EU Financial Instruments for Ukraine: EFSD and EFSD+
EU Financial Instruments: Blending and Budgetary Guarantees

- **EU Blending**: use of a limited amount of EU funds to mobilise financing from International Finance Institutions and other investors to enhance the delivery of EU policy objectives in cooperation with partner countries.

- Started in 2008, **EU Blending has evolved into several modalities**: Technical Assistance, Investment Grants, Risk Capital, Guarantees.

- In 2017 the EU launched the **External Investment Plan (EIP)** to support investments in the EU Neighbourhood countries and Sub Saharan Africa.

- The EIP includes the **European Fund for Sustainable Development** which supplements EU Blending with a new Eur 1.5bn Guarantee for private sector operations.

- The EIP is completed by a **Technical Assistance Pillar** and more importantly by support to improve business environment and investment climate in partner countries.

- Ukraine has benefitted from blending since 2008 and it is eligible for operations under EIP and EFSD Guarantee.
EFSD+ Main Features

Eur 53bn External Action Guarantee

Eur 40bn EU Budgetary guarantee to support private and public investment in Emerging and Frontier Markets

Policy first: programmed and budgeted to respond to policy priorities at country/regional level

Financial pillar of the EU External Investment Plan: supporting investment by combining policy dialogue, key reforms, technical assistance with financial support

Support investments contributing to green and digital transition
### Ample spectrum of Investment support: EFSD+

<table>
<thead>
<tr>
<th>Sovereign &amp; non-commercial sub-sovereign</th>
<th>Commercial sub-sovereign</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiary:</strong></td>
<td><strong>Beneficiary:</strong></td>
<td><strong>Beneficiary:</strong></td>
</tr>
<tr>
<td>Government and entities fully backed by state unable to finance themselves in market.</td>
<td>Public entity able to finance themselves in the market.</td>
<td>Wide range of private sector companies: from MSMEs to corporates</td>
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<td><strong>Examples:</strong></td>
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<tr>
<td>- Large infrastructure projects (e.g. metro, hospital, port)</td>
<td>- Loan to public water and sanitation company.</td>
<td>SME credit line</td>
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<td>- Coherence with budget support, Macro-Financial Assistance.</td>
<td>- Upgrading of capacity of national utility company</td>
<td>Renewable off-grid projects</td>
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<td></td>
<td></td>
<td>Local Currency Financing</td>
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<td></td>
<td></td>
<td>Telecom investment</td>
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</table>

Implementation through European and International Finance Institutions, under the open architecture approach and through EIB dedicated windows.
EFSD+ Private Investment: Key Features

• Unfunded Guarantee **backed by the EU budget (AAA)**

• **Unconditional, irrevocable guarantee on first demand**

• **Comprehensive set of risk coverage:** commercial, political, currency

• **Priced at concessional level** based on impact criteria

• Provided through **Eligible Partner Financial Institutions**

• Portfolio approach within sector-based "**Investment Windows**"

• **Catalyse private investments** – Market creation/development
EFSD+ Ex Ante Assessment and NEAR Programming

1. Pre-Identification of main investment priorities

2. National/Regional Investment priorities

3. Pre-allocation of investment priorities into different EFSD+ instruments

4. Market Assessments/ Analysis of market failures

5. Set up of Investment Windows – according to identified market failures to be addressed.
Possible **Investment Windows** for EFSD+
open-access guarantees (to be determined by programming)

- Sustainable Energy and Sustainable Connectivity
- Micro, Small and Medium Enterprises (MSMEs) Financing
- Sustainable Agriculture, Rural Entrepreneurs and Agribusiness
- Sustainable Cities
- Digital for Sustainable Development
- Sustainable Finance and Impact Investing
EFSD+ Objective: To generate investments in emerging and frontier markets

Supporting MSME access to Finance

- General SME Finance: de-risking lending provided by local partner banks
- Sector based support: green finance, trade, digital innovation
- Financial Inclusion: credit enhancement for lending to women and young entrepreneurs, supporting very small enterprises
- Equity financing: direct investment and via funds
- Support market development, including local credit guarantee schemes (CGS) and capital market products (green bonds, social bonds, …)
<table>
<thead>
<tr>
<th>STEPS</th>
<th>INDICATIVE PERIOD</th>
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</thead>
<tbody>
<tr>
<td>Matrices Investment Priorities finalised</td>
<td>April 2021</td>
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<tr>
<td>Presentation of Investment Priorities to IFIs</td>
<td>May 2021</td>
</tr>
<tr>
<td>Adoption of NDICI – Global Europe</td>
<td>June 2021</td>
</tr>
<tr>
<td>Analysis of Market Failures (FWC) – 1st Draft Study</td>
<td>July/August 2021</td>
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<tr>
<td>Completion of programming</td>
<td>October-November 2021</td>
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<tr>
<td>Establishment of investment windows (approval by EFSD+ Strategic Boards)</td>
<td>October 2021</td>
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<tr>
<td>Call for Proposals - Open architecture</td>
<td>November 2021</td>
</tr>
<tr>
<td>Approval of Portfolios of Investment Projects</td>
<td>H1-2022</td>
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</tbody>
</table>
In partnership with financial institutions
Thanks!!!

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