





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

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Let's talk about Development Finance

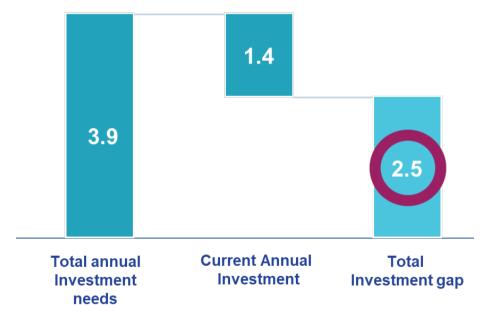


To understand the concept:

- 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

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- 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



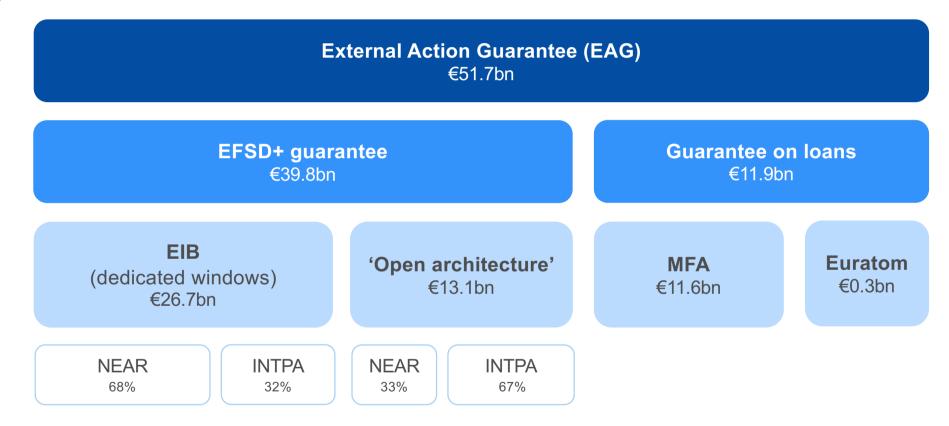
What to expect under the EFSD+?

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).

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The EFSD+ guarantee: windows

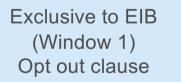
Sovereign & non-commercial sub-sovereign

Beneficiary:

Government and entities fully backed by state unable to finance themselves in market. Examples:

- Large infrastructure projects (e.g. metro, hospital, port)

- Coherence with budget support, Macro-Financial Assistance.



Commercial sub-sovereign

Beneficiary:

Open

architecture

Public entity able to finance themselves in the market. Examples:

- Loan to public water and sanitation company.
- Upgrading of capacity of national utility company

EIB

window

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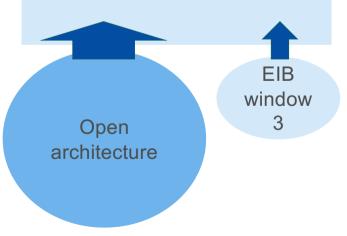


Beneficiary:

Wide range of private sector companies (e.g. SMEs to large telecommunications company). Similar beneficiaries to EFSD. <u>Examples:</u>

> SME credit line. Solar off-grid project

Support to cocoa producers



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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

