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Sustainable Development Goals and the EU: uncovering the nexus between external and internal policies

Marianne Kettunen, Catherine Bowyer,
Lucia Vaculova and Céline Charveriat



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CORRESPONDING AUTHOR

Marianne Kettunen (mkettunen@ieep.eu)

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INSTITUTE FOR EUROPEAN ENVIRONMENTAL POLICY (IEEP)

Brussels Office
Rue Joseph II 36-38,
1000 Bruxelles, Belgium
Tel: +32 (0) 2738 7482
Fax: +32 (0) 2732 4004

London Office
11 Belgrave Road
IEEP Offices, Floor 3
London, SW1V 1RB
Tel: +44 (0) 20 7799 2244
Fax: +44 (0) 20 7799 2600

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HEINRICH-BÖLL-STIFTUNG European Union (hbs EU office)

Brussels Office

Rue du Luxembourg 47 – 51

1050 Bruxelles, Belgium

Tel: +32 (0) 2 743 41 00

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EXECUTIVE SUMMARY

Being one of the wealthiest regions in the world, the EU has a lot to give when it comes to the delivery of SDGs in the global context. However, as one of the world's biggest consumers and trading blocs it also has a lot to answer for. This is especially the case with trade being a key vehicle for the accumulation of wealth across the EU.

However, the EU is currently missing out on the opportunity to take a leadership role in the implementation of SDGs domestically and globally. This paper maps the EU action needed to step up the delivery of the 2030 Sustainability Agenda at the global level. It focuses first on the need to improve the monitoring of the global aspects of EU policies, discussing the needs and ways forward towards the more coherent delivery of SDGs by its internal and external policies.

A multitude of EU internal policies can result in spillover impacts outside the EU borders, with potential negative – or indeed positive – impacts on other countries' endeavours to achieve SDGs. These include a range of EU policies that govern the production and consumption of goods and services in the Union. In the external context, the vehicles for SDG delivery outside the EU borders consist of policies for external action and trade. The former includes a range of different policy 'regimes' and instruments covering the EU's foreign and security policy¹ and EU and Member State policies for international and development cooperation. The latter is primarily built on the expanding framework of Free Trade Agreements (FTAs) between the EU and third countries.

There are both positive and negative examples of EU external impacts of internal policies affecting the delivery of SDGs. It is well documented that EU standards for product design linked to reductions in chemicals or energy efficiency have influenced product and car design globally. However, EU waste policies to promote recycling have also had impacts including the exporting of waste for recycling, controversies around the illegal exporting of electronic wastes and the lack of environmental protection within the waste management chain to protect third country populations. Similarly, EU level policies have actively changed Member State's patterns of imports from third countries linked to demand for biomass feedstocks to support the power, heat and transport sectors – all with global land use change consequences.

The EU trade policy has been assessed to have significantly increased exports from developing countries and contributed to their economic diversification, particularly in the Least Developed Countries (LDCs). While the positive impacts of EU trade on the economic dimension of the 2030 Agenda seem clear, the picture is much more mixed when it comes to the role EU trade plays in social and environmental sustainability. For example, Europe is one of the top importers of commodities associated with or containing a significant risk of deforestation, including palm oil (17%), soy (15%), rubber (25%), beef (41%), maize (30%), cocoa (80%), and coffee (60%). The EU is also the largest exporter of non-hazardous waste – exporting more of such waste than both the US and China – accompanied with accusations of exporting a variety of environmental problems along the way (as per above). While the EU FTAs can promote more sustainable production and sourcing of the commodities through trade, without appropriate safeguards they simply run a risk of contributing to environmental degradation and social inequity.

The EU, including its Member States and the EU institutions, is the world's largest provider of Official Development Aid (ODA) to developing countries. For example, the EU institutions themselves were

¹ See Think2030 paper by Kettunen, Noome and Nyman (2018) on reinforcing the environmental dimensions of the European foreign and security policy (www.think2030.eu)

the fourth largest donor in the world in 2017. The EU, however, continues to fall short on its 0.7% ODA target of its collective Gross National Income (GNI). Support is also spilt in terms of delivering commitments to the global SDG agenda across a complex hotchpotch of instruments. The reported level of and trends in the financing under the EU budget linked to SDG5 (gender) and SDG13 (climate) seem positive, including the latter reaching the overarching 20% benchmark for climate related funding across the EU 2013 – 2020 budget. On the other hand, financing linked to SDGs 14 and 15 (i.e. biodiversity) is lacking behind. Moreover, there is, as yet, no information on the levels of funding from the EU budget for the majority of the 17 SDGs.

Building on the insights and analysis highlighted in this paper, a range of recommendations for EU policy action to improve its delivery of SDGs in the global context are identified with a view to: 1) improve EU level monitoring for policy coherence and spillover effects, 2) improve EU's internal policy performance vis-à-vis external impacts, 3) ensure that EU trade delivers for all dimensions of sustainability, with strong safeguards in place and 4) boost EU's development cooperation and related financing. These recommendations involve around identifying and adopting a set of EU level indicators for global spillover effects linked SDG delivery, systematically 'SDG-proofing' EU's internal and external policies (e.g. trade), and making the 0.7% target mark for ODA across the EU a political priority with an improved monitoring framework assessing progress towards this target in place.

1 Introduction: EU's multifaceted role in delivering SDGs at the global level

The global Agenda for Sustainable Development with its 17 goals (known as Sustainable Development Goals or SDGs) and associated 169 targets to be reached by 2030 was adopted in September 2015. Having been an active player in the negotiations, the EU also quickly committed to implement this agenda both in its internal and external policies (European Commission 2016). This included a commitment to step up efforts in supporting sustainable development outside the Union's borders.

Being one of the wealthiest regions in the world, the EU has a lot to give when it comes to the delivery of SDGs in the global context. However, as one of the world's biggest consumers and trading blocs it also has a lot to answer. This is especially the case with trade being a key vehicle for the accumulation of wealth across the Union.

The EU institutions and Member States channel €75.7 billion annually to support global sustainable development, making the EU the biggest donor in the world (e.g. over the twice the size of the US²). This puts the EU in a unique position in terms of its ability to support the implementation of SDGs across the world. On the other hand, 513 million people in the EU³ representing less than 7% of the 7.7 billion world total hold approximately 16% of global purchasing power⁴. Consequently, meeting the demand for goods and services the EU creates has significant spillover impacts into the rest of the world, emphasising the need for the EU to do its fair share to implement the global sustainability agenda⁵.

Strictly speaking, implementing the Agenda 2030 is primarily the responsibility of the UN Member States, i.e. in the EU context its individual Member States. However, taking responsibility at the EU level is required given that a considerable number of priorities and targets linked to SDGs are addressed through EU policies agreed at the EU level by all Member States. This means that the delivery of SDGs by the EU is a combination of contributions by the EU itself and its individual Member States, with policies and related actions at both levels playing an important role. These include the development of joint policies at the EU level (i.e. in areas where the EU has or shares the competence) and implementation of these policies by Member States, development and implementation of internal policies by individual Member States (e.g. areas where the EU has limited competence), and actions taken by the EU institutions themselves (e.g. trade). In practice, this dual-delivery means that both the EU institutions and individual Member States – or Member State coalitions – can pro-actively shape ambition as regards implementation and delivery⁶.

There are a number of ways through which the EU can influence – or contribute to – the implementation of the SDGs in the global context. As indicated above, the EU and its Member States actively assist non-EU countries to meet the SDGs by the means of external assistance and

² [EU Aid Explorer](#), overview as in November 2018

³ [EU Eurostat](#), overview published in 2018

⁴ As per Purchasing Power Parity (PPP) linked to GDP, [World Economic Outlook Update, July 2018](#)

⁵ The concept of fair share means that countries with more responsibility for causing the problem (e.g. climate change) and more capacity to act should do more than others (See for example Civil Society Equity Review [2015](#) and [2016](#)).

⁶ See Think2030 paper by Rijnhout and Zondervan (2018) on advancing SDGS within Europe and Globally (www.think2030.eu)

development cooperation. In addition, the internal policies of the EU or its Member States may directly or indirectly impact on the functioning and development of third country economies and societies with implications on their sustainability. Most commonly this is caused by the internal policies setting targets or incentives affecting trade from outside the EU (see below). In the EU context such effects are also often called the *EU external footprint*, especially when referring to the possible negative impacts of EU policies – and more broadly its production and consumptions patterns – outside the Union's borders.

Building on the above, two 'policy pathways' can be identified through which the EU and its Member States could – and indeed should – be delivering its commitment to SDGs in the external context:

Internal policy measures to address negative, and support positive, spillovers: A multitude of EU internal policies can result in spillover impacts outside the EU borders, with possible negative – or indeed positive – impacts on other countries' endeavours to achieve SDGs. They include, for example, policies that set internal EU targets that in practice can only be reached by increasing exports from outside the EU. They can also relate to setting up EU-wide safety or sustainability standards that have impact on trade and third countries' access to the EU market.

The external impacts of EU internal policies are unlikely to be consistent across the EU; Member States commonly have a large degree of autonomy to determine how they deliver a commonly set policy target within their own territory. Different Member State approaches are likely to lead to differing consequences. Therefore, as identified already in the introduction, it is not just the EU but also national and regional decision-makers that play an important role in delivering policies that maximise opportunities for sustainable development globally.

External action and cooperation to support implementation of SDGs: Policies of key relevance for the EU delivery of SDGs in the global context, governing action outside the EU borders consist of policies for external action and trade policies. The former includes a range of different policy 'regimes' and instruments covering the EU's foreign and security policy⁷ and EU and Member State policies for development cooperation. The latter is primarily built on the increasing framework of Free Trade Agreements (FTAs) between the EU and third countries. In addition, there are also a number of dedicated policy instruments that are implemented as a part of the EU domestically oriented overall policy regime but have an explicit external remit⁸.

In order to successfully deliver the EU's commitment to SDG in the global context it is important to move forward simultaneously in both the above fronts, while ensuring coherence between external and internal policy priorities and actions. For example, it would seem counterproductive to target EU's or its Member State's development cooperation funding to sustainable agricultural landuse in third countries, while at the same time encouraging trade in products that result in the opposite. On the other hand, it would make sense to ensure that the EU's external assistance and development cooperation supports the implementation of trade related sustainability provisions, including providing financing to improve third countries' capacity to comply with such provisions.

Given the shared responsibility of delivering SDGs by the EU and its Member States, there is a need to secure a coherent and complementary delivery of policies not only at the EU level but also at the level of Member States. This applies both to looking across policies at the Member State level and looking at Member State's policies vis-à-vis the EU policies.

⁷ See Think2030 paper by Kettunen, Noome and Nyman (2018) on reinforcing the environmental dimensions of the European foreign and security policy (www.think2030.eu)

⁸ For example [bilateral fisheries agreements](#) under the EU Common Fisheries Policy (CFP) and the EU [Wildlife Trade](#) and [Timber](#) regulations under the EU biodiversity and forest policies

However, the EU is currently missing out on the opportunity to take a leadership role in the implementation of SDGs domestically and globally.

While the EU played an active role in the negotiations for the SDGs their implementation has had a less active start⁹. The EU process on SDGs has so far been focused more on technical aspects of implementation (e.g. establishment of the indicator framework) rather than ensuring buy-in and sectoral mainstreaming at political level. The Commission Communication on implementing SDGs in the EU was published in 2016¹⁰ forming the basis for SDG delivery at the EU level. The Communication maps the existing contributions of different EU policies towards delivering SDGs, however it does not identify targets across different policy areas nor any further improvements required across policies vis-à-vis SDG delivery. Importantly, it fails to assess and address issues related to coherence between different EU policy sectors in delivering SDGs, including its external and internal policies. While a dedicated EU policy principle – Policy Coherence for Development (PCD)¹¹ – to reduce dissonance and increase coherence between different EU internal and external policies has been in place since 1992 the implementation of this principle does not appear to be up to par with the increasing challenges and needs (see Chapter 5).

This paper maps the EU action needed to step up the delivery of the 2030 Sustainability Agenda at the global level, focusing first on the need to improve the monitoring of the global aspects of EU policies and then discussing the needs and ways forward towards the more coherent delivery of SDGs on both internal and external fronts.

While acknowledging the importance of delivering the SDG framework as a whole (i.e. environmental, social and economic dimensions of sustainable development), the paper focuses on highlighting the need for better internal and external policy coherence through the lens of the environmental aspects of the EU SDGs delivery. This builds on the knowledge that securing environmental protection underpins the delivery of all other SDGs (Figure 1) and therefore improving the policy nexus for environment can have several positive social and economic knock on effects across SDGs.

⁹ [Kettunen et al. \(2018\) Briefing for the European Parliament](#)

¹⁰ COM/2016/739 + accompanying sector specific Staff Working Document SWD/2016/390

¹¹ [Policy Coherence for Development \(PCD\)](#)

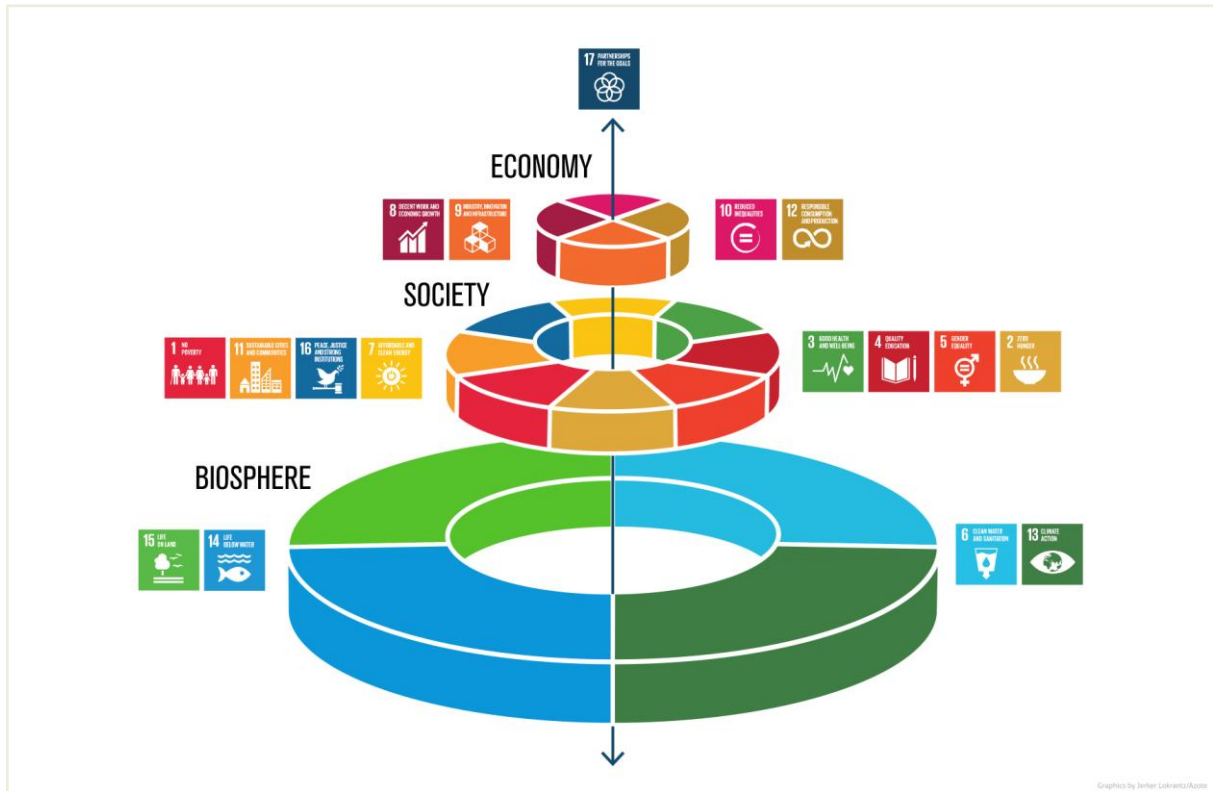


Figure 1 Societal and economic SDG dependency on those ensuring a healthy biosphere (Stockholm Resilience Centre, 2016 ([link](#)))

2 You can only manage what you measure – EU’s SDG performance in the global context

Monitoring and reporting form a key part of the delivery framework for SDGs. National reporting is carried out by the UN Member States (e.g. EU Member States) through the process of voluntary national reviews (VNRs) to the UN. The VNRs form a basis to review progress towards achieving SDGs globally. Furthermore, a range of institutes and organisations (e.g. UN organisations) independently carry out monitoring, either looking at all or individual SDGs. For the EU, monitoring and reporting at the EU level is carried out on an annual basis under the leadership of Eurostat, with a view to deliver the first EU-level review report to the UN in 2019.

While the EU framework for monitoring SDGs can be considered relatively robust, it suffers from the lack of European targets for SDGs leading to monitoring primarily focused on measuring incremental progress (i.e. trends) rather than delivery of the goals¹². In the recently published 2018 edition of the monitoring report, only 28 of the 100 indicators used had policy area specific, quantifiable EU targets against which progress could be mapped¹³. Consequently, the monitoring of EU progress currently provides limited conclusions as to how the Union is positioned in terms of reaching a set status of a given goal.

When considered in the global context, the current EU framework and set of indicators focuses primarily on the progress made by the EU within the EU and does not provide enough indication as to the EU’s contribution towards achieving the goals at the global level. SDG 17 on ‘partnership for global goals’ includes three globally oriented indicators, namely the Official Development Assistance (ODA) as share of gross national income, EU imports from developing countries and EU financing to developing countries. These indicators do not, however, in any way capture the aspects related to the quality or effectiveness of EU contribution vis-à-vis the delivery of SDGs. In other words, where and how the EU financing is targeted and to what extent it contributes to the different individual SDGs remains unclear as does the type of imports supported (e.g. their environmental and social sustainability). Importantly, no consideration is given under the current framework on EU’s spillover effects and/or footprint.

The global SDG Index and Dashboards Report by the Sustainable Development Solutions Network (SDSN) and Bertelsmann Stiftung provides information on the countries global performance, including dedicated consideration of environmental, social and economic spillover effects¹⁴. The SDSN framework assesses nine spillover indicators across six goals including SDG6 on water, SDG12 on sustainable consumption and production, SDG13 on climate change, SDG15 on terrestrial biodiversity, SDG16 on peace and justice, and SDG17 on the global partnership. The spillovers assessed include environmental externalities embodied in trade (CO₂ emissions, groundwater depletion, reactive nitrogen, biodiversity loss and air pollution), transboundary air pollution, development finance, tax havens, financial secrecy and export of conventional weapons systems.

¹² [Kettunen et al. \(2018\)](#) Review of the progress on SDGs in the run-up to UN HLPF (16 – 18 July)

¹³ Sustainable development in the European Union: monitoring report on progress towards the SDGs in an EU context ([2018 edition](#)) by Eurostat

¹⁴ See [SDG Index and Dashboard Reports](#) 2017 and 2018

Several EU Member States find themselves in the Top 10 countries of generating the highest negative spillovers vis-à-vis delivery of SDGs in the global context, the 2017 edition of the SDG Index reveals.

For example, Luxemburg is in the lead for generating the highest spillovers both in terms of biodiversity loss and nitrogen emission (measured as imports embodied in trade). The highest spillovers related to air pollution embodied in trade are almost entirely linked to the EU Member States, with Luxemburg again taking the lead and Belgium, Denmark, Cyprus, Ireland and Finland also in the Top 10. The Top 10 of high-income countries providing the lowest volume of ODA as a percentage of gross national income consists almost entirely of the EU countries (e.g. Cyprus, Latvia, Slovakia, Poland, Greece, Spain, Czech Republic and Hungary) while the EU countries also score highly in the categories of tax heavens (e.g. UK, Cyprus and Ireland in the lead), financial secrecy and weapons exports. Building on the above, the 2018 edition of the SDSN report concludes that high-income countries (e.g. including several EU Member States) generate significant environmental, economic, and security spillover effects that undermine other countries' efforts to achieve the SDGs (Figure 2).

The findings of the global SDG Index and Dashboards report clearly indicate that there are needs for the EU to step up its efforts in addressing global aspects of SDG delivery, in particular when looking at the negative environmental effects associated with trade. Given links between EU's internal policies and trade, it is also clear that tackling trade related negative spillovers requires a close look at the compatibility of EU's internal policies vis-à-vis global SDGs delivery. Furthermore, with trade being an exclusive EU competence, this indicates that the EU, rather than its individual Member States, should take the lead in taking future action. On a more encouraging note, the 2018 SDG Index also noted that there is high variation in spillovers among countries with a similar per capita income. This seems to suggest that countries – and also therefore the EU – can reduce their negative spillover effects without reducing their per capita incomes.

It seems crucial for the EU to identify and adopt a set of EU level indicators for global spillover effects linked to SDG delivery, following on the footsteps of the global SDG Index and Dashboards report. It is only via such a framework that the impacts of the EU policies can first become visible and then be appropriately addressed.

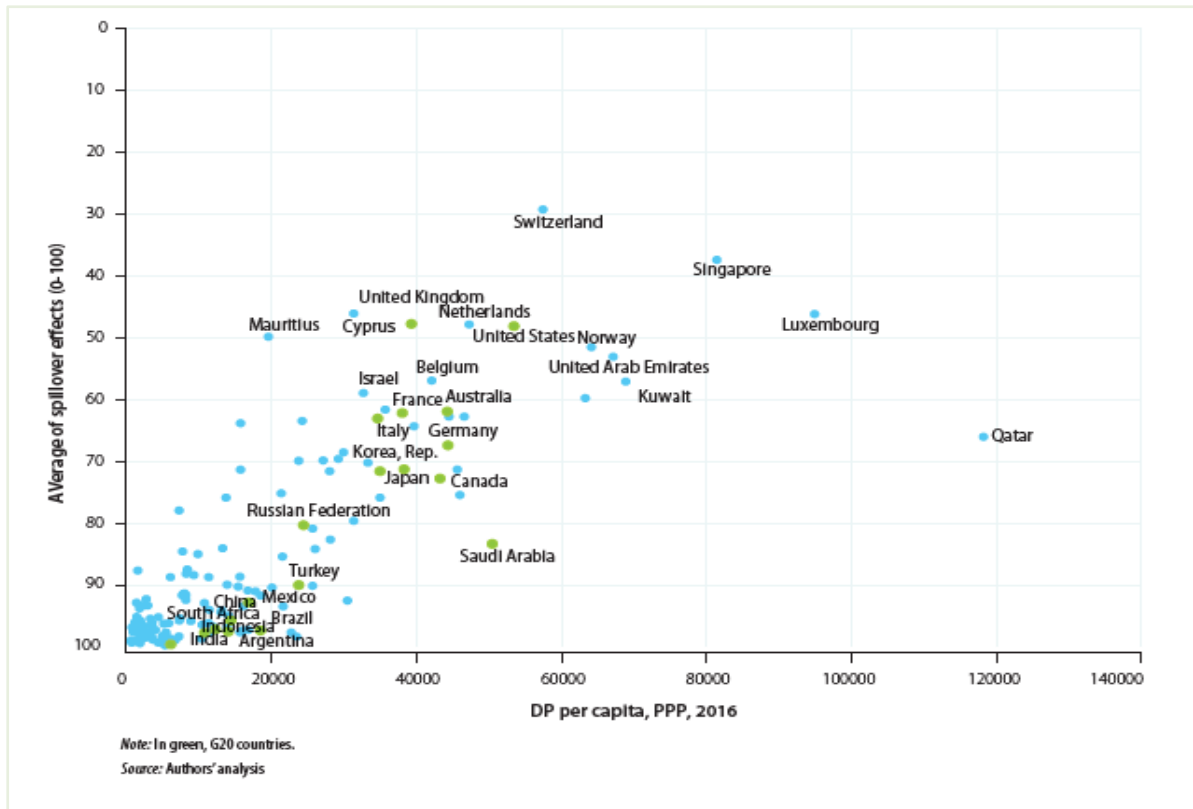


Figure 2: Average spillover score against Gross Domestic Product (GDP) per capita in purchasing power parity (PPP) (SDSN 2018)

3 External impacts of EU internal policies

A considerable share of the EU's impacts (economic, social and environmental) on the wider globe are determined by its demand for goods and services. EU internal policy can interact with these consumption patterns increasing or decreasing likely global spillovers by promoting positive cycles of change (i.e. increased resource efficiency), driving increasing demand for certain commodities and materials, or changing rules governing the nature or scale of supply and demand.

The EU internal policy framework addressing the above consists of both environmental or environment related policies (e.g. policies operating in key domestic sectors linked to land management) and policies addressing consumption patterns. While the former are commonly aimed at controlling environmental impacts within Europe, some include elements focused on the environmental footprint of European based production or the nature of European consumption in particular products based on the EU internal market.

EU internal policy can interact with the Union's consumption patterns increasing or decreasing likely global spillovers. This can result in promoting positive cycles of change (i.e. increased resource efficiency), driving increasing demand for certain commodities and materials, or changing rules governing the nature or scale of supply and demand.

Within Europe a number of concrete policy tools – ranging from legally binding to voluntary – can be adopted to enact change. These include setting legally binding limits, rules and requirements commonly set out in the EU Directives to be implemented by Member States; promoting 'best practices' through non-binding actions (i.e. through EU guidance aimed at national, regional authorities or industry); and actively funding certain investments or behaviours (e.g. through EU funds for R&D, support for agriculture and rural development). The latter two elements are also key EU instruments intended to foster knowledge and innovation. If emerging results are made public and freely available in a timely way, these interventions offer the potential to support the global knowledge base in relation to sustainable development opportunities¹⁵.

Examples of both positive and negative spill overs can be seen in Europe's drive to deliver a more circular economy and promote resource efficiency i.e. preventing, reducing, recycling



materials and facilitating more environmentally responsible waste management. It is well documented that EU standards for product design linked to reductions in chemicals or energy efficiency have influenced product design and cooperate strategy globally¹⁶. However, EU waste policies to promote recycling have also had impacts including the exporting of waste for recycling, controversies around the illegal exporting of electronic wastes and the lack of

¹⁵ [SDG Index and Dashboards Report](#) (2017)

¹⁶ [Risk & Policy Analysts for ECHA](#) (2017)

environmental protection within the waste management chain to protect third country populations¹⁷.

Internal EU policies with the ability and intent to change patterns of demand to a globally sustainable direction in Europe exist already, in particular in the climate and waste management arena. This includes policies such as the renewable energy Directive, the passenger car CO₂ Regulation and the Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

Into the future, the scale and ambition of such interventions must increase to deliver Europe's fair share in terms of the SDGs and climate mitigation goals. The implementation of existing EU policies that interact with consumption offer important lessons for the development of these new measures. Tools should be effectively proofed to understand the potential external consequences and any steps needed to mitigate negative and maximise positive spillovers, such as access to R&D and elevating environmental standards, for third countries. It is clear that to meet global targets for environmental protection, and wider goals for sustainable development, it will not always be policies that directly focus on a given issue that will have the greatest external impact in that sphere. Integration of environmental and social concerns across policy bounds can, therefore, be considered critical for effective policy making that increases the positive role EU internal policies are capable of having in third countries.

3.1 Managing spillover impacts of the EU land management and biomass demand

The consumption, and associated production, of biomass for food, feed, biomaterials and energy in Europe is widely discussed in terms of its global land use and spillover consequences. While trade in biomass is not the only sphere in which EU policies are responsible for global spill overs, the breadth of countries impacted, the variety of stakeholders and communities engaged (from rural producers to processors) and the interactions with land management, land use and associated ecosystem services makes this an important case example. EU imports of biomass have been linked to global land use and land management change with potential consequences for habitat loss, increased intensity of water use and increasing greenhouse gas emissions linked to land conversion.

Consumer choices generate and determine the extent of the external footprint linked to food and, at present, the tools are not in place in terms of Europe's internal environmental policies to manage that or contribute significantly to change.

At EU level the key policy focused on land management is the Common Agricultural Policy (CAP). The CAP funds support for land managers and rural development within Europe, including offering funds for forestry and rural focused infrastructure such as for village improvements and supply chain development. The presence of the CAP clearly has an impact on European farmers bottom line, and hence their ability to compete competitively in the global market place; however, the CAP is primarily focused on support for and management of biomass production. Conversely Europe does not currently have policies focusing on the consumption of food. Consequently, at present Europe's ability to address the important question of the spillover impacts associated with food production and consumption is limited to the ability of the CAP to deliver change. As a domestic and primarily

¹⁷ [Geeraerts, K., Illes A. and J-P Schweizer \(2015\)](#)

production focused policy, often emphasising local change and rural investment, the CAP was not conceived to fulfil this role.

In contrast, if one looks at demand for biomass to be used for energy, EU policy (albeit motivated by transformation of energy use) has led to a significant, upward pressure on demand for certain commodities over a relatively short time horizon. European policies have been seen to have actively changed Member State's patterns of imports from third countries linked to demand for biomass feedstocks to support the power, heat and transport sectors. The extent of the external demand varies significantly by Member State given wide variation in the ability to implement change based on own resources. Moreover, the picture is complicated by national choices. Biomass demand within the energy sector has been driven indirectly by targets aimed at promoting renewable energy consumption; Member States are not required to make use of bioenergy per se but to increase the proportion of energy from renewable sources. Bioenergy and biofuels have been chosen as a route for the delivery of these targets by many Member States. This is a result of the relative availability of the technologies and compatibility with existing infrastructure facilitating their integration, making them often cheaper solutions in the short term. For biofuels, there has been a debate around their use in segments of the transport sector that are more difficult to transform, for example aviation and long haul freight. However, biofuels use in Europe to date has been promoted by policies that put in place generic support for blending of liquid biofuels into diesel and petrol rather than focused within specific niches.

Alongside targets for renewable energy use, the EU has attempted to put in place rules to mitigate the land use change related spillovers in third countries of bioenergy demand (i.e. intended to limit impacts on highly biodiverse or high carbon stock land and subsequently to limit indirect impacts and promote the use of wastes and residues). However, the ability to address core issues is limited (see Box 1). The EU has developed 'fixes' in policy terms but questions over demand for commodities from Europe influencing wider land use change and deforestation remain.

Arguably some of Europe's most important external consequences are linked to land use, food, biomaterials and the demand generated for these commodities by Europe's consumers. This is set to continue with a renewed emphasis in Europe on the bioeconomy and non-fossil alternatives. Perhaps counterintuitively, Europe's own internal policies focused on land management and use are of limited use in terms addressing external consequences. This is given their limited emphasis on changing consumption, emphasising either internal EU delivery or production focused changes to mitigate intra-EU impacts. Therefore, using the existing internal policy framework to address external impacts requires innovation, both in terms of technologies and the policy solutions, and honest knowledge exchange to ensure negative spill overs are fully understood, assessed, monitored and ultimately mitigated.



Box 1 – EU policies on bioenergy stoking the fire of consumption

In 2009 the European Union adopted the Renewable Energy Directive (Directive 2009/28/EC - RED), which in turn set two energy consumption targets for 20 per cent of renewable energy and 10 per cent of transport fuels to be from renewable sources by 2020¹⁸. While there are multiple methods and technologies by which Member States could choose to deliver their renewable energy commitments, biomass for power, heat and transport fuels in the form of liquid biofuels often proved relatively cheap and market ready technologies compatible with existing infrastructure. Hence, the renewable energy Directive's targets led to a significant expansion demand for feedstocks from agriculture and forestry that could be used as biomass fuels. Analysis of Member State's National Renewable Energy Action Plans anticipated an increase in absolute volumes of biomass used, bioenergy's contribution to final energy consumption is expected to more than double rising from 5.4% in 2005 to almost 12% (124Mtoe) in 2020¹⁹.

Such a volume change in biomass demand was expected to lead to global land use change consequences. Rules (known as sustainability criteria) were included in the RED to specifically limit direct land use change associated with specifically liquid biofuel demand primarily for transport. No rules were, however, applied to demand generated for solid biomass and biogas used for heat and power. The rules also failed to consider the indirect land use change (ILUC) impacts of increasing demand for biofuel feedstocks. ILUC essentially involves the displacement of existing agricultural activity onto other land to make way for certified production. The certified (sustainable) production of biomass takes place on a given land parcel but the original demand for the commodity it replaced remains, hence the production for that product is displaced onto other land causing land use change often with biodiversity, GHG and human rights consequences.

In 2015 amendments to the RED (EU Directive 2015/1513) were adopted to attempt to limit the ILUC consequences of increasing demand for agricultural commodities linked to EU biofuel demand. This included limiting the proportion of fuels sourced from crop-based biofuels, while promoting fuels produced primarily from wastes and residues. These rules will apply until 2020, beyond this to 2030 the contribution of crop-based biofuels will remain capped at a maximum of 7%. This will be accompanied by new rules intended to limit the use of biofuels considered 'high ILUC biofuels' and progressively reduce their use to zero. The intention being to systematically replace crop based biofuels and high ILUC biofuels with low ILUC biofuels primarily based on wastes and residues. The RED II²⁰ (as it is known) also applies certification requirements to both agricultural and forest feedstocks for all bioenergy end uses, expanding the remit and coverage.

The experience associated with biofuels and bioenergy demonstrates the challenges of policy making and the potential global consequences of decision making at EU level. It highlights how action in a non-related field i.e. targets determining the nature of energy consumption, can have impacts on the choices made by farmers and foresters globally. Moreover, there are huge challenges associated with regulating or driving 'sustainable' demand through a single sector or end use. The solutions and problems are associated with the interconnected nature of decision making in Europe and responses by the global market to meet these demands.

¹⁸ These targets were binding upon Member States i.e. if they did not comply with their allotted share the Member State could be held accountable by the European Court of Justice and ultimately fined. The share of overall renewable energy was differentiated by Member State based on ability to pay and starting point in terms of renewable energy diffusion. The transport target was fixed at 10 per cent of transport fuels from renewable sources for all Member States.

¹⁹ [Atanasiu, B.](#) (2010)

²⁰ At the time of drafting the final text of the RED II had been agreed at trilogue between the EU institutions and rubber stamped by the European Parliament, but awaited the final agreement of the European Council.

4 Contribution via EU external policies

In addition to getting its internal policy framework right, the EU has several external policy pathways up its sleeve to support the delivery of SDGs in the global context. Two of these pathways – trade and development cooperation – are explored in Chapter 4 below. These two pathways represent policy areas with known impacts on all three dimensions on sustainable development around the globe. They also interplay with the impacts of internal policies, as outlined in Chapter 3.

4.1 SDG-proofing EU trade policy

Trade is considered as one of the key means to support the economic development of countries across the world. According to the World Bank and WTO report in 2015²¹, an increase in developing country participation in trade has coincided with a corresponding decline in extreme poverty worldwide, with developing countries constituting 48% of world trade in 2015 in comparison to 33% in 2000. Furthermore, trade is also considered to have helped to increase the number and quality of jobs in developing countries.

The above global conclusions also apply to the EU and its trade partner countries. For example, a recent assessment of the impacts of EU trade with Mexico conclude that the gains for Mexico from the bilateral tariff liberalisation under the EU free trade agreement amount to around €2.8 billion in real income per year with a related 0.34 % increase in the Mexican GDP²². Overall, the EU trade policy has been assessed to have significantly increased exports from developing countries and contributed to their economic diversification, particularly in the Least Developed Countries (LDCs). According to the 2012 trade statistics, the EU imported goods worth € 860 billion from developing countries equivalent to 44% of all goods imported into the EU²³. Compared to the US and Japan, the EU was assessed to be the largest market for imports from the LDCs receiving 59% of the LDCs total exports.

While the positive impacts of EU trade on the economic dimension of the 2030 Agenda seem clear, the picture is much more mixed when it comes to the role EU trade plays in social and environmental sustainability.

With combined imports and exports of €242 billion in 2015, the EU is the world's foremost trader in agri-food products²⁴. While estimates vary, the production of agricultural commodities is consistently considered to be the most significant driver of deforestation, including specifically for export markets. In quantitative terms, Europe is one of the top importers of commodities associated with or containing a significant risk of deforestation i.e. palm oil (17%), soy (15%), rubber (25%), beef (41%), maize (30%), cocoa (80%), and coffee (60%)²⁵. Other habitats are also at risk from expanded demand for agricultural commodities associated with conversion and degradation of ecosystems

²¹ [WB and WTO \(2015\) The Role of Trade in Ending Poverty](#)

²² [EU Mexico FTA ex post assessment \(2017\)](#) by

²³ [DG DEVCO study \(2015\) Assessment of economic benefits generated by the EU Trade Regimes towards developing countries](#)

²⁴ [EU agriculture and trade analysis](#), for ongoing analysis of EU imports and exports of agricultural products see [here](#)

²⁵ [Studies on EU action to combat deforestation and palm oil](#)

(see Box 1, Chapter 3). According to the existing available estimates about 17 – 30% of global biodiversity loss associated with agriculture and forestry can be attributed to international trade in food, fibre, bioenergy and timber²⁶. When it comes to climate change, the EU trade policies pay no attention to the carbon intensity of traded goods, including the mispricing of carbon-intensive goods through the use of direct subsidies²⁷.

The EU is also a considerable trader when it comes to the world's waste related flows. It is the largest exporter of non-hazardous waste destined for recovery (recycling), exporting more of such waste than both the US and China²⁸, for example in 2014 the EU accounted for 34.0% of global exports of non-hazardous waste destined for recovery²⁹. Waste and scrap of iron or steel accounted for 32% of the share of EU non-hazardous waste exports to non-OECD countries while copper waste and scrap accounted for 20%. These characteristics play an important role when considering the future development of circular economy initiatives and legislation in the EU and the possible impacts this might have in the third countries. The transition towards a circular economy in the EU and internal policies developed in this field could potentially influence trade flows with third countries, this way affecting – positively or negatively – third countries' ability to benefit from trade as a means to sustainable development.



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In addition to the trade in goods, a relatively recent development in EU's trade policy is the expansion of EU's interest and competence in terms of trade in services and the liberalisation of foreign direct investment. As a consequence, the scope of the EU's trade agreements has become much broader than merchandise trade alone, with complicated possible causal impacts on sustainability. For example, studies indicate that if not properly regulated, lowering barriers for foreign investment can lead to the erosion of the environmental and social standards in trade partner countries³⁰.

Looking at things from a positive angle, given the size of its trade the EU can be seen to be in a unique position to promote more sustainable production and sourcing of the commodities through trade. At the moment the EU has over 80 free trade agreements (FTAs) in place (fully or partly) and over 40 agreements being either pending to enter into force or under negotiation, which has made the EU the most productive trade negotiating authority³¹. As a trading block the EU has significant purchasing power and the ability to derive common policies across countries and within the Union.

There are already examples where the EU has achieved positive outcomes in using its power to push up standards linked to forestry and trade in wildlife species in third countries³². A dedicated [Think2030 paper by Dröge and Schenuit \(2018\)](#) discusses in detail how EU trade policy can be mobilised for raising environmental standards, starting with standards for climate action. The impacts of EU's circular economy related legislation, for example, can result in promoting a circular

²⁶ [SDG Index and Dashboards Report 2017](#), and the references within

²⁷ See Think2030 Synthesis Paper by Baldock and Charveriat (2018) (www.think2030.eu)

²⁸ EEA, [Movements of waste across the EU's internal and external borders](#), Report No 7/2012

²⁹ [EU Waste Shipment](#) based on [Eurostate data](#)

³⁰ E.g. Tienhaara (2011) [The Expropriation of Environmental Governance: Protecting Foreign Investors at the Expense of Public Policy](#) and Boqiong et al. (2014) [Environmental Impact of Foreign Direct Investment toward Host Countries](#)

³¹ DG Trade web pages (2018) <http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

³² [EU FLEGT Initiative](#) and the 2013 Timber Regulation; [EU Wildlife Trade Regulations](#)

economy practices and standards in trade partner countries through trade policy dialogues, development of international industry standards, or adoption of a certification scheme for recycling plants in the third countries.

Finally, in addition to improving the environmental standards for traded products it is also possible that some of the foreign direct investment encouraged via trade agreements could be directed to support environmentally and socially sustainable investments.

The EU has a number of policy instruments in its disposal for making trade more SDG compatible. These include Trade and Sustainable Development (TSD) provisions and Sustainability Impact Assessments (SIAs) of FTAs and Aid for Trade assistance.

The current EU policy framework for trade places an increasing emphasis on ensuring that trade policy also plays a role in promoting the sustainable development related objectives including those linked to human and labour rights, environment and climate change. Consequently, since 2010 provisions on Trade and Sustainable Development (TSD) form a core part of all EU FTAs³³. The TSD provisions commonly commit the EU and its trade partners to follow international labour and environment standards and agreements and laws (e.g. the UN Conventions), including not deviating from these laws to encourage trade or investment. The TSD provisions often also commit the trade partners to sustainable trade on natural resources (e.g. timber and fish) while combating illegal trade in threatened and endangered species. They may also encourage trade and/or investment that supports tackling climate change (e.g. renewable energy), corporate social responsibility, and wider sustainability and environment issues that both parties may agree on during negotiations.

The assessment of trade impacts is carried out through the process of sustainability impacts assessments (SIAs). SIAs are systematically conducted by European Commission since 1999 and they form the basis for all negotiated trade agreements with non-EU countries, including the implications of investment liberalisation. SIAs serve as the tool to assess the potential economic, social and environmental implications of the trade and/or investment agreement feeding directly into the negotiation process.

Finally, to enable the EU trade partners to maximize the development related benefits of trade, the EU provides targeted assistance (Aid for Trade - Aft) as part of its external assistance and development cooperation. Aid for Trade is a globally recognised concept and the EU Aid for Trade Strategy has been in place since 2007, with an update adopted in 2017³⁴. It encompasses technical assistance for implementing trade policy and regulations, building trade-related infrastructure, increasing and productive capacity of trade sectors as well as support with trade-related adjustment in the economy. Alongside promoting inclusive economic growth, the new Aid for Trade strategy also puts an emphasis on the contribution of trade to social and environmental sustainability with dedicated action foreseen to support human rights and gender, fair and ethical trade practices, climate finance, and green and circular economy. Increased stakeholder-engagement, such as structured dialogue with the private sector, civil society and local authorities, is presented as one of the key tools to achieve these goals.

The above instruments mean that the EU does have a framework in place that can help to make its trade more SDG compatible. The challenge lies in the implementation of this framework. The TSD provisions can provide incentives for authorities to increase standards of environmental protection, undertake specific conservation efforts or adopt global social or environmental standards. For

³³ DG Trade web pages (2018) <http://ec.europa.eu/trade/policy/policy-making/sustainable-development/>

³⁴ [Aid for Trade Strategy](#) (2017)

example, cooperation on technical or (phyto)sanitary standards could have indirect repercussions for lessening the pressures on ecosystems through altered ways of production. The consensus is, however, that so far the implementation of TSD provisions have yielded to very limited results in practice. As for the EU SIAs, the EU SIA Guidelines provide a comprehensive framework for identifying relevant sustainability related impacts of trade liberalisation, including both environmental and social aspects³⁵. Therefore, in principle SIAs provide a good starting point for the implementation and monitoring of TSD provisions. However, the weakness of SIA's is that, due to methodological limitations, quantitative assessments are commonly carried out only vis-a-vis the economic impacts with social and environmental aspects assessed only qualitatively³⁶. Furthermore, the lack of available data outside the EU often means that the impacts are commonly more explicitly assessed for the EU than they are for the trade partner country.

4.2 Stepping up SDG delivery through EU development cooperation

The EU, including its Member States and the EU institutions, is considered to be the world's largest providers of Official Development Aid (ODA)³⁷ to developing countries with the EU institutions themselves being the fourth largest donor in the world in 2017³⁸

The EU collective ODA reached 0.5% of Gross National Income (GNI) with the sum of 75.7 billion EUR in 2017. This represented 57% of global ODA in the same year³⁹. This is below the 0.7% target of gross national income for official development assistance committed to by the EU and its Member States the first time in 2005 and the reconfirmed the latest in 2017⁴⁰. To date only Denmark, Luxembourg, Sweden, and United Kingdom have included the 0.7% target in their legislation or their multi-year programmes, and only these four countries reached the threshold in 2017⁴¹

To be able to draw conclusions on the SDGs delivery through EU's development cooperation it is necessary to understand the existing 'baseline' for delivery, including current level and targeting of funding and the policy framework within which development cooperation operates.

The EU ODA is distributed through a) bilateral aid by the Member States as delivered bilaterally, civilaterally and multilaterally and b) through several EU level instruments divided based on their geographical and thematic scope. Most of the latter are part of the EU budget (i.e. the Multiannual Financial Framework – MFF) with the current MFF covering the 2014-2020 period providing funding under altogether eight instruments dedicated to development cooperation, including four thematic and four geographic instruments (Table 1). This translates to around 53.7 billion EUR for development cooperation from the MFF for 2014 – 2020, with an additional 30.5 billion EUR distributed under the European Development Fund (EDF). Altogether this amounts to 84.2 billion EUR for development cooperation representing 7.7 % of the overall EU Budget of 1,082 billion EUR for 2014-2020⁴².

³⁵ [EU SIA Handbook](#) (2016)

³⁶ E.g. [Kuik et al.](#) (2017)

³⁷ ODA refers to loans or public grants by donor countries to the developing world, as channelled through and reported to the OECD Development Assistance Committee (DAC). The DAC ODA reporting covers the EU institutions and 20 EU Member States. For definition of ODA see OECD [here](#).

³⁸ <https://euaidexplorer.ec.europa.eu/DevelopmentAtlas.do>

³⁹ http://europa.eu/rapid/press-release_IP-18-3002_en.htm

⁴⁰ 0.7% target history by [OECD](#) and [European Consensus for Development](#) (2017)

⁴¹ [DG DEVCO \(2018\)](#) Investing in Sustainable Development report

⁴² [EU 2014 – 2020 budget](#)

Table 1 Key instruments providing financial support for development cooperation and external assistance during the 2014 – 2020 period from the EU budget.

Instrument	Funds available
Instruments for development cooperation	
Instrument for Pre-accession Assistance (IPA)	€ 12 138 million
European Neighbourhood Instrument (ENI)	€ 16 496 million
Development Cooperation Instrument (DCI)	€ 19 947 million
Partnership Instrument (PI)	€ 958 million
Instrument contributing to Stability and Peace (ISP)	€ 2 365 million
European Instrument for Democracy & Human Rights (EIDHR)	€ 1 306 million
Instrument for Nuclear Safety Cooperation (INSC)	€ 325 million
Instrument for Greenland	€ 217 million
SUB-TOTAL	€ 53 752 million
+ European Development Fund (EDF)* x	€ 30 506 million
SUB-TOTAL	€ 84 258 million
Instruments for external assistance	
Common Foreign and Security Policy (CFSP)	€ 2 121 million
Macro-financial Assistance (MFA)	€ 294 million
Guarantee Fund for External Actions	€ 1 627 million
Humanitarian aid	€ 7 553 million
Union Civil Protection Mechanism	€ 122 million
EU Aid Volunteers initiative (EUAV)	€ 126 million
European Fund for Sustainable Development (EFSD)	€ 350 million
SUB-TOTAL	€ 12 193 million
TOTAL	€ 96.5 billion

Source: based on [SWD\(2018\) 337 final](#) (i.e. Instruments corresponding to the EU Budget Heading 4) with the division between instruments (development vs. external assistance) made based on the list of instruments provided by the [DG DEVCO website](#).

* The European Development Fund (EDF)⁴³ is funded directly by Member States and is therefore technically not part of the EU budget. However, it is increasingly aligned with EU financial rules to advance the unity of the budget, with the current 11th EDF running from 2014-2020, and is mostly maintained by the Commission despite its intergovernmental structure⁴⁴. Germany, France, the United Kingdom, Italy, Spain and the Netherlands contribute more than 75% of the total EDF budget⁴⁵.

In terms of targeting the funding, the majority of the development assistance provided through the EU budget and EDF is bilateral, i.e. targeted to individual third country partners (99% in 2016)⁴⁶. A significant proportion of this assistance is aimed at European neighbourhood countries benefiting

⁴³ EDF's exceptional position as extra-budgetary instrument derives from its history, as it was established to regulate relations with former colonies. Its current focus is on African, Caribbean, and Pacific (ACP) countries.

⁴⁴ [Blomyer et al.](#) (2017) The budgetary Tools for Financing EU External Action

⁴⁵ [D'Alfonso](#) (2014) Briefing to the European Parliament

⁴⁶ <https://donortracker.org/country/eu>

from pre-accession assistance (e.g. North African countries, Turkey and Ukraine). As a longstanding feature of EU development cooperation, middle income countries receive more funding in comparison to the low income countries (e.g. 58% of the aid in 2014 – 2016 compared to 25%). Similarly, the Development Cooperation Instrument (DCI) benefits mostly the Asian and Latin American countries (e.g. 40% of total DCI funding in 2015) several of which fall into the middle income category. For example, in 2016 top 10 ODA recipients of the EU, accounting for one third of EU aid, were estimated to have been targeted to the middle income countries⁴⁷.

In terms of thematic allocation, the EU has set out an aim of spending at least 20% of the EU budget on actions addressing climate issues by 2020, including mainstreaming climate and environment related actions also into its development cooperation and related budget⁴⁸.

While the level of funding by the EU and its Member States to support the developing world is monitored, there has been no framework to coherently and comprehensively assess the performance of EU’s development cooperation assistance vis-à-vis the delivery of SDGs, in particular track financial contributions that support the delivery across the 17 SDGs over time.

Information available reveals an inconsistent picture in terms of the contribution from the EU budget and individual SDGs. The recent EU monitoring reports indicates that 65.9% of EU (i.e. MFF and ERD) funded cooperation and development initiatives committed in 2017 to promote gender equality and women’s empowerment (i.e. SDG5), with 17.1% reported to have been directed towards supporting broader human development (e.g. education, health and social protection and services) (i.e. SDGs 3 and 4)⁴⁹. This amounts to around 6 billion EUR and 1.5 billion EUR of the total of 9.12 billion EUR, respectively⁵⁰. In terms of the environment related SDGs, 3.6% of the development cooperation funding from the EU budget in 2016 was reported to have supported biodiversity related activities (i.e. SDGs 14 and 15) while the climate-relevant part of the budgetary commitments was estimated at 24.1% (SDG13). In 2017 the biodiversity related funding doubled to 7.7% with the climate funding remaining level at 24.7 %.⁵¹

Going beyond the EU budget, a recent analysis of the climate related investment indicates that the overall EU climate finance (i.e. financing from the EU budget, by Member States and other EU institutions such as the EIB) is heavily skewed in favour of mitigation, with adaptation share yielding only to approximately 30% in 2016⁵². In practice this means that the financing flows directed to developing countries are targeted to supporting investment in low carbon technologies and solutions rather than addressing countries’ urgent needs to adapt to the changing environmental conditions and increasing risks. Notably, the funding provided by the EU budget is assessed to be contrary to this trend, shifting focus from mitigation to adaptation. In 2016 the assistance from the EU budget to climate change yielded to the total of 2.7 billion EUR⁵³, out of which 0.89 billion EUR was allocated to mitigation while 1.2 billion EUR on adaptation support with an additional 0.6 billion EUR disbursed on cross-cutting activities.

The above insights indicate that the EU continues to fall short on its 0.7% ODA target while trying to deliver its commitments to the global SDG agenda through a complex hotchpotch of instruments. Up

⁴⁷ [DIE \(2018\) Briefing Paper 7/2018](#)

⁴⁸ [DG DEVCO Annual report 2015](#)

⁴⁹ [DG DEVCO Annual reports 2017](#) and [2018](#)

⁵⁰ As calculated based on the information from [DG DEVCO Annual report 2018](#)

⁵¹ [DG DEVCO Annual reports 2017](#) and [2018](#)

⁵² [Actalliance eu \(2018\) An analysis of the Climate Finance Reporting of the European Union](#)

⁵³ [7th National Communication & 3rd Biennial Report](#) from the EU under the UNFCCC (2017)

until now the lack of a fit-for-purpose monitoring framework has made it difficult to draw any clear conclusions as to the level or share of financial contributions made across different SDGs (See Chapter 5 for further discussion). The reported level of and trends in the financing under the EU budget linked to SDG5 (gender) and SDG13 (climate) seem positive, including the latter reaching the overarching 20% EU budget benchmark and the Commission pushing for a more balanced distribution between funding for mitigation and adaptation measures. On the other hand, financing linked to SDGs 14 and 15 (i.e. biodiversity) is lacking behind and there are yet no information available on the levels of funding for the majority of the 17 SDGs. The next Multiannual Financial Framework from 2021 provides an opportunity – which should not be missed – to direct expenditure towards SDG delivery and to put in place a system to measure expenditure across the 2030 Agenda.

5 Conclusions and discussion: improving coherence for the EU delivery of SDGs

The adoption of the 2030 Agenda and its 17 SDGs signified a considerable paradigm shift from the development cooperation focused, ‘one-way street’ style delivery of the Millennium Development Goals (MDGs). However, the EU has not yet fully embraced this shift and operationalised the SDGs as an overarching strategic framework for both its internal and external policies, ensuring improved policy coherence between the two.

As they say, you can only fully manage what you measure. Therefore, as a first crucial step towards a more coherent and holistic approach, the EU needs to improve its monitoring framework vis-à-vis the delivery of SDGs at the global level. Beyond the level of ODA and EU imports from developing countries, spillover effects and external policy actions of the EU are absent from the current monitoring framework by Eurostat. A review of the EU SDG monitoring framework by the UN SDSN identifies the absence of spillover measures in the monitoring of the SDGs in the EU as the most important limitation regarding the indicator selection and scope⁵⁴. Making the external implications of EU internal policies – including impacts through trade – explicit will help to pave the way towards the necessary policy reforms.

It is also evident that a lot needs to be done in terms of improving the global delivery of SDGs through both the internal and external EU policy regimes. As the insights from Chapter 3 highlight, a systematic SDG-proofing of EU internal policies needs to become a common practice in order to identify and mitigate their possible external SDG spillovers. This can include the identification of both negative or positive spillovers, leading to the adoption of appropriate safeguards, incentives or other measures. There is a need to focus on the impacts of EU trade on the social and environmental dimensions of sustainability around the world, aiming to tip the scales from negative to positive. In this context, a lot more can be achieved through improving the implementation of existing EU instruments including a better use of SIAs and the TSD provisions of FTAs. Finally, reaching the long-promised 0.7% benchmark of EU aid is needed, accompanied with an improved framework for tracking financial contributions vis-à-vis SDGs and a critical review as to whether the EU development cooperation is targeted to the most appropriate regions (e.g. middle income vs. low income) and to the right kind of challenges (e.g. climate adaptation vs. mitigation).

To complement the above analysis, this Chapter introduces and discusses two key EU policy instruments considered to play a key role in addressing the identified shortcomings, namely the new EU Consensus for Development (e.g. its Policy Coherence for Development principle) and the proposed Neighbourhood, Development and International Cooperation Instrument (NDICI) for funding external assistance.

5.1 New consensus for development, a better global delivery framework for SDGs?

In 2017 the new European Consensus on Development⁵⁵ was adopted outlining a comprehensive common approach to the EU’s development cooperation as per the global 2030 Agenda for Sustainable Development. As such it marked the first ever framework for development cooperation applied to both the EU Members States and its institutions. The Consensus covers all three aspects

⁵⁴ SDSN (2018) Exposing EU Policy Gaps to Address the Sustainable Development Goals, a study for European Economic and Social Committee (EESC) (upcoming)

of sustainable development, highlighting interlinkages between 17 SDGs. It calls for the development objectives – as in line with SDGs – to be taken into consideration in all EU and Member State policies affecting the developing countries.

The 2017 European Consensus on Development obliges all EU policy areas – such as relevant internal policies and trade – to be compatible with the delivery of SDGs. It therefore implicitly calls for a comprehensive and integrated implementation strategy for EU action on SDGs. It also set a framework for improving policy coherence both at the level of the EU and its Member States.

The EU has a dedicated policy principle in place – called [Policy Coherence for Development](#) (PCD) – through which it seeks to reduce dissonance and increase coherence between different EU policies (internal and external) that are likely to affect its partner countries, this way increasing the effectiveness of development cooperation⁵⁶. A basic framework of procedures is in place to implement the PCD principle in practice, centring around the use of EU impact assessment as a tool to identify and address possible negative impacts of EU policies on developing countries (Box 2).

The Consensus identifies PCD as ‘a fundamental part of the EU’s contribution to achieving the SDGs’ to be applied across all areas covered by the 2030 SDG Agenda, seeking synergies especially on the key PCD areas of trade, finance, environment and climate change, food security, migration, and security and peace building. The 2015 review of the Union’s promotion of PCD stated that while progress has been made in improving policy coherence for development across all EU policy areas a number of current and future challenges remain to be addressed⁵⁷. One of the identified challenges is the integration of development aspects into policy initiatives from the very *outset* of their development, including highlighting potentially unavoidable trade-offs. For example, EU’s common agriculture and fisheries policies are identified among the key areas to be monitored for potential impact on the developing world.

The 2030 Agenda and its SDG17 include a target calling for enhancing policy coherence for sustainable development (PCSD). In principle, PCD provides a good starting point for a process to SDG-proof the EU policies. However, in order for this to happen the PCD needs to become recognised not only as a principle applying to the development related policy regime but as something that covers the 2030 Agenda more broadly, emphasising the importance of pursuing the SDGs also domestically and by different relevant actors⁵⁸. This means efforts to promote broad-based ownership beyond DG DEVCO, for example with focal points needing to be identified in all relevant EU instances (e.g. Timmermans’ Cabinet that is responsible for implementing the 2030 Agenda at the EU level).

The EU Consensus for Development provides one of the key overarching frameworks for EU’s delivery of SDGs in the global context, highlighting both the importance of ensuring a coherent delivery of EU’s policies – internal and external policies alike – and the role EU trade plays in supporting inclusive growth and sustainable development. However, the strategy also has its shortcomings. Its treatment of the impacts of EU demand and consumption (as per Chapters 3 and 4 above) could be more explicit and concrete. The Consensus could also place a much greater emphasis on the role a healthy environment and well-functioning ecosystem play in improving

⁵⁵ [European Consensus for Development](#) (2017)

⁵⁶ Art. 208 TFEU

⁵⁷ [Policy Coherence for Development – 2015 Review](#)

⁵⁸ [DIE](#) 2016 Discussion Paper 13/2016

livelihoods and employment prospects in the developing world, but also building conditions of a lasting peace, reflecting the underpinning role of SDGs 6, 13, 14 and 15 in successfully delivering the other SDGs (see Figure 1).

A paper by the German Development Institute (2018) also notes that the Consensus ‘presents a long list of options rather than making real choices’⁵⁹ making it inoperable as a guide for strategic directions taken at the EU level (e.g. prioritisation of future EU investment, see section 5.2 below). While the broad scope caters for the diverse EU level and Member States’ interests and priorities it makes identifying EU added value and prioritising EU level action difficult. The later would be important, for example, in cases where there are demands to use EU’s common development cooperation for national and/or short-term oriented interests (e.g. actions linked to migration).

A dedicated framework – the EU International Cooperation and Development Results Framework (EU RF) – has been in place since 2015 to monitor the performance of the EU development cooperation and related funding. The EU RF marks a great achievement in terms of establishing a systematic ongoing process for a more in-depth assessment of the EU development cooperation, including looking at the progress made by EU partner countries in different thematic areas and EU’s contribution to this progress. However, the outputs over the past three years do not cater for drawing any systematic conclusions vis-à-vis the delivery of the external assistance under the EU budget across different SDGs including, for example, allowing comparisons to be made between years. A revised framework was published in November 2018, aligning the EU RF to the delivery of the 2030 Agenda⁶⁰.

Box 2 – EU Policy Coherence for Development (PCD) – implementing the principle in practice

A framework for procedures, instruments and mechanisms is in place to implement the PCD principle in practice.

EU level: The 2015 Commission [Impact Assessment Guidelines](#) include specific guidance for analysing the potential impact of important EU policy initiatives on developing countries. A [dedicated tool](#) now exists in the Better Regulation Package that aims to ensure that impacts on developing countries are taken into account at an early stage of the preparation of policies.

Member State level: EU Member States are responsible for ensuring policy coherence for development in their national policies and at the EU level and many have their own coordination mechanisms in place.

Coordination: A dedicated PCD-team in DG DEVCO has been set to promote the implementation of the principle and coordinate internal work across the different Commission services and with other institutions (e.g. thematic units, other DGs, EEAS and EU Delegations, the Council and the Parliament). PCD is a standing item on the agenda of the regular inter-service steering group meetings. Biannual meetings are held between the Commission and an informal group of PCD contact points from EU Member States to share information and good practices at the EU level.

Monitoring: The progress on PCD in the EU and its Member States was monitored through biennial EU PCD Reports, with the most recent report published in 2015⁶¹. Since then the PCD reporting was, however, discontinued in order for it to be adjusted to the 2030 SDG Agenda. In addition, an independent evaluation on PCD was launched in 2016 with a view to be published in 2018. The evaluation aims to assess the effectiveness and efficiency of PCD determining its success so far in

⁵⁹ [DIE](#) (2018) Briefing Paper 7/2018

⁶⁰ A revised [EU International Cooperation and Development Results Framework \(2018\)](#) and related [set of indicators](#)

⁶¹ EC [PCD monitoring report](#) (2015)

improving of coherence among EU policies in favour of development. It also looks at the EU added value vis-à-vis coordination with Members States.

5.2 New combined instrument for EU aid, improved delivery or jeopardised integrity?

While the multiplicity of EU's external financing instruments has enabled the EU to pursue multiple external objectives over the years, it has also led to a complex set up that can risk incoherence, results in silo-approaches or in long and heavy procedures⁶². For example, EU relations with the African Union as well as with Latin American countries are covered under both EDF and Neighbourhood which can create difficulties in coherent cooperation within regions. As already indicated in section 4.2 above, it has also been identified that the lack of consistent monitoring and evaluation systems across all funds has hampered assessment of both the fund-specific outcomes and their overall (comparative) performance.

Further to the above, there are also some gaps in the coverage of the existing framework vis-à-vis recent or emerging global challenges⁶³. The EU's capacity to promote and mainstream some of its core SDG related values – such as human rights, democracy and the rule of law – appears to be declining. The existing set of instruments has also considered not to be fit for purpose to establish mutually-beneficial partnerships with the rising number of Upper Middle Income Countries while at the same time being criticised for its inability to sufficiently support fragile states and LDCs. The framework has also been deemed unfit for purpose to match the increasing importance of global challenges linked to stability, security and resilience, prompting calls for a less fragmented framework of instruments able to deliver more holistic approaches.

Calls have been made to update and simplify the EU framework for delivery in the 2021 – 2027 budget while also improving the monitoring and evaluation of the performance across financial instruments. Such a simplification has its benefits and may be politically attractive, but it also has limitations and risks.

The proposal for the 2021-2027 MFF envisages the creation of a single instrument for EU external assistance by means of merging several existing instruments as well as including the EDF in the EU budget. This new Neighbourhood, Development and International Cooperation Instrument (NDICI) is foreseen to improve coordination and flexibility of EU assistance while at the same time increasing unity of the EU budget. In terms of thematic SDG relevant targets, the new instrument is foreseen to have horizontal spending targets for of human development (20%), climate (25%) and for the root causes of irregular migration (10%). The new instrument will also contain an investment framework for external action to raise additional financial resources for sustainable development from the private sector, i.e. bringing the existing European Fund for Sustainable Development (EFSD) and the External Action Guarantee (see Table 1) 'closer' to the other financing instruments.

According to the Commission proposal the funding for external assistance would increase from the current over 90 billion EUR in the period 2014-2020 (see Table 1) to around 123 billion EUR from 2021-2027⁶⁴. However, conclusions can only be drawn after the budget is finalised (e.g. reflecting

⁶² [Blomeyer & Sanz \(2017\)](#), [Particip, Ecorys, ECDPM, Fiscus, Itad and OPM \(2017\)](#)

⁶³ [Particip, Ecorys, ECDPM, Fiscus, Itad and OPM \(2017\)](#) and [ETTG \(2018\) Policy Briefing on the EU 2021 – 2027 Multiannual Financial Framework](#)

⁶⁴ [EU Budget, press release](#) (June 2018)

the impacts of Brexit). In addition, the budgetary outcomes of incorporating EDF into the new joint instrument are also unclear⁶⁵.

Given the challenges the EU budget for external assistance is facing⁶⁶, clear prioritisation of EU external assistance will be important, with competing development and broader foreign policy related interests being matched against one another. A number of valid concerns have been raised by civil society groups as to the increased use of aid to promote the EU's migration agenda and the implications of to the EU's development and human rights agenda⁶⁷. For example, no reference to SDGs is included in the objectives section of the proposed new instrument and there is not explicit objective of poverty reduction in its proposed list of general and specific objectives. Consequently, there is a risk that short-term needs perceived from the perspective of European or national security trump the medium- to long-term needs for human security and the sustainable development agenda. Combining the different EU development cooperation and external assistance instruments under the new NDICI could therefore end up jeopardising the integrity of the EU's development aid vis-à-vis third country needs. To prevent this clear safeguards would need to be put in place to secure long-term SDG oriented expenditures, preventing also a situation where the majority of funding end up being channelled to countries along the migration routes into Europe⁶⁵.

⁶⁵ [DIE](#) (2018) Briefing Paper 7/2018

⁶⁶ E.g. general decrease in the EU budget due to the UK exit

⁶⁷ E.g. [CONCORD](#) (2018), [ETTg](#) (2018a) and [ETTF](#) (2018b)

6 Policy recommendations

Building on the insights highlighted in this paper, a range of recommendations for EU policy action for improving its delivery of SDGs in the global context can be identified:

Improve monitoring for policy coherence and spillovers

- Identify and adopt a set of EU level indicators for global spillover effects linked to SDG delivery, especially in the context of trade, following on the footsteps of the global SDG Index and Dashboards report, as a part of the within the SDGs monitoring framework of Eurostat.
- As a part of the updated EU Results framework for Monitoring Development Cooperation, coherently and comprehensively assess the performance of the EU's external and development cooperation assistance vis-à-vis the delivery of SDGs. In particular, ensure tracking financial contributions across all 17 SDGs over time.
- Improve the consistency and transparency in reporting on global financial commitments for climate change and biodiversity under the UNFCCC and the CBD, ensuring that the use of markers for measuring interventions towards climate and biodiversity related support (i.e. the Rio Markers⁶⁸) is consistent across EU Member States and institutions. Furthermore, considering expanding the existing set of markers to cover areas such as water availability and management (SDG6) or circular economy / resource efficiency (SDG12).

Improving EU internal policy performance vis-à-vis external impacts:

- Urgently step up the implementation of the Policy Coherence for (Sustainable) Development (PCSD) as a key instrument to deliver SDGs, including review the need for more resources to be allocated to implementing the principle in practice (e.g. reinforcing the PCD-team in DG DEVCO and adopting PCSD teams or contact points in each sectoral DGs, such as DG TRADE), with due reflection of the needs and challenges identified by the Commission in its PCD monitoring report in 2015.
- Use the PCSD process and the EU Impact Assessment Guidelines (e.g. the dedicated PCD tool in the Better Regulation Package) to start systematically SDG-proofing EU internal policies vis-à-vis their foreseen external impacts across all 17 SDGs (e.g. possible spillover impacts via trade).
- Identify key EU internal policy areas that have the a) most risks in terms of possible negative spillovers and b) have the most potential in terms of possible positive spillovers (e.g. via innovation) and start pioneering the SDG-proofing process (as per above) systematically across these policy areas. *E.g. Use land use and bioresources, and waste and circular economy as pioneering priority examples.*

⁶⁸ The OECD Development Assistance Committee (DAC) uses the Rio markers system to monitor and statistically report on the development finance flows targeting the themes of the UN Rio Conventions. The existing markers are biodiversity, desertification, climate change mitigation and climate change adaptation. For more information, see [here](#).

Ensuring EU trade delivers for all dimensions of sustainability

- Review the EU SIA Guidelines to make it more explicitly ‘SDG compatible’ and ensure that all SIAs carry out a systematic SDG-proofing of future EU FTAs, including linking foreseen impacts explicitly to the status and trends in the 17 SDGs (e.g. adopt indicators that map possible impacts across SDGs in a comprehensive manner).
- Monitor and improve the quality of individual SIAs, aiming towards a systematic and as quantitative as possible assessment of social and environmental impacts.
- Increase the volume of *ex post* assessments of existing EU FTAs and Aid for Trade modalities, with an explicit emphasis on assessing their performance vis-à-vis social and environmental aspect of sustainability.
- SDG-proof any future Aid for Trade initiatives and ensure that they are systematically used to improving synergies between the delivery of economic, social and environmental aspects of sustainability, e.g. delivering on to the 2017 Aid for Trade strategy’s promise to promote social and environmental sustainability along value chains of traded products.
- Improving the level of detail and innovation in Trade and Sustainable Development (TSD) provisions of EU FTAs and adopt dedicated initiatives or ‘campaigns’ for improving the implementation of these in practice, including providing dedicated resources via the Aid for Trade initiative to third countries. *E.g. The Sustainable Development chapter of the EU-Japan FTA states that the FTA will strive to facilitate and promote trade and investment in environmental goods and services.*
- Use EU FTAs to strike cooperation agreements around low-carbon and other environmental friendly technologies and products, and to promote the use of foreign direct investment in environmentally and socially aware businesses, following examples set in some existing FTAs. *E.g. The EU–Vietnam FTA introduces the concept of remanufactured goods and opens the way for trade in remanufactured goods that have a similar performance, working conditions and life expectancy when compared with the original new goods.*
- Use trade negotiations and partnerships to promote higher standards worldwide, including continue to strengthen European production and consumption standards and by adopting higher standards of trading partners in areas where Europe is lagging behind. *E.g. Use EU Circular Economy Missions⁶⁹ as per previous example with Japan, India and Indonesia.*

⁶⁹ [EU Circular Economy Missions](#)

Boosting EU development cooperation and financing, while striving for synergy with foreign policy and broader external assistance

- Make reaching the 0.7% mark for ODA across EU a political priority and ensure (e.g. via due monitoring) that the EU collectively makes progress towards its longstanding target of 0.2% of ODA as a share of GNI to be directed to Least Developed Countries (LDCs).
- In the context of the 2021 -2027 EU Multiannual Financial Framework (MFF) negotiations uphold the integrity of EU aid by ensuring that adequate funding is earmarked to address priorities that underpin long term sustainable development in third countries (e.g. environmental, climate, water and food security) and that EU-centric external action objectives (e.g. migration) do not dilute or jeopardise partner country driven development objectives.
- Carry out a comprehensive and transparent ‘baseline’ assessment of EU’s external performance vis-à-vis the delivery of SDG implementation in third countries, including both development cooperation and broader external assistance, and determining key gaps and elements for success based on existing experience and based on a partner country’s own SDG plans. *E.g. Is the coverage of different SDGs in balance? Is there a need to shift target from one geographic area to another (e.g. middle income countries vs. low income countries)? Was the 2013 – 2020 thematic focus and geographic distribution of EU financial assistance fit for purpose and justified vis-à-vis the 2030 Agenda?*
- Use the above information to a) identify key EU level priorities and areas for value added within the overall framework set by the European Consensus for Development and b) inform the scope and design of the external assistance instrument(s) in the context of the 2021 – 2027 EU budget. *E.g. consider focusing geographic allocations to LDCs, neighbouring countries and sub-Saharan Africa, while engaging with middle income countries in other regions through thematic programmes⁷⁰.*
- SDG-proof all future partnership agreements with and priorities by aid partner countries, using the PCSD process, with a view to support policy coherence and identify areas of maximum synergies to be made between development cooperation and positive spillovers of EU internal policies (e.g. supporting to the adoption of higher environmental and social standards).

⁷⁰ As per [DIE](#) (2018) Briefing Paper 7/2018

Institute for European Environmental Policy (IEEP)

www.ieep.eu

+44 (0) 20 7799 2244 (London)

+32 (0) 2738 7482 (Bruxelles)

Twitter: @IEEP_eu

HEINRICH-BÖLL-STIFTUNG European Union

Rue du Luxembourg, 47-51

1050 Brussels, Belgium

+ 32 (0)2 743 41 00

www.eu.boell.org

Twitter: @boell_eu

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