

Basic information

2016/0281(COD)

COD - Ordinary legislative procedure (ex-codecision procedure)
Regulation

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

Repealed by [2018/0243\(COD\)](#)

Subject

6.30.02 Financial and technical cooperation and assistance

Procedure completed

Key players

European Parliament

Joint committee responsible

AFET Foreign Affairs

DEVE Development

BUDG Budgets

Rapporteur

KUKAN Eduard (PPE)

FRUNZULICĂ Doru-Claudian (S&D)

GARDIAZABAL RUBIAL Eider (S&D)

Appointed

11/10/2016

11/10/2016

11/10/2016

Shadow rapporteur

PONGA Maurice (PPE)

RÜBIG Paul (PPE)

POST Soraya (S&D)

DEVA Nirj (ECR)

VISTISEN Anders (ECR)

PAET Urmas (ALDE)

JÄÄTTEENMÄKI Anneli (ALDE)

BECERRA BASTERRECHEA Beatriz (ALDE)

LÖSING Sabine (GUE/NGL)

BENITO ZILUAGA Xabier (GUE/NGL)

SÁNCHEZ CALDENTEY Lola (GUE/NGL)

HAUTALA Heidi (Verts/ALE)

CASTALDO Fabio Massimo (EFDD)

| | | | | |
|-------------------------------|---|---|--|--|
| | | | CORRAO Ignazio (EFDD) ZANNI Marco (ENF) | |
| | Committee for opinion | Rapporteur for opinion | Appointed | |
| | INTA International Trade | The committee decided not to give an opinion. | | |
| | CONT Budgetary Control | TARAND Indrek (Verts/ALE) | 15/11/2016 | |
| | ECON Economic and Monetary Affairs | The committee decided not to give an opinion. | | |
| | LIBE Civil Liberties, Justice and Home Affairs | The committee decided not to give an opinion. | | |
| Council of the European Union | Council configuration | Meetings | Date | |
| | General Affairs | 3560 | 2017-09-25 | |
| | General Affairs | 3511 | 2016-12-13 | |
| European Commission | Commission DG | Commissioner | | |
| | International Cooperation and Development | MIMICA Neven | | |

| Key events | | | |
|------------|---|--|---------|
| Date | Event | Reference | Summary |
| 14/09/2016 | Legislative proposal published | COM(2016)0586  | Summary |
| 27/10/2016 | Committee referral announced in Parliament, 1st reading | | |
| 16/02/2017 | Referral to joint committee announced in Parliament | | |
| 24/04/2017 | Vote in committee, 1st reading | | |
| 24/04/2017 | Committee decision to open interinstitutional negotiations with report adopted in committee | | |
| 25/04/2017 | Committee report tabled for plenary, 1st reading | A8-0170/2017 | Summary |
| 26/04/2017 | Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71) | | |
| 15/05/2017 | Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71) | | |
| | Approval in committee of the text agreed at 1st reading interinstitutional | GEDA/A/(2017)006345 | |

| | | | |
|------------|---|---|---------|
| 03/07/2017 | negotiations | PE607.892 | |
| 05/07/2017 | Debate in Parliament |  | |
| 06/07/2017 | Decision by Parliament, 1st reading | T8-0311/2017 | Summary |
| 06/07/2017 | Results of vote in Parliament |  | |
| 25/09/2017 | Act adopted by Council after Parliament's 1st reading | | |
| 26/09/2017 | Final act signed | | |
| 27/09/2017 | Final act published in Official Journal | | |
| 02/10/2017 | End of procedure in Parliament | | |

| Technical information | |
|----------------------------|---|
| Procedure reference | 2016/0281(COD) |
| Procedure type | COD - Ordinary legislative procedure (ex-codecision procedure) |
| Procedure subtype | Legislation |
| Legislative instrument | Regulation |
| Amendments and repeals | Repealed by 2018/0243(COD) |
| Legal basis | Rules of Procedure EP 59 Treaty on the Functioning of the European Union TFEU 209-p1 Treaty on the Functioning of the European Union TFEU 212 |
| Stage reached in procedure | Procedure completed |
| Committee dossier | CJ31/8/09264 |

| Documentation gateway | | | | |
|---|--|------------------------------|------------|-------------------------|
| European Parliament | | | | |
| Document type | Committee | Reference | Date | Summary |
| Committee draft report | | PE599.835 | 06/03/2017 | |
| Committee opinion | CONT | PE597.708 | 12/04/2017 | |
| Committee report tabled for plenary, 1st reading/single reading | | A8-0170/2017 | 25/04/2017 | Summary |
| Text agreed during interinstitutional negotiations | | PE607.892 | 28/06/2017 | |
| Text adopted by Parliament, 1st reading/single reading | | T8-0311/2017 | 06/07/2017 | Summary |
| Council of the EU | | | | |
| Document type | Reference | Date | Summary | |
| Coreper letter confirming interinstitutional agreement | GEDA/A/(2017)006345 | 28/06/2017 | | |
| Draft final act | 00043/2017/LEX | 26/09/2017 | | |
| European Commission | | | | |

| Document type | Reference | Date | Summary |
|--|--|------------|-------------------------|
| Legislative proposal | COM(2016)0586  | 14/09/2016 | Summary |
| Commission document (COM) | COM(2016)0603  | 14/09/2016 | |
| Commission working document (SWD) | SWD(2016)0299  | 14/09/2016 | |
| Commission response to text adopted in plenary | SP(2017)538 | 06/09/2017 | |
| Follow-up document | COM(2020)0224  | 02/06/2020 | |
| Follow-up document | COM(2020)0346  | 31/07/2020 | |
| Follow-up document | COM(2021)0415  | 26/07/2021 | |

National parliaments

| Document type | Parliament /Chamber | Reference | Date | Summary |
|---------------|----------------------------|---------------|------------|---------|
| Contribution | FR_SENATE | COM(2016)0586 | 05/12/2016 | |
| Contribution | IT_SENATE | COM(2016)0586 | 17/01/2017 | |
| Contribution | IT_CHAMBER | COM(2020)0224 | 07/08/2020 | |

Additional information

| Source | Document | Date |
|---------------------|----------|------|
| European Commission | EUR-Lex | |

Final act

| | |
|--|-------------------------|
| Regulation 2017/1601 OJ L 249 27.09.2017, p. 0001 | Summary |
|--|-------------------------|

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.

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

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.

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

2016/0281(COD) - 25/04/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Foreign Affairs and the Committee on Development Committee on Budgets adopted a joint report by Eduard KUKAN (EPP, SK), Doru-Claudian FRUNZULICĂ (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.

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.