Business at OECD

For a fair, transparent Arrangement conducive to global trade stability

Business at OECD Export Credits Expert Group Statement May 2025

Established in 1962, *Business at OECD* (BIAC) is the officially recognized institutional business stakeholder at the OECD. We stand for policies that enable businesses of all sizes to contribute to economic growth, sustainable development, and societal prosperity.

Through *Business at OECD*, national business and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.

Preamble

Global trade and business partnerships thrive on transparent and consistent framework conditions which provide the basis for international competition and a global level playing field. This rules-based order should ensure that competition amongst exporters is based on the quality and price of goods and services, rather than on the favorability of terms and conditions of accompanying financial support. *Business at OECD* and its members are committed to the international set of rules as established by the OECD Arrangement on Officially Supported Export Credits ("the Arrangement") and value the stability it has provided for international markets, free and competitive trade since 1978.

Business at OECD welcomes the modernization of the Arrangement on Officially Support Export Credits ("the Arrangement"). In *Business at OECD's* view, important milestones were achieved in changing specific Arrangement terms, but practical implementation is lagging behind.

Following the modernization of the Arrangement in July 2023, the newly created leeway has rarely been applied in practice for various reasons. In the experience of business and exporters over the past decade, the administrative burden for financing projects has increased extensively, with increasingly burdensome requirements to provide reports and statistics for export credits applications, tied as well as untied regulations. The Arrangement has step-by-step lost its focus on the core principle of promoting exports and cross-border deals.

Business at OECD recalls the foundational basic goal of the Arrangement, which is to foster cross-border business. Project owners, exporters and banks need the Arrangement to be easy-to-understand, predictable and not create additional burdens in order to enable investment and for the Arrangement to remain globally relevant.

We therefore urge the Participants to engage in continued dialogue with business and industry about the practicability of the modernized Arrangement and its ability to fulfill its fundamental goal of promoting fair competition and ensuring that export credits are provided under conditions that are transparent and adhere to internationally agreed-upon principles. *Business at OECD* is convinced that the Arrangement modernization was an important step, but the remaining framework conditions for the financial industry have not yet kept pace with these changes. The day-to-day experiences of business and industry and evolving product and business models highlight a continued need for dialogue following the modernization of the Agreement.

Key Messages

With this statement, *Business at OECD* aims to contribute to the ongoing debate and negotiations within the OECD following the modernization of the Arrangement.

A. We urge the Participants to consider *Business at OECD's* concerns and suggestions regarding the proposal for a revision of the Common Approaches and engage in further consultations with key stakeholders. Support and funding for transformation technologies is a key aspect.

- **We call on Participants to address outstanding concerns raised by *Business at OECD* regarding the proposal for a revision of the Common Approaches and organize a workshop with key stakeholders before the implementation of the revised Common Approaches.**

B. Business at OECD also recalls the importance of updating the Arrangement's financing terms and conditions as concerns the 95% financing of the export value and local costs up to 100% of the export value for government projects with buyers and borrowers in country categories 5-7.

- **We call on Participants to make permanent in the Arrangement increased support to the export value and local costs for debtors established in countries in categories 5 to 7.**

C. Better alignment of development finance provided by multilateral and development banks and official development assistance (ODA) government agencies, officially supported export credits and other forms of ECA support (untied financing/guarantees) is urgently needed to reduce competition between unregulated official finance and regulated export credits. This is essential to ensuring the continued relevance of the Arrangement.

- **We call on Participants to ensure better alignment of development finance and export credits.**

D. In addition, there is a need for technology-agnostic discussion about how to account for new products and business models that are typically not bound to physical exports, such as pay-per-use and new types of products (e.g. AI and cloud-based and software solutions or service-based product offerings, but not limited to), and which are currently not covered and left outside the Arrangement.

- **We call on Participants to consider how to include provisions in the Arrangement to adequately cover trade flows of services in addition to trade flows of goods, e.g. through organizing a workshop with key stakeholders.**

A. *Address outstanding concerns with the proposal for a revision of the Common Approaches*

Regarding the proposal for a revision of the Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the "Common Approaches"), we urge the Participants to allow for additional consultation with key stakeholders, including *Business at OECD* as the primary users of the rules.

a) We fully support the approach to align the Common Approaches with other financial sector standards such as the EP (4); *Business at OECD* and its members are without a question committed to international standards and sustainable projects. Furthermore, sustainable solutions are our daily business and a customer requirement in the global competitive environment. The set of rules as it was designed decades ago had the goal to find a way in assessing, addressing and managing environmental and social risks arising from base-line projects to be covered and financed. However, these rules also balanced the administrative burden for projects without lowering the standard of protection. This should be key for the reformed Common Approaches as well.

b) We believe that the current draft goes beyond that initial concept by addressing several topics (climate, biodiversity and human rights) with requirements worded too broadly and partially not even project related and thereby leading to time consuming, cost increasing, non-result-oriented investigation efforts.

c) We are concerned that the scope of checks, studies and required consultancy works to be provided and reported, but also to be assessed, discussed and decided on is far beyond what a single project and its business stakeholders (exporters, buyers, lenders, sponsors) could handle. We would like to express our concern that an increasing number of exporters and buyers are turning away from the OECD export credit framework and that similar far-reaching requirements do not apply to untied ECA operations and/or DDFI operations.

d) We question how all these additional efforts should be handled and managed especially for smaller, non-project finance transactions.

e) We are surprised to observe that the lines between project categories A and B are further blurring, with all the corresponding uncertainty for project planning and execution. Too restrictive ESG requirements may lead to significantly high costs which ultimately will have to be paid by the borrower or end users in EMDEs.

f) We raise questions about the necessity and the strong focus on reporting as well as making these data publicly available. This further distorts the already level playing field with competition outside the Arrangement without adding any value to civil society, since related risks are already monitored by relevant project stakeholders

g) We propose to widen the possibility of using host country standards as the relevant benchmark. Several countries have made significant progress in developing their environmental legislation and it is quite often the best suited benchmark for a project since it is always adapted to local conditions of the project. In this regard, paragraph 42 could be amended as follows (new text in BOLD): "*42. Alternatively, where appropriate, Adherents may benchmark projects against the relevant aspects of any other internationally-recognised standards, such as European Union standards****, or host country standards when (i) the project is located in a Designated Country as determined by EP 4, or, (ii) host country standards ~~that~~*** *are* ***considered*** *more stringent than those standards referenced above* ***and deemed well suited for the projects' local conditions***."

We therefore urge the OECD to start an open and cooperative dialogue with the users of the Arrangement (*Business at OECD* and the commercial banking community) AND also check possibilities for an immediate change of the latest CA draft which includes:

I. An increased threshold of projects to be assessed to 50 M SDR

II. Limiting requirements to project related topics (like EP 4 does)

III. The utilization of data and facts already available (e.g. for climate impact / footprint) instead of project related assessments especially for standard cases

IV. A clear distinction between Category A and B projects, appropriately considering effort and benefits in relation to the project volume

V. Provides a reasonable implementation period, which does affect projects currently already in the process of ESIA's evaluation and/or already in the application process

B. Make permanent the maximum support to the export value for up to 95% financing for government projects in categories 5-7

Business at OECD highlights that it remains difficult for project owners to source funding, particularly for large infrastructure or government contracts. For public buyers / borrowers – especially in emerging markets and developing economies (EMDEs) – the liquidity situation might be challenging. Customers are forced to reserve liquidity for working capital that is lacking for investments. While ECAs can – after the expiration of the Common Line in December 2024 – only support up to 85% of the export value, private insurance companies and commercial banks show little or no willingness to provide unsecured financing or risk coverage (credit insurance) for the uncovered portion. Furthermore, in addition to the effects of a series of unsolved global crises, many buyers (e.g., in Southern and Eastern Europe, Asia etc.) often face liquidity shortages due to an increased need for regular working capital and for delivery and service scopes that cannot be covered by ECAs.

Business at OECD suggests that the Participants take these circumstances into account by offering flexibility in supporting a maximum coverage of up to 95% of the export contract value, while maintaining the 15% down payment requirement in the Arrangement. This implies that OECD ECAs could support two-thirds of the down payment, which is equal to 10% of the export value. We regret to note that the respective Common Line has expired without replacement and would highly appreciate a permanent solution in the Arrangement. This amendment should be made permanent and applicable for loans provided to (or guaranteed by) buyers and respective borrowers in countries of Category 5-7.

An increased support would also be required for large infrastructures with a large local content which is sometimes a request of the local authorities. While local costs can easily represent half of the project costs, the support is actually capped at 50% of the export value. In some cases, the main contractor is incentivized to use sub-contractors coming from neighboring countries while local capacities exist. An increased cap at 100% of the export value would be more appropriate.

The above-mentioned considerations are mainly driven by great concerns *of Business at OECD* members around unregulated official finance competition non-OECD export credits and untied financing/guarantee options from non-OECD and OECD countries, which is likely going to increase with the consequence of a further erosion of the Arrangement. This should in the view of *Business at OECD* be avoided, because a new credit race to the bottom has only losers.

C. *Ensure alignment between export finance and aid products, and the implementation of blending instruments*

The increased competition outside the OECD framework with more flexible financing conditions and the increasing importance of global value chains which are continuously under pressure is widely acknowledged. However, a suitable response has not been found yet. *Business at OECD* calls upon the Participants to find ways for a solution-oriented cooperation effort of regulated export credits (including tied aid) and unregulated untied aid/development finance provided by multilateral and bilateral development banks and ODA government agencies. Currently, these different official finance providers too often compete with one another. Furthermore, untied support – either ODA, or DFI/ECA untied support is often de facto tied to exports and therefore distorting a fair level playing field. We call therefore upon Participants to create more transparency on the terms and conditions offered under untied programs (including procurement of good s and services) and to provide guidelines when and under which circumstances concessional or semi concessional finance can be provided. This requires a whole of government approach on additionality of official finance at large.

Flexible and project-oriented blending instruments are welcomed by *Business at OECD* and help also restore the OECD's global relevance, which has eroded over the past decades. Overcoming silo-thinking and joint efforts of the Secretariat, Participants and all other stakeholders are urgently needed to ensure success of all efforts. The promotion of export and trade should take precedence over e.g. tied aid rules (the Helsinki Agreement). Just the mere existence of financing and lending tools, even by Participants outside the OECD Arrangement, speaks volumes.

To tackle the global crises on climate change and poverty reduction, the involvement of the private sector is needed and should be complemented with public sector efforts like risk sharing mechanisms, grant elements through blending, guarantees and respective financial basic instruments. The goal is – as it is for all *Business at OECD* members in their relationship with their customers – to focus on the achievement of implementing projects.

This can be especially relevant to (social) infrastructure development and benefit sustainable use of resources. Especially for relatively high-risk markets (risk categories 5-7), a better coordination and combination with ODA instruments needs to be implemented to keep the global relevance of the Participant's exporters. It might thus be worth considering creating a certain form of bonus related system on the premium for borrowers that have not produced any default, e.g. by providing better buyer categories for the future projects. The notification requirements should be reduced for small-scale projects. Furthermore, in *Business at OECD's* view, local prosperity could be supported by changing the Arrangement wording and no longer differentiating between local costs and foreign sub-supplies but only between national (export) and foreign content. This would help address the too regular cases of where scope is purchased and contracted from abroad instead of the project country because limits on local costs have been reached.

This could be done without questioning the need for the ECA activities to be generally self-supporting. Data from the OECD Export Credit Group shows that since 1999, prior to any recovery, premiums have covered indemnifications and operating costs.

D. Consider new product and business models to be covered by the Arrangement

The day-to-day business of exporters provides a strong case for the further evolution of the agreement towards greater flexibility. Pay-per-use business models and new types of products that are typically not bound to physical exports, e.g. cloud-based and software solutions or discontinuous cash flow scenarios such as service-based product offerings can still not be financed under the existing Arrangement rules. Similarly, some business models provide for a right of use instead of a traditional sale of goods and can thus rely on a cross border contractual relationship instead of a physical export of goods. The structures and their legal consequences are diverse and require modern Arrangement rules, providing flexible repayment models, open residual values and higher support to local costs and the exported value. This presents certain challenges, notably regarding the maximum financing period that would be allowed, and the impacts of AI adapting the global economic landscape will pose additional uncertainties and could result in an unhinged and monopolized dead-end without the missing and guided competition.

We therefore call on Participants to consider how to include provisions in the Arrangement to adequately cover trade flows of services in addition to trade flows of goods, e.g. through organizing a workshop with key stakeholders.

BusinessatOECD

Business at OECD (BIAC)
13-15, Chaussée De La Muette – 75016 Paris
Tel: + 33 (0) 1 42 30 09 60
www.businessatoecd.org
@BusinessatOECD