



HIGH-LEVEL EXPERT GROUP (HLEG) ON SCALING UP SUSTAINABLE FINANCE IN LOW- AND MIDDLE-INCOME COUNTRIES

INFORMAL COMMISSION EXPERT GROUP

TERMS OF REFERENCE

1. BACKGROUND

Mobilizing private capital for an inclusive and sustainable transition in which no one is left behind will be critical to collectively deliver on the Paris Agreement¹ objectives, the Sustainable Development Goals² (SDGs), as well as to close the global infrastructure investment gap. The EU's Green Deal³ and the Global Gateway⁴ strategies are some of the key examples of the EU efforts in this direction.

The COVID-19 pandemic has had a dramatic impact on all countries, but more adversely on low- and middle-income countries, reversing years of progress towards their sustainable development.

The OECD⁵ estimates that COVID-19 has caused an overall decline in resources of USD 700 billion, and an increase in needs of USD 1 trillion so that the SDG annual funding gap in developing countries of USD 2.5 trillion before the pandemic could increase by 70% post-COVID-19 to USD 4.2 trillion (EUR 3.7 trillion).

While the problem is daunting there is more than enough capital in the world. According to the same OECD report, over USD 379 trillion of total assets are held by banks, institutional investors and asset managers. Shifting around 1.1% of the total financial assets would be enough to fill the growing funding gap to reach the Sustainable Development Goals.

¹ Paris agreement, United Nations, 2015, https://unfccc.int/sites/default/files/english_paris_agreement.pdf

² "Transforming our world: the 2030 agenda for sustainable development", United Nations, <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>

³ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on The European Green Deal, 11 December 2019, COM(2019) 640 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2019%3A640%3AFIN>

⁴ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank on The Global Gateway, 1 December 2021, JOIN(2021) 30 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=JOIN%3A2021%3A30%3AFIN>

⁵ OECD (2020), [Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet](#), OECD Publishing, Paris.

However, private capital is still far from flowing towards sustainable projects in low- and middle-income countries at the scale and speed required to meet the Paris Agreement objectives and the Sustainable Development Goals. Scaling up sustainable finance in those countries remains a challenge.

This is the reason why the Commission, in July 2021, announced in its Strategy for Financing the Transition to a Sustainable Economy⁶ that it will develop an ambitious strategy aiming at further accelerating the flow of international and domestic private capital towards sustainable investments in low- and middle-income countries.

To inform the Commission on the most pressing issues to address, an expert group composed of senior, highly qualified experts in the area of sustainable finance will be set up. It will be mandated to provide state-of-the-art recommendations to the Commission about transformative and innovative actions the EU can take to scale up sustainable finance in low- and middle-income countries.

These recommendations should build on the EU sustainable finance experience and frameworks, as well as on the developments in the field at international level (including at G20 Sustainable Finance Working Group, the G20 Development Working Group, the G7 Development Track and the International Platform on Sustainable Finance), while taking into account the specific challenges of low- and middle-income countries.

The group's report will be publicly accessible at the end of the group's mandate, as it will represent an important contribution for the forthcoming sustainable finance strategy for low- and middle-income countries that the Commission is preparing and plans to adopt in the course of 2023. The strategy will be instrumental to unlock the private capital needed to implement the EU Global Gateway plan aiming at supporting strategic investments in sustainable and high-quality infrastructure development around the world.

2. SUBJECT MATTER

The high-level group of experts on scaling up sustainable finance in low- and middle-income countries ('the group') is set up.

3. TASKS

The overall task of the group will be in line with the one announced in the Strategy for Financing the Transition to a Sustainable Economy, i.e. to identify the challenges and opportunities that sustainable finance presents in low- and middle-income countries and provide recommendations to the Commission to accelerate private financial flows for the implementation of the external dimension of the Green Deal and a green, just and resilient recovery in low- and middle-income countries. Given the scale of the financing gap, there is a need to mobilise financing from all sources, including domestic and international private capital.

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Strategy for Financing the Transition to a Sustainable Economy, 6 July 2021, COM(2021) 390 final, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2021:390:FIN>

The following strands are suggested for discussions in sub-groups, subject to discussion and endorsement by the main group. The final decision on the set up of such sub-groups pertains solely to the Directorate-General for International Partnership (DG INTPA) and Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR). Work strands might also be updated or reformulated according to the experts' analyses of challenges and opportunities.

(i) Support sustainability-related financial instruments and products (Instruments and products, Subgroup 1)

With the increasing interest of institutional investors and asset managers in new trends such as impact investing, the sustainable finance market is witnessing the development of sustainability-related instruments and products, such as thematic bonds or impact investment vehicles. They are a key tool to mobilise private capital towards sustainable investments. However, while the growth of these instruments and products is exponential they still represent only a fraction, and their full potential is still far from being reached, especially in low- and middle-income countries. This is why the expert group will explore and provide recommendations to the Commission on how they can be scaled up while taking into account the local contexts in low- and middle-income countries. To this end, the expert group should recommend state-of-the-art solutions in terms of new financing options, financial structuring and innovative financial instruments that have been proved effective or have a high potential in mobilizing private capital for a sustainable transition in low- and middle-income countries. The advice should take into account the instruments for external action⁷ of the European Commission as well as relevant EU sustainable finance experience.

(ii) Facilitating global and local investments in sustainable projects (Pipeline, Subgroup 2)

The expert group will provide recommendations on how the Commission could help enhance the development of strong pipelines of bankable and sustainable or Sustainable Development Goals (SDG) aligned projects, as well as framing the content of the most efficient capacity building to this end. This will include exploring ways to enhance linkages between local sustainable projects and entrepreneurs and global investors (for example through crowdfunding, via existing or new incubation hubs, platforms, portals, etc.).

Moreover, the expert group will provide recommendations on how the EU can further support local financial institutions in developing services and instruments that provide access to finance for sustainable projects and businesses by tapping into local investors, networks and resources.

(iii) Building coherent frameworks and ecosystems conducive to accelerating private finance flows for sustainable development, building on the EU's Sustainable Finance experience (Framework, Subgroup 3)

⁷ 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 (OJ L 209, 14.6.2021, p. 1-78), <https://eur-lex.europa.eu/eli/reg/2021/947/oj>

The expert group will provide recommendations on how the Commission can assist low- and middle-income countries in increasing their access to international and domestic private capital for their sustainable investments notably through the development of credible and coherent sustainable finance frameworks (e.g. sustainable finance roadmaps including transition strategies, taxonomies, green bonds standards, sustainability-related disclosure, etc.), building on the EU ones and taking into account global developments, where applicable. The expert group is also expected to provide recommendations on how to improve data availability, particularly Environmental, Social and Governance (ESG) data to support sustainable investments decisions.

4. MEMBERSHIP

1. The group shall be composed of up to 20 members.
2. Members shall be individuals appointed to represent a common interest, organisations and other public entities⁸.
3. Members appointed to represent a common interest shall not represent an individual stakeholder, but a policy orientation common to different stakeholder organisations.
4. Organisations and other public entities shall nominate their representatives and shall be responsible for ensuring that their representatives provide a high level of expertise. DG INTPA and DG NEAR may refuse the nomination by an organisation of a representative if it considers this nomination inappropriate in the light of the requirements specified in the call for applications. In such case, the organisation concerned shall be asked to appoint another representative.
5. Members who are no longer capable of contributing effectively to the expert group's deliberations, who, in the opinion of DG INTPA and DG NEAR, do not comply with the conditions set out in Article 339 of the Treaty on the Functioning of the European Union or who resign, shall no longer be invited to participate in any meetings of the group and may be replaced for the remainder of their term of office.

5. SELECTION PROCESS

1. Individuals appointed to represent a common interest, and organisations shall be selected as group's members via a public call for applications, to be published on the Register of Commission expert groups and other similar entities ('the Register of expert groups'). In addition, the call for applications will be published through other means, including on dedicated websites. The call for applications shall clearly outline the selection criteria, including the required expertise and the interests to be represented in relation to the work to be performed. The minimum deadline for

⁸ (i) individuals appointed to represent a common interest shared by stakeholders in a particular policy area, who do not represent an individual stakeholder, but a policy orientation common to different stakeholder organisations.

(ii) organisations in the broad sense of the word, including companies, associations, Non-Governmental Organisations, trade unions, universities, research institutes, law firms and consultancies;

(iii) other public entities, such as third countries' authorities, including candidate countries' authorities, Union bodies, offices or agencies and international organisations.

applications shall be four weeks. Other public entities might be appointed directly by the Commission.

2. Registration in the Transparency Register is required in order for individuals representing a common interest and organisations to be appointed.
3. The members of the group shall be appointed by the Directors-General of DG INTPA and DG NEAR from applicants with competence in the areas referred to in Point 3 and who have responded to the call for applications.
4. DG INTPA and DG NEAR shall strive towards gender balance in the composition of the expert group.

6. CHAIR

The group shall be co-chaired by a representative of DG INTPA and a representative of DG NEAR.

7. OPERATION

1. The group shall act at the request of DG INTPA and DG NEAR, in compliance with the horizontal rules⁹.
2. The expert group shall operate for a total duration of a maximum of 9 months.
3. The group shall meet around 8 times during the mandate. Whenever possible, the meetings of the group shall take place in the Commission premises in Brussels. Meetings may be hybrid, in person and/or virtual.
4. DG INTPA and DG NEAR shall provide secretarial services. Commission officials from other departments with an interest in the proceedings may attend meetings of the group and its potential sub-groups.
5. Minutes on the discussion on each point on the agenda and on the opinions delivered by the group shall be meaningful and complete. Minutes shall be drafted by the secretariat under the responsibility of the co-Chairs.
6. The groups' report shall be drafted by the rapporteur. If sub-groups are established, additional sub-rapporteurs can be nominated for the different work strands.
7. Members should be prepared to attend meetings systematically, to contribute actively to discussions in the group, to be involved in preparatory work ahead of meetings, to examine and provide comments on documents under discussion.
8. As far as possible, the group shall adopt its opinions, recommendations or reports by consensus.

8. SUB-GROUPS

1. DG INTPA and DG NEAR may set up sub-groups for the purpose of examining specific questions on the basis of terms of reference defined by DG INTPA and DG

⁹ Commission Decision establishing horizontal rules on the creation and operation of Commission expert groups, 30 May 2016, C(2016) 3301, Article 13.1, [https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2016\)3301&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2016)3301&lang=en)

NEAR. Sub-groups shall operate in compliance with the horizontal rules and shall report to the main group. They shall be dissolved as soon as their mandate is fulfilled.

2. The members of sub-groups that are not members of the group shall be selected via a public call for applications, in compliance with point 6 and the horizontal rules¹⁰.

9. INVITED EXPERTS

DG INTPA and DG NEAR may invite experts with specific expertise with respect to a subject matter on the agenda to take part in the work of the group or sub-groups on an *ad-hoc* basis.

10. OBSERVERS

1. The group shall be composed of up to 20 observers.
2. Organisations and public entities may be granted an observer status, in compliance with the horizontal rules, by direct invitation.
3. Observers shall nominate their representatives.
4. Observers and their representatives may be permitted by the co-Chairs to take part in the discussions of the group and eventual sub-groups and provide expertise.

11. RULES OF PROCEDURE

On a proposal by and in agreement with DG INTPA and DG NEAR, the group shall during its first meeting adopt its rules of procedure by simple majority of its members, on the basis of the standard rules of procedure for expert groups, in compliance with the horizontal rules¹¹. Sub-groups shall operate in compliance with the group's rules of procedure.

12. PROFESSIONAL SECRECY AND HANDLING OF CLASSIFIED INFORMATION

The members of the group and their representatives, as well as invited experts and observers, are subject to the obligation of professional secrecy, which by virtue of the Treaties and the rules implementing them applies to all members of the institutions and their staff, as well as to the Commission's rules on security regarding the protection of Union classified information, laid down in Commission Decisions (EU, Euratom) 2015/443¹² and 2015/444¹³. Should they fail to respect these obligations, the Commission may take all appropriate measures.

13. TRANSPARENCY

1. The group and possible sub-groups shall be registered in the Register of Commission expert groups and other similar entities ('the Register of expert groups').

¹¹ See Article 17 of the horizontal rules.

¹² Commission Decision (EU, Euratom) 2015/443 of 13 March 2015 on Security in the Commission (OJ L 72, 17.3.2015, p. 41), <https://op.europa.eu/en/publication-detail/-/publication/1ec52f4a-cc70-11e4-ab4d-01aa75ed71a1/language-en>

¹³ Commission Decision (EU, Euratom) 2015/444 of 13 March 2015 on the security rules for protecting EU classified information (OJ L 72, 17.3.2015, p. 53), <https://op.europa.eu/en/publication-detail/-/publication/41a6eeeb-cc70-11e4-ab4d-01aa75ed71a1/language-en>

2. As regards the group and possible sub-groups composition, the following data shall be published on the Register of expert groups:
 - (a) the name of other public entities, including the name of third countries' authorities;
 - (b) the name of individuals appointed to represent a common interest; the interest represented shall be disclosed;
 - (c) the name of member organisations; the interest represented shall be disclosed;
 - (d) the name of observers;

3. All relevant documents, including the agendas, the minutes and the participants' submissions, shall be made available via a link from the Register to a dedicated website, where this information can be found. Access to dedicated websites shall not be submitted to user registration or any other restriction. In particular, DG INTPA and DG NEAR shall publish the agenda and other relevant background documents in due time ahead of the meeting, followed by timely publication of minutes. Exceptions to publication shall only be possible where it is deemed that disclosure of a document would undermine the protection of a public or private interest as defined in Article 4 of Regulation (EC) N° 1049/2001¹⁴.

14. MEETING EXPENSES

1. Participants in the activities of the group and eventual sub-groups shall not be remunerated for the services they offer.
2. Travel and subsistence expenses incurred by members' representatives in the activities of the group and eventual sub-groups shall be covered by the Commission. This procedure will not apply when participating in virtual mode. Reimbursement shall be made in accordance with the provisions in force within the Commission ("horizontal rules") and within the limits of the available appropriations allocated to the Commission departments under the annual procedure for the allocation of resources.
3. A limited number of observers travelling from low- and middle-income countries might request the Commission to cover travel, accommodation and/or subsistence expenses. This will be subject to approval by DG INTPA and DG NEAR depending on the specific circumstances.

Done in Brussels, on 3 March 2022.

¹⁴ These exceptions are intended to protect public security, military affairs, international relations, financial, monetary or economic policy, privacy and integrity of the individual, commercial interests, court proceedings and legal advice, inspections/investigations/audits and the institution's decision-making process.