Aligning export finance to SDG

A clear call to action to rethink the sustainability performance of the export finance market has come out of an International Chamber of Commerce (ICC) white paper.

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Released at a major event during United Nations (UN) General Assembly week and developed with the support of the Rockefeller Foundation and 16 leading banks, the white paper explores how the US$700bn export finance industry can significantly increase its contribution to the achievement of the UN Sustainable Development Goals (SDG) and the Paris climate accord.

Through an extensive six-month market consultation of over 500 market participants and more than 150 interviews – including with export credit agencies (ECA), government authorities, banks, buyers, exporters, industry associations and civil society – the white paper presents for the first time, product and policy recommendations to accelerate the flow of export financing towards sustainable activity globally.

Strategic importance

Export finance is used to enable the purchase of capital goods through loan agreements granted to importers and secured by sovereign guarantors – most commonly, an ECA in the exporter's home country.

Despite its strategic importance in facilitating the types of capital expenditure called for by the SDG, the asset class has previously received relatively little attention as a potential driver of sustainable development.

“This white paper highlights the significant current contribution and future potential of the export finance industry to support the achievement of the SDG, demonstrating how the export finance industry is another tool in the arsenal of sustainable finance products to bring us closer to a more sustainable future,” says Adam Connaker, innovative finance director at The Rockefeller Foundation.

Recommendations

The report concludes with a number of headline recommendations, including:

- Aligning ECA, bilateral development finance institutions and domestic financing initiatives to enable a “whole of government” approach towards global sustainability commitments.
- Scaling support for innovative export finance deals, including leveraging blended finance structures to meet the capital expenditure needed to meet the SDG.
- Reviewing – and potentially revising – the OECD’s framework governing the operations of ECA to allow for more flexibility and incentives for transactions that support global sustainability goals.

"An essential first step should be to align the mandates of export credit agencies with key global sustainability goals – a common sense move that, as our paper shows, would pay a major dividend in scaling the availability of cost-effective finance for the capital goods needed to deliver on the promise to build back better from the Covid-19 pandemic,” says John W.H. Denton AO, ICC’s secretary general.

The report was authored by Acre Impact Capital, an impact-focused investment manager and international financial consulting firm focused on financing the global development agenda.

Hussein Sefian, founding partner of Acre Impact Capital says that to date, the export finance market has only received a cursory mention in the broader sustainable finance conversation.

"Yet ECA working closely with their banking partners have an excellent track-record of delivering investments at scale – in particular, in essential infrastructure.There is huge untapped potential for the export finance market to fill the financing gap in emerging markets and contribute to the sustainable finance ecosystem,” he says.