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JOINT STAFF WORKING DOCUMENT

Main outcomes of the mapping of external financial tools of the EU

JOINT STAFF WORKING DOCUMENT

MAIN OUTCOMES OF THE MAPPING OF EXTERNAL FINANCIAL TOOLS OF THE EU

April 2023

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This Report contains the key findings of the mapping of EU financial tools that support implementation of external EU policies and have the potential to strengthen the global competitiveness of EU companies. The mapping exercise is a pre-requisite for the enhanced coordination of EU financial tools announced in the Commission Communication on Trade Policy Review ("TPR Communication")[1], which has the goal of contributing to achieving key EU policy objectives - including global competitiveness, sustainable development objectives as well as the EU's open strategic autonomy and geopolitical objectives. It covers the relevant funds managed directly or indirectly by the European Commission (in particular guarantees and blending instruments under the European Fund for Sustainable Development (EFSD) and EFSD+) and by the European Investment Bank ("EIB") and provides a basic description of Member States' ("MS") financing tools, with a focus on export credits.[2] Based on the results of the mapping exercise, the note proposes a way forward for this enhanced coordination.

The findings and recommendations of this report may be adjusted notably in view of the ongoing work on a feasibility study on options for an EU export credits strategy. Such findings and recommendations do not prejudge nor bind any possible future initiative from Commission. While the focus of that study is different, namely looking at whether and how to create an EU facility to provide export credits, it will also include an exploration of different financing streams in the EU and its Member States. The final report of the feasibility study is expected in the second quarter of 2023.

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions "Trade Policy Review - An Open, Sustainable and Assertive Trade Policy", COM(2021) 66 final of 18 February 2021.

[2] This report does not explore development finance provided at Member State level, except for the basic institutional set-up for MS development finance supported by the EU financial tools. We acknowledge however that Member States' development finance is an indispensable element of the global picture of the EU external financial tools, and it will have to be considered in the work on the enhanced coordination. The mapping report also does not cover financial instruments of the European Bank for Reconstruction and Development ("EBRD") which is an important EU partner but not an EU institution. The EU has a limited influence on strategic decisions of the EBRD.

I. Enhanced coordination – purpose and context

EU export finance faces a number of challenges today. These include export credit practices by the non-Participants in the Arrangement on Officially Supported Export Credits ("Arrangement"), recourse by certain Arrangement countries to financing outside the scope of the existing international rules[3] and fragmentation of the official export credit support in the EU ("official support"). Enhanced coordination is one possible response to these challenges. It has also been highlighted in the "White Paper on Public Export Finance in the EU" of 2020 drafted by the Exfi Lab, a think tank-like exercise of Commission and certain Member States' officials actively engaged in the policy design of export finance in the EU.[4]

Ongoing initiatives to address these challenges are progressing. While the technical negotiations within the so-called International Working Group on Export Credits (negotiating forum of Arrangement and non-Arrangement countries to agree on multilateral export credit disciplines beyond the OECD framework) have been suspended since 2020, work on the modernisation of the Arrangement to make financing of the Arrangement Participants more in line with current market practices and principles (including "greening of export credits") has advanced substantially. However, even a modernized set of rules of the Arrangement will still leave some space for market distortions between the Participants and cannot and will not put them on a level playing field with non-Arrangement countries, including China.

In this context, work on an autonomous EU strategy gains particular importance. In the TPR Communication, the Commission undertook to explore options for an EU strategy for export credits including (i) an EU export credit facility and (ii) enhanced coordination of EU financial tools.5 Council Conclusions on export credits of March 2022 6 expressed support for analyzing the opportunity of enhanced coordination and of an EU export credits facility as a complement to national export credit facilities, to development aid, and to investment support. The Conclusions noted that the Commission's work on enhanced coordination of EU financial tools was advancing and urged rapid progress towards this objective.

An EU export credit facility would be complementary to national export credit agencies ("ECAs") and support exports and overseas projects in line with key EU policies and strategies (including Global

[3] The EU is the biggest user of the Arrangement rules. With regard to untied official development assistance ("ODA"), Japan provided during 2005-2020 significantly more ODA in volume terms than the EU combined (approx. EUR 120 billion, equaling approx. 70% of the total notifications to the OECD). OECD Trade and Agriculture Directorate, Participants to the Arrangement on Officially Supported Export Credits: Agreement on Untied ODA Credits Transparency, 2020 Annual Review, TAD/PG(2021)10/FINAL, 12 January 2022 ("OECD 2020 Annual Review"), Figure 4.

[4] Exfi Lab has been initiated and steered by Denmark, other participating Member States included Austria, Belgium, France, Germany and the Netherlands. Exfi Lab members reported to the Council Working Group on Export Credits ("CWG") on the milestones of their work and the White Paper was discussed and welcomed in the CWG in the formation of heads of delegations in September 2020. The report is available at: Aangepast_White_Paper_on_Public_Export_Finance_in_the_EU_A4_01.indd (ekf.dk)

[5] The same paragraph spells out also climate-related aspects of the EU export credit strategy: "*In line with the Green Deal objective to phase out fossil fuel subsidies,* [the strategy] *will also incentivize climate friendly technology projects and propose to immediately end support for the coal-fired power sector, and to discourage all further investments into fossil fuel-based energy infrastructure projects in third countries, unless they are fully consistent with an ambitious, clearly defined pathway towards climate neutrality in line with the long-term objectives of the Paris Agreement and best available science.*" While the EU action on climate aspects of export credits is being implemented also in separate work streams (embedded in negotiations of international regulation of government support for export credits), the EU climate policy goals should also be incorporated and promoted in the EU export credit facility and within the enhanced coordination of EU financial tools.

[6] Council Conclusions on export credits of 15 March 2022, Ref. 7101/22.

Gateway[7], digital and energy transition etc.). A feasibility study on options for the EU export credit strategy was launched at the beginning of 2022 by an external contractor, and the final report is planned for the second quarter of 2023. The establishment of an EU facility is one of the options to be assessed, and the decision whether and in what form such a facility could be established will be taken following the study and based on subsequent discussions within the Commission and in the Council.

Enhanced coordination of EU financial tools ("enhanced coordination") means a greater leveraging of complementarities between official support for export credits, provided today only by Member States, and relevant external financial tools managed by EU institutions, in particular development and climate finance. The aim is to maximize the collective impact of existing financing instruments of the European Commission and the European Investment Bank in support of third countries, and activities of Member States' financial institutions (including ECAs) to achieve objectives pursued by all participating financial institutions, and ultimately – in the same way as the possible EU facility would do – to promote key EU policy objectives (in particular the global competitiveness of EU industry, supply chains diversification and avoiding dependencies, the EU's development objectives including the Sustainable Development Goals,[8] the Digital Agenda for Europe, the Green Deal, just energy transition partnerships, as well as the EU's open strategic autonomy and geopolitical objectives including those identified in the Global Gateway strategy, Africa-EU Partnership and the EU Strategy for Cooperation in the Indo-Pacific).

The basic idea would be for the enhanced coordination to involve exchange of information and cooperation between Member States' export credit agencies and participating EU institutions, with the possibility to also interact with private stakeholders. The ideal output of such a system would be a means to encourage better coordination of specific projects that support the above-mentioned EU policy objectives. This report describes the main financial tools available (within its scope specified in the introductory paragraph), explains a series of legal and practical limitations to the degree of coordination that would be possible, and identifies as well gaps in information flow and a lack of a culture of cooperation between various actors, which could at least be mitigated by EU-level action.

[7] The Joint Communication on the Global Gateway makes an explicit reference to the European Export Credit Facility. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank "The Global Gateway", JOIN(2021) 30 final of 1.12.2021.

[8] See the United Nations 2030 Agenda for Sustainable Development, https://sdgs.un.org/2030agenda.

II. Mapping of EU and Member State sources of external finance

The first step in the exercise towards enhanced coordination was a mapping of the available financial tools at the level of the Member States' export credit agencies, of the European Commission and the European Investment Bank. The mapping included description of limitations in deployment of the relevant funds, as well as of bodies and procedures involved in the decisions concerning specific funding streams. It was conducted from October 2021 to January 2023 in an informal EU inter-service group.

II.1. Mapping of EU and Member States' sources of external finance: description and scale of relevant instruments

a) Member States' export credit support

*Box 1 What is **officially supported export credit***

Financing commitment to a foreign entity (buyer/borrower) that is provided or supported by an official government source (mainly export credit agency, ECA), and that is aimed at facilitating the cross-border purchases of goods or services, thereby deriving domestic economic benefits from increased exports.* Official export credit support is contingent upon an export transaction benefiting an industry of the ECA's country (this export transaction could be directly from the ECA's country or from a third country. As a reaction to globalised supply chains many ECAs have moved from requiring national content to promoting national interest). ECAs provide their support either through loans (in the EU, this type of support is minimal) or in the form of insurance or guarantees (the predominant form of support, see below in this section). Official export credits may be provided in transactions with buyers in all countries (developed, developing, emerging economies).

Examples:

- ECA's loan of EUR 130 million combined with ECA's insurance to a public buyer in Benin to build a hospital and supply medical equipment.
- ECA's guarantee to a government in Morocco to back a commercial loan of EUR 12 million to build a desalination plant.
- ECA's guarantee for a government entity in Ghana to cover a commercial loan of EUR 33 million for repair and upgrade of road extension.
- ECA's insurance to cover a commercial loan of EUR 45 million to a private buyer Mexico for purchase of equipment for wind power generation.
- ECA's insurance of commercial loan for a private buyer in the United States to purchase telecom equipment worth EUR 1 billion.

**US EXIM Bank Competitiveness Report 2019 (published in June 2020). Note that the financing commitment can be made either by a commercial bank or, rarely, directly by an ECA.*

The common commercial policy of the EU covers the conclusion of agreements with third countries in the field of officially supported export credits, even if obligations inherent in the execution of the agreement are borne directly by the Member States.[9] The Union is a Participant in the Arrangement on the basis of its exclusive competence for the common commercial policy. However, official export credit support ("official support") is provided by Member States' ECAs, in accordance with the rules of the Arrangement[10], to promote their own policies and objectives. There is no export credit agency or similar tool at the EU level. Member States' ECAs do not follow overarching EU interest and policies in their financing decisions, and can be also in competition with one another. Although the ECAs of the EU Member States are collectively perhaps the largest provider of official export credit support globally[11], they are not able to make full use of this scale when necessary because of the fragmentation of their operations between Member States, different modi operandi and the different financial products that they offer.

i. ECAs' forms and mandates

Although the types and legal forms of export credit agencies can vary depending on national set-ups and the boundaries between different types and forms can be fluid, in principle they operate either as providers of direct finance (bank), providers of pure cover (i.e. insurer that offers insurance or guarantees), or as a both. In most Member States the lending and insurance functions are divided between a national export/import (or promotional) bank and a national export insurer but there are also instances where the functions are merged in one institution (e.g. Eximbanka Slovak Republic). Regarding their legal form, the ECAs fall broadly in the following three categories:

- A private company acting as an agent for the state on a basis of an exclusive contractual relationship (e.g. Allianz/Euler Hermes in Germany, Atradius in the Netherlands or OeKB in Austria);
- State-owned independent agency (e.g. EKF in Denmark, KUKE in Poland, EGAP in the Czech Republic or Eximbanka Slovak Republic);
- Government department/facility (e.g. EKN in Sweden).

Traditionally, ECAs' mandate was to promote exports and national economies. This meant essentially that only exports with a high percentage of national content were supported by ECAs in order to promote national growth and jobs. Internationalisation of domestic companies and the development of global value chains however started a general trend of reconsidering the support towards a broader concept of national interest. This notion acknowledges that the economic interest of a country can be well-served also by supporting exports with lower national content requirements (and is some cases even with a minimum of national content) as long as it leads to longer-term direct or indirect benefits through international growth of national firms, creation of new business opportunities and opening

[9] Opinion of the Court of Justice 1/75 of 11.11. 1975 pursuant to Article 228 of the EEC Treaty.

[10] The Arrangement became part of Union law by virtue of the Regulation (EU) No 1233/2011 of the European Parliament and of the Council of 16 November 2011 on the application of certain guidelines in the field of officially supported export credits and repealing Council Decisions 2001/76/EC and 2001/77/EC, Official Journal L 326, 8.12.2011.

[11] It is not possible to assess, for comparison, the volumes of official export credits provided by People's Republic of China ("PRC"). Based on known data compiled in annual US EXIM Reports on Global Export Credit Competition, see footnote 12 below (and bearing in mind lack of transparency of trade-related finance provided by the PRC), China provided in 2018 more than EUR 37 billion in official support, in 2019 EUR 31.5 billion, in 2020 more than EUR 17 billion, and in 2021 nearly EUR 11 billion. The steep drop in recent years can be explained by various factors including the PRC's new dual-circulation policy as well as realisation of financial setbacks caused by earlier questionable lending policies. However, Chinese official finance can react very flexibly to policy priorities defined by the government, also at the level of individual projects that are deemed of strategic importance. The EU MS combined provided in 2021 almost EUR 37 billion (Italy approx. EUR 10 billion, followed by Germany, over EUR 6 billion, and France providing over EUR 5 billion). Despite some annual fluctuations between the Member States, the figure for the EU is relatively stable year by year.

new markets for national industry or substantial financial flows into national industry by means of e.g. dividends or intellectual property fees.

A minimum percentage of national content is still a prerequisite for an export transaction to become eligible for support by many ECAs. However, the minimum national content requirements have been reduced, sometimes significantly, since early 2000s. EU countries with traditionally high national content requirements like Italy or Germany (over 70%) lowered their eligibility limits to 50% (Germany) and even 10% (Italy). Italy thus joined EU Nordic countries Sweden and Denmark in the group with particularly pronounced emphasis on national interest / low domestic content. Austria, France and the Netherlands are other EU countries with very low national content requirements. On average, the EU ECAs' national content requirements came close to 20%.[12] In comparison, the United States are country with one of the highest national content requirements (85%), emphasizing strongly the objective of creation of national value and jobs.[13]

ii. Main principles of operations

ECAs should operate in a complementary manner to the market, in addition to commercial actors. Their role is to address market gaps and to catalyse commercial financing. This is also reflected in their focus, in general, on de-risking instruments (insurance, guarantees) rather than engaging in direct lending activity, which in turn is done by commercial banks. In 2016-2020, the EU ECAs supported approx. EUR 134.5 billion of official export credits worldwide,[14] of which approx. EUR 106 billion were covered by ECAs' insurance or guarantees, approx. EUR 27.5 billion combined loans and pure cover, and less than 1 billion of loans only. During the same period, EU ECAs supported a further approx. EUR 6.6 billion in so-called tied aid.[15] In sum, the total official support provided by EU ECAs in 2016-2020 amounts to EUR 141.1 billion (for more details, see section II.2).[16] For comparison, all other Arrangement Participants combined provided in 2016-2020 total official support under the Arrangement terms of approx. EUR 89.5 billion (approx. EUR 63 billion in export credits support and EUR 26.5 in tied aid support[17]).[18]

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[12] See US EXIM Report to the US Congress on Global Export Credit Competition for the period January 1, 2020 through December 31, 2020, published in June 2021 ("US EXIM Report 2020"), p. 57. There are exceptions like Spain which requires minimum national content over 70%. See US EXIM Report to the US Congress on Global Export Credit Competition for the period January 1, 2017 through December 31, 2017, published in June 2018 ("US EXIM REPORT 2017"), figure 8.

[13] US EXIM Report 2017, figure 8 at p. 32, and footnote 21. See also US EXIM Report 2020, p. 56. It is noteworthy, however, that in December 2020, US EXIM's Board of Directors approved a special content policy for EXIM's new Program on China and Transformational Exports. For 10 congressionally defined transformational export areas (including renewable-energy, energy-storage, and energy-efficiency exports), the total level of EXIM support will be 85 percent for contracts having at least 51 percent U.S. content, and EXIM will consider supporting 85 percent for transformational exports with less than 51 percent U.S. content if certain requirements are met, including exporters submitting a plan to meaningfully increase U.S. jobs in the next three to five years. Idem, box 3 on p. 52.

[14] Excluding aviation and shipbuilding sectors which would add further significant amounts.

[15] According to the definition in the Arrangement, tied aid is aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries; it includes loans, grants or associated financing packages with a concessionality level greater than zero percent. Tied aid can also take a form of Official Development Assistance (ODA) loans or grants, and any of those can be combined with export credits or other funds at or near market terms (associated financing). See the Annex XIV of the Arrangement (List of Definitions), item r), and Article 32 of the Arrangement.

[16] The figures are based on ex-post reporting by the ECAs which relates to amounts committed by the agency.

[17] Japan alone is responsible for 70-80% of total tied aid provided during the said period, in volume terms.

[18] It needs to be borne in mind, however, that the US EXIM Bank was virtually out of business in 2015-2019 because of a lack of quorum at its board of directors (due to a blockage in the US Senate). Traditionally the US EXIM Bank is one of the largest providers of official support, covering transactions of almost EUR 16 billion in 2012, approx. EUR 9 billion in 2013 and approx. EUR 3.7 in 2014 (excluding the aviation sector which would add a further significant amount).

ECAs follow a set of international rules (WTO and OECD rules) which seeks to foster a level playing field in order to encourage competition among exporters based on quality and price of exported goods and services rather than on the most favourable officially supported financial terms and conditions (more in detail in section III.3 below). The terms and conditions of government export credit support (interest rates, premia, repayment terms) must not undercut and crowd out private capital where it is available (as mentioned above, ECAs should fill in the financing gaps in the market).

As a matter of principle, ECAs provide financial support for transactions based on exporters' demand. It means that an exporter must make a request for ECA's support once the export transaction has been agreed with a buyer. However, a certain transformation of ECA's traditional role and activities can be observed since the 2000s and in particular in the wake of the Global Financial Crisis of 2007-2009, as some of them started to take a more activist and policy-oriented approach. The aim is the same as in the case of the shift towards the national interest, discussed in the section above – to boost global competitiveness of domestic companies, create business opportunities and promote the capacity of their own industry to enter new markets. The role of ECAs shifted at least partly from trade facilitation (i.e. acting on demand) towards trade creation and investment promotion, and to this end, they have developed instruments to interact directly and proactively with potential buyers. This reflects a more strategic approach towards export support which pursues alignment with selected national policies (e.g. support for SMEs or promotion of important industrial sectors). At the same time, it is also commensurate to the trend of procurement policies of international buyers which have evolved beyond the price/quality assessment of imports and take into account also the cost of financing, thus establishing the true cost of the purchase.

ECAs' operations cover all country income categories. In 2016-2020, about 58% of the support provided by EU ECAs was in favour of transactions in high-income countries (see table 1 in section II.2). Accordingly, more than 42% of their support (equalling approx. EUR 60 billion) was directed to developing countries. ECAs' financial support allows developing countries to mobilise commercial capital to facilitate imports and projects which otherwise would not be available, or not at the same price and/or other financing terms, due to the associated commercial and/or political risks. In fact, the OECD rules are more flexible for financing of exports to developing countries, due to the relative lack of private actors, the lower risk of market distortion and the need to reflect the capacity and pace at which the buyer can repay the loan. In addition, as mentioned in this section above, a number of EU ECAs (e.g. in France, Italy, Austria, Portugal, Poland and Spain) provide tied aid, i.e. concessional loans to developing countries that are formally tied to sourcing from the donor country.[19] Consequently, many ECAs, though formally not having a development mandate, provide financial support for developing countries, a fact acknowledged (and welcomed) by many in the international community, which is seeking, in line with the UN Sustainable Development Goals and the Addis Ababa Action Agenda of 2015, innovative ways to mobilise additional capital, including private, for development.[20]

iii. Tools

The official export credit support provided by export credit agencies can be either short-term ("ST") or medium and long-term support ("MLT"). ST applies to official support with a repayment term of up to two years and covers mainly consumer goods (including e.g. agricultural products). MLT applies to official support with a repayment term of two years and more (in general, long-term support is defined by repayment term of minimum five years) and covers in essence capital goods and services (i.e. those

[19] To qualify as tied aid – and effectively escape the OECD rules for export credits – the concessionality level of the loan, i.e. the "gift" part of it, must be at least 35%.

[20] Addis Ababa Action Agenda of the Third International Conference on Financing for Development, adopted in Addis Ababa, Ethiopia, 13–16 July 2015 and endorsed by the General Assembly of the United Nations in its resolution 69/313 of 27 July 2015.

that are destined for industrial users and meant to produce consumer goods in the next stage). Capital goods and services can include complete projects, e.g. turnkey factories, ports, roads, railway systems, power plants, ICT/ digital infrastructure or healthcare and education establishments (not only construction but also maintenance and upgrades). A specific type of ECAs activity is working capital support. This is support extended to exporters during manufacturing process, e.g. in the form of a guarantee covering a commercial bank loan, in order to support their cash-flow. This facilitates exports but only indirectly, as the manufacturer receives support to cover its domestic operating costs, and not to directly export goods or services. Since it is not (ostensibly) contingent upon export performance, it is generally not considered to be an export credit as such.

In the EU, the provision of short-term export credit insurance is regulated in the Communication from the Commission on the application of Article 107 and 108 of the Treaty on the Functioning of the European Union to short-term export credit insurance ("STEC").[21] The STEC lays down rules to (i) ensure that State support to export credits does not distort competition among private and public (or publicly supported) export credit insurers in the internal market, and (ii) create a level playing field among exporters in different Member States. The aim is to address actual or potential distortions of competition in the internal market, not only among exporters in different Member States (in trade within and outside the Union), but also among export credit insurers operating in the Union. In this sense, the STEC's premise is that trade within the 27 EU Member States and the nine high-income OECD countries[22] listed in its Annex, with a maximum risk period of up to two years, entails marketable risks. This means that, in principle, there should be sufficient capacity provided by private insurers and, in principle, such risks should not be insured by the State or by State supported insurers. However, the STEC also provides for some exceptions[23] from the scope of marketable risks and specifies the conditions under which State support for the insurance of temporarily non-marketable risks may be compatible with the internal market. Risks that are in principle non-marketable are outside the scope of the STEC.

Outside the scope of the STEC, the EU ECAs provide MLT support first and foremost in the form of direct financing (export credits) or pure cover (export insurance and guarantees) under the rules of the Arrangement on Officially Supported Export Credits. The Arrangement is transposed into the acquis communautaire by the Regulation 1233/2011.[24] The official support within the scope of the Arrangement enjoys an exception from the general ban on export subsidies by the WTO Anti-Subsidy Agreement (see section III.3), the so-called "WTO safe harbour". As mentioned in the section above, the vast majority of EU ECAs' support, more than 75% in 2016-2020, is made up of pure cover (de-risking instruments) in line with the principle of additionality.

MLT support is however provided also by tools outside the scope of the Arrangement. This is again a trend observed since the early 2000s and even stronger following the Global Financial Crisis, attributable to pro-active and strategic use of MLT tools by both the OECD and non-OECD countries (in particular China). For comparison, while in 2011 the split between the use of the Arrangement tools and non-Arrangement tools was 50% - 50%, the use of the Arrangement tools fell to all-time low

[21] Communication from the Commission on the application of Article 107 and 108 of the Treaty on the Functioning of the European Union to short-term export credit insurance, C(2021) 8705 final of 6 December 2021. Both MLT and ST can constitute state aid according to EU rules, however only ST is regulated in more detail.

[22] Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland, United Kingdom and United States of America.

[23] Through the first amendment on 3 April 2020 of the State Aid Temporary Framework (related to the economic fallout of the Covid-19 sanitary crisis), which was initially adopted on 19 March 2020, the Commission added flexibility for Member States by temporarily removing all countries from the list of marketable risk countries set out in the Annex of STEC, thereby allowing public authorities to assume all commercial and political risks associated with exports to such countries. Such exemption was in force between 3 April 2020 until the end of 2020 initially and was subsequently extended until 31 March 2022.

[24] See footnote 10.

of only 27% in 2017 (vs. 73 % of non-Arrangement tools), and recovered only slightly until 2021 to 33% (vs. 67% of non-Arrangement tools).[25] It is in this context that a difference is made between the notion of "officially supported export credits" (under the Arrangement) and "official trade-related finance". The forms of the official trade-related finance, which are described below, include support for foreign investment, untied support, market window, and development support (which is usually not provided by ECAs but by national or multilateral development finance institutions, "DFIs").

According to data compiled by the US EXIM Bank, the three largest categories of all types of official support, i.e. within and outside the scope of the Arrangement, provided by OECD and non-OECD countries in 2021 were: 1. investment support (approx. EUR 63 billion), 2. Arrangement export credits (approx. EUR 56.5 billion) and 3. untied support (approx. EUR 17.8 billion).[26]

In general, official trade-related finance pursues objectives in the national interest. The required national component can be that a project involves an undertaking established in the country (including foreign-controlled entities) in the capacity as a supplier, investor, operator, subcontractor, concessionary or financier. The projects supported under national interest considerations either include no exports or include export operations which however have no sufficient national content under the criteria for export credit support. As an example, one Member State defines objectives of its investment and untied support as:

- allow the domestic undertaking concerned to build a significant presence in a geographical or sectorial market with a strong growth potential;
- allow to develop a technology, a process, a product or a service that creates a competitive advantage for the national economy;
- be such as to substantially develop the activity of domestic undertakings;
- not providing the support represents a significant risk for the national economy, an economic sector or a line of business.

The objectives of the official trade-related finance may include other policy goals such as development support in the case of DFIs' activities.

- Investment support

An official government entity such as an ECA provides support to an investor (usually from that government's country) looking to acquire an equity stake in a company or project overseas. This typically occurs in one of two forms: political-risk insurance provided to an investor's cross-border equity investment, or debt financing provided to an investor to use for a cross-border investment. The investment support is an instrument employed to promote national interest through targeting strategic projects that can create business opportunities for domestic companies or follow other important policy objectives.

[25] US EXIM Report to the US Congress on Global Export Credit Competition for the period January 1, 2021 through December 31, 2021, published in June 2022 ("US EXIM Report 2021"), figure 4 on p. 23.
[26] For comparison, the development support amounted to approx. EUR 14.5 billion in the same year. US EXIM Report 2021, figure 2 on p. 22.

- Untied support

Untied financial tools (direct financing or guarantees) do not require that goods and services must be purchased with the official support. Therefore, they fall outside the definition of export credits and the Arrangement regulation. National interest components assessed by the ECA (or other public financial institutions) include e.g. offtake contracts, operation and maintenance contracts, taxes paid in the ECA's country or promises of future procurement from the ECA's country. Besides strategic projects, untied financial tools support strategic exports that are important for the national economy but not eligible for standard ECAs' support, particularly with respect to the share of national content.

One example can be the so-called "push" (or a similar "pull") program under which an ECA offers a credit line not tied to a particular transaction and not linked to national content requirement. All that the buyer needs to agree to is to be open to marketing from and matchmaking with the suppliers from the ECA's country; or a supplier established in a third country benefiting from the ECA's support will be open to including ECA's country companies, including SMEs, into its supply chain as subcontractors.[27]

Investment and untied support have been strategically used by some countries, including EU Member States, to gain access to critical raw materials. An example of investment support deployed for this purpose would be an ECA investment guarantee for a domestic company to set up a joint venture with a local partner to start a rubber tree plantation in Asia, in order to secure its supply of latex for tyre production. An example for untied support would be an untied guarantee by an ECA covering a commercial bank loan for the construction of a mine by a foreign investor in a South American country, provided that a domestic firm secures the supply of the raw materials mined.[28]

- Development finance

Development finance, provided by national DFIs, encourages private-sector entities to do business in foreign developing markets for developmental purposes. While development finance is untied,[29] many DFIs have "national interest" mandates or related initiatives aimed at supporting domestic exporters. The following section[30] analyses in more detail the tools employed by development finance at the EU level. Development finance provided at the level of the EU Member States was not included in this report in detail but it constitutes an indispensable element of the funds and tools deployed by the EU and its Member States in the domains of the official trade-related and development finance and will be included in the work on the enhanced coordination.

- Market window

This is the smallest, and steadily declining, part of the non-Arrangement tools applied in export finance. In 2021, it amounted to approx. EUR 3.2 billion of financing by the Arrangement Participants (it appears that it is not used by the non-Arrangement countries).[31] In a market window program, an ECA offers pricing on the same terms as the commercial market. A market window does not

[27] One EU ECA has provided guarantee for credit lines for the sales of Boeing. Every year, the ECA's commitment will be adjusted accordingly to the supplies that Boeing will allocate the ECA's country companies.
[28] E.g., Germany or France have untied loan guarantee programs. An example of a recent transaction is untied guarantee provided by German ECA Euler Hermes for a USD 800 million five-year loan underwritten and arranged by Société Générale and syndicated to seven participating banks, extended to Trafigura, a market leader in the global commodities industry. In turn, Trafigura committed to deliver, under a five-year supply agreement, up to 500.000 tonnes of non-ferrous metals into Germany.
[29] According to Annex XIV, item s) of the Arrangement, untied aid is aid which includes loans or grants whose proceeds are fully and freely available to finance procurement from any country.
[30] See below at point II.1.b).
[31] The only two users of the market window instrument in 2021 were Belgium (approx. EUR 2.6 billion) and Canada (approx. EUR 0.6 billion).

necessarily result in lower financing costs compared with financing provided under the Arrangement. However, market windows allow ECAs to have more flexibility on repayment term, down payments, and risk premia because these programs are not covered by the Arrangement.

- Whole-of-government approach

Though not a tool in itself but rather a policy approach to export finance, this steadily growing global trend goes hand in hand with the strengthening of strategic view of export finance. The aim is to ensure that exporters are aware of and bidding on as many projects as possible and to facilitate transactions through high-level dialogue. First embraced by Asian countries (China, Japan, Korea), the whole-of-government method made its way into the US export financing in particular in Africa[32], as well as into at least some of the EU Member States. In Germany, an inter-ministerial office coordinates deployment of financing instruments and related political efforts, and the Foreign Ministry is tasked with providing political backing for projects of strategic interest through its offices abroad. The Swedish and Finnish governments have both started inter-agency Team Sweden and Team Finland, respectively, which play both defensive and offensive roles. The Teams coordinate a whole-of-government action when their exporters report running into similar efforts by foreign governments. A government official can also inform export credit agencies of projects of strategic value, and the ECAs then identify the appropriate exporters and structure a transaction that increases the competitiveness of their bid. The coordinated approaches ensure that the full weight of a government is put behind the exporters. It further reassures buyers that they are receiving the best available financing package.

b) Investment support for development and international cooperation by the EU and EIB

The Neighbourhood, Development and International Cooperation Instrument – Global Europe ("NDICI-GE"), is replacing a number of separate EU financing instruments that coexisted earlier under heading "Global Europe" of the previous MFF, and thus constitutes the new single EU framework for cooperation with third countries.[33] This regrouping increased the efficiency and the overall coherence of the EU's cooperation with most third countries (except for pre-accession beneficiaries, overseas countries and territories as well as humanitarian assistance).

In addition, the Instrument for Pre-accession Assistance ("IPA") is the means by which the EU has been supporting reforms in countries with a view to Union membership[34] with financial and technical assistance since 2007, with the "IPA III Regulation[35] laying down the financial framework for 2021-2027.[36] This instrument is also aligned with the flagships and priorities of the EU in Western Balkans.[37]

[32] USA Prosper Africa Initiative, launched in June 2019, involves extensive cooperation between US EXIM, US Development Finance Corporation, USAID and other government agencies.

[33] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009, Official Journal l 209/1 of 14.6.2021.

[34] The current beneficiaries are: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Turkey. Assistance is also provided through multi-country / regional programmes.

[35] Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III), Official Journal L 330 of 20.9.2021.

[36] For the period 2007-2013, IPA had a budget of EUR11.5 billion. Its successor, IPA II, was allocated EUR12.8 billion for the period 2014-2020. For the multiannual financial framework period 2021-2027, the IPA III budgetary envelope is EUR14.2 billion.

[37] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Enhancing the accession process - A credible EU perspective for the Western Balkans", COM(2020) 57 final of 5.2.2020; Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of

NDICI-GE earmarks EUR 79.46 billion for cooperation with third countries in 2021-2027, with the financial envelope for geographic programmes with EUR 60.4 billion being by far the largest.

The new regulatory framework includes the **European Fund for Sustainable Development Plus** (EFSD+) - the financial arm of NDICI-GE - which supports investments in third countries with sovereign, sub-sovereign and private-sector counterparts through blending operations and budgetary guarantees.

In adherence to the '**Policy First' principle**, all NDICI-GE implementing modalities, including those under EFSD+, have been put at the service of the Union's policy priorities through a strong **policy steer** at all levels: from the design of multiannual programming documents and the definition of EFSD+ strategic orientations, to policy dialogue at partner country level and the selection and design of individual initiatives and programmes.

The **Global Gateway** strategy, launched in December 2021, has provided a new key overarching dimension guiding the alignment of investment operations in the external action sphere with EU policy priorities and interests. Global Gateway covers both hard connectivity and the enabling environment, regulatory frameworks and norms and standards. It aims at boosting smart, clean and secure links in the digital, climate, energy, and transport sectors, and to strengthen education, research and health systems across the world.

Under the previous EFSD financing[38], the Commission supported in 2016-2020 projects with a total value of approx. EUR 54 billion (both in EFSD guarantees and blending). The total Commission's contribution to these projects amounted to approx. EUR 5.4 billion (approx. EUR 1.6 billion in EU coverage under EFSD Guarantee and approx. EUR 3.8 billion in EU grants and other financial instruments under EFSD blending operations;[39] for more details, see section II.2). In departure from the older EFSD, which limited its support only to the EU Neighbourhood and Sub-Saharan Africa, the EFSD+ is mandated to act globally. The geographic priorities however do not change radically insofar that most funding of NDICI-GE and therefore EFSD+ maintain their earlier focus: Neighbourhood – at least EUR 19.32 billion, Sub-Saharan Africa – at least EUR 29.2 billion; compared to Asia and the Pacific – EUR 8.5 billion, and Americas and the Caribbean – EUR 3.4 billion.[40]

i. EFSD+ Guarantee

Under the EFSD+ Guarantee, the Union may use its External Action Guarantee (supported by provisioning of up to EUR 10 billion from the Union budget) to cover operations between 2021 and 2027 up to an aggregate amount of approx. EUR 51.7 billion. According to some estimates, it is expected that together with the private sector and thanks to the leverage effect, the EFSD+ Guarantee may mobilise more than half a trillion euro in investments for the period 2021-2027[41].

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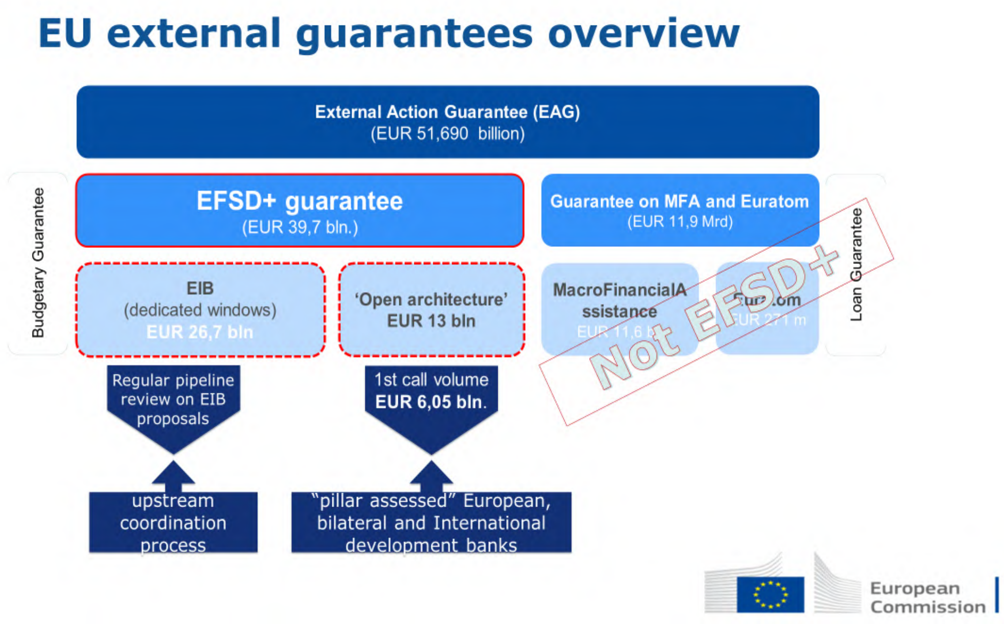
the Regions "Economic and Investment Plan for the Western Balkans", COM(2020) 641 final of 6.10.2020; Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans", COM(2018) 65 final of 6.2.2018.

[38] Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund

[39] EFSD Operational Report 2020.

[40] The EU Neighbourhood encompasses Eastern and Southern Europe including Ukraine, certain other post-Soviet countries, Western Balkans, Middle East and North Africa. The NDICI focus is in line with the External Investment Plan ("EIP"), an EU initiative from 2016 to scale up sustainable finance in countries neighbouring the EU and in Africa. The EFSD+ should provide financing for the EIP similarly to the preceding EFSD.

[41] Global Europe – The Neighbourhood, Development and International Cooperation Instrument, factsheet by the European Commission of 9 June 2021.



Box 2 *What is **the EFSD+ Open Access Guarantee***

A tool to mobilize investments for development projects or local entrepreneurs, aligned with EU policy priorities, by crowding in private investors. The high risk associated with these operations would normally discourage private investments. Through the Guarantee, the Commission covers a portion of the risks involved in the projects. In case of default, private or public sector investors can be reimbursed from the EU budget.

Examples of EFSD individual guarantees in 2014-2020:

- African Energy Guarantee Facility: supporting investments in renewable energy in Sub-Saharan Africa. Total EFSD guarantee up to EUR 46 million, total investment expected up to EUR 745 million.

- European Guarantee for Renewable Energy: support for private investment in renewable energy in Sub-Saharan Africa (min. 80%) and Northern Africa (max. 20%) with a strong focus on fragile and least developed countries. Total EFSD guarantee up to EUR 62 million, total investment expected up to EUR 806 million.

The EFSD+ Guarantee can support eligible operations in line with the so-called "investment windows". These are either defined in the NDICI-GE Regulation ("EIB dedicated windows")[42] or set

[42] In particular the EIB exclusive investment window providing a comprehensive risk cover for operations with sovereign counterparts and non-commercial sub-sovereign counterparts. This investment window is not available to other partner institutions.

up by the Commission in a procedure regulated in NDICI ("open architecture windows").[43] Support under "open architecture windows" can be granted to projects developed and managed by partner financial institutions ("implementing partners") – mainly selected bilateral development finance institutions or development banks of Member States (see box 3), or multilateral development banks including the EIB and the EBRD. Of the six EFSD+ "open architecture" investment windows agreed by the Commission[44] in April 2022, in particular the Connectivity window (energy, transport and digital), Sustainable Cities window, and Sustainable Finance window (which includes "green" finance) are related to projects which can involve exports of goods and services from the EU. The Connectivity window explicitly mentions potential complementarity between the EFSD+ Guarantee and ECAs' financing:

"EFSD+ guarantees can also play a key role complementing EU export credit agencies (ECA) based financing packages where the ECA's in accordance with OECD-rules cannot offer 100% risk coverage or financing. The ECA-backed market for Africa is large (USD 35 billion in 2020) but lacks a proper concerted focus on sustainable energy."

Similarly, enhanced coordination might be sought in the dedicated EIB windows implemented through EIB's regional investment facilities (see in section c) below).

ii. Implementation of EFSD+ Guarantee

According to the "policy-first" principle, projects supported from the EU budget must be in line with EU policy priorities. During the preparation of EFSD+ operations, including those that are part of Team Europe Initiatives (TEIs), the Commission, in cooperation with EU Delegations, coordinates with partner institutions to ensure alignment between their operations and the Union's priorities in specific countries and regions. The "policy-first" principle applies to proposals under the EIB dedicated investment windows as well as to proposals by all IFIs which are Commission's implementing partners under the open architecture investment windows (including other multilateral financial banks such as the EBRD or African Development Bank, and Member States' DFIs).

[43] The Commission is advised by the EFSD+ strategic board or the Western Balkans strategic board. It also needs to consult regional operational boards and to inform the EP and the Council. See section III.1 for more details about the EFSD+ strategic board.

[44] The investment windows are approved by the EFSD+ Operational Boards on the basis of strategic orientations provided by the EFSD+ Strategic Board. The Operational Boards set up by the Commission under the EFSD+ manage EU's regional investment platforms. The Strategic Board consists of representatives of the Commission, EEAS, Member States and EIB. The investment windows were adopted in the Commission Decision of 7.6.2022 establishing the Investment Windows for the European Fund for Sustainable Development Plus. The windows are: (a) Micro, Small and Medium Enterprises (MSMEs): (b) Connectivity: Energy, Transport and Digital: (c) Sustainable Agriculture, Biodiversity, Forests and Water: (d) Sustainable Cities (including sanitation and water "WASH"): (e) Human Development: (f) Sustainable Finance and Impact Investing.

Box 3 ***Providers of development finance****

There are three main channels for development finance from the OECD DAC donor countries and multilateral institutions to low and middle income countries: (i) Official Development Assistance ("ODA"), (ii) public sector loans and (iii) private investment. The three channels are complementary but the methods and instruments involved vary significantly. Moreover, the boundaries between the three types of institutions providing development finance are fluid and in specific cases their functions and tools may overlap. Therefore, the following typology needs be understood flexibly:

- **ODA donor or agencies** provide grants and financial instruments to promote development and humanitarian objectives.
- **Development banks** provide concessional and non-concessional loans to sovereigns (public sector loans).
- **Development finance institutions** provide equity investments, concessional and non-concessional loans and guarantees to commercially sustainable private sector projects. By employing partial financing or de-risking tools to support selected projects, they seek to mobilise private capital investments.

Development banks and development finance institutions can become implementing partner under NDICI-GE.

** This typology is applied for the purpose of this report and without prejudice to other possible classifications of operators involved in development finance. It is based on classification proposed by the Association of bilateral European Development Finance Institutions (EDFI), https://www.edfi.eu/about-dfis/development-finance/*

Every individual project managed by the EIB under the EIB exclusive or dedicated windows is submitted to the Commission for approval, and pipelines must be shared on a regular basis. Regarding open architecture investment windows, the selected partner[45] concludes with the Commission a Guarantee Agreement, under which an individual portfolio guarantee issued under the EFSD+ Guarantee covers an agreed portfolio of transactions. The agreement can be concluded also between the Commission and more implementing partners, one of which would be appointed the lead partner. The Commission defines several parameters – e.g. eligibility criteria for the supported project, such as eligible regions or countries, targeted sectors, risk coverage or pricing, financial instruments used, etc. – which factually influence the pipeline of investments developed by the implementing partner. In addition, the Commission and the implementing partner discuss regularly on progress and pipeline development. Once "proposed investment programmes" (PIPs) have been approved, new operations are included via an "inclusion notice" that the implementing partner notifies to the Commission. The implementing partners report on the transactions to the Commission in agreed periods (e.g. annually or semi-annually). The reports, however, do not include details on firms selected for realisation of

[45] According to the Financial Regulation, the Commission shall, in accordance with the principle of proportionality and with due consideration for the nature of the action and the financial risks involved, assess persons and entities implementing Union funds. See Art. 154 paragraph 4 of the Regulation (EU, EURATOM) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, Official Journal L 193/1 of 30.7.2018.

projects. In sum, the implementing partners enjoy a degree of autonomy in identifying specific projects which they want to support under their portfolio guarantee, so long as they satisfy the eligibility criteria in the agreements.

The EFSD+ "open architecture" framework has been set up in November 2021 with the approval of the EFSD+ Strategic Orientations by the relevant Strategic Board. In April 2022, the EFSD+ Operational Board approved the investment windows under the EFSD+ open architecture, and the first Call for expression of interest was launched, asking IFIs to submit proposals for EFSD+ coverage by mid-July 2022 ("proposed investment programmes – "PIP"). Between December 2022 and January 2023, the EFSD+ Operational Board gave a positive opinion to 55 investment programmes supported by approx. EUR 8.4 billion in financial guarantees: (i) in Sub-Saharan Africa, Latin America and Asia Pacific (EUR 6.05 billion in financial guarantees)[46], and (ii) in Eastern and Southern Neighbourhood, Western Balkans and Turkey (EUR 2.4 billion in financial guarantees).[47] The programmes will be implemented by 21 selected financial partners. The expected investments will support renewable energy, digital connectivity and private sector competitiveness, including under the Economic and Investment Plans (EIPs), which are the vehicles to deliver on Global Gateway in the Western Balkans and South and Eastern Neighbourhood. Next, the Commission will start negotiating with them the Guarantee Agreements for the EFSD+ Guarantee.

[46] Press release of the European Commission of 16 December 2022, "Global Gateway: EU greenlights 40 new guarantee programmes under the European Fund for Sustainable Development plus".
[47] Press release of the European Commission of 25 January 2023, "EU agrees 24 new guarantee programmes to boost investments in enlargement and neighbourhood regions".

iii. EFSD+ blending operations

EFSD+ also funds so-called blending operations.

Box 4 What is ***EFSD+ blending***

Blending under EFSD+ refers to the combination (or "blending") of contributions from the Commission and loans and/or other financing from publicly-owned financial institutions, such as national development finance institutions, that were approved as implementing partners by the Commission (in the so-called "pillar assessment"). The implementing partners invest the blended capital in private sector or projects. The goal is, respecting the principle of additionality of EU's financing, to support investments in areas of the economy in which private and public investors would usually not invest. In some instances, blending makes it possible to offer low-interest, long-term financing for important infrastructure projects in developing countries and emerging economies.

Examples:

- A Commission's blending contribution of EUR 10.4 million supported a road upgrade project in Kenya with total project cost of EUR 228 million.
- A Commission's blending contribution of EUR 30 million supported the Zambia-Tanzania Power Interconnector project with a total project cost of EUR 456 million.

EFSD+ supports the blending operations mainly with contribution in the form of investment grants for support to infrastructure projects (covering part of project's cost, typically in public sector managed projects) and technical assistance (feasibility studies for projects, business plans, staff training). Less frequently, it supports projects with financial instruments such as equity and risk capital. According to figures from 2019, investment grants were the largely prevailing type of blending support (60.9%), with technical assistance scoring second (22.8%), followed by equity investment (9.9%) and financial guarantees (7.1%) for private sector operations.[48]

Like with the EFSD+ Guarantee, the Commission ensures the implementation of EFSD+ blending operations in cooperation with its implementing partners from IFIs, i.e. the relevant EU, including Member States', financial institutions and possibly their partner financial institutions.

In sum, while under the EFSD+ Guarantee Agreements the Commission defines the eligible transactions at portfolio level and the implementing partner can select the individual supported projects within the agreed parameters, in the case of blending operations the Commission usually selects the supported project, which was submitted by a pillar-assessed implementing partner. Accordingly, the information that the Commission receives about the supported projects is more detailed in blending operations than in portfolios of investments under the Guarantee.[49]

NDICI-GE defines four regional investment platforms for execution of the EFSD+ blending. These platforms follow the overall EFSD+ geographic priorities: 1) Neighbourhood, 2) Sub-Saharan Africa,

[48] With the phasing in of EFSD+ Guarantee, the financial guarantees under blending instruments are supposed to be phased out.

[49] In both modalities the Commission does not receive specific information on procurements as this is beyond the implementing modality of indirect management.

3) Asia and the Pacific, and 4) Americas and the Caribbean.[50] In addition, the IPA III laid ground for the Western Balkans Investment Framework in order to clarify governance for EFSD+ operations covering the Western Balkans, and similarly the Commission established the Turkey Investment Platform as part of the implementation of the NDICI-GE and IPA III Regulations.[51]

c) European Investment Bank operations, including those covered by an EU guarantee

Although the main thrust of the EIB's lending activities is within the EU (approx. 85-90 %), the Bank is the largest multilateral lender in the EU Neighbourhood and an important lender worldwide with dedicated investment facilities in African, Caribbean and Pacific countries ("ACP"), Central Asia, Asia and Latin America. In terms of loans granted, the large majority of the EIB's exposure is in the EU Neighbourhood countries.[52] Under the NDICI-GE Regulation, the EIB receives more than 67 % of the EU coverage provided by the EFSD+ Guarantee, based on exclusive and dedicated investment windows.[53] In addition, it retains the right to participate in the investment windows under the open architecture.[54] EU backed activites have to be in line with the NDICI-GE objectives, the EU joint programming priorities for partner countries and regions and strategic policy initiatives like Global Gateway.

The EIB is committed to support in its lending activities the UN Sustainable Development Goals in coherence with EU development policy, priorities and principles. In line with the EIB's overall policy to support and promote green and climate transition, the EIB aims at harmonising the development goals of job and growth creation with climate investment (in recognition that 90% of emissions are generated outside the EU), and announced a significant increase in activities in favour of climate change adaptation and mitigation, including low-carbon transition and building of resilience of the communities most affected by climate change. To increase the impact of its development financing, the EIB founded in 2022 a dedicated business area, EIB Global. It aims at mobilising capital, both public and private, to invest in sustainable development and climate action in partner countries outside the EU. The private sector is seen as a key partner both in financing and implementation of projects supported by EIB Global.

As a bank, the main financial instrument of the EIB is loans. A large share of those are guaranteed from the EU budget, while others are on the EIB's own risk. Prior to 2021, the EU cover was provided under the External Lending Mandate, also supported by an EU guarantee ("ELM"). Under the 2021-2027 budget, the ELM has been replaced by the EFSD+ Guarantee under NDICI.

The EIB, like other IFIs, uses EU blending instruments to increase concessionality and/or to attract loans or equity investments from public authorities and private financiers. This includes blending funds from the European Commission's regional investment facilities, of which the largest are

[50] The EFSD+ regional investment platforms are established on the basis of the working methods, procedures and structures of the Commission's external blending facilities already existing under the EFSD – Africa Investment Platform and Neighbourhood Investment Platform.

[51] Commission Implementing Decision of 31.3.2022 on the establishment of a Turkey Investment Platform, C(2022) 1895 final.

[52] Approx. EUR 43 billion, compared to EUR 7.5 billion in Asia – of which EUR 2.7 billion in India, EUR 2.5 billion in China, and EUR 5.2 billion in ACP countries.

[53] Under EFSD+, the EU Commission provides up to EUR 26.73 billion guarantee for EIB sovereign operations outside the EU. Further, EIB private sector operations in ACP countries of up to EUR 3.5 billion are guaranteed under investment window 4 in addition to EUR 500 million for EIB high risk operations under the ACP Trust Fund. The figure is even higher for the Internal Market-oriented InvestEU – 75 % of the financial support is reserved exclusively for the EIB.

[54] Until 2020, the EIB received financial support from the European Development Fund ("EDF") which was financed directly by the EU Member States (i.e. outside EU budget) and provided finance for African, Caribbean and Pacific ("ACP") countries under ACP-EU Partnership Agreement ("Cotonou Agreement", 2000-2020). NDICI absorbed the EDF, which expired at the end of 2020.

Neighbourhood Investment Platform and African Investment Platform (others are e.g. Latin America Investment Facility, Asia Investment Facility or Investment Facility for Central Asia). EIB operations under the blending facilities are included in the EFSD blending operations in the following section.

Outside the EU budgetary support, the EIB provided in 2016-2021 loans worth approx. EUR 44.2 billion at own risk (the main type of loan was investment loan, at EUR 18.5 billion). The total value of the supported projects was EUR 168.5 billion.

The EIB and its subsidiary European Investment Fund ("EIF") have some experience with cooperation with export credit agencies, e.g. EKF (Denmark), EKN (Sweden) and SACE (Italy), see section III.3 below. It also finances projects that create opportunities for EU companies and/or are in wider interest of EU industry (see box 5).

Box 5 ***EIB external financing involving EU industry interest***

- USD 30 million loan to Guinean company IPT Powertech Group to finance the new energy efficient infrastructure (electrical supply, PV, batteries) for the existing and new cellular towers across Guinea. IPT Powertech Group entered into a long-term contract with Orange Guinée, a subsidiary of Orange SA of France. German development finance institution DEG is involved in the financing.
- As part of another TEI, the EIB is considering to grant Namibia a loan of EUR 500 million to assist in a development of a partnership on raw materials and green hydrogen. The partnership aims to secure the supply of raw materials for digitalisation, refined materials and renewable hydrogen, and was agreed in a memorandum of understanding between the EU and Namibia at the COP 27 climate conference. Namibia aims to export green hydrogen before 2025. The joint venture Hyphen Hydrogen Energy (with participation of the EU capital) is building electrolysis capacities in Namibia.
- An EUR 600 million investment facility by the EIB, backed by a guarantee by Italian SACE to support sustainable energy projects in Peru, Colombia and Brazil, implemented by Italy-based Enel Group (see also box 6).

d) Other tools at the Commission level

There are also other financial tools managed by the European Commission that are primarily focused on the Internal Market but also include certain external aspects that can be potentially relevant for EU export finance.

The InvestEU Programme supports sustainable investment, innovation and job creation in Europe. It aims to mobilise more than EUR 372 billion of public and private investment over the period 2021-27 through a budgetary guarantee of EUR 26.2 billion that backs the investment of implementing partners such as the EIB, the European Investment Fund ("EIF") and other financial institutions. Specifically, as an implementing partner of InvestEU, the EIF launched in April 2022 a call to deploy guarantees for selected financial intermediaries to finance SMEs. In particular, the SME Competitiveness Portfolio Guarantee Product, under its standard terms and conditions, can also support export finance transactions to facilitate exports of EU SMEs to Ukraine.

The Connecting Europe Facility (CEF) is a key EU funding instrument to promote growth, jobs and competitiveness through targeted infrastructure investment at European level. It supports investments in trans-European digital, transport and energy networks worth EUR 33.7 billion in 2021-2027, and offers financial support to projects through financial instruments such as grants, guarantees and project bonds. CEF Digital is the digital infrastructure arm of CEF with a planned budget of up to EUR 2 billion until 2027, the aim of which is to support and catalyse both public and private investments in digital connectivity infrastructures between 2021 and 2027 (more than EUR 1 billion in 2021-2023). Although the investments should mainly support digital development in the EU, CEF Digital also promotes international connectivity, in line with the Global Gateway Strategy. It contributes to reinforcing European digital autonomy, by linking the EU with its trading and other partners around the globe, including through the construction and upgrade of submarine cables and satellite infrastructure.[55]

The Commission started actively support submarine fibre optic cables between EU and third countries already before the launch of CEF Digital. It has been leading investor in the BELLA (Building Europe Link to Latin America) consortium which signed a contract agreement with EllaLink, a private consortium, to deploy a submarine cable connecting the EU and several countries in Latin America (Brazil, Chile, Colombia, Ecuador). The Commission's investment amounted to EUR 26.5 million . EllaLink also received investment from Marguerite II, a public investment fund established by the EIB, France, Germany, Italy, Poland and Spain; the EIB portion of the Marguerite fund was in part covered by a guarantee under EFSI, the EU investment programme which has been succeeded by InvestEU. The prospective financing of similar kind was in 2021 put under the umbrella of CEF Digital.

[55] See Annex to the Commission Implementing Decision on the financing of the Connecting Europe Facility – Digital sector and the adoption of the multiannual work programme for 2021-2025, Brussels, 16.12.2021 C(2021) 9463 final.

II.2. Mapping of Member States ECAs' and Commission's external finance tools: comparative assessment of financial support by country income category, region and sector in 2016-2020

In order to assess convergence and possible synergies between export and development finance, we conducted research concerning countries, country income categories and sectors which were recipients of export or development finance from the EU in 2016-2020.[56] The figures on the Commission's development investment support include support for projects under EFSD, i.e. the predecessor of EFSD+. The main difference between the two is the substantial increase in the volume of operations covered and the geographical expansion from just Sub-Saharan Africa and the EU Neighbourhood to a global reach. Beyond this, and despite the objective to broaden the geographical focus and to target green and digital transitions, the EFSD+ follows similar goals as the earlier EFSD (i.e. the geographical centre of gravity stays in the EU Neighbourhood and Sub-Saharan Africa; there is also no notable discrepancy in broad sectoral orientation).

In 2016-2020, EU export credit agencies supported exports totalling EUR 134.5 billion. During the same time, the Commission's development investment tools supported projects with a total value of 73.1 billion[57]. The EU contribution which generated the above-mentioned investment in development projects represented approx. EUR 5.4 billion, of which approx. EUR 1.6 billion was in the form of a budgetary guarantee and approx. EUR 3.8 billion in blending operations.[58]

[56] The figures for export credit support provided by the EU ECAs were obtained from the OECD database of export credit transactions notified in accordance with OECD Arrangement on Officially Supported Export Credits. The figures on EU's development and other relevant finance, funded from EU budget and managed by the Commission, were obtained from EU databases maintained by the European Commission and by the EIB.

[57] This figure combines the projects supported by the EFSD guarantee and the blending projects supported from regional investment platforms managed by the European Commission.

[58] The figures on supported export credits and on value of projects supported from the Commission's development investment tools are largely, if not perfectly, comparable. The notion of export credits volume (i.e. total investment in exports/projects by commercial operators mobilized through ECAs guarantees or insurance) corresponds approximately to the total investment in development projects, which consists of the deployed Commission investment tools – i.e. guarantees or blending – and, in bigger part, of the investment by commercial operators mobilized by these Commission investment tools. Since the individual techniques of ECAs and development finance providers to mobilize the capital can vary, so can vary the actual capital granted or set aside from the ECAs' or EU's development budget (e.g. the requirements for capital reserves for insurance or guarantees which can be much lower than the actual capital invested in a transaction by commercial actors, contrary to blending which is investment in itself and therefore spent in the full amount along with the commercial investment).

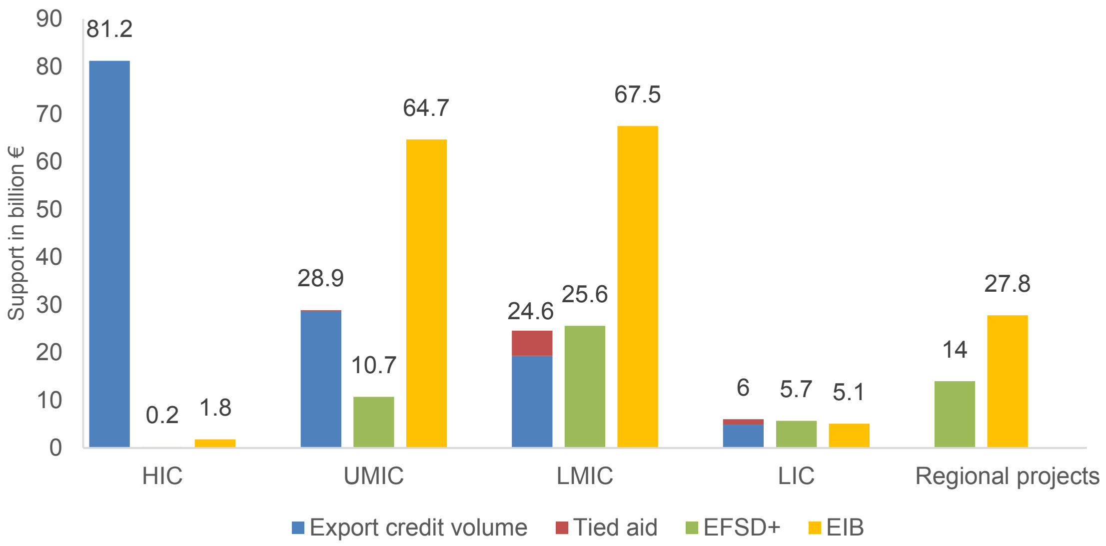
a) Target income category of countries:[59]

- Table 1: EU MS export credits / tied aid, EFSD, EIB lending – by country category (2016-2020; EUR billion)

Income category	Export credits[60]	Tied aid	Investment mobilised[61] through EU blending[62]	Investment mobilized through EIB[63]
High Income Countries (HIC)	81.2	0	0.2	1.8
Upper Middle Income Countries (UMIC)	28.7	0.2	10.7	64.7
Lower Middle Income Countries (LMIC)	19.3	5.3	25.6	67.5
Low Income Countries (LIC)	4.9	1.1	5.7	5.1
Regional projects	N/A	N/A	14	27.8
Total	134.5[64]	6.6	56.2	166.8

[59] The World Bank classifies countries for lending sustainability purposes in the following categories: high-income country (HIC), upper middle-income country (UMIC), lower middle-income country (LMIC) and low income country (LIC). This classification is re-assessed every two years.
[60] This figure relates to overall export credits volume provided with the ECAs' support, either through loans or, in the large majority of cases (more than 80%) through pure cover (insurance or guarantee). The same applies to the following tables and charts.
[61] For the purpose of this note, the notion "investment mobilized" means the value of supported projects.
[62] The figures on this table do not include EFSD Guarantee but include EU regional investment platforms beyond EFSD (which is limited to Sub-Saharan Africa and EU Neighbourhood countries) that cover also ACP and Latin America countries. Data refer to total financing by the IFIs/DFIs, based on inputs provided at application stage. The estimated mobilisation effect of EU blending indicated here may also include some mobilization from EU guarantees. Blending contributions from co-financiers not directly supported by the investment platforms are not included. All aforementioned applies to all following data on EU regional investment platforms (blending) in this section.
[63] Value of projects supported at EIB's own risk, i.e. EIB lending independent from the EU budget support (in particular ELM or EFSD). The same applies to the following tables and charts in this section.
[64] Slight differences are possible due to rounding.

Chart 1: EU MS export credits / tied aid, EFSD, EIB lending – by country category (2016-2020; EUR billion)



The clear focus of ECAs are high income countries (approx. EUR 82 billion) which mirrors their business orientation and risk-based decisions. Naturally the Commission's development investment finance supports middle-and low-income countries, with most of the support arriving in lower-middle income countries.[65] These data suggest that there are potential synergies between the ECAs' and the EFSD operations in middle and low income countries. There appears to be, for the periods indicated, an aggregated financing mobilized by ECAs, EU blending and EIB operations across low, lower middle and upper middle income countries of approx. EUR 238.8 billion, of which approx. EUR 59.5 billion are transactions supported by Member States' ECAs, approx. EUR 42 billion are transactions supported by the EU blending (not counting another approx. EUR 14 billion in regional projects which are most likely implemented also in these countries), and approx. EUR 137.3 billion mobilized through EIB own-risk investment (again, not counting regional projects of approx. EUR 27.8 billion).

Co-existence of financing mobilized by ECAs and by EU/EIB-mobilized investment is larger between export credits and investment destined to EU Neighbourhood (where all countries are in the middle-income category) than between export credits and aid for Sub-Saharan Africa (with prevalence of lower middle- and low income countries).[66]

[65] A proclaimed goal of EFSD (as well as NDICI), in line with the UN Sustainable Development Goals, is to mobilize investment to least-developed and fragile countries (i.e., low-income countries); this goal is aligned with the commitment of IFIs to substantially improve their ability to mobilize private investment at scale, as shown by evidence acknowledged by the international development finance community.
[66] 100% of destination countries of EU Neighbourhood aid are middle income countries. 77.6% of destinations countries of EU Sub-Saharan aid are low income countries, and 22% are middle-income countries.

b) Target regions and countries

- <u>Table 2: EU MS export credits / tied aid, EU development finance, EIB lending – by region (2016-2020; EUR billion)</u>

<table>
<tr><th rowspan="2">Region</th><th rowspan="2">Export credits</th><th rowspan="2">Tied aid</th><th colspan="4">EU development finance[67]</th><th colspan="2">EIB</th></tr>
<tr><th>Investment mobilised through EU blending[68]</th><th>EU blending contribution</th><th>Investment mobilised through EFSD Guarantee[69]</th><th>EU coverage of EFSD Guarantee[70]</th><th>Investment mobilised</th><th>EIB contribution</th></tr>
<tr><td>EU Neighbourhood</td><td>8.9</td><td>1.8</td><td>16.2</td><td>1.7</td><td>5.8</td><td rowspan="2">1.6</td><td>87.0</td><td>25.8</td></tr>
<tr><td>Sub-Saharan Africa</td><td>13.1</td><td>2.1</td><td>16.8</td><td>2.1</td><td>11.7</td><td>39.0</td><td>8.8</td></tr>
<tr><td>South-East Asia and Pacific[71]</td><td>7.9</td><td>2</td><td>15.3</td><td>0.6</td><td>N/A</td><td>N/A</td><td>19.7</td><td>5.6</td></tr>
<tr><td>Americas and Caribbean</td><td>14.1</td><td>0.3</td><td>6.6</td><td>0.4</td><td>N/A</td><td>N/A</td><td>21.1</td><td>3.9</td></tr>
</table>

[67] Refers to development finance supported from the EU budget, managed by the Commission, based on EU blending and EFSD Guarantee coverage. The existing EFSD, which became operational in 2017, is by decision of the EU legislator aimed solely at EU Neighbourhood and Sub-Saharan Africa. The data on the table presents aggregated (and approximated) figures until 2020, according to the EFSD Operational Report for 2020. While the information on webpages of the EU External Investment Plan indicates the overall progress made until 2020, the regional break-downs are not available. According to the EFSD Operational Report 2020, approx. EUR 3.8 billion was invested in blending operations until 2020, with the expected mobilized investment EUR 36.5 billion; approx. EUR 1.6 billion in approved EFSD guarantees was expected to mobilize investment of EUR 17.5 billion.

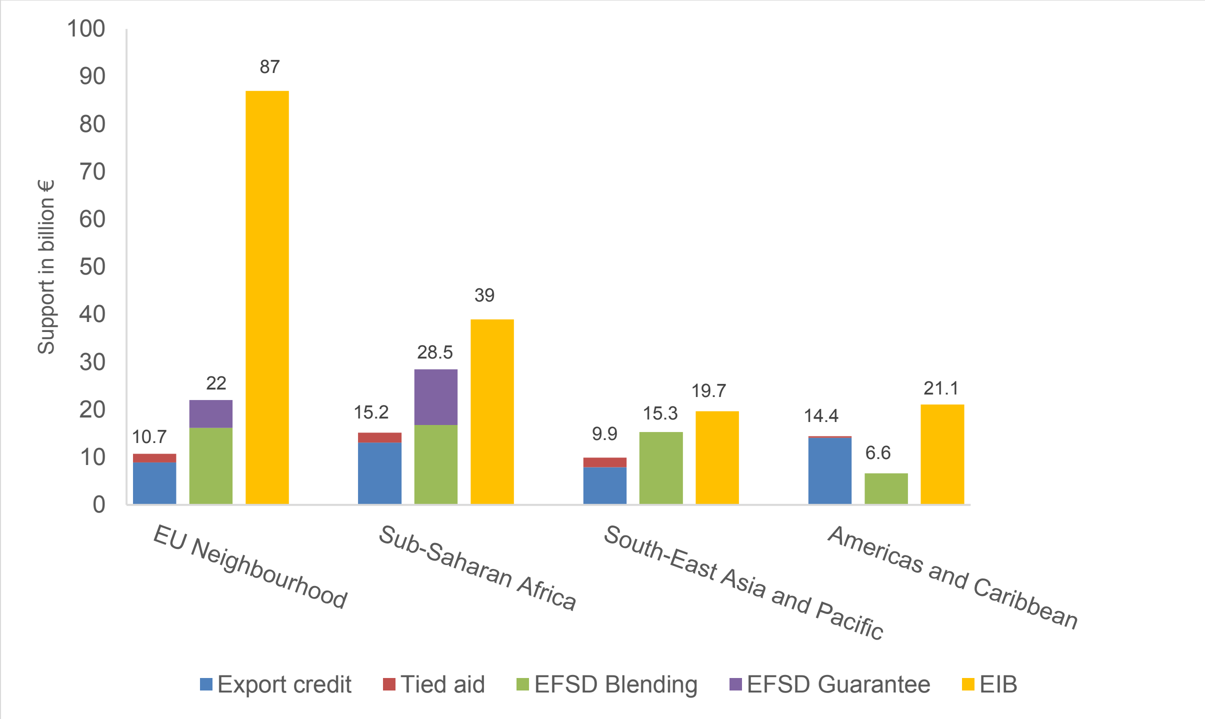
[68] These figures marginally differ from those reported in Table 1 because of differences in accounting methodologies at source.

[69] These amounts have been forecasted in the framework of EU – IFIs guarantee contracts that were signed from 2020 onwards, and including after 2020.

[70] The EU coverage for these contracts extends beyond 2020.

[71] Equals Indo-Pacific region in export credits volume table but includes China for tied aid.

Chart 2: EU MS export credits / tied aid, EU development finance, EIB lending – by region (2016-2020; EUR billion)[72]



According to chart 2, the two regions in focus of EFSD – EU Neighbourhood (EUR 22 billion – approx. 30% of the total EFSD-mobilized investment during 2016-2020, i.e. approx. EUR 73.1 billion) and Sub-Saharan Africa (EUR 28.5 billion – approx. 39% of the total EFSD-mobilized investment during the same period), attracted during the relevant period also sizeable investment mobilized through the EIB's support – EUR 87 billion in the EU Neighbourhood (approx. 52% of the total investments mobilized through EIB own-risk operations in 2016-2020, i.e. approx. EUR 166.8 billion), and EUR 39 billion in Sub-Saharan Africa (approx. 23% of all investments mobilized through EIB own-risk operations in the same period), as well as export credits supported by MS ECAs' tools – in the EU Neighbourhood approx. EUR 10.7 billion (even though this represents only approx. 7.5% of the total EU official support in 2016-2020, i.e. approx. EUR 141.1 billion), and in Sub-Saharan Africa EUR 15.2 billion (nearly 11% of the total EU official support in the same period). The ECAs are also active in Americas/ Caribbean and South-East Asia/Pacific. These two regions were targets of sizeable EU blending activities during the relevant period and are earmarked for investments under the EFSD+ which is scheduled to start operations in 2023-2024.

The findings regarding the country income categories as well as the regions targeted by export and development finance are broadly confirmed if broken down by specific countries. The following shows top 10 destinations of the different funding streams.

[72] The figures on the chart reflect only the investment mobilized (i.e. value of projects) through the indicated tools.

- Table 3: target countries (2016-2020; EUR billion)

Export credits (high income countries excluded[73])		INTPA[74]		NEAR[75]		EIB	
Country	Export credits	Country	Investment mobilised	Country	Investment mobilised	Country	Investment mobilised
Russia	7.5	Indonesia	5.2	Egypt	2.1	Egypt	19.5
Turkey	5.9	Vietnam	3.6	Morocco	2.1	Turkey	18.8
Egypt	2.7	Madagascar	1.6	Georgia	1.7	Morocco	10.7
Angola	2.7	Peru	1.5	Ukraine	1.6	India	9.0
Brazil	2.4	Colombia	1.1	Lebanon	1.6	Ukraine	7.8
India	2	Uzbekistan	0.9	Tunisia	1.2	Serbia	4.7
Argentina	1.7	Uganda	0.9	Regional East[76]	1.2	Colombia	3.9
Mexico	1.6	China	0.9	Armenia	0.7	Brazil	3.9
Indonesia	1.6	Kenya	0.8	Jordan	0.5	Nigeria	3.3
Chile	1	Mali	0.8	Regional South[77]	0.5	China	3.3

If high-income destinations are excluded from the figures for export credits, Egypt appears as one of the top destinations of both export credits and the Commission investment support for development during the relevant period.[78] Other export credits top recipients Turkey, India and Brazil received significant financing from EIB.

Even though not captured on the above table, certain other upper and lower middle-income countries ranked relatively high in officially supported export credits provided in 2016-2020, e.g. Peru, Vietnam, China or Nigeria. Countries with less significant ECAs' operations during the relevant period were Ukraine, Uzbekistan, Colombia, Morocco, Kenya, Mali, Uganda (but the volume of operations can change relatively quickly depending on project pipelines). Also here a possible overlap can be found between the top beneficiary countries receiving EU Member States' export credits support and those receiving the Commission development investment support and EIB loans.

With regard to the EIB, the top recipient of EU funding outside the EU, Egypt, ranks on the 14th place if the total EIB financing is considered, e.g. including operations within the EU (which gives Egypt approx. 1.6% of total EIB financing), followed by Turkey (approx. 1.5% of the total) and with Ukraine in the 20th place (approx. 1% of the total).

[73] Certain high-income countries were major recipients of export credits from EU Member States during the relevant period, in particular the US (EUR 26 billion), UK (EUR 16 billion) or Switzerland (EUR 4.3 billion).

[74] Data cover only projects directly supported by the investment platforms managed by INTPA (Sub-Saharan Africa, Asia and the Pacific and Americas and the Caribbean) and refer to total IFI financing. Contributions from co-financiers not directly supported by the investment platforms are not included. For the EFSD, data of prospective (rather than actual) IFI investments refer to regions and cannot be broken down by country. Actual investments in specific countries (based on inclusion notices) began only in 2020 and would therefore largely escape the scope of this review.

[75] Data cover only projects directly supported by the Neighbourhood Investment Platform (NIP), approved in the year 2016 – 2020. It excludes contributions from co-financiers not directly supported by NIP.

[76] Cross-border program which may include Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.

[77] Cross-border program which may include Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia.

[78] On the export credit side, the bulk of the total financing in Egypt of EUR 4.7 billion, more than EUR 4 billion, was carried by four large energy projects in 2016 and 2018.

c) Target sectors

Data obtained in the mapping exercise show possible synergies between the export and development finance in the connectivity sectors of transport and energy infrastructure.

- Table 4: EU MS export credits / tied aid, EFSD guarantee / EU blending, EIB lending – by sectors (2016-2020; EUR billion)

Sector	Export credits	Tied aid[79]	Investment mobilised through EFSD Guarantee[80]	Investment mobilised through EU blending[81]	Investment mobilised through EIB
Digitalisation	-	-	5.5	-	-
Information and Communication Technology	15.6	0.1	-	0.1	1.7
Energy	38.7	0.5	-	11.9	32.7
Of which sustainable energy and connectivity	15	0.5	3.1	N/A[82]	N/A[83]
Transport	50.4	2.5	1	12.6	40.5
Of which transport infrastructure	2.9	0.7	N/A	N/A[84]	N/A[85]
Urban development	N/A[86]	N/A	-	0.7	1.6
Water and sanitation	0.9	1.6	-	2.4	12.7
Environment	0.7	0.01	-	5.8	N/A[87]
Total by tool	106.3	4.7	9.6	33.5	89.2
Grand total	111		43.1		89.2

[79] The amounts for tied aid are indicated in OECD statistics in special drawing rights (SDR) as opposed to an actual currency and were converted to EUR on the basis of an aggregate amount for the whole period and the current exchange rate. This should however not result in significant differences for the purpose of this report.

[80] Totals here may differ from previous totals due to differences in sources / accounting methodologies.

[81] Totals here may differ from previous totals due to differences in sources / accounting methodologies.

[82] No specific data was provided but given the alignment with EU policy priorities, it can be assumed that the majority of the aggregate figure for energy investments (EUR 11.9 billion) represents investments in sustainable energy.

[83] No specific data was provided but given the EIB focus on sustainability and climate investments, it can be assumed that the aggregate figure for energy investments (EUR 32.7 billion) represents predominantly, if not fully, investments in sustainable energy.

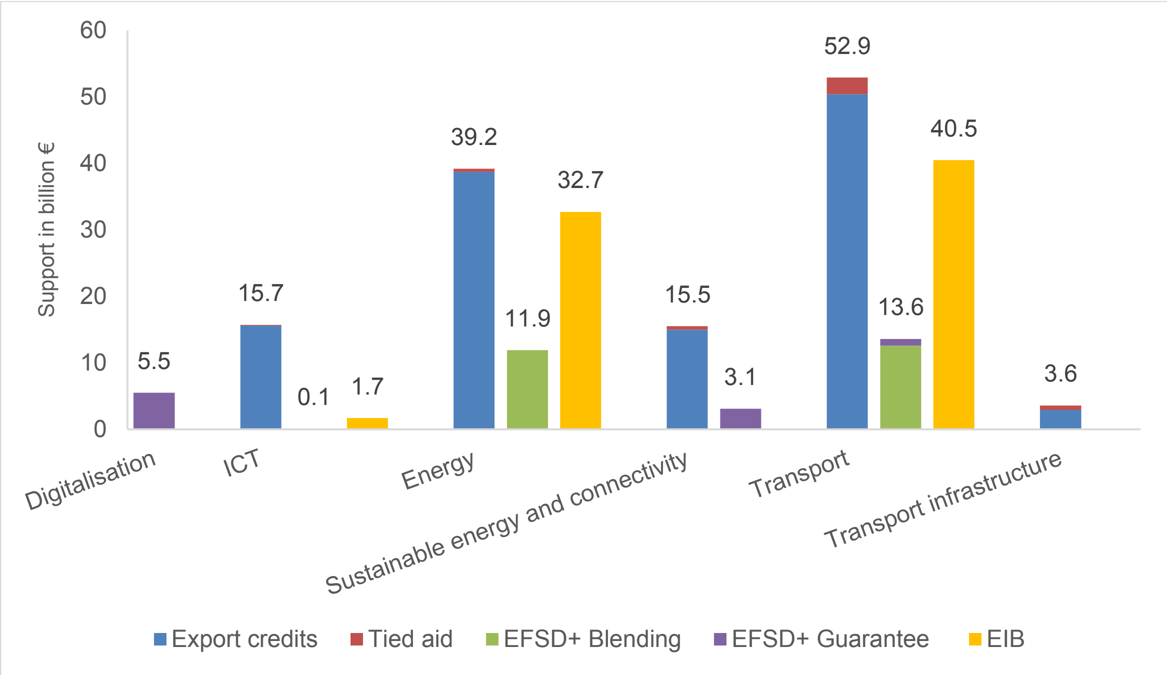
[84] No specific data was provided but given the development finance focus on infrastructure investments, it can be assumed that the aggregate figure for investments in transport sector (EUR 12.6 billion) represents predominantly, if not fully, investments in transport infrastructure. The same applies to transport category under the Guarantee.

[85] No specific data was provided but given the EIB focus on infrastructure investments, it can be assumed that the aggregate figure for investments in transport sector (EUR 40.5 billion) represents predominantly, if not fully, investments in transport infrastructure.

[86] OECD data do not indicate export credits and tied aid investments into the urban development sector but these data are part of other relevant sectors (information and communication, transport etc.)

[87] The data sector breakdown for EIB does not specifically identify investments in environmental projects, however the EIB is focused by its mandate on addressing environmental / climate investment needs. The figures on investment in environment are therefore covered by other relevant sectors in this table.

Chart 3 – Total value of projects supported in 2016-2020, by connectivity sector



The total export credits and tied aid financing for the connectivity sectors (digitalisation, ICT, energy and transport) during the relevant period was EUR approx.107.8 billion (which amounts to approx. 76% of all export credits and tied aid financing, i.e. approx. EUR 141.1 billion[88]). The total value of projects in the connectivity sectors supported by EU development investment financing in the same period was approx. EUR 34.2 billion (which amounts to approx. 47 % of the total value of projects benefitting from EU development investment support, i.e. approx. EUR 73.1 billion). The total investment in the connectivity sectors mobilized through the EIB own-risk operations amounted to approx. EUR 74.9 billion during the relevant period (which represented approx. 45% of total EIB's own-risk financing of approx. EUR 166.8 billion).

[88] In 2016-2020, the total export credits provided by the EU Member States amounted to EUR 134.5 billion, and the total tied aid provided by the EU Member States amounted to EUR 6.6 billion. See section II.1a).

III. Coordination of EU and Member State External Financial Tools – Limitations and progress

III.1. Progress toward EU level coordination between different external finance tools

Several parallel processes with the potential to facilitate coordination between Member States, the Commission and other EU level actors have been launched in recent years, covering the European financial architecture for development, the introduction and implementation of the NDICI-GE instrument, as well as the Global Gateway strategy and Team Europe Initiatives.

The Report by the High-Level Group of Wise Persons on the **European financial architecture for development** ("EFAD") of October 2019 started the debate within the EU about how the design and management of development finance in the EU could be improved to ensure more policy coherence, joint capacity and effectiveness in the system. The Commission and Council discussions following the Report resulted in the call for implementing a "status quo plus", i.e. better cooperation between the already existing main actors – the European Commission, the EIB, the EBRD[89] and national DFIs. This was confirmed in the Council Conclusions on enhancing the European financial architecture for development of June 2021[90] which, among others, called on all European development banks and financial institutions to increase their collaboration and coordination, and encouraged the Commission services and the EEAS to coordinate this effort in a "Team Europe" approach. The Conclusions further underlined that the development impact should be maximized in line also with the strategic interests and values of the EU. On 24 March 2022, the Commission adopted the Roadmap for an improved European financial architecture for development.[91] The Roadmap repeats the requirement of increased coordination at the EU and national levels through a Team Europe approach and under a strengthened EU policy steer ("policy-first approach"). The Commission will inform the Member States annually on the progress and next steps.

The **NDICI-GE** consolidated a number of EU development financing instruments into one single instrument in order to promote policy coherence and efficiency of the Union's action. Importantly, Article 5 of the NDICI-GE Regulation requires that "*in implementing the Instrument, consistency, coherence, synergies and complementarity with all areas of Union external action, including other external financing instruments… shall be ensured. For that purpose, the Union shall take into account the impact of all internal and external policies on sustainable development and shall seek to promote increased synergies and complementarities in particular with trade policy…*" The Commission ensures the management of the EFSD+, NDICI-GE's key financial instrument, and is advised by the ESFD+ strategic board on the strategic orientation, priorities and coherence with guiding principles and objectives of in particular the Union's external action, development policy and Neighbourhood policy. The strategic board consists of representatives of the Commission services and EEAS (who are co-chairs), of all Member States and of the EIB.

Moreover, the **Council Conclusions on Team Europe** of April 2021,[92] clearly "*emphasises that proactive information sharing, close consultation, coordination and flexibility by all team members is essential for joint actions to have sustainable impact. This also forms an essential part of the Union's external action*" and "*emphasises that safeguarding coherence regarding the programming of EU funds under the envisaged Neighbourhood, Development and International Cooperation Instrument*

[89] In October 2021, the EIB and the EBRD signed a Framework Project Cooperation Agreement, which aims to improve the effectiveness of their delivery in countries outside the EU and provides to this end a framework for enhanced cooperation on joint financing projects.

[90] Council Conclusions on enhancing the European financial architecture for development of 10 June 2021, 9462/1/21.

[91] Report from the Commission to the Council - Roadmap for an improved European financial architecture for development and 2021 Progress Report, COM(2022) 139 final of 24 March 2022.

[92] Council Conclusions "Team Europe" of 23 April 2021, Ref. 7894/21.

(NDICI) is essential, in particular with regard to the relationship between Team Europe Initiatives (TEIs) and Joint Programming/Working Better Together. The Council calls upon Team Europe members to closely coordinate and jointly design, implement and monitor Team Europe Initiatives in an inclusive manner." Hence, the Team Europe approach has guided the multiannual programming exercise of the NDICI-GE and has become a key element for its effective implementation.

The **Council Conclusions "A Globally Connected Europe"** of July 2021[93] invited the Commission services and the EEAS to present coherent and streamlined financing schemes to incentivise sustainable connectivity investments based on the pooling public and private resources in a Team Europe approach. This includes facilitating joint financing models to promote cooperation between private investors, European and international financial institutions (such as EIB and EBRD), national private and development banks and export credit agencies of the Member States.[94] The acknowledgement of the role of Member States' ECAs in the financial mix for the global connectivity efforts led by the EU – and the absence of a coordination structure at the EU level covering all actors – feeds directly into the notion of the enhanced coordination explored by the Commission.

In response to these Council Conclusions, the Joint Communication of the Commission and the High Representative of the Union for Foreign Affairs and Security Policy on **Global Gateway** of 1 December 2021,[95] pointed out that the Global Gateway "*will be driven by the needs of our partner countries and the strategic interests of the European Union.*" Importantly, it emphasized that "*In assisting others, the EU will also be contributing to the promotion of its own interests, to strengthening the resilience of its supply chains, and to opening up more trade opportunities for the EU economy, in which approximately 38 million jobs are dependent on international trade.*"[96]

Global Gateway will aim at mobilising investments of up to EUR 300 billion between 2021 and 2027 in EU partner countries. There are five Global Gateway investment priority sectors: (i) digital, (ii) climate and energy (including ensuring affordable and reliable access to energy and raw materials), (iii) transport, (iv) health, and (v) education and research. The Global Gateway investment and delivery model combines the emphasis on scaling up investment for connectivity infrastructure projects in third countries with the need to build an investment-friendly environment (including inter alia transparent, non-discriminatory, and sustainable regulatory frameworks and adherence to international standards for infrastructure spending). The EFSD+ should be the main EU-level financial tool for mobilising investments, but the Communication also clarifies that "*the partnership approach under EFSD+ will ensure a strong steer in line with the Global Gateway priorities, promoting synergies and complementarity with all areas of EU external action.*" Alongside EU financing under the EFSD+, the overall EUR 300 billion investment target for Global Gateway also considers extensive engagement from Member States including bilateral development finance institutions.

According to the Joint Communication, Global Gateway projects will be mainly developed in a Team Europe approach and delivered through Team Europe Initiatives. The EU institutions, Member States, and European financial institutions should continue to work together with European businesses as well as governments and other relevant stakeholders. The implementation of the Global Gateway is taken

[93] Council Conclusions "A Globally Connected Europe" of 12 July 2021, Ref. 10629/21.

[94] To this end, the Commission and the EEAS should map the relevant financial instruments already available, including those of financial institutions on the EU level and in Member States. The Council Conclusions also encouraged to advance work on sustainable finance and export credits and to use public financing tools, such as loans and guarantees, to crowd-in private capital and support the development of bankable projects.

[95] See footnote 7.

[96] The Joint Communication also explicitly mentions a potential European Export Credit Facility as part of the financial tool kit for the Global Gateway, "*to complement the existing export credit arrangements at Member State level and increase the EU's overall firepower in this area. The Facility would help ensure a more level playing field for EU businesses in third country markets, where they increasingly have to compete with foreign competitors that receive large support from their governments, and thus facilitate their participation in infrastructure projects.*"

forward under the overall steer of the **Global Gateway Board** which provides strategic guidance on implementation of Global Gateway initiatives. The Board identifies opportunities to showcase the impact of Global Gateway initiatives. It is chaired by the President of the Commission with the participation of the High Representative/Vice President of the Commission, the Commissioner for International Partnerships and the Commissioner for Neighbourhood and Enlargement, with other members of the College regularly invited to participate as justified by the agenda of the meeting. Representatives of the Member States are invited to participate in the Board meetings at the level of Minister of Foreign Affairs and such meetings are expected to be held at least once a year. At these meetings the European Parliament will be invited as an observer. The first meeting of the Board took place on 11 December 2022. The representatives of European financial institutions such as the EIB, the EBRD and Member States' national development banks will be invited as an observers, as well as, to participate on an ad hoc basis.

The **Foreign Affairs Council** is in charge of policy orientation discussions about Global Gateway in the Council and its decisions are prepared by the newly established working sub-group of the Council "**RELEX Horizontal Questions**" ("RELEX HQ"). RELEX HQ has been pursuing a mapping exercise of projects financed by Member States' DFIs to identify Global Gateway flagship projects and will provide further support in preparing Global Gateway investments for upcoming high level events and summits.

Finally, a **Business Advisory Group** on the Global Gateway will be set up by the Commission to support engagement with the private sector in external action. The role of this Group should be helping to conduct a structured strategic exchange with the private sector by bringing together CEOs of EU companies and institutional investors to focus on EU strategic interests in the years to come and to contribute to the discussion about the strategic orientation of Global Gateway implementation. The Business Advisory Group is being established through a call for applications, respecting the principles of inclusivity and representation with regards to nationality, economic sectors and size of activity.

In addition, discussions of Global Gateway priorities will continue through existing networks/platforms such as Chambers of Commerce including those in partner countries, Business Europe, the European Round Table for Industry and the European Financial Services Round Table as well as within joint fora of European and partner country businesses. EU Delegations have a key role to play, together with EU Member States Embassies, to engage with the private sector (European and local) in partner countries.

The exploration of the opportunity of enhanced coordination and of an EU export credit facility (as a complement to national export credit facilities, to development aid, and to investment support, both at national and EU levels, and notably to the NDICI) is explicitly supported in the **Council Conclusions on Export Credits** of March 2022.[97] Moreover, the Council urged rapid progress towards the enhanced coordination. The export credit support in the EU was explicitly put in the context of the geostrategic and global approach adopted in the Council Conclusions "A Globally Connected Europe" and in the Joint Communication on Global Gateway, and in that regard the Conclusions on export credits emphasized the experience and key role of national ECAs in mobilizing private capital and stakeholders required for the successful implementation of the EU Global Gateway strategy.

In conclusion, the above-mentioned processes acknowledge that there is a need for a coordinated approach to external financing across relevant EU policies to support a host of EU strategic interests. A comprehensive and effective structure that would underpin such process in practice is however still missing. The structures being set up to manage the Global Gateway appear to be taking significant steps in that direction.

[97] See footnote 6.

III.2. The "Team Europe" approach

Both the EFAD and Global Gateway initiatives refer to the Team Europe approach as the way to deliver results. This notion was originally developed as part of the global EU response to Covid-19 crisis in support of developing countries.[98] Since then it has been evolving beyond the pandemic response towards becoming the central EU approach to development financing and contributing to EU geopolitical objectives in line with the Global Gateway strategy. The Team Europe approach aims at coalescing forces so that the EU's joint external action becomes more than the sum of its parts. This should be achieved through three elements: 1) scale – combining resources, expertise, and tools; 2) focus – becoming the partner of reference in selected joint priorities; and 3) international visibility.

The "Team Europe" ("TE") approach does not have a rigid institutional structure, and provides to its members the possibility to conduct its operations in a flexible manner. It is not a structure or entity but rather a cooperative approach between (financial) partners focusing on selected programmes. For that reason, a reference is made solely to "TE approach" or "TE initiatives" ("TEIs"). TEIs design and implementation can combine the resources of the EU, Member States, their implementing organisations and development financing institutions, the EIB and the EBRD. Each individual TEI agrees its own management set-up according to the specificities of its context.

For the time being, the Team Europe approach focuses on the design and implementation of Team Europe Initiatives and coordination in partner countries and international fora in the context of development cooperation. However, an enhanced cooperation between the EU and the MS ECAs would also build on the Team Europe approach.

III.3. Legal limitations of enhanced coordination

The providers of EU external finance and of MS official export credit support have, depending on the nature of the financial instrument that they use, different mandates and objectives, and are subject to different rules.

The key characteristic of official export credit support is that it is explicitly tied to the export of goods or services originating in the country providing the finance. At the same time, export subsidies are recognised in the WTO Agreement on Anti-Subsidies and Countervailing Measures Agreement ("ASCM") as the most distortive type of subsidy and prohibited except in certain cases. Therefore, the rules that govern export credits in the ASCM and the OECD Arrangement are focused on limiting the risk of market distortions and foster as much as possible a level playing field. By doing this, the Arrangement aims to encourage competition among exporters based on quality and price of exported goods and services rather than on the most favourable officially supported financial terms and conditions. In addition, the provision of official support by EU ECAs is subject to State aid provisions of the Treaty on the Functioning of the European Union and certain ensuing administrative acts of the Commission, including STEC.

In view of the above, the operations of ECAs, described in section II.1 a) above, must financially break even over the long-term. They conduct their business in addition to private capital (so that it is not crowded out where the private financial markets function) and in accordance with sound underwriting principles. The buyers/borrowers can be in principle in any country irrespective of their income and development status.[99] Finally, the EU ECAs respect in their operations the OECD recommendations on social and environmental due diligence, bribery and sustainable lending.

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[98] See Joint Communication of the European Commission and High Representative of the Union for Foreign Affairs and Security Policy on the Global EU response to Covid-19, JOIN(2020) 11 final of 8 April 2020. Council Conclusions on Team Europe Global Response to COVID-19 of 8 June 2020.

[99] Bar tied aid which may be provided only to low and lower middle-income countries, according to OECD rules. See also footnote 101.

The Commission along with the **multilateral** and **bilateral DFIs** (including the EIB, EBRD and Member States' DFIs) can also provide a range of financial support including grants, concessional loans and guarantees. Differently from ECAs, their mandate is however to promote development and therefore the members of the OECD Development Assistance Committee (DAC) have committed to untying their bilateral Official Development Assistance (ODA) from national exports when it is directed to the Least Developed Countries (LDCs), Heavily Indebted Poor Countries (HIPCs), Other Low-Income Countries (OLICs) and IDA-only countries and territories.[100] In practice, however, it is sometimes difficult to assess the tied or untied nature of certain development aid projects (see section III.4). ODA is defined by the OECD DAC and it promotes and specially targets the economic development and welfare of developing countries. Effectively, the aid must not operate as an export credit. If it did, it could not be acknowledged as ODA and according to the rules of the World Trade Organization ("WTO"), it could constitute a prohibited export subsidy in breach of the WTO Anti-Subsidies Agreement, unless in compliance with the OECD Arrangement.[101]

The rules on the untying of aid are further reflected in the New European Consensus on Development 2017 and in the EU external financing regulation NDICI-GE. According to the NDICI-GE Regulation, at least 93% of NDICI expenditure must meet the requirements for the ODA.[102]

As regards the EIB, its Guide to Procurement for projects financed by the Bank foresees for operations outside the EU that all tenders must be carried out in international competitive bidding, i.e. be open to nationals of all countries. It can be expected that procurement rules of other implementing partners of the Commission, including some multilateral development banks, e.g. EBRD, as well as of Member States' DFIs, respect a similar rule, which is derived from international commitments.[103] In this context, the insistence on application of the EIB procurement rules, including the international competitive bidding, increases chances of EU companies to win the tenders. In addition, the newly adopted EU international procurement instrument ("IPI"), in force since 29 August 2022, seeks to ensure access and a level playing field for EU companies on third countries' public procurement

[100] DAC Recommendation on Untying ODA, DCD/DAC(2018)33/FINAL.

[101] The so-called tied aid, which is subject to the rules of the OECD Arrangement, can be reported as ODA. The rules for the so-called Helsinki type tied aid require in particular minimum consessionality level of 35 % of the loan ("grant element") which in result is significantly higher than average concessionality level of untied aid loans (around 15 %). Helsinki-type tied aid under the Arrangement is tied aid other than highly concessional tied aid (80% and more concessionality), de-minimis tied aid (up to 2 million in special drawing rights - SDR) and tied aid provided to Least Developed Countries. Some EU countries (e.g. Austria, Belgium, Hungary, France or Spain) provide Helsinki-type tied aid but are not amongst major global providers (in 2000-2021, with an exception of 2020 for reasons likely related to the Covid-19 pandemic, Japan has provided large majority of all Helsiki-type tied aid volumes while Korea has ranked second). See e.g. annual US EXIM Reports on Global Export Credit Competition, referred to in footnote 12.

[102] Particular priority must be given to least developed countries, low-income countries, fragile or crisis-struck countries. At least 0.2% of EU's collective GNI must be directed to least developed countries.

[103] However, e.g. according to the Operations Procurement Manual of the African Development Bank, also an implementing partner in some Commission's programmes, the Bank's funds may only be used for procurement of works, goods and services produced in member countries of the Bank. Bidders from non-Bank member countries offering goods, works and services are not eligible, unless they obtain a waiver from the Board of Directors.

markets, thereby increasing business opportunities for these companies.[104] It will do so by promoting greater reciprocity in access to public procurement markets.[105]

It is worth mentioning, that the EIB, or entities from the EIB Group, have already worked together with some Member States' export credit agencies. The cooperation involved either financing of projects implemented by local subsidiaries of EU companies in partner countries (see box 6 below, regarding support agreed in 2022 between the EIB and SACE, Italian ECA, for sustainable energy projects in South America), or a financial measure in support of innovative export-oriented SMEs (cooperation of the European Investment Fund and the Danish export credit agency EKF of 2016, and similarly with the Swedish export credit agency EKN of 2018). The latter however concerned a pre-export support which happened in the country of ECA and not directly projects in third countries.[106]

In the light of the above, it appears that the enhanced coordination cannot mix export credit support and the Commission development investment support in a way that would make provision of development aid contingent upon sourcing from EU exporters.[107] This being said, enhanced coordination between Member States' ECAs and relevant EU institutions could deliver information exchange and transparency that is lacking today (as pointed out repeatedly by EU ECAs), and consequently facilitate Member States' exporters participation in operations funded by, wholly or partly, the Commission development investment support, while still respecting international rules. Any coordination at a transaction level going beyond the information exchange, including in particular a separate but parallel presence of an export and a development finance element in the same project package (e.g. under a Team Europe Initiative), would require attention to ensure compatibility with international rules.

III.4. De facto limitations of enhanced coordination

As explained in section II.1 b), development funding under NDICI would present the main portion of Commission's external funding that could be coordinated with provision of export credit support by the Member States (and, at a later stage, potentially the operations and transactions of an EU Export Credits Facility).[108] Space for enhanced coordination is limited along two main lines:

- EU aid tools can target local entities or (infrastructure) projects;
- Different management of specific financial tools under EFSD+ (EFSD+ Guarantee and EFSD+ blending operations).

[104] Regulation (EU) 2022/1031 of the European Parliament and of the Council of 23 June 2022 on the access of third-country economic operators, goods and services to the Union's public procurement and concession markets and procedures supporting negotiations on access of Union economic operators, goods and services to the public procurement and concession markets of third countries (International Procurement Instrument – IPI), OJ L 173, 30.6.2022.

[105] The IPI will give the Commission investigative powers and allow it to adopt measures in the EU interest. If the Commission finds that European companies face serious and recurring restrictions on access to public procurement in third countries and if, following consultation with the third country concerned, those barriers persist, it may impose measures limiting the access of that third country's companies to EU public procurement and concession markets in response. Such limitations on access may be imposed either by applying a penalty to the scoring of tenders submitted by economic operators from that country, or by excluding such tenders entirely from award procedures.

[106] The counter-guarantee agreements between the EIF and EKF, and EKN, respectively, aimed to increase lending to innovative SMEs and small mid-caps in Denmark and Sweden. It allowed both ECAs to provide guarantees at lower premium rates to innovative export companies and their sub-suppliers. The EIF counter-guarantee had the financial backing from the EU budget.

[107] Moreover, in certain cases the Commission explicitly requires that the financial benefits of the aid must flow to local companies of the supported country.

[108] Another very significant source of the EU development finance is aid provided by the Member States. As observed in footnote 2, it is an indispensable element of the EU external financial tools, which should be taken into account for the purpose of the enhanced coordination.

In essence, there are two categories of addressees in the developing countries targeted by the NDICI tools. Either the financial support aims at development of specific local **entities** whose position in the economic and/or societal order of the country should be strengthened, or it aims at realisation of a **project** (infrastructure or other) that can ultimately benefit broader economy and society. An example of the first is aid destined for development of MSMEs, women entrepreneurs or farmers of the recipient country, an example of the second is transport, energy or digital infrastructure, or building and modernising of schools and hospitals.

The limitations for enhanced coordination seem to be greater in the case of the **"support for entities"** because this type of development finance is per se not related to exports. However, when an acquisition of goods or services by these entities is involved, enhanced coordination at least in the form of transparency and information sharing may help achieve trade policy objectives as well. In addition, a special case may be made concerning local subsidiaries of companies established in the donor country (see boxes 6 and 7).

Box 6 ***Support for local subsidiaries of donor country companies***

Investment support may be provided to companies that are incorporated in the developing country, including a subsidiary of a company headquartered in a donor country.

A recent example of such an operation is the creation of a EUR 600 million investment facility by EIB, backed by a guarantee by SACE, the Italian export credit agency, to support sustainable energy projects in Peru, Colombia and Brazil by Italy-based Enel Group. As part of the agreement on the facility, USD 130 million were granted to Enel Green Power Perú S.A.C., a subsidiary of the Enel Group, for the development of wind and solar projects for nearly 300 MW in Peru. Specific renewable energy generation and power distribution projects in Colombia and Brazil foreseen in the framework agreement need yet to be approved, but EIB confirmed that the rest of the facility is also earmarked for Enel Group's local subsidiaries. It may be expected that the EIB's investments will generate exports from Enel to the recipient countries, as confirmed by the participation of SACE. The creation of the investment facility was publicly announced by the EIB in April 2022.

"Support for projects", on the other side is often related to export and the exporters / companies contracted to realise the projects are selected in bidding procedures. While the untied nature of the ODA[109] prevents a direct link between the provision of aid and selection of exports, as explained in the above section, there can be a space for coordination between the Commission, development and export finance institutions that could increase the chances of exporters from the donor country to win the relevant contract. This seems to be confirmed by the data collected by the OECD as well as by informal conversations with some MS ECAs (see below concerning EFSD Guarantee).

Further limitations for enhanced coordination between export and development finance at the Commission's level exist for the two main financial tools under EFSD+, Guarantee and blending, due to their specific management structures. The possibility to directly coordinate with the **EFSD+ Guarantee** is restricted. The Guarantee is a portfolio tool, i.e. the individual guarantee agreement between the Commission and the implementing partner covers a portfolio defined by sector, region and type of operation but not individual operations. The application of the guarantee for specific transactions is delegated to the implementing partner, which enjoys relative autonomy including in the selection of projects eligible for support. The level of coordination of the national DFIs with the Commission during the selection of supported projects is limited (although there are certain approval

[109] Excluding the narrow exception of the tied aid provided under the strict OECD Arrangement rules, see footnote 101.

procedures in the Commission, see section II.1.b) ii). Hence, the DFIs implementing the EFSD+ Guarantee would need to be involved in the enhanced coordination, if it should cover this tool.

It is noteworthy that some DFIs have a dual mandate (support for development and support for national economy), and those that do not, are increasingly driven by their respective governments to demonstrate their positive impact on the national economy.[110] Against this backdrop, OECD data suggest that at least 40-50% of the untied ODA credits notified under OECD rules results in exports from the donor country.[111] That would appear to indicate that there is some form of informal coordination between the national development finance institutions and their countries' exporters. At the same time, at the national level the EU DFIs do not seem to communicate with ECAs, nor inform them about their operations. This lack of information regarding the DFIs operation[112], while understandable in some cases given the nature of the legal requirements that apply, would deserve to be addressed when considering the possibility of EU-level coordination.

Compared to the open access portion of the EFSD+ Guarantee, the **blending operations** are, from the operational viewpoint, more straightforward, as the EFSD+ contributions are provided directly by the Commission for specific projects funded by loans from partner institutions, and the Commission must agree to the projects proposed by the partner institutions (this applies to both EIB' and DFIs' operations). Compared to the EFSD+ Guarantee, the competent Commission services have easier and earlier access to information on specific projects and possibility to exchange information and coordinate with other Commission services and, ultimately, with Member States' ECAs.

Box 7 ***Equity investment support***

The loans or (quasi-)equity participations backed by the EFSD+ Open Access Guarantee or blending contributions combined with investments of partner institutions can be invested in private financing vehicles (e.g. investment funds) or companies in exchange for an equity stake. These investments may generate exports from the EU to these entities (see box 6 p. 37).

ECAs also provide investment guarantees to, mainly domestic, private firms. Investments, including equity investments, are a well-established tool of choice of Japanese public financial institutions to increase exports from Japanese companies to developing countries (e.g., in 2016, 77% of all loans provided by Japanese Bank for International Cooperation, "JBIC", were overseas investment loans, while only 8% in JBIC's portfolio were export loans).

A potential space for strategic coordination between the Commission and Member States concerning investments and equity investments financed from aid tools may be further explored, in compliance with international trade rules.

[110] Study on Convergence of Development Finance and Export Finance, Final Report of 29 July 2019, International Financial Consulting, see Executive Summary, p. viii. This includes also our competitors in global trade (e.g. US International Development Finance Corporation or China Development Bank).

[111] OECD 2020 Annual Review, see footnote 3 of this report. Data collected over the period 2006-2020. According to this Review (clause 38), the share of untied ODA benefiting the donor country (or international consortium with donor country) reached an all-time high in 2020 with 75% of the total amount of aid awarded.

[112] The completion ratio of notifications that should inform to whom a contract resulting from the untied ODA was awarded is persistently low, at about approx. 57% over years (see OECD 2020 Annual Review, clause 30).

IV. Preliminary conclusions

In the light of the above, establishing a formal EU-level coordination involving operations of Member States' export credit agencies and EU funded projects run by IFIs or national DFIs – in order to increase the share of exports of EU companies – would represent major opportunities especially in the context of Global Gateway strategy and the application of the Team Europe approach. However, it would also imply necessary adaptations in relation to existing structures and decision-making processes. In addition, the EU Member States should agree on the extent to which there could be an EU-level coordination of tools that currently focus on promoting their national industry.

Nevertheless, there is a clear need to bridge the funding gap in development finance in view of achieving the 2030 Agenda and its Sustainable Development Goals (involving in particular infrastructure projects) in the context of the Global Gateway approach. Indeed, during the last decade, a new approach to development finance has recognised that, in order to secure the capital necessary for achieving the SDGs, additional capital from private sources needs to be mobilised. This includes acknowledgement that private capital is profit-seeking and that the private investments in the context of development should generate returns.

The analysis in this report brings to light potential synergies between ECA financing activities and development objectives and, by extension, potential opportunities that are worthwhile exploring. Simultaneously, the mandates and strategies of development finance institutions and of export credit agencies have been converging, in both ways – i.e. ECAs, besides supporting national exports, mobilize capital which benefits the economies of developing countries, and some national development banks, besides supporting development, promote their own national economy. Also, the wider international finance community acknowledges the role of ECAs in financing development.

Against this backdrop, it could be envisaged to identify forms of cooperation and coordination between ECAs and DFIs. At the EU level, it could mean creating the possibility for Member States' providers of export finance and EU and Member States' providers of development finance to benefit from complementarities between their respective fields of action in a Team Europe approach, in a way facilitating achievement of objectives followed by both types of institutions. Such coordination would also have the potential to make a positive contribution to wider EU policies including the Green Deal, energy and digital transitions, sourcing of critical raw materials, etc., as well as to trade aspects of EU geopolitical strategies. One particularly suitable framework for the implementation of the enhanced coordination would be the Global Gateway since it is naturally aligned with these objectives.

Certain legal and factual limitations to enhanced coordination, described in section III, would have to be respected and taken into account. As a principle, different legal mandates of different institutions (in line with OECD rules regarding untying of aid), as well as WTO anti-subsidy rules, prevent making provision of development aid contingent upon sourcing from EU exporters (with a narrow exception of tied aid under the OECD Arrangement[113]). Space for enhanced coordination can nonetheless be explored within these boundaries.

Looking ahead, and based on the facts described in sections II and III, the actors involved can consider several options, not mutually exclusive, how to operationalize the enhanced coordination:

1. Launching a **limited number of pilot enhanced coordination projects**, selected from Global Gateway flagship projects and Team Europe Initiatives to establish concrete exchanges of information and, if possible, joint projects associating Member States' export credit agencies and development finance actors at EU and Member States level, and the private sector.

   The selection of suitable projects can be discussed but good candidates could be found in the sectors of critical raw materials and renewable energy.

[113] See footnote 1011.

Export credit agencies would be invited to participate in the selected projects together with Member States' development finance institutions and with a strong participation of the private sector. The participants would exchange information and seek joint solutions (i.e. including both export credit and development finance support). The work on the pilot projects would feed into the horizontal work of the below expert group.

2. The **creation of an expert group** which could include Member States' export credit agencies, and, in a form to be defined, the EIB, development finance institutions and private business actors. This group could provide a forum where the actors could exchange general information regarding their financial tools and mode of operation, with the time potentially moving towards exchanges of project-based information and a degree of coordination (see the steps below), while respecting the applicable Union law. It could contribute to the Global Gateway strategy – without adding a new layer of governance – and complement the existing fora for discussion with Member States (Council Working Group on Export Credits, RELEX HQ, CODEV).

   The discussions in the group could develop progressively:

   - First, general presentations by the Commission and the EIB (and other DFIs) on the scope of the EU financial tools and ECAs' presentations about focus countries and sectors. This would make all group members aware of each other's capacity for cooperation and operational synergies.

   - Secondly, the discussions could evolve into more technical discussions covering exchange of experiences and development of best practices integrating export finance and development finance; exchange of more detailed sectoral/thematic and geographical information; and, eventually, development of processes to generate transparency and to develop and implement individual transactions or reflect on the need for possible new instruments at EU level, building on the learnings from the pilot projects. The members of the group would learn from each other about the tools available and the ways in which the various actors operate on the ground.

   - Thirdly, in time, the group members could coordinate in further projects based on a generalization of the above pilot projects, should these prove successful.

Bringing in representatives of Member States' development finance institutions would strengthen ties between them and ECAs in Member States with the aim of improving their cooperation and transparency.

A legal basis for the group could be provided by the rules and procedures for Commission expert groups.[114] The exact nature and structure of the group would still need to be discussed but an inspiration could be drawn from the existing EU set up for market access facilitation (Market Access Advisory Committee, working groups and field teams;[115] the last two could be conceivable particularly at a more advanced stage of cooperation when specific projects are discussed).