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REPORT FROM THE COMMISSION TO THE COUNCIL

2022 progress report on the European Financial Architecture for Development

Introduction

The present document is the Commission's second progress report on the European financial architecture for development in response to the Council Conclusions on enhancing the European financial architecture for development, adopted on 14 June 2021 (the "Council Conclusions"). The report presents the activities put forward by the Commission in 2022 to implement its roadmap (the "Commission Roadmap") for an improved European financial architecture for development (EFAD), adopted on 24 March 2022, together with the first progress report ⁽¹⁾. Given its retrospective nature, it does not contain a strategic outlook component. However, it provides a valuable basis for reflections on the way forward. The report focuses on the actions in the remit of the Commission in cooperation with the EU High Representative/Vice-President (HR/VP).

1. Context

Following the adoption of the Neighbourhood, Development and International Cooperation Instrument-Global Europe (NDICI-GE) and of most multiannual programming documents in 2021, 2022 constitutes the first year of full deployment of the **new single EU framework for cooperation with partner countries** (in addition to the Instrument for Pre-accession Assistance III). 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.

Making use of this renewed set of tools, the Commission has enhanced efforts to make EFAD more coordinated, inclusive, visible and impactful, in line with the Council Conclusions and in full coherence with the broader effort to promote the **Team Europe approach** ⁽²⁾.

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 ⁽³⁾, 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

⁽¹⁾ Commission's roadmap for an improved European financial architecture for development and 2021 progress report COM(2022) 139 final

⁽²⁾ The "Team Europe" approach draws on contributions from the European Union and combines resources mobilised by EU Member States and financial institutions, while respecting the EU competences and the decision-making procedures, including the voting rules, established by the EU Treaties. The Team Europe approach relies on the EU, its Member States, their finance institutions including national development banks and implementing agencies, as well as the EIB and the EBRD. It is also implemented in EU partner countries, including through EU delegations, to facilitate EU coordination on the ground.

⁽³⁾ Joint Communication "The Global Gateway" JOIN(2021) 30 final

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. For countries covered under the Neighbourhood envelope and beneficiaries of the Instrument for Pre-Accession Assistance (IPA) III, the Global Gateway strategy is implemented through the regional Economic and Investment Plans ⁽⁴⁾.

On the EU side, it draws on a set of financial tools in the EU multi-annual financial framework 2021-2027, in particular NDICI-GE and the Instrument for Pre-Accession Assistance (IPA) III, but also the Connecting Europe Facility, Interreg, InvestEU and Horizon Europe - the EU research and innovation programme.

Global Gateway investments can only reach the foreseen scale and create tangible and visible impact on the ground if supported collectively by the EU and the Member States in a Team Europe approach. The EU, Member States, their Development Finance Institutions, the EIB, the EBRD and the European private sector need to be mobilised. An enhanced and strong EFAD is therefore fundamental for the effective delivery of the Global Gateway Strategy.

2. Overview of progress in 2022

The Commission Roadmap is organised around four work strands:

- i) affirming a strong EU **policy steer** to reinforce the coherence of financial institutions' activities with EU external policy objectives so as to **maximise the development impact** of EU activities in third countries and their alignment with EU strategic interests
- ii) promoting enhanced **coordination**
- iii) building a **more inclusive** financial architecture
- iv) ensuring increased **visibility and influence** for EU and Member States actions.

Significant progress has been made in all four areas (as illustrated in detail in section 3).

Strong EU policy steer

The Commission ensures the management of the EFSD+ via the governance mechanism set up by the NDICI-GE, which is articulated on the EFSD+ Strategic Board and the Regional Operational Boards ⁽⁵⁾. They steer the implementation of the EFSD+, both for blending operations and budgetary guarantees.

⁽⁴⁾ Reference documents: Joint Communication “A new Agenda for the Mediterranean Reference to three EIPs” and accompanying document “Renewed Partnership with the Southern Neighbourhood Economic and Investment Plan for the Southern Neighbours” (SWD(2021) 23 final); Joint Communication “Eastern Partnership policy beyond 2020 Reinforcing Resilience - an Eastern Partnership that delivers for all” and accompanying document “Structured Consultation on the future of the Eastern Partnership” (SWD(2020)56 final); Joint Communication “An Economic and Investment Plan for the Western Balkans” (COM (2020)641 final)

⁽⁵⁾ The EFSD+ Strategic Board is composed of representatives of the Commission and of the High Representative, of all Member States and of the EIB. The European Parliament has observer status. The Operational Boards are composed of representatives of the Commission, the European External Action Service, the Member States as voting members, and finance institutions as observers.

In adherence to the “**policy first**” principle, the Commission has been providing a solid policy steer for all EFSD+ operations, ensuring that EFSD+ guarantees and blending operations are aligned with Global Gateway priorities, and that its flagships are implemented, mainly through Team Europe Initiatives, resulting from priorities identified in the policy dialogues with partner countries.

- As far as the **open architecture** is concerned, the orientations adopted by the EFSD+ Strategic Board in November 2021 have informed the choice of the investment windows and the subsequent call for proposals launched in 2022. This innovative modality attracted strong interest from the financial institutions’ community as shown by the fact that the call was over-subscribed by nearly four times. The proposed investments’ ability to contribute to NDICI-GE thematic and geographic priorities and targets, as well as to deliver on Global Gateway, has played a key role in their selection. In December 2022, the first 40 proposals were greenlighted by the EFSD+ Operational Board for Sub-Saharan Africa, Latin America and the Caribbean and the Asia Pacific regions. They amount to a total of up to EUR 6 billion in guarantee capacity and are expected to generate more than EUR 50 billion in investments covering all six thematic windows from Connectivity, MSME, Natural Capital, Human Development, Sustainable Finance and Sustainable Cities, which reflect key sectors of Global Gateway. Between December 2022 and January 2023 an additional 3 proposals exclusively covering the Western Balkans and 12 proposals covering in majority Enlargement and Neighbourhood regions were approved by the EFSD+ Operational Board.
- **Blending operations** are scrutinised through quality assessment internal procedures as well as through peer review Technical Assessment Meetings (TAM) before they are submitted to the opinion of Member States in the relevant EFSD+ Operational Board.
- As to the EIB **exclusive window on sovereign lending**, the relevant guarantee agreement signed in May 2022 provides a EUR 26.7 billion guarantee to cover EIB sovereign lending in Global Gateway priority sectors including clean energy, green infrastructure and health. It foresees cooperation principles for overall strategic coordination, upstream coordination and communication. A key aspect of this strengthened coordination process with the EIB is the introduction of a structured governance mechanism along three main steps: upstream coordination ⁽⁶⁾ with geographic teams on the pipeline of operations to be pursued, the procedure according to Article 19 of the EIB Statute ⁽⁷⁾ and an eligibility assessment.

Enhanced coordination

⁽⁶⁾ including admissibility test where applicable for sub-sovereign commercial operations.

⁽⁷⁾ EIB's consultation of the Commission on investments is regulated by Article 19 of the EIB Statute, which is annexed to the Treaty on the European Union and the Treaty on the Functioning of the European Union (Protocol No 5). In particular, the relevant provisions of Article 19(2) set out: “[...] Applications made through a Member State shall be submitted to the Commission for an opinion. Applications made direct by an undertaking shall be submitted to the Member State concerned and to the Commission. The Member State concerned and the Commission shall deliver their opinions within two months. If no reply is received within this period, the Bank may assume that there is no objection to the investment in question.”

Numerous initiatives aimed at further promoting **partnerships and coordination** among EFAD members have been pursued at headquarters and country level.

- (1) The European development financial institutions have been more systematically integrated into policy and strategic discussions, as well as into the design and implementation of Global Gateway flagship projects. The participation of their representatives in the meetings of the EU Directors-General for Development, alongside Ministries and implementing Agencies, in a Team Europe approach, has been consolidated as standard practice throughout 2022, thus contributing to a common understanding of objectives and modalities.
- (2) Furthermore, European financial institutions play a key role in the implementation of Team Europe Initiatives. They are involved in 144 out of 164 TEIs. Beyond their financial contributions, they are actively participating in policy and operational discussions, mobilising European expertise and investments, as illustrated for example by the Global Gateway partnership with Namibia on Renewable Hydrogen and Sustainable Raw Materials Value Chains or by the Global Gateway partnership with Tajikistan on renewable energy. Enhanced partnership among different EFAD members represent the backbone of these initiatives, built on hard infrastructure accompanied by a broad set of flanking measures to build capacity, promote sectoral reforms, or improve business climate.
- (3) European financial institutions and implementing agencies have taken steps to further increase their coordination and joint actions under different initiatives and arrangements. Building on the Enhanced Partnership, AECID, AFD, CDP and KfW launched in June 2022 the coordination platform JEFIC - Joint European Financiers for International Cooperation- with the aim of pooling resources and sharing know-how. The intensification of exchanges between the Practitioners Network, JEFIC and the EDFI Association throughout the year allowed to deepen mutual understanding and to explore ways to enhance coordination between the European technical cooperation and financial cooperation providers. This has led to joint applications under the EFSD+ open architecture call for proposals.
- (4) Facilitating cooperation among European actors and with partner countries and enhancing the impact and the visibility of EU development cooperation are the primary objectives of the **Team Europe Partnerships Portal (TEPP)**, a digital platform launched in June 2022 to help matching partner countries needs with offers of expertise and support by European actors ⁽⁸⁾.
- (5) The role of **EU Delegations as coordinators/focal points** to facilitate upstream discussions with Member States, financial institutions and other stakeholders on the ground has been substantially enhanced. A catalyser effect in this direction has been provided by the process of design and implementation of TEIs which led to reinforced cooperation with financial institutions on the ground and to a more coherent integration of investments within the overall EU response in a given partner country. Dialogue with the EIB has been enhanced, including through regular contacts with EU Delegations in countries of operations. In addition, some EU Delegations have helped the EIB increase its local presence by hosting EIB representations (e.g. the EIB regional hub Indonesia, opened in 2022 within the

⁽⁸⁾ <https://team-europe-partners.network.europa.eu/home>

EU Delegation office in Jakarta). In line with the overall effort to increase the visibility of EU engagement in a Team Europe approach, multiannual strategic communication and public diplomacy plans for EU Delegations across all regions have been developed.

Building a more inclusive financial architecture

Steps have been taken to increase inclusiveness. Several financial institutions submitted proposals for the first time under the EFSD+ open architecture call for proposals – some of them teaming up with more “experienced” partners. Five new financial institutions received methodological advice from the Commission on launching their pillar assessments procedure.

Also, a number of initiatives have been taken to enhance the coordination of different tools and instruments of the EU and its Member States. A **feasibility study on options for an EU Export Credit Facility** as well as a **mapping of financial tools** that support the implementation of external EU policies and have the potential to strengthen the global competitiveness of EU companies have been conducted in 2022. The findings pave the way for exploring the possibility of enhanced coordination among the EU Member States’ export credit agencies and the relevant European and national financial institutions for development.

The **Global Gateway governance** set-up, as defined in November 2022, promotes a more inclusive European financial architecture. Representatives of European financial institutions such as the EIB, the EBRD and Member States’ national development banks are invited, on an ad hoc basis, to take part in the Global Gateway Board, alongside the President of the European Commission, other Commissioners and the Member States’ Ministers of Foreign Affairs, thus integrating the investment operations into the broader geopolitical considerations, which inform the strategic guidance of the initiative.

The **first Global Gateway Board meeting took place on 11 December 2022**, chaired by President von der Leyen, and with the participation of the HRVP, the Commissioner for International Partnerships and the Commissioner for Neighbourhood as well as representatives from the European Parliament, the Presidents of the EIB and of the EBRD as well as Member States’ Foreign Ministers representatives.

The inclusive nature of the Global Gateway governance has been enhanced by the steps taken in 2022 to prepare the setting up of the **Business Advisory Group**, with the aim to engage in a structured way with the European private sector as integral part of the Global Gateway strategy and implementation.

Implementing Global Gateway in a Team Europe approach is based on a strong process of coordination in Brussels, in Member States, and in partner countries. It requires a whole-of-Commission approach and a similar whole-of-government approach in Member States (all relevant Ministries, development agencies, development financial institutions, export credit agencies) alongside, and supporting, the private sector. EU Delegations, Member States Embassies and Member State agencies, their development financing institutions, the EIB and EBRD are at the centre of the implementation and have a crucial role in exchanging information on investments priorities and private sector views that inform strategic guidance.

Strategic coherence is ensured with the EFSD+ Strategic Orientations adopted by the EFSD+ Strategic Board which contribute to Global Gateway. For example, the ‘connectivity window’ under the EFSD+ open architecture addresses Global Gateway sectors like Energy, Infrastructure and Digital. The alignment of the proposed investment operations with the Global Gateway strategy is verified by the EFSD+ Operational Board.

Increased visibility and influence

European coordination has become **more visible and influential**. In line with the recommendation to further coordinate common positions in multilateral development institutions in order to speak with a more coherent EU voice, suggested common Team Europe messages for the International Monetary Fund and World Bank Spring and Annual Meetings have been developed with the Council for the first time in 2022.

Engagement on the ground through **joint missions** in a Team Europe approach gained relevance in the course of 2022. The European financial institutions have been involved in joint missions, such as the joint Commission/EIB mission at COP27, two missions to Cabo Verde for the inauguration of Global Gateway flagship initiatives led by the Commission with the involvement of Member States and development financial institutions, as well as in joint visibility events.

Guidance on how to communicate and raise visibility has been shared with all the EU Delegations, which received support to develop multiannual **strategic communication and public diplomacy plans** reflecting the EU priorities, including Global Gateway. More than 70 plans were received and reviewed by the relevant Commission services in 2022, paving the way to further work to support the visibility of the Global Gateway flagship initiatives.

3. Progress against the roadmap

3.1 Specific actions resulting from NDICI-Global Europe

Clearer policy direction and orientations

Roadmap: 1) The Commission, in cooperation with the HR/VP, will provide a clear policy direction in the programming documents and Economic and Investment Plans and ensure that all EU investment actions under NDICI-Global Europe and IPA III are aligned with the priorities set in the programming documents

Progress report 2022

In line with the “policy first” principle, a more comprehensive approach to programming has been adopted, encompassing EFSD+ operations alongside other modalities and types of intervention, including grants and policy dialogue.

The alignment of investment operations put forward by European and Member States financial institutions with policy priorities and programming objectives has been systematically assessed by the relevant Commission services for new pipelines as well as for ongoing operations.

All EFSD+ investment operations financed via blending and open architecture guarantees have been scrutinised through the Commission’s quality assessment internal procedures

as well as through a peer review Technical Assessment Meeting (TAM) before the positive opinion by Member States in the relevant EFSD+ operational Board. This ensured compliance with programming documents (national and regional Multi-annual Indicative Programmes), alignment with Team Europe Initiatives, Economic and Investment Plans and with EU global policies such as the Global Gateway and the Green Deal, as well as mainstreaming of gender and environmental aspects. For the EIB dedicated window(s), the Commission has ensured the alignment with programming, TEIs and policy priorities through an upstream coordination process based on regional/country pipeline review meetings held on a regular basis.

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Roadmap: 2) The Commission, in cooperation with the HR/VP, will publish all programming documents, so that policy priorities are clear for all the players taking part in the EU's financial architecture for development

Progress report 2022

All programming documents adopted by the College have been published on the Europa website right after adoption: [Global Europe - Programming \(europa.eu\)](https://europea.europa.eu/global-europe-programming). All adopted annual and multi-annual programming documents for the Neighbourhood and Enlargement countries have been published on the website of DG NEAR (https://neighbourhood-enlargement.ec.europa.eu/index_en).

It is recalled that 97 MIPs with EU partner countries were adopted in 2021. With the comprehensive programming largely completed, an additional 8 MIPs were adopted in 2022.

Progress report 2022

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Progress report 2022

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<p>Roadmap: 3) The Commission, in cooperation with the HR/VP, will ensure the EFSD+ Strategic Board supports the overall coordination, complementarity and coherence of operations implemented under EFSD+</p>
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Progress report 2022

Already in November 2021, the first EFSD+ Strategic Board had approved a set of Strategic Orientations for all EFSD+ guarantees and blending operations, including six thematic areas for investment windows. These six thematic areas were translated into six Investment Window Papers, based on the multiannual programming process. These Investment Window Papers were approved by the EFSD+ Operational Boards in April 2022 and have formed the basis for the call for proposals for EFSD+ open architecture guarantees and the Proposed Investment Programmes (PIPs) subsequently adopted during the Operational Boards of December 2022 and January 2023 for the various regions of operations.

Progress report 2022

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Roadmap: 4) The Commission, in cooperation with the HR/VP, will continue providing incentives to encourage specific political priorities and achieve higher impact, e.g. to ensure that investments are targeted to those regions, countries (including least developed countries and other priority regions/countries as appropriate), thematic priorities (e.g. climate, connectivity...) or groups (e.g. youth, women, migrants...) that are a political priority for the EU.

Progress report 2022

The EFSD+ contributes to the horizontal targets identified in the NDICI-GE Regulation (human development, climate change, migration, gender, ODA). The ability of the Proposed Investment Programmes (PIPs) to contribute to these thematic targets as well as to the geographic priorities described in the Investment Window Papers has constituted an important criterion for the selection of investment proposals under the open architecture call.

Guarantee fee discounts for financial institutions are considered for projects in certain countries (LDC, fragile context) or for policy objectives (Gender, Migration). This incentivisation is also foreseen under EFSD+ open architecture guarantees. Furthermore, the Commission has provided a list of priority countries for each investment window to guide the pipeline development of potential implementing partners in line with the respective country programming priorities.

Team Europe initiatives and flagship initiatives and partnership portal

Roadmap: 5) The Commission, in cooperation with the HR/VP, will privilege flagship and Team Europe Initiatives or proposals built on Team Europe approach (including e.g. consortia or investment platforms)

Progress report 2022

The Team Europe approach is encouraged through pipeline discussions with EFSD+ implementing partners, through EFSD+ outreach missions and it represents an asset for any blending application or PIP for which EFSD+ guarantee cover is requested.

The call for proposals for EFSD+ outlines that each financial institution needs to show to which TEI(s) the respective investment might contribute: *“The formulation of PIPs should therefore be in line and contribute to delivering on these flagships as well as other Team Europe Initiatives with transformative impact.”* Consequently, the EFSD+ open architecture application form included an excel file on TEIs in which applicants had to indicate to which TEIs the investment might contribute. Proposed linkages have been verified by the Commission and will be further discussed while negotiating the guarantee agreements.

For the dedicated EIB investment windows: EIB has been invited to show for each proposed investment which TEI/flagship the investment might contribute.

For on-going EFSD investment programmes, financial institutions have been invited to show TEI-linkages or to link-up their investments with TEIs.

The Commission has been providing support to the EDFI association to improve its members integration in Team Europe Initiatives and better alignment with Global Gateway. Work has been conducted to assess the potential of TEIs for EDFI members' investments and to support the design of a joint guidance note on DFIs TEI-integration.

Roadmap: 6) The Commission, in cooperation with the HR/VP, will explore the possibility of providing incentives under the EFSD+ to promote joint proposals submitted by several financial institutions which have a common interest in achieving the set policy objectives, particularly including those of smaller size, newcomers or those that are not pillar-assessed (as long as the lead institution is pillar-assessed);

Progress report 2022

The Commission has been encouraging financial institutions to coordinate and team up to foster an inclusive approach and integrate development financial institutions or development agencies from all Member States. Co-financing arrangements and knowledge sharing amongst financial institutions have been encouraged to facilitate joint proposals but also to enable new institutions to assume the lead role.

Within the open architecture call for proposals, several joint proposals were submitted, in particular by the Association of European Development Finance Institutions through their dedicated Management Company (EDFI MC) and by the JEFIC group of public development banks (AFD, AECID, CDP, KfW) who also have agreed mutual reliance procedures.

A number of partners applied for guarantees for the first time, namely Bank Gospodarstwa Krajowego (BGK), Caribbean Development Bank (CDB), Cardano Development, Climate Fund Managers (CFM), Finnfund, Investeringssonden for Udviklingslande (IFU), UN Capital Development Fund (UNCDF).

Arrangements between financial institutions not yet pillar assessed and experienced partners for the use of the guarantee have been facilitated.

In order to increase inclusiveness, in May 2022 the Commission proposed, among several targeted adjustments to the Financial Regulation, to broaden the range of entities to which budget implementation tasks can be entrusted under indirect management. This proposal, reflected through new item (ix) in Article 62.1 (c), aims to facilitate the participation of entities like EDFI in the implementation of funds other than budgetary guarantees.

Roadmap: 7) The Commission, in cooperation with the HR/VP, will strengthen institution-building tools under TAIEX and twinning to reinforce capacity building in key areas of reform and alignment;

Progress report 2022

The institution building instruments TAIEX and Twinning are well established in the countries of EU enlargement and neighbourhood. Over 600 TAIEX events take place every year and over 100 Twinning are ongoing. The implementation of TAIEX and Twinning beyond enlargement and neighbourhood regions started in 2020. After the first projects started in Zambia and Kyrgyzstan in 2021, in 2022 twinning projects started in Namibia, Dominican Republic, Madagascar and Rwanda. Projects in Malawi and Tanzania will be launched soon. With the lifting of COVID-19 travel restrictions, the number of TAIEX events in Sub Saharan Africa, Middle East, Asia and Pacific and Latin America and Caribbean strongly increased from mid-2022 onwards. 42 events were implemented in 2022. Some projects target particularly areas related to EFAD, such as the twinning projects on anti-corruption and public audit in Zambia and TAIEX events on Green Bonds and FinTech in Vietnam and anti-corruption and transparency in public procurement in Ecuador.

Roadmap: 8) The Commission, in cooperation with the HR/VP, will provide increased transparency on Team Europe Initiatives;

Progress report 2022

An open-access site ("Team Europe Initiative and Joint Programming Tracker") was launched early 2022 to allow information on TEIs to be shared with all external audiences ⁽⁹⁾.

Guidance on financial tracking of disbursements for TEIs was developed. The Commission has implemented the technical prerequisites for this in its internal data system (through a TEI flag). Member States are in the process of doing so as well. Coordination with global public data sources has taken place so that these sources can show financial contributions to TEIs, such as the OECD-DAC statistics (through the keyword field in the CRS) and the standard of the International Aid Transparency Initiative (ongoing work to establish a dedicated tag vocabulary).

Roadmap: 9) The Commission, in cooperation with the HR/VP, will launch a partnerships portal in 2022 to facilitate the matching of demand from partner countries with offer from European actors in terms of support.

Progress report 2022

The Team Europe Partnerships Portal (TEPP) was launched during the 15th edition of the European Development Days on 21-22 June 2022. After the online platform went live in April, the EDDs presented an opportunity to present it to stakeholders. Attendees included representatives of non-governmental and inter-governmental organisations, national development agencies, ministries and private sector companies.

The Commission organised three webinars and one info point session in 2022 to further provide outreach on TEPP. The portal was also presented at the Council working groups (CODEV and RELEX) and at the European Committee of the Regions - the EU's Assembly of Regional and Local Representatives.

Towards greater mobilisation of private investments

Roadmap: 10) The Commission will seek to leverage additional investments thanks to the blending opportunities and increased guarantee firepower of the EFSD+ and support efforts to scale up sustainability-related financial instruments in our partner countries;

Progress report 2022

The EFSD+ overall objective is to mobilise additional public and private investments. As part of the application and screening procedure of the proposals, the economic and financial leverage calculations have to be provided along with sustainability proofing. Dedicated sections in the application fiches for blending and guarantees have to be filled in for the Commission's assessment.

In particular, guarantees under the EFSD+ open architecture only cover additional private capital crowded in by the respective investment programmes. Investments have to be secured by the financial institutions' own financial means. Consequently, every PIP has an enormous potential to leverage additional private financing.

The EFSD+ open architecture call for proposals included the EFSD+ Sustainable Finance Window (SFW) as one of the six EFSD+ Investment Windows. With the SFW, the

⁽⁹⁾ <https://europa.eu/capacity4dev/tei-jp-tracker/>

Commission is seeking to support low- and middle-income countries in scaling up their green bond markets under the Team Europe Global Green Bond Initiative. The new EFSD+ Results Measurement Framework (ref. measure n.15) includes indicators that will allow tracking both leverage and multiplier effect of EFSD+ operations.

Roadmap: 11) The Commission will develop a comprehensive strategy aiming to support low- and middle-income countries to accelerate the flow of domestic and international private capital towards sustainable investments in low- and middle-income countries, benefitting from the support of a high-level expert group;

Progress report 2022

In 2022, a High-Level Expert Group was set up to examine the challenges and opportunities related to scaling up sustainable finance in LMICs. Following a call for applications, 20 members and 20 observers were selected bringing together high-level expertise from across the world and across different sectors and domains. In September 2022, the HLEG had its kick-off meeting where the scope of work was discussed and three different sub-groups were established to look at investors' perspective and innovative financial instruments, facilitating pipelines of sustainable projects, and building coherent and conducive ecosystems respectively. Several meetings ensued, including two in 2022 (in November and December).

Roadmap: 12) The Commission will explore in the context of the Global Gateway strategy the possibility of establishing a European Export Credit Facility to complement the existing export credit arrangements at Member State level and increase the EU's overall firepower in this area.

Progress report 2022

A feasibility study on options for the EU strategy for export credits, which includes also exploration of a European Export Credit Facility, is being carried out by an independent contractor.

On a separate track, the Commission is exploring the possibility of enhanced coordination of EU and Member States' external financial tools, that would involve both the export credit agencies of EU Member States and the relevant European and national financial institutions. A mapping exercise has been carried out ⁽¹⁰⁾.

Both exercises are expected to be finalised in Q2 2023 and serve as the basis for further discussions with Member States.

Improved legal framework and procedures to deliver more effectively

Roadmap: 13) The Commission will establish a new regulatory framework with a coherent and simplified set of rules and procedures to facilitate support to investments

⁽¹⁰⁾ SWD(2023) 96 final

Progress report 2022

This was already achieved in June 2021 with the adoption of the NDICI Global Europe Regulation including a dedicated chapter on the External Action Guarantee and EFSD+.

Roadmap: 14) The Commission will establish an enhanced risk management capacity (the Guarantee Technical Assessment Group Plus, GTAG+), based on systems and methodologies that are open and transparent for partner financial institutions

Progress report 2022

The Commission has:

- further strengthened and consolidated the risk management unit by involving experts seconded from partner financial institutions and risk experts contracted by the Commission;
- defined the risk policy for the EFSD+, following exchanges with partner financial institutions and a positive opinion of the EFSD+ Operational Board on 6 April 2022;
- operationalised the Guarantee Risk Expert Group (GREG) – an independent and inclusive group of risk experts established within the Risk Management Unit serving both DG INTPA and DG NEAR – and finalised secondment/appointment arrangements with six partner financial institutions;
- engaged with partner financial institutions and their risk departments to share best practice on credit risk management/methodologies and, in the context of the first call for proposals under the EFSD+ open architecture, to come to a shared understanding of the risk and financial features of the proposed guarantees (process ongoing).

Roadmap: 15) The Commission will monitor the milestones and results of its investment operations in accordance with its NDICI-Global Europe Performance Monitoring System (part of the broader NDICI-Global Europe monitoring and evaluation framework) and the IPA III Performance Framework.

Progress report 2022

The design criteria of EFSD+ interventions and their results/indicators have been revisited to be able to track their development impact. Commission services have developed an EFSD+ Results Measurement Framework (EFSD+ ReMF) to facilitate coherent design, monitoring and reporting on operational results achieved with the support of EFSD+ guarantees and blending contributions. Several meetings were organised during 2022 to consult EFSD+ implementing partners on the novelties of the EFSD+ ReMF. Commission services have also developed new templates for application forms for blending and guarantees that have a specific part dedicated to results. The new EFSD+ ReMF has already been used in the context of the open architecture call for proposals.

3.2 Measures to affirm a strong EU policy steer (additional actions)

Speaking with one voice in multilateral finance institutions

Roadmap: 16) The Commission will further explore opportunities for coordination

between the EU and its Member States to ensure the promotion of EU values and strategic objectives, as well as the building of common positions in international and multilateral finance institutions. To that effect, the Commission will draw on existing experiences of coordination with European Executive Directors at the International Monetary Fund (IMF), the World Bank Group (WBG) and the EBRD.

Progress report 2022

Extensive coordination with the EU Executive Directors (EDs) at the World Bank, including through their annual visit to Brussels in May 2022 and regularly throughout the year on relevant topics (e.g. Ethiopia).

In 2022 - for the first time - suggested common Team Europe messages for the World Bank and IMF Spring and Annual Meetings were developed in the CODEV Council working party. Commission representatives also participated in the 2022 annual visit of the IMF EU Executive Directors (EDs). Commission services provided regular inputs into the EU EDs at the World Bank and IMF in advance of board discussions on relevant countries and topics.

3.3 Measures to promote enhanced coordination (additional actions)

Strengthened coordination at country and regional level

Roadmap: 17) The Commission, in coordination with the HR/VP, will further strengthen the role of EU Delegations as coordinators/focal points in order to facilitate upstream discussions with Member States, their financing institutions and other stakeholders on the ground, and to reinforce cooperation at the national and regional level;

Progress report 2022

Coordination between EU Delegations (EUDs), Member States and financial institutions has significantly improved throughout 2022.

The Team Europe Initiatives design process led to an increased dialogue with financial institutions on the ground, to a more coherent incorporation of investments in the EU response and to the greater involvement of EUDs in the roll-out of investment operations. EUDs have further increased their coordination role in pulling together all European actors around key flagships/Team Europe Initiatives and ensured in particular that the investment proposals are discussed at preliminary stage to ensure alignment with flagships and TEIs.

EUDs were actively involved in the screening of the PIPs received in the framework of the EFSD+ call for proposals under the open architecture.

Three ad hoc trainings on EFSD+ in 2022 have been organised for staff in headquarters and in EUDs.

In March 2022, the Commission, in cooperation with the EDFI association, organised a workshop with EUDs in Kenya, Ghana and Côte d'Ivoire to promote a better involvement of financial institutions in country TEIs. EFSD+ outreach missions, promoting EFSD+ awareness and knowledge dissemination events, were organised in a number of countries in cooperation with EUDs throughout 2022.

Roadmap: 18) The Commission, in coordination with the HR/VP, will explore the

possibility of establishing technical assistance facilities, implemented by different development finance institutions working jointly where possible, to support the design of bankable projects in developing countries and the creation of a conducive private sector environment;

Progress report 2022

The Commission, in a Team Europe approach together with development finance institutions and implementing agencies across three workshops held in 2022, has been working to set up a **Sustainable Finance Advisory Hub** (the “Hub”). The “Hub” will offer technical assistance on sustainable finance across three pillars: 1) sustainable finance frameworks; 2) issuing green bonds; 3) other sustainability-related financial instruments. In doing so, the “Hub” will pool and coordinate EU expertise and resources to help low- and middle-income countries in scaling up sustainable finance.

In the framework of **EFSD+** blending and guarantees, Technical Assistance is to be allocated on a case by case basis. For the EFSD+ open architecture guarantee PIPs, TA contributions will be agreed as necessary in the guarantee agreements negotiations.

Supporting the design of bankable projects: in 2022 the Commission and the Dutch Foreign Ministry established a working group on pipeline development as part of the Team Europe initiative '**Investing in Young Businesses in Africa**' (TEI IYBA). The working group's purpose is to facilitate the systematic development of a pipeline of investment-ready (or 'bankable') projects in Africa involving **young businesses and entrepreneurs**, with a high development impact, for international, regional or local development finance institutions or investment funds to invest in. In 2022 the group met three times with the purpose of jointly identifying challenges involved when seeking to invest in businesses at the pre-seed, seed, series A and series B financing stages. To inform the group's work, a report was prepared which reflected a shared vision of the challenges of developing a pipeline, based on a literature review and survey of ecosystem actors.

Supporting the creation of a conducive private sector environment: as part of the TEI IYBA, another working group was established in late 2021 to guide the development of a new EUR 23 million programme entitled IYBA SEED (support for entrepreneurial ecosystem development). The programme seeks to strengthen the ecosystem of organisations that support entrepreneurs and early-stage businesses. Led by FR, and involving BE, DE, NL and SK, the programme targets very early-stage businesses in five countries: Benin, Kenya, Senegal, South Africa and Togo. In 2022 the working group jointly devised a TEI IYBA strategy for developing entrepreneurship ecosystems.

Roadmap: 19) The Commission, in coordination with the HR/VP, will organise regular coordination meetings at regional/sub-regional/country level with the participation of EU Delegations and relevant development finance institutions and headquarters/capitals;

Progress report 2022

Portfolio and pipeline review meetings with a regional focus took place on a regular basis throughout the year and allowed exchanges among the Commission relevant geographic Units, EUDs and financial organisations on ongoing and planned interventions.

Roadmap: 20) The Commission, in coordination with the HR/VP, will continue to organise joint missions and country days in some regions

Progress report 2022

Engagement on the ground through joint missions of the EU and its Member States as well as financial institutions in a Team Europe approach gained relevance in 2022.

A series of "EFSD+ outreach missions" has been undertaken in Enlargement and Neighbourhood countries, as well as in Sub Saharan Africa, discussing with partner governments and implementing partners how best to use the tools of EFSD+ for the investment priorities and flagship initiatives identified in the respective Economic and Investment Plans.

Extended dialogue and cooperation with non-European financial institutions

Roadmap: 21) The Commission will hold high-level dialogues with international financial institutions beyond the EU sphere, such as the Deep Dive dialogue with the World Bank Group, or other high-level meetings with or the International Monetary Fund, the African Development Bank, Asian Development Bank, Inter-American Development Bank;

Progress report 2022

A number of senior management dialogues were held with the World Bank and the IMF in 2022. At the Annual Meetings, the Commissioner for International Partnerships led the delegation to Washington and met with a wide range of key interlocutors. Targeted policy dialogue with WBG and IMF was maintained all over the year through regular exchanges at management and technical level, including presentations to WBG management on EU support to Ukraine, TEIs and Global Gateway, or Ethiopia. The organisation of five technical workshops on climate change, fragility, gender issues and financial sector development contributed to a more policy oriented dialogue with IMF. Work has continued on the preparations of the high-level dialogues with WBG and IMF that are planned for Q2/Q3 2023. The Commission has also identified a number of TEIs which could provide opportunities of cooperation with several IFIs (especially the WB).

Negotiations with Asian Development Bank on the Financial Framework Partnership Agreement (FFPA) concluded in 2022 preparing the ground for a more comprehensive strategic dialogue and cooperation.

Roadmap: 22) The Commission will explore potential areas of cooperation with other international development finance institutions (e.g. Nordic Development Fund, Islamic Development Bank, Arab Coordination Group, among others).

Progress report 2022

The Commission has continued the dialogue with other financial institutions, beyond those already pillar assessed, including the Islamic Development Bank and the Arab Coordination Group. It held a successful Arab-DAC Dialogue conference on 15

September 2022 which confirmed common interests and objectives, and willingness to reinforce our cooperation. Workshops were subsequently organised (with Saudi Fund for Development and ISDB) in Q4 2022 to enhance mutual understanding and cooperation, and a first exchange took place between representatives of the Commission and of the Arab Fund during the Annual Meetings.

3.4 Measures to build a more inclusive financial architecture (additional actions)

Ensuring inclusive discussions at all levels

Roadmap: 23) The Commission will make sure strategic aspects related to the European financial architecture for development are discussed in the framework of the EU Development Directors-General meetings which is an inclusive forum, as often as needed and at least once a year and similarly that technical issues are discussed in inclusive technical meetings (e.g. simplification of application forms for EFSD+ funding, cooperation arrangements, co-financing, harmonised strategies, mutual reliance and recognition procedures, environmental, social and governance matters etc.).

Progress report 2022

The European development financial institutions have been more systematically integrated into policy and strategic discussions as well as into the operationalisation of Team Europe Initiatives and Global Gateway flagship projects. The participation of their representatives in the meetings of the EU Directors-General for Development, alongside Ministries and implementing organisations, in a Team Europe approach, has been consolidated as standard practice throughout 2022. Four meetings of the EU Development Directors-General have taken place in 2022 bringing in the representatives of the European financial institutions, the European multilateral banks and European implementing organisations in an inclusive manner. Agendas have included discussions on improving implementation and making the best use of financial tools. The April 2022 meeting included an agenda item specifically dedicated to EFAD, following the adoption of the roadmap and first progress report.

Seven technical meetings have been organised on the EFSD+ Results Measurement Framework and the new application fiche, both with IFI and Member States (complemented by bilateral ones).

A working group with financial institutions on mainstreaming Gender in financial instruments and guarantees was set up by the Commission in 2022.

Enhanced support on pillar assessments

Roadmap: 24) The Commission will continue assisting and providing methodological advice to European financial institutions undergoing the pillar assessment process.

Progress report 2022

Throughout the year, the Commission (DG INTPA) provided methodological advice to 16 European financial institutions undergoing complementary pillar assessments (for which 15 were finalised) and 5 new applicant financial institutions, including through dedicated information meetings and eligibility checks for new applicants.

3.5 Measures to increase EU visibility and influence (additional actions)

Enhancing communication efforts in a Team Europe approach

Roadmap: 25) The Commission will explore the possibility of developing together with Member States and DFIs a joint reporting framework for EU and Member States' development finance operations across the world on a yearly basis, so as to present aggregate consolidated and comparable EU and Member States development finance figures and achievements in support of strategic communication priorities;

Progress report 2022

The Commission is exploring options for financial reporting on the EU's strategic priorities including Global Gateway in a more comprehensive way. This includes encouraging Member States and financial institutions to make more extensive use of existing reporting channels such as the OECD's Creditor Reporting System as well as Total Official Support for Sustainable Development (TOSSD), in particular with regard to Other Official Flows (OOFs) and private amounts mobilised. In addition, to cover short-term and medium-term information and communication needs, the Commission has taken forward internal reflections around a potential ad-hoc reporting mechanism for data not currently covered by the existing platforms.

Roadmap: 26) The Commission will prepare country strategic communication plans in partner countries bringing together strategic communications activities and public diplomacy activities to build long-term network, to showcase the EU values and principles, as well as the scale and scope of European engagement to local audiences;

Progress report 2022

EU Delegations across all regions have been supported to develop multiannual strategic communication and public diplomacy plans reflecting the EU priorities. More than 70 Strategic Communication and Public Diplomacy plans have been reviewed in 2022. In general, the Strategic communication components gained relevance in the Annual Action Plans. Among the AAPs approved in 2022, more than 35 Cooperation Facilities/Strategic Communication were approved across all regions.

Roadmap: 27) The Commission will provide further communication guidance and communication materials to the EU Delegations, Member States and European financial institutions on the Team Europe approach that can be used in their communication activities (e.g. EU and Member States success stories acting in a Team Europe approach illustrating why we act and what we stand for (local angle, common values, human-centred approach);

Progress report 2022

Information sessions have been organised with EU Delegations on the new approach to strategic communication and public diplomacy and the updated 2022 Guidelines on Communicating and Raising EU Visibility. Updates on rollout of Global Gateway communication and joint strategy were presented to EU Member States in the RELEX Council working party in 3 separate meetings in 2022. The strategic approach to

communication was also presented to European DFI and the Practitioners Network at technical level, and has been reflected in the revision of relevant Financial Framework Partnership Agreements (e.g. with the EBRD).

Roadmap: 28) The Commission will coordinate with the participating EU financial institutions and Member States the announcement of new operations in a Team Europe approach through news (press releases or social media channels) and joint participation where suitable in the signature ceremonies of the operations included in portfolios covered by the EFSD+ Guarantee;

Progress report 2022

Several launch events and press releases were prepared jointly with other EU financial institutions and Member States, including in the context of high-profile events such as COP27

Roadmap: 29) The Commission will develop a clear web presence for all EU-funded projects using blended finance, budgetary guarantees and technical assistance.

Progress report 2022

In 2022 the DG INTPA website on Europa was migrated into a new web platform, the Europa Web Publishing Platform (EWPP). Web content and the information architecture of the DG INTPA website were updated and streamlined. The new approach to strategic communication and public diplomacy in relation to the web presence of EU-funded programmes foresees a rationalisation (quantity and content). EU-funded programmes' web presences will be hosted on the Europa platform and no new websites related to projects/programmes will be created. The new web presence will be succinct, more impactful, cost effective and more clearly linked to Global Gateway and other EU's policy objectives.