

European Fund for Sustainable Development (EFSD)

Subject to external migratory pressure, driven by conflict, instability and poverty in its neighbourhood, the EU is adapting its policy framework to address the challenges of the protracted crisis. In July, the European Parliament is due to vote on the proposed EFSD. The EFSD aims at using EU grants and guarantees to leverage public and private investment, to tackle the root causes of migration in the European Neighbourhood and Africa, and achieve the 2030 Sustainable Development Goals (SDGs).

Background

Creation of the [EFSD](#) was announced in a June 2016 European Commission [communication](#) on the partnership framework for cooperation with third countries under the European agenda on migration. This new [framework](#) seeks to establish migration compacts with countries where migrants originate or transit. These tailor-made agreements combine incentives to help partner countries to manage migration effectively, to cooperate on readmission of irregular migrants, and to address root causes of migration. Given the scale of challenges and funding needs, the Commission proposed a new [European external investment plan \(EIP\)](#) package in September 2016, to scale up private sector involvement in socio-economic development in partner countries. The EFSD is pillar 1 of the plan's three pillars. Alongside the new fund, the EIP focuses on technical assistance to support local partners prepare projects that are sustainable and attractive to investors (pillar 2), and on steps to improve the business environment and economic governance in the partner countries (pillar 3).

European Commission proposal

On 14 September 2016, the Commission adopted a [proposal](#) for a regulation on the EFSD and establishing the EFSD Guarantee and the EFSD Guarantee Fund. The EFSD combines resources (€2.6 billion) from two existing funding 'blending' facilities (Africa Investment Facility ([Afif](#)) and Neighbourhood Investment Facility ([Nif](#))), and the corresponding EFSD guarantee fund will be based on funding of €750 million. This includes €350 million from the EU budget, €400 million from the European Development Fund, and additional contributions from Member States and public financial institutions. The new fund will be organised on two regional platforms: one for Africa, the other for the EU neighbourhood (south and east), with a possible supplementary platform in future. The EFSD will function as a 'one-stop shop', proposing access to well-established blending facilities, coupled with a new guarantee for public and private investors and financial institutions that request financial support for eligible investment in ACP African countries and the EU neighbourhood.

European Parliament position

On 24 April 2017, the Foreign Affairs (AFET), Budgets (BUDG), and Development (DEVE) committees adopted their [report](#) on the draft regulation. This report was the basis of the EP position for trilogue negotiations, which were completed in June. Among the committees' demands agreed were: financed projects must fulfil official development assistance ([ODA](#)) criteria; a minimum share (28 %) of EFSD funding to support investments contributing to implementation of the Paris Agreement on climate change; more extensive definition of additionality and the complementarity of EFSD operations; clear eligibility criteria for investment projects, including respect of international environmental and social standards of responsible investment; and a stronger scrutiny role for the EP, including observer status on the strategic board. Parliament is expected to vote on the compromise text during the July plenary session.

First-reading report: [2016/0281\(COD\)](#); Committees responsible: AFET, BUDG, DEVE (jointly under Rule 55); Rapporteurs: Doru-Claudian Frunzuliță (S&D, Romania), Eduard Kukan (EPP, Slovakia), Eider Gardiazabal Rubial (S&D, Spain).

