



The European Fund for Sustainable Development : Towards a new European Development Bank?



On 14 September 2016, the European Commission proposed to set up an [External Investment Plan](#) (EIP) in order to address the root causes of the growing migratory pressure confronting Europe by boosting economic growth in **African and neighbourhood countries**. The EIP proposal was based on three pillars: mobilising finance through an investment fund (**European Fund for Sustainable Development - EFSD**) and **its guarantee, technical assistance** to develop projects, and **policy dialogue to improve economic policies and investment climate**.

This proposal rapidly went forward. On 25 September 2017, the Council adopted the **regulation establishing the EFSD** and the fund was set up three days later.

The EFSD builds on the resources (€2.6 billion up to 2020) of two existing EU regional blending facilities, i.e. instruments that combine grants with loans from public institutions or commercial lenders: the [Neighbourhood Investment Facility](#) (NIF) and the [Africa Investment Facility](#) (AfIF). The fund will enlarge the use of these facilities by offering a wider range of financial tools (capital market instruments, credit enhancement, equity or quasi-equity participations, etc.) and by providing a guarantee for more risky projects. This guarantee is backed by a fund of €750 million composed of €350 million from the EU budget and €400 million from the intergovernmental [European Development Fund](#). The EFSD guarantee fund will intervene to compensate possible losses for banks and could be doubled if necessary. From an initial budget of €3.35 billion, the EFSD hopes to **trigger up to €44 billion of investments**.

The EFSD is managed by the Commission, in “close cooperation” with the [European Investment Bank](#) (EIB), under a Strategic board that gathers representatives from these two institutions and from the Member States. It is composed of a secretariat and two regional investment

platforms: one for Africa and the other for the EU neighbourhood, each one under an operational board. The EFSD will operate as a “one-stop shop” providing access to the existing blending facilities and additional guarantee for public and private investors.

Five “[investment windows](#)” have already been selected: **sustainable energy and connectivity; micro, small and medium sized enterprises financing; sustainable agriculture; rural entrepreneurs and agribusiness; sustainable cities; and digitalisation for sustainable development**.

The Commission will invite “eligible counterparts” to propose investment programmes within these five areas. Eligible counterparts include the development banks already involved in the well-established blending facilities, the EIB and the European Investment Fund, international organisations and their agencies, etc. The Commission and independent experts will evaluate whether these proposals provide adequate risk sharing, are economically and financially viable, as well as socially and environmentally sustainable. The first agreements with the selected financial institutions are expected to be signed in the first half of 2018. Projects proponents, who would like to benefit from the EFSD, will then have to submit their proposals to these financial institutions.

The EIB will play an important part in the management of the EFSD. In particular, it should provide a written opinion on banking requirements of each proposal. The relationship between the EIB and the Commission will be further defined by a specific agreement. By 30 June 2019, the Commission will have to consider the possibility of entrusting the management of the EFSD guarantee fund to the EIB. Should this happen, it would represent an important step forward for this institution whose up to 90% of activities are focused on the EU. A new European development bank for Africa would be born...



The last EU Commission Work Programme

The European Commission's 2018 [work programme](#) published on 24 October 2017 outlines the list of new initiatives, assessments of current law (REFIT), pending, and withdrawn proposals for the year ahead.

The main incoming proposal will be the next **Multiannual Financial Framework** (MFF 2021-2027), which should be delivered in May. After Brexit, the EU will lose one net contributor and this will have consequences on the EU programmes and policies' funding.

Last year, **migration** was a major theme. Though most of the Commission's proposals have already been submitted, migration and **security** are still high on the agenda. Novelties this year will be the **New Deal for Consumers** and the **Social fairness package** that notably includes a **European social security number**.

In order to implement its agenda on the Digital Single Market, the work programme is filled with pending proposals. So far, only 6 out of the 24 legislative proposals tabled by the Commission have been adopted. Currently in discussions are the **Electronic Communications Code**, the **Copyright**, the **Broadcasting** and the **Electronic Data Protection** reforms. Legislative proposals on **fairness in platform-to-business** and on **digital taxation** are upcoming, as well as an initiative against **fake news** and revised **guidelines on significant market power**.

As announced in the 2017 work programme, the Commission overhauls its land transport legislation. A [first](#) mobility package last May focused on **road charges**, **market and**

social aspects of transport and the [second](#) in November contained initiatives to improve **clean mobility**. The Commission will submit the last proposals next May, which may focus on the **digital and security aspects** of mobility. Besides, the Parliament is currently discussing a [strategy](#) on **intelligent transport systems** published by the Commission in 2016.

In spite of the stalemate in the negotiations with the United States and the last-minute controversies on the agreement with Canada (CETA), the Commission will continue to push for **free-trade agreements**. It will put pressure to finalise current negotiations (Mexico, Mercosur, etc.) and launch new ones (Australia, New Zealand). It also wants renewed partnerships with Asia, Latin America and the Middle East.

Finally, in order to make the European Union more efficient and more democratic, the Commission will explore the idea of creating a **permanent European Minister of Economy and Finance** and of merging the functions of **President of the European Council and of the Commission**, two work assumptions proposed in [President Juncker's State of the Union Speech 2017](#).

As of now, the Commission has already published 80% of the proposals announced in its [2015 Ten priorities](#). Next year will be the institutions' last "useful" year of work before the 2019 European elections. Hence the Commission will deliver its last legislative proposals by May 2018, and push for the adoption of its previous proposals by the end of that year.



EU public consultations*

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|--------------------------------|---|------------|
| Taxation | Fair taxation of the digital economy | 03.01.2018 |
| Transport | Public consultation on specifications for Cooperative Intelligent Transport Systems | 05.01.2018 |
| Employment, social protection | Public consultation on a possible EU action addressing the challenges of access to social protection for people in all forms of employment in the framework of the European Pillar of Social Rights | 15.01.2018 |
| Digital economy and society | Public consultation on fake news and online disinformation | 23.02.2018 |
| Banking and financial services | Public consultation on fitness check on supervisory reporting | 28.02.2018 |

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