Source of Capital

Export Credit Agencies

Type Of Entity	Government-backed Entities, Semi-governmental entities, Private Lenders
Investment Stage	Early, mid and late stage.
Impact	Supports an ECA's own country's domestic manufacturing/enterprise base to export to other markets.
Instrument	Debt, trade finance, guarantee or support agreement; often with "concessional" terms.
Supplier Of Concessional Capital	YES NO

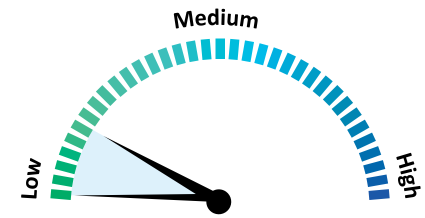
Description

Export credit agencies (ECAs) are either private companies operating on behalf of their country's government, or regionally or are governmental agencies themselves. In either case, ECAs provide support to promote domestic companies' international export of goods and services. [1]

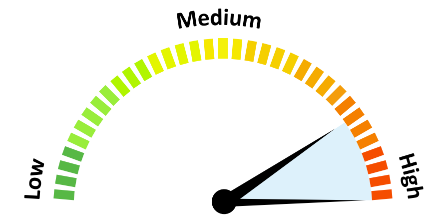
ECAs' approach to financing can be quite flexible, and they offer a wide range of support, including low-cost debt, export credits such as trade finance (short term loans, payment-in-advance, working capital loans, overdrafts, and factoring), insurance, and guarantees that allow domestic companies to mitigate the risk of establishing operations and/or selling their products internationally. Due to their flexibility, they have become crucial players in supporting exports into and from developing economies. In 2019/2020, ECAs accounted for $1.4 billion in climate related financing to developing economies.

ECAs in developed countries, such as the United States, Germany, and Canada, often finance large-scale projects in developing countries through these export credits. Notably, as they are commercially motivated and demand-driven, export credits do not count as Official Development Assistance, but they are an increasingly important source of low-cost, flexible finance, especially for investments in middle income countries. However, ECAs are not currently serving all developing economies, and significant impact could be achieved if they were to do so. They also have great potential to improve the financial risk profile of climate-related projects, for example through the provision of insurance.

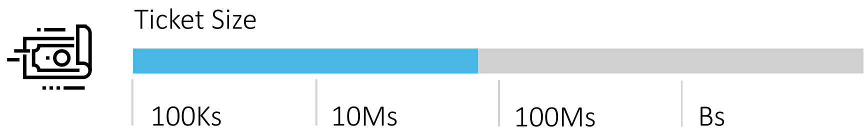
1 Igor Shishlov, Anne-Kathrin Weber, Inna Stepchuk, Laila Darouich, Axel Michaelowa, Perspectives Climate Group, 2020, Study on external and internal climate change policies for export credit and insurance agencies 20-03-11_Perspectives_ECA_Study_Final_revised.pdf (unfccc.int)



Relative Return Requirement



Relative Risk Appetite



Recommended Actions By Key Source Of Capital

Some suggestions for what Export Credit Agencies can do more of to enhance Just Financing outcomes include:

- Introduce internal policies to ensure that an ECA's own financing approaches are in line with their government's climate change commitments and the Paris Agreement.
- Ensure investments supported with export credits are consistent and aligned with the NDC of the investment destination country.
- Ensure projects funded are consistent with and reflect Just Financing Principles and aligned w/the ECA's own objectives around job creation (both at home and abroad).
- Ensure that all funding deployed integrate climate-related risks assessments, and that investments reflect (in their financial structure) incentives for low-carbon, climate resilient investment.
- Increase transparency of their ECAs, notably making public their support provided to carbon-intensive activities and associated GHG emissions of their portfolios in line with the TCFD.
- Encourage local investors to invest in developing and emerging economies.