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Subject: Council conclusions on Strengthening the European financial architecture
for development
– Council conclusions (5.12.2019)

Delegations will find in the annex the Council conclusions on Strengthening the European financial architecture for development adopted by the Council at its 3736th meeting held on 5 December 2019.

**COUNCIL CONCLUSIONS ON STRENGTHENING THE EUROPEAN
FINANCIAL ARCHITECTURE FOR DEVELOPMENT**

THE COUNCIL OF THE EUROPEAN UNION,

1. RECALLING the Decision of the Council of the European Union (EU) 2019/597 establishing a High-level Group of Wise Persons with the task of producing an independent report on the European financial architecture for development.
2. RECALLING the policy frameworks and commitments set out in the 2030 Agenda and its principle to Leave No One Behind, the Paris Agreement, the New European Consensus for Development, the new Strategic agenda for the EU 2019–2024, the Global Strategy for the foreign and security policy of the European Union, the European Enlargement and Neighbourhood Policy, the Addis Ababa Action Agenda, the Sendai Framework for Disaster Risk Reduction 2015–2020, and the UN Guiding Principles on Business and Human Rights.
3. ACKNOWLEDGING that the European Union and its Members States together are the largest development aid donors in the world and their efforts have contributed to improvements in poverty reduction, in reaching the Sustainable Development Goals (SDGs), including decreasing child mortality, advancing gender equality, achieving peace and prosperity and higher life expectancy around the globe.
4. RECALLING that the fight against poverty and inequality is not yet won and more efforts are needed globally to achieve the SDGs, while it has become increasingly urgent to tackle climate change through investments in mitigation and adaptation, as well as avoid biodiversity degradation and ensure environmental sustainability, contributing to addressing the root causes of irregular migration and forced displacement.

5. RECALLING that the European financial architecture for development should promote the Union's values and strategic priorities worldwide in order to pursue the objectives and principles of the Union's external action.
6. RECOGNISING the critical role of multilateral cooperation and international partnerships, the increasing risks emerging from geopolitical and geo-economic competition and the need to strengthen the EU architecture for sustainable financing of investment and connectivity in close cooperation with our partners.
7. ACKNOWLEDGING the critical need to crowd in the private sector in sustainable finance and delivering on SDGs, the important role of the European financial architecture in facilitating private investment and creating sustainable markets, as well as the relevance of an enabling investment climate and business environment.
8. STRESSING that the variety and diversity of actors and instruments in the European financial architecture for development is a strength in terms of quality, impact, effectiveness and efficiency, which needs appropriate coordination and steering, in order to avoid fragmentation and unnecessary competition on pricing or conditionalities, and deliver to its full potential.
9. RECOGNISING the importance of reforming the European financial architecture for development in order to maximise the use of existing resources and further strengthen its visibility, impact, effectiveness and coherence, as part of a global development finance system in which multilateral, regional and bilateral financial institutions work together towards global goals.
10. ACKNOWLEDGING the results of the European financial architecture for development, and in particular the European Commission, the Member States' development finance institutions and development banks, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

11. WELCOMES the work of the Wise Persons Group on the report "EUROPE IN THE WORLD – The future of the European financial architecture for development", providing a view on the challenges to and opportunities for improving and rationalising the European financial architecture for development.
12. AGREES that there is a need to make the European financial architecture for development stronger, more flexible, integrated, coherent, strategic, and responsive to climate change and development needs; that its resources must be allocated following priorities and where the needs are greatest, including the least developed and fragile countries, Africa, the Neighbourhood and other geographical regions; and that there is a need to follow the policy first and working better together principles, and ensure inclusiveness and ownership in partner countries, as well as transparency and accountability.
13. STRESSES the need for operational continuity in the work of the EIB and the EBRD while reflection on the reform of the development finance architecture is ongoing; CALLS on the two institutions to fully take into account these conclusions and ensure that any steps taken contribute to and do not undermine their implementation or the objective of a strengthened European architecture for development finance.
14. RECOGNIZES the potential of the European Fund for Sustainable Development as an instrument incentivising inclusive participation and collaboration between European and other development finance institutions, on the basis of an open architecture, while leveraging finance for development from the public and private sector, in close cooperation with partner countries.

Immediate steps to be taken

15. ENCOURAGES the Member States to reinforce their ownership of the EU development policy through a stronger engagement, regular policy steer and further strategic guidance within the European Council and the Council of the EU, and more effective interaction and coordination with the European Commission and the High Representative for Foreign Affairs and Security Policy.

16. INVITES the European Commission and the Member States, with the support of the European External Action Service (EEAS), to make proposals for an overall branding and narrative for the EU global development strategy and financing and increase the visibility and communicability of its impacts for both the EU and partner countries. ENCOURAGES all relevant European stakeholders and the Member States to discuss such proposals with the goal to improve their communication strategies and activities.
17. EMPHASISES the role of the European Commission and the EEAS in operationalising EU development policy, including through better coordination of all European development actors, while following the increased political guidance provided by the Council, in particular on development objectives; INVITES them to increase their internal coordination as well as their cooperation with Member States inter alia in the undertaking of policy dialogue and country and regional strategies.
18. ENCOURAGES the European Commission, and the EEAS including through the network of EU Delegations, to strengthen their efforts in coordinating European development finance actors in partner countries, inter alia, through joint multiannual programming at country level with the Member States, the development of country platforms, as also proposed by the G20 Eminent Persons Group report, and regional investment facilities, recognising other frameworks, bringing together all relevant partners and maximising development impact and partner country ownership. This could be facilitated, inter alia, by further harmonising reporting practices across relevant development finance actors.
19. INVITES the European Commission to strengthen its existing development finance capacity to evaluate the consistency of projects and investment proposals with EU policies in line with its competencies.
20. EMPHASISES the need of the EU Member States, in cooperation with the European Commission, to strengthen existing mechanisms and, where necessary, work towards better coordination of EU positions in multilateral development fora and institutions in order to speak with a more coherent EU voice. This should also include coordinating positions on issues of strategic importance, particularly on the board of the EBRD.

21. INVITES the European Commission to bring together on a regular basis the European development finance and implementing partners to promote harmonisation of strategies and approaches in development finance.
22. INVITES the European Commission and Member States to strengthen the cooperation between existing European knowledge hubs and research institutes for development, linking more effectively EU and international research on development with policy-making, providing support for the advancement of development studies and promoting learning on reporting and development impact measurement within the EU. They should also reflect on working towards the setting up of a common platform with information inter alia on on-going and planned projects, financing conditions as appropriate and their implementing partners in order to provide a comprehensive view of EU action, taking into account the existing tools.
23. INVITES the European Commission and Member States to create incentives to strengthen cooperation among development finance and implementing actors of different sizes, profiles, and strengths to maximise development impact, in particular supporting inclusive partnerships with smaller development institutions, and making best use of instruments such as cooperation arrangements, co-financing, and mutual reliance procedures. INVITES the European Commission to develop mechanisms to simplify access to financing to EU development actors and institutions, in particular for smaller ones.
24. ENCOURAGES the setting of common standards and business models for private sector involvement in the implementation of development policy, on the basis of the OECD and DFI Blended Finance Principles.
25. INVITES the European Commission and the European External Action Service to report to the Council by the end of January 2020 on the abovementioned or other similar measures to be taken in order to strengthen the European financial architecture for development.

Way ahead on Institutional matters

26. RECOGNISES the need for a well-functioning European financial architecture for development to set standards and provide operational orientation to all relevant actors in the system, and foster EU leadership globally.
27. NOTES that key institutional changes to develop EU's financial architecture for development will require further reflection, taking into account the global system; and that priority should be put on the use of the existing financial resources. In particular, the feasibility of options 1 and 3 outlined in the Wise Persons Group's report as well as enhancements in the current institutional set-up deserves to be further analysed.
28. TASKS the Council preparatory bodies, based on a proposal from the Commission, to prepare without delay the terms of reference for an independent feasibility study. As a contribution to the preparation of the terms of reference, INVITES the European Investment Bank and the European Bank for Reconstruction and Development, by the end of January 2020, to provide to the Council the following input:
- i) proposals for concrete actions to achieve enhancements in the current institutional set-up and maximal development impact through increased cooperation between the two institutions and with European and other development finance institutions, and through other similar measures; and
 - ii) information on financial, legal and operational implications for their institutions of both options 1 and 3 outlined in the Wise Persons Report, based on a specific set of questions to ensure comparability.
29. With a view of providing political guidance by the Council, including the approval of the terms of reference by spring 2020, TASKS the Council preparatory bodies, in cooperation with the Commission and the EEAS, to present an assessment and recommendations to the Council on the next steps. TASKS the Council preparatory bodies to inform the Council on the outcomes of the feasibility study by autumn 2020.

30. INVITES the Council preparatory bodies to monitor the progress made in the implementation of these conclusions; and the Member States to provide further guidance on the preferred way forward to strengthen the European financial architecture for development by the end of 2020 at the latest.
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