The future European Financial Architecture for Development

2021/2252(INI) - 24/11/2022 - Text adopted by Parliament, single reading

The European Parliament adopted by 461 votes to 35, with 78 abstentions, a resolution on the future European financial architecture for development.

Members recalled that the COVID-19 pandemic has deepened the already significant financing gap for the Sustainable Development Goals (SDGs) and caused an overall decrease in resources of USD 700 billion and, at the same time, an increase in needs of USD 1 000 billion. The pre-pandemic SDG annual funding gap in developing countries of USD 2.5 trillion is expected to increase by 70 % post-COVID-19, to USD 4.2 trillion. Russia's military aggression in Ukraine has drastically exacerbated the situation of SDGs in Ukraine and its neighbouring countries.

Parliament considered that the current political and financial leadership of and efforts by the EU are **not sufficient for achieving the Sustainable Development Goals (SDGs) and the goals of the Paris Agreement** and addressing other acute global challenges, in particular worsening climate change, the dramatically increased debt burden of partner countries, the consequences of COVID-19 and violent conflicts, and therefore **joint engagement at international level is required** to ensure that EFAD is able to respond to these emerging challenges.

In this context, there is an urgent need for policy coherence and close cooperation between all official development finance institutions, their shareholder governments, the EU institutions and all existing partners, to ensure that scarce public funds are used in the most effective and efficient way.

Principles and objectives of the European financial architecture for development

Parliament took note of the Council conclusions on the strengthening of the EDFA and stressed the key role played by the Neighbourhood, Development Cooperation and International Cooperation Instrument (NDCI) - Europe in the World, the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee (EAG).

The EFAD should provide for an efficient, effective, coherent and inclusive architecture, underpinned by the 'policy first' principle and in line with the strategic interests and values of the EU. Members stressed that all implementing partners who are part of EFAD and access EU budget funds under the EFSD+ apply the full range of EU social, human rights, procurement, transparency and environment and rule of law standards, policies and procedures.

Parliament stressed that the European financial architecture for development must strengthen strategic partnerships between the EU and its global development partners. Recalling the interconnection between humanitarian aid, development, cooperation and peace, it stressed that consistency across all EU policies, strategies, initiatives and financing instruments, as well as close alignment with the EU strategy on PCD and Policy Coherence for Sustainable Development (PCSD), is crucial to maximise the EU's global response for sustainable growth, development and peace.

Challenges to be addressed

The EU's financial contribution to sustainable development in partner countries should enable partner countries to contribute to their own economic and social development and to achieve the SDGs. Members stressed the crucial importance of country participation in this context.

Noting a lack of policy guidance and coordination between the different financial actors (i.e. the EIB, EBRD, European Development Finance Institutions (DFIs) and others), Members called for further efforts to improve coordination and cooperation to make the current system more efficient, collaborative and resource efficient. They also recognised the need to enhance and improve the EU institutional set-up, and address its 'development effectiveness deficit', to reduce heavy bureaucratic coordination and strengthen institutional flexibility.

The resolution stressed that further efforts are needed to fully comply with the principles of the PSCD to achieve the aid effectiveness objectives. It called for the EFAD to be compatible with future EU legislation on due diligence and corporate responsibility and to ensure compliance with human rights standards.

Member stated that the **Team Europe approach** should play a key role in further improving strategic cooperation and global coordination and the coherence and effectiveness of development efforts, especially at partner-country level, as well as at EU and Member State level, including at regional government level.

The Commission should put forward a **powerful EU policy direction for development policies** and to coordinate EFAD in a way that would allow further alignment of the EU development financial institutions' activities within the new open, collaborative, transparent and inclusive architecture to achieve EU development policy objectives, strengthen close partnerships with regions and contribute to their development.

European and national financial institutions

Reaffirming the **EIB's specific role** within the EU and globally, Parliament welcomed the setting up of EIB Global, defined by the EIB as a dedicated development branch within the EIB Group, which has been operational since 1 January 2022. It called on the EIB to strengthen its presence in the field, while exploiting possible synergies with the EEAS, EU delegations, the EBRD and other European development financial institutions. It encouraged the EIB and EBRD to further strengthen their complementarity and business models through greater mutual reliance initiatives.

Members stressed the need to finance long-term investments that promote sustainable development and to build on the cooperation to date to develop further sustainable development opportunities for the African continent.

The resolution recognised the importance and potential of Member State development banks within the EFAD structure. However, concerns have been expressed about the role of intermediaries working with DFIs, particularly in relation to reported cases of human rights violations. The Commission and the EFAD institutions are encouraged to promote transparency in their procurement procedures.

Financing for development

Considering that the EU should strive to maintain its position as a world leader in ODA, Parliament insisted that Member States should honour their commitment to **spend 0.7% of their gross national income** (GNI) to ODA. It also stressed the importance of the EU's commitment to mobilising resources for climate action and the role of the EIB and other members of the European financial architecture for development in making progress in this area.

Lastly, recognising the role of **local micro, small and medium sized enterprises**, cooperatives, inclusive business models and research institutes as engines of growth, employment and local innovation, Members stressed the need to simplify access to finance, to enhance inclusiveness and to support small actors, including local SMEs, which should have easy access to financial services under the European financial architecture for development.