

EXPORT CREDIT
FINANCING SYSTEMS
IN OECD MEMBER
COUNTRIES AND
NON-MEMBER
ECONOMIES

Annex II

ANNEX II

EUROPEAN COMMUNITY PROCEDURES CONCERNING EXPORT CREDITS

Information on Community legislation and procedures in respect of medium/long term export credits, and also the updating of the euro CIRRR, the Large Airline Sectoral Understanding (LASU) rate and the differentiated discount rate can be found at:

www.europa.eu.int/comm/trade/miti/exp_cred/index_en.htm

For short-term export credits, the EC Communication on Short Term Export Credit Insurance is relevant for appreciating how short-term cover is provided in EC Member States. On 18 June 1997, the European Commission adopted a Communication pursuant to Article 93(1) of the EC Treaty applying Articles 92 and 93 of the Treaty to short-term export credit insurance. The text of the Communication is available at

www.europa.eu.int/comm/competition/state_aid/legislation/credit_en.html

2.1 Purpose

The purpose of the Communication is to remove the distortions of competition that exist between public, or publicly supported, credit insurers and credit insurers in the private sector.

2.1.1 *Limitation on state support*

The Communication stipulates which risks may be reinsured by the private sector (marketable risks) and which ones may not (non-marketable risks).

Accordingly, marketable risks may not be covered by public, or publicly supported, credit insurers, while non-marketable risks may always be covered with state support.

2.1.2 Definition of marketable risks

The definition of marketable risks is at the heart of the Communication. Risks deemed marketable at the current time include commercial risks of less than two years and situated in EU countries and certain other OECD countries (to date: Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the United States). Political risks are not covered under the current definition of marketable risks.

2.2 Entry into force

The Communication entered into force on 1 January 1998 and provided for a transitional period of one year, to enable publicly supported export credit insurers to adapt, *i.e.* to cease using of state aid to insure marketable risks. As at 1 January 1999, all export credit insurers which had been receiving government aid in one form or another did in fact either withdraw from the market for marketable risks or institute separate accounting provisions for their marketable risk-related business in order to prove that they no longer received government support in that area. Moreover, in the latter case, the bookkeeping for such business must meet the conditions laid down in Council Directive 91/674/EEC on the annual and consolidated accounts of insurance undertakings (*OJ*, L 374 of 31 December 1991, p. 7).

2.3 Revision of the definition of marketable risks

The Communication provides for the possibility of revising the definition of marketable risks, which is not definitive and depends on the strength of private reinsurance market.

2.4 Derogations

Lastly, the Communication makes provision for allowing a Member State to derogate from the rules enumerated therein. In order to do so, a Member State must first inform the European Commission of its intentions and demonstrate, producing evidence to that effect, that cover for risks ordinarily considered marketable is not available in the private insurance market.

ANNEX IV

EXPORT CREDITS AND THE ENVIRONMENT:

WORK PLAN

Against the background of the Action Statement agreed by the Members of the OECD Working Party on Export Credits and Credit Guarantees at their 82nd Meeting in February 2000, the Members are committed to pursuing the following Work-Plan on the issue of export credits and the environment, without prejudice as to outcomes. The Work Plan comprises a list of topics (which is not exhaustive) to be addressed in the further discussions of the Working Group in accordance with the commitments in the Action Statement and to facilitate the fulfilment of the OECD Ministerial Mandate.

(1) “[Members agree to] continue to develop, within their national systems of official export credit support, procedures and methodologies for identifying and assessing the environmental impact of projects.”

Timeframe:

Aim for completion by November 2000

Coverage

- Scope of considerations (*e.g.* environmental, developmental and social impact of projects).
- Thresholds.
- Sector considerations.
- Site/location of projects.
- Modifications to existing projects/ “add-on” projects.
- Exemptions from coverage.

Procedures and practices

- Elements for screening/quantitative and qualitative factors.
- Extent of screening (*e.g.* varying according to sector/size of project).
- Leverage of ECAs (*e.g.* treatment of sub-contracts).
- Benchmarking (*e.g.* IFI guidelines, host country standards).
- Timing of introduction of procedures and methodologies within national systems.
- Cost/benefit analyses.

Environmental review practices

- Environmental guidelines and criteria (*e.g.* quantitative and qualitative limits and criteria).

Information gathering on individual projects

- Scope and depth of information (*e.g.* requirement for an Environmental Impact Assessment).
- Sources (*e.g.* NGOs, ECAs, project sponsors, affected parties, recipient governments).
- Exchange of views on consultations at the national level.

Resource implications for ECAs

- Costs involved.
- “In-house” expertise; involvement of other Ministries (*e.g.* Environment); need for external consultants.
- Allocation/responsibility for costs (*e.g.* on ECA, project sponsor etc.).

(2) ***“[Members agree to] continue to monitor and evaluate, over time, their own experiences with these procedures and methodologies, as well as their own experiences related to mitigating the environmental impact of individual projects, and share these experiences with the other Members.”***

Timeframe:

Aim for completion by November 2000.

Monitoring

- Elements for monitoring.
- Methodology for monitoring.
- Sharing of information.

Evaluation of information

- Appropriate elements for inclusion in evaluation of environmental effects.
- Methodology for evaluation.

Mitigation measures

- Methodology for measuring mitigation.
- Consideration of influence of ECA (*e.g.* if only supporting small sub-contract).
- “Conditionality” or otherwise of proposed measures (*e.g.* will official support be dependent on the mitigating steps being followed); Covenants.
- Environmental management systems.

Information exchange

- Methodology for sharing of evaluations.
- Appropriate recipients of information.
- Enhancing the Environmental Information Exchange for Larger Projects.
- Constraints (*e.g.* confidentiality concerns).

(3) *“[Members agree] based on ECAs’ experiences (e.g. with Environmental Information Exchanges), [to] explore ways to synthesise common elements and best practices related to environmental review and impact assessment in order to strengthen a framework of common approaches amongst export credit agencies.”*

Timeframe:

Aim for completion by November 2001, but allowing for progress report to OECD Ministers in second quarter 2001.

Common elements and best practices

- Collecting and mapping of information relating to (1) and (2) above (e.g. on new and established environmental screening systems).
- Synthesis of information on common elements and best practices.

Framework of common approaches

- Methodology for developing a framework.
- Factors for consideration (e.g. mitigation of environmental risk, avoidance of distortions of competition, etc.).
- Modalities of disseminating the framework.

(4) *“[Members agree to] exchange views on an informal basis with appropriate stakeholders.”*

Timeframe:

Ongoing.

Consultations (e.g. with NGOs, recipient countries, BIAC, TUAC, etc.)

- Appropriate third parties.
- Sovereign rights of recipient governments.
- Public dissemination issues.

ACTION STATEMENT ON THE ENVIRONMENT (2000)

In order to fulfil their political mandate¹ relating to officially supported export credits and the environment, the Members of the Working Party on Export Credits and Credit Guarantees agree to take the following action:

1. Continue to develop, within their national systems of official export credit support, procedures and methodologies for identifying and assessing the environmental impact of projects.
2. Continue to monitor and evaluate, over time, their own experiences with these procedures and methodologies, as well as their own experiences related to mitigating the environmental impact of individual projects, and share these experiences with the other Members.
3. Agree on further refinements to the Environmental Information Exchange for Larger Projects.
4. Based on ECAs' experiences (*e.g.* with Environmental Information Exchanges), explore ways to synthesise common elements and best practices related to environmental review and impact assessment in order to strengthen a framework of common approaches amongst export credit agencies.
5. Exchange views on an informal basis with appropriate stakeholders.

1. In the Communiqué from the OECD Council Meeting at Ministerial Level in May 1999, and in the context of the progress being made in the ECG, Ministers: “urged that the work continue with a view to strengthen common approaches and to report on progress made at the next Ministerial Council Meeting”. (para. 18)

In addition, the G8 Members of the Working Party reaffirm their commitment in the Communiqué from the G8 Summit in Cologne in 1999, where G8 Heads undertook to: “...work within the OECD towards common environmental guidelines for export credit agencies. We hope to complete this work by the 2001 G8 Summit”.

6. Agree on a work plan, including Special Sessions of the Working Party on Export Credits and Credit Guarantees dedicated to the environment issue, in order to facilitate this work and the fulfilment of the OECD Ministerial Mandate. The results of this work, which the Working Party aims to complete before the end of 2001, without precluding intermediary results by the 2001 OECD Ministerial Meeting, will be publicly disseminated.

AGREEMENT ON ENVIRONMENTAL INFORMATION EXCHANGE FOR LARGER PROJECTS (1999)

Drawing on experience to date, Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) agree to refine the case-by-case voluntary environmental information exchange by undertaking the following:

- Export Credit Agencies (ECAs) involved in a project would ensure that all information, including any Environmental Impact Assessment (EIA) of the project, would form the basis of the voluntary environmental information exchanges.
- All participating ECAs would receive a copy of the EIA prepared for the buyer/owner or on behalf of the owner.
- Each ECA would then review the EIA and formulate views on environmental issues or concerns raised by the project.
- Taking account of confidentiality concerns, ECAs involved in any environmentally sensitive project may share information, exchange views and co-ordinate their responses to exporters, lenders, borrowers and other principle parties to the project.
- ECAs may share views on the adequacy of information available in relation to environmental and other project risks.
- The OECD Secretariat would be informed of these exchanges, and would be able to report periodically on the experience during the information exchange period.

The exchanges would apply to larger multi-sourced projects, which are included in environmentally sensitive sectors (*e.g.* mining, power, etc.). In the event that an EIA is not available, and if the ECAs decide that an EIA is essential to the environmental evaluation of the project, the ECAs would require the project sponsors to bear the cost of an EIA along with any other independent reports necessary for risk assessment purposes.

STATEMENT OF INTENT ON OFFICIALLY SUPPORTED EXPORT CREDITS AND THE ENVIRONMENT (1998)

Continuing the efforts in the OECD Group on Export Credits and Credit Guarantees to establish approaches for taking environmental factors into account when providing official export credit support, the Members:

1. Desire to conserve and enhance the environment, and to encourage consideration of the environmental impact of projects in buyers' countries.
2. Welcome the role that OECD exports can play in diffusing environmentally beneficial technology and know-how to buyers' countries.
3. Respect the sovereign right of buyers' countries to make decisions regarding the impact and benefits of projects within their jurisdiction, and to enforce environmental regulations and standards.
4. Recognise the benefits of working in partnership with exporters, financial institutions and buyers' countries.
5. Acknowledge the need for OECD exporters not to be placed in an adverse position *vis-à-vis* their competitors including non-OECD competitors.
6. Recognise the requirements for commercial confidentiality.

While these principles are an important step, the Group recognises the desirability of strengthening environmental considerations in risk assessment practices of export credit agencies, acknowledging the differences in national systems of official export credit support. In this regard, Members express their willingness to share information on the application of these practices and principles to relevant projects.

ABBREVIATIONS

Arrangement	Arrangement on Officially Supported Export Credits
CIRR	Commercial Interest Reference Rate
DAC	Development Assistance Committee
EC	European Communities
ECA	Export Credit Agency
HIPC	Highly indebted poor country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
L/C	Letter of Credit
LDC	Less Developed Countries
LIBOR	London Interbank Offered Rate
LLDC	Least Less Developed Countries
ODA	Official Development Aid
SDR	Special Drawing Rights

TABLE OF CONTENTS

Introduction

OECD MEMBER COUNTRIES

Australia
Austria
Belgium
Canada
Czech Republic
Denmark
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Japan
Korea
Luxembourg
Mexico
Netherlands
New Zealand
Norway
Poland
Portugal
Slovak Republic
Spain
Sweden
Switzerland
Turkey
United Kingdom
United States

NON-MEMBER ECONOMIES

Chinese Taipei
Hong Kong, China
Romania
Singapore
Slovenia

ANNEXES*

- I. The Arrangement on Officially Supported Export Credits (2005)
- II. European Community Procedures Concerning Export Credits (formerly Annex III)
- III. Export Credits and the Environment: Work Plan (formerly Annex IV)
Action Statement on the Environment (2000)
Agreement on Environmental Information Exchange for Larger Projects (1999)
Statement of Intent on Officially Supported Export Credits and the Environment (1998)
- IV. Action Statement on Bribery and Officially Supported Export Credits (2000) (formerly Annex V)
- V. OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits (formerly Annex VI)

* Annex II in earlier publications, *i.e.* Terms and Conditions Applicable to Project Finance Transactions, is now incorporated in Annex I; accordingly all annexes herein have been renumbered.