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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on Financing for Development

At its meeting on 15 October 2012, the Council and the Representatives of the Governments of the Member States, meeting with the Council, adopted the Conclusions on Financing for Development annexed to this note.

Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on Financing for Development

1. The Council welcomes the Commission Communication "Improving EU support to developing countries in mobilising financing for development"¹. The EU and its Member States (hereinafter referred to as "the EU") confirm their commitments on financing for development, as well as their comprehensive approach to supporting developing countries in mobilising financing from all available sources to reach the MDGs by 2015. In line with the Agenda for Change, efforts will focus on inclusive and sustainable growth as well as on human rights, democracy, the rule of law and good governance.

Domestic resource mobilisation

2. As each country has the primary responsibility for its development and domestic resources are the most important financing source, the EU remains committed to support increased domestic resource mobilisation through development cooperation and to promote a favourable international environment. Specifically, the EU will systematically incorporate tax administration into policy dialogue with partner countries and support tax policy, administration, collection and reform. The EU will also help developing countries to combat illicit capital flows and other harmful practices, improve the transparency of international financial transactions, identify misuse of transfer pricing and strengthen the Extractive Industries Transparency Initiative. In this context, the EU will support the upgrading of capacities in developing countries, including through existing regional and international initiatives. EU companies operating in developing countries will be encouraged to pay their fair share in taxes, in accordance with the OECD guidelines and to improve the transparency of their payments to governments.

¹ COM(2012)366 based on the accompanying staff working document "EU Accountability Report 2012 on Financing for Development".

Debt

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

Fostering private flows for development

4. Trade is an essential engine of growth and one of the principal sources of revenue for developing countries. The EU is a major trade partner and foreign investor, and the most open market for them. To better harness the benefits of trade, the EU has delivered on commitments to increase Aid for Trade. The EU will continue work to deliver more focused, targeted and coordinated Aid for Trade in line with the EU's Agenda for Change and with robust monitoring and evaluation framework. The EU will continue to improve coherence and complementarity between its trade and development policies based on greater differentiation among developing countries, prioritising Least Developed Countries and those countries most in need.
5. Remittances are a key private source of financing for developing countries. The EU recalls the G8 and G20 goal of reducing the average cost of transferring remittances from 10% to 5% by 2014 and reaffirms the need to ensure faster, easier and cheaper remittance transfers, in line with the 29 May 2012 Council Conclusions², to maximise the development impact of migration and mobility.

² Council Conclusions on "The Global Approach to Migration and Mobility" (Doc. 9417/12).

Official financing for global goals

6. Official Development Assistance (ODA) is an essential and catalytic element in the overall development financing available for developing countries. The Council recalls its report to the European Council³ which noted with concern that in the face of continued budgetary constraints owing to the ongoing economic and financial crisis, global ODA levels had fallen for the first time in 2011. Nevertheless the EU has maintained its position as the biggest global ODA donor, accounting for the half of the total ODA to developing countries and the Council recalls the reaffirmation by Heads of States and Governments to achieve development assistance targets by 2015.⁴ It also notes that the EU has reached the target of spending at least 0.15% of GNI on Least Developed Countries and that the share of EU collective ODA to Africa increased in 2011.
7. The Council confirms its commitment to ensure transparent and uniform criteria in reporting development finance, and calls for clarifying the existing definition of "concessional in character" in the context of the OECD/DAC reporting directives.
8. The Council recalls its recent conclusions on Climate Fast Start Finance.⁵ The Council confirms its resolve to deliver on the 'EU Biodiversity Strategy to 2020' commitment. The EU notes that climate change and biodiversity are closely interconnected and reiterates that financing from the EU for various global policy areas should take into account the domestic policy environment of partner countries.

³ Council Conclusions on the "Annual Report 2012 to the European Council on EU Development Aid Targets" of 14 May 2012 (Doc. 9372/12).

⁴ European Council Conclusions of 29 June 2012 (Doc. EUCO 76/12)

⁵ Council Conclusions on "Climate Finance - Fast Start Finance" of 15 May 2012 (doc. 10029/12).

Leveraging finance for development

9. The EU seriously considers proposals for innovative financing with significant revenue generation potential, with a view to ensuring more stable and predictable financing, especially toward those countries most in need. The EU calls on all parties to significantly step up efforts and scale up current initiatives, and welcomes the ongoing work by the Leading Group on Innovative Financing for Development to promote a menu of options on a voluntary basis.

10. The Council stresses the importance of increasing use of innovative financial instruments to promote stronger private sector engagement in inclusive and sustainable development, especially at the local level. The EU agrees to use grants more strategically and effectively for leveraging public and private sector resources, including in the context of blending grants and loans and innovative risk-sharing and joint financing mechanisms. The Council supports the setting up of the "EU Platform for External Cooperation and Development" to provide guidance to existing blending mechanisms. The EU also stresses the central role of enabling domestic business environments and promoting corporate social responsibility principles, at local and global level. Use of innovative financing mechanisms will take account of debt sustainability and accountability and will avoid market disturbances as well as budgetary risks.

Aid and Development Effectiveness

11. The Council confirms its commitments on aid and development effectiveness, in line with the outcome of the Busan High Level Forum on Aid Effectiveness, and emphasises the importance of implementing and monitoring performance against these commitments, in particular at the country level. The EU remains fully committed to strengthening country-level implementation, notably through supporting country-level results and mutual accountability frameworks and division of labour activities, including mapping of EU support for climate action at the country-level to strengthen transparency and predictability. The EU will also pursue actions to implement the New Deal for Engagement in Fragile States.

12. The EU will implement the European Transparency Guarantee and the commitments related to the common open standard for publication of information on development resources including publishing the respective implementation schedules by December 2012, with the aim of full implementation by December 2015, as set out in the Busan Outcome Document. The EU is also committed to reducing aid fragmentation in line with the Busan Outcome Document, notably through promoting joint programming, as defined in the Council Conclusions on the EU Common Position for the Fourth High Level Forum on Aid Effectiveness,⁶ and increasing coordination in order to develop a common EU joint analysis of and response to partner country's national development strategy.

Looking ahead

13. In a changing international context, the approach to mobilising financing will also need to evolve. The Council notes that the potential financing sources for the various global challenges are the same, yet they need to be harnessed and targeted, along with non-financial actions, by all actors.
14. The Council emphasises the substantial link between international processes, including the elaboration of a post-2015 development framework, the follow-up to the Rio+20 conference, the UN Framework Convention on Climate Change and the Convention on Biodiversity, and expresses its support for addressing their financing considerations in an integrated manner. In this context, the Council stresses the need for a common and coherent EU approach to the upcoming process on options for a sustainable development financing strategy.

⁶ Doc. 16773/11 of 14 November 2011.

15. The EU will promote a common and comprehensive approach to financing for development beyond 2015, including the monitoring of and reporting on its various elements and addressing the role and framework of ODA, other official flows, private flows and innovative sources of financing for development. It will consider all available financing sources comprehensively and seek synergies among financing sources and policy areas. In this context, the Council confirms its commitment to ensure Policy Coherence for Development. Increased development effectiveness calls for enhanced efforts by all stakeholders – including at local level – and for development friendly policies in a broad range of areas beyond aid.

16. The Council invites the Commission to address these issues in its forthcoming proposal for a common EU position on the post-2015 development agenda.
