



Export Credit Guarantees and Environmental and Social Risks

Brussels (EP/INTA), 15 June 2015

Officially supported export credits

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FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**



ECA support / Export credit insurance

Protects enterprises from bad debt risks involved in an export transaction and its financing, particularly in difficult foreign markets, thus enabling export and jobs

Forms of support

Pure cover, direct lending, interest rate support ...

Some parameters

- No development aid / no grant element
- No subsidy (fees and risk-based premium)
- ECAs are not comparable to international financing institutions like the World Bank Group or the EBRD
- Demand-driven business
- Exports (supplies and services) to projects of third parties abroad
- Applicants are (domestic) exporters and their financing commercial banks, not project owners

Good governance by ECAs

- **Common standards for OECD ECAs' good governance**
 - Prevention of bribery
 - Sustainable lending
 - Environmental and social risk management
- **2012 OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence ("Common Approaches") – a well-established tool ensuring high standards**
 - Regularly updated framework for project-oriented environmental and social due diligence and transparency
 - Level-playing field, information exchange and cooperation among ECAs
 - Internationally recognized and commonly used reference standards for project due diligence (World Bank Group)
- **Challenge: Missing level-playing field with Non-OECD ECAs**

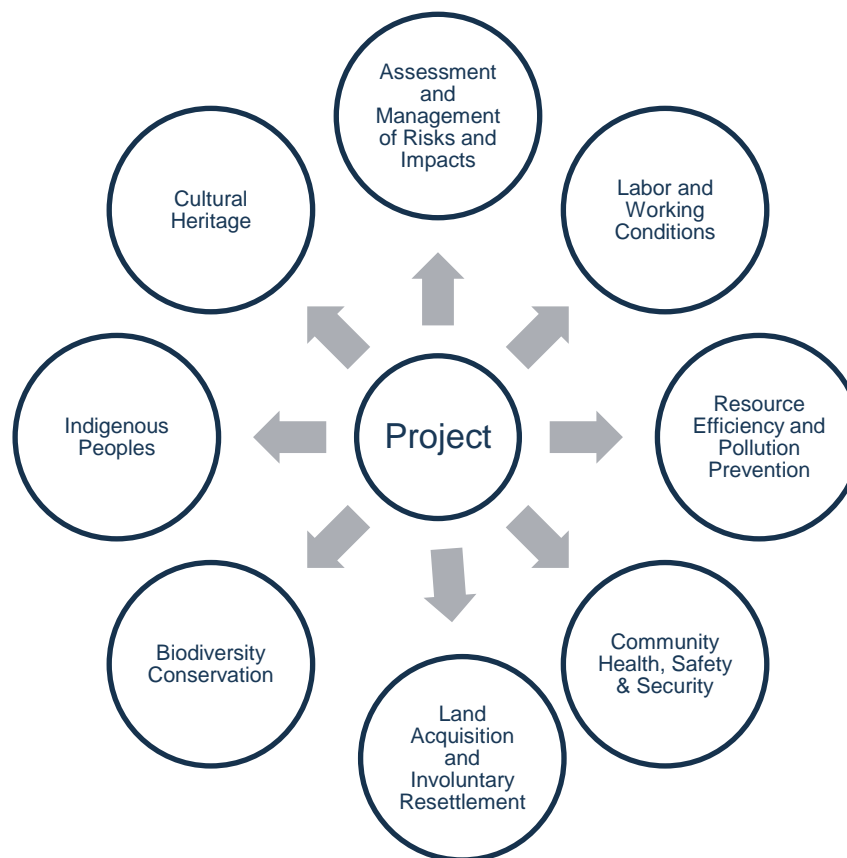


Due to the elaborate OECD framework and applicable international standards environmental and social risks form an integral part of EU ECAs' due diligence and risk management systems.

Environmental and social due diligence

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Relevant environmental and social aspects of the overall project taken into account.

- Ex ante disclosure: Environmental and Social Impact Assessments of Category A projects (potentially high environmental and/or social impacts) have to be made **publicly available** 30 days prior to final commitment.
- Ex post reporting: Members' support for those projects classified as Category A and Category B have to be **reported to the OECD**.
- **Survey** on Members' procedures and practices relating to environmental and social due diligence are available on the OECD website.
- Regular OECD **stakeholder meetings**
- **Further transparency exercises** of ECAs

The OECD Common Approaches provide robust transparency mechanisms allowing access to relevant information on environmental and social impacts of supported exports to projects.

Consideration of sustainability aspects in the German pure cover scheme (Hermes Cover)

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- Interdisciplinary team of experts with different professional backgrounds dedicated to sustainability issues
- Sustainability: part of eligibility for cover
- Environmental and social due diligence according to the OECD Common Approaches
- Complementary due diligence requirements and transparency beyond the OECD Common Approaches
- Specific setup of decision making body: Interministerial Committee comprising four Federal Ministries (Ministry for Economic Affairs and Energy (lead function), Ministry of Finance, Foreign Office as well as Ministry for Economic Cooperation and Development)

Thank you for your attention!

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Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments. In addition to this framework, it is also possible to cover the commercial and political risks of untied loans to finance projects which are particularly deserving of support.

The German Government has mandated a consortium formed by Euler Hermes Aktiengesellschaft and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to manage these promotion schemes.



Federal Ministry
for Economic Affairs
and Energy

OUR PARTNERS



EULER HERMES



Euler Hermes Aktiengesellschaft

Further information is provided under:

Hotline: +49 (0) 40 / 88 34 - 90 00

info@agaportal.de
www.agaportal.de