

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

2020/0107(COD) - 28/05/2020 - Legislative proposal

**PURPOSE:** to increase the financial means of the European Fund for Sustainable Development (EFSD) in the context of the response to the COVID-19 pandemic and its consequences.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** the COVID-19 pandemic is having a major impact on the economic and macroeconomic systems of both the EU and its partner countries. Least developed countries are the most vulnerable to COVID-19 as they have poorly performing health systems and face complex socio-economic and governance challenges.

The EU response strategy needs to be comprehensive and address both public health and socio-economic challenges, both within the EU and in cooperation with its partner countries, particularly in Africa and the European Neighbourhood, as well as with the Western Balkans.

Considerable public and private investment is needed to stimulate the economy, create jobs and repair the immediate damage caused by the COVID-19 epidemic. In this context, the Commission proposes an ambitious package of measures, including an increase in the ceilings of the Multiannual Financial Framework 2014-2020, to allow the implementation of measures within the Union and beyond in response to the consequences of the COVID-19 pandemic.

The Commission considers it necessary to enable the implementation of those measures through the delivery mechanisms under Regulation (EU) 2017/1601 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

Globally, the EFSD is one of the largest public guarantee programmes in support of private sector investment for development. Increasing the guarantee ceiling, extending the investment period and enlarging the geographical scope shall contribute to addressing the Covid-19 pandemic and its consequences.

**CONTENT:** the proposal introduces targeted modifications to the [Regulation \(EU\) 2017/1601](#) establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

The main amendments aim to:

- extend the geographic scope of the EFSD to the beneficiaries in the Western Balkans listed in Annex I of [Regulation \(EU\) No 231/2014](#) in order to help them engage in sustainable socio-economic recovery and improve their resilience by restoring supply chains and supporting macroeconomic stability;
- increase the contribution to the European Fund for Sustainable Development from the Union budget in view of implementing operations in response of the impact of the COVID-19 pandemic: the Union will make available an additional amount of EUR 1 040 million for the European Fund for Sustainable Development, increasing the EU guarantee by EUR 2 078 million and bringing the total Union guarantee ceiling to EUR 3 578 million;
- extend until 31 December 2021 the investment period during which EDF guarantee agreements in support of financing and investment operations can be concluded with eligible counterparties.