

European Fund for Sustainable Development (EFSD), EFSD Guarantee and EFSD Guarantee Fund

2016/0281(COD) - 14/09/2016 - Legislative proposal

PURPOSE: to set up the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund to support investments in regions outside the EU as a means to address root causes of migration.

PROPOSED ACT: Regulation of the European Parliament and the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the proposal forms part of the **External Investment Plan (EIP)** announced in the 7 June 2016 [Commission Communication](#) on establishing a **new Partnership Framework with third countries under the European Agenda for Migration**.

It is also in with the EU Global Strategy for Foreign and Security Policy with embeds challenges such as migration in the overall EU foreign policy.

The EIP will be based on three pillars working hand in hand:

- a new investment fund (pillar 1);
- technical assistance (pillar 2), to help local authorities and companies to develop a higher number of sustainable projects and attract investors;
- and finally a range of dedicated thematic, national and regional EU development cooperation programmes combined with structured political dialogue targeted at improving the investment climate and overall policy environment in the countries concerned (pillar 3).

Pillar 1 will be implemented through the EFSD. The EFSD will have the key objective of providing an **integrated financial package** to finance investments starting in the regions of Africa and the Neighbourhood. The Commission called for a long term strategy by which the EU will promote the sustainable development goals of the 2030 Agenda and thus continue to address root causes of migration. It shall also contribute to the implementation of the Paris Agreement on Climate Change (COP 21).

According to the Commission, the EFSD is expected to mobilise up to **EUR 44 billion investments** with funds from the general budget of the Union and other sources of EUR 3 350 million until 2020.

CONTENT: this draft Regulation seeks to establish the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

Purpose: the purpose of the EFSD as an integrated financial package shall be to **support through the supply of financing capacity in the form of grants, guarantees and other financial instruments to eligible counterparts investments** and increased access to financing starting in African and Neighbourhood partner countries.

The EFSD shall contribute to the **achievement of the Sustainable Development Goals of the 2030 Agenda** with a particular focus on sustainable growth, job creation, socio-economic sectors and on the support to micro, small and medium sized enterprises.

It should tackle **root causes of migration** and offering sustainable reintegration to returned migrants in their countries of origin while maximising additionality, delivering innovative products and crowding in private sector funds.

Regional investment platforms: the EFSD shall be composed of regional investment platforms, which will combine financing from existing blending facilities and the EFSD Guarantee. The management of the EFSD shall be ensured by the Commission. Regional investment platforms will be focused to pursue the achievement of the sustainable development goals and better address root causes of migration.

Strategic board of the EFSD: the Commission shall be assisted by a strategic board. It shall provide **strategic guidance** and support the Commission in setting overall investment goals as regards the use of the EFSD Guarantee. The strategic board shall also support **overall coordination and coherence** between the regional investment platforms and with the external lending mandate operations managed by the EIB, including the EIB resilience initiative.

The strategic board shall be composed of representatives of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy (High Representative), of the Member States and of the EIB. The Commission may invite other contributors to become members of the strategic board having regard where appropriate to the view of the board. Partner Countries and relevant regional organisations, the eligible counterparts and the European Parliament may be given observer status, where appropriate.

Project assessment: a sound technical assessment and due diligence as well as a swift implementation of individual projects will be ensured. The bankability and risk of the projects will be assessed by the eligible counterparts and verified by independent experts to ensure the credibility vis-à-vis the private sector, before the investment proposals are approved by the Commission.

The EFSD Guarantee: the Union should make available a guarantee of **EUR 1.5 billion** to establish the EFSD Guarantee. This fund aims to constitute guarantee capacity for credit enhancement that will ultimately benefit the final investments and allow risk sharing with other investors, notably private actors. It will leverage additional financing, in particular from the private sector, by addressing the key factors that enable crowding-in private investment.

BUDGETARY IMPLICATIONS: the Union will make available a total of **EUR 750 million for the EFSD Guarantee until 2020** stemming both from the Union's general budget and the 11th European Development Fund (EDF). Further financing could be foreseen.

The Commission intends to propose the mobilisation of the contingency margin to provide EUR 250 000 000. Other contributions from the Union budget would be made by the use of redeployments or refocusing of programmed funds. Further financing could also include other contributions by other contributors, such as Member States.