REPORT FROM THE COMMISSION TO THE COUNCIL

Commission's roadmap for an improved European financial architecture for development and 2021 progress report
The present document is the Commission’s response to the Council conclusions on enhancing the European financial architecture for development, adopted on 14 June 2021, in which the Council invited the Commission to present a roadmap for the implementation of the objectives and recommendations contained in the conclusions, and to report annually on the progress achieved. This roadmap for an improved financial architecture aims to broaden the impact, efficiency and visibility of the European financial architecture for development, by:

- Affirming a strong EU policy steer,
- Promoting enhanced coordination,
- Building a more inclusive financial architecture,
- Ensuring increased visibility and influence of the EU and its Member States in a Team Europe approach.

It focuses on the actions which are in the remit of the Commission in cooperation with the EU High Representative/Vice President (HR/VP). In addition, this report presents the state of implementation on these actions as of end-2021.

1. THE NEED TO IMPROVE THE EUROPEAN FINANCIAL ARCHITECTURE

1.1 Context

The EU and its Member States have traditionally been the world's biggest development assistance provider, accounting for about 46% of global aid in 2020 (EUR 66.8 billion)\(^1\). EU assistance has been instrumental in contributing to eradicating poverty, reducing vulnerabilities and inequalities, and helping partner countries reach the Sustainable Development Goals (SDGs) and the Paris Agreement objectives.

Public resources are however not sufficient to address the magnitude of ever growing needs to reach the SDGs. As a result, the EU and its Member States are increasingly going beyond the more traditional aid channels and using official development assistance (ODA) to generate additional sources of finance, notably by crowding in private capital. They are thus increasingly working in partnership with financial institutions and relying more on innovative financial instruments, using public funds to leverage investments for example through blending or through guarantees.

The European financial architecture for development has thus become more complex over the years due to the emergence of these new instruments and to the growing number of actors it comprises, including the Commission, the HR/VP, EU Member States and their national development finance institutions and organisations, as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Besides, the Commission also engages intensely with a variety of international financial actors. All these actors work towards the achievement of the SDGs, but have specific priorities and modalities of intervention, offering different strengths and comparative advantages, notably in terms of geographical, sectoral or financial expertise.

The COVID-19 pandemic has added to the urgency of tackling development challenges and hence to the urgency of enhancing the European financial architecture for development. The

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\(^1\) European Commission (2021), Team Europe increased Official Development Assistance to €66.8 billion as the world’s leading donor in 2020, 13 April 2021.
COVID-19 economic fallout has exacerbated financing needs and has dramatically impacted EU partner countries, reversing years of progress made towards achieving the SDGs. In 2020, the annual SDG financing gap in developing countries was estimated at EUR 3.7 trillion\(^2\). Massive investments are needed more than ever in order to close this financing gap. All funding sources (public/private, domestic/international) combined with effective policy reforms need to be efficiently deployed to build back better, whilst leaving no one behind. Sustainable finance will thus be crucial to mobilise international and domestic private capital to finance sustainable infrastructure investments.

Further, against a background of significant global geopolitical challenges, and the rising role of emerging donors, the EU requires a new approach to promoting its values-based, human-centric development model, as well as to protecting and promoting EU political, economic and security interests around the world.

In view of these global development challenges, the European financial architecture for development needs to be even more effective, efficient, coherent and impactful. Increased coordination through a Team Europe approach is more critical than ever to avoid fragmented actions and ensure better synergies and efficiencies. This also includes better capitalising on the long-standing experience of the various actors and, where possible, pooling financial resources, for higher impact and greater mobilisation of private sectors’ investment.

Furthermore, an improved European financial architecture for development with a strengthened policy steer is paramount to reinforce the EU’s role as a global actor and can play a crucial role vis-à-vis our geopolitical ambitions, notably in promoting our strategic interests and values around the world. The European financial architecture for development should lead to better complementarity between aid, development investment, reform agenda, and diplomacy. Only in this way can the European financial architecture for development maximise the use of existing ODA resources and accelerate financial flows to the areas where the needs are the greatest, increase development impact and attract better visibility of the entire EU and its Member States efforts towards achieving the SDGs.

The present document sketches out a number of actions that the Commission intends to take to enhance the European financial architecture for development. The report also shows the important steps already taken in this direction. In this respect, the launch of the Global Gateway strategy\(^3\) in December 2021 and its Global Gateway Africa-Europe Investment Package\(^4\) are a key reflection of the new environment, and point to further evolution in the way the EU proceeds with its external activities in the coming years. Underpinned by a values-driven approach, Global Gateway is a plan for major investment in infrastructure development around the world to strengthen digital, transport and energy networks through sustainable and high-quality projects. It offers certainty and a level-playing field for investors and businesses, and high levels of transparency and standards in order to deliver lasting social and economic benefits for people.

\(^3\) Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the EIB on The Global Gateway, 01 December 2021, JOIN(2021) 30 final.
Moreover, the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe\(^5\) (with a total budget of EUR 79 billion) and the Instrument for Pre-accession Assistance III\(^6\) (EUR 14 billion) adopted in 2021 are significant landmarks that will be instrumental in improving the current financial architecture. They bring substantial improvements in terms of simplification, EU strategic policy steer, also providing incentives for better strategic and geopolitical coordination amongst European actors and increasing the potential to leverage capital from the private sector so as to deliver transformational impact on the ground.

Finally, in view of the tremendous SDG financing gap, the Commission has just launched a call for applications in view of setting up a High-level expert group which will provide the Commission with recommendations so as to further accelerate the flow of private capital to low- and middle-income countries.

1.2 Renewed discussions on how to enhance the European financial architecture for development

Discussions on how to improve the European financial architecture for development have been taking place for more than a decade\(^7\) at various levels and involving different stakeholders groups. In 2018, the Commission adopted the Communication ‘Towards a more efficient financial architecture for investment outside the European Union’\(^8\), which highlighted some of the short-comings of the existing set-up and outlined some initial measures to improve the financial architecture.

Following the 2019 report by the High-level Group of Wise Persons\(^9\) and the 2021 Feasibility study\(^10\) on options for strengthening the future European financial architecture for development, the June 2021 Council Conclusions\(^11\) highlighted the importance of enhancing and improving the current institutional set-up of the European financial architecture for development (Status Quo++) and underlined ‘the need to make the European financial architecture for development more effective, efficient, development-focused, coherent and visible, in line with the policy first principle and with the strategic interests and values of the EU.’ The Council also agreed that the EU’s financial architecture ‘should be based on an open, collaborative and inclusive architecture, working with all European development banks and financial institutions, building on their respective country, sectoral or financial expertise, value-added and resources’.

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\(^10\) Note from the General Secretariat of the Council to the EU Delegations on Feasibility study on options for strengthening the future European financial architecture for development – Executive Summary, 14 April 2021, GSC(2021) 6961/1/21 REV 1.


See also Council conclusions on Strengthening the European financial architecture for development, 5 December 2019, GSC(2019) 14434/19.
The Council highlighted in its conclusions the necessity to ‘mobilise sustainable private sector financing’. While traditionally the private sector has not been at the centre of development investment strategies, there is a growing consensus that its contribution is crucial to finance development (as a complement to limited public sector resources) and to foster sustainable jobs and growth in partner countries.

The Council called on the EIB and the EBRD to ‘continue the systematic deepening of their coordination both at strategic and technical level’, to ‘coordinate with other global financial institutions active in their countries of operation’ and to ‘strengthen their comparative advantages in development finance, avoid fragmentation and maximise their development impact’. More generally, the Council calls on all European development actors to increase their collaboration.

The Council called on the Commission to present a roadmap to improve the European financial architecture for development. Among others, the Council raised the following areas for improvement: coordination and policy steer by the Commission in implementing EU development policy, providing more incentives for co-financing and risk-sharing; reinforcing the role of the EFSD+ Strategic Board; simplifying access to financing; strengthening inclusiveness; supporting smaller actors in their pillar assessment; supporting the creation of pipelines of projects through technical assistance; strengthening the Team Europe approach to increase the visibility of joint engagement.

### 1.3 Initiatives led by partner institutions to enhance their cooperation

The European financial architecture for development encompasses a multiplicity of actors (see Annex for a tentative mapping).

In line with the discussions mentioned above, and building on lessons learnt, European development actors have been striving to strengthen their cooperation through different initiatives. Member States, their national development banks and organisations, European and international financial institutions, have partnered up under different networks according to their scope of intervention, strategic priorities, interests and needs.

Several initiatives gather stakeholders according to their nature/scope and imply different degrees of cooperation:

- **EDFI Association**<sup>12</sup> (1992): brings together development finance institutions (DFIs) (including some non-EU members), whose mandate is to support the private sector. An EDFI management company has been established.
- **Enhanced partnership**<sup>13</sup> (2016): composed of the Commission, three public development banks and one development agency (all pillar assessed).
- **Practitioners’ network**<sup>14</sup> (2007): composed mainly of pillar-assessed European development cooperation organisations (including some non-EU members) focusing on capacity-building and technical assistance.

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<sup>12</sup> 15 members: Bio (BE), CDC (UK), COFIDES (ES), DEG (DE), Finnfund (FI), FMO (NL), IFU (DK), Norfund (NO), OeEB (AT), Proparco (FR), SBI/BMI (BE), SIFEM (CH), Sace Simest (IT), SOFID (PT), Swedfund (SE).

<sup>13</sup> AFD, KfW, CDP, AECID and the European Commission.

<sup>14</sup> Members: ADA (AT), AECID (ES), AICS (IT), AFD (FR), British Council (UK), Camoes (PT), CPVA (LT), CzechAid (CZ), Enabel (BE), Expertise France (FR), FIIAPP (ES), GIZ (DE), LuxDev (LU), SlovakAid (SK), Sida (SE), SNV (NL), RoAid (RO); Associates: Danida (DK), FCDI (UK), MFA (EE), and MFA (NL); Observer: Commission. The Practitioners’ network provides feedback on policies from a practitioners’ perspective.
In parallel, there is also the 2012 memorandum of understanding between the EIB and the EBRD together with the Commission, which has led to regular coordination meetings between the banks. It has also paved the way to the “Framework Project Cooperation Agreement” concluded by the two banks in October 2021 (see below).

The following graph provides a tentative and non-exhaustive visual representation of existing collaboration initiatives led by Member States and development finance institutions:

Other initiatives include for instance the EIB/KfW/AFD Mutual Reliance Initiative or the EIB-EBRD procurement procedure framework. Numerous co-financing initiatives have also been launched by partner institutions.

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15 Memorandum of understanding between the European Commission, the EIB and the EBRD (2012) in respect of Cooperation outside the European Union, Brussels.

16 Please refer to annex for full list.

17 EIB, KfW, AFD - co-financing operations and pooling resources for project appraisal and monitoring, information sharing and consultation.

18 Such as the ‘Interact Climate Change Facility’, shareholders of ICCF currently include: AFD, EIB, CDC, DEG, PROPARCO, BIO, Finnfund, COFIDES, Norfund, OeEB, SIFEM, Swedfund, ‘European Financing Partners’, shareholders are EIB and 13 EU DFIs: BIO, CDC, COFIDES, DEG, Finnfund, FMO, IFU, PROPARCO, Norfund, SBI-BMI, Swedfund, SIFEM and OeEB or the Friendship Facility (PROPARCO - France, FMO - the Netherlands and DEG - Germany).
2021 developments amongst European financing institutions

In November 2021, the EIB and the EBRD jointly reported to the Council on actions undertaken as a follow-up to the Council Conclusions on enhancing the European financial architecture for development.\(^1\)

Furthermore, both the EIB and the EBRD have recently been contemplating strategic orientations that could have an impact on the European financial architecture for development:

- The EBRD is considering a possible limited and incremental expansion of its operations to selected countries, which should be decided at the annual meeting of its Board of Governors in May 2022.
- As for the EIB, its Board of Directors approved the creation of a global branch, EIB global, for all operations outside the EU, which was launched in January 2022.

Financing institutions have recently sought to increase coordination and joint activities. Recent examples include:

- The EBRD and the EDFI Association have signed a memorandum of understanding (February 2021) to intensify collaboration among European DFIs with a strong private-sector focus, notably through knowledge sharing and co-financing.
- The members of the enhanced partnership have launched a co-financing initiative called ‘Team Europe finance platform’ (May 2021) with the objective of enhancing efficient cooperation between them, notably through common procedures and the setting up of common projects. As part of the platform, AECID, AFD, CDP and KfW will launch a co-financing framework in 2022.
- The EBRD and the EIB have concluded a “Framework Project Cooperation Agreement” (October 2021) which provides a framework for enhanced cooperation on joint financing projects and platforms outside the European Union. The framework aims to cover all types of debt financing structures in the private or public sector.

1.4 Previous Commission efforts to improve the European financial architecture for development

In line with the above-mentioned discussions and building on lessons learnt, the Commission has introduced major improvements to the European financial architecture for development over the years. A key step forward was the launch in 2016-2017 of the European External Investment Plan\(^2\) and of the European Fund for Sustainable Development (EFSD)\(^3\), which build on well-established EU blending facilities\(^4\) and offer a new EU budgetary guarantee to cover investments in African countries and in the EU Neighbourhood, capitalising on the expertise of relevant public and private actors to help crowd in private

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20 The EIP brings together in a comprehensive approach three complementary pillars (financing to leverage additional resources through blending and the EFSD guarantee, technical assistance, investment climate). See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and the EIB on Strengthening European Investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan, 14 September 2016, COM(2016) 581 final.


22 Regional facilities: Africa Investment Platform, Caribbean Investment Facility, Investment Facility for the Pacific, Asia Investment Facility, Investment Facility for Central Asia, Latin America Investment Facility, Neighbourhood Investment Platform and Western Balkans Investment Framework. From a thematic perspective: the agriculture and electrification financing initiatives, agriFI and electrIFi.
sector investment based on three complementary pillars. The Western Balkans Investment Framework is also a good example of enhanced dialogue and cooperation which integrates the beneficiary countries alongside the Commission, the Member States and European and international financial institutions.

Specific mention should be made of the EU Platform for Blending in External Cooperation (EUBEC)\(^{23}\) launched by the Commission in 2012 with the aim of optimising the functioning of mechanisms for the blending of grants and loans in the field of external action.

The Commission has also established regular strategic high-level dialogues with European and international financial institutions (e.g. EIB, EBRD, World Bank Group, International Monetary Fund, Asian Development Bank, Inter-American Development Bank) to discuss joint political and policy objectives.

In 2015, the Commission launched the enhanced coordination and cooperation initiative with the EIB, EBRD, World Bank Group and International Monetary Fund, with a view to reinforcing policy leverage and alignment. It includes joint missions to specific Neighbourhood and Enlargement countries and joint work in key sectors such as energy efficiency and climate investment.

An important innovation also came in 2020, just as the COVID-19 pandemic was putting the EU’s external action to the test. The magnitude of the crisis required the combined efforts, resources and expertise of all European actors. The EU put forward a Team Europe approach\(^{24}\) that allowed to collectively offer substantial support to EU partner countries, providing humanitarian aid, supporting their health, water and sanitation systems, and addressing the socio-economic fallout. The EU and its Member States response to the COVID-19 crisis in a Team Europe approach\(^{25}\) demonstrated the scale and visibility that can be achieved when working together. This strong collaboration should be a source of inspiration for enhanced coordination between the EU and its Member States in their cooperation with EU partner countries.

2. ROADMAP FOR AN IMPROVED EUROPEAN FINANCIAL ARCHITECTURE FOR DEVELOPMENT

2.1 Objectives

The Commission’s roadmap aims to enhance the European financial architecture for development by building on the Team Europe approach. The Commission seeks to ensure a more impactful, efficient, coordinated, policy-driven, inclusive and visible European financial architecture for development. Such an enhanced financial architecture is needed to generate transformational initiatives, boost public investments in partner countries, and ensure they have the catalytic and demonstration effect needed to bring in private investors, and foster a thriving private sector, which are key to create sustainable jobs and growth.


\(^{24}\) 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.

\(^{25}\) Joint Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Global EU response to COVID-19, 8 April 2020, JOIN(2020) 11 final.
The roadmap is informed by the findings of the feasibility study and the recommendations of the Wise Persons Group report, the related Commission report and by various non-papers or position papers submitted by financial institutions. It also builds on the recognised success of the Team Europe approach and the coordination efforts among EU financial institutions.

It further looks at the European financial architecture for development in a broader international context where coordination and complementarity with international stakeholders can contribute to improving the international financial architecture.

The improvements proposed aim at achieving the following four objectives:

**Affirming a strong EU policy steer**

A more effective European financial architecture for development requires an even stronger EU policy steer. The coherence of financial institutions’ activities with EU external policy objectives needs to be reinforced so as to maximise the development impact of EU activities in third countries and their alignment with EU strategic interests.

**Promoting enhanced coordination**

The European financial architecture for development should be based on increased coordination, drawing on the diversity of all its actors so as to “deliver as one” and increase the coherence of EU actions in partner countries for greater efficiency and transformational development impact, while crowding in private investors.

**Building a more inclusive financial architecture**

The European financial architecture for development should be inclusive and enable the participation of all interested development finance institutions, including smaller and medium-sized partners.

**Ensuring increased visibility and influence for EU and Member States actions in a Team Europe approach**

Increased visibility of the EU and Member States’ actions across the world calls for improved EU branding, including through the Team Europe approach and feeding into the establishment of the new Global Gateway brand. This is needed to ensure that the EU’s perceived role in the world matches the magnitude of its support. The sizeable EU shareholding in international financing institutions calls for a more coherent and consistent “EU voice” to defend the EU’s strategic interests more efficiently.

2.2 Measures

In support to these objectives, the roadmap details the specific measures the Commission is putting forward to achieve these four objectives. These are declined into specific actions resulting from the recently adopted NDICI– Global Europe and other strategic documents, and additional actions that will support improvements in policy steer, coordination, inclusiveness and visibility, respectively.

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2.2.1 NDICI-Global Europe and other strategic documents

Clearer policy direction and orientations

As mentioned above, strengthened policy direction and orientations are essential to maximise the effects of EU external action and ensure a strong contribution to overall political goals and objectives. The NDICI-Global Europe and Instrument for Pre-accession Assistance (IPA III) Regulations spell out the priorities the EU is aiming to support and specify spending targets for specific areas such as climate, migration and forced displacement, or human development. The Global Gateway Communication27 has provided additional steer on how to address the pressing global challenges, from climate change and protecting the environment, to strengthening digitalisation, improving health security, boosting EU competitiveness and securing global supply chains. The Global Gateway Africa-Europe Investment Package28 launched at the EU-AU Summit in February 2022, further specifies priorities for engagement in Africa to support a strong, inclusive, green and digital recovery and transformation. Finally, the EU Strategy for Cooperation in the Indo-Pacific (September 2021) are the basis for investment in the Asia-Pacific Region. For the Neighbourhood, the new deliverables for the Eastern Partnership and the Joint Communication on a Renewed Partnership with the Southern Neighbourhood as well as their two accompanying Economic Investment Plans aim to spur the long-term recovery of these regions and their economic convergence with the EU.

The “policy first” principle is enshrined in the NDICI-Global Europe and IPA III. This implies that all EU external actions – including those covered by EU budgetary guarantees – need to support the policy priorities jointly agreed between the EU and its partner countries, as defined in the relevant programming documents. These programming documents as well as the investment plans provide a clear policy direction for all EU cooperation activities. In addition, the geographic differentiation among cooperation activities also contributes to higher development impact by offering support measures and investment activities that are tailored to the beneficiary countries and regions, thus enhancing the strategic and consistent approach of the investment architecture.

In application of this “policy first” principle in the context of the EFSD+, the Commission and the HR/VP co-chair the EFSD+ Strategic Board giving political direction for upcoming operations. With NDICI-Global Europe, the EFSD+ Strategic Board and the Regional Operational Boards have a more prominent role, steering both blending operations and budgetary guarantees (including those that were previously managed indirectly under the External Lending Mandate or the ACP Investment Facility). In addition, the Western Balkans Investment Framework continues to be the leading body to steer support and investments across the Western Balkans in an open and inclusive Team Europe (and beyond) approach, working in full coherence with the EFSD+ Strategic Board.

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27 Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the EIB on The Global Gateway, 1 December 2021, JOIN(2021) 30 final.
Roadmap:
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;
- publish all programming documents, so that policy priorities are clear for all the players taking part in the EU’s financial architecture for development;
- ensure the EFSD+ Strategic Board 29 supports the overall coordination, complementarity and coherence of operations implemented under EFSD+;
- 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 2021:
The Commission, in cooperation with the HR/VP, has:
- adopted and published online all multi-annual indicative programmes (MIPs) for over 130 partner countries and regions as well as the Economic and Investment Plans30;
- submitted in November 2021 to the EFSD+ Strategic Board strategic orientations and areas of priority investment (investment windows) including Team Europe Initiatives for the use of the EFSD+ guarantees, which will guide financial institutions to prepare proposed investment programmes (PIPs).

Team Europe initiatives and flagship initiatives and partnerships portal

**Stronger European coordination.** essential to ensure better synergies and efficiencies, will be promoted through **joint programming and joint implementation.** Active coordination among Member States and their DFIs should also go beyond the use of EU funds and happen on a systematic basis, also when their own resources are used. Programming31 at country and regional level also includes support to **Team Europe Initiatives (TEIs) and flagship initiatives** (as per the Economic Investment Plans, Global Gateway and the Africa-Europe Investment Package) where the EU institutions, Member States, and European financial institutions work together aiming to achieve systemic change in line with the policy first principle and the strategic objectives and values of the EU. TEIs link together the EU and Member States’ programming exercises and financial contributions through a coordinated and strategic approach on the ground. Under jointly agreed policy priorities in specific countries and world regions, TEIs promote coordinated actions with a transformative impact in partner countries/regions, drawing on combined resources from all the players. TEIs are fully embedded in the EU programming documents with a substantial part of the multi-annual budgets dedicated to them.

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29 Contributors, eligible counterparts, partner countries, relevant regional organisations and other stakeholders may be given observer status, where appropriate.
31 Whether joint programming or bilateral programming. Through joint programming, the EU and Member States agree on a joint response from the EU and its Member States to the development strategy of the partner country / region, providing an immediate opportunity to increase coordination, efficiency and impact.
In line with this approach, in the Neighbourhood and the Western Balkans, the Economic and Investment Plans for each region developed after intense consultation with partner countries and Member States, set out the main goals and **flagships** with a view to achieving maximum impact in the region. These have been fully embedded in the bilateral and regional programming documents for the Neighbourhood and in the IPA III Programming Framework.

NDICI-Globe Europe lays down the principle of an **open and collaborative financial architecture for development**. The Commission will capitalise on the long-standing experience of eligible Member States’ development finance institutions to ensure the optimal use of their broad sectoral and geographical expertise.

In addition to the institution-building tools, which enable knowledge sharing between national administrations under programmes such as TAIEX or Twinning, the Commission will seek to further support the emergence of partnerships.

### Roadmap:
The Commission, in cooperation with the HR/VP will:
- privilege flagship and Team Europe Initiatives or proposals built on a Team Europe approach (including e.g. consortia or investment platforms);
- 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);
- strengthen institution-building tools under TAIEX and twinning to reinforce capacity building in key areas of reform and alignment;
- provide increased transparency on Team Europe Initiatives;
- 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 2021:
The Commission has:
- started designing numerous Team Europe Initiatives at national, regional and global level together with Member States, national development finance institutions, the EBRD and the EIB;
- selected, together with the Member States, the flagship initiatives showcased as part of the Global Gateway and the Africa-Europe Investment Package;
- started with Member States to develop a joint monitoring and reporting mechanism for financial contributions to and results of Team Europe Initiatives;
- created a partnerships portal prototype which provides key information about the goods and services offered by EU and Member States’ providers acting in a Team Europe approach. It will go live in April 2022.

### Towards greater mobilisation of private investments

Even before the COVID-19 pandemic set in, public resources were far from sufficient to address the tremendous SDG funding gap and development finance was increasingly used to mobilise the trillions needed. With the crisis, the rising needs and the declining resources, it is more urgent than ever to mobilise additional resources to help partner countries meet their...
financial needs and reach the SDGs and the Paris Agreement objectives. It is crucial that the EU mobilises private sector finance to help finance a green, sustainable and inclusive recovery and accelerate progress across the SDGs. Better using official development finance is essential to help crowd in private finance and leverage capital markets in support of the SDGs in developing countries. In that respect, sustainable finance is key to mobilise international and domestic private capital to finance sustainable investments in partner countries. NDICI-Global Europe’s financial arm has been reinforced, providing more firepower for financial instruments notably with the External Action Guarantee (EAG) that will cover investments up to EUR 53.4 billion, including EUR 40 billion in EFSD+ operations for the period 2021-2027, notably to help mobilise additional public and private investment. With Global Gateway, Europe will play its full part in narrowing the global investment gap and better leveraging resources in support of SDG financing in developing countries, notably by exploring the potential role of other stakeholders, beyond traditional actors in the financing for sustainable development landscape.

Roadmap:
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;
- develop a comprehensive strategy32 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;
- 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 2021:
The Commission has:
- prepared the ground for the upcoming call for applications under the new EFSD+ Guarantee which will seek innovative, transformational and impactful proposals which will be instrumental in leveraging additional funding for partner countries;
- started the negotiations of the guarantee agreements for the EIB exclusive window on sovereign and non-commercial sub-sovereign lending and the 2 dedicated windows for commercial sub-sovereign and private sector lending;
- proposed to the EFSD+ Strategic Board a dedicated EFSD+ Sustainable Finance window aimed at supporting sustainability-related financial instruments - in particular green bonds - to mobilise private capital at scale whilst delivering development impact;
- started to prepare a mapping of EU financial tools with the view to promote enhanced coordination of EU instruments, including potential links to EU export credits;
- started exploring 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, helping to ensure a more level-playing field for EU businesses in third-country markets, and thus facilitating their participation in infrastructure projects.

32 As announced in the Strategy for Financing the Transition to a Sustainable Economy, published on 6 July 2021.
Improved legal framework and procedures to deliver more effectively

Through NDICI-Global Europe, the EU legal framework for external action has been significantly streamlined and will be essential in delivering an enhanced European financial architecture for development. The Regulation brings together several financing instruments and modalities (that had different governance mechanisms and different legal bases in the previous programming period) under one **single legal framework and governance mechanism.** The previous set-up had resulted into a fragmentation of external actions that had made it difficult to ensure synergies and coherence of financial instruments. The new framework simplifies the implementation of investment support, by providing a **coherent set of rules,** procedures and governance, creating a level-playing field for bilateral and multilateral development finance institutions. The Commission is also working on several new initiatives to make it easier for partner institutions to apply for support under EFSD+, thereby supporting inclusiveness objectives.

Furthermore, the NDICI-Global Europe regulation sets up an independent, impartial, inclusive and transparent **risk management system** via the Guarantee Technical Assessment Group plus (GTAG+), open to experts from partner institutions and interested Member States, organised and led by the Commission. Risk assessment and remuneration methodologies shall be consistently applied to all investment windows. GTAG+ will foster a common understanding among financial institutions about the risk assessment methodology and its underlying assumptions, thus improving the overall transparency and ultimately the efficiency of the risk management process.

Finally, NDICI-Global Europe and IPA III include provisions for **reinforced monitoring and reporting.** Monitoring of results based on evidence as well as evaluations may also support communication and visibility according to the priorities identified in the strategic plans at country, regional and global level.

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33 In the multiannual financial framework for 2014-2020, the 'Global Europe' heading was implemented through several financing instruments. They include:

- Regulation (EU) 2015/322 on the implementation of the 11th European Development Fund;
- Regulation (EU) 230/2014 establishing the Instrument contributing to stability and peace;
- Regulation (EU) 232/2014 establishing the European neighbourhood instrument;
- Regulation (EU) 233/2014 establishing the development cooperation instrument;
- Regulation (EU) 234/2014 establishing the partnership instrument for cooperation with third countries;
- Regulation (EU) 235/2014 establishing the European instrument for democracy and human rights;
- Regulation (EU) 2017/1601 establishing the European Fund for Sustainable Development, the EFSD Guarantee and the EFSD Guarantee Fund;
- Decision (EU) 2018/412 amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (External Lending Mandate);
Roadmap:
The Commission will:
- establish a new regulatory framework with a coherent and simplified set of rules and procedures to facilitate support to investments;
- 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;
- 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 2021:
The Commission has:
- adopted in June the NDICI – Global Europe regulation, simplifying the rules and thus facilitating implementation of investment support through the EFSD+ guarantee;
- established appropriate structures for risk management, consisting of:
  o a Risk Management Unit, acting as the GTAG+ and holding overall responsibility for ensuring sound and independent risk management of the EFSD+;
  o within the GTAG+, an independent and inclusive Guarantee Expert Group (GrEG), open to the participation of risk experts from financial institutions and interested Member States and in charge of assessing and monitoring the risk profile of the individual guarantee programmes;
- launched a NDICI-Global Europe Performance Monitoring System\textsuperscript{34}.

While NDICI-Global Europe is at the heart of improvements to the current financial architecture, the Commission will implement additional actions to deliver stronger impact and enhance policy steer, coordination, inclusiveness and visibility.

2.2.2 Measures to affirm a strong EU policy steer
This section presents additional actions aimed at strengthening the “EU policy steer”, in addition to those mentioned in the section related to the NDICI-Global Europe and other strategic documents.

Speaking with one voice in multilateral finance institutions
Within the EU, as far as Council formations are concerned, the Commission and the HR/VP support the request voiced by several Member States that Council discussions on development finance should involve the two relevant configurations: the Economic and Financial Affairs Council (ECOFIN) and the Foreign Affairs Council (FAC - development formation). This would ensure that all the relevant angles (financial sustainability, foreign policy and the development impact) are taken into account on issues related to development finance and would facilitate the building of an EU position. This can help speaking with one common position in multilateral financial institutions. This is all the more significant with the launch of Global Gateway, which seeks to ensure a horizontal approach to implementing the EU’s strategic priorities through support for investment in third countries – covering both development and non-development assistance.

\textsuperscript{34} Commission Staff Working Document on Launching the Global Europe Performance Monitoring System containing a Revised Global Europe Results Framework, 25 January 2022, SWD(2022) 22 final.
At international level, it is essential to ensure an **efficient, coordinated and coherent communication of EU political priorities in the fora and bodies where multiple European actors are represented.** The EU and its Member States should **speak as one** in order to maximise its impact and leverage. The EU should continue to foster partnerships with a variety of European and international financing institutions on a broad reform agenda and key political priorities. Likewise, common positions should be sought on the strategic plans of all multilateral development banks which have EU Member States as shareholders.

**Roadmap:**
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 2021:**
The Commission has:
- provided inputs ahead of Board meetings and held coordination meetings with EU Executive Directors at the World Bank Group, EBRD and the IMF respectively, seeking common positions on many issues.

**2.2.3 Measures to promote enhanced coordination**

This section presents additional actions aimed at strengthening coordination between stakeholders of the European financial architecture for development, beyond those already mentioned in the section related to the NDICI-Global Europe and other strategic documents.

**Strengthened coordination at country and regional level**

In line with the strengthened focus on a geographical approach, country or regional specificities (including debt sustainability issues, for instance) need to be taken into account when taking decisions on projects to be covered through financial instruments, the type of investments needed and the financial institution(s) to involve. Promoting closer coordination at country and regional level will hence be crucial.

Building on their local expertise, EU Delegations should have a central role in shaping Team Europe initiatives and other joint cooperation activities in EU partner countries and supporting specific policy reforms. European development actors and financing institutions should notably rely more extensively on EU Delegations when building pipelines of investment projects that can have a transformative development impact. Upstream dialogue between EU delegations and key development actors will also reinforce country-level joint programming and implementation with European partners.

Beyond financial instruments, and in order to step up capacity building in partner countries, technical assistance will also be enhanced, including through the mobilisation of European public sector expertise notably to support partner country administrative and regulatory reforms and to encourage adherence to European and international standards.
**Roadmap:**
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;
- 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;
- organise regular coordination meetings at regional/sub-regional/country level with the participation of EU Delegations and relevant development finance institutions and headquarters/capitals;
- continue to organise joint missions and country days in some regions.

**Roadmap:**
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;
- 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 2021:**
The Commission has:
- increased the level of interaction between EU Delegations and financial institutions including through consultations during the programming stage and through common efforts to create pipelines of bankable projects;
- held regular coordination meetings with financing institutions (and EU Delegations) by regions / countries, covering policy priorities, policy dialogue on reforms with partner countries and blending and guarantee operations pipeline reviews (as provided in all guarantee agreements);
- launched the technical assistance component of the new Latin America and Caribbean Investment Facility;
- started a training campaign for EU Delegations staff to embed discussions on EFSD+ within their broader work;
- organised joint missions and country days in some African countries (e.g. Togo, Côte d’Ivoire) and the Neighbourhood (particularly in the East) and Enlargement regions;
- held the first meetings in the context of the Western Balkans Investment Framework for implementation of EFSD+.

**Extended dialogue and cooperation with non-European financial institutions**

Successful global engagement also means that the EU must extend dialogue and cooperation to non-EU development banks and deepen partnerships and alliances with stakeholders beyond the EU.
### Progress report 2021:
The Commission has:

- continued the dialogue with other financial institutions, beyond those already pillar assessed, including the Banque Ouest-Africaine de Développement, the Asian Infrastructure Investment Bank, the Asian Development Bank, the Islamic Development Bank, the Arab Coordination Group, the Central American Bank for Economic Integration, the Caribbean Development Bank, the Inter-American Development Bank and the Development Bank of Latin.

### 2.2.4 Measures to build a more inclusive financial architecture

This section presents additional actions aimed at enhancing inclusiveness in the financial architecture for development beyond those already mentioned in the section related to the NDICI-Global Europe and other strategic documents.

The Commission’s ambition is to achieve an inclusive and integrated system, in which all actors can participate with their tools and expertise to boost public funding, bring in private investors and enhance capacity building and technical assistance.

A better flow of information and regular exchanges as proposed in the coordination section will contribute to paving the way for greater inclusiveness, ensuring that all Member States and their development actors are aware of investment options and that the most efficient mix of tools and actors is used to achieve higher impact on the ground.

**Ensuring inclusive discussions at all levels**

All stakeholders – and notably the Commission, Member States development representatives, European multilateral and bilateral financial institutions and development cooperation organisations – will regularly take stock of progress made on improving the European financial architecture for development. This will ensure greater inclusiveness by bringing together all Member States development representatives, European multilateral and bilateral financial institutions and development cooperation organisations, together with the Commission.

Beyond high-level stock-taking and steering discussions, inclusive coordination needs to be strengthened at technical level on horizontal issues.

### Roadmap:
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\(^{35}\), 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\(^ {36}\), cooperation arrangements, co-

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\(^{35}\) The forum is comprised of the Directors-General in charge of development from all Member States as well as the relevant Commission Directors-General for International partnerships, for Neighbourhood and Enlargement negotiations, for European Civil Protection and Humanitarian Aid Operations and the Secretary General of the European External Action Service. In an enlarged Team Europe format, it also comprises senior management of Member States’ development agencies and Member States’ financial institutions as well as the EIB, the EBRD.

\(^{36}\) Simplified forms of financing should still comply with the principle of sound financial management and in particular the principles of economy, efficiency and no double funding should be ensured.
financing, harmonised strategies, mutual reliance and recognition procedures, environmental, social and governance matters etc.).

Progress report 2021:
Commission services have:
- discussed with EU Directors-General for Development at their meeting held on 5 October the changes needed to re-design and enhance the European financial architecture for development;
- held a technical session on 9 December 2021 with partner financial institutions, focusing inter alia on the EFSD+ Guarantee application process.

Enhanced support on pillar assessments

The Commission very much values the possibility for all European financial institutions to play their role in the financial architecture for development. It has to be noted that pillar assessment is not a pre-requisite to participate in joint investments (such as TEIs), and, as mentioned above, the Commission will explore the possibility of providing incentives to privilege joint proposals with non-pillar-assessed European entities (as long as the lead entity is pillar-assessed).

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

Progress report 2021:
The Commission has:
- provided methodological advice to 7 European DFIs undergoing complementary pillar assessments and 2 new applicant DFIs, including through dedicated information meetings and eligibility checks for new applicants.

2.2.5 Measures to increase EU visibility and influence
This section presents additional actions aimed at strengthening communication and overall EU visibility, beyond those already mentioned in the section related to the NDICI-Global Europe and other strategic documents.

Enhancing communication efforts in a Team Europe approach

So as to increase visibility of the EU and Member States’ development actions both worldwide and locally, and ensure that Europe is perceived as a global influential actor matching the importance of its financial intervention, it is essential that actors of the European financial architecture for development join forces in their communication efforts.

With the emergence of new donors, it is important to be able to accurately showcase the extent of European support to partner countries. Communicating efficiently on the overall support mobilised by the EU and its Member States will require overcoming the scarcity of comparable data across Member States and European financial institutions.
The Team Europe approach will be a central part of the EU strategic communication and public diplomacy efforts, both globally and at country and regional levels. In that regard, TEIs can provide a useful and visible opportunity to frame communication efforts. For the Neighbourhood and the Western Balkans, the narrative will be focused on the Economic and Investment Plans as the key tools to deliver in a Team Europe approach.

**Roadmap:**

The Commission, in cooperation with the HR/VP, 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;
- 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;
- 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);
- 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;
- develop a clear web presence for all EU-funded projects using blended finance, budgetary guarantees and technical assistance.

**Progress report 2021:**

The Commission, in cooperation with the HR/VP, has:

- enhanced coordination in communication including through:
  - a joint mission of high-level Commission officials and public development banks to Togo in November 2021;
  - announcements of Team Europe Initiatives in the presence of representatives of the EU and of all participating Member States (e.g. TEIs on vaccines manufacturing, on Investing in Young Businesses in Africa, on the Green TEI in partnership with South East Asia or on the Global Team Europe Democracy initiative);
  - signature ceremonies in the presence of EU, Member States and financing institutions representatives (for instance the Water and Natural Resources Management Facility for flood prevention in Dien Bien Phu city in Vietnam);
- provided guidance and templates in terms of strategic communication and public diplomacy to EU Delegations to support the elaboration of their strategic plans;
  - reviewed its entire web landscape on development cooperation in order to ensure that the Team Europe approach and the TEIs impact is fully reflected on the external website.
3. CONCLUSION

Swift, coordinated and ambitious action is needed to ensure the European financial architecture for development is improved and delivers the desired impact, both for the EU and its partners.

The Team Europe response to the COVID-19 crisis has shown that the EU, its Member States and their financial institutions are stronger when they work together and follow common objectives. The financial architecture needs to build on this approach, to ensure that financial partners and relevant stakeholders share information in a timely manner and work together from the provision of technical assistance to project origination and pre-appraisal through to evaluation, building on their respective country, sector or financial expertise. Their action is to be guided by common objectives, under a strong EU political steer. This will also bring visibility and recognition to the EU as a key international partner.

The active participation and efforts of all partners involved is crucial to optimise the European financial architecture for development, improve cooperation, maximise impact and ensure that the EU is duly recognised as an essential global player. The Commission and the HR/VP are ready to play a central role in this endeavour in close partnership with all European stakeholders and has already started to implement its proposed actions for improvement.
Annex: Actors of the European financial architecture for development

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<th>Member-States</th>
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**Multilateral development banks**: European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD)

**Global/regional/international banks**: World Bank Group (WBG), African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IDB), etc.