EUROPEAN
COMMISSION

Brussels, 28.10.2020
COM(2020) 677 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

ON GUARANTEES COVERED BY THE GENERAL BUDGET
Situation at 31 December 2019

{SWD(2020) 241 final}

Table of Contents

1. INTRODUCTION

The objective of this report is to monitor the contingent liabilities borne by the EU budget resulting from the guarantees given for lending operations and investment support implemented directly by the European Union or indirectly through the EU guarantee.

This report is submitted pursuant to Article 149 of the previous Financial Regulation. Hence, this report on EU budget guarantees and the corresponding risks for the year 2019 is submitted for the last time and will be replaced by the future reporting scheme foreseen in Article 250 of the new Financial Regulation.

The report is structured as follows: Section 2 recalls the key features of the operations guaranteed by the EU budget; several other additional crisis management mechanisms, which do not imply any risk for the EU budget, are also presented. Section 3 lays out the evolution of the guaranteed operations managed directly by the Commission and the guaranteed EIB external financing operations (excluding EFSI and EFSD operations which are treated independently in section 6 and 7). Section 4 highlights the main risks covered by the EU budget. Section 5 outlines the activation of the guarantees and the evolution of the Guarantee Fund for external actions ("the Fund")[1], section 6 outlines the evolution of the European Fund for Strategic Investments (EFSI)[2] and section 7 outlines the evolution of the European Fund for Sustainable Development (EFSD)[3].

A Commission Staff Working Document (SWD) complements this report with a set of detailed tables and explanatory notes.

2. OPERATIONS GUARANTEED BY THE EU BUDGET AND CRISIS MECHANISMS OF THE EURO-AREA NOT COVERED BY THE EU BUDGET

The risks covered by the EU budget derive from a variety of lending and guarantee operations which can be divided into four categories:

[1] Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external actions (OJ L 293, 12.11.1994, p. 1), and subsequently amended by Council Regulation (EC, Euratom) No 480/2009 (OJ L 145, 10.6.2009, p. 10) and Regulation (EU) 2018/409 (OJ L 76, 19.3.2018, p. 1), the "Guarantee Fund Regulation".

[2] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (the "EFSI Regulation") OJ L 169, 1.7.2015, p. 1. The EFSI Regulation was amended by Regulation (EU) 2017/2396 of the European Parliament and Council of 13 December 2017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (the "EFSI 2.0 Amendment") OJ L 345, 27.12.2017, p. 34. The EFSI 2.0 Amendment increased, inter alia, the size of the EU Guarantee and adjusted the target rate. The agreement on the management of the EFSI and on the granting of the EU Guarantee (the "EFSI Agreement") was signed by the European Commission and the European Investment Bank (the "EIB") on 22 July 2015 and was amended and restated on 21 July 2016, 21 November 2017, 9 March 2018 and December 2018.

[3] Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1).

2.1 Loans granted by the European Union with macroeconomic objectives

Such loans comprise (1) Macro-Financial Assistance[4] ("MFA") loans to third countries, (2) Balance-of-Payments[5] ("BOP") loans granting support to non-euro Member States experiencing balance-of-payments difficulties and (3) loans under the European Financial Stabilisation Mechanism ("EFSM")[6] granting support to all Member States experiencing or seriously threatened with a severe economic financial disturbance caused by exceptional occurrences beyond their control. They are activated in conjunction with financial support by the International Monetary Fund (IMF).

2.2 Loans with microeconomic objectives

This heading refers to Euratom loans[7]. The Euratom loan facility may be used:

- *[in Member States]:* investments in nuclear power stations and in industrial installations in the nuclear fuel cycle [8] and

- *[in certain non-member countries]:* investments to improve the safety and efficiency of nuclear power stations that exist or are under construction, as well as decommissioning projects[9].

2.3 European Investment Bank ("EIB") financing of operations in non-Member States ("EIB external financing") covered by EU guarantees[10] (ELM).

Under the External Lending Mandate (ELM), the EU provides a guarantee from the EU budget to enable the EIB to increase its lending outside the EU in support of EU policies. The ELM supports EIB activity in the pre-accession countries, the Eastern and Southern Neighbourhood, Asia, Latin America and South Africa. Under the current ELM period (2014-2020), the EU budget guarantees up to EUR 32.3 billion of EIB operations. On 14 March 2018, the European Parliament and the Council adopted the Decision (EU) 2018/412 amending Decision No 466/2014/EU in the context of the mid-term review of the ELM notably increasing the maximum ceiling for the current ELM from EUR 27 billion to EUR 32.3 billion. This review adds a new objective of the long-term economic resilience of

---

4 MFA may also take the form of grants to third countries (not covered by this report). References to legal bases are listed in the Annex of Table A2B of the SWD.

5 Council Regulation (EC) N° 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p.1).

6 Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, p.1).

7 Treaty dated 25 March 1957 establishing The European Atomic Energy Community (Euratom) as amended and supplemented.

8 For Member States: Council Decision 77/270/Euratom of 29 March 1977 empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations (Official Journal n° L 88 of 6 April 1977, p. 9) as amended and supplemented.

9 For certain non-Member States: Council Decision 94/179/Euratom of 21 March 1994 (Official Journal n° L 84 of 29 March 1994) amending Decision 77/270/Euratom, to authorize the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non- member countries.

10 Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L135 of 8.5.2014, p.1).

refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing root causes of migration.

The EU guarantee to the EIB covers risks of a sovereign and political nature in connection with its financing operations carried out outside the Union in support of the Union's external policy objectives. In addition, the EIB finances investment operations outside the Union at its own risk, as well as activities under specific mandates such as in ACP countries.[11]

With a view to supporting Union external action, and in order to enable the EIB to finance investments outside the Union without affecting the credit standing of the EIB, the majority of its operations outside the Union benefit from an EU budgetary guarantee.

Guarantee Fund for External Actions[12]

The guaranteed EIB external financing, MFA and Euratom loans to third countries have since 1994 been covered by the Guarantee Fund for External Actions ("the Fund"), while BOP, EFSM and Euratom loans to Member States are directly covered by the EU budget.

The Fund covers defaults on loans and loan guarantees granted to non-Member States or for projects in non-Member States. It was established:

- to provide a 'liquidity cushion' in order to avoid calling on the EU budget every time a default or late payment on a guaranteed loan arises; and

- to create an instrument of budgetary discipline by laying down a financial framework for the development of the EU policy on guarantees for EU and EIB loans to third countries[13].

If third countries become Member States, loans relating to such countries are no longer covered by the Fund and the risk has to be directly borne by the EU budget. The Fund is provisioned from the EU budget and has to be maintained at a certain percentage of the outstanding amount of the loans and loan guarantees covered by the Fund. This percentage, known as the target rate, is currently 9%[14]. If resources of the Fund are not sufficient, the EU budget will provide the necessary funds. The assets of the Fund are managed by the EIB.

---

[11] The ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000, was concluded for a 20-year period from 2000 to 2020. It is the most comprehensive partnership agreement between developing countries and the EU. It is not financed by the EU budget.

[12] Council Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10) as amended by Regulation (EU) 2018/409 (OJ L 76, 19.3.2018, p. 1).

[13] Although external risks are covered *in fine* by the EU budget, the Guarantee Fund acts as an instrument to protect the EU budget against the risk of payment defaults. For the latest 2019 annual report on the Fund and its management (COM(2020) 327 final) and its Staff Working Document (SWD(2020) 136 final) approved on 17.7.2020, they are available on http://eur-lex.europa.eu/homepage.html.

[14] For a comprehensive report on the functioning of the Fund and the provisioning target rate, see COM(2014) 214 final of 8.4.2014 and its Staff Working Document (2014) 129 final.

2.4 European Investment Bank ("EIB") and European Investment Fund ("EIF") financing of operations in Member States covered by EU guarantees - The European Fund for Strategic Investments (EFSI)

The European Fund for Strategic Investments (EFSI) is the core of the investment plan for Europe, aimed at boosting long-term economic growth and competitiveness in the European Union.

The EU Guarantee[15] covers financing and investment operations signed by the EIB under the main part of the Infrastructure and Innovation Window ("IIW"), and by the EIF under the SME Window ("SMEW") and the SME / MidCap fund investment sub-window of the IIW. Part of the overall EFSI operations is covered by the EU Guarantee while a part is carried out at the own risk of the EIB Group[16].

The EIB and the EIF are responsible for assessing and monitoring the risk of the individual operations and report back to the Commission and the European Court of Auditors.

Guarantee Fund of the European Fund for Strategic Investments (EFSI GF)

According to Article 12 of the EFSI Regulation, the EFSI GF shall constitute a liquidity cushion from which the EIB shall be paid in the event of a call on the EU Guarantee. In accordance with the EFSI Agreement between the EU and the EIB, calls are paid by the EFSI GF if their amount is in excess of the funds at the disposal of the EIB on the EFSI Account. The EFSI Account, managed by the EIB, has been established for the purposes of collecting the EU revenues and recovered amounts resulting from EFSI operations under the EU Guarantee and, to the extent of the available balance, for the payment of calls under the EU Guarantee.

The target amount of the EFSI GF has been set at 35% of the total EU Guarantee obligations[17]. The risk assessment of the different products supported by the EU Guarantee shows that overall the Union budget would be adequately shielded from potential calls under the EU Guarantee with this target rate, taking into consideration recoveries, revenues and reflows from EIB operations.

The EFSI GF is provisioned progressively taking into account the increase in exposure borne by the EU Guarantee.

According to Article 12(4), the resources of the EFSI GF are directly managed by the Commission and invested in accordance with the principle of sound financial management following appropriate prudential rules.

For more information about EFSI, please check Section 6 - The European Fund for Strategic Investments (EFSI) in 2019.

---

[15] The size of the EU Guarantee has been increased from EUR 16 billion to EUR 26 billion by the EFSI 2.0 Amendment.

[16] The size of EIB Group Guarantee has been increased from EUR 5 billion to EUR 7.5 billion by the EFSI 2.0 Amendment.

[17] See Article 12(5) of the EFSI Regulation.

2.5 External Investment Plan (EIP) & The European Fund for Sustainable Development (EFSD)

The European Commission proposed on 14 September 2016 an External Investment Plan (EIP) to encourage investment in the EU's partner countries in Africa and the EU Neighbourhood region, to strengthen partnerships and contribute to achieving Sustainable Development Goals, helping to address root causes of migration.

The European Fund for Sustainable Development (EFSD) constitues the first pillar of the External Investment Plan (EIP) and provides an integrated financing package to support investments by public financial institutions and the private sector. By being open to a range of implementing partners, the EFSD is able to leverage much more public and private investment in target countries than would otherwise be possible. It comprises:

- a budgetary guarantee and
- blending instruments.

The EFSD Regulation entered into force on 26 September 2017. [18]

About the EFSD Guarantee

The EFSD Guarantee is used to reduce the risks for investment in sustainable development in partner countries, thus helping mobilise investment, especially from private sources.

The guarantee is designed to mobilise private investment worth EUR 1.54 billion. This amount has been allocated to 28 proposed investment programmes[19], expected to leverage up to EUR 17.5 billion of sustainable investment in partner countries (much of it from private sources). The guarantee can:

- attract financing for some of the initial capital ('equity' or 'risk capital') a project needs to get off the ground;
- serve as a pledge (guarantee) to pay back part of a loan if a borrower incurs losses and defaults on it.

The EFSD Guarantee Fund

The EFSD Guarantee Fund constitutes a liquidity cushion from which the eligible counterparts shall be paid in the event of a call on the EFSD Guarantee further to the conclusion of Guarantee Agreements with eligible counterparts and in line with the corresponding provisions, in accordance with Chapter III of Regulation (EU) No 2017/1601.

[18] Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1).

[19] Please note that, as part of the COVID-19 crisis response, the EFSD Operational Board of 21 April 2020 agreed to a revamping of the EFSD guarantee allocations, prioritising and topping-up guarantees providing liquidity to Micro, small and medium sized enterprises (MSMEs) and renewable energy projects, increasing their flexibility to help address socio-eocnomic impact of COVID-19 pandemic, and giving a one-year fee holiday.

The resources of the EFSD Guarantee Fund are directly managed by the Commission and invested in accordance with the principle of sound financial management under appropriate prudential rules.

The EFSD Guarantee Fund is endowed by contributions from the budget of the Union and the European Development Fund (EDF) as well as voluntary contributions from Member States and other contributors, and other sources of endowments, in accordance with Article 14 of Regulation (EU) No 2017/1601.

The provisioning rate is stablished at 50 % of the total EFSD Guarantee obligations covered by the general budget of the Union.

For more information about EFSD, please check Section 7 in this report – The European Fund for Sustainable Development (EFSD) in 2019.

2.6 Crisis management mechanisms which are not covered by the EU budget

As part of the response to the crisis, several other mechanisms have been established which, however, do ***not*** imply any risk to the EU budget and they are only mentioned below for the sake of completeness:

- *the Greek Loan Facility (GLF)*[20] which is financed via bilateral loans from other euro area Member States to Greece, centrally administered by the Commission.

- *European Financial Stability Facility (EFSF)*[21]: The EFSF was created by the euro area Member States as a temporary rescue mechanism in June 2010 to provide financial assistance to euro area Member States within the framework of a macroeconomic adjustment programme. The Treaty establishing a permanent rescue mechanism, the European Stability Mechanism (ESM), entered into force on 27 September 2012. Since 1 July 2013, the EFSF continues with its ongoing programmes to Greece (together with the IMF and some Member States) as well as to Ireland and Portugal (together with the IMF, some Member States and EU/EFSM)[22] but is no longer engaged in new financing programmes or loan facility agreements.

- *European Stability Mechanism (ESM)*[23]: The ESM is an important component of the comprehensive EU strategy designed to safeguard financial stability within the euro area by providing financial assistance to euro area Member States experiencing or threatened by financing difficulties. It is an intergovernmental organization under public international law, based in Luxembourg, with an effective lending capacity of EUR 500 billion.

[20] About the GLF: http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm.

[21] About the EFSF: http://www.efsf.europa.eu.

[22] The loans granted under the EU/EFSM are guaranteed by the EU budget. For more information about EFSM, please see section 3.1.1.

[23] About the ESM: http://esm.europa.eu.

3. EVOLUTIONS OF GUARANTEED OPERATIONS

This section sets out the evolution of the guaranteed operations; firstly of those managed directly by the Commission and secondly those managed by the EIB.

Table 1: Total outstanding amounts covered by the EU budget at 31 December 2019 (in EUR million)

	Outstanding Capital	Accrued Interest	Total	%
Member States*				
Euratom	112.8	0.3	113.2	0.1%
BOP	200.0	1.1	201.1	0.2%
EIB	932.6	7.0	939.6	1.2%
EFSM	46 800.0	594.4	47 394.4	58.5%
Sub-total Member States**	48 045.4	602.9	48 648.3	60.1%
Third Countries***				
MFA	4 728.6	25.8	4 754.4	5.9%
Euratom	100.0	0.5	100.5	0.1%
EIB****	27 324.8	138.2	27 463.0	33.9%
Sub-total third countries	32 153.4	164.4	32 317.8	39.9%
Total	80 198.8	767.3	80 966.1	100%

* This risk is directly covered by the EU budget. This also includes Euratom and EIB loans granted to Member State countries prior to their accession to the EU.

** This figures does not include the guarantee exposure of the EU in relation to disbursed outstanding EFSI operations which amounted to EUR 17.7 billion, as at 31 December 2019.

*** The risk covered by the Fund is limited to EUR 24.5 billion due to the limitations of the guarantees given to the EIB under each one of the external lending mandates (ELM) (see section 2.1.3 - Guarantees given to the EIB of the associated Staff Working Document).

**** Loans subrogated to the EU following Syria and Enfidha (Tunisia) defaults on EIB loans are included (amount: EUR 426.36 million of outstanding capital). These loans have been fully impaired in the EU Financial Statements of 2015, 2016, 2017, 2018 and 2019.

Tables A1, A2a, A2b and A3 of the SWD provide more detailed information on these outstanding amounts, in particular in terms of ceiling, disbursed amounts or guarantee rates.

3.1 Operations managed directly by the Commission

Financial support for third countries and Member States in the form of bilateral loans financed from the capital markets with the guarantee of the EU budget is provided by the Commission under various legal acts of the Council or of the Council and the European Parliament, depending on the objectives pursued. The consistency of financial support to third countries with the overall objectives of the EU external action policy is ensured by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy, assisted by the European External Action Service (EEAS).

In order to finance the lending activities decided by the Council, the Commission is empowered to borrow funds on the capital markets on behalf of both the European Union and Euratom. Borrowing and lending is conducted as back to back operations, which ensures that the EU budget does not take any interest rate or foreign exchange risk. Outstanding borrowings are matched by outstanding loans.

Table 1b Operations of the EU in 2019 (in EUR million)

Instrument	Beneficiary (instalment tranche)	Disburs. Date	Maturity	Amount Issued (EUR million)	Amount Issued (EUR million)
MFA	Jordan II - 2nd instalment	03-07-2019	04-12-2035	100	420
	Tunisia II - 2nd instalment	03-07-2019	04-12-2035	150	
	Moldavia IV - 1st instalment	18-10-2019	18-04-2034	20	
	Tunisia II - 3rd instalment	13-11-2019	13-11-2034	150	
				TOTALs	**420**

Table 2: New Borrowing-and-lending operations (guaranteed by the Union budget) planned for 2020 and 2021 (in EUR million)

Instrument	2020	2021
A. Union and Euratom borrowing-and-lending operations with a Union budget guarantee		
1. Union macro-financial assistance for third countries (MFA)s		
Operations decided or scheduled:		
Georgia III - 2nd instalment	20	
Moldova IV - 2nd instalment	20	
Ukraine MFA IV - 2nd instalment	500	
Omnibus MFA **[*]**	1 500	1 500
Subtotal MFA	**2 040**	**1 500**
2. Euratom loans		
Operations decided or scheduled:		
Energoatom (Ukraine) - 3rd instalment	100	
Energoatom (Ukraine) - 4th instalment	100	
Subtotal Euratom	**200**	**0**
3. European Financial Stabilisation Mechanism (EFSM) **[**]**		
Operations decided or scheduled:		
Ireland - 3rd Leghtening		3 000
Portugal - 3rd Leghtening		6 750
Subtotal EFSM	**0**	**9 750**
4. *Balance of payments*	**0**	**0**
5. SURE beneficiaries (various EU MS)**[***]**	**40 000**	**60 000**
Subtotal A	**42 240**	**71 250**
B. European Investment Bank loans with a Union budget guarantee[****]		
1. Pre-accession countries	887	678
2. Neighbourhood and partnership countries	2 334	1 816
3. Asia and Latin America	597	266
4. Republic of South Africa	66	50
Subtotal B	**3 884**	**2 810**
Grand total	**46 124**	**74 060**

[*] The Covid19 related omnibus MFA will be disbursed in two instalments to 10 beneficiary countries; we assume full disbursement of the total approved amount of €3bn, of which the 1st inst. in 2020 and the 2nd in 2021.
[**] Maturity lengthening operations for Portugal and Ireland are expected for 2021 with EUR 9.75 billion of loans coming due in June (EUR 5 bn) and September (EUR 4.75 bn).
[***] We assume that the maximum amount of EUR 100 billion available under SURE will be requested by MS, of which €40bn in 2020 and €60bn in 2021. The SURE Regulation provides that loans can be granted until 31/12/2022.
[****] Planned annual disbursements. Figures received from EIB the 15.11.2019.

3.1.1 European Financial Stabilisation Mechanism (EFSM)

In its conclusions of 9/10 May 2010, the ECOFIN Council foresaw a volume of the mechanism of EUR 60 billion[24]. In addition, euro-area Member States stood ready to

[24] Cf. Press release on extraordinary Ecofin Council meeting 9/10 May 2010 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114324.pdf).

complement such resources if necessary. Article 2(2) of Council Regulation No 407/2010[25] limits the outstanding amount of loans or credit lines to be granted to Member States to the margin available under the own resources ceiling for payment appropriations.

Following the Council decisions to grant Union financial assistance to Ireland[26] (up to EUR 22.5 billion) and Portugal[27] (up to EUR 26 billion), disbursements reached EUR 22.5 billion to Ireland and EUR 24.3 billion to Portugal (the remaining EUR 1.7 billion were not requested by the Portuguese government). Accordingly, the EFSM has a remaining capacity of EUR 13.2 billion to provide further assistance, if required.

In April 2013 the Eurogroup/ECOFIN decided to increase the maximum weighted average maturity of EFSM loans from 12.5 to 19.5 years, thus offering an option to the beneficiary countries to request a lengthening of loan maturities up to 2026 (tranche by tranche).

Developments during 2019

No developments

3.1.2 Balance of Payments facility (BOP)

The EU medium-term financial assistance under the BOP facility was re-activated at the end of 2008 to support Hungary and subsequently Latvia and Romania to restore market confidence for a total commitment of EUR 14.6 billion, of which EUR 13.4 billion were disbursed.

Developments during 2019

Romania repaid their last tranche of EUR 1 billion in May 2019 and Latvia repaid a tranche of EUR 500 million also in May 2019. After these repayments, the outstanding amount of BOP loans has thus decreased from EUR 1.7 billion to EUR 200 million in 2019.

At 31 December 2019, the BOP facility had a remaining capacity of EUR 49.8 billion out of an overall ceiling of EUR 50 billion to provide further assistance if required.

3.1.3 Macro-Financial Assistance loans (MFA)

As a general rule, MFA decisions are taken by the European Parliament and the Council (Article 212 of the TFEU). However, the Council may adopt the decision on a proposal from the Commission when the situation in a third country requires urgent financial assistance (Article 213 of the TFEU). That procedure was used in the second MFA package for Ukraine in 2014.

[25] Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, p.1).

[26] Council Implementing Decision 2011/77/EU of 7 December 2010 on granting Union financial assistance to Ireland (OJ L 30, 4.2.2011, p. 348).

[27] Council Implementing Decision 2011/344/EU of 30 May 2011 on granting Union financial assistance to Portugal (OJ L 159, 17.6.2011, p. 88); see also corrigendum (OJ L 178, 10.7.2012, p.15).

Developments during 2019

Hashemite Kingdom of Jordan

Jordan's second programme (MFA II)

The Memorandum of Understanding (MoU) and the Loan Facility Agreement (LFA) for Jordan II were signed on the 19th September 2017. The ratification by the Jordanian Authorities also took place on the 19th September 2017 and the entry into force of the Loan Agreement on the 3rd October 2017. The first tranche of EUR 100 million (out of the EUR 200 million decision) of Jordan's second programme (MFA II)[28] was disbursed on 25th October 2017. The second and last tranche of EUR 100 million was disbursed on 3rd July 2019.

Tunisia

Tunisia's second programme (MFA II)

The Memorandum of Understanding (MoU) and the Loan Facility Agreement (LFA) for Tunisia II were signed on the 27th April 2017. The ratification by the Tunisian Authorities took place on the 11th August 2017 and the entry into force of the Loan Agreement on the 8th September 2017. The first tranche of EUR 200 million (out of the EUR 500 million decision) of Tunisia's second programme (MFA II)[29] was disbursed on 25th October 2017. The second and third last tranches of EUR 150 million each were disbursed on 3rd July 2019 and 11th November 2019 respectively.

Republic of Moldova

On 13 September 2017, the European Parliament and the Council decided to provide further macro-financial assistance to the Republic of Moldova of EUR 100 million (up to EUR 60 million provided in the form of loans and up to EUR 40 million in the form of grants) [30].The first tranche of EUR 20 million was disbursed in October 2019 and the second tranche in July 2020.

Additional information

Regarding repayments, EUR 52.13 million were repaid by the beneficiary countries: Albania (EUR 1.8 million), Bosnia and Herzegovina (EUR 14 million), Montenegro (EUR 0.3 million) and Serbia (EUR 36.03 million).

The outstanding amount of MFA loans has increased from EUR 4.4 billion to EUR 4.7 billion between 31 December 2018 and 31 December 2019. Loans to Ukraine represent 70% of the total MFA exposure.

---

28 Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 352, 23.12.2016, p. 18).

29 Decision (EU) 2016/1112 of the European Parliament and of the Council of 6 July 2016 providing further macro-financial assistance to Tunisia (OJ L 186, 09.07.2016, p. 1).

30 Decision (EU) 2017/1565 of the European Parliament and of the Council of 13 September 2017 on providing macro-financial assistance to the Republic of Moldova (OJ L 242, 20.09.2017, p.14).

3.1.4 Euratom loans

The Euratom lending to Member States or in certain eligible non-member countries (currently Russian Federation, Armenia, Ukraine) has a ceiling of EUR 4 billion of which around 92% has already been disbursed. EUR 326 million remain under the EUR 4 billion of lending allowed by Decision 77/270/Euratom[31].

Ukraine

A loan of EUR 300 million to Ukraine dedicated to the safety upgrade of existing nuclear facilities was granted by Commission Decision of 24/06/2013[32]. The loan is provided in close cooperation with the EBRD, which provides another EUR 300 million loan in parallel.

These loans benefit from State guarantees which cover 100% of the amounts outstanding at year end. The first Euratom tranche of EUR 50 million was disbursed in May 2017, the second Euratom tranche of EUR 50 million was disbursed in June 2018 and the third Euratom tranche of EUR 100 million was disbursed in July 2020.

Bulgaria and Romania

A loan of EUR 212.5 million was granted to Bulgaria in the form of a multicurrency facility for the modernization of the nuclear power plant of Kozloduy (Units 5 and 6). The loan agreement signed between the European Atomic Energy Community and AEZ "Kozloduy" EAD was signed on 29 May 2000. At 31 December 2019, the outstanding amount was EUR 16.9 million.

A loan of EUR 223.5 million was granted to Romania in the form of a multicurrency facility for the completion of Unit 2 of the nuclear power plant Cernavoda. The loan agreement signed between the European Atomic Energy Community and Societatea Nationala Nuclearelectrica S.A. was signed on 11 June 2004. At 31 December 2018, the outstanding amount was EUR 95.9 million.

Since 1 January 2007, when Bulgaria and Romania became Member States , the outstanding risk of these operations have been directly covered by the EU Budget and no longer by the Guarantee Fund for External Actions.

3.2 Evolution of the EIB external financing operations

<u>Developments during 2019</u>

Under the EIB ELM mandate covering the period 2014-2020, a total amount of EUR 22.44 billion had been signed at 31 December 2019, of which only EUR 7.99 billion was disbursed at that date, leaving the outstanding capital at EUR 7.03 billion (see Table A3

[31] 77/270/Euratom Council Decision of 29 March 1977 empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations, which was amended by 94/179/Euratom Council Decision of 21 March 1994 to authorize the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non- member countries.

[32] C(2013) 3496.

of the SWD). For more information on the countries covered by the EIB mandates, see Tables A1, A3 and A4 of the SWD.

For previous EIB external lending mandates, see Table A3 of the SWD.

Defaults on interests payments and loan repayments from the Syrian Government continued in 2019. The EIB has called on the Guarantee Fund to cover those defaults (see paragraph 5.2 below).

Outstanding amounts at 31 December 2019 for the various facilities referred to in this section are presented in Table 1.

4. RISKS COVERED BY THE EU BUDGET

4.1 Definition of risk

The risk borne by the EU budget derives from the outstanding amount of capital and interest in respect of guaranteed operations.

For the purpose of this report, two methods are used for evaluating the risks borne by the EU budget (either directly or indirectly via the Fund):

– "The total risk covered" is based on the sum of the total amount of capital outstanding for the operations concerned on a given date including accrued interest[33].

– The budgetary approach defined as "the annual risk borne by the EU budget" is based on the calculation of the maximum amount of annual payments due which the EU would have to pay out in a financial year assuming that all payments of the guaranteed loans are in default[34].

4.2 Total risk composition

Until 2010 the maximum risk in terms of total outstanding amounts covered was mainly linked to loans granted to third countries. Since 2011, the financial crisis has heavily affected the public finances of the Member States leading to an increase in the lending activity of the EU to support sovereign financing needs in Member States.

As a consequence the composition of risk has changed. At 31 December 2019, 60.1% of the total outstanding amount[35] concerns borrowing operations linked to loans to Member States which are directly covered by the EU budget (compared to 45% at 31.12.2010).

4.3 Annual risk covered by the EU budget

With reference to outstanding loans at 31 December 2019 (see Table 1 above) the maximum amount which the EU would have to pay out during the year 2020 (directly and via the Fund) - *assuming* that *all* guaranteed loans would be in default - is EUR 4 509 million. That amount

[33] See Table 1 of the Report.

[34] For the purpose of that calculation, it is assumed that defaulting loans are not accelerated, i.e. only payments due are taken into account (see Tables 2 and 3 of the report and Table A4 of the SWD).

[35] See Table 1.

represents the capital and interest payments from guaranteed loans falling due during 2020, assuming that defaulting loans are not accelerated (for details see Table A4 in SWD).

4.3.1 Member State exposure

In 2020, the EU will bear a maximum annual risk related to operations with Member States (MS) of EUR 1 374.2 million (30.5% of the total annual risk). That risk concerns:

(a) EIB lending and/or Euratom loans granted before Member States' accession to the EU;

(b) the loans granted under the BOP facility, and

(c) the loans granted under the EFSM scheme.

Table 2: Ranking of the Member States according to the annual risk borne by the EU budget in 2020 (EUR million)

Ranking	Country	Loans	Max annual risk	Weight of the country vis-à-vis annual risk of MS	Weight of the country vis-à-vis total annual risk 2020 (MS and non-MS)
1	Portugal	c)	584.25	42.5%	13.0%
2	Ireland	c)	515.63	37.5%	11.4%
3	Romania	a)	143.10	10.4%	3.2%
4	Bulgaria	a)	46.52	3.4%	1.0%
5	Croatia	a)	32.63	2.4%	0.7%
6	Poland	a)	18.07	1.3%	0.4%
7	Slovakia	a)	12.98	0.9%	0.3%
8	Czech Republic	a)	12.07	0.9%	0.3%
9	Latvia	a+b)	7.17	0.5%	0.2%
10	Lithuania	a)	1.83	0.1%	0.0%
Total			1 374.25	100.0%	30.5%

4.3.2 Third country exposure

In 2020, the Fund will bear a maximum annual risk related to the exposure to third countries of EUR 3 134.41 million (69.5% of the total annual risk). The risk linked to third countries concerns EIB lending, MFA and Euratom loans (details are included in Table A2b of the SWD). The Fund covers guaranteed loans to third countries with maturities extending up to 2042.

The top ten countries (out of 45 non-MS) are ranked below according to the repayments due in 2020. They account for EUR 2 716.77 million or 86.7% of the annual risk related to third countries borne by the Fund for 2020.

Table 3: Ranking of the **10 third countries** with the highest exposure according to the annual risk borne by the EU budget in 2020 (EUR million)

Ranking	Country	Max annual risk	Weight of the country vis-à-vis annual risk of third countries	Weight of the country vis-à-vis total annual risk 2020 (MS and non-MS)
1	Ukraine	788.63	25.2%	17.5%
2	Turkey	633.31	20.2%	14.0%
3	Morocco	296.26	9.5%	6.6%
4	Egypt	271.87	8.7%	6.0%
5	Tunisia	269.76	8.6%	6.0%
6	Serbia	148.86	4.7%	3.3%
7	South Africa	100.64	3.2%	2.2%
8	Bosnia and Herzegovina	78.11	2.5%	1.7%
9	Lebanon	71.94	2.3%	1.6%
10	Panama	57.37	1.8%	1.3%
Total (top 10)		2 716.77	86.7%	60.3%

5. ACTIVATION AND PAYMENT OF GUARANTEES

5.1 Debt service not covered by the Guarantee Fund for External Action (Euratom loans to Member States, EFSM and BoP)

Article 323 TFEU states that “the financial means are made available to allow the Union to fulfil its legal obligations in respect of third parties”. Accordingly, the EU legislative framework and the procedures in place ensure that Member States make mandatorily available to the EU budget the financial means necessary for the Union to always fulfil its legal obligations.

Thus the EU has in place multiple layers of very robust safety mechanisms to ensure that it will always reimburse its own lenders timely and in full. Each one of the main safety mechanism would per se be enough to ensure reimbursements are made.

5.1.1 Payments from cash resources

The EU budget provisionally covers the debt service at due dates in case a debtor fails to repay its loan to the EU on time. The Commission draws on its cash resources in order to avoid delays and any resulting costs in servicing its borrowing operations[36].

Being mindful of most expenditures taking place during the first quarter of each year, debt redemption is structured for the months thereafter as well as for the beginning of each month when cash balances are highest.

5.1.2 Payments from the EU budget

In the event of default by a Member States[37] and if the EU's own resources are insufficient, the Commission can use available EU budget resources and prioritise debt repayment over other non-obligatory expenditures. According to Article 14(4) of Council Regulation No 609/2014, if this proves to be insufficient, EU legislation obliges Member States to provide additional contributions necessary to repay the debt and to balance the budget, up to a ceiling of 1.20% of EU GNI.

As no default from Member States occurred during the year 2019, no appropriation was requested.

5.2 Calls on the Guarantee Fund for External Actions and recoveries (ELM, MFA and Euratom loans to Third countries)

In the event of late payment by the beneficiary of a loan to third countries granted or guaranteed by the EU, the Guarantee Fund is called on to cover the default within three months of the request.

For ELM loans, the amounts called by the EIB are withdrawn from the Guarantee Fund account after authorization by the Commission services. When the EU makes a payment under the EU Guarantee, it is subrogated into the rights and remedies of the EIB [38]. For Euratom and MFA loans, if the payment delay reaches three months after the due date, the Commission draws on the Fund to cover the default[39] and to replenish its treasury.

In the context of the ELM, recovery proceedings are undertaken by the EIB on behalf of the EU in respect of the subrogated sums[40].

[36] See Article 14 of Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (OJ L 168, 7.6.2014, p. 39).

[37] See Article 14(3) of Regulation (EU, Euratom) No 609/2014.

[38] See Article 8.7 of Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L 135, 8.5.2014, p. 1), amended by Decision (EU) 2018/412 of the European Parliament and the Council of 14 of March 2018 amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L 76, 19.3.2018, p. 30).

[39] Except for Bulgaria and Romania which were granted Euratom loans before joining the Union. The loans (and loans guarantees) to accession countries were covered by the Fund until the date of accession. From that date, those that remained outstanding ceased to be external actions of the Union and are therefore covered directly by the EU budget.

[40] For further information on recovery proceedings, see also the Recovery Agreement signed on 3 October 2018 between the European Union and The European Investment Bank governing modalities and

EIB loans to projects in Syria

Starting from December 2011, the EIB has experienced defaults on certain interest payments and loan repayments from the Syrian Government. Since official payment requests have remained unsuccessful, the EIB started to call on the Guarantee Fund in May 2012. The evolution of the calls corresponding to defaulting loans in Syria is presented in Table 4a.

Table 4a: Calls on the Guarantee Fund due to defaulting loans in Syria (in EUR million)

Year (Withdrawal from GF account on)	Number of calls paid	Amount of due instalments	Penalties and accrued interests[41]	Amount recovered	Total
2012	2	24.0	0.0	2.1	21.8
2013	8	59.3	1.4	0.0	60.7
2014	8	58.7	1.5	0.0	60.2
2015	8	58.7	1.5	0.0	60.2
2016	12	103.8	2.4	0.0	106.2
2017	13	56.1	0.2	0.0	56.3
2018	12	55.7	0.1	0.0	55.7
2019	14	54.8	0.06	0.0	54.91
Total	63	471.01	7.09	2.1	475.96

At 31 December 2019, the total capital outstanding of guaranteed loans related to Syria amounted to EUR 555 million of principal[42], with the final loan maturity in 2030.

TAV Tunisie S.A. (Enfidha airport)

In 2016 the EIB called the EU guarantee under the external lending mandate in relation to a loan to TAV Tunisie S.A. (Enfidha airport).

On 15 January 2018, EUR 0.14 million recovered from Enfidha Airport were credited to the Guarantee Fund for External Actions. This amount had already been recognised as an asset (receivable) in the balance sheet of 31 December 2017.

The calls on the Fund corresponding to the defaulting loan to TAV Tunisie S.A. (Enfidha airport) are presented in Table 4b.

procedures for recovery of payments made by the EU under the guarantees granted by it to the EIB against losses under financing operations supporting investment projects outside the EU.

41 Penalties and accrued interests are claimed by the EIB only with the second payment request of each individual loan and run from the default date until the payment date by the Guarantee Fund.

42 This includes the amount of EUR 394.2 million (principal) already called by the EIB until 31.12.2019.

Table 4b: Call on the Guarantee Fund relating to TAV Tunisie S.A. (Enfidha airport) (in EUR million)

Year of withdrawal	Number of calls paid	Amount called	Amount recovered	Total
2016	1	4.65	0.00	4.65
2017	3	30.17	0.00	30.17
2018	0	0.0	0.14	-0.14
Total	4	34.82[43]	0.14	34.68

Developments subsequent to 31 December 2019 (until 31 May 2020)

Enfidha Airport (Tunisia)

In January 2020, the amount of EUR 0.7 million was credited to the Guarantee Fund bank account. This was a partial recovery of a loan for Enfidha Airport (Tunisia) which was collected by EIB in December 2019.

Syria

In January, March and May 2020, EUR 12.7 million in total were paid in four calls for defaulted payments of Syria (EUR 3.2 million, EUR 0.5 million, EUR 7.4 million and EUR 1.7 million including penalties applied by EIB).

5.3 Evolution of the Guarantee Fund for External Actions in 2019

In accordance with the Regulation establishing the Guarantee Fund for External Actions ("the Guarantee Fund Regulation")[44], the appropriate level of provisioning (target amount) is set at 9% of the total outstanding capital liabilities arising from each operation, plus accrued interest. A provisioning mechanism is in place to ensure the target amount is met.

On the basis of the provisioning mechanism, the EU budget paid EUR 103.2 million to the Fund in February 2019, while in February 2020 the respective payment amounted to EUR 240.2 million.

The Guarantee Fund totalled EUR 2 828 738 292.88 as of 31 December 2019 (EUR 2 609 881 747.51 as of 31 December 2018)[45].

The total balance sheet value of the Fund increased by about EUR 218.86 million in 2019. This is mainly explained by the following:

[43] This amount include a one-off fee of EUR 1 467 504.32 in respect of recovery proceedings undertaken and to be undertaken by the EIB for this specific contract in accordance with the Recovery Agreement.

[44] Council Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10) as amended by Regulation (EU) 2018/409 (OJ L 76, 19.3.2018, p. 1).

[45] These amounts include a receivable from EU budget of EUR 240,152,822.10 in 2019 (paid from the budget in 2020; and of EUR 103,222,935.00 in 2018, paid in 2019.

Increases:

- The contribution receivable from the EU budget (provisioning amount) of EUR 240.15 million to adjust the Fund to its target amount of 9% of the total outstanding liabilities;

- The economic result on financial operations amounted to EUR 25.13 million.

- The portfolio valuation increased by EUR 8.6 million due to the mark-to-market adjustment of its value.

Decreases:

- Interventions of the Fund to cover defaulted payments for a total amount of EUR 54.9 million.

For more information about the Guarantee Fund for External Actions in 2019, please refer to the Report from the Commission to the European Parliament, the Council and the Court of Auditors on the Management of the Guarantee Fund for External actions at 31.12.2019 and the associated staff working document (SWD) [46].

6. THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI) IN 2019 [47]

6.1 Financial Statements of the EFSI Guarantee Fund as at 31 December 2019

The total assets of the EFSI GF stood at EUR 6 688 million as at 31 December 2019. The assets comprised the investment securities portfolio, classified as available-for-sale (EUR 6 654 million), an FX forward sale of USD with positive net present value, classified as financial assets at fair value through surplus and deficit (EUR 3 million), and cash and cash equivalents (EUR 31 million).

In terms of the 2019 statement of financial performance, the EFSI GF ended the year with an economic result of EUR 21.7 million. The main contribution came from a positive net interest revenue of EUR 18.3 million and net gains from sales of available-for-sale securities[48] (EUR 17.1 million). This was offset by a negative foreign exchange revaluation result of

---

[46] COM(2020) 327 and SWD(2020) 136 of 17.07.2020, available on http://eur-lex.europa.eu/homepage.html.

[47] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (the "EFSI Regulation"). The EFSI Regulation was amended by Regulation (EU) 2017/2396 of the European Parliament and Council of 13 December 2017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (the "EFSI 2.0 Amendment"). The EFSI 2.0 Amendment increased, inter alia, the size of the EU Guarantee and adjusted the target amount. The agreement on the management of the EFSI and on the granting of the EU Guarantee (the "EFSI Agreement") was signed by the European Commission and the European Investment Bank (the "EIB") on 22 July 2015 and was amended and restated on 21 July 2016, 21 November 2017, 9 March 2018, 20 December 2018, 27 March 2020 and 27 April 2020.

[48] The net figure is composed of gains of EUR 18.5 million and losses of EUR 1.4 million.

EUR -13.1 million[49]. The remaining net expense of EUR -0.6 mainly consisted of custodian fees.

6.2 EFSI operations under the EU guarantee

The guarantee exposure of the EU in relation to disbursed outstanding EFSI operations by the EIB Group amounted to EUR 17.7 billion, as at 31 December 2019, out of the net available legal commitment[50] of EUR 25.8 billion of EU guarantee. The amount of EUR 17.6 billion is recorded as a contingent liability in the notes to the 2019 financial statements of the EU, while a provision has been recognised for the remaining amount of 0.1 billion (74 million).

In 2019, EFSI operations managed by the EIB under the Infrastructure and Innovation Window generated a net revenue of EUR 299.5 million for the EU[51]. Of this amount, a net receivable of the Commission from the EIB as at 31 December 2019 of EUR 50.8 million was recorded in the 2019 EU financial statements.

For the EFSI operations under the SME Window, the EU incurred cost of EUR 109.9 million in 2019[52]. Out of this, EIF fees and costs of EUR 37.9 million recorded in the 2019 EU financial statements are payable to the EIF after 31 December 2019.

6.3 Provisioning of the EFSI Guarantee Fund

A total budgetary appropriation of EUR 357 million was committed in 2019 relating to the provisioning of the EFSI GF. Of this amount, a budgetary appropriation of EUR 167 million was committed in through Commission Decision C(2019)875[53]. Additional commitment appropriations for an amount of EUR 190 million were committed as assigned revenue.

A total amount of EUR 1 166 million was effectively paid into the EFSI GF during the year. Of this, the bulk came from payment appropriations of the general budget of the EU, while an amount of EUR 163 million was recovered as assigned revenue (EUR 136 million from EFSI revenues and EUR 27 million from Connecting Europe Facility revenues) and an amount of EUR 3 million was transferred as additional payment appropriations at the end of the budgetary year.

6.4 Calls and use of the EU Guarantee

In 2019, in accordance with Article 8.1(a) of the EFSI Agreement, the EU Guarantee was called for an amount of EUR 3.5 million related to one defaulted equity-type operation under the Infrastructure and Innovation Window. In addition, an amount of EUR 1.4 million was

---

49 After hedging the currency risk of the USD-denominated portion of the portfolio.

50 According to Article 11 of the EFSI 2.0 Amendment, the EU Guarantee shall not, at any time, exceed EUR 26 billion and not exceed EUR 16 billion before 6 July 2018. Calls and uses of the EU Guarantee, and provisions for portfolio guarantee products under SME Window, are deducted from the maximum amount of the EU Guarantee.

51 This amount includes EUR 135.0 million of unrealized revenue derived from upward movement of the IIW equity portfolios’ fair value at 31 December 2019 compared to 31 December 2018.

52 This amount includes EUR 69.5 million of financial provisions in respect of the SMEW debt portfolios, as well as EUR 4.3 million of unrealized expenses derived from downward movement of the SMEW equity portfolios’ fair value at 31 December 2019 compared to 31 December 2018.

53 Commission Decision of 11.02.2019 on the adoption of the annual work programme for 2019 for the Directorate General for Economic and Financial Affairs, serving as a financing decision.

called for EIB funding costs[54], EUR 27.3 million for value adjustments[55] and EUR 0.14 for recovery costs[56]. Under the SME Window, there was one call for an amount of EUR 8.1 million for non-euro hedging.

All calls have been paid from funds available on the EFSI Account. There were no calls paid from the EFSI GF.

For more information about EFSI and the EFSI Guarantee Fund in 2019, please refer to the Report from the Commission to the European Parliament, the Council and the Court of Auditors on the Management of the GF of the EFSI at 31.12.2019 and the associated staff working document (SWD)[57].

7. EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT (EFSD) IN 2019

7.1 Investment Programmes

By April 2018, a number of partner financial institutions (FIs) had proposed more than 40 investment programmes in excess of EUR 3.5 billion for cover by the EFSD Guarantee under the five priority areas for investment (investment windows), i.e. a) Sustainable Energy and Connectivity, b) Micro, small and medium sized enterprises ('MSME') Financing, c) Sustainable Agriculture, Rural Entrepreneurs and Agribusiness, d) Sustainable Cities and e) Digital for Development.

In June and November 2018, based on the FIs' proposals, the EU allocated EUR 1.54 billion for 28 guarantees[58].

As of 31 December 2019 in total three EFSD guarantee agreements that amount to EUR 165 million were concluded.

Nasira

The first EFSD guarantee agreement for the amount of EUR 75 million was signed on 18 December 2018 with the triple A-rated Dutch Development Bank FMO for the NASIRA Risk-Sharing Facility. The guarantee will allow local banks to provide loans to groups they normally perceive as too risky. By so-called 'risk-sharing' NASIRA will reduce the perceived and real risks of lending to vulnerable and underserved groups of the population within the European Neighbourhood and Sub-Saharan Africa, thus enabling and stimulating financing needed for people who want to grow their (micro) business. FMO expects that NASIRA will create and support up to 800 000 jobs and benefit small and medium-sized enterprises (SMEs), internally displaced people, refugees, returnees, women and young people.

---

[54] See Article 8.1(d) of the EFSI Agreement.

[55] See Article 8.1(b) of the EFSI Agreement.

[56] See Articles 8.1(d) and 11.7 of the EFSI Agreement.

[57] COM(2020) 385 and SWD(2020) 162 of 18.08.2020, available on http://eur-lex.europa.eu/homepage.html.

[58] Please note that, as part of the COVID-19 crisis response, the EFSD Operational Board of 21 April 2020 agreed to a revamping of the EFSD guarantee allocations, prioritising and topping-up guarantees providing liquidity to Micro, small and medium sized enterprises (MSMEs) and renewable energy projects, increasing their flexibility to help address socio-eocnomic impact of COVID-19 pandemic, and giving a one-year fee holiday.

FMO Ventures

This EUR 40 million guarantee agreement with FMO signed on 11 November 2019 will guarantee venture capital to start-up companies, in particular led by young entrepreneurs. The companies will use technology to lower the costs of making or supplying products and services that were previously unaffordable to many people. The guarantee will target companies offering digital solutions in a wide range of areas, from agriculture, access to energy and financial services to education, healthcare, transport and logistics. FMO expects that Venture Programme will support up to 125 000 new jobs, directly and indirectly.

Scale up Renewable Energy Investments

This EUR 50 million guarantee agreement with European Bank for Reconstruction and Development (EBRD) signed on 29 November 2019 will help to scale up investment in renewable energy in Ukraine and in the EU Southern Neighbourhood, in particular in Jordan, Lebanon and Tunisia. The guarantee aims to substantially boost renewable energy potential. EBRD expects that this guarantee will help to generate a total investment of up to EUR 500 million and will provide 340 MW of additional installed renewable energy capacity.

7.2 The EFSD Guarantee Fund

By end of 2019, additional contributions to support the EFSD Guarantee Fund include USD 50 million from the Bill and Melinda Gates Foundation, EUR 9.6 million from Denmark, EUR 300 000 from the Czech Republic and EUR 100 000 from Estonia.

The EFSD Guarantee Fund has been effectively established in 2018. An amount of EUR 600.1 million has been paid to the Fund as of 31 December 2019. There were no calls on the EFSD Guarantee in 2019.

For more information about EFSD and the EFSD Guarantee Fund in 2019, please refer to the Report from the Commission to the European Parliament, the Council and the Court of Auditors on the Management of the Guarantee Fund of the European Fund for Sustainable Development[59].

[59] COM(2020) 346 of 31/07/2020, available on http://eur-lex.europa.eu/homepage.html.