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PROPOSAL

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Delegations will find attached document SWD(2025) 262 final.

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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on amending Regulation (EU) 2021/947 as regards increased efficiency of the External Action Guarantee

{COM(2025) 262 final}

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1. Introduction

The Political Guidelines for the 2024-2029 European Commission affirm that Europe needs to be more assertive on the global scene in pursuing its strategic interests by leveraging its power and partnerships. Enlargement must be seen as a geopolitical imperative, a more strategic approach to our neighbourhood needs to be followed, including flagship initiatives under the New Pact for the Mediterranean, and a new economic foreign policy must be pursued in a world where geopolitics and geoeconomics go together.

The European Fund for Sustainable Development Plus[1] (EFSD+) is the largest instrument currently in place to support investments outside the EU, both through blending operations and through the EFSD+ guarantee. It has raised a demand from implementing partners[2] largely above its current resources.

The evaluation of the External Financing Instruments[3] highlighted the catalytic effect of EFSD+ in mobilising additional finance and expertise and its alignment with the Global Gateway strategy. In addition, the report on 'The Future of European Competitiveness' by Mario Draghi[4] recommends upgrading the Global Gateway to reduce Europe's excessive external dependencies by securing supply of raw materials, clean energy, sustainable transport fuels and clean tech. Leveraged investments are also necessary to support the Growth Plans for the Enlargement countries and the flagship initiatives under the new Pact for the Mediterranean.

With emphasis on the importance for Europe in the current geopolitical and geoeconomic context to reaffirm its role as a global actor in the world, as well as the high demand for the EFSD+ guarantee, a legislative proposal[5] to amend the NDICI – Global Europe Regulation has been made to:

- assign in 2025, 2026 and 2027 to EFSD+ the surpluses of the European Fund for Sustainable Development[6] (EFSD) guarantee as from 31 December 2024,

[1] Established by Regulation (EU) 2021/947 of the European Parliament and the Council of 9 June 2021, OJ L 209/1, 14.6.2021
[2] The EIB, the EBRD, European public development banks and development financial institutions and other financial institutions, such as the International Finance Corporation (IFC).
[3] COM(2024) 208 final of 15.5.2024
[4] The Draghi report on EU competitiveness
[5] COM(2025) 262 of 28.5.2025
[6] Established by Regulation (EU) 2017/1601 of the European Parliament and the Council of 26 September 2017, OJ L 249/1, 27.9.2017

- use EFSD+ resources that do not meet the conditions of Article 214(6) of the Financial Regulation[7] to be used by the EFSD+ guarantee, to pay EFSD guarantee calls as from 31 December 2024, which will result in larger EFSD surpluses and, therefore, additional efficiency gains,
- reduce the EU coverage of the EIB exclusive dedicated investment window for sovereign and sub-sovereign non-commercial operations from 65 % to 60 %.

In parallel, a series of simplification measures, already being implemented or under discussion, will allow implementing partners to achieve efficiency gains and reorient resources to the origination and implementation of projects that maximises added value for partner countries. The reduced time to market will also support Global Gateway acceleration and implementing policy objectives in a faster way.

2. Use of EFSD surpluses to increase EFSD+ resources

The constitution phase of the EFSD Guarantee ended on 31 December 2024. From this date, the working document referred to in Article 41(5) of the Financial Regulation, attached every year to the draft budget, must indicate whether there is a surplus of provisions or a need to replenish provisions. In case of surplus in 2025, 2026 and 2027, the legislative proposal to amend the NDICI – Global Europe Regulation proposes to transfer it to the EFSD+ provisioning.

2.1 EFSD surplus 2024

Under EFSD, the Commission signed EUR 1,548.7 million of EU cover in 18 guarantee agreements. The provisionally estimated 2024 EFSD surplus of EUR 405 million is exceptionally high as, being the first one to be calculated since the establishment of EFSD, it reckons the provisions initially set aside but not needed anymore for 7 guarantee agreements, totalling EUR 399.5 million of EU cover, for which the investment period[8] ended without underlying transactions signed or – as in one case – which has been cancelled. This under-implementation is mainly due to the shock of the Covid outbreak and, in some cases, to the lack of demand for the financial products proposed, a lesson learnt and integrated in the

[7] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union.
[8] Period during which the implementing partners may sign underlying transactions covered by the EU guarantee. The EFSD regulation established a maximum investment period of four years for guarantee agreements.

selection of EFSD+ guarantee agreements. Based on the EFSD provisioning rate of 50 %, it implies EUR 199.75 million of estimated EFSD surplus as of 31 December 2024.

An additional EUR 135 million of surplus is due to the termination without losses of two loans of EUR 270 million in total under the 'COVAX I' guarantee agreement with the EIB.

The remaining 10 guarantee agreements, totalling initially EUR 879.2 million of EU cover including the loan of EUR 130 million expected to be called under the EU guarantee, reached a level of consumption of the EU cover, in terms of underlying transactions signed, between 75 % and 100 %, except one that reached 35 %. Taking into account the reimbursements, claims and recoveries related to the underlying transactions, the EU liability as of 31 December 2024 was of EUR 760.2 million, i.e. EUR 119 million less than the initial EU cover.

The above figures are summarised in the following table:

	EU liability (EUR m)	**Provisioning** (EUR m)	
EFSD guarantee agreements:			
– Signed	1,548.7	774.35	(a)
– Cancelled or no EU liability committed during the investment period	399.5	199.75	(b)
– Terminated without losses	270	135	(c)
– Decrease of the EU liability following the evolution of the underlying operations terminated (reimbursements or claims) (EUR 879.2 – 760.2 million)	119	59.5	(d)
EFSD provisions (market value as of 31.12.2024)		785.2	(e)
Unused estimated provisioning capacity [(e) – (a)]		10.85	(f)
EFSD estimated surplus as of 31.12.2024 [(b) + (c) + (d) + (f)]		405.1	(g)
EFSD estimated provisions left [(e) – (g)]		380.1	(h)

2.2 EFSD surplus 2025

The year 2025 will be a particular one in terms of implementation for EFSD as a guarantee call of EUR 130 million is expected.

On the other hand, as of 31 March 2025, EUR 193.9 million of EFSD+ resources coming form other sources than contributions to provisioning, mainly returns on investments of the EFSD+ resources held in the common provisioning fund, cannot be used during the current MFF to restore the EFSD+ guarantee up to its initial amount, as foreseen by Article 214(6) of the Financial Regulation, because there have been very few guarante calls on the EFSD+ guarantee and a limited amount of calls is forecasted until 2027:

EFSD+ Resources	Article 214(6) FR	EUR million	
EU budget contributions paid	Point (a)	2,397.85	(1)
Returns on investments (value as of 31 March 2025)	Point (b)	193.59	(2)
Recoveries	Point (c)	0.085	(3)
Fees	Point (d)	0.97	(4)
Other contributons (ACP reflows)	Point (e)	372.52	(5)
Available estimated resources to restore the guarantee [(2) + (3) + (4)]		194.64	(6)
Claims		0.71	(7)
Available estimated resources not usable [(6) – (7)]		193.93	

The legislative proposal to amend the NDICI – Global Europe Regulation proposes to allow paying EFSD guarantee calls as from 31 December 2024 with EFSD+ resources not usable by EFSD+ itself.

In addition to the call on the EFSD guarantee of EUR 130 million foreseen by the end of 2025, two other EFSD guarantee calls of EUR 1,742,537 in total have already been paid as of 30 April 2025.

By the end of 2025, these EUR 131,742,537 of EFSD claims will reduce by the same amount the EU liability under EFSD, whereas the EFSD provisions will remain unchanged as the claims will have been paid by EFSD+ resources. On that basis, and leaving aside the unknown evolution until the end of 2025 of the EU liabilities and the EFSD provisions linked to reimbursments, claims, recoveries and fees on current underlying transactions covered by EFSD, the estimated EFSD surplus as of 31 December 2025 would be:

	EUR million	
EU liability [= 760.232.823 – 131,742,537]	628.49	(1)
Provisions (see table p. 3, point h)	380.12	(2)
Effective provisioning rate	50 %	(3)
Provisions requested [(1) x (3)]	314.25	(4)
EFSD surplus as of 31.12.2025 [(2) – (4)]	65.87	(5)

The aggregate EFSD surpluses 2024-2025 would then amount to EUR 471 million (i.e. EUR 405.1m + EUR 65.9m).

3. Reduction of the EU cover of the EIB's exclusive dedicated investment window

Article 36(1) of the NDICI – Global Europe Regulation foresees that the EIB shall have the exclusivity for operations with sovereign counterparts and non-commercial sub-sovereign counterparts under an 'exclusive dedicated investment window'. It also states that for this window the EU guarantee shall cover a first loss tranche of 65 % of the portfolio of EIB loans guaranteed by the EU. The EIB assumes the residual risk of 35 %.

The legislative proposal to amend the NDICI – Global Europe Regulation proposes reducing the EU cover to 60 %.

4. Simplifying EFSD+ implementation

A series of simplification measures in the implementation of EFSD+ have already been implemented or are under discussion with the implementing partners. These measures do not require amending the NDICI-Global Europe Regulation. They will allow implementing partners to achieve efficiency gains and reorient resources to the origination and implementation of projects that maximises added value for partner countries. The reduced time to market will also support Global Gateway acceleration and implementing policy objectives in a faster way.

Simplification measures already implemented:

- Reduced negotiation and implementation burden for EFSD+ guarantee agreements by consolidating 9 proposals from 4 implementing partner under a single guarantee agreement with each implementing partner.

  The consolidation implies negotiating 4 guarantee agreements instead of 9. The negotiation of each guarantee agreement is a heavy process requiring legal counselling services and, on average, a three months full time effort by three people. The negotiation savings generated by the consolidation are EUR 0.8 million.

  In addition, the consolidation diminishes proportionately the number of deliverables by implementing partner. Each guarantee agreement requires annuallly, during 15 years on average, two financial and risk reports, an annual progress report, a set of unaudited and audited financial statements and a management declaration. The savings in terms of audit services and staff work would amount to EUR 3.2 million.

The aggregated savings of consolidating 9 guarantee agreements into 4 are EUR 4 million.

- Signing one contribution agreement covering several technical assistance (TA) components per implementing partner.

  Each TA contribution agreement is a one month full time effort by one person. The consolidation of 40 TA contribution agreements into 18 ones represents EUR 0.275 million of savings.

- Prioritising where possible top-ups to existing guarantee agreements for new proposals by implementing partners, which require negotiating only the terms related to the new operations.

  Based on an assumption of 10 top-ups during the remaining period of the current multiannual financial framework (MFF), the top-ups represent EUR 1.5 million of savings.

- Reducing the financial reporting for guarantee agreements from a quarterly frequency to a semi-annual one implies for 40 guarantee agreements during 15 years, EUR 8.6 million of savings.

The aggregate savings of the simplification measures already implemented amount to EUR 14.4 million.

A simplification measure has been proposed by repealing Article 38(6) of the NDICI – Global Europe Regulation, i.e. the removal of the requirement in the annual reporting on guarantee agreements by implementing partners to the Commission to audit the information on individual operations. It concerns 40 guarantee agreements with a remaining average lifetime of 15 years. The audit costs reduction represents EUR 1.5 million.

A simplification of the blending framework is under discussion with implementing partners. It concerns:

- the streamlining of the application form and the approval process,

- the simplification of the contracting arrangements by signing framework blending contracts,
- the consolidation of the reporting by aggregating the current individual reporting by blending operation under a single report by framework contract.

Assuming that five implementing partners will agree to the simplification, representing a portfolio of 250 blending operations, 100 of them already approved, EUR 5.6 million of savings would be realised.

The overall savings for implementing partners generated by the simplification of the EFSD+ implementation would amount to EUR 21.5 million.