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#### **PROPOSAL**

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	14 September 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject:	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
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Delegations will find attached document COM(2016) 586 final.

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Encl.: COM(2016) 586 final



Brussels, 14.9.2016  
COM(2016) 586 final

2016/0281 (COD)

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**

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

- **Reasons for and objectives of the proposal**

On 7 June 2016, the Commission adopted a Communication on *establishing a new Partnership Framework with third countries under the European Agenda for Migration*.<sup>1</sup> Alongside a variety of measures proposed to address the most urgent needs of refugees as well as supporting host communities, the Commission calls 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.

This is also in line with the EU Global Strategy for Foreign and Security Policy with embeds challenges such as migration in the overall EU foreign policy, ensuring coherence and synergies with European Development and Neighbourhood policies and European economic diplomacy.

The European Council of 28 June 2016 invited the Commission to present a proposal for an ambitious External Investment Plan (EIP) by September 2016. 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 3 of the EIP is the link between the European Fund for Sustainable Development (EFSD) and the broad partnership between the EU and its partner countries. This partnership materialises in political and in policy dialogue that the Commission undertakes through EU delegations and political contacts.

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<sup>2</sup>.

The EFSD will be composed of regional investment platforms, which will combine financing from existing blending facilities<sup>3</sup> and the EFSD Guarantee. It will operate as a "one-stop shop" to receive financing proposals from financial institutions and public or private investors and deliver a wide range of financial support to eligible investments.

The key objective of the EFSD is to provide an integrated financial package to finance investments starting in regions of Africa for countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific (ACP) Group of States of the one part, and the European Community and its Member States, of the other part,

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<sup>1</sup> COM(2016) 385

<sup>2</sup> As defined for Africa by the Cotonou Agreement (OJ L 287, 04.11.2010), and for the EU Neighbourhood by Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

<sup>3</sup> For Africa, see Commission Decision (2015)5210 and for the Neighbourhood Commission Implementing Decision (2016)3436.

signed in Cotonou on 23 June 2000 ('Cotonou Agreement')<sup>4</sup> and the Neighbourhood, thereby creating growth and employment opportunities, maximising additionality, delivering innovative products and crowding-in private sector funds. The EFSD is expected to mobilise up to EUR 44 000 000 000 investments with funds from the general budget of the Union and other sources of EUR 3 350 000 000 until 2020.

- **Consistency with existing policy provisions in the policy area**

Within the framework of the principles and objectives of the Union's external action, of the revised European Neighbourhood Policy<sup>5</sup>, the European Consensus on Development<sup>6</sup> and of the Agenda for Change<sup>7</sup> and subsequent modifications and additions thereto, a primary objective of cooperation under this Regulation should be the reduction and, in the long term, the eradication of poverty in line with Article 208 of the Treaty on the Functioning of the European Union (TFEU), thus addressing root causes of migration. In addition, cooperation under this Regulation should also contribute to: fostering sustainable and inclusive economic, social and environmental development, consolidating and supporting democracy, the rule of law, good governance, human rights, gender equality and the relevant principles of international law; implementing a rights-based approach (RBA) encompassing all human rights in line with its guiding principles (transparency, participation, non-discrimination, accountability) and implementing the Gender Action Plan<sup>8</sup>.

The EFSD aims at supporting investments starting in regions of Africa for countries that are signatories to the Cotonou Agreement- and the Neighbourhood as a means to achieve the Sustainable Development Goals, thus tackling root causes of migration and offering sustainable reintegration to returned migrants in their countries of origin. It is therefore consistent with the Union's instruments for financing external actions and with existing investment facilities.

Through its emphasis on private sector involvement the EFSD will also promote the objectives described in the Communication 'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries'.<sup>9</sup>

- **Consistency with other Union policies**

The EIP is part of the EU new Partnership Framework with third countries under the European Agenda for Migration.

The Plan is aligned with the reviewed European Neighbourhood Policy (ENP)<sup>10</sup> which focuses on supporting economic development in partner countries, to progressively achieve stabilisation and transition from emergency to structural response. It is also aligned with the Addis Ababa Action Agenda on Financing for Development.

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<sup>4</sup> OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010.

<sup>5</sup> JOIN(2015) 50 final

<sup>6</sup> OJ(2006/C 46/01)

<sup>7</sup> COM(2011) 637 final

<sup>8</sup> SWD(2015) 182 final

<sup>9</sup> COM(2014) 263 final

<sup>10</sup> JOIN(2015) 50 final

The EFSD is coherent with the EU policies in the area of climate change as it will contribute to the implementation of the Paris Agreement on Climate Change (COP 21)<sup>11</sup> including its international climate finance commitments. As explained in the Commission Communication *The Road from Paris: assessing the implications of the Paris Agreement*<sup>12</sup>, the Paris Agreement is an opportunity for economic transformation, jobs and growth. It is a central element in achieving broader sustainable development goals, as well as the EU priorities of investment, competitiveness, circular economy, research, innovation and energy transition.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

Since the EFSD aims at enhancing investments both in developing and other third countries, the legal basis for the cooperation activities is thus Article 209(1) (for developing countries) and 212(2) (for other third countries) of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence) and proportionality**

In accordance with the principles of subsidiarity and proportionality set out in Article 5 TFEU, the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore be better achieved by the EU. Action at Union level can better achieve the objectives pursued, by reason of its scale and effects. More specifically, the intervention at EU level will catalyse private investment from the whole EU and third countries, making best use of the European Institutions and their expertise and knowledge for that purpose. The set-up of the Strategic Board will ensure consistency and coherence between multiple programmes and initiatives at European level. The multiplying effect and the impact on the ground will thus be much higher than what could be achieved by an investment programme from a single Member State or a group of Member States.

- **Choice of the instrument**

It is suggested to set up the EFSD and establishing the EFSD Guarantee Fund through the adoption of a Regulation of the European Parliament and the Council in ordinary legislative procedure. The establishment of a guarantee bearing a contingent liability for the Union has to be done by the legislator. The Commission is proposing in parallel a revision of Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council.

## **3. STAKEHOLDER CONSULTATIONS AND COLLECTION OF EXPERTISE**

- **Stakeholder consultations**

Informal exploratory consultations have taken place with the European Investment Bank (EIB), Member States' Financial Institutions, the European Bank for Reconstruction and Development (EBRD) and the World Bank Group. The EU Platform for Blending in External Cooperation (EUBEC) was also consulted as well as the private sector and civil society organisations.

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<sup>11</sup> COM(2015) 81 final/2

<sup>12</sup> COM(2016) 110

- **Collection and use of expertise**

The Commission has established extensive experience with similar instruments, such as the European Fund for Strategic Investment (EFSI)<sup>13</sup> for EU internal policies and several financial instruments and structured grants supported by the EU blending facilities for EU external policies<sup>14</sup>. The objective has been to mobilise additional investment, in particular from private investors, through the provision of partial guarantees or risk cushions on a first-loss or *pari passu* basis to financial institutions, typically the public financial institutions currently present in EU Blending in external action, which themselves provide support (through loans, guarantees, equity or similar products).

- **Fundamental rights**

Projects benefitting from guarantees under the EFSD will be examined for their impact on fundamental rights. Within the framework of the principles and objectives of the Union's external action, of the revised European Neighbourhood Policy<sup>15</sup>, of the European Consensus on Development<sup>16</sup> and of the Agenda for Change<sup>17</sup> and subsequent modifications and additions thereto: (a) the primary objective of cooperation under this Regulation shall be the reduction and, in the long term, the eradication of poverty, addressing root causes of migration; (b) cooperation under this Regulation will also contribute to: (i) fostering sustainable and inclusive economic, social and environmental development, (ii) consolidating and supporting democracy, the rule of law, good governance, human rights, gender equality and the relevant principles of international law, (iii) implementing a rights-based approach (RBA) encompassing all human rights in line with its guiding principles (transparency, participation, non-discrimination, accountability), iv) implementing the Gender Action Plan<sup>18</sup>. The achievement of those objectives shall be measured using relevant indicators, including human development indicators, in particular sustainable development goals and other indicators agreed at international level by the Union and its Member States (e.g. UN Guiding Principles on Business and Human Rights).

#### **4. BUDGETARY IMPLICATIONS**

The Union will make available a total of EUR 750 000 000 for the EFSD Guarantee until 2020 stemming both from the Union's general budget and the 11<sup>th</sup> European Development Fund (EDF)<sup>19</sup>. 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.

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<sup>13</sup> Regulation (EU) 2015/1017 of the European Parliament and Council of 25 June 2015 on the European Fund for Strategic Investment Advisory Hub and the European Investment project Portal and amending regulations (EU) No 1291/2013 and (EU) No 1316/2013- the European Fund for Strategic Investments, OJ L 169/1, 1.7.2015

<sup>14</sup> For Africa, see Commission Decision (2015)5210 and for the Neighbourhood. Commission Decision (2016)3436 for the Neighbourhood

<sup>15</sup> JOIN(2015) 50 final

<sup>16</sup> (2006/C 46/01)

<sup>17</sup> COM(2011) 637 final

<sup>18</sup> SWD(2015) 182 final

<sup>19</sup> OJ L 210/1, 6.8.2013

## 5. OTHER ELEMENTS

### • **Implementation plans and monitoring, evaluation and reporting arrangements**

The EFSD will be managed by the Commission and implemented through regional investment platforms, which will combine financing from existing blending facilities for Africa and for the Neighbourhood and the granting of the EFSD Guarantee.

### • **Detailed explanation of the specific provisions of the proposal**

The EFSD shall consist of the regional investment platforms, which will combine financing from existing blending facilities for Africa and for the Neighbourhood and the granting of the EFSD Guarantee.

Regional investment platforms will be focused to pursue the achievement of the sustainable development goals and better address root causes of migration.

For the purposes of the EFSD initiative the Africa Investment Facility<sup>20</sup> and the Neighbourhood Investment Facility<sup>21</sup> will have their objectives refocused and will be renamed to become the new respective regional investment platforms relying on the existing structures. This will be done by Commission Decision.

The regional investment platforms will have identical structures as the existing blending facilities.

The Commission will be advised by a Strategic Board and two Operational Boards, one for each Regional Investment Platform. The Commission will manage the EFSD Secretariat, which will ensure the performance of all tasks and functions needed to fulfil the objectives of the EIP. The Strategic Board, co-chaired by representatives of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy and composed of the Member States and the EIB, will give strategic guidance and help the Commission set overall investment goals as regards the use of the EFSD Guarantee, ensuring coordination and coherence between the Regional Investment Platforms and with the External Lending Mandate, the Resilience Initiative and the ACP Investment Facility managed by the EIB. The EIB will actively contribute through advisory functions to the Commission as regards the operational management of the guarantee.

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 detailed practical modalities of how to implement the guarantee will be decided for each investment window.

The creation of additional investment platforms can be considered in the future.

The EFSD Guarantee is one of the components of the EFSD. The EFSD Guarantee aims to constitute guarantee capacity for credit enhancement that will ultimately benefit the final

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<sup>20</sup> COM(2015) 5210

<sup>21</sup> COM(2016) 3436

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.

The EFSD Guarantee Fund will provide the liquidity in case the EFSD guarantee is called upon to cover for losses occurred under the guarantee agreements. The EFSD Guarantee Fund will be endowed by the EU budget and the EDF as well as possibly other contributors and used to absorb potential losses incurred by eligible counterparts such as international financial institutions, development banks and private sector investors.



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 EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Union's ambitious External Investment Plan (EIP) is needed to support investments starting in Africa and the Union's Neighbourhood as a means to promote the sustainable development goals of the United Nations 2030 Agenda for Sustainable Development ('the 2030 Agenda') as well as the commitments under the recently revised European Neighbourhood Policy thus addressing root causes of migration. It should also contribute to the implementation of the Paris Agreement on Climate Change (COP 21).
- (2) The EIP should incorporate the Union commitment under the Addis Ababa Action Agenda on Financing for Development. It should also allow European investors and private companies, including small and medium-sized enterprises, to participate more effectively to sustainable development in partner countries.
- (3) This is in line with the Union Global Strategy for Foreign and Security Policy which embeds challenges such as migration and resilience in the overall EU foreign policy, ensuring coherence and synergies with European development and Neighbourhood policies.
- (4) The EIP should provide an integrated financial package to finance investments starting in regions of Africa for countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000<sup>22</sup> and the Neighbourhood countries, thereby creating growth

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<sup>22</sup> OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010

and employment opportunities, maximising additionality, delivering innovative products, and crowding-in private sector funds.

- (5) The European Fund for Sustainable Development (EFSD) should be composed of regional investment platforms, which will combine financing from existing blending facilities and the EFSD Guarantee. The existing blending facilities for Africa are created by Commission Decision C(2015)5210 and by Commission Implementing Decision C(2016)3436 for the Neighbourhood. Each regional investment platform should have an operational board that supports the Commission in defining regional and sectorial investment goals, regional, sectorial and thematic investment windows, formulates opinions on the blending operations and discusses the use of the EFSD Guarantee in line with the investment windows to be defined.
- (6) Furthermore, the EFSD should operate as 'one-stop-shop' to receive financing proposals from financial institutions and public or private investors and deliver a wide range of financial support to eligible investments. The EFSD Guarantee should be backed by the EFSD Guarantee Fund. The EFSD should deploy innovative instruments to support investments and involve the private sector.
- (7) Coordination and coherence of the EFSD with the European Investment Bank's (EIB) external lending mandate as set out in Decision [to be adopted], including the EIB resilience initiative, as well as with the ACP Investment Facility<sup>23</sup> should be ensured through the Strategic Board of the EFSD.
- (8) Moreover, the Strategic Board should support the Commission in setting strategic guidance and overall investment goals. The Strategic Board should also support coordination and coherence between the regional platforms. This should ensure complementarity of the various instruments in external action. The Strategic Board should be co-chaired by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy to ensure consistency and coherence with Union external policy objectives and partnership frameworks with third countries.
- (9) The EFSD Guarantee should be granted to eligible counterparts for financing and investment operations or guarantee instruments for an initial investment period up to 31 December 2020.
- (10) In order to provide for flexibility, increase the attractiveness for the private sector and maximise the impact of the investments it is appropriate to provide for a derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012 of the European Parliament and the Council<sup>24</sup> by which the eligible counterparts who are bodies governed by private law could also be bodies which are not entrusted with the implementation of a public-private partnership and could also be bodies governed by the private law of a partner country.
- (11) The Commission should conclude guarantee agreements with the eligible counterparts setting out the specific provisions under which the EFSD Guarantee is granted to

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<sup>23</sup> Annex II to the Cotonou Agreement

<sup>24</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

them. These guarantee agreements should provide the legal basis for adequate risk sharing, thus providing incentives for the eligible counterparts to provide financing, as well as the mechanisms and procedures for potential calls on the EFSD Guarantee.

- (12) The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States and other contributors are invited to contribute further 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 cushion and thus allow the increase of the total volume of EFSD Guarantee. The Union should make available a guarantee of EUR 1 500 000 000 to establish the EFSD Guarantee. Member States, public financial institutions and other contributors should be invited to provide additional funding to the EFSD Guarantee Fund under conditions that should be established in an agreement to be concluded between the Commission on behalf of the Union and all the contributors.
- (13) The EFSD Guarantee Fund should be established as a liquidity cushion in the event of a call on the EFSD Guarantee. To reach a level that adequately reflects EU financial liabilities in relation to the EFSD Guarantee, the Union should make available EUR 750 000 000.
- (14) In order to increase the impact of the EFSD Guarantee in view of the needs in the regions concerned, Member States should have the possibility of providing contributions in the form of a guarantee or cash. Those contributions could be earmarked by region, sector or investment window.
- (15) As the funds of the EDF are to be used for the countries eligible under the 11<sup>th</sup> European Development Fund (EDF)<sup>25</sup>, it requires the allocation of a minimum of EUR 400 000 000 of EFSD Guarantee coverage for investments throughout the implementation period of the EFSD Guarantee. The EFSD Guarantee should only become available when EUR 400 000 000 of 11<sup>th</sup> EDF funds have been allocated to the EFSD Guarantee Fund.
- (16) 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 accountability to the European citizens. The report should be made public in order to allow relevant stakeholders, including civil society, to express their views. The Commission should also report annually to the European Parliament and the Council on the management of the EFSD Guarantee Fund so that accountability and transparency are ensured.
- (17) In order to take into account lessons learned and allow for further evolvement of the EFSD, the functioning of the EFSD and the use of the EFSD Guarantee Fund should be evaluated by the Commission. The application of this Regulation should be evaluated independently in order to assess the level of conformity of the

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<sup>25</sup> Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p. 1).

implementation with the legal basis, but also to establish the applicability and practicability of the Regulation in the achievement of its objectives.

- (18) In order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation, the European Anti-Fraud Office (OLAF) is entitled to carry out investigations in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>26</sup>, Council Regulation (Euratom, EC) No 2185/96<sup>27</sup> and Council Regulation (EC, Euratom) No 2988/95.<sup>28</sup>
- (19) In order to contribute to the international fight against tax fraud, tax evasion and money-laundering, the eligible counterparts should not support any activities carried out for illegal purposes and should not participate in any financing or investment operation through a vehicle located in a non-cooperative jurisdiction.
- (20) In order to fulfil the political commitments of the EU on renewable energy and climate change a minimum share of 20% for the funding allocated under the EFSD should be devoted to financing and investment operations relevant for these sectors.

HAVE ADOPTED THIS REGULATION:

## CHAPTER I

### INTRODUCTORY PROVISIONS

#### *Article 1* *Subject matter*

1. This Regulation establishes the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.
2. For the purposes of paragraph 1, this Regulation provides for the Commission on behalf of the Union to conclude guarantee agreements with the eligible counterparts as defined in Article 10.

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<sup>26</sup> Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

<sup>27</sup> Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

<sup>28</sup> Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

## **Article 2**

### **Definitions**

For the purposes of this Regulation, the following definitions apply:

- (1) 'regional investment platforms' means blending facilities in line with Article 4 (1) e) of Regulation (EU) No 236/2014 of the European Parliament and the Council<sup>29</sup> and with Article 40 of Council Regulation (EU) 2015/323<sup>30</sup> for the contribution from the 11<sup>th</sup> European Development Fund (EDF) combined with the granting of the EFSD Guarantee as set out in Article 6.
- (2) 'investment window' means a targeted area for support by the EFSD Guarantee to portfolios of investments in specific regions, countries or sectors and implemented via the regional investment platforms;
- (3) 'contributor' means a Member State, an international financial institution or a public institution of a Member State, a public agency or other entities contributing in cash grants or in guarantees to the EFSD Guarantee Fund;
- (4) 'partner countries' means countries that are signatories to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member States, of the other part, signed in Cotonou on 23 June 2000<sup>31</sup>, countries that are listed in Annex I to Regulation (EU) No 232/2014 of the European Parliament and of the Council<sup>32</sup> as well as countries that are eligible for geographic cooperation under Regulation (EU) No 233/2014 of the European Parliament and of the Council<sup>33</sup>.
- (5) 'additionality' means the principle ensuring that the EFSD Guarantee support may not be aimed at replacing the support of a Member State, private funding or another Union financial intervention, as well as that it is aimed at addressing market failures and avoiding crowding out other public or private investments.

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<sup>29</sup> Regulation (EU) No 236/2014 of the European Parliament and the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (OJ L 77, 15.03.2014, p. 95).

<sup>30</sup> Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11<sup>th</sup> European Development Fund (OJ L 58, 03.03.2015, p.17).

<sup>31</sup> OJ L 317, 15.12.2000 as last amended by OJ L 287, 4.11.2010

<sup>32</sup> Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

<sup>33</sup> Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44).

## CHAPTER II

### EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT

#### ***Article 3*** ***Purpose***

1. 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.
2. 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, thus addressing root causes of migration and contributing to sustainable reintegration of returned migrants in their countries of origin while maximising additionality, delivering innovative products and crowding in private sector funds.

#### ***Article 4*** ***Structure of the EFSD***

1. The EFSD shall be composed of regional investment platforms, which will combine financing from existing blending facilities and the EFSD Guarantee.
2. The management of the EFSD shall be ensured by the Commission.

#### ***Article 5*** ***Strategic board of the EFSD***

1. In the management 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.

2. 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. The strategic board shall be co-chaired by the Commission and the High Representative.

## CHAPTER III

### EFSD GUARANTEE AND EFSD GUARANTEE FUND

#### ***Article 6*** ***The EFSD Guarantee***

1. The Union shall provide an irrevocable and unconditional guarantee on first demand to the eligible counterpart for the financing and investment operations covered by this Regulation starting in the African and Neighbourhood partner countries.
2. The EFSD Guarantee shall be granted as a guarantee on first demand in respect of the instruments referred to in Article 9 and in compliance with the eligibility criteria referred to in Article 8.

#### ***Article 7*** ***Requirements for the use of the EFSD Guarantee***

1. The granting of the EFSD Guarantee shall be subject to the conclusion of the respective EFSD guarantee agreement between the Commission on behalf of the Union and the eligible counterpart.
2. The initial investment period during which the EFSD guarantee agreements for supporting financing and investment operations can be concluded with the eligible counterparts shall last until 31 December 2020.
3. The maximum period allowed for eligible counterparts to conclude agreements with financial intermediaries or final beneficiaries shall be four years after the conclusion of the relevant guarantee agreement.

#### ***Article 8*** ***Eligibility criteria for the use of the EFSD Guarantee***

1. The financing and investment operations eligible for support through the EFSD Guarantee shall be consistent and aligned with Union policies, in particular development and neighbourhood policies of the Union, the partner countries' strategies and policies and aim at supporting the following general objectives:
  - (a) contribute to economic and social development, with particular focus on sustainability and job creation (in particular for youth and women), thus addressing root causes of migration and contributing to sustainable reintegration of returned migrants in their countries of origin;
  - (b) target socio-economic sectors, in particular infrastructure including sustainable energy, water, transport, information and communications technologies, environment, sustainable use of natural resources and blue growth, social infrastructure, human capital, in order to improve the socio-economic environment;
  - (c) provide finance in favour of micro-, small- and medium-sized enterprises with a particular focus on private sector development;

(d) provide financial instruments aimed at addressing the bottlenecks to private investments, including first loss guarantees to portfolios guarantees to private sector projects such as loan guarantees for small and medium-sized enterprises and guarantees for specific risks for infrastructure projects and other risk capital;

(e) maximise private sector leverage by addressing bottlenecks to investment.

2. The EFSD Guarantee shall support financing and investment operations which in particular:

(a) provide additionality;

(b) ensure alignment of interest by providing adequate risk sharing by the respective eligible counterpart and other prospective partners;

(c) are economically and financially viable, taking also into account the possible support from, and co-financing by, private and public partners to the project;

(d) are technically viable and are sustainable from an environmental and social point of view; and

(e) maximise the mobilisation of private sector capital.

3. On a case by case basis the Commission may allow combined financing from different Union instruments.

4. The Commission may define investment windows for specific regions or partner countries or for both, for specific sectors, for specific projects or for specific categories of final beneficiaries or for both to be funded by instruments referred to in Article 9 to be covered by the EFSD Guarantee up to a fixed amount. All requests for financial support within investment windows shall be made to the Commission.

### ***Article 9***

#### ***Eligible instruments for the EFSD Guarantee***

1. The EFSD Guarantee shall be used to cover the risks for the following instruments:

(a) loans;

(b) guarantees;

(c) counter-guarantees;

(d) capital market instruments;

(e) any other form of funding or credit enhancement, equity or quasi-equity participations.

2. The instruments listed in paragraph 1 may be provided by eligible counterparts or contributors including private investors under an investment window or individual project administered by an eligible counterpart for the benefit of partner countries including fragile and conflict-affected countries and these partner countries' institutions including their public national and private local banks and financial institutions as well as private sector entities of the partner countries.



**Article 10**  
**Eligibility and selection of counterparts**

1. The eligible counterparts for the purposes of the EFSD Guarantee shall be:

- (a) the European Investment Bank and the European Investment Fund;
- (b) public law bodies;
- (c) international organisations and their agencies;
- (d) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- (e) bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012
- (f) bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012.

2. Eligible counterparts shall comply with the rules and conditions provided for in Article 60 of Regulation (EU, Euratom) No 966/2012.

3. The Commission shall select the eligible counterparts pursuant to Article 61 of Regulation (EU, Euratom) No 966/2012.

**Article 11**  
**Coverage and terms of the EFSD guarantee agreements**

1. The EFSD Guarantee shall not, at any time, exceed EUR 1 500 000 000 without prejudice to paragraph 2.

2. Member States may contribute to the EFSD Guarantee Fund in the form of guarantees or cash. Subject to Commission approval, other contributors may contribute, in the form of cash.

The amount of the Guarantee exceeding the amount indicated in paragraph 1 shall be granted on behalf of the Union.

Aggregate net payments from the general budget of the Union under the EFSD Guarantee shall not exceed EUR 1 500 000 000. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or other contributors on *pari passu* basis with the Union, without prejudice to paragraph 4.

A contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor, which shall contain, in particular, provisions concerning the payment conditions.

3. The EFSD Guarantee shall only become available when a contribution in cash of EUR 400 000 000 from the 11<sup>th</sup> European Development Fund (EDF)<sup>34</sup> to the general budget of the Union has been confirmed.

The Member States may contribute to the EFSD Guarantee in the form of guarantees or cash.

The Commission shall inform the European Parliament and the Council about the contributions confirmed.

4. The contributions made by the Member States in the form of a guarantee may only be called for payments of guarantee calls after the funding from the general budget of the Union increased by any other cash contributions has been used on payments of guarantee calls.

At the request of the Member States, the contributions made by them may be earmarked for the initiation of projects in specific regions, countries, sectors or investment windows.

Any contribution may be used to cover guarantee calls regardless of earmarking.

5. At least EUR 400 000 000 of EFSD Guarantee coverage shall be allocated for investments in the partner countries eligible under the 11<sup>th</sup> EDF throughout the implementation period of the EFSD Guarantee.

## ***Article 12***

### ***Implementation of the EFSD guarantee agreements***

1. The Commission on behalf of the Union shall conclude EFSD guarantee agreements with the eligible counterparts selected pursuant to Article 10 and paragraph 4, on the granting of the EFSD Guarantee, which shall be unconditional, irrevocable, at first demand, in favour of the selected eligible counterpart.

2. One or more guarantee agreements shall be concluded for each investment window between the Commission and the eligible counterpart or eligible counterparts selected. In order to address specific needs, the EFSD Guarantee may be granted for individual financing or investment operations. Agreements can be concluded with a consortium of two or more eligible counterparts.

3. The guarantee agreements shall contain, in particular, provisions concerning the following:

- (a) detailed rules on the provision of the EFSD Guarantee, including its arrangements on the coverage and its defined coverage of portfolios and of projects of specific types of instruments;
- (b) the remuneration of the guarantee;

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<sup>34</sup> Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1.

- (c) requirements for the use of the EFSD Guarantee, including payment conditions, such as specific time frames, interest to be paid on due amounts, expenses and recovery costs and possibly necessary liquidity arrangements;
- (d) provisions and procedures regarding the recovery of claims;
- (e) provisions regarding the monitoring, reporting and evaluation obligations pursuant to Articles 15 and 16.

4. The Commission shall decide whether to conclude guarantee agreements with eligible counterparts taking due account of:

- (a) the objectives of the investment window;
- (b) the experience and the operational and financial capacity of the counterpart;
- (c) the amount of own resources that the counterpart is ready to mobilise for the investment window.

5. The approval of financing and investment operations shall be made by the eligible counterpart following its own rules and procedures and in compliance with the terms of the guarantee agreement.

6. The EFSD Guarantee may cover:

- (a) for debt instruments the principal and all interests and amounts due to the selected eligible counterpart, but not received by it in accordance with the terms of the financing operations after an event of default has occurred;
- (b) for equity investments the amounts invested and their associated financing costs;
- (c) for other financing and investment operations referred to in Article 8(2) the amounts used and their associated funding costs;
- (d) all relevant expenses and recovery costs related to an event of default, unless deducted from recovery proceeds.

7. The guarantee agreements shall lay down detailed rules on the cover, requirements, eligibility, eligible counterparts, and procedures.

### *Article 13* *The EFSD Guarantee Fund*

1. The EFSD Guarantee Fund shall constitute a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee pursuant to the relevant EFSD guarantee agreement.

2. The EFSD Guarantee Fund shall be endowed by:

- (a) contributions from the general budget of the Union and other sources;
- (b) possible contributions from Member States and other contributors;

- (c) returns on invested resources of EFSD Guarantee Fund ;
- (d) amounts recovered from defaulting debtors in accordance with the recovery provisions laid down in the guarantee agreements;
- (e) revenues and any other payments received by the Union in accordance with the guarantee agreements.

3. Revenues of the EFSD Guarantee Fund as provided for in points (c) and (e) of paragraph 2 shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012.

4. The resources of the EFSD Guarantee Fund referred to in paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules.

5. Endowments to the EFSD Guarantee Fund shall be used to reach an appropriate level of provisioning to cover the total EFSD Guarantee obligations. The provisioning rate shall be at 50% of the total EFSD Guarantee obligations covered by the general budget of the Union.

6. Following an assessment of the adequacy of the level of the EFSD Guarantee Fund in accordance with the report provided for under Article 15(3), the following payments shall be made:

- (a) any surplus shall be paid to the general budget of the Union;
- (b) any replenishment of the EFSD Guarantee Fund shall be paid in annual tranches during a maximum period of 3 years starting from year n+1.

7. From 1 January 2021, if, as a result of calls on the EFSD Guarantee, the level of resources in the Guarantee Fund falls below 50% of the provisioning rate referred to in paragraph 5, the Commission shall submit a report on exceptional measures that may be required to replenish the EFSD Guarantee Fund.

8. After a call on the EFSD Guarantee, endowments to the EFSD Guarantee Fund provided for in points (c), (d) and (e) of paragraph 2 exceeding the resources necessary to reach the provisioning rate at the level referred to in paragraph 5 shall be used within the limits of the initial investment period provided for in Article 7(2) to restore the EFSD Guarantee up to its initial amount.

#### ***Article 14***

#### ***Funding of the EFSD Guarantee Fund from the general budget of the Union***

A contribution of EUR 350 000 000 shall be provided by the general budget of the Union.

## CHAPTER IV

### REPORTING, ACCOUNTING AND EVALUATION

#### *Article 15* *Reporting and accounting*

1. The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements:

- (a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation;
- (b) an assessment of the added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on employment creation;
- (c) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted;
- (d) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee;
- (e) the financial amount transferred to beneficiaries and an assessment of financing and investment operations by each counterpart on an aggregated basis;
- (f) an assessment of the added value of financing and investment operations of the eligible counterparts, and of the aggregate risk associated with those operations;
- (g) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received;
- (h) the financial reports on financing and investment operations of the eligible counterparts covered by this Regulation audited by an independent external auditor.

2. For the purposes of the Commission's accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the eligible counterparts with whom a guarantee agreement has been concluded shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on:

- (a) the risk assessment of financing and investment operations of the eligible counterparts including information on the Union liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector;

- (b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the eligible counterparts and their financing and investment operations, broken down by individual operations.

The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission's obligations in relation to this Regulation.

3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the Guarantee Fund and of the need for its replenishment.

The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year.

#### ***Article 16***

##### ***Evaluation and review***

1. By 31 December 2020, the Commission shall evaluate the functioning of the EFSD. The Commission shall submit its evaluation report to the European Parliament and the Council, containing an independent evaluation of the application of this Regulation. This report shall be submitted without delay by the Commission in the event that the approved financing and investment operations absorb in full the amount of the EFSD Guarantee available before 30 June 2020.

2. By 31 December 2020 and every three years thereafter, the Commission shall evaluate the use of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors.

## **CHAPTER V**

### **GENERAL PROVISIONS**

#### ***Article 17***

##### ***Transparency and public disclosure of information***

In accordance with its transparency policies and general Union principles on access to documents and information, the eligible counterparts shall make publicly available on their websites information relating to all financing and investment operations covered by the EFSD Guarantee under this Regulation, relating in particular to the manner in which those operations contribute to the requirements of this Regulation.

**Article 18**  
***Auditing by the Court of Auditors***

1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 of the Treaty on the Functioning of the European Union (TFEU).
2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted access to any document or information necessary to carry out its task.

**Article 19**  
***Anti-fraud measures***

1. The Commission or the eligible counterparts shall notify the European Anti-Fraud Office (OLAF) promptly and provide it with the necessary information when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, they have grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union.
2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council, Council Regulation (Euratom, EC) No 2185/96 and Council Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned.

Where such illegal activities are proven, the eligible counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities.

**Article 20**  
***Excluded activities and non-cooperative jurisdictions***

1. In their financing and investment operations, the eligible counterparts shall not support any activities carried out for illegal purposes, including money laundering, terrorist financing, organised crime, tax fraud and tax evasion, corruption, and fraud affecting the financial interests of the Union. The eligible counterparts shall not participate in any financing or investment operation through a vehicle located in a non-cooperative jurisdiction, in accordance with its policy towards weakly regulated or non-cooperative jurisdictions based on policies of the Union, the Organisation for Economic Co-operation and Development or the Financial Action Task Force.
2. In its financing and investment operations, the eligible counterpart shall apply the principles and standards set out in Union law on the prevention of the use of the financial

system for the purpose of money laundering and terrorist financing and in particular Regulation (EU) 2015/847 of the European Parliament and of the Council<sup>35</sup> and Directive (EU) 2015/849 of the European Parliament and of the Council<sup>36</sup>. The eligible counterparts shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849.

## CHAPTER VI

### FINAL PROVISIONS

#### *Article 21*

#### *Entry into force*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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<sup>35</sup> Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1).

<sup>36</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).



## **LEGISLATIVE FINANCIAL STATEMENT**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) planned

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. Summary of estimated impact on expenditure*
  - 3.2.2. Estimated impact on operational appropriations*
  - 3.2.3. Estimated impact on appropriations of an administrative nature*
  - 3.2.4. Compatibility with the current multiannual financial framework*
  - 3.2.5. Third-party contributions*
- 3.3. Estimated impact on revenue

## **LEGISLATIVE FINANCIAL STATEMENT**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

#### **1.1. Title of the proposal/initiative**

Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD)

#### **1.2. Policy area(s) concerned in the ABM/ABB structure<sup>37</sup>**

01 03

ABB Activity: International economic and financial affairs

#### **1.3. Nature of the proposal/initiative**

☒ The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action<sup>38</sup>**

☐ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

The EFSD will be composed of Regional Investment Platforms combining the existing blending facilities in external action and the new EFSG Guarantee.

#### **1.4. Objective(s)**

##### *1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

To support investments in regions outside the EU as a means to address root causes of migration.

##### *1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned*

###### Specific objective

Provide an integrated package of measures to finance investments in regions outside the EU, thereby creating growth and employment opportunities, maximising additionality, delivering innovative products and crowding-in private sector funds.

###### ABM/ABB activity(ies) concerned

01 03 International economic and financial affairs

<sup>37</sup> ABM: activity-based management; ABB: activity-based budgeting.

<sup>38</sup> As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

### 1.4.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

The European Fund for Sustainable Development (EFSD) will include a new Guarantee providing a range of innovative instruments to crowd-in private sector, such as guarantees covering specific risks in infrastructure projects.

A multiplier effect should be generated by means of the provision of the EU guarantee. Like the European Fund for Strategic Investments (EFSI) and several financial instruments supported by the EU blending facilities since 2007, the EFSD Guarantee Fund aims to mobilise additional investments, in particular from private investors. It does so by providing partial guarantees, either on a first-loss or *pari passu* basis, to intermediary financial institutions (typically IFIs), which in turn provide support (via loans, guarantees, equity or similar products) to downstream beneficiaries. There are thus two layers of leverage between the EU budget guarantee provided and the total investment mobilised. At the first level, the EU guarantee enables the intermediary IFI to provide an amount of additional financing ("internal leverage"). At the second level ("external leverage"), the IFI financing mobilises additional investment at the project stage.

Thereby the global initiative including the blending activities should help to mobilise total investments of up to EUR 44 billion until 2020.

### 1.4.4. *Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

A common and minimum set of indicators that reflect project outputs and intended outcomes has been defined for blending operations. These indicators can be used for monitoring implementation of the European Fund for Sustainable Development (EFSD) Guarantee.

## 1.5. **Grounds for the proposal/initiative**

### 1.5.1. *Requirement(s) to be met in the short or long term*

The European Fund for Sustainable Development (EFSD) provides the means for implementing the policy objectives of the External Investment Plan (pillar 1) as outlined in the Commission Communication of 7 June 2016 on establishing a new Partnership with third countries under the European Agenda on Migration. The EFSD will have the key objective of providing an integrated financial package to finance investments in regions outside the EU. This involves mobilising both public and private investments in Africa as well as the Neighbourhood.

### 1.5.2. *Added value of EU involvement*

The European Fund for Sustainable Development (EFSD) aims at promoting innovative and additional types of support, notably through the new Guarantee and credit enhancement. The new Guarantee coverage will encompass innovative instruments notably aimed at addressing bottlenecks to private investment, that are not yet addressed by the market itself, such as first-loss guarantees to portfolios of

guarantees to private sector projects, risk capital, SME loan guarantees or guarantees covering specific risks in infrastructure projects.

The operations financed or guaranteed through the instruments of the European Fund for Sustainable Development (EFSD) represent a highly visible and effective tool in support of the Union's external action. The EFSD provides the necessary EU political and financial backing for the Eligible Counterpart financing in countries and to investment projects which otherwise would not be able to comply due to high risk.

### *1.5.3. Lessons learned from similar experiences in the past*

The Commission has gained valuable experience with innovative financing instruments.

Since first introduced at the beginning of the Multiannual Financial Framework 2007-2013, blending gradually evolved into an important tool of EU external cooperation, complementing other methods of implementation. EU regional blending facilities have been set up in all regions of EU external cooperation. By the end of 2015, the support approved under the facilities from the EU budget and EDF resources has reached a sum of around EUR 2.7 billion, generating around EUR 50 billion total investments.

The predecessor to the Neighbourhood Investment Platform (NIP), the Neighbourhood Investment Facility (NIF), has a successful track record to show: allocations to the NIF from the EU Budget have reached since 2007 a total of EUR 1.432 billion. Additionally, Member States have contributed to the NIF Trust Fund with more than EUR 80 million. This has enabled the implementation of 112 projects with NIF support. The NIF contribution has succeeded in mobilising approximately EUR 13.83 billion of financing from European and International Finance Institutions since 2008 and a total investment amount of about EUR 28.10 billion, i.e. a leverage of about 20 times in investment for every euro provided by the Facility.

In Africa, the EU-Africa Infrastructure Trust Fund (AITF) was set up in 2007 and has provided since then support to projects for a total of more than EUR 500 million mainly in energy, transport and water sector. In 2015, the Africa Investment facility (AfIF) was created via Commission Decision C (2015)5210<sup>39</sup>.

Over the period 2007-2013, two facilities were subject to a mid-term evaluation (MTE), the EU-AITF in 2012 and the Neighbourhood Investment Facility (NIF) in 2013. Both concluded that these are valuable and effective instruments in supporting their respective objectives: European Neighbourhood Partnership (ENP) objectives and the development of infrastructure in Africa. In particular, project identification, relevance and design were considered positive, and both instruments achieved their goal of leveraging significant financial resources. The MTE also pointed to the significant contribution brought to the development of partnerships and increased coordination and cooperation among finance institutions as well as with the

<sup>39</sup> C(2015) 5210 final, 29.7.2015, Commission Decision on the individual measure "Creation of the Africa Investment Facility" under the 11<sup>th</sup> European Development Fund

Commission. A number of recommendations were made, notably in terms of improvements to the decision making structure and in particular on the role of EU Delegations and partner countries, further exploring the involvement of private sector, as well as the use of specific financial instruments such as risk mitigation instruments, and finally the implementation of a result measurement framework.

These findings have been used, with other reports, by the EU Platform for blending in external cooperation (EUBEC), set up in December 2012, to make concrete recommendations for further increasing the effectiveness of aid delivered by the EU through blending. The European Court of Auditors published a special report on blending in October 2014. The conclusions were very much in line with the above: blending the regional investment facility grants with loans from financial institutions to support EU external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: to ensure documented assessment of the additionality resulting from the EU grant, to ensure the maturity of projects submitted to the executive boards, to produce guidelines on EU Blending operations, to ensure more proactive role of the EU Delegations, to simplify the decision making process, to improve Commission's monitoring of the projects and to ensure appropriate visibility for EU funding.

Almost all of these recommendations have already been dealt with by the EUBEC with the development of a harmonised and improved project application form and its guidelines as well as the development of a results measurement framework including standard indicators.

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002, applicable by virtue of Article 17 and Articles 40 of Council Regulation (EU) 2015/323, an ex-ante evaluation of the AfIF was carried out in 2014 on how the planned facility complies with the requirements of the Financial Regulation (FR) for the financial instruments. The recommendations of this evaluation have been taken into account in the management of the AfIF and will be relevant for the EU Africa Investment Platform.

The results of the ex-ante evaluation demonstrated that the nature, magnitude and focus of the challenges faced by Africa (e.g. urbanisation, degrading access to essential service, food insecurity, poverty, impacts of climate change), the current EU and partner countries cooperation objectives (i.e. sustainable and inclusive development and growth, continental integration, poverty eradication, climate change) and the need to mobilise additional financial resources require a new flexible framework of financing. Taking those results into account and with the additional objective of addressing root causes of migration, the Africa Investment Platform (AIP) can provide a value added in sectors which represent key challenges in Africa. Through a wide range of forms of assistance to be adjusted to the country risks, specific project and sectors, AIP will contribute to inclusive growth and the achievement of the Sustainable Development Goals, thus tackling some of the root causes of migration.

The current portfolio and pipeline used in the AfIF provides for projects that contribute to the objective of addressing roots causes of migration. Whereas job

creation is the main focus of projects supporting the financial sector and Micro, Small and Medium Enterprises (MSMEs) through local banks or dedicated trust funds or projects supporting agriculture, finance, and rural development, including rural roads and electrification, employment opportunities may also be the result of particular infrastructure projects in the (renewable) energy sector or wider transport sector including not only rural roads, but also road and port construction and rehabilitation. Job creation and poverty reduction have been mentioned as an outcome of some energy projects listed in the AITF annual report.

A screening of the AITF portfolio and the AfIF pipeline indicate that these blending mechanisms contribute to the objective of addressing root causes of migration, leveraging finance from the partner finance institutions involved. A screening of the 150 projects in the current AfIF pipeline reveals that possibly up to 30% of the projects could be relevant to contribute to tackling root causes of migration. Some projects target job creation and support of MSMEs as the main objectives, while the majority of the projects targets socio-economic development and resilience and in some instances also job creation and poverty reduction as a secondary effect. Out of the 23 specific countries listed as eligible under the EFSD, 18 countries are covered by the current AfIF pipeline for the Sahel/Lake Chad and for the Horn of Africa regions.

The 2015 Review of the European Neighbourhood Policy reiterated that economic and social development should be at the heart of the EU's contribution to stabilising the neighbourhood and building partnerships. The EU should step up cooperation with the International Financial Institutions, relevant international organisations on private sector development, and initiatives that promote inclusive growth and employment and improve living conditions. In addition actions to strengthen partnerships with the private sector should be promoted, and the use of innovative approaches such as blending grants and loans as an important way of leveraging additional resources and increasing the impact of EU aid should be boosted. It also stresses the need to focus efforts on the development of skills, on competences and creation of opportunities particularly for young men and women.

A new evaluation of the blending facilities is currently undergoing and the final report should be available before the end of 2016.

#### *1.5.4. Compatibility and possible synergy with other appropriate instruments*

As outlined in the Communication of 7 June 2016 on establishing a new Partnership with third countries under the European Agenda on Migration, the Commission is proposing an ambitious External Investment Plan that would address root causes of migration.

It is proposed to establish a new strategic framework with a new governance structure, including a one-stop-shop approach that deploys a range of innovative financing instruments to crowd-in private sector to address root causes of migration by boosting investments starting in the regions of in Africa and the EU Neighbourhood. It will build on the existing architecture of EU financing instruments and resources.

The EFSD will have the key objective of providing an integrated financial package to finance investments in regions outside the EU, thereby creating growth and

employment opportunities, maximising additionality, delivering innovative products and crowding-in private sector funds. With funds from the EDF and the EU budget of EUR 3.35 billion until 2020 (of which EUR 0.75 billion are initially intended for the EFSD Guarantee Fund), the EFSD is expected to mobilise up to EUR 44 billion in investments.

Out of the EUR 3.35 billion, EUR 2.6 billion will be provided by refocusing existing blending instruments. The present proposal for a Regulation implies the mobilisation for the EFSD Guarantee Fund of EUR 350 million from the EU budget and EUR 400 million from the EDF. The core of the new investment plan is the EFSD, which will provide an overall framework based on three pillars: a new **investment fund** (pillar 1); **technical assistance** (pillar 2), to help local authorities and companies develop a higher number of sustainable projects and attract investors; and 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).

These three pillars shall be complementary and provide a wide coordinated approach.

The EFSD will include the refocused existing blending facilities and a new Guarantee providing a range of innovative instruments to crowd-in private sector, such as guarantees covering specific risks in infrastructure projects. The Regional Investment Platforms will combine existing blending instruments, will operate as "one-stop shop" to receive financing proposals from IFIs, public or private investors, and will deliver a wide range of financial support to eligible investments.

By enabling joint European operations (combining bilateral and EU grant funding with eligible finance institutions loan operations), the AIP will generate greater coherence and better coordination between the donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. Member States' resources will reinforce the EU effort by strengthening the European dimension of external cooperation and enhancing EU visibility.

## 1.6. Duration and financial impact

### ☒ Proposal/initiative of **limited duration**

- ☒ Proposal/initiative initially in effect from 2017 to 2020
- ☒ Financial impact from 2017 to 2020 with reference to the signature of Agreements with the eligible counterparts.  
The maximum duration of the EFSD Guarantee agreements under which a contract between an Eligible Counterpart and the beneficiary or financial intermediary can be signed shall be four years.

### ☐ Proposal/initiative of **unlimited duration**

- Indicative implementation start-up period:
- followed by full-scale operation.

### 1.7. Management mode(s) planned<sup>40</sup>

☒ **Direct management** by the Commission (for the management of the EFSD Guarantee Fund)

- ☒ X by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☒ **Indirect management** by entrusting budget implementation tasks to (for the Facilities backed by the EFSD guarantee):

- ☒ X international organisations and their agencies;
- ☒ X the EIB and the European Investment Fund;
- ☒ X public law bodies;
- ☒ X bodies governed by the private law of a Member State that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012;
- ☒ X bodies governed by the private law of a partner country that provide adequate financial guarantees, by derogation from Article 58(1)(c)(vii) of Regulation (EU) No 966/2012;
- ☒ X bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

#### Comments

The provision to and management of the EFSD Guarantee Fund will be implemented directly by the Commission, whereas the instruments covered by the Guarantee will be implemented in indirect management.

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

<sup>40</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: <https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>



The Commission shall submit an annual report to the European Parliament and to the Council on the financing and investment operation covered by the EFSD Guarantee. This report shall be made public. It shall include the following elements:

(a) an assessment of the financing and investment operations in operation and covered by the EFSD Guarantee, sector, country and regional levels and their compliance with this Regulation, in particular with the criterion of addressing root causes of migration and supporting socio-economic development in view of the sustainable development goals together with an assessment of the allocation of the financing towards the general objectives set out in Article 3;

(b) an assessment of the added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of the financing and investment operations covered by the EFSD Guarantee on an aggregated basis, including the impact on employment creation;

(c) an assessment of the extent to which operations covered by this Regulation contribute to the achievement of the general objectives set out in Article 3;

(d) an assessment of the compliance with the requirements concerning the use of the EFSD Guarantee and key performance indicators established for each proposal submitted;

(e) an assessment of the leverage effect achieved by the operations covered by the EFSD Guarantee;

(f) the financial amount transferred to beneficiaries and an assessment financing and investment operations by each counterpart on an aggregated basis;

(g) an assessment of the added value of financing and investment operations of the Eligible Counterparts, and of the aggregate risk associated with those operations;

(h) detailed information on calls on the EFSD Guarantee, losses, returns, amounts recovered and any other payments received;

(i) the financial reports on financing and investment operations of the Eligible Counterparts covered by this Regulation audited by an independent external auditor.

2. For the purposes of the Commission's accounting, its reporting of the risks covered by the EFSD Guarantee and its management of the EFSD Guarantee Fund, the Eligible Counterparts with whom a guarantee agreement has been signed shall provide the Commission and Court of Auditors annually with the financial reports on financing and investment operations covered by this Regulation audited by an independent external auditor, containing, among other, information on:

(a) the risk assessment of financing and investment operations of the Eligible Counterparts covered by this Regulation including information on the EU liabilities measured in compliance with the accounting rules of the Union set by the accounting officer of the Commission based on the internationally accepted accounting standards for the public sector;

(b) the outstanding financial obligation for the Union arising from the EFSD Guarantee provided towards the Eligible Counterparts and their financing and investment operations covered by this Regulation, broken down by individual operations.

The Counterparts shall upon request provide to the Commission any additional information necessary to fulfil the Commission's obligations in relation to this Regulation.

3. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the EFSD Guarantee Fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the EFSD Guarantee Fund in the previous calendar year, including an assessment of the adequacy of the provisioning and the level of the guarantee fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the EFSD Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance, and the risk of the guarantee fund at the end of the previous calendar year.

4. By 31 December 2019, the Commission shall evaluate the functioning of the EFSD. The Commission shall submit its evaluation report to the European Parliament and the Council.

5. By 30 June 2020 and every three years thereafter, the Commission shall evaluate the use of the EFSD Guarantee Fund. The Commission shall submit its evaluation report to the European Parliament and the Council. That evaluation report shall be accompanied by an opinion of the Court of Auditors.

6. By 30 June 2020, the Commission shall submit to the European Parliament and the Council a report containing an independent evaluation of the application of this Regulation. This report shall be submitted without delay by the Commission in the event that the approved financing and investment operations absorb in full the amount of the EFSD Guarantee available before 30 June 2020.

## **2.2. Management and control systems**

### **2.2.1. Risk(s) identified**

The risk for the EU budget is linked to the budget guarantee provided by the Union to the Eligible Counterpart for its operations in third countries. The guarantee provides a comprehensive cover (to a cap specified below) for all payments not received by the Eligible Counterpart.

The EU guarantee is restricted to EUR 1 500 000 000.

The budget entry ("p.m.") reflecting the budget guarantee for the Eligible Counterpart loans to third countries would be activated only in the case of an effective call on the guarantee by the Eligible Counterpart which cannot be wholly covered by the Guarantee Fund (funded with at least EUR 750 000 000). The provisioning rate of 50% is based on the past experience with guarantee schemes managed by the eligible counterparts, including also first loss structures. There was never a call for more than 50% of the funding provided. The higher provisioning rate e.g. compared to some internal instruments is due to the riskier investment climate in partner countries which needs to be taken into account.

## 2.2.2. *Information concerning the internal control system set up*

The Commission is responsible for managing the EU Guarantee. The financing operations in the context of the present regulation are carried out according to the Eligible Counterpart standard rules of procedure and sound banking practice. The Eligible Counterpart and the Commission enter into an agreement laying down the detailed provisions and procedures relating to the implementation of the present regulation. See also section above "Monitoring and reporting rules".

## 2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

N.A.

## 2.3. **Measures to prevent fraud and irregularities**

*Specify existing or envisaged prevention and protection measures.*

1. The COM shall notify OLAF promptly and provide it with the necessary information when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, it has grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union.

2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council (15), Council Regulation (Euratom, EC) No 2185/96 (16) and Council Regulation (EC, Euratom) No 2988/95 (17) in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned.

Where such illegal activities are proven, the Eligible Counterparts shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- New budget lines requested

*In order of multiannual financial framework headings and budget lines.*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number 04 Heading EU in the World	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
4	01 03 07 European Union guarantee for the European Fund for Sustainable Development (EFSD)	Non-diff.	NO	NO	NO	NO
4	01 03 08 Provisioning of the EFSD Guarantee Fund	Non-diff.	YES	YES	YES	YES

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	Heading 4 EU in the World
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DG: XX			Year 2017 <sup>41</sup>	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
• Operational appropriations										
01 03 07 European Union Guarantee for the European Fund for Sustainable Development	Commitments	(1)	pm	pm	pm	pm	pm	pm	pm	pm
	Payments	(2)	pm	pm	pm	pm	pm	pm	pm	pm
01 03 08 Provisioning of the EFSD Guarantee Fund	Commitments	(1a)	275.000	25.000	25.000	25.000	pm	pm	pm	350.000
	Payments	(2a)	275.000	25.000	25.000	25.000	pm	pm	pm	350.000
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>42</sup>										
-		(3)	0	0	0	0	0	0	0	0

<sup>41</sup> Year N is the year in which implementation of the proposal/initiative starts.

<sup>42</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

<b>TOTAL appropriations for DG XX</b>	Commitments	=1+1a +3	275.000	25.000	25.000	25.000				<b>350.000</b>
	Payments	=2+2a +3	275.000	25.000	25.000	25.000	pm	pm	pm	<b>350.000</b>

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
<b>TOTAL appropriations under HEADING &lt;4&gt; of the multiannual financial framework</b>	Commitments	=4+ 6	275.000	25.000	25.000	25.000	pm	pm	pm	<b>350.000</b>
	Payments	=5+ 6	275.000	25.000	25.000	25.00	pm	pm	pm	<b>350.000</b>

**If more than one heading is affected by the proposal / initiative:**

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
<b>TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)</b>	Commitments	=4+ 6								
	Payments	=5+ 6								

<b>Heading of multiannual financial framework</b>	<b>5</b>	'Administrative expenditure'
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EUR million (to three decimal places)

		Year 2017	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
DGs: XX									
• Human resources		3.264 (0.134*16+ 0.07*16)	3.264	3.264	3.264				<b>13.056</b>
• Other administrative expenditure		0.5	0.5	0.5	0.5				<b>2.000</b>
<b>TOTAL DG XX</b>	Appropriations	3.764	3.764	3.764	3.764				<b>15.056</b>

<b>TOTAL appropriations under HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)	3.764	3.764	3.764	3.764				<b>15.056<sup>43</sup></b>
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EUR million (to three decimal places)

		Year 2017	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Commitments	278.764	28.764	28.764	28.746				<b>365.056</b>
	Payments	278.764	28.764	28.764	28.764				<b>365.056</b>

<sup>43</sup> One Contractual Agent will be financed by the European External Action Service (EEAS) budget to support policy liaison functions.

### 3.2.2. Estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs  ↓			Year N		Year N+1		Year N+2		Year N+3		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL	
	OUTPUTS																	
	Type <sup>44</sup>	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE																		
- Output				275.00		25.000		25.000		25.000								350.000
- Output																		
- Output																		
Subtotal for specific objective No 1																		
TOTAL COST				275.000		25.000		25.000		25.000								350.000

<sup>44</sup> Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).



### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:
- Administrative expenditure. EUR million (to three decimal places)

	Year 2017 <sup>45</sup>	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
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<b>HEADING 5 of the multiannual financial framework</b>								
Human resources	3.264	3.264	3.264	3.264				<b>13.056</b>
Other administrative expenditure	0.5	0.5	0.5	0.5				<b>2.000</b>
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	<b>3.764</b>	<b>3.764</b>	<b>3.764</b>	<b>3.764</b>				<b>15.056</b>

<b>Outside HEADING 5<sup>46</sup> of the multiannual financial framework</b>								
Human resources								
Other expenditure of an administrative nature								
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>								

<b>TOTAL</b>	<b>3.764</b>	<b>3.764</b>	<b>3.764</b>	<b>3.764</b>				<b>15.056</b>
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the managing DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

<sup>45</sup> Year N is the year in which implementation of the proposal/initiative starts.

<sup>46</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

### 3.2.3.2. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources.
- ☒ The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

	Year 2017	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
<b>• Establishment plan posts (officials and temporary staff)</b>							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	16	16	16	16			
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
<b>• External staff (in Full Time Equivalent unit: FTE)<sup>47</sup></b>							
XX 01 02 01 (AC, END, INT from the 'global envelope' in Headquarters <sup>48</sup> )	16	16	16	16			
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)							
XX 01 04 yy <sup>49</sup>	- at Headquarters						
	- in Delegations						
XX 01 05 02 (AC, END, INT - Indirect research)							
10 01 05 02 (AC, END, INT - Direct research)							
Other budget lines (specify)							
<b>TOTAL</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>			

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the managing DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Operational and financial management of the European Fund for Sustainable Development communication and visibility
External staff	Operational and financial management of the European Fund for Sustainable Development communication and visibility

<sup>47</sup> AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

<sup>48</sup> Part of the external staff required will be met by internal redeployment of external staff financed by ENI administrative support line / EDF in proportion to the operational appropriations redeployed for the action.

<sup>49</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

### 3.2.4. Compatibility with the current multiannual financial framework

- ☐ The proposal/initiative is compatible with the current multiannual financial framework.
- ☒ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

The European Neighbourhood Instrument (chapter 22.04) will contribute with EUR 100 million in commitment and payment appropriations (EUR 25 million per year, 2017-2020) to the provisioning of the EFSD Guarantee Fund as indicated in Section 3.2.1.

- ☒ The proposal/initiative requires application of the contingency margin of the multiannual financial framework.

The Commission intends to mobilise the contingency margin under Article 13 of Regulation 1311/2013 for an amount of EUR 250 million in 2017.

### 3.2.5. Third-party contributions

- The proposal/initiative does not provide for co-financing by third parties.
- ☒ The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2017	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body <i>European Development Fund</i>	150.000	150.000	50.000	50.000	pm	pm	pm	400.000
EU Member States and other 2.1 contributors	pm	pm	pm	pm	pm	pm	pm	pm
TOTAL appropriations co-financed	150.000	150.000	50.000	50.000	pm	pm	pm	400.000

### 3.3. Estimated impact on revenue

- ☐ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
  - ☐ on own resources
  - ☒ on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>50</sup>						
		Year 2017	Year 2018	Year 2019	Year 2020	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
<b>New article</b> 635 Contributions to the European Fund for Sustainable Development (EFSD) – assigned revenue								
<b>New budget line</b> 6350 Contribution of the EDF to the EFSD	<i>pm</i>	150.000	150.000	50.000	50.000			
<b>New budget line</b> 6351 Contributions from Member States, including their agencies, entities or natural persons to the European Fund for Sustainable Development	<i>pm</i>	pm	pm	pm	pm			
<b>New budget line</b> 6352 Contributions from third countries, including their agencies, entities or natural persons to the European Fund for Sustainable Development	<i>pm</i>	pm	pm	pm	pm			
<b>New budget line</b> 6353 Contributions from international organisations to the European Fund for Sustainable Development	<i>pm</i>	pm	pm	pm	pm			
<b>New budget line</b> 836 EU guarantee for the European Fund for Sustainable Development (EFSD)	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>			

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

01 03 07 European Union guarantee for the European Fund for Sustainable Development (EFSD)

01 03 08 Provisioning of the EFSD Guarantee Fund

Specify the method for calculating the impact on revenue.

The EDF contribution is an initial estimate on the basis of the possible evolution of the new EFSD Guarantee.

<sup>50</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.