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

2016/0281(COD) - 26/09/2017 - Final act

PURPOSE: to set up the European Fund for Sustainable Development (EFSD).

LEGISLATIVE ACT: Regulation (EU) 2017/1601 of the European Parliament and of the Council establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

CONTENT: this Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

Purpose: the EFSD is the **main instrument for the implementation of the European External Investment Plan** (EIP) which supports investments in African and the Union's Neighbourhood. The main objective of this plan is to contribute to the achievement of the **2030 Agenda for Sustainable Development** by boosting employment and growth while addressing the root causes of migration.

The EFSD will be based on the objectives of the Union's external action and on the EU's development cooperation policy.

Structure: the EFSD shall be composed of **regional investment platforms** established on the basis of the working methods, procedures and structures of the existing external blending facilities of the Union, which shall combine their blending operations and EFSD Guarantee operations. The strategic board of the EFSD should be created to support the Commission in setting strategic guidance and overall investment goals. It shall be composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. **The European Parliament should have observer status**.

Eligibility criteria: the financing and investment operations eligible for support through the EFSD Guarantee shall support the following objectives:

- **contributing to sustainable development in its economic, social and environmental dimensions, and the European Neighbourhood Policy**: (i) with a particular focus on the eradication of poverty, the creation of decent jobs, economic opportunities, skills and entrepreneurship; (ii) promoting in particular gender equality and the empowerment of women and young people, while pursuing and; (iii) strengthening the rule of law, good governance and human rights;
- **contributing to the implementation of the Union's migration policy**, addressing specific root causes of migration, including irregular migration, as well as fostering the resilience of transit and host communities, and contributing to the sustainable reintegration of migrants returning to their countries of origin;
- **strengthening socio-economic sectors and areas and related public and private infrastructure**, including renewable and sustainable energy, water and waste management, transport, information and communications technologies, as well as environment, sustainable use of natural resources, sustainable agriculture and blue growth, social infrastructure, health, and human capital;
- **leveraging private sector financing**, with a particular focus on micro, small and medium-sized enterprises, by addressing bottlenecks and obstacles to investment;

- **contributing to climate action and environmental protection and management**, thus producing climate co-benefits, allocating at least **28 %** of the financing to investments that contribute to climate action, renewable energy and resource efficiency.

Eligibility criteria for the use of the EFSD Guarantee: the EFSD shall encourage the private sector to invest in countries or sectors in which the latter would not otherwise do so. It shall provide **loans** (including local currency loans) as well as **guarantees** and shall support financing and 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 Guarantee 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;
- are technically viable and are **sustainable** from an **environmental and social point of view**;
- are implemented with **full respect for internationally agreed guidelines, principles and conventions**, including the Principles for Responsible Investment, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises.

EFSD Guarantee and Guarantee Fund: the Union shall release a guarantee of **EUR 1.5 billion** to establish the EFSD guarantee. The EFSD guarantee shall not exceed this amount at any time.

Member States and other contributors are 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 million** of the EFSD Guarantee coverage shall 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 million** of the EFSD guarantee shall be used for investments in partner countries in the Eastern and Southern Neighbourhood.

A contribution of **EUR 350 million** shall be provided by the general budget of the Union for the financing of the EFSD Guarantee Fund.

Evaluation and review: the Commission shall submit to the European Parliament and the Council an annual report on financing and investment operations covered by the EFSD guarantee.

By 31 December 2019 at the latest, the Commission shall present an evaluation report on the initial functioning of the EFSD, its management and its effective contribution to the purpose and objectives of this Regulation.

The Commission shall publish on its web-portal information on financing and investment operations and the essential elements of all EFSD guarantee agreements.

ENTRY INTO FORCE: 28.9.2017.