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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: European Financial Architecture for Development
- EIB-EBRD Joint Report

Delegations will find attached the EIB-EBRD first Joint Report to the Council on actions undertaken in the context of the Council Conclusions on enhancing the European financial architecture for development (EFAD).

EIB-EBRD Joint Report

First report to the Council on actions undertaken in the context of the EFAD Council Conclusions

November 2021

Introduction

The EIB and EBRD are both active participants in Team Europe and integral parts of the European Financial Architecture for Development (EFAD) and have a long history of close cooperation in the common geographical areas of operation. Both institutions fully support implementation of the recommendations identified and reflected in the Council Conclusions from 4 June 2021, applying the principles of an effective, efficient, development focused, coherent and visible EFAD.

The EBRD's and EIB's strong commitment to collaboration and coordination is underpinned by institutional-level mechanisms, such as bi-annual joint management meetings, the recently established High-Level Working Group comprised of six task forces as well as close cooperation on services level on the ground. This enables both banks to continuously improve, deepen and develop our existing cooperation, discuss topics of common strategic interest and prioritise further opportunities for working together. The Banks' successful cooperation to date covers a wide range of areas, including:

- Co-financing at the project level 2015-2021: 58 joint operations with a total signature volume of EUR 7.6bn by EIB and EUR 5.3bn by EBRD. Recent examples include the Egypt Green Economy Financing Facility and the construction of the Skopje waste water treatment plant.
- Collaboration on advisory services: recent examples include the EIB-EC European Investment Advisory Hub which supports the EBRD's Advice for Small Business Programme (ASB) as well as the joint advisory conferences on hydrogen and circular economy.
- Research and Analytics: recent examples include a joint seminar series on big data approaches in impact evaluation, the joint implementation of enterprise surveys in 42 countries as well as country analyses within the MDB Country Diagnostic Community of Practice.

Operationally, there is more that can be done, to give visibility to the EU's development action and to align operations and priorities. The June 2021 Council conclusions on the EFAD stressed the need to make the European development architecture even more effective, focused and visible.

Specifically, the conclusions invited the EIB and the EBRD to deepen existing coordination, both at the strategic and technical level, building on the progress within the joint High-Level Working Group and to report on this to the Council on a regular basis. The signing of the Framework Cooperation Agreement in October 2021 is expected to contribute to this as well as a number of initiatives and areas where further work will be undertaken.

This joint report responds to the Council request to receive a first update by November 2021 and will be followed by bi-annual progress updates to the Council configurations of Economic and Financial Affairs and Foreign Affairs (Development) in 2022, and on an annual basis thereafter.

The present report emphasises EIB's and EBRD's strong commitment to contribute to the strategic objectives of the new EFAD through a wide range of joint actions undertaken by both institutions.

Actions undertaken

i. Increasing impact through higher effectiveness in joint financing operations and technical assistance

The Council Conclusions on enhancing the European financial architecture for development emphasize the need for the EIB and the EBRD to work together more effectively together, building on their complementarities, while strengthening their cooperation in a Team Europe approach. The Conclusions also invite the two institutions to continue the systematic deepening of their coordination both at a strategic and technical level.

The commitment to enhance cooperation has been guided through the regular high-level EBRD-EIB meetings. Under this umbrella, the consideration of options for enhanced co-operation has been supported by a senior High-Level Working Group, which has guided the work of a number of technical taskforces focusing on different areas for examination.

Progress has been made, for example, on identifying and developing opportunities for enhanced cooperation between the EBRD and EIB on joint projects with financial intermediaries in the EU Southern Neighbourhood, which on-lend the proceeds to target beneficiaries such as small and medium-sized enterprises. Discussions between the institutions have progressed on the design of a joint Technical Assistance (TA) programme to be launched in 2022, with a focus on green financing and digitalization. The aim is to build the operational capacity of financial intermediaries for collection, distribution and analysis of data related to green financing facilities of the EIB and EBRD.

Central to this capacity building is the development of a scalable technical solution for financial intermediaries that satisfies the need for comprehensive impact data analysis and reporting of the lending provided by both institutions to these Participating Financial Institutions (PFIs). The first step is to undertake a market study, to identify existing technology based initiatives to measure climate impact, assess the suitability of those options solutions to EBRD and EIB needs and develop a set of recommendations for implementation. Without access to this information, there is currently significant unrealised potential for clear monitoring on the impact assessment of green financing.

In this way, financial intermediaries, local regulators, donors and both institutions are expected to gain a better understanding of the effectiveness of these facilities, their utilization and inform the future design and delivery of intermediated green finance lending projects. Our work in this area should lay the foundation to explore the development of a joint financing facility to support the financial sector, which could include risk-sharing instruments and/or incentive payments, as well as advisory services. Such joint financing would leverage both institutions' complementary core competences across regions and sectors. This would strengthen the impact, effectiveness and sustainability of joint projects, rendering both institutions more effective and add greater value to clients, projects and common stakeholders. The facility could also support coordinated communication between EBRD and EIB to increase joint visibility, including as Team Europe members, as well as increased recognition of the two institutions more widely. Further discussions between the EBRD and EIB, as well as with the European Commission will be necessary in the coming months, including on the identification of potential funding with a view to optimizing available donor sources.

ii. Enhancing efficiency through better division of labour in joint operations

The Council Conclusions emphasized the need for the EIB and EBRD to work together more effectively and efficiently. To this end, on 11 October 2021, The EIB and EBRD signed a Framework Cooperation Agreement (FCA) to increase mutual reliance. The FCA constitutes an important milestone in increasing efficiency of collaboration and cost optimization.

The FCA is the result of extensive discussions to identify opportunities for mutual reliance and enhanced cooperation between the EBRD and EIB on joint projects and make practical proposals to optimise resources throughout the joint project cycle.

The foundation of this process was a joint mapping exercise which focused on: (i) project due diligence, structuring and implementation; (ii) legal assessment and documentation; (iii) integrity and investigation matters; (iv) environmental and social matters (including accountability mechanisms); and (v) procurement. The joint mapping exercise comprised: (i) a comparative assessment of the various policy considerations, standards and procedures that each institution is required to apply throughout the project cycle; and (ii) an overview of the status of cooperation and proposals at the operational level in order to identify the most effective and appropriate means of enhanced cooperation.

Through constructive discussions, common themes and core actions were developed to enhance cooperation on joint projects in common geographies outside the EU and set out in the FCA. This provides a coordinated response at the institutional level and clear guidelines at the operational level for enhanced cooperation on joint financing projects and platforms outside the EU, which can be implemented effectively immediately and scaled up over time.

The core parameters of the FCA are:

- Coordination guidelines to:
 - Facilitate, to the extent possible, joint due diligence/joint missions/joint appointment of external consultants on common aspects of appraisal (such as commercial, technical, legal, procurement and environmental and social (E&S) aspects;
 - optimise resources during the documentation/disbursement phases of joint projects;
 - enhance the use of available donor resources on joint projects;
 - enhance policy dialogue initiatives in connection with joint projects.
- Provisions to facilitate sharing of information on joint projects (taking into account the disclosure/confidentiality requirements of both institutions).
- The possibility of appointing a lead institution and/or specialist lead(s) to optimise resources by avoiding duplication of work and enabling reliance on work product in certain areas.
 - The need for such designation(s) and the allocation is to be determined on a case-by-case basis, taking into account the specifics of the project and the criteria set out in the Framework Project Cooperation Agreement.
 - Notwithstanding any such designation, each institution would: (i) remain responsible for making its own independent appraisal of the borrower/sponsor/joint project, including with regard to legal, risk, environmental, social, procurement and integrity matters; and (ii)

make its own independent decision to enter into financing arrangements in respect of any joint project.

- As part of an incremental approach to enhanced cooperation, the Framework Cooperation Agreement also sets out the further cooperation actions identified during the mapping exercise that can be implemented by the respective institutions over time to achieve greater harmonisation in their approach to joint projects.

The FCA can cover all types of debt financing structures (co-financing, parallel financing, private or public sector) undertaken outside the EU. Joint projects thereunder are to be selected by the parties according to an “opt-in mechanism” and the cooperation guidelines applicable to the joint project may be customised to the needs and specificities of such project. The first pilot project under has already been identified already under this comprehensive FCA.

In addition to implementing and scaling-up the Framework Cooperation Agreement, EIB and EBRD intend to pursue further opportunities for mutual reliance on joint projects. In order to facilitate such process, EIB and EBRD will notably seek to implement the further cooperation actions identified for such purpose during the joint mapping exercise (as summarised in the Framework Cooperation Agreement).

Within the open, multi-pronged architecture, achieving the greatest impact requires the EBRD and the EIB to deploy efficiently their different and complementary strengths, business model, operational approach and distinctive expertise. This was clearly recognized in the EFAD Council Conclusions, which give clear guidance that the focus should be on better collaboration taking into account the different features of all actors and is reflected in the actions taken through the FCA.

iii. Increase Team Europe visibility

As highlighted in the Council Conclusions on Team Europe of 23 April 2021, joint communication is central to the success of Team Europe in order to articulate coherent and common priorities and messages from Team Europe participants in a given partner country, region, or multilateral setting, drawing upon the strength of a united voice and our scale. Building on the results of the High-Level Working Group and the actions already mentioned, the two Banks have undertaken a series of joint messaging and public communication actions with this goal in mind:

- In April 2021, EBRD and EIB hosted a joint webinar to discuss the future of hydrogen in Europe and beyond. Participants included industry representatives, financial players and leading stakeholders interested in the development and deployment of hydrogen technologies and infrastructure.
- In September 2021, during Climate Week, the UN General Assembly meetings and the COP26 in Glasgow, both banks and Project Syndicate co-developed and hosted the conference Building the Green Consensus. The conference attracted more than 5,000 participants globally and positioned both banks as thought leaders on climate finance, solidifying Team Europe’s role as a leader on climate action.
- In September 2021, the EIB and EBRD co-hosted with the Transport Community Secretariat the First Western Balkans Rail Summit, gathering ministers from the Western Balkans and Neighbouring Countries to discuss ways to establish better connectivity and more environmentally sustainable mode of transport in the region by building a modern, digitalised rail network.

- The joint work in the circular economy (CE) space has also progressed, thereby building on the strong existing partnership of the two institutions in the context of the EC Circular Economy Finance Support Platform and, in particular, the development of the CE categorisation system (a sector-agnostic CE taxonomy) that was published by the EC DG R&I in March 2020. Following the successful knowledge exchange workshop in 2021, both banks will continue their collaboration on the circular economy, aiming in particular to identify and prioritise areas of CE risk and access to finance, and to further refine the categorisation of the circular economy.
- With regards to advisory activities, both the EIB and EBRD also provide government advisory services for infrastructure and climate related PPPs, and as such, there is potential for complementarity in activities and markets where both institutions operate. Specifically, the EIB's European PPP Centre of Expertise (EPEC) provides bilateral PPP advisory support to relevant public authorities in the EU and EU candidate countries, while the EBRD's Infrastructure Project Preparation Facility (IPPF) offers support to 16 of these countries as well as to other regions. The activities and approaches of the IPPF and EPEC are somewhat different and potentially highly complementary. The two teams have already engaged jointly with potential local authorities, and discussions are under way to identify a suitable pilot project for advisory collaboration.
- In October 2021, together with other European Development Financial Institutions (EDFIs) and the EC, both banks hosted a joint webinar on Sustainable Finance in emerging and developing economies to discuss the implementation of the EU's Sustainable Finance strategy, further underlining Team Europe's commitment as a reliable partner for development finance.

iv. Policy first / strategic interest: support EU priorities

In its conclusions, the Council emphasised the need to strengthen the “policy first” principle, aligning with the strategic interests and values of the EU, including democracy, human rights, gender equality, climate and on the needs of partner countries. Applying this approach enhances the effectiveness of development activities and promotes consistency and joined-up approaches and messages.

The EIB and the EBRD cooperate in a number of areas of high relevance to EU policy and EU strategic interests. One key example is the Banks support to the EU's climate agenda. In 2020/2021, both banks institutionalised their climate commitments, with the EIB announcing its Climate Bank Roadmap (2020) and the EBRD passing its Resolution on climate ambition (2021), thereby facilitating deepened strategic and technical cooperation on climate:

In the context of the MDB Climate Working Group, both banks are pushing for ambitious Paris alignment targets and putting in place the architecture to give effect to those targets. In collaboration with other MDBs, the EIB and the EBRD are also currently working together on the design of a Long-Term Strategy technical assistance facility (LTS), which will support the preparation and implementation of long-term national, sectoral and sub-national climate strategies. Such strategies are critical in providing a framework for countries' Nationally Determined Contributions in line with the Paris Agreement and for sending investment signals to the private sector. The EIB and EBRD have worked closely together on the structuring of the facility and are currently engaging with selected donors to test their appetite to contribute. Both banks also participate in a number of technical working groups that help the European Commission define its strategic climate-related financing and policy priorities (e.g. on the Steering Group of the Energy Efficiency Financing Institutions Group (EEFIG), as well as part of strategic alliances and platforms that aim to strengthen European value chains in strategic sectors, or that aim to further the

reach of EU policy priorities. For example, both Banks are support of the European Battery Alliance through which both develop projects that strengthen battery value chains in and around the EU.

As another example, the EBRD, the EIB and the European Commission together with the World Bank, Energy Community Secretariat and others had set up in 2020 an “Initiative for Coal Regions in the Western Balkans and Ukraine”, focusing on supporting these countries towards a just transition out of their heavy reliance on coal in the energy mix.

On a technical and operational level, building on the work undertaken under the High-Level Working Group, both banks are committed to sharpening the cooperation on the project level (e.g. the Egypt Green Economy Financing Facility mentioned above) and on intensifying knowledge sharing on climate finance. Here the main areas of joint actions undertaken include:

- i. regular knowledge-sharing workshops and
- ii. the organisation of a high-level joint conference on climate finance (see second example on Team Europe visibility).

Conclusions

In conclusion, and as illustrated by the examples above, enhanced cooperation between the EIB and EBRD, as called for by the Council throughout the EFAD process, has already yielded positive results at all levels: senior management, technical and operational.

At the fifth EBRD-EIB Senior Management meeting on 11 October, this time held at the EBRD headquarters, the EIB and EBRD took stock of progress of the High-Level Working Group and reconfirmed the willingness and continued commitment to enhancing collaboration between the two institutions, leveraging the synergies of their respective strengths.

On the back of the atypical period of the COVID pandemic, we are jointly committed to seeking an increase in co-financing levels in 2022 supported by a strong pipeline and further cooperation possibilities.

The main results of the enhanced cooperation, including the FCA, reflect the EBRD and EIB’s commitment to intensifying cooperation, including by leveraging their complementary core competences, in order to strengthen the impact, effectiveness and sustainability of joint projects. In particular, the EIB and EBRD recognised that optimising their combined resources throughout the project cycle would create efficiencies and thus facilitate the scaling-up of these projects for more impact.

Looking ahead and building on the progress to date, both institutions will continue working on further avenues for cooperation and advance on the delivery/implementation, notably an even higher degree of mutual reliance, in the area of co-financing renewable energy projects, strengthening cooperation in the joint countries of cooperation, all whilst leveraging on complementarities. The Presidents of the two institutions agreed to take the work of the High-Level Working Group forward and explore further opportunities for cooperation. Progress will be reported upon in 2022.

The EBRD and EIB are looking forward to report back to Member States on the status of implementation of the enhanced cooperation and all associated work streams throughout 2022 in line with the Council conclusions.