Copenhagen
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Setting the Scene: Welcome to "Question Mark Land"!

HOW DO WE MOVE FORWARD AND WHY IS EKF CO-HOSTING THE SYMPOSIUM "FINANCING. IMPACT. TOGETHER"?

Why is an Export Credit Agency (ECA) hosting a symposium called "Financing. Impact. Together"? Aren´t ECAs just a vehicle for supporting exporters? What does an ECA have to do with the UN Sustainable Development Goals (SDGs), impact financing, growth, trade and development?

The answer lies in international trade. ECAs finance and support trade of capital goods and services as well as investments. ECAs enable an exporter to sell goods and services and, equally important, a buyer to buy goods and services.

Export credits and trade finance are therefore important enablers of economic development. Officially supported export credit providers such as EKF complement the private market. ECAs step in to fill a gap in the private markets when and where there is a declining risk appetite. Export credits have played a role in supporting the finance of trade for buyers of all types – from consumer goods to large infrastructure projects such as construction, energy and infrastructure – for many years. Mobilising private capital has always been and still is a central part of the ECAs' raison d'être and business model. It is important that we keep this in mind when discussing ramping up SDG financing as we otherwise would be closing the door on an opportunity.

EKF CONSIDERS INCREASED CO-OPERATION BETWEEN DFIS, ECAS AND MDBS AN OPPORTUNITY

For EKF the focus of this symposium is on "this opportunity". EKF welcomes the increased focus and resources dedicated to strengthening SDG financing by our governments. We see an opportunity here and now for scaling up SDG finance through co-operation between institutions. We see an opportunity for policy financing institutions such as Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs) and ECAs to join forces and build bridges between complementary worlds and mandates instead of perhaps competing in two separate worlds.

FROM TWO SEPARATE WORLDS OF FINANCING TO ONE – UPSIDES AND DOWNSIDES

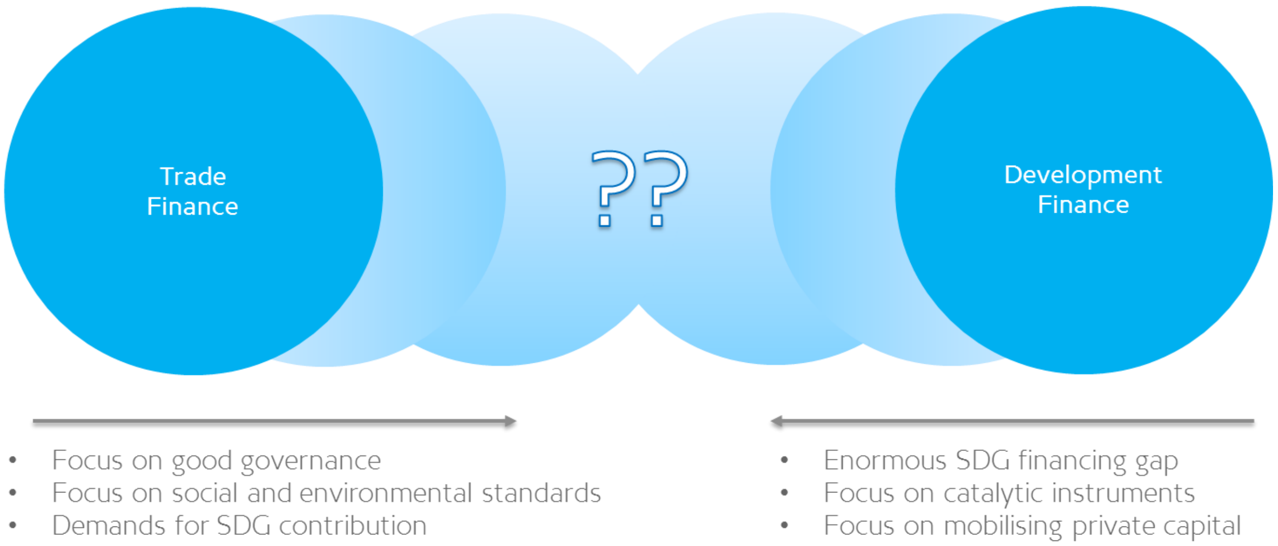
Trade, growth and development are interlinked, and this is becoming even more evident in a world that is changing with

- Globalised supply chains
- Good governance and focus on environmental and social impact of all business activities
- Increased focus on mobilising additional capital for financing SDGs.
- Increasing protectionism
- Growing roles in trade and development for BRICs and emerging markets

There was a time when two more or less separate worlds existed:

There was a trade and export credits world with the sole policy goal of promoting national exports and interests and promoting a level playing field with fair competition for trade. The only impact considered was that of the financial impact on the exporter and the only risk considered was financial.

The other world was the traditional development finance world with the policy goal of fighting poverty in the developing world. Focus was on non-commercial projects and local impact, and finance came with grants.



Today, we have our feet planted solidly on the unfamiliar ground between two familiar worlds. The upside of this is that we are all working towards the same goals. The downside is that we are operating in "Question Mark Land", where frameworks and mandates are changing, and we do not have the full picture of who, what and where. Understanding the new world of "Question Mark Land" is essential if we are to scale up financing and move in the same direction towards the Sustainable Development Goals.

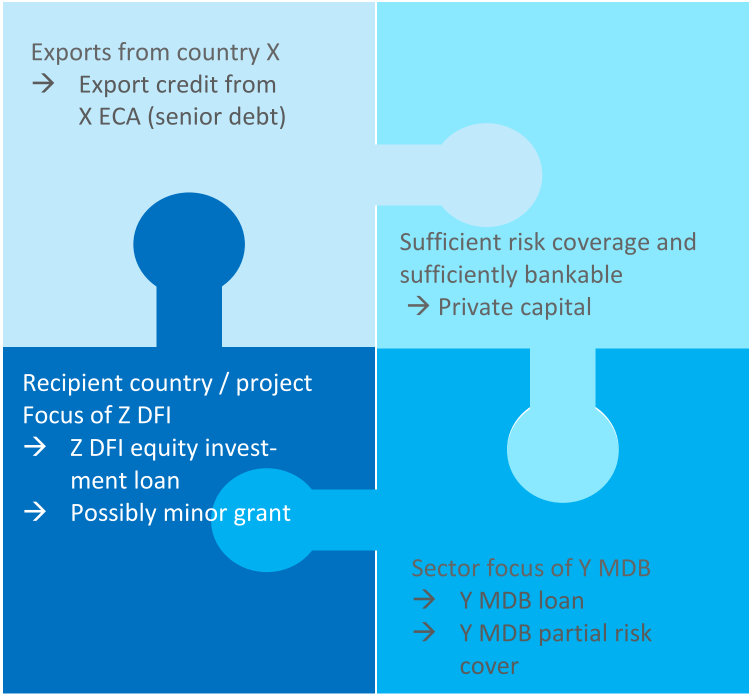
We should be aware of what our similarities (merging goals) and differences are in order to live up to this ideal.

ECA, DFI and MDB financing differ in several ways, for example:

- ECAs go where their exporters go. Development finance can go anywhere there is a need.
- ECA/DFI/MDB risk appetite will vary with mandates, financial structures and portfolios
- The supplementary support the institutions can provide will differ – while ECAs will have a strong focus on exporters and buyers, DFIs will have more focus on local development impact.
- Regulation differs in scale and scope and ECAs tend to be more regulated internationally

These differences combined can be a strong advantage in large projects, where the financing has to be shared among multiple actors. Take, for example, a large renewable energy project in a low-income country. In a transparent market for official financing, it would be possible to match the different characteristics of a project to the type of best-suited financing. For example, the project would entail:

- Exports from another country with a national ECA.
- The project is located in a country which is a focus market for a third country DFI
- The renewable energy sector is a particular focus for a specific MDB
- The development impact in the project country is sufficient to justify a small amount of concessional financing
- All of the above mitigates the risks in the project to an extent that makes it bankable and attractive to private capital, in partnership with ECA, DFI or MDB financing.



Each institution is specialised and competent according to its mandates and experiences. It is important that each institution uses its expertise so the complementarity between instruments are cultivated instead of inventing new overlapping instruments. If DFIs are specialised and experienced in equity loans, ECAs should not spend resources on developing copies of this instrument.

THE VIEW FROM AN ECA WEARING TWO HATS – THE FIRST STEP IS FINDING THE PIECES OF THE PUZZLE

1. **Speaking as a public body given the responsibility of supporting a well-functioning trade system**, EKF sees a need to improve knowledge and understanding of the situation we are facing. We want to avoid that this lack of knowledge leads to a situation where public instruments compete against each other, or where public instruments crowd out the private sector we are trying to mobilise, or where scarce public resources are being used on projects that could be financed with no or maybe a minimal amount of development assistance. If scarce development finance is used to win contracts with national benefits either in terms of national content or national interests instead of using the trade finance instrument that is available, we have a problem. This obstructs the level playing field. This obstructs trade. This obstructs growth. This obstructs development.

2. **Speaking as a publicly owned financial institution with a mandate of supporting Danish exports and trade,** EKF sees an opportunity in the new mandates of DFIs and new focus on mobilising private capital. We want to partner with financial institutions to increase trade, increase growth and increase development.

The first step is knowing the instruments, knowing their differences and knowing how they can fit together.
This is the reason why EKF is co-hosting the Symposium. Our ambition is to improve our knowledge and find grounds for enhanced cooperation on many more transactions in the years to come.