

European Fund for Sustainable Development +

FINANCING THE GREEN AND NET-ZERO TRANSITION IN THE EU EASTERN PARTNERSHIP COUNTRIES AND CENTRAL ASIA

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Why use blending and EU Guarantees?

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





EFSD+ offers Blending and EU budgetary guarantees

- Blending limited amount of public grants to mobilize additional finance to projects with high additionality
- $_{\odot}$ EFSD + Guarantee unfunded Guarantee backed by the EU budget (AAA) \sim EUR 40 billion (global scope)
- Unconditional, irrevocable guarantee on first demand
- Comprehensive set of risk coverage
- Only partially provisioned (leverage)
- Provided at concessional level based on impact criteria



Where to use which instrument?





State of Implementation by 2023 – EaP countries

Composition of committed EU funding





The EFSD+ guarantee: amounts 2021-2027



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



The EFSD+ guarantee: windows

Sovereign & noncommercial sub-sovereign

Beneficiary:

Government and entities fully backed by state unable to finance themselves in market. <u>Examples:</u> - Large infrastructure projects (e.g. metro, hospital, port)

Commercial sub-sovereign

Beneficiary:

Public entity able to finance themselves in the market.

Examples:

- Loan to public water and sanitation company.

- Upgrading of capacity of national electricity company

Private sector

Beneficiary:

Wide range of private sector companies (e.g. SMEs to local banks and larger corporates). <u>Examples:</u>

- SME credit line
- Renewable energy project

Exclusive to EIB (with an opt-out clause) Dedicated window with EIB Operations with other DFIs under 'Open Access' 'Open Access' guarantees with a range of implementing partners (mainly DFIs)



How are the guarantees to derisk investments provided













How are the Guarantees to derisk investments approved

Broad Strategic guidelines		Investment windows			Call for proposals by implementing partners		
Proposed investment programmes by variety of partners (Open Architecture)		Assessm	Assessment process			Endorsement of guarantee programmes in the EFSD+ Operational Board	
	Negotiation and signature of Guarantees Agreements			Implementation and monitoring			



New Guarantee allocations under 'Open access'

60 guarantees INTPA+ NEAR for a total of €8.4 billion in priority sectors

out of which:

• 27 EFSD+ guarantees in

Neighbourhood and Enlargement countries

including 16 programmes to be implemented mainly in DG NEAR regions

> EFSD + experiences relevant for the new Ukraine facility combinaton of blended grants and EU guarantees as part of pillar 2

Proposed guarantee capacity: EUR 8.9 billion

Amounting to :

Up to €2.4 billion Guarantee Coverage

expected to generate investments in the order of €17 billion in priority sectors in NEAR regions

(Up to € 632,750,000 million guarantee coverage in EaP)



Examples of green investments that can be supported through an EFSD+ Guarantee

Green transition investments in cities, financing and accelerating the sustainable transition of cities - clean energy, water, mobility, access to finance

Access to finance for SMEs - green and inclusive business models, supply chain solutions

Projects financing RE technologies that remain still below a critical mass level in most EU partner countries:

- Larger RE investments to meet countries' RE targets /enhance energy security and diversification
- RE for self-consumption e.g. for greening industrial sites
- Investments in CRM
- Grids and network investments etc.

Projects financing the "next generation" of climate technologies which involve high technology risks and present a substantial "green premium"

- Green fuels
- Utility-size energy storage
- Low carbon materials (e.g. green cement)
- Certain e-mobility technologies and business models (e.g. battery recycling) etc.

Capital market instruments – EU Green Bond Initiative

Enabling investments in human capital

Enabling investments in digital transformation

Guarantees for investments in energy efficiency and green technology transfer in industrial processes, commercial operations and buildings,

greening logistics value chains

Investments in biodiversity and nature etc.

