

## The European Fund for Sustainable Development plus (EFSD+) in the MFF2021-2027

### Ten areas to consider in the NDICI Regulation

September 2018

The European Commission's proposal for the [Neighbourhood, Development and International Cooperation Instrument](#) (NDICI) includes provisions about the EFSD+ in the preamble (Recitals 33 to 38), Articles 26 to 30 and Annexes V and VI.

Concord and Eurodad, in collaboration with other CSOs, is working on detailed proposals of amendments to the text, and meanwhile would like to raise the following ten concerns:

#### 1. Amounts involved

The provisioning of the EFSD+ and budgetary guarantees is included in the geographic envelopes of the NDICI, which amount to 68,000 billion euros. The NDICI proposal states that operations up to 60 billion euros could be guaranteed, with a provisioning rate ranging between 9% and 50%. However, the proposal does not clarify how much funding out of the 68,000 billion euros would be channelled through the EFSD+ as opposed to other funding modalities. The current EFSD Regulation (Regulation (EU) 2017/1601) is much clearer on that front (cf. Art. 12.1 which states that the guarantee should not exceed 1.5 billion euros). ***The same level of clarity should be integrated to the NDICI.***

As the NDICI proposal reflects the intention to increasingly rely on guarantees and blending as a modality of cooperation in future geographic programmes, it would also be fundamental to ***clarify the maximum amounts respectively earmarked for guarantees and for blending.*** In the absence of ceilings or quantitative indications, in some countries, as much as 100% of the national envelope could in theory be disbursed through the EFSD+, despite the fact that this modality has not yet been fully evaluated and that its development additionality has not been demonstrated. In fact, as of August 2018, EFSD projects have not yet begun.

Beyond the concerns related to the quantity of funds, we would also like to raise our concern on the approach behind the EFSD. Indeed, we think that crowding-in additional resources from the private sector must respond to clear and binding accountability and transparency rules, in order to continuously assess the development impact (positive and negative) and added value to development cooperation policies; otherwise, the risk of seeing subsidies going to international companies under the guise of contributing to the implementation of Sustainable Development Goals (SDGs) is very high. This may lead to market distortion and further cement corporate power in countries where the democratic space is already dangerously shrinking.

#### 2. Environmental and human rights standards and criteria

Important safeguards in the 2017 EFSD Regulation have been removed from the EFSD+, and we call for re-instating them in the NDICI Regulation. As acknowledged in 2016 by the European Council, *"The EU recognises that corporate respect for human rights and its embedding in corporate operations and value and supply chains is indispensable to sustainable development and achieving the SDGs. All partnerships in implementing the SDGs should be built on respect for human rights and responsible business conduct."* (Council Conclusions on business and human rights, 20 June 2016, para. 3). Those standards must apply to national and international financial institutions signing guarantee agreements under EFSD+, but also in the selection of individual projects and end-beneficiaries. Compliance with those criteria and standards is essential in the absence of a legal European action plan on business and human rights, and the lack of a legislation introducing a corporate "duty of care" or "vigilance",

including mandatory human rights due diligence, towards individuals and communities affected by European companies' operations.

### **3. Gender equality and women's rights**

The EFSD+ proposal is currently gender blind. It will be crucial to ensure that women's rights and gender equality are consistently addressed under the EFSD+, in line with the EU Gender Action Plan II, EU Treaty obligations and European governments' international commitments in the field of women's rights. Women are less likely to enjoy the benefits of blended finance and guarantee operations unless specific gender policies and targeted measures are put in place that support women workers and entrepreneurs.

### **4. Emphasis on supporting local economic actors**

Private sector investments which, through the EFSD+, will be subsidised by EU aid must not negatively impact local economic actors, in particular micro, small and medium sized enterprises (MSMEs), social enterprises and cooperatives. Furthermore, the EFSD+ should primarily seek to support local economic actors as opposed to European and multinational enterprises. A greater attention to possible impacts on inequalities is also needed, since a number of developing countries are experiencing high economic growth rates (i.e. GDP growth is not the problem), but increasing poverty and widening gap between the richest and the poorest segments of the population, which is becoming a crucial development issue, as also recognised by the EU Consensus on Development (2017), which commits the EU and member states to mainstream inequality into the EU's development cooperation.

### **5. Exclusion list**

We believe language on the exclusion of certain activities should be included. This should include for example support for military operations, investments having a significant external environment cost, or projects that may involve land grabbing or forced or involuntary displacement of populations.

### **6. Tax avoidance**

We propose to restore the language from the EFSD 2017 Regulation on non-cooperative jurisdictions to ensure the new instrument does not contribute to tax avoidance.

### **7. Grievance mechanism**

We propose to restore and improve language about a redress mechanism, with the creation of a central grievance mechanism managed by the European Commission.

### **8. Scorecard of indicators**

A scorecard of indicators is indispensable to assess projects, and its existence should be reflected in the text of the NDICI Regulation.

### **9. Dacability of investments**

The Preamble and the NDICI guiding principles (Art 8) apply to the EFSD+. However, the 2017 EFSD Regulation expressly requires the guarantees and blending (all the actions under the EFSD) to fulfil the criteria for Official Development Assistance (ODA) as established by the Development Assistance Committee of the OECD (OECD-DAC). The current EFSD Regulation (2017) is thereby more demanding than the proposed NDICI Regulation. We don't believe the requirements should be lower going forward, especially in view of the fact that the OECD is questionably increasingly broadening what can be considered as "dacable".

## 10. Evaluation, reporting and accountability

Provisions on transparency, reporting and accountability should be included in the NDICI, as they are in the 2017 EFSD Regulation. It is important to include more details about the scope of the reporting, which should include a focus on development impacts (for instance: financial and development additionality, assessment of compliance with aid effectiveness principles and with the sustainable development objectives of the Regulation). Likewise, we consider essential to ensure participation of civil society organizations, including through sustained and iterative social dialogue in the case of social partners, throughout all the phases of the project cycle (design, implementation and evaluation), to ensure the EFSD+ opens rather than closes down space for civic participation and CSOs, and follows a human rights-based approach.



**CONCORD** is the European NGO confederation for Relief and Development. With the support of our 51 members, our confederation, representing over 2,600 NGOs, is the main interlocutor with the EU institutions on development policy. Since 2003, we work towards a world where people enjoy their right to live free of poverty and exploitation as well as their right to enjoy wellbeing and equality.

**Eurodad** (the European Network on Debt and Development) is a network of 47 civil society organisations (CSOs) from 20 European countries. Eurodad works for transformative yet specific changes to global and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable financial and economic system that works to eradicate poverty and ensure human rights for all.