

Brussels, 20 November 2018

**Subject: Foreign Affairs Council Meeting on 26 November 2018**

Dear Minister,

We are writing to you ahead of the Foreign Affairs Council on 26 November, at which you will debate the Multiannual Financial Framework 2021-2027 - Heading VI: Neighbourhood and the World and its private finance tools.

It is essential that the future budget for international cooperation effectively contributes to the eradication of poverty and the reduction of inequalities as well as the realisation of human rights, rule of law, participatory democracy, and sustainable development within planetary boundaries.

We would therefore like to share some of our main concerns about the private sector instruments proposed in the draft Neighbourhood, Development and International Cooperation (NDICI) regulation, namely the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee.

The NDICI is supposed to simplify, rationalise and ensure a more coherent and strategic use of the various tools available – which we believe makes sense. However, we are concerned that, in spite of attempts to clarify the implications and the ways of working of the EFSD+ and the External Guarantee proposal, huge uncertainties still prevail. We would like to draw your attention to the following points:

- ***The EFSD+ lacks strong environmental and human rights standards and safeguards.*** It is important to explicitly mention in the NDICI regulation that companies supported through the EFSD+ must respect international environmental, human rights and labour standards. The regulation must also include explicit provisions to prevent the EFSD+ from being used to support companies that engage in tax avoidance. General provisions in the EU Financial Regulation alone are not sufficient in that regard.
- ***The governance of the EFSD+ lacks transparency and accountability.*** The European Parliament only has an observer status in the current EFSD Strategic Board, and the Board can only issue non-binding opinions. The European Parliament should be a formal member of the EFSD+ Board. In addition, the regulation should include clear provisions to consult with civil society organisations in partner countries about programming choices, including tools to be used. To improve accountability, it is also essential to establish a centralised grievance mechanism to provide an effective remedy for communities affected by EFSD+ operations.
- ***The scope of the reporting proposed for the EFSD+ by the European Commission is significantly reduced compared to the provisions included in the existing EFSD regulation (2017).*** The focus of the reporting is on the EFSD+ financial dimension while its development impact should be the priority - including the assessment of how the EFSD+ helps reduce social, economic and environmental inequalities, within all of which gender inequality is a major concern. There are often tensions between seeking profitability and results for people living in poverty, especially if the most marginalised are to be prioritised in line with the principle of 'leave no one behind'.

Reporting needs to reflect the fact that the EFSD+ is first and foremost a development cooperation instrument and not a funding mechanism aimed at generating a profit for investors.

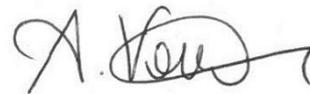
- ***There is a high risk of tied aid and sidelining the local private sector.*** High levels of aid from the EU and from member states are used to serve the commercial interests of companies from donor countries. EU member states should not pursue commercial objectives using funds dedicated to development assistance. The current EFSD+ proposal lacks criteria to ensure that those for-profit companies which are subsidised through the mechanism will primarily be local economic actors. It is more urgent than ever to support local economies in developing countries, since in many contexts they are best able to generate decent jobs and livelihoods for women and men. The EU should support inclusive business models, such as cooperatives and social enterprises, and focus on micro, small and medium-sized enterprises (MSMEs). It is crucial to ensure that EU interventions do not further consolidate corporate power to the detriment of the rights of workers, small-scale producers and local communities and indigenous peoples.
- Last but not least, ***we are opposed to any increase in blending, loans, guarantees and grants for the private sector before the positive impacts on people's lives have been demonstrated.*** Otherwise the EFSD+ risks draining resources from other development aid modalities proven to reach the most marginalised people.

We very much hope that you will take our concerns into consideration and remain available to discuss these important issues in more detail. In addition, we hope that the gender lunch will be the occasion to discuss the contribution of NDICI to gender equality. Thank you for your consideration.

Yours sincerely,



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Director  
CONCORD



Antonia Vornier  
Director (ad interim)  
Eurodad