

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

2016/0281(COD) - 06/07/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 503 votes to 78, with 51 abstentions, a legislative resolution 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.

The position of the European Parliament adopted at first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Purpose of the EFSD: the EFSD, as a financial instrument, is guided by the **objectives of the EU's external action**, set out in Article 21 of the Treaty on European Union (TEU), and by the **EU's development cooperation policy** set out in Article 208 TFEU and will contribute to the achievement of the Sustainable Development Goals of the 2030 Agenda, in particular **poverty eradication**.

Its objective would be to support investment and better access to finance, **first in Africa and in the European neighbourhood** in order to foster the development of partner countries, with a focus on sustainable and inclusive growth, job creation, youth and women, socio-economic sectors and support for micro, small and medium-sized enterprises.

EFSD should also contribute to:

- addressing the specific socio-economic root causes of **migration**, including irregular migration, the sustainable reintegration of migrants returning to their countries of origin and the strengthening of transit and reception communities;
- **implementing the Paris Climate Change Agreement** (COP 21): a share of at least **28%** of the funds allocated under the EFSD should be devoted to financing or investment operations for the sectors of renewable energy and the efficient use of resources.

Structure: the EFSD would be composed of **regional investment platforms** which should be established on the basis of the working methods, procedures and structures of the Union's existing external blending facilities and which should combine their blending operations and the EFSD Guarantee. The EFSD will be managed by the Commission which would work in close collaboration with the EIB.

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. It shall also support overall **coordination, complementarity and coherence** between the regional investment platforms, between the three pillars of the EU's External Investment Plan (EIP), between the EIP and the Union's other efforts on migration and with the EU's 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: the amended text provides 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 higher risk investment operations which **address market failures** or sub-optimal investment situations and which:

- respect the principle of **additionality** by supporting operations that would not have been undertaken without the EFSD guarantee;
- 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;
- maximise, where possible, the mobilisation of **private sector capital**;
- 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.

Coverage and conditions of application of the EFSD guarantee: the text stipulates that the Union should release a guarantee of EUR 1,500,000,000 to establish the EFSD guarantee. The EFSD guarantee should not exceed this amount at any time.

Member States and other contributors would be invited to supplement this contribution to support the EFSD Guarantee Fund in the form of cash (Member States and other contributors) or guarantees (Member States) in order to increase the liquidity reserve and to increase the total volume of the EFSD guarantee.

- **At least EUR 400 000 000** of the EFSD Guarantee coverage would be allocated to investments in partner countries eligible under the 11th EDF throughout the implementation period of the EFSD Guarantee, in line with the objectives of the Cotonou Partnership Agreement.
- **At least EUR 100 000 000 of the EFSD guarantee** would be used for investments in partner countries in the Eastern and Southern Neighbourhood.

The Commission should **report annually** to the European Parliament and the Council on the financing and investment operations covered by the EFSD guarantee, with a view to ensuring full accountability to European citizens and scrutiny and control by Parliament and the Council.