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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	Council conclusions on enhancing the European financial architecture for development

Delegations will find attached draft Council conclusions on enhancing the European financial architecture for development (EFAD).

**Draft Council conclusions on enhancing
the European financial architecture for development – EFAD**

THE COUNCIL OF THE EUROPEAN UNION,

1. RECALLS the 2019 Council conclusions on strengthening the European financial architecture for development (EFAD)¹ and the political agreement reached on the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe for the period 2021-2027, which includes the European Fund for Sustainable Development Plus (EFSD+).
2. WELCOMES the independent feasibility study on options for strengthening the future EFAD, and the strong convergence of views among Member States on enhancing and improving the current institutional set-up as the preferred way forward to strengthen the EFAD to increase development impact. Also RECOGNISES the need to integrate the EFAD in EU external policy in light of the increasing geo-economic and political competition, inter alia by financing sustainable connectivity.
3. STRESSES the urgency of tackling development challenges reinforced by the COVID-19 pandemic, the importance of a building back better, greener and more inclusive approach and of quick delivery on the ground with a view to contributing to the 2030 Agenda and its 17 Sustainable Development Goals, as well as the Paris Agreement. Furthermore, UNDERLINES the relevance of mobilising both the public and private sectors and of targeting investments where the needs are greatest and to the most vulnerable regions, notably the Least Developed Countries and countries in situation of fragility or affected by conflict, Africa, the Neighbourhood as well as in other priority regions severely affected by the pandemic.

¹ 14434/19

4. UNDERLINES the need to make the EFAD more effective, efficient, development focused, coherent and visible, in line with the policy first principle and with the strategic interests and values of the EU, including democracy, human rights, gender equality and climate, as well as based on the needs of partner countries. Recognising the key role of the EIB as the EU bank, UNDERLINES that the EFAD should be based on an open, collaborative and inclusive architecture, working with all European development banks and financial institutions, building on their respective country, sectoral or financial expertise, value-added and resources, and on the safeguarding of a level playing field, also in view of crowding in private investments.
5. EMPHASISES the importance of strengthened political guidance by the Council, as well as coordination and policy steer by the Commission in implementing EU development policy, with the aim of maximising development impact and strengthening partner country ownership, contributing to the enhancement of the wider global development finance architecture and multilateral efforts. To this end, the Council intends to hold regular exchanges on development and finance for development issues.
6. EMPHASISES the need for the EIB and the EBRD to work together more effectively and efficiently, building on their complementarities, while strengthening their cooperation with the European development banks and financial institutions in a Team Europe approach. Further EMPHASISES that the NDICI – Global Europe programming exercise is a key moment to ensure that improvements in the EFAD are set in motion, in view of a better division of labour, coordination and synergies, making optimal use of the capital already available to increase investment volumes, enhancing development impact of operations and mobilising sustainable private sector financing.

7. INVITES the EIB and the EBRD to continue the systematic deepening of their coordination both at strategic and technical level, building on the progress within the high level EIB-EBRD working group and their bilateral Memorandum of Understanding (MoU), and to present a first report on the actions undertaken to the Council by November 2021, followed by regular progress updates to the Council configurations of Economic and Financial Affairs and Foreign Affairs (Development) every 6 months in 2022 and thereafter on an annual basis. In addition, ENCOURAGES the EBRD and EIB to coordinate with other global financial institutions active in their countries of operation.
8. CALLS on both banks to take into account the present conclusions in the enhancement and in the implementation of their respective business models, without precluding the decisions of the banks' respective governing bodies, in order to strengthen their comparative advantages in development finance, avoid fragmentation and maximise their development impact. Such improvements should not generate any additional costs for their shareholders and could be subject to prior exchanges of views between both governing bodies.
9. INVITES the EIB to present improvements to enhance the development impact of its operations in partner countries by, inter alia, ensuring dedicated strategies and an inclusive association of relevant EU development policy makers, enhancing the Bank's local presence on the ground on a case-by-case-basis in EU delegations and deepening partnerships to strengthen the collective capacity of European development banks and financial institutions under a Team Europe approach. These improvements should be presented to the EIB governing bodies by the third quarter 2021 with a view to adoption and implementation as soon as possible.

10. ENCOURAGES the EBRD to build on its business model to further leverage private investments especially in view of forthcoming discussions in the EBRD governing bodies on a possible limited and incremental geographical expansion to Sub-Saharan Africa and to pursue cooperation activities with European development banks and financial institutions under a Team Europe approach.
11. CALLS on all European development banks and financial institutions to increase their collaboration and coordination, both among themselves and with other multilateral and international financial institutions, building on the strengths and expertise of each institution and to enhance the efficiency, visibility and impact of the EFAD, with particular attention to bringing in the private sector while complementing and supporting public sector engagement. HIGHLIGHTS the benefit of incentivising, where appropriate, cooperation arrangements, co-financing and country or regional risk-sharing platforms, as well as the development of mechanisms to harmonise strategies, standards and mutual reliance and recognition procedures. Furthermore, NOTES that blending instruments, guarantees and innovative tools, such as impact investing, may be further explored to mobilise private sector funds.
12. HIGHLIGHTS the key role of the upcoming NDICI – Global Europe EFSD+ strategic board, ENCOURAGING all members to strengthen its role, focusing on the policy first principle and on strategic priorities defined by the Council to provide essential guidance for the successful implementation of the EFSD+, in close cooperation with the NDICI – Global Europe Committee.

13. RECALLS the importance for the Commission to create incentives to strengthen cooperation among European development banks, financial institutions and implementing actors of different sizes, profiles, and strengths in order to maximise development impact and additionality, to develop tools to support inclusive partnerships with smaller development institutions, and to make best use and further develop instruments such as cooperation arrangements, co-financing, risk-sharing, and mutual reliance and recognition procedures. INVITES the Commission to develop mechanisms to simplify access to financing for EU development actors and institutions, in particular for smaller ones. In addition, INVITES the Commission to support smaller development banks and financial institutions, and other EU development actors in their pillar assessment applications.
14. ENCOURAGES the Commission services and the EEAS, including through the network of EU Delegations, to strengthen their capacity, sectoral and technical expertise, at no additional costs, in view of coordinating all European development banks and financial institutions present in partner countries through existing mechanisms in a Team Europe approach, including joint programming, and to bring on board key local financial institutions for development. Coordination should also be enhanced in providing technical assistance, including Public Sector Expertise, to create pipelines for private and public sector investments which respond to local development needs, to policy and regulatory reforms, and in implementing technical assistance programmes which include active participation of EU Member States and their institutions.
15. ENCOURAGES the Commission services and the EEAS to further coordinate with Member States common positions in multilateral development fora and institutions in order to speak with a more coherent EU voice where appropriate, in line with the Team Europe approach at country, regional and global level.

16. INVITES the Commission services and the EEAS, the Member States and their development banks and financial institutions, as well as the EIB and the EBRD, to strengthen the Team Europe approach and to increase, both in the EU and in partner countries, the visibility of joint engagement in a strategic manner, including through joint messaging, and public communication on Team Europe efforts, while continuing common actions to tackle disinformation.
17. CONSIDERS that part of ensuring the appropriate political oversight of this process by the Council consists in establishing a regular monitoring and follow-up mechanism, and to this end INVITES the Commission to present a roadmap for the implementation of the objectives and recommendations contained in these conclusions addressed to the Commission and to report annually to the Council configurations of Economic and Financial Affairs and Foreign Affairs (Development) on progress ~~as~~ from the end of 2021, including on the proper sequencing of actions, with due input from all relevant stakeholders. This reporting should focus notably on actions enhancing coordination and actions enhancing the development impact of the EFAD and should provide evidence-based recommendations, in order to inform any potential adaptations and improvements. The EIB, the EBRD and other European development banks and financial institutions should be invited to participate in this exercise.