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From Grants to Guarantees: An Analysis of Bankability in EU External
Finance – Evidence from the EFSD+ under the 2021–2027 Multiannual
Financial Framework

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Abstract

Public development finance is being asked to do more as budgets contract. Official development assistance from Development Assistance Committee (DAC) donors fell sharply in 2024 and again in 2025, while the estimated financing gap for the SDGs and climate has only widened. These pressures have increased the fiscal appeal of guarantees, which commit budgetary resources through partial provisioning rather than full disbursement. With the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI) in 2021, the EU consolidated a previously fragmented external-finance architecture and reoriented it toward blending, guarantees, and the mobilization of additional public and private capital. Its European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee (EAG) were presented as roughly €51 billion in guarantee capacity, with the stated goal of mobilizing more than half a trillion euros in investment. Committed capacity, however, has not converted into signed operations at the rate the headline figures suggest.

This thesis asks to what extent EFSD+ policy constraints explain the gap between available guarantee capacity and the operations actually signed under it, once project-level financial bankability is held constant. Its central claim is that the requirements designed to keep the guarantee accountable to the EU budget add a workload that slows or even inhibits the implementation of said guarantees, a tension the thesis terms the *guarantee paradox*.

The analysis combines a semi-systematic literature review with explaining-outcome process tracing. From a coded corpus of 56 sources, the review reconstructs five analytical perspectives on bankability: financial-technical, blended-finance, governance, political-economy, and critical. The financial-technical perspective is operationalized as an explicit control for ordinary project non-viability. These perspectives are then applied to a documented corpus of EU evaluation, audit, budgetary, and reform texts to test which mechanisms the conversion gap can be traced to.

The findings show that EFSD+ policy constraints explain part of the conversion gap, but not through non-compliance or weak demand. The first Open Architecture call was oversubscribed, and implementing institutions worked through the EU's requirements rather than trying to avoid them. Instead, the gap is most consistently traced to the bespoke nature of each agreement, which must be negotiated almost from scratch. This produces

fixed costs that are difficult to plan for in advance, and that fall most heavily on smaller operations and projects in least developed countries. Because some non-conversion still reflects ordinary project failure or shifting market conditions, policy constraints are best read as a structural but non-exclusive explanation. The conversion gap and the guarantee paradox are offered as case-specific analytical concepts rather than a general verdict on guarantees, with direct relevance for the 2026 reform of NDICI and the design of the 2028–2034 Multiannual Financial Framework.

Zusammenfassung

Von den öffentlichen Budgets für Entwicklungsfinanzierung wird angesichts schrumpfender Haushalte immer mehr verlangt. Die offizielle Entwicklungshilfe der DAC-Geberländer ging 2024 und 2025 stark zurück, während sich die geschätzte Finanzierungslücke für die SDGs und den Klimaschutz weiter vergrößert hat. Weil Garantien Haushaltsmittel nur anteilig über Rückstellungen binden und nicht vollständig auszahlen, hat der zunehmende Budgetdruck ihre fiskalische Attraktivität erhöht. Mit dem Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI) hat die EU 2021 eine zuvor fragmentierte Außenfinanzierungsstruktur konsolidiert und auf Mischfinanzierungen, Garantien sowie die Mobilisierung zusätzlichen öffentlichen und privaten Kapitals ausgerichtet. Der European Fund for Sustainable Development Plus (EFSD+) und die Garantie für Außenmaßnahmen (EAG) wurden mit dem erklärten Ziel vorgestellt, Investitionen von mehr als einer halben Billion Euro zu mobilisieren, und verfügen über eine dafür ausgerichtete Garantiekapazität von rund 51 Milliarden Euro. Die zugesagte Kapazität hat sich jedoch nicht in dem Maße in gezeichnete Operationen umgesetzt, wie es die angekündigten Zahlen vermuten ließen.

Diese Arbeit untersucht, inwieweit die politischen und strukturellen Auflagen des EFSD+ die Lücke zwischen der verfügbaren Garantiekapazität und den tatsächlich unterzeichneten Operationen erklären (im Folgenden *conversion gap*). Um diesen Faktor zu berücksichtigen, wurde die projektbezogene finanzielle Tragfähigkeit (*bankability*) als eigenständige Kontrolle operationalisiert und als konkurrierende Erklärung im Process Tracing systematisch mitgeprüft. Die zentrale These lautet, dass die Anforderungen an genau die Garantien, die zusätzliches Kapital mobilisieren sollen, zugleich ihren Einsatz verlangsamen oder ganz von diesem abschrecken können – ein Spannungsverhältnis, das die Arbeit als *guarantee paradox* bezeichnet.

Die Analyse kombiniert eine semi-systematische Literaturrecherche mit einem *explaining-outcome process tracing*. Aus einem Korpus von 56 Quellen entwickelt die Untersuchung fünf analytische Perspektiven auf *bankability*: *financial-technical* (finanztechnisch), *blended-finance* (Mischfinanzierung), *governance*, *political-economy* (politische Ökonomie) und *critical* (kritisch). Die finanztechnische Perspektive wird als explizite Kontrolle für die allgemeine Nichtdurchführbarkeit von Projekten operationalisiert. Diese Perspektiven werden anschließend auf einen dokumentierten Korpus aus EU-Texten zu Evaluierung, Rechnungsprüfung, Haushalt und Reform

angewendet, um zu untersuchen, auf welche Mechanismen sich der *conversion gap* zurückführen lässt.

Die Analyse zeigt, dass die politischen Auflagen des EFSD+ einen Teil der *conversion gap* erklären, jedoch nicht durch Nichteinhaltung oder schwache Nachfrage. Die erste Ausschreibung im Rahmen der Open Architecture war überzeichnet, und die durchführenden Institutionen setzten die EU-Anforderungen um, statt sie zu umgehen. Vielmehr lässt sich die Lücke am konsequentesten auf den maßgeschneiderten Charakter jeder einzelnen Vereinbarung zurückführen, die nahezu von Grund auf neu ausgehandelt werden muss. Dies verursacht Fixkosten, die im Voraus schwer planbar sind, und vor allem kleinere Maßnahmen sowie Projekte in den am wenigsten entwickelten Ländern belasten. Da ein Teil der Nichtumsetzung nach wie vor auf Eigenschaften auf Projektlevel oder veränderte Marktbedingungen zurückgeht, sind die politischen Auflagen am besten als strukturelle, aber nicht ausschließliche Erklärung zu verstehen. Die *conversion gap* und das *guarantee paradox* werden als fallspezifische Analysekonzepte und nicht als allgemeines Urteil über Garantien vorgestellt.

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List of Abbreviations

ACP	African, Caribbean and Pacific
CAF	Capital Adequacy Frameworks
DAC	Development Assistance Committee
DFI	Development Finance Institutions
DG INTPA	Directorate-General for International Partnerships
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EAG	External Action Guarantee
EC	European Commission
ECA	European Court of Auditors
ECDPM	European Centre for Development Policy Management
EEFIG	Energy Efficiency Financial Institutions Group
EFSD	European Fund for Sustainable Development
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EIP	External Investment Plan
G20	Group of Twenty
IFC	International Finance Corporation
IFI	International Finance Institution
IRR	Internal Rate of Return
LIC	Low-Income Country
MDBs	Multilateral Development Banks
MFF	Multiannual Financial Framework
MIGA	Multilateral Investment Guarantee Agency
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPSYS	Operational System for the management of EU external actions
PFI	Private Finance Initiative
PPP	Public Private Partnership

PRISMA	Preferred Reporting Items for Systematic Reviews and Meta-Analyses
SDGs	Sustainable Development Goals
SMEs	Small and medium Enterprises
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UNCDF	United Nations Capital Development Fund
UNCTAD	UN Trade and Development, formerly the United Nations Conference on Trade and Development
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

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1. Introduction

Development finance is required to tackle ever greater challenges with increasingly scarce resources. The goals of the international development agenda have grown steadily more ambitious, while public resources available to finance them have not kept pace. This mismatch has led to new expectations of what public money is supposed to achieve. Budgetary resources are no longer meant primarily to fund development directly, but to de-risk investments, mobilize commercial capital, and transform development objectives into bankable investment opportunities (Development Committee, 2015, pp. 2, 3, 12; Gabor, 2021, pp. 429–430; OECD, 2025a, p. 3).

The scale of the budgetary mismatch directly shows how these expectations emerged. Early estimates set the investment gap towards achieving the Sustainable Development Goals (SDGs) at an annual USD 2.5 trillion in relevant sectors and developing countries (UNCTAD, 2014, p. xi, 2020, p. xiv; Zhan & Santos-Paulino, 2021, p. 167). More recent estimates place annual investment needs for climate finance alone between USD 8 and 9 trillion by 2030 (Buchner et al., 2023, p. 3). This investment gap became the starting point for the financing-for-development agenda and justified the search for models and instruments to mobilize resources beyond traditional grant-based aid (UNCTAD, 2014, p. 139, 2021, p. 201; Zhan & Santos-Paulino, 2021). In the face of this magnitude, the international approach to finding a solution has been remarkably uniform. Development finance and public budgets cannot close the gap alone. The World Bank and partner institutions formalized this in the "From Billions to Trillions" agenda (Development Committee, 2015, p. 1). The following Addis Ababa Action Agenda urged the mobilization of private capital into infrastructure and green investment (United Nations, 2015, p. 3), and the Organisation for Economic Co-operation and Development (OECD) pointed to the more than USD 100 trillion held by institutional investors in 2019, a fraction of which would in theory be enough to close a trillion-dollar financing gap (OECD, 2021, p. 8).

Meanwhile, the resource side of this equation has decreased. Net Official Development Assistance (ODA) from Development Assistance Committee (DAC) members fell by roughly 9% in 2024 (OECD, 2025c, p. 1), and preliminary figures for 2025 show a further drop of 23.1%, the steepest one-year decline on record (OECD, 2026). The largest single driver is the United States, where assistance contracted by 57% following the dismantling

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of USAID (OECD, 2026). The five largest donors together account for almost 96% of the decrease, and for the first time in history, all five donors cut their assistance simultaneously in consecutive years (OECD, 2026). This increases the fiscal appeal of guarantees, which commit budgetary resources through partial provisioning rather than full disbursement, thereby promising more coverage per euro of budget (European Commission, 2024c, pp. 2–3). Consequently, this also turns mobilization from a strategic preference into something closer to a necessity. Where guaranteed capacity does not convert into investment, there is progressively less grant funding to fall back on.

Mobilization and getting the private sector on board, however, requires more than a call to action. The development community agreed that risk-mitigation instruments and public-private partnerships (PPPs) would be required to make projects in developing countries attractive to private capital while ensuring alignment with development objectives (OECD, 2021, p. 39). The Development Committee's Maximizing Finance for Development approach formalized this into a cascade in which public finance is deployed only where private solutions fall short (Development Committee, 2017, p. 1; World Bank, 2021, p. 25). Similarly, the Group of Twenty's (G20) work on infrastructure as an asset class, as cited in Gabor (2021, p. 430), sought to make infrastructure projects more attractive to institutional investors by improving standardization, project preparation, and risk allocation. In 2022, the independent review of the capital adequacy frameworks of multilateral development banks (MDBs) commissioned by the G20 reaffirmed this approach. The review strongly urged MDBs to expand their risk appetite to improve the mobilization of private capital, thereby leveraging scarce capital while still allowing continued monitoring of progress towards development goals (Independent Expert Panel, 2022, pp. 33–35). These developments, however, are seen differently by critical voices. Shifts away from direct grants toward risk absorption, market creation and the construction of investable development assets carry the risk that development priorities become subordinated to profitability and investor risk-return preferences (Gabor, 2019, p. 2; Heldt & Dörfler, 2022, p. 1394).

The European Union occupies a distinctive position within these developments. The OECD describes the EU as a unique and influential player in efforts to support sustainable global development, combining grants, loans, guarantees, and blended finance to extend its impact well beyond the volume of its aid (OECD, 2018b, pp. 29, 31). EU development policy remains legally anchored in poverty reduction and sustainable development, most

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directly through Article 208 TFEU and the external-action principles of Article 21 TEU (European Union, 2016a, Art. 21 TEU; European Union, 2016b, Art. 208(1) TFEU). Its financing architecture, however, has recently developed towards the investment logic described above. EU development cooperation has historically combined grant-based public finance with a geographically fragmented set of instruments and regional facilities (Küblböck & Grohs, 2019, pp. 14–15). With the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI–Global Europe/NDICI) in 2021, that architecture was consolidated and reoriented toward blending, guarantees and the mobilization of additional public and private capital, with the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee (EAG) as the budgetary tools for doing so (European Parliament & Council, 2021; European Commission, 2021, p. 3).

The NDICI investment framework presented EFSD+ and the EAG as €53.5 billion in "fire-power", with €51 billion of actual guarantee capacity (with €39.1 billion for EFSD+), having the potential to mobilize more than half a trillion euros in investments (European Commission, 2021, p. 3; European Court of Auditors, 2024, p. 4). How well this instrument works is harder to establish than the headline suggests. Providing the first audit of the framework, the European Court of Auditors (ECA) reports that the Commission had concluded EFSD+ guarantee agreements worth approximately €28 billion, around 70% of EFSD+ guarantee capacity. In contrast, only 10 Open Architecture guarantee agreements had been concluded, amounting to roughly €1.3 billion, or about 10% of the amount envisaged for that component (European Court of Auditors, 2024, pp. 16, 18). Aggregate capacity, in other words, says little about conversion.

The *conversion gap* examined in this thesis is therefore not a gap between promise and failure. It is the distance between the guarantee capacity the EU makes available and the operations actually signed under it — first between capacity and concluded guarantee agreements, and then between those agreements and the operations that borrowers sign with. The EAG provides the EU with substantial risk-cover capacity, and EFSD+ is designed as the main investment package through which technical assistance and financial instruments reach partner countries (European Court of Auditors, 2024, pp. 4–6). However, translating available capacity into signed operations has remained a challenge, particularly under the Open Architecture, where the conclusion of guarantee

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agreements has lagged behind the overall guarantee envelope (European Court of Auditors, 2024, p. 18).

Guarantees are meant to make projects bankable, which means financeable under risk-return conditions that an investor can accept (McCoy & Schwartz, 2023, p. 20; UN-OHRLLS, 2020, pp. 5–6), and they do so by altering the risk-return profile (Garbacz et al., 2021, pp. 11, 13–16). The policy conditions attached to EFSD+, however, can create non-financial frictions of a different kind, which can prevent the available capacity from being converted into signed operations. Two explanations compete, and they are not easy to separate. Operations may not reach signature because the underlying projects are not financially viable, or because projects that are in principle viable are confronted with institutional requirements they cannot meet. This possibility, that the very requirements which make the guarantee accountable also hinder its deployment, is what this thesis terms the *guarantee paradox*. The second explanation can only be examined if the first one is held constant, and the research question has been formulated accordingly:

To what extent do EFSD+ policy constraints explain the conversion gap between EAG capacity and signed operations under NDICI–Global Europe, controlling for project-level financial bankability?

The scope of this question is intentionally limited. It refers to a single guarantee architecture within a budgetary period, namely EFSD+ and the External Action Guarantee under the Multiannual Financial Framework (MFF) 2021–2027. This bounded design keeps the institutional rules, actors and reporting framework sufficiently consistent to trace the conversion from committed guarantee capacity to signed operations. This allows an assessment of policy constraints against the competing explanation of project-level bankability. A broader timeframe would introduce changes in mandates, procedures and market conditions, making it more difficult to identify what actually explains the conversion gap.

The timing makes the question more pressing. As the 2021–2027 MFF approaches its end, the debate on the 2028–2034 framework is already assessing the existing architecture, and it does so under conditions that mirror the tension with which this introduction began. EU resources are under pressure from defense, security, enlargement and competitiveness agendas. The Draghi Report calls for a concentration of budgetary resources on strategic priorities and European public goods (Draghi, 2024, pp. 65, 68) and policy commentary

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warns that these pressures risk diverting resources from global development objectives and turning external financing more explicitly into a geopolitical instrument (Di Ciommo & Jones, 2025). Shrinking resources in the face of ever-greater challenges was the original justification for shifting from grants to guarantees. If the guarantee capacity does not reliably convert into signed operations, that justification weakens on its own terms. Understanding why conversion stalls and what proportion can be explained by policy constraints is therefore of acute relevance for shaping discussions and improving future frameworks for the efficient use of public resources and the achievement of the SDGs as a whole.

This research proceeds in four steps. Chapter 2 develops the conceptual and institutional background, distinguishing development finance, crowding-in, blended finance, additionality and bankability. Chapter 2 further traces how EU external finance moved from dispersed grant and blending facilities toward a consolidated guarantee architecture, setting out the NDICI–Global Europe and EFSD+ framework. The chapter concludes by presenting the private-sector criteria against which that architecture must operate. Chapter 3 establishes the research design, a semi-systematic literature review that develops five candidate mechanisms, an explicitly operationalized control for project-level financial bankability, and an explaining-outcome process-tracing procedure. Chapter 4 applies the five mechanisms to a documented corpus of EU evaluation, audit, budgetary and reform documents and assesses to which of them the conversion gap can be traced in order to answer the research question. Chapter 5 concludes by restating the answers to the research question, setting out the limits of what a document-based design can establish, and identifying where the concept could be tested next.

2. Background

2.1 Fundamental concepts of development finance

This research moves across five related concepts, each doing distinct analytical work. Development finance is the broad policy field. Within this field, crowding-in is the strategic objective of mobilizing additional capital. Blending is one instrument used to pursue the mobilization objective. Additionality is the criterion that legitimizes the public resources committed to blending. Finally, bankability is the operational condition that determines whether private capital can be involved. This section defines each concept individually, since the chapters that follow depend on keeping them analytically distinct.

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Each instrument and concept carries a different part of the analysis. Bankability supplies the control variable in Chapter 3; additionality supplies the legitimacy test applied in Chapter 4; and crowding-in supplies the mechanism that the guarantee architecture is meant to deliver. The sources used across Chapter 2 provide conceptual and institutional background. The references used in the background section are not necessarily identical with the coded corpus analyzed in Chapter 4, whose selection and exclusion decisions are documented in Appendices A-D.

The starting point is the term development finance, which can be broadly described as public or private finance deployed with a development mandate (OECD, 2025a, p. 15). Recent developments have moved to alter the public side of development finance as it is increasingly expected to act as a catalyst for other capital rather than primarily fund projects (Development Committee, 2015, p. 1). The term “crowding-in” captures this logic directly. It explains the concept as the intended mobilization of commercial finance through public intervention, typically by improving a project's risk-return profile through guarantees, concessional loans, blending facilities or technical assistance (OECD, 2018a, p. 7; Development Committee, 2015, pp. 2–3).

Blended finance operationalizes this crowding-in logic. It refers to the strategic combination of public or concessional development finance with private or commercial capital to support projects with development objectives (OECD, 2018c, pp. 3, 57; OECD, 2025a, p. 15). The public contribution can take several forms, including grants, guarantees, first-loss tranches, interest-rate subsidies or technical assistance, and its function is to reduce risk, lower cost, improve project preparation or increase expected return sufficiently to attract private investors (European Commission, 2015, p. 3; Küblböck & Grohs, 2019, p. 9). It further aims to engage a more diverse range of actors in the work to solve development challenges (OECD, 2018c, p. 3).

Blended finance is only one modality within this wider development finance architecture and should not be treated as a synonym for it. The distinction is relevant because EU external action continues to finance poverty reduction, human development, education, health, governance, civil society and crisis response through grant-based instruments (European Parliament & Council, 2021, Article 27(1), Annex II). The increasing importance of blending therefore does not indicate that grant-based cooperation is disappearing; rather, it indicates that certain parts of EU external financing are moving

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towards instruments in which development objectives are combined with the mobilization of private investment (Bilal & Große-Puppenthal, 2016, pp. 1, 5; European Parliament & Council, 2021, Recitals 62, 65). This thesis focuses on the public and publicly backed segment of development finance, particularly the EU budgetary guarantees and accompanying instruments implemented through EFSD+.

Among the instruments used for blending, guarantees work differently from the rest, and that difference matters for what follows. The guarantor commits to cover specified losses if a defined event occurs (Garbacz et al., 2021, p. 13). Unlike direct lending or equity investment, a guarantee may never be triggered, and the resources backing it are only called if the supported borrower or project cannot meet its payment obligations (Sial & Chandrasekhar, 2024, p. 6; World Bank, 2025, p. 12). The effect on a transaction is therefore indirect. A partial credit guarantee covers part of the debt service in the event of default. This can improve the borrower's creditworthiness and allows them to potentially secure better financing terms, including lower interest rates (World Bank, 2025, p. 17). A first-loss guarantee absorbs initial losses and protects other lenders, making the investment more attractive to investors who would otherwise be unwilling to participate (Sial & Chandrasekhar, 2024, p. 12; World Bank, 2025, p. 17). Two consequences follow. First, budgetary exposure is not immediate and depends on a project's risk, which is why a comparatively small provision can stand behind a much larger volume of operations, as Section 2.3 sets out (Garbacz et al., 2021, p. 11; European Commission, 2024c, pp. 2–3). Second, and more importantly for this thesis, a guarantee changes the terms on which a project is financed but does not necessarily create the project. Its effectiveness therefore still depends on the existence of sufficiently attractive project characteristics such as appropriate pricing (World Bank, 2025, p. 7; Garbacz et al., 2021, p. 25).

In the field of development finance, an instrument's legitimacy depends on additionality, which refers to requirements that justify the use of public money (OECD, 2018c, pp. 31, 70). Under the NDICI–Global Europe Regulation, additionality requires that EFSD+/External Action Guarantee support enable operations that would not have been possible without the guarantee or achieve significantly better results than would otherwise have been attainable, while also attracting private-sector funding, addressing market failure or sub-optimal investment conditions, and avoiding the displacement of other public or private finance (European Parliament & Council, 2021, Art. 2(10)).

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The blended-finance literature typically separates this into financial and developmental additionality. Financial additionality asks whether private investment would not have been financed without the public contribution (Küblböck & Grohs, 2019, p. 9). Development additionality, by contrast, asks whether the transaction produces better development outcomes than could have been achieved without additional private resources (Küblböck & Grohs, 2019, pp. 9–10; OECD, 2018c, pp. 31, 140). The distinction matters because a project can mobilize substantial private capital without producing strong development results, just as a socially valuable project can generate real development benefits while remaining unattractive to private investors on risk-return grounds alone (Küblböck & Grohs, 2019, pp. 9–10). Without this test, a public guarantee risks becoming a market-distorting subsidy for investment that would have occurred anyway (Küblböck & Grohs, 2019, p. 7). An early assessment of the predecessor blending facilities by the European Court of Auditors illustrates the stakes. Half of the projects examined had no convincing evidence that an EU grant had been necessary for the associated loan to be contracted, and in some cases the investment could plausibly have proceeded without EU support at all (European Court of Auditors, 2014, p. 20).

Bankability is the operational condition beneath all of this. It refers to the extent to which a project has the financial and institutional characteristics required to attract investors under acceptable risk-return conditions (Garbacz et al., 2021, p. 31; UN-OHRLLS, 2020, pp. 5–6). From the investor's perspective, these characteristics combine predictable revenue expectations, credible risk allocation, a clear legal and regulatory framework, as well as a financial structure that allows a financier to assess repayment capacity and expected return (Ng & Loosemore, 2007, pp. 66, 69; Grimsey & Lewis, 2005, pp. 347, 374). The EEFIG Underwriting Toolkit, developed for energy-efficiency lending, puts this more precisely. It treats bankability not as a property a project either has or lacks, but as a measure of whether a development objective can be translated into a proposition that a financial institution can assess, underwrite, and monitor (EEFIG, 2017, pp. 1–2, 42). The translation also depends on the specific perspective and requirements of the relevant financier. Commercial lenders emphasize risk, leverage, maturity, and financing costs, while public and development actors may also place weight on social, economic, and environmental returns (UN-OHRLLS, 2020, pp. 5–6). Read this way, many developmentally important interventions are not automatically bankable, particularly

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where social returns are high but commercial returns are weak or uncertain. This also highlights the main goal of blending and guarantees, and the rationale of their existence.

Taken together, the five concepts describe an expanded toolkit whose use depends on a legitimacy test that not every development priority can pass. Where risk absorption and that test pull in different directions, the result is the tension introduced as the guarantee paradox in Chapter 1 and examined empirically in Chapter 4.

2.2 A brief history of blended finance in the EU

The road from grants to guarantees did not start in Brussels. It started with an accounting reform. At the 2014 OECD DAC High-Level Meeting, donors agreed to modernize how ODA is measured, and the declared goal was to strip out the disincentives facing private sector instruments such as loans, guarantees, mezzanine finance and equity extended to enterprises in developing countries (OECD, 2014, Recital 13–14, Annex III). Because these instruments are non-concessional or only mildly so, they would otherwise fall outside ODA altogether and be registered as nothing more than other official flows (OECD, 2014, Annex III; OECD, 2016, p. 2). The implication can be derived that once mobilization-oriented instruments count toward a donor's effort, the incentive for donors shifts toward lending and providing guarantees, not just to giving grants. The World Bank/IMF Development Committee underlined the importance a year later, framing the SDG financing challenge as a jump from the billions available in ODA to the trillions actually needed, providing further mandate for public development finance acting as a catalyst for other flows rather than the main source of funding (Development Committee, 2015, pp. 1–2). The OECD's definition of blended finance finally codified this shift. It tied the identity of blended finance to its purpose, the strategic mobilization of additional finance for sustainable development, rather than to whether the actor behind it was public or private (OECD, 2018c, pp. 13–14, 22–23).

Within this broader transformation of global development finance, the European Union occupies a unique position as it is not only a development donor. The EU is a regulatory actor and budgetary authority that can combine financing instruments with technical assistance and policy dialogue under its external action framework (Erforth, 2020, p. 1; Küblböck & Grohs, 2019, pp. 14–15). This combination of roles makes the EU a particularly relevant case for this research. It not only supplies or guarantees finance but also defines the policy objectives and rules governing its use. Under the “policy first”

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principle, it therefore seeks to mobilize private capital toward priorities established through EU and partner-country programming, including investments that would not proceed on market terms alone (Erforth, 2020, p. 18; Garbacz et al., 2021, p. 23; Lundsgaarde, 2023, p. 11). The EU's turn toward blending and guarantees therefore needs to be understood as an attempt to bridge the distance between development needs and investor requirements, rather than simply as an internal budgetary reform (OECD, 2018c, pp. 22–23; OECD, 2021, pp. 8–9).

EU external finance had already been moving in this direction before NDICI–Global Europe. Since the 2007–2013 Multiannual Financial Framework, blending had become an important tool of EU external cooperation (Küblböck & Grohs, 2019, pp. 14–15). The EU's 2011 Agenda for Change, as cited in Prontera and Quitzow (2024, pp. 5–7), explicitly treated blending as an innovative way to encourage private investment and partnerships in development.

Despite its important role in the EU's agenda, the blending architecture before NDICI remained institutionally dispersed across several regional facilities, such as the Africa Investment Platform, Caribbean Investment Facility, Neighbourhood Investment Platform and the Western Balkans Investment Framework (Küblböck & Grohs, 2019, pp. 14–15). These facilities were not financed through one single source, but through different external financing instruments such as the European Development Fund, the European Neighbourhood Instrument, the Development Cooperation Instrument and the Instrument for Pre-Accession Assistance (Küblböck & Grohs, 2019, p. 15). In practical terms, fragmentation meant that similar EU objectives such as investment mobilization, infrastructure finance, SME support and policy leverage were pursued through different geographic platforms, funding sources and implementing channels rather than through one integrated architecture (Küblböck & Grohs, 2019, pp. 14–15; Erforth, 2020, p. 1). This financial fragmentation further led to institutional fragmentation. The European Investment Bank (EIB) had long operated through privileged EU external lending mandates, while national and European development finance institutions sought broader access to EU-backed resources and guarantees (European Commission, 2024c, pp. 57–60; Erforth, 2020, pp. 18–22).

Launched in 2016 and operationalized in 2017, the External Investment Plan (EIP) brought these elements together in an integrated three-pillar structure. The first pillar was

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the European Fund for Sustainable Development (EFSD) and its guarantee mechanism, technical assistance for project development was the second pillar; and measures aimed at improving the investment climate and policy environment in partner countries were the third (Napolitano, 2020, pp. 3–4; Bilal & Große-Puppenthal, 2016, pp. 15–17). This three-pillar structure demonstrates that the EU did not understand mobilization as a purely financial operation. Guarantees were expected to work together with project preparation, market intelligence, regulatory advice, capacity building, and private-sector dialogue (Erforth, 2020, pp. 9–10). The EFSD was endowed with a capital base of €4.1 billion for 2017–2020 and was expected to leverage €44 billion in investment, a leverage ratio of roughly eleven, which illustrates the EU's increasingly ambitious reliance on leverage ratios as a development-finance mechanism (Erforth, 2020, p. 10; Lundsgaarde et al., 2022, p. 59). Under the EFSD, the EU's policy objectives also went beyond generic investment promotion, since the EIP and EFSD were linked to the SDGs, the Paris Agreement, and the EU's concern with addressing the root causes of irregular migration (Erforth, 2020, p. 10). In this sense, the EIP was not just a financing instrument, but a policy-steered attempt to connect European external objectives with private-sector mobilization through public risk-sharing (Erforth, 2020, pp. 9–10).

The importance of the EIP lies in its role as a blueprint for the later NDICI/EFSD+ architecture (Erforth, 2020, p. 10). Erforth argues that the EIP and EFSD served as models for instruments to be integrated into the future NDICI proposal, and that the EU was shifting away from subsidizing interest rates toward de-risking instruments designed to attract both public and private investors (Erforth, 2020, p. 10). The Commission's NDICI proposal envisaged developing the EFSD into EFSD+, combining a worldwide blending facility with a new External Action Guarantee (EAG) and a larger geographical scope (Napolitano, 2020, pp. 3–4, 6). This sought to overhaul a fragmented external financial architecture by integrating eleven existing instruments into one more flexible, consistent, and simplified system (Erforth, 2020, p. 1). On its way towards the NDICI, the EFSD opened EU external finance by making six categories of counterpart institutions eligible for guarantee cover, loosening the EIB's previously exclusive position (Lundsgaarde, 2017, p. 16; Erforth, 2020, p. 10). This was not a general liberalization, however. The same design that opened the field also installed the means of steering it: eligibility gates, approval boards, and ultimately Commission management of the External Action Guarantee, so that each extension of access came with a mechanism of control (Erforth,

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2020, pp. 19–21; Prontera & Quitzow, 2024, pp. 13–14). This is why the move from EFSD to EFSD+ under NDICI should be read not only as a scaling-up of financial capacity or a consolidation of frameworks. It should also be read as part of a broader pattern, in which EU governance reform sought to open the framework to include multiple implementing institutions while simultaneously centralizing strategic control (Erforth, 2020, pp. 20–22).

As the next step of consolidation, EFSD+ is even broader than EFSD because it sits within the External Action Guarantee, which covers EFSD+ operations as well as macro-financial assistance and Euratom loans (European Court of Auditors, 2024, pp. 35–36). The External Investment Plan was therefore the transition point between earlier EU blending facilities and the later NDICI/EFSD+ architecture: it tested the use of guarantees, open access for different financial institutions, and investment-climate support as tools for mobilizing finance in partner countries (Erforth, 2020, pp. 9–10; European Court of Auditors, 2024, pp. 35–36). Global Gateway, launched in December 2021 as the EU's strategy for external investment, added a more explicit infrastructure, industrial-policy and geopolitical layer to the consolidated EU external-finance architecture. It linked development finance to investment in digital connectivity, climate and energy, transport, health, education and research, while positioning these investments as an alternative model of international connectivity (Tagliapietra, 2024, pp. 1327–1329). Critical scholars interpret this shift differently. Instead of treating de-risking as a neutral means of expanding available finance, initiatives such as Global Gateway are seen as a reorientation, turning public policy toward the construction of investable assets for institutional capital. Critics argue this risks development priorities and policy space becoming subordinated to investor risk-return requirements (Gabor & Sylla, 2023, pp. 1171–1172; Bougrea et al., 2022, pp. 356–357).

Despite their different evaluations, both official and critical accounts identify the same underlying process. Both sides state that EU external finance has become more investment-oriented and geopolitical, with development cooperation increasingly expected to mobilize capital, advance strategic partnerships and EU policy priorities, while remaining formally anchored in sustainable development objectives (European Court of Auditors, 2024, pp. 35–36; Karaki et al., 2022, pp. 18–21; Bougrea et al., 2022, p. 357).

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This shared diagnosis makes the preceding institutional history directly relevant to the broader bankability argument of this thesis. The EU's external financing architecture has evolved from a dispersed set of grants and blending facilities into a more and more consolidated framework. Its success is increasingly judged by the ability of public guarantees and risk-sharing instruments to translate development objectives into investable projects (Küblböck & Grohs, 2019, pp. 14–15; European Court of Auditors, 2024, pp. 35–36). The practical mechanism is not merely the provision of more EU money, but the attempt to alter project risk, improve preparation, coordinate implementing institutions and crowd in additional capital from public and private investors (Erforth, 2020, pp. 9–10; OECD, 2018c, pp. 22–23). The historical transition towards the NDICI shows that liberalization of instruments and the encouragement of further actors should not be confused with a general desire on the part of the EU to decentralize control.

2.3 NDICI & EFSD+

Section 2.2 traced how the EU arrived at a consolidated guarantee architecture. This section sets out what that architecture consists of, since the analysis in Chapter 4 depends on the budgets it establishes.

The NDICI–Global Europe instrument earmarks €79.46 billion for cooperation with third countries outside the EU, excluding pre-accession beneficiaries and overseas countries and territories, and presents itself as the EU's main financing tool for poverty eradication, sustainable development, prosperity, peace and stability (European Commission, 2021, p. 1). Institutionally, this consolidation matters because NDICI brings together previously separate external action instruments and organizes them through geographic, thematic and rapid-response pillars, complemented by a flexibility cushion for emerging challenges (European Commission, 2021, pp. 1–2; European Parliament & Council, 2021, Art. 6). The €79.46 billion NDICI–Global Europe envelope is structured around the aforementioned main budgetary buckets: a dominant geographic pillar of €60.39 billion, a thematic pillar of €6.36 billion, a rapid-response pillar of €3.18 billion, and an additional flexibility cushion of €9.53 billion for emerging challenges and priorities (European Commission, 2021, p. 2).

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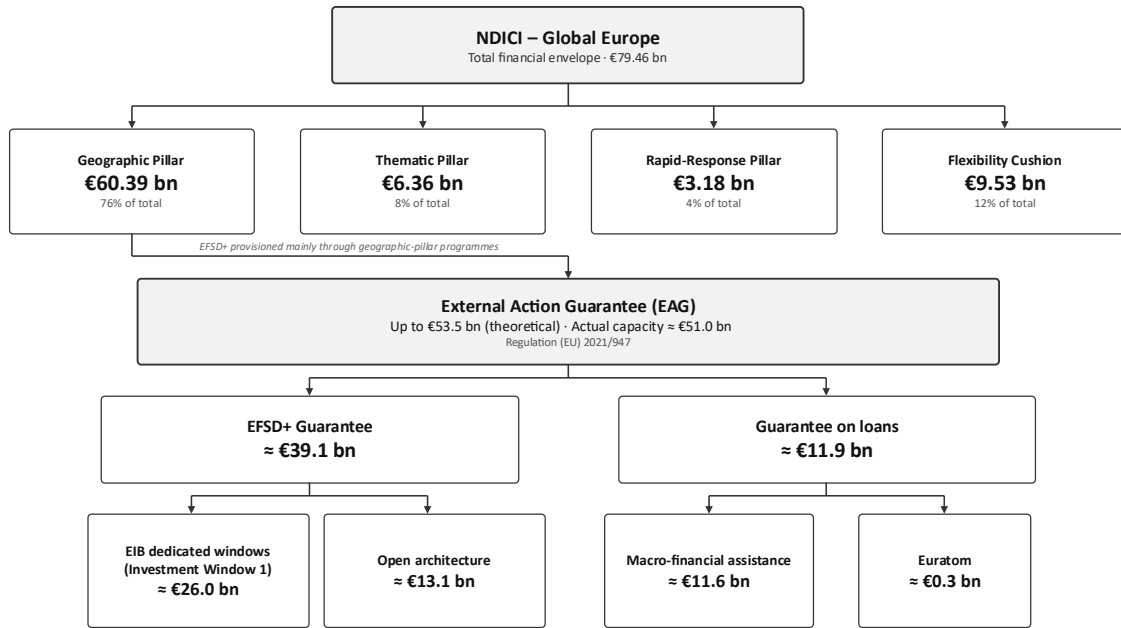


Figure 1. NDICI Framework & Pillars (indicative allocations) – own representation based on European Parliament & Council (2021, Article 6, 31, 36); European Court of Auditors (2024, p. 5); European Commission, 2024c (p. 72)

EFSD+ is the investment framework under NDICI–Global Europe, financed and provisioned through the programs of the geographic pillar, through which the EU combines budgetary guarantees, blending operations, grants, technical assistance and financial instruments to support investment in partner countries (European Court of Auditors, 2024, p. 5). Two governing bodies oversee EFSD+ at different stages of the operational cycle. The EFSD+ Strategic Board is responsible for steering the fund's country- and sector-level allocation across its several policy objectives. The EFSD+ Operational Board reviews individual operations, including blending contributions, and formulates opinions on them before they proceed toward signature (European Parliament & Council, 2021, Art. 33–34).

The broader External Action Guarantee provides actual cover for financing and investment operations up to €51 billion, of which around €39.1 billion relates to EFSD+, while a further €11.9 billion covers macro-financial assistance and Euratom loans (European Court of Auditors, 2024, p. 4). A guarantee of this size does not require an equivalent amount of cash. The EU budget sets aside only a provision for expected losses, which allows for a comparatively modest budgetary commitment to back a much larger volume of financing operations, with an actual budgetary cost arising only if the guarantee is called (European Court of Auditors, 2024, p. 6). Provisioning rates differ between

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windows because different types of operations carry different loss expectations (European Commission, 2025e, pp. 3, 111).

Operationally, EFSD+ works through an investment architecture divided between EIB-dedicated windows of around €26 billion and an Open Architecture of around €13.1 billion for other eligible financial institutions, bringing EFSD+ guarantee capacity to €39.1 billion within the broader External Action Guarantee (European Court of Auditors, 2024, pp. 4–6). Within the EIB-dedicated share of EFSD+ capacity, separate windows apply to different categories of operation: Window 1 covers the bulk of the capacity and is directed at sovereign and non-commercial sub-sovereign operations; Windows 2 and 3 concern commercial sub-sovereign operations and political-risk cover for private-sector operations; and Window 4 supports EIB private-sector operations in African, Caribbean and Pacific (ACP) countries (European Parliament & Council, 2021, Art. 36; European Court of Auditors, 2024, p. 17). Window 4 is treated here as an EIB channel, though €500 million of its cover is drawn from the Open Architecture envelope — a distinction that matters when allocating coverage but not when comparing signed operations (European Court of Auditors, 2024, p. 6).

Other eligible financial institutions access EFSD+ guarantee capacity through Open Architecture rather than through either of the EIB windows (European Parliament & Council, 2021, Art. 36(1); European Commission, 2025e, pp. 66–72).

Access to the Open Architecture is not automatic for any interested institution. A financial institution becomes eligible to implement EFSD+ operations through a pillar assessment, a review through which the Commission evaluates an institution's own systems before entrusting it with EU budgetary guarantee coverage (European Parliament & Council, 2021, Art. 35). The EIB follows a different operational route. Its dedicated-window operations remain subject to the Bank's internal appraisal and are coordinated with the Commission through the Article 19 consultation and subsequent guarantee-approval process; this should therefore be distinguished from the pillar-assessment procedure governing entry into the Open Architecture (European Commission, 2024c, pp. 70–72).

Two distinct signatures structure the deployment of EFSD+ capacity, and the distance between them carries the research question of this thesis. For each window, three different numbers must be kept apart. The *coverage envisaged* is the ceiling a window is designed to hold, the most relevant for this thesis is the EFSD+ guarantee capacity of €39.1 billion.

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The *guarantee cover* is the amount the Commission commits when it concludes a guarantee agreement with an eligible counterpart. This first signature reserves capacity but moves nothing into a project. *Signed operations* are the underlying transactions that those counterparts then conclude with borrowers — the second signature, at which point the capacity finally reaches the real economy. A guarantee agreement can be concluded at the full coverage envisaged, while the signed operations under it typically accumulate only gradually. The gap between committed cover and signed operations is what this thesis calls the conversion gap, and it is at this second signature that the empirical analysis begins.

The deployment of guarantee capacity points to a recurring logic of mobilization. The preceding chapters worked at the level of concepts and traced the evolution toward NDICI–Global Europe; this chapter turns to the Regulation itself. The mobilization logic is legally explicit: Recital 65 states that EFSD+ should “maximize additionality,” address “market failures and sub-optimal investment situations,” operate as a “one-stop-shop,” and measure the “leveraging effect” of EU support (European Parliament & Council, 2021, Recital 65). The mobilization logic is also embedded in the legal objectives of EFSD+. Annex V of the NDICI Regulation specifies that EFSD+ operations supported by the External Action Guarantee should provide finance and support to private and cooperative sector development, address bottlenecks to private investment through financial instruments and guarantees, and leverage private sector financing, particularly for SMEs and infrastructure-related investments (European Parliament & Council, 2021, Annex V(a)–(c)). Furthermore, the key performance indicators of the Regulation include not only social, climate and sectoral outputs, but also the “leverage of investments and multiplier effect achieved,” making private-capital mobilization a codified performance concern rather than a merely rhetorical policy ambition (European Parliament & Council, 2021, Annex VI(9)). Apart from codification, the Commission presents the goal as having a potential leverage effect for sustainable development, aiming to mobilize more than half a trillion euros in investment during 2021–2027 (European Commission, 2021, p. 3).

The framework therefore has a set of different goals that define its own success. Poverty reduction remains the legal objective, but the performance framework also tracks leverage and multiplier effects, which measure the behavior of capital rather than outcomes for people (European Parliament & Council, 2021, Art. 3(1)(a); Annex VI(9)). Both may be achieved at the same time, but nothing in the design guarantees that they will. Whether

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they do is not visible in the size of the guarantee envelope. It becomes visible only at the second signature, when an implementing institution commits to an actual operation, which is where the analytical part of this thesis begins.

2.4 The private-sector perspective on bankability

The private-sector perspective in development finance starts with a different problem definition than the public policy perspective. Public actors usually frame the financing gap as a shortage of resources for development objectives. At the same time, private financiers approach the same field as an allocation problem: capital is available, but it will only move when the risk-return profile, transaction structure, regulatory treatment, ticket size, and implementation conditions fit the investor's mandate (Development Committee, 2015, pp. 2–3; OECD, 2021, pp. 9, 16, 40–41; Wullweber et al., 2025, p. iv). This distinction is important because it shifts the analytical focus from mobilization as a policy ambition to bankability as an operational condition. In other words, private capital is not mobilized simply because a project is socially desirable or aligned with the SDGs. Mobilization is possible when a project can be processed, priced, risk-managed, and approved within the internal decision logic of banks, institutional investors, or other financial actors (McHugh, 2024, p. 9; OECD, 2021, pp. 17, 19, 31, 40–41, 53).

Following the World Bank's "From Billions to Trillions" agenda, the private sector is increasingly presented as a necessary actor because public development budgets are insufficient to meet SDG-related investment needs, especially in infrastructure, energy, agriculture, health, digital services, and local private-sector development (Küblböck & Grohs, 2019, pp. 6–7; UNCTAD, 2020, pp. xv, 176). The literature also shows that this argument can be misleading if it treats private capital as a homogeneous pool waiting to be unlocked. Private actors differ substantially. Actors such as commercial banks, project sponsors, infrastructure funds, pension funds, insurers, sovereign wealth funds, impact investors and local financial intermediaries each have different time horizons, capital constraints, liquidity needs and risk mandates (OECD, 2021, pp. 15, 17).

Before those differences matter, it is worth being precise about what these actors have in common. Capital budgeting follows established procedures. This due-diligence process is called appraisal and represents a structured assessment in which a financier tests a project's characteristics, such as revenue assumptions, against their requirements before committing capital (Owolabi et al., 2015, p. 118; Graham & Harvey, 2001, p. 273). In

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Graham and Harvey's survey of 392 chief financial officers, net present value and the internal rate of return (IRR) dominate project appraisal, and firms adjust explicitly for interest-rate, exchange-rate, business-cycle, and inflation risk (Graham & Harvey, 2001, pp. 203–205). Two features of this matter here. First, the payback period, necessary to calculate the net present value, remains widely used alongside discounting measures. These calculations make the speed at which capital returns a distinct criterion to consider rather than a by-product of total return (Graham & Harvey, 2001, pp. 197–200). Second, risk adjustment is specific rather than categorical. Investors do not price developing countries as a single category. Instead, they look at specific factors, such as currency stability, country conditions, government policies, and the time to pay off a project. In addition, investors must adhere to strict limits on how much they can invest in certain sectors or political environments (McHugh, 2024, pp. 8–9; Choritz et al., 2018c, pp. 59–60). Taken together, a long-term infrastructure project in an unstable local currency presents a twofold challenge. The extra risk of its extended investment horizon, and the combined threat of country, project, and currency fluctuations. Combined, these factors either make the project too expensive to fund or push it outside the investor's permitted investment range (World Bank, 2025, p. 7; Wullweber et al., 2025, p. 12).

For institutional investors, the relevant filter is more portfolio-based, as the asset must be sufficiently large, stable, transparent, long-term, and compatible with fiduciary duties and internal allocation rules (OECD, 2021, pp. 8–9, 15–19; Wullweber et al., 2025, p. 13).

The set of demanding criteria shows that, for the private sector, projects require more than a positive development rationale. This is why the development finance literature increasingly distinguishes between the existence of capital and the existence of investable projects (Wullweber et al., 2025, p. iv). The "lack of bankable (green) projects" argument therefore points less to a shortage of capital than to the institutional and financial conditions under which a project becomes executable for private actors (Wullweber et al., 2025, p. iv). The word "green" is telling, since it directs attention towards energy and infrastructure, which absorb a large share of development-relevant investment. Recent market data confirms this: the energy sector accounts for nearly one third of blended-finance transactions and 47% of total blended capital flows (Convergence Blended Finance, 2024, p. 10). Investments of this kind are capital-intensive and long-dated. For this reason, in order to understand the private sector's perspective, the fundamentals of project financing must be explained.

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Large, capital-intensive projects are typically financed through separate, dedicated companies, so-called special purpose vehicles. Steffen (2018) explains the underlying rationale. Project finance relies on a legally and commercially separate project company whose loan payments depend primarily on the project's own future cash flows, rather than on the broad resources of the implementing companies or the sponsor's assets (pp. 281–282). This structure can help isolate project risks and enable large infrastructure investments. However, it also raises transaction costs because technical, legal, financial, and commercial due diligence must be carried out in detail (Steffen, 2018, pp. 281–282). The implication that follows is directly relevant for development finance. The structure of transaction costs shows that small or highly localized projects may be valuable from a development perspective but too costly to structure as standalone private finance transactions. In this sense, ticket size is not only a practical inconvenience but also a crucial part of the economics of bankability, especially in low-income countries (LICs) (Attridge & Engen, 2019, p. 51).

Where these criteria become contractual is in the network of agreements surrounding the project company. Because lenders have limited or no recourse to the sponsor. Agreements such as offtake, supply, and construction contracts do the work a balance sheet would otherwise do, by restricting the discretion of sponsors and making future cash flows verifiable for the parties lending against them (Corielli et al., 2010, pp. 1296–1299). This contractual design is priced. Well-constructed contracts tend to borrow more cheaply and can take on more debt, and sponsors generally assemble the contractual architecture first and negotiate financing afterward (Corielli et al., 2010, pp. 1316–1318). Information about that architecture is priced as well. In emerging markets, certification by an experienced local bank –positioned to screen local projects and their contractual structures– measurably reduces loan spreads (Ahiabor & James, 2019, pp. 150–151, 165–166). Complexity in project finance is therefore not a vague complaint about paperwork. It is a cost that appears in spreads, the debt-to-equity ratio, and eventually in whether a transaction closes at all.

Contractual design and information lead to the general factor of complexity. Complexity and the ability to manage it are also priced in the literature on risk allocation. If risks are underestimated or allocated to actors without the capacity to manage them, the result may be delays, higher costs and weak value for money (Ng & Loosemore, 2007, p. 66). This is particularly relevant for development finance because many target markets combine

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high investment needs with weaker regulatory systems, limited local capital markets and higher political risk (Attridge & Engen, 2019, pp. 53, 56). Private finance can participate, but only if risks are either priced, mitigated, shared or transferred in a way that leaves the investment compatible with the investor's risk mandate (Attridge & Engen, 2019, p. 56).

Political and governance risk shapes which contractual protections are available in the first place and, therefore, how a transaction can be structured (Byoun & Xu, 2014, pp. 125–126). More directly relevant here, political risk predicts the participation of development banks in project-finance syndicates because private lenders treat the presence of such an institution as a safeguard against opportunistic behavior by the host state (Hainz & Kleimeier, 2012, pp. 289–290). This is a precise implication. Private capital has already assigned public development finance to a defined role within its own risk calculation, and that role is narrower than the mobilization literature sometimes implies. A traditional government or development bank guarantee can shield private investors from political risk. However, a guarantee alone cannot remedy weak project economics or fundamental flaws in the project structure.

Blended finance enters at this point by extending risk mitigation beyond non-commercial or sovereign risks. Political risk guarantees, traditionally used in project finance, protect investors against government-related events such as breaches of contract and political violence. In comparison, blended-finance structures can also use risk mitigation instruments to absorb specified commercial or financial losses. This allows blended finance, to a limited degree, to indeed address weak project economics, improving the project's risk–return profile for private investors (World Bank, 2025, pp. 16–19). This can be done through several blending instruments. Beyond grants, concessional loans, subordinated capital, junior equity, and currency risk-sharing facilities (World Bank, 2025, pp. 6, 12, 17–19), guarantees remain central to blended finance. Their distinctive feature is that they change who bears losses, and in what order, without requiring large upfront public disbursement. A first-loss guarantee absorbs initial defaults, thereby shielding senior investors from the earliest losses; a partial credit guarantee covers part of the debt service in default, improving the creditworthiness of the guaranteed debt and the financing terms available to the borrower (World Bank, 2025, pp. 17–19). In private-sector terms, the purpose is not simply to subsidize a project, but to convert a non-bankable or marginally bankable transaction into one that can pass internal credit, investment, and portfolio approvals.

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This ability to transform a project's underlying financial profile, rather than simply mitigate risk, defines the foundational premise of blended finance: using public or concessional resources to mobilize additional finance for development-oriented investments that would not otherwise happen on purely commercial terms (Küblböck & Grohs, 2019, pp. 7–9).

However, this conversion mechanism is not frictionless. McHugh's interview-based study of senior investment bankers shows that bankability depends not only on project risk and profitability but also on execution format, reporting requirements, taxonomies, risk mandates and the degree of alignment between development finance institutions and private banks (McHugh, 2024, pp. 2–6). This is a crucial insight for the present thesis because it suggests that a project can be financially attractive in abstract terms and still fail to convert into a signed operation if the surrounding institutional process is too complex, slow or misaligned with private-sector requirements. The issue is not only whether private capital wants returns; it is whether the transaction can be standardized, documented, risk-assessed and approved within the time and capacity constraints of real financial institutions.

The same pattern appears in sector-specific evidence. Rode et al. (2019) show that sustainable landscape investments often face a mismatch between investor requirements and the realities of projects on the ground (pp. 1–2). Their case study finds that transition activities may require technical assistance, monitoring, safeguards, coordination with local institutions, and governance arrangements that raise transaction costs and make investment structures harder to scale (Rode et al., 2019, pp. 3–4, 8). This is relevant beyond land-use finance because it illustrates a broader problem in development finance: projects with strong social or environmental logic often carry additional process burdens that private investors do not automatically price as value. Unless those burdens are absorbed, simplified or compensated, they can weaken bankability even when the development case is strong.

The EU's external investment architecture must be understood against this background. The European Fund for Sustainable Development (EFSD) and later EFSD+ were designed to use EU resources more strategically by combining grants, blending and guarantees to crowd in private investment and support sustainable development objectives (Napolitano, 2020, pp. 3–7). Under NDICI–Global Europe, EFSD+ became

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substantially larger and more geographically comprehensive. Formally, this architecture is built for leverage and mobilization (European Parliament & Council, 2021, Annex VI(9)). Operationally, it still depends on whether projects can be translated into financeable transactions.

This is where the private-sector background becomes directly relevant for analyzing EFSD+. The findings suggest that public guarantees are only one layer of the mobilization problem. The layers that remain are the ones the private-sector logic surfaced along the way, and they are worth naming plainly, because the assessment of EFSD+ turns on them: project preparation, transaction design, institutional capacity, implementation speed, reporting standards, and the ability to match private-sector mandates.

For the EU specifically, recent policy analysis highlights that the private sector is expected to play a stronger role under EFSD+ or Global Gateway, including through co-investment at fund or project level and through indirect participation via investment structures that are supported by Development Finance Institutions (DFIs) (Karaki et al., 2022, pp. 5–6, 15). At the same time, the EU's approach embeds policy criteria that are broader than private bankability alone: measurable development impact, additionality, market neutrality, shared interest, demonstration effects and environmental, social and fiscal standards (Karaki et al., 2022, pp. 5–6). These criteria are normatively necessary because public guarantees must remain tied to development objectives (European Parliament & Council, 2021, Article 31(2), 35(2)). Nevertheless, they also create the analytical tension at the center of this thesis. EFSD+ is intended to make transactions more bankable for private capital, but it does so through an EU policy framework that adds eligibility, reporting, additionality, governance and development-effectiveness requirements.

This tension should not be treated as a contradiction to be resolved too quickly. It is more useful to see it as the central background condition of guarantee-based development finance. Guarantees are meant to reduce private-sector risk, but the public mandate attached to them can increase procedural complexity. The conversion gap between committed cover and signed operations may therefore emerge not only because too few underlying projects are financially viable, but also because those that are must still pass two partly different tests: private financial bankability and EU policy compatibility. This is the point at which private-sector literature becomes directly relevant to the research

question, as it enables distinguishing project-level financial constraints from policy-induced conversion frictions under EFSD+.

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3.1 The research question and analysis framework

The tension introduced earlier can now be stated as a question the analysis is designed to answer. It remains unclear whether the gap between committed guarantee coverage and signed operations reflects a shortage of financially viable underlying projects or frictions arising from the policy conditions the EU attaches to that coverage. These are two different explanations, even if they overlap in practice, and each points to a different cause. The analysis keeps them separate rather than assuming one is the main driver, which leads to the following research question:

To what extent do EFSD+ policy constraints explain the conversion gap between EAG capacity and signed operations under NDICI–Global Europe, controlling for project-level financial bankability?

The independent variable is *EFSD+ policy constraints under NDICI–Global Europe*. These include the rules, procedures, eligibility requirements and institutional conditions that shape how guarantees are approved, structured, reported and operationalized. The EU's own reform agenda reinforces the relevance of this focus. The Commission's 2025 proposal to amend the NDICI–Global Europe Regulation is explicitly framed around increasing the efficiency of the External Action Guarantee and includes simplification measures such as consolidating guarantee and technical-assistance arrangements, reducing the frequency of financial reporting, and streamlining blending procedures (European Commission, 2025a, pp. 2–3). This does not prove that policy constraints caused individual projects to fail, nor does it imply that EFSD+ lacked demand. It does, however, support the narrower claim of this research that the *conversion gap* between committed guarantee cover and signed operations, the dependent variable of this research, depends in part on institutional design. This makes the research question institutionally embedded and grounded in the EU's external-financing architecture, rather than a generic inquiry into why private capital is scarce in developing markets. At the same time, the research design avoids attributing all delays or unsigned operations to friction in EU governance. By controlling for project-level financial bankability, the thesis separates two

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competing explanations: projects may fail to reach signature either because they are financially non-viable, or because otherwise bankable projects face policy-induced implementation constraints. The central analytical move is therefore to ask: after accounting for financial bankability, to what extent can the remaining conversion gap plausibly be explained by EFSD+ policy constraints?

This is the phenomenon the thesis sets out to examine. It does not argue that EFSD+ is ineffective. Instead, it investigates whether the instrument produces a guarantee paradox, an inherent contradiction. The same policy architecture designed to de-risk investment and mobilize private finance may also generate transaction-level frictions through complex negotiation, coordination, reporting, and approval requirements. These frictions are expected to slow deployment, raise administrative and transaction costs, and constrain the flow of signable operations, thereby offsetting part of the improvement in risk-adjusted attractiveness that the guarantee creates.

3.2 Review design and sources

Given the limited accessibility of project-level databases, confidential project documentation, and private-sector decision-makers, this thesis relies on a qualitative literature analysis. However, this methodological choice is not only a response to data constraints. It is also appropriate because the research is situated upstream of the conventional debate on capital mobilization outcomes. That debate asks how much private capital signed operations went on to mobilize. This thesis asks the prior question of why committed guarantee capacity converts into signed operations at the rate it does. The object of study is therefore the conversion process that runs from capacity to signature, not the mobilization that follows it. This has a direct methodological consequence. A project-level analysis of completed or approved operations would amount to selection on the outcome: by looking only at deals that reached signature, it would systematically exclude the projects that failed to convert, whether through non-bankability or procedural rejection, which are precisely the cases that reveal the conversion gap. Studying only the survivors would therefore hide the phenomenon the thesis sets out to explain. A qualitative, literature-based approach is better suited to surface the institutional, policy-related, and financial conditions that shape the conversion gap.

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The starting point of this literature review is that blended finance is not a fixed or universally agreed-upon term, but an umbrella concept whose meaning varies across institutions and analytical contexts (Tew et al., 2016, pp. 2, 6; OECD, 2018, pp. 49–52). Accordingly, this review traces its underlying questions across partly separate bodies of literature, including development finance, project finance, policy evaluation, infrastructure governance and private-sector engagement. According to Choritz et al. (2018), a discussion paper by Development Initiatives identified more than 30 definitions of blended finance, with differences relating, among other things, to the sources of funding and whether concessional resources are required (Choritz et al., 2018, p. 14; Tew, 2016, Appendix A). In this research, the definitions matter because the wording and description of the process also shape how actors judge whether public resources have successfully mobilized additional private capital. The boundaries of the definitions further determine whether the mobilized capital merely represents a subsidy of an investment that would have happened anyway (Küblböck & Grohs, 2019, pp. 7–10). This approach also fits Schmidt's discursive institutionalist argument that institutional change cannot be explained only by formal rules or material interests, but must also account for how actors interpret rules, construct meaning, and legitimate their actions within particular institutional contexts (Schmidt, 2016, pp. 1033, 1037).

Bankability entered the research question as the factor to be held constant, the screen that separates policy-induced friction from ordinary project-level non-bankability. However, as Section 2.1 established, bankability is not a fixed technical threshold: it is financier-dependent and shaped by how actors translate a development objective into a proposition a financial institution can assess. A control that is itself interpretively constructed cannot be taken as given. The control process therefore has to be reconstructed before it can be applied, which is what Section 3.4 then does by operationalizing it through the financial-technical criteria. This is why the review takes bankability as its organizing object rather than a settled input. Applied here, this means the criteria through which actors classify a project as bankable are themselves part of what the review must reconstruct. If actors' interpretations shape institutional action, then the criteria through which the Commission, development finance institutions and private investors classify a project as bankable are themselves part of the process being studied. For this reason, the review does not start with one fixed definition of bankability but reconstructs the main analytical perspectives through which the literature explains how projects become investable. This also increases

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the validity of the research, allowing triangulation across three distinct source types: peer-reviewed academic literature, EU primary legal and regulatory documents, and policy working papers and discussion papers that shape the dialogue. Even though this included policy papers and working papers from Italian, French, Austrian, and German institutions, the review was limited to English-language sources.

The inclusion of policy reports, EU documents and institutional evaluations is not intended to place grey literature on the same level as peer-reviewed journal articles. Rather, these documents are treated as documentary material through which EU external finance is defined, operationalized and justified. This distinction is important because this research studies not only academic interpretations of bankability, but also the institutional procedures through which bankability is produced in practice. Bowen defines document analysis as a systematic procedure for reviewing and evaluating documents to elicit meaning, develop understanding and generate empirical knowledge (Bowen, 2009, p. 27). Accordingly, EU documents and policy reports are not used as unquestioned evidence of effectiveness, but as data on how the EU constructs, legitimizes and administers its own financing architecture.

As the importance of different document types and sources in this research is established, Snyder's work provides the methodological starting point by clarifying why a semi-systematic review is appropriate when a research topic is fragmented, interdisciplinary, and conceptualized differently across research traditions (Snyder, 2019, pp. 333–335). Furthermore, it provides direct references to sources such as McColl-Kennedy et al. (2017), which Snyder classifies as an example of the semi-systematic (meta-narrative) approach (Snyder, 2019, p. 335) and which this research used as a documented methodological template for developing a semi-systematic literature analysis. The practical structural guidance taken from McColl-Kennedy et al. demonstrates how an interdisciplinary topic can be made analytically manageable by deriving search terms from different conceptualizations, defining explicit inclusion rules, and coding sources into distinct conceptual approaches (McColl-Kennedy et al., 2017, pp. 4–6). Their approach is useful for this thesis not because its exact principles or journal-only criteria are adopted, but because it shows how transparent selection and coding rules can be developed, justified, and articulated for a field in which concepts are contested across research communities.

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The purpose is to identify recurring conceptualizations and explanatory mechanisms of bankability, not to aggregate outcome evidence or assess effect sizes. A fully systematic review — following, for example, the PRISMA reporting structure — would therefore imply a level of exhaustive retrieval, outcome-based synthesis, and study-level risk assessment that this research design does not claim to provide. However, selected transparency elements associated with systematic review practice, such as explicit inclusion criteria, documented search routes, source-type differentiation, exclusion documentation, and a source-selection matrix, were retained in the appendices A–D to reduce arbitrariness.

The whole research design is depicted in Table 1 to provide an initial overview.

Table 1. Research Design

Methodological Step	Derived from	Operationalization in this Thesis
Use semi-systematic review	Snyder (2019).	The search is structured but non-exhaustive across the literature streams.
Identify conceptualizations	McColl-Kennedy et al. (2017).	Each source is read for how it defines or implicitly conceptualizes bankability.
Snowball to extract the relevant literature	Wohlin (2014).	Forward and backward snowballing identifies additional authors, mechanisms, and debates across the relevant research streams.
Identify associated practice/explanatory approach.	McColl-Kennedy et al. (2017).	Each source is analyzed to identify the mechanism by which bankability is enabled or precluded.
Cluster sources thematically	Snyder (2019); McColl-Kennedy et al. (2017)	Sources are grouped into schools according to recurring causal logics.
Close the search on pre-set terms of saturation	Levy & Ellis (2006); Webster & Watson (2002)	The search stops once further sources yield no substantively new concepts, arguments, authors, methods, or analytical categories.
Explaining outcome process tracing	Beach & Pedersen (2013).	The schools are treated as candidate mechanisms and assessed against the NDICI conversion gap.

3.3 The coding process

The coding procedure was derived from the logic of thematic synthesis rather than from a predefined typology of bankability. This follows the structural guidance from McColl-Kennedy et al. and accounts for Bowen’s warning that documents should not be treated as sources for the complete picture; rather, the researcher must establish the meaning of the document and its contribution to the issue under investigation (Bowen, 2009, p. 33).

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McColl-Kennedy et al. operationalize terms within a plural field of research by coding articles according to the conceptualization of the central object of analysis and the associated practice approach through which that object is explained (McColl-Kennedy et al., 2017, pp. 3–8). The central object of this study is bankability, while the associated practice approach becomes the mechanism through which bankability is produced, constrained, or contested. Each source was therefore coded through two questions:

- I) How does the source define or imply bankability?
- II) What factor does the source identify as the primary driver of bankability or its failure?

The coding procedure was designed to avoid turning the review into a confirmation exercise for the conversion-gap argument. The two coding questions were deliberately formulated at a higher level of abstraction than the later thesis argument. They do not ask whether a source supports the conversion gap. Instead, they ask how the source understands bankability and what mechanism it identifies as producing or blocking it. This follows Bowen's description of document analysis as an iterative process of skimming, reading and interpretation, combining content analysis with thematic analysis (Bowen, 2009, p. 32). In this review, qualitative content analysis was used to identify passages on bankability, blending, mobilization, risk, institutions and development impact; thematic analysis was then used to compare these passages and detect recurring explanatory patterns.

Before the broader literature search, a seed corpus was established through three targeted searches derived directly from the analytical structure of the research question. Snyder argues that search terms should be based on concepts directly related to the research question, that the search strategy is subject to iterative adjustment, and that inclusion and exclusion decisions should be documented carefully (Snyder, 2019, pp. 336–337).

In this thesis, the three seed-search blocks corresponded to the main analytical components of the research question. First, financial bankability as the control variable; second, the NDICI/EFSD+/External Action Guarantee architecture as the institutional setting and independent-variable context; and third, blended finance, guarantees, and de-risking as the intended causal pathway linking public risk-sharing to private-capital mobilization. Using search strings targeted at the three search blocks, the abstracts of the results were screened, and the final articles were included after full reading to complete

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the selection (Snyder, 2019, p. 337). Snyder emphasizes that inclusion and exclusion decisions should follow explicit criteria, be supported by valid reasons, and be documented transparently, so that the appropriateness of the final sample can be assessed against the purpose of the review (Snyder, 2019, pp. 336–338). The search protocol in Appendices A–D operationalized this requirement by including columns that recorded the mechanism identified in each source and the reason for its inclusion or exclusion. Furthermore, in accordance with Snyder's (2019) recommendation, the search terms were narrowed after small-sample searches to refine the process before the full corpus search was performed (p. 337).

Each block followed the same sequence. Search 1 was narrowed from "bankability" AND "infrastructure" to "bankability" AND "project finance", retaining Steffen (2018), Ng and Loosemore (2007), Owolabi et al. (2020) and Gatti (2013), and was stopped once cash-flow viability, risk allocation, financing structure, transaction costs and lender-facing approval criteria were covered. Search 2 was conducted using EUR-Lex, the Commission and ECA websites, and Google Scholar, since the block required legal and policy sources. It retained Regulation (EU) 2021/947, the Commission evaluation, ECA Opinion 03/2024, and the budgetary guarantee documents, and was stopped once further results repeated the legal design, guarantee capacity, additionality, EIB and DFI roles, and implementation governance. Search 3 was narrowed from "development finance" AND "private sector" through to "blended finance" AND "guarantees" AND "private sector", retaining Küblböck and Grohs (2019), McHugh (2023, 2024), Karaki et al. (2022), the OECD blended-finance sources and Rode et al. (2019), and was stopped once public risk-sharing, additionality, market-structure limits and investor–project mismatch were covered. The full protocol, including search strings, hit counts and the screening behind each retained source, is documented in appendices A–D.

The final corpus consists of 56 sources: 10 for the financial-technical school, 15 for the blended-finance school, 11 for the governance school, 11 for the political-economy school, and 9 for the critical school.

The methodology has two limitations that need to be addressed explicitly. First, the classification of sources is interpretive rather than statistical. The grouping of sources according to qualitative criteria, such as their fit with the research question and their explanation of bankability, creates a risk of subjective selection or confirmation bias. This

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is particularly relevant because Snyder recommends that the reliability of a semi-systematic review can be strengthened through transparent search procedures and, where possible, by involving more than one reviewer in the selection process (Snyder, 2019, p. 337). McColl-Kennedy et al. similarly strengthened their review procedure by consulting an expert panel to verify that the selected practices adequately captured the relevant field (McColl-Kennedy et al., 2017, p. 7). This thesis could not rely on a second reviewer or an expert panel. To reduce this limitation, it uses a combination of source triangulation, journal-quality checks and an explicit audit trail in the appendices. Journal quality was checked against the current SCImago Journal Rank 2025 quartile, with particular attention to whether an article appeared in a Q1 outlet. The current quartile was used rather than the quartile at the time of publication, since rankings shift over time and the current classification is the one a reader can verify. Sources outside Q1 journals were not automatically excluded but required a stronger justification for inclusion, especially when they added a mechanism not covered by higher-ranked academic sources or when they represented important policy or institutional evidence. The appendices therefore document not only the sources that entered the corpus, but also the main exclusion and reserve decisions. This makes the selection process more transparent and allows the review's logic to be reconstructed.

Second, the categories developed in the literature review are not mutually exclusive. A single EFSD+ operation may involve financial, institutional, political-economy, and normative constraints at the same time. The classification is not a claim that each source or project belongs naturally and exclusively to a single category. The goal is to make the different mechanisms visible and to define how they interact within the NDICI/EFSD+ architecture. This limitation was addressed through backward and forward snowballing, following Wohlin's distinction between tracing relevant references cited by core sources and identifying later sources that build on them (Wohlin, 2014, pp. 2–7). This staged search logic is also consistent with McColl-Kennedy et al.'s review procedure, where broad search strategies were used to capture different conceptualizations of a topic, abstracts were screened before full-text reading, and reference lists were scanned to identify additional relevant sources (McColl-Kennedy et al., 2017, pp. 5–6). The seed corpus therefore functioned as a documented entry point into the literature rather than as a closed sample. This also means that the seed corpus was not fixed. Where snowballing produced a source that covered the same mechanism more precisely or with more recent

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evidence, the earlier source was superseded rather than retained alongside it. These decisions are documented in the exclusion table in Appendix D.

Snowballing made it possible to test whether the boundaries between the schools were plausible, because sources identified through one literature stream often referred to authors, mechanisms or debates located in another stream. Where a source clearly contributed to more than one mechanism, it was assigned to the school where it made its strongest analytical contribution. To ensure transparency, the search protocol in Appendices A–C includes a column explaining why each source was grouped into a specific school of thought, as well as a pathway to identify which source led to that grouping.

Snowballing was stopped once additional rounds no longer changed the analytical categories or added substantively new mechanisms to the coding framework. A stopping rule was necessary because the search field was too broad for exhaustive systematic coverage. Even a focused search combining “bankability” and “development finance” in Google Scholar produced around 24,500 results, making a complete review across all relevant research communities unfeasible. The review therefore followed the saturation logic suggested by Levy and Ellis and Webster and Watson, according to which a literature search can be stopped when additional sources no longer generate substantively new concepts, arguments, authors, methods or analytical categories (Levy & Ellis, 2006, p. 192; Webster & Watson, 2002, p. xvi). This stopping rule was applied within each school of thought rather than to the entire literature at once. A school was considered saturated once additional sources repeated the already identified mechanisms rather than changing the coding structure.

The search used the following route codes:

Table 2. Route-Code Procedure

Route code	Meaning	Function in the review
R0	Seed corpus	Anchor sources retained from the three seed searches (Searches 1–3, Appendix A), across academic databases and institutional portals, from which the five schools of thought were derived.
R1	Academic-database search (expansion)	Additional sources retained through continued targeted searching on academic databases (Google Scholar, Scopus/Web of Science, JSTOR, EBSCO, ScienceDirect) to populate each school.

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R2	Institutional-source search (expansion)	Additional sources retained through targeted searching of institutional repositories and portals (UN Library, ECDPM, EconStor, European Commission, ECA, OECD, World Bank, IFC, European Parliament).
R3	Backward snowballing	Sources found through the reference lists of full-text-assessed sources (including excluded ones) were scanned.
R4	Forward snowballing	Sources found through a "cited by" search from a full-text-assessed source.

The review therefore followed a rule-based procedure in which sources were selected when they contributed to explaining either how bankability is conceptualized or which factors are treated as its main determinants. Each source is then coded through a simple codebook that records, first, the definition or implicit meaning of bankability, and second, the causal mechanism through which bankability is said to emerge. The literature answering the coding questions has been grouped into schools based on repeated causal logics:

- Financial-technical: Bankability as purely financial viability (risk-return structuring).
- Blended finance: Bankability as investability through public leverage (de-risking architecture).
- Political economy: Bankability as the result of structural constraints (global capital flows, geopolitical interests, market structure).
- Governance: Bankability as a product of institutional conditions (EFSD+ rules, counterparty selection, coordination).
- Critical: Bankability as a contingent, normatively contested concept (financial market logic vs. development goals).

The five schools should consequently be read as categories of mechanisms, not as fixed academic traditions. A source is classified as financial-technical where bankability is explained mainly through risk-return optimization and project structure; as blended finance where the mechanism is public de-risking and mobilization; as political economy where the explanation shifts to market structure, macro-financial conditions and investor expectations; as governance where bankability is attributed to institutional and procedural conditions; and as critical where the source treats bankability as a contested translation of development priorities into financial selection criteria.

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The five categories were not fixed in advance; instead, they emerged from the coded material as the recurring answers to the two coding questions clustered into five distinct mechanisms. This follows the logic used by McColl-Kennedy et al., who identified “practice approaches” by coding sources according to the conceptualization of the central object and the associated organizing framework through which roles, activities and interactions are explained (McColl-Kennedy et al., 2017, p. 6). Translated to this thesis, the “practice approach” becomes the causal mechanism through which bankability is produced or contested.

Reducing the number would collapse the one distinction the thesis depends on. Blended finance and governance both deal with public guarantees, but they locate bankability in different places. For blended finance, the guarantee itself does the work, changing a project's risk-return profile enough to attract capital. For governance, the guarantee must still clear the institutional architecture around it, being subject to eligibility, additionality assessment, counterparty selection, and reporting before it can be signed. That gap between an available guarantee and a signed one is the conversion gap this thesis sets out to explain, so merging the two schools would remove the very object of study. A further subdivision of the categories would be equally problematic. The process would multiply labels without adding mechanisms. Separating project preparation from risk allocation, or guarantees from first-loss structures, only restates the same financial-technical or blended-finance logic in finer detail. The aim was therefore to keep each category tied to a distinct mechanism.

The EU focus further justifies keeping governance as a separate school. Under EFSD+, investment is organized through a layered architecture of the External Action Guarantee, EIB-dedicated windows and Open Architecture windows available to other financial institutions. This means that bankability is determined not only at the project level or by market appetite, but also by EU-specific procedures governing which actors can implement operations, which instruments are available, how risks are provisioned, and how projects are monitored and reported. For a thesis on the NDICI/EFSD+ conversion gap, this governance mechanism must remain analytically visible rather than being absorbed into blended finance or background context.

3.4 Controlling for project-level bankability

The control variable was introduced *ex ante* to prevent the mechanism from being built on evidence that ordinary project-level non-bankability already accounts for. This is necessary because the conversion gap may reflect a shortage of commercially viable projects in EFSD+ target geographies rather than EU policy-induced friction. If projects fail because returns fall below investor thresholds, cash flows are too uncertain, or country risk is too high, and this occurs regardless of EU procedure, then that non-conversion is already accounted for and provides no support for a policy mechanism.

Because project-level records are not publicly available and projects that were never initiated leave no record, the control is applied at the source level rather than at the level of individual operations. During coding, sources were therefore checked to determine whether they pointed primarily to weak cash-flow visibility, non-allocable risk, inadequate ticket size, missing collateral, weak counterparties, or an insufficient legal and contractual environment. Where these factors were the main explanation, the evidence was not treated as support for policy-induced friction. Where a source instead pointed to rules, reporting requirements, additionality assessment, coordination problems or instrument design, the evidence was retained for the governance mechanism. The control, therefore, functions as a standing rival explanation rather than as a project-level test. The check is not run on every source at intake, rather, ordinary non-bankability acts as the default explanation of non-conversion, and each candidate mechanism is retained only where that default does not already account for the evidence (Beach & Pedersen, 2013, pp. 18, 63).

The control variable is operationalized through the financial-technical school. A project is treated as financially bankable at the control level when it satisfies criteria A–D, meeting the overall decision rule in E.

Table 3. Operationalization of the Control Variable

Criterion	Control question	Interpretation
A — Risk-adjusted return/cash-flow visibility	Does the project or project type have plausible revenues or financial returns relative to its risk profile?	If not, the non-conversion may be due to ordinary financial non-bankability.
B — Allocable and contractable risk	Can major risks be allocated to actors able and willing to bear them?	If not, governance friction should not be the main explanation.

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C — Ticket size / transaction-cost absorption	Is the project large enough to justify due diligence, structuring and guarantee procedures?	If not, the issue may be scale and transaction costs.
D — Counterparty and legal-contractual framework	Are credible sponsors, counterparties and enforceable contracts available?	If not, the project may fail before EU governance becomes decisive.
E — Residual Friction Test	Are criteria A–D met without successful conversion?	If yes, ordinary financial non-bankability is ruled out, and EFSD+ governance friction becomes the primary candidate explanation.

Given the absence of direct project-level material, the control variable is not applied with equal weighting to all types of evidence. Table 4 specifies when the competing explanation must be actively ruled out before a piece of evidence is coded as governance friction.

Table 4. Control Rationale

Evidence type	Is the control triggered?	Coding implication
Source defines financial-technical bankability.	No	Used to construct Criteria A–D.
Source discusses blended finance generally.	No by default	Explains how public finance tries to overcome non-bankability.
Source discusses political economy or investor structures.	No by default	Treated as structural context or alternative macro explanation.
Source critiques bankability normatively.	No by default	Treated as interpretive/critical lens.
Source claims EFSD+/EU governance slowed, blocked, or distorted conversion.	Yes, conditionally	Implies a check whether A–D already explains the observation.
Source discusses concrete project-type non-conversion	Yes	Apply A–D before coding as governance friction.

3.5 Process tracing

This thesis uses explaining-outcome process tracing to analyze the conversion gap between available EFSD+/External Action Guarantee capacity and signed operations under NDICI–Global Europe, with particular attention to the Open Architecture. The outcome to be explained is not private capital mobilization in general, but the more specific institutional step through which EU guarantee capacity is converted into signed guarantee operations. This distinction is central to the research design, because process

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tracing is suited to analyzing causal mechanisms within a case rather than merely describing a sequence of events or correlating causes and outcomes (Beach & Pedersen, 2013, pp. 1–2). The thesis, therefore, does not ask whether guarantees can mobilize private finance in abstract terms; it asks why, in the EFSD+ case, guarantee capacity does not automatically or smoothly translate into signed operations.

Explaining-outcome process tracing is appropriate because the research problem concerns a specific and puzzling outcome rather than the general testing of one theory. Beach and Pedersen distinguish explaining-outcome process tracing from the theory-testing and theory-building variants because its analytical focus is case-specific and its purpose is to develop a mechanistic explanation for the important outcome observed in the case (Beach & Pedersen, 2013, pp. 3, 18–19). In this thesis, the case concerns the implementation of NDICI–Global Europe/EFSD+/External Action Guarantee during the 2021–2027 MFF.

The five schools of thought developed in the literature review are used as candidate mechanisms rather than as separate theories to be tested independently. This is consistent with explaining-outcome process tracing, where the aim is to construct a case-specific explanation by combining the mechanisms needed to account for the outcome rather than producing a synthetic general theory (Beach & Pedersen, 2013, pp. 18–19, 63–64). The financial-technical school is used first as a control mechanism. Before attributing non-conversion to EU governance friction, the analysis must consider whether operations may simply fail because they are not financially bankable at project level. This requires asking whether the project or project category offers plausible risk-adjusted returns, whether key risks can be contractually allocated, whether the transaction size can absorb structuring costs, and whether credible counterparties and legal conditions exist. If these conditions are clearly absent, the case cannot be treated as evidence of EFSD+ policy friction.

Where financial non-bankability is insufficient to explain non-conversion, the analysis shifts to governance and political-economy mechanisms. The governance mechanism traces how EU policy conditions become operational requirements. Under EFSD+, legal eligibility rules, additionality expectations, sustainability requirements, counterparty rules, ex ante assessment procedures, and reporting obligations are not merely background features. They may become conversion costs that implementing partners must absorb before a guarantee agreement can be signed. The causal sequence examined

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in the thesis is therefore: EU policy condition, operational requirement, conversion cost, delayed or reduced signature, and finally conversion gap. This sequence follows Beach and Pedersen's understanding of mechanisms as causal processes that connect causes and outcomes through observable activities and traces within the case (Beach & Pedersen, 2013, pp. 1–2, 29).

The analysis proceeds by identifying observable evidence for each part of the mechanism. Beach and Pedersen argue that process tracing works by analyzing empirical fingerprints left by mechanisms and that raw observations must be assessed before they can be treated as mechanistic evidence (Beach & Pedersen, 2013, pp. 44, 73). Evidence for governance friction may therefore include references to additionality verification, assessment procedures, reporting gaps, capacity constraints among implementing partners, limited participation by smaller counterparts, delays in signing guarantee agreements, or concentration of implementation among more institutionally capable actors. Evidence for political-economy layering may include documents that show tensions among development objectives, Global Gateway priorities, private-sector engagement, DFI implementation logic, and the need to preserve accountability for EU budgetary guarantees. Since the thesis relies primarily on public documents rather than internal appraisal files or confidential project-level data, the evidence is treated as suggestive rather than conclusive when direct process evidence is unavailable.

Rival explanations are explicitly considered and not dismissed. Instead, financial-technical control and comparisons across different EFSD+ implementation channels are used to assess whether they are sufficient on their own. Sufficient evidence that the conversion gap is attributable to a rival explanation would be delays concentrated among the most EU-experienced institutions rather than the least, since this would remove the basis for the argument that fixed process costs can be absorbed. The finding that non-conversion is driven mainly by financial and technical project economics, rather than by EU-specific reporting requirements and procedures, would also exonerate EU policy constraints as a cause.

Considering rival explanations in this way is compatible with explaining-outcome process tracing because the explanation is developed iteratively and pragmatically, with theory and empirical material used together to converge on the best explanation of the particular case (Beach & Pedersen, 2013, pp. 19–20). The final explanation is constructed according

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to the principle of minimal sufficiency. Only mechanisms that are necessary to explain the important features of the outcome are retained (Beach & Pedersen, 2013, pp. 18, 63). The financial-technical school helps delimit what should not be attributed to EU policy friction. The blended-finance school identifies the expected de-risking logic through which guarantees should enable investment. The governance school explains how EU procedures and institutional requirements may slow this logic. The political-economy and critical schools explain why the same instrument is asked to satisfy development, financial, accountability, and geopolitical objectives at once. In combination, these mechanisms allow the thesis to move beyond a descriptive account of EFSD+ implementation and toward a causal explanation of the conversion gap.

3.6 EU document corpus

The analysis of the independent variable, *EFSD+ policy constraints under NDICI–Global Europe*, relies on a separate corpus of institutional documents. While the initial analysis in Section 4.1 develops the analytical schools of thought, Section 4.2 applies this synthesis to publicly available EFSD+/EAG documents. These documents are not treated as theoretical schools themselves. They are used to extract observable traces of implementation, including the official guarantee architecture, reported guarantee-agreement volumes, signed-operation evidence, additionality and reporting requirements, Open Architecture procedures, reform proposals and peer-review concerns.

The corpus that provides the case-evidence is set by the NDICI–Global Europe’s own accountability cycle. Article 42(5) requires the Commission to evaluate the use and functioning of the External Action Guarantee every three years (European Parliament & Council, 2021, Art. 42(5)). This evaluation must be accompanied by the opinion of the European Court of Auditors, and both documents must be publicly available (European Parliament & Council, 2021, Art. 42(5); European Court of Auditors, 2024, p. 9). The corpus therefore starts with the Commission’s evaluation and the ECA’s opinion. Further documents are added only where they evidence a conversion stage not sufficiently covered by the evaluation-audit pair. The final corpus falls into five functional categories.

Category 1 is the evaluation-audit pair covering the Commission's 2024 evaluation of the European Union's external financing instruments, prepared by Particip GmbH, Ecorys, ECDPM and Mancala Consultores (European Commission, 2024b), together with its accompanying Staff Working Document (SWD(2024) 133 final) (European Commission,

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2024a), and the European Court of Auditors' Opinion 03/2024 on the External Action Guarantee (European Court of Auditors, 2024). This pairing forms the mandated core under Article 42(5).

This is followed by Category 2, quantitative budgetary documents that track guarantee cover, provisioning, and signed operations across successive budget cycles. These include the 2024 Working Document Part XI on budgetary guarantees, the common provisioning fund and contingent liabilities (COM(2024) 300) (European Commission, 2024c); and the 2026 Working Documents Part XI (budgetary guarantees and contingent liabilities) and Part VIII (expenditure related to external action) (both COM(2025) 300) (European Commission, 2025e; European Commission, 2025f).

Category 3 moves to more recent evidence. It consists of the annual implementation reporting, tracking operational progress year on year, including the 2025 annual report on the implementation of the EU's external action instruments in 2024 (COM(2025) 741 final) and its accompanying Staff Working Document (SWD(2025) 390 final) (European Commission, 2025c; European Commission, 2025d).

Category 4 covers the progress of legal reform, illustrating the adaptation process currently being proposed and implemented, and thus offers an EU perspective on the recent implications of the observations. It consists of the Commission's 2025 proposal to amend Regulation (EU) 2021/947 for increased efficiency of the External Action Guarantee (COM(2025) 262 final)(European Commission, 2025a), its accompanying Staff Working Document (SWD(2025) 262 final)(European Commission, 2025b), and the enacted outcome, Regulation (EU) 2026/995 (European Parliament & Council, 2026).

Finally, Category 5 includes an independent external assessment to provide a reading of implementation from outside the Commission's immediate administrative line. For this purpose, the OECD's development co-operation peer review of the European Union (OECD, 2025b) was selected as the external benchmark. Rather than opening the corpus to stakeholder commentary, the OECD DAC review offers an external perspective while remaining institutionally tied to the EU's formal accountability ecosystem. Because the Union is a full participant in the DAC peer-review architecture, this mechanism functions as an institutionalized, intergovernmental audit. It delivers systematic rigor, structural neutrality, and a holistic scope that allows the research to maintain a strictly bounded, official document corpus while incorporating an external check on implementation.

4. Analysis

4.1 Analytical lenses

The five schools are not a narrative summary of prior literature; instead, they are the product of applying the two coding questions. First, how a source defines bankability, and second, which mechanism it identifies as producing or blocking it, this approach follows McColl-Kennedy et al. (2017), who code sources according to the conceptualization of a central object of analysis and an associated "practice approach," which represents their own term for the organizing framework that explains a given role, activity, or mechanism (McColl-Kennedy et al., 2017, pp. 6–8). In this thesis, bankability is the central object, and each school is the equivalent of a practice approach, being a distinct mechanism through which bankability is produced, constrained, or contested, derived from repeated causal logic in the coded material rather than assumed in advance. On this basis, the schools constitute the first Section of the analysis.

4.1.1 Financial-technical lens

The first of these interpretations turns bankability into a control. Where Section 2.4 described how financiers assess projects, this school specifies the conditions under which non-conversion can be attributed to ordinary financial weakness before any institutional or policy explanation is considered. A project is bankable when it can attract finance under acceptable risk-return conditions, not simply when it is socially useful or politically desirable (UN-OHRLLS, 2020, pp. 5–6). At the same time, the financing structure separates the project from its sponsors and makes risk exposure acceptable to lenders (Gatti, 2013, pp. 1–2, 14, 117; Steffen, 2018, pp. 280–281). Weak revenue assumptions, uncertain costs or insufficient debt-service capacity may therefore explain non-conversion at the project level before wider institutional constraints need to be considered.

The coded literature establishes that the credibility of a financing case is determined through appraisal. Grimsey and Lewis argue that the use of private finance requires a realistic evaluation of the project and its risks as well as a fair comparison between public and private financing alternatives (Grimsey & Lewis, 2005, pp. 346–347). Private participation is therefore not in itself evidence of bankability. The proposed structure must survive a rigorous assessment of whether its expected benefits remain credible once uncertainty, risk transfer and financing costs are considered. Owolabi et al. (2020, p. 28) provide empirical evidence to this point by identifying 36 bankability criteria used by

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financiers across construction, operational, and supply-and-demand risks. Appraisal is thus not a single yes-or-no decision but an extensive due diligence process through which the overall financing structure is tested.

The extent of this assessment also makes the availability of a viable project pipeline relevant. Moser and Nealer (2016, p. 9) show that private capital has not always found enough viable projects, even where funds were available. Read together with Owolabi et al., this suggests that financiers must find not only projects capable of passing appraisal, but also a sufficiently developed pipeline to justify committing the expertise and resources required for due diligence efforts at scale. The implications also affect individual projects. A project must be large enough to justify the costs of appraisal, circling back to the transaction cost rationale introduced in Section 2.4 (Steffen, 2018, pp. 281–282). Ticket size is therefore not only a practical constraint but also part of the financial condition itself, as a project may be sound and still fail to attract a financier who can justify the cost of assessing it.

Once a project enters appraisal, a central issue is how its risks are distributed. Ng and Loosemore show that privately provided infrastructure performs best when risks are allocated to actors with the knowledge, resources and capabilities to manage them (Ng & Loosemore, 2007, p. 66). Bankability therefore depends less on transferring as much risk as possible than on whether the resulting allocation is credible to financiers. Bing et al.'s survey of UK PPP/PFI practitioners provides empirical support for this logic. Both public- and private-sector respondents agreed on the same allocation pattern, retaining risks, such as site availability, with the public sector specifically since it alone held the relevant capacity (Bing et al., 2005, pp. 31–32). Shifting a risk to a party that cannot realistically control or absorb it may therefore make the project less, rather than more, financeable. The appraisal must consequently establish that the principal risks are both identifiable and assigned in a way that protects the project's capacity to generate cash flows and repay its financing.

Byoun and Xu allow the argumentation to be proved from the positive side. Certain structures, if credibly enabled, build project-level bankability. They show that concession and offtake agreements can make private participation feasible where political or market risks would otherwise make a project unattractive (Byoun & Xu, 2014, p. 124). Public support can therefore improve bankability, but only where it changes the project's risk-

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return profile sufficiently to attract finance without producing high costs, instability or new contractual weaknesses. Bankability is not fixed; it can be created through financial and contractual structuring, but only within the limits of the project's underlying financial feasibility.

The same reasoning applies to country and political risk, where these conditions directly affect the financing case. Hainz and Kleimeier show that project-finance structures and development-bank participation can mitigate political risk in higher-risk countries (Hainz & Kleimeier, 2012, pp. 287–288). Political and legal conditions therefore become part of project-level bankability when they affect lending terms, creditor confidence or financiers' willingness to participate. UN-OHRLLS makes this financing perspective explicit by defining bankability through financiers' willingness to provide capital and the conditions attached to it, including leverage, maturity and financing costs (UN-OHRLLS, 2020, pp. 5–6). This transitions into the blended finance school, showing that project-level characteristics can be improved or even built.

Taken together, the school does not treat bankability as the simple presence of private finance or public support. A project is bankable when its cash flows support repayment, its risks are credibly allocated, its scale justifies the cost of assessing it, and its financing structure survives appraisal under realistic assumptions. These four conditions are what the control variable in Section 3.4 operationalizes. The school therefore identifies the cases in which non-conversion may be explained by ordinary financial weakness or inadequate preparation, before a governance or policy explanation is accepted.

4.1.2 Blended-finance and mobilization lens

The blended-finance school conceptualizes bankability as something that can and to some degree must be produced. Even the instrument's own overview literature acknowledges that guarantees do not, by themselves, make a project bankable (Garbacz et al., 2021, p. 31). Blending is meant for precisely those non-bankable projects whose financing gap a guarantee cannot close (Tagliapietra, 2024, p. 1330). The defining feature is mobilization: public resources count as blended finance where they are structured to draw in private commercial capital that would not otherwise have financed the project (OECD, 2018, p. 23). A guarantee is one such tool, working through risk transfer; where risk transfer alone cannot close the gap, other concessional instruments, grants or technical assistance can be combined with it within the blended structure. Guarantees are therefore instruments

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within blended finance rather than an alternative to it (OECD, 2018, pp. 77–81; Garbacz et al., 2021, pp. 11, 31).

Tagliapietra separates what the two instruments can actually do. A commercial guarantee works by assuming a share of project risk, which allows private investors to enter markets they would otherwise avoid. This, however, operates on risk attached to a monetized return. Blending answers a different deficit. Where a project's public value is not monetized, there is no cash-flow risk for a guarantee to cover, so the EU turns to grant-and-loan blending to support investments that remain non-bankable under risk transfer alone (Tagliapietra, 2024, p. 1330).

The coded corpus shares this starting point that development needs do not automatically attract commercial finance. In developing countries in particular, blended instruments are used when the level of market development itself inhibits private investment and the provision of goods and services (Attridge & Engen, 2019, p. 26). The public sector can enable market development, create new markets, and mobilize private finance (Attridge & Engen, 2019, pp. 26–27). A noticeable characteristic of blended finance, however, is that the level of public support is expected to fall as the market develops (Attridge & Engen, 2019, p. 27). Guarantees therefore have their role in this school as well; they are central in this logic because they protect lenders or investors against defined risks, reduce exposure, and are argued to mobilize private finance in high-risk sectors or countries (Garbacz et al., 2021, pp. 11, 13, 25). In the EU context, the role of blending goes back to previous frameworks. EFSD, for example, is described as combining access to blending facilities with a guarantee for public and private investors, aimed at reducing investor risks and absorbing potential losses in countries and sectors considered too risky (Napolitano, 2020, p. 3).

More recent empirical work follows the same mechanism. Concessional finance, guarantees and risk-management facilities improve the risk-return profile of socially valuable projects and help crowd in private capital (Flammer et al., 2026, pp. 2, 8).

The starting point of the literature reads as financial-technical adjacent, which is important to keep in mind to understand the balancing act blending has to achieve. Further reading shows that additionality, as defined in Section 2.1, is the pivot of this school. It is what separates mobilization from subsidies, an assessment of whether public

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support changed the outcome, or paid for an investment that would have gone ahead anyway (OECD, 2025a, pp. 129–130).

The school's internal tension is that mobilization, through blending, and therefore through public money, is legitimate only if it is additional. Public finance should not simply subsidize projects that commercial finance would have funded anyway (Küblböck & Grohs, 2019, p. 9). The OECD DAC principles therefore require blended finance to ensure additionality and to be used where commercial finance is not already available for development outcomes (OECD, 2018a, p. 7). The fact that additionality is the key issue is evidenced by early EU blending practice. As early as the European Court of Auditors' first audit of the regional investment facilities (2007–2013), the necessity of the grant to complement the loan was regarded as a decisive criterion for determining whether blended finance delivered added value (European Court of Auditors, 2014, p. 20). From the outset, therefore, additionality functioned more as a stated principle than as a verified condition.

The MDB harmonized framework goes on to provide an important distinction for additionality, referring to financial or non-financial inputs that make a project happen, happen faster, or improve its design or development impact (Multilateral Development Banks, 2018, pp. 6–7). This adds a foundation to understand technical assistance, standardized frameworks and policy conditions as part of the process (Multilateral Development Banks, 2018, p. 9). The framework goes on to explicitly distinguish this additionality from development impact itself, this is important because the document expressing guiding principles for MDBs states that the mobilized money is not the end goal and should not be confused with development impact itself (Multilateral Development Banks, 2018, pp. 6–7). Cohen et al. add that private-sector partnerships must demonstrate both financial and development additionality, rather than assuming poverty or development impacts from mobilization volumes alone (Cohen et al., 2021, pp. 9–10).

Apart from the effort involved in realizing an analytical distinction of additionality, the school warns that this information may still be insufficient. The school itself urges caution in taking its main indicator at face value. Attridge and Engen explain that leverage ratios are simple arithmetic measures and therefore do not demonstrate that blended finance led to additional private investment. A high leverage ratio may even indicate that little

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additional capital was mobilized, while limitations in the available data make it difficult to calculate these ratios precisely (Attridge & Engen, 2019, pp. 34–35).

Attridge and Engen apply the school's own vocabulary such as leverage ratios, additionality, and mobilization volumes to low-income countries specifically. Mobilization performs weakest precisely where the market-failure rationale for subsidy is strongest. A credit-rating threshold effect compounds this: 96.3% of mobilized private finance flows only to countries holding a sovereign rating, a category most LICs are excluded from (Attridge & Engen, 2019, pp. 11–12, 53–54). The same pattern shows up in allocation, where a poor person in a middle-income country receives 47 times more blended finance than a poor person in a low-income country, despite comparable ODA per capita (Attridge & Engen, 2019, pp. 12, 29–30). This suggests that blended finance leverage tends to track existing bankability rather than manufacture it in the contexts it sets out to reach.

Sector-specific research tests both the reach and the limits of this intervention logic. Agriculture, adaptation, and sustainable landscape finance show that public leverage does not automatically overcome weak commercial incentives, small project scale, long repayment horizons, or uncertain returns (Havemann et al., 2020, pp. 1285, 1288; Rode et al., 2019, pp. 4, 6; Bilal & Ahairwe, 2023, pp. 8, 33, 38). Havemann et al. stress that sustainable agriculture requires multiple funding modalities and that blended finance faces limits in fragmented real-economy sectors (Havemann et al., 2020, pp. 1281, 1285). Pauw et al. show that private adaptation finance is hard to track and that the amount and predictability of private adaptation investment remain unclear (Pauw et al., 2016, pp. 9, 12). Rode et al., similarly finds that financial viability in sustainable landscape transitions is challenged by long repayment periods, high transaction costs, and complex governance. At the same time, many impact investors still expect financial returns comparable to those of traditional investments (Rode et al., 2019, pp. 4, 6). Ahairwe and Bilal make the same point about adaptation finance: even where public de-risking is applied, many adaptation projects remain barely bankable for DFIs and private investors because returns and risk profiles are unattractive (Ahairwe & Bilal, 2023, p. 38).

The blended-finance school therefore explains bankability through public de-risking instruments that alter a project's risk-return profile. However, its deeper contribution is methodological: it exposes how demanding the act of reporting on blending actually is,

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because the burden compounds at every level. First, the operation must exist. Concessional finance, guarantees, and risk-management facilities must be structured so that socially valuable projects can crowd in private capital, which is itself an achievement rather than a given (Flammer et al., 2026, pp. 2, 8). However, that an operation happens does not mean it needed public money: financial additionality, the evidence that the support enabled finance that would not otherwise have materialized, was already once demonstrated to be only in half of the observed cases (European Court of Auditors, 2014, para. 42, p. 20). Moreover, even where financial additionality holds, it does not follow that the leverage produced development additionality; the MDB framework treats the two as distinct, and Cohen et al. insist that development impact cannot be inferred from mobilization volumes alone (Multilateral Development Banks, 2018, p. 7; Cohen et al., 2021, pp. 9–10). Finally, even an operation that clears all three hurdles may still fail on its own terms, as sector evidence on agriculture, adaptation, and landscape finance shows that underlying viability is fragile (Havemann et al., 2020, pp. 1, 5; Pauw et al., 2016, pp. 9, 12). Each of these is a separate claim requiring its own proof, yet all must be established simultaneously for a single operation to count as genuinely blendable. The accountability chain only holds if every link does — which is precisely why, in practice, it so rarely does. This builds the lens to test whether the conversion gap can be explained by a failure of the mechanism to create the operations it is set out to sign.

4.1.3 Political-economy lens

The political-economy school deepens the discussion of bankability by shifting attention from the single project to the broader structure of development finance. Its core claim shifts away from projects requiring adequate cash flow or risk allocation. Projects, sectors and even entire countries become bankable only when they fit the mandates, risk appetite, balance-sheet constraints, reporting systems and transaction formats of the institutions expected to finance them (OECD, 2021, pp. 41–42). Bankability, in this reading, is less a property of the project than of the fit between the project and its financier and the surrounding mandates and market conditions. McHugh (2024) anchors this directly: private capital should not be treated as a passive pool waiting to be tapped, since mobilization depends on whether risk can be shared or transferred to private banks and investors through suitable instruments in an executable format (McHugh, 2024, p. 2).

McHugh's 2023 article supplies the school's market-structure foundation. He establishes that the development-finance market is structured as a competitive oligopoly and argues

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that large-scale crowding-in of private banks on existing terms is likely to fall short, constrained by profitability and risk appetite (McHugh, 2023, pp. 1–2). His 2024 work sharpens this through private-sector interviews. Bankability turns not on profitability alone, but on acceptable profitability together with an acceptable risk profile. The crucial shift in this school is that the relevant risk profile has become macro rather than project-specific. The relevant risk factors now extend to maturity, sector, currency, political, compliance, sustainability, reputational and strategic dimensions, together with the general expectations a private financier brings to any deal, rather than anything the individual project demonstrates on its own (McHugh, 2024, pp. 8–10; OECD, 2021, pp. 41–42).

The 2024 interview evidence is especially important because it brings the “private sector” into the analysis as an actor with its own internal logic and priorities. McHugh shows that private banks often work with ESG and sustainable-finance frameworks aimed at their own balance sheets, rather than directly operationalizing the SDGs, and that the SDGs may function more as a reporting or mapping framework than as an internal credit or risk-control framework (McHugh, 2024, pp. 26–28). His framing is telling. The question is whether a project can “fall within the scope of SDG-related financing and be deemed bankable” (McHugh, 2024, p. 5). Bankability is therefore decided against a scope defined outside the project, more specifically by what qualifies as SDG-financing, and by the mandates and risk profiles of the institutions expected to fund it. Read this way, the frictions such as risk appetite, currency, technology risk, taxonomy uncertainty, and reporting (McHugh, 2024, pp. 5, 8–9) are not deal-structuring problems but characteristics of that surrounding scope, which is where the political-economy school locates the constraint.

The broader political-economy literature then explains why this is not only a bank-level issue. Mawdsley provides an earlier account of the financialization of development, arguing that development institutions increasingly use aid to de-risk investment, to escort capital into frontier markets, and to perform the institutional work required to transform development needs, activities, and risks into investable assets (Mawdsley, 2016, p. 1). In this view, bankability is not merely discovered in projects but actively produced through market creation, financial intermediation and the management of risks to capital (Mawdsley, 2016, pp. 1, 4–8). Gabor (2021) develops this argument through the Wall Street Consensus, framing the current development-finance agenda as an effort to

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transform infrastructure, climate and SDG needs into investable asset classes by using public institutions to de-risk development assets for institutional investors (Gabor, 2021, pp. 429–431). Gabor and Sylla (2023) apply this logic to green hydrogen, arguing that markets do not automatically produce investable projects because many green-development priorities do not generate the risk-return profiles required by institutional capital. Investability is instead produced through de-risking partnerships (Gabor & Sylla, 2023, pp. 1170–1171).

Schindler et al. qualify Gabor’s emphasis on the subordination of the state to global finance (Gabor, 2021, p. 432; Schindler et al., 2022, pp. 2, 4). They accept that the Wall Street Consensus institutionalizes a distribution of risk, reward, and responsibility in which states assume substantial risks to attract investors but argue that the resulting de-risking state is not necessarily passive (Schindler et al., 2022, pp. 1–2, 6). Governments may willingly adopt financial norms and assume certain risks because doing so allows them to create, promote, and backstop bankable infrastructure projects that serve broader spatial and industrial strategies (Schindler et al., 2022, pp. 2, 13). De-risking can therefore discipline states while simultaneously expanding their roles as planners and market participants (Schindler et al., 2022, pp. 2, 4, 6). The outcome depends partly on a state’s ability to negotiate the allocation of risks and rewards, pursue its strategic objectives and limit the socialization of private investment risks (Schindler et al., 2022, pp. 1–2, 4–6, 13–14). Bernards adds the important point that development policy may seek to carve out investable assets from development needs. However, private finance is often unevenly and selectively interested in these sectors and countries (Bernards, 2024, pp. 90–92). The OECD makes the same point in a more policy-operational manner. The constraints it identifies, namely: insufficient scale, missing standardized mechanisms, thin project pipelines, and weak data and transparency, are largely properties of the enabling environment rather than of individual projects (OECD, 2021, pp. 40–41). Their proposed solutions of aggregation, pipeline-building capacity within public institutions, and market-level standardization are also aimed one level higher, at the market rather than the project (OECD, 2021, pp. 40–41).

The Review from the Independent Expert Panel adds the MDB supply-side version of the analysis, establishing that MDB investing capacity is shaped by capital adequacy, risk appetite, callable capital, rating treatment and the balance between risk management and transaction efficiency (Independent Expert Panel, 2022, pp. 9–14). The report describes

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capital adequacy as central to MDB strategy because small changes in risk tolerance can materially affect balance-sheet capacity, and because MDBs must manage internal capital rules, statutory limits and rating-agency methodologies at the same time (Independent Expert Panel, 2022, pp. 8, 15). The school-level implication is therefore that MDBs are not frictionless vehicles for the expansion of development finance. Their own balance-sheet governance institutionally and financially constrains their capacity to supply finance.

Collington adds a state-capacity layer to the same political-economy logic. Her argument is that de-risked investments depend not only on investor appetite or available finance, but also on whether public institutions can make policy areas feasible, credible and implementable (Collington, 2025, p. 1749). Collington's Chile case shows that state-capacity development is associated with the alignment of policies with the government's growth strategy, related structural constraints and the availability of financing for de-risking infrastructure investment (Collington, 2025, pp. 1749, 1751). Limited state capacity in policy areas with low returns for private finance undermines implementation (Collington, 2025, pp. 1749, 1754, 1767). Projects or sectors become more credible to investors where public institutions can coordinate implementation, signal feasibility and manage investment risk, while policy areas with weaker state capacity may remain less bankable even when transition objectives are formally present (Collington, 2025, pp. 1754, 1768). The school-level implication is therefore that bankability is partly dependent on the state's priorities and strategy. This differentiates the school from a financial-technical view, where the feasibility and capacity argument sits at the project level. The political-economy school establishes that a project that provides a convincing cash flow and risk reduction framework may still never be realized due to the balance-sheet logic of private financiers or DFIs, portfolio priorities, or because it does not align closely enough with a state's current priorities.

Heldt closes the school by contributing the EU-specific geopolitical implication on state priorities. The 2023 article frames Global Gateway as a new geopolitical instrument that combines infrastructure finance, private investment, conditionality principles and EU power projection, rather than treating it as a purely development-finance initiative (Heldt, 2023, pp. 223–224). The article argues that Global Gateway emerged from three factors: China's role as a global infrastructure lender, the shift toward private investment in multilateral development financing, and the Commission's transformational leadership in designing an EU strategy of power projection (Heldt, 2023, pp. 223–225). This introduces

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another, broader constraint on bankability alongside the established supply-side implementer constraints and state capacity limitations. Development-finance bankability is also subject to strategic competition, support for (European) business actors, conditionality principles and the EU's attempt to position itself as a geopolitical infrastructure-finance actor (Heldt, 2023, pp. 224–226).

In summary, the political-economy school treats bankability not as a project-level attribute but as the product of macro-financial structures, investor preferences, MDB balance-sheet constraints, state capacity and geopolitical strategy, staying distinct from the financial-technical school's project-level focus.

4.1.4 Governance and implementation lens

Unlike the financial-technical, blended-finance, political-economy and critical schools, which draw on literatures that theorize bankability independently of any single institution, the governance school necessarily draws on sources written about EFSD+/NDICI specifically. This follows from the coding questions established in Section 3.3. The second coding question asks what factor a source identifies as the primary driver of bankability or its failure. For the financial-technical, blended-finance, political-economy and critical schools, that factor can be identified from literature developed independently of any one institution's architecture. For governance, however, the relevant drivers such as institutional rules, counterparty selection, reporting, and coordination cannot be generalized in the same way, as they need to be anchored in the literature that examines specific guarantee architectures, of which EFSD+/NDICI is one instance. Search Block 2 (Appendix A) was accordingly conducted as an institutional-source search (EUR-Lex, European Commission, ECA) rather than only being an academic-database search. This is consistent with Snyder's (2019) guidance that search terms should track the concepts embedded in the research question rather than the topic in the abstract (2019, pp. 336–337, 339). The governance school's role in the five-school framework is therefore different from the other four, as it does not supply a portable general mechanism first tested against the case in Section 4.2, but is itself built from case-adjacent institutional material.

The policy-adjacent material allows this school to explain bankability in terms of institutional conditions and procedural architecture. Key factors include EFSD+ rules, counterparty selection, coordination between the EU and Member States, monitoring,

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programmatic steering, implementation ability and administrative complexity. This section is particularly important because it demonstrates that bankability is not only determined by market forces but is also shaped or hindered by the design of the EU's policy framework.

The governance school explains bankability not only as a market- or project-finance condition, but also as a question of whether financial instruments can be made institutionally usable within a specific policy architecture. In this school, a guarantee-backed operation is not sufficient because it is potentially financeable. The project must also meet the rules of eligibility, additionality, counterparty selection, policy alignment, reporting, and institutional oversight. Lundsgaarde et al. (2022) show this most clearly in their description of external action guarantees. They establish that implementation involves a chain of contractual and institutional steps, including a guarantee agreement between the Commission and a financial institution, a financing agreement between the financial institution and intermediaries, and a funding agreement with final beneficiaries (Lundsgaarde et al., 2022, p. 20). This reliance on intermediaries did not begin with EFSD+. Subsidiarity already left the EIB and EIF unable to implement their programs without national development banks and the local knowledge those banks brought (Mertens & Thiemann, 2019, p. 33), showing that even internally the holder of the budgetary guarantee could not deploy it without an intermediary closer to the operation. They also note that the Commission acts as a “gatekeeper” through pillar assessment, which strengthens credibility but can pose a considerable workload for smaller agencies (Lundsgaarde et al., 2022, p. 20).

The school-level implication is that bankability under EU guarantees is not only about whether capital wants a project. Bankability is also about whether the project can be processed through the EU's institutional chain. If rigorous pillar assessments meet reliance on local knowledge, this may already tilt access toward larger banks and more developed economies and actors. However, the more direct indication is procedural: an operation must secure accreditation and line up a capable local partner before it moves, which points to a long, front-loaded process.

This school therefore adds a procedural layer to the blended-finance logic. Blended finance assumes that public guarantees can improve risk-return conditions, but the governance literature asks how those guarantees are actually authorized, steered and

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controlled. Lundsgaarde et al. describe the EFSD+ as built around a “policy first” approach, in which guarantee approval is explicitly granted by the Commission to embed EU policy priorities and give the EU added visibility on the ground (Lundsgaarde et al., 2022, p. 73). Open Architecture is then supposed to select implementing organizations according to specialization and added value, but this also introduces competition, coordination needs, and partner-selection questions among DFIs (Lundsgaarde et al., 2022, pp. 73–74). Prontera and Quitzow sharpen this point by showing that EU blending and guarantee governance reflects a tension between leveraging financial partners’ resources and maintaining political control over operations that have grown in size and number (Prontera & Quitzow, 2024, p. 13). Their contribution is important because they do not treat governance as neutral administration. They show that development banks retain significant influence over portfolio development because of their role in project preparation. At the same time, the Commission tries to increase steering through structured interaction, boards and approval procedures (Prontera & Quitzow, 2024, pp. 13–14).

The selection process for implementing organizations, having layers of internal coordination and control links bankability, to institutional capacity. Erforth shows that debates on European development banking are not only about more finance but also about who has the authority, expertise, and operational presence to implement EU development-finance priorities (Erforth, 2020, pp. 17–21). He argues that fragmentation makes coordination across the EIB, national DFIs, development banks and EU institutions difficult, while the Commission’s attempt to create a more Open Architecture is also an attempt to strengthen its own policy-steering role (Erforth, 2020, pp. 20–21). Buhigas Schubert and Costa make a similar argument for Global Gateway implementation. The strategy requires a governance structure capable of leading, managing, and delivering results, but early implementation suffered from unclear project criteria, limited information, and uncertainty about how different actors could participate (Buhigas Schubert & Costa, 2023, pp. vii, 13–15). They also stress that EU Delegations are expected to play a key operational role, but that this requires expertise and capacity that may not automatically exist in the diplomatic service (Buhigas Schubert & Costa, 2023, pp. 33–34).

The school-level implication is that institutional capacity becomes part of financial deployment. Even where instruments exist, they need competent actors, clear entry points

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and coordination routines to become usable. The constraint is not only one of counterpart eligibility but of Commission-side capacity to move operations through the pipeline (Bougrea et al., 2022, p. 351). Although it controls the funds, the Commission has been portrayed as short on banking and risk-management expertise and as thinly resourced (Bougrea et al., 2022, pp. 350–351). Even under the EFSD, which is smaller and arguably less technical than the EFSD+, the Commission has been observed to have difficulties processing applications, which has reportedly deterred several European private actors (Bougrea et al., 2022, pp. 350–351).

The governance workload can be even more directly linked to project implementation, as the requirement that operations be administratively processable is itself undermined by the absence of harmonized rules among implementing partners. For co-financing, the eligibility criteria in the co-financing entity's procurement rules prevail (European Parliament & Council, 2021, Art. 28(5)), thereby legally anchoring the requirement that the local counterpart framework always be accounted for first. This provision prevents harmonized public-procurement processes from emerging (Karaki et al., 2022, p. 26). Each partner therefore carries its own procedural template, so that clearing one accreditation does not standardize the terms under which subsequent operations are assembled.

The capacity argument also emerges when the comparison is limited to experienced public financiers. The EIB is not just one implementing actor among others but enters European development finance with a specific institutional position. Clifton et al. show that the EIB raises money on capital markets and lends at attractive rates due to its superior credit rating (Clifton et al., 2018, p. 736). The ability to do so is a distinct advantage of the institution itself, namely its balance sheet and, more importantly for this school, its standing.

The implication for the governance school is that institutional capacity is uneven even before smaller agencies or private actors enter the picture. If experienced DFIs already differ in market access, mandate, balance-sheet strength and ability to work with EU resources, then bankability under a guarantee architecture depends not only on project quality or formal eligibility; it also depends on whether the implementing institution has the organizational and financial capacity to turn that eligibility into a signable operation. The link is direct to the governance school because accreditation through the nine-pillar

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bar tests for precisely the balance-sheet depth and administrative apparatus (Karaki et al., 2022, p. 17). The filter is not size-neutral. Karaki et al. record the asymmetry at case level: the difficulty of accessing EFSD+ finance is "acutely pronounced for smaller European private entities and for actors in smaller EU member states" (Karaki et al., 2022, p. 17). Coverage that would, in principle, go through smaller or more specialized agencies, which are often those closest to operations in low-income contexts, does not convert when those agencies cannot clear, or cannot afford to clear, the entry threshold.

The governance school therefore does not claim that EU rules are merely bureaucratic obstacles. Its more precise claim is that public guarantees require institutional safeguards, and these safeguards shape the conversion of financial capacity into signable operations. This is visible in additionality, reporting, transparency and accountability. The ECA notes that the evaluation contained no information on whether EFSD+ operations avoid replacing other finance or whether supported operations have a higher risk profile than eligible DFIs' normal portfolios (European Court of Auditors, 2024, p. 21). It also reports that the EFSD+ website did not include information on investment operations or complaint mechanisms as required, and that annual reporting did not provide detailed information on financing and investment operations, additionality or leverage achieved (European Court of Auditors, 2024, pp. 30–31). The Commission's own evaluation partly supports the same school-level point from another angle. It states that EFSD+ structures require actors to adapt to a new project-management logic and that programming remains heavy and contributes to delays at the start of implementation (European Commission, 2024b, pp. 62, 69). Jones et al. extend this into the next-instrument debate, arguing that NDICI–Global Europe and Global Gateway face strategic, institutional and implementation challenges related to fragmented governance, overlapping structures, EU delegation capacity, programming processes and unclear strategic priorities (Jones et al., 2025, pp. 22–26, 29–30).

Read together, the governance school conceptualizes bankability as institutional convertibility. A project or program may be financially plausible, but under EU external-financing instruments it must also become additional, eligible, policy-aligned, reportable, accountable, and administratively processable. This school therefore gives the independent variable its concrete content. EFSD+ policy constraints are not abstract "rules," but the institutional conditions through which public risk-sharing is made legitimate and operational. The school's internal tension is that these conditions are

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necessary for public accountability. However, they are also observed to slow, filter, or complicate the use of guarantees and the conversion to signed operations. That is the governance contribution: it explains why bankability under EFSD+/EAG is not only created by de-risking but also conditioned by the design and capacity of the EU policy framework, its participants and implementing partners.

4.1.5 Critical and distributional lens

The critical school closes by treating bankability as a contested and normatively charged concept. Its central argument is that development needs do not automatically become investment opportunities. They first have to be translated into forms that private finance can understand, price and accept. Taggart and Power provide the strongest general mechanism. They argue that development actors must do active work to make development contexts attractive and suitable for private finance (Taggart & Power, 2024, pp. 1–2). They call this process “rendering development investible” and treat the terms “investible” and “bankable” as closely connected in this context (Taggart & Power, 2024, p. 17). The implication is once again a different nuance of bankability; it is not just the result of a project already being financially sound. Bankability is also produced through framing, selection, and technical work that makes some development contexts easier to present as investment opportunities than others.

Christiansen adds the market-making mechanism. His work on blended finance in the Blue Economy does not treat risk as something that is simply found in a project. Instead, he shows how uncertain futures are made calculable through risk models, expectations, and especially financial narratives (Christiansen, 2021, p. 95). This matters for the critical school because it shows that bankability depends on how uncertainty is converted into manageable risk. The paper’s school-level implication is that blended finance does not only reduce risk. It also helps create the categories through which investors can treat conservation or environmental projects as financeable opportunities (Christiansen, 2021, pp. 95–96).

McCoy and Schwartz add the definitional mechanism. They show that bankability is not understood in the same way by all actors. Their water-sector study states that technical water professionals and market-oriented financiers understand the practical meaning of bankability differently (McCoy & Schwartz, 2023, p. 19). They also show that different water assets have different business models, cash-flow potential and risk-return profiles,

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and that water supply and sanitation are politically sensitive because tariff setting is linked to affordability and public-service concerns (McCoy & Schwartz, 2023, p. 23). The implication is that bankability is not a single fixed threshold. It changes depending on the sector, the investor type, the asset, the financing modality, and the social role of the service. This underlines the school's verdict that not every sector or country brings the same bankability prerequisites.

Wullweber et al. add the practitioner boundary condition. Their report argues that the main barrier to financing necessary green activities is often their lack of bankability, because many green firms and projects do not meet the risk-return profile desired by financial investors (Wullweber et al., 2025, pp. iv–v). The report also distinguishes between bankable, not-yet-bankable, and never-bankable activities (Wullweber et al., 2025, pp. iv–v). This detail is important and poses a real distinction from the other schools, because it limits the idea that all socially or environmentally necessary projects can become attractive to private finance. The report states that many activities necessary for the green transformation are unlikely ever to become bankable, and it warns that policies which improve bankability through public guarantees or incentives may privatize profits and socialize risks if they are not designed carefully (Wullweber et al., 2025, pp. iv–v). This moves McCoy and Schwartz's findings forward to a real sector and country-dependent boundary of bankability.

Golka et al. further challenge the private-capital paradigm by arguing that current sustainable finance overestimates private mobilization and confines the state to enhancing the profitability of green financial assets rather than enabling direct public investment (Golka et al., 2024, pp. 38–39).

Sial and Chandrasekhar argue that risk transfer is a central part of a guarantee. A guarantee attracts private investors because it moves risk from a party that cannot bear it to another party that can (Sial & Chandrasekhar, 2024, p. 6). What sharpens this into a critique, rather than a neutral description, is the mismatch the report then documents between that formal transfer and the actual behavior of guarantors. Reviewing the portfolio of the Multilateral Investment Guarantee Agency (MIGA), a World Bank Group institution that provides guarantees against political and other non-commercial risks to encourage private investment in developing countries (Sial & Chandrasekhar, 2024, p. 20), the authors show that guarantors systematically favor lower-risk, middle-income transactions, producing

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what they call "a remarkable record of near absent risk in projects guaranteed" (Sial & Chandrasekhar, 2024, p. 21). This shows that the public sector is formally exposed to risk that is, in practice, rarely called upon. Where exposure was real, however, as in the Barbados and Ecuador debt-for-nature operations, the guaranteeing institutions provided no corresponding oversight of due diligence or transparency (Sial & Chandrasekhar, 2024, p. 18). Read together, the source suggests that public guarantors do not simply absorb risk that private capital is unwilling to take. The guarantors themselves select which risks to absorb, favoring projects safe enough to protect the guarantor's own exposure. This is more directly articulated by Mawdsley's (2018) concern that the discussion of risk itself becomes one-sided. Debates surrounding private finance tend to emphasize the risks faced by investors, while giving much less attention to the risks transferred to borrowers, municipal authorities and partner countries (Mawdsley, 2018, p. 194).

This results in a framework in which the claim of risk transfer provides the developmental legitimacy for an instrument that, in practice, screens for bankability rather than compensating for its absence. This selection logic points to a concrete limit on what public guarantors can offset. If guarantors systematically avoid the riskiest sectors and countries, the instrument cannot compensate for the very country- and sector-specific bankability gaps that Wullweber, Kern, McCoy, and Schwartz identify.

The EU-specific critical sources bring this logic closer to Global Gateway and EU external finance. Pérez Vico and Pelletier argue that Global Gateway's private-sector focus sits uneasily with the development narrative promoted by EU institutions (Pérez Vico & Pelletier, 2025, p. 3). They claim that the initiative's financial structure, including limited grants, guarantees, blended finance and export-credit elements, risks advancing trade and commercial interests more than development policy (Pérez Vico & Pelletier, 2025, p. 3). Pérez, Butler and Rubal Maseda reach a related but more human-development-focused conclusion. They argue that the EU's current emphasis on resource mobilization and private-sector engagement differs from traditional aid modalities that have contributed to education, health and poverty-reduction outcomes, and they warn that poverty eradication may be overshadowed by other parts of the sustainable development agenda (Pérez et al., 2025, p. ii). They also state that EFSD+ materializes in bankable projects, understood as development projects that produce income and can therefore be funded with expected financial returns (Pérez et al., 2025, p. 7). This makes the development-policy tension explicit. Some social-sector and least developed country

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needs may not fit well with project-finance logic, even if they remain central to human development (Pérez et al., 2025, pp. viii–ix).

Read together, the critical school gives the literature review a development-policy boundary. It does not mainly explain why an individual project is financially weak. It explains why the use of bankability as a deployment filter can change the type of development priorities that receive attention. The school's shared meaning is that bankability selects. It favors projects that can be framed as investable, measurable, revenue-generating, de-riskable, and administratively attractive. It leaves more difficulty for projects that are socially necessary but weak in revenue, small in scale, politically sensitive, hard to price, or not suitable for private-return expectations. This provides a development-policy boundary. In comparison to the governance school's institutional-convertibility focus, the critical school asks not whether a project can be processed, but which development priorities the bankability filter selects out.

4.2 Analysis of EFSD+ policy constraints

The analysis continues towards the set research question: *To what extent do EFSD+ policy constraints explain the conversion gap between EAG capacity and signed operations under NDICI–Global Europe, controlling for project-level financial bankability?* In this Chapter, the five schools are treated as candidate mechanisms rather than settled findings and are applied to the EFSD+/NDICI documentary corpus (Section 3.6) to assess which mechanisms are traceable in the conversion gap between EAG capacity and signed operations, and to what extent. This applies Beach and Pedersen's (2013, pp. 18, 63) principle of minimal sufficiency where the explanation should retain only the parts an account of the outcome actually requires, with no redundant ones. Each candidate mechanism is therefore tested against the financial-technical control (Sections 3.4 and 3.5) and retained only where the pattern it explains is not already accounted for by ordinary project-level non-bankability.

The institutional evidence is analyzed through five lenses rather than on a document-by-document basis. This makes it possible to identify recurring mechanisms across the EU source corpus and to distinguish a repeated institutional pattern from an isolated observation in one report. The dependent variable is the conversion gap between the guarantee capacity made available through the External Action Guarantee and the later

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stages of implementation, including guarantee agreements, signed financing and investment operations, disbursement, and demonstrated mobilization.

The European Court of Auditors makes conversion gap visible by reporting that, by the end of 2023, the Commission had concluded guarantee agreements covering approximately €28 billion, which equals roughly 70% of the guarantee capacity envisaged for the EFSD+ (€39.1 billion), while participating DFIs had signed only about €7.9 billion in underlying investment operations, which corresponds to roughly 20% of that same capacity (European Court of Auditors, 2024, p. 16). This signed-operations total was itself unevenly distributed across windows: about €7.1 billion under EIB Window 1 (which accounted for roughly €26 billion out of the €28 billion of the guarantee agreements), €554 million under Window 4, and only around €0.3 billion under the Open Architecture, whose €1.3 billion in *guarantee agreements* already amounted to just 10% of its own €13.1 billion envelope (European Court of Auditors, 2024, pp. 16–18, 25). To put this into perspective, it is important to know that a single agreement between the EIB and the Commission in April 2022 provided €26 billion (92%) of the €28 billion guarantee capacity signed by the end of 2023 (European Commission, 2024a, p. 28).

Both the 70% and 20% aggregate shares are measured against the same denominator rather than against each other, so the comparison does not imply that signed operations should track guarantee agreements on a one-to-one basis. What the shares show instead is that guarantee capacity and operational deployment move at different speeds relative to the same ceiling, and that this speed differential is itself unevenly distributed across the EFSD+'s constituent windows rather than uniform across the instrument as a whole (European Court of Auditors, 2024, p. 16).

This separation allows to rule out one explanation before the analysis begins. The Commission evaluation reported strong interest among development finance institutions and treated the fourfold oversubscription (consisting of bids for the available guarantee cover) of the first Open Architecture call as evidence of demand (European Commission, 2024a, pp. 28). The later reform proposal strengthens this observation, stating that close to 80% of private-sector Open Architecture guarantee capacity (not signed operations) had already been committed and that the EIB pipeline exceeded the lending volume available until the end of the investment period (European Commission, 2025a, p. 1). High demand weakens a general explanation based on an absence of institutional interest,

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though it does not show that every proposed product or project was viable (European Commission, 2025a, p. 1). The analytical focus therefore shifts from whether demand exists towards the process of selection, agreement design, signing and the origination of underlying operations that follow initial demand.

The later Commission reporting confirms that the conversion chain continued to move rather than remaining static. By the end of 2024, the Commission reported that negotiations had closed on almost all Open Architecture guarantees selected in the initial allocation round — 58 programs, later consolidated to 41 through mergers (European Commission, 2025d, p. 172). Read against the 2026 Budget Working Document's figures, the pattern holds at portfolio level too. Total guarantee cover across all EFSD+ windows had grown to €30.37 billion, of which €26.04 billion remained concentrated in Window 1 alone, while underlying signed operations by implementing partners reached €14.72 billion (European Commission, 2025e, p. 79). Since the €39.136 billion ceiling itself had not changed in the interim (European Commission, 2025e, pp. 66–67), these figures can be read on the same basis as 2023: guarantee cover had risen to roughly 77.6% of total capacity and signed operations to roughly 37.6%. The gap between commitment and deployment had thus narrowed, but it had not relocated. Window 1's guarantee agreement was fully concluded in April 2022 (European Commission, 2024a, p. 28), and its coverage has been saturated since then, even as signed operations under it continued to climb, from €7.1 billion in 2023 to €10.23 billion in 2024 (European Commission, 2025e, p. 79). The Open Architecture, by contrast, moved from roughly €0.3 billion in signed operations at end-2023 to €0.73 billion a year later — against its own €13.1 billion envelope (European Court of Auditors, 2024, p. 18; European Commission, 2025e, p. 79). The lag remains where it began, in the multi-counterpart window rather than in the single sovereign-facing one.

The analysis therefore asks which factors are repeatedly visible across these stages and what effect each factor can plausibly have. The governance lens examines programming, approvals, contracting, reporting, coordination and administrative capacity. The blended-finance lens examines whether the guarantee changes the risk-return profile sufficiently to support mobilization. The political-economy lens identifies how EU strategic objectives and actor mandates shape the eligible pipeline. The financial-technical lens functions as the control by asking whether project economics, product demand, or

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residual risk provide a better explanation. The critical lens then examines the possible selection effects of an investment-led architecture.

4.2.1 Governance and implementation

The governance evidence establishes that the conversion of EFSD+ guarantee capacity into signed operations has several layers. EFSD+ is described as a policy-first instrument in which an investment proposal is assessed not only as a financial transaction but also against EU policy alignment, geographic coverage, additionality, financial structure and preliminary risk (European Commission, 2024a, pp. 27–28; European Commission, 2024c, p. 71). The budget documentation describes a multi-stage Open Architecture process that ends in a Commission decision and is followed by the negotiation of a separate guarantee agreement with the relevant financial institution, including specialized financial-risk oversight through the Guarantee Risk Experts Group (European Commission, 2024c, pp. 71–75). The EIB-dedicated window is also governed through upstream coordination, an Article 19 consultation and an EFSD+ eligibility assessment after the EIB has completed its own appraisal (European Commission, 2024c, pp. 71–72). This architecture translates the EU budgetary mandate into operational conditions and is therefore necessary for policy control and accountability (European Commission, 2024a, pp. 27–28; European Commission, 2024c, pp. 71–72). Its relevance to the research question lies in the additional institutional work required after an operation has become financially viable to an implementing partner.

This leads to the first detectable factor, institutional capacity, and it can be traced on both sides of the guarantee relationship, inside the Commission's Delegations, and among the financial institutions implementing EFSD+ operations.

On the Commission's side, the external evaluation, as reported by the ECA, recommended that EFSD+ be more firmly integrated into geographic programming, increasing cooperation with DFIs, and that the capacity of EU Delegations be strengthened (European Court of Auditors, 2024, pp. 26–27). Capacity shortages already existed under the predecessor EFSD, were intensified by the larger EFSD+ architecture, and were not matched by recruitment of sufficient specialist staff (European Court of Auditors, 2024, p. 27). Delegations with limited experience of EFSD+ needed additional effort to analyze the new provisions, which contributed to delays in preparing multiannual indicative programs (European Court of Auditors, 2024, p. 27). The Commission's own

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stakeholder evidence adds a local implementation dimension. DFIs called for stronger delegation capacity, regular partnership dialogue and more coherent processing across Commission services (European Commission, 2024a, pp. 124–125). DFI’s delegations reported that headquarters largely drove EFSD+ and that they were consulted on alignment but insufficiently involved in design, implementation and monitoring. This led to the internal conclusion that the instrument is highly work-intensive (European Commission, 2024a, p. 127). They also described guarantees as underused, noting that financial institutions still tended to favor blending grants in some contexts (European Commission, 2024a, p. 127). These are not project cash-flow problems. They show that local knowledge, staff capacity and clarity of responsibility affect the ability to convert program-level guarantees into operations suited to country conditions.

The subsequent annual report shows an institutional response to these capacity concerns. It records training for Delegations, EFSD+ outreach missions, the designation of financial-instrument expertise, and continued pipeline review with DFIs (European Commission, 2025d, pp. 28–31). The OECD similarly notes that each Delegation has an EFSD+ focal point and that DG INTPA has invested in private-sector skills as the Commission assumes a stronger role in project origination (OECD, 2025b, pp. 48–49). The same OECD analysis cautions that opportunities identified by the Commission need to be sufficiently close to bankability and that roles should remain clear between the Commission, as the policy setter, and pillar-assessed financial institutions, as project appraisers (OECD, 2025b, p. 49).

On the side of the implementing institution, the ECA notes that the Commission initially concentrated on the large EIB guarantee agreement before proceeding with Open Architecture negotiations (European Court of Auditors, 2024, pp. 17–18). The budget documentation shows that the EIB-dedicated window operates through an established coordination and eligibility sequence, whereas each Open Architecture program was followed by extensive negotiations with the relevant financial institution (European Commission, 2024c, p. 73). The OECD documents major differences in institutional footprint, mandate and average operation size across the EIB, European Bank for Reconstruction and Development and bilateral DFIs (OECD, 2025b, pp. 56–57). These differences affect the resources available to absorb EU legal, reporting and coordination requirements and the extent to which largely fixed implementation costs can be distributed across a larger portfolio; smaller institutions may instead rely on joint

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proposals to pool the required capacity and expertise (European Commission, 2024a, pp. 124–125; European Commission, 2025b, pp. 5–7; OECD, 2025b, p. 57).

In addition to contract negotiations, the annual implementation document reports technical meetings with DFIs on the EFSD+ Results Measurement Framework, intended to align guarantee, blending and financial-assistance reporting with common indicators (European Commission, 2024a, pp. 130–131), and the introduction of the Commission’s Operational System (the OPSYS platform) as a central repository for operations and corporate results reporting (European Commission, 2024a, pp. 7–8). These additional steps were necessary so that financial institutions could enter the results frameworks attached to guarantee agreements (European Commission, 2025d, pp. 30–31). Together, they show that operational conversion requires a functioning reporting interface between the Commission, Delegations and implementing institutions, not only a signed legal contract (European Commission, 2025d, pp. 30–31).

This mapping of evaluation and reporting layers leads to the clearest traceable governance factor; the cost and duration of agreement negotiation. Guarantee bottlenecks are reported to arise in planning and contracting as the instruments must be adapted to specific need, consultation and negotiation are complex and blending operations remain lengthy (European Commission, 2025b, pp. 27–28).

This can be linked directly to costs as stakeholder consultation in the Commission evaluation records concerns from DFIs about contract complexity, implementation setbacks, limited flexibility in operation design, and heavy reporting obligations (European Commission, 2024a, p. 124). Some financial institutions suggested greater reliance on pillar assessments and program-level approval rather than repeated transaction-level processes, while reporting requirements were described as particularly burdensome for smaller businesses (European Commission, 2024a, p. 124). The impact of consolidation has been assessed by the Commission itself, reporting that, through consolidation, negotiating four agreements instead of nine would save a combined €4 million in staff and administrative costs, with further reporting simplifications in the EFSD+ framework would amount to €21.5 million in savings (European Commission 2025b, pp. 5–7).

The OECD continues this analysis by giving these costs a specific institutional cause: standardization. It reports that each Open Architecture institution had to negotiate specific

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terms with the EU, that most agreements from the 2022 call were signed only in 2024 or 2025, and that some proposed investment programs were no longer feasible by the time the guarantee was ready (OECD, 2025b, pp. 60–61). It also identifies a lack of standard legal terms and differences between the processes used by DG INTPA and the former DG NEAR as sources of complexity for institutions seeking coverage across regions (OECD, 2025b, pp. 60–61). This provides a clear link between an institutional factor and an operational consequence, as the absence of common terms not only delayed agreements but could also determine whether the underlying project pipeline remained viable.

The 2025 reform proposal responds directly to this problem and links the response explicitly to speed. The Commission proposed consolidating several proposals from the same implementing partner under one guarantee agreement, using one contribution agreement for several technical-assistance components, reducing financial reporting from quarterly to semi-annual, removing an additional audit requirement for operation-level risk information, and simplifying the application, approval, contracting, and reporting of blending operations (European Commission, 2025a, pp. 2–3, 5). These measures, the Commission stated, should let implementing partners redirect resources toward origination and reduce time to market (European Commission, 2025a, p. 2), and it treated the predecessor generation's under-implementation as the lesson behind the push for consolidation terms (European Commission, 2025b, pp. 6–7).

Standardization has limits of its own, and the evidence does not support treating it as a general solution. Additionality still requires a project-level case-by-case differentiation (OECD, 2025a, pp. 51–52; European Commission 2025e, p. 58). Guarantee pricing still varies with risk (European Court of Auditors, 2024, p. 22). Fragile or less-developed contexts may still require policy discounts, local-currency structures, grants or tailored technical assistance that a standard template cannot provide (European Court of Auditors, 2024, pp. 19–22; European Commission, 2024a, pp. 60–61, 124). Full product uniformity could therefore exclude precisely the contexts in which public risk-sharing is meant to add the most value.

The resulting mechanism is a trade-off. Conversion is likely to improve where the architecture standardizes the administrative interface while preserving the ability to tailor the financial instrument itself. It may remain slow where every agreement is negotiated as institutionally unique. It may also become selectively narrow if standardization is

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pushed onto the underlying development problem rather than kept to the administrative process around it.

The governance findings are reinforced by the fact that simplification was ultimately enacted, not left as a proposal. Regulation (EU) 2026/995 removed the additional operation-level audit obligation and adjusted the framework for using EFSD surpluses and the EIB risk-sharing arrangement (European Parliament & Council, 2026, Recitals 1–15). However, its Recitals also preserve the requirement that efficiency be accompanied by transparent reporting on performance, leverage, allocation and additionality (European Parliament & Council, 2026, Recitals 1–15). The legal reform therefore confirms both sides of the trade-off: negotiation and reporting burdens were considered consequential enough to be legislatively amended, while accountability and evidence of additionality remained conditions the EU was not willing to give up. This pattern indicates that the relevant governance question is not whether reporting should exist, but whether it is proportionate to an institution's capacity to absorb it. The conversion mechanism is therefore more precise than a generic claim of bureaucracy: fragmented or duplicative reporting can slow delivery, while common data structures can reduce repeated work and improve the ability to manage the portfolio. The finding is about implementation capacity as actors with prior EU-financing experience can move through the same formal architecture more easily than smaller or newer counterparts.

Taken together, the governance lens identifies a traceable chain rather than a general complaint about administrative complexity. Demand for guarantee cover was high; the architecture then required policy selection, agreement negotiation, additionality and risk assessment, reporting integration and local implementation capacity; several of these stages were later singled out for simplification, and an external peer review reports that negotiation time made some proposed programs infeasible (European Commission, 2025a, pp. 1–3; OECD, 2025b, pp. 60–61). This sequence supports the conclusion that policy and implementation conditions can reduce or delay conversion after institutional demand has been established. The effect is likely to be strongest where operation size is small relative to fixed process costs, where a lack of common terms forces repeated customization, and where the implementing institution or Delegation has limited experience with the EU guarantee architecture.

4.2.2 Blended-finance and mobilization

The blended-finance school established that, depending on the state of a market or the characteristics of a project, bankability has to be produced by public intervention. That the EU has built its largest external instrument around exactly this premise is worth noting. The Commission presents EFSD+ as its largest risk-sharing instrument for mobilizing additional finance and expertise (European Commission, 2025a, p. 1). This is an implicit concession that the investments that the mandate prioritizes will not materialize on commercial terms alone. The mechanism is the blending logic itself: the EU budget absorbs risk and lowers the cost of capital (European Commission, 2025d, p. 31), so that operations the priority mandate calls for, but which no financier would otherwise back, can convert from committed capacity into signed operations.

The EAG mandate, however, requires more than an increase in transaction volume. Additionality means that supported operations should not merely replace other public or private finance, should address market failure or sub-optimal investment conditions and should carry a higher risk profile than the implementing institution's normal portfolio (European Parliament & Council, 2021, Art. 2(10)). The ECA found that the Commission's evaluation contained little evidence regarding the extent to which EFSD+ mobilized investments that would not otherwise have occurred, crowded in private finance, or supported a genuinely higher-risk portfolio (European Court of Auditors, 2024, pp. 19–21). This evidence gap is central to the conversion question. A signed guarantee agreement indicates institutional commitment, but it does not, by itself, show that the guarantee changed the investment decision of a private financier.

This is the pattern the school itself documented at the global level, where mobilized finance instead concentrates in operations already near commercial viability while risk shifts onto the public balance sheet rather than being eliminated (Attridge & Engen, 2019, p. 11; Section 4.1.2).

The EFSD+ record does not contradict the school's mechanism; it reproduces the mechanism's known bias. DFIs and IFIs operate with limited risk appetite and, under the current EFSD+ design, have no readily available means of expanding it, which constrains the extent to which financialization can serve genuinely additional or higher-risk operations rather than those already close to bankable (European Commission, 2024b, p. 52). Because investments are led operationally by the implementing institution with

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comparatively limited direct EU involvement at deal level, and because DFI/IFI project staff, operating as bankers rather than policy officers, generally treat additionality assessment as outside their remit, there is little institutional incentive at the operational level to generate the evidence an additionality test would require (European Commission, 2024b, p. 52).

Read together, these operational features converge on a single point: where deals are assembled, the evidence an additionality test would require is neither produced nor incentivized, and its absence follows from the design rather than from oversight. One might expect the reporting layer above the deal to supply that signal instead. The aggregate ratios the Commission publishes could, in principle, indicate whether committed capacity attracts investment that would not otherwise have moved.

However, the first mobilization figures following the 2021 Economic and Investment Plans did not reach the substantial volumes that partner countries had anticipated, and signed operations were addressed only at a meta level. The evaluation attributes this in part to insufficient management of expectations during what is inherently a multi-year design-to-signature process (European Commission, 2024b, p. 52). The Commission's own subsequent reporting has not closed this gap. The 2026 Budget Working Document reports leverage and multiplier ratios of 1.54 and 3.08 for the EIB's Investment Window 1, 1.4 for Window 4, and 4.6 for the Open Architecture (European Commission, 2025e, p. 75). The report further discloses, for Window 1, that this ratio is derived mechanically from the guarantee's own coverage terms, since EU liability is capped at 65% of EIB lending (European Parliament & Council, Art. 36(1)) and EIB covers 50% of project costs on average, rather than from any assessment of capital that would not otherwise have moved (European Commission, 2025e, p. 75, 79). A ratio built from the guarantee's own coverage percentage will be positive by construction regardless of whether the guarantee changed anyone's investment decision. This ratio measures how the instrument is designed, not how it performed directly.

This construction-dependence can also be found in the documents aimed at the amendment of the NDICI. Regulation (EU) 2026/995, adopted on 29 April 2026, reduces the EU's coverage share under Window 1 from 65% to 60%, with the EIB's residual risk rising correspondingly from 35% to 40%, a change the regulation's recitals frame as a more efficient use of the Union's budgetary guarantee (European Parliament & Council,

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2026, Recital 8). Since the EIB's Window 1 leverage ratio reported in the 2026 Budget Working Document is calculated directly from the EU's coverage percentage (European Commission, 2025e, p. 75), this amendment will mechanically raise the reported leverage figure in subsequent reporting cycles, independent of any change in the volume of investment the guarantee actually enables. A future increase in Window 1's headline leverage ratio, in other words, is already legislatively built in. The metric tracks a policy parameter the Commission and the EIB can adjust by negotiation, not an empirical outcome that depends on private financiers' decisions.

The same reporting template carries a dedicated field for "private sector resources mobilized" for each window, and this field is reported as not applicable across all three windows for 2024 (European Commission, 2025e, p. 75). The evidence gap the Court identified in 2024 therefore persists in the Commission's own most recent operational reporting. The instrument's structural design is documented in detail, but the one figure that would confirm additionality remains unreported a full reporting cycle later.

The annual reporting also shows a large gap in scale between the earliest and latest points in the pipeline where a leverage figure is reported at all. At the Board-approval stage, the EFSD+ Operational Board's positive opinion on €951 million in blending contributions implied a leverage ratio of roughly 8.4 times and a multiplier of roughly 16.8 times, calculated from the reported expectation of over €8 billion in financing and almost €16 billion in total investment (European Commission, 2025d, p. 171). This figure describes the grant-based blending facilities rather than the budgetary guarantee windows examined above, so it is not the same instrument measured twice. It depicts a second, structurally distinct mechanism within EFSD+ that reports its own leverage estimate on its own basis at an earlier pipeline stage. Set against the guarantee window's signed-stage ratios of 1.4 to 4.6 (European Commission, 2025e, p. 75), the contrast is instructive regardless of the mechanism's differences. No report shows an attempt to reconcile blending-leverage and guarantee-leverage into a single instrument-wide figure, and the reported figures shrink by roughly half to a full order of magnitude between the earliest approval-stage estimate and the latest disclosed signed-agreement calculation. Whether this reflects blending operations being inherently more leverageable than guarantees, optimistic assumptions at approval that are not carried through to implementation, or simply two incompatible accounting conventions cannot be determined from the documents reviewed, but the absence of any reconciliation is itself part of the evidentiary gap this lens identifies. The

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External Action expenditure document contributes mainly policy context by presenting Global Gateway as a means of mobilizing investment across digital, transport, energy, climate, health, education and research while supporting a business-enabling environment (European Commission, 2025f, p. 43). It does not provide sufficient instrument-level data to determine the private additionality of EFSD+.

The blended-finance lens ultimately turns up a reporting gap rather than a settled explanation of the conversion gap. At the level of institutional uptake, the picture stays positive. Guarantee capacity has been substantially committed, and demand for the instrument is high. What the evidence does not do is confirm additionality, answering whether this capital would not otherwise have moved. The ECA found that, even for operations predating the 2024 evaluation, the Commission's own evaluation contained little evidence on the extent to which EFSD+ crowded in private finance or supported a genuinely higher-risk portfolio (European Court of Auditors, 2024, pp. 19–21). The Commission's most recent reporting has not closed this gap. The dedicated field for private sector resources mobilized is recorded as not applicable across all reported EFSD+ windows for 2024 (European Commission, 2025e, p. 75).

This is not a shortage of data. It is a control-variable problem: a signed guarantee agreement does not, and cannot, operationalize the condition of independent project-level bankability that an additionality test requires. That distinction sets the limit on what this section can claim. The record's failure to show additionality does not license the reverse conclusion that the projects were financeable on their own and that the guarantee was simply attached to them. That inference would confirm the financial-technical rival, and nothing assembled here establishes it. What the record supports is narrower. The one quantity that would price the guarantee's contribution is never disclosed at the level of the operation, so its additionality can be neither confirmed nor, on these pages, ruled out.

This is not only a measurement problem. With this evidence, the conversion gap looks less like a temporary gap in the data than like a feature of how the instrument is used. The school could have read the gap as an underlying mechanism failure, in which risk-sharing produces cover without producing the additional deals it exists to enable. As currently disclosed, the blended-finance mechanism reaches a boundary rather than failing outright: it can produce cover, but it cannot show that the cover bought anything the market would not have bought anyway. Because that contribution is never priced at the level of the

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individual operation, private financiers have little basis for anticipating what a given guarantee buys them, which is one plausible reason committed cover is slow to convert into signed operations. What this lens leaves unexplained is then carried from another direction, by the negotiation cost and procedural friction the governance lens examines and by the selection effects taken up below. The evidence reviewed here cannot settle their relative weight, and how much of the conversion gap this mechanism accounts for is not decided at this point.

4.2.3 Political economy

The political-economy lens shows that EFSD+ is not allocated solely according to a commercial assessment of risk and return. The Commission's 2025 reform proposal places the instrument within a more assertive external policy in which geopolitics and geoeconomics are increasingly connected and in which investment is expected to support raw-material security, clean energy, sustainable transport fuels and clean technology (European Commission, 2025a, p. 1). The 2025 Annual Report similarly frames Global Gateway as part of a new economic foreign policy centered on economic security, trade, investment, and EU competitiveness, while also presenting it as a contribution to sustainable development in partner countries (European Commission, 2025c, pp. 1, 4). The external-action budget document repeats this combined logic by linking investment mobilization to strategic sectors and to an enabling environment for European and partner-country businesses (European Commission, 2025f, p. 43).

This multi-objective setting affects conversion by shaping which projects enter the institutional pipeline. The Commission evaluation describes NDICI–Global Europe as more policy-driven and reports that multiannual programming is used to align external finance with EU priorities and partner-country needs (European Commission, 2024a, pp. 6, 27–28). It concludes that the instrument strengthened the external projection of EU policies, but also calls for a better-integrated balance among EU interests, partnerships, and values (European Commission, 2024a, pp. 67–68). The issue is not that strategic alignment necessarily obstructs finance. Clear policy priorities can concentrate resources and improve coordination. The potential for friction arises when an operation must satisfy several objectives simultaneously, or when EU strategic priorities do not align with the timing, ownership, or investment priorities of the partner country.

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The Delegation evidence makes this mechanism more concrete. Delegations reported greater freedom to promote EU interests, but warned that a more unilateral offer of cooperation could weaken ownership and thereby affect implementation and policy dialogue (European Commission, 2024a, p. 126). The annual implementation document shows the institutional response through pipeline-review meetings with DFIs and stronger coordination under the European financial architecture for development (European Commission, 2025d, pp. 28–31). These processes can improve strategic coherence, but they also add a policy-fit stage between a financier’s initial interest and the final operation. Conversion is therefore steered by its alignment with EU priorities, implementing-partner mandates and partner-country ownership.

The mandates of the other actors also matter. The EIB benefits from dedicated EFSD+ windows for sovereign and non-commercial sub-sovereign operations (European Parliament & Council, 2021, Art. 36(1)), whereas other financial institutions generally access the guarantee through the Open Architecture (European Commission, 2025e, pp. 66–72). The OECD notes that partner institutions differ substantially in portfolio size, country presence, ticket size, mandate and risk appetite (OECD, 2025b, pp. 56–57). This diversity is potentially an advantage because it gives the EU access to different markets and financial capabilities. It also means that a policy priority that fits one institution’s balance sheet and operating model may not fit another’s. The conversion problem is thus partly one of matching policy objectives to an institution capable of originating and managing the relevant operation.

This asymmetry in institutional mandate-fit is compounded by a steering-level ambiguity that affects all EFSD+ counterparts, not the EIB alone. Because the relative priority to be attached to EFSD+'s several objectives has not been clearly resolved, EU Member State representatives have noted that the EFSD+ Strategic Board's ability to steer country- and sector-level allocation is correspondingly weakened, leaving DFIs and IFIs considerable freedom to select which entry points and sectors to pursue within the broad envelope available to them (European Commission, 2024b, Finding 7, pp. 16–17). Where an institution's mandate happens to align with an under-prioritized policy objective, this latitude can work to its advantage; where it does not, the absence of clear steering criteria offers no corrective mechanism. This reinforces the argument developed above, that the conversion gap traceable to political-economy factors is not reducible to the EIB's structural advantage under Article 36(1) alone, but reflects a broader steering weakness

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that shapes which institutions, and therefore which mandates, gain attention and financing across the EFSD+ portfolio as a whole (European Parliament & Council, 2021, Art. 36(1)).

The political-economy evidence should not be used to claim that geopolitical objectives caused the observed gap. The EU documents do not provide the basis for this statement. They do, however, establish that bankability is embedded in a selective public mandate. A project must be financially acceptable, but it must also be legible as an EU external-policy operation and compatible with the role of an eligible financial institution. This lens, therefore, operates as a conditioning explanation: it shapes the pipeline, the preferred sectors, and the extent of required customization, while the governance lens explains how that policy selection is administered.

4.2.4 Project-level bankability as a control explanation

The financial-technical lens provides the rival explanation against which the preceding lenses have been tested. It prevents slow or incomplete conversion from being attributed to EU policy constraints by default. In project finance, lenders rely primarily on the project's cash flows and assets rather than on broad recourse to the sponsor, which makes revenue visibility, costs, contractual protection, and debt-service capacity central to the credit decision (Steffen, 2018, p. 281). Risk allocation is equally important because project outcomes deteriorate when risks are assigned to parties that lack the knowledge or capacity to manage them (Ng & Loosemore, 2007, p. 66). These conditions exist before the EFSD+ process begins. A guarantee can redistribute selected risks and lower financing costs to a degree, but it does not remove the need for a viable financial structure.

The EU evidence repeatedly confirms this boundary. The Commission evaluation distinguishes guarantee-supported, bankable operations from projects that require blending grants because they are not financially viable or because the guarantee does not reduce risk sufficiently (European Commission, 2024a, p. 60). It gives special attention to fragile, conflict-affected, least-developed, and heavily indebted countries and reports concerns about using guarantees in contexts with weak markets and limited risk appetite (European Commission, 2024a, p. 61). DFI stakeholders additionally identified local-currency needs, limited flexibility in financial-product design, residual country risk and the greater suitability of blending in some contexts (European Commission, 2024a, p. 124). These factors are rival explanations for non-conversion rather than evidence of governance friction alone.

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The EU evidence corpus also specifies a mechanism that is more specific to EFSD+ than the general project-finance literature cited above. Guarantee-backed and blending operations under EFSD+ concentrated disproportionately on established infrastructure sectors, and the implementation record attributes this partly to the business models of the participating DFIs and IFIs, which depend on meeting minimum investment thresholds and standard bankability tests that are harder to satisfy in social sectors or in under-developed financial markets, and partly to these institutions' limited local presence, which biases risk assessment toward caution in contexts where risk is in fact difficult to observe directly (European Commission, 2024b, Finding 7, p. 17). This passage bears implications for more than one school. It supports statements from the political-economy school about internal decisions based on an institution's mandate and balance sheet such as risk-aversion. It strengthens the blended school's implications and sharpens the critical school's notion that there is a certain bias towards more bankable sectors and countries. Approved blending in 2024 had a concentration of 57% in two sectors, namely transport and energy, with only €3 million out of the approved 951 million addressing the social sector (European Commission, 2024d, pp. 170–171).

This sharpens the financial-technical control, since it identifies a supply-side mechanism, rooted in the implementing institution's own risk-assessment practices, operating alongside the demand-side and country-context factors already discussed. Consistent with this, the evaluation's account of implementation delay does not cleanly separate ordinary project-cycle time from governance-added time: the slow pace is attributed jointly to “the long time required to design, contract and implement investment projects as well as challenging partner country contexts” (European Commission, 2024b, p. 52). This establishes that financial, project-cycle and contextual constraints contributed to delay, but it does not isolate their effect from the negotiation and standardization frictions identified under the governance lens.

Guarantee pricing provides another interaction between financial and policy conditions. The ECA reports that Open Architecture fees varied with portfolio risk and that DFIs requested greater transparency regarding the pricing model (European Court of Auditors, 2024, p. 22). According to EIB evidence reported by the ECA, even a relatively small commission fee can be passed through the DFI and financial intermediary to the final beneficiary, potentially reducing the competitiveness of the operation (European Court of Auditors, 2024, p. 22). The pricing rule is a governance choice designed to protect the

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EU budget and reflect risk, but its effect is financial. This is precisely the type of interaction that the control must preserve. Policy conditions may influence conversion through the economics of the final product rather than through administrative delay.

Further evidence shows that financial-technical reasons for the conversion gap exist, but they are always observed jointly alongside other conditions. The reform documents, for example, shows that under-implementation can result from product-market mismatch (European Commission, 2025a, p. 5). The Commission reports that some predecessor EFSD guarantee agreements produced no underlying transactions partly because the relevant financial products did not attract sufficient demand, while the COVID-19 shock affected others (European Commission, 2025b, pp. 2–3). The 2025 proposal further records DFI concerns that impactful tailor-made projects in fragile and less-developed countries require targeted funding because institutional risk appetite remains limited (European Commission, 2025a, p. 5). These observations mean that the generally high demand for EFSD+ should not be interpreted as demand for every product, region or project type. The 2025 Working Document for the financial year 2026 likewise separates windows and provisioning rates because sovereign, sub-sovereign, private-sector and intermediated operations have different risk profiles and loss expectations (European Commission, 2025e, pp. 66–79). Aggregate conversion figures therefore combine operations with different maturation periods and financial constraints. A slower private-sector portfolio in a fragile market cannot be assessed against the same baseline as a sovereign operation under an established EIB window.

The control is therefore applied sequentially, but it does not produce a fully separable category of “ordinary” project delay. Cases involving ticket size, pricing, standardization or local-currency requirements remain interaction cases because they combine financial and governance components. Applied to the evidence above, this sequence shows that project-level bankability provides a necessary rival explanation, but not a clean residual baseline against which the other mechanisms can be measured independently. The available implementation evidence frequently combines project-cycle, market-context and institutional sources of delay, while the more specific evidence on negotiation, bespoke agreement design and limited standardization identifies the additional friction attributable to EFSD+ governance. The financial-technical control should therefore be read alongside the governance lens: it prevents institutional friction from becoming a

catch-all explanation but does not independently isolate the share of non-conversion that would have occurred in the absence of EFSD+ policy constraints.

4.2.5 Critical and distributional implications

The critical lens asks which actors and development needs are most easily converted under an investment-led guarantee architecture. The Commission's evaluation reports concerns from civil society organizations that the new framework added complexity for local actors and made access to geographic funding less manageable (European Commission, 2024a, pp. 122–123). In contrast, local authorities expressed concern about the loss of dedicated budget lines and limited involvement in the rollout of Global Gateway (European Commission, 2024a, pp. 122–123). Delegations also reported reduced access to demand-driven thematic lines in fields such as the environment, food security, and local government (European Commission, 2024a, p. 127). These observations do not prove that recent policy developments or mobilization ambitions displaced those activities. They show that the move towards integrated geographic programming and investment platforms altered access to financial resources and the institutional visibility of different actors.

The ECA identifies related gaps in the Commission evaluation. It found that the fair involvement of small and medium-sized counterparts and the special attention required for least-developed countries were not assessed sufficiently (European Court of Auditors, 2024, pp. 27–29). The issue is relevant because the governance mechanisms identified above are not distributionally neutral. Fixed agreement and reporting costs are easier to absorb in large portfolios, standardized processes may favor familiar products, and institutional experience may favor actors already integrated into the EU financial architecture. These are analytical implications of the combined evidence rather than direct findings that smaller institutions were formally excluded.

Two further pieces of evidence sharpen the picture. First, the bankability-driven sectoral concentration identified in the financial-technical lens above carries a direct distributional consequence for this lens: because DFI/IFI business models favor operations that already meet conventional bankability thresholds, the human-development and least-developed-country priorities articulated in the NDICI Regulation are structurally at risk of underrepresentation in the realized EFSD+ portfolio, independent of any explicit decision to deprioritize them (European Commission, 2024b, Finding 7, pp. 16–17). Second, the

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evidence points to a more direct ownership gap than the delegation-capacity findings discussed under the governance lens. In the sample of proposed investment programs reviewed under the Open Architecture window, none explicitly recorded consultation with partner-country representatives, which limited local ownership, left local priorities and needs inadequately reflected in project design, and foreclosed an opportunity to build partner-government capacity in the use of financial instruments (European Commission, 2024b, Finding 11, p. 20). Taken together, these findings suggest that the critical lens's selection effects applies not only to which sectors and actors the architecture favors, but to who is present, or absent, at the point where individual operations are actually designed.

The sectoral and strategic framing of Global Gateway adds a second possible selection effect. The annual reports emphasize large, visible portfolios in energy, transport, digital connectivity and other strategic sectors, while also covering health, education and research (European Commission, 2025c, p. 4; European Commission, 2025d, pp. 23–24). Such sectors can produce scalable programs and a clear investment narrative. However, development needs with weak revenue models or highly local delivery may require grants, public provision or intensive technical assistance rather than guarantee-backed finance (European Commission, 2024a, p. 60). The critical implication is not that scalable infrastructure lacks development value. It is that the conversion metric may favor the project forms most easily expressed as financeable transactions.

The OECD adds further caution concerning the balance between European economic interests and local private-sector development. It reports increasing pressure on some EFSD+ partners to involve European firms and notes concerns that projects centered on local private-sector development may receive less attention (OECD, 2025b, pp. 55–56). Together with the Commission's own ownership concerns, it shows why the final assessment should examine not only how much guarantee capacity converts, but also which actors, regions and project types are represented in the resulting portfolio (European Commission, 2024a, pp. 122–127; OECD, 2025b, pp. 55–56).

The critical lens, therefore, offers an implication rather than the primary causal explanation for the conversion gap. Governance requirements may be justified by accountability and additionality, yet their fixed costs can still be selected for larger and more experienced actors. Standardization can improve speed, yet it can also narrow the range of project forms if applied too rigidly. A higher conversion rate is not, by itself,

sufficient evidence of developmental success unless the portfolio also demonstrates additionality, partner ownership, and appropriate coverage of difficult contexts.

4.3 Cross-lens synthesis and overall assessment

Applying the cross-lens screen this research committed to in Section 3.5, the evidence across the five lenses converges on one EFSD+-specific mechanism rather than five parallel policy mechanisms. Following the principle of minimal sufficiency, the governance-lens findings on transaction-cost proportionality, standardization and institutional experience are not three separate causes but three angles on a single underlying condition. EFSD+ policy constraints explain the conversion gap to a meaningful but non-exclusive extent, and what they explain is not a refusal to comply but a structural bespokeness that no single actor in the architecture can fully absorb. The minimally sufficient explanation is therefore two-part. Ordinary project- and market-level frictions explain a part of non-conversion, while policy-induced bespokeness explains the additional friction attributable specifically to the EFSD+ architecture. Minimal sufficiency does not require bespokeness to explain every unsigned operation; it requires that no further policy mechanism is needed once ordinary financial and market failure has been retained as the control explanation (Beach & Pedersen, 2013, p. 18).

The evidence on uptake rules out the simplest alternative first. Guarantee agreements had reached roughly 70% of EFSD+ capacity by the end of 2023, and the Commission's own evaluation treated the oversubscription of the first Open Architecture call as evidence of strong demand (European Court of Auditors, 2024, p. 16; European Commission, 2024a, pp. 28–29, 59–60). By the end of 2024, signed operations had grown to roughly 37.6% of the same ceiling (European Commission, 2025e, p. 79). Institutions are not withholding cooperation, and Delegations, DFIs and IFIs are visibly working through the reporting and eligibility apparatus rather than around it. If the gap were a willingness problem, accepting the EU's accounting and additionality conditions would itself be the sticking point. It is not. The traceable mechanism sits further downstream, in what it takes to turn an accepted policy condition into a signed operation.

This is where transaction-cost proportionality, the standardization-customization trade-off, and institutional experience stop looking like three findings and start looking like one. Each names the same cause from a different point of view. Ticket size matters here not simply because small projects are unbankable but because fixed EU-specific negotiation

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and reporting work raises the effective minimum scale at which an operation is worth pursuing (Steffen, 2018, p. 281; European Commission, 2024a, p. 124). Standardization helps only where the underlying arrangement is repeatable, and the OECD's finding that most 2022-call agreements were not signed until 2024 or 2025, with some proposed programs no longer feasible by the time terms were ready, shows what happens where it is not (OECD, 2025b, pp. 60–61). Institutional experience matters because larger, EU-familiar counterparts can amortize the cost of a one-off negotiation across a bigger portfolio, while a newer or smaller counterpart faces the same fixed cost with less capacity to spread it (European Court of Auditors, 2024, pp. 17–18, 26–28; OECD, 2025b, pp. 56–57). None of this is primarily about capacity in the sense of skill or staffing. It is that each agreement with implementing partners and every Open Architecture agreement has to be negotiated almost from scratch, which makes the time and cost of conversion difficult to plan for in advance regardless of how capable the counterpart is. Capacity determines who can absorb an unplannable process. It does not make the process itself plannable.

This is also where the conversion gap stops being evenly distributed. The same bespokeness that any counterpart must absorb falls hardest on exactly the projects the instrument is meant to reach beyond the easy cases. The critical lens supplies an internal, not only external, account of why. DFI and IFI business models depend on meeting standard bankability thresholds that are harder to satisfy in social sectors and underdeveloped markets, and this operates independently of any explicit decision to deprioritize least-developed-country or human-development objectives (European Commission, 2024b, Finding 7, pp. 16–17). The ECA separately found that the fair involvement of smaller counterparts and the special attention owed to least-developed countries were not assessed with sufficient rigor in the Commission's own evaluation (European Court of Auditors, 2024, pp. 27–29). Read together with the governance evidence, the mechanism is not that the EU targets large sovereign deals over small or fragile ones. It is that an unstandardized, agreement-by-agreement process structurally favors whoever can absorb an unpredictable fixed cost, and that this favors scale and sovereign counterparts as a byproduct rather than as policy intent.

The financial-technical control keeps this verdict honest rather than closing it off. Some agreements failed for ordinary reasons unrelated to EU process, including insufficient product demand and the COVID-19 shock (European Commission, 2025b, pp. 2–3), and the political-economy lens shows that sectoral and geopolitical prioritization also shapes

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which projects reach the pipeline in the first place (European Commission, 2025a, p. 1; European Commission, 2024b, Finding 7, pp. 16–17). These are real, coexisting explanations. What distinguishes bespokeness is that it is the only EFSD+-specific mechanism the evidence traces consistently across the stages where conversion is actually decided — negotiation, contracting, reporting and implementation — rather than at a single point. By the standard of minimal sufficiency, that is what makes it a non-redundant component of the explanation rather than an incidental correlate (Beach & Pedersen, 2013, pp. 18, 63).

The financial-technical control therefore remains part of the minimally sufficient explanation of the overall conversion gap. It accounts for ordinary project- and market-level non-conversion, while bespokeness captures the additional friction attributable specifically to the EFSD+ architecture. The explanation is minimal because neither retained component is redundant. Removing the financial-technical control would misattribute ordinary project and market failure to the EFSD+ architecture. Removing bespokeness would leave the policy-specific negotiation burden traced across the Open Architecture evidence unexplained. The remaining lenses qualify this account rather than adding to it. The political-economy reading explains what enters the pipeline, the critical reading identifies where the burden falls hardest, and the blended-finance reading limits what signed volumes can establish about mobilization and additionality. None of the three supplies a further mechanism that would account for a distinct part of the conversion pattern, so none is treated as an equal cause.

The bespoke nature identified in this thesis can be connected to established theoretical concepts, although these theories were not directly tested in this analysis. The mechanism is most closely related to institutional explanations of why standardized and one-off transactions create different governance costs (North, 1990, p. 34). It is also related to principal–agent theory, particularly the argument that a principal’s screening and verification requirements influence which commitments remain economically viable for an agent (Laffont & Tirole, 1993). However, these approaches were not part of the five schools of thought developed through the coded literature in this thesis.

This is consistent with the methodological choice explained in Section 3.5. Explaining-outcome process tracing aims to develop a case-specific mechanistic explanation rather than to test a general theory (Beach & Pedersen, 2013, pp. 3, 18–19). Bespokeness is

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therefore presented as a mechanism identified empirically within the EFSD+ case, rather than as a new theoretical claim.

The answer to the research question is therefore that EFSD+ policy constraints explain the conversion gap as a structural, non-exclusive factor by making conversion inherently difficult to plan. That difficulty is not distributed evenly. It falls disproportionately on smaller, less experienced operations, especially in LICs, for reasons internal to the architecture as well as external factors. The paradox is accordingly precise rather than general. The same features that make the guarantee accountable also make it bespoke, and bespokeness, not non-compliance or unwillingness, is what the conversion gap most consistently traces back to.

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This thesis examined why signed operations have lagged behind the guarantee capacity under NDICI–Global Europe. The research question asked to what extent EFSD+ policy constraints explain the conversion gap between External Action Guarantee capacity and signed operations, controlling for project-level financial bankability. The motivation for this research was first empirical before it became theoretical. By the end of 2023, the Commission had concluded guarantee agreements covering roughly 70% of the EFSD+ ceiling while underlying signed operations accounted for only close to 20% of the same ceiling. Although that gap had narrowed by the end of 2024, it had not disappeared (European Court of Auditors, 2024, p. 16; European Commission, 2025e, p. 79).

The aim of the thesis was not to argue that EFSD+ had failed. It also did not seek to address the general debate on whether guarantees can or should mobilize private capital. Instead, this research investigated, in a single documented case, whether the part of the conversion gap that remains after financial bankability has been considered can plausibly be explained by the policy framework of the instrument itself. It also aimed to identify the mechanism through which these constraints affect conversion.

The analysis in Chapter 4 shows that EFSD+ policy constraints can explain part of the conversion gap, although not through a simple lack of compliance and neither through a global shortage of bankable projects. Instead, the governance, blended finance, and critical perspectives point to the bespoke character of the process. Each guarantee agreement must be negotiated largely from scratch, and in accordance with the

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implementing institutions' procurement rules (European Parliament & Council, 2021, Art. 28(5)). As a result, the fixed cost of accepting and implementing EU policy conditions is difficult to estimate and plan for in advance, regardless of the size or experience of the implementing partner. This burden is not distributed equally. It increases the effective minimum size at which an operation becomes worthwhile for an implementing partner. It therefore affects smaller, less standardized operations and projects in least developed countries particularly strongly. These difficulties are caused both by external project conditions and by features of the EU's own institutional architecture (European Commission, 2024b, pp. 16–17; European Court of Auditors, 2024, pp. 27–29).

At the same time, the financial-technical and political-economy perspectives prevent the conclusion from becoming a simple broad statement. Some cases of non-conversion result from ordinary project failure, changing market conditions, or shifting sectoral priorities and are therefore not mainly caused by EU procedures (European Commission, 2025b, pp. 4–5; European Commission, 2025a, p. 1). EFSD+ policy constraints should therefore be understood as a structural but non-exclusive explanation of the conversion gap.

This finding makes a specific contribution. As defined in this thesis, the conversion gap is not simply another term for transaction costs or pipeline bottlenecks. It refers to the institutional point at which development objectives, financial structuring and EU-specific accountability requirements come together. The concept is case-specific, deliberately limited to the 2021–2027 EFSD+/EAG architecture, and is not presented as a general claim about all guarantee instruments. From this perspective, the guarantee paradox should not be read as a general criticism of guarantees as a development-finance instrument. The conclusion is narrower and therefore also more relevant for policy considerations. The same policy requirements that make the External Action Guarantee accountable to the EU budget also make individual agreements more complex and more bespoke to negotiate. The analysis suggests that this bespoke character, rather than a lack of demand or unwillingness to comply, is the factor to which the conversion gap can most consistently be traced.

5.1 Implications: The EU's guarantee architecture at the turn of the MFF

Within the wider debate on mobilizing private capital for development, this finding qualifies a common assumption rather than rejecting it. The “billions to trillions”

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approach that has shaped EU and multilateral development policy since the Addis Ababa Action Agenda presents guarantees and blending as important instruments for closing the SDG financing gap. According to this logic, public guarantees absorb risks that would otherwise prevent private investors from participating (Development Committee, 2015; United Nations, 2015).

The EFSD+ evidence examined in this thesis does not contradict the claim that guarantees can improve project-level bankability. However, it shows that a guarantee also introduces an additional, non-financial layer of requirements. These conditions can slow down the conversion process that the guarantee is intended to support. This distinction is important for a development-finance system that is increasingly expected to achieve more with static or under-pressure aid budgets. A guarantee envelope that has been committed on paper is not the same as an envelope that has produced signed and disbursing operations. The analytical value of the conversion-gap concept lies in examining the difference between these two stages.

The timing of this finding is also relevant. The thesis focuses on the 2021–2027 MFF at a time when the Commission’s own accountability process has begun to address some of the identified difficulties. The 2025 proposal to amend the NDICI–Global Europe Regulation, which was later adopted as Regulation (EU) 2026/995, explicitly aims to improve the efficiency of the External Action Guarantee. Its measures include the consolidation of guarantee and technical-assistance arrangements, a reduction in the frequency of financial reporting and the streamlining of blending procedures (European Commission, 2025a, pp. 2–3; European Parliament & Council, 2026).

In relation to the bespokeness mechanism identified in Chapter 4, the reform addresses an important part of the problem. It attempts to reduce the fixed and EU-specific costs that an implementing institution must absorb before an agreement can be signed. Reducing the reporting frequency notably only addresses one part of a mechanism that also includes eligibility assessments, additionality requirements and the negotiation of individual guarantee agreements. The analysis nevertheless provides a possible benchmark for evaluating the reform in the future. Its success should not only be measured by whether the reporting burden decreases. A more important question is whether the proportion of agreements that still need to be negotiated almost from scratch also falls.

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Ongoing discussions about the next multiannual budget already use the current architecture as a reference point, either as a model to develop further or as a system that should be changed. These debates include proposals for a more strategically concentrated EU budget (Draghi, 2024), discussions about a possible successor to NDICI–Global Europe and the Commission’s proposal for the 2028–2034 Multiannual Financial Framework.

This thesis does not directly analyze these proposals for the 2028–2034 period, as it would be difficult to assess an institutional architecture that has not yet been implemented or audited through the process-tracing approach used in this research. The conclusion that can be drawn is therefore limited. Once future guarantee instruments have produced a comparable evaluation and audit cycle, the conversion-gap concept developed in this thesis could also be applied to the next MFF.

5.2 Limitations of the analysis

The scope of this thesis was deliberately limited, and these limitations determine how far its conclusions can be generalized.

The first limitation concerns the single-case design. Focusing on NDICI–Global Europe and EFSD+ made it possible to examine the proposed mechanism in considerable depth. The analysis covered five analytical perspectives and several stages of the conversion process. However, the finding on bespokeness is established for one specific guarantee architecture. It has not been tested systematically against other instruments. This thesis therefore cannot determine whether agreement-by-agreement, bespoke negotiation is a general feature of guarantee-based mobilization or a characteristic of the EU’s Open Architecture in particular.

The second limitation is the absence of project-level data. Access to confidential project documentation and private-sector decision-making records was limited. The analysis therefore relies on a qualitative literature and document review rather than on an examination of the individual underlying operations themselves, as discussed in Section 3.2. Therefore, the process-tracing analysis in Chapter 4 is based mainly on publicly available EU documents, the Commission’s evaluation and the ECA’s opinion on that evaluation. It does not include internal project records of implementing partners, since these are generally not publicly available. The interpretation of what happens between the

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acceptance of a policy condition and the signing of an agreement is therefore based on official reporting about the process rather than on direct observation.

The third limitation is closely related to the reliance on EU and audit documents. The boundary concerns the institutional perspective of the governance evidence. The central case-evidence corpus is defined by the three-year accountability cycle established in the NDICI Regulation. Article 42(5) requires the Commission to evaluate the use and functioning of the External Action Guarantee and requires the European Court of Auditors to provide an opinion on that evaluation (European Parliament & Council, 2021, Art. 42(5); European Court of Auditors, 2024, p. 9).

This relationship represents an audit process rather than a simple institutional self-assessment. However, it remains part of the EU's own accountability system and is therefore not fully external to the institutional architecture under investigation. The OECD development co-operation peer review provides some independent confirmation of the identified problems, but it cannot replace evidence from implementing partners themselves (OECD, 2025b). The bespokeness mechanism is therefore supported from the perspective of the institutions that report on the process but is less directly documented from the perspective of the institutions and private actors that must absorb the associated costs.

The fourth limitation is the changing institutional context, as addressed in 5.1. NDICI–Global Europe may not continue in its current form after 2027. The thesis therefore studies EFSD+ and the External Action Guarantee as part of the specific EU external-financing architecture of the 2021–2027 period. Conversion rates may continue to change as the Open Architecture becomes more established, implementing partners gain experience, and the 2026 reform is implemented. These limitations are not accidental. They result from the methodological choices made in Chapter 3 regarding what a document-based process-tracing design can reasonably establish. The findings presented in Chapter 4 should therefore be interpreted within these boundaries rather than as claims that go beyond the available evidence.

5.3 An agenda for future research toward the 2028–2034 MFF

The limitations of this thesis also identify several possibilities for future research. A first extension would be to test the bespokeness mechanism using evidence that was not accessible for this study. Interviews with staff from implementing partners, development

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finance institutions and private-sector organizations involved in guarantee negotiations could provide direct evidence of how EU requirements affect individual operations. Documented cooperation with these actors could also allow researchers to examine the mechanism from the practitioner's perspective rather than deriving it mainly from reporting documents.

A second possibility follows from the single-case design. Future studies could compare EFSD+ with guarantee-based mobilization instruments used by multilateral development banks or with other EU external-financing instruments. Such comparisons could help determine whether agreement-by-agreement, bespoke negotiations are a general characteristic of guarantee architectures or a feature that is particularly connected to the design of the Open Architecture under NDICI–Global Europe.

A third research opportunity results from Regulation (EU) 2026/995. The reform aims to consolidate guarantee and technical-assistance arrangements, reduce the frequency of reporting, and streamline blending procedures. This creates the possibility of conducting a before-and-after comparison of the EFSD+ process.

Such research could examine whether the share of Open Architecture agreements that must be negotiated almost from the beginning decreases after the reform. It could also analyze whether the consolidation particularly benefits smaller and less standardized operations in least developed countries, which this thesis identified as being disproportionately affected.

Finally, the conversion-gap concept could be applied to the possible successor to NDICI–Global Europe as the 2028–2034 MFF is developed and negotiated. Future research could investigate whether a new external-financing architecture is likely to reproduce agreement-by-agreement bespoke-ness or whether its design includes mechanisms intended to avoid it.

This thesis does not conduct such an assessment. At the time of writing, the proposals for the 2028–2034 period had not yet been implemented, and process tracing depends on the type of completed evaluation and audit cycle that was available for the 2021–2027 architecture. Instead, the thesis provides an analytical concept and mechanism that have been developed and tested within one completed case.

6. References

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Appendix A: Seed Corpus: Search Protocol and Results.

Search 1 — Control variable: financial bankability.

Search string: Combinations of "bankability" AND "project finance"

Platform: Google Scholar, ScienceDirect

Selection criterion: The source had to operationalize bankability or project-finance viability, rather than merely use the term rhetorically.

The goal was to operationalize project-level bankability as a control variable independent of EU policy. An initial screen for "bankability" AND "infrastructure" returned 167,879 hits on ScienceDirect alone, most using the term rhetorically, so the search was narrowed to "bankability" AND "project finance" (5,389 results on ScienceDirect, of which 3,835 were research articles; 2,490 on Google Scholar). Results were sorted by relevance, and the first five pages were screened, returning Owolabi et al. (2020), Steffen (2018), and Ng and Loosemore (2007), as well as Gatti (2013) and Yescombe's *Public-private partnerships: Principles of policy and finance* (2007). Gatti was retained over Yescombe because the thesis needs a conceptual foundation explaining why project-finance structure matters for bankability, focusing on non-recourse debt and lenders' reliance on project cash flows, rather than the comprehensive practitioner handbook Yescombe provides.

Together, these four sources triangulate the control variable through cash-flow strength, financing structure, risk allocation and lender requirements. After this triangulation, the variable had a set ground for operationalization, and Search 1 was stopped. Search 1 therefore closed on construct-completeness, not saturation.

Table 5. Seed Corpus Search 1

Source	Why selected	Mechanism mapped
Owolabi, H., et al. (2020)	Directly operationalizes financiers' bankability criteria in PFI/PPP project finance.	Lender due-diligence criteria
Steffen, B., (2018)	Provides a link between project finance and renewable energy financing	Project-level cost-of-capital problem.
Ng, A., & Loosemore, M., (2007)	Moves financial-technical conditions from a static list to a risk allocation mechanism	Bankability as risk-allocation and contractual-structure problem.
Gatti, S., (2013)	Textbook foundation for project-finance structures behind bankability	Bankability as project-finance structure: cash-flow-based repayment

Search 2 — Independent variable/context: EU guarantee architecture and EFSD+

Search strings:

- 1) "EFSD+" "External Action Guarantee" "NDICI"
- 2) "External Action Guarantee" "additionality"
- 3) "EFSD+" "Open Architecture" "guarantee"

Platforms: Google Scholar; European Commission document portal; European Court of Auditors website

Selection criterion: The source had to engage directly with EFSD+, the External Action Guarantee, NDICI–Global Europe, or the operational/legal architecture of EU budgetary guarantees.

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On Google Scholar, first the string “Global Gateway” was included to test for literature commenting on the developments as a whole, which produced 10,100 hits and was therefore narrowed to a manageable amount, with a 2–3 string search to make the results, which also include policy documents, more manageable. Before the string was narrowed, an early skimming still retained Pérez Vico, G. M. (2025). The narrowed strings then produced a combined 55 sources, identifying Prontera and Quitzow as the EU-specific bridge from the de-risking literature to EU external-finance governance, Napolitano (2020) as the early mapping of EFSD/EFSD+, and Bilal, Erforth, Thiemann and Lundsgaarde as recurring authors in the EU development-finance debate. This mapping anchored the later R3/R4 snowballing.

Following Bowen's document-analysis logic, EUR-Lex was searched alongside the academic databases. The three strings produced 180 EUR-Lex hits (107/52/21), returning the Regulation (EU) 2021/947.

Search 2 also surfaced Bougrea & Orbie (2025) on the EU's private capital mobilization trend. Full-text assessment excluded it, as it analyses EU–OACPS bilateral relations rather than the guarantee architecture or conversion mechanism. Its reference list, however, led to Gabor (2021), whose Wall Street Consensus frames the wider de-risking paradigm in which public actors absorb risk to make development assets attractive to global finance. Gabor was therefore included and assigned to this search block.

Table 6. Seed Corpus Search 2

Source	Why selected	Mechanism mapped
European Parliament & Council (2021).	Primary legal source establishing NDICI–Global Europe, EFSD+ and the EAG.	Legal and institutional design.
European Court of Auditors, Opinion 03/2024	Primary evaluative source on the EAG and EFSD+.	Concept of Additionality and documentation of reporting gaps
Napolitano, S., (2020)	Early source mapping EFSD as EFSD+'s predecessor.	Leverage and blending mechanism.
Prontera, A., & Quitzow, R., (2024)	EU-specific source connecting de-risking literature to EU governance.	Governance / political-steering tension

After these sources had been screened, further results did not add a distinct mechanism to the codebook. They either repeated already covered themes such as legal design, additionality, Open Architecture, implementation maturity, EIB/DFI roles and Commission steering, or they shifted into neighboring topics such as broader EU–OACPS relations. Search 2 was therefore stopped because the core mechanism of the independent variable, the EU policy constraints as legal, institutional, and operational guarantee architecture, had been sufficiently saturated.

Search 3 —Blended finance and private-capital mobilization

Search string: "development finance" AND "private sector" AND “guarantees”

Platform: Science Direct, Google Scholar; IFC/World Bank, EconStor, ecdpm

Selection criterion: The source had to identify a causal mechanism linking public/concessional instruments to investment outcomes, rather than merely describing instrument types.

Search 3 began with a broad two-term string — "development finance" AND "private sector" — across Google Scholar and ScienceDirect, returning 85,500 and 1,882 results, respectively. Given the volume, the string was narrowed by adding a third term. "Guarantees" was chosen over other candidates because the thesis treats public guarantee instruments, not EU external-action terminology in general, as the specific mechanism linking concessional finance to private-sector investment outcomes under NDICI–Global

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Europe. The narrowed string ("development finance" AND "private sector" AND "guarantees") returned approximately 21,000 results on Google Scholar and 973 on ScienceDirect, of which 682 were research articles. Screening the first five pages by relevance identified McHugh (2023) and Karaki, Bilal and van Seters (2022). Full-text review of candidates then showed that "blended finance" captured the mechanism literature more precisely than "development finance," which returned a high share of macroeconomic and aid-effectiveness sources outside scope. The string was therefore refined to "blended finance" AND "guarantees" AND "private sector," returning approximately 4,630 results on Google Scholar and 343 on ScienceDirect, including 189 research articles through which Rode et al. (2019) was identified.

Attridge and Engen (2019) were retained as a supplementary reference for their leverage-ratio critique. Further retained were Cohen et al. (2021), Flammer, C., et al. (2026), Christiansen, J. (2021), and Havemann, T., et al. (2020). Cohen et al. (2021) was retained despite being a Q2 source for its blended-finance-school contribution: an empirical assessment finding that additionality in donor-private partnerships is typically assumed rather than shown (pp. 954–955), built on two frameworks applied to 20 partnerships across nine donors (p. 955).

The OECD DAC measurement papers of the Benn et al. series were consolidated under the DAC Blended Finance Principles (2018) as the primary institutional framework, since the individual papers replicate the same mobilization-accounting logic.

EconStor was searched as a dedicated repository for the output of European development-finance institutes (Bruegel, DIE/IDOS, ÖFSE) that are not systematically indexed in ScienceDirect or Scopus. The three-term string returned no hits; broadening to "development finance" AND "private sector" returned 26, from which Küblböck and Grohs (2019) and Erforth (2020) were retained. Küblböck and Grohs cite Choritz et al. (2018), who, in turn, cite Tew (2016) as the primary source for the plurality of over 30 definitions of blended finance. Tew was traced and initially included on that basis but was later superseded during snowballing (see Appendix D). Ecdpm was searched for its direct EU focus, and the narrowed search strings applied at EconStor also returned Ahairwe & Bilal (2023). The World Bank and IFC search returned a combined 11 results, of which The Role of Blended Finance in an Evolving Global Context (2025) was initially included, and UN-OHRLLS (2020) was retained.

Table 7. Seed Corpus Search 3

Source	Why selected	Mechanism mapped
Küblböck, K., and Grohs, H., (2019)	Cross-field mapping source for blended finance instruments and definitions.	Leverage mechanism and additionality requirements
Erforth, B., (2020)	Maps institutional background and shift as well as instruments of EU development finance.	Institutional competition and steering
World Bank (2025)	Institutional logic of blended finance as tool for risk-return improvement. Superseded during R1–R4; see Appendix D.	Bankability as public-risk-sharing and risk-return improvement.
Tew, R., et al. (2016)	Documents definitional plurality of bankability. Superseded during R1–R4; see Appendix D.	Definitional plurality
McHugh, C., (2023)	Analyzes market-structure constraints on private mobilization.	Market structure and limits beyond profitability
OECD (2018a)	Primary institutional framework defining blended finance and quality principles for mobilization.	Additionality and quality principles
Rode, J., et al. (2019)	It provides empirical evidence on the mismatch between investor requirements and on-the-ground project conditions.	Investor requirements mismatch

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Karaki, K, et al. (2022)	Links EFSD+, EU guarantees and blending to EU private-sector mobilization.	Maps indirect DFI-mediated mobilization
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The search was stopped once the selected sources covered the main mechanism families needed for the thesis: blended finance as risk-return improvement, additionality and crowding-in, public-risk sharing through guarantees, market-structure limits to private mobilization, investor/project mismatch, and EU-specific private-sector engagement through DFIs and PDBs. Search 3 was therefore stopped because additional screening no longer changed the analytical categories used to explain how public guarantee capacity is expected to become private-sector participation.

Appendix B: Source Selection and Coding Matrix

This appendix documents how the expanded source corpus was routed and coded after the fixed seed corpus in Appendix A. It uses the R0–R4 logic from the methodology and keeps the project-level financial-bankability control separate from the school-of-thought classification. The five schools of thought were derived from thematic coding of the R0 seed corpus documented in Appendix A. Appendix B and C document the route, coding, and control variable check for all sources, including both the seed and expanded corpus. Sources entering via R3/R4 are traceable to the seed source that generated them.

Control rule. The A–D control is not applied mechanically to every source, following the trigger logic set out in Table 4. It is applied in two cases: conditionally, where a source is used to claim that EFSD+/EU governance slowed, blocked, or distorted conversion (a check of whether A–D already explains the observation); and directly, where a source discusses concrete project-type non-conversion (A–D applied before coding as governance friction). Financial-technical sources are used to construct the control rather than being tested against it, while blended-finance, political-economy, and critical sources do not trigger it by default and are treated as structural, macro, or interpretive context unless used as project-level evidence of blocked conversion.

Table 8. Financial-technical Corpus

Source	Pathway	Bankability Coding	Why this school, not another	Control-variable
Steffen, B. (2018). <i>Energy Economics Q1</i>	R0 Seed Search 1.	Bankability is implied through cost of capital, project finance, risk separation and viable cash-flow structures.	Financial-technical: Bankability is explained through financing structure and capital-cost logic, not public de-risking or EU institutional design.	Core source for Criteria A and B: risk-adjusted return and allocable/isolated project risk.
UN-OHRLLS (2020). <i>Case Study</i>	R2 UN Library Search Term “Bankable”.	Bankability is defined practically as meeting the requirements of financiers - Project preparation, feasibility, revenue model, risk allocation, lender requirements	Financial-technical because it directly operationalizes project-level bankability.	Core source for the control-variable framework, especially Criteria A–D.
Bing, L., et al. (2005). <i>International Journal of Project Management Q1</i>	R3 From Owolabi, H., et al. (2020).	Bankability is implied as PPP/PFI feasibility through allocable and contractually manageable risks.	It belongs to financial-technical because the mechanism is contract design and risk allocation, not EU governance or development policy.	Maps to Criterion B: allocable and contractable risk.

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Hainz, C., & Kleimeier, S. (2012). <i>Journal of Financial Intermediation Q1</i>	R3 from Steffen B., (2018).	A project becomes financeable in high-risk contexts if loan contracts and development bank participation mitigate political risk. Project finance structure political-risk mitigation and DFI participation.	Financial-technical because the mechanism is contract/loan design; it only touches governance indirectly through legal and institutional risk.	Maps to Criteria B and D: political risk allocation and legal/institutional environment.
Grimsey, D., & Lewis, M. K. (2005). <i>Accounting Forum Q1</i>	R3 from Owolabi, H., et al. (2020)).	Bankability is not the central term, but PPP feasibility is assessed through value-for-money logic, risk transfer, uncertainty, and discount-rate treatment.	Financial-technical because it deals with project appraisal and PPP financial structure.	Useful for Criteria B and C.
Moser, H., & Nealer, E. (2016). <i>Report</i>	R3 from Erforth, B. (2020).	Bankability through preparation. Pipeline quality, risk-mitigation and investor-compatibility to attract private capital.	Financial-technical because the main mechanism is turning infrastructure into investable projects; it only secondarily touches governance.	Defines the control, especially Criteria B, C and D.
Ng, A., & Loosemore, M. (2007). <i>International Journal of Project Management Q1</i>	R0 Seed source Search 1.	Bankability is implied as infrastructure financeability when risks are allocated to actors able to manage them. Risk allocation, contractual structure, public/private capability mismatch.	Financial-technical because the source explains bankability through allocable project risk and contractual structure.	Core control source for Criterion B
Owolabi H., et al. (2020). <i>Built Environment Project and Asset Management Q1</i>	R0 Seed source Search 1.	Focus on financiers' criteria for bankability. Addressing construction, completion, operation, supply and offtake risks.	Financial-technical because the source directly operationalizes bankability at project-finance level.	Strong control-variable source for Criteria B and C.
Byoun S., & Xu Z. (2014). <i>Journal of Corporate Finance Q1</i>	R3 from McHugh, C. A., (2023).	Bankability is implied as project-finance acceptability when contracts such as concessions and offtake agreements mitigate political and country risk.	Financial-technical through contractual and financial structuring at project level; governance appears as country risk, not institutional design.	Criteria B and D
Gatti, S. (2013). <i>Book</i>	R0 seed search 1.	Bankability is implied as the ability of a project-finance structure to support debt based on the project's own cash flows, contractual risk allocation, SPV structure and lender due diligence.	Financial-technical because the source explains the project-finance logic behind bankability. Addressing project cash-flow dependence, contractual structuring and risk allocation.	Defines the control. Useful for Criteria A, B and D: cash-flow/debt-service viability, risk, and legal/counterparty risk.

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Appendix C: Coded corpus

This appendix applies the established R0–R4 logic to construct the corpus for identifying additional schools of thought. Because only the financial-technical school operationalizes the control variable, the corpus presented here does not include a separate column for the control mechanism.

Table 9. Blended finance corpus

Source	Pathway	Bankability Coding	Why this school, not another
Napolitano, S. (2020). <i>CeSPI paper</i>	R0 Seed source Search 2.	Bankability is implied as investability created through EU blending and EFSD guarantee instruments.	Blended finance because the causal mechanism is public leverage.
Havemann T., et al. (2020). <i>Agriculture and Human Values Q1</i>	R1: "development finance" AND "private sector" AND "guarantees" on Google Scholar.	Bankability is implied by making sustainable transitions investable despite weak commercial incentives.	Blended finance because the mechanism is combining concessional and private capital.
Garbacz, et al. (OECD, 2021). <i>Working Paper</i>	R3 from OECD (2025a).	Bankability is implied as private-investor acceptance through guarantees that reduce or redistribute risks.	Blended finance because the mechanism is public guarantee-based de-risking and public-risk absorption.
Pauw, W. P., et al. (2016). <i>Climatic Change Q1</i>	R1 EconStor search led to Pauw, P. – skimming identified this research.	Bankability is implied through the mismatch between private-sector criteria and public climate-finance ambitions.	Blended finance because it addresses private mobilization for adaptation
Ahairwe, P. E., & Bilal, S. (2023). <i>Research Paper</i>	R2 search in the ECDPM "development finance".	Bankability is specifically problematized for adaptation projects, where commercial returns and measurable revenue streams are harder to generate.	Blended finance because it asks how European development finance can mobilize additional finance.
Flammer, C., et al. (2026). <i>Journal of Financial Economics Q1</i>	R1 "development finance" AND "private sector" AND "guarantees" on Science Direct	Bankability is produced by catalytic public/philanthropic capital that de-risks private investment in socially valuable projects.	Blended finance because the source directly theorizes and empirically studies blending as public leverage.
ECA (2014). <i>ECA Special Report</i>	R4 from ECA (2024).	Bankability as the ability of EU grants and loans to make external-policy investments feasible and additional.	Blended finance because the mechanism is public grant leverage and blending effectiveness.
Küblböck, K., & Grohs, H. (2019). <i>Briefing Paper</i>	R0 Seed source Search 3.	Bankability through the blending of public and private resources, stressing definitional ambiguity and risks.	Blended finance because the causal mechanism is public leverage

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Cohen, M. J., et al. (2021). <i>Development in Practice Q2</i>	R1: "development finance" AND "private sector" AND "guarantees" Google Scholar.	Bankability is implied as the use of private-sector partnerships to make SDG-oriented activities attractive to private finance.	Blended finance because the mechanism is donor-private mobilization.
Multilateral Development Banks (2018). <i>Report</i>	R3 from OECD (2025a).	Bankability is implied through whether MDB participation provides additional finance beyond the market.	Blended finance because it defines the legitimacy condition for public intervention in private-sector operations.
OECD (2018a). <i>OECD DAC Principles document</i>	R0 Seed source Search 3.	Bankability is produced using resources that mobilize additional commercial finance for the SDGs.	Blended finance because it is one of the core normative frameworks defining how public finance should unlock private finance.
OECD (2025). <i>OECD DAC Guidance document</i>	R4 from <i>OECD DAC (2018)</i> .	Bankability is implied by blended-finance structuring, which mobilizes private capital while preserving development additionality.	Blended finance because it operationalizes the DAC principles in current practice; stronger than repeating older OECD material.
Attridge, S., & Engen, L. (2019). <i>Research Report</i>	R1 search 3.	Bankability is implied as the capacity of blended finance to attract private investment in low-income and least-developed contexts.	Blended finance because the paper tests the mobilization promise; it is a challenge source because it shows blended finance performs weakest where development need is greatest.
Rode, J., et al. (2019). <i>Ecosystem Services Q1</i>	R0 Seed source Search 3.	Bankability is implied as making sustainable landscape projects investable despite small scale and weak revenue.	Blended finance focusing on public/philanthropic/private structuring, including large-ticket conversion logic.
Tagliapietra, S. (2024). <i>The World Economy</i>	Prontera, A., & Quitzow, R. (2024) led to Tagliapietra, S., as an author.	Bankability is implied through the EU's ability to translate the Global Gateway's investment agenda into economically viable projects.	Blended finance because the coded claim is not the paper's institutional overview but its concession that guarantees do not by themselves make projects bankable, so blending is required to close the residual gap they cannot address.

Table 10. Political Economy Corpus

Source	Pathway	Bankability Coding	Why this school, not another
Independent Expert Panel (2022).	R3 from Wullweber (2025) & OECD (2025).	Bankability is not defined at project level; investability is constrained by MDB capital adequacy, risk appetite and rating-preservation logic.	Political economy because the binding constraint is the structure of MDB finance, not project preparation or EU procedure.
Collington, R. (2025). <i>Review of International Political Economy Q1</i>	R4 from Gabor, D. (2021).	Bankability is linked to state capacity and whether policy areas can be made feasible and credible to investors.	Political economy defining bankability through macro-structural and state-capacity conditions, not EU procedures or project finance alone.

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Heldt, E. C. (2023). <i>Politics and Governance Q1</i>	R3 from McHugh, C. A. (2024) led to Heldt & Dörfler (2022), R4 led to Heldt (2023) with direct EU focus.	Bankability is implied as the mobilization of public and private finance for infrastructure under a geopolitical connectivity strategy.	Political economy because the driver is geopolitical competition and the reorientation of development finance, not project-level financial viability.
Mawdsley, E. (2016). <i>Progress in Human Geography Q1</i>	R3 from Gabor & Sylla (2023).	Bankability is implied as the transformation of development problems, places and sectors into investable assets for global capital.	Political economy because the mechanism is macro-financial transformation; critical because it questions development through financialization.
McHugh, C. A. (2023). <i>Journal of International Financial Markets, Institutions & Money Q1</i>	R0 Seed source Search 3.	Bankability is implied as constrained by the competitive structure and profitability conditions of the development-finance market.	Political economy because the mechanism is market structure rather than project-level risk alone.
McHugh, C. A. (2024). <i>SSRN working paper</i>	R4 from McHugh, C. A. (2023).	Bankability is treated as more than profitability: it depends on the financier's risk mandate, investment structure, legal-economic environment, and deal modality.	Political economy because it explains bankability through private-sector constraints and institutionalized investor expectations.
OECD (2021). <i>OECD Publishing</i>	R4 from OECD (2018).	Bankability is required to fit institutional investors' risk-return, liquidity, scale and mandate requirements.	Political economy because the key mechanism is not the project alone but the structure and preferences of institutional capital.
Schindler, S., et al. (2022). <i>New Political Economy Q1</i>	R4 from Gabor, D. (2021).	Bankability is implied as the transformation of development into an asset-class logic oriented around de-risking and investor mobilization.	Political economy because the mechanism is macro-financial restructuring; critical because it contests the development consequences of this model.
Gabor, D. (2021). <i>Development and Change Q1</i>	R3 from Bougrea & Orbie (2025).	Bankability is implied as the process of making development projects "investible" by transforming infrastructure, climate and SDG needs into asset classes for global institutional investors.	Political economy because the source explains bankability through macro-financial structures and the state's role in protecting investor returns, not through the individual project's cash-flow quality alone.
Gabor, D., & Sylla, N. S. (2023). <i>Development and Change Q1</i>	R4 from Gabor, D. (2021).	Bankability is implied as the production of investable green-development assets through derisking partnerships that use public support to raise private returns relative to risk.	Political economy because it explains bankability through public risk absorption, investor protection, and green-development asset creation.
Bernards, N. (2024). <i>Globalizations, Q1</i>	R4 from Gabor D., (2021).	Bankability as the politically mediated work of forming assets out of development needs, despite the often-limited interest of private finance in many development sectors and countries.	Political economy because it sharpens the mechanism: development is not just financed by markets; it is reorganized through financial-market logics.

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Table 11. Governance Corpus

Source	Pathway	Bankability Coding	Why this school, not another	Control-variable check
Lundsgaarde, E., et al. (2022). <i>Study</i>	R4 from Napolitano, S., (2020).	Bankability is implied through EFSD+ and EIB mandate structures determining how guarantees and blending are governed and assessed.	Governance because the bottleneck is institutional oversight and instrument design, not project IRR alone.	Triggered. Friction is procedural (accreditation workload, multi-step chain, partner selection), not project cash-flow — retained as governance. Admin-workload point is an interaction case with Criterion C.
Bougrea, A., et al. (2022). <i>European Foreign Affairs Review Q1</i>	R0 search 2 found the author Bougrea, A., et al. (2025) and lead to this source.	Bankability is shaped by institutional change in EU development finance, especially access to guarantees and the role of private actors.	Governance because it maps EU institutional architecture.	Triggered. Commission-side capacity friction; not reducible to A–D (processing capacity, not project bankability) — retained as governance.
Buhigas Schubert, C., & Costa, O., (2023). <i>Study</i>	R3 from Casano et al. (2024).	Bankability is linked to whether Global Gateway has governance structures capable of translating strategy into implementable investment.	Governance because the source directly assesses strategy-to-implementation architecture.	Triggered. Implementation-capacity friction; institutional, not A–D — retained as governance.
ECA (2024). <i>Opinion / Audit</i>	R0 Seed source Search 2.	Bankability link towards EFSD+ performance. Assessment through additionality, operational performance, reporting, transparency and evaluation quality.	Governance because the bottleneck is institutional assessment and implementation, not market risk-return alone.	Triggered — primary institutional evidence. A–D named where evidence concerns project pipeline or fragile/LDC contexts (Criterion A revenue visibility; D counterparty/legal), which stay live rivals there.
Karaki, K., Bilal, S., & van Seters, J., (2022). <i>Discussion Paper</i>	R0 Seed source Search 3.	Bankability is implied as the practical ability of EU private-sector actors, including SMEs and smaller member-state firms, to engage in development finance and Global Gateway delivery.	Governance because it focuses on EU private-sector engagement architecture.	Triggered. Used for non-standardization (p.26) and access asymmetry (p.17); institutional access, not project A–D. Nine-pillar/threshold point interacts with Criteria C–D.
Erforth, B., (2020). <i>Discussion Paper</i>	R0 Seed source Search 3.	Bankability is implied through the institutional capacity of European development banking to mobilize private-sector financing for development.	Governance because the mechanism is institutional architecture and actor coordination, not pure project viability.	Mainly historical/institutional context — not triggered. Where used for coordination/fragmentation friction in the governance analysis, the claim is institutional, not A–D.

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European Commission (2024a). <i>Report</i>	R4 from ECA (2024).	Bankability links to conversion capacity. Assessment through the performance, coherence and effectiveness of external financing instruments.	Governance because it evaluates how the EU toolbox functions institutionally.	Used on both sides. As governance evaluation it is triggered; but the passages distinguishing viable from non-viable/blending-required operations feed the control itself (Criterion A) — coded per passage.
Jones, A., et al. (2025). <i>Discussion Paper</i>	R4 from Bilal, S. (2025).	Bankability is implied to depend on whether the NDICI has sufficient strategic steering, institutional coherence, and implementation capacity.	Governance because it explains conversion problems through EU toolbox design and future MFF architecture.	Not triggered — reform / next-MFF debate context; not used as conversion-gap mechanism evidence.
Prontera, A., & Quitzow, R., (2024). <i>Competition & Change Q1</i>	R0 Seed source Search 2.	Bankability is implied as de-risking instruments whose governance is shaped by development banks and EU institutional politics.	Governance because it explains who controls de-risking instruments.	Governance-framing support (steering-vs-control politics, p.13); project-level bankability is not a rival explanation for this claim, so the control is not triggered. History cite (pp.5–7) is background.
Clifton, J., et al. (2018). <i>Journal of Common Market Studies Q1</i>	R3 from Erforth, B., (2020).	Bankability is implied as EIB lending that can draw on capital markets while also serving the Bank's threefold of development, integration and investment.	Governance because it strengthens the institutional side of the EFSD+/EIB architecture argument.	Not triggered — institutional-capacity context; makes no conversion-friction and no project-level (A–D) claim.
Mertens, D., & Thiemann, M., (2019). <i>Journal of European Public Policy Q1</i>	R3 from Wullweber (2025) & Erforth (2020).	Bankability is implied as investment capacity produced by a European investment-state infrastructure, leveraging EU resources, sharing risks and mobilizing investments.	Governance because bankability is indirectly shaped by the EU's institutional investment machinery, not only project-level risk-return logic.	Not triggered on its own — background support for the governance intermediary-chain point; institutional, not A–D.

Table 12. Critical Corpus

Source	Pathway	Bankability Coding	Why this school, not another
Taggart, J., & Power, M. (2024). <i>Progress in Human Geography Q1</i>	R4 from Taggart, J., & Power, M., (2021).	Bankability is treated as a process of rendering development contexts legible, attractive and amenable to private finance.	Critical because it directly contests bankability as a neutral technical criterion.

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Golka, P., et al. (2024). <i>Finance and Society Q1</i>	R3 from Wullweber, et al. (2025).	Bankability is treated critically as a financial-market-centered logic that privileges de-risking private capital over direct public investment.	Critical because it contests the private-capital mobilization paradigm.
Christiansen, J. (2021). <i>Geoforum Q1</i>	R1 "development finance" AND "private sector" AND "guarantees" on Science Direct.	Bankability is treated as a constructed process in which uncertainty is translated into manageable risk to make conservation finance investable.	Critical because it shows bankability as a socially constructed and contested market-making process, not a neutral financial condition.
McCoy, W., & Schwartz, K. (2023). <i>Journal of Water, Sanitation and Hygiene for Development Q2*</i>	R3 from McHugh (2024).	Bankability is explicitly treated as a term with multiple interpretations across technical water-sector actors and market-oriented financiers.	Critical because it treats bankability as contested and not reducible to one financial definition.
Sial, F., & Chandrasekhar, C. P. (2024). <i>Report</i>	R3 from Wullweber, et al., (2025).	Bankability is implied as the expansion of guarantee-based development and climate finance to make private investment acceptable by shifting risk to public actors.	Critical because it questions the distributional and developmental consequences of guaranteed de-risking.
Pérez Vico, G. M., & Pelletier, T. (2025). <i>Natolin Policy Papers Series</i>	R1 search "global gateway".	Bankability is implied as a structuring problem in which Global Gateway development logic is filtered through leverage and strategic investment.	Critical because it questions whether Global Gateway's financial structure aligns with development objectives.
Pérez A., Butler L. M. & Rubal Maseda, M. (2025). <i>Study</i>	R4 from ECA (2024).	The source contrasts the EU's emphasis on resource mobilization and private-sector engagement with human development outcomes.	Critical because it gives the development-policy benchmark against which financial mobilization can be assessed.
Wullweber et al. (2025). <i>Policy Report</i>	R4 from Gabor, D. (2021; 2023).	Fiduciary responsibility, risk-return logic, profitability, shareholder/client constraints, public policy altering risks and returns.	Critical because it shows that sustainability preferences are subordinated to financial-return obligations
Mawdsley, E. (2018). <i>Dialogues in Human Geography Q1</i>	R3 from Gabor, D. (2023).	Bankability is implied as the translation of SDG financing needs into private-finance opportunities, where ODA is recast as leverage to attract non-state capital.	Critical bridge because it questions the private-finance leverage rather than accepting it as neutral.

*McCoy and Schwartz (2023) were retained despite Q2 status as it presents one of the clearest accounts of bankability as an investor-relative construct in the corpus (pp. 20–21), grounded in a literature review and 47 interviews (p. 21). It was further used for its conception only, not for its specific water-sector findings

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Appendix D: Exclusion Table

Table 13. Exclusions

School	Source	Exclusion criterion	Retained instead
Financial-technical	Wagenvoort, de Nicola & Kappeler (2010).	Maps infrastructure-financing modes, does not sharpen operational bankability criteria.	Owolabi et al. (2020); Gatti (2013).
Financial-technical	European Banking Federation (2025).	Domestic industrial-policy/bank-transition focus, less suitable for NDICI/EFSD+ analysis	UN-OHRLLS (2020); Owolabi et al. (2020).
Financial-technical	EEFIG (2017).	Underwriting/risk-appraisal language overlaps with lender-criteria logic already captured.	Owolabi et al. (2020); UN-OHRLLS (2020) for the financial-technical corpus. Source was retained as background.
Financial-technical	Grimsey & Lewis (2002).	Superseded by the authors' own 2005 paper. Focus moves more directly from one PPP case to project appraisal.	Grimsey & Lewis (2005).
Blended finance	Bilal & Große-Puppenthal (2018).	Reproduces general leverage/de-risking logic already covered	Flammer et al. (2026) ; Attridge & Engen (2019).
Blended finance	Tew et al. (2016).	Superseded during R3/R4 — initially retained from Search 3, but replaced by McCoy and Schwartz (2023), which offered more recent evidence and addressed the plurality of interpretations together with their practical consequences more directly	McCoy & Schwartz (2023); OECD DAC (2018a) /OECD (2025a).
Blended finance	World Bank (2025).	Superseded during R3/R4 — descriptive institutional coverage of the same mechanism	Flammer et al. (2026) for the blended finance corpus. Source was retained as background.
Political economy	Mawdsley & Taggart (2022).	Broader development theory, less directly tied to bankability/development finance.	Taggart & Power (2024).
Political economy	Gallagher & Kozul-Wright (2021).	Book-length, too macro-systemic to add a distinct mechanism	Gabor (2021); Schindler et al. (2022); Bernards (2024); McHugh (2023/2024); Independent Expert Panel (2022).
Political economy	Heldt & Dörfler (2022).	World Bank–centered, not EU/NDICI/Global Gateway–centered	Heldt (2023). Source was retained as background.
Political economy	Bhandary & Gallagher (2025).	MDB resource-needs argument overlaps with existing capital-adequacy treatment	Independent Expert Panel (2022).
Political economy	Taggart & Power (2021).	Constrained-choice argument less directly connected to bankability than retained financialization/de-risking sources.	Gabor (2021); Schindler et al. (2022); Bernards (2024).
Governance	Karaki & Bilal (2025).	Primarily reform-oriented, no new evidence on the underlying mechanics.	Jones, Veron et al. (2025).

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Governance	Karaki & Bilal (2023).	JEFIC-specific evidence. Mechanism better mapped by Jones, Veron et al. (2025)	Jones, Veron et al. (2025).
Governance	Bilal & Große-Puppenthal (2018).	Bilal and Große-Puppenthal (2018) was excluded because its mechanisms—weak coordination between the EIP pillars, pipeline constraints and pressure for rapid results—are covered by later EFSD+/NDICI evidence.	Lundsgaarde et al. (2022).
Governance	Casano et al. (2024).	General mechanism covered by Buhigas Schuber & Costa, specifics are LAC focused.	Buhigas Schubert & Costa (2023).
Governance	Siegfried et al. (2025).	Mainly reform- and optimisation-oriented, using benchmarking and provisioning analysis rather than adding direct evidence on the governance and implementation mechanisms behind non-conversion.	Lundsgaarde et al. (2022).
Critical	Clark et al. (2018).	Broad private-finance critique, sharper mechanisms already covered	Christiansen (2021); Taggart & Power (2024); Wullweber et al. (2025)
Critical	Teevan et al. (2022).	Global Gateway geopolitics overlaps with governance sources	Pérez Vico & Pelletier (2025).