European Commission

BUDGET SUPPORT

Trends and results 2019

International Cooperation and Development

Acknowledgements

This report was prepared by the Directorate-General for International Cooperation and Development (more specifically the unit in charge of Budget Support, Public Finance Management and Domestic Revenue Mobilisation) in association with the Directorate-General for European Neighbourhood and Enlargement Negotiations of the European Commission and the European External Action Service. It is made up of contributions from staff at EU headquarters and in EU delegations.

This report is based on data available by the end of 2018.

What is EU budget support?

EU budget support is a means of delivering effective aid and durable results in support of EU partners' reform efforts and the sustainable development goals. It involves (i) dialogue with a partner country to agree on the reforms or development results which budget support can contribute to; (ii) an assessment of progress achieved; (iii) financial transfers to the treasury account of the partner country once those results have been achieved; and (iv) capacity development support. It is a contract based on a partnership with mutual accountability. In compliance with the EU financial regulation, the use of budget support is subject to conditions. Eligibility criteria have to be met before signing a contract and maintained during its implementation before payments are made.

For an introduction to EU budget support, watch this video: **http://bit.ly/EUbudgetsupportVideo**

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Directorate-General for International
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and Enlargement Negotiations

European Commission
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Contents

Abbreviations

AEOI	automatic exchange of information
AIDS	acquired immune deficiency syndrome
AVR	average
BCP	business continuity plan
BEPS	base erosion and profit shifting
DCFTA	deep and comprehensive free trade area
DCI	Development Cooperation Instrument
DRM	domestic revenue mobilisation
Ecowas	Economic Community of West African States
EDF	European Development Fund
EIP	External Investment Plan
EITI	Extractive Industries Transparency Initiative
ENI	European Neighbourhood Instrument
ENP-E	European neighbourhood policy — East
ENP-S	European neighbourhood policy — South
ESA	eastern and southern Africa
EU	European Union
EUR	euro
EUTF	European Union Emergency Trust Fund for Africa
FNSSA	food and nutrition security, sustainable agriculture
FDI	foreign direct investment
FLEGT	Forest Law Enforcement, Governance and Trade
GDP	gross domestic product
GCCA	Global Climate Change Alliance
GGDC	good governance and development contract
GRB	gender-responsive budgeting
HIC	high-income country
HR	human rights
IBP	International Budget Partnership
IDP	internally displaced people
IFMIS	integrated financial management information system
IMF	International Monetary Fund

IPA	Instrument for Pre-accession Assistance
ICT	information and communication technologies
LA	Latin America
LED	light-emitting diode
LMIC	lower-middle-income country
LIC	low-income country
MFA	macro-financial assistance
OCT	overseas countries and territories
ODA	official development assistance
OECD	Organisation for Economic Cooperation and Development
PAC	Pacific
PAR	public administration reform
PEFA	Public Expenditure and Financial Accountability
PI	performance indicator
PFM	public finance management
RMF	risk management framework
SBS	sector budget support
SDG	sustainable development goal
SDG-C	sustainable development goals contract
SRBC	state and resilience building contract
SRPC	sector reform performance contract
TADAT	Tax Administration Diagnostic Assessment Tool
UHC	universal health coverage
UMIC	upper-middle-income country
UN	United Nations
Unctad	United Nations Conference on Trade and Development
UNFPA	United Nations Population Fund
Unicef	United Nations Children Fund
USD	United States dollar
VET	vocational education and training
WAEMU	West African Economic and Monetary Union
WCA	west and central Africa
WHO	World Health Organisation
WTO	World Trade Organisation

Executive summary

Based on the country context, EU budget support accompanies **reforms** in a variety of areas. Under the development policy, it focuses on fostering sustainable development, with the primary aim of eradicating poverty. Under the European neighbourhood policy, the EU works with its southern and eastern neighbours to foster stabilisation, security and prosperity. In the enlargement context, it applies the Copenhagen accession criteria, strengthens the civil society dialogue, enhances market economies and supports approximation to the EU *acquis.*

EU budget support helps the building of more transparent and accountable **public administrations**, able to deliver services to their **citizens** more effectively and efficiently. In situations of fragility, it strengthens states' capacity to provide services to the population and fosters countries' resilience.

Budget support is a **vehicle for dialogue** between the EU and its partner countries, involving discussions at technical, policy and political levels, making it pivotal to EU external action and the EU global strategy for foreign and security policy.

EU budget support covers a large variety of sectors, with **250 contracts implemented in 89 countries or territories**. On average, it accounts for about 40 % of national cooperation programmes with partner countries. In 2018, it gave rise to **EUR 1.8 billion of payments**, providing countries with additional fiscal space to finance their public policies, bear the costs of reforms, build their administrative capacities, achieve ambitious results and sustain these.

In its 2018 review of EU external cooperation ([1]), the Organisation for Economic Cooperation and Development (OECD) praised the **effectiveness** of EU budget support. This confirms the results of recent evaluations carried out by independent entities ([2]).

This report describes the spread and depth of the EU budget support programmes in the different regions and countries. It presents their results according to the sustainable development goals (SDGs), analyses the risks associated with budget support and depicts the financial and geographical distribution of the ongoing operations.

At the core of EU cooperation lies the objective to **leave no one behind** in line with the 2030 Agenda for Sustainable Development and the 2017 European Consensus on Development ([3]). EU budget support has an important part to play for that purpose. With respect to **SDG 1** and **SDG 10** targeting poverty and inequality reduction, the following developments can be highlighted:

— the **share of people living in poverty** in countries receiving EU budget support has dropped from more than 26 % of the population in 2002 to less than 14 % in 2017;
— the **income share of the bottom 40 % of the population** in the same countries has risen since 2002 (by 2 percentage points to reach 17.5 % of gross national income in 2017);
— between 2014 and 2018, EU budget support has contributed directly to SDG 1 and SDG 10 to the tune of more than EUR 5 billion, or over EUR 1 billion a year.

This fight is far from over. Through a **portfolio centred on least-developed countries** (more than 50 % of the total commitments) and a focus on vulnerable groups or deprived regions in all its programmes, EU budget support is helping to build a more equitable world by 2030.

([1]) Canada and Japan led the review on behalf of the OECD Development Assistance Committee (link to the report: https://www.oecd.org/dac/oecd-development-co-operation-peer-reviews-european-union-2018-9789264309494-en.htm).

([2]) See for instance the following publications: (i) German Institute for Development Evaluation (DEVAL), *Effectiveness and sustainability of budget support: Evaluation synthesis,* 2018, https://www.deval.org/en/synthesis-and-exit-evaluation-budget-support.html; (ii) Swedish Expert Group for Aid Studies (EBA), *Budget support, poverty and corruption: a review of the evidence*, 2018, https://eba.se/en/rapporter/budget-support-poverty-and-corruption-a-review-of-the-evidence/8669

([3]) See the European Commission staff working document, 'Implementation of the new European consensus on development — addressing inequality in partner countries', June 2019 (link: https://eudevdays.eu/sites/default/files/swd_inequalities_swd_2019_280.pdf).

It promotes **social protection** schemes, offering safety nets for the poorest households. Decentralisation and territorial development policies are equally supported. They address **regional disparities** and, in some cases, help stabilise countries affected by conflicts or security issues.

Reducing inequalities and safeguarding stability and security also calls for more opportunities. This motivates the increased focus of EU cooperation on business development and **investment promotion** in line with **SDG 8**. This has been reaffirmed by the Africa-Europe Alliance for Sustainable Investment and Jobs unveiled in 2018. The External Investment Plan is paramount to implement this **pro-growth agenda**, also to make sure that it creates jobs and benefits every decile of the population. EU budget support is a cornerstone of the approach by promoting a sound business environment, investments in **human capital** (in relation to SDGs 3 and 4 notably) and better **economic governance** (as a key contributor to SDGs 16 and 17). It goes hand in hand with programmes focused on **infrastructure** (**SDG 9**), mostly for transport. In this respect, the following results can be reported:

— in **Ethiopia**, the access of rural communities to all-weather roads registered a 10 % gain within 4 years to reach 78 % in 2017;
— in **Morocco**, EU budget support accompanied the country's efforts to attract foreign direct investments, which have increased by 23 % between 2016 and 2017, and Morocco also moved up 27 ranks in the *Doing business* index between 2014 and 2019;
— in **Albania**, it promoted measures allowing the employment rate of men and women to rise to 64 % and 50 % in 2017 respectively, from 57 % and 43 % in 2013;
— between 2014 and 2018, EU budget support directly contributed EUR 1.4 billion to the targets covered by SDGs 8 and 9.

Naturally, the fight against poverty and inequalities as well the promotion of stability and security inspire all SDGs. For **food security and improved nutrition** (**SDG 2**), the results include the following:

— in **Niger,** for example, it helped raise the number of food-secure people from 31 % of the population in 2013 to 58 % in 2018;
— between 2014 and 2018, 15 % of the EU budget support portfolio focused on SDG 2 targets, equivalent to almost EUR 1.5 billion.

For years, EU budget support has been instrumental in tackling disparities in **health** (**SDG 3**) and **education** (**SDG 4**). It has contributed for instance to the following results:

— the EU supported **Rwanda** in achieving universal healthcare through the roll-out of a compulsory health insurance scheme, which covers more than 90 % of its population;
— in **Bangladesh**, the completion rate for primary education improved to 81 % in 2017 from 60 % in 2010 and girls now account for more than half of the pupils at schools;
— in **Jordan,** the EU joined forces with the authorities through budget support to allow more than 30 000 young Syrian refugees to attend schools in 2018;
— between 2014 and 2018, 5 % and 10 % of the newly approved programmes directly contributed to SDGs 3 and 4 respectively, or nearly EUR 1.5 billion altogether.

Gender equality and women empowerment are promoted across all sectors and regions. 49 % of the programmes approved between 2014 and 2018 contributed mainly or significantly to **SDG 5**, with a total amount close to EUR 5 billion. In countries receiving EU budget support, general progress includes:

— **safer deliveries** which increased (from 75 % to 86 % of attended births between 2000 and 2017) and lower **maternal mortality** (from 426 to 256 deaths per 100 000 births over the same period);
— increased **girl primary school completion** (from 69 % to 88 % between 2000 and 2017) and **women illiteracy** brought down (from 39 % to 22 % over the same period).

Efforts towards gender equality are not limited to social sectors and the report provides many other examples of actions promoted through budget support. Nonetheless this still requires vigilance in many partner countries and strengthened dialogue to prevent setbacks for women's rights.

In relation to health, the EU also addresses disparities in the access to **clean water and sanitation** (**SDG 6**) and contributes to tangible outcomes such as the following:

— the number of villages without any access to drinkable water in **Burkina Faso** has fallen from 360 in 2015 to 100 in 2018;
— in **Samoa**, 98 % of households now have access to sanitation facilities.

Under budget support contracts, actions on SDG 6 are often intertwined with **environmental objectives**, particularly to preserve life on land (**SDG 15**), as follows:

— in **Tuvalu**, waste collection services now cover 100 % of Funafuti island and at least 80 % of needs in the other islands of the archipelago;
— between 2014 and 2018, 20 % of EU budget support contributed to environmental protection, 4 % to biodiversity and 4 % to the fight against desertification, according to the OECD criteria.

In view of the inequalities that it exacerbates and the threats that it poses to all countries, the fight against **climate change** is a priority for EU budget support. Overall, 17 % of the newly approved operations between 2014 and 2018 directly supported climate action (**SDG 13**). Combined with the programmes on **energy** (**SDG 7**) often focusing on renewable energies and energy efficiency, this contribution should rise to 22 %. Nonetheless, greater efforts are required to encourage countries (and build their capacities) to mainstream this concern in all their policies.

Finally, **security and strong institutions** (**SDG 16**) as well as **macroeconomic stability** and **development financing** (**SDG 17**) are cornerstones of peace and prosperity. Every single budget support contract contributes to the two SDGs through the eligibility criteria and dedicated indicators. Capacity development actions are also embedded in the operations.

Public finance management is systematically monitored with a view to raising resources, sharing the effort fairly amongst taxpayers, curbing tax evasion, spending more effectively and tackling corruption and fraud. The EU also promotes **public administration reform**, especially in the neighbourhood and enlargement contexts, which comprises an emphasis on legislative approximation and regulatory convergence. An accountable and effective public administration plays an important role at both the central and local levels in ensuring democratic governance, and encouraging inclusive economic development. In this respect, data show that:

— countries receiving EU budget support perform above average on **fiscal management**;
— **corruption perception** is lower in EU budget support countries and the trend is improving, although rather slowly;
— in **Ukraine**, the administration reform allowed significant gains in **public-service delivery** (about 120 administrative centres created and 100 e-services made available in 2 years);
— in **Georgia**, the EU has accompanied the process making asset declaration compulsory for public officials. Inconsistencies were found in 80 % of the declarations and fines issued for the concerned officials. 2 % of these cases were sent for investigation;
— in line with EU commitments in the context of the Addis Tax Initiative, indicators linked to domestic revenue mobilisation accounted for 19 % of the value of variable tranches in programmes approved in 2018, compared to 3 % for the programmes approved in 2014.

Therefore, EU budget support helps foster budget **transparency** and oversight, leading to higher **accountability** of public authorities on policy outcomes. This calls for upgraded statistical and monitoring systems to improve both the production and the use of data. Alliances are increasingly built with civil society and media for that purpose.

The report is organised in three parts.

Part I offers **examples of results** achieved in countries with the contribution of EU budget support, structured around the 17 SDGs.

Part II analyses the **risks associated with budget support**. In 2018, there was a slight decrease in risk perception for all categories except macroeconomic risks, which continued to increase. This mostly stems from concerns around debt sustainability and vulnerability to exogenous shocks. West and central Africa remains the region with the highest risk profile.

Part III describes the **financial and geographical distribution**. Sub-Saharan Africa remains the largest recipient of EU budget support (41 %), followed by the European neighbourhood (22 %), Asia (21 %), Latin America (6 %), the Caribbean (3 %), candidate countries or potential candidates to join the EU (3 %), overseas countries/ territories (3 %) and the Pacific (1 %). By contract type, sector reform performance contracts outweigh state and resilience building contracts and SDG contracts, with 78 % of the portfolio compared to 16 % and 6 % respectively.

Part I — Results

The results highlighted hereafter reflect the variety of contexts in which EU budget support is implemented. Under the development policy, the objectives focus on fostering sustainable development and eradicating poverty. Under the European neighbourhood policy, the EU works with its southern and eastern neighbours to foster stabilisation, security and prosperity. In the enlargement context and in the perspective of EU membership, budget support is used to apply the Copenhagen accession criteria in candidate countries and potential candidates, together with strengthening the civil society dialogue, enhancing market economies and supporting approximation to the EU *acquis*.

EU budget support is implemented in the context of the 2030 Agenda for Sustainable Development. This report presents the results ([4]) achieved by partner countries and the contribution of EU budget support to each of the 17 SDGs.

SDG 1 — No poverty

End poverty in all its forms everywhere

Poverty eradication is the primary objective of development policy. It has been reaffirmed in the 2017 European consensus on development for the European Union and its Member States.

When supporting national strategies or at sector level, EU budget support can have a unique role to play to help countries meet SDG 1 and similarly SDG 10, which addresses inequalities.

Over the 164 budget support programmes approved between 2014 and 2018, which totalled EUR 9.5 billion, it is estimated that 54 % of them contributed directly to poverty and inequality reduction with a contribution of more than EUR 5 billion to SDGs 1 and 10 considered together.

This focus has been a constant dimension of EU budget support since its outset in early 2000 and between 2002 and 2017 it contributed to strong gains in the reduction of poverty, as measured by the international benchmark of USD 1.90 a day.

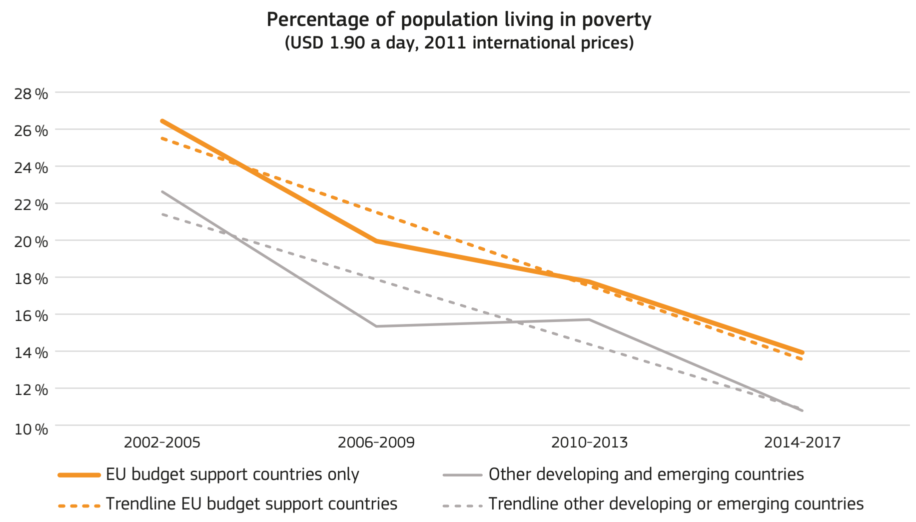
The share of people living in poverty has almost halved in 15 years from above 26 % of the population in 2002 to below 14 % in 2017. This trend is observed in other developing and emerging countries, but the starting point was significantly higher since the EU budget support portfolio focuses mostly (and increasingly) on least-developed countries (see Part III of the report).

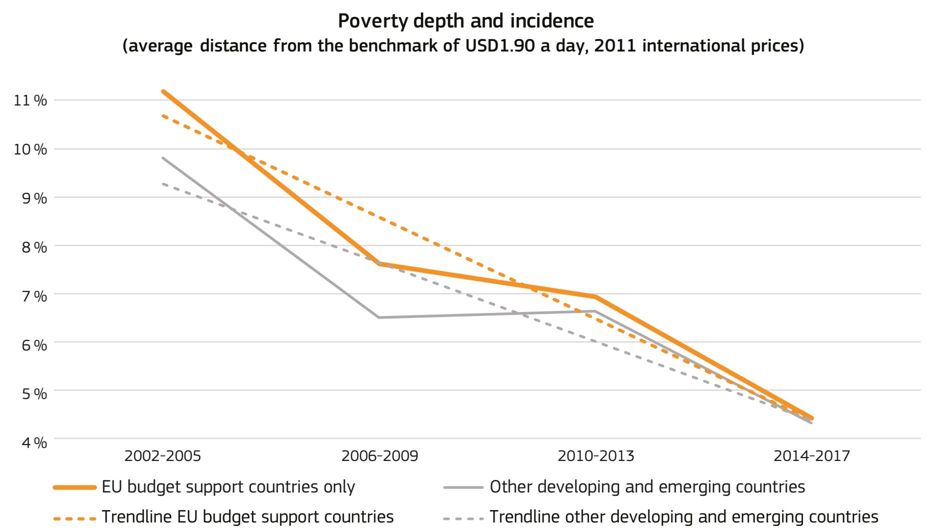
Nonetheless, a lot needs to be done if the targets SDG 1.1 (eradicate extreme poverty for all people everywhere, as above) and SDG 1.2 (reduce at least by half the proportion of men, women and children of all ages living in poverty) are to be achieved by 2030.

It is encouraging to note though that the incidence or depth of poverty (i.e. the average distance of the poor people from the international poverty line, in terms of income or consumption loss) has decreased faster in

([4]) Data used in the report are drawn from official reports of partner countries or from the following public databases: World Development Indicators (http://datatopics.worldbank.org/sdgs); World Governance Indicators (http://info.worldbank.org/governance/wgi); PEFA (https://pefa.org/assessments/listing); IMF World Economic Outlook (https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx); *Doing business* (http://www.doingbusiness.org); Open Budget Index (http://survey.internationalbudget.org). Comparisons between *Budget support — Trends and results* issues over years must be handled with care as the sample of EU budget support countries varies from one year to another. Refer to Annex 2 of this report to find out where EU budget support is currently being implemented.

EU budget support countries and is now the same as the rate observed in the other developing or emerging countries.





SDG 2 — Zero hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

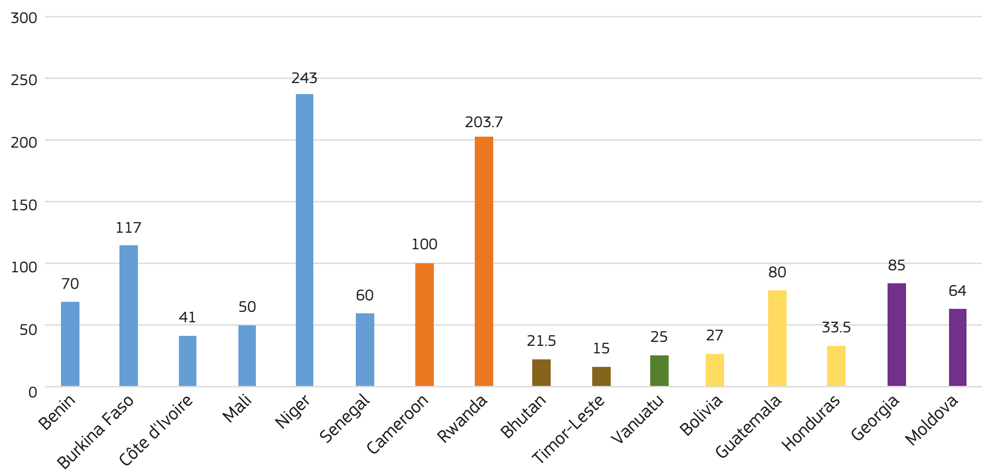
SDG 2 is about ending hunger and all forms of malnutrition by 2030. It commits to universal access to safe, nutritious and sufficient food at all times of the year. It requires sustainable food-production systems and resilient agricultural practices, equal access to land and technology and investments in infrastructure to boost sustainable agricultural productivity.

Food and nutrition security, sustainable agriculture (FNSSA) covers a wide array of sectors, often falling under the responsibility of different ministries (e.g. agriculture, livestock, fisheries, forestry, environment, health). Therefore — and as reflected in the chart hereafter — budget support contracts in that field are often multisectoral, addressing a wide array of policy domains and involving a number of stakeholders from the government, civil-society organisations and private-sector entities.

Through different entry points depending on the context, budget support operations linked to SDG 2 all aim to enhance policies, strategies and capacities to enable a suitable political, budgetary and social environment for fighting hunger at national and local levels.

Key words in the FNSSA sector

In 2018, the EU supported 16 partner countries in achieving SDG 2 with 24 budget support operations. The payments amounted to more than EUR 226 million and accounted for 13 % of all budget support payments. Between 2014 and 2018, 15 % of the 3 240 indicators used in the 164 programmes approved in that period globally were directly linked to SDG 2 and the fight against hunger in all its dimensions (in financial terms, as a share of all variable tranches).



Niger offers a concrete illustration of the complexity of interventions for SDG 2. The constraints facing the country are manifold:

— Niger is a landlocked territory with scarce arable land, and an arid or semi-arid climate;
— droughts and floods are increasing in frequency and impact, due to climate change;
— rain-fed agriculture is facing a decline in the average size of cultivated land per farming household, pressure on land and forest resources, desertification and conflict;
— across the region and the country, the security situation is a major concern: it has generated 165 000 refugees mainly from Nigeria and Mali, and 192 000 internally displaced people, imposing a substantial burden on the country in terms of resources;

— the population is growing at a rate of 3.9 % annually, with 84 % living in rural areas and a fertility rate of 7.6 children/woman;
— the prevalence of stunting amongst children under 5 years of age is close to 48 %, posing a tremendous challenge to the equitable and harmonious development of the country.

© Care

Group of women in the Sahel region

In 2012, Niger launched the 3N initiative ('Nigeriens nourishing Nigeriens'), a cross-sectoral push to increase agricultural, livestock and forest productivity while enhancing the resilience of farmers and herders to climate change and food insecurity.

During 2014 and 2018, the EU contributed to the 3N initiative with EUR 552 million, including a budget support programme of EUR 243 million, the largest in the sector globally. The EU budget support contributed to the following results within the 3N initiative:

— more Nigeriens are food secure, increasing from 31 % of the population in 2013 to 58 % in 2018;
— a better-organised institutional network is being put in place for agronomical and livestock advisory services, alongside provision of inputs;
— increased access to water in communes and sanitation in schools and health centres has been achieved, with particular attention paid to women;
— information systems are being developed for sector policy monitoring and intervention, including early-warning systems, the national information platform for nutrition and implementation of the Ecowas regional agricultural information system;
— food crisis planning now includes a yearly national response plan to meet the needs of vulnerable households;
— land-use planning schemes guide natural resources management and conflict prevention.

While budget support is proving to be an essential tool in achieving SDG 2, in conflict areas, such as the Sahel, there is a significant risk of diverting funds from sectoral budgets to security expenditures. However, one cannot go without the other: food security means security. The EU needs to call for continuous provision of services for securing peace and stability, while supporting governments in the field of security through other means. This logic also applies in countries under considerable budgetary stress and in situations of fragility. Supporting the states to perform core sovereign functions should go hand in hand with investments in areas linked to food and nutrition security.

In **Cameroon**, EU budget support promotes specific reforms in the field of rural development. The programme contributes in particular to increasing the agricultural productivity and incomes of small-scale food producers, to maintaining the genetic diversity of seeds and to increasing investments in rural infrastructure, agricultural research or extension services. Progress made since the start of the programme in late 2017 is substantial:

— the inter-ministerial coordination has been reactivated and allowed for the implementation of several administrative measures and reforms;
— a new national seed policy was adopted to promote the emergence of an economically viable private seed sector;
— the government's capacity to control the quality of inputs and to certify seed has been strengthened and a first official catalogue of species and varieties published for that purpose;
— an animal health and veterinary public policy has entered into force;
— the management of municipal roads has been devolved, with new provisions introduced in the procurement law and the reinforcement of municipalities' mandate in the control of works;
— a harmonised framework for nutrition and food security has been adopted.

Since this programme is the first EU budget support operation in the country for many years, it has also positioned the EU as a key partner for public finance.

In a different context, the agriculture and rural development budget support in **Georgia** is the single largest assistance programme in the country. Following a first intervention focused on agriculture, the second phase expanded the scope of its activities to food safety and sanitary and phytosanitary measures, and to promoting a more holistic approach to rural development. In 2017, 88 % of the 98 seed lots for wheat and barley applying for registration as certified seed production areas were approved. Both the food processors certified as bio/organic producers and the companies producing wines of geographical indication have increased by 120 % and 85 % respectively.

Overall, value chain development was improved and the market information system was updated, allowing for tracking the evolution of market prices, for detecting market trends and for informed policy development. EU quality standards for agricultural outputs were rolled out. More than half of the national food agency inspectors were trained. More than 200 tests undertaken by national laboratories complied with EU and international standards. EU-compliant border control of food and products of non-animal origin were streamlined. In addition, six new programmes were launched to promote non-farm diversification, generate rural employment and improve living conditions.

SDG 3 — Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

The EU is a global actor for universal health coverage (UHC), the key target underpinning health goals and their interlinkage with other goals in the 2030 Agenda for Sustainable Development. By building alliances, addressing critical funding gaps and strengthening capacities, the EU supports and helps coordinate action towards UHC at global, regional and country levels. Strengthening national health systems and making quality health services accessible and affordable for all are the central tenets of the UHC concept. This is also strongly linked to the rights-based approach to health, which was re-emphasised in the 2017 European consensus on development.

Contributing to a more equitable access to health services and healthy choices is a human rights concern, and is increasingly recognised by constituencies as a concern of enlightened self-interest as well. In the wake of global migration trends, the importance of a healthy workforce for the development of stable national economies, of effective disease control to address transborder aspects of infectious diseases and of access to reproductive health and rights is widely acknowledged.

In 2018, EU budget support contracts in the field of health were implemented in 10 countries ([5]). These were complemented by EU support to regional or global financing mechanisms (e.g. Gavi; The Vaccine Alliance, Global Fund to Fight AIDS, Tuberculosis and Malaria) and to UN agencies (e.g. World Health Organisation and United Nations Population Fund). Given the EU's clear focus on UHC and its commitment to more coherent health policy,

([5]) Burkina Faso, Ethiopia, Grenada, Morocco, the Philippines, Rwanda, South Africa, Tajikistan, Timor-Leste and Vietnam.

sustained efforts are being made towards increasing aid effectiveness at country level, ensuring government leadership and seeking synergies between EU-funded programmes and other health initiatives.

The EU is contributing to the expansion of health facilities in Burkina Faso

To improve outcomes in **Burkina Faso**, for example, EU budget support was combined with a dialogue on the national development policy, which included a systematic analysis of socioeconomic disparity in access to health services. This dialogue built on indicators to be achieved for the disbursement of variable tranches. This dialogue was reinforced in the regions affected by terrorist attacks to help keep basic health services operational and accessible to the population.

The country's cooperation with the EU, embedded in a partnership framework with other development partners, encouraged an increase in domestic budget allocation for health to nearly 13 %, putting it on track to meet the 15 % Abuja Declaration target even if the current situation might induce additional spending on security (see section on fragility and security for SDG 16). Since 2016, the government has abolished out-of-pocket payment for healthcare for women and children under five, and has introduced more stringent quality monitoring of healthcare services.

While recent survey data are not yet available, projections based on sub-national data indicate that the contraceptive prevalence rate leaped from 24.6 % to 30.1% in less than 2 years, between late 2016 and early 2018. Increased availability of modern contraceptives is a major factor in reducing the high level of unintended pregnancies, which amount to one third of all pregnancies in Burkina Faso. Along with free and quality maternal and child health services, increased family planning uptake can be expected to have a substantial impact in reducing maternal mortality (see the section on SDG 5), as well as infant and child mortality.

In **Rwanda**, the health sector has taken on a stewardship role in development and implementation of the national multisectoral strategy to eliminate malnutrition. With the contribution of EU budget support, the malnutrition of children, adolescents, pregnant/lactating mothers and vulnerable groups is being addressed as a high priority.

Rwanda is considered a success story in global health. Its healthcare system is built on a rights-based approach, with the explicit aim of providing equitable access to quality health services. The EU has strongly supported Rwanda's efforts to put aid effectiveness principles into practice and ensure that all contributions are co-ordinated around one national plan. Rwanda continues to strengthen its health systems by providing integrated services in health facilities, and subsidising premiums and co-payments of health insurance for over 2 million of the poorest Rwandans. With more than 90 % of Rwandans covered by the scheme, Rwanda is one of the few developing countries in the world that has successfully achieved universal healthcare. The country's life expectancy has almost doubled from 35 in 1995 to 67 years in 2017. This remarkable progress has been associated with great advances against infectious diseases such as HIV, tuberculosis and malaria, and improvements in reproductive health, maternal health and newborn and child health.

SDG 4 — Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Through a number of instruments and global education partnerships, the EU supports some 100 countries in providing inclusive and equitable education and lifelong learning opportunities for all.

For the 2014-2020 programming period, around 60 partner countries have bilateral cooperation programmes with an education component. Currently, 17 countries [6] out of these 60 countries have ongoing sector reform performance contracts in the field of education. In addition, due to a situation of fragility or transition, education is supported in five more countries [7] through state and resilience building contracts. In total, the education sector is covered in 22 budget support contracts. It is also worth noting that SDG 4 accounts for 15 % of the indicators used in budget support contracts overall (in financial terms, as a share of all variable tranches).

Aligned with countries' policies, budget support programmes contribute to strengthening education systems and assist countries in achieving their strategic goals. In other countries [8], the programmes support sectors such as employment or youth empowerment and include education components contributing to skills building, social inclusion and employability through formal and non-formal education. These are considered under SDG 8 as they foster entrepreneurship and employment.

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EU support to new teaching methods in Bangladesh

'Before, I used to follow strictly the syllabus and gave homework to all my students. Now I understand that the best way to improve children's learning ability is by working and engaging with them in class, stimulating an active participation', says Murshida Ferdousi, a primary school teacher in Bangladesh. She uses the child-centred pedagogy to engage her students in the classroom, moving away from the traditional practices of teaching in Bangladesh. Murshida learned this methodology through a 1.5 year training course introduced within Bangladesh's third primary education sector programme to help providing quality education.

(6) Anguilla, Bangladesh, Cambodia, Dominican Republic, Greenland, Jordan, Kyrgyzstan, Laos, Morocco, Namibia, Nepal, Niger, Pakistan, Paraguay, South Africa, Tunisia and Turks and Caicos Islands.

(7) Central African Republic, Haiti, Madagascar, Mali and Sierra Leone.

(8) E.g. Armenia, El Salvador, Georgia, Peru and Wallis and Futuna.

In Bangladesh, the EU continues to be one of the key development partners supporting such reform initiatives through its sector reform performance contract. The sector policy has addressed over 16.5 million students, 100 000 schools and 450 000 teachers throughout the country.

© Lauren Kana Chan

The EU is contributing to gender parity in the schools of Bangladesh

The EU budget support to Bangladesh contributed to significant improvements in the strengthening of the sector system reflected in the performance of the key indicators in access and participation — especially with regard to enrolment and dropout rates of children — along with gender parity:

- the net enrolment rate increased to 98.0 % in 2017 from 94.8 % in 2010;
- the primary cycle completion rate improved to 81.2 % in 2017 from 60.2 % in 2010;
- the dropout rate decreased to 18.8 % in 2017 from 39.8 % in 2010;
- the recruitment of some 95 000 additional teachers during the programme's duration helped to improve the student–teacher ratio and to provide quality education;
- in 2017, more than 17 million students were enrolled in 134 000 primary education schools from Grade 1 to 5. With nearly 8.75 million girls in primary schools in 2017, the girl students accounted for more than half of the total number of pupils in primary education.

The EU has also assisted **Laos** in upgrading its education system and notably the following:

- the prime minister has issued a new decree increasing allowances for primary and lower secondary for poor and disadvantaged students;
- the Ministry of Education has increased the allocation of school block grants;
- the Ministry of Education has finalised continuous professional development training for primary teachers and revised the primary curriculum;
- a ministerial decree has been issued forbidding teacher transfers from rural to urban areas and from the education sector to other sectors;
- a new IT platform supporting the education management information system has been developed.

The results achieved and to which the EU contributed are the following:

- the enrolment of 5-year-old children increased from 70.9 % to 74.4 %;
- the primary annual net ratio increased from 97.9 % to 98.7 %;
- the annual repetition and dropout rates in primary schools fell from 4.8 % to 4.1 %;
- the annual net enrolment rates in lower education increased from 82.2 % to 82.9 %;
- the annual net enrolment rates in upper secondary school increased from 47.8 % to 51.4 %.

In **Jordan**, the EU has been supporting the education of Syrian pupils and helping the government to cope with the influx of refugees in public schools. In 2018, more than 1 300 teachers and another 200 staff in camps were trained, more than 30 000 pupils received schoolbooks and more than 12 camps were equipped with functioning libraries, computer labs and science education facilities.

© Johanna de Tessières

The EU is helping young Syrian refugees to attend school in Jordan

In **Kyrgyzstan**, EU budget support has been considered the best way of undertaking education-related reforms with a high overall level of achievement. The government has displayed a high degree of commitment to reforms, through the implementation of its education development strategy, combined with systemic reforms (e.g. related to public finance management).

The promotion of inclusive education was a direct result of EU budget support in the country by raising awareness on special needs education in secondary schools. All teachers undergoing in-service teacher training have now completed a compulsory module on inclusive education. Schools have established 'correctional classes' where children with special needs receive additional education enabling them to come back to the regular education programme upon completion.

The EU is promoting inclusive education in Kyrgyzstan

The enrolment rate of children with learning disabilities in secondary schools dropped between 2011 and 2013. Through policy dialogue and financial contributions, the trend has been reversed and their presence at school is on the rise, although it does not yet cover all children with special needs or all forms of disability. The policy also led to the following results:

— higher allowances for parents of children with disabilities, easing their participation in society;
— a funding formula for schools including a provision for children with learning disabilities;
— the roll-out of an online academy designed to suit specifically the needs of youth with physical disabilities and the development of an inclusive education policy.

EU support to education reform in **Serbia** has focused on developing a curriculum centred on lifelong learning and providing for universal access to quality education. Key digital competences have been included at all education levels starting from primary school. In 2018, around 17 000 teachers were trained in outcome-oriented teaching. Pre-school access reached an almost universal coverage (98.2 % children in 2017). Lower participation rates were observed for vulnerable groups such as the Roma children (62 %) who benefited from EU-targeted scholarships. For the first time, school textbooks were published in minority languages.

5 GENDER EQUALITY

SDG 5 — Gender equality

Achieve gender equality and empower all women and girls

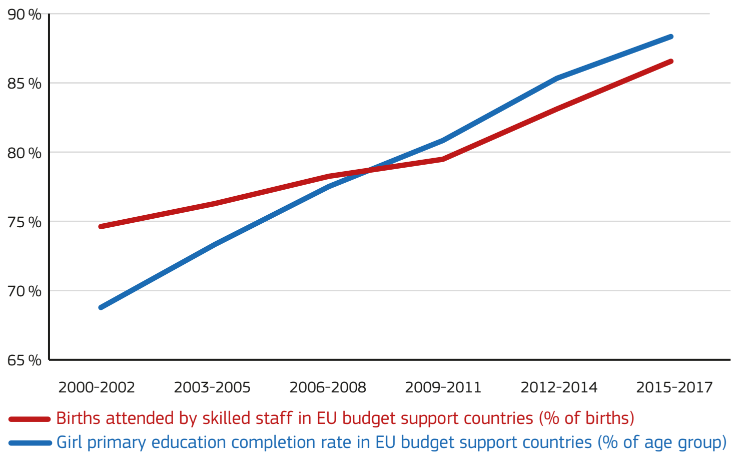
Gender equality and women's empowerment are at the centre of EU cooperation and EU budget support has been helping partner countries to achieve progress towards SDG 5.

Gender equality is therefore a core dimension of EU budget support, through the dialogue on policies, performance measurement and capacity development. 49 % of the programmes approved between 2014 and 2018 contributed mainly or significantly to SDG 5, worth close to EUR 5 billion.

During the design of EU budget support programmes, the gender sensitivity of countries' policies is assessed. In addition to policy dialogue, performance indicators are encouraged within variable tranches to reflect this priority and to encourage additional effort from countries. This is notably true in social sectors, for which sex-disaggregated indicators are used and for which results can be observed.

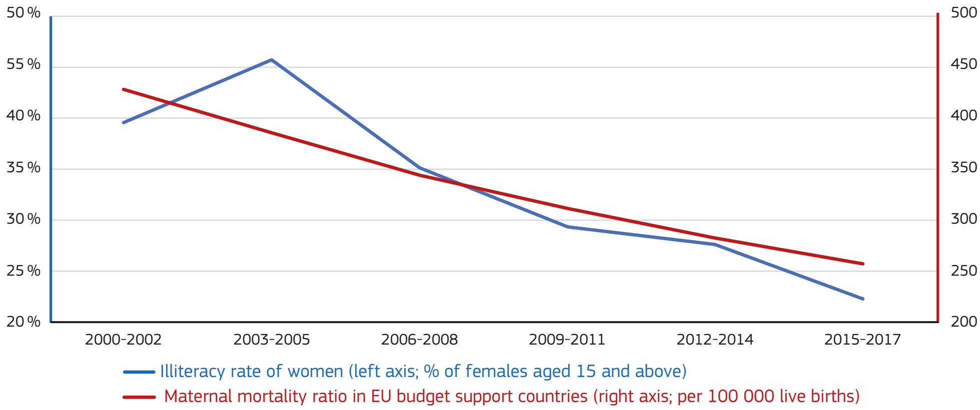
Two outcome indicators have been used extensively across EU budget support countries: one related to health (SDG 3), the percentage of births attended by skilled health staff; the other for education (SDG 4), the primary school completion rate for girls. Tangible progress was observed between 2000 and 2017 with increases from 75 % to 86 % of attended births out of the total of births and from 69 % to 88 % for the completion rate of a girl generation (see the graph below).

Gender equality in health and education — Selected outcomes in EU budget support countries — Attended births (SDG 3) and girl primary education (SDG 4)



This has translated into a significant impact for women with the decrease of both maternal mortality (SDG 3) and illiteracy (SDG 4). The former dropped from 426 to 256 deaths per 100 000 births between 2000 and 2017. The latter was almost halved over the same period, down from 39 % to 22 % of women affected by illiteracy.

Gender equality in health and education — Selected impacts in EU budget support countries — Maternal mortality (SDG 3) and woman illiteracy (SDG 4)



Besides the examples above which relate to SDG 3 and SDG 4, the focus on gender equality applies to all other policy fields. Examples of topics covered by variable tranche indicators include:

— **Burkina Faso, Mali** — access to irrigation schemes for women (SDG 2);
— **Niger** — installation of women-only toilets in schools and health centres (SDG 6);
— **Albania** — increased women participation in the labour market (SDG 8);
— **Côte d'Ivoire** — skill certification for women working in the informal sector (SDG 8);
— **El Salvador, Jordan, Moldova, South Africa, The Gambia** — enhanced access to microfinance and entrepreneurship support services for women (SDG 8);
— **Armenia** — upgraded legal framework and effective support centres for women victims of violence (SDG 16);
— **Côte d'Ivoire Georgia,** — improved access to legal aid for women (SDG 16);
— **Guyana** — promotion of science, engineering and technology studies and industrial jobs towards women (SDG 8);
— **Moldova** — increased participation of women in the police force (SDG 16);
— **Morocco** — share of women in the membership of the High Council of Justice (SDG 16).

6 CLEAN WATER AND SANITATION

SDG 6 — Clean water and sanitation

Ensure availability and sustainable management of water and sanitation for all

Nine countries are implementing an EU budget support programme in the water and sanitation sector. These programmes encompass different aspects of water and sanitation. Therefore, they contribute not only to the achievement of SDG 6 but also to progress towards other SDGs — such as SDG 3 (good health and well-being) and SDG 15 (life on land).

The ongoing budget support contract in **Bolivia** has enabled steady progress in the water-basin management countrywide since 2015. On the normative and strategic side, most efforts were put into risk reduction and climate change adaptation, following the 2016 water deficit crisis in La Paz and other regions of the country. Progress in the sector has been reported also thanks to the continuation of investments in basin management and water risk-reduction projects, of which there were 13 new projects in the country in 2018 alone. Improvements in data management through the implementation of the water resources information system and the expansion of the early-warning system to eight new municipalities were also been achieved in the course of 2018.

In **Burkina Faso**, the EU started operating in the water sector in the 1990s with infrastructure projects and it was only in 2010 that the approach was complemented by budget support. This enabled a strategic dialogue with authorities within the national institutional setup. The new sector reform contract on water and sanitation in Burkina Faso launched in 2017 focuses on four dimensions of policy dialogue: sector governance, access to water, rural sanitation and integrated water resources management. Since the beginning of the programme, strong performance has been observed. For example, the number of villages without any access to drinkable water has fallen from 360 in 2015 to 100 in 2018. In terms of sanitation, the results are less evident, as a change in patterns would require a change in individual behaviours. The most important transformation relates to the concrete actions implemented in the framework of the integrated water resources management. The five water management local authorities now have a specific contribution paid by the high consumer industries (mining) to finance actions for the preservation of the resource.

Supporting access to drinking water in Burkina Faso

In **Senegal**, the budget support programme started in 2017 and positive results can already be highlighted in the sector. In rural areas, the rate of access to drinking water increased by 4.7 percentage points between 2015 and 2017. At this rate, 100 % of the population should have access to drinking water in 2021. This result stems from the drilling of boreholes, the construction of water towers and multi-village water supply networks. In urban areas, the authorities have made major efforts in the financing of water supply. For a population of more than 7 million inhabitants in Dakar in 2017 (against 6.3 million inhabitants in 2015), the overall access rate reached 98.8 %, or 0.8 % of progression in 2 years and 775 500 additional people served. With regard to access to sanitation, an increase of around 2.5 % has been recorded but a significant effort is required to achieve the 100 % target in 2030 for urban areas and in 2040 for rural areas.

In **São Tomé and Príncipe**, the budget support operation focuses on improving the accessibility to potable water and to sanitary installations, and in particular for women and girls. The programme in fact aims at increasing to 20 % the number of households having access to potable water, thus freeing mostly women from daily chores, letting them develop independent economic activities making them less exposed to iniquities and to any sort of gender-based violence. It also aims to double sanitary installations in buildings from health centres to secondary schools, and in parallel pushes the local government to adopt similar programmes in other sectors.

In **Samoa**, the EU has supported the Water for Life plan 2016-2020. The results are encouraging:

— reliable, safe and sustainable water reached 83 % of the population;
— 98 % of households have access to and were using improved sanitation facilities;
— over 8.5 km of pipe were installed or replaced;
— in 2018, for the second year in a row, the water authority had an operational surplus;
— in Greater Apia (capital of Samoa), the construction of drainage upgrades has allowed for a 34 % reduction in flooding incidences.

SDG 7 — Affordable and clean energy

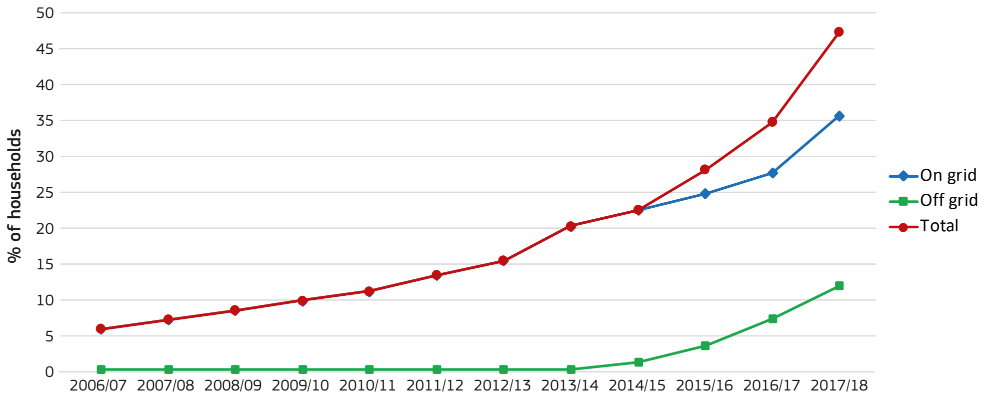
Ensure access to affordable, reliable, sustainable and modern energy for all

EU budget support in the energy sector assists the implementation of the relevant institutional, legislative and fiscal reforms to create an enabling environment and engage both public and private operators in meeting SDG 7 — which encompasses access to electricity, clean fuel and technology, renewable energy production and energy efficiency — and make progress towards SDG 13 too.

No new energy budget support contract was signed in 2018. The latest ones were signed with Vietnam and Tonga in 2017. Similar to transport, EU support has progressively shifted to financial instruments to finance new infrastructures, in partnership with development finance institutions.

In **Rwanda**, access to electricity for people and the development of industrial activities is a prerequisite for the achievement of country's goal of becoming an upper-middle-income country by 2035. The EU has contributed to increasing the access to electricity for households from 20 % to nearly 47 % since 2006 (see the graph below). Clear progress also stemmed from off-grid solutions (e.g. solar home systems), while energy efficiency initiatives paid off (e.g. improved cooking appliances).

Electricity access rate in Rwanda 2006-2018



In **Barbados**, the EU is supporting the implementation of the national energy policy. This contributes to the sustainable use of natural resources and to the development of sustainable options for energy production, aiming towards 100 % of electricity generation through renewables.

In **Saint Kitts and Nevis**, EU budget support strengthens the country's efforts to achieve energy self-sufficiency from local renewable energy sources. Increasing integration of renewable energy and energy efficiency technologies in public facilities and social housing programmes, coupled with awareness-raising campaigns, training and education programmes, supports the country's transition towards renewable energy and improved energy efficiency. In addition, EU budget support contributes to building resilience, ensuring that the population will have access to water and electricity if the country is affected by exogenous shocks such as hurricanes.

In **Vietnam**, the programme enhances access to sustainable energy in rural areas and supports the country's transition towards a 'greener' energy future. Complementary support to improve energy data and statistics has been also mobilised through the EU technical assistance facility for sustainable energy. Policy dialogue within the budget support has also contributed to the government's decisions to increase tariffs for renewable energy (solar and wind), thereby improving the business climate and allowing for private sector investments in the sustainable energy sector to take place.

The objectives are similar in **Jordan**, where a second budget support contract started in 2016, in response to an ambitious strategy for renewable energy and energy efficiency. The programme is helping to increase solar energy generation, lower the energy consumption of public buildings, deploy sustainable public lightning and promote the use of solar energy in agriculture.

This is also the case in **Tonga**, where the EU supports the energy roadmap 2010-2020, notably renewable energy production and grid losses reduction. Some of the measures undertaken included the following:

— the rate of fuel excise tax was increased by 16 %;
— energy performance standards for fridges, freezers, air conditioning and lights were enforced;
— LED tubes were installed in government buildings and in public agencies;
— solar street lights, solar water pumping projects, solar freezers, solar home systems, wind power generation systems and solar energy production systems were installed;
— batteries and controllers for existing solar home systems were replaced.

Through a programme adopted at the end of 2017, the EU supports **Tunisia**'s commitments to improve energy efficiency and to develop renewable energy, thereby reducing its greenhouse gas emissions. In these domains, 2018 has seen an acceleration of the implementation of the efficiency component of the 2030 national energy strategy. In this context, a solar energy plan is expected to curb the domestic demand for hydrocarbon-based imports and help achieve Tunisia's climate change targets by 2020. This resulted in the initiation of the procurement process for eight new power plants representing a total production of 1 000 MW of renewable energy (solar and wind).

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 — Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

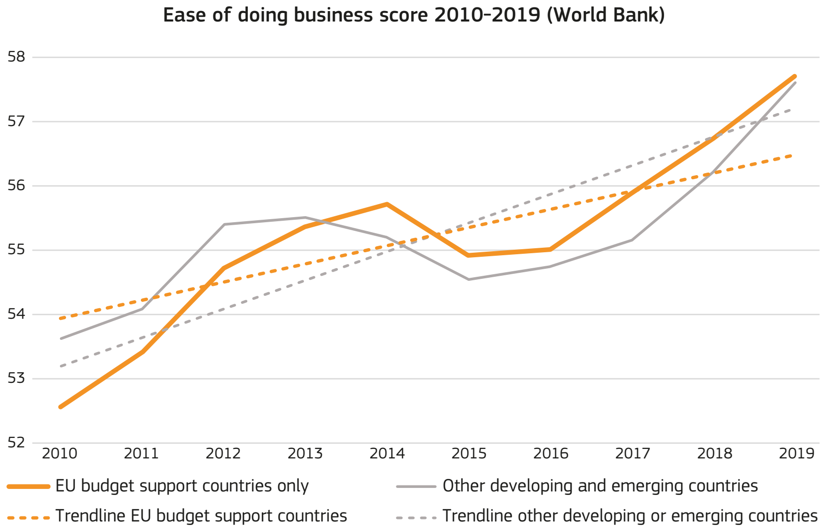
Improvements of countries' business environments are usually monitored through the World Bank's *Doing business* report ([9]). Progress since 2010 has been slightly faster in EU budget support countries than in other developing or emerging countries, allowing the former to catch up with the latter.

The pace of change remains too modest though and further efforts are expected from partner countries in order to support local entrepreneurs and to attract foreign investors. Through the External Investment Plan (EIP), the EU aims at stimulating investments in partner countries and at raising additional funds to finance their development agendas and allow them to meet the SDGs.

EU budget support is essential to implement the third pillar of the EIP, which aims to improve the business environment and economic governance. It is estimated that, since 2014, EU budget support has contributed EUR 1.2 billion to the SDG 8 targets (or 13 % of the EUR 9.5 billion of new budget support programmes approved between 2014 and 2018).

EU budget support reinforces policy dialogue and helps to accelerate the upgrading of regulations and of public finance management systems (e.g. public investment management, debt management, tax administration, transparency and accountability). It also offers a comprehensive framework to make sure that investments serve the countries' development agendas, with due consideration for policy coherence, social and environmental progress, macroeconomic stability, debt sustainability, domestic revenue mobilisation, asset maintenance and/or accountability. These are preconditions for returns on investment to be sustainable and to benefit all.

([9]) The ease of doing business score measures the gap of each economy from the best regulatory performance observed across all economies in the *Doing business* sample. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance.



Performance indicators used within EU budget support programmes may refer to areas such as:

- streamlining of administrative obligations and development of e-services (e.g. Tunisia);
- development of business advisory services for SMEs and start-ups (e.g. Georgia);
- access to finance for SMEs (e.g. Jordan) ;
- promotion of entrepreneurship (e.g. Morocco);
- upgrading the regulatory framework and the facilities to meet European standards or sanitary and phytosanitary norms (e.g. Tunisia or Georgia) ;
- creation of new businesses in an emerging sector, like tourism (e.g. French Polynesia) or ICTs (Wallis and Futuna);
- promotion of green/circular economy in businesses and local communities (e.g. Morocco, Colombia or Bhutan).

Obviously, such dimensions are often covered in interventions directed at a given sector (e.g. sustainable agriculture) or similarly some interventions with their own objectives may have a huge impact on the investment climate in the country — typically those relating to energy (SDG 7) or transport (SDG 9) — by contributing to lowering the costs of doing business.

In the framework of a EU budget support programme in **Senegal**, an important part is devoted to supporting the country's efforts in investment climate improvements. This involves supporting the simplification and dematerialisation of administrative processes (such as tax declaration and e-payment, or streamlined procedures for the registration of employment contracts) as well as reforms to improve commercial justice mechanisms.

South Africa has identified the setting up of a coherent national system of innovation as a priority to support competitiveness. However, this system has not yet achieved its potential, as it revolves around traditional players in the research and academic sectors, with limited involvement of the private sector and weak partnerships. Through budget support, the EU is supporting strengthened policy development that will stimulate investment in research, development and innovation.

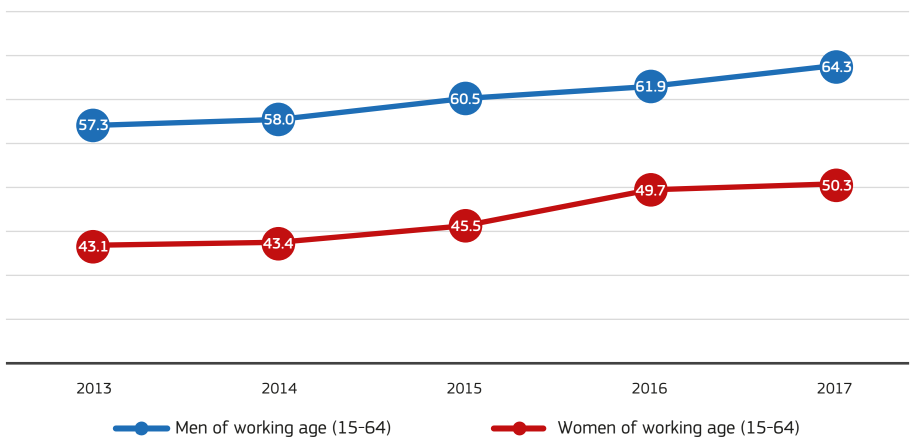
Building on previous interventions in the sector, the EU supports employment in **Georgia** through a multifaceted approach. The vocational education and training (VET) system was set up to better respond to the modern labour market needs. Through the adoption of the VET law, vocational training was integrated into the general education system — an approach which guarantees that all pupils will achieve a universal basic educational level before following VET curricula, which can be continued with higher-level education through the transfer of VET credits.

The development of technical skills is accompanied by the development of soft skills like entrepreneurship, communication in foreign languages or digital competences. Work-based learning is available for 23 programmes and covers a variety of sectors: agriculture, tourism, railway transportation, construction and engineering. VET education pulls together public-private funding and is increasingly accessible with four new centres opened in 2018.

Nine additional regional offices have opened in Georgia offering modern employment services. Job seekers and employers can also meet on the digital platform Worknet ([10]). The registrations of job seekers and employers have been steadily increasing. In November 2018, more than 217 000 jobseekers were registered on Worknet, whilst 688 employers were posting 7 665 vacancies.

EU support to employment in **Albania** has focused on providing modern employment services through the establishment of multifunctional training centres, a revamped VET system focused on responding to labour market needs and the rolling out of an entrepreneurship programme targeted at young people. VET has attracted an increasing number of students and teachers, who could benefit from tailored training programmes. The status of employment of vulnerable groups is monitored under the VET graduates tracking system. Youth participation rates in the labour market have improved since the beginning of the programme in 2015.

Status of employment rates in Albania (in %)



The EU continued to support economic competitiveness and green growth in **Morocco**. A steady improvement is recorded in the country's *Doing business* score, ranking 68th out of 190 participants in 2017, coming second in northern Africa and fourth in Africa. The overall credible economy and trade policy led to improved foreign direct investment rates. An increase by 23 % was registered in 2017 compared to the previous year, ranking fifth among the other foreign direct investment (FDI) recipients in Africa.

Since the beginning of the programme in 2014, the main achievements include the installation of automotive ecosystems, of aluminium rims and of a new ecosystem in the renewable energy industry for the production of wind turbines for African and Middle East markets. Industrial exports in 2017 reached about EUR 15 billion or an annual average increase of 10.3 % per year since 2014. The automotive sector now accounts for more than 40 % of industrial exports. In late August 2018, car exports exceeded EUR 4 billion, an increase by 17.8 % compared to the previous year.

In **Afghanistan**, two successive state and resilience building contracts have supported the Afghan state in achieving more inclusive growth and further job creation. This involves increasing business confidence and private investment through more effective macroeconomic and regulatory policies and fighting corruption, as well as improving country competitiveness with an upgraded labour market. Thanks to EU support, Afghanistan has been able to improve labour market governance, covering labour protection, labour inspection, national employment and labour migration.

The EU has been supporting **Ghana** in carrying out its national development policy. According to the Ghana labour market profile, up to 300 000 young men and women enter the labour market every year and only around

([10]) See http://www.worknet.gov.ge

2 % of them find jobs in the formal sector. The majority join the informal economy, where the rate of vulnerable jobs is around 66 %. In light of this assessment, the EU has been assisting Ghana in promoting domestic and foreign investments, enabling businesses to spearhead economic transformation and thereby creating more employment and decent work opportunities for all. The programme also aims at improving the quality and accessibility of the employment services and of the labour market information system. Furthermore, the programme is expected to improve the country's compliance with national and international labour standards.

SDG 9 — Industry, innovation and infrastructure

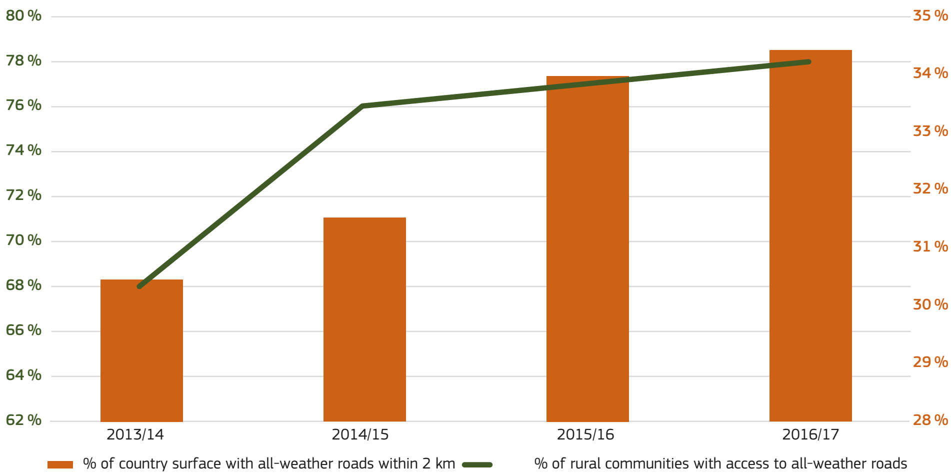
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

With respect to SDG 9, the EU has been assisting some countries' transport policies for some years but EU support has progressively shifted to funding infrastructure through financial instruments (e.g. blending and guarantees) in partnership with development finance institutions. Some transport budget support programmes have been therefore been phased out (e.g. Rwanda or Tanzania) but a few programmes are still being implemented to improve mobility.

SDG 9 must also be considered in conjunction with the actions undertaken to improve the business environment and stimulate investments (SDG 8) or to raise the competitiveness of productive sectors and foster economic diversification (e.g. SDG 2, where the transport policy and related investment promotes competitive and sustainable agriculture).

In **Ethiopia** the EU budget support programme has been instrumental in expanding the road network towards rural communities, with 10 % more of them getting access to all-weather roads in 4 years.

Rural accessibility in Ethiopia



In **Albania**, a new budget support programme was initiated in 2017 to support better road infrastructure and road safety. To date, road safety inspections have been launched together with a programme for eliminating black spots from 1 330 km of the national road network.

EU support to road maintenance policy in Albania

SDG 9 also covers the key issue of border infrastructure. EU support for integrated border management aims to improve prevention and detection of irregular migration and cross-border crime, while enhancing preservation of national and international security (in relation to SDG 10 and SDG 16). This includes the improvement of border control, the prevention and detection of cross-border crimes and the improvement of inter-agency coordination and of international cooperation.

Similarly, EU support to integrated border management in **Serbia** has promoted adherence to EU codes and standards on border management. (e.g. risk analysis, training of border police) and helped increase the number of crossing points. Specialised contact points have been created in police offices to improve detection and investigation of cross-border crime. The legal framework now tackles illegal border crossing and smuggling to tackle cross-border organised crime.

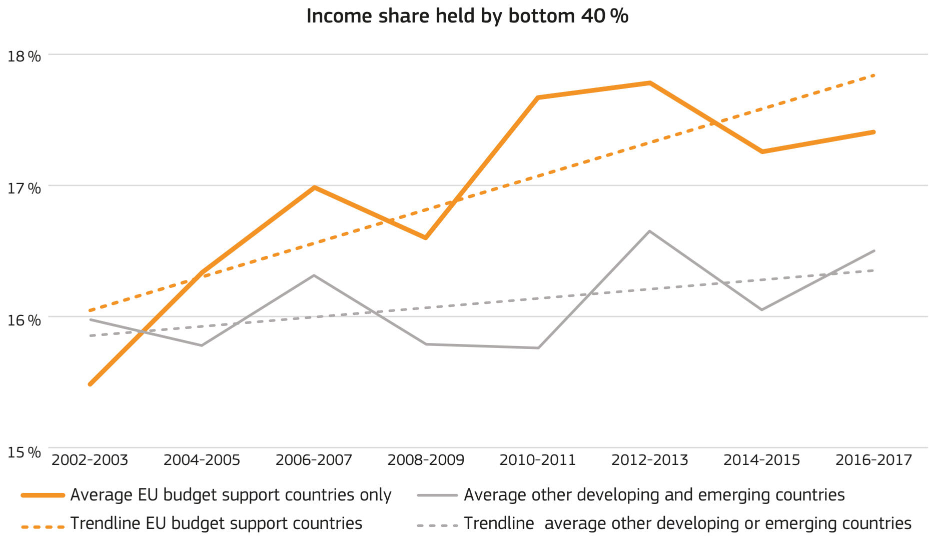
SDG 10 — Reduced inequalities

Reduce inequality within and among countries

The fight against inequalities has become a political priority globally, as economic growth has occurred at the expense of equity, and as high or rising inequality is detrimental to prosperity in the long term.

Inequalities may derive from economic, social and demographic factors or from disparities in access to or in quality of employment and public services. All these dimensions are strongly interrelated and may be the cause and/or the result of income inequality. Different facets of inequalities or disparities in partner countries are addressed under EU budget support programmes.

In EU budget support countries, the income share of the bottom 40 % of the population suggests that, on average, income inequality is less pronounced than in other developing or emerging countries, and has decreased slightly over the years (although the trend is not straightforward).



The trend is however too slow to ensure that it translates into welfare or additional opportunities and that it significantly reduces poverty. It might also be a threat to political stability. The EU has therefore explored practical avenues to address inequality more systematically in its cooperation ([11]).

As far as EU budget support is concerned, it is estimated that since 2014, it has contributed more than EUR 5 billion to the fight against poverty and inequalities (or 54 % of the EUR 9.5 billion of new budget support programmes approved between 2014 and 2018). The increasing demand for EU budget support in the field of social protection should lead to an increase in this contribution shortly.

In the cooperation with countries, the fairness of policies and the inclusiveness of reforms is assessed, in particular as regards fiscal policies and domestic revenue mobilisation. In this respect, the following considerations can help promote fair taxation and limit the impact of new measures on vulnerable groups, while raising revenue and enhancing the efficiency of tax collection:

— focus on raising tax efforts in countries where it is found to be low. Where tax effort is already high, address the tax capacity frontier;
— rely, when possible, on direct taxes and transfers to achieve redistributive objectives (rather than indirect taxes and subsidies);
— avoid regressive indirect tax exemptions. Likewise, limit differential rates across goods and services (except where the capacity to deliver public transfers to the poor is low);
— enhance progressivity of the personal income tax (e.g. introduce high tax-exempt thresholds and expand the tax base, instead of raising rates for a limited number of existing taxpayers);
— promote international cooperation to halt the fall in corporate income tax rates and to fight tax avoidance and tax evasion. Promote participation in the inclusive framework against base erosion and profit shifting (BEPS) of the OECD;
— tap into the potential of property taxation;
— consider new open access information technologies, including blockchain, to help overcome administrative constraints;
— always look at the combined distributional impact of tax and transfer systems. Taxation is not an end in itself and needs to be accompanied by credible, transparent and efficient expenditure policies ([12]). If a progressive tax system serves to finance pro-rich health and education policies, the overall impact may well be regressive.

([11]) For more information, refer to the Commission staff working document, 'Implementation of the new European consensus on development — addressing inequality in partner countries', June 2019 (link: https://eudevdays.eu/sites/default/files/swd_inequalities_swd_2019_280.pdf).

([12]) For further background, refer to the Commission staff working document 'Collect more, spend better' published in October 2015 (link: https://ec.europa.eu/europeaid/staff-working-document-collect-more-spend-better_en).

Recognising that social and economic inequalities pose a tremendous risk to economic growth and to the achievement of the SDGs, EU budget support has gained importance in the area of social protection. On the one hand, it aims at strengthening national social protection systems by making them more inclusive, financially sustainable and adequate for the needs of the vulnerable. On the other, it helps to nurture socioeconomic transformation in coherence with other sector strategies, as well as with macroeconomic, fiscal or digitalisation policies. The practice provides a wealth of experiences and reflects different partner countries' visions about the sequencing and priorities for a progressive realisation of universal social protection systems.

The EU has supported since 2017 the reform of social protection in **Morocco**, through budget support. The reform aims to integrate different public assistance systems into a single social protection system providing universal medical coverage (recently extended to students), minimum retirement benefits and basic income to vulnerable groups (e.g. poor households, widows, people with disabilities, remote rural communities). The EU has accompanied the introduction of the appropriate legal, institutional and administrative changes, as well as the mobilisation of the required resources. The support also includes technical assistance and twinning advisory services to share the experience of EU Member States in the extension of social protection schemes.

Social protection programmes in **Bangladesh** and **Senegal** put more emphasis on food security and nutrition (in relation to SDG 2), also opting for a sub-national implementation of the social protection programme, while making sure that the national system will be built up in a coherent and well-coordinated manner. In **El Salvador**, progress is reported in the implementation of the national social plan. For instance, the single registry for participants has been growing, allowing for more tailormade benefits to the most vulnerable sections of society, such as people with disabilities.

In order to improve the coherence of its interventions, the European Union launched in 2018 a new global action to improve the synergies between social protection, public finance management and budget support. It provides technical assistance to national authorities and EU staff in countries. It started operating in 2019 with a focus on eight countries (Angola, Burkina Faso, Cambodia, Ethiopia, Nepal, Paraguay, Senegal and Uganda).

As part of the EU's larger effort to reinforce social cohesion between regions and generations, the EU supports **Tunisia**'s decentralisation process through various programmes. Enshrined in the 2014 Tunisian constitution, this process has progressively gained ground and culminated in 2018 with the adoption of the local government law and the organisation of the country's first local elections. On a more technical level, in 2018, the Tunisian authorities initiated a set of local empowerment reforms to transform the highly centralised state, notably by strengthening the autonomy and administration of local governments, revamping the governance of land-use planning, revising local public investment strategies and redefining the physical boundaries of municipalities.

Following the leadership change in **Ukraine** in 2014, local self government and administrative, territorial reforms became top priorities. EU support for regional development was implemented as part of support to the decentralisation reform. Sector decentralisation of healthcare and education has resulted in better public-service delivery for the population throughout the country.

From 2014 to 2017, the Ukrainian government built a new management system for regional development. By the end of 2017, the acceleration of the decentralisation process had resulted in 3 264 new administrative units (*hromadas*), covering roughly 20 % of the population of Ukraine. Legislative reforms in both the healthcare and education sectors signify important milestones for clarifying responsibilities for newly established administrative units and their role in ensuring the provision of these municipal services.

The fiscal decentralisation reform has created new opportunities for local authorities and their administrations. Local communities obtained 60 % of income tax and, as a result, 45.7 % of local budget revenues fell under the full responsibility of local authorities by the end of 2017. A new concept of horizontal fiscal equalisation was introduced, reducing the share of discretionary transfers from the central government. This shortened the accountability line and encouraged local authorities to deliver quality administrative services and to focus on economic local development.

Also as part of SDG 10, with EU support to integrated border management in **Serbia** (see previous section on SDG 9), accommodation, health service and access to education have been provided to the migrants hosted in the governmental reception centres. Border police officers were trained in joint return flights and almost 300 migrants benefited from the assisted voluntary return and reintegration programme. Legal amendments to reflect the rights of migrants in proceedings before state authorities as well as their rights pending repatriation have been adopted, a tangible progress towards the target SDG 10.7 (facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies).

SDG 11 — Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable

Given the nature of the instrument, EU budget support refers to the agendas of national governments as a whole and not specifically to those of cities. Nonetheless, in many instances, it supports decentralisation processes and contributes to improving service delivery at regional, district or municipal levels and to tackling territorial disparities (see the previous section on SDG 10). It also helps to build capacities and to pursue reforms in regions, districts or cities. Through its support to the Public Expenditure and Financial Accountability (PEFA), the EU makes possible PEFA assessments at decentralised level (see section on SDG 16). In view of the rapid urbanisation across the world, the EU support to improved city planning and management is expected to rise.

On the specific targets 11.5 and 11B referring to disaster risk prevention and management, **Dominica** provides a very telling example. In August 2017, category 5 Hurricane Maria hit the island causing unprecedented damage estimated at 226 % of GDP. Most economic sectors sustained significant losses, with public infrastructure carrying the brunt. EU budget support bolstered the reconstruction and rehabilitation of houses for the most vulnerable people. Moreover, it helped to make the country's climate resilience execution agency operational and with the implementation of its national resilient development strategy. Through budget support, Dominica's economic recovery and reconstruction efforts have been swiftly supported, using the 'build back better' approach. Disaster risk reduction and preparedness is being mainstreamed.

SDG 12 — Responsible consumption and production

Ensure sustainable consumption and production patterns

Although SDG 12 is not explicitly targeted by current EU budget support contracts, its underlying principles feed into the design of many operations as well as through policy dialogue. This applies notably when supporting productive sectors in line with the environmental goals or climate change objectives enshrined in SDGs 13, 14 and 15. This may be addressed in relation to a given sector policy (e.g. waste for SDG 15 or energy efficiency for SDG 7) or with regard to eligibility criteria for public finance management (PFM) (e.g. green procurement) or macroeconomic policies (e.g. phasing out fossil-fuel subsidies).

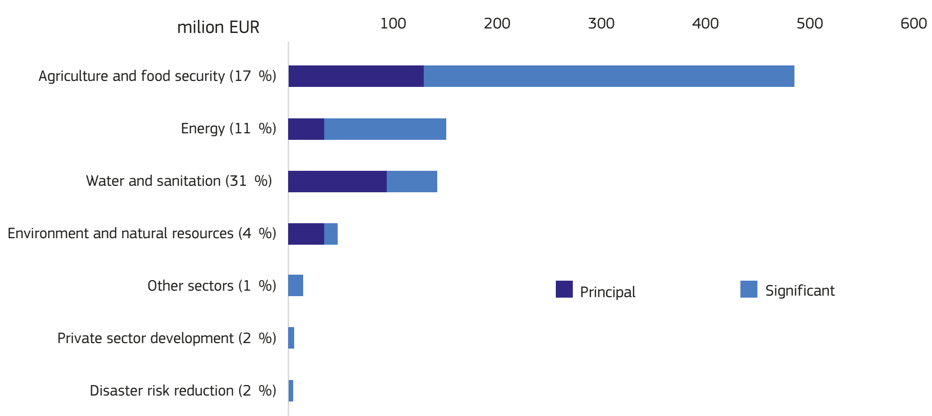
SDG 13 — Climate action

Take urgent action to combat climate change and its impacts

Between 2014 and 2018, 17 % of the sector reform performance contracts contributed to climate change objectives (14 % to adaptation and 5 % to mitigation objectives). If the SDG contracts and the state and resilience building contracts are also considered, this proportion is estimated to reach 19 % of the full portfolio of budget support programmes approved since 2014.

While this is close to the 20 % objective applying to the whole EU Official Development Assistance (ODA), this is not yet sufficient and this may stem from various factors. In some cases, the sectors are less relevant for climate action (see the sectors for which a principal or significant contribution is identified in the graph below).

Contributions to climate change by priority sectors for mainstreaming for budget support
(percentages in brackets refer to the share of sector funding contributing to climate change — Total 2014-2018)



In other cases, it is due to a limited integration of climate change objectives in the scope of the programmes despite the fact that environmental and climate change aspects are systematically screened when partners' policies are assessed or when countries' risks are rated. It may therefore be a core part of our dialogue with partner countries but arguably too few programmes are focused on climate change or, when considering mainstreaming in other policy fields, too few specific indicators on climate change are used within variable tranches.

Nonetheless, some countries are paving the way. **Ethiopia** has engaged in 2018 with a budget support programme targeting climate change objectives in the forestry sector. It builds on the important potential for carbon storage in forests, as well as on the role that forest ecosystems play in coping with the impact of climate change on the country and its population.

The Global Climate Change Alliance programme (GCCA+) finances two dedicated EU budget support contracts. In **Rwanda**, the programme promotes climate change-proof investments by farmers, through improved land administration and land-use monitoring capacities at central and local levels. In **Bhutan**, the programme supports the implementation of policies for renewable natural resources (agriculture and forestry) and climate change response (in particular, adaptation measures).

SDG 14 — Life below water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

SDG 14 aims at the conservation and sustainable use of the oceans, seas and marine resources. The increasingly adverse impacts of climate change (including ocean acidification), overfishing and marine pollution are jeopardising recent gains in protecting portions of the world's oceans.

Building on previous projects in the field of fisheries and extensive experience in sustainable agriculture, **Cambodia** and the EU agreed on a budget support contract on fisheries. It is the first EU budget support contract to address directly SDG 14, while at the same contributing to SDG 1 and SDG 2. It started in 2019 and it focuses on: (i) conservation, management and compliance with laws and regulations; (ii) fish/food safety; (iii) support to fishing communities; (iv) institutional capacity. It will help fight illegal, unreported and unregulated fishing.

In **Tunisia**, a new programme also started in 2018 to promote trade and competitive exports with a component on sustainable fishing. It is however too early to evaluate its results.

SDG 15 — Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Like climate action (SDG 13), environment is seldom chosen as the main objective of budget support programmes. Nevertheless, it appears as a co-benefit of programmes targeting water and sanitation, climate action, energy, land use, natural resources, greening of the economy, urban development, resilience, agriculture, post conflict or livelihoods, for instance.

Moreover, environmental objectives are taken into account in the whole EU ODA portfolio through the mainstreaming of environmental imperatives, priorities and risks into projects and policies.

The impact on the environment of policies supported through budget support is usually assessed. However, it remains difficult to ensure that such relatively short-term operations contribute to the long-term sustainability of policies, reflect the degree of exposure of the beneficiary country to environmental risks or internalise the benefits for other sectors (or beyond national borders) of the support to ecosystems and biodiversity. There is scope for better connecting the environmental analysis of the risk management framework for budget support with programme design and disbursement conditions. Another challenge lies in working across silos and emphasising coordination and co-benefits, for instance between agriculture and environment ministries.

Between 2014 and 2018, 20 % of the sector reform performance contracts were marked as contributing to environmental protection, 4 % to biodiversity and 4 % to the fight against desertification according to the OECD criteria. If the SDG contracts and the state and resilience building contracts are considered, this proportion increases only marginally.

Programmes targeting the environment in 2018 have been implemented in Bolivia, Colombia and Tuvalu. EU budget support is recognised as a powerful tool in response to urgent environmental degradation challenges and the increasing perception of their huge direct and indirect costs ([13]).

Supporting sustainable and local development in Colombia

([13]) See the first global report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services of May 2019 (https://www.ipbes.net/news/ipbes-global-assessment-summary-policymakers-pdf) and the process towards a new deal for nature and people to be adopted at the Conference of the Parties to the Convention on Biological Diversity in China in October 2020) (https://www.unenvironment.org/resources/policy-and-strategy/new-deal-nature).

A good example of the added value of EU budget support to the environment sector is in **Colombia**, where financing has targeted sustainable management of protected areas and forests, green business and capacities for biodiversity, with a focus on local development. While coordinating support to different ministries is a challenge (priorities of agriculture and environment ministers can significantly diverge), the programme is showing tangible results locally and is part of a larger set of EU programmes related to security and peace, sustainable development and integrated landscapes. Based on a clear perception of the articulation of sectoral support with political stability and security objectives, the policy has been steered by intense political and technical dialogue to highlight benefits and best practices.

The budget support programme for forests in **Honduras** received its last payment in December 2018. It greatly contributed to improving forest governance and conservation. It was instrumental in supporting the Voluntary Partnership Agreement process under the FLEGT programme (Forest Law Enforcement, Governance and Trade) which came into effect in 2018. It illustrates very well the strength of EU budget support in piloting the policy dialogue (governance, transparency, policy reform) and achieving concrete results on the ground (sustainable forest management, conservation). The budget support has enabled the forest sector to become a central component of a broader policy agenda, such as climate change.

In **Tuvalu**, a new waste management act coupled with a revamped organisational structure for the whole waste sector entered into force, together with a regulation on import waste levy. The staff capacities at the department of waste management were strengthened. Waste data are now recorded on a daily basis and reported on a monthly basis. A public awareness programme involving communities and schools through radio programmes, workshops, posters and online posts was carried out. A programme for clean schools has been included in the schools' curriculum. The department of waste management has procured 22 containers to cater for storage and safe handling of waste oil. Waste collection services cover 100 % of Funafuti island and at least 80 % in the outer islands. In Funafuti, most hazardous wastes are collected and stored in a specific location.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SDG 16 — Peace, justice and strong institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Every budget support contract — in other words, 100 % of the EU budget support portfolio — contributes to SDG 16 through the eligibility criterion on public finance management, combined to different extents with dedicated performance indicators and capacity development actions embedded in the operations. This applies to SDG contracts and to state and resilience building contracts, which typically address points covered by SDG 16, but also to sector reform performance contracts, which aim at improving sector governance and contributing to institutional strengthening. Moreover, some sector reform performance contracts are focused on public administration reform, public finance management or justice.

Public administration reform in neighbourhood and enlargement contexts

An accountable and effective public administration at both the central and local levels is key to democratic governance, and encourages inclusive economic development. Public administration reform (PAR) helps to strengthen democratic and independent institutions, develop local and regional authorities, depoliticise the civil service, develop e-government and increase institutional transparency and accountability. An effective public administration benefits both individuals and the state. First, it enables governments to achieve their policy objectives and ensures proper implementation of political decisions and legal rules, thus promoting political efficiency and stability; by contrast poor public administration causes delays, inefficiency, uncertainty and corruption. Second, the importance of good public administration in the development of the economy is internationally acknowledged. With appropriate legislation and an independent judiciary, an effective public administration provides a solid foundation for business operations and development. Maladministration, in the form of administrative deficiencies and lengthy, unnecessarily complex administrative processes, obstructs the economic initiatives of potential domestic and foreign investors, and has a negative impact on employment and political stability.

All budget support beneficiaries in the eastern neighbourhood and the enlargement context have a dedicated budget support programme to assist governments' efforts for public administration reform. These programmes typically address either one or several core areas of public administration, depending on the reform strategic framework in the country. Hence, they aim to strengthen the strategic planning, monitoring and reporting function at the national and sector levels, to modernise the human resource management in the public service, to foster accountability, to improve service delivery for tangible result at the levels of the citizens and businesses, and to enhance sound financial management of public funds.

Most reform strategies which are currently supported derive from the assessments made against the 'principles of public administration' developed in 2014 by OECD/SIGMA ([14]) in close coordination with the European Commission to set out in practice what a well-functioning public administration looks like. Initially targeted at EU candidate countries and potential candidates, the 2016 version of the principles of public administration was developed for the European neighbourhood countries.

The principles of public administration provide a framework to address all core elements of public administration. A well-functioning public administration requires a professional civil service, efficient procedures for policy and legislative development, well-defined accountability arrangements between institutions and towards citizens, ability of the administration to deliver services to citizens and businesses efficiently, and a sound public financial management system. The principles of public administration embrace a methodology for measuring these different aspects of governance.

The ongoing public administration reform efforts benefit all budget support operations in a country, since the partner governments have committed to creating standardised requirements for credible and relevant policy frameworks and a robust government monitoring and reporting system, which has clear indicators focusing on results. The first examples are emerging with the eastern neighbourhood and the enlargement budget support beneficiaries, and the government annual monitoring reports have substantially improved. Once the new methodologies for planning and monitoring are rolled out to all sectors, the capacity of the country for evidence-based policymaking is strengthened.

Ukraine embarked on a comprehensive public administration reform in 2016. The reform has succeeded in strengthening the strategic planning on PAR, as well as its monitoring function, as evidenced by high-quality annual progress reporting and a dedicated PAR unit in the centre of government. The reform is working on improving the efficiency of the public service, for example by an electronic system for exchanging documents between public institutions. To date, nearly 700 institutions have been connected and more than 5 000 documents are registered every day in the system. The reform aims to modernise the human resource management function. The civil service has been renewed in 13 pilot institutions at central level through recruitment of over 500 reform staff since September 2017, in line with advanced merit-based recruitment procedures. The reform demonstrates tangible results in the citizen service delivery. Access to administrative services has been improved through increasing the number of centres for administrative services delivery from 681 centres in September 2016 to close to 800 at the end of 2018. About 100 e-services or e-payment applications are now available online.

In **Albania**, strategic planning and coordination have been strengthened in a number ways: guidance on sector strategies has been introduced and sector coordination mechanisms launched. New management information systems will improve the policy planning and policy monitoring system. To strengthen policymaking and the legislative process, regulatory impact assessments have become mandatory. The first pilot assessments were successfully carried out in 2018 and further efforts are ongoing to roll out the system.

Transparency and inclusiveness of policymaking has improved. The electronic register and website for notification and public consultation ([15]) has been created. Training sessions have been organised to raise awareness of the importance of public consultations and a user-friendly manual for e-registering consultations has been distributed to the line ministries. The number of laws and regulations subject to consultation has increased.

([14]) SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the OECD and the European Union. It aims to strengthen the foundations for improved public governance, and hence support socioeconomic development through building the capacities of the public sector, enhancing horizontal governance and improving the design and implementation of public administration reforms, including proper prioritisation, sequencing and budgeting (http://www.sigmaweb.org).

([15]) See www.konsultimipublik.gov.al

The human-resource management information system in civil services has substantially extended its coverage throughout the public administration: 60 % of institutions are now using it and this number is in constant expansion. This is the prerequisite for the automation of the payroll to take place. The recruitment plan for the public administration has been implemented and the backlog of courts' decisions regarding unlawful dismissals of civil servants reduced.

Finally, major progress has taken place by automating services and increasing access for the public. At the end of 2018, 1 556 services had some level of automation compared to 364 services in 2015. Citizens are now able to complete 328 services entirely online.

In **Serbia**, the framework for strategic planning has been strengthened: the new regulatory framework on the planning system and accompanying methodology establishes rules for early public consultations in the development of sector strategies, a requirement to cost strategies and a clear hierarchy of sector policy documents. Impact assessments are required for draft policies and laws. An obligation to issue and publicise the government's policy implementation reports has been introduced. Improving services to citizens and businesses has been a key priority for the government. The e-government reform aims, among others, to achieve paperless government and provide high-quality services to citizens and economic entities, in addition to environmental protection. These developments have contributed to the improving position of Serbia in the World Bank's *Doing business* (see the section on SDG 8). In 2018, Serbia had improved its ranking to 43rd out of 190 countries, in comparison to its 47th place in 2017. According to the 2017 Global Open Data Index ([16]), Serbia ranked first in the region and 41st worldwide.

The public administration reform in **Georgia** covers policy planning, civil service reform, accountability, public finance management, service delivery and local self-governance. Under the reform, quality requirements have been established for sector planning and reporting. In addition, the following measures have been taken:

1. the civil-service law has been operationalised, introducing a new classification and remuneration scheme for civil servants in Georgia;
2. the law on conflict of interests and corruption is being enforced as evidenced by the asset declaration made compulsory in 2017. During the monitoring process, 20 % of declarations were assessed as compliant. The remaining 80 % were not compliant largely because of errors or inconsistencies, for which the concerned officials were fined. 2 % of the uncompliant declarations were forwarded the State Prosecutor's Office for investigation;
3. the government is also making an effort to better communicate the benefits of the civil service law, to contribute to a gender-balanced environment and to create equal work conditions and opportunities for everyone.

Public finance management

Strong and effective PFM is a vital component of good governance. A PFM strategy underpins fiscal and macroeconomic stability, guides the allocation of public resources to national priorities, supports the efficient delivery of services for poverty reduction and economic development, and makes possible the transparency and scrutiny of public funds.

All countries receiving budget support also receive support to implement PFM reforms through training, capacity building and ad hoc technical assistance ([17]).

These PFM reforms are defined and progress is monitored based on comprehensive diagnostics using the PEFA methodology. The EU is strongly supporting the PEFA framework as its largest funder (EUR 5 million between 2017 and 2021) and has financed many PEFA assessments at country level.

([16]) For further information on the Global Open Data Index, refer to https://index.okfn.org

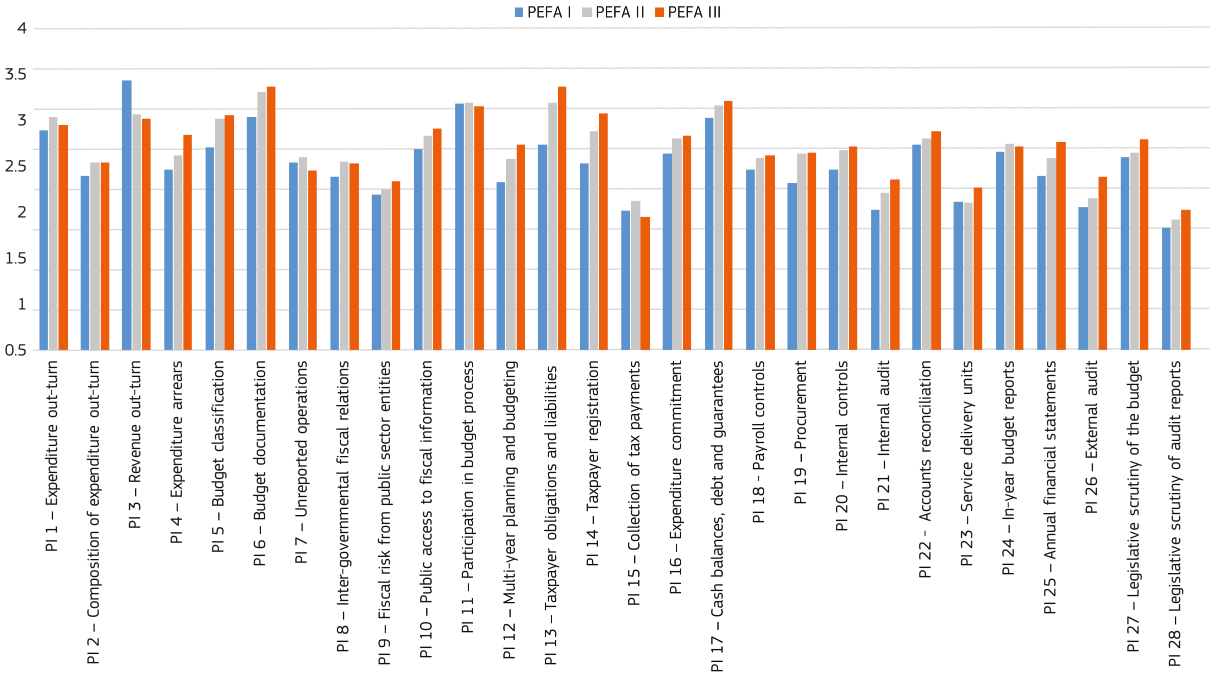
([17]) In addition, support for capacity in the field of PFM was provided in 2018 in nine other countries, where there was no ongoing EU budget support contract.

The PEFA framework measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes: aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

PEFA identifies seven key pillars of PFM performance spread throughout the budget cycle: (i) budget reliability; (ii) transparency of public finances; (iii) management of assets and liabilities; (iv) policy-based fiscal strategy and budgeting; (v) predictability and control in budget execution; (vi) accounting and reporting; and (vii) external scrutiny and audit. It uses 31 indicators, disaggregated into 94 dimensions. Since its launch in 2005, the PEFA framework has been used more than 600 times in 150 countries and the number of repeated assessments allows for overtime comparison ([18]).

To date, 53 countries have carried out three successive PEFA assessments and 43 of these countries receive EU budget support. Overall progress is quite satisfactory and countries receiving EU budget support perform slightly above average or better for some performance indicators (PI) such as public access to fiscal information or composition of expenditure outturn compared to the approved budget. External scrutiny and audit have improved in many EU countries, while scores for budget reliability or effectiveness in tax collection remain relatively low and with uneven progress.

Evolution of PEFA scores in countries receiving EU budget support and having carried out three PEFA assessments



In **Laos**, the 2018 PEFA findings led to revived dialogue with the relevant stakeholders on how to prioritise reforms and how to monitor their impact. The assessment allowed the identification of the underlying causes of PFM strengths and weaknesses, feeding into Laos's public finance development strategy to 2025 and improving the comprehensiveness and ownership of reforms.

The EU has been supporting public finances management and public administration reforms in **Morocco** since 2013. In 2018, the new finance law was rolled out as part an overall reform of the budget management; a medium-term budgetary framework was introduced; improved filing settlement procedures reduced the timeframe for processing files; and upgraded tax administration and tax audit translated into increased revenue. In the area of administrative reform, the charter of administrative deconcentration was adopted and the public-service chapter was revised in 2018. Future EU support will target public-service delivery.

([18]) For comparability purpose over time, only the 28 performance indicators of the 2011 PEFA methodology are used in this analysis. The methodology was upgraded in 2016 and rolled out afterwards. To date, the sample of assessments carried out according to that revised methodology and fully finalised is too limited to allow for meaningful comparisons.

An increasing number of countries are also engaged in decentralisation processes, and therefore PEFA assessments are increasingly undertaken at the level of sub-national governments, in order to improve local public financial management and services delivery.

In **Kenya,** the PEFA assessment completed at sub-national government level helped to strengthen PFM reforms and improve service delivery in counties. Examples of progress relate to budget reliability and strengthening the linkage between policy, planning and budgeting through costed strategies, alignment with medium-term expenditure frameworks and improved investment appraisal and management. Transparency of public finance also improved drastically with the publication of reports ranging from planning/budget to audit and through county public participation mechanisms.

In **Albania**, the coordination and monitoring of the public finance management reform has been strengthened steadily since 2014. In 2018, the budget preparation process was revised and applied for the first time to the 2019 budget law. The process benefited for the first time from a formalised budget consultation process with civil society organisations, together with an online consultation process open to the general public. The budget was published in good time and the citizens' budget is being constantly improved. The implementation of the new organic budget law (approved in June 2016) has resulted in better adherence to the fiscal rules in 2017 and 2018. Moreover, the 2019 budget package featured for the first time a statement of financial risks, and a list of public–private partnership contracts. Further progress relates to the approval of new public investment management guidelines, increased independence of the public procurement review body and progress in the area of external audits.

Fight against corruption

Through its dialogue on PFM and related support and monitoring, the EU contributes to the fight against corruption. Those efforts are coupled with actions undertaken at global or regional level to tackle tax evasion and illicit financial flows (see related section for SDG 17) and with support to the strengthening of independent judicial systems (see section hereafter).

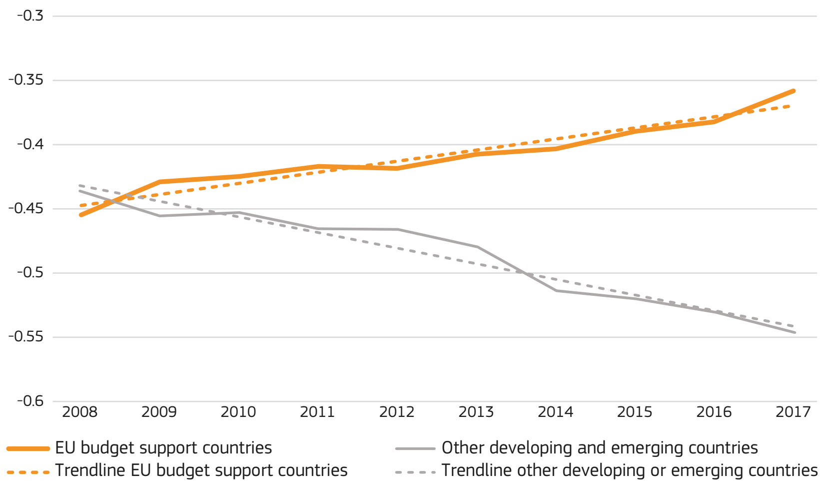
In **Albania**, for instance, EU support has been instrumental in promoting the government's anti-corruption agenda. Following the adoption of the law on whistle-blowing and whistle-blower protection, public and private sectors are better equipped to tackle corruption. Overall, public transparency has improved through the introduction of asset declaration, political party financing and more competitive public procurement.

Anti-corruption marathon organised with the support of the EU in Albania

In **Burkina Faso**, the legal framework was amended to provide for the obligation of asset declaration by public officials. The law enshrines the principle that professional or banking secrecy cannot be used as an objection for refusing to provide relevant information on corruption cases.

This case illustrates the reforms undertaken by EU budget support recipients, but actual progress is more difficult to measure. Monitoring corruption trends is not straightforward. The fight against corruption is multidimensional. It ranges from grand corruption cases, which make the headlines, to the petty corruption affecting people and service delivery on a daily basis. Moreover, changes in countries' capacity to fight corruption and related results take time to materialise. The most commonly used indicators measure the perception of corruption. The indicator on 'control of corruption' within the Worldwide Governance Indicators ([19]) suggests a steady improvement in the control of corruption in EU budget support countries over the last decade, while the situation has worsened in other developing or emerging countries.

Control of corruption — World governance indicators 2008-2017 (World Bank)
Interpretation: the higher score, the lower corruption perception



Justice

In **Jamaica**, the EU programme in support of the justice reform programme for 2015-2020 focuses on improving access to gender-responsive, accountable and effective justice at community level, with the mainstreaming of restorative justice services, as well as the treatment of children in conflict with the law in accordance with international standards. With EU support, several pieces of new legislation were enacted introducing additional practice directions, alternative disputes resolution measures and sentencing reduction strategies to improve quality of service in the courts and allow for fair and timely resolution. A new family court was established in a rural parish thus providing opportunities for rural women to receive justice services and for children to receive adjudication in a child-friendly environment. The backlog of cases in the parish courts decreased to 25.3 %, while the enrolment of children in conflict with the law in rehabilitation programmes increased by 60 %.

In **South Africa**, the EU supports the department of justice in the implementation of socioeconomic rights entrenched in the constitution, including through civil society organisations working with vulnerable groups. Significant progress in the access to justice services has been accomplished over the years through the alignment of magisterial districts with provincial and municipal boundaries (which enables citizens to receive justice services within their municipal boundaries), the establishment of 34 small claims courts and the recruitment of interpreters in local languages. The implementation of the court recording technology in all nine provinces has been finalised and the paperless estate administration system has been rolled out. Finally, 60 % of women were appointed among the new magistrates.

([19]) The 'control of corruption' is measured through a composite indicator measuring perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests. Scores range from – 2.5 for 'weak governance' to + 2.5 for 'strong governance'. See: http://info.worldbank.org/governance/wgi/#home

In **Niger**, the EU has supported the establishment and operationalisation of a number of courts and other institutions, such as the judicial training centre and a consultation framework within jurisdictions. The EU contributed to enhanced efficiency of the inspection in courts and prisons. The access to legal aid and legal assistance has significantly increased so far. As regards legal assistance, the number of people assisted rose from 1 096 in 2015 to 7 082 in 2016 and the number of people who benefited from legal aid rose from 547 in 2015 to 770 in 2017.

In **Burkina Faso**, the EU supports justice independence, through support to the supreme council of the judiciary, improved efficiency of courts, strengthened capacities of justice actors and improved access to justice for the most vulnerable. Several mobile court hearings were organised, free legal aid was provided to an increasing number of vulnerable persons and 'welcome offices' were established in several jurisdictions together with the launch of an equivalent online service. With EU support, 100 judges, 320 prison security guards and 98 registrars were recruited and specialised units for the suppression of economic, financial and terrorist crimes were established. Furthermore, the number of pre-trial detainees significantly decreased compared to 2015, from 43 % of the total prison population in 2015 to 34 % by the end of 2017.

Building on previous EU support to reforms in the justice sector and for the detention system in **Georgia**, the EU promotes progress in the areas of legal aid, human rights protection, juvenile justice, prosecution and prisons, criminal justice, commercial justice and the judiciary, as well as in land registration. Georgian citizens now have increased access to free legal aid. Women complainants have become the main beneficiaries of legal counselling. Actions against domestic violence have led to an increase in prosecution for domestic abuse (86 % more cases in 2017 than in 2015).

EU support to judicial reforms in Georgia

Rehabilitation programmes for juvenile justice offenders replaced automatic detention and the overall pre-trial detention rate decreased by 25 % in 2017 compared to 2015. Early release mechanisms have been streamlined resulting in a 16 % increase in the early conditional release rate. In addition, rehabilitation programmes in prisons were rolled out. A higher number of inmates graduated from vocational educational programmes. Healthcare standards improved as evidenced by lower mortality and disease transmission rates.

Fragility and security

One of the key roles of budget support programmes, especially in low-income countries, is to ensure the provision of basic services to the population. This is particularly important in fragile states, where state functions may be limited in terms of financing and capacity and where governments are often confronted with conflicts and have to increase their security expenditures.

Budget support programmes in west and central Africa have been addressing these limitations, through a two-pronged approach of ensuring financing for social service provision and enhancing domestic resource mobilisation, so that there is more space for expenditure on social sectors.

In **Niger**, a deteriorating security situation has entailed an increase of security expenditures, putting at risk other important spending items. Between 2014 and 2016, a 25 % decrease in budgetary allocation for food security, nutrition and sustainable agriculture was observed. The dedicated sector reform and performance contract has targeted this decrease and, through dialogue and performance indicators, succeeded in securing higher expenditures in the sector in the 2018 budget.

Together with this improvement in budgetary execution for key sectors, reforms to enhance domestic resource mobilisation have borne fruit. In this respect, the EU coordinated and co-financed a TADAT diagnostic (tax administration diagnostic assessment tool), which was published in December 2017 and whose recommendations form a big part of government strategy for improving tax collection. According to the latest IMF review, there has been a strong revenue performance with an expected increase in the total revenue to GDP ratio of around 2 percentage points in a year, from 14.4 % in 2017 to 16.4 % in 2018. As long as these positive results in social spending execution and domestic resource mobilisation are sustained, Niger will better meet the needs of its citizens and will raise additional funding to meet the SDGs.

Similarly in **Chad**, security expenditure is taking a larger chunk of the budget as the country is facing an increasing security threat. At the same time, the drop in the oil price of recent years has significantly affected oil revenues, which form a great part of domestic revenues ([20]). This has been compounded by a large debt burden and increasing spending demands to address food security crises. The state building and resilience contract of 2016-2018 included indicators in the health and food security sectors. Through the achievement of these targets, domestic financing was secured to purchase essential generic medicines and support the agricultural production agency.

With regard to domestic resource mobilisation, the targets achieved include an analysis of tax expenditure, including the publication of a dedicated report, and the publication of recommendations on tax reforms. The domestic revenue to non-oil GDP ratio has been increasing from 11.9 % in 2016 to 14.6 % in 2018, demonstrating that the Chadian partner is advancing in this area. Although the situation in Chad remains fragile, and the reform pace will need to continue into the future, the EU's efforts, through budget support and dialogue, are geared towards ensuring that social expenditure is safeguarded and that domestic revenue mobilisation (DRM) reforms are materialising.

Although security challenges may not be as prominent in other countries of the west African region, integrating an increasing population in the labour force and ensuring that new entrants are provided with job opportunities and social security remains a challenge. In **Côte d'Ivoire**, the SDG contract assists the country in building its own capacity to provide a stable future for its citizens by addressing the provision of social services as well as enhancing domestic resource mobilisation. With EU budget support, the Ivorian government increased the number of Ivorian workers benefiting from social security. Additionally, with the contribution of the EU, the Ivorian government succeeded in increasing the number of graduates finding relevant work by 23 %.

Alongside these improvements in the social sector and still with the support of the EU, the Ivorian government is enhancing its domestic resource mobilisation thus creating an enabling environment for increasing social sector spending. VAT revenue currently stands at less than 4 % of GDP against a potential of 6 % of GDP, or a relatively low level compared to comparable countries. Furthermore, tax expenditures are about 1.4 % of GDP, half of which comes from VAT exemptions.

([20]) Oil revenues, which were over 50 % of the domestic revenues in 2014, fell to around one third by 2017.

The EU budget support programme targeted both issues. In this regard, VAT collected from medium-sized enterprises increased by 36 % between 2016 and 2017. In addition, the government published a comprehensive report on tax expenditure, as per the performance indicator in the EU budget support programme. These are both important steps towards an efficient and effective fiscal management.

Despite these positive examples, in other countries of the region, achieving social spending targets remains challenging. In **Guinea**, an indicator on budgetary allocation and execution for the Ministry of Health within the state building and resilience contract was partially met. Nevertheless, despite the non-achievement of the execution target, due to the increase in the allocation, the actual payments to the Ministry of Health increased by 20 % compared to the previous year.

In the **Central African Republic**, the programme launched in 2018 aims at the improvement of internal security, justice and the rule of law, with a view to consolidating democracy and establishing lasting peace. Its intervention logic builds on three specific objectives: (1) justice also to promote the fight against impunity; (2) security to reinforce the professionalism as well as the legitimacy of the internal security forces; and (3) civil registry to facilitate the access to individual rights.

The programme already shows initial positive results. Appropriate and sustainable incentives have been put in place to deploy internal security forces outside of the capital city, Bangui. Currently, the number of deployed gendarmes and police in those provinces matches the set targets. Their presence in the field directly contributes to the gradual achievement of SDG 16.1's target, which is to reduce all forms of violence and related death rates in the Central African Republic.

Secondly, the programme supports the Ministry of the Interior in improving its public finance management and in particular the appointment of internal controllers in both the police and the gendarmerie forces. Reforms are expected to raise by 30 % the execution of the ministry' investment budget and to lower the risks of fraud, thereby contributing to meeting SDG 16.6's target, which is about developing accountable, transparent and effective institutions at levels.

17 PARTNERSHIPS FOR THE GOALS

SDG 17 — Partnerships for the goals

Strengthen the means of implementation and revitalise the global partnership for sustainable development

Every single budget support contract — in other words, 100 % of the EU budget support portfolio — contributes to SDG 17 through the eligibility criteria on macroeconomic stability and budget transparency, combined to a different extent with dedicated performance indicators and capacity development actions embedded in the operations.

Macroeconomic stability

The achievement of all SDGs is correlated with a better macroeconomic environment, as reflected by a sustainable debt, a stable economy and efficient mobilisation of domestic resources.

The maintenance of macroeconomic stability or appropriate responses to restore key balances in case of shocks is an eligibility criterion for receiving EU budget support ([21]). The EU therefore monitors macroeconomic developments carefully, at global level and in every partner country. This is all the more relevant in an economic context characterised by an increased risk environment.

([21]) In the enlargement and neighbourhood context, when countries face macroeconomic shocks, the EU may also provide macro-financial assistance (MFA) in the forms of loans and grants. MFA is managed by the Directorate-General for Economic and Financial Affairs of the European Commission. For further information on MFA, refer to the report on the implementation of macro-financial assistance to third countries in 2018 (https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1562748580656&uri=COM:2019:324:FIN).

In 2018, the main macroeconomic developments may be summarised as follows:

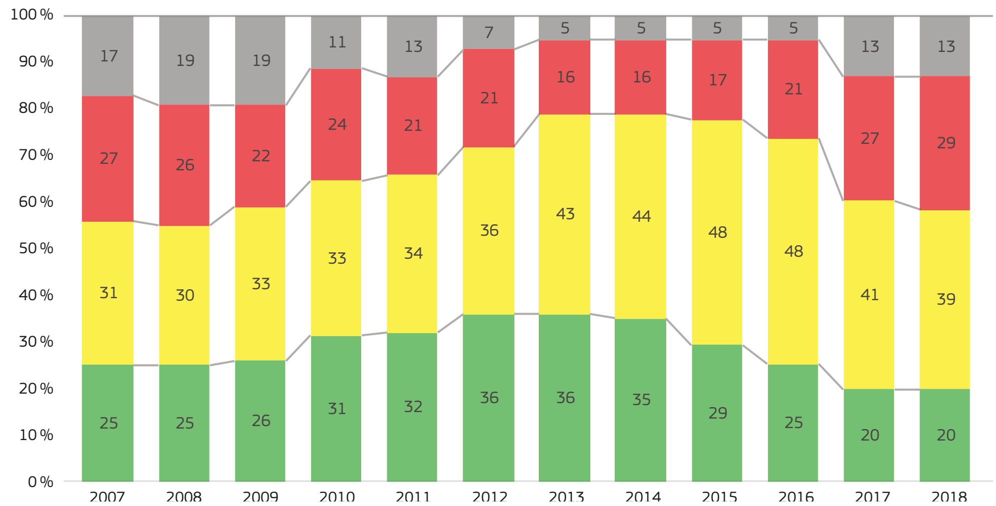
— world economic growth has weakened. Global growth for 2018 is estimated at 3.7 %, lower than initially envisaged on account of weaker performance notably in Europe and in Asia. The factors which weighed on economic activity include a backdrop of weakening financial market sentiment, trade policy uncertainty and concerns about China's outlook.
— as for commodities and inflation, crude oil prices have been volatile since August, reflecting supply influences, including fears of softening global demand. As of January 2019, crude oil prices stood at around USD 55 a barrel, and markets expected prices to remain broadly at that level over the next 4-5 years. Prices of metals and agricultural commodities have softened slightly, in part due to subdued demand from China. Consumer price inflation has generally remained contained in recent months in advanced and emerging economies.
— emerging markets and developing economies faced difficult external conditions in 2018 amid trade tensions, rising US interest rates, dollar appreciation, capital outflows and volatile oil prices. In some economies, addressing high private debt burdens will require strengthening macro-prudential frameworks. Fiscal policy should ensure debt ratios remain sustainable under more challenging external conditions. For low-income countries, concerted efforts to improve the targeting of subsidies and rationalise recurrent expenditures could help boost potential growth and social spending to enhance inclusion. This would help diversify production structures and their progress toward the SDGs.

Debt sustainability

Recent years have been marked by increasing debt levels in developing countries to the point that around 40 % of low-income countries are at high risk of debt distress or in debt distress already.

Compared to the worsening trend since 2014, the situation stabilised in 2018, thanks to limited tightening by developed countries' central banks and a lack of major shocks. However, the drivers of debt accumulation, the associated risks and weaknesses in debt management remain valid.

Evolution of risk of debt distress in LICs (in % of countries)



Source: World Bank/IMF

As debt portfolios become more complex, market risks increase. Commercial borrowing, loans from non-traditional creditors, international and domestic bond issuance and non-traditional financial products (e.g. using collaterals) introduce new risks related to exchange rates, re-financing and interest rates. At the same time, many countries still lack capacity for effective debt management. This is demonstrated by the lack of available data on public debt (including guarantees or collaterals), ineffective cash management and insufficient capacity in the debt office to manage complex contracts on international markets.

These challenges demand a coordinated approach by relevant actors in capacity building, increasing transparency and fostering sustainable lending and borrowing.

This starts at global level. Due to the international nature of financial markets for sovereign debt, many policy issues are addressed in international fora, such as in G7 or G20 meetings and at the UN, with the technical support of the IMF and the World Bank. The European Commission is a strong supporter of those efforts and an active participant in these discussions. The work focuses on three main areas: debt transparency, debt sustainability and debt-management capacity building.

At global level, the EU is an advocate of the operational guidelines for sustainable financing adopted in 2017 during Germany's G20 Presidency. These are based on five principles:

(i) adequate financing for sustainable development;
(ii) information sharing and transparency;
(iii) consistency of financial support with debt limits policies;
(iv) coordination of stakeholders and regular dialogue between sovereign creditors, debtors and international financial institutions;
(v) promotion of new financial instruments and contractual clauses, as well as addressing challenges posed by aggressive litigation of non-cooperative minority creditors.

The guidelines echoed the financing for development agenda as regards the shared responsibility of borrowers and creditors to prevent and resolve unsustainable situations. As a first step, all EU countries completed a self-assessment to assess their compliance with the principles set out.

In the discussion on public debt, the framework for restructuring remains an important concern. From time to time, restructuring proves to be necessary in order to avoid an excessive burden on the country and its population. The growing complexity of creditor compositions poses formidable challenges to timely, orderly, effective and fair resolution of unsustainable debt situations. There is currently no internationally agreed institutional framework to deal with sovereign debt restructuring. Creditor coordination is difficult, the issue of holdout creditors is not resolved and non-transparent collaterals further complicate creditor seniority.

At country level, the EU also works closely with the IMF and the World Bank, and supports their activities in that field ([22]). In 2018, the two institutions strengthened their joint framework for assessing the sustainability of public and external debt of low-income countries. The new framework currently rolled out allows for more granular debt analysis, taking better account of country-specific circumstances and the evolving landscape. It also makes stronger requirements on debt data coverage and disclosure, responding to growing concerns on debt transparency.

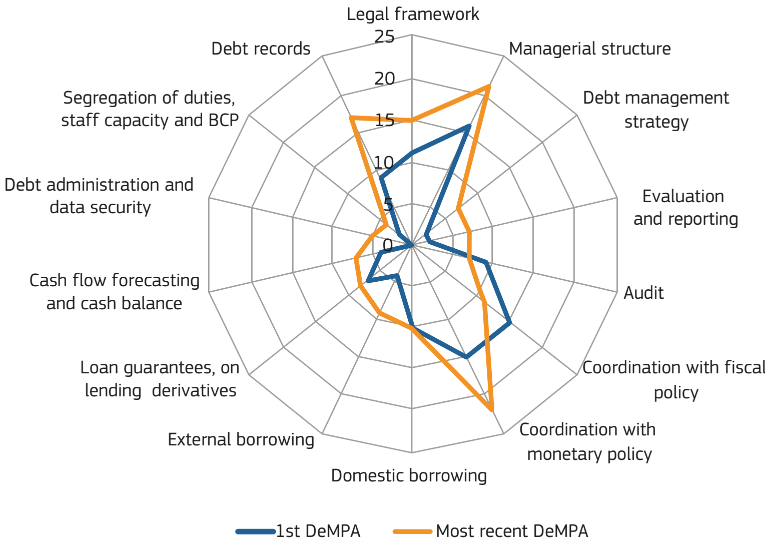
Indeed, there are significant gaps in the data collected on public sector debt and its public availability, which have often entailed unfavourable surprises when unrecorded debt is ultimately exposed. Based on the World Bank's debt management performance assessment (DeMPA), only 41 % of countries meet the minimum requirement in debt recording, 33 % in monitoring guarantees and only 35 % for debt reporting and evaluation. Several reasons can explain such gaps, to name only a few: weak legal framework; lack of audit; lack of proper processes to collect debt information; poor data administration; limited internal control; and low staff capacity.

These gaps can materialise as off-budget activities like sovereign guarantees of private investments and state-owned enterprise debt. Contingent liabilities are rarely monitored and reported. Confidentiality requirements may cloud the terms and conditions of loans. International financial institutions are currently working on making their debt databases more user-friendly and urge countries to publish debt policy and diagnostic documents such as DeMPAs or medium-term debt management strategies. The IMF also intends to enhance its analytical work with partner countries on debt, on the one hand performing more fiscal space assessments, while also further focusing its periodic reviews of countries on debt transparency and debt data availability.

([22]) The debt management facility is a multi-donor trust fund, managed by the World Bank. It provides capacity building to IDA-eligible countries. The main areas of engagement include debt management performance assessments (DeMPAs), debt management reform plans, medium-term debt management strategies and domestic market development. The European Commission contributes to the trust fund (EUR 3 million for 2018-2022), as well to policy guidance.

Through the DeMPA, the EU is able to monitor progress with regard to debt management capacity over time. Thirty-seven developing countries have undergone two consecutive DeMPA assessments so far. Results suggest that capacity development contributed to important progress in several dimensions, but also that many dimensions still score below the minimum requirement. Debt management offices within government administrations are often understaffed and do not offer good career prospects. This prevents them from attracting and retaining highly qualified staff and from designing and implementing long-term and risk-conscious debt management strategies.

Debt management performance in LICs having completed at least two DeMPAs



Source: World Bank/IMF

Therefore, debt is a core dimension in our dialogue with the authorities and for our capacity development activities. This is not only relevant for budget support programmes, but also for EU-backed investments in the context of the external investment plan. The policy dialogue covers macroeconomic stability, fiscal policy, domestic revenue mobilisation and debt and investment management, all being important for maintaining long-term debt sustainability. The EU also promotes country-led integrated financial frameworks to finance the SDGs. Medium-term debt strategies and other medium-term budgeting or revenue strategies can also enhance the credibility of planning and improve the link between policies, available revenue and financing needs.

In this context, EU budget support funds are significant in a number of countries relative to the discretionary part of the budget (e.g. annual payments of EU budget support are estimated to account for 2 % of public expenditures in Afghanistan, 5 % in Burkina Faso or in The Gambia and 7 % in Somalia). They give fiscal space to governments instead of resorting to costly debt financing. This matters in countries without access to international financial markets or for which the risk premium is high. Budget support allows for financing essential investments and social spending.

The **Gambia** is a good illustration of EU actions in this respect. The country's debt vulnerabilities rose fast under the previous regime, with the debt-to-GDP ratio reaching 130 % of GDP in 2017 and total debt service-to-revenue (excluding grants) projected to average 53 % over 2018–2020, making it unsustainable. Both external and domestic debt were assessed as high and a large pipeline of loans had already been contracted (mostly from non-traditional creditors) posing risks to solvency.

The Gambia embarked on far-reaching economic reforms following its peaceful democratic transition in 2017. The supportive political environment and gains in economic inclusion enhanced confidence and engendered significant international goodwill. The authorities put forward a multi-pronged strategy to restore debt sustainability comprising: (i) measures to boost domestic revenue mobilisation; (ii) re-prioritising the existing projects pipeline and seeking improvements in the terms of the already-contracted loans; (iii) request for debt relief and restructuring from external creditors; and (iv) a financing strategy that emphasises grant financing and private investment.

As a result, development partners pledged over EUR 1.45 billion at a Brussels donor conference. The EU appraised that, whereas the situation posed downside risks to macroeconomic stability, the above reform agenda fulfilled the eligibility criterion. A second state and resilience building contract was approved in 2018 and the first fixed tranche of EUR 25 million disbursed at the end of the year. It helped to stablilise the situation and finance key public services for the population.

Domestic revenue mobilisation

Ensuring sustainable financing is vital to provide essential public goods and services and to achieve the SDGs. Improving domestic resource mobilisation encompasses a large range of dimensions, among others corporate income tax, value-added tax (VAT), local taxes, excise duties or revenues from natural resources. In the dialogue conducted by the EU, improving domestic resource mobilisation also includes fighting tax avoidance, tax evasion, illicit financial flows or activities that could contribute to money laundering and financing of terrorism.

The approach to domestic resource mobilisation in partner countries is fourfold:

— at the level of budget support eligibility, as it applies to the three standard criteria (macroeconomic stability; public finance management; budget transparency and oversight) and may also be relevant for the assessment of the policy intended for EU support;
— at the level of variable tranche performance indicators;
— in the framework of policy dialogue with the authorities at both political and technical level;
— with dedicated accompanying measures when needed (e.g. technical assistance).

When it comes to fighting tax avoidance, tax evasion and illicit financial flows, the EU has drawn up a list of non-cooperative jurisdictions. The EU listing criteria are in line with international standards. They reflect the tax good governance standards with which EU Member States have to comply themselves. These are transparency (international standard of exchange of information), fair tax competition (forum on harmful tax practices) and standards against base erosion and profit shifting (BEPS). The EU list of non-cooperative jurisdictions is regularly updated to take into account any evolution in the concerned jurisdictions ([23]). Least developed countries are not subject to it.

Similarly, on fighting money laundering and terrorism financing, the Commission in consultation with Member States has developed a methodology to assess the related risk in partner countries.

All these combined actions demonstrate that domestic revenue mobilisation is more than ever a priority for the EU ([24]). Indicators linked to **domestic revenue mobilisation** accounted for 19 % of the value of variable tranches in programmes approved in 2018, against 3 % for the programmes approved in 2014. The examples below show how it happens in practice through budget support at country level and how EU budget support contributes to fairer and more effective tax systems.

In **Cape Verde**, the buoyant economy momentum accompanied by the EU budget support contract generated a strong revenue performance, consistent with sustained economic activity and implementation of revenue administration measures. Government revenue increased from 21.1 % of GDP in 2014 to 24.9 % in 2017.

As a result of the PFM budget support programme in **Timor-Leste**, tax administration capacities have been enhanced and progress was evidenced in 2018 with respect to both tax administration and customs information systems. Developments in tax administration systems will ease taxpayer obligations through electronic means, improve taxpayer services and in turn encourage greater voluntary compliance. Meanwhile, the upgrade in customs systems aims to increase timeliness in the payment of custom duties through reduced average clearance time. Those improvements will also help to improve the business environment and progress towards SDG 8.

([23]) See https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions

([24]) In the context of the Addis Tax Initiative, the EU reported a 127 % increase in financial commitments between 2015 and 2107 (from EUR 39.5 million to EUR 89.7 million) and a 45 % increase in payments within the same period (from EUR 42.3 million to EUR 61.6 million).

Tunisia is a good example of the results of EU coordinated actions meeting a political momentum domestically and achieving results. A combination of many factors (e.g. significant budget deficit, high indebtedness, inequity of tax policies, international pressure) have encouraged the authorities to increase their efforts in the field of taxation. The tax administration diagnostic assessment (TADAT) published in 2018 showed remaining challenges regarding registration, declaration and timely payment. The Tunisian authorities rolled out a specific action plan to simplify taxation and curb tax avoidance and fraud, notably through more risk-based tax inspections, an increased enforcement of invoicing and the avoidance of cash use.

As a result of the EU listing of non-cooperative jurisdictions and in the context of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Tunisia upgraded its legal framework to meet international standards on base erosion and profit shifting (BEPS) and automatic exchange of information (AEOI). This generated EUR 2 million of additional taxes in 2018.

A budget support programme addressing DRM was signed in 2018 to support the authorities' efforts to improve the performance and equity of Tunisia's tax system, with a focus on tax compliance and international tax standards. It includes performance targets to improve tax compliance of individuals and enterprises, to target better tax audits, to promote electronic payment of taxes, to increase the number of information exchanges with other tax jurisdictions and to accelerate the reimbursement of VAT credits.

Montenegro is considered a transit country for refugees and migrants, who travel to other countries of destination in western Europe. In addition to migration flows, Montenegro still constitutes an important corridor used for the traffic in illicit drugs, stolen vehicles and weapons. Improving DRM therefore implies upgrading customs administration and border police.

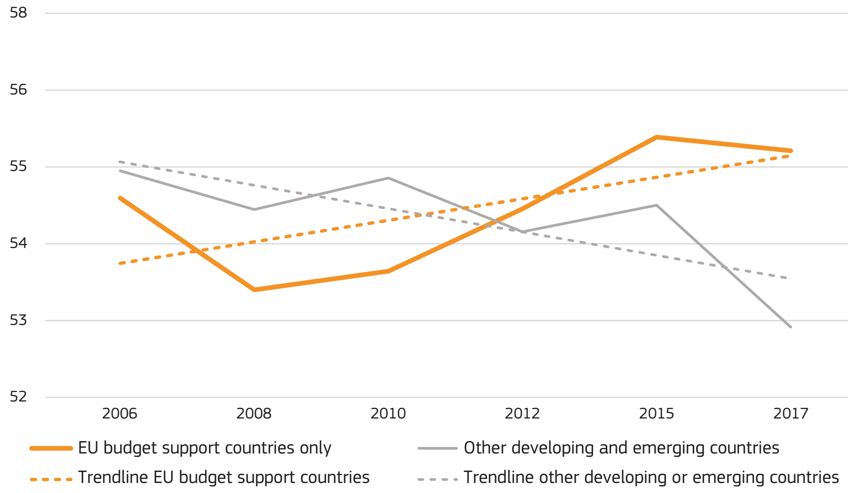
Training on border control of vehicles in Montenegro

In 2018, the programme provided for specialised training of the border police and the upgrade of border control posts, specifically through the installation of high-standard equipment allowing automatic plate recognition, accelerating border procedures through swift identification of false documents (from 33 in 2016 to 82 in 2018) and detection of drug smuggling. The number of border patrols increased, resulting in greater seizure of illicit substances and prevention of illegal crossing. In 2017 and 2018, 4 330 persons were arrested at the border for misdemeanours or criminal offences and 2 315 kg of illicit substances were seized.

Budget transparency and oversight

According to the 2017 Open Budget Index (OBI) ([25]), EU budget support countries perform better than other developing countries, with an average rating of 40 against 30. The performance of EU budget support countries has improved significantly between 2008 and 2015, as shown in the graph below.

Budget transparency and oversight as per Open Budget Index (2006-2017)



Although this cannot be phrased in terms of causality, it coincides with the decision to make budget transparency and oversight the fourth eligibility criterion for EU budget support in 2012. Together with pressure from civil society and international organisations, it contributed to making transparency a priority for governments and fuelling the demand for budget information locally. This was achieved by taking full advantage of the newly introduced eligibility criterion in the dialogue with governments and combining it with capacity building and variable tranche indicators.

Yet the 2017 index suggested a general setback, particularly marked in non-budget-support countries. This stems partly from a stricter methodology but it also reflects stalled progress towards transparency globally. This has led the EU to strengthen its dialogue with partner countries where difficulties have arisen and to broaden the scope of monitoring, dialogue and capacity development to encompass other relevant documents (e.g. tax exemptions; external audit reports and the follow-up on their recommendations including disciplinary measures and complaints filed with the courts).

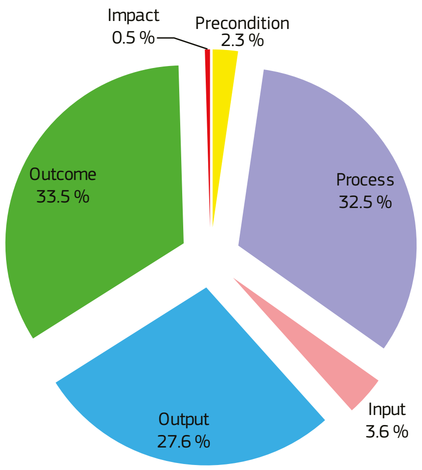
Georgia has benefited from EU support in the area of public finance management and budget transparency since 2007. The OBI published in January 2018 ranks Georgia as number five amongst all the assessed countries. In particular, Georgia makes all key budget documents publicly available online in a timeframe consistent with international standards and confirms an increase of 14 points compared to the 2015 OBI score. The Ministry of Finance now publishes regularly a 'Citizen's Guide to the State Budget' in Georgian and in English, which informs citizens and the media about budget planning and priorities. The guide also outlines the amount and the nature of transfers provided to the local governments. The government follows up on recommendations provided by the audit office and provides implementation information in the documentation annexed to the annual budget execution report submitted to the Parliament. The Parliamentary hearings on the audit office's annual report and the report on the execution of the state budget are carried out in a timely way. While the technical capacities of the Budget Office of the Parliament are growing, more timely service to all relevant committees is still being developed

([25]) The Open Budget Index is issued by the International Budget Partnership. It rates to what extent governments grant public access to budget information and opportunities to participate in the budget process at national level. It also assesses the independence and capacities of the oversight institutions. Performance is measured through 145 questions, which result in an index from 0 (lowest) to 100 (highest). Note that comparisons between surveys must be considered with care, as the methodology and the sample of countries have changed over time (http://survey.internationalbudget.org).

Country-owned monitoring and evaluation systems

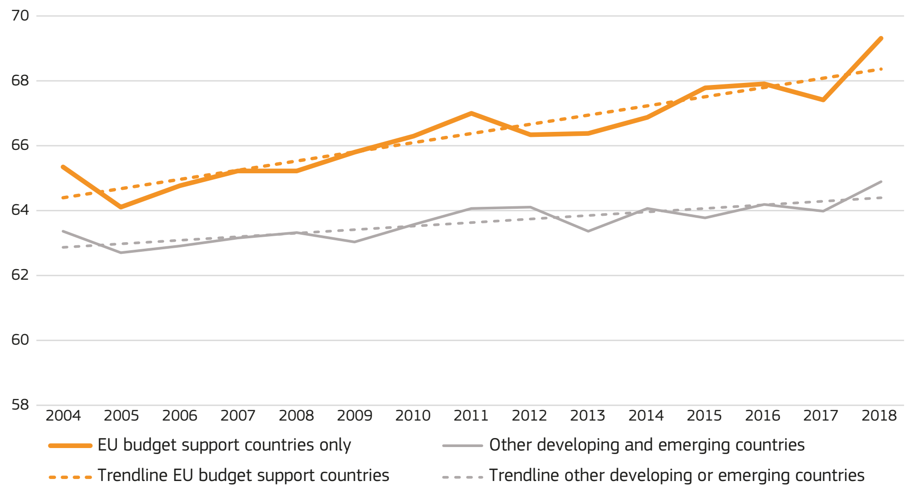
EU budget support is fully performance based. It focuses policy dialogue and disbursements on results and benefits for people in partner countries, notably through the combination of fixed and variable instalments. Remarkably, within the 164 programmes approved between 2014 and 2018, output and outcome indicators accounted for 61 % of the 3 240 indicators used in EU budget support programmes (see graph below).

Types of indicators used in EU budget support programmes
(in % of the total number of indicators used between 2014 and 2018)



EU budget support relies on official statistics. Assessing the independence and capacities of statistical and monitoring systems together with the quality and timeliness of data is part of the budget support design and of the selection process for indicators. If needed, support projects are implemented prior to engaging in budget support or as programmes are being implemented.

Statistical capacity score — World Bank



In EU budget support countries, the statistical capacity is considered slightly higher than in other developing countries, according to an index produced by the World Bank [26]. Nonetheless, statistical and monitoring systems require constant and significant investments to improve them further and thereby to fuel domestic accountability, including towards civil society organisations.

(26) The statistical capacity indicator is a composite score assessing the capacity of a country's statistical system. It is based on a diagnostic framework assessing the following areas: methodology; data sources; and periodicity and timeliness. Countries are scored against 25 criteria in these areas, using publicly available information and/or country input. The overall statistical capacity score is calculated as a simple average of all three area scores on a scale of 0-100.

In the **western Balkans**, the evaluation of sector approach under the Instrument for Pre-accession Assistance II (October 2018) found that introduction of budget support since 2014 has contributed to establishment of functioning monitoring and evaluation systems in sectors benefiting from this instrument. In the enlargement context, the introduction of budget support has been attached to investment in public administration reform (see related section above) and complementary interventions to catalyse the improvement of the sector monitoring and reporting systems ([27]). The progress reports also serve as the basis for policy dialogue between the parties.

By using country systems and official data, EU budget support contributes to increasing the demand for statistics, to improve countries' capacities in this respect, to enhancing the robustness of policymaking and reporting and to fostering domestic accountability on governments' outcomes.

In **Ukraine**, where EU budget support is provided for public administration reform (PAR), the authorities have made the 2018 report on PAR public, together with the civil society organisation reports about PAR implementation in the country. They shared the following testimonial to underline the importance of monitoring systems for the reform: 'One of the factors that ensures the quality of public policy is the periodic monitoring and evaluation of the results of its implementation, the analysis of achievements and the adoption of managerial decisions based on the results of such analysis. That is why we annually conduct our own assessment of the progress of public administration reform and publish reports on its results. However, the reform is interesting not only to us: many public organizations make their alternative or shadow reports on the state of reforming public administration or some aspects of reform. We want to thank everyone who prepares such reports and to assure that this work is useful both in terms of transparency of the reform and in improving its efficiency and effectiveness.'

([27]) See the IPA II evaluation report (link https://ec.europa.eu/europeaid/evaluation-instrument-pre-accession-assistance-ipa-ii-draft-report_en).

Part II — Risk management

The risk management framework (RMF) helps to assess the risks in budget support programmes associated with the use of partner countries' systems. It allows the EU to make a risk-conscious decision on operations, while identifying mitigating measures in key areas. It provides a structured analysis, which informs the formulation and implementation of budget support programmes and feeds into the policy and political dialogue with the partner country.

The RMF is produced every year for each country or territory where EU budget support is provided or contemplated. It can also be prepared in countries where a structured country analysis is deemed necessary to underpin discussions with the authorities. It consists of five broad risk categories (political, macroeconomic, developmental, public finance management and corruption), which are each rated according to a detailed questionnaire. Risks are rated from 1 (lowest) to 4 (highest).

The RMF was first introduced in 2013 and it has been updated in 2019, drawing lessons from 5 years of implementation. Consisting of 15 risk dimensions and 48 questions, the new template provides for a more dynamic and forward-looking risk assessment to facilitate the identification of mitigating measures. It leads to a sharper focus on priority areas in the policy dialogue. The template also puts more emphasis on business environment, public investment management and public administration reform to assess the developmental risk. In 2019, a total of 98 RMFs were prepared by EU delegations, of which 89 in budget support countries or territories.

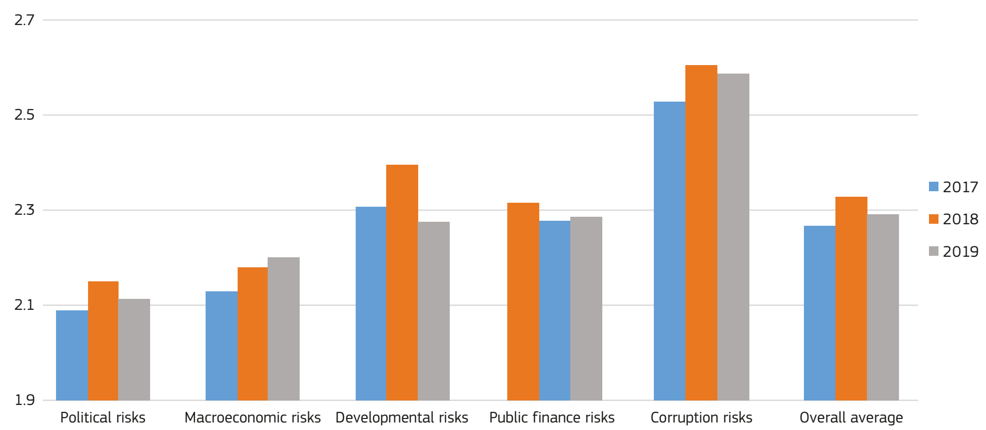
1. Risk analysis

(a) Risk category analysis

Unlike the trend observed in previous years, there is a slight decrease in risk perception in 2019 for most risk categories. There is no single explanation for this decrease and the revision of the RMF template may also have contributed to it (especially for developmental risks).

On the other hand, macroeconomic risks have continued to increase in the last few years, mainly due to risks related to debt sustainability and vulnerability to exogenous shocks in smaller countries, especially in the Pacific and Caribbean regions.

Evolution of average risk per risk category



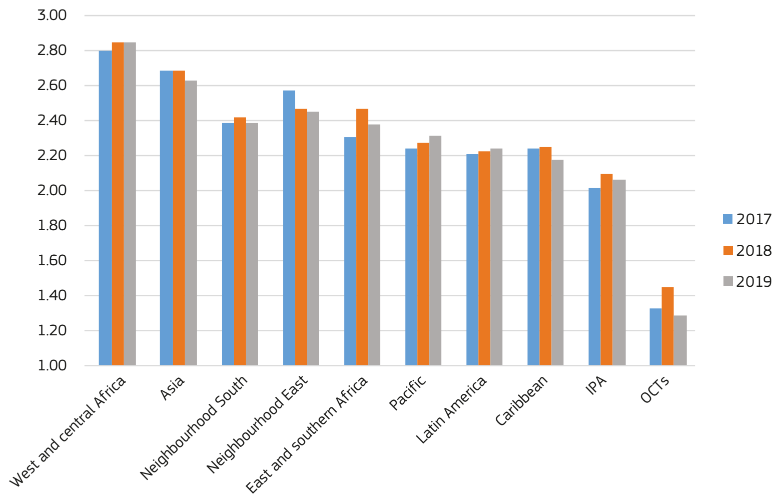
(b) Risk analysis by region

No major change could be observed in the risk overview per region. West and central Africa remains the region experiencing the highest levels of risks. Many countries in the region are fragile, confronted with multiple pressures on their budgets stemming from increasing security constraints, high vulnerability to climate change and economic shocks, and social spending needs to improve living standards of fast growing populations.

Asia is the region with the second highest risk level. The most significant risks in the region are related to the rule of law and democracy. The rule of law risks in particular are perceived as high risk in eight countries (Tajikistan, Afghanistan, Laos, Myanmar/Burma, Kyrgyzstan, Cambodia, Bangladesh and Vietnam). On the other hand, macroeconomic stability and debt sustainability risks are rated relatively lower than in other regions. Countries like Cambodia, Vietnam, Bangladesh and the Philippines have relatively robust macroeconomic frameworks and public policies.

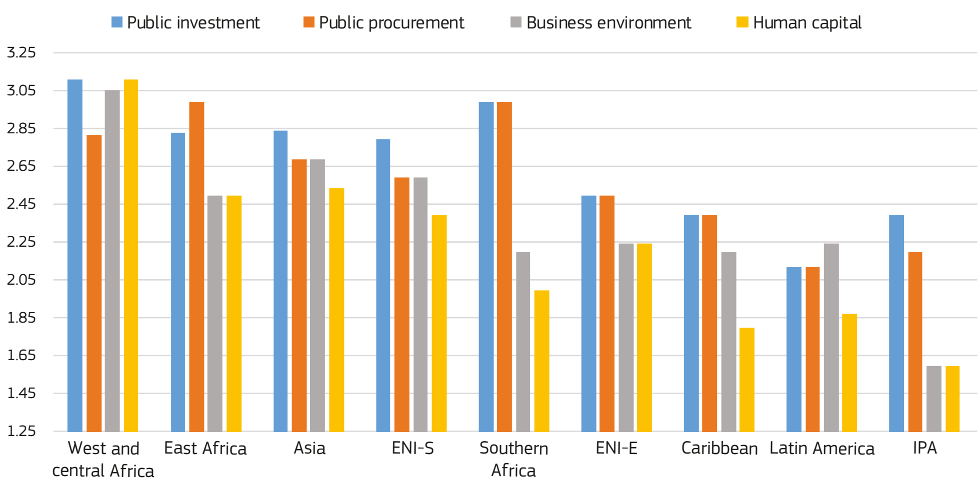
The neighbourhood region continues to present relatively high risks, although a decrease is observed.

Evolution of average risk per region



When looking at specific risk areas introduced by the new RMF questionnaire and relating to countries' investment climate, public investment and public procurement stand out as the most significant risks. These dimensions matter for the efficiency and effectiveness of public spending. They will be critical to finance the SDGs. The importance of these two topics is more pronounced in sub-Saharan Africa as a whole, and they add up to significant concerns about human capital and the business environment in west and central Africa more particularly.

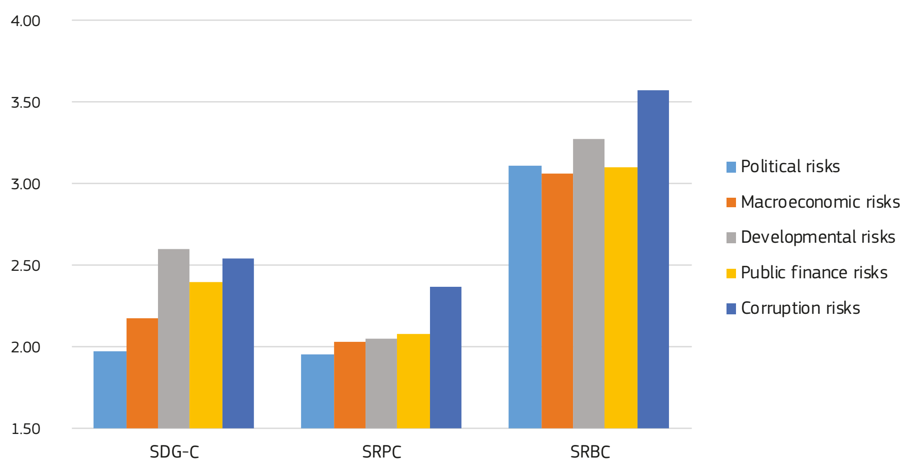
Overview of new questions — investment climate



(c) Risk profile by type of budget support contract

Countries implementing only sector reform performance contracts have the lowest risk profile and this type of contract accounts for the vast majority of budget support programmes (78 % in terms of amount committed). State and resilience building contracts, on the other hand, are used in fragile situations, often in countries affected by conflict and therefore risk levels are high overall. In these countries, the high risks should be carefully balanced with the risk of non-intervention and the potential development gains, combined with a proactive risk mitigation strategy. Risks in countries with the SDG contract are in between, but the sample is very small.

Average risk of budget support contract types per risk category



2. Mitigating measures and risk response

Mitigating measures should make it more likely that our programmes achieve their objectives despite the level and nature of risks observed in a given country. EU delegations have identified a range of risk-mitigating measures and reported progress in the implementation of previously identified measures. The risk response consists of ensuring that the expected benefits of EU budget support outweigh the identified risks and that appropriate mitigation measures are in place.

Mitigating measures often take the form of policy dialogue or capacity building, but also include adapting programme design and implementation framework in response to anticipated risks. The range of mitigating measures is wide and these should be tailored to the needs of specific countries. Based on the 2019 RMFs, mitigating measures focus mostly on the following areas.

Domestic revenue mobilisation, including from natural resources and limiting tax exemptions, is key to increasing the countries' resilience and building fiscal space. Working on revenue policies and the effectiveness of revenue administration is a critical measure alongside most budget support programmes. At the same time, **effective debt management** should contribute to reducing debt servicing costs and ensure the long-term, sustainable financing of productive investments.

Creating an attractive investment climate and business environment is increasingly important. Countries need to attract foreign investment or stimulate the domestic private sector, invest in people and in skills, promote economic diversification, develop value chains and improve their governance, in order to reduce their vulnerability to shocks and to build up their economic resilience.

Mitigating weaknesses in the **food and nutrition security** and sustainable agriculture sectors is key for anticipating consequent potential state, societal or economical deficiencies affecting partner countries' stability in the medium to long run

Increasing budget credibility and reliable medium-term financial planning call for significant strengthening of budgeting systems. This is also crucial to underpin the costing of SDGs and the integrated financing frameworks for SDG implementation.

Quality of external audit and oversight often comes as a weakness in PFM. The EU supports supreme audit institutions through global and country-level initiatives.

While core dimensions of public financial management (expenditure controls, comprehensive budget documentation and reporting) have been improving in most countries, risks have been shifting towards **public procurement**. The World Trade Organisation estimates that public procurement accounts for 10 % to 15 % of GDP globally. In many developing countries, it accounts for more than half of government spending. In procurement, restriction of competition, corruption and overpricing can lead to significant waste in public spending. According to the OECD, 57 % of corruption is due to procurement. It is an area with many vested interests, widespread mismanagement, a significant discretion to use public funds and large contracts at stake. Improving transparency and public oversight of procurement systems will be an important element for reform dialogue.

In budget allocations, maintaining a sufficient level of **social spending** in spite of growing pressure for investment, increasing debt service costs or a need to spend more on security in some contexts, remains very important for sustainable development.

The mitigation of corruption and fraud risks continues to be a key focus. Such mitigation can take many forms, ranging from direct assistance to anti-corruption institutions or judicial bodies up to strengthened political/policy dialogue on transparency and oversight functions. It can also target reforms of departments prone to corruption, such as revenue and customs administrations. Support to civil society organisations, for example to enable participation in the budgetary and policy process, can furthermore mitigate corruption risks.

Part III — Geographical and financial distribution

1. Commitments

As of the end of 2018, ongoing commitments of EU budget support totalled EUR 10.6 billion [28]. New budget support commitments approved in 2018 amounted to EUR 1.8 billion.

Region	Number of countries	Number of budget support contracts	Types of budget support contracts (unit)			Budget support commitments (million EUR)		Total disbursed 2018
			SDG-C	SRBC	SRPC	Total ongoing	of which new commitments in 2018	
Asia and central Asia	13	41	0	3	38	2 231.5	616.6	302.1
Caribbean	8	15	0	3	12	302.9	33.4	74.9
East and southern Africa [29]	8	24	0	2	22	1.563.3	210.0	246.9
ENI East	4	19	0	0	19	562.2	15.0	69.8
ENI South [30]	4	52	1	1	50	1 836.0	191.2	280.0
IPA	4	13	0	0	13	370.0	34.0	74.9
Latin America	8	20	0	0	20	646.1	86.4	101.8
OCTs	14	18	0	0	18	269.1	124.3	92.9
Pacific	8	11	0	0	11	125.1	25.0	24.7
West and central Africa [31]	18	37	6	15	16	2 719.7	503.0	487.8
ENI [32]	8	71	1	1	69	2 398.2	206.2	349.8
DCI	21	70	0	3	67	3 200.6	740.1	449.4
EDF and EUTF [33]	56	96	6	20	70	4 657.1	858.6	881.9
IPA	4	13	0	0	13	370.0	34.0	74.9
All	89	250	7	24	219	10 625.9	1 838.9	1 756.0

[28] Compared to last year, there is a sharp decline in the amount of the total open budget support portfolio, which amounted to more than EUR 12 billion at the end of 2017. This stems from the closure of many programmes, which had been funded under the previous multiannual financial framework (2007-2013) and which have now ended. This follows the usual cyclical pattern observed during a financial programming period.

[29] This row includes the two budget support programmes funded in the region under the EU Emergency Trust Fund for Africa (EUTF) for a total of EUR 142 million respectively in Ethiopia and Somalia.

[30] This row includes the programme in Jordan for the education of Syrian children funded under the EU Regional Trust Fund in response to the Syrian crisis of EUR 23.7 million. The SDG-C column also includes an ongoing good governance development contract in Morocco.

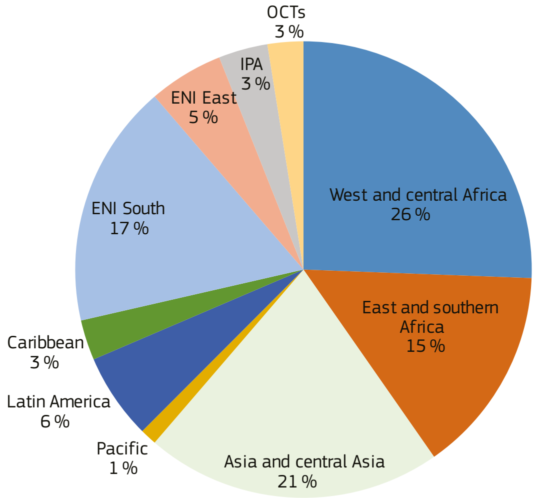
[31] This row also includes the five budget support programmes funded in the region under the EU Emergency Trust Fund for Africa for a total of EUR 195 million respectively in Burkina Faso, Chad, Côte d'Ivoire, Mauritania and Niger.

[32] This row includes the programme in Jordan for the education of Syrian children funded under the EU Regional Trust Fund in response to the Syrian crisis for EUR 23.7 million.

[33] This row includes the seven budget support programmes funded under the EU Emergency Trust Fund for Africa for a total of EUR 337 million respectively in Burkina Faso, Chad, Ethiopia, Côte d'Ivoire, Mauritania, Niger and Somalia.

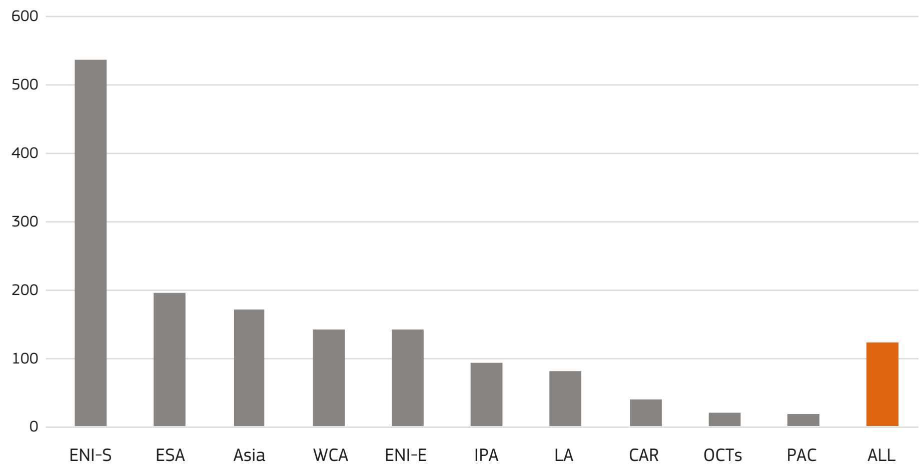
The regional breakdown shows that sub-Saharan Africa (41 %) remains the largest recipient of budget support, followed by the European Neighbourhood (22 %), even though its share has been decreasing for both the European Neighbourhood East (ENI-E) and the European Neighbourhood South (ENI-S). Asia's share (21 %), on the other hand, continues to increase rapidly. Other regions include Latin America (6 %), the Caribbean (3 %), candidate countries or potential candidates to the EU (IPA — 3 %), overseas countries and territories (OCTs — 3 %) and the Pacific region (1 %).

EU budget support total commitments by region

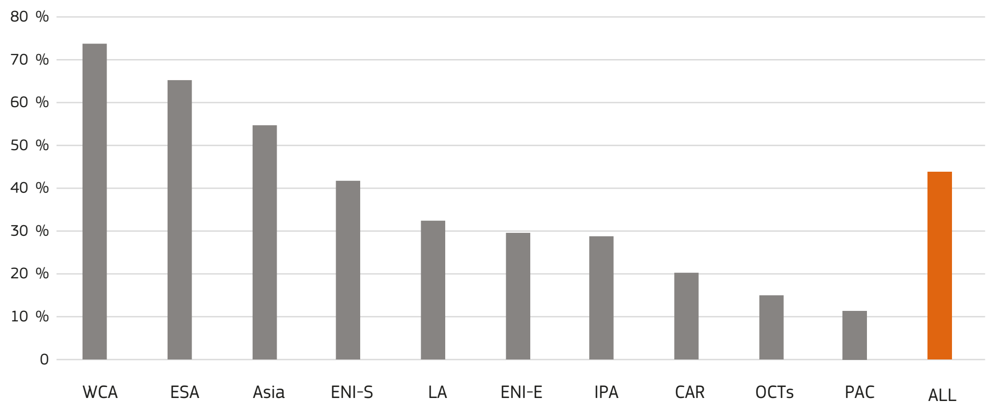


The average amount of total budget support commitments per country is about EUR 123 million, with substantial differences across regions. Commitments are particularly large in ENI-S, where EU ODA is high and concentrated on four countries and where a significant share is delivered through budget support (in Morocco and Tunisia, particularly).

Average size of country budget support portfolio in each region (million EUR)



Average size of budget support contracts in each region (million EUR)



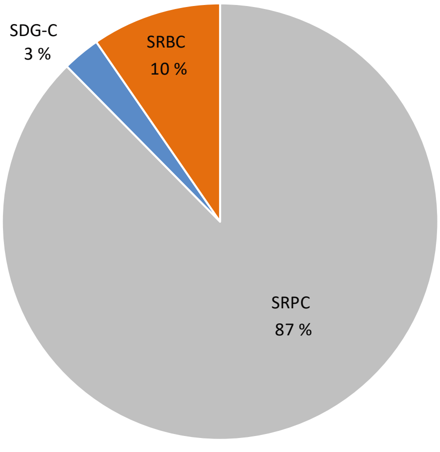
The average size of a budget support contract in 2018 was EUR 42.5 million. This average size is decreasing slightly due to the increasing use of sector reform performance contracts, which tend to be smaller. The largest budget support contracts were provided in sub-Saharan Africa, with an average around EUR 70 million per contract. In the two following regions (Asia and ENI-S), the average budget support contract amounted to EUR 54 million and EUR 41 million respectively. The larger size of contracts in sub-Saharan Africa relates to the relatively high number of general budget support contracts, particularly of state resilience and building contracts.

Type of contract	Number of ongoing budget support contracts	Amount of budget support commitment (million EUR)	Average size (million EUR)
SRPC	219	8 336.4	38.1
SDG-C	7	601.3	85.9
SRBC	24	1 688.2	70.3
All	**250**	**10 625.9**	**42.5**

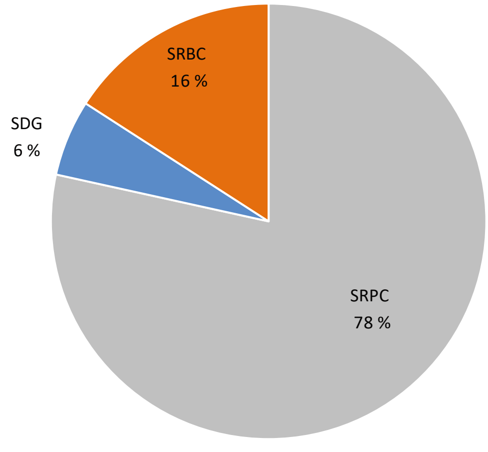
As at the end of 2018, the average number of ongoing budget support contracts per country was 2.8, similar to previous years. Most regions were below this global average, while neighbourhood regions were above, in particular ENI-S and notably in Morocco, where 14 budget support programmes are currently being implemented.

Most budget support programmes are sector reform performance contracts (SRPCs), which accounted for 87 % of the total number of operations. This share keeps increasing every year. Due to their relatively smaller size, they represent only 78 % of ongoing commitments.

Types of budget support (% of all contracts)



Types of budget support (% of total commitments)



The use of state and resilience building contracts continuously increased between 2012 and 2015. Since 2016, their number and their total amount have stabilised at around 10 % of the number of budget support contracts and 16 % of all budget support commitments. The vast majority of SRBCs are in west and central Africa, where fragility is widespread. SRBCs tend to respond to significant financing needs, which means that their average size is relatively large (EUR 70.3 million), although it has slightly decreased compared to last year.

The sustainable development goals contracts (SDG-Cs), formerly known as good governance and development contracts (GDDCs), account for 3 % of the number of contracts and 6 % of commitments.

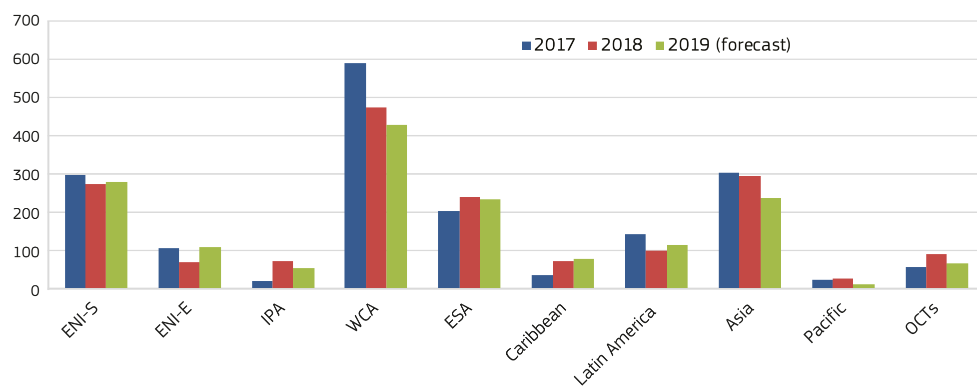
2. Disbursements

In 2018, EUR 1.8 billion was disbursed through budget support, or about 18 % of total ODA payments by DG International Cooperation and Development and DG European Neighbourhood and Enlargement Negotiations for the European Commission.

Regions	Budget support disbursements 2013-2019 (million EUR)						
	2013	2014	2015	2016	2017	2018	2019 (forecast)
ENI-S	178	243	249	303	307	280	286
ENI-E	163	345	84	213	109	70	112
IPA	0	0	0	35	21	75	54
WCA	470	459	542	508	609	488	441
ESA	303	218	279	141	208	247	241
Caribbean	125	127	77	98	36	75	81
Latin America	72	58	126	150	136	102	116
Asia	141	107	164	204	312	302	242
Pacific	8	16	26	20	58	25	12
OCTs	50	34	41	57	23	93	68
Total ENI	**341**	**588**	**333**	**516**	**416**	**350**	**398**
Total DCI	**213**	**165**	**411**	**462**	**533**	**449**	**375**
Total EDF	**956**	**854**	**844**	**716**	**860**	**882**	**826**
Total IPA	**-**	**-**	**-**	**35**	**21**	**75**	**54**
Total	**1 510**	**1 607**	**1 588**	**1 729**	**1 830**	**1 756**	**1 653**

Disbursements have been relatively stable, ranging between EUR 1.6 and 1.8 billion in the last 5 years, despite the cyclical pattern of the multiannual financing framework. In 2019, the amount of disbursements is expected to remain at the same level. West and central Africa remains the region with the highest level of disbursement, followed by Asia and Neighbourhood South.

Budget support disbursements from 2017 to 2019 per region (million EUR)

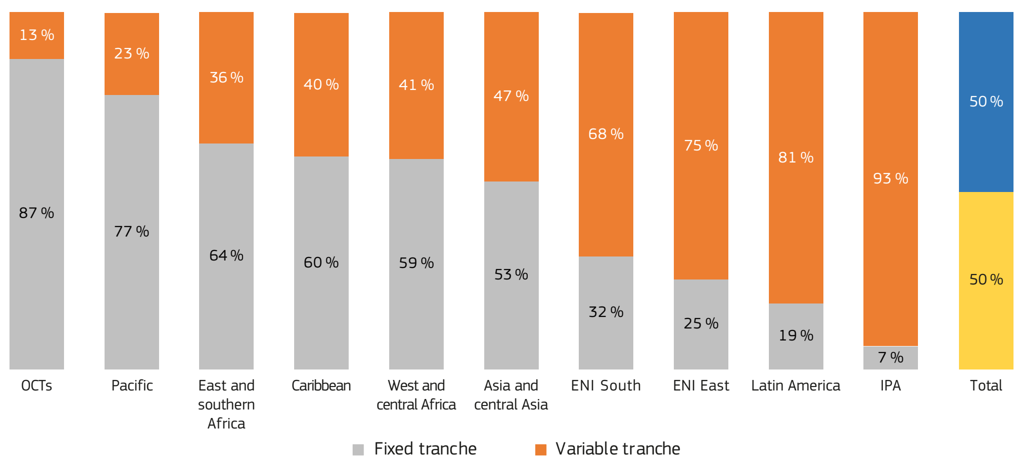


3. Fixed and variable tranches

The split between fixed and variable tranche payments in 2018 was exactly 50 % on average. Variable tranches are large in the neighbourhood and in Latin America, while the high share of fixed tranches in OCTs, the Pacific and the Caribbean represents the need to smoothen large domestic revenue fluctuations affecting these small countries and territories. In sub-Saharan Africa, the relatively low capacity of national administrations and larger development needs rather drive budget support programmes towards a higher share of fixed tranches.

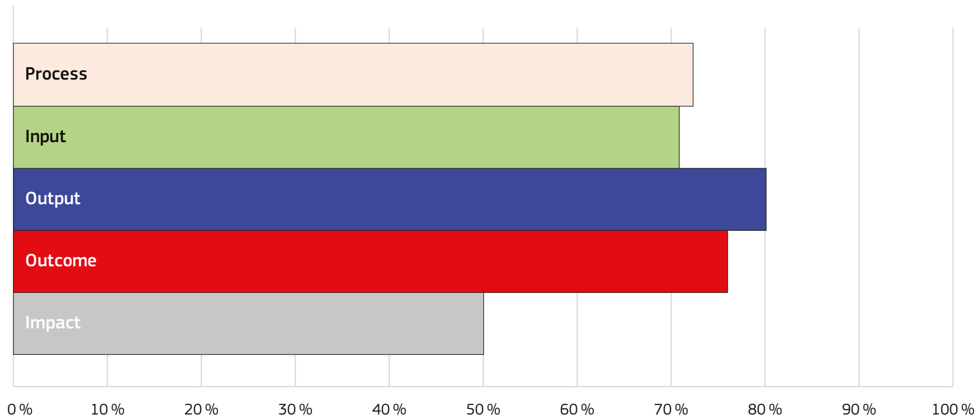
Variable tranches can offer an incentive to focus dialogue and monitoring on key reforms or expected results. However, such a focus should not come at the expense of a broader policy dialogue and performance assessment, beyond selected indicators. A high variable tranche can furthermore put great financial weight on a limited number of indicators, with potential negative implications for predictability and the budgeting process of the partner country.

Average variable tranche share in total tranche disbursements for 2018



Interestingly, within the variable tranches, the disbursement rates of indicators is higher for output and outcome indicators (i.e. measuring the results of policies for their beneficiaries) than for input (i.e. measuring budgetary efforts) or process indicators (i.e. specific reforms or actions to be undertaken upstream, in order to generate results for the beneficiaries). This confirms the relevance of the EU approach to budget support design and the preference for output and, when possible, for outcome indicators. This is not only preferable in order to align with country objectives, to promote ownership of reforms or to foster domestic accountability on policy results. This also enhances the predictability of EU budget support for partner countries. On the other hand, it confirms that impact indicators are less suitable for yearly assessments. The chart below depicts the 2018 situation but this trend is observed throughout the 2014-2018 period.

Disbursement rate of variable tranche indicators in 2018, according to their type

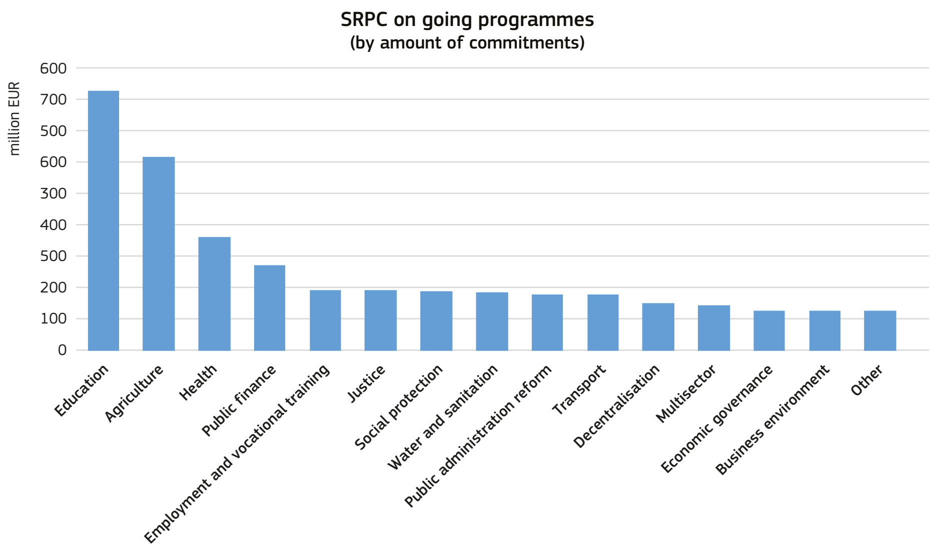


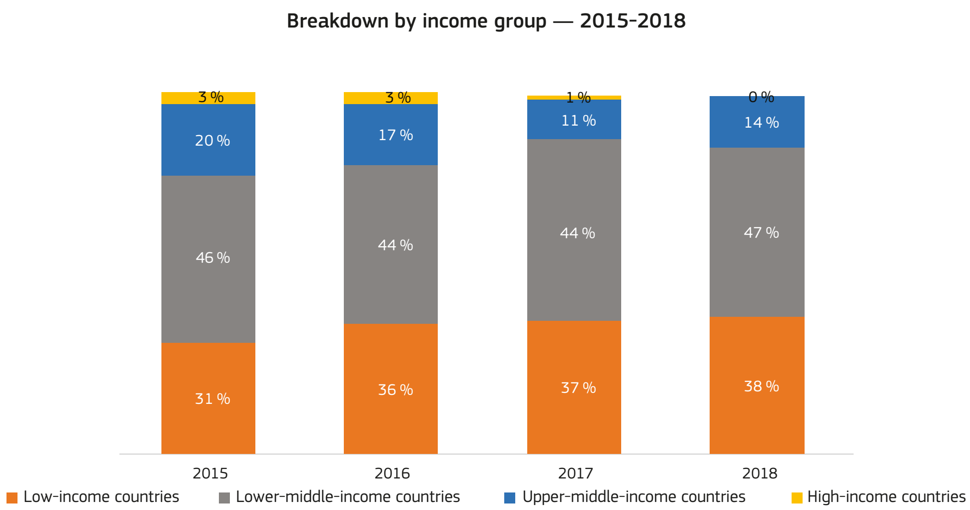
4. Distribution by sector and income group

When referring to their main sector focus, SRPCs dominantly contribute to SDG 2 (i.e. agriculture), SDG 3 (i.e. health), SDG 4 (i.e. education and vocational training), SDG 6 (i.e. water and sanitation), SDG 7 (i.e. energy) and SDG 16 (i.e. public finance, public administration reform, justice).

Education is still the most important area of engagement, although the importance of agriculture has been increasing rapidly, as one of the priority sectors to support growth and jobs, followed by health (a traditional sector of engagement). There are significant commitments for public administration reform, public finance management and justice, which are core areas of governance.

However, this sector distribution must be handled with care. EU budget support contracts are not sector-exclusive and there are many interlinkages between the SDGs. As evidenced in Part I of this report, SRPCs often contribute to more than one SDG (e.g. a health programme may have a component on nutrition, linking up SDG 2 and SDG 3; a water and sanitation programme usually contributes to both SDG 6 and SDG 15; an energy programme will typically contribute to SDG 13). Moreover, SDG-Cs and SRBCs have by definition a multidimensional scope covering several SDGs.





By country group, lower-middle-income countries are the largest beneficiaries of budget support, representing 47 % of the total ongoing commitments. In this category, Morocco was by far the largest recipient of budget support with around 10 % of the total portfolio. Nonetheless, the share of low-income countries has been increasing steadily, and now represents 38 % compared to 31 % in 2015. This is partly due to the increasing use of the SRBCs. In addition, **50 % of all budget support commitments and payments are made in least-developed countries** (LDCs) ([34]) . Thereby EU budget support is making a firm contribution to the commitment to allocate 0.2 % of the EU gross national income to least developed countries.

5. Forecast 2019 commitments

SRPCs represent 86 % of the new contracts planned for approval in 2019, while SRBCs are expected to account for 10 % of all new budget support programmes and SDG-Cs for 4 %. The level of forecasted budget support commitment is higher than previous years and continues to be strong across all regions, especially in the Neighbourhood South and in Asia.

Budget support new commitments expected in 2019						
Region	Number of countries	Number of contracts	Types of contracts			Expected commitments (million EUR)
			SRPC	SDG-C	SRBC	
Asia and central Asia	9	11	11	0	0	607
West and central Africa	10	11	5	2	4	475
Latin America	5	8	8	0	0	273
Neighbourhood South	3	8	8	0	0	749
East and southern Africa	4	7	7	0	0	235
Caribbean	4	4	2	0	2	71
Neighbourhood East	1	2	2	0	0	70
IPA	2	2	2	0	0	65
Pacific	2	2	2	0	0	50
OCTs	2	2	2	0	0	34
ENI expected	4	10	10	0	0	884
DCI expected	15	21	21	0	0	896
EDF expected	21	24	16	2	6	849
IPA expected	2	2	2	0	0	65
Total forecast	42	57	49	2	6	2 629

([34]) The list of LDCs is set out at UN level and reviewed every 3 years. LDCs are not necessarily low-income countries only. To date, the list includes 47 countries (https://www.un.org/development/desa/dpad/least-developed-country-category.html).

Annex 1 — Selected country indicators

	Central and southern Africa									
2018	Botswana	Cameroon	Central African Republic	Chad	Madagascar	Namibia	Rwanda	São Tomé and Príncipe	South Africa	Uganda
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	0	1	2	3	1	1	5	1	9	1
New commitments (million EUR)	0	0	0	54	0	0	0	0	20	0
Total commitments (million EUR)	0	100	79	108	30	27	454	20	291	66
SDG-C (million EUR)	0	0	0	0	0	0	0	0	0	0
SRBC (million EUR)	0	0	64	108	30	0	0	0	0	0
SRPC (million EUR)	0	100	15	0	0	27	454	20	291	66
Sectors		Agriculture	Security			Education	Transport, health, environment and climate change, agriculture, energy	Water and sanitation	Health, justice, education, business environment, democracy and human rights, gender, other	Justice
Disbursed	0	24	18	40	13	11	60	22	22	0
Disbursements forecast (1st trim of following year)	0	35	81	15	0	6	0	6	16	20
Poverty reduction and inclusive growth	2009	2014	2008	2011	2012	2015	2013	2010	2014	2016
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	18.2 %	23.8 %	66.3 %	38.4 %	77.6 %	13.4 %	56.0 %	32.3 %	18.9 %	41.6 %
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	0.371	0.448	0.831	0.665	0.91	0.296	0.808	0.701	0.376	0.698
Income share held by lowest 20 %	2.8 %	4.5 %	3.3 %	4.9 %	5.7 %	2.8 %	6.0 %	8.4 %	2.4 %	6.1 %
Gini coefficient	0.605	0.466	0.562	0.433	0.426	0.591	0.451	0.308	0.63	0.428
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Real GDP growth (%)	4.6 %	4.0 %	4.3 %	3.1 %	5.2 %	-0.1 %	8.6 %	3.0 %	0.8 %	6.2 %
PFM, transparency (PEFA)	Aug. 13	Jun. 17, Annex PEFA11	Jul. 10	Oct. 18, Annex PEFA11	Mar. 18, Annex PEFA11	Nov. 15	May. 16, Report PEFA 2011	Oct. 13	Oct. 14	Dec. 17, Annex PEFA11
Credibility of the budget	C+	B	D+	D	D+	B+	B+	C+	A	B
Comprehensiveness and transparency	C+	C	C	D+	C	C+	B+	B	A	B
Policy-based budgeting	C	C+	C	C	B	C	A	B	B+	B+
Predictability and control of budget expenditure	B	C	C	C	C	C+	B+	C+	B	B
Accounting, recording and reporting	B	C	D+	C	C	C+	C+	C	B+	B
External scrutiny and audit	B+	D+	D	D	D+	C	B	C+	B+	C+
	2017	2017	/	2017	2017	2017	2017	2017	2017	2017
Open budget index	8	7	/	2	34	50	22	31	89	60
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
WGI control of corruption	0.80	-1.18	-1.17	-1.43	-1.05	0.32	0.63	0.14	-0.01	-1.04
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
General government gross debt (% GDP)	12.9 %	37.7 %	48.5 %	46.6 %	39.7 %	47.1 %	40.7 %	81.3 %	56.7 %	42.2 %
Reserve coverage (months of imports)	12.5	5.2	6.2	0.3	3.9	1.5	4.6	2.6	5.5	4.3
General government net lending/borrowing (% GDP)	-3.1 %	-2.7 %	0.7 %	1.4 %	-2.2 %	-5.9 %	-2.6 %	-2.1 %	-4.4 %	-4.8 %
General government expenditure (% GDP)	31.9 %	18.5 %	16.8 %	14.6 %	17.1 %	36.3 %	26.7 %	24.7 %	33.6 %	20.4 %
Current account balance (% GDP)	9.6 %	-4.0 %	-8.6 %	-4.8 %	0.3 %	-4.3 %	-7.8 %	-10.6 %	-3.4 %	-6.8 %
Revenue excluding grants (% GDP)	29.3 %	15.6 %	9.3 %	12.1 %	12.0 %	31.0 %	19.3 %	14.4 %	29.1 %	14.6 %

	West and east Africa																
2018	Benin	Burkina Faso	Cape Verde	Côte d'Ivoire	Ethiopia	Ghana	Guinea	Liberia	Niger	Senegal	Sierra Leone	Tanzania	The Gambia	Togo	Mali	Mauritania	Somalia
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	6	5	1	3	3	2	1	1	5	3	1	3	1	1	1	1	1
New commitments (million EUR)	0	0	0	0	0	0	0	0	86	118	0	0	55	0	170	92	25
Total commitments (million EUR)	389	446	74	160	305	85	86	131	704	158	80	298	55	63	170	92	25
SDG-C (million EUR)	194	141	74	89	0	40	0	0		88	0	0	0	0	0	0	0
SRBC (million EUR)	0	50	0	0	0	0	86	27	258	0	80	0	55	63	170	92	25
SRPC (million EUR)	195	255	0	71	305	45	0	0	337	70	0	298	0	0	0	0	0
Sectors	Agriculture, decentral-isation, justice	Health, water sanitation, agriculture, justice	Security	Rural devel-opment, civil registry	Transport, health, employment and vocation-al training	Decentrali-sation	Transport, health, environment and climate change, agriculture, energy	Water and sanitation	Agriculture, education, food	Water and san-itation, social protection		Transport				Health, justice, education, business environment, democracy and human rights, gender, other	Justice
Disbursed	65	65	8	32	73	4	17	6	60	6	24	61	25	8	36	0	0
Disbursements forecast (1st trim of following year)	55	84	11	14	47	21	17	2	80	11	18	52	18	13	53	23	12
Poverty reduction and inclusive growth	2015	2014	2007	2015	2015	2012	2012	2014	2014	2011	2011	2011	2015	2015	2018	2018	2014
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	49.6 %	43.7 %	8.1 %	28.2 %	26.7 %	12.0 %	35.3 %	38.6 %	44.5 %	38.0 %	52.2 %	49.1 %	10.1 %	49.2 %	/	/	6.0 %
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	0.762	0.764	0.265	0.574	0.614	0.325	0.703	0.738	0.769	0.675	0.813	0.79	0.378	0.732	/	/	24.1
Income share held by lowest 20 %	3.2 %	8.3 %	5.0 %	5.7 %	6.6 %	5.4 %	7.6 %	7.7 %	7.8 %	6.1 %	7.9 %	7.4 %	7.4 %	5.0 %	/	/	7.5 %
Gini coefficient	0.478	0.353	0.472	0.415	0.391	0.424	0.337	0.332	0.343	0.403	0.34	0.378	0.359	0.431	/	/	0.33
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2017	/	2017
Real GDP growth (%)	6.5 %	6.0 %	4.7 %	7.4 %	7.7 %	5.6 %	5.8 %	1.2 %	5.2 %	6.2 %	3.7 %	6.6 %	6.6 %	4.7 %	5.4 %	/	3.5 %
PFM, transparency (PEFA)	Nov. 14	Dec. 17, Annex PEFA11	May 16	Jul. 18, Annex PEFA11	Apr. 15	Sep. 18, Annex PEFA11	Mar. 18, Annex PEFA11	Jul. 16	Mar. 17, Annex PEFA11	Jun. 11	May. 18, Annex PEFA11	Oct. 17, Annex PEFA11	Jan. 15	Jul. 16, Annex PEFA11	Oct. 18	/	Dec. 14
Credibility of the budget	A	D+	C+	B+	B+	D+	C	C+	C	B	C	C	C	C+	D+	/	C
Comprehensiveness and transparency	D+	C+	B+	C+	C+	C	C+	C+	C+	C	B	C+	C	C	C	/	C
Policy-based budgeting	B	B+	B+	C+	B+	C+	C	C	C+	B+	B	B+	B+	C+	C+	/	C
Predictability and control of budget expenditure	C	C+	B	C+	B	C+	C	C+	C	C+	C	C+	C	C	C	/	C
Accounting, recording and reporting	C	C+	B	C+	B	D+	D+	C+	C	C	C	D+	C+	C	C	/	C
External scrutiny and audit	C	C	C+	C	B	C	D+	C	C	D+	C	B	D+	D+	D+	/	D+
	2017	2017	/	2017	/	2017	/	2017	2017	2017	2017	2017	/	/	2017	2017	/
Open budget index	39	24	/	24	/	50	/	36	0	51	38	10	/	/	39	8	/
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
WGI control of corruption	-0.55	-0.11	0.84	-0.52	-0.56	-0.23	-1.01	-0.69	-0.65	-0.09	-0.59	-0.48	-0.66	-0.71	-0.63	-1.72	-0.75
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
General government gross debt (% GDP)	54.6 %	43.0 %	127.7 %	52.2 %	61.1 %	59.6 %	38.7 %	40.5 %	55.1 %	64.4 %	71.3 %	36.0 %	83.2 %	74.6 %	36.6 %	/	83.9 %
Reserve coverage (months of imports)	1.0	4.4	5.4	2.4	1.6	2.7	1.8	2.7	1.3	3.3	3.2	6.1	2.4	0.3	-0.5	/	3.2
General gov. net lending/borrowing (% GDP)	-4.7 %	-4.7 %	-2.7 %	-4.0 %	-3.0 %	-7.0 %	-2.0 %	-5.6 %	-4.9 %	-3.4 %	-6.8 %	-1.8 %	-6.6 %	-3.1 %	-4.7 %	/	1.6 %
General government expenditure (% GDP)	23.3 %	27.5 %	30.9 %	23.7 %	16.1 %	21.6 %	17.5 %	32.8 %	26.3 %	22.1 %	23.6 %	16.9 %	21.4 %	27.4 %	20.2 %	/	27.4 %
Current account balance (% GDP)	-8.9 %	-7.5 %	-7.1 %	-3.4 %	-6.5 %	-3.2 %	-16.1 %	-23.3 %	-16.3 %	-7.2 %	-13.8 %	-3.7 %	-11.5 %	-7.9 %	-7.3 %	-5.6 %	-18.0 %
Revenue excluding grants (% GDP)	17.7 %	18.7 %	26.4 %	18.7 %	12.2 %	14.3 %	13.7 %	13.4 %	17.0 %	16.6 %	13.8 %	14.3 %	11.4 %	20.4 %	14.2 %	2.2 %	28.3 %

	Asia											
2018	Afghanistan	Bangladesh	Bhutan	Cambodia	Kyrgyzstan	Laos	Nepal	Pakistan	Philippines	Tajikistan	Vietnam	Myanmar/ Burma
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	3	5	3	6	4	1	4	3	1	2	2	1
New commitments (million EUR)	111	174	0	22	12	62	0	0	0	0	0	221
Total commitments (million EUR)	315	546	42	274	91	62	227	120	30	31	222	221
SDG-C (million EUR)	0	0	0	0	0	0	0	0	0	0	0	0
SRBC (million EUR)	315	0	0	0	0	0	105	0	0	0	0	0
SRPC (million EUR)	0	546	42	274	91	62	122	120	30	31	222	221
Sectors		Education, social protection	Decentralisation, rural development, employment	Decentralisation, education, PFM	Social protection, education, democracy	Education	Agriculture, education, security	Education, decentralisation	PFM	Social protection, health	Health, energy	Education
Disbursed	98	0	10	47	18	7	19	19	4	9	40	0
Disbursements forecast (1st trim of following year)	75	0	10	22	15	14	18	9	0	0	24	35
Poverty reduction and inclusive growth	/	2016	2017	/	2017	2012	2010	2015	/	2015	2016	2015
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	/	14.8 %	1.5 %	/	1.5 %	22.7 %	15.0 %	4.0 %	/	4.8 %	2.0 %	6.4 %
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	/	0.529	0.12	/	0.196	0.587	0.508	0.347	/	0.203	0.082	29.8
Income share held by lowest 20 %	/	8.6 %	6.7 %	/	9.9 %	7.6 %	8.3 %	8.9 %	/	7.4 %	6.9 %	7.3 %
Gini coefficient	/	0.324	0.374	/	0.273	0.364	0.328	0.335	/	0.34	0.353	0.38
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2017
Real GDP growth (%)	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	6.8 %
PFM, transparency (PEFA)	Jun. 18, Annex PEFA11	Jun. 16, Annex PEFA11	Sep. 16, Annex PEFA11	Dec. 15	Mar. 15	Jun. 10	May. 15	Jun. 12	Jun. 16, Annex PEFA11	Nov. 17, Annex PEFA11	Jul. 13	Mar. 12
Credibility of the budget	D+	D+	B	B	C+	B	B+	B	C	B	D+	C
Comprehensiveness and transparency	B	C+	B+	C	C+	C	B	B+	B+	B+	C+	D+
Policy-based budgeting	C+	A	B+	B+	B	C	B+	A	A	C+	C+	C
Predictability and control of budget expenditure	C+	C+	B	C	C+	C	C+	C+	B	C+	C+	D+
Accounting, recording and reporting	C+	C+	C+	C	B+	C	B	C	C	B	C+	C
External scrutiny and audit	B	D+	C+	C+	C+	C	D+	C+	C+	B	B	C+
	2017	2017	/	2017	2017	/	2017	2017	2017	2017	/	2017
Open budget index	49	41	/	20	55	/	52	44	67	30	/	7
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
WGI control of corruption	-1.52	-0.83	1.57	-1.29	-1.05	-0.94	-0.75	-0.78	-0.48	-1.33	-0.58	-0.56
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
General government gross debt (% GDP)	7.1 %	34.8 %	102.6 %	29.4 %	56.0 %	63.0 %	30.4 %	72.1 %	39.6 %	47.9 %	57.5 %	49.4 %
Reserve coverage (months of imports)	11.4	5.6	12.6	5.0	4.0	1.5	7.2	2.6	7.0	2.9	2.4	3.4
General gov. net lending/borrowing (% GDP)	0.9 %	-4.1 %	-1.0 %	-2.0 %	-1.3 %	-4.6 %	-6.5 %	-6.5 %	-1.0 %	-4.8 %	-4.6 %	-2.5 %
General government expenditure (% GDP)	27.1 %	14.2 %	32.0 %	24.2 %	34.1 %	20.9 %	32.0 %	21.8 %	21.0 %	31.7 %	28.2 %	20.2 %
Current account balance (% GDP)	4.8 %	-2.8 %	-22.7 %	-10.5 %	-9.8 %	-17.1 %	-8.2 %	-6.1 %	-2.6 %	-5.3 %	3.0 %	-4.3 %
Revenue excluding grants (% GDP)	13.4 %	9.4 %	/	20.6 %	31.2 %	14.2 %	24.3 %	15.2 %	20.0 %	24.7 %	23.5 %	17.4 %

vv	Pacific								Latin America						
2018	Cook Islands	Marshall Islands	Samoa	Solomon Islands	Timor-Leste	Tonga	Tuvalu	Vanuatu	Bolivia	Colombia	Ecuador	El Salvador	Honduras	Paraguay	Peru
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	2	1	3	1	1	2	1	1	6	4	1	2	4	1	2
New commitments (million EUR)	0	0	0	0	2	0	0	25	0	0	26	0	60	0	0
Total commitments (million EUR)	4	9	68	17	15	19	7	25	155	113	26	104	141	46	72
SDG-C (million EUR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SRBC (million EUR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SRPC (million EUR)	4	9	68	17	15	19	7	25	155	113	26	104	141	46	72
Sectors	Water and sanitation	Energy	Water and sanitation	Water and sanitation	Health	Energy	Environment	Agriculture	Agriculture, drugs, food, water and sanitation	Agriculture, environment, trade, rural	Agriculture, trade	Security, social protection	Agriculture, environment, employment	Education	Administration, drugs
Disbursed	0	2	9	3	0	4	2	3	23	16	0	24	15	15	6
Disbursements forecast (1st trim of following year)	1	2	4	1	2	2	1	1	22	10	6	26	18	14	0
Poverty reduction and inclusive growth	/	/	2008	2013	2014	2009	2010	2010	2017	2017	2017	2017	2017	2017	2017
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	/	/	0.6 %	25.1 %	30.3 %	1.1 %	3.3 %	13.2 %	5.8 %	3.9 %	3.2 %	1.9 %	17.2 %	1.2 %	3.4 %
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	/	/	0.097	0.588	0.732	0.089	0.176	0.395	0.118	0.108	0.087	0.085	0.316	0.056	0.098
Income share held by lowest 20 %	/	/	6.4 %	7.0 %	9.4 %	6.7 %	6.6 %	6.7 %	4.1 %	4.1 %	4.7 %	6.4 %	3.2 %	4.6 %	4.7 %
Gini coefficient	/	/	0.42	0.371	0.287	0.375	0.391	0.376	0.44	0.497	0.447	0.38	0.505	0.488	0.433
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Real GDP growth (%)	/	2.4 %	0.7 %	3.4 %	0.8 %	1.8 %	4.3 %	3.2 %	4.3 %	2.7 %	1.1 %	2.5 %	3.7 %	3.7 %	4.0 %
PFM, transparency (PEFA)	Aug. 15	Oct. 12	Dec. 14	Dec. 12	May 14	May 10	Jun. 11	Aug. 13	Oct. 9	Oct. 16 Annex PEFA11	Oct. 18, Annex PEFA11	Aug. 13	May 17, Report PEFA 2011	Aug. 16 Annex PEFA11	Jun.15
Credibility of the budget	B+	C+	A	C	C	B+	C+	B+	B	B+	C+	A	C+	C	B
Comprehensiveness and transparency	B	D+	C+	C+	C+	B	C+	C+	B	B	B+	C+	B+	B	A
Policy-based budgeting	B	C+	B+	C+	B	B	B	B+	C	B+	C+	B	B+	C	B+
Predictability and control of budget expenditure	B	D+	C+	C	C+	B	D+	C+	B	B	B	B	B	B	B
Accounting, recording and reporting	B	D	C	C+	B	C	D+	B	C	C+	C+	B+	B	C	C+
External scrutiny and audit	D+	C	C+	D+	B	D+	B	D+	D+	C+	D+	C	B+	C+	B
	/	/	/	/	2017	/	/	/	2017	2017	2017	2017	2017	2017	2017
Open budget index	/	/	/	/	40	/	/	/	10	50	49	45	54	43	73
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
WGI control of corruption	0.00	0.00	0.66	0.11	-0.54	-0.16	0.06	0.01	-0.66	-0.37	-0.60	-0.51	-0.72	-0.72	-0.50
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
General government gross debt (% GDP)	/	25.2 %	50.2 %	12.1 %	5.4 %	0.0 %	27.6 %	50.5 %	53.9 %	50.5 %	46.1 %	67.1 %	40.3 %	21.6 %	26.8 %
Reserve coverage (months of imports)	/	/	4.3	7.7	8.6	5.7	10.4	8.7	7.9	8.9	1.2	3.3	5.0	6.5	13.6
General gov. net lending/borrowing (% GDP)	/	1.3 %	0.1 %	-3.6 %	-17.3 %	0.7 %	6.4 %	2.9 %	-7.7 %	-2.2 %	-0.9 %	-2.5 %	0.3 %	-1.2 %	-2.1 %
General government expenditure (% GDP)	/	65.5 %	34.2 %	46.9 %	47.3 %	48.6 %	154.7 %	32.6 %	38.8 %	27.4 %	37.2 %	24.1 %	26.5 %	19.3 %	21.6 %
Current account balance (% GDP)	/	3.8 %	2.3 %	-6.4 %	-2.4 %	-9.9 %	3.5 %	-6.9 %	-4.7 %	-3.8 %	-0.7 %	-4.8 %	-4.2 %	0.5 %	-1.5 %
Revenue excluding grants (% GDP)	/	31.6 %	26.4 %	32.4 %	/	24.9 %	116.9 %	29.9 %	31.0 %	/	36.3 %	21.3 %	26.2 %	/	19.4 %

	Caribbean									European Neighbourhood Instrument — South			
2018	Barbados	Dominica	Dominican Republic	Grenada	Guyana	Haiti	Jamaica	St. Kitts and Nevis	Monteserrat	Egypt	Jordan	Morocco	Tunisia
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	1	3	3	1	1	1	4	1	1	3	9	32	8
New commitments (million EUR)	0	14	15	0	0	0	0	5	19	0	10	137	0
Total commitments (million EUR)	3	23	45	4	30	120	74	5	19	275	309	1164	429
SDG-C (million EUR)	0	0	0	0	0	0	0	0	0	0	0	0	0
SRBC (million EUR)	0	20	0	0	0	120	0	0	0	0	0	0	66
SRPC (million EUR)	3	3	45	4	30	0	74	5	19	275	309	1164	363
Sectors	Energy	Energy	Administration, education	Health	Environment and climate change	Education	Agriculture, justice, environment, pfm	Energy	Multisector	Health, energy and water and sanitation	Business environment, energy, employment, justice, education, other	Environment and climate change, economic governance, agriculture, employment, agriculture, education, justice, health, business envrionment, justice, health, social protection, rural development	Decentralisation, public administration, economic governance, energy, justice, competitiveness
Disbursed	0	8	5	0	8	30	24	0	6	0	32	92	66
Disbursements forecast (1st trim of following year)	2	3	10	2	6	20	3	0	4	87	0	152	114
Poverty reduction and inclusive growth	/	/	2016	/	/	2012	2004	/	/	2015	2010	2013	2010
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	/	/	1.6 %	/	/	23.5 %	1.7 %	/	/	1.3 %	0.1 %	1.0 %	2.0 %
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	/	/	0.062	/	/	0.483	0.09	/	/	0.161	0.021	0.077	0.091
Income share held by lowest 20 %	/	/	4.9 %	/	/	5.5 %	5.3 %	/	/	9.1 %	8.2 %	6.7 %	6.7 %
Gini coefficient	/	/	0.453	/	/	0.411	0.455	/	/	0.318	0.337	0.395	0.358
	2018	2018	2018	2018	2018	2018	2018	2018	/	2018	2018	2018	2018
Real GDP growth (%)	-0.5 %	-12.0 %	7.0 %	4.8 %	3.4 %	1.5 %	1.4 %	3.0 %	/	5.3 %	2.0 %	3.1 %	2.5 %
PFM, transparency (PEFA)	Sep. 13	Jun. 16, Annex PEFA11	Oct. 16, Annex PEFA11	Aug. 15	Dec. 7	Jan. 12	Feb. 17, Annex PEFA11	Apr. 16	Nov. 14	Oct. 9	Feb. 17, Annex PEFA11	Sep. 16, Annex PEFA11	May 16, Annex PEFA11
Credibility of the budget	B+	D+	B+	C+	B	C	B+	C	C+	B+	B+	B+	B+
Comprehensiveness and transparency	C+	C+	B	C	C+	D+	B	C	C+	B	C+	B	C+
Policy-based budgeting	C+	B	B	C+	B	D+	B	B+	C+	B	B+	B+	C+
Predictability and control of budget expenditure	C+	C+	B	C+	C	D+	C+	C+	C	C	B	B+	B+
Accounting, recording and reporting	C+	C	C+	C	C+	D	D+	C+	B+	C	C	C	B
External scrutiny and audit	D+	D+	D+	C	C	C	B	D+	D+	C	C+	B	D+
	/	/	2017	/	/	/	/	/	/	2017	2017	2017	2017
Open budget index	/	/	66	/	/	/	/	/	/	41	63	45	39
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	/	2017	2017	2017	2017
WGI control of corruption	1.42	0.65	-0.74	0.48	-0.51	-1.24	-0.17	0.51	/	-0.54	0.26	-0.13	-0.11
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	/	2018	2018	2018	2018
General government gross debt (% GDP)	124.5 %	83.1 %	41.6 %	63.1 %	57.0 %	33.0 %	99.4 %	62.0 %	/	92.6 %	94.2 %	65.2 %	77.0 %
Reserve coverage (months of imports)	2.9	4.9	3.8	3.6	2.9	5.0	5.4	9.8	/	6.6	7.4	5.1	2.6
General gov. net lending/borrowing (% GDP)	-0.2 %	-15.9 %	-3.0 %	4.7 %	-5.4 %	-2.3 %	0.2 %	8.4 %	/	-9.5 %	-4.8 %	-3.7 %	-4.6 %
General government expenditure (% GDP)	29.8 %	59.8 %	18.0 %	21.5 %	36.3 %	19.6 %	30.2 %	28.3 %	/	30.1 %	30.8 %	29.8 %	30.7 %
Current account balance (% GDP)	-2.4 %	-46.2 %	-1.4 %	-14.6 %	-7.1 %	-4.1 %	-2.8 %	-0.8 %	/	-2.4 %	-7.4 %	-4.5 %	-11.2 %
Revenue excluding grants (% GDP)	/	45.1 %	15.0 %	23.4 %	29.5 %	12.9 %	30.4 %	36.2 %	/	20.6 %	23.0 %	25.7 %	25.9 %

	European Neighbourhood Instrument — South				European Neighbourhood Instrument — East				Pre-accession			
2018	Egypt	Jordan	Morocco	Tunisia	Armenia	Georgia	Moldova	Ukraine	Albania	Kosovo (*)	Montenegro	Serbia
Financial implementation	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Nr of budget support contracts	3	9	32	8	4	6	7	2	6	2	2	3
New commitments (million EUR)	0	10	137	0	0	15	0	0	34	0	0	0
Total commitments (million EUR)	275	309	1164	429	46	158	223	135	160	50	35	125
SDG-C (million EUR)	0	0	0	0	0	0	0	0	0	0	0	0
SRBC (million EUR)	0	0	0	66	0	0	0	0	0	0	0	0
SRPC (million EUR)	275	309	1164	363	46	158	223	135	160	50	35	125
Sectors	Health, energy and water and sanitation	Business environment, energy, employment, justice, education, other	Environment and climate change, economic governance, agriculture, employment, agriculture, education, justice, health, business envrionment, justice, health, social protection, rural development	Decentralisation, public administration, economic governance, energy, justice, competitiveness	Democracy and human right, employment, public administration	Administration, agriculture, business, economic governance, employment	Employment, energy, agriculture, other, justice	Administra-tion, energy	Employment, administration/ governance, transport	Administration	Border manage-ment, public administration reform	Administration, border manage-ment, education
Disbursed	0	32	92	66	3	33	0	25	18	0	12	45
Disbursements forecast (1st trim of following year)	87	0	152	114	14	31	47	20	14	11	7	23
Poverty reduction and inclusive growth	2015	2010	2013	2010	2017	2017	2016	2016	2012	/	2014	/
Poverty headcount ratio at USD 1.90 a day (2011 PPP) (% of population)	1.3 %	0.1 %	1.0 %	2.0 %	1.4 %	5.0 %	0.2 %	0.1 %	1.1 %	/	0.0 %	/
Poverty headcount ratio at USD 3.20 a day (2011 PPP) (% of population)	0.161	0.021	0.077	0.091	0.123	0.163	0.013	0.005	0.077	/	0.008	/
Income share held by lowest 20 %	9.1 %	8.2 %	6.7 %	6.7 %	8.4 %	6.3 %	10.0 %	10.1 %	8.9 %	/	8.5 %	/
Gini coefficient	0.318	0.337	0.395	0.358	0.336	0.379	0.263	0.25	0.29	/	0.319	/
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Real GDP growth (%)	5.3 %	2.0 %	3.1 %	2.5 %	5.0 %	4.7 %	4.0 %	3.3 %	4.2 %	4.0 %	4.5 %	4.4 %
PFM, transparency (PEFA)	Oct. 9	Feb. 17, Annex PEFA11	Sep. 16, Annex PEFA11	May 16, Annex PEFA11	May 14	Jun. 18, Annex PEFA11	Dec.15	Jul. 12	Oct. 17, Annex PEFA11	Jan. 16	Jul. 13	Jun. 15
Credibility of the budget	B+	B+	B+	B+	A	A	A	B	B+	B	B	C
Comprehensiveness and transparency	B	C+	B	C+	B+	A	A	B	B+	A	B	C+
Policy-based budgeting	B	B+	B+	C+	B+	A	B+	B	B	B	B	B
Predictability and control of budget expenditure	C	B	B+	B+	B	B+	B	C+	B	B	B	C+
Accounting, recording and reporting	C	C	C	B	B+	B	B+	B+	B	B+	B	B
External scrutiny and audit	C	C+	B	D+	C	B+	B	C	B	B	C+	C+
	2017	2017	2017	2017	/	2017	2017	2017	2017	/	/	2017
Open budget index	41	63	45	39	/	82	58	54	50	/	/	43
Control of corruption	2017	2017	2017	2017	2017	2017	2017	2017	2017	/	2017	2017
WGI control of corruption	-0.54	0.26	-0.13	-0.11	-0.56	0.74	-0.80	-0.78	-0.42	/	-0.09	-0.37
Macroeconomic management, DRM	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
General government gross debt (% GDP)	92.6 %	94.2 %	65.2 %	77.0 %	48.5 %	44.5 %	27.1 %	63.9 %	68.6 %	17.0 %	72.1 %	54.3 %
Reserve coverage (months of imports)	6.6	7.4	5.1	2.6	3.9	3.4	5.0	3.5	6.6	2.0	4.1	5.3
General gov. net lending/borrowing (% GDP)	-9.5 %	-4.8 %	-3.7 %	-4.6 %	-1.8 %	-0.9 %	-1.0 %	-2.3 %	-1.7 %	-2.9 %	-6.2 %	0.7 %
General government expenditure (% GDP)	30.1 %	30.8 %	29.8 %	30.7 %	23.2 %	29.3 %	31.3 %	43.8 %	29.0 %	28.8 %	47.9 %	40.8 %
Current account balance (% GDP)	-2.4 %	-7.4 %	-4.5 %	-11.2 %	-6.2 %	-7.9 %	-9.9 %	-3.7 %	-6.3 %	-8.3 %	-18.5 %	-5.2 %
Revenue excluding grants (% GDP)	20.6 %	23.0 %	25.7 %	25.9 %	21.2 %	27.6 %	30.1 %	41.6 %	26.8 %	26.0 %	41.1 %	41.2 %

(*) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Annex 2 — Country classification

Countries with EU budget support contracts (*) (75)				Other EU assistance recipients (63)			
LIC (22)	LMIC (28)	UMIC (23)	HIC (2)	LIC (11)	LMIC (19)	UMIC (26)	HIC (7)
Afghanistan	Bangladesh	Albania	Barbados	Burundi	Angola	Algeria	Antigua and Barbuda
Benin	Bhutan	Armenia	St Kitts and Nevis	Comoros	Congo	Azerbaijan	Argentina
Burkina Faso	Bolivia	Botswana		Democratic Republic of the Congo	Djibouti	Belarus	Chile
Central African Republic	Cambodia	Colombia		Eritrea	India	Belize	Panama
Chad	Cameroon	Cook Islands		Guinea-Bissau	Indonesia	Bosnia and Herzegovina	Seychelles
Ethiopia	Cape Verde	Dominica		Malawi	Kenya	Brazil	Trinidad and Tobago
The Gambia	Côte d'Ivoire	Dominican Republic		Mozambique	Kiribati	Costa Rica	Uruguay
Guinea	Egypt	Ecuador		South Sudan	Lesotho	Cuba	
Haiti	El Salvador	Grenada		Syria	Micronesia	Fiji	
Liberia	Georgia	Guatemala		Yemen	Mongolia	Gabon	
Madagascar	Ghana	Guyana		Zimbabwe	Nicaragua	Iraq	
Mali	Honduras	Jamaica			Nigeria	Kazakhstan	
Nepal	Kosovo (**)	Jordan			Papua New Guinea	Lebanon	
Niger	Kyrgyzstan	Marshall Islands			Sri Lanka	Libya	
Rwanda	Laos	Montenegro			Sudan	Malaysia	
Senegal	Mauritania	Namibia			Swaziland	Maldives	
Sierra Leone	Moldova	Paraguay			Uzbekistan	Mauritius	
Somalia	Morocco	Peru			West Bank and Gaza	Mexico	
Tajikistan	Myanmar	Samoa			Zambia	North Macedonia	
Tanzania	Pakistan	Serbia				St Lucia	
Togo	Philippines	South Africa				St Vincent and the Grenadines	
Uganda	São Tomé and Príncipe	Tonga				Suriname	
	Solomon Islands	Tuvalu				Thailand	
	Timor-Leste					Turkey	
	Tunisia					Turkmenistan	
	Ukraine					Venezuela	
	Vanuatu						
	Vietnam						

(*) Overseas countries and territories (OCTs) are not included in the table, due to the difficulty of assigning them to an income group. The 14 OCTs which received EU budget support in 2018 were Anguilla; Bonaire; Falkland Islands; French Polynesia; Greenland; Montserrat; New Caledonia; Pitcairn Islands; Saba; Saint Eustatius; Saint Helena; Saint Pierre et Miquelon; Turks and Caicos; Wallis and Futuna.

(**) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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