Delegations will find attached the third part of the main report (doc. ST 6961/21 ADD 3) of the Feasibility study on options for strengthening the future European financial architecture for development.
Thus, an expansion of its representative offices under Scenario B would contribute to enhance policy coherence and synergies at the granular level by, for example, enhancing its EIB staffing interactions with the EU Delegations.

How to facilitate greater policy coherence and operational focus – including through greater specification across different sectors/operations/counterparts – on SSA, LDCs and fragile countries, as well as on climate, in line with the relevant targets in the NDICI Regulation and following the priorities established in the multiannual programming documents?

Greater policy coherence and operational focus can be achieved by creating a common strategic outlook, narrative and branding for all EU development actors, with stronger coordination and steering from the EC and a truly ‘open and inclusive’ financial architecture for development. There are several mechanisms to achieve this at different levels that should be considered.

Level 1: Governance Level

The NDICI regulation is expected to play the key role to tackle governance issues by streamlining several coordination and cooperation mechanisms among stakeholders at a strategic and operational level – and could benefit from a strong steering role of the EC, bringing together and guiding all stakeholders. To meet its maximum potential, NDICI would need to be implemented in following the ‘open and inclusive architecture’ approach, allowing all actors to have a fair access to available financial instruments and to absorb and deliver the significantly enhanced EU support. The Study noted that for the EIB, this has far reaching implications as, unlike other implementing partners, it has been politically agreed that the entirety of the EIB’s future outside EU activity will be subject to the NDICI governance which has been followed by transferring the ACP IF reflows to the NDICI instrument and thereby the NDICI governance.

‘Team Europe’ approach

In the future, policy coherence could be also further strengthened by enhancing dialogue between the institutions at EU and Member States’ level, i.e. to actively include financial institutions such as DFIs and IFIs in the discourse, with the Commission in a steering role. The Commission has started to promote by “working better together” in the current MFF and, since March 2020, with the “Team Europe” approach. This approach started as a joint effort in immediate response to the COVID-19 crisis and is now focusing on the NDICI programming. Ideally, the “Team Europe” approach could continue to be a platform of concrete cooperation and regular dialogue between EU and Member States’ institutions on EU development policy and a recognisable “brand” outside the EU. The joint action of multilaterals and bilateral agreements could be branded in a consolidated and visible manner under the umbrella of ‘Team Europe’, to ensure that all projects and initiatives supported by an institution of the European financial architecture (bilateral or EU level) are easily recognisable as enjoying ‘European’ support.

EFSD+ Strategic Board

To improve the policy steer from the EU, the EFSD+ Strategic Board would be critical. Its foreseen members composed of representatives of the Commission and of the High Representative of all Member States and of the EIB could further enhance dialogue with non-members, including European DFIs, partner countries, relevant regional organisations and IFIs.

Where appropriate, as foreseen in the proposed NDICI regulation, some of them may be given an observer status. In our interviews European DFIs highlighted that this would be strongly supported from their side and critical, for example, to discuss and coordinate common policy objectives and standards for development finance. In this way, the EFSD+ Strategic Board could better reflect the strengths of diversity and benefit from the variety of all EFAD stakeholders.
Annual EU implementing partners’ meeting

Under the auspices of the EFSD+ Strategic Board, an annual EU implementing partners’ meeting for all implementing partners of the NDICI budget could take place. Regular technical meeting (e.g. bi-annual) may also be used to discuss issues relevant for the functioning of the EFAD with partners concerned, e.g. programmatic guidance, harmonisation of procedures and standards, pricing and risk (incentives for risk taking for some countries), co-financing (facilitating co-financing arrangements), procurement, etc.

Programming and joint programming at central level

A novelty of the programming under the NDICI is that not only blending funds will be subject to it, but also EU guarantees under the EAG, including those of the EFSD+. This could contribute to reinforcing policy coherence and operational focus among EU institutions first and foremost as well as with other stakeholders accessing EU budget funds. A “top down” policy steer with all stakeholders will be critical to developing robust programmes under the EFSD+. Consultations could in particular include European financial institutions and EU Member States with a strong steering from the EC.

The European Council and the Council of the European Union

As mentioned by some Member States in our interviews, their involvement is essential to ensure political direction and prioritisation, and thus to strengthen coordination between implementing partners. In this regard, they have suggested having more frequent exchanges on development issues within the European Council and the Council of the European Union as well.

Cooperation and coordination between EBRD & EIB

Although the EC, the EIB and the EBRD have signed a MoU between them and each with the EU\(^\text{155}\), it will be necessary to have a more comprehensive cooperation to further enhance complementarity and, when appropriate, a division of labour as discussed in detail in Q. 65.

Level 2: Instruments

**EUBEC (EU Platform for Blending in External Cooperation)**

Complementing the work of the EFSD+ Strategic Board, as suggested by European DFIs interviewed, the work of EUBEC could be strengthened and serve, with a broader mandate, as a coordination platform with a clear policy steer from the EU and the participation of all EFAD stakeholders, including Member States, and European DFIs. The “new” EUBEC could serve the purpose of, among others:

- Discussions on common set of rules and standards for increasing coordination across all EFAD stakeholders, with a clear policy steer from the EU. For instance, procurement procedures;
- Coordinate priorities based on a review of project pipelines early in the cycle project, with or without delegation of funds from the Commission;
- Coordinate on the public policy dialogue carried out in the field between actors multilateral and development actors of the Member States (in particular via the joint programming).

Co-financing/ risk sharing/risk distribution mechanisms

The creation of a more institutionalised mechanism to increase risk sharing and co-financing with a joint facility across institutions that could be established under EFSD+ in the same spirit as the Interact Climate Change Facility (ICCF), should be further explored, as suggested by European DFIs.\(^\text{156}\) This innovative facility would facilitate the identification of co-financing/risk sharing through a standardised process and would be opened to EU and non-EU implementing partners.

Furthermore, incentives for the EIB and the EBRD for co-financing other European DFIs could be considered so that they can act as wholesalers providing financial instruments such as, for example, syndicated loans.

Finally, it could be of interest exploring if European actors at Member State level could also have access to the EIB’s exclusive guarantee window when the latter does not have all the means’ tools at its disposal to implement them at its level (budgetary financing, periods of crisis, etc.).

Rely on the instruments of Member States and their institutions

European DFIs have proposed to build on existing cooperation mechanisms such as the Mutual Reliance Initiative (AFD, KfW, EIB) and the Friendship Facility (Proparco, DEG, FMO) to go further in the coordination between actors (syndications such as practised in the European Development Finance Institutions (EDFI) network, standardisation of methodologies or, more ambitiously, of a joint venture, with the objective of reducing transaction costs), in order to be able to bring European financial offers to the scale of needs for large projects, quick to implement and allowing a simple dialogue with beneficiaries.

Another good example of an existing cooperation mechanism with a global reach is ‘The Currency Exchange Fund’ (TCX) – in which several EU Member States and European DFIs are shareholders. An EU market creation facility has been established under the EFSD to improve access to local currency lending
especially for small businesses in SSA and the EU Neighbourhood regions, which could be widened in geographic/sectoral scope under the EFSD+.

A final example of DFIs working together is the recently signed MoU between the EBRD and EDFI. The signatories committed to intensifying collaboration among European DFIs, with a strong private-sector focus. Enhancing the means of cooperation and leveraging each other’s strengths in a complementary manner will create efficiencies and strengthen the impact, effectiveness and sustainability of joint engagements. This increased collaboration will benefit partner countries, clients and shareholders alike.

**Inclusion of smaller DFI**

As discussed in detail in Q. 66, to make this scenario more inclusive for smaller European DFIs, they could be supported throughout the pillar assessment applications and in the process for accessing funds so that these procedures become easier, faster, and more comprehensible for them. Cooperation platforms could be eligible for funding. Dedicated funding for consortia could be considered.

**Working with other donors**

The significant scale up of unfunded guarantees under the EFSD+ means that the EU will play a leadership role in the provision of this type of instrument for external action. This has the potential both to crowd in other donors and to develop a “risk mitigation model” that would be an instrumental delivery mechanism for the SDGs. The Bill & Melinda Gates Foundation’s EUR 40 million contribution to the EFSD Guarantee Fund is already one concrete example of this.

The ‘Finance In Common’ Summit is another excellent opportunity to discuss modalities of greater cooperation between the EU development community and international multilateral partners, so that synergies can be exploited, and coordination maximised. The joint declaration made on November 2020 is a clear step in this regard. In this document, public development banks affirmed their determination to collectively shift their strategies, investment patterns, activities, and operating modalities to contribute to the achievement of the SDGs and the objectives of the Paris Agreement, while responding to the COVID-19 crisis.167

**Level 3: Regional and Country Level**

**Programming and joint programming at country/regional level**

During the programming exercise, extensive and transparent “bottom up” consultation at the country/regional level with all stakeholders would be critical to developing robust project pipelines. At this level, consultations could in particular include European financial institutions and EU Member States in line with the ‘Team Europe’ approach, as well as partner countries, the private sector and other non-European donors. Moreover, it will be important to continue further supporting EU Delegations so that they can perform programming activities and follow-up on existing projects. In our interviews, EU Delegations mentioned that they require training to increase their knowledge, for example, related to blended finance and related financial products. Also improved information and communication actions, and corporate information technology systems are needed for, for example, the full implementation of OPSYS.

**Country and regional platforms**

As discussed in detail in Q. 64, country platforms could be an additional useful tool for the EU development community to guide development cooperation with country counterparts and to engage in policy dialogue and create and share knowledge.

Moreover, as foreseen in the proposed NDICI regulation, the operational boards of regional investment platforms shall support the Commission at the implementation level in defining regional and sectoral investment goals and regional, sectoral and thematic investment windows.

**Team Europe initiatives**

Moving forward, it will be crucial to further make use of ‘Team Europe’ initiatives (TEI) to further promote the ‘Team Europe’ approach at country level. Team Europe members, including EU Delegations, Member States and other European partners (DFIs, implementing agencies, the EIB and the EBRD) are closely coordinating, and will jointly design, implement and monitor TEI in an inclusive manner in the next programming cycle. EU Delegation should be steering TEIs.

**Mobilising public development banks in partner countries**

As stated by one European DFI interviewed, one of the main challenges will be to open up the European development finance system by mobilising public development bank in partner countries to rely on their strength of influence and knowledge, on their network and understanding of their country's needs. This will increase funding volumes spill over effect and directing flows towards more sustainable financing.

As a reference, the support of the Green Climate Fund to open up its action to these actors has enabled Europe to increase its influence and leverage resources. The opening of the financial facilities of the EU
could be proposed, in several stages, initially through the intermediation of European public banks.

**Coordinated presence on the ground**

The EU already has a large number of offices and well experienced staff in countries of operation if all European DFIs are considered: an estimation done from a DFI is that combined European DFIs have 225 offices and 6,403 development finance staffs worldwide. This is of course more than the EIB and the EBRD combined. However, additional and coordinated presence of European DFI, including of the EIB and the EBRD, should be encouraged so that more development impact can be delivered, costs reduced, and coordination increased. For example, European DFIs, on a voluntary basis, could establish shared offices. And in co-location with the EU Delegations, whenever feasible.

The Scenario C presents many opportunities to play to the strengths of each institution to achieve the EU policy objectives. However, the absence of a strong steering from the EC and the coordination mechanisms as discussed above may have unattended consequences as EU development partners expand their global reach in a dispersed and uncoordinated manner. In our view, this does not only mean that the Scenario Status Quo+ may lose only its ‘plus’, but worse, it may become a “Fragmentation Scenario” overtime. We would foresee the following potential risks of a Scenario C which need to be mitigated.

**Table 4: Risks linked to a failed implementation of Scenario C**

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| Increased fragmentation with further diverging standards | In the absence of a strong policy coherence and operational focus that can only be guaranteed by the steering by the EC, the level of fragmentation of the EFAD could increase as compared with today. This could be aggravated by an uncoordinated further expansion of operations of all European DFIs, and particularly those of the EIB and the EBRD. The more this fragmentation process takes place, the more difficult it will become in the future to reverse it.

A shared understanding of and compliance with the principles and standards of a coherent approach in consideration of EU’s Policy first principle is a critical element of Scenario C affecting, among others, strategies and the reporting and evaluation of projects by European DFIs. Divergences in standards due to the lack of steering of the EC might thus result in incompatible results management and evaluation frameworks and systems, which would make measuring the development impact of the EU actions as a whole more challenging.

A further fragmentation could result in an unhealthy competition among stakeholders for EU funding. This would reduce the inclusiveness of the architecture, especially for smaller DFIs, which do not have the resources to compete in an unlevelled playfield.

| Reduced development impact | Instead of the EU having a “system that delivers”, an ineffective Scenario C could result in the EU being less able to bring about results in terms of development impact and climate change. Consequently, the EU would reduce its capacity to reach its ambitious objectives to support the ability of countries to reach the SDGs and the Paris Climate Agreement. Evidently, a deficient coordination among EFAD stakeholders under an ineffective implementation of Scenario C could result in an overlapping and suboptimal use of national and EU resources with the danger of creating cost inefficiencies. These would eventually be result in additional costs for the EU Member States and the EU budget. |

| Reduced visibility weight of EU external actions | The visibility of EU external operations could be hampered by an ineffective and fragmented implementation of Scenario C and thus the image of the EU in its role as a global player would deteriorate. The EU would then lose geopolitical space vis-à-vis other international actors that do not share its same values and principles. |

Source: Study team
How can the principle of European preference be applied when allocating EU support under the guarantee and blending facilities?

The principle of European preference can be applied by using the current regulations and procedures. It could strictly consider development impact and additionality issues as its core and not be used as a potential instrument to reduce competition. European and non-European DFI s could be further encouraged to collaborate both when they are in the lead and when they are not and incentives for cooperation, such as dedicated funding for smaller DFIs, could be an option to achieve this.

Future Situation

The Study team understands that “European preference” means that whenever possible a European financial institution, as defined in the existing Common Implementation Regulation, the EFSD Regulation, and the coming NDCI Regulation, will be given preference as the lead financial institution for funding provided under the guarantee and blending facilities. Following the principle of European preference, the Commission shall ensure a fair treatment for all eligible counterparts and shall ensure that conflicts of interest are avoided throughout the implementation period of the EFSD/EFSD+. In order to ensure complementarity, the Commission may request any relevant information from eligible counterparts about their non-EFSD/EFSD+ operations. In practice, this has meant that European DFIs have been responsible for leading EU projects for the vast majority of projects. According to the EFSD operational report 2019, around 20% of the contributions where directly channelled through non-European DFIs, mainly the AfDB.

Regarding non-European DFIs, the EC through its EIP Secretariat is currently applying the principle of European preference by performing an assessment of each proposal submitted by non-European DFIs. Proposals submitted by non-European DFIs are only particularly considered when they present a clear value added and additionality in respect of the EU key policy objectives pursued through the EFSD Guarantee taking into consideration seven dimensions: development impact, geographic scope, private sector involvement, financial innovation, activities, sectors targeted, and financial sustainability. Non-European DFIs interviewed pointed out that the principle of European preference should strictly consider development impact and additionality issues as its core and not be used as a potential instrument to reduce competition.

In the Study team’s view, the principle of European preference could be further applied by using the current regulations and procedures. European and non-European DFIs could be further encouraged to collaborate both when they are in the lead and when they are not and incentives for cooperation, such as dedicated funding for smaller DFIs, could be an option to achieve this.

2.4.2. Assessing Development Impact

Do the present systems, operating culture and incentive/reward schemes ensure robust assessment and systematic measurement of development impact, including in terms of the SDGs? What would be the required changes, if any, to ensure that interventions will be covering in priority SSA, Enlargement, Neighbourhood, LDCs and fragile states?

For both the EBRD and the EIB, the present systems, operating culture and incentive/reward schemes do exist to measure development impact, including in terms of tracking progress against the SDGs. Because of the nature of its business model oriented on development, the EBRD is perceived as an institution showing a good track record of development impacts. Although the mainstreaming of the development impact agenda within the EIB has progressed, there is a need for strengthening its impact orientation when it comes to external operations. This can be done only if the EIB has a stronger local presence in the field and a greater focus on development finance i.e. by establishing a subsidiary.

Present & Future Situation

The EBRD uses a comprehensive results management architecture to monitor and manage its impact and the fulfilment of its transition mandate. Based on the evidence of its current portfolio, it can be said that overall, the development impact measure systems are well aligned with its mission, the operating culture, and the SDGs. As noted by the EBRD, its mission to foster “transition towards open market-oriented economies and to promote private and entrepreneurial initiatives” means that seeking to deliver systemic impact is embedded in the Bank’s AEB.

The EBRD has a robust methodology to assess its transition impact across all its activities. The choice and design of the EBRD activities is informed by the ‘Country Strategy’ priorities, but there is also strong ex-ante quality control on all investment projects based on an assessment of the expected transition impact of
projects. At entry, each EBRD investment project is scored based on a transparent methodology that assesses its Expected Transition Impact (ETI) score. The EBRD would ensure prioritisation of interventions in these regions through the following existing tools:

- The EBRD’s operational principles of transition impact and additionality. For example, the Bank’s operations are prioritised based on expected transition impact, which in turn prioritises projects in countries and areas with the largest transition gaps; and
- The ‘Corporate Scorecard’ specifically incentivises operations in less advanced countries through an indicator on share of ABI in early transition countries, SEMED and the Western Balkans. There is a specific target in the ‘Corporate Scorecard’ for the share of ABI in countries that lag in transition progress that is then cascaded to departmental scorecards.

However, for operating in SSA countries and fragile states, the present systems, operating culture, and incentive/reward schemes are so far almost untested, as it was pointed out by stakeholders interviewed. Thus, although not substantially, they will require adaptations and innovations, for example, to work in new sectors such as education and health and to carry out policy dialogues in these countries and sectors.

The approach adopted by the EBRD on development impact measurement conforms well to the current consensus on aid effectiveness. Key informants indicated that progress has been reported on implementation of impact measurement frameworks in past years.

The EIB has a development impact framework in place to hold it accountable to its stakeholders and subject to external audits. At a project level, the “Additionality and Impact Measurement” (AIM) framework is fully integrated into the project cycle to ensure effectiveness of the Bank’s operations in delivering impact, and complementary impact studies and impact modelling are in place to further enhance the impact aim of the EIB. In 2019, the EIB conducted a stocktaking to compare and learn from six major MDBs (ADB, ADB, EBRD, IADB, IDB Invest, IFI, World Bank) and, in parallel, the MDFs agreed on a “Harmonized Framework for Additionality in Private Sector Operations”. Both of these processes confirmed that the EIB is on par with good practice on results and additionality. Each project is assessed both in terms of its impact and additionality, in line with international best practices. The EIB’s AIM follows the established three-pillar logic along the key dimension of the results chain to measure and assess the project results and the EIB’s additionality.

The EIB’s results framework is centred around alignment with EU policy in the countries and regions where the Bank operates, and the attainment of the SDGs. The framework is flexible so that new indicators can be added as new needs emerge in the future and to accommodate the new MFF. The project-level impact measurement approach is complemented by a range of activities to support the focus on impact. The EIB uses a variety of tools to look more closely at this impact beyond the project level.

The EIB has been tracking a subset of its contributions to the SDGs since 2016 by mapping sector-oriented project monitoring indicators to the specific targets underlying the SDGs. Although the EIB has undeniably been implementing frameworks and systems to better capture development impacts from its external operations, it needs to further build capacity to improve its measurement impacts at the country level, collect more baseline and impact indicators (to be updated on a regular basis), and conduct more large-scale performance and impact evaluations (preferably in-country local offices and partners). Additionally, as pointed by stakeholder interviewed from civil society organisations, the EIB should reduce its dependence on third parties, such as financial intermediaries, for monitoring projects.

The Study team noted the effort to release the “Global reach: The impact of the EIB beyond the European Union 2019” but this is to be complemented by more impact evaluation findings from projects on the ground with sector and thematic impact evaluation studies. While the EIB has a development impact framework in place, either strengthening its local presence or ensuring a better use of local partners and networks would be critical for improving the Bank’s understanding of their client’s environment and would enhance its ability to tailor its development impact approach and measurement to the local context. Moreover, increasing its local presence would enhance its ability to monitor impact. According to the majority of DFIs interviewed, for the EIB to be a more effective development bank, its purpose should be to further focus on impact contributions rather than on volumes of transactions.

Under the proposed NDIIC regulation, proportionate reporting and evaluation requirements are enforced on recipients of EU funds, including the EBRD, the EIB, and other European DFIs. Results frameworks and reporting tools do exist; well-defined evaluation standards, e.g. OECD DAC, should become the norm for all EU-funded projects outside Europe. There is still room to adopt a more centralised approach to reporting.
and evaluation with the EC at its centre. It is important for the EU to be able to consolidate its effectiveness and development impact as a whole so that it can improve brand recognition and results orientation.

The EIB and the EBRD as well as many other European DFIs participate in initiatives focused on improving consistency and reporting among DFIs, including initiatives such as the “Harmonised Indicators for Private Sector Operations” (HIPSO) and the ‘Global Impact Investing Network’s Impact Reporting and Investment Standards’ (IRIS). Additionally, the EIB and the EBRD as well as other European DFIs participate in EDFI’s working groups’ ongoing work on development effectiveness to harmonise approaches and benchmark, including the ‘Impact Conference and the Private Sector Development Research Network’. Another interesting initiative is the ‘Joint Impact Model’ (JIM), launched in 2020, which will become publicly available for all impact investors and other interested parties. This work is a collaboration between AfDB, BIO, CDC Group, FinDev Canada, FMO and Proparco with Steward Redqueen.

The Court of Auditors has observed that the lack of harmonisation between development partners’ aid-delivery instruments, results frameworks and accountability structures could generate inefficiencies and accountability gaps. It considers that this risk is even higher for the EFSD, where the Commission’s ability to account for the use of EU funds mostly depend on data and reports provided by financial institutions and their private sector partners. In our view, this also applies to the EFSD+

Also, as pointed out by the Policy Department, Directorate-General for External Policies on paper request of the European Parliament, the EU conducted an extensive review of its blending facilities in 2016. While painting an overall positive picture of blending, this evaluation highlights a number of caveats regarding the challenges of impact assessment. While mechanisms such as logical frameworks are in place to monitor outcomes, there is little space to consider the broader impact, for example, on poverty reduction and climate change mitigation. It is therefore very important that all European DFIs participating in the EFSD and EFSD+ are subject to its Results Measurement Framework (RMF), which was developed following extensive consultations with them to ensure that the EC’s framework would be coherent with their individual monitoring and reporting approaches and obligations. It also benefited from the involvement of the EUBEC, which promoted coordination between the EU, EIB and other relevant financial institutions and other stakeholders, including on discussion about development impact indicators.

The EC is also currently improving the RMF to better reflect its priorities and to link to the budget cycle reflecting the flow of money, which is a major improvement and will result in better reporting and visibility of EU actions. The RMF under NDICI and EFSD+ will be improved by modernising the process to collect and analyse data as it will change the approach and the geographical coverage.

The EC in consultation with the DFIs, especially those experienced in issues related to monitoring, reporting and evaluation, and based on the coming NDICI regulation should continue taking the leading role for further harmonising reporting, indicators, and evaluation across European DFIs. Monitoring should thereby build on the EFSD RMF and follow recognised international standards, such as the OECD Development Finance Standards. As foreseen in the NDICI regulation, proportionate reporting and evaluation requirements will be imposed on recipients of EU funds, including the EBRD, the EIB, and other European DFIs. In this regard, more detailed and precise reporting and evaluation requirements and templates will be incorporated in the contracts between the EC and its funds recipients, including comprehensive logical frameworks and monitoring and evaluation plans as part of the project’s applications.

A more standardised approach to reporting and evaluation with the EC as its centre will also contribute to calculating the aggregated development impact of DFIs’ operations and increase accountability. This information is critical for EU visibility purposes, and for measuring the development impact of the EU actions as a whole. For example, for annual reporting purposes. Reporting is critical to add credibility to the visibility of EU actions. Moreover, the monitoring data from the EFSD blending and guarantee operations will be fed into OPSYS. Its development is gradually advancing and all new projects under NDICI will be using OPSYS from day one.

DG INTPA is also in the process of developing the logical frameworks for the legacy blending projects and collecting reporting data on the current ongoing ones. Full deployment of the OPSYS reporting module is foreseen for January 2022, whilst the incorporation of the EFSD Guarantees is still to be determined. The implementation of this software and the training of its users in time and manner is critical for improving consistency in reporting and evaluations.

Under Scenario C, the EBRD and the EIB would be expected to continue to actively support the implementation of results management and evaluation frameworks and systems so that their contribution to development impact would be assessed based on EU funds targeted for development. These two institutions would
also be expected to create and share knowledge on development with peer institutions about their contributions to the global agenda. For example, under the Managing for Development Results (MfDR) working group, the EBRD, the EIB and other DFIs/ MDBs are expected to define common, principles-based approaches to align their results and financial reporting with the SDGs.

2.4.3. Visibility of EU Development Finance Actions

60. How will each option improve the visibility of the overall EU action?

A new ECSDB based on the EBRD would bring a strong reputation as a genuine development finance institution. However, for the EBRD to be considered fully a European institution and thus to improve the visibility of EU actions, the need and merits of a strategic EU majority needs to be addressed. The EIB is already well positioned to deliver a single European message by virtue of its full ownership by EU Member States and its mandate. However, the EIB’s subsidiary would have to become a true development finance institution and significantly increase its local presence in order to improve the visibility of EU actions.

A Future Situation

Among stakeholders interviewed, including EU Delegations and European DFIs, the EBRD has a strong reputation as a genuine development finance institution and a strong record in this regard for the countries in which it is currently operating, mostly in the private sector development. Moreover, its shareholding structure includes its countries of operations, which represents ‘co-ownership’ for beneficiary countries that is critical for policy dialogue and programming. A new ECSDB based on the EBRD would benefit from this reputation and would also project EU visibility through its international exposure, character, and partnerships with multilateral and bilateral partners.

However, in the view of some stakeholders interviewed, for the EBRD to fully promote EU values, interests, objectives, and policies, and to be seen as a fully European Institution, the visibility merits of a strategic EU majority or changes in voting thresholds, needs to be addressed. Moreover, a pre-requisite for further improving visibility under this scenario would be the geographical expansion of the Bank in SSA and other regions.

B Future Situation

Several mechanisms exist to ensure the strategic alignment of the EIB with EU policies (see Q. 55). As a result, a new ECSDB based on the EIB has the potential advantage to be well positioned to deliver a single European message, thus increasing the overall visibility of EU actions. However, in the view of the majority of stakeholders interviewed, to be able to fully achieve this, the new EIB or its subsidiary will have to become more of a development finance institution on its own, both in terms of its operations as well as its perception in the financial development community and among beneficiary countries. The later will require a new and strong branding of the EIB subsidiary under this scenario.

Again, as with the new ECSDB based on the EIB, a pre-requisite for further improving visibility under this scenario would be the further expansion of operations of the new EIB based institution. This will require the strengthening and further opening of a network of offices, including the possibility of further co-locating within EU Delegations.

61. Which measures could be taken to improve the visibility of the overall EU action in a scenario with more than one ‘European development bank’? How large benefits in terms of development impact and efficiency improvements could be achieved through the Status Quo compared to options 1 or 3?

Even without a new ECSDB, the visibility of EU actions could be advanced much further. For all scenarios, but especially in the Status Quo Scenario, the main boost to visibility, development impact and efficiency should come from the effective implementation of NDICI. Developing and strengthening the ‘Team Europe’ approach could also be a strong asset to promote brand recognition under an EU narrative. The added value of the Status Quo Scenario with multiple actors intervening notably comes from the fact that the EU and Member State institutions should be able, altogether, to intervene on a wide array of projects, at different risk levels, and with complementary expertise. Large benefits can only be guaranteed by an ‘open and inclusive architecture’ and the right conditions for a level playing field among implementing partners and by having a strong steering from the EC.
The ambitious geopolitical agenda of the EU comes with a bold intention to lead. The priorities of climate change mitigation, Africa, inclusion, people, and digital transformation reflect the opportunities and challenges of our time. There is both ample room and an absolute need to leverage all parts of the BFAD. The status quo is not sufficient. Effective communication and visibility concerning EU external operations helps raise awareness of the external policies and actions of the EU in its role as a global player and provides accountability and transparency on the use of EU funds to taxpayers and the citizens of partner countries.

The visibility and EU development objectives should be advanced in order to achieve larger benefits in terms of development impact and efficiency with or without an ECSDB. However, under a Scenario C, the risk of fragmentation and inconsistencies in the visibility and the development finance strategy is potentially higher. Many of the potential measures to improve visibility discussed under this scenario should be equally considered for the two other scenarios.

According to key informants interviewed, the main boost to visibility, development impact, and efficiency should come from the effective implementation of NDCI and ‘Team Europe’, as the main instruments for programming and coordinating development finance actions. These instruments, if correctly deployed, should allow the EU to leverage the diverse strengths and complementarities of all implementing partners, with the positive effect on efficiency. Having all stakeholders under the umbrella of NDCI and ‘Team Europe’ could incentivise a more coherent communication of the activities and reporting of outcomes of all implementing partners, in line with EU priorities. Key to an enhanced ‘Team Europe’ approach is the ability to understand and build on the strengths of the institutions – the EIB, the EBRD, the DFIs – so that they deliver development impact rapidly and at scale.

In addition, EU preference for blending and guarantees, as well as an adherence to EU standards, policies and procedures by any actor accessing EU budget funds, should be foreseen in the regulation to ensure EU visibility, influence, and impact (see also the WPB report). As suggested by the WPB report and many stakeholders interviewed, a common branding/labelling of all EC/EEAS and Member States development activities would bring direct and concrete benefits and straightforward enhanced visibility.

In this regard, developing and strengthening the ‘Team Europe’ brand, as foreseen,[18] will promote ambitious and easily recognisable European flagship initiatives with a maximum transformative impact in partner countries. ‘Team Europe’ should have an easily recognisable logo to be used with all projects financed under this umbrella and should be institutionalised with clear procedures to be adopted by the EBRD, the EIB and the NDBs. In this regard, further coordinating, developing, and fine-tuning common communication and visibility strategies among stakeholders is critical as well as including them in the development of webpages, offline and online contents, and the organisation of events, fora, and similar activities[19]. This requires that communications teams of all the European DFIs and the EC would work even closer together both at HQ but, even more important, at country level, and with a strong cooperation with the EU Delegations and the local offices of all European DFIs. In addition, there would be greater visibility of the EU by building a common reporting and monitoring framework, that would allow civil society and key external stakeholders to understand better the aggregated impact and results of EU external development finance.

The EU and its Member States are built on a multitude of institutions that are already working together, and the EU integration, in many domains, depends on ensuring all the relevant institutions work more systematically together rather than establishing a single institution. The added value of the Scenario C with multiple actors intervening notably comes from the fact that the EU and Member States institutions should be able, altogether, to act on a wide array of projects, at different risk levels, and with complementary expertise: Each institution has its own approach to investments and risk appetite, which are generally complementary to each other. What is important under this scenario, in order to deliver large benefits, is to guarantee an “open and inclusive architecture” and the right conditions for a level playing field among implementing partners and to have strong steering from the EC, improving coordinating across existing institutions.

Another important advantage of this scenario is the immediate focus on delivering impact through the existing DFIs, rather than focusing processes and resources for establishing an ECSDB. Also, this approach could be more cost-effective at a time when fiscal pressures are intense; finally, healthy competition can lead to better use of taxpayers’ money.

Finally, in this Scenario C, a comprehensive cooperation for ensuring that a more far-reaching division of activities is needed between the EIB and the EBRD under the monitoring of the EC.[18]
2.4.5. Open and Inclusive European Financial Architecture for Development

What steps would be required to enhance the visibility, efficiency, coherence, and development impact of the current European financial architecture for development? What would be the costs and benefits of implementing such steps?

A series of steps can be taken to make the current EFAD stronger and more responsive to development challenges. They fall into four main areas: (i) affirming a strong steer for EU, (ii) stronger coordination and incentives for working together, (iii) brand recognition, policy dialogue and development impact, and (iv) a more open financial architecture. Important steps for an enhanced status quo are discussed under Q 56 of this Report. This Q focuses on the visibility of the development impact and the proposed policy steer of the Commission to ensure an open and inclusive architecture.

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<th>Transition Process and future situation</th>
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**EU policy steer**

A strong global role requires strong policy coherence in the EU’s approach to development. This is more important than ever as the COVID-19 pandemic has derailed global development goals and will push millions of additional people globally into extreme poverty. It is seen as an imperative for the EU to provide a clearer policy steer on EU development policy and aid in coming years. Such a clear strategic vision does not fully exist yet. Rightly, the EU adopted the ‘Global Strategy for the EU Foreign and Security Policy’ in 2016 and the 2017 new European Consensus for Development, a shared framework for development cooperation for the EU and its Member States, which aligns EU cooperation with the ‘five Ps’ of the 2030 Agenda. The launch of the EIP, including the EFSD in 2017 is also a concrete outcome of the European consensus in delivering on the SDGs and the acknowledgment that private investments’ leverage is needed, and EU budget and ODA (Official Development Assistance) alone will not be sufficient to achieve the SDGs. Although the EU has demonstrated leadership on EFSD, many stakeholders believe there is a need to think bigger and speak in unison.

A concrete step implies ensuring policy coherence across all EU levels and actors, including in relevant international fora. As stated in the WPG report, the EU should create a strong policy centre in the EU. This can only be achieved if the EU has a capacity to assess and respond to most pressing development needs. As discussed thoroughly in Q. 56, the Study team identified several coordination mechanisms at governance, instrument, and regional and country level through which the policy steer from the EU could be exercised.

**Strong coordination and incentives for working together**

The Study team agrees with the WPG report that the diversity of all EU actors and their interests should be regarded as a strength of the EU system. As discussed in detail in Q. 56, there are many good examples of mechanisms for strong coordination and incentives for working together that could serve as a basis for further improvements.

**Creation of a co-financing risk sharing risk distribution facility**

As discussed in Q. 56, the creation of a more institutionalised mechanism to increase risk sharing and co-financing with a joint facility across institutions should be considered.

**Brand recognition, policy dialogue and development impact**

Regardless of the scenario implemented, the efforts of the EU to develop a ‘Team Europe’ branding across all EU and Member State activities for external development finance, especially in relation to COVID-19 response, are perceived positively by most stakeholders interviewed, including EU Delegations and European DFIs. Indeed, it is likely to improve overall visibility. In addition, there would be greater visibility of the EU by building a common reporting, evaluation and monitoring framework that would allow EU development partners, along with civil society and key external stakeholders to understand better the aggregated impact and results of EU external development finance. A strong communication campaign would be needed to anchor ‘Team Europe’ into standard practice within the EU development community.

In addition, it is important for the EU development aid to target policy dialogue, policy and regulatory reforms and the policy engagement of the EU towards partner countries to improve the macroeconomic and business environment. While the EU Delegations are already very active in strengthening policy dialogue with the partner countries, it is important to focus on policy reforms conducive to investments in specific sectors and priority areas, e.g. investment in the green economy. As proposed by EDFI, the EU could develop a dedicated “technical assistance service of policy reforms” specialised in key sectors that are crucial to European development finance and private sector mobilisation: This service dedicated to external action
could take inspiration from the recently established ‘Structural Reform Support Service’ (SRSS), now DG REFORM, for inside the EU.

Open and inclusive financial architecture

The interviews also confirmed that a more ‘open and inclusive architecture’ could lead to greater efficiency and inclusiveness of EU development actors. For instance, many DFIs and other stakeholders indicated it would be beneficial to seek a more efficient implementation process between the DFIs and the Commission, instead of a system based on only three to four major financial institutions. EDFI also indicated that it would be crucial to refine the legal base of the ‘open and inclusive architecture’ to allow for joint ventures of DFIs and/or NDBs to be eligible for EU funds’ management, which would not require to build an international organisation each time Member States decide to work together at EU level.

What specific steps could be envisaged towards greater harmonisation/alignment of strategies, standards (e.g., environmental and social standards or fight against tax avoidance), processes, strategies and approaches in development finance between the European DFIs, EIB, EBRD and the Commission as well as other IFIs, taking into account the expertise acquired at EU level in the framework of the EUBEC? How to advance mutual recognition of such procedures among all European IFIs with a view to increase co-financing and risk sharing among them?

The EFSD+ Strategic Board could enhance its dialogue with non-members, including DFIs and IFI actors, which would significantly help define and streamline development policies and strategies through a coherent development narrative. The need for a formal annual gathering with a well-defined agenda is obvious. Finally, some think tanks and associations could play a leading role in developing standards for the development community that would be used on a consensual basis.

As discussed in Qs. 62 and 56, as a way to ensure a clear policy steer from the EU, the Study team sees the benefits of the EFSD+ Strategic Board enhancing its dialogue with non-members, including DFIs and IFI actors. Also, the setup of regular EU implementing partners’ meeting for all implementing partners of the EU NDICI budget would also facilitate the harmonisation and alignment of strategies and standards.

Moreover, some think tanks or EU associations may play a role in coordinating the development of standards. EDFI, for instance, has several established cooperation workstreams with the EIB and the EBRD on establishing common standards for investments in private sector projects. On 31 October 2020, EDFI joined the ‘International Platform for Sustainable Finance’ (IPSF) as an observer, alongside the EIB and the EBRD. This could be an opportunity for harmonising standards along others mentioned in Q. 59. The EC should take a leading role and be a facilitator on this regard building up on what EUBEC has done.

Additionally, several key informants, including European DFIs, indicated that their involvement with the EFSD+ Strategic Board could also be expanded so that they can better align their strategies and approaches with the current members of this Board.

To improve cooperation and complementarity between the European DFIs, the EIB, the EBRD and the EC, particularly on the ground in Sub-Saharan Africa, the Neighbourhood, LDCs, fragile states, and the ECCM, the EFSD+ Strategic Board and the EBRD along with other Multilateral Development Banks (MDBs) active in the countries in question, particularly with the World Bank Group, and the African Development Bank, How best could the concept of “country platforms” be applied?

To improve cooperation and complementarity between the European DFIs, the EIB, the EBRD and the EC, particularly on the ground in SSA, the EU Neighbourhood, LDCs and fragile states, “Team Europe”, the EFSD+ Strategic Board and a formalised EU forum would be three concrete steps among other coordination mechanisms. There is scope for “cross-shareholding” but this is not practical for several legal reasons and benefits would not be obvious. In context of fragility, country platforms offer a significant and much needed path to enhance development cooperation in the hardest places, especially for governments and partners who are embracing more collaborative, risk-informed, and adaptive ways of working.

Enhancing cooperation and complementarity

The main road to enhance cooperation and complementary between EU stakeholders involved in development should be based on the current approach of “Working Better Together”. The draft of the ‘Guidance on Working Together as “Team Europe”’ (through joint programming and joint implementation) issued in
October 2020 is a right step in improving cooperation and enhancing complementarity as it incorporates recommendations from different practitioners and introducing the concept of 'Team Europe'. It also includes practices and approaches associated with the implementation of the 2030 Agenda, notably the outreach of joint programming, the focus on shared results frameworks and on development partnerships as well as a more comprehensive section on joint implementation.

It is critical to ensure that the ‘Guidance’ is properly followed and implemented with the active participation in joint programming and joint implementation of all relevant development partners of the EFAD, including the EC, steering these activities at different levels, as well as Member States, the EIB, the EBRD, and other European DFIs. As further explained in Q. 56, the future the harmonisation and alignment of strategies could be strengthened by the EFSD+ Strategic Board enhancing its dialogue with non-members, among other coordination mechanisms.

Moreover, non-EU development partners who share the principles of Joint Programming, including MDBs such as the WB and the ADB, should also be actively involved in regular discussion with EU implementing partners. Regular EU implementing partners’ meeting for all implementing partners of the EU NDICI budget along with regular technical meetings help discussing issues such as programmatic guidance, harmonisation of procedures and standards, pricing and risk (incentives for risk taking for some countries), co-financing (facilitating co-financing arrangements), etc. Joint programming at country level should become a platform for European and Non-European stakeholders to enhance teamwork and take advantage of complementarities. For example, by taking advantage of the strengths of the WB in terms of advisory work in policy reform in LDCs and fragile countries.

Cross-shareholding

As regards cross-shareholding, under its current mandate, the EBRD can only invest (a) in the equity capital of private sector enterprises, and (b) in SOEs that are moving to participation in the market economy or to assist their transition to private ownership and control to allow for investments by private and foreign investors. Therefore, its current mandate would not allow the EBRD to invest in the EIB unless there was a privatisation plan, which is not under consideration. Also, the EIB’s current Statute, Article 3, in accordance with Article 308 of the Treaty on the Functioning of the EU, requires that all the Bank’s members are Member States (see Q. 6).

It would have to be agreed by Member States, as represented in the EIB’s Board of Governors, and acting unanimously, that the shareholders of the EIB would not be restricted to Member States only. However, for the EBRD, the same restrictions would apply and under its existing statutes it could not become a shareholder in the EIB.

Country platforms

Government-led coordination bodies, or country platforms, can be used to establish a centre of gravity for Governments and partners to discuss complex political, social, and economic realities, agree on shared priorities, and solve collective action problems. Such platforms can be a useful tool for the EU development community to guide development cooperation with country counterparts, engage in policy dialogue and create and share knowledge. The ‘Country Platform’ model may also help to promote development and aid effectiveness principles, like mutual accountability, country ownership and inclusive process, in ways that the external delivery of disjointed, one-off projects cannot. As a result, the ‘Country Platform’ model has a potential of vital importance in selected fragile countries. In such context, ‘Country Platforms’ offer a significant and much needed path to enhance development cooperation in the hardest places, especially for governments and partners who are embracing more collaborative, risk-informed, and adaptive ways of working. In those countries where ‘Country Platforms’ already exist joint programming and joint implementation should contribute to them and not duplicate their efforts. In those countries where ‘Country Platforms’ are not established joint programming and joint implementation could lead to the creation of a ‘Country Platform’. In the latter case, it will be important to ensure the active participation of Non-European development partners, including Non-European MDBs.

65 Which institutional and regulatory tools (including rules governing the implementation of the future EFSD+) could be used or strengthened to prevent or reduce any unwanted competition between EBRD and EIB? Should potential overlaps between EIB and EBRD be reduced in countries where both banks operate? If so, identify possible arrangements.

To avoid unwanted competition and overlaps, there is no need for an additional MoU between the EIB, but for the EBRD, and the EC to have more tangible and regular discussion and agreement across both institutions and their stakeholders. As mandator, the EC should increase its monitoring of the existing MoU. A
sharper (but not crude and legally binding) division of labour between both institutions should be considered. The ‘Western Balkans Investment Framework’ (WBIF) is an excellent example of this approach and should be considered at global level.

The NDCI regulation should play a key role to prevent or reduce any unwanted competition between the EIB and the EBRD as well as with other DFIs. As mentioned by key stakeholders interviewed, including EU Delegations, the main tool for this should be the programming both at a strategic and an operational level. Joint programming activities at country level, steered by the EC and its EU Delegations, should also contribute to an increased cooperation of both Banks. In this scenario, the EC should also ensure a genuinely open system and a level playing field for both institutions as well as other DFIs to access to the EU’s instruments and level playing field for access to the EU’s instruments under similar terms and based on performance and delivery to EU standards, policies, and procedures. In order to ensure that the EIB can participate in such a level playing field, it requires dedicated mandates under NDCI just as DFIs of Member States require national backbone funding and mandates. Close cooperation and engagement with the EC are essential for this system to work smoothly.

The trilateral MoU between the, EIB, the EBRD and the EC serves to enhance policy and operational coordination between the two Banks. According to the many stakeholders interviewed, at this stage not another MoU is needed, but a real discussion and agreement across both institutions and their stakeholders, and strong monitoring of the MoU from the EC – given its coordination role as mandator.

The institutional relationship between the EBRD and the EIB has strengthened in the last few years: the biannual EBRD-EIB Senior Management retreat (launched in 2018) brings together the highest management of the two institutions, headed by the two Presidents. As a result of the last Senior Management retreat in November 2020 six working groups have been established to look into how the two institutions can further enhance cooperation. As a direct result of the EBRD-EC-EIB MoU, the two Banks are also holding annual Contact Group meetings at operational level, involving sector banking teams and local and regional offices. At these meetings the two Banks have been discussing operational challenges in joint regions, such as Ukraine, Turkey and Lebanon. The EBRD and the EIB also engaged on how to approach EU mandates, especially focusing on operational aspects of InvestEU, with concrete results.

The Steering Group (involving the Commission) should be reactivated, particularly in light of the forthcoming implementation the next MFF, including NDCI programming, InvestEU, the Recovery and the Resilience Facility.

A sharper (but not crude and necessary legally binding) emphasis on the respective expertise of both institutions should be considered when programming, taking advantage of the Banks’ respective strengths and complementarities. At the operational level, a broad division of labour already exists, with the EIB emphasising larger and public sector projects as well as work with large private sector banks and companies, and the EBRD focusing on the private sector with a wider range of transactions and lower average project size. There may be some scope for sharpening this delineation, particularly in the new markets.

Also, as noted by EU Delegations in the region, the WBIF is an excellent example of how cooperation between the EIB and the EBRD could be improved. The WBIF brings together all stakeholders (EC, all member IFIs/DFIs, bilateral donors and – importantly – the beneficiary countries) on a unified platform to establish common priorities, to jointly programme new initiatives and to ensure aligned programme implementation. The EBRD and the EIB jointly manage the Joint Fund of the WBIF.

To make the EFSD+ more inclusive for smaller European DFIs, they could be supported through the pillar assessment applications and in the process for accessing funds so that these procedures become easier, faster, and more comprehensible for them. Cooperation platforms should be eligible for funding. Dedicated funding for consortia should be considered as well as a co-financing/syndication platform.

Enhanced cooperation among stakeholders of the EFAD should take place under all scenarios. This is also recognised by the EC. The future EFSD+, through the Article 27 (5) of the NDCI proposal, foresees the promotion of cooperation between eligible partners.

Each European DFI has its own respective strengths, competences, and mandates. By improving access to EFSD+ to smaller European DFIs, the EU can further draw on this diverse landscape to meet EU policy
objectives for international development and meet the SDGs. As mentioned during the interviews with smaller DFIs, the most critical issue for them, especially under Scenario C, is to guarantee that the EFSD+ will remain inclusive and its financial instruments easily accessible. This can only be achieved under an “open and inclusive architecture” and a level playing field.

Facilitating the pillar assessment process
Smaller European DFIs, whose capital and human resources are constrained, have observed that the process of pillar assessment required is onerous on them. The EC has recognised this issue and was “looking at ways to facilitate and support the pillar assessment to in order to further strengthen inclusiveness”\(^{123}\). The Study team welcomes the technical assistance now available to help smaller DFIs to ease the pillar assessment process. Some DFIs have indicated that the EC could more actively promote the existence of such technical assistance.

Facilitating access to EFSD
For smaller DFIs who want to contract directly with the EC, it would be relevant to consider having a single contract to be signed between such DFI and the Commission that is flexible enough to cover for a set of agreed priorities and instruments, and that can be reviewed from time to time to adapt priorities, instruments and Key Performance Indicators (KPIs) over the life of the contract. Moreover, smaller European DFIs, with limited resources, have pointed that working with EFSD can be demanding and time consuming given the policy and reporting requirements. For the future EFSD+, the Study team therefore recommends studying how these existing requirements can be made more manageable for smaller European DFIs and to provide the resources to meet them.

Joint cooperation platforms
EDFI recommended additional flexibility when dealing with smaller DFIs and ensuring eligibility for access to EU funding via joint cooperation platforms built by several DFIs to achieve economies of scale, such as the EDFI Management Company\(^{124}\). The cooperation platforms should be eligible for management of all types of EU funds and expected to create some economies of scale and allow access to EU funds for a large number of DFIs, including smaller ones who may not have the resources to contract directly with the Commission. In this regard, national DFI endorse the recommendation of EDFI “that the Commission and co-legislators create an adequate legal basis for strengthening cooperation across the many actors of EU development finance, with such legal base allowing bilateral institutions to form joint ventures for management of EU funds dedicated to specific programmes and policy objectives”\(^{125}\). Cooperation platforms offer the opportunity for larger DFIs to share their experience on banking, risk management, policy engagement and central services as well as its country and sector knowledge. Moreover, larger DFIs could make offices available as a “port of call” for smaller DFIs who may not have a local presence in all countries.

Approval process, timing, and legal documentation
EDFI and smaller DFIs value the approach taken under the EFSD to ensure a simple approval process, whereby a single-point decision process via a joint Operational Board is the norm, without requiring approval of each separate underlying transaction by the EU. This should be maintained under EFSD+. Moreover, the success of a programme such as EFSD and its successor EFSD+ will heavily depend on the ability of the DFIs and the EC to conclude legal documentation in an efficient and timely manner.

Pricing
To ensure more efficient exchanges on risk-sharing structuring and pricing policy, EDFI’s recommended to (i) coordinate feedback from DFIs and IFIs on pricing-related issues until the Guarantee Technical Assessment Group Plus (GTAG+) is formed, for the Commission and/or the EFSD+ Strategic Board to prepare for recommendations to GTAG+ on the approach envisaged to pricing of the guarantee. EDFI would be glad to engage with the EC on this matter and, as appropriate, to facilitate the contributions of our members; and to (ii) maintain the pricing discount related to COVID-19 up until end of 2021; More generally, the Commission should establish clear and common rules for pricing discounts.

Dedicated funding
The EC in its response to the WPG report has suggested “to dedicate a limit percentage of the total amount of available funds for proposals submitted by consortia of DFIs, including at least one small one”\(^{126}\). This suggestion should be further explored and adopted in the next NDICI regulations or in future reviews.

Support from other DFIs
Well established NDFIs/DFIs could provide support to smaller DFIs. For example, by providing consultancy services and/or service contracts in areas required by the later. This support could be funded by the EU.
Emerging needs in the developing world call for stronger collaboration but also pose challenges to the definition and objectives of the partnership among implementing partners. The Study team contends that the EBRD and the EIB have already a business model based on co-financing arrangements. As demand for financing increases, both Banks will have greater incentive to engage in constructive co-financing operations.

The EBRD’s experience with collaboration with other IFIs is wide ranging and examples vary with different levels of depth and formality. For example, as of December 2019, the EBRD had 301 active co-financing deals with partner MDBs and a broad range of DFIs, including the 15 members of the association of European DFIs, among others Proparco, KfW, and FMO.

Moreover, at the policy level, the EBRD leverages the resources and experiences of other IFIs’ and MDBs’ programmes to strengthen the impact of their operations on policy reforms. For example, the EBRD Country Strategy priorities help to shape and implement the structural conditionality of IMF programmes and priorities in the EBRD countries of operations.

In addition to the activities mentioned above, one area of future cooperation for the EBRD is policy engagement. Here, the EBRD could take the lead in engaging with stakeholders on policy reforms, what then creates bankable opportunities for a range of DFIs. The EBRD has also the footprint and capacity to make its 50+ local offices in countries of operations available as a “port of call” for smaller DFIs who may not have a local presence in all countries.

The EIB has extensive experience in cooperating with IFIs and European DFIs globally, including in the Neighbourhood, SSA and LDCs. The EIB continuously works on building mechanisms to increase cooperation. The EIB is structurally geared towards crowding-in other actors. This is reflected by the co-financing of more than 235 projects outside the EU from 2014 to 2019 and 12 cooperation agreements with European DFIs. In particular, the EIB is committed to crowd-in smaller European DFIs that bring valuable country specific knowledge and sectoral expertise.

Over the last 15 years, the EIB has been one of the most active players in terms of initiatives aimed at including smaller European DFIs in the development architecture, including the “European Financing Partners and The Interact Climate Change Facility”. A ECSDB based on the EIB would be looking into expanding its current product and service offer to further address the needs of smaller European DFIs.

As pointed out by EDFI, European DFIs have an established practice of co-investments: almost half of all commitments made are to projects co-financed by two or more EDFI member institutions, evidencing a very high level of financial cooperation. A total of 593 projects were co-financed by two or more EDFIs at the end of 2019. More than 60 new projects are on average co-financed each year with commitments by two or more individual EDFIs. The percentage of the co-invested portfolio in SSA is 24 %, 19 % in Latin America & Caribbean and 17 % in East Asia & Pacific.19

The existing convergence of strategic mandates on clearly defined EU policies may be an opportunity to further promote greater coherence and cooperation in the future. The Study team noted that EU developing partners shared many strategic objectives that could facilitate co-financing between the partners for the period 2021-2027.

In particular, synergies could be developed in the climate change mitigation and energy sectors. With respect to the private sector and non-sovereign lending, both the EBRD and the EIB have also expressed interest in strengthening the partnership. Under Scenario A or B, expanding the business model to new sectors and geographical zones will require a careful balancing of mandates and resources with partners.

To achieve greater coherence and efficiency of the cooperation and co-financing arrangements, the following solutions could be proposed for both scenarios:
1. Over the short- and medium-term, the partners need to put in place a formal process for matching business plans and identifying co-financing projects in a predictable way. This is why a strong role of the EU, through for example the EFSD+ Strategic Board, may prove useful. The creation of a co-financing platform could also be explored, with an open pipeline of possible co-financing projects open for review by implementing partners and a matching tool that would allow for partners to find co-financing opportunities for specific geographies and sectors;

2. Priority areas would be identified for co-financing. For instance, there are good opportunities for both EU development partners to develop joint support for climate change, energy efficiency improvements and renewable energy projects;

3. Strategic positioning for cooperation and co-financing must be specifically negotiated by the partners in sectors of greatest comparative advantages. In doing so, the partners can ensure that concrete projects would emerge in a predictable and sustainable fashion;

4. While new areas of intervention are being advanced (NDICI/ EFSD+), the EU will need to formulate clear guidelines on goals, roles, responsibilities and overall authority with respect to resource mobilization that enables a shift toward collaboration in new regions (i.e. SSA) and sectors (climate change, local government, non-sovereign lending, etc.);

5. New products for co-financing could be also part of the offer of the ECSDB to European DFIs. For instance, syndicated lending with A/B loans, lending in local currency;

6. The ECSDB could also offer service contracts financed by grants to European DFI. For example, in areas in which smaller European DFIs lack expertise like policy dialogue or certain financial products. Additional adaptations to enhance the co-operation among DFIs, IFIs, and MDBs, and how to encourage greater inclusiveness of smaller DFIs are also addressed in Qs. 54 and 63.
3. CONCLUSIONS

Summary of scenarios

Under Scenario A, the EBRD would become the main financial vehicle of the EU development policy, complementing the EU’s grant programmes, and the primus inter pares financial institution of the EFAD. Under Scenario B, a subsidiary of the EIB would become the main financial vehicle of the EU development policy, complementing the EU’s grant programmes, and the primus inter pares financial institution of the EFAD.

While Scenarios A and B imply a major reconfiguration of either the EBRD or the EIB activities towards one single entity that would emerge in the long term, Scenario C focuses on enhancements in the current institutional set up without major institutional changes. In this scenario, the EBRD, the EIB and other actors which are part of the EFAD, such as national European DFIs, would better coordinate and harmonise their practices and further reform and expand their activities outside the EU under the steer and leadership of the Commission’s High Representative.

It is important to note that many changes suggested in Scenario C are relevant to Scenarios A and B as well. As such, these changes should also be considered in the context of the Scenarios A and B. For example, the overall need for the improvement of coordination of actions among stakeholders of the EFAD is an issue that cuts across scenarios, but it is more crucial in Scenario C, where the risk of fragmentation and inconsistencies in the visibility and the development finance strategy is higher.

Relative strengths of the different scenarios

Drawing on the detailed review of the legal and statutory/governance, financial, operational and development impact implications, the Study team compares the relative strengths of all three scenarios, including their advantages and disadvantages, clustered and prioritised according to the overarching policy principles and requirements to inform the future EFAD. Thereby the report does not formulate recommendations or express preferences for one scenario over others. Ultimately, decision making on the future EFAD will be influenced by the relative importance given to different principles and requirements.

3.1. Scenario A – EBRD as Main Financial Vehicle of the EU Development Policy

The EBRD’s policy position is generally aligned with that of the EU. The alignment is related to two areas: (1) Policies relating to the Global Agenda to which the EU is a signatory, e.g. 2030 Agenda or the Paris Climate Agreement; (2) Policies related to the EU agenda, such as promoting EU values, strengthening EU visibility and providing the EU with political leverage.

Although the EBRD’s model is that of an MDB, with a resident board and each country of operation being a shareholder, the Bank is perceived as being ‘European’ in many ways by stakeholders. Culturally and strategically the Bank is aligned to EU values. The EBRD is strongly associated with the concrete as being an ‘European’ institution and as such can play a strong role in enhancing EU visibility. While this is an area where more can be done, e.g. in terms of branding, the Study team notes that the issue of EU visibility is embraced by the Bank.

Yet, as a multilateral institution in which the EU has a majority but not an exclusive controlling majority, broad alignment with EU policies and agendas can be expected. But they cannot be fully guaranteed. For the EBRD to promote EU values, interests, objectives, and policies entirely and steadily, and to be seen as a ‘pure’ European Institution, the need and merits of a strategic EU majority or changes in voting thresholds, need to be addressed. This majority would guarantee that the EBRD does not deviate from any time from EU policy and legislation and the EU would have full control of (future) strategic and operational decisions. One key challenge remains in the requirement of all countries of operations to be members of the Bank, which would prolong the transition process to move into new geographies.

While the EBRD is operational in the Neighbourhood and Enlargement countries, SSA, South East Asia and Latin America are currently not covered by the Bank. Scenario A would entail a geographic expansion by the EBRD to EU priority areas as a basic prerequisite for an adherence to the ‘Policy first’ principle across the globe. Notably, the lack of engagement in SSA puts a burden on fulfilling EU’s external policy objectives, at least in the short run until a potential further expansion of the Bank to that region. The full adherence to the ‘Policy first’ principle would also imply a stronger social sector coverage, e.g. healthcare,
education, social protection and a stronger focus on large infrastructure projects, renewable energy, transportation and water which are critical sectors to achieving the SDGs. The social sector appears to be particularly important in view of a post-COVID-19 recovery in EU’s partner countries.

The development impact would also need to be strengthened by expanding the Bank’s portfolio of products directly or indirectly ensuring pro-poor targeting and to further enhance inclusiveness as well as gender-based approaches. The EBRD would also need to increase its capacity to monitor and evaluate the impact of projects to measure development impact contributions according to EU’s policy principles, especially at country level.

Overall, the level of adherence to the ‘Policy first’ principle also hinges on the actual ‘capacity to deliver’. Therefore, the aspects presented below under the criterion ‘capacity to deliver’ are also relevant for this criterion.

The EU’s current shareholding in the EBRD is sufficient to provide the EU and its Member States with a blocking majority on any investment made by the Bank. For many key decisions, a simple majority is required, including for finance decisions and the execution of new investments, which implies that the EU, Member States and the EIB hold a veto on new operations of the Bank. This provides the EU with unique influence within the EBRD and ensures a coherent ‘European’ approach.

Many important decisions in the EBRD are currently taken by simple majority. The Bank has a history of decisions taken by consensus, particularly helped by EU interests having a majority and being its major donor. Given the strong influence of the EU on its operations, it might not be necessary to change the shareholding to exert strong influence on the EBRD’s way forward and to ensure a ‘strong and coherent European’ approach, particularly as the EBRD is already perceived as a European institution by many stakeholders inside and by beneficiaries outside the EU.

With the current shareholding structure, the EU benefits from a platform with significant potential for consensus building with non-EU shareholders. The EBRD thereby provides a valuable bridge for forging alliances with non-EU actors. A more critical aspect of the actual governance situation relates to the visibility of the ECSDB as a true EU institution with the EBRD being the main financial vehicle which is currently based outside the EU.

Building on the EBRD’s business model, Scenario A is well suited to safeguard the ‘open and inclusive architecture’ and level playing field approach of the EU. The EBRD both culturally and practically works seamlessly with its EU peers.

The Study team concurs with the opinion of many European DFIs that the EBRD’s expertise and specific focus create appropriate synergies in an open and inclusive financial architecture to meet EU policy objectives, and standards. The EBRD can capitalise on its experience in using EU grant/blending resources and budgetary guarantees, which would be able to leverage in an open architecture and a level playing field resulting in money being allocated to organisations with a specific expertise and track-record on target geographies and sectors. Consequently, Scenario A would ensure efficient deployment and use of EU resources and facilitate increased involvement of smaller European DFIs in their respective niches. European NDBs see a specific value cooperating with the EBRD for sectors requiring intensive policy dialogue, technical assistance, and co-investment. As a result of its market-based approach, the EBRD has an acknowledged track-record of crowding in private finance.

Under Scenario A, there would be the possibility for EIB to continue its operations focused on EU and pre-accession countries, representing around 88% of its commitments in 2019. In this case, the EIB would assume that retains access to the NDIC External Action Guarantee for operations in the Pre-Accession region. Funding previously used for non-EU activities still could be useful for EU activities related to climate change, digitalisation, and COVID-19 response.
The EBRD’s business model, which would be expanded in Scenario A to new geographies and sectors, is generally well positioned to meet the operational and technical requirements for a system that delivers. The Bank’s experience with operations at all parts of the capital structure from equity to secured debt is also an asset. The EBRD works with a financially sustainable business model without extensive reliance on external guarantees and is highly valued as a key development bank in its countries of operation and among peers for its extensive local footprint an in-depth local and sectoral technical expertise, including on policy dialogue and holistic focus on the transition of countries. Local operations are core to the EBRD’s business model. In its current countries of operations, the EBRD has thus demonstrated a strong capacity to contribute to development and to promote EU policy objectives, values, standards.

The Bank has a strong focus on private sector development. In terms of value added, the EBRD’s business model has proven highly effective mainly in transition economies but also in some fragile states. In these areas, the EBRD’s business model combines policy dialogue and technical assistance with a broad range of investment instruments across ticket sizes and sectors. It can also operate in the public sector catalysing systemic change beyond individual projects. It avails of a strong risk-taking capacity and a market-based pricing methodology to prevent crowding out of other private sector actors.

The EBRD would be able to augment the EU’s investment ambitions under NDICI with additional capacity on its own balance sheet and without the need to raise additional capital in the 2021-2025. In terms of the risk-based capital utilisation threshold, loans covered by an EU guarantee would hold a minimal risk weighting implying that this ratio would not represent a limitation for delivery.

However, in order to better meet local financing needs in the EU’s priority areas to ensure pro-poor activities to further enhance inclusiveness, EBRD would have to extend its countries of operations and local expertise to include SSA, LDCs as well as fragile states, where the Bank thus far only had modest experience. It would also have to expand in social sectors, e.g. healthcare, education, and social protection for which further expertise and expansion would be required. There is also the opportunity to further expand the Bank’s portfolio of products to include more guarantee, direct equity investments or local currency investment as well as gender-based approaches. For a system that delivers, the EBRD’s balance of public and private sector work would need to change over time as part of Scenario A, with a requirement to increase of operations in the public sector, notably in less developed market economies. The EBRD has a policy of providing financing at “market rates” without crowding out the private sector and as such is well-adapted to this criterion. While it may require EBRD to improve its hedging capabilities, a system that delivers according to EU’s policy priorities may also require to provide more financing in local currency on terms alongside local capital providers as well as equity investments.

“Cost and time efficiency” relates to two main aspects, namely the transition period from the current status to a future ECSCDB on the one hand and the value for money of future operations on the other.

Regarding the transition, if the EU sought an exclusive controlling interest, a shareholding of 80% would be required. This would only be possible with a suspension or modification of the terms of the AEB. Any share restructuring, if executed, would require a number of co-ordinated steps and consent from all of the current shareholders of the Bank. As such, this is not option that is fully within the control of the EU. In the WPG report, it is suggested that some of the shareholding changes could be financed by the transfer of the relevant country portfolios from the EIB. The Study team notes the assets in the portfolio could be theoretically transferable. However, the issue is the onerous consent and other practical and logistical constraints that would make such an exercise be overly complicated, costly and time-consuming. It has therefore not been considered as a realistic way to finance any part of the changes.

The Neighbourhood, Enlargement, and SSA regions are expected to remain the regional priorities of the EU. While the EBRD has very limited experience in fragile countries, it is already well established in the EU Neighbourhood and Enlargement countries. Currently SSA, the Americas and Southeast Asia are not regions of operation for the Bank. Hence, this would be challenging, and it could be expected to take around a decade to reach a global
coverage. To conclude, it would take considerable time to reach the status of a system that delivers in all focus regions of the EU regarding (future) operations.

Regarding (future) operations, the Study team found the EBRD to be cost competitive with its multilateral peers and the bilateral DFIs despite its in-depth local presence. However, the Study team notes that currently the EBRD has a “transition economy” mandate and a move to more developmental focus as envisaged in Scenario A may put upward pressure on its cost model and need for additional grants and guarantees. Currently for the development impact delivered the Bank is very efficient.

In Scenario A, the EU would be able to leverage the lending capacity of EBRD’s own balance sheet in addition to any investments under EFSD+ without the requirement for additional capital over the next years.

### 3.2. Scenario B – EIB as Main Financial Vehicle of the EU Development Policy

The EIB follows the “Policy first” approach from a statutory and institutional governance perspective. Concluding from this, the EIB’s adherence to the EU’s policy objectives is institutionally embedded already today. In contrast to Scenario A, Scenario B with an EIB minority-owned subsidiary wholly owned by European stakeholders has the advantage of not having to rely on consensus from any non-EU entity or Government for its actions. The EIB with a new subsidiary focussing on development partnerships and with shareholders who are exclusively EU Member States, is also well placed to strengthen the EU’s visibility from an institutional perspective.

The EIB has demonstrated to be able to align with EU policies and priorities through the guarantee mandates (e.g. ELM, Cotonou Agreement Mandates, EFSD), grants and blending resources, whose remit are determined by EU and Member State decision makers. However, to fully ensure alignment with the EU’s “Policy first” principle a stronger development finance focus is required in its governance and operations. This includes a stronger presence on the ground, particularly incorporating least developed and low-income countries. In addition, the finance portfolio in social sectors would need to be broadened.

In terms of governance, the Study team sees a need to separate the governance of the new subsidiary from the current EIB operations in order to include international development expertise in the subsidiary’s governance and optimally promote EU policy objectives, values, standards and norms as well as increase EU visibility.

The key strength of EIB’s business model remains in larger scale infrastructure projects as well as its on-lending activities to financial intermediaries. The EIB also benefits from strong sectoral expertise in areas such as climate, energy, mobility, digitalisation and water. Although EIB has been implementing strong frameworks and systems to better assess development impact of its operations, it would need to increase its capacity to monitor and evaluate the impact of their projects to measure their development impact contributions, especially at country level.

To be fully compliant with the EU’s policy objectives on the ground in partner countries, the EIB would also need to increase its local presence and capacities outside the EU to integrate further into EU policy dialogue and programming (in collaboration with other EU stakeholders including EU Delegations and Member States) and to enhance cooperation with partner countries’ authorities.

The EIB has a mandate to operate globally as the EU’s investment bank. Scenario B would thereby ensure the EU’s strategic autonomy as a pillar for a strong and coherent European approach. The envisaged EIB minority shareholding (as set out by the WPG report as a basis for this review) would ensure for meaningful participation by the EC, Member States and/or national DFIs. It would allow for policy alignment and effective cooperation among EU-based development institutions. Independent of the shareholder structure, to maximise the coherence of the European approach, it will be key to engage EU development ministers, agencies, and finance institutions directly in the governance to ensure synergy, division of labour and coherence among EU development actors.

The EIB is fully owned and exclusively controlled by the EU Member States. The EIB’s Board of Directors comprise also representatives nominated by the Member States and the...
Commission, and the EBAS as an observer. The application of Article 19 of the EIB Statutes, where financing proposals pursued by the EIB are submitted to the EC for an opinion prior to submission to the Board of Directors for approval, ensures the formal compliance with EU policies, directives, guidelines, and regulations although such compliance is not a sufficient precondition for a strong coherence in implementation on the ground. Most of the EIB activity outside the EU are backed by EU mandates, which are decided directly by EU legislators and should therefore be fully aligned to policies set by the EU.

In Scenario B, the EIB would have the ability to draw on its complementary strengths in a fully ‘open and inclusive architecture’ approach. To maximise development impact, the EC may want to adjust the EIB’s pricing requirements and ensure that the principle of an ‘open and inclusive’ architecture is maintained, which does not eliminate or diminish the role and specific expertise of other stakeholders in the EFA. The Bank would also need to continue its current cooperation with other financial institutions and in particular European financial institutions. As a result of its EU guarantee for operations in countries with lower credit ratings, the EIB has the capacity to offer financing on terms that cannot be matched by ‘market rate lending’ development banks. This is most noticeable for private sector lending operations. Although the EIB would not invest alone and hence it cannot be claimed that all market players are “crowded-out” under a Scenario B, the EIB’s pricing may be an obstacle to collaboration. However, it is key to note that some regional DFIs across SSA rely on low-cost funding from the EIB.

The EIB negotiated a dedicated window under the EFSD+ programme for sovereign lending programmes which is supposed to simplify the EU’s bilateral lending relationships with partner countries and offer below market loans at prices comparable to the Sovereign lending programmes of the International Bank for Reconstruction and Development (IBRD) and the regional development banks. In the interest of a truly open architecture, under Scenario B, dedicated financing windows would need to ensure a full level playing field, in which individual actors compete for all EU resources ensuring their most efficient use.

Under this Scenario B, it could be expected that the EBRD could continue to function as European multilateral development bank. The EBRD would not lose its field of operation in focusing on the private sector. However, if Scenario B led to the EU reducing its focus on the EBRD, this could trigger a simultaneous reduction in interest from other key shareholders, all of whom have alternative multilateral development institutions that are either more regionally focused or more directly under their sphere of influence. On this basis, questions regarding the rationale for the continued existence of the EBRD may be raised.

Scenario B assumes an amended business model under the EIB minority-owned subsidiary. The Study concludes that the rationale for building a subsidiary is clear, as it would allow the EIB to distinguish between EU-based operations and its external activities. Such entity would allow the EIB subsidiary to operate under a different governance, pricing, cost, and risk appetite as well as operate under its own balance sheet. In addition, if deemed necessary, the EIB could make use of an off-balance sheet facility for higher risk operations, modelled on the existing ACP IF, and managed by the new EIB subsidiary. The subsidiary could be financed by the EIB, Member States and possibly the EC. This would strengthen the capacity of the entity to undertake higher-risk operations in the private sector and to underpin increased activity in LDCs and fragile states. In order to ensure cost-effectiveness of the subsidiary and to increase synergies, certain key services could be provided by the EIB parent organisation, such as ‘Treasury Services’.

The EIB is valued in its countries of operation for its provision of low-cost financing. In the Neighbourhood region, the EIB has expanded operations in line with EU objectives and is seen as being effective. The Bank has delivered under the ELM and Cotonou Agreement mandates. However, the Study team notes that if the EIB is to deliver the EU ambitions under Scenario B, substantial governance and operational changes would be required so that it better address financing needs in e.g. LDCs and fragile countries as well social related sectors such as health, education, and social protection. Moreover, the EIB would need to increase its operations in local currency loans, equity and guarantees as well as supply chain financing and trade finance, and loan syndications.

The EIB’s current strength is in the execution of public sector operations, especially large infrastructure projects, where it operates on a par with its regional and global development
bank peers and where market actors often see its role in providing sub-market financing. The EIB is strong in co-financing and seen as generating crowd-in effects that are beneficial to stakeholders at the country layer.

The EIB currently operates on an HQ-centric model, leveraging the presence of EU Delegations and the extensive on-the-ground teams of the European NDBs. As stated above, the current EIB country/regional exposure and in-depth experience with respect to SSA, LDCs and fragile states are considered to be limited due to its centralised model with limited presence on the ground. To significantly broaden its current operational capacity to serve new sectors (e.g. social sectors), the EIB would need to increase its in-country staff, especially loan officers and technical experts. Particularly for the private sector, this would allow the EIB to pursue more direct transactions of smaller ticket sizes.

One key element is that the new entity would need to strengthen its involvement in and/or contribution to policy dialogue and more upstream technical assistance to complement its investment activities. This should be done carefully ensuring maximum synergies and avoiding duplication of existing EU policy dialogue and strategic planning efforts as well as activities by other EU actors. Effective contributions to a favourable enabling environment for finance and investment as well as the related capacity strengthening of market participants and stakeholders are key for a system that delivers.

In terms of value added, the EIB’s model is highly effective in low-risk settings. However, it is less well adapted for taking on high risk without the support of EU or third party guarantees. Where this guarantee cover is available, such as under the ACP IF programme, the Bank has a demonstrable track record of making developmentally impactful investments that have a history of low project failure and which were financially sustainable. Critics point out that the low rate of project failure is a symptom of low-risk appetite and that the Bank will not achieve the developmental objectives sought by the EU without changing its current risk culture. The EIB investments seems to be slow as a result of its multiple layers of governance and poorly adapted for smaller projects. A system that delivers would require that the new entity fundamentally adjusts its governance, risk appetite, policies and procedures.

Although not regarded as a future option by the WPG, a variant of Scenario B for system that delivers could be modelled with an EIB majority shareholding and all activities consolidated on the EIB Group balance sheet. The subsidiary could then be solely financed by the EIB, which would enable the subsidiary to access low-cost funding from the main EIB balance sheet with comparably low levels of paid-in capital at the subsidiary level. However, this structure would require a robust governance structure defined in its statutes, which strikes an adequate balance between the EIB board overseeing activities from a financial perspective and the Board of the separate entity, which would be in control of operations and strategy, have autonomy and ensure alignment with EU policy objectives.

The speed of transition to the ECSI-B would depend on key decisions taken and approvals from Member States, as well as the agreement of a modified operational strategy to further broaden its development focus in its activities. To begin with, the EIB Governors would have to unanimously agree to the establishment of a subsidiary and the proposed shareholding structure. Then, the EIB would need to boost existing teams with more dedicated development capacity and begin to open additional offices in the new countries of focus where it is vital to have ‘feet on the ground’. These additions to the existing business model would be a major endeavour, and it is unlikely that it could be accomplished within 10 years, as estimated in the case of Scenario A.

If the EIB is to establish a subsidiary in which it is a minority shareholder, it will require substantial paid-in capital, which would enable the Bank to operate under its own balance sheet and therefore rely less critically on a dedicated window, but rather would retain its pre-eminence in the field of sovereign financing on the basis of its more competitive product offering. The Study team would expect the subsidiary to require paid-in capital of EUR 5-13.5 billion for a EUR 50-60 billion programme depending on how it will be financed.

The Neighbourhood, Enlargement, and SSA regions are expected to remain the regional priorities of the EU. While the EIB has a global presence, the depth of its country exposure is still limited. Hence, under Scenario B, a substantial deepening of local competence would be required. This is not easy as the mobilisation of additional sectoral and technical expertise takes time and needs to be properly embedded in the overall institutional set up.
In terms of costs, based on the existing business model outside the EU, it was estimated the annual cost of an expansion to SSA, fragile states and LDCs would be 3.5% of annual investment driven by the predominance of HQ staff. Under Scenario B, the Bank envisages the move to a less centralised model in the long run, which could result in comparable costs for Scenario B and Scenario A.

The EIB’s risk taking capacity is limited by its need to retain its AAA rating in the context of relatively higher gearing and lower cost pricing methodology. As a result of this, the Bank generates a lower return on assets than its peers, providing less buffer for any facilities which may enter default. The Bank has an enviable low problem loan portfolio. However, it is broadly accepted that the development priorities of the EU would require investment into higher risk transactions. As such, a cultural change would be required within the subsidiary in Scenario B. One benefit of Scenario B is that the minority-owned subsidiary would require a capital injection, which would in turn enable the subsidiary to consider adopting a greater risk-taking approach and potentially matching that with an adjusted pricing methodology. Such change in risk taking culture would be further strengthened by a governance independent of current EIB operations.

### 3.3. Scenario C – Enhancements in the Current Institutional Set up without Major Institutional Changes

Scenario C would enable the EU to combine its ‘Policy first’ agenda with an effective ‘open and inclusive architecture’ approach, such that it can seek to execute its development policy objectives via the institutions best suited to deliver ‘Policy first’, including the EIB, the EBRD, but also other European DFI’s of the EFAD. With a strong policy steer from the EC/EEAS as a prerequisite for this Scenario C, the EU could channel its resources to the institutions that are best aligned with specific priorities. In a Scenario C, the implementation of EU development and financing actions would need to be effectively streamlined, coordinated, and communicated, not least to ensure adequate EU visibility.

Scenario C seeks to play to the strengths of each institution to achieve the EU policy objectives. This would give the EU greater flexibility to achieve its policy objectives as no single institution is perfectly designed to meet every objective. Under this scenario, the EU’s commitment to – and financing of – development should be recognised and leveraged.

Additionally, to ensure maximum effectiveness, the EU should go further in providing policy guidance and outlook on key strategic issues for EU external action, such as Africa, the Neighbourhood, climate change, biodiversity degradation, migration. Such orientation would be particularly important for a Scenario C in which no single entity would steer the operationalisation of development finance. Among others, the ‘plus’ of the so-called Status Quo should therefore consist of efforts which aim at building a shared framework for the EU and its Member States, and Member States’ financial institutions such as DFIs, as well as the EIB and the EBRD. In order to enhance EU visibility, the EU should ensure participating institutions to further improve branding of EU-supported projects whilst coordinating messaging and sharing best in class actions.

Finally, the importance of policy dialogue, policy and regulatory reforms and policy engagement by the EU to improve business environment and investment readiness is undisputed. While the EU Delegations are increasingly active in policy dialogue with the partner countries, it is important to focus on policy reforms conducive to investments in specific sectors and priority areas. This requires specific sectoral and technical expertise. In this context, the EC could create a unique service dedicated to technical assistance on policy and regulatory reforms, with the active participation of EU Member States and their institutions, including DFIs and IFIs, in the implementation of technical assistance programmes, and working closely with the EU Delegations. In such case, a Scenario C approach would allow the Commission to efficiently manage resources by relying on complementary financial expertise on an as-needed basis, while pursuing a holistic approach to drive development impact.

The instruments for an effective coordination of the different actors in a Scenario C are presented under the criterion ‘open and inclusive architecture’.
In Scenario C, a ‘strong and coherent European’ approach could be backed by the cooperation and competition of complementary organisations working in the field with the EU able to champion and showcase the best operations of each in terms of development impact and EU visibility. It would avoid the danger that either Scenario A or Scenario B being perceived as the EU having picked a ‘winner’.

However, there is a danger that Scenario C is an endorsement and continuation of the status quo and/or lack of policy steer and that the involved institutions would not fundamentally further develop towards a more effective EFAD. This would be at the detriment of a ‘strong and coherent European’ approach to development finance. There is a strong risk for this unless the EU rigorously seeks to promote good practice and motivate each organisation to strive for more. This can be achieved via the ‘open and inclusive architecture’ with a level playing field if applied well (see more detail under the ‘open and inclusive architecture’ criterion). In contrast, an ineffective steering, management, and coordination of the Status quo+ Scenario could also result in the weakening and fragmentation of the current EFAD with negative impacts for the policy objectives, development impact and visibility of the EU.

The Study team noted concerns from some of the smaller EU member countries that do not have DFIs that a single major European DFI, e.g. Scenario A or B, could better represent their interests and to foster the coherence of the EFAD by bundling overarching policy objectives.

Instead of focusing on reaching or increasing global scale as foreseen in Scenarios A or B, in Scenario C, the EBRD and the EIB, as major players of EFAD, could still have important roles to play thus contributing to the strengthening of the European approach by leveraging their comparative strengths. The EIB would continue to be able to leverage guarantees and grants, while the EBRD would continue to leverage EU resources on programmes that are aligned with the EU’s strategic focus. As the EU will remain a majority shareholder of the EBRD, it can use its influence to shape the direction of the Bank to deliver on EU policy objectives in its current countries of operations and beyond (in case an expansion into SSA is regarded as being in line with EU objectives). At the operational level, a broad division of labour already exists, with EIB often focussing on larger projects and the EBRD focusing on the private sector with a wider range of transactions and lower average project size. There may be some scope for sharpening this delineation, particularly in new markets. The WBIF is a good example for such cooperation between the EIB and the EBRD. The WBIF brings together all stakeholders (EC, all member IFIs/DFIs, bilateral donors and – importantly – the beneficiary countries) on a unified platform to establish common priorities, jointly programme new initiatives and ensure aligned programme implementation. The EBRD and the EIB jointly manage the Joint Fund of WBIF.

As a whole, European DFIs, especially bilateral ones, have a strong local presence in SSA, LDCs and fragile states, which have allowed them to build up trustful relations with local players and gathered specific country and sectoral expertise. This is not easy to replicate and is key for generating a pipeline of bankable projects. In future expansions, the EBRD and the EIB could greatly benefit from networks of other European DFIs by continuing to form partnerships with them, co-financing projects, and even sharing human resources, for example, when it comes to upstream work and project preparation work as well as steering and monitoring and evaluations of projects. This would contribute to a further strengthening of the European approach.

Scenario C does not exclude an expansion of the EBRD’s operations to SSA, for example, or adaptations in the EIB structure, which could include the creation of a new entity. The Scenario C can also be considered as a (potential) intermediary step towards Scenario A or B or another further Scenario at a later stage.

The Study team has identified several coordination and cooperation mechanisms in the current institutional set up to enhance the development impact according to EU policy objectives and the coherence of EU operations in partner countries. These mechanisms are important elements of an open and inclusive architecture which to some extent could also be also considered for Scenario A and B. Following the specific requests of Member States to provide sufficient information on the “Plus” of the Status quo+, the more important mechanisms are presented in the box below.
Governance Level

The Team Europe approach should largely become as a mechanism of concrete cooperation and regular dialogue between EU and Member States’ institutions on EU development policy and a recognisable ‘brand’ outside the EU.

The EFSD+ Strategic Board could further enhance its dialogue with non-members, including EFAD DFIs and IFI actors to discuss common standards for development finance and help build a coherent development narrative.

Programming and joint programming at central level: A “top down” policy steer with all stakeholders will be critical to developing robust programmes under the EFSD+. Consultations could include European financial institutions and EU member states with a strong steer from the EC.

Instruments Level

EU/PEC could, with a broader mandate, serve as platform for discussions on common set of rules and for increasing cooperation across all EFAD stakeholders.

The creation of a more institutionalised mechanism to increase risk sharing and co-financing with a joint facility across institutions could be further explored under EFSD+. Furthermore, incentives for EIB and EBRD for co-financing other European DFIs could be considered so that they can act as wholesalers. We suggest also taking advantage of existing cooperation mechanisms instruments of Member States and their institutions such as the Mutual Reliance Initiative and the Currency Exchange Fund.

Harmonisation of pricing by ensuring and monitoring that all stakeholders comply with international standards such as the DFI Working Group on ‘Enhanced Principles for Blended Concessional Finance’ and market-based pricing methodologies is critical.

Regional / Country Level

Joint Programming at regional and country level with extensive and transparent “bottom up” consultation with all stakeholders will be critical to developing robust project pipelines. Country and regional platforms could be a useful tool for the EU development community to guide development cooperation with country counterparts, engage in policy dialogue and create and share knowledge. It will be also crucial to further make use of ‘Team Europe Initiatives’ to further promote the ‘Team Europe’ approach at country level.

Scenario C offers the strongest outcome under this criterion. It maximises the openness and inclusiveness of the EFAD enables the EU to raise the bar for all its development institutions crowding in both the private sector and the DFIs in a way that could not be replicated by the selection of a single institution. The spirit of EFSD+ would be enhanced with Scenario C. All initiatives under Scenario C, especially NDICI/EFSD+, should focus on building on each DFI’s unique strength and specialisation to crowd in private/public sector finance. This, again, could be done by guaranteeing an ‘open and inclusive architecture’ and the right conditions for a level playing field among implementing partners. Furthermore, under this scenario, the EC could enhance the capacity of smaller European DFIs to contribute to crowd in finance by simplifying the access to EFSD+ funding, allowing them to work through joint cooperation platforms, and by facilitating the establishment of co-financing/syndication platforms.

The EU has recently taken important steps to enhance the ‘open and inclusive architecture’ through the NDICI regulation and to improve cooperation among European actors through “Team Europe”. Importantly, under such an open, multi-pronged architecture, there is scope for both the EBRD and the EIB to play an important role in bridging financing gaps. Scenario C would thereby enhance the division of labour to maximise coverage of the broad 2030 Agenda and reduce inefficiencies and ineffective competition where it exists. It also calls for more access and inclusive access for smaller European DFIs to EFSD+, for example by facilitating, when possible, the pillar assessment process, working through joint cooperation platforms, and allocating dedicated funding to them.
The potential added value of a scenario with multiple actors intervening comes from the fact that European DFIs, altogether, are able to intervene on a wide array of projects. Collectively, the stakeholders of the EFAD are well able to carry out both private and public sector operations. This capacity could be enhanced by ensuring effective access to EU funds and implementation of EU-funded programmes by all eligible counterparts, large or small, and by expanding and strengthening co-financing and refinancing programmes across institutions. Overall, each institution, including the EIB and the EBRD, has different, and very often complementary levels of development expertise, and country and regional knowledge. The above can also include regional development banks with specific sectoral or regional experiences and key local networks, through which, under the guidance of EU or EFAD actors, funds could be deployed more efficiently to achieve development impact, while at the same time, building significant capacity for local financial institutions. However, if the scenario does not result in all organisations accepting a greater need for coordination and cooperation, then Scenario C will not be a system that delivers. Scenario C has the clear feature that the overall quality of delivery depends on accepted policy coherence standards and the strength of the applied coordination mechanisms. Contrary to Scenario C, both Scenarios A and B offer a stronger institutional stability and inner coherence of the EFAD.

The EBRD, the EIB as well as other European DFIs have different pricing methodologies and this is an advantage for the EU. Market-based financing works well where there is a private sector to crowd in and markets are functioning, but in some situations policy lending rates are required and offer greater development impact. The challenge in Scenario C for the EU to ensure a system that delivers would be one of allocation to ensure that the best suited actors leverage in each situation. This is more complex than having just a single development institution. The study team would argue that the EU will always have these choices even under Scenarios A and B for as long as the European family of DFIs remain and the EU remains a shareholder of certain multilateral institutions. Under Scenario C, the EU has the capacity to embrace this diversity and optimise it under the steer of the EC.

Furthermore, expanded EU support for SSA would need to be explicitly designed, recognising the relative strengths of the EIB and the EBRD, but also European NDBs, other multilateral institutions with a strong EU shareholding (including the ADB, the WB and the IFC) as well as key regional DFIs, to maximise the effectiveness of European development assistance. Such an expansion could support deeper collaboration at the project level, including more systematic co-financing, based on increased mutual reliance, mutual recognition of standards and inter-operability as well as more active, up-stream coordination and sharing of costs and work conducted, e.g. on feasibility studies or during due diligence. The EC could contribute to this in Scenario C by ensuring that international standards endorsed by DFIs and MDBs to avoid crowding out private investment, in line with the DFI Working Group on ‘Enhanced Principles for Blended Concessional Finance’ and market-based pricing methodologies, are strictly applied by all stakeholders including regular reviews.

Institutional change is not envisaged in Scenario C, although operational changes to strengthen the EBRD’s expertise in LDCs and fragile states and to strengthen the EIB’s ability to deliver greater development impact could be pursued under this scenario.

Building a new ECSDB, as proposed in Scenario A and B, results in a more costly, time-intensive, and risky endeavour, duplicating institutions and business models. If EU Member States and partner countries need quick and effective collaboration and support to continue to navigate the impacts of COVID-19, building on already existing resources and complementarities seems to be the most suitable scenario to ensure a strong and coherent approach to address the current main development challenges.

The consequences of the COVID-19 crisis on financing for sustainable development in low- and middle-income countries eligible for ODA will be significant. New needs will emerge in those countries and development finance will need to be channelled in a more efficient manner by the EU development partners. Under Scenario C, the EU would be expected to leverage its entire suite of development partners to their maximum effect. Scenario C would be strongest with a redoubling of focus on the ‘open and inclusive architecture’, enabling the EU to prioritise the allocation of every Euro to actors that are best able to allocate capital and to deliver on the ‘Policy first’ principle, especially on EU development impact objectives.
From a cost perspective, the benefit of Scenario C is that the EBRD and the EIB can optimise their business model to work most efficiently to its strength rather than expanding into sector and market types, for which they first need to strengthen their expertise. This does carry the risk of unnecessary duplication of resources in the EFAD, which will need to be prevented by a clear EU steer. If appropriately managed, this should create the opportunity for both the individual EFAD actors to optimise operating expenses and the EU to optimise its resources. Particularly in the short-term Scenario C is the most cost-effective option, as it would aim at improving development impact delivery across existing institutions straightaway, provided there is clear understanding of which institution takes the lead to steer co-ordination and processes.

Scenario C has an advantage related to the challenge of local presence. The EU through its delegations is already represented in almost all partner countries and could thus complement operations of the Banks and European DFIs, notably in the area of policy dialogue. The capitalisation of the EU presence would call for a sufficient availability of relevant capacities at EU level. It would certainly only very partially compensate need for additional and coordinated presence of the Banks and European DFI on the ground.
7. Council Conclusions (14434/19, 05.12.2019)
10. While there is an 85% provision in the AEB, based on Article 8.4, it is effectively no longer relevant because it ceased to be operative three years after the AEB became effective in 1991 although it remains in the most recent version of the AEB (2013). Under Article 56.1 an 80% provision or more guarantees control over most AEB amendments, except those in Article 56.2 which requires unanimity.
11. The UK is no longer counted as EU Member State in the 27 calculation but remains as a shareholder of the EBRD (8.52%).
12. The authors of the Study are aware of the widely used definition of a subsidiary being a majority-controlled entity holding the majority of voting rights (as opposed to an ‘affiliate’ in which an entity has minority voting rights). However, in this study the term subsidiary is also used for a new entity in which EIB would only hold a minority share. This has two reasons: first, we adhere to the terminology of the TOR for this Study and the WPG report, which both use the term subsidiary also for a minority-controlled entity. And second, contrary to the widely used practice, the existence of a voting right majority is not compulsory for the establishment of a subsidiary. There may also be situations in which control may be effectively exercised where the parent holds a minority of the shares in the subsidiary.
13. Pursuant to Article 56 of the AEB, an AEB amendment proposal made to the Board of Directors or by a Governor follows three steps (set out below with corresponding voting thresholds): 1) Board of Directors’ decision. Not less than two thirds of the total voting power of all the members voting as a “general policy decision” under Article 29.3 of the AEB. 2) Board of Governors’ approval. Per Article 29.2 of the AEB, a simple majority of the voting power of the members voting. 3) Member acceptance. According to a recent opinion of the General Counsel, Article 56.1 of the AEB requires acceptance by not less than three-fourths of the members (including at least two recipient countries) having not less than four-fifths of the total voting power of the members for a change in geographical scope. It should be noted that acceptance by all members is required for those amendments set out in Article 56.2(i) of the AEB, including amendments to “the purpose and functions of the Bank defined in Articles 1 and 2” of the AEB. The same General Counsel’s opinion noted that, while an amendment to geographic scope could be approved pursuant to Article 56.1 of the AEB, Article 56.2(ii) of the AEB also allows the Board of Directors (and, if requested, the Board of Governors) to consider a question of interpretation or application of the provisions of the AEB. Both Boards would therefore be empowered to make an application under Article 57 of the AEB, so as to apply a higher threshold, including Article 56.2(ii) of the AEB’s unanimous threshold, if they consider that requirement appropriate in the circumstances. Lastly, depending on the format of any proposed geographic scope amendment to Article 1 of the AEB, various consequential amendments to other AEB articles may also be necessary.
14. The exact capital requirement is dependent on how the affiliate is financing itself. If the subsidiary would be majority owned by the EIB, the capital requirement could be reduced to one year’s operating expenses (cf. Q. 18 in the report).
15. EBRD’s COVID-19 response included among others the provision of short-term liquidity, trade finance and working capital support for existing clients and decided to repurpose its planned lending for 2020 and 2021 to respond to the crisis in its countries of operation. While this has thus far not had an impact on its credit rating, the rating agency Moody’s states that there may be an impact on asset quality and performance once moratoria and regulatory forbearance measures come to an end. (Moody’s Annual Credit Analysis – EBRD, December 2020).
16. Whose methodology is broadly aligned with the S&P RAC approach.
17. This SCF decision is tighter than the limit set out in the AEB, which prescribes a 40% limit on total committed loans, equity investments and guarantees in the public sector in its countries of operations. Shareholders would have the ability to loosen the SCF’s goal without having to amend the AEB.
18. This is consistent with the EUR 12.5 billion of Macro Financial Assistance executed by the EU and EUR 26.7 billion dedicated sovereign war fund for the EIB.
19. Exact total size not determined at this stage. The last ACP IF endowment was used as benchmark.
20. Please see Q. 20 for additional detail.
21. Portfolio split at the end of November 2020 was: 20% Energy, 19% transport, 18% depositary credit, 15% municipal & environmental infrastructure, 7% agricultural, 6% manufacturing and services, 5% natural resources, 4% equity funds, 2% property and tourism, 1% ICT, 1% leasing finance and 1% non-depositary credit.
22. 1% of which is in climate finance.
23. 84% through intermediaries and 3% risk sharing.
24. EBRD data from end of September 2020.
25. For instance, with the assessment of GHG emissions and the CBA analysis accounting for carbon prices, ELM Evaluation Report, 2018.
27. For operations outside the EU, the EIB relies to a large extent on mandates by the EU or Member States, which offer guarantees and prescribe specific target geographies and (to an extent) investment instruments. The EIB also often relies on third parties to provide
guarantees when deploying their own resources at risk. Article 16 of the EIB Statutes outlines that “by decision of the Board of Governors, the Bank may grant financing for investment to be carried out, in whole or in part, outside the territories of the Member States”. However, it adds that “when granting a loan to an undertaking or to a body other than a Member State, the Bank shall make the loan conditional either on a guarantee from the Member State in whose territory the investment will be carried out or on other adequate guarantees, or on the financial strength of the debtor.” The guarantees enable EIB to undertake investments in riskier environments outside the EU with EIB’s existing level of capital and reserves while maintaining its AAA credit rating.

EIB’s non-EU operations are performed under the following mandates and legal frameworks: ELM, accounts for 56% of commitments outside of the EU from 2015 to 2019 and covers countries/territories in four regions: Pre-Accession countries, the EU Southern and Eastern Neighbourhood and Russia, Asia and Latin America and the Republic of South Africa. ELM financing is exclusively in the form of debt instruments. The Cotonou Partnership Agreement, which includes the ACP IF and Cotonou Own Resource mandate, accounts for 15% of commitments outside of the EU from 2015 to 2019 covering operations in ACP states and Overseas Territories (OCTs) with the objective to reduce and eradicate poverty. The ACP IF is an off-balance sheet revolving fund financed by EU Member States, the Cotonou Own Resources mandate includes a comprehensive guarantee from MS for the EIB, Own Risk Facilities (ORF), which accounts for 29% of commitments outside of the EU from 2015 to 2019 covering Pre-Accession and Neighbourhood countries and global climate and strategic investments. Under ORF, the EIB lends at its own risk to investment-grade operations. Please refer to Q. 20 for additional information around the EIB Member States guarantees the EIB draws on.

This includes, but is not limited to, SSA, LDCs, fragile states and the EU’s Enlargement and Neighbourhood regions.

While operations in the Russian Federation have been stopped as a result of EU sanctions, the EIB still holds part of the portfolio in the country.

These proportions include regional projects.

Instruments include (1) loans (a) public sector loans to finance larger projects promoted by public sector entities, (b) corporate loans financing large projects promoted by private-sector enterprises, (c) individual investment loans / project finance financing infrastructure projects, (d) framework loans to finance a promoter’s multi-component investment programme within a framework of pre-defined objectives, (e) multi-beneficiary intermediated loans awarded to intermediaries, which pass on financing on to either national financial intermediaries (e.g. banks) or private financial intermediaries, (2) equity investments in infrastructure projects or indirectly in SMEs through investment funds, and (3) Guarantees provided to financial intermediaries to cover part of the credit risk of a larger portfolio.

Article 18.2.

Consisting of framework loans (16%), multi-beneficiary intermediated loans (35%) and investment loans (45%), of which the latter is divided into public sector loans (75%), corporate loans (20%) and project finance (5%).

In particular in relation to maturities, which are considerably more attractive than market alternatives.

ACP IF Financial Statements 2019. Based on assets and liabilities and excludes commitments. As per the statutes, the EIB is not allowed to take exchange rate risk, however, this can be covered by ACP IF or via Trust Funds, blending facilities or specific swap arrangements, e.g. with TCX, which results in small amount of local currency financing outside of the ACP region.

Please see additional suggestion for the use of blending resources below.

The EIB currently seeks to circumvent any distortion or crowding out by being required to finance a maximum of 60% of the transaction, assessing non-rival positions in capital market they are active in and are engaging dialogue and coordination with other market actors. Source: ELM Evaluation 2018.


The ACP IF review concluded that overall impact in tourism, agribusiness and industry had been modest, due to the limited size of portfolio at country level.

The activities are financed both through EC (49% of grant resources between 2015 and 2019), Member States (20%) and own EIB contributions (3%) and other donors (28%) as well as global blending facilities.

Followed by the Southern Neighbourhood and candidate and pre-accession countries as well as the Eastern Neighbourhood (21%), 20% and 12% respectively, while a significantly smaller portion (4%) is split between Latin America, Asia, cross-regional global activities and overseas countries and territories (OCTs).

Financial instruments are guarantees and risk capital used for to financial intermediaries or projects and budgetary guarantees.

ADE 2020: “End-Term Review of the ACP Investment Facility”.

While public sector projects only make up 12% of the ACP IF portfolio, it uses 67% of the interest rate subsidy amounts (ACP IF Review, March 2020).

In addition to the legal changes outlined, the following consideration would also need to be considered: (1) EBRD would also need Board of Directors’ consent to open local Resident Offices (as per Section 1(b) of EBRD’s By-Laws); (2) The EBRD would need to issue new shares to all new members (AEB Article 5.1); (3) It is also required for EU and EIB to hold, in aggregate, a majority of total subscribed stock of the EBRD (AEB Article 5.2 and 5.4); (4) The composition of the Board of Directors might be affected (as outlined in AEB Article 26), (5) An expansion might cause the need for a capital expansion or rebalancing of EBRD’s existing resources.

As outlined in Articles 29.3, 29.2, 56.1, 56.2 and 57 of the AEB.

AEB Articles 1 and 8.

AEB Article 3.1(1)

AEB Articles 2.1 and 18, respectively.

AEB Article 3.2.
53. The proposed purpose of the use of funds must be broadly compatible with EBRD's purpose (as set out in AEI Article 1) and functions (AEI Article 2); (2) exceptional circumstances must justify the proposed external activities.

54. AEI Article 11.3.

55. Article 16 of the IIB Statutes outlines that, "by decision of the Board of Governors, the Bank may grant financing for investment to be carried out, in whole or in part, outside the territories of the Member States". However, it also adds that "when granting a loan to an undertaking or to a body other than a Member State, the Bank shall make the loan conditional either on a guarantee from the Member State in whose territory the investment will be carried out or on other adequate guarantees, or on the financial strength of the undertaking."

56. Please refer to Q. 26 for additional elaboration on changes to risk management.

57. The EFSF is a EUR 1.5 billion open access EU budgetary guarantee provided to IFIs and DFI. EFSF provides blendig and guarantees for transactions in the EU Neighbourhood and Africa to help achieve the SDGs. Under EFSF, 50% of the guarantee provided is provisioned. After the currently ongoing MFF discussions, EFSF will be replaced by EFSF+ with a larger geographical and programmatic mandate.

58. This excludes EUR 50 million in unfunded EFSF guarantee from 2019, which is covered under EFSF.

59. EQP-based funding includes the Instrument for Pre-Accession Assistance (IPA) for Turkey and the Western Balkans, the European Neighbourhood Partnership Instrument (ENPI) for countries in the Eastern and Southern Neighbourhood and the Development Cooperation Instrument for Central Asia and Mongolia.

60. The EIB applies for grants financing on a case-by-case basis to a central mandates' decision-making body and deploys grants' donors' resources mostly in combination with EIB debt/equity financing.

61. As an integrated manager, the EIB mobilises donations, develops and manages an operational pipeline, provides secretariat functions to support specific regional or thematic objectives and may take on the role as financial manager of grant resources.

62. EU blending facilities cover countries in the pre-accession region, European Neighbourhood, Africa, Latin America, Caribbean, Asia, and the Pacific.

63. This represents 69% of all grant funding committed, with the remaining 28% contributed by other donors and 3% from own EIB resources.

64. Political risk coverage includes non-payment due to non-transfer of currency, expropriation, war or civil disturbance and denial of justice upon breach of contract.

65. While the private sector mandate of the ELM was extended to include a comprehensive guarantee for companies under the Economic Resilience Initiative introduced after the 2018 mid-term review as a response to the migrant crisis.

66. All guarantee calls for projects in Syria apart from one restructuring in Northern Africa.

67. This includes the Impact Financing Envelope.


69. EIB’s and EBRD’s business models are expected to evolve in all three scenarios. Consequently, when moving into less developed markets and dealing riskier transactions, there will be a need for increased external grant support. The exact figure depends on the country context. The % is expected to be higher in fragile, higher risk contexts, whereas it is expected to be lower in more established economies.

70. In line with their current level.

71. Please refer to Q. 19 for additional elaborations.

72. Based on the assumption that EIB can co-locate staff in EU delegations. Additional calculations considering EU ambition and co-location possibilities will have to be conducted to confirm or determine actual setup costs for Scenario B.

73. Detailed modelling of costs should, among others, consider the following additional factors: (1) mandate of the entity - sovereign and sub-sovereign vs. private sector – where experience shows that public sector activity does require more resources than private sector activity; (2) split of local staff between expatriate (higher) and locals (lower); (3) need for local security in specific country context (which increases with level of visibility chosen); (4) additional HQ costs for correspondence costs and balances.

74. Those are in particular, but not limited to:
(i) the security costs for offices, residences, cars, and travel costs,
(ii) the costs associated to / time necessary to prepare, approve, implement financing operations: the availability of the public space of necessary information is comparably more limited than elsewhere,
(iii) the relative weakness of local contracting authorities may result in lengthier feasibility studies, procurement processes etc., requiring additional efforts to build local capacity and respect to local needs.

75. This estimate is based on an expansion over four waves to 60 countries. This estimate does not assume co-location with EU Delegations, which could increase costs significantly.

76. The EIB anticipates that cost of establishment new offices will be covered by the administrative overhead as part of the total staff and non-staff costs outlined in the next row. EIB is not expecting significant establishment costs, as it is planning to expand their existing presence in EU Delegations. However, this will subject to confirmation and available office space. Detailed future cost modeling with specific offices and FTE numbers in mind will determine the setup cost of Scenario B.

77. This estimate is based on an expansion to 22 countries. This estimate does not assume co-location with EU Delegations, which could increase costs significantly.

78. The detailed approach to EBRD expansion is set out in the answer to Q. 38b.

79. This is computed by adding (1) staff costs for both HQ and locally based personnel working with both public and private sector clients estimated at 1.8% of annual investment, and (2) any other non-staff related operational expenses estimated at 0.8% of annual investment.

80. Calculations based on EBRD estimates on cost, FTE, and investment volume.
The average figure for DFC, FMO and CDC is EUR 3.6m per FTE, which mainly due to their sole private sector focus with lower average ticket sizes.

31 Estimate provided by EBRD based on their current business model.

32 Average of FMO, DFC and CDC 2019 average overall staff costs.

33 Staff cost for both HQ and locally based personnel working with both public and private sector clients is estimated at 2.5% of annual investment, while other non-staff operational expenses account for 1% of annual investment.

34 This estimate is based on EIB 2019 financial report data on operational expenditures (staff cost, Other administrative expenses, depreciation of fixed assets), staff cost as percentage of total cost, FTEs data and signature volume.

35 Based on current EIB staff for outside EU operations and annual investment outside EU in 2019.

36 This includes EIB staff, local agent staff and external staff.

37 Based on current EIB HQ vs local staff ratio for operations outside of the EU.

38 Based on the 2019 average EIB staff costs.

39 However, this would, among others, be subject to available space within EU Delegation office. Detailed future cost modelling with specific locations in mind will determine potential related setup costs for Scenario B.

40 In terms of local staff composition EIB foresees 15% to be international (heads of office and international experts) and 35% would be locally hired sector specialists, while 50% are locally hired loan officers and support staff. Half will focus on private sector activities, while the other half will support the public sector. EIB estimates that any hiring, IT, or any other related costs would be covered by the non-staff expenses.

41 Estimate provided by EIB and in line with average of FMO, DFC and CDC 2019 staff cost.

42 Of which 19% are staff costs and 0.7% are non-staff related expenses.

43 Based on a steady state average salary level (EUR 150 thousand) and 2019 EIB data on staff vs. non-staff operational expenses (73%) as well as FTE/annual investment ratio.

44 The Study team assumed a 10% decline in annual investment per FTE at steady state.

45 Based on the assumption that EBRD would expand to 22 countries in four “waves” instead of 60 countries in SSA, to LDCs and to fragile states.

Note 1: While the WPO report described the option for a transfer of the EIB portfolio to the EBRD under Scenario A, it did not specifically outline the option to transfer the EBRD portfolio to the EIB under Scenario B. However, as the ToR asks for an analysis of the portfolio transfer in Scenario A and B, this response will include both.

Note 2: The non-EU portfolios of the EIB and the EBRD total EUR 71.6 billion and EUR 36.5 billion, respectively. Of the EIB’s portfolio EUR 46.2 billion is currently disbursed.

46 This includes both disbursed and undisbursed portfolio.

47 This calculation for the EIB would change over time as currently signed but undisbursed programmes are executed.

48 EIB currently benefits from protections granted under the Cotonou Agreement in 78 Africa, Caribbean and Pacific countries and has entered individual framework agreements with 63 countries, where the bank currently operates. Provisions, inter alia, include tax exemption on interests receivable/assets owned by EIB, convertibility of local currency into hard currency, recognition by host country of certain privileges and immunities to the assets of EIB and its staff members.

100 Both in discussions and responses to European Council questions.

101 This covers sovereigns and non-commercial and non-market operator sub sovereign counterparts.

102 This covers private sector companies and commercially run public sector entities.

103 The ELM requires a zero margin for risk pricing in the public sector, while a flat rate of 50 bps is set under the Cotonou mandate. The Council position on the ongoing NDICI regulation foresees a continuation of the ELM margin for EIB’s dedicated sovereign and non-commercial sub-sovereign window.

104 As outlined in WPO Section 3.

105 Please refer to Q. 19 for a more in-depth elaboration on this topic.

106 According to Article 13.1) of the AEB.


108 Both in discussions and responses to European Council questions.

109 This covers sovereigns and non-commercial and non-market operator sub sovereign counterparts.

110 This covers private sector companies and commercially run public sector entities.

111 This includes Lebanon, Kosovo as well as West Bank and Gaza. Fragile states and LDCs are following the definition of LDCs by the United Nations and fragile state definition of the World Bank.

112 All data based on September 2020 data on EBRD disbursed and undisbursed portfolio exposure provided by EBRD. Operations in the West Bank and Gaza are not included, as they are managed under the Trust Fund structures.
118 Financed by the EU, bilateral contributions (incl. Private sector donors), multilateral climate funds and other multilateral contributions.
119 With the rest constituting Central Asia (13%), Turkey (4%) and the EU (2%).
120 In addition, desk offices are located in Barbados, Suva, and New York.
121 This includes 15 temporary staff which are hired through another agency to work for EIB.
122 As defined by the United Nations and World Bank, data provided by EIB. EIB has a portfolio exposure of EUR 70.2 billion outside of the EU overall, of which 80% are committed to operations in the target regions. The remainder mostly includes low-income countries or middle-income countries in Latin America and Asia. Ratio based on latest portfolio exposure outside the EU, but End 2019 number for total EIB portfolio exposure.
123 All data based on October 2020 data on disbursed and disbursed portfolio exposure provided by EIB. It is key to note that LDCs, fragile are overlapping and not mutually exclusive.
124 Some countries within geographical regions, like SSA and ACP, are overlapping.
125 Data provided by EIB. The figures exclude regional projects. It is key to note that LDCs, fragile states are overlapping and not mutually exclusive.
126 The activities are financed both through EC (49% of grant resources between 2015 and 2019), Member States (20%) and own EIB contributions (5%) and other donors (28%) as well as global blending facilities.
127 It was noted that other IFIs/DFIs access Technical Assistance (TA) resources provided by their mandator (i.e. shareholders or national government) to support their operations as well as accessing EU TA resources including under the different blending platforms. The EU as EIB’s mandatory does not provide exclusive TA resources for EIB operations but rather EIB competes with other IFIs/DFIs for such resources under blending platforms or accesses resources on an ad hoc basis.
128 Financial instruments are guarantees and risk capital use for to financial intermediaries or projects and budgetary guarantees.
132 Changes of parameters in its business model were discussed in Q. 37a.
133 The pattern of growth in Tunisia, Morocco and Egypt are taken as the basis for Types I, II and III respectively, although it is prudent to assume that the steady state of business would be reached more slowly than in these cases. This approach reflects the fact that it is likely to require more time and investment to generate the same level of business in SSA countries.
134 Average signatures between 2017 and 2019 was used. Based on these numbers the ratio of signature over GDP in the neighbourhood was calculated to roughly 0.27% of GDP. This calculation excluded Syria (due to the war), Russia (due to sanctions) and any country in which the EIB had not operated during the past 10 years. The equivalent ratio for SSA was calculated to around 0.1% of GDP. Again, this calculation ignored countries in which the Bank had not been active during the past 10 years.
135 EIB and EAS signed in March 2020 a Service Level Agreement (SLA) setting out the overall rules and principles applicable to the hosting of EIB Office and Staff.
136 The exact duration of the Step I depends on the availability of additional resources including capital and guarantees.
138 Due to the urgency of addressing the COVID-19 crisis, in 2020 the share of green investment fell. However, in October 2020 EBRD reaffirmed its commitment in this area with the adoption of a new five-year SCF which aims to make the EBRD a majority green bank by 2025 (see https://www.ebrd.com/news/2021/ebrd-reports-record-2020-investment-in-response-to-covid19.html).
139 Article 2. (i) places the mobilisation of foreign and domestic capital at the heart of the EBRD’s function. Article 11. (i) points to the importance of co-financing with private and public investors. Article 12.2 aims to crowd in other investors in all equity transactions by preventing the EBRD from holding a controlling stake in any firm.
140 In 2017-2018, almost two thirds of EIB’s activity in Africa targeted the private sector.
142 As cost related to public and private operations are dependent on ambition of the EU in each of the scenarios, including a mix of target range of countries, sectors, instruments and type of transactions, which is still to be determined, this answer will be unable to elaborate on this point. Please refer to Qs. 22/23 for a preliminary cost estimate for all three scenarios and to Q. 34 regarding a discussion around the public/private mix of operations.
143 As costs related to public and private operations, expertise on project preparation, development impact and private sector operations as well as specific details around parts of the local presence scale-up are dependent on ambition of the EU in each of the scenarios, including mix of target range of countries, sectors, instruments and type of transactions, which is still to be determined, this answer will be unable to elaborate on this point. Please refer to Qs. 22/23 for a preliminary cost estimate for all three scenarios, to Q. 34 regarding a discussion around the public/private mix of operations as well as Q. 21 regarding reliance on external enablers to support policy engagement, technical assistance and blending.
144 The projects Directorate provides advice and independent opinions to the EIB’s decision makers on the quality and risks of projects and on sector policy to be followed. PJ is also involved in policy formulation for the EIB to respond to EU policies and sectoral
studies to help in identifying potential projects or to meet specific requests from Operational Lending Directorate or the Management Committee/Board of Directors.

Note: As costs related to country, sectoral and policy reform are dependent on the EU’s ambition in each of the scenarios, including a mix of target range of countries, sectors, instruments, and type of transactions, which is still to be determined, this answer will be unable to elaborate on this point. Please refer to Qs. 22/23 for a preliminary cost estimate for all three scenarios.

PJ works together in cross Directorate teams to appraise and monitor projects, assessing their economic, financial, and technical sustainability, and provides advice and independent opinions to the Bank’s decision makers on the quality and risks of projects and on sector policy to be followed. PJ is also involved in policy formulation for the Bank to respond to EU policies and sectoral studies to help in identifying potential projects and plays an important role in advising promoters on the development and implementation of projects, either directly or through external consultants.

Update on the EIB Responses to Technical Questions of the Presidency following up on the Council Conclusions on the EFAD, 2020, EIB, page 5.

Note: As mention in the introduction of Q. 38b, the scale and scope of a future ECSDB based on the EBRD or the EIB would be fundamentally determined by the mandate and resources to be provided by Member States and the EU, which should take the lead to state priorities in terms of countries of operation and sectors. The results of this exercise should determine the planning of appropriate levels of local presence in future countries of operation for both Banks. Country platforms, NDCIC programming, and the EFSD+ Strategic Board, Annual Steering Committees, as well as “Country Days” could be important tools for planning.

EU Delegations could continue to help coordinating the action of European DFIs on the ground, including those of the EBRD and the EIB. This could be facilitated by co-location of offices of the new ECSDB within EU Delegations, which will contribute to enhance coordination on day-to-day and more informal basis.

To increase the efficiency of the EU Delegations, as mentioned in a recent report of the EC to the Parliament, skills training of EU Delegation staffing is ongoing and will be further developed in line with the current and future needs.

CEE Bankwatch Network, Concord, Counter Balance and Eurodad: Submission to the High-Level Group of Wise Persons on the European financial architecture for development, July 2019

Planet, people, prosperity, partnership, and peace.


Accountability has to be understood in its broadest sense, which means downwards accountability (towards citizens and affected communities) and upwards accountability (towards national governments, parliaments, and courts of auditors).

Scaling up public development banks’ transformative alignment with the 2030 Agenda for Sustainable Development, Institute for Sustainable Development and International Relations, 2020, page 1.

Among others, the Instrument for Pre-Accession Assistance (IPA) for Turkey and the Western Balkans, the European Neighbourhood and Partnership Instrument (ENPI) for countries on the eastern and southern edge of Europe, and the Development Cooperation Instrument (DCI) and the Asian Investment Facility (AIF), which (for the EBRD) finances projects in Central Asia and Mongolia as well as the EFSD Guarantees.

EBRD has 43 Resident Offices outside the EU with 869 FTE.

At the overall governance level, the EIB’s Board of Directors comprise representatives nominated by the Member States and the Commission. Moreover, Article 19 of the EIB Statutes, where financing proposals pursued by the EIB are submitted to the Commission for an opinion prior to submission to the Board of Directors for approval to ensure compliance with EU policies; directives, guidelines and regulations, which is also required by EIB’s operational policies. Most of the EIB activity outside the EU being backed by EU mandates which are decided directly by EU legislators and follow policies set by the EU. Mandates received by the EIB under the new NDCI will benefit from this policy coherence.

An example of this alignment is the EIB DG NEAR Joint Note of November 2018, which provides a structured process of consultations on policy alignment and EIB activities in all NEAR regions and is being implemented with a series of coordinated meetings.


For EIB, this has far reaching implications as, unlike other implementing partners, it has been politically agreed that the entirety of the EIB’s future outside EU activity will be subject to the NDCIC governance, which has been followed by transferring the ACP IF reflows to the NDCIC instrument and thereby the NDCIC governance.

“Team Europe” is essentially about (i) building European unity on the global stage and sending a strong message of European solidarity to partner countries, (ii) Being more strategic about international partnerships and development cooperation, (iii), Enhancing coordination and coherence and leveraging the collective resources for sustainable impact, and (iv) Branding EU and member states’ interventions and creating more visibility and recognition for a collective EU identity. Also see ECFDM: Briefing note n°128 / “Team Europe: up to the challenge?, 2021, page 1.

Proposed NDCIC Regulation. ANNEX VI Governance of the EFSD+.

The European Parliament shall have observer status.

Memorandum of Understanding between the EC, EIB, and EBRD in respect for cooperation outside the EU, 2012.

The Interact Climate Change Facility (ICCF) builds on the successful model of the European Financing Partner, and finances renewable energy and energy efficiency projects in the private sector in developing countries and emerging economies. It is funded by the French Development Agency (AFD), the European Investment Bank (EIB) and several EDFI members. Since the facility was established in 2011, a total of 35 projects at a value of €678 million have been approved by ICCF. Examples of projects include solar
energy in India, energy efficiency in existing power generation in Côte d’Ivoire and wind power in India and Kenya (see https://www.edfi.eu/blog/ for more detailed information).

169 The concept of European preference is defined in several key documents. For instance, Art. 4.1.e of Common Implementing Regulation (Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action. It states that the Union’s financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, and in particular: “...financial instruments such as loans, guarantees, equity or quasi-equity, investments or participations, and risk-sharing instru-
ments, whenever possible under the lead of the EIB in line with its external mandate under Decision No 1080/2011/EU, a multilateral
European financial institution, such as the European Bank for Reconstruction and Development, or a bilateral European financial
institutions, e.g. bilateral development banks, possibly pooled with additional grants from other sources.” Under Article 11.2 of EFSD
EFSD, the EFSD Guarantee and the EFSD Guarantee Fund the “EFSD Guarantee shall be implemented whenever possible under the
lead of a European eligible counterpart in line with the criteria set out in this Regulation. The Commission shall ensure an effective,
efficient, and fair use of available resources among eligible counterparts, while promoting cooperation between them.

170 In its Art. 4.1.e
171 Art. 11.2
172 Art. 23.6
173 Article 11.2
174 SDG Financing for Africa: Key Propositions and Areas of Engagement, 01/2017 page 39
175 Agreement Establishing the European Bank for Reconstruction and Development, 1991, Art 1
176 This is aligned with the aligned with the MDBs harmonized Framework for Additionality https://www.adb.org/sites/default/files/institutional-document/556862/mdb-additionality-private-sector.pdf
177 The EIB has been tracking a subset of its contributions to the SDGs since 2016 by mapping sector-oriented project monitoring
indicators to the specific targets underlying the SDGs. A selection of these indicators is published in the Bank’s annual reports.
179 A good example is the work done with the Global Development Network, which has produced a series of 16 studies of impact
180 See https://jointimpactmodel.com/
181 Opinion No 7/2020 (pursuant to Article 287(4), TFEU) accompanying the Commission’s report on the implementation of the Eu-
182 EC – Policy Department for External Relations: The use of development funds for de-risking private investment: how effective is it
in delivering development results?, 2020, page viii.
183 Also in view of weaknesses pointed out by the Opinion No. 07/2020, page 27
184 Proposal for a Regulation of Regulation for establishing the Neighbourhood, Development and International Cooperation Instrument,
185 EC. Communication and visibility strategy for EU-financed external actions Requirements for implementing partners (Projects),
2018, page 5.
186 Tools and Methods, Guideline Nr. 9, Working Together as ‘Team Europe’ (through joint programming and joint implementation),
187 The EIP Communications Overview 2018 is a good example of this approach.
188 See Q. 65 for more details.
189 Tools and Methods, Guideline Nr. 9, Working Together as ‘Team Europe’ (through joint programming and joint implementation),
192 EDI answers to the preliminary questions for EFAD Feasibility Study, p. 4 and 5.
193 EDI: EFSD lessons learned and recommendations for EFSD+, p. 5.
195 Date provided by EDI in the written response to consultants.