AGENZIA ITALIANA PER LA COOPERAZIONE ALLO SVILUPPO

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Austrian Development Agency

Proposal for a General Exemption for Development Cooperation funding in the new General Block Exemption Regulation (GBER)

1. Background

The Italian Agency for Development Cooperation (AICS), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Austrian Development Agency (ADA) are European Development Cooperation Authorities and Organisations, regularly cooperating with the private sector to achieve development policy goals and thus having to deal with the current EU State Aid regulatory framework.

Private sector involvement is of enormous importance in achieving development policy goals as set out in the UN 2030 Agenda for Sustainable Development[1]. Bilateral and multilateral Development Cooperation (DC) cannot reach these goals by itself. Private sector investments are needed to reduce the gap between DC-funds available and funds necessary in developing countries.

In particular, the 2030 Agenda requires a paradigm shift in engaging the private sector, a "*new momentum*" for a renewed engagement of the private sector in the service of the Sustainable Development Goals (SDGs) as emphasized in "The United Nations system – Private sector partnership arrangements in the context of the 2030 Agenda for Sustainable Development JIU/REP/2017/8".

European Development Authorities and Organisations use a range of different instruments to leverage private capital and know-how in countries included in the

[1] United Nations General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development, 25 September 2015, A/RES/70/1. See Paragraph 67 of the 2030 Agenda where it is recognized the role of enterprises in development and calls upon them to contribute.

DAC List of ODA Recipients[2] ("Partner Countries"). Their focus lies on (co-)financing innovative entrepreneurial initiatives and investments in Partner Countries implemented by EU Member States´ enterprises in line with the Agenda 2030.

Thus, the European Cooperation System is not aimed at financing the internationalisation of enterprises, but rather encouraging European businesses to promote sustainable (from a socio-economic and environmental point of view), innovative and inclusive business models and initiatives in Partner countries.

2. Limits of current EU rules on State Aid in DC and proposed exemption

Naturally, European Development Authorities and Organisations´ private sector engagement strictly complies with Articles 107 and 108 TFEU. As the procedures of State Aid notification generally prove to be too complex and time-consuming for the purposes of development aid projects, contributions to each entrepreneurial initiative will be either limited to the "*De Minimis*" threshold or be subject to various restrictions to ensure that it does not qualify as an illegal state aid pursuant to Article 107 TFEU.

However, such constraints required by the current European State Aid rules limit the scale of entrepreneurial initiatives in Partner countries, and hinders the unlocking of all positive impacts that they may generate locally. Moreover, the current European State Aid regulation is perceived as an obstacle in exploiting the full potential of involving European private enterprises in Development Cooperation.

In light of this, it is our conviction that **funding in support of European enterprises' engagement in achieving Agenda 2030 SDGs in Partner countries** (listed in the DAC List of ODA Recipients), **should not fall under current legal European State Aid regulatory framework.**

[2] https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm

It is important to stress the relevance of extending the GBER to funding related to Development Cooperation, and more specifically, those through which the Member States may implement Development Cooperation projects/initiatives in partnership with European companies.

To this purpose, a general exemption should be considered regarding entrepreneurial projects/initiatives commissioned/funded/co-funded under Member States´ or the EU Authorities´ Development Cooperation programs.

In other terms, the most effective way to define such a general exemption through the revised GBER is to anchor the European Development Cooperation measures/grants to (i) innovative and sustainable entrepreneurial activities and investments in (ii) Partner countries included in the DAC List of ODA Recipients, (iii) with the specific aim of generating sustainable development, in line with the 2030 Agenda and in compliance with the recognized OECD criteria, principles and standards.

Italian Agency for Development Cooperation (AICS)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Austrian Development Agency (ADA)