

EXPLANATORY MEMORANDUM ON A COMMUNICATION FROM THE COMMISSION

12142/18
COM (2018) 644 final

COMMUNICATION FROM THE COMMISSION Towards a more efficient financial architecture for investment outside the European Union

Submitted by the Department for International Development on 15 October 2018

SUBJECT MATTER

1. In this Communication the Commission draws attention to the scale and immediacy of global investment challenges, particularly in Africa and the EU's Neighbourhood, and calls for a more efficient and effective use of the EU's financial instruments, including guarantees and blending (combining grants with loans). Both a short- and medium-term strategy are put forward in the document.
2. In the short-term the Commission outlines that the EU should make the most of existing instruments by:
 - a. Accelerating the implementation of the EU External Investment Plan (EIP) and European Fund for Sustainable Development (EFSD), which were put forward in 2016 with the objective of mobilising at least €44m (c.£39m) of investment in Africa and the Neighbourhood;
 - b. Looking for synergies and complementarities between existing European actors in this space, including the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD);
 - c. Increasing the coherence of the actions taken by various implementing partners with the EU's external policy objectives; and
 - d. Improving intra-EU cooperation in international financial institutions, in particular at the EBRD.
3. In the medium-term the Commission's intention is to:
 - a. Expand the use of financial instruments through the European Fund for Sustainable Development Plus (EFSD+), which forms part of the Commission's proposals for the next Multi-Annual Financial Framework for 2021-2027; and
 - b. Reinforce the European financial architecture through more efficient governance and stronger alignment of projects with EU policy, which could take the form of an EU external investment platform that brought together all actors benefiting from EU guarantees under a new single framework.

SCRUTINY HISTORY

4. The Communication from the Commission has not been subject to previous scrutiny.

MINISTERIAL RESPONSIBILITY

5. The Secretary of State for International Development is responsible for UK policy on EU development assistance, including humanitarian aid.

INTEREST OF THE DEVOLVED ADMINISTRATIONS

6. As international development and ODA policy is not devolved, there is no particular interest for the Devolved Administrations in the new Alliance.

LEGAL AND PROCEDURAL ISSUES

- i. Legal basis: None. This is not a proposal for legislation
- ii. European Parliament Procedure: Not applicable
- iii. Voting procedure: Not applicable
- iv. Impact on UK law: None
- v. Application to Gibraltar: None in respect of this document, although EU law on development issues does apply to Gibraltar.
- vi. Fundamental Rights Analysis: Not applicable.

APPLICATION TO THE EUROPEAN ECONOMIC AREA

7. None

SUBSIDIARITY

8. No issues of subsidiary arise in this document

POLICY IMPLICATIONS (including Exit implications where appropriate)

9. On 23 June 2016, the EU referendum was held and the people of the United Kingdom voted to leave the European Union. The Government respected the result and triggered Article 50 of the Treaty on European Union on 29th March 2017 to begin the process of exit. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will also continue to negotiate, implement and apply EU legislation.
10. The UK recognises the scale and complexity of the investment needs of our global development partners. We have consistently championed efforts to maximise the impact of limited ODA funds through the deployment of innovative financial tools and remain firmly committed to mobilising greater private sector resources through the 'Billions to Trillions' agenda.
11. The UK welcomes efforts by the EU to increase the efficiency and effectiveness of the European financial architecture for investment outside the EU. We are pleased to see the Commission's calls to promote greater cooperation and collaboration between all the relevant institutions. We encourage the EU to remain open to bringing all international actors around the table, which will help to incentivise collaborative work on global systemic issues.

CONSULTATION

12. The Commission has not conducted a formal consultation on this Communication.

IMPACT ASSESSMENT

13. The Commission has not conducted an impact assessment on this Communication.

FINANCIAL IMPLICATIONS

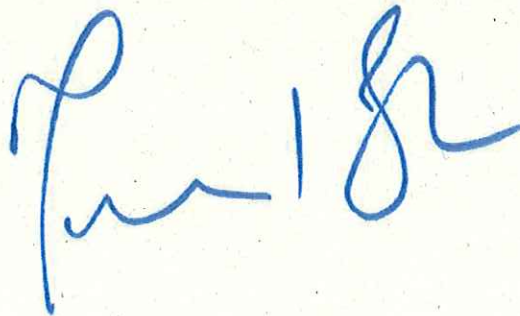
14. The short-term actions referred to in this Communication will be financed from existing budgets and programmes approved under the current MFF.
15. As per the draft Withdrawal Agreement, the UK will honour its 2014-2020 commitments to all EU development programmes that are approved under the current MFF until their closure.
16. The medium-term actions, in particular the proposal for an enhanced European Fund for Sustainable Development Plus (EFSD+), would be financed by the EU's future external financing instruments under the next MFF currently under discussion in the Council.
17. The UK remains open to pooling resources with the EU and drawing on our collective expertise to maximise combined development impact in areas of our mutual interest. This is why we have proposed, in the recent White Paper, a Cooperative Accord on development assistance and international action. Precisely how this relationship will work remains subject to negotiation.

TIMETABLE

18. Work on implementation of the proposed actions will begin immediately.

OTHER OBSERVATIONS

19. There are no other observations.



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FOR INTERNATIONAL DEVELOPMENT

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