

Brussels, 11 June 2019

To the attention of: Coreper II Ambassadors
CC: Ad hoc Working Party MFF NDICI

Subject: Council's negotiations on the EFSD+

Dear Ambassador,

We are writing to you concerning Heading 6 of the Multiannual Financial Framework on Neighbourhood and the World, and in particular regarding the EFSD+, which is now being discussed among Member States as part of the Neighbourhood, Development and International Cooperation Instrument (NDICI). We encourage you to follow the European Parliament's lead in ensuring that this instrument is up to the task of eradicating poverty, reducing inequality and supporting sustainable development.

The EFSD+ will create new opportunities, but also risks and challenges that need to be addressed to ensure public subsidies to the private sector are used to the greatest effect. **We strongly support the European Parliament's proposal to ensure that a maximum amount of €10 billion shall be provisioned from the Union budget to be used for the external action guarantee under the EFSD+** (Amendment 236 to Article 26 para 4 sub-para 1).ⁱ The principle of capping the resources used for guarantees is of the utmost importance and should be upheld by Member States, as it is the case in the current EFSD Regulation, which caps the guarantee to 1.5 billion euros. That would help to ensure that the EFSD+ will not be detrimental to other actions supported by geographic programmes (Amendment 233 to Art 26 para 1 sub-para 1).

We expressed our opposition in the past to a significant increase in resources for blending loans, guarantees and grants going to for-profit actors, particularly as current similar instruments have demonstrated mixed results at best.ⁱⁱ Our key concerns have been summarised in the short 10 points attached to this letter.ⁱⁱⁱ

A clear tension exists between a focus on generating financial returns and delivering public services, particularly where the poor are concerned. This is demonstrated by increasing evidence of failed public-private partnerships (PPPs) in Europe as well as in partner countries.^{iv} The EFSD+ should not encourage the privatisation of public services or expose developing countries to unsustainable debt since in both cases there is a high risk of increasing inequalities and vulnerability.

We also support amendments proposed by the European Parliament outlining that the EFSD+ should focus primarily on local economic actors and inclusive business models, such as cooperatives and social enterprises, micro, small and medium-sized enterprises (MSMEs) and the informal sector (amendments 250, 251, and 289 to arts 27 & 31). Targeting these sectors and ending formal and informal tied aid is critical to developing local markets, fostering domestic competitiveness and creating a private sector that is aligned to and delivers on sustainable development objectives.

We encourage you to support the positions adopted by a large majority of the European Parliament, that reflect our concerns that limited public resources for sustainable development are used in an effective, responsible and accountable manner.

We are available to discuss these important issues with you in detail. Thank you for your consideration.

Yours truly,



Tanya Cox
Director
CONCORD



Jean Saldanha
Director
Eurodad

ⁱ See: http://www.europarl.europa.eu/doceo/document/TA-8-2019-0298_EN.html?redirect

ⁱⁱ See ODI, 2019 “Blended finance in the poorest countries. The need for a better approach”. The authors conclude that “each \$1 of Multilateral Development Bank and Development Finance Institution invested mobilises on average \$0.75 of private finance for developing countries, but this falls to \$0.37 for LICs.” Available at: <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12666.pdf>

ⁱⁱⁱ See CONCORD-Eurodad, 2018 “The European Fund for Sustainable Development plus (EFSD+) in the MFF2021-2027 Ten areas to consider in the NDICI Regulation”. Available at: https://concordeurope.org/wp-content/uploads/2019/02/CONCORDEurodad_10pointsEFSD.pdf

^{iv} See Eurodad, 2018 “History RePPeated – How public-private partnerships are failing”. This report presents 10 PPP projects that have taken place across four continents, in both developed and developing countries. Available at: <https://eurodad.org/files/pdf/1546956-history-repppeated-how-public-private-partnerships-are-failing-.pdf>