Treatment of officially-supported export credits in the TOSSD measure

TOSSD Task Force Issues Paper[1]

29-30 May 2018

For discussion under agenda item 8

I. BACKGROUND

1. At several occasions, the TOSSD Task Force has discussed **the possible inclusion of officially-supported export credits in TOSSD** but has not reached consensus on their relevance for the measure. Some Task Force members clearly favour a systematic exclusion of export credits from the TOSSD framework given that these operations are not generally designed with sustainable development objectives in mind. Some others argue that export credits may have a SDG focus, in particular in the case of large projects where they may be extended in co-financing with development finance. In order to help to move the discussion forward, Task Force members agreed to consult with the OECD Export Credit Group (ECG) to obtain guidance on this issue.

2. On 15 March 2018, during the regular meetings of the ECG, the Secretariat was invited to present the progress made by the TOSSD Task Force in developing the draft TOSSD Reporting Instructions. After a detailed presentation by the Secretariat[2], representatives from the ECG were invited to answer the following questions:

- Would it be appropriate to include export credits extended in co-financing with official development finance interventions (e.g. associated financing packages, project finance) in the TOSSD statistical measure? If so, who could provide information on the amount of export credit included in these financial packages?
- Noting the emerging definition of sustainable development in the context of TOSSD, do some export credit agencies have the mandate to support sustainable development through their investments? If so, should part of their activities be included in TOSSD?

II. MAIN OUTCOME OF THE CONSULTION WITH THE ECG

3. The discussion highlighted that there was no clear consensus among the export credit agencies on whether export credits should be considered for inclusion in the TOSSD framework or not. While there was a general agreement that export credits extended in association with development finance ("mixed credits") should be included (provided they comply with TOSSD eligibility criteria), there were divergent views on how to treat other export credits, not part of an associated financing package:

- One country clearly stated that its export credit agency does not operate with a sustainable development mandate and that its operations are demand-driven.

[1] Jointly drafted by Julia Benn (Julia.Benn@oecd.org) and Cécile Sangaré (Cecile.Sangare@oecd.org).

[2] The discussion paper prepared for this meeting is available here.

- A few others were more nuanced and stated that their export credit operations have to comply with a broader national sustainable development strategy and as a consequence could meet the TOSSD eligibility criteria. However, even for these agencies the main objective is clearly the promotion of national exports, so TOSSD-eligibility of their operations would need to be assessed on a case-by-case basis.

4. One country expressed concerns regarding the additional reporting burden and the confidentiality issue if export credits were to be reportable under TOSSD at the activity level. The Task Force Secretariat clarified that the TOSSD reporting format is quite succinct and much simplified in comparison to the ODA reporting format. For example, information on the financial terms of transactions will not be collected. However, the draft Reporting Instructions already noted the need for some flexibility in this area.

5. In follow-up to the meeting, ECG members were invited to send written comments to the Secretariat. Three countries did so.

III. PROPOSAL FOR THE EMERGING EXCERPTS OF THE TOSSD REPORTING INSTRUCTIONS

6. In the light of the outcomes of the consultation with the ECG on TOSSD, the Secretariat would like to suggest that, similarly to any other activities, the TOSSD eligibility of export credit operations be assessed by the provider country on a case-by-case basis, at the level of individual projects. Following this rationale, it is proposed to revise paragraph 30 of the emerging excerpts of the TOSSD reporting instructions as follows:

> *30. The cross-border resource flows pillar covers resources extended to TOSSD-eligible recipient countries in support of sustainable development by bilateral and multilateral providers (Figure 2). The major breakdown is between grants and in-kind contributions on the one hand, and financial transactions on the other hand. No distinction is made between concessional and non-concessional transactions.[3] Resources mobilised from the private sector by official interventions are also included. However, they are presented under a separate heading as the funds do not necessarily originate from the provider country and may even be domestic i.e. originate from the recipient country. Officially-supported export credits extended in association with development finance or explicitly designed with sustainable development objectives may also be included in TOSSD cross-border resource flows pillar.*

7. Officially supported export credit operations generally take the form of a direct loan or a guarantee/insurance. However, the export credit community considers and presents these interventions as a single category called "officially supported export credits". For consistency purposes, the TOSSD framework could classify these operations under the "officially supported activities" type of resource flow.

Question to Task Force

- Do you agree with the treatment of officially supported export credits as proposed above?

[3] Different definitions of concessionality are applied by different providers and developing countries depending on the context.