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

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The Committee on Foreign Affairs and the Committee on Development Committee on Budgets adopted a joint report by Eduard KUKAN (EPP, SK), Doru-Claudian FRUNZULIC (S&D, RO) and Eider GARDIAZABAL RUBIAL (S&D, ES) on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund.

As a reminder, the EFSD is the first pillar of the External Investment Plan (EIP), under which the Commission also plans to enhance technical assistance in partner countries (pillar 2) and to work towards improving the investment climate and overall policy environment in those countries (pillar 3).

The committee recommended that the European Parliament’s position adopted at first reading, following the ordinary legislative procedure, should amend the Commission proposal as follows:

Purpose: the EFSD shall contribute to the **achievement of the Sustainable Development Goals** of the 2030 Agenda and be guided by the objectives of Union external action set out in Article 21 of the Treaty on European Union (TEU) and of Union development cooperation policy set out in Article 208 TFEU and the internationally agreed development effectiveness principles, thus contributing to the Union's development and neighbourhood policies, with a particular focus on the eradication of poverty, long-term sustainable and inclusive growth, decent job creation, socio-economic sectors and on the support to micro, small and medium sized enterprises.

It shall also:

- foster sustainable reintegration of migrants returning to their countries of origin;
- strengthen resilience of transit and host communities;
- contribute to the **implementation of the Paris Agreement** by targeting investments to sectors that advance climate change mitigation and adaptation: at least 35 % of the financing to investments with components that contribute to climate action, renewable energy and resource efficiency.

The EFSD shall be composed of **regional investment platforms**. These platforms shall be created by transforming the existing blending facilities created by Commission decisions. The platforms for **Africa and the Neighbourhood** shall be established first.

The Commission shall work in close cooperation with the EIB supported by the other eligible counterparts as regards the operational management of the EFSD Guarantee.

Strategic board of the EFSD: the Board shall ensure that investments have an **appropriate and diversified geographical and thematic coverage**, while giving special attention to the Least Developed Countries and fragile States. They shall also support overall **coordination, complementarity and coherence** between the regional investment platforms, between the three pillars of the EIP, between the EIP and the Union's other efforts on migration and financing instruments and trust funds.

The European Parliament shall have **observer status**. In its strategic guidance, the strategic board shall take into account relevant European Parliament resolutions and Council decisions and conclusions.

Regional operational boards: Members proposed that each regional investment platform shall have an operational board which shall support the Commission in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows and shall formulate opinions on blending operations and on the use of the EFSD Guarantee.

Eligibility criteria for the use of the EFSD Guarantee: the EFSD Guarantee shall support financing and investment operations which **address market failures** or sub-optimal investment situations and which:

- respect the principle of **additionality** of EFSD financing and investment operations, involving a higher risk;
- ensure **complementarity** with other initiatives, making sure that EFSD operations are clearly distinct, in particular from the external lending mandate operations managed by the EIB;
- are **economically and financially viable**, with due regard to the possible support from, and co-financing by, private and public partners to the project, while taking into account the specific operating environment and capacities of countries identified as experiencing fragility or conflict;
- respect the **principles of development effectiveness** and implement agreed guidelines, principles and conventions including the UN Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights.

At least **EUR 100 000 000** of EFSD Guarantee coverage shall be allocated for investments in the partner countries from the Eastern and Southern Neighbourhood.

Investment windows: the Commission is empowered to adopt, after consultation with the strategic board, delegated acts supplementing this Regulation by establishing a **list of investment windows**. The choice of investment windows shall be duly justified by an analysis of the market failure or sub-optimal investment situations.

The Commission shall establish and publish a **scoreboard of indicators** to be used to ensure an independent and transparent assessment of the potential and actual operations backed by the EFSD Guarantee.

Transparency and grievance mechanism: Members called on the Commission to publish on its web-portal information on financing and investment operations. The Commission shall establish a Union centralised grievance mechanism for all EFSD-supported projects.