



# **European development finance in the crisis ridden-era**

Team Europe and EFAD for a greener & more sustainable impact

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# 1. The EU sustainability framework in times of crises

**Era of perma-crisis** (political, economic, environmental and social) that jeopardises the 2030 Agenda for Sustainable Development and Paris Agreement related-commitments



**An ambitious European sustainability framework**, characterised by:

- Streamlined and innovative finance through NDICI-Global Europe - **EFSD+**  
=> guarantees and blended finance implemented by **DFIs/PDBs**
- Coordinated and common development finance approach with **EFAD**, following a **Team Europe**/Working Better Together approach to achieve policy-first objectives
- Combinaison of development and geo-political ambitions e.g. EU **Green Deal** and **Global Gateway**: **policy-first**, based on EU values, principles, interests

Given the historical combined shocks, **such a framework is not enough**. The international community, and Europe, **must rise to the challenge**, mobilise energies and resources, and deploy instruments in innovative ways at scale:

- no business as usual
- front-load, reallocate, leverage, innovate, mobilise new resources,
- women-centred recovery and transformation (e.g. GAP III)

## 2. Step up crisis response with constrained means

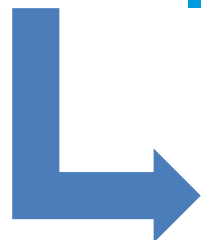
**EU means are limited** following the COVID-19 pandemic and the Russian invasion in Ukraine

While the integrity of the EU budget has been preserved, this is less so the case of EU MS

Domestic spending	External spending		
Increased domestic supports Increased military efforts	Increased direct support to Ukraine	Increased humanitarian aid (incl. refugees)	Increased allocation of aid to Eastern neighbourhood



Need to **move away from only traditional development cooperation** => channel limited resources through **catalytic approaches** and operating in a more agile, flexible, coordinated manner



- Addressing systemic challenges through international monetary and financial approaches
- Mobilising development finance at scale

### 3. Broader development (finance) avenues

1

Address growing debt vulnerabilities and distress in a concerted manner

2

Rechannel SDRs at scale, including through MDBs

3

Strengthen and adapt MDBs to unleash their potential

4

Boost green (adaptation) finance

5

Actively combating illicit financial flows

### 3. Broader development (finance) avenues 1/3

1

Address growing debt vulnerabilities and distress in a concerted manner

To help address the debt crisis, **EU member states should collectively be more active** in stimulating coordinated debt initiatives under the aegis of the IMF & actively promote innovative solutions

1. State-contingent  
debt instruments

2. Legal tweaks and  
statutory options

3. Debt for climate  
swaps

4. GSSS bonds

2

Rechannel SDRs at scale, including through MDBs

IMF PRGT  
RST

The EU could **adopt concerted positions and collective commitments** at the IMF towards the speedy rechannelling of SDRs towards countries most in need including special commitments to Ukraine.

MDBs  
(AfDB)

The most innovative and potentially impactful way of **rechannelling SDRs would be through multilateral development banks (MDBs)**, which could leverage investments in a catalytic manner.

Review ECB position and develop mechanism addressing key concerns, and consider budgetary contributions equivalent to SDRs for MDB-dedicated mechanisms

### 3. Broader development (finance) avenues 2/3

3

Strengthen and adapt MDBs to unleash their potential

**EU could also adopt common positions** on proposals to better unleash the potential of MDBs, building on their own priorities as **Team Europe**, and on G20 Independent Review of Multilateral Development Banks' **Capital Adequacy Frameworks**.

1. Callable capital

2. Risk tolerance and appetite approaches

3. Non-voting capital & hybrid instruments

4. Risk transfer mechanisms

5. Statistics on credit performances

6. Paid-in capital increase



MDBs could further adopt more **transformative** approaches: one that goes beyond individual deals, and builds on collaborative frameworks (within and beyond the EU).

### 3. Broader development (finance) avenues 3/3

4

#### Boosting green finance



**Mobilise at-scale climate finance for adaptation** and for **biodiversity** and **nature** protection:

1. promoting climate-resilient investments through i.a. **public-private endeavours and risk mitigation**;
2. engaging more actively in **sub-sovereign climate adaptation operations** to reach out to rural areas and and urban centres affected by climate risks;
3. fostering **collaboration between financial institutions & relevant stakeholders** building on, e.g. UNEP FI, TFCD & ARIC and
4. working on **standardised approaches to climate risk assessment**

5

#### Actively combating illicit financial flows

The EU active avenues, within the EU, the OECD and other relevant international fora, as well as with its partner countries, to better identify and effectively combat illicit financial flows.

## 4. Strengthening the EFAD

- 1 Enhance the strategic coordination of a fragmented governance
- 2 Avoid approaches overly centred on the EU budget & EU institutions
- 3 Promote more partnerships and wider collaboration within and outside of the EU
- 4 Encourage innovation, reactivity, diversity & harmonisation
- 5 Front-load spending and mobilise (public & private) resources at scale



## 4. Strengthening the EFAD 1/4

1

### Enhance the strategic coordination of a fragmented governance



Polycentric nature of the EFAD governance provides flexibility and focus, but lacks coherence towards overall strategic and operational coordination (eg NDCI-GE, IPA II, EFSD+, Global Gateway, TEIs, Council, EIB Global BAG, Boards of EIB, EDFIs, EBRD, other MDBs)



Specific attention should be given to enhancing the coordination of the overall strategic direction and operational implementation of the EFAD, including beyond the EU budget

2

### Avoid approaches overly centred on the EU budget & EU institutions

- Central role of the Commission and Council (EU budget and mechanisms)
- Need to also build on **EU member states' own** budgets, initiatives, institutions; EDFI, JEFIC (Joint European Financiers for International Cooperation), EIB, EBRD (e.g. European Financing Partners - EFP, Interact Climate Change Facility – ICCF)
- Direct partnerships of EU donors with the EIB (Partnerships Platform for Funds – **PPF**) and EBRD (**multi-donor funds**): key for rapid, flexible, scaled priorities or responses to crises: Ukraine (EBRD-Ukraine Sustainable Growth Multi-Donor Account, EIB Ukraine solidarity), Africa, etc.  
=> to be boosted and expanded to other financial institutions under the EFAD umbrella

## 4. Strengthening the EFAD 2/4

3

Promote more partnerships and wider collaboration within and outside of the EU

### Within the EU

- **Stronger partnership and cooperation between financial institutions for development** and their groupings (EDFI, JEFIC, EIB, EBRD and NPBI) to build synergies & complementarities
- **Greater engagement** should also be sought with the **European private sector and investors** (including insurers, commercial banks and financial institutions) => towards an EFAD platform for European public-private financiers' collaboration?
- Fostering greater **synergies and complementarities** between European public (financial) institutions with a **commercial** objective and those with a **development** mandate

European public development actors should also enhance their cooperation  
=> towards an **EFAD platform for public development actors** including the European donors, implementing agencies, **DFIs and PDBs** (including EIB Global and EBRD)?

Blended  
finance

Project  
preparation

TA with devt  
finance

Innovative  
instruments

Ecosystem  
development

M&E systems

LDCs and fragile  
contexts

Gender & youth

Climate,  
biodiversity, nature  
protection

Instruments  
tackling rising  
uncertainties

Local presence

## 4. Strengthening the EFAD 3/4

### Outside the EU



- Promote a more inclusive approach towards like-minded and partner countries' stakeholders and institutions (Coalitions, Collaboratives, Partnerships; G7)
- Strategic and operational cooperation with international initiatives & actors (UN, G20, FIC, MDBs; vertical funds – e.g. climate, health; Global Resilience Partnership, etc.)
- Better articulate and structure collaboration and partnerships with other non-EU DFIs/ PDBs in a transparent manner, which play a key role as the 'last-mile partners'

4

### Encourage innovation, **reactivity**, diversity & harmonisation



Stimulate the exchange of experiences and innovative practices among European development (finance) actors, to promote a demonstration and learning effects for new approaches

- Providing '**innovative funds**', to pilot new approaches
- Leveraging innovative mechanisms including **syndication** and **securitisation**
- Sharing knowledge and optimise division of labour and complementarity
- Providing flexible mechanisms to foster reactivity and adaptability - PPF/multi-donors funds
- Fostering harmonisation and standardisation of some procedures, frameworks, criteria, approaches, practices and mechanisms

## 4. Strengthening the EFAD 4/4

5

### Front-load spending and mobilise resources at scale



**Front-loading:** the need for rapid, reactive and significant responses to crises

#### **Mobilise at scale for recovery and resilience:**

- MFF with NDICI-GE: proposed in 2019, adopted with about 10% cut = before huge climate agenda, CODID-19, Russian aggression of Ukraine, energy & food crises, inflation, tightening of fiscal & monetary policy, increased debt vulnerabilities and distress
- Focus on humanitarian and essential aid support
- Allocate more scarce aid resources to mechanisms with catalysing effects
- Foster synergies with other non-aid instruments and initiatives



⇒ **prepare and work better together in more uncertain times:**  
**EFAD ambitions, also beyond the EU**

# Thank you!



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