



# The European Fund for Sustainable Development + *Framework and main principles*

**Filippo Gabriele La Verghetta** – Deputy Head of Unit, DG INTPA E5 – European Commission

# Let's talk about Development Finance



[#Global Gateway](#) [#Team Europe](#)

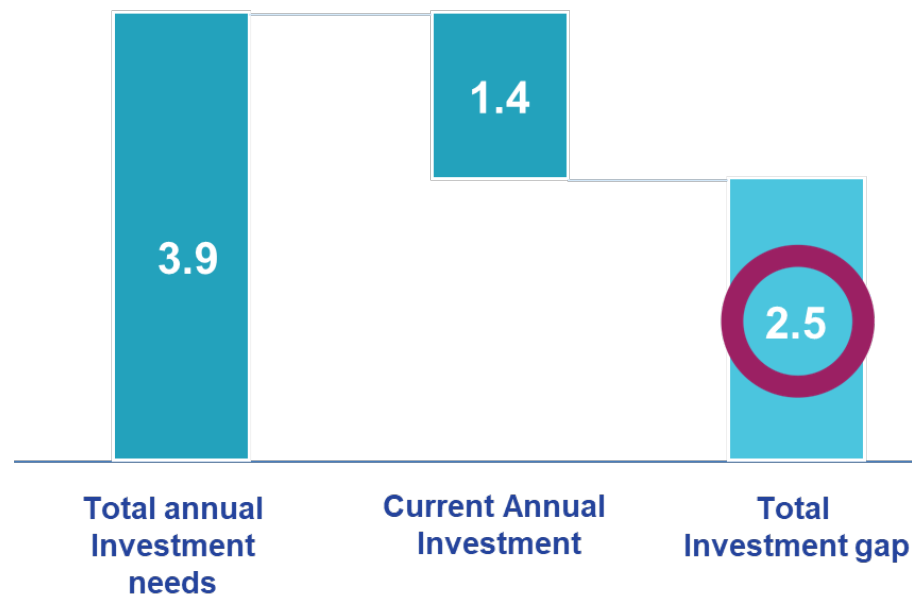


To understand the concept:

- What's the need for Development Finance?
- *What's it for and what's not for?*

# Why do we talk about Development Finance?

Estimated global investment gap in key SDG sectors, 2015-30  
Trillions of USD, annual average



# What is Development Finance *not*?

- Development's panacea
- The only instrument we use
- An exclusively public sector instrument

# How does this work in practice?

- Option 1: traditional grant
  - We give a government EUR 50 million to build a solar power plant
  - The money goes out of our coffers
  - We have contributed EUR 50 million to the SDGs

## How does this work in practice?

- Option 2: Guarantee for Solar Energy investments
  - We put aside EUR 50 million guarantee for a partner financial institution to invest in a portfolio of Solar Energy projects
  - That same partner invests EUR 100 million of its own money and provides a guarantee to private investors, who in turn invest EUR 500 million in this portfolio
  - We now have EUR 600 million towards energy projects
  - *And we should even get some of that EUR 50 million back*

# What to expect under the EFSD+?

## Main features of EFSD+ in the GE-NDICI Regulation

- Geographic scope: Global
- Policy first: Programmed to ensure strategic alignment and funded from regional budgets
- Scope: full spectrum of investment from sovereign to private sector
- Open and collaborative architecture
- Special attention to Least Developed Countries and fragile states
- Appx. EUR 40bn guarantee

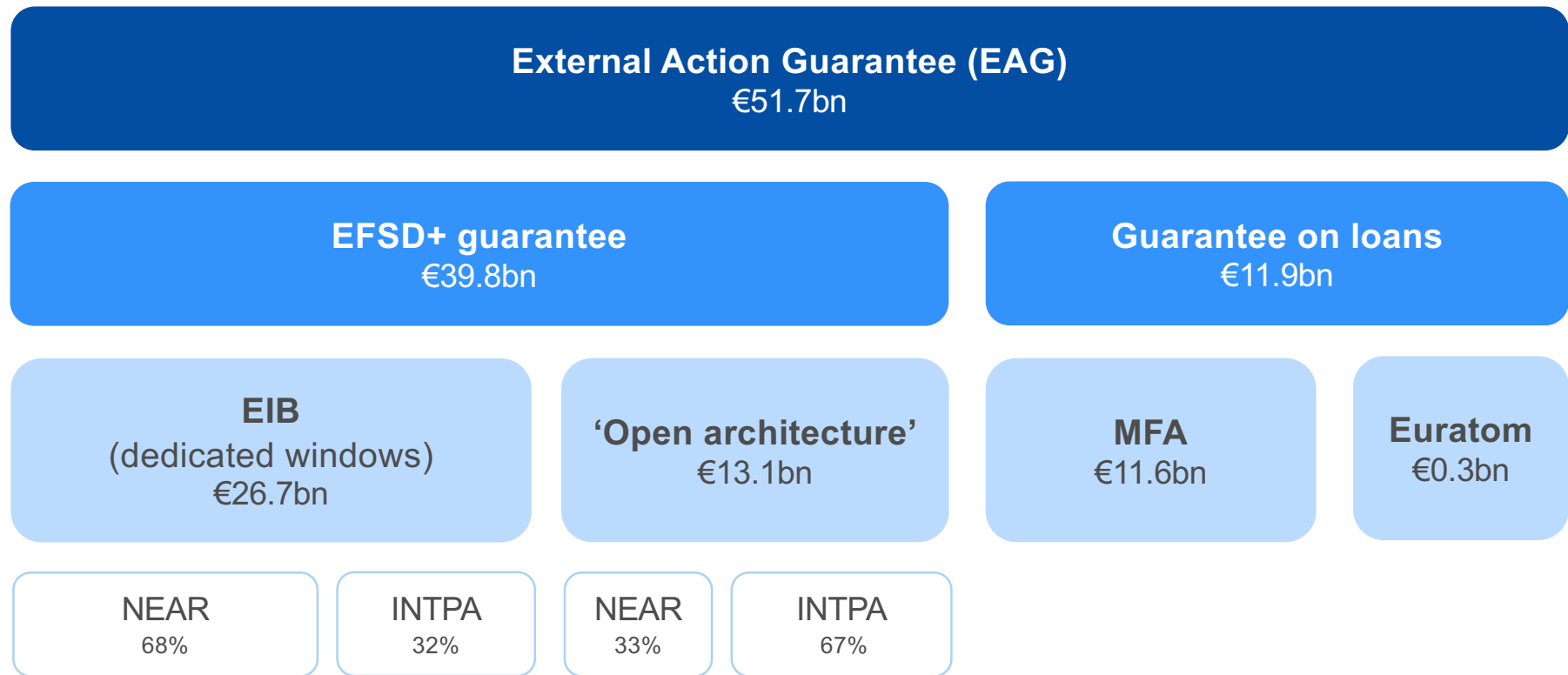


# What to expect under the EFSD+?

## Modalities

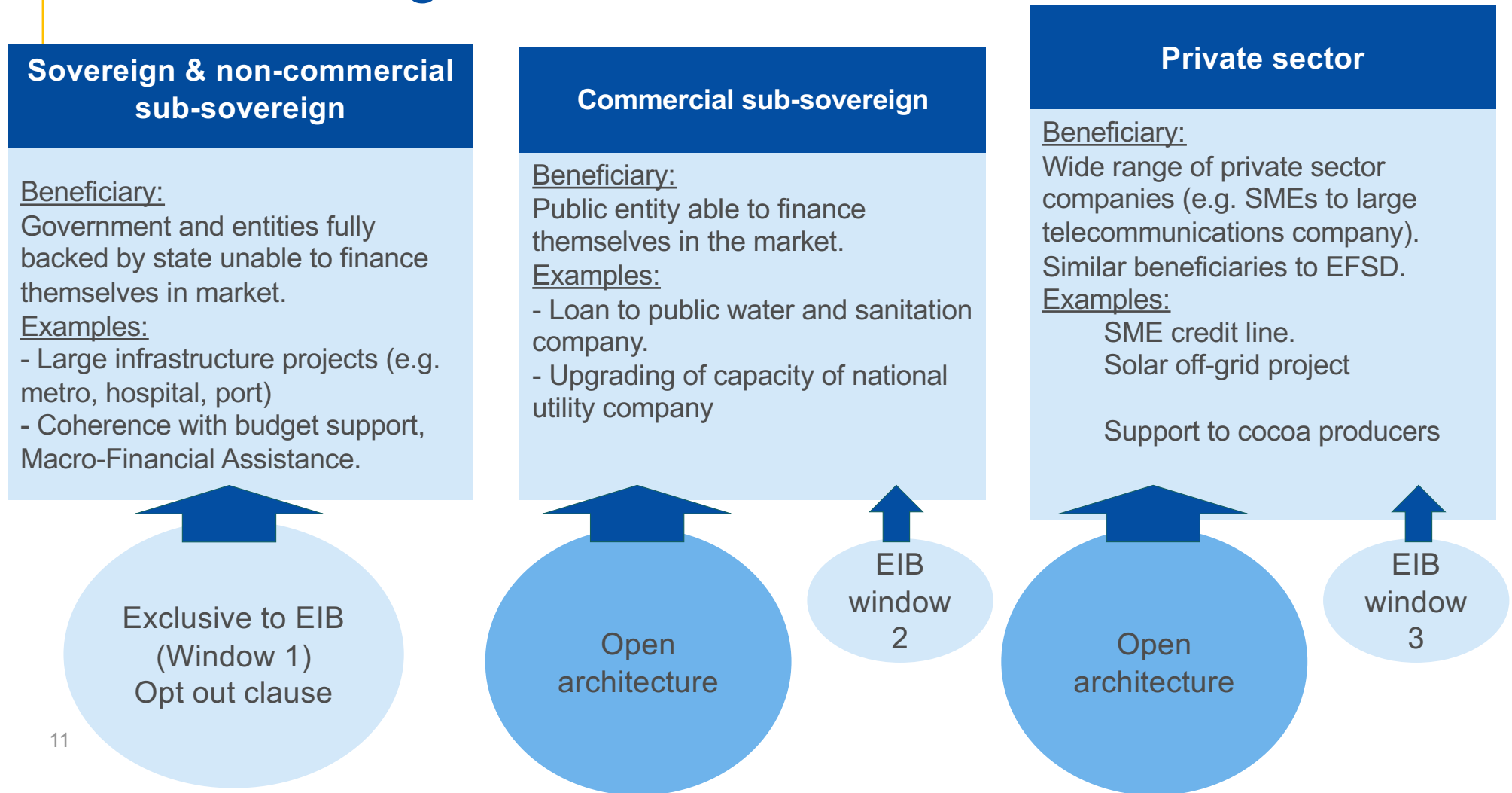
- **Blending**
- **Budgetary guarantees** supported by the External Action Guarantee (provisioning at 9% for sovereign operations or 50% for private sector operations from geographic envelopes to provide liquidity cushion)
- **Technical Assistance**

# The EFSD+ guarantee: amounts 2021-2027



Provisioning: EUR 10bn (cap established in the NDICI regulation).

# The EFSD+ guarantee: windows



# What is **blending**?

- The strategic use of a limited **cash-based** contribution **to mobilise financing** from partner FIs and other sources (incl. the private sector) to **enhance the development impact** of investment projects
- Helping to make projects economically viable or improve their quality/impact

