



## **Discussion paper to contribute to Brazil G20 Presidency Mobilising private finance for development, climate and nature<sup>1</sup>**

Draft - June 2024

To reach carbon neutrality and the SDGs by 2050, USD 2 trillion are needed in developing countries. Public money from governments and bilateral and multilateral development banks and agencies need to be extensively mobilised in favor of climate and development projects. Private finance needs to flow towards sustainable investments, and the ability to collectively mobilise public and private finance for development, climate and nature in developing countries will be decisive for achieving carbon neutrality.

However, the reality is that 50% of low-income countries are in debt distress or at risk of debt distress, and the cost of financing is increasing also for high-income countries. Private financial flows towards emerging and developing countries remain insufficient. In 2023, net financial flows to many developing countries even became negative. Is there a lack of private money in the global financial system to reach those needs? The answer is no. But too little of it is reaching the developing world: insurance companies allocate between 0% to 5% in emerging and developing economies (EMDEs) and pension funds between 5% and 15%<sup>2</sup>.

An intertwined host of issues have worsened the situation since 2019, from the fiscal effects of the COVID-19 pandemic to the global transition from a cheap money era into an era of high interest rates. Combined with greater geopolitical risks and a global slowdown in economic integration, for developing countries this resulted in both increased costs of debt repayments and more limited investors' appetite. In 2023, as investors sought safer yields, global cross-regional capital flows collapsed by 45% to USD 26.3 billion – equivalent to a quarter of debt service requirements of emerging market economies<sup>3</sup>.

Blended finance – i.e. the use of public or philanthropic capital to share and mitigate risks among public and private investors to unlock private investments in sustainable development – has been identified as one of the possible levers to mobilise more private finance for development. However, while it attracted much attention in the past decade, to date blended finance has still not delivered its promise. Private finance mobilised by public capital remains small and well below the colossal

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<sup>1</sup> An earlier, preliminary version of this paper was discussed during a 4P event in the margins of Choose France, in Versailles in May 2024, with representatives from governments, private investors, banks, and regulators. Inputs from those discussions were incorporated in the current version of the paper, which was discussed with 4P countries and partners during the 4P Implementation Committee of 19<sup>th</sup> June 2024. The paper also benefitted from inputs and insights collected through interviews to credit rating agencies, investors, development financing institutions and private sector representatives, conducted by the 4P Secretariat with Thibaut Houriez, Alexandre Schoch and Adèle Naud (French Treasury). Comments and inputs to the paper were provided by Amelie de Montchalin, William Roos, Shanti Bobin, Jean-Robert Jouanny, Théau Long, Lucas Violon, Jerome Brunet Possenti, and Bertrand Walckenaer. The paper was drafted by Piera Tortora (Head of Secretariat, Paris Pact for People and the Planet, 4P), with Juliette Mollo-Majour (Coordinator, Paris Pact for People and the Planet, 4P) building on an initial note developed by Amelie de Montchalin (Ambassador, Permanent Representative of France to OECD).

<sup>2</sup> Trillions or Billions, Attridge et al, 2024.

<sup>3</sup> "[Unlocking Private Capital to Emerging Markets and Developing Countries in a time of crisis](#)" Vera Songwe, Caroline Dawson, Sima Kammourieh, Sandra Kendo and Arend Kulenkampff.



financing needs required by the implementation of the SDGs. Mobilisation mainly benefits countries and sectors with the lowest risk profiles: only 12% benefited low-income countries over the 2019-22 period, and 7% benefited social infrastructure. Also, 1 USD of public money invested in climate only mobilises 0.25 USD of private money: the lever is not working. Something needs to change.

In this context, it is clear that going from “billions to trillions” will not magically happen by itself, and that urgent action is required to ensure that the rules, regulations and incentives in the system effectively enable this.

What’s not properly working today? On the one hand, the regulatory and prudential frameworks established after 2008 to shield financial stability may have had unintended consequences and spillovers on investments in developing countries. On the other hand, long-standing rules and practices on country risks assessments and credit risk ratings may be inadequately reflecting new and old risks and/or the de-risking effects of new risk-sharing mechanisms, with penalising effects on investments in developing countries. These aspects need to be taken into account in conjunction with the current context of evolving regulations of insurance companies and pension funds, both in the European Union in individual countries, and the positive and negative impacts of growing awareness of environment, social and governance (ESG) risks on investment decisions.

Today there is a window of opportunity to review and fine-tune regulatory and prudential frameworks and to enhance the transparency and accuracy of risk ratings as to help increase private finance flows to developing countries. First, the reform agenda of the multilateral development banks (MDBs), including as supported by the 4P Multilateral Development Banks Vision Statement<sup>4</sup>, is calling for greater efforts to mobilise more private finance for development and climate, and for MDBs to step up efforts to mobilise capital from private investors. Second and foremost, Brazil has explicitly included a focus on private finance mobilisation for climate and development in its G20 Presidency and established a G20 Task Force for the Global Mobilization against Climate Change. This builds on previous G20 calls for a full review of financial regulation in order to ascertain how aligned existing financial rules are – such as Basel III or AML-CFT rules for banking, and the EU’s Solvency II for insurance – and to ensure that they are not inadvertently obstructing scaling up flows of finance for sustainable investments in emerging and developing economies (EMDEs).

This paper aims to provide a basis for discussion and contribute to the Brazilian G20 work on these topics. It offers concrete proposals for achieving greater private finance mobilisation and alignment while not raising costs for public budgets nor creating risks for global financial stability. The proposals are summarised in Figure 1 and discussed in greater detail in the reminder of this paper.

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<sup>4</sup> This was endorsed at the Summit for a New Financing Pact in June 2023. See: [pactedeparis.org/pdf/multilateral-development-banks-vision-statement.pdf](https://pactedeparis.org/pdf/multilateral-development-banks-vision-statement.pdf)

**Figure 1. Overview of proposals to the G20 to enhance private finance mobilisation for climate, development and nature**

| REFORMS IN FINANCIAL REGULATORY AND PRUDENTIAL FRAMEWORKS TO BETTER CAPTURE 'REAL' RISKS AND REDUCE CLIFF EFFECTS                                                                                                                                              | REGULATORY REFORMS TO ENHANCE THE MOBILISATION EFFECT OF RISK-SHARING MECHANISMS                                                                                                                                                                                                                                                                    | GREATER TRANSPARENCY AND STANDARDISATION OF RISK-SHARING MECHANISMS                                                                                                                | IMPROVED TRANSPARENCY, ACCURACY AND ACCOUNTABILITY OF CREDIT RATING AGENCIES AND EXPORT CREDIT AGENCIES                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>❖ Re-consider non-risk based "geographical" parameters in financial regulatory and prudential frameworks</li> <li>❖ Review the impact of capital requirements to institutional investors on EMDE investments</li> </ul> | <ul style="list-style-type: none"> <li>❖ Develop a "blended finance" new category of investments</li> <li>❖ Reflect de-risking effects of public guarantees in credit rating methodologies</li> <li>❖ Consider the compatibility of the time horizons of prudential frameworks with the ones of infrastructure and clean energy projects</li> </ul> | <ul style="list-style-type: none"> <li>❖ Data and analysis on risk, returns and impact of blended finance</li> <li>❖ Work towards standardised blended finance products</li> </ul> | <ul style="list-style-type: none"> <li>❖ Boost the transparency and accuracy of rating grids and enhance the rating ecosystem</li> <li>❖ Promote collaborative efforts to support strengthening ratings in emerging and developing countries</li> <li>❖ Add transparency and granularity to export credit frameworks for better market differentiation, and make them more ambitious for climate and development</li> </ul> |

## **Adjusting the financial regulatory and prudential frameworks to better capture real risks and reduce cliff effects for investors**

### **Proposal 1: Regulators should study and consider revising all (non-risk based) “geographical” parameters in financial regulatory and prudential frameworks**

Most of the prudential and regulatory frameworks developed after 2008 were built to increase capacity to protect the balance sheets of banks, insurers, asset managers and pension funds from future risks, defining prudential capital charges for all types of investments. This “risk-based” approach has proven effective to reduce financial systemic risk and should be preserved.

However, some parameters that are not “risk-based” but rather “geography-based” have been included in the frameworks. For instance, in Solvency 2, in the standard model, an infrastructure project needs 25% of capital charge if it is deployed in an OECD country, while a similar project would require 49% if it is deployed in a non-OECD country. In many situations, this is an arbitrary parameter as the OECD is a diverse set of (38) countries with different performances across economic and financial indicators, which are not always less risky than those of non-OECD members.

The G20 could encourage regulators to study and revise financial regulatory and prudential frameworks to give priority to actual risk over “geographical” or political parameters.

### **Proposal 2: Regulators should review the impact of capital requirements on institutional investors on EMDE investments**

It has long been acknowledged that institutional investors, such as insurance companies and pension funds, could play a bigger role in helping to close the financing gap in developing countries. However, investments in emerging and developing economies (EMDE) still range from 0% to 5% for insurance companies and 5% to 15% for pension funds. Overall, OECD insurers and pension funds represent only 10% of the EMDE market. Evidence suggests that both regulatory and operational practices limit the size of allocations that even large institutions can make to EMDE investments, especially in higher-risk markets, and illiquid instruments (Attridge et al. 2024).

For example, the credit risk treatment requirements for structured debt under Solvency II result in an exceptionally high capital requirement for insurers. To increase their market share, these entities must be capable of raising more funds, faster and on a larger scale. However, insights from a credit rating senior leader reveal that an insurer must allocate 19.1% of its equity against a senior tranche rated “BBB” with an 8-year maturity. If this “BBB” tranche, with the same maturity, is junior, the equity requirement increases to 53.1%. In contrast, the rating approach used by the same credit rating agency for (re)insurers applies a charge of 3.45% in both cases, at the same stress level as Solvency II.

Such levels of capital requirements may not correspond to the economic reality of risks. This could dissuade insurers from investing in this type of product which actually allows to respond to a certain number of obstacles to the mobilisation of capital, such as effect of scale, diversification of risks, possibility of structuring financing in first loss, mezzanine and senior to meet market needs.

The G20 could encourage regulators to review the impact of capital requirements on institutional investors on EMDE investments with a view to revise parameters.

## **Better valuing risk-sharing mechanisms to enhance their leverage**

**Proposal 3: Supervisors should consider treating guarantees provided by multilateral stakeholders, DFIs or public bilateral development banks as a proper “blended finance” new category of investments to reflect the lower risk of projects benefitting from such guarantees, with a consequent effect on lowering the cost of capital for such projects.**

Multilateral development banks (MDBs) have a range of risk-sharing instruments and approaches for attracting private investments for climate and development, including guarantees, first-loss positions, and others. However, at present guarantees constitute only 3% of MDB climate financing to low- and middle-income countries. The new “[guarantee platform](#)” launched by the World Bank Group, which will become effective from 1<sup>st</sup> July 2024, is a positive development, as it will rationalise and make more accessible guarantee solutions. However, it does not solve the issue of how risk-sharing is considered in prudential regulations.

In the current Basel III rules, and similar regulations implemented in developed economies after the 2008 financial crisis, guarantees provided by multilateral counterparts, DFIs or public bilateral development banks with very low risks of liquidity (i.e. World Bank group, other multilateral development banks, ECAs, AFD, KfW, etc) are not accounted differently by supervisors than guarantees brought by private actors (which face larger liquidity risks) when they structure other forms of “structured financing” for large projects, real estate or infrastructure. Thus, blended finance arrangements mixing private investments with public guarantees or credit enhancement schemes could be assimilated to securitization, therefore calling for large liquidity coverage ratio for banks, insurers, asset managers or pension funds that would get involved in such projects.

The G20 may consider encouraging supervisors to consider guarantees provided by multilateral stakeholders, DFIs or public bilateral development banks differently from other ones – as the counterpart liquidity risk could be considered to be reduced. This would create a proper “blended finance” new category of investments, and lead to a more favorable prudential treatment of blended finance projects and would therefore lower their cost of capital.

Furthermore, Partial Risk Guarantees (PRGs) are seen as effective tools to mobilize the private sector towards emerging markets infrastructure financing in an affordable and effective manner through risk-sharing between MDBs/DFIs/PDBs and private investors. However, if, for example, MIGA’s breach of contract (BoC) has been well used by banks to mitigate state off-taker risk in emerging markets renewables projects, the current Basel prudential framework is not sensitive enough to the risk reduction features of the BoC and other PRG products and will therefore not generate capital relief as a consequence of the use of PRGs in a financing scheme. The prudential and regulatory framework needs to be calibrated to consider the risk mitigation effect of BoC to help banks finance sustainable infrastructure projects in EM. The Basel III agreements should take into account MIGA’s PRI (Political Risk Insurance), as well as tools such as syndicated loans, which are major risk mitigation instruments.

**Proposal 4: Credit rating agencies methodologies should better reflect project data and specificities over sovereign risks, and in particular the de-risking effect of guarantees from MDBs, DFIs and other bilateral development banks**

Credit Rating Agencies rely on methodologies and practices that largely equate the risks of the projects to the sovereign risk of the countries in which these projects are implemented. In

developing and emerging countries with a low sovereign credit rating, several low-risk projects and companies are then suffering from high credit and insurance rate jeopardizing the profitability and market value of the projects. Low and middle-income economies are therefore the ones with the most discrepancies between the actual economic viability of projects and the credit and insurance conditions.

If this partly reflects the currency risks of projects generating cash flows in local currencies (as it is the case for renewable energy projects), there is in fact a gap between the expected default rate projected by credit rating agencies and the actual performance of projects backed by MDBs or Development Financial Institutions (DFIs) : MDBs have a probability of default roughly from their borrowers three times lower than commercial lenders from the same borrowers (0.37%, compared to 1.13% for bank loans and 1.37% for sovereign bonds).

On March 25, 2024, for the first time, the GEMS Consortium<sup>5</sup> released default and recovery rates for loans granted by MDBs/DFIs to private and sub-sovereign borrowers in emerging markets and developing economies for the period 1994-2022. The platform collects anonymised data on credit risk for private and sub-sovereign loans in these markets. This initiative could provide valuable information to investors, helping to fill data gaps and unlock investments in these areas. The latest GEMS publication also revealed that the recovery rate for contracts with private counterparts in Sub-Saharan Africa was the highest among the six world regions at 83.9%, surpassing the global average of 74.7%<sup>6</sup>.

The G20 could encourage credit rating agencies to better integrate in their methodologies MDBs' specific features based on their historic performance data, in particular by rethinking the way they rate blended finance projects benefiting from guarantees from MDBs and DFIs. This should lead to a lower cost of capital and greater appetite from international investors to invest in lower perceived risk environments as the release of Loss-Given Default (LGD) data, which represents a key metric for private investors' decision-making, is especially expected by the markets. This approach could be completed by a structured discussion between FSB, IMF, OECD relevant bodies and credit rating agencies to address the implications of these methodology updates.

**Proposal 5: Regulators should consider the compatibility of the time horizons of prudential frameworks with the ones of infrastructure and clean energy projects**

After 2008, prudential and regulatory frameworks have de facto reduced the appetite of private investors for equity and debt investments with time horizons over 7 to 8 years. While this is understandable to reduce long-term exposures (which can be considered as embedding more uncertainties than shorter-term ones), this makes most of the larger-scale long lead-time investments needed for the clean energy transition (and in particular grids) extremely difficult to fund by large private institutional investors.

One could consider that long-term blended finance projects benefiting from public guarantees from MDBs or DFIs could have reduced capital charges if their time horizon is larger than 7 to 8 years. Indeed, a long-term public guarantee should be considered by supervisors as playing the same role as reserve capital charges held by private investors.

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<sup>5</sup> this Global Emerging Markets Risk Database Consortium collects information on all the features and history of all projects where a MDB is involved.

<sup>6</sup> [GEMs recovery statistics publication on private and sub-sovereign lending 1994-2022, p18](#)

## **Enabling transparency and standardisation of risk-sharing mechanisms**

**Proposal 6: The international community should deepen efforts to enhance the transparency of blended finance transactions by leveraging GEMS and other databases, and analyse the ecosystem of blended finance solutions to develop standardised blended finance products that can facilitate scaling up.**

Blended finance transactions are complex and often take 2 to 5 years to design and implement. Since they fall outside of the traditional asset classes, they often require more complex treatment by investors within their governance and investment processes, as well as by regulators. By streamlining and speeding up the processes to deploy blended finance arrangements, standardisation could be an important step for scaling them up. Standardisation would provide greater clarity and would help reduce information asymmetries between investors and project developers (NGFS, 2023), ultimately leading to greater financing access (HLEG, 2023). Greater standardisation could also lead to the creation of dedicated indices, incentivising the participation of global investors in the blended finance ecosystem.

To support the process of standardisation, it is critical to deepen efforts to enhance the transparency of blended finance transactions, and to analyse the ecosystem of blended finance solutions to evaluate their track record, including their default rates, rate of returns, and impacts. Such analysis of the blended finance ecosystem solutions may include project-level solutions, such as guarantee-backed and infrastructure projects, and portfolio-level solutions, like three-tier blended finance funds (debt or equity) and local currency solutions with the objective to achieve risk rating of "BBB" to attract private investors to blended finance debt fund. The GEMS database can provide a solid starting base for reviewing and analysing blended finance solutions. However, the current data lacks granularity. Grouped into six world regions, it does not for instance provide detailed information on recovery rates by country, actor, or asset class. A collective effort is needed to develop a more granular database, enabling a finer understanding of risks, returns and impacts. This would require leveraging and expanding other existing data sources, as the OECD database on private finance mobilised and other sources, as well as establishing a more transparent and inclusive process, allowing different stakeholders in the blended finance ecosystem to work collaboratively together to provide their inputs and perspectives.

The development of standard blended finance products, and in particular of what could be a standardised blended fixed income product, would require dedicated analytical work and multi-stakeholder dialogue. It would require identifying a pre-defined set of possible institutions providing "credit enhancement" (AAA to A rated) as well as identifying the nature and structure of risk sharing and risk transfer between those institutions (to avoid country limits and mutualise risk), based on assessments of the 'right' amount of concessional funding necessary to attract private capital and achieve impact without overspending public resources or allowing private participants to realise abnormal returns (the "crowding-in and minimum concessionality" principle in IFC, 2020). Finally, it would require identifying a single structure with first-loss and second-loss mechanisms that could be used as a template as well as the definition of ex post control and evaluation mechanisms on the use of proceeds, and the financial/social/environment impacts. This could also facilitate the adoption of simplified, transparent and fast-track procedures to request, obtain, and execute guarantee agreements with the official sector.

The G20 could consider providing support for data and analysis on risk, returns and impact of blended finance solutions and to support multi-stakeholder policy dialogue and technical work to develop standardised blended finance products.

## **Improved overall transparency, accuracy and accountability of credit ratings and country risks assessments**

### **Proposal 7: Boost the transparency and accuracy of rating grids to reduce “risk misperceptions” and enhance the rating ecosystem**

Mounting levels of sovereign debt triggered by the COVID-19 crisis and other crises have heightened the attention on international credit rating agencies as the institutions tasked to attempt to predict defaults. In addition, as the financial system needs to transform and realign with sustainability objectives, it is critical that the methodologies and processes adopted by credit rating agencies, export credit agencies and ESG providers adequately capture realities on the ground and the evolving evidence and understanding of climate, nature, and other risks to ensure adequate levels of transparency, accuracy and accountability to guide investment decisions for development, climate and nature.

Ratings issued by credit rating agencies, export credit agencies and ESG providers are a major driver of cross-border capital flows. A negative rating can have profound repercussions for economic, political, and social stability of a country already facing debt distress. The distinction between instruments rated “investment grade” versus those rated “below investment grade” is of utmost significance in financial markets, because it effectively determines the potential investor base.

The issues arising from credit rating methodologies that prioritise country risks over project-specific risks and neglect mitigation measures, such as guarantees from international financial institutions, was already mentioned (ref proposal 4). An additional issue relates to insufficiently granular and nuanced data and analysis to capture the specifics of developing countries in credit rating methodologies. For instance, most African Sovereigns are rated in the single-B category sovereign rating methodologies. In a recent study,<sup>7</sup> sovereign stakeholders noted that while policy landscapes and institutional quality have improved in Africa over the past two decades, they have had a limited impact on credit ratings. The same study suggests that investors, Sovereigns and regional CRAs point to limited differentiation between developed and emerging economies in Global CRA methodologies as a possible cause of overestimation of credit risk for African countries. These findings, which are specific to the African context, are corroborated at the global level by analysis<sup>8</sup> showing that sovereign ratings display a high degree of “stickiness” and pro-cyclicality, meaning that most ratings change relatively rarely, except in major crises, in which cases they can contribute to deepen cyclical effects.

Further, good environmental policies, including climate mitigation and adaptation policies, are generally not rewarded in sovereign credit assessments of lower-middle-income and low-income

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<sup>7</sup> Strengthening African Capital Markets Final Report, USAID/Prosper Africa (2021).

<sup>8</sup> Credit rating agencies and developing economies, Griffith-Jones and Kraemer (2021).



countries (NGFS, 2023), while previous downgrades seem to weigh more than economic and domestic policies and indicators in the post-crisis period (Broto and Molina, 2016).

Finally, excessive entry barriers hinder the emergence of new credit rating agencies.

The G20 has a role to play to define a path for the international community to work with credit rating agencies and other relevant institutions with a view to boost the transparency and accuracy of rating grids and enhance the rating ecosystem. Dedicated efforts should focus on: (i) identifying potential areas for strengthening rating methodologies, in particular to capture project-specificities, and incorporate climate and biodiversity risks; and (ii) and promoting a more diversified ecosystem of agencies or a public independent rating agency.

**Proposal 8: Promote collaborative efforts to support strengthening ratings in emerging and developing countries**

Sovereign rating methodologies may be ill-suited to capture the characteristics and specificities of emerging and developing countries, failing to incorporate key characteristics or alternative data (Prosper Africa, 2021). Asymmetry of data quality and availability may result in standardised indicators, such as the WGI, not always being the most accurate source of information to assess risk in every country. Poor data quality and information scarcity represent a significant hurdle to accurate risk assessments by credit reporting agencies and investors across the continent, thereby hindering access to capital and private sector development. Further, the models and data used to formulate the ratings are not public, nor are they shared with the sovereign countries being assessed.

Greater transparency needs to be provided to countries on the methodologies, performance indicators and scoring scales used to assess risks, in order to provide countries with an opportunity to improve performance as well as to enhance the quality of the data used for ratings.

The G20 has an opportunity to foster policy dialogue and collaboration among countries, including emerging and developing countries, as well as credit rating agencies and other actors to enhance the transparency of rating methodologies and identify areas that may require enhancement to better capture local specificities. The creation of international and regional dialogues to increase investor awareness about countries specific risks and encourage greater uptake of regional rating assessments could be considered. Finally, the G20 could support initiatives to foster more robust reporting, improved accuracy, and broader collection of governance and other indicators.

**Proposal 9: Add transparency and granularity to export credit frameworks for better market differentiation, and make them more ambitious for climate and development**

Beyond MDBs and DFIs, public guarantees to international investors are provided by Export Credit Agencies following rules negotiated by participants in the OECD Arrangement on Officially Supported Export Credits (henceforth the 'Arrangement'), which define the price, duration and coverage of the export guarantees depending on the sector of export (energy, water, manufacturing...) and the country of destination. Between 2008 and 2022, transactions supported under the Arrangement disciplines amounted to over USD 550 billion.

The Arrangement also establishes a methodology for assessing country credit risk. The country risk classifications are meant to reflect the risk that a country will not be able to repay its external debt



and are a fundamental building blocks of the Arrangement rules on minimum premium rates for credit risk.

At the moment, most of Sub-Saharan African countries are in the same sovereign category (on a scale of 7 globally), which is not consistent with the diversity of economic and financial situations of these countries.

The G20 could give impetus to foster more transparency and granularity with respect to country risk classifications and the methodologies used would allow investors to have a more realistic and accurate view of the economic situations in different countries. Creating more differentiation between countries would spur investments through cheaper export guarantees in the economies that have been reforming their domestic investment, governance, and economic systems, and would incentivize other countries to conduct such reforms.

Further, the G20 could encourage deepening reforms to ensure export credits can play a bigger role in supporting ecological and energy transitions. In spring 2023, participants in the OECD Arrangement on Officially Supported Export Credits agreed to a broad modernisation of the Arrangement by enhancing transparency and implementing more flexible financing conditions: repayment terms were extended to 15 years; repayment flexibilities were concluded, notably adjusted to cash flows; adjustments of the minimum premium rates for credit risk were decided; and the scope of "green" projects eligible for longer repayment terms of 22 years (up from 18 years previously) was expanded. The modernisation of the Arrangement was highlighted in the conclusions of the Summit for a New Global Financing Pact which took place on 22 and 23 June 2023 under the section referring to "international solidarity, transfers from rich countries to more vulnerable countries and the mobilisation of private finance".

This is a historic reform, that must be built upon to make further progress. First, there is ongoing uncertainty regarding the interaction between WTO subsidy regulations and the provisions of the Arrangement on export credits. Better coordination between different regulations would facilitate the choice of the most appropriate tools to support and promote exports in developing countries. Next, while instruments such as term loans, mezzanine financing, equity, and working capital guarantees are increasingly provided by export credit agencies, they are still outside the scope of the Arrangement and their uneven distribution reinforces inequalities among beneficiaries. Finally, the Arrangement does not sufficiently address climate action. By financing export credits for energy allocated to fossil fuels without any framework or limits, no global commitment is made towards carbon neutrality and support for climate transition in emerging countries.