



EUROPEAN COMMISSION
Directorate-General for International
Partnerships (INTPA)
Directorate-General for European
Neighbourhood Policy and
Enlargement Negotiations (NEAR)



EUROPEAN EXTERNAL
ACTION SERVICE

Directors General

Secretary General

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**1ST MEETING OF THE STRATEGIC BOARD
OF THE EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT+ (EFSD+)**

10 November 2021 – 08:30-13:30

MINUTES OF THE MEETING

Co-chairs:

Mr. Koen Doens, Director-General, INTPA

Ms. Katarina Mathernova, Deputy Director-General, NEAR

Ms. Helena König, Deputy Secretary-General, EEAS

Venue: Hybrid meeting (via remote connection) and
Berlaymont, Robert Schuman Room (Rue de la Loi 200, Brussels)

Participants:

- Member States representatives: AT, BE, CZ, DE, DK, EE, ES, FI, FR, GR, HU, IE, IT, LU, LV, NL, PT, RO, SE, SK
- European Commission
- European External Action Service (EEAS)
- European Investment Bank (EIB)
- European Parliament as observer

Executive summary

The first EFSD+ Strategic Board meeting took place in hybrid format on 10 November 2021. DG Koen Doens of INTPA, DDG Katarina Mathernova of NEAR and DSG Helena König of EEAS co-chaired the first meeting of the EFSD+ Strategic Board.

Member States gave positive feedback on EFSD+ Strategic Orientations, which form the basis for the EFSD+ Investment Windows, i.e. EIB dedicated windows and open

architecture. All proposed areas for investment were endorsed and MS confirmed the importance of the three transversal policy objectives (Green Deal, Global Gateways, Jobs and Growth).

The proposal to admit EDFI and EBRD as regular observers did not find consensus.

In absence of adopted Rules of Procedure, it has been decided to proceed via written procedure on this point and Strategic Board members have been invited to provide written comments.

Member States discussed and broadly supported in principle the Rules of Procedure for the strategic board and were invited to provide additional written comments on the Rules of Procedure. The Rules of Procedure will be formally adopted by written procedure.

All members agreed that the main principle for implementation will be “policy first” and the respective priorities of each partner countries and region. As such, EFSD+ offers new opportunities for cooperation between all implementing partners under the Team Europe approach. The open architecture was confirmed as the right approach for successful implementation. The EIB welcomed the policy first principle and its role as regular member of the strategic board.

Looking ahead, the Strategic Orientations will be the guiding framework for implementing the EFSD+ budgetary guarantee. In addition to the overall priorities under Art. 31 of the NDICI regulation, the respective strategic documents for each region will guide the implementation. The SDG, Paris Agenda, COP26 decisions but also the priorities laid out in President von der Leyen’s State of the Union speech form three overarching objectives for implementation.

Six dedicated investment windows, applying that guiding framework, will be the entry points for EFSD+ proposals under the open architecture from all eligible implementing partners. The six open architecture windows will be defined at the Operational Board and presented to the Council and to the Parliament. The EIB, responsible for implementing 2/3 of the EFSD+ envelope, will also follow the strategic orientations in projects under its dedicated windows.

This risk management framework was presented as another essential element for EFSD+ implementation and risk monitoring. An independent Guarantee Risk Experts Group (GrEG) within DG INTPA will assess the risk profile of the PIPs and of the overall Guarantee. The Framework should ensure that the EFSD+ is managed in line with the aforementioned risk policy as well as with the pre-defined Commission’s risk-taking capacity and portfolio provisioning rate. Where the political will exists to give special attention to certain priorities, such as countries in fragility or conflict and least developed countries, the risk remuneration can be adapted on a case by case basis.

I. INTRODUCTORY REMARKS – COMMISSION, EEAS, EIB

The co-chairs welcomed the participants and gave introductory remarks.

II. ADOPTION OF AGENDA

The agenda was adopted by consensus.

III. STATE OF PLAY OF THE EFSD, THE EFSD GUARANTEES, AND CARRY-OVER PIPs

DDG Marjeta Jager presented the state of play of the EFSD guarantees and carry-over PIPs. The original target was to allocate €4.1 billion in EU funds and to secure overall investment of €44 billion. The Commission has been able to allocate €5.4 billion and is expecting the overall investment to reach well over €54 billion.

DDG Katarina Mathernova commended the impressive implementation by the EUs development finance partners, and encouraged other partners to also engage in the NEAR region. The open architecture approach fosters team work and should be continued in this spirit. The wide number of participants has brought innovative solutions and approaches on different sectors, i.e.: renewable energy and energy efficiency, Micro Small and Medium Enterprise finance, local currency financing.

EFSD has proved to be an extremely flexible instrument as shown by the reorientation of the EFSD Guarantee to support a green, digital, resilient and just recovery from the COVID-19 pandemic¹.

DG INTPA representatives provided an overview on the state of play of the signed guarantees under the EFSD since 2018. The available EUR 1.5 billion were fully used in 15 guarantee agreements. They will be complemented by the so-called carry over PIPs, to be contracted soon using EFSD+ financing. They were decided at the 5th EFSD Strategic Board Meeting with the Member States on 8 December 2020.

Germany asked if the EFSD top up and carry over PIPs would still be proposed again. DDG Jager explained that, since the Operational Board already approved the underlying PIPs, it would not be necessary to reconfirm them at operational board level. The minutes take note of this understanding, which has not been put in question at the meeting.

France commended the success of EFSD. France and Belgium asked for a more qualitative report about the EFSD implementation in line with NDICI article 41(6). DDG Marjeta Jager confirmed that the EFSD report would be sent to the members soon after the meeting, and some members expressed an interest to discuss elements of this report at the next Strategic Board. The French delegation asked that the risk assessments for the individual

¹ The Commission was able to do so by adapting the guarantee programmes that were approved in 2018.

proposals, by the Guarantee Technical Risk Assessment Group (GTAG), could be sent to Member States.

DG INTPA representatives indicated that the college of Commissioners will hopefully conclude soon the legislative Framework for the implementation of the EFSD+, allowing for guarantees to be signed under EFSD+ financing.

In relation to work on risk, the contract for the Risk management Guarantee Technical Expert Group (GTAG) was extended until end 2021, in order to ensure a smooth transition. The European Commission will provide a GTAG report on the PIPs to the EFSD+ Operational Board. The new Risk methodology will be presented to Member States at the following EFSD+ Operational Board.

Portugal asked for the new Risk methodology to also be presented to the EFSD+ Strategic Board, given the link with the Strategic Orientations guiding the EFSD+ implementation, including in the Least Developed and fragile countries.

IV. PRESENTATION AND ADOPTION OF THE RULES OF PROCEDURE

The Commission presented the proposed rules of procedure for the EFSD+ Strategic Board. For the discussions during the first EFSD+ board it was proposed to operate on the assumption that the rules of procedure were adopted so that we can continue with provisional approval, pending the final outcome of the written procedure.

There was a detailed discussion on the voting procedure and the reference to qualified majority voting in article 238 TFEU with regards to the EIB. The Commission stated that it would look into the matter and provide a legal reply to the Strategic Board prior to the final adoption of the Rules of Procedure, planned to be carried out by written procedure. Members of the Strategic Board were invited to send any further written comments on Rules of Procedure.

Ireland brought up the issue of the strategic board overseeing all EFSD+ guarantees, including the EIB dedicated windows. A regular information point should be added to the SB Agenda on how the EFSD+ implementation helps to improve the European Financial Architecture for Development (EFAD). Germany asked to reinsert "financial sustainability" as a regular "information point" on the agenda.

Regarding EFAD, it was agreed that EUBEC was a useful forum which the European Commission wants to reinstate. At the last EU Director Generals meeting, Koen Doens proposed that EUBEC would be a technical discussion format under a Team Europe Initiative platform. Member States had different opinions so that this proposal could not be confirmed during this meeting. The European Commission would come back on how to move forward with this proposal.

V. STRATEGIC ORIENTATIONS

DG INTPA Koen Doens introduced the overall Commission proposal on the strategic orientation of EFSD+ and its legal framework. These strategic orientations encompass both the EIB dedicated windows and the open architecture. DSG König outlined the political outlook serving as a basis for the framing the Strategic Orientations: growing divergence between advanced and developing countries, impact of the COVID-19 pandemic, preparations for the COP26 and the pledge of the President von der Leyen to increase financing for the climate change. She informed as well about the planned adoption of the Global Gateway Strategy, of which EFSD+ will serve as important implementing tool. DDG Katharina Mathernova underlined the importance of the Team Europe approach.

Several MS highlighted the importance of the policy first approach, open architecture, Global Gateways, commitments to targets on climate and gender and support to Least Developed and fragile countries (several MS asked for further information on the latter). France mentioned the significance of sufficient risk coverage for Development Finance Institutions who should be supported to operate in vulnerable and high risk countries and that the European Preference principle goes hand in hand with policy first.

Germany requested additional information on the inclusion of policy-based lending in the EFSD+ instrument box, stressed the need for coherence between the overarching priorities and that the Post-Cotonou agreement should also be considered as a reference document.. Finland asked for more details on cooperation under the open architecture in relation to the EFAD Council conclusions. Sweden called for additional information on the EIB windows and how EFSD+ will target most vulnerable countries. Sweden further called for clear provisions that EFSD+ will adhere to the NDICI target of 30% climate spending and 85% for gender equality. Netherlands highlighted the scarcity of bankable projects in partner countries as an operational important risk and called for a European commission proposal on how to support pipeline development by also making grant funds available. Belgium underlined the importance of an alignment with the European Sustainable Strategy, of a coherent choice linked to the investment matrixes and risk analyses, of a strong articulation with other funding modalities and finally of coherence between intra-EU programmes and NDICI. Several MS asked for further information on the strategic areas for investment. Spain supported the “policy first” principle, the regional expansion to Latin America and the Caribbean and on investment windows highlighted digitalisation, sustainable finance and health. Spain:

- Supports the process as well as the geographical extension to LATAM and the Caribbean (very vulnerable), and with a particular emphasis on Central America;
- Applauds the principle of “policy first” and democratic governance.
- On thematic areas, Spain supports what SE said on gender.
- About investment windows: Spain asks for reference to electronic government under number 2 (digitalization); highlights the importance of number 3 (water and sanitation); number 5 (sustainable finances) is cross-cutting -Spain wonders if it refers to private investment-; and, as far as human development is concerned, and with regards to health, Spain urges to draw attention to public health systems.

The EIB welcomed the guidance by Member States on overarching priorities and offered to present on EIB dedicated windows at an upcoming strategic board meeting. The European Commission and the EEAS took note of alignment and general endorsement on the strategic orientations. The Commission/EEAS will welcome further comments during the written procedure and is looking forward for additional input during the operational board meeting.

VI. PRESENTATION OF THE COMPOSITION, RULES OF PROCEDURE AND WORKING METHODS OF THE TECHNICAL RISK ASSESSMENT GROUP

The European Commission introduced the risk management group and risk management framework. An independent group, the Guarantee Risk Experts Group (GrEG), will work within a risk assessment unit common to INTPA and NEAR and will be in charge of assessing and monitoring the risk profile of the PIPs for both DGs. The Framework will ensure that EFSD+ is managed in line with the risk policy as well as with pre-defined Commission’s risk-taking capacity and portfolio provisioning rate. Several MS highlighted the need for a solid risk management.

VII. PROPOSAL TO ADMIT EBRD AND EDFI AS REGULAR OBSERVERS

DDG Marjeta Jager referred to the letter by EBRD and EDFI asking for the status as permanent observers in the EFSD+ strategic board, adding that the European Commission supports the request.

Austria, Czech Republic, Germany, the Netherlands and Romania expressed their support for the request on permanent observer status by EDFI and EBRD.

Luxembourg, Belgium, and the EIB issued an objection to granting EDFI and EBRD a status as permanent observers in the EFSD+ strategic board.

France, Portugal and Ireland expressed a reserve position due to the absence of adopted rules of procedure.