

EUROPEAN UNION INSTITUTIONS

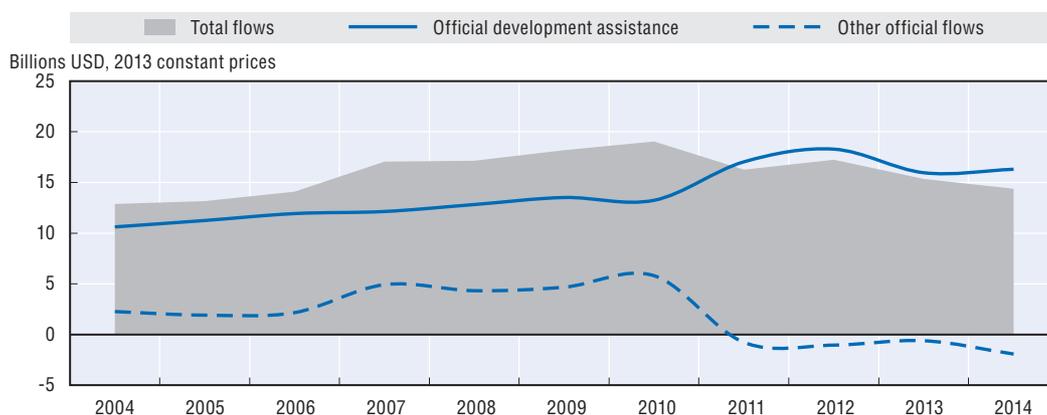
Development challenges as investment and business opportunities: The European Union's policy and practices

Working with and through the private sector in development co-operation is a relatively new way of working for the European Commission, which issued its communication “A stronger role for the private sector in achieving inclusive and sustainable growth in developing countries” in 2014. The objectives of the EU's support for private sector development and its engagement with both the local and international private sectors are: creating a business environment conducive to private sector initiative; mainstreaming private sector development; engaging the private sector in EU development co-operation with a view to achieving inclusive and sustainable growth; and catalysing private sector engagement for development by promoting responsible business practices through EU development policy.

The European Commission increasingly uses blending as one of its tools for achieving EU development policy objectives. It has set up seven facilities to combine EU grants with loans and equity for investments in partner countries, including for infrastructure. In the last seven years, EUR 1.6 billion of EU grants financed over 240 blended projects. According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the European Union mobilised USD 150 million from the private sector through guarantees in 2012-14. The European Union is engaged in private sector development mainly through the European Investment Bank and other European finance institutions.

Financial flows from the European Union institutions to developing countries

Figure 15.1. Net resource flows to developing countries, 2004-14, EU institutions



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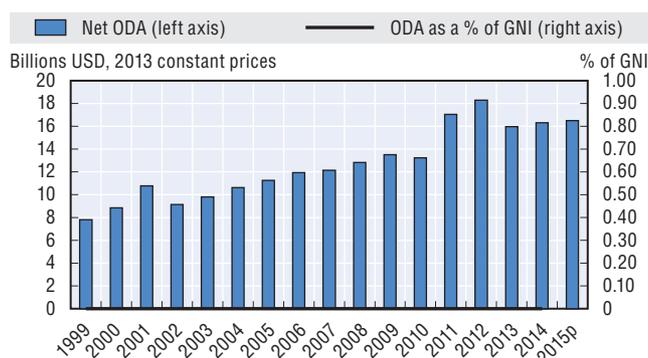
The European Union institutions use ODA to mobilise other resources for sustainable development

- **The EU institutions contribute to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that they committed USD 9.4 million of their official development assistance (ODA) to tax-related activities in partner countries.
- **They promote aid for trade to improve developing countries' trade performance and integration into the world economy.** They committed USD 7.4 billion to trade-related activities in 2014 (44.2% of their sector-allocable ODA), a 26.2% decrease in real terms from 2013. The trend has been decreasing over the past few years.

The European Union institutions' official development assistance

In 2015, the EU institutions provided USD 13.8 billion in net ODA (preliminary data), which represented a 0.5% fall in real terms from 2014. The EU institutions' ODA budget is determined within the EU multi-year financial framework. ODA grew steadily between 2003 and 2012, when it peaked at USD 17.5 billion. This trend was, however, reversed in 2013. The EU institutions' share of untied ODA (excluding administrative costs and in-donor refugee costs) was 65.6% in 2014 (down from 67% in 2013).

Figure 15.2. Net ODA: Trends in volume, 1999-2015, EU institutions

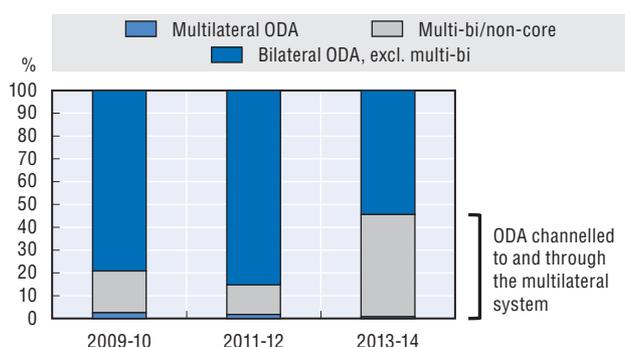


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In 2014, almost all of the EU's gross ODA (99.6%) was provided bilaterally. The EU channelled 45.1% of its bilateral ODA for projects implemented by multilateral organisations (multi-bi/non-core).

The EU institutions are unique among DAC members because of the dual role they play in development assistance. In contrast to multilateral organisations that exclusively receive transfers from members, the EU institutions are providers in their own right with their own resources and budgetary authority.

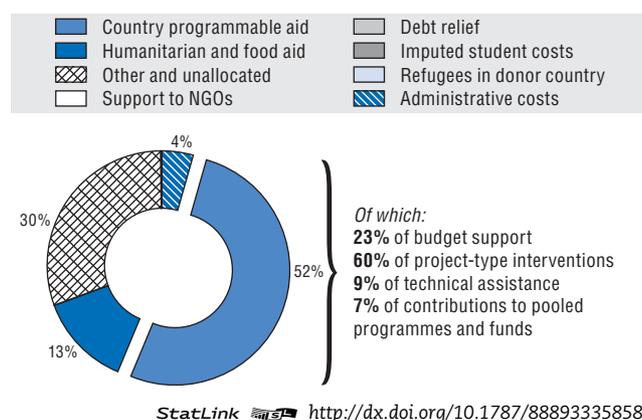
Figure 15.3. Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, EU institutions



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In 2014, 51.9% of the EU institutions' bilateral ODA was programmed at partner country level. Project-type interventions accounted for 60% of CPA. Thirty per cent of bilateral ODA was categorised as "other and unallocated".

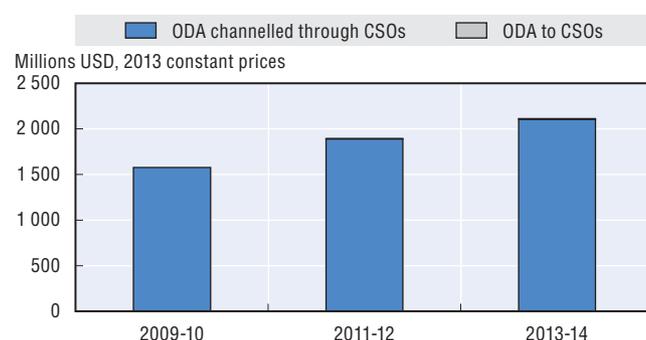
Figure 15.4. Composition of bilateral ODA, 2014, gross disbursements, EU institutions



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In 2014, USD 2.2 billion of bilateral ODA was channelled to and through civil society organisations (CSOs), corresponding to 11.9% of bilateral ODA. Between 2013 and 2014, aid to and through CSOs increased in terms of volume (by 5.6%), but it remained stable as a share of bilateral aid.

Figure 15.5. Bilateral ODA to and through CSOs, two year averages, gross disbursements, EU institutions

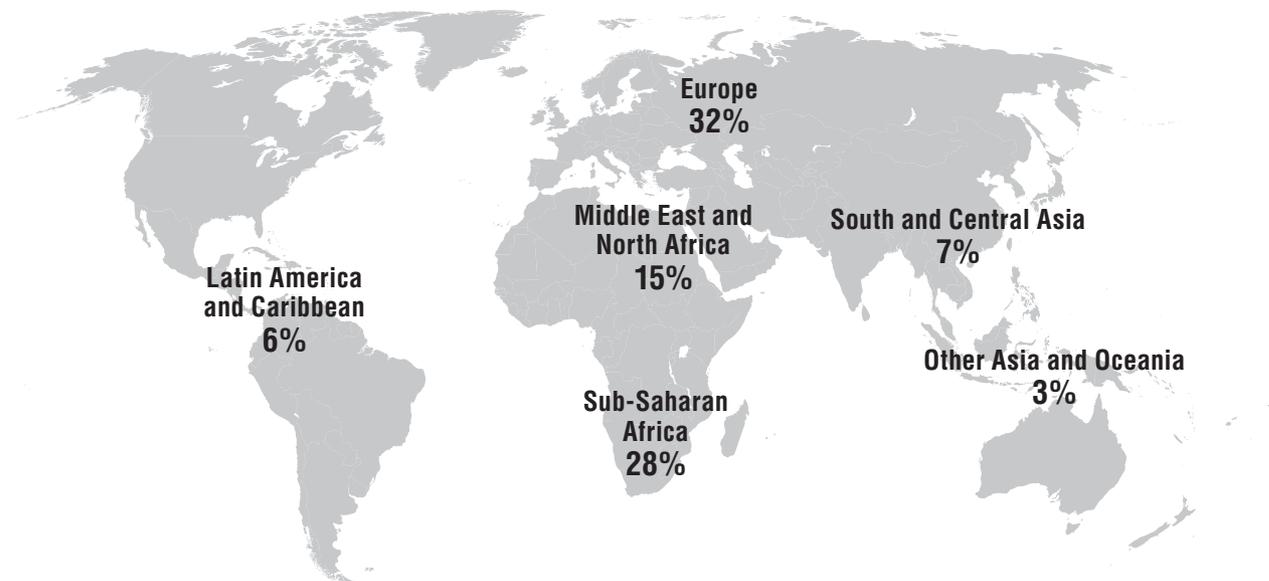


Note: Data on ODA to CSOs are not available for 2009-11.

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Bilateral ODA primarily focused on Eastern Europe and sub-Saharan Africa. In 2014, USD 5.8 billion was allocated to Eastern Europe and USD 5.3 billion to sub-Saharan Africa.

Figure 15.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, EU institutions**



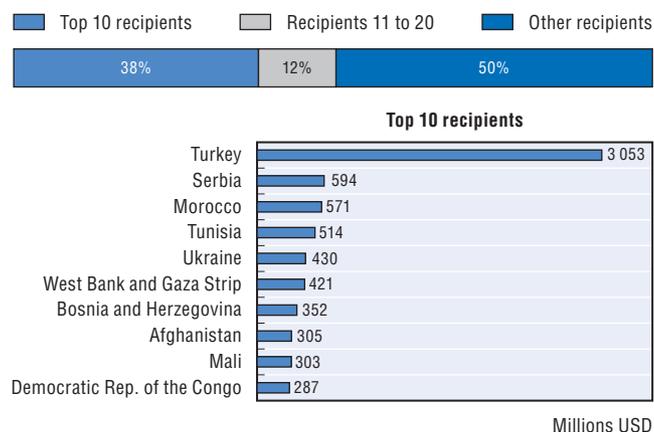
Note: 9% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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In 2014, 38.9% of bilateral ODA went to the top 10 recipients. The European Union has specific agreements and instruments with 79 African, Caribbean and Pacific countries and 9 European accession countries. In 2014, its support to fragile states reached USD 6.3 billion (34.2% of gross bilateral ODA).

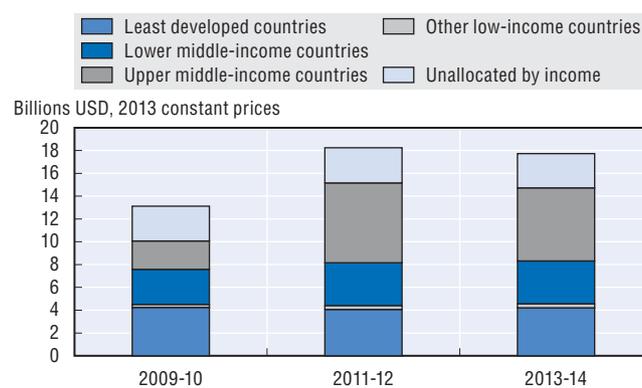
In 2014, 24.7% of bilateral ODA was allocated to least developed countries (LDCs), which amounted to USD 4.5 billion. The share increased from 22.7% in 2013. Upper middle-income countries (UMICs) still received the higher share of bilateral ODA in 2014 (35.6%). This is partly due to the instrument for pre-accession with nine European countries.

Figure 15.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, EU institutions**



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Figure 15.8. **Bilateral ODA by income group, two year averages, gross disbursements, EU institutions**



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In 2014, nearly two-thirds of bilateral ODA was allocated to social and economic infrastructure and services. USD 3 billion of bilateral ODA was allocated to government and civil society, USD 2.9 billion to banking and financial services, and USD 1.6 billion to energy generation and supply. USD 1.8 billion was allocated to humanitarian aid.

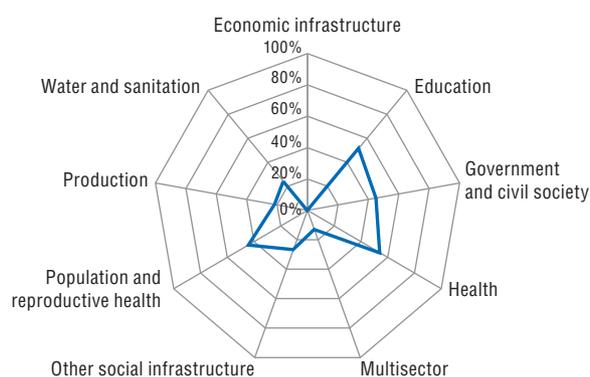
Figure 15.9. Share of bilateral ODA by sector, 2013-14 average, commitments, EU institutions



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USD 2.9 billion of bilateral ODA supported gender equality in 2014. The EU's commitment to promoting gender equality continues to grow, through, for example, the #heforshe campaign and the Women in Parliament (WIP) event held in Addis Ababa in 2015. Its new Gender Action Plan (GAP II) for 2016-20 aims to place gender equality and the empowerment of girls and women at the heart of the EU's external actions, focusing on three thematic areas: ensuring girls' and women's physical and psychological integrity, promoting their economic and social rights, and strengthening their voice and participation. In 2014, 17.4% of the EU's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to 33.5% in 2014. Education and health are the only sectors in which the focus on gender is important.

Figure 15.10. Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, EU institutions



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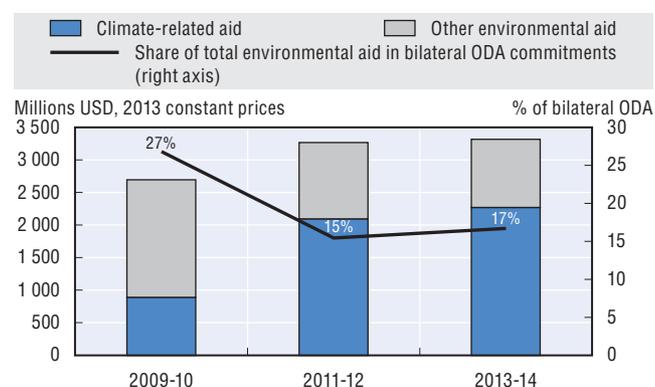
Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2013), *OECD Development Assistance Peer Reviews: European Union 2012*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264196124-en>.

USD 2.4 billion of bilateral ODA supported the environment in 2014. The 2012 DAC Peer Review recommended that the EU develop a strategy to step up progress in mainstreaming environment and climate change issues into development co-operation. The EU institutions' tools and services developed to support mainstreaming into its programme include guidance documents, systematic screening and review of action documents, training seminars and technical assistance, in addition to the knowledge sharing platform available on Capacity4Dev. In 2014, 14.1% of the EU's bilateral allocable aid supported the environment and 10.6% (USD 1.8 billion) focused particularly on climate change.

Figure 15.11. Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, EU institutions



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From:

Development Co-operation Report 2016

The Sustainable Development Goals as Business Opportunities

Access the complete publication at:

<http://dx.doi.org/10.1787/dcr-2016-en>

Please cite this chapter as:

OECD (2016), "European Union institutions", in *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

DOI: <http://dx.doi.org/10.1787/dcr-2016-21-en>

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