



OFFICIALLY SUPPORTED EXPORT CREDITS

European Parliament – Committee on International Trade

OECD Export Credits Division
Brussels, 15 June 2015



GOOD GOVERNANCE IN EXPORT CREDITS



Good governance in export credits

The OECD Working Party on Export Credits and Credit Guarantees (ECG)

- Created in 1963 as formal OECD Body
- All OECD Members, except Chile and Iceland
- Meets three times a year at the OECD
- Broad mandate:
 - Multilateral cooperation on export credits
 - Policy coherence and rule-making as necessary
 - Monitoring Members' activities
 - Transparency and disclosure



Good governance in export credits

ECG issues

- Transparency and exchange of information – on programmes and transactions
- Addressing the potential environmental and social impacts of officially supported export credits
- Deterring and detecting bribery and corruption
- Encouraging “sustainable lending” by Members



Good governance in export credits

Transparency and exchange of information

- Members notify any new official export credit programmes (insurance, guarantee, direct lending, interest rate support, etc.) and any changes to existing programmes
- Members exchange information on existing and emerging policy issues
- All officially supported transactions are reported after commitment
- Annual monitoring reports of Members' business activities (export credits and trade-related aid) and implementation of good governance disciplines
- The ECG is also a forum for exchange of information with non-ECG Members, on a voluntary basis



Good governance in export credits

Addressing potential environmental and social impacts: objectives

- Projects supported can have potential environmental and social impacts:
 - Promote good practice and use of international standards
- If not regulated, low environmental and social standards can overturn the equality of financing terms:
 - Maintain a level playing field to avoid a “race to the bottom”
- Other Objectives:
 - Promote coherence with Members’ environmental and social policies and with their international commitments
 - Enhance efficiency for project sponsors by developing common procedures and processes for all Members



Good governance in export credits

Addressing potential environmental and social impacts: background (1)

- 2003: OECD Recommendation on Common Approaches on the Environment and Officially Supported Export Credits
- 2007: Revised OECD Recommendation on Common Approaches on the Environment and Officially Supported Export Credits
- 2012: OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence



Good governance in export credits

Addressing potential environmental and social impacts: key provisions

- Members are required to screen, review and classify all projects
- Projects in sensitive areas or sectors should be reviewed using an environmental and social impact assessment
- Projects should comply with host country and should meet applicable international standards
- *Ex ante* disclosure: ECAs required to disclosure environmental and social impact information prior to providing support for Category A projects
- *Ex post* transparency: ECG required to make publicly available aggregated environmental and social impact information on projects supported



Good governance in export credits

Deterring and detecting bribery and corruption: background

- 1997: OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions
- 2000: ECG Members agreed and implemented an Action Statement on anti-bribery measures
- 2006: Action Statement revised and transformed into OECD Recommendation on Bribery and Officially Supported Export Credits
- 2007 – to-date: on-going monitoring of Members' application of the Recommendation by way of a Survey on related policies and practices



Good governance in export credits

Deterring and detecting bribery and corruption: key provisions

- “No bribery” undertaking is now a prerequisite for obtaining official export credit support
- Verification of whether exporter/applicant is listed on the publicly available debarment lists of major IFIs (*e.g.* World Bank Group)
- Exporters / applicants required to provide, upon demand, the details of any agents and the amounts and purpose of any commissions / fees paid
- ECAs should undertake enhanced due diligence if they have reason to believe that bribery may be involved in the transaction
- ECAs should inform law enforcement authorities if there is “credible evidence” that bribery was involved in the transaction



Good governance in export credits

Encouraging “sustainable lending” by Members:

- 2008: Principles and Guidelines for Sustainable Lending to Low Income Countries (LICs):
 - To support the World Bank and the International Monetary Fund Debt Sustainability Framework for Low-Income Countries (DSF), by enhancing cooperation between OECD members and these IFIs.
 - ECG Members agreed to apply principles and guidelines to obtain reasonable assurances that their commercial lending decisions are not likely to contribute to debt distress in the future in relation to any official export credit with a repayment term of one year or more



Good governance in export credits

Encouraging “sustainable lending” by Members: key facts

- The provision of official export credits to public and publicly guaranteed buyers in LICs should support economic and social progress without endangering financial future and long-term development prospects
- When providing support in LICs, Members will
 - Observe applicable minimum concessionality requirements
 - Take into account World Bank/IMF debt sustainability analyses
 - Seek assurances that the project is in line with a country's borrowing and development plans
 - Refrain from providing support for unproductive expenditures



THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS



The Arrangement in a nutshell

The “Participants” to the Arrangement on Officially Supported Export Credits

- Separate group created in 1978 by the ECG when the first “Consensus” was adopted
- Nine Participants : Australia, Canada, the European Union, Korea, Japan, New-Zealand, Norway, Switzerland and the United States
- Brazil is a Participant to the Aircraft Sector Understanding
- Israel and Turkey are observers



The Arrangement in a nutshell

The Arrangement on Officially Supported Export Credits

- A Gentleman's Agreement, *i.e.* soft law except in the EU legal system
- Participants meet three times a year at the OECD
- Technical experts also meet regularly
- Objectives:
 - Level playing-field in export credit and trade-related aid
 - Create a framework for monitoring Participants' compliance
 - Set out efficient resolution in case of disagreements



The Arrangement in a nutshell

Evolutions of the Arrangement since 1978

- Disciplines strengthened and widened over time
 - Minimum interest rates
 - Tied Aid
 - Minimum Risk-premium rates
 - Sectoral disciplines : ships; nuclear power plants; civil aircraft; renewable energies, climate mitigation, adaptation, and water projects (Annexes)
- Linkages with the WTO anti-subsidy legislation recognised in various WTO case-law
- The Arrangement is by nature a flexible and living instrument



The Arrangement main text

Scope :

- The Arrangement disciplines cover medium and long-term official support (> 2 years) for exports of goods and services
- Applies to civil equipment exported but not to military equipment and agricultural products
- Applies to various forms of support: direct credits / financing, refinancing, interest rate support, guarantees, insurance and tied aid



Practical benefits

- The Arrangement solves competitive problems in a timely and efficient manner:
- Limits the cost for government of maintaining a fully competitive export credit policy
- Ensures ex-ante knowledge of the best financing terms and conditions possible
- Provides real-time transparency of competitors' programmes and offers
- Provides cooperative mechanisms to discuss/resolve any arising difference
- Minimises the scope for litigation in the WTO



Implementation is key to a level playing field

Transparency as a key principle

- In official support programmes
- In transactions
 - Ex post : the principle
 - Ex ante: the exception

Questions / responses if necessary

- Real time to foster transactions
- No formal “dispute settlement” process but peer pressure

Legal ways to implement depend on each system

- Strong political commitment to implement
- Hard legislation in the EU
- “Regulations” used in other countries