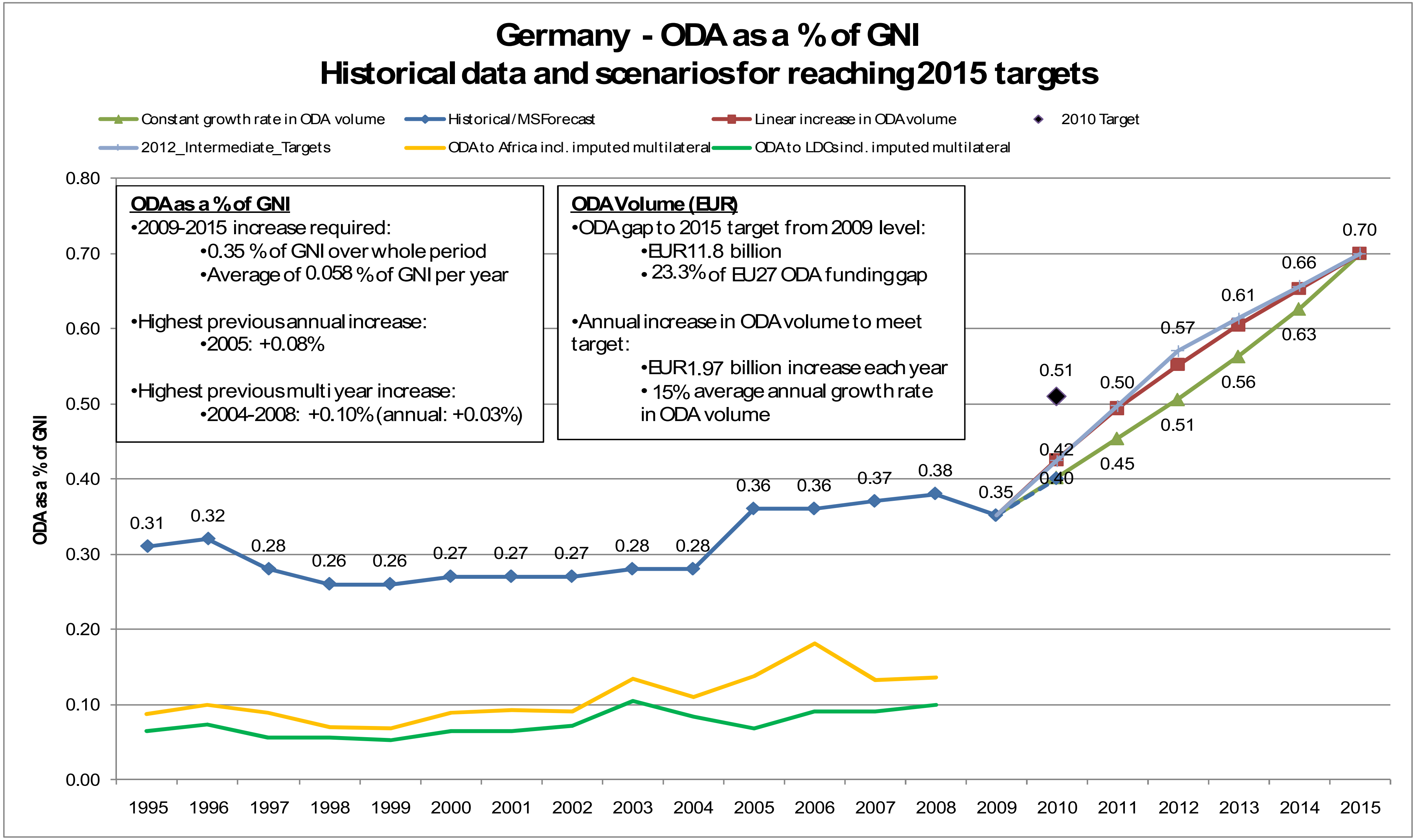
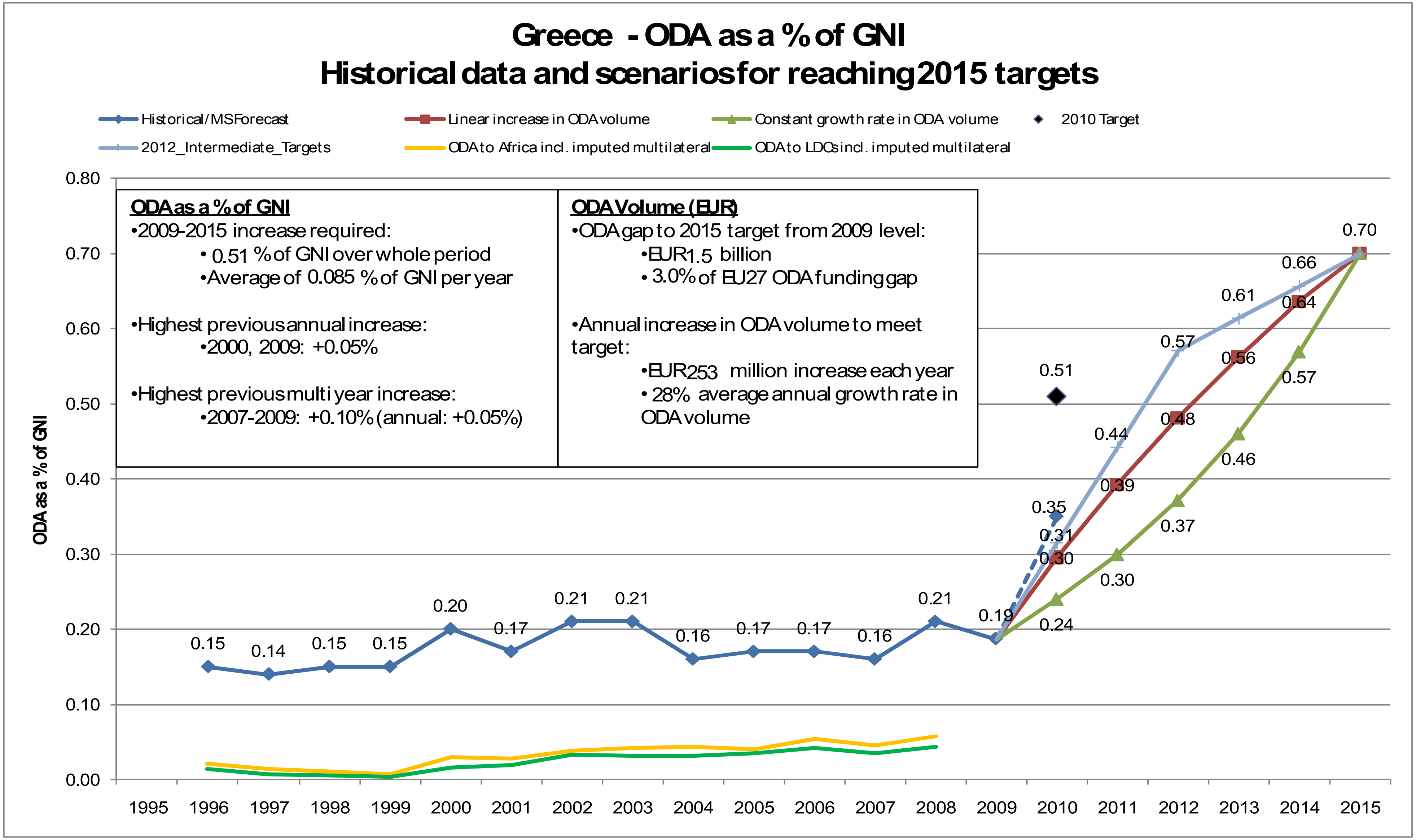
2015

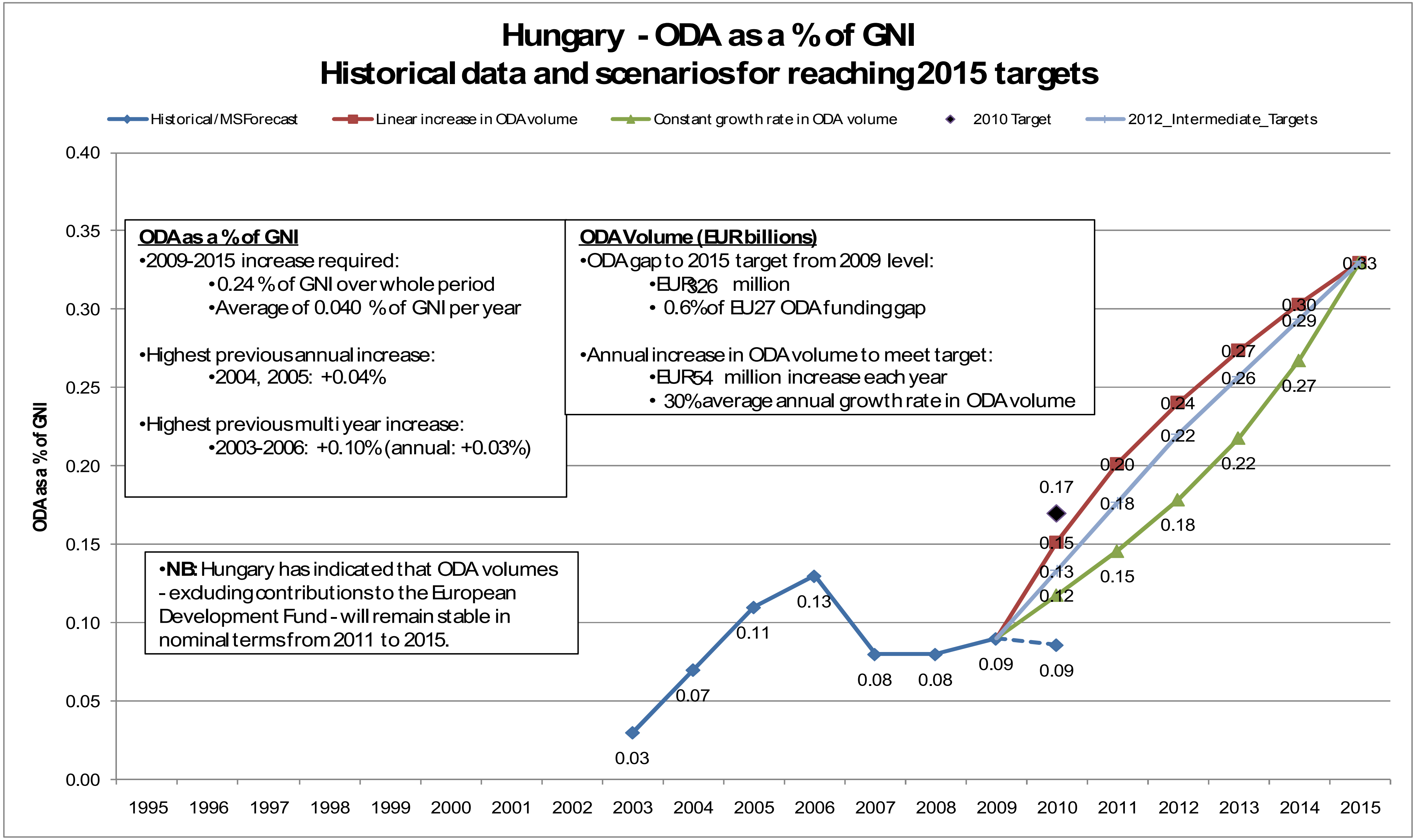

France - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.24 % of GNI over whole period
•Average of 0.040 % of GNI per year
•Highest previous annual increase:
•2002, 2005: +0.06%
•Highest previous multi year increase:
•2000-2005: +0.17% (annual: +0.03%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 7.8 billion
• 15.5% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 1.30 billion increase each year
• 11% average annual growth rate in ODA volume
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015



Germany - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Constant growth rate in ODA volume
Historical/MS Forecast
Linear increase in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.35 % of GNI over whole period
•Average of 0.058 % of GNI per year
•Highest previous annual increase:
•2005: +0.08%
•Highest previous multi year increase:
•2004-2008: +0.10% (annual: +0.03%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR11.8 billion
• 23.3% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR1.97 billion increase each year
• 15% average annual growth rate in ODA volume
0.31 0.32 0.28 0.26 0.26 0.27 0.27 0.27 0.28 0.28 0.36 0.36 0.37 0.38 0.35 0.42 0.40 0.51 0.50 0.45 0.57 0.51 0.61 0.56 0.66 0.63 0.70
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015



Greece - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.51 % of GNI over whole period
•Average of 0.085 % of GNI per year
•Highest previous annual increase:
•2000, 2009: +0.05%
•Highest previous multi year increase:
•2007-2009: +0.10% (annual: +0.05%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 1.5 billion
• 3.0% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 253 million increase each year
• 28% average annual growth rate in ODA volume



Hungary - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.24 % of GNI over whole period
•Average of 0.040 % of GNI per year
•Highest previous annual increase:
•2004, 2005: +0.04%
•Highest previous multi year increase:
•2003-2006: +0.10% (annual: +0.03%)
ODA Volume (EUR billions)
•ODA gap to 2015 target from 2009 level:
•EUR 326 million
• 0.6% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 54 million increase each year
• 30% average annual growth rate in ODA volume
•NB: Hungary has indicated that ODA volumes - excluding contributions to the European Development Fund - will remain stable in nominal terms from 2011 to 2015.
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
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2010
2011
2012
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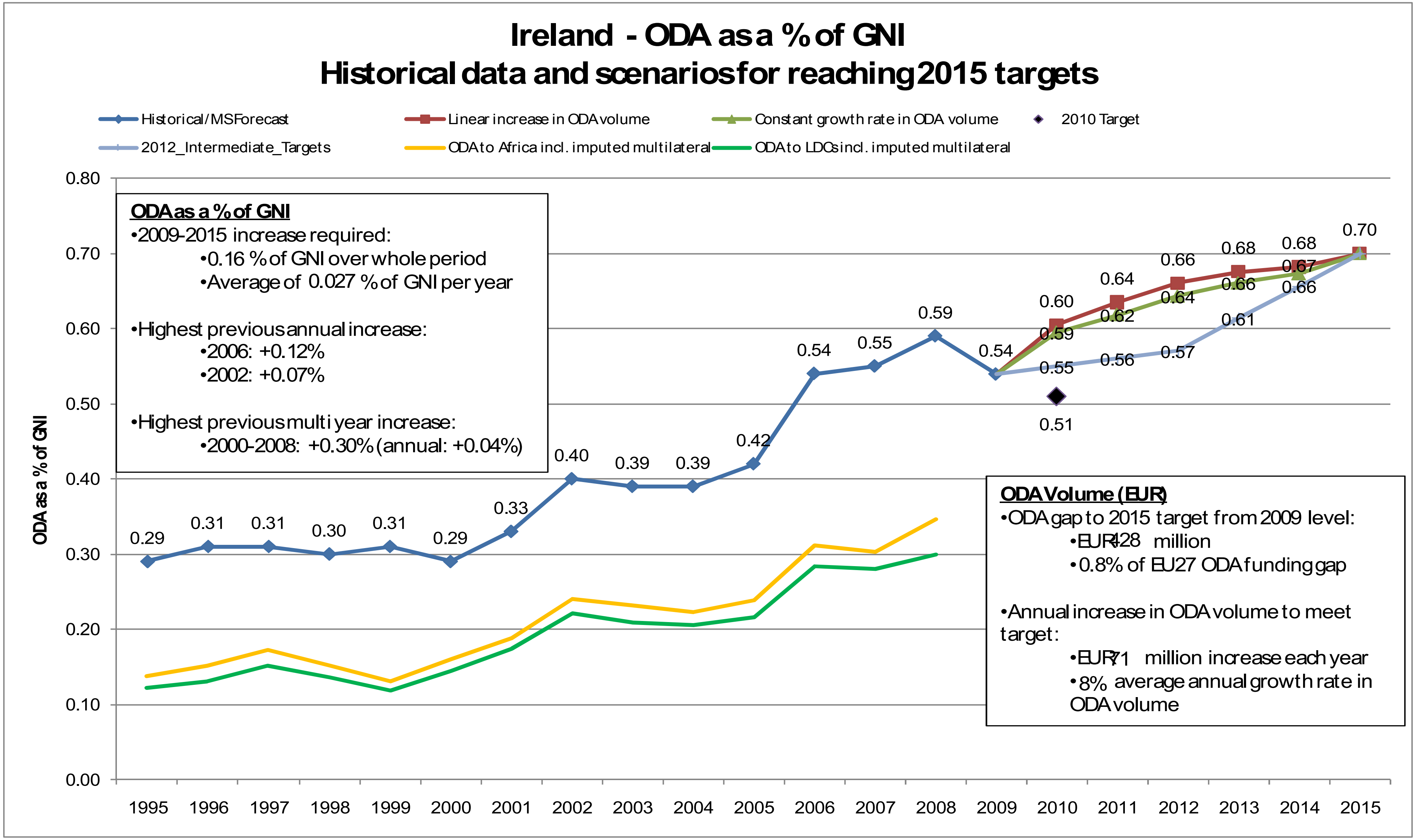
2014
2015



Ireland - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.29
0.31
0.31
0.30
0.31
0.29
0.33
0.40
0.39
0.39
0.42
0.54
0.55
0.59
0.54
0.60
0.59
0.55
0.51
0.64
0.62
0.56
0.66
0.64
0.57
0.68
0.66
0.61
0.68
0.67
0.66
0.70
ODA as a % of GNI
•2009-2015 increase required:
•0.16 % of GNI over whole period
•Average of 0.027 % of GNI per year
•Highest previous annual increase:
•2006: +0.12%
•2002: +0.07%
•Highest previous multi year increase:
•2000-2008: +0.30% (annual: +0.04%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 428 million
•0.8% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 71 million increase each year
•8% average annual growth rate in ODA volume

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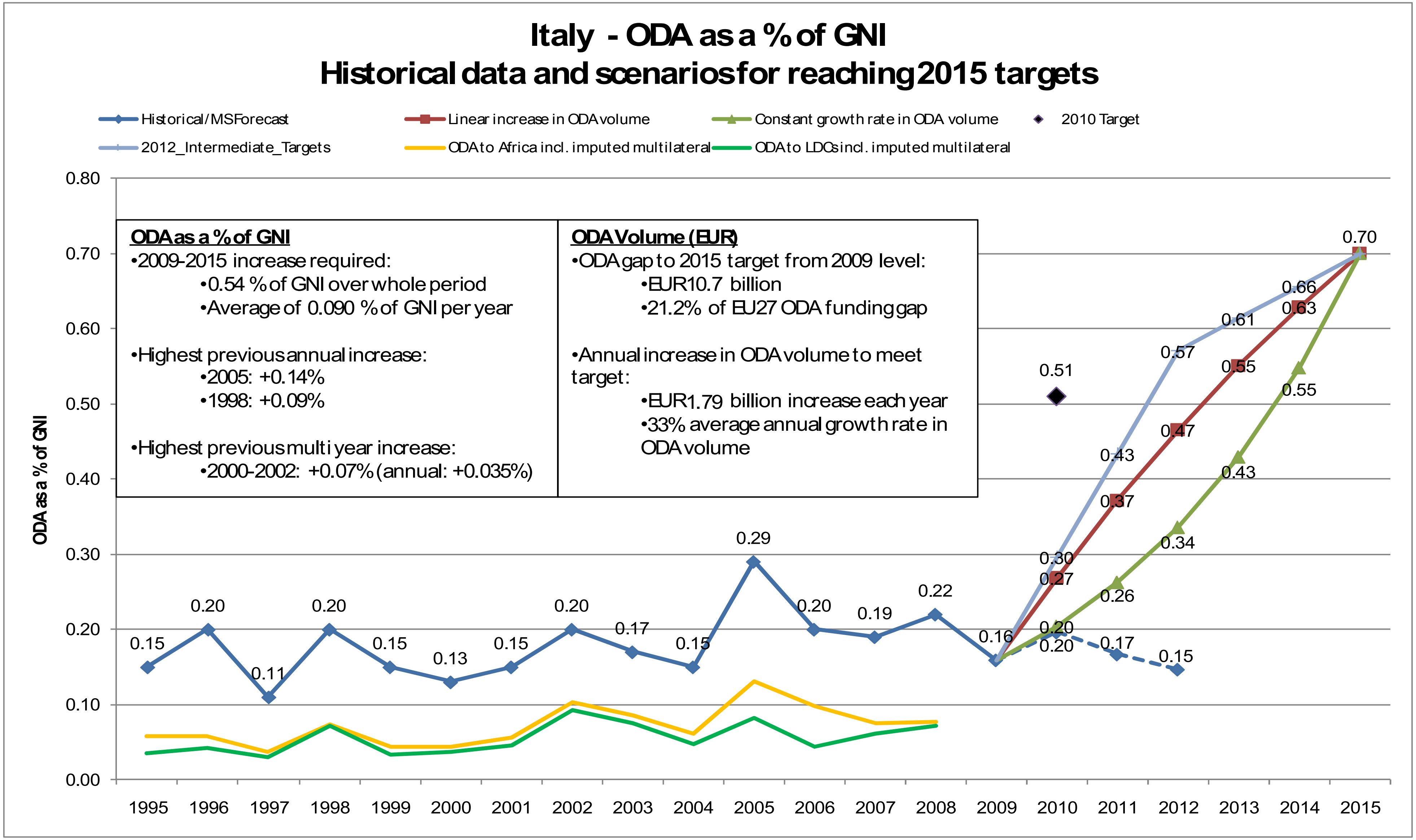
Italy - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.54 % of GNI over whole period
•Average of 0.090 % of GNI per year
•Highest previous annual increase:
•2005: +0.14%
•1998: +0.09%
•Highest previous multi year increase:
•2000-2002: +0.07% (annual: +0.035%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR10.7 billion
•21.2% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR1.79 billion increase each year
•33% average annual growth rate in ODA volume
0.00
0.10
0.20
0.30
0.40
0.50
0.60
0.70
0.80
1995
1996
1997
1998
1999
2000
2001
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2003
2004
2005
2006
2007
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2009
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2011
2012
2013
2014
2015
0.15
0.20
0.11
0.20
0.15
0.13
0.15
0.20
0.17
0.15
0.29
0.20
0.19
0.22
0.16
0.20
0.17
0.15
0.51
0.30
0.27
0.20
0.43
0.37
0.26
0.57
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0.61
0.55
0.43
0.66
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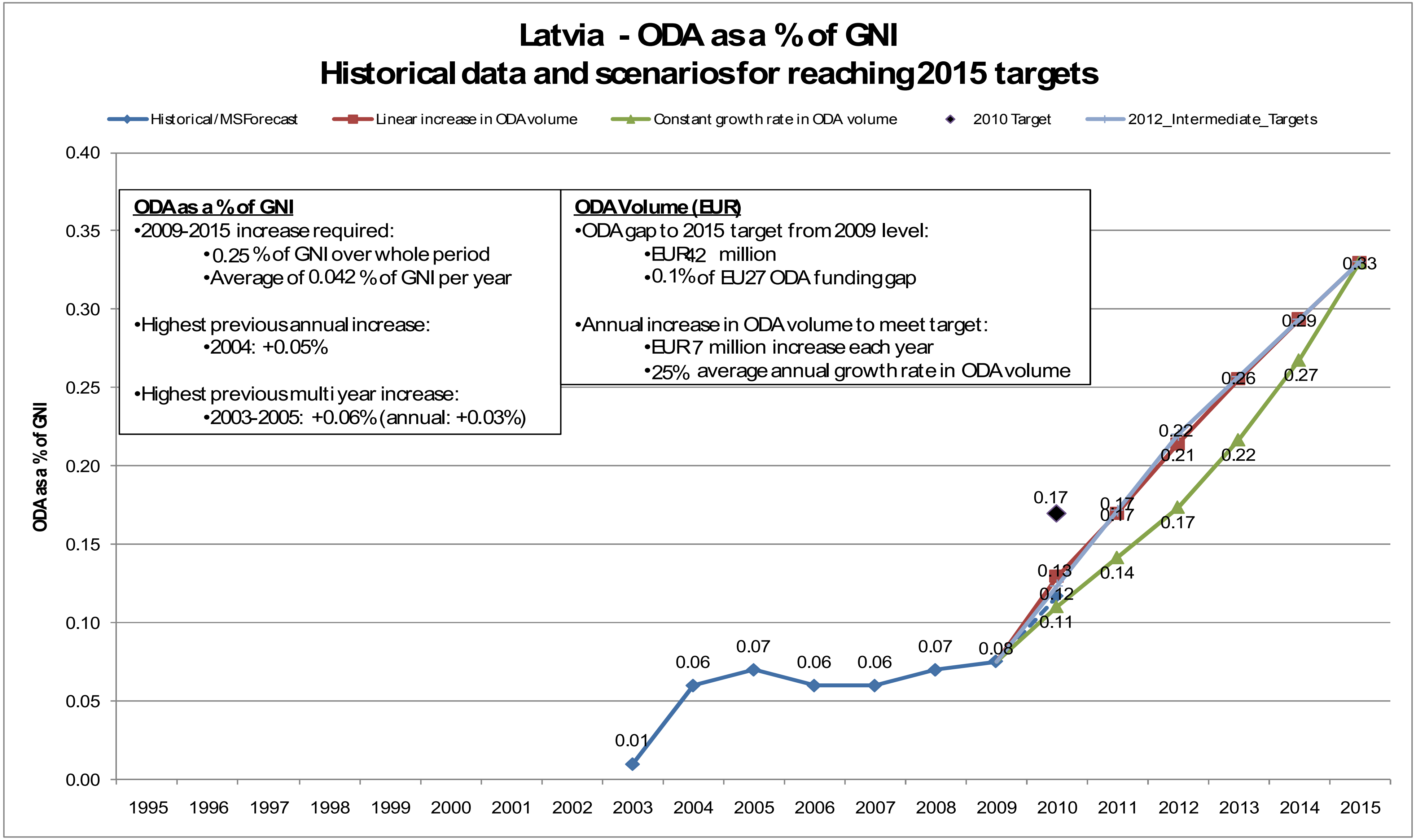
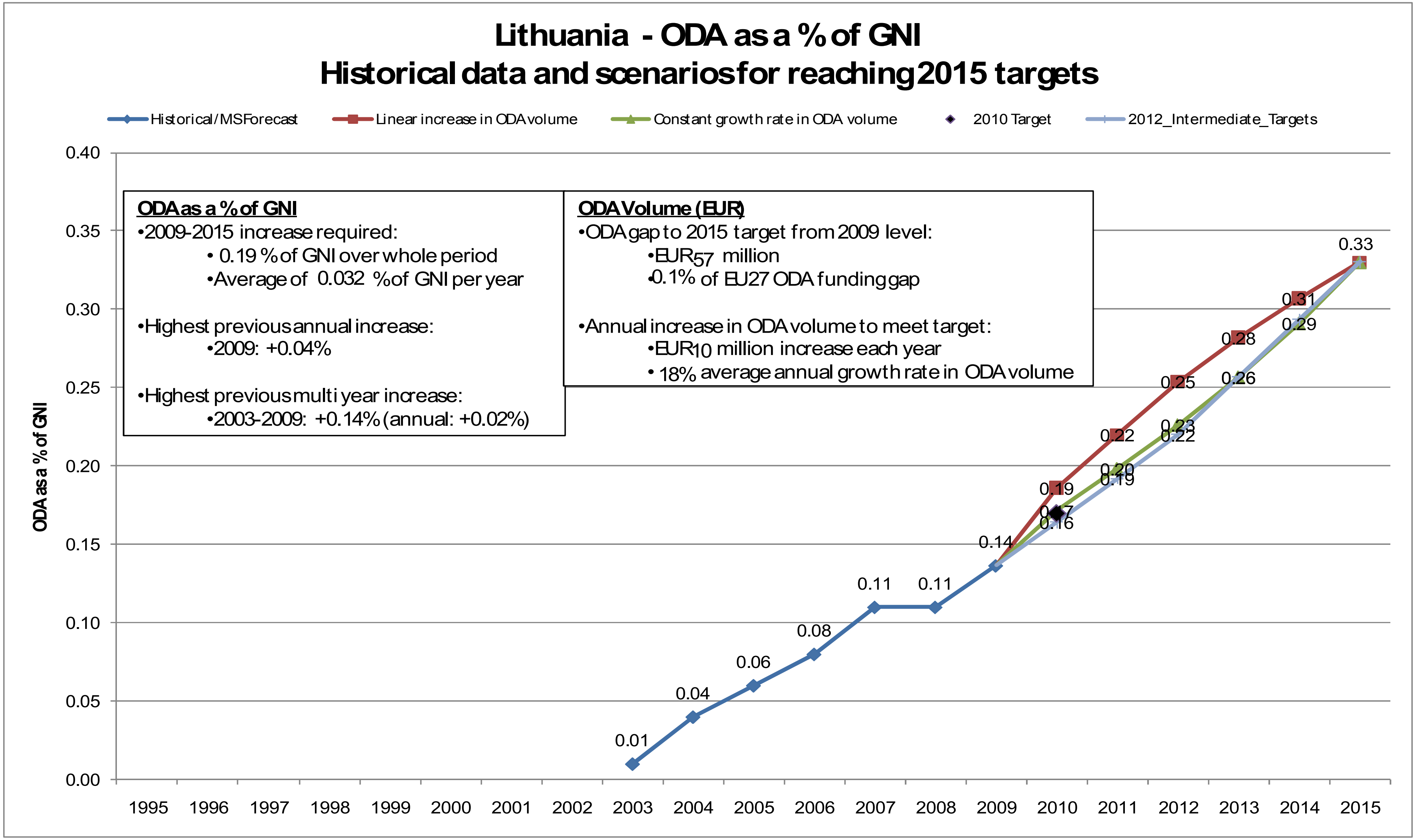
0.55
0.70



Latvia - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
•0.25 % of GNI over whole period
•Average of 0.042 % of GNI per year
•Highest previous annual increase:
•2004: +0.05%
•Highest previous multi year increase:
•2003-2005: +0.06% (annual: +0.03%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 42 million
•0.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 7 million increase each year
•25% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.01
0.06
0.07
0.06
0.06
0.07
0.08
0.17
0.13
0.12
0.11
0.17
0.17
0.14
0.22
0.21
0.17
0.26
0.22
0.29
0.27
0.33

EN EN


Lithuania - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.19 % of GNI over whole period
•Average of 0.032 % of GNI per year
•Highest previous annual increase:
•2009: +0.04%
•Highest previous multi year increase:
•2003-2009: +0.14% (annual: +0.02%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 57 million
•0.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 10 million increase each year
• 18% average annual growth rate in ODA volume
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
0.01
0.04
0.06
0.08
0.11
0.11
0.14
0.19
0.17
0.16
0.22
0.20
0.19
0.25
0.23
0.22
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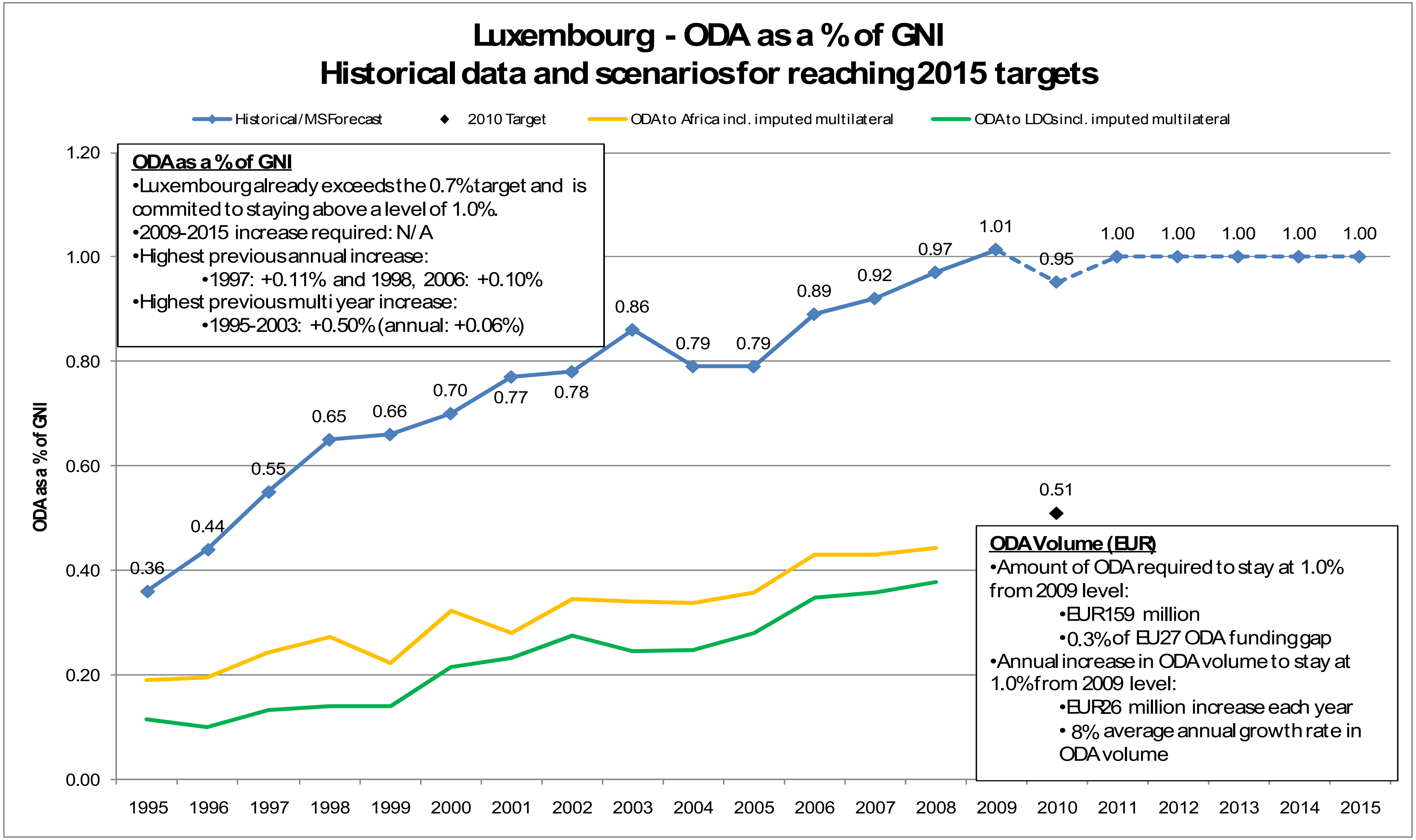
2015


Luxembourg - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•Luxembourg already exceeds the 0.7% target and is commited to staying above a level of 1.0%.
•2009-2015 increase required: N/A
•Highest previous annual increase:
•1997: +0.11% and 1998, 2006: +0.10%
•Highest previous multi year increase:
•1995-2003: +0.50% (annual: +0.06%)
ODA Volume (EUR)
•Amount of ODA required to stay at 1.0% from 2009 level:
•EUR159 million
•0.3% of EU27 ODA funding gap
•Annual increase in ODA volume to stay at 1.0% from 2009 level:
•EUR26 million increase each year
• 8% average annual growth rate in ODA volume
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.36
0.44
0.55
0.65
0.66
0.70
0.77
0.78
0.86
0.79
0.79
0.89
0.92
0.97
1.01
0.95
1.00
1.00
1.00
1.00
1.00
0.51
1995
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2015

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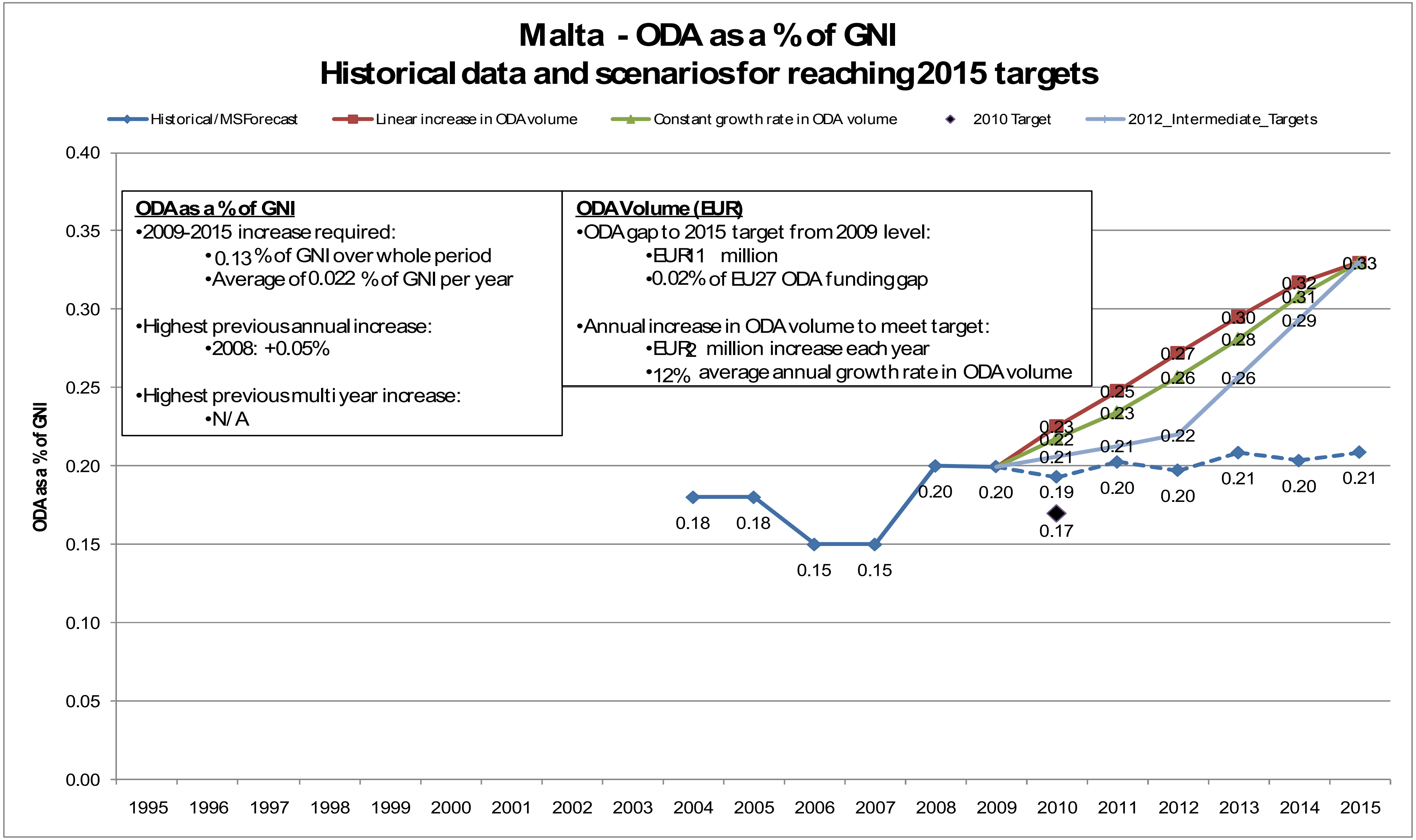

Malta - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
•0.13 % of GNI over whole period
•Average of 0.022 % of GNI per year
•Highest previous annual increase:
•2008: +0.05%
•Highest previous multi year increase:
•N/A
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 11 million
•0.02% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 2 million increase each year
•12% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
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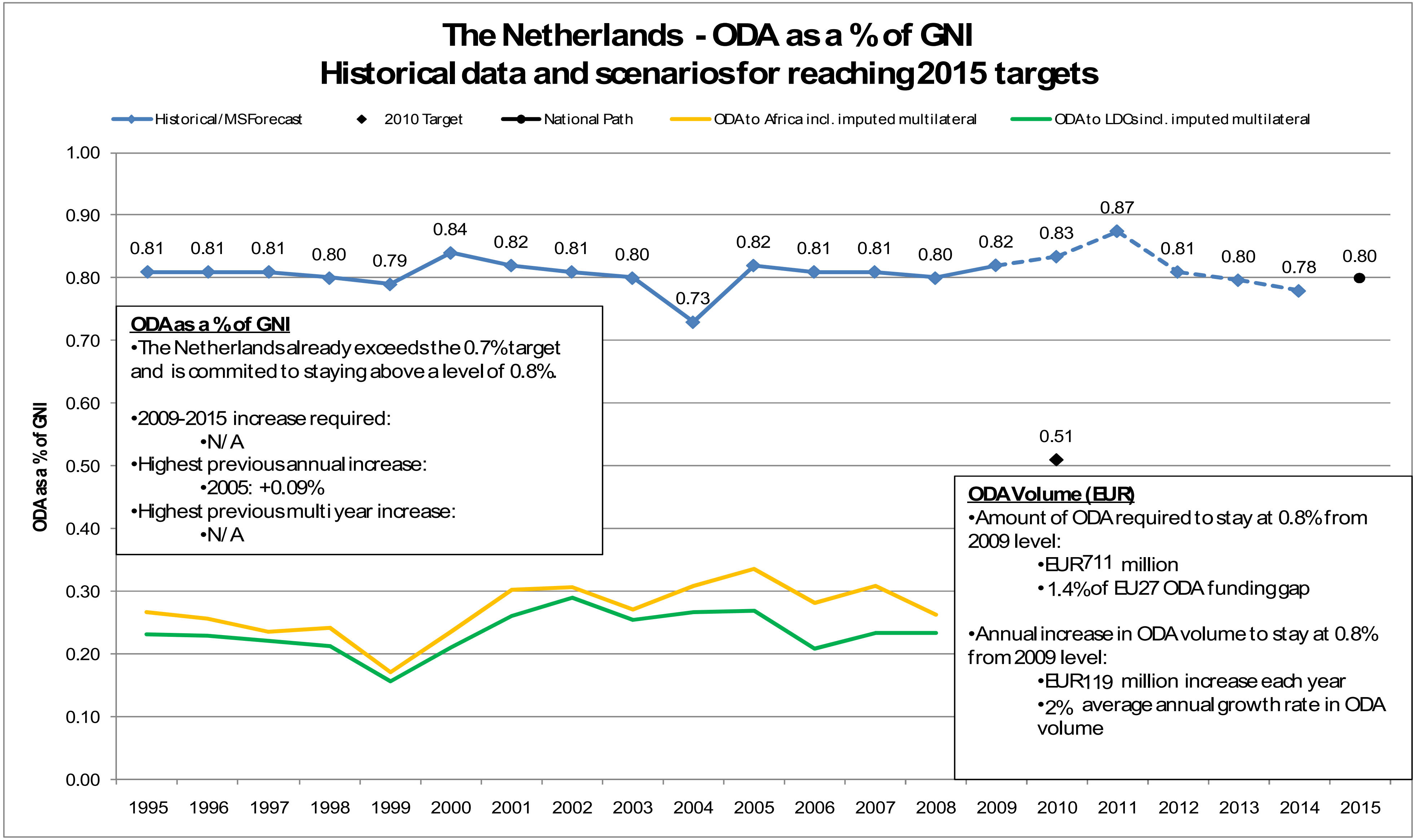
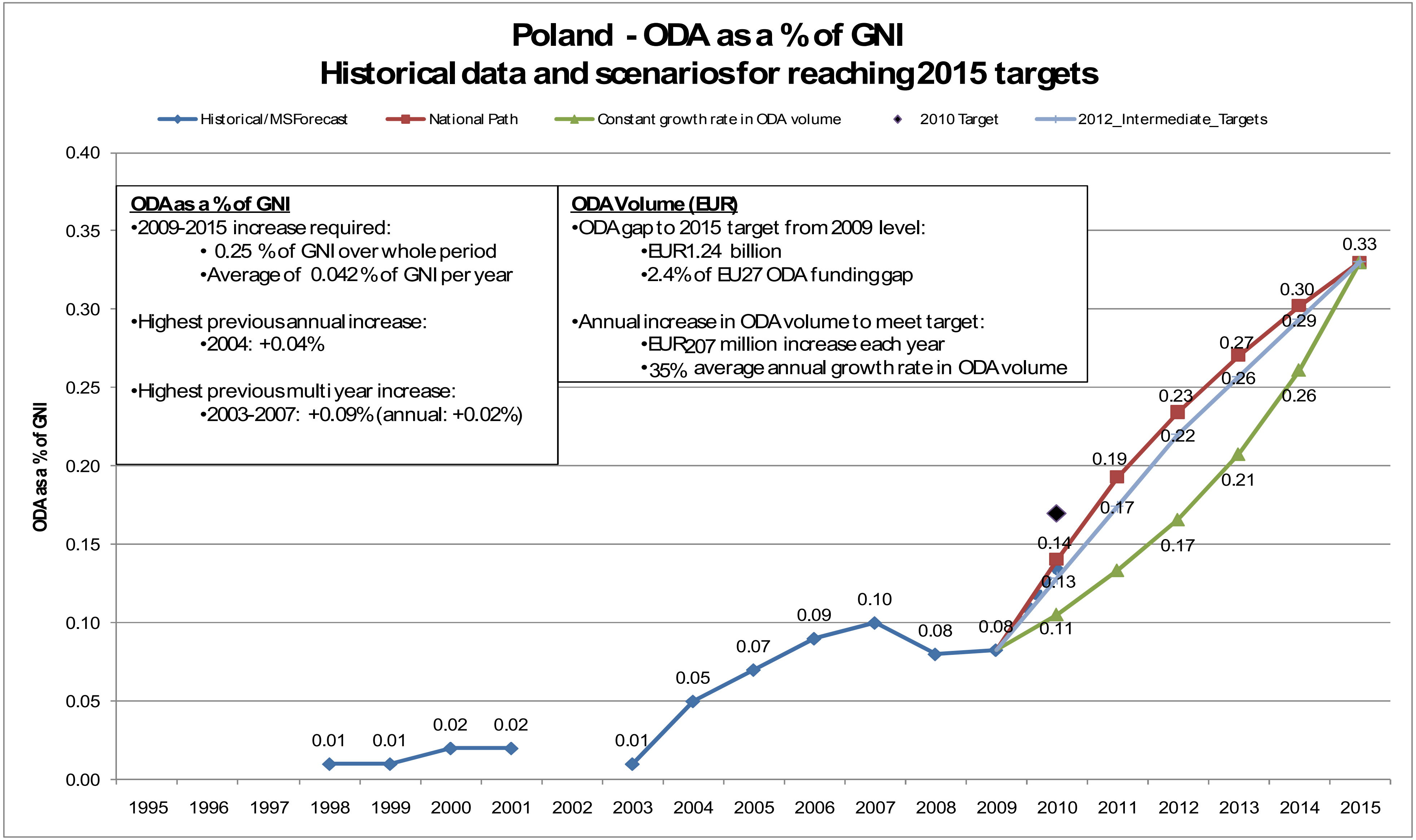
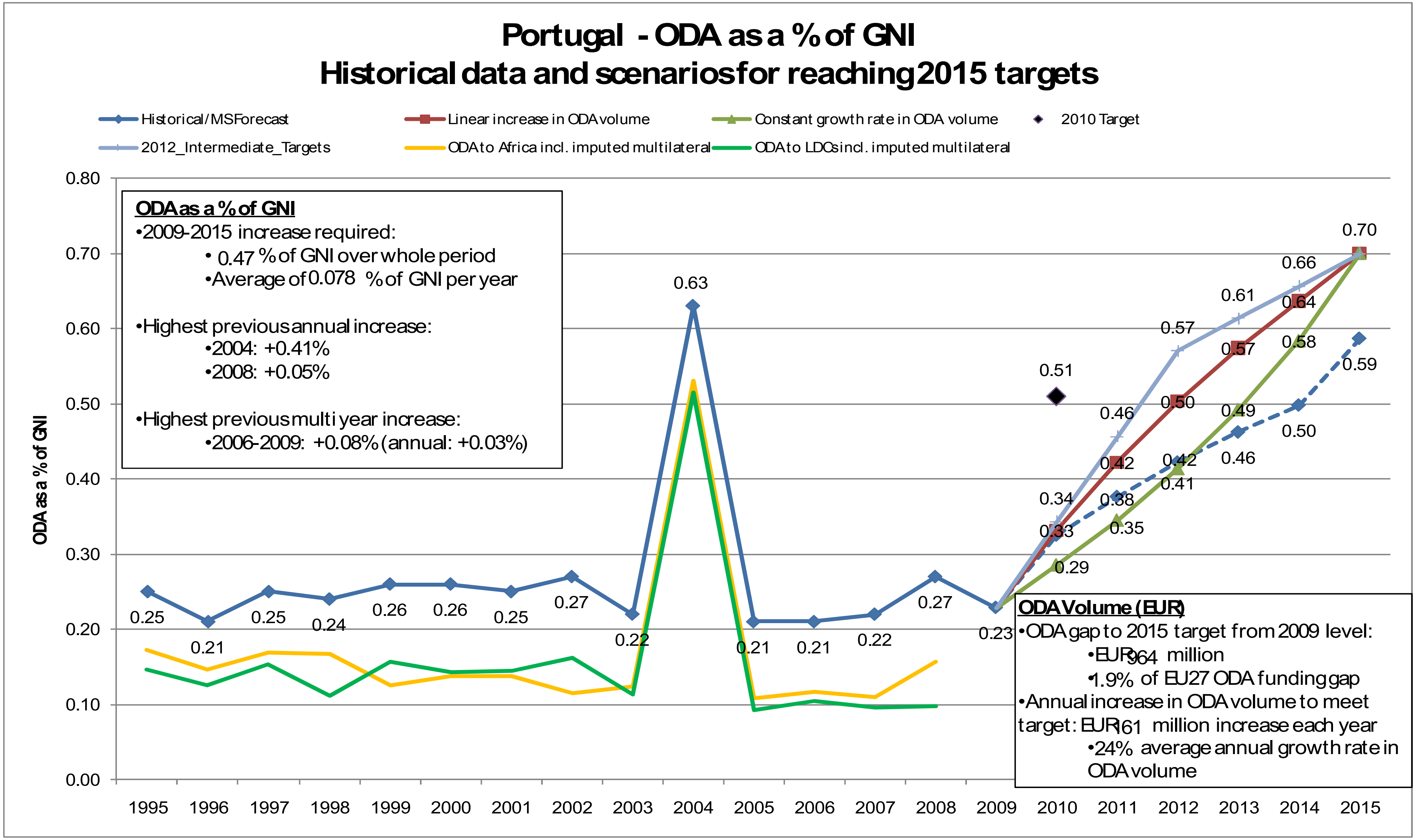
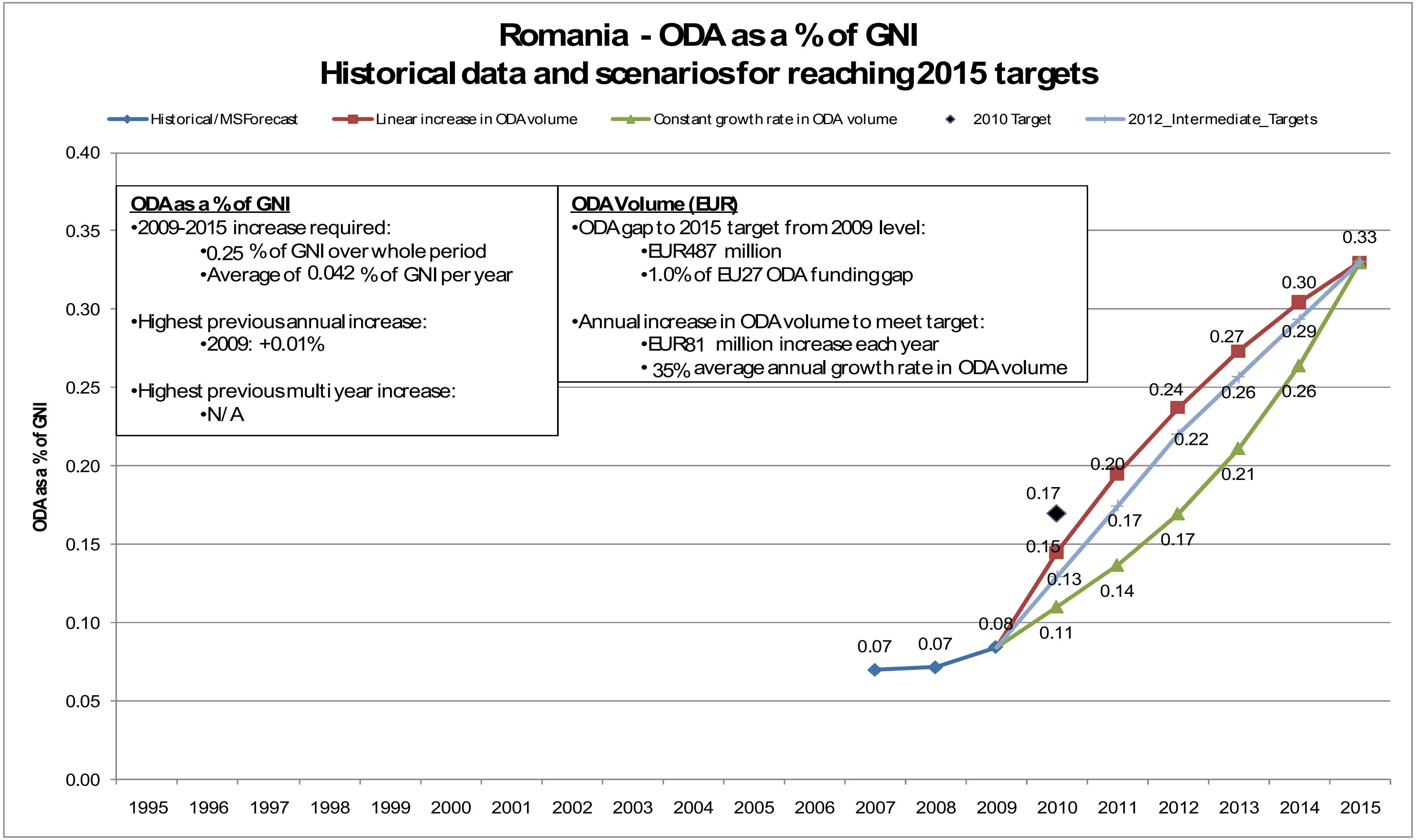
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.18
0.18
0.15
0.15
0.20
0.20
0.19
0.20
0.20
0.21
0.20
0.21
0.17
0.23
0.22
0.21
0.25
0.23
0.21
0.27
0.26
0.22
0.30
0.28
0.26
0.32
0.31
0.29
0.33


The Netherlands - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
National Path
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0.81
0.81
0.81
0.80
0.79
0.84
0.82
0.81
0.80
0.73
0.82
0.81
0.81
0.80
0.82
0.83
0.87
0.81
0.80
0.78
0.80
0.51
ODA as a % of GNI
•The Netherlands already exceeds the 0.7% target and is commited to staying above a level of 0.8%.
•2009-2015 increase required:
•N/A
•Highest previous annual increase:
•2005: +0.09%
•Highest previous multi year increase:
•N/A
ODA Volume (EUR)
•Amount of ODA required to stay at 0.8% from 2009 level:
•EUR711 million
•1.4% of EU27 ODA funding gap
•Annual increase in ODA volume to stay at 0.8% from 2009 level:
•EUR119 million increase each year
•2% average annual growth rate in ODA volume
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

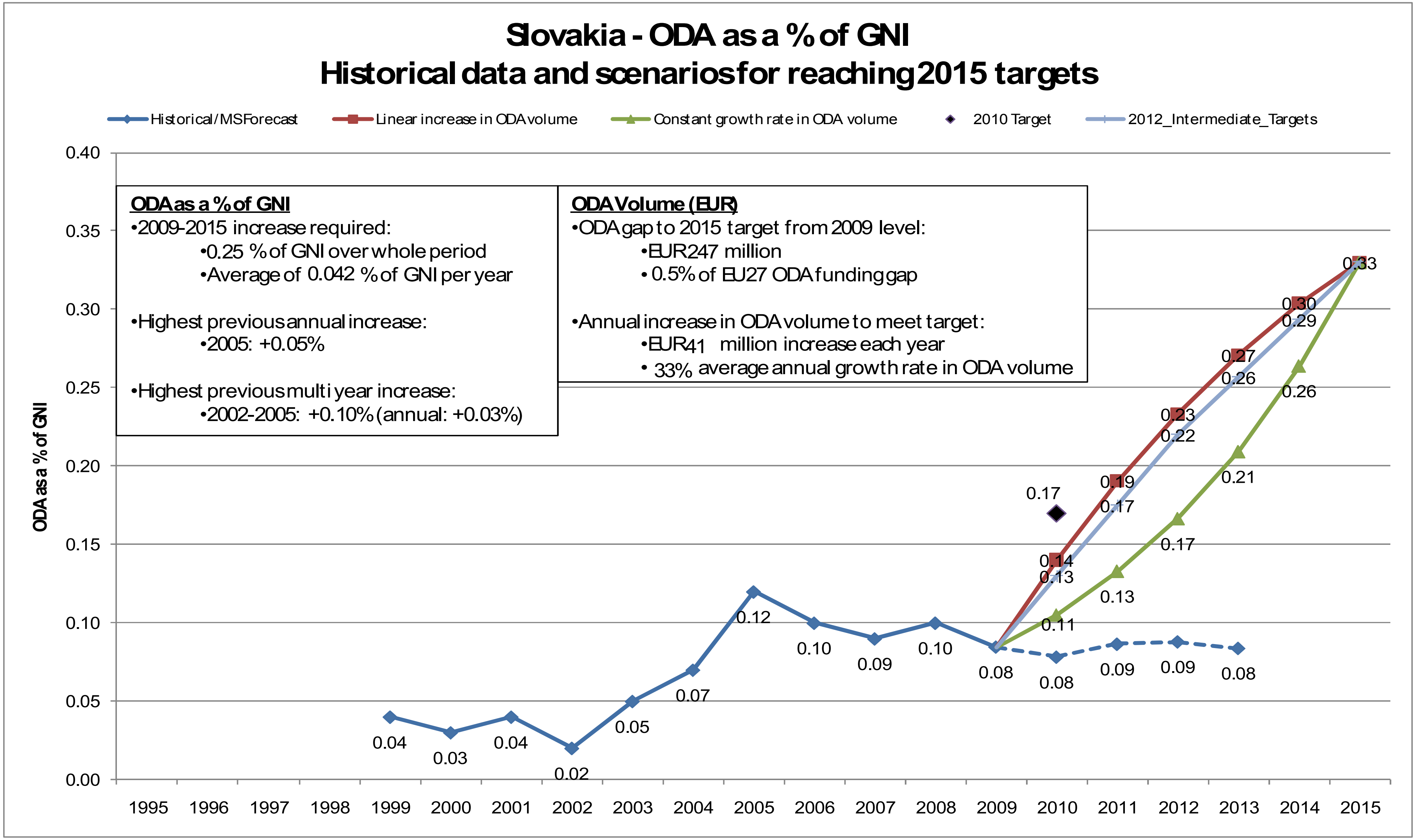

Poland - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
National Path
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.25 % of GNI over whole period
•Average of 0.042 % of GNI per year
•Highest previous annual increase:
•2004: +0.04%
•Highest previous multi year increase:
•2003-2007: +0.09% (annual: +0.02%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 1.24 billion
•2.4% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 207 million increase each year
•35% average annual growth rate in ODA volume
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.01
0.01
0.02
0.02
0.01
0.05
0.07
0.09
0.10
0.08
0.08
0.14
0.13
0.11
0.19
0.17
0.23
0.22
0.17
0.27
0.26
0.21
0.30
0.29
0.26
0.33



Portugal - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.47 % of GNI over whole period
•Average of 0.078 % of GNI per year
•Highest previous annual increase:
•2004: +0.41%
•2008: +0.05%
•Highest previous multi year increase:
•2006-2009: +0.08% (annual: +0.03%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 964 million
•1.9% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target: EUR 161 million increase each year
•24% average annual growth rate in ODA volume
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
0.25 0.21 0.25 0.24 0.26 0.26 0.25 0.27 0.22 0.63 0.21 0.21 0.22 0.27 0.23
0.51
0.70 0.66 0.61 0.57 0.46 0.34
0.64 0.57 0.50 0.42 0.33
0.58 0.49 0.41 0.35 0.29
0.59 0.50 0.46 0.42 0.38

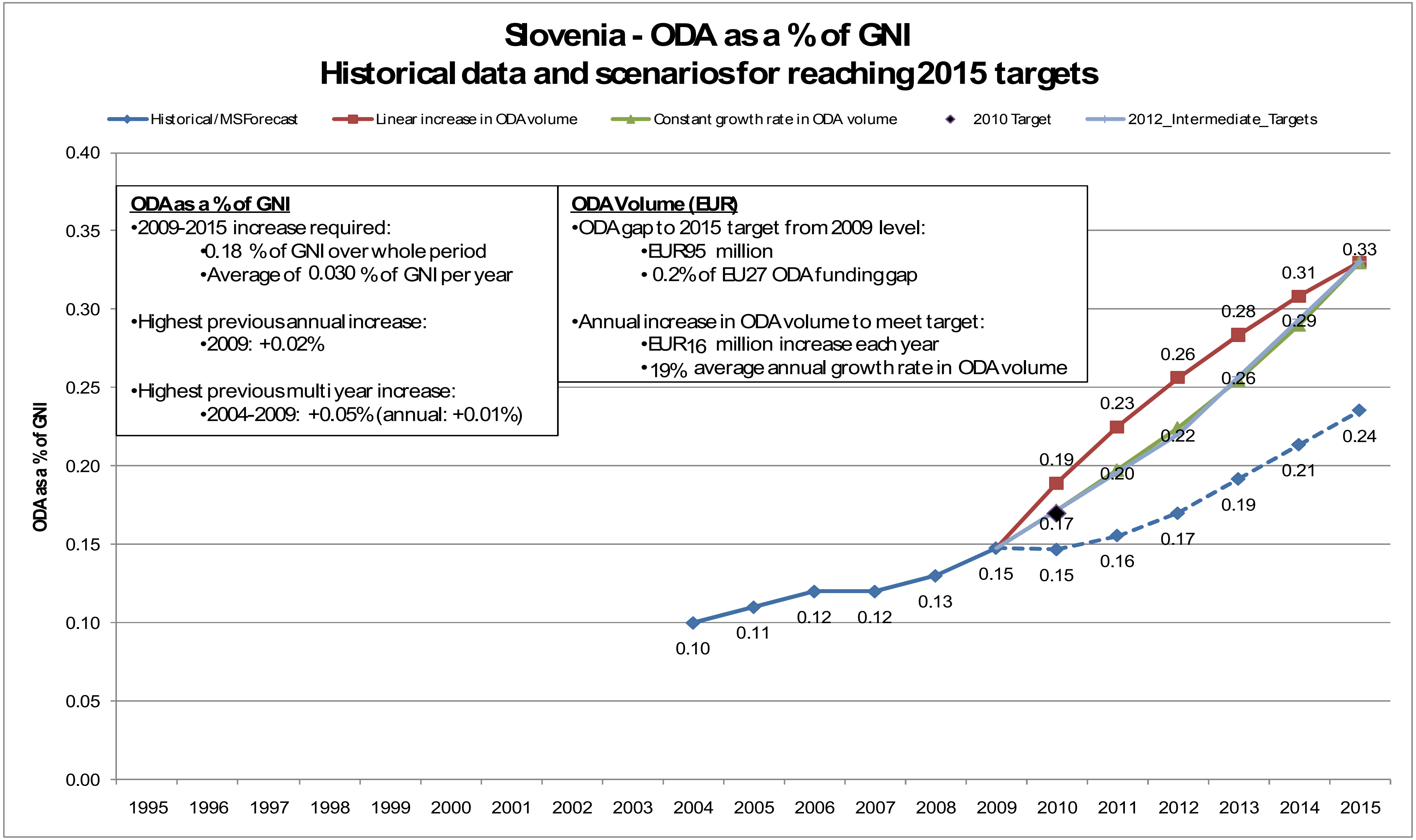

Romania - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.25 % of GNI over whole period
•Average of 0.042 % of GNI per year
•Highest previous annual increase:
•2009: +0.01%
•Highest previous multi year increase:
•N/A
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 487 million
•1.0% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 81 million increase each year
• 35% average annual growth rate in ODA volume
0.00
0.05
0.10
0.15
0.20
0.25
0.30
0.35
0.40
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.07
0.07
0.08
0.17
0.15
0.13
0.11
0.20
0.17
0.14
0.24
0.22
0.17
0.27
0.26
0.21
0.30
0.29
0.26
0.33

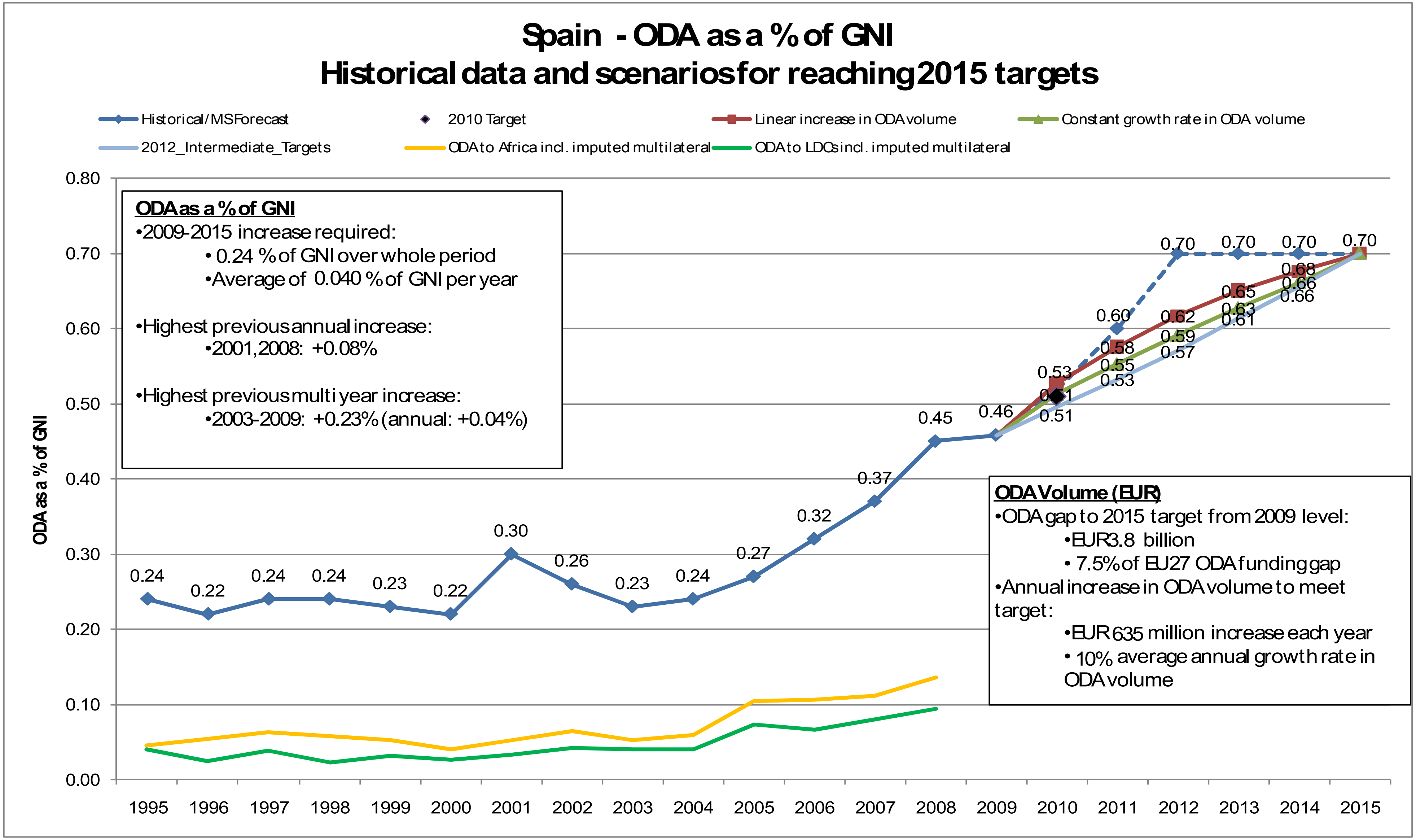
EN EN



Slovakia - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
•0.25 % of GNI over whole period
•Average of 0.042 % of GNI per year
•Highest previous annual increase:
•2005: +0.05%
•Highest previous multi year increase:
•2002-2005: +0.10% (annual: +0.03%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 247 million
• 0.5% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 41 million increase each year
• 33% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
0.04 0.03 0.04 0.02 0.05 0.07 0.12 0.10 0.09 0.10 0.08 0.08 0.09 0.09 0.08
0.17
0.14 0.13 0.11
0.19 0.17 0.13
0.23 0.22 0.17
0.27 0.26 0.21
0.30 0.29 0.26
0.33

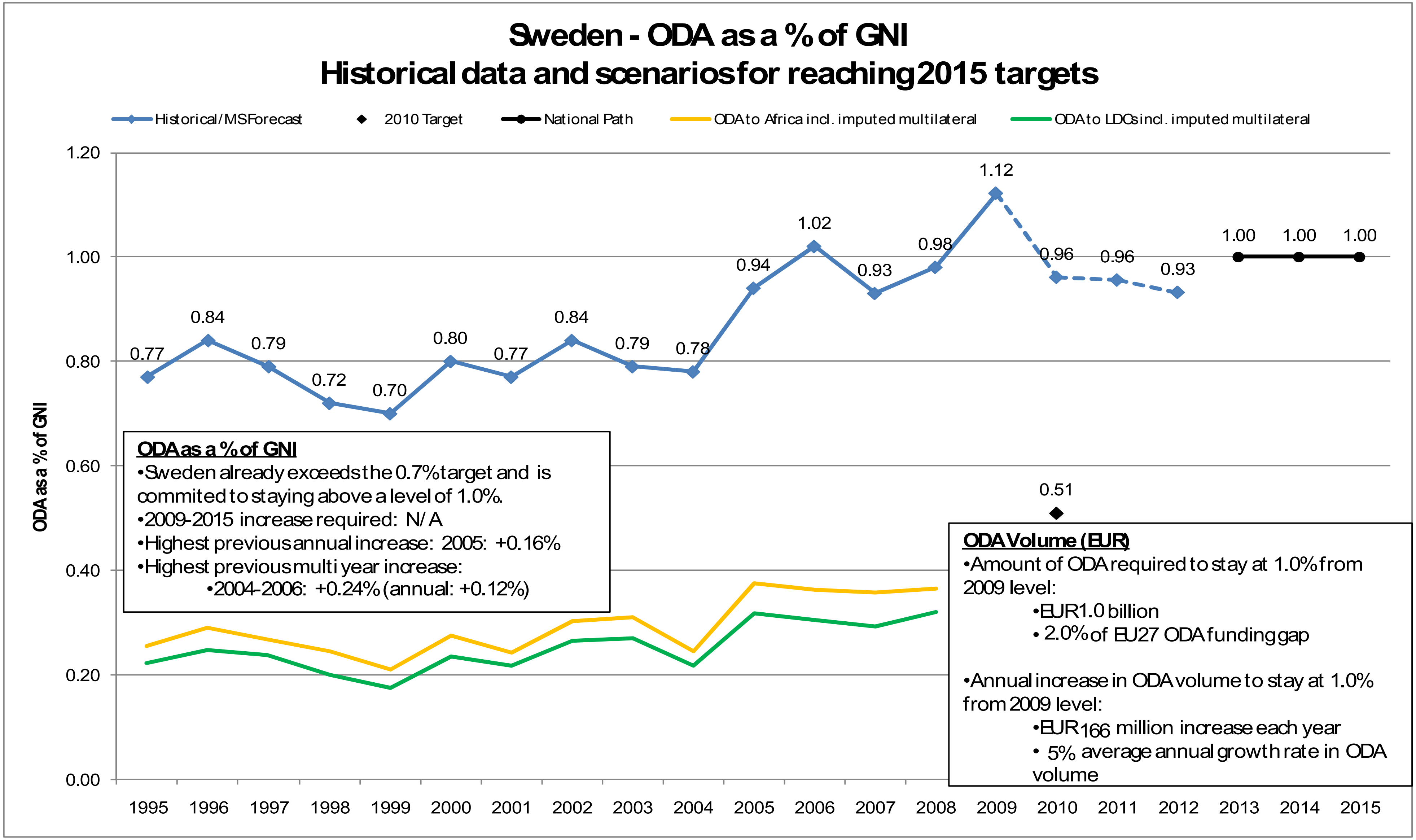
EN EN

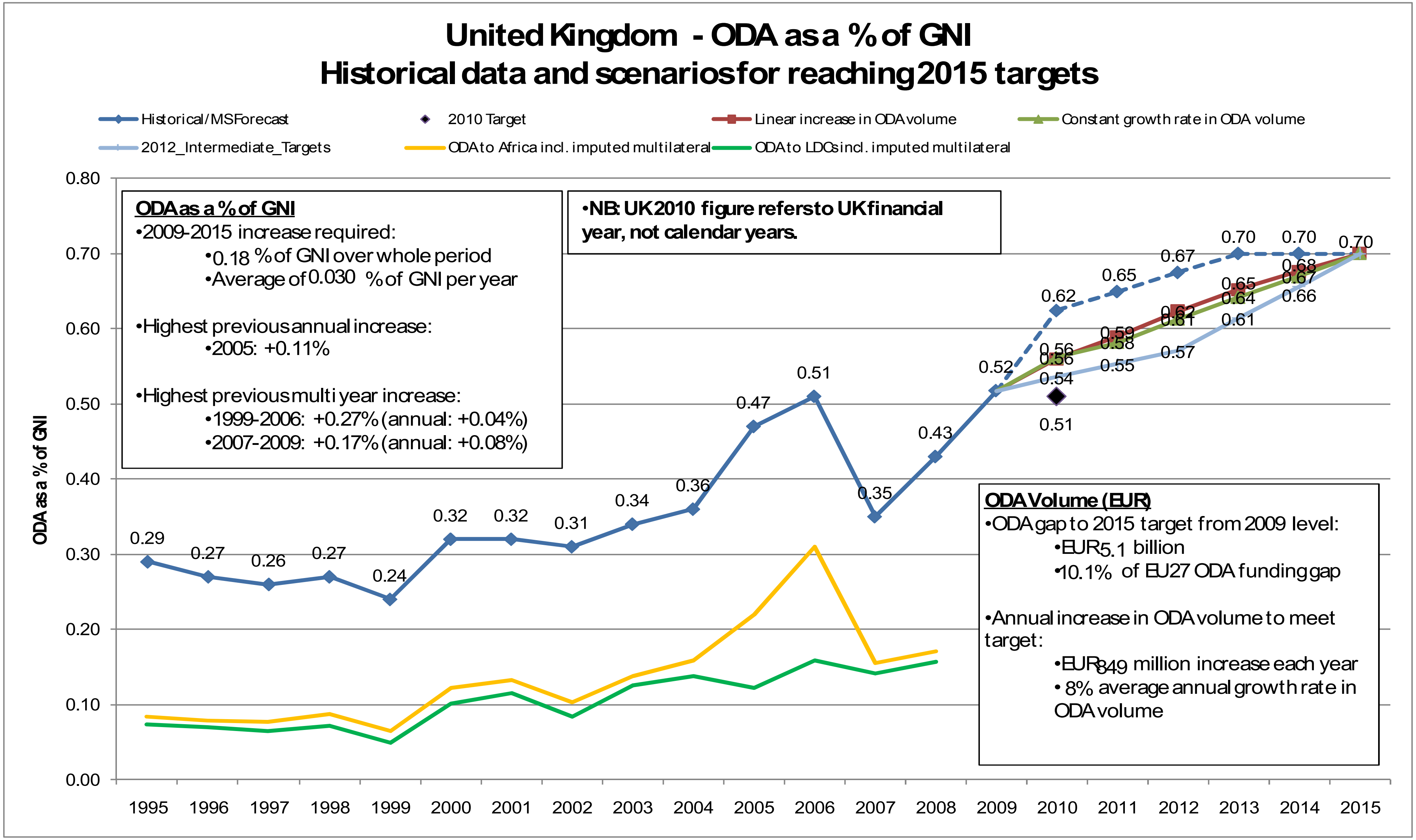

Slovenia - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
Linear increase in ODA volume
Constant growth rate in ODA volume
2010 Target
2012_Intermediate_Targets
ODA as a % of GNI
•2009-2015 increase required:
•0.18 % of GNI over whole period
•Average of 0.030 % of GNI per year
•Highest previous annual increase:
•2009: +0.02%
•Highest previous multi year increase:
•2004-2009: +0.05% (annual: +0.01%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 95 million
•0.2% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 16 million increase each year
•19% average annual growth rate in ODA volume
ODA as a % of GNI
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
0.10
0.11
0.12
0.12
0.13
0.15
0.15
0.16
0.17
0.19
0.21
0.24
0.19
0.23
0.26
0.28
0.31
0.33
0.17
0.20
0.22
0.26
0.29



Spain - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
Linear increase in ODA volume
Constant growth rate in ODA volume
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
• 0.24 % of GNI over whole period
•Average of 0.040 % of GNI per year
•Highest previous annual increase:
•2001,2008: +0.08%
•Highest previous multi year increase:
•2003-2009: +0.23% (annual: +0.04%)
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 3.8 billion
• 7.5% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 635 million increase each year
• 10% average annual growth rate in ODA volume
0.24 0.22 0.24 0.24 0.23 0.22 0.30 0.26 0.23 0.24 0.27 0.32 0.37 0.45 0.46 0.53 0.51 0.51 0.60 0.58 0.55 0.53 0.70 0.62 0.59 0.57 0.70 0.65 0.63 0.61 0.70 0.68 0.66 0.66 0.70
0.00 0.10 0.20 0.30 0.40 0.50 0.60 0.70 0.80
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

EN EN


Sweden - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
National Path
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.77
0.84
0.79
0.72
0.70
0.80
0.77
0.84
0.79
0.78
0.94
1.02
0.93
0.98
1.12
0.96
0.96
0.93
1.00
1.00
1.00
0.51
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
ODA as a % of GNI
•Sweden already exceeds the 0.7% target and is commited to staying above a level of 1.0%.
•2009-2015 increase required: N/A
•Highest previous annual increase: 2005: +0.16%
•Highest previous multi year increase:
•2004-2006: +0.24% (annual: +0.12%)
ODA Volume (EUR)
•Amount of ODA required to stay at 1.0% from 2009 level:
•EUR 1.0 billion
• 2.0% of EU27 ODA funding gap
•Annual increase in ODA volume to stay at 1.0% from 2009 level:
•EUR 166 million increase each year
• 5% average annual growth rate in ODA volume


United Kingdom - ODA as a % of GNI
Historical data and scenarios for reaching 2015 targets
Historical/MS Forecast
2010 Target
Linear increase in ODA volume
Constant growth rate in ODA volume
2012_Intermediate_Targets
ODA to Africa incl. imputed multilateral
ODA to LDCs incl. imputed multilateral
ODA as a % of GNI
ODA as a % of GNI
•2009-2015 increase required:
•0.18 % of GNI over whole period
•Average of 0.030 % of GNI per year
•Highest previous annual increase:
•2005: +0.11%
•Highest previous multi year increase:
•1999-2006: +0.27% (annual: +0.04%)
•2007-2009: +0.17% (annual: +0.08%)
•NB: UK 2010 figure refers to UK financial year, not calendar years.
ODA Volume (EUR)
•ODA gap to 2015 target from 2009 level:
•EUR 5.1 billion
•10.1% of EU27 ODA funding gap
•Annual increase in ODA volume to meet target:
•EUR 849 million increase each year
• 8% average annual growth rate in ODA volume
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015