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## REPORT

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From:	Presidency
To:	Delegations
Subject:	Implementation of the Council Conclusions on strengthening the European financial architecture for development - Presidency progress report

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Delegations are invited to take note of the progress report in view of the Coreper meeting of 24 June 2020.

## **Presidency progress report on the implementation of the Council Conclusions on strengthening the European financial architecture for development**

### **I. Introduction**

The Council of the European Union adopted [Conclusions on strengthening the European financial architecture for development](#) on 5 December 2019 (14434/19) as a follow-up to the report of the High-level Wise Persons Group "[Europe in the world – The future of the European financial architecture for development](#)." The Council Conclusions acknowledged the many achievements of the European financial architecture for development while recognizing the need to maximise the use of existing resources and further strengthen its visibility, impact, effectiveness and coherence. To that end, the Conclusions invited the European Commission and the European External Action Service (EEAS) to address in the short-term a series of issues which can deliver on the overall objectives and ambitions agreed while reflections on more fundamental institutional changes are underway. They also invited the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) to provide concrete short-term proposals for increased cooperation between the two institutions and with European and other development finance institutions in order to improve the development impact of European financing.

In line with these requests outlined in the Council Conclusions, the European Commission and the EEAS as well as the EIB and the EBRD submitted their plans for implementation of short-term measures to strengthen the European financial architecture for development. The European Commission presented a report to the Council ([COM\(2020\) 43 final](#)) while the two banks presented individual responses and a joint contribution.

The Presidency organized on 27 February 2020 a joint discussion of these documents by the [Working Party of Financial Counsellors](#) and the [Working Party on Development Cooperation](#) in view of collecting the Member States' views and assessment of the announced plans and ways of addressing the recommendations of the Council Conclusions. The Covid-19 emergency and the related change of working methods and need for re-prioritisation have had an important impact on the follow-up work. The current document, thus, summarises the Member States' views as shared during that meeting as well as through additional written comments.

## II. Assessment of the short-term measures proposed by the European Commission and the EEAS

The European Commission has presented its ongoing and planned activities in response to the request of the Council Conclusions grouped around three key areas related to:

- i) Coordination and coherence of development actors;
- ii) Communication and outreach, and
- iii) Capacity, operationalisation and international coordination.

Member States support the established mechanisms and planned actions to improve **coordination and coherence**. Reinforcing joint programming, in particular, is considered as a key element for success where the Commission has an important coordinating role. The use of country platforms and regional investment facilities are seen as useful coordination instruments which need to be further explored.

EU coordination within multilateral development fora and institutions is important to facilitate a common EU position and reinforce a more coherent EU voice. There are existing good practices (e.g. discussions within the **Economic and Financial Committee (EFC)** and its Sub-committee on IMF issues (SCIMF)) and precedents, which should be further developed. The Commission's proposal to organise an annual meeting of the main actors from International Financial Institutions' and multilateral development banks' governing boards, relevant Member States' ministries (e.g. Foreign Affairs / Development/ Finance), and Commission services is considered a good proposal.

Supporting inclusive partnerships which include smaller development institutions is considered essential for strengthening cooperation among all development finance and implementing actors. The concrete proposals for exploring possibilities of providing incentives for the creation of consortia of DFIs involving smaller institutions as well as of earmarking a share of available financing for proposals by such consortia are particularly welcome.

With regards to **communication and outreach**, the concrete initiatives and ideas presented have been well-received. However, there is room for more ambition by the Commission in this area, especially in relation to the development of a common narrative which can substantiate a 'EU brand', can show boldness and commitment and could be communicated effectively. More needs to be done to give proper visibility to the added value brought by the actions of the EU and the Member States in the area of development and the standards and rights which they promote through their external action, while recognizing that effectiveness of development financing is the most important pre-condition for good communication. Such activities should be closely linked with any regional and thematic strategies the EU is rolling out. Joint communication strategies with Member States and development institutions could also be useful pursued.

On **capacity, operationalisation and international coordination**, there is acknowledgment of the many positive steps which have been taken by the Commission and the EEAS in recent years. Various tools and instruments have been put in place to facilitate exchange of information on projects and implementing partners, many of them focusing on certain regions (e.g. AMICI). Further mainstreaming such activities and expanding them to fully cover the range of EU developing financing, based on the positive experience of currently used platforms, would be an important step towards comprehensive and easily accessible view of EU actions. This should lead to harmonisation of reporting and greater transparency, including also on parameters such as conditionality and additionality. There is strong support for the proposal of putting in place a 'centre of excellence' on development knowledge, based on the work of existing EU think tanks, which could facilitate evidence-based policymaking and availability of high-level analysis to both EU institutions and Member States.

There is a clear recognition that the Neighbourhood, Development and International Cooperation Instrument (NDICI), currently under negotiation, would address a number of aspects and introduce substantial improvements in the system, the financing structures and their management, including on the essential aspect of a 'policy first' approach.

### III. Assessment of the EIB and EBRD proposals for increased cooperation

**The banks' management responses showed good examples of cooperation** between the two banks and proposals for possible measures to deepen coherence while maintaining key institutional differences and comparative advantages. The inputs also included relevant ideas on how to further deepen cooperation through measures such as systematic co-financing, cooperation on technical assistance, common ways to deliver on climate finance or PPPs, joint supervision approach to environment and social monitoring, training programmes.

On such tightening of cooperation, **the joint submission of the two banks is a good first step, but it should lead to a more holistic approach.** The development of such holistic view can be facilitated by the Presidency and the Commission through the definition of the conditions for cooperation between the two banks.

**Both institutions should explore additional measures to reinforce the existing cooperation and make it more strategic**, taking advantage of the strengths and complementarities between the two banks, avoiding disruptive competition, and aligning pricing methodologies, monitoring, evaluation, safeguards and prudential rules. The proposed approach and level of detail regarding the enhanced collaboration on integrity due diligence (IDD) are good examples for further proposals in other areas.

**These initiatives should also include EU-based DFIs, in particular the smaller ones, and, where appropriate, other MDBs** to avoid duplication or crowding-out, raise synergies and mobilise complementarities for a joint cause – delivering development impact effectively. The European

Commission will be instrumental in driving this from a more top-down perspective, but the two banks should continue expanding the number of bottom-up harmonization initiatives.

In terms of **priorities**, the search for synergies between the EBRD and the EIB, as well as the definition of the role that they will play in the new financial architecture for sustainable development of the EU, should contribute to the **effective implementation by the EU of the 2030 Agenda**, the achievement of a **Just Transition** regarding climate transition for 2050 and renewable energies and the pursuit of **climate neutrality**. Reinforced cooperation is also welcome in issues related to **integrity**, especially in the co-funding of projects to **fight against fraud and corruption**.

**The Western Balkans Investment Framework platform could serve as an effective model of cooperation** of the EU, EIB and EBRD also in other regions, especially in the Eastern partnership countries, but it should be adapted to the singularities of each region and instrument in order to be fully effective. **EU Member States should be adequately represented as leading actors in such platforms**, especially when the allocation of European funds is involved.

**The tripartite Memorandum of Understanding (MoU) of 2011 signed in reaction of the Camdessus Report** enumerated a number of commitments regarding cooperation, especially in areas where the institutions do overlap and hence, the MoU could serve as a reference point for further deliberations. Should an agreement on a follow-up MoU be found, close monitoring of its implementation by the banks' governing bodies has to be ensured. A formal mechanism to review progress on coordination should be established.

#### **IV. Next steps**

With the important caveat that discussions on the subject have taken place before the Covid-19 emergency and have not taken due account of any potential implications addressing the emergency may have on the discussions related to the future of the European financial architecture for development, there has been strong support for moving quickly on the short-term measures proposed by the European Commission and the EEAS with due consideration for the requests for improvements on certain aspects which have been highlighted.

In-depth discussions within the Council on the three key areas identified by the Commission on a regular basis could prove useful as a way to ensure appropriate policy ownership as well as to follow implementation.

With respect to the reflection on institutional changes, Terms of Reference for a Feasibility Study on options for strengthening the future European financial architecture for development have been developed on the basis of a Commission proposal and reflect the additional elements and information necessary to ensure a well-informed further discussion on institutional matters at the

political level. Their approval will allow the Commission to launch an independent study whose outcome is expected by the end of 2020/ beginning of 2021.

The Council preparatory bodies, in cooperation with the Commission and the EEAS, would prepare a further report on progress on both the short-term measures as well as the way ahead on institutional matters on the basis of the results of the independent study, including other possible updates by the European Commission, EEAS, EIB, EBRD, as well as possible reporting from MS and their national DFIs.

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