Social Infrastructure and the OECD Arrangement on officially supported export credits

An analysis of current regulations, prevailing challenges
and potential amendments.

Independent Report, commissioned by UK Export Finance.

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Disclaimer

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Table of Acronyms and Abbreviations

This section provides a list of acronyms and abbreviations used throughout the report. Each acronym is explained briefly to assist the reader in understanding the terminology related to export credits, social infrastructure, and sustainable development.

Acronym/Abbreviation	Meaning
Arrangement	The OECD Arrangement for Officially Supported Export Credits
ASU	Aircraft Sector Understanding – OECD rules governing officially supported export credits for civil aircraft sales
BDB	Bilateral Development Bank
BIAC	Business at OECD, connecting the business community with the OECD
BDN	Blue Dot Network. A multilateral organisation composed of states that are committed to promoting quality infrastructure investment
BU	Berne Union - the international association for the export-credit insurance and investment insurance industry
Common Line	Temporary agreements under the Arrangement that allow for specific adjustments to standard export credit terms
CCSU	Climate Change Sector Understanding – OECD rules governing export credits for climate change mitigation and adaptation projects
CIRR	Commercial Interest Reference Rates – Minimum interest rates set by the OECD for export credits
CTEP	China Transformational Exports Program – A program of US EXIM to counter Chinese official finance competition
DAC	The Development Assistance Committee. An OECD forum of 32 aid providing countries
DDR	Differentiated Discount Rate – Discount rates used by OECD ECG for tied aid calculations
DFI	Development Finance Institution with mandate to support social and economic development in EMDEs. DFIs in this report can be Multilateral Development Banks, Bilateral Development Banks and ODA Aid Agencies.
DSA	Debt Sustainability Assessment (managed by the IMF and the WB)
DSF	Debt Sustainability Framework (managed by the IMF and the WB)
EBF	The European Banking Federation
ECA	Export Credit Agency – Governmental agencies that provide financial support for export transactions
ECG	The Working Party on Export Credits and Credit Guarantees (or the Export Credits Group). An OECD forum for discussing and co-ordinating national export credits policies, including in relation to good governance issues, such as anti-bribery measures, environmental and social due diligence, and sustainable lending practices. All OECD countries are ECG Members with the exception of Chile, Costa Rica, and Iceland.
EIB	The European Investment Bank

Acronym/Abbreviation	Meaning
EMDE	Emerging Markets and Developing Economies – Countries with developing or transitional economies
ESG	Environmental, Social and Governance
EUR	Euro – The official currency of the Eurozone
EXIM	Export-Import Bank.
G7	Group of Seven – An international organization consisting of seven major advanced economies, which include Canada, France, Germany, Italy, Japan, the United States and the United Kingdom.
G20	Group of Twenty – An international forum consisting of major advanced and emerging economies, which includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, the United Kingdom, the United States, the African Union and the European Union.
GBP	Green Bonds Principles (promoted by ICMA)
GLP	Green Loans Principles (promoted by LMA)
GRESB	Global ESG Benchmark for Real Assets. An independent organization providing validated ESG performance data and reporting standards
HIC	High Income Country
HIPC	Highly Indebted Poor Country
IBRD	The International Bank for Reconstruction and Development (part of the World Bank Group)
ICMA	International Capital Market Association – An organization promoting resilient and well-functioning international capital markets
ICT	Information and Communication Technology
IDA	The International Development Association (part of the World Bank Group)
IDB	The Inter-American Development Bank
IFC	The International Finance Corporation (part of the World Bank Group)
IMF	International Monetary Fund
LMA	Loan Market Association – A trade association for the syndicated loan markets in Europe, the Middle East and Africa
LDC	Least Developed Country as defined by the UN
LIC	Low-Income Country – Countries with a GNI per capita below USD 1,145 as of July 1, 2024 (as classified by the World Bank)
LMIC	Lower-Middle-Income Countries – Countries with a GNI per capita between USD 1,146 and USD 4,515 as of July 1, 2024 (as classified by the World Bank)
MDB	Multilateral Development Bank – Financial institutions that provide financial support for development projects
MDG	Millennium Development Goal – UN goals established in 2000 to address global challenges by 2015
MIGA	The Multilateral Investment Guarantee Agency (part of the WBG)

Acronym/Abbreviation	Meaning
MLT	Medium-and-Long Term
NCB	Non-Concessional Borrowing – Loans offered on less favourable terms than concessional loans
NEIA	The National Export Credit Insurance Account (in India)
NEXI	Nippon Export and Investment Insurance – Japan's ECA offering export credit and investment insurance
NSU	Nuclear Sector Understanding – OECD rules governing export credits for nuclear power projects
OCB	Other Cross-Border Credit (as defined by the Berne Union) : a debt-finance instrument, of which the debt obligor resides in a different country than the debt counterparty; AND the debt obligation is provided without any requirement that the debt capital be used to finance an export or international trade (cf Berne Union)
ODA	Official Development Assistance – Government aid provided to support social and economic development and provided in the context of the international commitment of advanced economies to spend 0.7% of GDP on aid
OECD	Organisation for Economic Co-operation and Development
Participants	The 11 parties which participate in the Arrangement
PPI	The Private Participation in Infrastructure Projects Database (managed by the WB)
PPP	Public-Private Partnership – A cooperative arrangement between public and private sectors (usually for the implementation of infrastructure projects)
PPIAF	Public Private Infrastructure Advisory Facility
PRI	Political Risk Insurance – Insurance against risks such as expropriation, political violence, currency inconvertibility and transfer risk
PSI	Private Sector Instrument. OECD DAC financial instruments beyond grants and concessional loans that can be used to mobilise private capital for development. They include among others guarantees, syndicated loans and equity investments.
SBP	Social Bonds Principles (promoted by ICMA)
SDR	Special Drawing Rights – An international reserve asset created by the IMF to supplement member countries' official reserves
SDFP	WB Sustainable Development Finance Policy
SDG	Sustainable Development Goal – UN global goals adopted in 2015 to promote sustainability by 2030
SLBP	Sustainability-Linked Bond Principles (promoted by ICMA)
SLLP	Sustainability-Linked Loan Principles (promoted by LMA)
SLP	Social Loan Principles (promoted by the LMA)
SME	Small and Medium-Sized Enterprises
SSU	Ship Sector Understanding – OECD rules governing export credits for ship construction and sales

Acronym/Abbreviation	Meaning
SOE	State-owned enterprise
ST	Short-Term
TOSSD	Total Official Support for Sustainable Development – An OECD framework tracking global finance for development
UKEF	UK Export Finance
UMIC	Upper Middle-Income Country - Countries with a GNI per capita between USD 4,516 and USD 14,006 as of July 1, 2024 (as classified by the World Bank)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development – A UN body focused on trade and development issues
USD	United States Dollar
US Exim	US Exim Bank – The U.S. government's official ECA
WB or WBG	The World Bank or The World Bank Group
WTO	World Trade Organisation

Executive Summary

This report explores how the OECD Arrangement for Officially Supported Export Credits (the Arrangement) could better serve the financing needs of the social infrastructure sector, particularly in Emerging Markets and Developing Economies (EMDEs). The study aims to inform UKEF's engagement with Participants and other stakeholders in export credits regarding possible enhancements to the Arrangement.

The study addresses several key questions:

- Could the Arrangement better serve the social infrastructure sector?
- How could the social infrastructure sector be defined in a globally accepted definition?
- Is there a clearly defined market gap for the social infrastructure sector which could be addressed by more flexible Arrangement terms? What should these terms be?
- What is the appetite for a social infrastructure sector understanding and what should this sector understanding look like?
- To what extent are OECD countries at a strategic disadvantage to non-OECD countries in the competitive landscape?
- Why is it in the interest of OECD ECAs and what competitive benefits would supporting permanently lower down payments and social infrastructure projects bring to Arrangement Participants?

To answer these questions, the study team conducted desk research and obtained valuable input from a range of stakeholders, including exporters, financial institutions, ECAs, sovereign borrowers and development finance institutions. Input was collected through interviews, focus group discussions and questionnaires.

<u>Social infrastructure or Social Investments</u>
Social infrastructure refers to the facilities and systems that provide essential services supporting a functioning, sustainable, and inclusive society. It emphasizes human capital and focuses on improving the well-being of individuals and communities. In its broader definition, social infrastructure overlaps with economic infrastructure as many investments serve both economic and social objectives, reflecting the interconnected nature of social and economic development.

Different organizations delineate its scope differently. As defined by the OECD's Statistics and Data Directorate, social infrastructure encompasses education, healthcare, public safety, culture, and recreation. The OECD Development Assistance Committee (DAC) and the Total Official Support for Sustainable Development (TOSSD) Framework follow a broader definition that also includes water, sanitation, food security, housing, governance, and civil society. Meanwhile, the Loan Market Association (LMA) and the International Capital Market Association (ICMA), in their Social Loan and Social Bond Principles, cover a broader range of sectors that include "affordable basic infrastructure" and "essential social services" such as clean drinking water, sewers, sanitation, transport, energy, and telecommunications. Their focus combines specific sectors and target populations (low-income, vulnerable groups) with the intended social impact.

Regardless of the precise definition, there is widespread agreement that social infrastructure (or social financing, if one follows the broader approach adopted by LMA/ICMA) generates significant societal benefits and thus warrants special attention in investment policies and financing, including ECA export credits. Referring to “Social Investments”, instead of “Social Infrastructure” could help avoid the confusion caused by differing interpretation of the term in different circles.

Social Infrastructure and Sustainable Development Goals (SDGs)

Social infrastructure is pivotal in achieving several Sustainable Development Goals (SDGs), part of the global 2030 Agenda for Sustainable Development. While the SDGs apply globally, the need for robust social infrastructure is especially pressing in EMDEs.
Key SDGs supported by social infrastructure investments include:

- SDG 2: Zero Hunger
- SDG 3: Good Health and Well-Being
- SDG 4: Quality Education
- SDG 6: Clean Water and Sanitation
- SDG 11: Sustainable Cities and Communities
- SDG 16: Peace, Justice, and Strong Institutions

Role of ECAs in Financing Social Infrastructure

OECD ECAs have been actively supporting social infrastructure projects in EMDEs and developed markets (e.g. OECD countries). Their support contributes to the achievement of the UN SDGs, particularly regarding climate change mitigation and adaptation. According to a recent report by TXF on sustainable export finance, ECAs supported in 2023 MLT transactions totalling USD 45 billion in sustainable export finance (out of a total of USD 191 billion). Green transactions accounted for almost two-thirds of the sustainable deals in 2023.

Social infrastructure projects in EMDEs, however, face significant funding challenges due to substantial upfront capital requirements, extended payback periods, and insufficient revenue streams to attract private sector financing. These issues are particularly acute in countries with higher perceived risks (Country Risk Categories 5-7), where access to affordable financing is limited and infrastructure investment is critically underfunded.

In this context, ECAs alongside multilateral and bilateral DFIs that extend (semi-)concessional finance, market-based finance, and ODA, play a pivotal role in facilitating financing of social infrastructure projects by providing essential “financing and pure cover” support to help overcome these barriers.

However, the regulatory framework governing their export credit operations, essentially the Arrangement, does not provide incentives for ECAs to prioritise support for these types of projects. The Modernisation of the Arrangement in 2023 introduced important changes making the Arrangement more flexible, but several stakeholders, including BIAC, consider that additional measures are needed to ensure that the Arrangement remains fit for purpose among others for social infrastructure investment in EMDEs.

The visibility of ECA-operations and their contribution to the SDGs remains limited outside their own community. MDBs are more active in international fora that promote the UN SDGs and mobilisation of capital such as the G20, while ECAs tend to be absent. Furthermore, the activities of ECAs are currently not recognised in existing mobilisation measurement systems of the OECD DAC and MDBs and they are typically not included in the TOSSD reporting by Participants.

The Arrangement and other rules

The Arrangement provides a structured framework that OECD ECAs must follow when offering support for export credits with repayment terms of two years or more. Standard terms under the Arrangement include a maximum official support of 85% of the export contract value, with the remaining 15% to be covered by a down-payment from the buyer. Supported local costs are capped at a maximum of 50% of the export value. Repayment periods are limited to the shorter of 15 years or the useful life of the exported goods and services, and there are specific requirements regarding the frequency of interest and principal repayments. Furthermore, there are minimum interest rates and minimum risk-based premia.

To address the needs of specific sectors, the Arrangement allows for adjustments through specific Sector Understandings, such as the Climate Change Sector Understanding (CCSU), which offers more favourable repayment terms for eligible climate change projects. Additionally, the Common Line procedure permits ECAs to temporarily adjust standard terms to respond to evolving market conditions or project-specific requirements. A Common Line for maximum 95% support of the export value was approved in 2021 for one year and twice renewed. The current Common line will expire on 14 December 2024, unless Participants decide otherwise.

In some EMDEs, social infrastructure projects indirectly benefit from the Common Line on maximum 95% support of the export value. According to TXF data, two-thirds of the loans extended into Categories 5 - 7 countries (totalling USD 36 billion in 2023) were provided to Sovereign entities, with most loans related to public sector infrastructure.

However, the Arrangement currently lacks specific provisions for social infrastructure projects. This omission means that social infrastructure cannot benefit from extended repayment terms or more flexible repayment schedules that are available to other sectors under the Arrangement.

OECD ECAs can adjust their national policies to some extent to promote national priorities, as many do for SMEs or green projects, but these adjustments are constrained by the limitations of the Arrangement. As of today, no OECD ECA has adopted special national measures for social infrastructure projects. This makes it challenging to provide enhanced support for social infrastructure projects in EMDEs.

Main challenges faced by Official Export Credits in financing Social Infrastructure

A first key challenge faced by OECD ECAs in financing social infrastructure is the competition in export credits and tied aid from non-OECD ECAs. Non-OECD ECAs, not being regulated by the Arrangement and OECD DAC rules for untied aid, can provide more competitive terms to their exporters, particularly in public sector infrastructure projects.

The second challenge is the growing volume of untied loans offered by the OECD ECAs themselves. According to USEXIM's Competitiveness report 2023, untied ECA activities more than doubled from USD 15.5 billion in 2015 to USD 33.1 billion in 2023.

Official export credits governed by the Arrangement face also challenges from other public entities that offer untied loans, as well as tied and untied aid. This includes official financings from MDBs, BDBs and ODA providers, whose activities are not subject to the same regulatory framework as export credits (e.g. no minimum risk-based premiums, no commercial viability test for concessional finance). These financing options affect not only ECAs, but also the operations of commercial banks and private insurers.

The ability of the OECD ECAs to provide competitive offers is further affected by conditions prevailing in several EMDEs, such as debt sustainability issues, financial and political risks and the limited capacity of their local financial markets.

Recommendations

The main elements of social infrastructure projects or investments that require long-term financing include construction works (physical facilities), capital goods, intangible assets (such as system software or intellectual property), and essential services that may be incorporated especially into turnkey contracts, such as initial maintenance during the first year of operation (e.g. ancillary services). During the life of the project, additional financing may be required for further purchase, upgrading or replacement of capital goods.

The report provides four key recommendations for potential changes to the Arrangement, along with additional suggestions to better support social infrastructure and investments.

The **first recommendation** is to increase the maximum ECA support to 95% of the export value on a permanent basis, without reducing the down payment requirement of 15%. This measure would apply to loans extended to sovereign authorities in countries in risk categories 5 - 7. To avoid confusion, the 15% down payment requirement should be maintained in the Arrangement text, which implies that two-third of the down payment (equivalent to 10% of the export value) can be officially supported, , leading to a total maximum ECA support of 95% of the export value.

The impact on local banks and private insurers would probably be limited as their medium and long-term (MLT) offerings for these categories 5-7 countries usually do not exceed tenors beyond 7 years, and when it exists it is at higher prices. Increasing the ECA support level would enhance the competitiveness of OECD exporters against non-OECD exporters, reduce competition from untied financing and contribute to an improved debt sustainability for borrowers, as export credits are usually longer-term and cheaper than commercial loans. This option has strong support among international banks, exporters, various ECAs and sovereign borrowers. The limitation of this support to public sector projects in categories 5 - 7 reflects a reasonable balance between the various interests at stake.

The **second recommendation** is to increase the maximum eligible local costs up to 100% (up from 50%) of the export value for countries in Categories 5 - 7. Once their minimum requirements on national content are met, ECAs should not treat third-country costs more favourably than local costs, as local costs most directly benefit the country of the buyer.

More flexibility for supporting local costs can, like an increase of maximum ECA support, improve the competitiveness of OECD exporters and official export credits.

The **third recommendation** is to lengthen repayment periods, for long-term infrastructure, subject to the useful life of the assets. This adjustment could apply to all eligible social infrastructure projects in all countries and for both public and private sector obligors, similar to the current CCSU (up to 22 years).

The **fourth recommendation** is the creation of a Social Investment Sector Understanding (SISU), tailored to address the specific financing needs of Social Investments. The SISU would adopt a definition based on the scope of projects of the Loan Market Association (LMA), a widely recognized standard.

The first adjustment in the suggested SISU should be to allow longer repayment periods. In addition, it could include specific provisions for up to 95% ECA support and relaxed local cost requirements, both for sovereign borrowers in Category 5 - 7 countries, when Participants would decide that these changes should not apply to all Arrangement exports, but only to SISU- and CCSU-projects.

Additionally, the report offers several **recommendations** to improve the financing of social investments.

- improved transparency on premium: up-front premiums should also be presented as an interest rate margin to facilitate comparisons with other financing options,
- local currency financing, enhancing cooperation between ECAs and local banks,
- enhanced support for ancillary contracts (pre-feasibility studies, E&S impact studies, assistance to the project owner, and initial maintenance).

The report further suggests improving the visibility of the ECA operations outside the ECA community, Participants engaging with multilateral and bilateral DFIs (and their guardian authorities) on the financial additionality of official finance (covering different forms of development finance and export credits) and enhanced mutual cooperation, integrating ECA operations into existing mobilisation measurement systems, integrating the OECD country risk classification in aid frameworks for tied and untied aid, increasing transparency on untied financing and guarantee programs and enhancing the cooperation with the private insurance community.

Introduction: Background and purpose of the study

The OECD Arrangement for Officially Supported Export Credits (the Arrangement) has provided a framework for the orderly use of officially supported export credits since 1978. It is a Gentlemen's Agreement among its 11 Participants (Australia, Canada, the European Union on behalf of its Member States, Japan, Korea, New Zealand, Norway, Switzerland, Türkiye, the United Kingdom and the United States as of October 2024).

The Arrangement is regularly revised, typically on an annual basis, to update its provisions. The Modernisation of July 2023 was an opportunity to make the Arrangement and export credits more relevant in the context of global competition faced by OECD exporters. The most important changes included:

- Extended repayment periods up to 15 years for regular Arrangement export credits, with simplified rules and more flexible terms of payments
- Reduced premium for long-term export credits extended to borrowers rated BB+ or below.
- Aa expanded scope of projects listed in the CCSU (Climate Change Sector Understanding), allowing for longer repayment periods (up to 22 years) and more flexible terms of payments compared to standard projects.

It was also the opportunity to introduce new rules for officially supported fixed rates (Commercial Interest Reference Rates or CIRR).

In 2023, several stakeholders, among which exporters and banks, expressed disappointment that the Modernisation missed the opportunity to consider more favourable terms for social infrastructure like the treatment given to climate change projects. In a position paper published in November 2023, the BIAC mentioned that "*We therefore would like to start a discussion regarding the possibility to consider, - if possible, in a separate sector understanding - affordable public social infrastructure e.g., health care, as a key priority to ensure the delivery of basic essential services in emerging market economies.*"

This study, commissioned by UKEF, aims to assess whether social infrastructure projects warrant improved treatment under the Arrangement, particularly in EMDEs where infrastructure projects could have the greatest transformative impact.

The study addresses several key questions:

- Could the Arrangement better serve the social infrastructure sector?
- How could the social infrastructure sector be defined in a globally accepted definition?
- Is there a clearly defined market gap for the social infrastructure sector which could be addressed by more flexible Arrangement terms? What should these terms be?
- What is the appetite for a social infrastructure sector understanding and what should this sector understanding look like?
- To what extent are OECD countries at a strategic disadvantage to non-OECD countries in the competitive landscape?

- Why is it in the interest of OECD ECAs and what competitive benefits would supporting permanently lower down payments and social infrastructure projects bring to Arrangement Participants?

A team of consultants consisting of Paul Mudde, Henri d'Ambrières and Arnaud Dornel was commissioned by UKEF to conduct an independent investigation and describe their findings in a report to be shared with Participants and other export credit stakeholders.
To prepare this report, the consultants have gathered information through:

- Desk research
- Twenty-six individual interviews and four focus group discussions with thirty-six other participants
- A questionnaire shared with other nineteen individuals.

All conversations and questionnaires were conducted under the Chatham House rule to ensure open and in-depth discussions.

The consultants collected valuable input from a wide range of stakeholders, including borrowers, exporters, banks, private insurers, Development Finance Institutions and last but not least Export Credit Agencies (ECAs).

The structure of this report is as follows:

Chapter I provides an overview of existing statistical and policy frameworks for social and economic infrastructure used by international organisations and financial markets. Based on these frameworks the chapter suggests a definition for social infrastructure that could be considered by Participants.

In Chapter II, the UN sustainable Development Goals are explained, for social and economic infrastructure and the Paris Climate Agenda form an essential part of these goals. It also describes the financing needs for the UN SDGs, the existing financing gaps by key sectors and WB income categories and the strategic importance of mobilising all public and private sources of capital for development; a topic that is high on the agenda of the G20 and other international organisations.

Mobilisation of capital and effective mobilisation strategies require an adequate and comprehensive mobilisation measurement system. Existing systems and the role of OECD ECAs in these systems are therefore briefly explained in this chapter, including the current reporting practices of Participants under the framework for Total Official Support for Sustainable Development (TOSSD Framework).

Chapter III describes current key Arrangement terms and conditions for regular export credits for social and economic infrastructure. In addition, it describes the existing sector understandings, which include certain terms and conditions that are designed to meet the needs of specific sectors. Also, the practices under Common Line procedures are explained.

Next to these OECD terms and conditions individual OECD ECAs have their own standard underwriting rules and practices, covering among others national/ foreign content requirements, the maximum percentage of cover (relevant for ECA-guarantors/ insurers), CIRR support and national country cover policies. Many ECAs have developed certain policies for some of their operations whereby more favourable conditions are offered than their own national standards. This includes among others specific national ECA programs to support SMEs, the green transition (ECA green policies) and competition with China.

Social and economic infrastructure is not only financed with MLT export credits, but also by tied and untied aid. This chapter covers therefore also current regulations for (1) tied aid, regulated by the Arrangement, (2) untied aid, regulated by the OECD DAC, (3) and debt sustainability, which is governed by IMF and WB Debt sustainability policies. Furthermore, it includes an analysis of the implications for market-based finance, including ECA export credits, of the OECD Recommendation on Sustainable lending.

Chapter IV identifies key gaps, constraints and challenges that OECD exporters, investors, banks and in particular OECD ECAs face in their operations. It describes among others the unregulated export credit competition from non-OECD countries, covering export credits and tied aid, the growth of untied financing provided by ECAs and DFIs, debt sustainability issues of some EMDEs, including IMF/WB debt sustainability policies that affect the capabilities of some EMDEs to borrow on market-based conditions and challenges regarding overlapping operations in development finance and export credits.

Financial risks determine whether MLT financing is available and its conditions, for which reason this chapter looks at MLT country risk cover policies of two ECAs to provide a reasonably representative indication about the countries in which OECD ECAs in practice mainly operate.

Chapter V presents some key areas for potential improvements in the Arrangement that were consulted with stakeholders. Key topics are among others a potential permanent regulation of the current Common Line regarding maximum ECA support up to 95% of the export value, a further relaxation of the current local costs' provisions of the Arrangement and potential longer tenors for certain social infrastructure projects. It describes also the main cons and pros of these suggested improvements.

Chapter VI presents the main conclusions and recommendations for potential changes in the Arrangement. It covers various concrete options for amendments to the Arrangement that can be considered by Participants and describes also some additional strategic recommendations.

Chapter I – Definition of social infrastructure

The concept of social infrastructure lacks a universally agreed-upon definition across international frameworks. Various policy and statistical frameworks are used by different international organisations active in the sector. This chapter explores these frameworks to provide an overview of how social and economic infrastructure are classified and supported in different financial contexts. By examining these frameworks, key lessons can be drawn to determine the scope of a potential Social Infrastructure or Investment Sector Understanding (SISU) within the Arrangement for officially supported export credits.

The analysis below includes the following key statistical and policy frameworks:

- Statistical Framework of the Arrangement.
- Statistical Framework of the Berne Union.
- Definition of "Infrastructure" of OECD Working Party on National Accounts.
- Statistical Framework for Official Development Assistance (ODA).
- Statistical Framework for Private Participation in Infrastructure (PPI Database).
- G20 Quality Infrastructure Principles and Blue Dot Network.
- G20 Global Infrastructure Hub and G20 InfraTracker.
- Policy Framework for social bonds of the International Capital Market Association (ICMA).
- Policy Framework for social loans of the Loan Market Association (LMA).

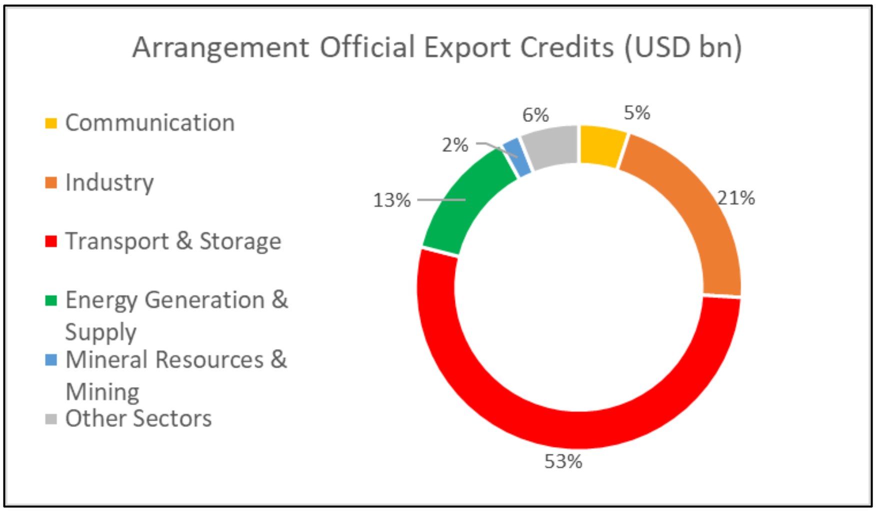
I.A. Statistical Framework of the Arrangement

Participants to the Arrangement report their officially supported export credit operations to the OECD Secretariat in various ways among which by sector.

Data regarding current reporting by sector is published on the website of the OECD and covers broad sectors such as Communication, Industry, Transport and Storage, Energy Generation and Supply, Mineral Resources and Mining, and Other Sectors. Data is furthermore collected for various forms of electric power generation, which covers fossil-fuel fired power generation (e.g., coal-, oil-, diesel-and natural gas-fired) solar, wind, nuclear, hydro and geothermal power.

Regarding social infrastructure or infrastructure at large no specific Arrangement statistics are collected or published. Social infrastructure is likely reported under the category "Other Sectors".

Graph n°1 - Distribution of Official Export Credits by sector - Year 2021



Source: OECD

I.B. Statistical Framework of the Berne Union

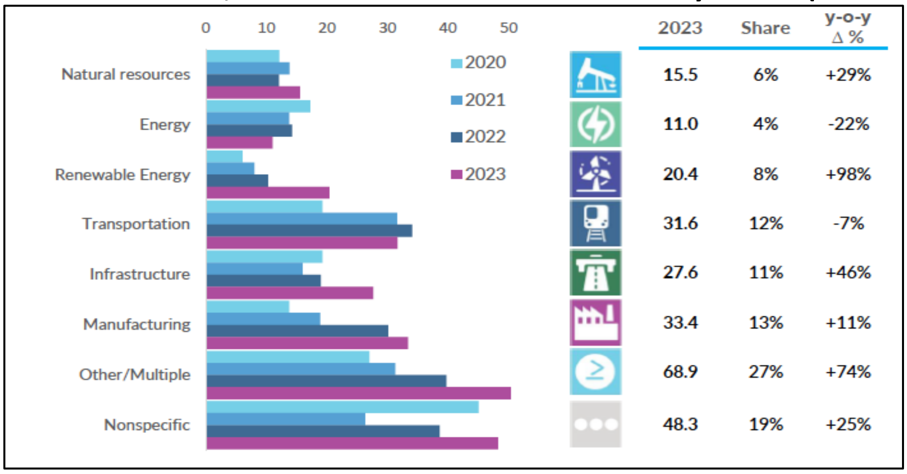
The Berne Union is the international association for the export credit and investment insurance industry. It has currently 84 members, which include all leading official ECA-insurers, some EXIM banks (but not all)[1], private insurers and four Multilateral insurers. The Berne union collects various data about the business of its members, which covers among others ST (Short-Term, up to 1 year) export credit insurance, MLT (Medium-and-Long-Term) export credit insurance, Political Risk Insurance (PRI)[2] and Other Cross Border Business (OCB), which includes untied insurance and guarantee operations.

In these last three business areas, the Berne Union publishes also data by eight sectors, namely Natural resources, Energy, Renewable Energy, Transportation, Infrastructure, Manufacturing, other / multiple sectors and non-specific business. The definitions of these sectors can be found in Annex n°1.

[1] Examples of EXIM banks that are member of the BU are USEXIM (USA) and EDC (Canada). EXIM banks that are not a member are for example JBIC (Japan), Korea Exim Bank and India Exim Bank. The ECA-insurers in these three Asian countries – NEXI (Japan), Ksure (Korea) and ECGC (India) – are all BU members.

[2] Political Risk Insurance mainly covers certain political country risks, such as transfer risk, inconvertibility risk, war and expropriation. Some investment insurance programs cover also breach of contract.

Graph n°2 - Amounts of MLT, PRI and OCB New Commitments by Sector (USD billion)



Source: Berne Union.

The Berne Union collects currently data about various infrastructure sectors but does not recognise social infrastructure as a specific sector.

I.C. Infrastructure definition of OECD Working Party on National Accounts

The OECD Horizontal project on strategic policies for sustainable infrastructure has the goals of:

- ensuring that infrastructure meets its economic, environmental, social, and development objectives; and
- addressing emerging challenges and issues in the field of planning, investing in, and financing of infrastructure investments.

The project contains a strong measurement agenda, not only by way of collecting detailed metadata on large individual infrastructure projects, but also by monitoring relevant investments and capital stocks at the macro and meso level. For this purpose, a common understanding and definition of what infrastructure entails needed to be developed.

In September 2021, the OECD published a document[3], which included a proposal for a common definition whereby a distinction is made between economic and social infrastructure. This proposed definition has not (yet?) been formally approved or adopted by all OECD member states. It is work in progress.

[3] The report can be found via the following link: https://one.oecd.org/document/SDD/CSSP/WPNA(2021)1/REV1/en/pdf

Box n°1 - Draft definition of "infrastructure" - OECD Working Group on National Accounts

Infrastructure is the set of fundamental facilities and systems that support the provision of goods and services essential to enable, sustain, or enhance societal living conditions and maintain the surrounding environment. *The set of fundamental facilities and systems are composed of public and private physical structures as well as intellectual property products supporting the effective operation of these structures.* *The following functions are considered to be provided by <u>economic infrastructure</u>: transport; utilities (provision of energy, water, and sanitation and waste management); flood protection and water management; and IT and communications.* *<u>Social infrastructure</u> relates to the provision of the following functions: education; health; public order and safety; culture; and recreation.*

Source: OECD working group on National Accounts

The working group explains further the various subsectors of social and economic infrastructure, which can be found in Annex n°2.

Social infrastructure includes:

1. **Education related infrastructure:** schools, colleges, universities, student residences, libraries and other education related facilities.
2. **Health related infrastructure:** hospitals, clinics, nursing homes, homes for the aged, other education related facilities.
3. **Public order and safety related infrastructure:** police stations, fire stations, courts, prisons, other public safety related facilities.
4. **Culture related infrastructure**, which include museums, historical sites, religious centres and memorial sites.
5. **Recreation related infrastructure:** indoor and outdoor recreational facilities, Sports facilities with spectator capacity.
6. **Public Parks:** Natural reserves, including land acquisitions and investments to make the natural reserves accessible.

I.D. Statistical framework for Official Development Assistance (ODA)

In October 1970 the United Nations (UN) General Assembly adopted a Resolution including the goal that "*each economically advanced country will progressively increase its Official Development Assistance (ODA) and will exert its best efforts to reach a minimum net amount of 0.7% of its Gross National Product (GDP) by the middle of the Decade.*"

This political commitment is the basis for the statistical framework for ODA. It was developed by the DAC Working Party on Development Finance Statistics (WP-STAT) and include measurement methodologies and taxonomies to track ODA as well as broader development finance (e.g., Other Official Flows (OOF), including officially supported export credits). In addition to measuring flows, the DAC establishes policy standards to promote the quality of ODA funding and effectiveness in its use.

The DAC sector classification covers the following broad categories:

1. **Social infrastructure and services** covering the sectors of education, health, population, water, government and civil society.

2. **Economic infrastructure and services** covering transport, communications, energy, banking and finance, business services.
3. **Production** covering agriculture, forestry, fishing, industry, mining, construction, trade, tourism.
4. **Multisector/cross-cutting** covering general environmental protection, other multisector including urban and rural development; and
5. **Non-sector allocable** for contributions not susceptible to allocation by sector such as general budget support, actions relating to debt, humanitarian aid and internal transactions in the donor country, such as capital increases of a government owned Bilateral Development Bank.

This statistical framework of the OECD DAC is also the basis of the TOSSD reporting framework, which covers Total Official Support for Sustainable Development and includes not only ODA and other forms of development finance, but also officially supported export credits and investments. This TOSSD framework is further explained in Chapter II.

Noteworthy is that in the ODA reporting framework the water sector is included in social infrastructure, whereas in the suggested definition of the OECD Working Group on National Accounts it is categorised as “economic infrastructure".

I.E. Statistical Framework for Private Participation in Infrastructure

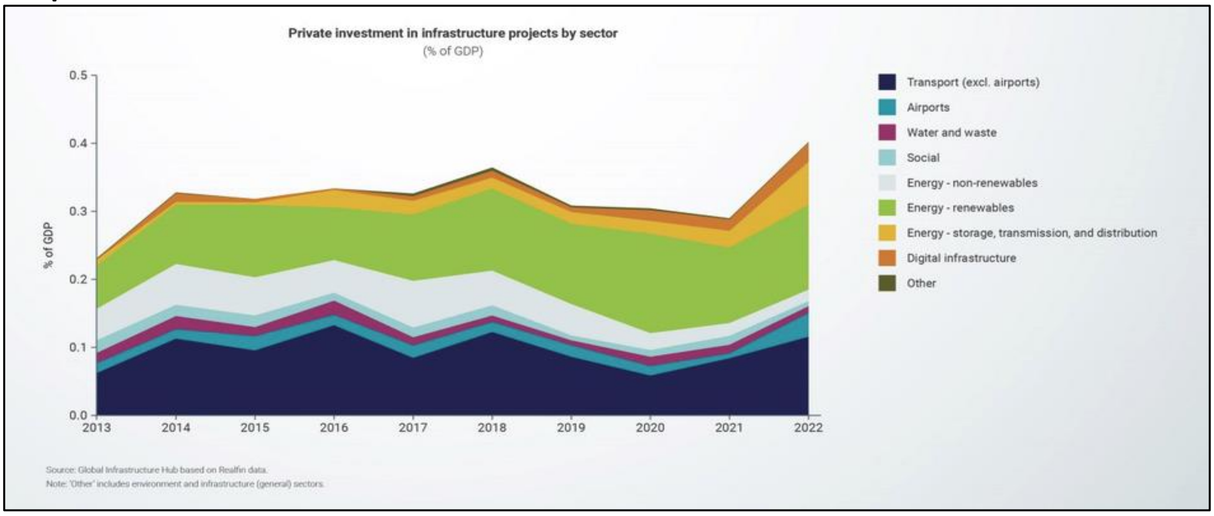
The Private Participation in Infrastructure Projects Database (PPI) is a product of the World Bank’s Public Private Partnership Group. Its purpose is to identify and disseminate information on private participation in infrastructure projects in low- and middle-income countries. The database highlights the contractual arrangements used to attract private investment, the sources and destination of investment flows, and information on the main investors. The PPI database covers various types of PPP projects and provides information on official multilateral and bilateral financial support. Bilateral support concerns official finance from ODA Aid Agencies, official ECAs and BDBs.

The PPP projects in the database are typically projects that generate cashflow and profitable returns, which makes them attractive for private investments. The data collection is based on the methodology of the Global ESG Benchmark for Real Assets (GRESB)[4], which recognises various sectors, including social infrastructure.

Social Infrastructure includes education, health- and recreational infrastructure. Water and waste management, transportation, digital infrastructure (which includes telecommunication), renewable energy and utilities networks (which covers among others energy storage, transmission and distribution) are all recorded in separate subsectors, which together constitute economic infrastructure.

[4] The GRESB Real Estate Standard and Reference Guide can be found via the following link: https://documents.gresb.com/generated_files/real_estate/2024/real_estate/reference_guide/complete.html

Graph n°3 - Private Investment in Infrastructure



Source: PPI annual report 2023.

I.F. G20 Quality Infrastructure Principles and Blue Dot Network

In 2019 during the G20 Presidency of Japan, the G20 countries endorsed the so-called Quality Infrastructure Principles. These principles do unfortunately not provide a definition of infrastructure or social infrastructure, but they have become an important standard for the operations of the development finance community.

Box n°2 - The six key principles of the G20 Quality Infrastructure Initiative

1. **Inclusiveness:** *Infrastructure should be accessible to all segments of society, promoting equity and social development.*
2. **Sustainability:** *Projects must consider environmental impacts and aim for sustainable development, including climate resilience.*
3. **Economic Efficiency***: Infrastructure should be economically viable, contributing to growth and job creation.*
4. **Resilience***: Infrastructure systems should be designed to withstand shocks and stresses, ensuring longevity and reliability.*
5. **Transparency and Accountability:** *Decision-making processes should be transparent, and there should be mechanisms for accountability and stakeholder engagement.*
6. **Innovation and Technology:** *The adoption of innovative technologies and practices is encouraged to improve the quality and efficiency of infrastructure*.

Source: Ministry of Foreign Affairs of Japan

The Blue Dot Network (BDN) is a multilateral organisation composed of states that are committed to promoting quality infrastructure investment in a manner that respects robust standards.

Infrastructure projects can be certified by the BDN, which indicates that a project is aligned with a number of commonly applied international quality standards covering environmental, social, economic and governance dimensions, and that it has identified and addressed key risks in these areas. BDN is basically a follow up framework to operationalise the G20 Principles for Quality Infrastructure Investments.

Projects from across all major infrastructure sectors including energy, transport, water and sanitation, and ICT/communications can apply for a BDN certification. Projects can be at any stage of the life cycle, including from planning and preparation to construction and operations.

Projects can be proposed by project developers, contractors, operators, investors, government agencies/DFIs or contracting authorities.

The BDN initiative has been established as an independent entity and has its secretariat in a separate office in the headquarters of the OECD. The BDN is financially supported by various OECD countries, including Australia, Canada, the Czech Republic, Japan, Spain, Switzerland, Türkiye, the United Kingdom and the United States. Peru is also a supporting country.
The BDN does not yet have a public statistical framework to monitor its infrastructure certifications by sector. It also does not make a distinction between social - and economic infrastructure, but this may happen in the future.

I.G. G20 Global Infrastructure Hub and G20 InfraTracker

The Global Infrastructure Hub (GI Hub) is the global knowledge platform of the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF)[5]. The GI Hub was initially created in 2014 by the G20 member countries to advance its infrastructure agenda. In April 2024, the GI Hub joined the World Bank as an associated Global Knowledge Trust Fund of the PPIAF.

As part of its work on infrastructure and the transition of G20 economies, the G20 InfraTracker was developed. It was designed to measure social and economic infrastructure investments of the public sector for each of the 25 G20 member and guest economies, which has been validated through a process approved by G20 countries.
The InfraTracker measures investments in both economic and social infrastructure sectors, but does not define economic infrastructure specifically. Social Infrastructure includes (1) Healthcare and wellness infrastructure (with subsectors like sports, recreation and justice), (2) Education, (3) Housing (with subsectors like Urban landscape & public spaces, Other public buildings and structures) (4) Tourism, arts and culture[6].

I.H. ICMA Policy framework for social bonds

ICMA plays a leading role in supporting the development of sustainable finance in the bond and wider debt capital markets. It has developed core principles and guidelines for four types of sustainable bonds, which are:

- **Sustainability-Linked Bonds (SLBs)** are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives. In that sense, issuers are thereby committing explicitly (including in the bond documentation) to future improvements

[5] More information on PPIAF can be found via the following link: https://www.ppiaf.org/
[6] 6 More details about the G20 InfraTracker system can be found via the following link: https://infratracker.gihub.org/

in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance-based instrument and are not sector specific. This framework does therefore not have any specific definitions for social and / or economic infrastructure.

- Green Bonds, which are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (GBP). The list of green eligible projects covers five high-level environmental objectives: Climate Change Mitigation, Climate Change Adaptation, Natural Resource Conservation, Biodiversity Conservation, and Pollution Prevention and Control.
- Social Bonds, which are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (SBP), which are further explained below.
- Sustainability Bonds, which are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the GBP and SBP.

The ICMA Social Bond Principles emphasize social outcomes, more so than sector classification. The core components for social bonds include:

- **Use of Proceeds**: Projects must support essential services such as healthcare, education, water and sanitation, affordable housing, food security, and employment generation.
- **Target Populations**: Focus on vulnerable groups, such as low-income individuals, marginalized communities, and those affected by natural disasters.
- **Project Selection and Evaluation**: Borrowers must outline social objectives, target populations, and strategies for managing social and environmental risks.
- **Management of Proceeds and Reporting**: Projects must manage funds transparently and report annually on the use of proceeds and social outcomes. These are subject to independent audits and verifications.

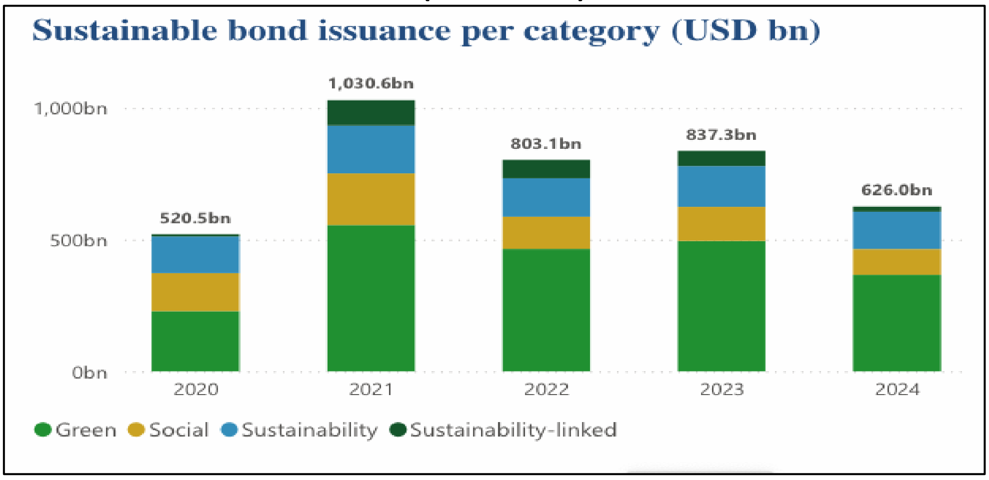
Social Project categories of the ICMA Social Bond framework include certain infrastructure sectors, which includes:

- **Affordable basic infrastructure** (e.g., clean drinking water, sewers, sanitation, transport, energy).
- **Access to essential services** (e.g., health, education and vocational training, healthcare, financing and financial services)
- **Affordable housing**
- **Food security and sustainable food systems** (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)

In addition to supporting social infrastructure, proceeds of social bonds can also be used to serve underserved market segments, (e.g., SME-financing and microfinance) or support other important social objectives. These proceeds of social bonds can therefore be used to finance hospitals (social infrastructure) and capital goods that are used to improve social services (e.g. ambulances or fire-trucks).
In 2023, the global bond market was estimated to have a total volume of around USD 128 trillion[7]. In terms of bond issuances specifically, the market saw significant activity, including a variety of bond types such as:

1. **Government Bonds**: A substantial portion of the market, typically making up around 40-50% of total issuances.
2. **Corporate Bonds**: Also, a major segment, often representing about 30-40% of the total.
3. **Green, Social, and Sustainability Bonds**: Collectively, these specialized bonds, reached in 2023 an issuance volume of approximately USD 840 billion.

Graph n°4 - Sustainable Bonds issuance (USD billion)



Source: ICMA.

The ICMA social bond framework differs on various points from the statistical frameworks of for example the OECD. It does, for example, not have a specific focus on infrastructure investments but on social investments at large. These investments can support both social and economic infrastructure, for the ICMA framework does not make a distinction between the two. It looks mainly at the (social) use of funds and support for certain (underserved) target populations.

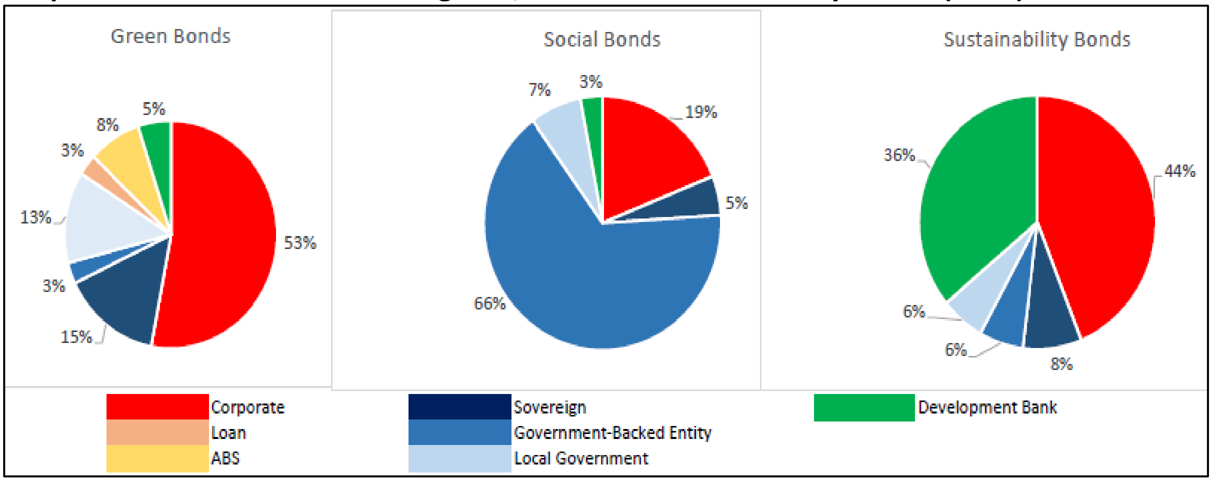
In the ICMA frameworks, borrowers are responsible for implementing and monitoring projects. Lenders (or their agents) have to ensure that projects meet the ICMA social financing criteria. This includes verifying compliance with use of proceeds, and monitoring reporting obligations.

The ICMA framework has been adopted widely although, their specific impact and effectiveness vary by region and market. While it has been successful in private capital markets, challenges such as the cost of compliance, rigorous reporting standards, and

[7] Source: Bank for International Settlements (BIS) and ICMA.

difficulty in defining social outcomes have surfaced. Nonetheless, social bonds have helped direct funds to projects that align with the UN SDGs and other social objectives. Key issuers of the green –, social – and sustainability bonds vary by type of bond and include private corporations, public sector entities and Development Banks, in particular certain large MDBs among which the IBRD and the EIB.

Graph n°5 - Issuer breakdown of green, social and sustainability bonds (2021)



Source: Climate Bonds Initiative

Interesting is also that some MDBs have developed a comprehensive Sustainable Debt Finance framework (SDF-framework). For example, IDB Invest[8] has designed such a framework as an overarching tool ruling the issuance of green, social, and sustainability debt instruments in different formats (e.g., bearer or registered notes), tenors (e.g., medium-term bonds, long-term bonds, and commercial papers) and offering types (e.g., private placements or public offerings). The IDB Invest SDF-framework is fully aligned with the ICMA Principles for Green Bonds, Social Bonds and Sustainability Bonds.

The main pros of the social financing framework promoted by the ICMA include:

- **Flexibility**: This approach could allow lenders to finance projects with demonstrated social benefits, regardless of whether they fall under traditional social infrastructure sectors like healthcare or education. Economic infrastructure projects with clear social impact, such as transportation systems that enhance access for underserved communities, could also qualify.
- **Prioritizing Social Outcomes**: This model ensures that projects delivering tangible social benefits are prioritized for financing, aligning with broader sustainable development goals and maximizing the social return on investment.

The main cons of the ICMA social financing framework are:

- **Increased Complexity**: Lenders face added administrative complexity, needing to assess and track social outcomes, monitor project impact, and manage reporting obligations. These additional responsibilities require resources and process

[8] The IDB Sustainable Debt Finance Framework can be found via the following link: https://idbinvest.org/sites/default/files/2022-11/Sustainable Debt Framework _low.pdf

adjustment, although a good part of the work is outsourced to specialized external service providers.
- **Variable Borrower Practices**: Borrowers would be responsible for managing social outcomes, and practices may vary, creating challenges for lenders to ensure consistency.

I.I. LMA Policy framework for social loans

The LMA has developed three sustainable loan concepts, namely for (1) Green Loans, (2) Social Loans and (3) Sustainability-Linked Loans, which are more or less similar to the ICMA framework. Unlike ICMA, the LMA does not have a 4th category of loans that covers both green - and social objectives (see above ICMA Sustainability bonds).

Box n°3 - LMA definitions for sustainable loan products

Green loans are any type of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available exclusively to finance, re-finance or guarantee, in whole or in part, new and/or existing eligible Green Projects and which are aligned to the four core components of the GLP (Green Loan Principles).

Social loans are any type of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available exclusively to finance, re-finance or guarantee, in whole or in part, new and/or existing eligible Social Projects, and which are aligned to the four core components of the SLP. (Social Loan Principles)

Sustainability Linked Loans are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) for which the economic characteristics can vary depending on whether the borrower achieves ambitious, material and quantifiable predetermined sustainability performance objectives.

Source: LMA

The LMA sustainable finance Principles are in essence the same as those of ICMA. The LMA framework does include under its list of eligible social projects also the following subsectors:
- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy, basic telecommunications).
- Access to essential services (e.g. education and vocational training, public health/healthcare, public health emergency response, energy (including electricity), financing and financial services, other governmental offices servicing select populations (and/or in low /low-middle income countries)).
- Affordable housing.
- Food security and sustainable food systems.

Like the ICMA Framework, the LMA Framework focuses on the social use of funds and underserved target populations. A more detailed comparison of Social, Green, and Sustainability Financing under ICMA and LMA Principles and Guidelines can be found in Annex n°3.

It is interesting to note that the LMA sustainable finance principles are also the basis for an initiative of the International Chamber of Commerce (ICC) to develop principles for sustainable trade finance. This initiative was launched in 2021 together with the Boston Consulting Group (BCG) and key stakeholders in international trade finance. The ICC principles cover both ST (e.g. letter of credits, factoring) and MLT trade finance (including ECA-backed export finance). The ICC has thus far developed principles for:

- Green Trade Finance
- Sustainability-linked Trade Finance
- Sustainability-linked Supply Chain Finance

The IIC intends to complement its sustainable trade finance framework with social trade finance in 2025. In this area, the ICC will likely use the LMA principles for social loans as a basis[9].

The LMA principles for sustainable finance are today also the basis for the annual TXF reports on "Sustainability in Export Finance". These reports are based on data provided by participating commercial banks, ECAs and other official finance agencies (e.g. MIGA, some DFIs) and provide interesting information on green and social export finance transactions.

I.J. Typical characteristics of social projects

Social infrastructure projects in sectors like health, education, water, social housing, non-toll roads (e.g. rural roads) and electricity distribution are in most EMDEs primarily financed by the public sector. Private sector involvement in these sectors is in general limited and in many EMDEs (e.g. Low-Income Countries or LICs, Least Developed Countries or LDCs, and many Lower-Middle Income Countries or LMICs) not or hardly existent.

Most of these public sector projects are typically financed with MLT loans to the sovereign or certain sub-sovereign entities (e.g. municipalities or SOEs), whereby the sovereign acts as guarantor. Public sector infrastructure projects without a sovereign guarantee are in general only possible when the sub-sovereign has an acceptable credit rating, good reputation and solid track record on financial sustainability. Stand-alone sub-sovereign projects are therefore in practice mainly visible in UMICs (Upper-Middle Income Countries) and some LMICs.

Key features of many of the public sector infrastructure projects are among others:

1. **Essential social Services**: The projects provide basic needs critical for public welfare and development, such as health, water and education. They support many different UN SDGs.
2. **High capital investment costs:** Investments in social infrastructure requires usually high capital investments, which require MLT financing.
3. **Long-Term Impact**: The projects have in general a long lifespan and create societal benefits over decades.
4. **Government Involvement**: Many social infrastructure projects, such as public sector roads do not generate direct cashflow, which explains that they are funded from public sector budgets. Some social infrastructure projects are supported by public

[9] The latest ICC report on sustainable trade finance was published on 24 October 2024. The report can be found via the following link: https://iccwbo.org/wp-content/uploads/sites/3/2024/10/2024-ICC-Principles-for-Sustainable-Trade-Finance.pdf

subsidies or tax incentives, which make them less attractive for private sector investments. For these government benefits can - during the life of the project or financing - be substantially reduced or disappear.

5. **Regulated Pricing**: Tariffs or fees for health-, water -, education services and electricity distribution are often controlled, limiting profitability. Due to regulated pricing or low income of end-users the financial returns of social projects are low or uncertain.
6. **Commercial viability is limited and local currency devaluation risks:** many social infrastructure projects do not generate sufficient cash flow to repay MLT loans within the maturity period of the loan, which makes these projects financially non-viable. In most social infrastructure projects that generate some income, the income is in local currency, which makes them vulnerable to currency devaluation risks. To compensate for the currency devaluation or inflation, prices of social services need to be increased, but this can affect society at large and is often politically sensitive for they support basic needs.

As mentioned, social infrastructure projects require considerable upfront capital and involve long-term financial commitments. OECD ECAs play a pivotal role in overcoming these financing challenges by providing loans (EXIM banks), refinancing support, extending credit guarantees or political and commercial risk insurance, at favourable MLT financing conditions. This can turn financially unviable projects into bankable ones, supporting investments that deliver broad social benefits.

ECA involvement in social infrastructure financing generates **mutually beneficial outcomes**: it improves social conditions and economic development in recipient countries, while promoting economic growth, job creation, and market expansion in exporting countries. ECAs build long-term trade relationships, enhance political stability, and create opportunities for exporting goods, services, and expertise.

I.K. Key conclusion: Social Investments instead of Social Infrastructure

Despite variations in definitions, there is widespread agreement that social infrastructure or social investments generate significant societal benefits and warrants special attention in investment policies and financing. This need is particularly pronounced in EMDEs, especially those in the lowest categories (5-7) of the OECD country risk framework, where social infrastructure and investments are often underfunded and essential for improving living standards and ensuring security, sustainability, health, and well-being.

For a potential sector understanding, it is suggested to consider a Social Investment Sector Understanding (SISU), based on the widely recognized LMA/ ICMA frameworks for social loans / bonds. These sectors include:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, energy transport, basic telecommunications).
- Access to essential services (e.g. education and vocational training, public health/healthcare, public health emergency response energy (including electricity),

financing and financial services, other governmental offices servicing select populations (and/or in low /low-middle income countries).

- Affordable housing.
- Food security and sustainable food systems

Like the LMA/ICMA frameworks, this social investment approach broadly defines social infrastructure and includes certain sectors with social impact, that other statistical frameworks may classify as economic infrastructure. Potential improved terms and conditions would therefore not only apply to "classical" social infrastructure as defined by the OECD Working Group on National Accounts (e.g. health, education, water, public safety, culture and recreation), but also to other "basic affordable infrastructure" and "essential social services", which includes certain subsectors of economic infrastructure like transportation, storage and telecommunication.

To avoid confusion and a potential overlap with the current CCSU, which covers many types of climate-friendly energy projects, it is suggested to exclude at this stage energy projects from the SISU. Nuclear projects would also be excluded for these are governed by the NSU and this would also be the case for "conventional power plants" that are regulated in article 12 of the Arrangement. Additional subsectors that could be considered for inclusion in the SISU are transportation, storage and telecommunication. Climate friendly railway projects would remain under the CCSU. By having a CCSU and a SISU, Participants would basically mirror the green and social finance frameworks of the LMA and ICMA.

Assets eligible for financing under the SISU would include construction works (physical facilities), capital goods, intangible assets (such as system software) and services that may be included in project cost (such as initial maintenance during the first year of operation).

The scope and content of a SISU depend also on the potential changes that are needed for social investments and how this can be regulated in the Arrangement. This will be further explored in the following chapters. A concrete proposal for a potential SISU will follow in Chapter VI.

Chapter II - Social and economic infrastructure and UN SDGs

II.A. The UN SDGs

Social and economic infrastructure, climate change mitigation and adaptation are all part of the United Nations Sustainable Development Goals (UN SDGs). It is therefore important to have a closer look at this agenda and the role of OECD ECAs in this global framework.
In September 2015, all UN member states adopted the 17 UN SDGs, which include 169 concrete targets. These new universal goals are more comprehensive than the Millenium Development Goals and apply to all countries—developed and developing—focusing on a range of global challenges including poverty, inequality, health, education, climate change, environmental degradation, peace, and justice.

Box n°4 - The 17 UN Sustainable Development Goals (1).

Source: UN.

In 2015, UNCTAD made a first assessment of the financing needs and gaps to achieve the UN SDGs by 2030. At that time, it was estimated that EMDEs alone faced an annual financing gap of USD 2.5 trillion. Since then, estimates for the financing gap have been refined and in 2024 in the *Financing for Sustainable Development Report*: *Financing for Development at a Crossroads*[10] it is estimated to range between USD 4 and 4.3 trillion. The substantial increase of the SDG financing gap during the past 9 years is the result of shortfalls in the years since 2015, combined with increased sustainable development needs caused by multiple global challenges, among which climate change, the COVID-19 pandemic, rising interest rates and borrowing costs and increases in food – and energy prices.

[10] The Financing for Sustainable Development Report 2024 can be found via the following link: https://desapublications.un.org/publications/financing-sustainable-development-report-2024

While the SDGs apply globally, the need for robust social infrastructure is especially pressing in LICs and LMICs of which the most are rated in the lowest OECD Country Risk categories (5-7), where infrastructure investment and related social services are often inadequate.

SDGs supported by social infrastructure investments include:

- **SDG 2: Zero Hunger** – Infrastructure related to food security, such as food storage and distribution, is essential to ensure sustainable food systems and reduce hunger, particularly among vulnerable populations.
- **SDG 3: Good Health and Well-Being** – Health infrastructure (e.g., hospitals, clinics) is crucial for universal health coverage and improving health outcomes.
- **SDG 4: Quality Education** – Schools and training facilities are critical for ensuring inclusive, quality education and lifelong learning opportunities.
- **SDG 6: Clean Water and Sanitation** – Water and sanitation systems promote public health by reducing disease and improving hygiene.
- **SDG 11: Sustainable Cities and Communities** – Affordable housing and public transport systems contribute to the development of inclusive, safe, and resilient urban areas.
- **SDG 16: Peace, Justice, and Strong Institutions** – Infrastructure supporting governance, justice systems, and law enforcement (e.g., courts, police stations, administrative institutions) is essential for maintaining public safety and promoting inclusive institutions.

Given the critical role of social investments in achieving these SDGs, particularly in EMDEs, the existing financing gap for these projects warrants special attention, not only by the international development finance community, but also by OECD ECAs. ECAs can be instrumental in enabling these investments by ensuring that essential projects receive the necessary funding to support sustainable development and improve quality of life.

II.B. UN SDG financing gaps by key sectors

UNCTAD's most recent estimate of the financing gap for the UN SDGs covers key SDG sectors such as energy, water and sanitation, infrastructure (which includes transport and telecom), food and agriculture, biodiversity, health and education.

With USD 2.2 trillion the energy sector makes up more than half of the total annual financing gap. This energy gap refers to investments in clean energy, including renewables, energy efficiency and all other transition-related technologies, covering not only SDG 7 (affordable and clean energy), but also (part of) SDG 13 (climate action). Climate action refers to climate mitigation aimed at reducing greenhouse gas emissions and climate adaptation, which focuses on managing the negative impact of climate change and covers among others measures to avoid and mitigate climate disaster risks (e.g. flooding).

Table n°1 - UN SDGs and key sectors for investment

Sectors	Main SDGs	Investment areas
Energy	SDG 7 : Affordable and Cimate Energy SDG 13: Climate Action	• Renewables • Energy efficiency • Electrification • Hydrogen • Carbon capture and storage (CCS) • Bionergy • Nuclear energy • Non-clean enregy : natural gas, oil,coal
Water and Sanitation	SDG 6: Clean Water and Sanitation SDG 13: Climate Action	•Water sources e.g., new water treatment plants, desalinasition plants •Sanitation facilities •Wastewater management
Transportation	SDG 9: Industry, Innovation and Infrastructure	•Increase rural access to all-seasons raods, paving tertiary roads •Urban public transport (tramway, light rail systems, bus rapid transit) •Low-emission vehicles: shift to rail and bus rapide transit
Telecommunications	SDG 9: Industry, Innovation and Infrastructure	•Equipment(deployment), site build, installation •Site rental,backhaul, operations and maintenance, power
Food and Agriculture	SDG 1: No Poverty SDG 2 : Zero Hunger SDG 13: Climate Action	•Investment in agriculture and agri-food systems •Food processing •Agricultural research •Rural infrsatructure
Biodiversity	SDG 14: Life Below Water SDG 15: Life on Land SDG 13: Climate Action	•Investment in conservation •Investment in sustainable fishing practices •Ocean pollution control •Marine resource management •Sustainable forestry
Health	SDG 3: Good Health and Well-being	•Investment in infrastructure, e.g., new hospitals •R&D on vaccines and medicines •Health education
Education	SDG 4:Quality Education	•Infrastructural investment, e.g., new schools •Investment in education infrastructure •Teacher training •Educational technology

Source: UNTCAD

With an annual investment need of USD 500 billion, water and sanitation (SDG 6) is the second largest sector of the overall SDG financing gap. Energy, water and sanitation combined represent almost 70% of the total investment gap over the remaining years to 2030.

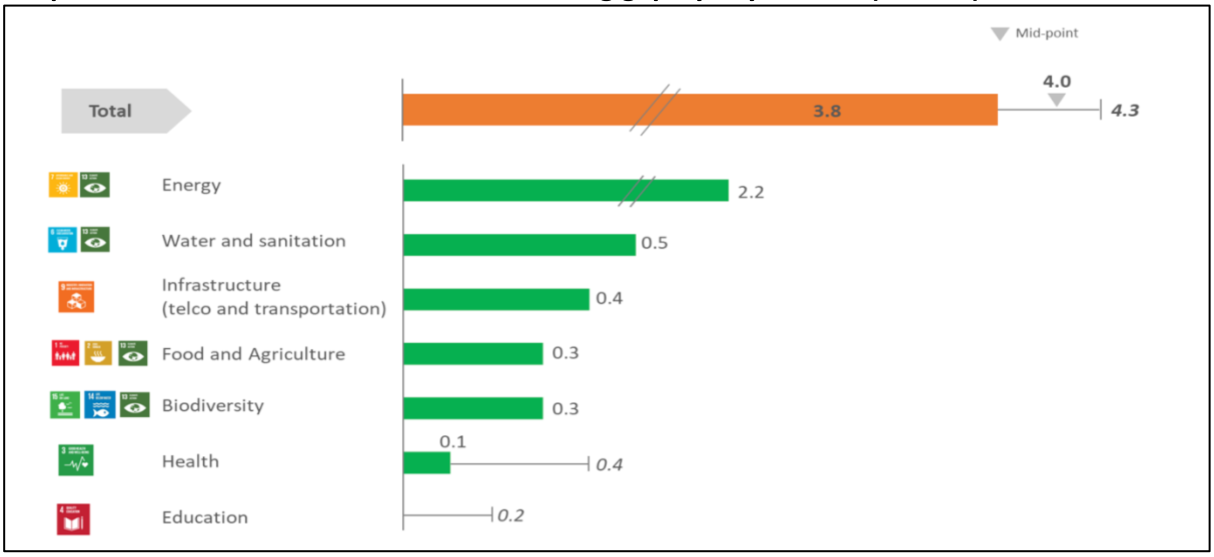
Investments in economic infrastructure – other than energy – mainly addresses SDG 9 "Industry, Innovation and infrastructure" including targets to develop sustainable, resilient and inclusive infrastructure and to secure universal access to information and communication technology. The largest share of the financing need is transport and telecommunication infrastructure, for which the combined financing gap is estimated at an annual amount of USD 400 billion, which can be approximately equally split between transport and telecommunication.

The SDGs 1 and 2, which cover eliminating poverty and hunger, will require an additional annual investment of USD 300 billion in food and agriculture. Investments in this sector are also highly instrumental to support SDG 13 on climate action. It concerns mainly capital investment in food and agri-food systems, food processing, agricultural research and rural infrastructure.

The annual financing gap concerning biodiversity is like food and agriculture estimated at approximately USD 300 billion. It covers mainly SDG 14 (life below water) and SDG 15 (life on land), but also SDG 13 on climate action. Biodiversity encompasses a wide range of investment needs in areas such as environmental sustainability, including nature conservation, sustainable fishing practices, ocean pollution control and sustainable forestry.

In the health and education sectors, most of the financing needs are linked to capital expenditures for education - and healthcare facilities (e.g. new schools, hospitals) and equipment (e.g. medical equipment) and are estimated between USD 100 – 600 billion. The largest financing gap relates to the health sector, estimated between USD 100 and 400 billion annually.

Graph n°6 - Overview of the UN SDG financing gap by key sectors (USD tn)



Source: UNCTAD

II.C. UN SDG financing gaps by World Bank Income category

According to various reports of the UN, World Bank and OECD, the financing needs for achieving the UN SDGs vary significantly by income level—High-Income Countries (HICs)**,** UMICs, LMICs**,** and LICs**.** Each income group faces unique financing gaps based on various factors like development stage, debt sustainability, infrastructure needs and social services. Table n°2 provides an indicative estimate of the financing needs and gaps for the UN SDGs by World Bank Income category, covering LICs, LMICs and UMICs.

Table n°2 - Estimates of UN SDG financing needs and gaps by WB income category

WB Income category	Annual SDG financing needs	Annual SDG financing gap	Key sectors
LICs (26 countries)	Approximately USD 1 trillion	Between USD 500 billion to USD 1 trillion	healthcare, education, infrastructure, energy, and clean water
LMICs (53 countries)	USD 1.5 trillion to USD 2.5 trillion	Between USD 1 trillion to USD 1.5 trillion	infrastructure, energy, agriculture and social services
UMICs (62 countries)	USD 2.5 trillion to USD 3.5 trillion	Between USD 1.5 trillion to USD 2 trillion	infrastructure, healthcare, education, climate change mitigation.

Source: various UNCTAD, World Bank and IMF reports.

Low-Income Countries (LICs) face the largest financing gap relative to their GDP due to limited domestic resources, constrained fiscal space, and no or very limited access to MLT finance from international financial markets (e.g. commercial banks and institutional investors). Many of these countries heavily depend on concessional loans or grants. This is in particular relevant for 19 LICs that have a so-called zero Non-Concessional Borrowing (NCB) limit or a non-zero NCB limit of the IMF or World Bank.

LMICs have in general reasonably good access to international financial markets, but there are various LMICs that – like most LICs – face certain NCB restrictions of the IMF or World Bank. This concerns out of the 53 LMICs in total 25 countries.

UMICs have in general good to very good access to international financial markets, but there are among the 62 UMICs five countries that face certain NCB restrictions of the IMF and World Bank.

These debt sustainability issues, and other country specific risks are taken into account in the OECD country risk classification system to determine the minimum premiums for OECD ECAs. They also feed the country cover policies of individual OECD ECAs, which are determined at the national level and not by the Arrangement. This will be further explained in Chapter III.

II.D. UN SDGs and the mobilisation of capital

Given the enormous financing needs for the UN SDGs, it is broadly recognized that financial resources available within government budgets of EMDEs, combined with financial support available from the international development finance community, consisting of Multilateral Development Banks (MDBs), Bilateral Development Banks (BDBs) and ODA Aid Agencies, are not sufficient to bridge the financing gap for the UN SDGs. For this reason, mobilization of capital – both public and private, international and domestic, bilateral and multilateral –, is high on the agenda of the international community. The importance of mobilization and the use of all public and private sources available to achieve the UN SDGs is frequently explicitly declared or committed by both OECD and non-OECD governments in international organisations or fora such as the UN, IMF, World Bank, OECD, G7 and G20. For example, the declaration of G20 political leaders in New Delhi in 2023 reaffirms the commitment of G20 countries to mobilise financing from all sources to support EMDEs and the UN SDGs.

> *……We reaffirm our commitment towards the mobilisation of affordable, adequate and accessible financing from all sources to support developing countries in their domestic efforts to address bottlenecks for implementation of the 2030 Agenda and the Addis Ababa Action Agenda……*

Similar commitments of OECD and non-OECD countries can be found in various other G20 and G7 statements (see Annex n°5).

Although official ECAs are important public sources of capital and key players in supporting international trade and investments globally, their potential roles to contribute to the UN

SDGs is not or hardly discussed in the UN, G20 or G7 meetings or other international fora. Discussions about public sources of capital for development focus only on development finance offered by MDBs, BDBs and ODA Aid Agencies. Apparently, the (potential) roles of ECAs are not adequately visible and therefore not recognized and discussed in the context of mobilizing public capital.

From interviews with various ECA-representatives that participate in meetings on the Arrangement, it was in general confirmed that the UN SDGs and how ECAs could contribute to their achievement in 2030 have thus far never been extensively discussed by the Participants. This is completely different for the international climate agenda, which among others led to the successful development of improved Arrangement terms and conditions for climate mitigation and adaptation projects and water projects, which were developed between 2012 – 2014 and integrated in 2023 in one specific OECD Climate Change Sector Understanding (CCSU).

The importance of mobilization explains also why the international development finance community of MDBs, BDBs and ODA Aid agencies and the guardian authorities behind these institutions (mainly ministries of development cooperation and /or foreign affairs) started around 2014 to look at "innovative forms" of development finance beyond traditional (semi) concessional loans and grants. This led in OECD DAC among others to the development of so-called ODA Private Sector Instruments (ODA PSIs), which include financial instruments such as guarantees, equity and syndicated loans[11].

Also, within the MDB community, the development of guarantees as an alternative to lending got more attention[12], which was among others in 2018 strongly recommended to G20 countries, which are key shareholders of the leading MDBs, by the so-called Eminent Persons Group (EPG) in their G20 report "Making the Global Financial System Work For All". The most important recommendation for MDBs in this report is to *"Shift the basic business model of the MDBs from direct lending towards risk mitigation aimed at mobilizing private capital."*[13] In this context, the EPG report stresses the importance of "*multiplying private capital by adopting system-wide approaches to risk insurance and securitization"*. The EPG also recommends to *"embark on "a system-wide insurance and diversification of risk, to create a large-scale asset class and mobilize significantly greater private sector participation"* and to mitigate risk *"through instruments such as first-loss guarantees, and co-investments to catalyse private investment"*.

The key EPG message to MDBs and their G20 shareholders is therefore that instead of lending themselves, MDBs should focus much more on mobilizing private capital. The recent establishment of a joint guarantee platform within the World Bank Group (WBG), housed at the Multilateral Investment Guarantee Agency (MIGA), is basically a response of the WBG to the call from G20 countries to MDBs to increase to their risk mitigation operations and

[11] See among others the document DCD/DAC (203) 2 of 23 March 2023, which covers ODA PSI through loans and credit guarantees: https://one.oecd.org/document/DCD/DAC(2023)22/en/pdf
[12] Most Multilateral Development Banks have guarantee products already for approximately 30 years. This concerns so-called Partial Risk Guarantees (PRGs) and Partial Credit Guarantees (PCGs). These guarantee products have thus far not been used to their fullest potential, partially because most MDBs have a preference to lend. Another complicating factor is that most MDBs price their guarantees in the same as their loans. As a consequence, commercial loans with a MDB guarantee are more expensive than regular MDB loans.
[13] See page 17 of the G20 EPG report. The report can be found via the following link: https://www.globalfinancialgovernance.org/\

enhance their mobilisation performance. The joint guarantee platform brings together guarantee products and experts from the World Bank, International Finance Corporation (IFC), and MIGA and aims to boost WBG annual guarantee issuance to USD 20 billion by 2030.[14]

Measuring mobilization is obviously critical for the development and implementation of effective and efficient mobilization strategies. This explains the need for an adequate mobilization measurement system, which should cover key financial instruments that can mobilise capital, how these instruments mobilise capital and how mobilized funds can be attributed to DFIs in for example co-financing structures with multiple DFIs and commercial financiers (e.g. banks and institutional investors).

Unfortunately, the international development finance community could not develop one common system for there were different views on how mobilization should be measured and attributed to different public development financiers. As a consequence, there are today two different mobilization measurement systems, one developed by the OECD DAC and one jointly developed by MDBs[15].

The two systems are quite different from one another and data about mobilization are published in two separate mobilisation reports. As a result, they provide different outcomes and information to feed mobilization strategies. In both systems guarantees (which includes credit- and investment-insurance) play an important role for they are perceived as one of the most successful financial products to mobilise capital. Table n°3 explains how in the two different systems mobilization of private capital is measured for both commercial and non-commercial guarantees.

Table n°3 - Guarantees & measurement of mobilisation by OECD DAC and MDBs

Type of Guarantee	Example	OECD Approach	MDB Approach
Commercial Risk Guarantee (1)	An MDB guarantees 70% of a loan provided by a private bank, who is the sole lender to a project alongside the private sponsor	100% of the guaranteed loan is attributed to the guarantor (i.e. the MDB) as mobilized private investment.	Only 30% of the guaranteed loan is reported as Private Direct Mobilisation (the rest is added to the MDB's Commitments) (2)
Non-Commercial Risk Guarantee (1)	An MDB guarantees 90% of a non-shareholder loan provided by a private bank, who is a lender to a project.	100% of the guaranteed loan is attributed to the guarantor (i.e. the MDB) as mobilized private investment.	100% of the guaranteed loan is reported as Private Direct Mobilisation

Source: OECD DAC and MDBs.

(1) The MDB Reference Guide does not clearly define commercial and non-commercial guarantees. Very likely non-commercial guarantees refer to political risk guarantees, which can provide partial risk cover (e.g. against certain country risks) or comprehensive

[14] See among others the press release of the World Bank of 16 April 2024, which can be found via the following link: https://www.worldbank.org/en/about/unit/brief/guarantees-platform

[15] Guidelines for the OECD DAC mobilization measurement system can be found via the following link:
The mobilization reference guide developed by MDBs, which are also used by members of the European Development Finance Association (EDFI) can be found via the following link: https://documents1.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf

cover when cover is provided against all payment risks in transactions with sovereign borrowers or other public sector entities. The rationale for the difference in mobilization measurement of the two guarantees is unfortunately not explained in the MDB Reference Guide.

(2) This approach provides the most realistic picture regarding the mobilisation of capital through comprehensive credit guarantees/ insurance. For the insured / covered part of the loan the insurer / guarantor has to use its own capital.

The OECD DAC mobilization measurement system is also used in the international reporting framework for Total Official Support for Sustainable Development (TOSSD).

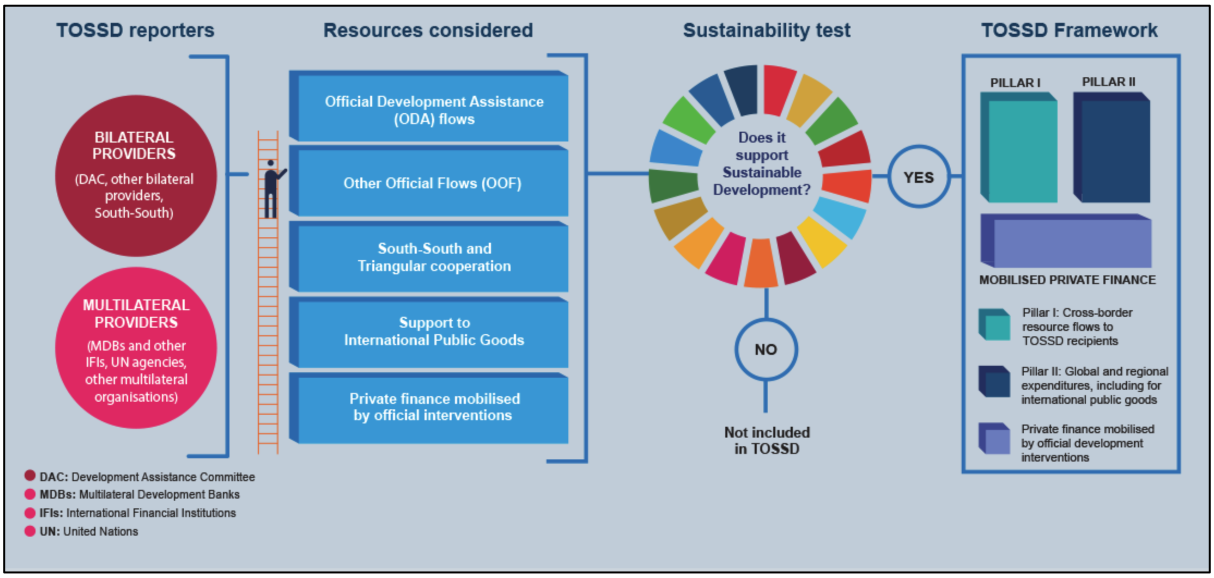
In all discussions about the development and implementation of mobilization measurement systems in the G20, G7, OECD DAC, MDB working groups on mobilization and the TOSSD experts' group, official ECAs have not or hardly been involved. As a consequence, their contribution to the UN SDGs and their mobilisation of private capital for development are not visible but attributed to DFIs. In large projects with involvement of for example MDBs, commercial banks and ECAs, commercial bank loans that are insured by ECAs are both in the OECD DAC – and joint MDB mobilization measurement system reported as mobilized capital by MDBs. Both systems basically ignore the critical risk mitigation and mobilization role of ECAs.

II.E. Total Official Support for Sustainable Development

The TOSSD was initiated by the OECD and developed by an international task force of experts created in July 2017.

The TOSSD statistical framework aims to provide a comprehensive picture of global, official and officially supported resource flows provided to promote sustainable development of EMDEs. It covers official finance from different public sources, among which multilateral and bilateral DFIs, ODA Aid Agencies and official Export Credit Agencies.

Box n°5 -The TOSSD framework



Source: TOSSD website

The most recent TOSSD data were published in April 2024 and covers TOSSD flows from 2022, which were received from 121 respondents of which both OECD – and non-OECD countries and various multilateral organisations. The non-OECD countries that reported their TOSSD flows are among others Brazil, Indonesia, Kazakhstan, Mexico, Nigeria, Peru and Saudi Arabia. And year by year the number of countries that report their TOSSD flows is increasing.

Table n°4 below provides an overview of TOSSD reporting by OECD countries during the years 2019 – 2022 and whether their reporting includes officially supported export credit activities. It shows that most OECD governments do not report their export credit operations in the TOSSD framework. Only France and Korea reported their export support activities in a consistent manner during the years 2019 – 2022. Some countries reported their export credit business only for one or two years or only data regarding projects that have a clear link with the international climate agenda. And last but not least, some countries reported only their involvement in international debt rescheduling. In summary, current reporting practices do not provide a comprehensive picture of the contribution of OECD governments to the UN SDGs as most of the ECA export credit or investment operations[16] are not reported. Most countries report only or mainly their ODA activities and operations of BDBs.

Table n°4 - OECD Countries and their TOSSD reporting 2019 - 2022

No.	OECD Member Country	2019	2020	2021	2022	ECA operations included?
1	Australia	yes	yes	yes	yes	No
2	Austria	yes	yes	yes	yes	Only for 2022
3	Belgium	yes	yes	yes	yes	Yes, but only for rescheduling
4	Bulgaria	no	no	no	yes	No
5	Canada	yes	yes	yes	yes	No
6	Croatia	yes	yes	yes	yes	No
7	Cyprus	no	no	no	yes	No ECA
8	Czech Republic	no	no	no	yes	No
9	Denmark	yes	yes	yes	yes	Yes, except for 2019. Only climate related transactions
10	EU Institutions	yes	yes	yes	yes	No ECA
11	Estonia	yes	yes	yes	yes	No
12	Finland	yes	yes	yes	yes	No
13	France	yes	yes	yes	yes	Yes
14	Germany	no	no	no	Yes	No
16	Greece	yes	yes	yes	yes	No
17	Hungary	yes	yes	yes	yes	No
18	Ireland	yes	yes	yes	yes	No ECA
19	Italy	yes	yes	yes	yes	Yes, but only for rescheduling
20	Japan	yes	yes	yes	yes	Yes, but only for 2019 and 2021
20	Korea	yes	yes	yes	yes	Yes
21	Latvia	yes	yes	yes	yes	No
22	Lithuania	yes	yes	yes	yes	No
22	Luxembourg	yes	no	no	no	No

[16] Regarding the operations of ECAs, the current TOSSD framework refers only to "officially supported export credits". It does not include other ECA activities (e.g. untied support, investment insurance, domestic business such as working capital and pre-export financing).

No.	OECD Member Country	2019	2020	2021	2022	ECA operations included?
23	Malta	yes	yes	yes	yes	No ECA
24	The Netherlands	no	no	no	no	No
25	New Zealand	yes	yes	yes	yes	No
26	Norway	yes	yes	yes	yes	Yes, only for 2019
27	Poland	yes	yes	yes	yes	Yes, except for 2022

Source: TOSSD website: https://tossd.online/provider-perspective

Annex n°6 provides more background information about the TOSSD framework.

II.F. Is there a role for the OECD ECAs to contribute to the UN SDGs?

As mentioned above, OECD ECAs do not or hardly participate in the international SDG discussions, which explains that their roles for the UN SDGs and the mobilisation agenda are not clearly visible. This is likely caused by the fact that they are not perceived as DFIs, because they don't have a developmental mandate.

It is true that mandates of ECAs and DFIs are different, but their developmental impact in developing and developed countries are often the same. And this is unfortunately not well recognised.

Box n°6- ECAs and DFIs: mandates, impacts and their evolving roles

There are many ECAs and DFIs around the world, each with their own specific mandates and operations.

In general, ECAs are specific national Development Finance Institutions (DFIs) that are mandated to promote exports and investments from their home country to third markets. Through their financial support in the form of loans, guarantees and insurance they create jobs and hard currency income for their home country and tax income for their governments[17]. By facilitating exports and outward investments, ECAs support imports and inward investments in EMDEs and developed markets and can create an important developmental impact in these countries. In this way ECAs can contribute to the UN SDGs.

DFIs, which can be a Multilateral Development Bank, Bilateral Development Bank or an ODA Aid Agency, are in general mandated to support social and economic development in EMDEs. Like ECAs they can provide financial support in the form of loans, guarantees and insurance through which they support the UN SDGs in EMDEs. By financing inward investments in EMDEs, which often involves imports of (capital) goods and services and/or foreign equity and debt investments, DFIs have not only an important developmental impact in EMDEs, but also in exporting / investing countries.

In conclusion: developmental mandates of ECAs and DFIs are indeed different, but developmental impacts are often the same.

Interesting is that the boundaries between DFIs and ECAs are blurring, because DFIs are increasing not only pursuing developmental objectives in EMDEs, but also national interests, which can be trade- or investment related. Also, many ECAs have transformed from "classical" export credit providers to agencies that offer a broad range of products to facilitate trade (export and import), outward and domestic investments. Many ECAs have developed green policies to support the climate transition, which topic is high on the strategic agenda of DFIs and an essential part of the UN SDGs.

[17] Some ECAs report in detail how much they contribute to national jobs, GDP growth and tax income. An interesting example is EIFO, the Danish ECA. See their annual report 2023, which can be found via the following link: https://www.eifo.dk/media/g31f5qoy/eifo-annual-report-2023.pdf

It is noteworthy that many OECD and non-OECD ECAs communicate either through their annual – or sustainability reports about their contribution to the UN SDGs. In most of these reports the focus is on export – or investment transactions that support the Paris Climate Agenda, which reflects the priority of this topic within the OECD ECA community.

Table n°5 - ECAs Contributions to UN SDGs and/or Paris Climate Agenda

ECA	Contribution to UN SDGs	Contribution to Paris Climate Agenda	Key source
Atradius Dutch State Business (ADSB)	Yes	Yes	Annual reports/sustainability reports/website
Credendo (Belgium)	Yes	Yes	Annual reports/sustainability reports/website
UK Export Finance (UKEF)	Case by case	Yes	Annual reports/sustainability reports/website
Export Development Canada (EDC)	Yes	Yes	Corporate Social Responsibility reports/website
BPI France	Yes	Yes	Annual reports/sustainability reports/website
Export and Investment Fund of Denmark (EFIO)	Yes, with focus on climate	Yes	Annual reports/website
US EXIM	No	Yes	Annual reports / website
China EXIM bank	Yes	Yes	Annual reports/ website
India Exim Bank	Yes	Yes	Annual reports/ website
Brazilian Development Bank (BNDES)	Yes	Yes	Annual reports / Sustainability reports / website

Source: ECA websites, annual reports and sustainability reports.

Interesting is also that not only commercial banks, but also many ECAs report their sustainable, green and social transactions in the context of the annual TXF reports on "Sustainable Export Finance". According to the TXF report 2023 commercial banks financed in 2023 in total 506 transactions with a total value of approx. USD 146.7 billion, of which 94 transactions with value of USD 45 billion were earmarked as sustainable, green or social[18]. Approximately 95% of the reported sustainable transactions concern green transactions.

Noteworthy is also that the Participants during the past 20 years have adapted the Arrangement to regulate jointly important sustainability topics in their operations. This included among others the introduction of anti-corruption standards in 2000, ESG standards in 2003, which are today more or less the same as those applied by MDBs and BDBs.

Also, the Recommendation on sustainable lending to ensure that OECD ECAs align their operations with IMF/WB debt sustainability policies and the introduction of more favourable export credit terms and conditions for climate-friendly projects and the Common Line for maximum ECA support up to 95% of the export contract value are important milestones in the joint sustainability journey of Participants.

[18] TXF's report on sustainability in export finance 2023 covers export finance transactions provided by a selection of reporting EXIM banks, some multilateral and bilateral DFIs, commercial banks, ECAs and other public insurers (e.g. MIGA). It can be found via the following link: https://www.txfnews.com/content/sustainability in export finance data report 2023

Box n°7 - Key milestones in the Sustainability journey of OECD ECAs in the Arrangement

Year	Sustainability journey
2000	Introduction of anti-corruption standards
2003	Introduction of OECD Common Approaches on Environment and Social Due Diligence
2005	Improved terms and conditions for renewable energy and water projects
2008	Increase of maximum local costs support from 15% to 30%.
2008	Introduction of OECD debt sustainability standards
2012	Improved terms and conditions for climate mitigation projects
2014	Improved terms and conditions for climate adaptation projects
2014	Introduction of railway sector understanding with longer tenors for railway projects.
2015	Introduction of restrictions for coal-fired electricity generation projects.
2021	Common line for an increase of maximum ECA support from 85% to 95% of the export value of a contract for sovereign borrowers classified in local costs category II and in OECD country risk categories 5 - 7 countries.
2021	Increase of maximum local costs support from 30% to 40% (cat. I countries) and 50% (cat. II countries).
2023	Broadening the scope of climate change mitigation projects and introduction of Climate Change Sector Understanding (CCSU).

Source: OECD.

But despite these efforts and developments the role of OECD ECAs in contributing to the UN SDGs and the mobilisation of capital for development is not clearly visible, in particular outside the ECA community. Participants should therefore consider:

- to actively engage in international discussions about the UN SDGs and the mobilisation of capital among others in the UN, OECD (DAC), G20 and G7.
- to report ECA export credit and investment operations in the TOSSD framework, which will improve the visibility of the contribution of the ECAs to the UN SDGs. It could cover their ST-, MLT exports credits and (untied) investment operations.
- to reach out to the OECD DAC and MDBs to discuss how capital mobilised by ECAs can be incorporated in existing mobilisation measurement systems.

Chapter III - Current key Arrangement terms for social and economic infrastructure

The Arrangement provides a framework that its Participants and their ECAs must follow when supporting or extending export credits. The main purpose of the Arrangement is "*to provide a framework for the orderly use of officially supported export credits by fostering a level playing field to encourage competition amongst exporters based on the quality and prices of goods and services exported, rather than on the most favourable officially supported export credits*".

For this reason, the Arrangement has specific and detailed rules regarding the terms and conditions of "regular export credits", export credits for certain sectors and tied aid credits. These will be explained in this chapter. It will furthermore examine some examples of the national standard rules that ECAs use in their operations and the extent to which they adapt these national rules to support certain national policy objectives. It will also explore how the Arrangement and the national rules support social infrastructure. The international rules applying to tied aid and untied aid will be examined in the last section.

III.A. The Arrangement framework

The Arrangement

- applies to all official financial supports which have a repayment term of two years or more.
  Official support can be (1) "financing support" in the form of direct export loans, refinancing to support commercial export finance loans provided by commercial banks, interest rate support, or (2) "pure cover support" either in the form of guarantees or commercial and political risk insurance.
- doesn't apply to supports granted by ECAs that are not linked to export of goods and services (these loans are often referred to as "untied" loans)
- doesn't apply to exports of military equipment and agricultural commodities.

The main standard rules for "regular export credits" are presented here below:

III.A.1 Maximum official support.

This support is capped at

85% of the export contract value, which is the value of the goods and services exported to the buyer's country (or imported in this country) (*Art 11 c)*

\+ 100% of local costs, capped at 40% of the export contract value for projects developed in Category I countries (OECD high income countries as defined by the World Bank) and at 50 % of the export contract value for projects developed in Category II countries (other than Category I countries) (*Art 11 d)*

\+ 100% of the risk premium (*Art 11 a)*

\+ 100% of capitalized interests during the construction period (*Art 13 d)*

As a consequence of the rule that limits official support to 85% of the export contract value, the Arrangement requires the buyer to make a direct payment to the supplier of at least 15% of the export contract value (the “down-payment”) at or before the starting point of credit, which is the delivery date of the financed export contract (*Art 11 a).*

III.A.2. Maximum repayment periods

In any case, the repayment period shall not exceed the useful life of the goods and services exported (*Art 12 a).*
The maximum repayment period must not exceed 15 years, following a disbursement period of the loan ending at the starting point of credit, which is usually the date of delivery of the goods and services.
For conventional power plants (e.g., gas or oil-fired power plants), the repayment period shall not exceed 12 years (*Art 12 b and 12 c).*

III.A.3. Instalments of principal and interest

Interest shall be paid no less frequently than every six months (*Art 13 c).*
Principal shall be repaid no less frequently than annually, and the first instalment of principal shall be made no later than one year after the starting point of credit.
Normally, the principal shall be repaid in equal and consecutive instalments, at least annually (*Art 13 a & b).*
Some flexibilities can be granted if the debt is reimbursed from the revenues of the financed project (*Art 13 e).*

III.A.4. Minimum premium

The minimum premium for sovereign borrowers is determined by the OECD country risk category of the borrower and the duration of the loan. Risk mitigants may be considered to adjust the premium. (*Art 21 & 22 Annex VI).*
The additional premium charged for other public or private borrowers depends upon their own credit rating in their country (*Annex IX).*

III.A.5. Officially supported fixed interest rates

For loans granted with official support for fixed interest rates, the Arrangement defines rules for determining Commercial Interest Reference Rates (CIRRs), which are minimums interest rates, set for different currencies and durations.
A CIRR consists of a base rate, based on government bonds yields, plus a margin established between 0.8% and 1.2% (provisionally set at 1.0%). (*Art 18 & 19 + Annex XII)*
The CIRRs are revised monthly. Some ECAs do not offer this type of CIRR support.

III.A.6. Other rules

The Arrangement also includes rules on transparency (e.g. various notification obligations), tied aid, matching, debt sustainability, and more.
A separate document (the "Common Approaches") outlines the environmental and social due diligence required for Export Credits.

No specific rules in the Arrangement deals with social investments which reflects a gap.

III.B. Adjustments to the Arrangement

The Arrangement allows for some adjustments to its standard rules through permanent sectorial agreements (called Sector Understandings) or specific temporary agreements (called Common Lines).

III.B.1. Sector Understandings

As of September 2024, the Arrangement includes 4 Sector Understanding:

- Climate Change (Climate Change Sector Understanding or CCSU).
  The CCSU defines eligibility criteria for climate change mitigation and adaptation projects, as well as for water projects.
  For climate change mitigation, the CCSU identifies 10 asset classes and 20 different types of projects, each with varying maximum repayment period.
  The adjustments to the standard Arrangement are:
  - ✓ Longer maximum repayment period, ranging between 15 and 22 years
  - ✓ More flexible (and differed) instalments for principal and interest payments, provided that the maximum repayment date is not differed.
- Nuclear Power Plants (Nuclear Sector Understanding or NSU).
  The NSU defines eligibility criteria for nuclear projects. The adjustments to the standard Arrangement include:
  - ✓ Longer maximum repayment period, ranging between 15 and 22 years
  - ✓ More flexible (and differed) instalments for principal and interest payments, as long as the maximum repayment date is not differed.
- Civil Aircrafts (Aircraft Sector Understanding or ASU).
  The ASU Participants include the 11 Participants to the Arrangement, but Türkiye, and Brazil, the latter country is not a Participant to the Arrangement.
  It applies to the sales of civil aircrafts, their spare parts and their maintenance.
  The ASU defines specific rules for minimum down-payments (between 15% and 20%) maximum repayment periods (normally 12 years), repayments terms, fixed and floating interest rates with public support, and risk premiums.
- Ships (Ship Sector Understanding or SSU).
  The SSU is an agreement that predates the first Arrangement text in 1978 and was later incorporated into it.
  It has only 6 Participants: Australia, the European Union, Japan, Korea, New Zealand and Norway.

The SSU defines minimum down-payment (20%), a maximum repayment period (12 years), terms of repayments of principal and payment of interest, specific rules for CIRRs.
Participants have to charge risk premium, but there is no minimum level.

In the rest of this report, specific terms and conditions derived from the ASU, NSU and the SSU will not be considered, as their projects are not related to social infrastructure.

III.B.2. Common Lines

In May 2024, Participants had agreed via three Common Lines, to apply alternative terms and conditions to those provided in the Arrangement, either for a specific transaction or for multiple transactions with common characteristics. These three Common Lines refer to:

- Two specific projects in Moldova (valid until 9/12/2025) and Poland (valid until 23/10/2024)

- A general provision allowing for the reduction of the standard down-payment from 15% to 5% for some projects until 13 December 2024. This applies to projects with a sovereign borrower established in a country listed in the categories 5, 6 or 7, excluding HICs. The primary purpose of this rule is to increase the maximum support up to 95% of the export value. In practice, the advances paid to exporters at the inception of the construction have remained unchanged.

No specific adjustments apply to social infrastructure projects, except for water projects which are included in the CCSU.

In countries rated in Categories 5 - 7, most social infrastructure projects are sponsored by the national government. These projects (can) indirectly benefit from the Common Line's provision of 95% maximum support of the export value if the Ministry of Finance (or the Central Bank) acts as a borrower or a guarantor.

III.C. Standard guidelines of ECAs and the Arrangement

The standard underwriting guidelines of the ECAS on export credits are generally aligned with the terms of the Arrangement. However, there are numerous exceptions, reflecting local policies or conditions. In addition, certain factors affecting the amount of an export credit or its cost are not governed by the Arrangement. They include domestic content requirements, fees and commissions, and the form or the rate of cover provided by the ECA. Policies on this aspect vary among ECAs.

III.C.1. Restrictive utilisation of the terms and conditions of the Arrangement

A few examples illustrate these differences:

- In Germany, the maximum support to local costs is normally capped at 85%, even though the Arrangement allows up a support to 100% (see below German green package).
- In France, when a commercial bank extends an export credit at a fixed rate based on CIRR, a margin above the CIRR typically applies due to the workings of the French interest make-up system.

Various countries have been hesitant, initially, to provide support at 95% of the export contract value for loans with sovereign borrowers in low-rated counties, although it has been allowed since November 2021. Very few ECAs, such as UKEF, mention this possibility on their website[19]. As of September 2023, only two OECD ECAs had not fully adopted this change in their operations according to the Office of Inspector General of US Exim[20,].

The Common Line was rarely used in 2022, likely because it was relatively new and not well-known among stakeholders. Its relevance increased in 2023, however, no specific data are publicly available on the purpose of the loans signed with borrowers established in countries classified in Categories 5 - 7. Therefore, it cannot be identified which sectors benefitted from the Common Line.

III.C.2. National content

The Arrangement defines the export value of a contract (value of the goods and services imported in the buyer's country) and local costs (goods and services produced in the buyer's country) but does not specify the minimum value to be produced in the country of the ECA (the national content).

However, to justify their support, most ECAs have defined at their own discretion minimum thresholds of national content. These minimum thresholds impact the supported value of the local content and the foreign (everything which is neither domestic nor local) supported content, as they are tied to the eligible national content, and each country has its own set of rules.

Some ECAs, like EKN[21] or SACE[22], refer to a national or a public interest without specifying a minimum domestic content in the supported contract. In practice, the national interest may later translate into indirect support or goods and services produced in the country of the ECA.

As a result, similar contracts may qualify for or can obtain different maximum amounts of export credits depending on the ECA.

[19] https://www.gov.uk/government/publications/guide-to-credit-terms/uk-export-finance-guide-to-credit-terms Item 4.1
[20] https://img.exim.gov/s3fs-public/documents/exim-oig_eca-evaluation_oig-ev-23-04_final_0.pdf page 32
[21] https://www.ekn.se/en/about-ekn/our-mission/this-is-ekn/
[22] https://www.alstom.com/press-releases-news/2022/4/sace-and-alstom-partner-promote-exports-and-procurement-italian-small

Table n°6 - Impact on the supported amounts of the policies on national and foreign content

	ECA A	*ECA B*	*ECA C*	*ECA D*
Amount of the contract	*10.000*	*10.000*	*10.000*	*10.000*
Inc national	*3.000*	*3.000*	*3.000*	*3.000*
Inc Foreign	*3.500*	*3.500*	*3.500*	*3.500*
Inc Foreign Eligible		*1.500*	*3.000*	
Inc Local	*3.500*	*3.500*	*3.500*	*3.500*
Financed Domestic	*2.550*	*2.550*	*2.550*	*2.550*
Financed Foreign	*2.550*	*1.275*	*2.550*	*2.975*
Financed Local	*0*	*2.250*	*3.000*	*3.250*
Amount of the export credit	*5.100*	*6.075*	*8.100*	*8.775*

ECA A limits the eligible foreign and local content at the eligible national content.
ECA B considers that some foreign content is not eligible for technical reasons.
ECA C limits the eligible foreign content at the eligible national content.
ECA D uses the best terms and conditions provided by the Arrangement.

III.C.3 Interest rates, fees and commissions

Except for the ASU, there are no rules on officially supported floating interest rates, which did not exist at the time of the first Arrangement in 1978.

III.C.4. Percentage of cover (for guarantees and credit-insurance)

The standard percentage of cover for political and commercial risk for banks is 95%, and the premium system described in the Annex IX of the Arrangement is based on this percentage. There are specific rules for higher or lower premiums when an ECA-insurer deviates from the standard 95% cover. For example, a higher percentage of cover improves the quality of the cover and justifies a higher premium.

For some ECAs, like CESCE or CREDENDO[23], a standard rate of cover of 95% applies to private borrowers while a rate 98% rate applies to sovereign borrowers. Lower cover rates for commercial risk often apply in Structured Finance deals with private borrowers (e.g. in PPP project finance transactions).

III.C.5. Form of support Direct Loan Guarantee or Insurance

Official support can take different forms (Article 5)

a. direct lending. This is a normal practice for EXIM Banks, with some credits-insurers later entering direct lending activities, among others for a better support to SMEs. Key advantages include:
    - ECAs, which are often public bodies, typically have lower cost of funding than commercial banks in their country, which allows them to reduce the costs of their loans for the borrowers.
    - ECAs have lower return on equity expectations than commercial banks, enabling them to charge lower fees.

[23] https://credendo.com/sites/default/files/media/files/2021-03/insurance-buyer-credits_en_0.pdf

In such a case, the ECA is assumed to take 100% of the risk.

b. guarantees with a percentage of 100%, without no difference between the percentage of cover for political risk and commercial risk.
c. credit insurance different percentages of cover which can vary between 80% and 98%, with 95% being common practice. The percentage of cover for commercial risk is often at the same level as the percentage of cover for political risk, but it can be lower.

III.D. Adjustments to the national rules of the ECAs

ECAs can agree at the OECD to amend the Arrangement to support priority policies, as it was the case for the implementation of the CCSU.
ECAs can also amend their own rules at national level. They are numerous examples of such amendments being made to support SMEs, green projects, or for competition with China or other financial instruments.

III.D.1. SME support

Many ECAs developed specific policies to support the SME sector, which can include:

- An enhanced approval process (shorter processing time, simplified analysis, digitalised applications). For example, Euler Hermes offers its "Cover click & cover Export" for small tickets (up to € 7 m, with a maximum duration of 5 years)[24]
- An increased support. Bpifrance AE offers a 100% cover rate for supplier's credit extended by SMEs instead of the standard 95%[25]
- A reduced percentage of domestic/ national content[26]
- A direct lending window, to bridge the gap caused by the absence of commercial bank offers. This is among others provided by Credendo (Belgium) [27] and Atradius Dutch State Business (ADSB, The Netherlands)

This list is not exhaustive and many other ECAs offer similar types of support.

Governments can also use other publics tools to support these projects.

- Invest International in the Netherlands extends MLT export credits for SMEs that contribute to the UN SDGs and operates complementary to the local banks in The Netherlands. In these transactions, Invest International makes use of insurance cover from the Dutch ECA ADSB.
- Bpifrance created alongside Bpifrance AE, the French ECA, a department which extends small export credits (up to € 25 m) with a cover of Bpifrance AE.

[24] https://www.exportkreditgarantien.de/en/products/for-exporters/single-transactions/hermesdeckungen-click-cover-export.html
[25] https://www.bpifrance.fr/catalogue-offres/assurance-credit
[26]https://www.cesce.es/documents/20122/61247/Eligible+amounts+in+CESCE+coverages+on+behalf+of+the+State.pdf
[27] https://credendo.com/en/solutions/buyer-credit-credendo

III.D.2. Support for Green projects

Many ECAs developed specific policies to support green projects. These include:

- Applying the most favourable terms allowed by the Arrangement (which typically don't apply to standard projects) in terms of
    - premium rate (within OECD minimum premium system)
    - maximum cover of the export value (85% in a normal case or 95% if the Common Line applies)
    - maximum cover of the local content (at 100% instead of 85% in Germany)
    - maximum repayment period
    - CIRR based on OECD published rates (without any additional margin)
    - premium for loans in local currencies
- An increased percentage of cover for banks at 98% or 100% (instead of 95%)
- The capacity to cover innovative projects with technological risks in a development phase or not yet commercially mature.
- Reduced domestic content requirement from 40% or 50% down to 20% or 30%.
- A change in the methods of assessing credit risk, enabling proactive risk assessment and lower risk premium through a better risk classification.
- The repayment of application fees.

Examples found on the websites of Atradius DSB, Bpifrance AE, CESCE, Euler Hermes and NEXI are available in Annex n°7.

III.D.3. - Competition with China

To allow US exporters to match conditions offered by Chinese ECAs to their exporters, US Exim proposed the China and Transformational Exports Program (CETP)[28] in 2021, which includes:

- reduced fees
- extended repayment tenors
- exceptions from other EXIM policies, including the possibility to offer a maximum of 95% of the export value[29] or a lower domestic content in some cases.[30]

III.D.4 - Development of untied ECA facilities (loans and guarantees)

During the past 10 - 15 years, many ECAs developed untied investment finance or insurance schemes, which are used to complement their regular export credit operations. These untied investment activities are not regulated by the Arrangement. For some ECAs, the unregulated untied investment operations have become far more important than their export credit business. In this field, not only ECAs are active but also some DFIs, in particular DFIs with a

[28] For more information on USEXIM 's CETP program it is referred to the following link: https://www.exim.gov/about/special-initiatives/ctep/competition

[29] see Footnote 16 page 32

[30] A comparison of regular USEXIM terms and conditions with those under the CETP program can be found via the following link: https://www.exim.gov/about/special-initiatives/ctep/chart

dual mandate or dual mandate programs. These untied activities are further explained in Chapter IV.

These examples show that ECAs are able to improve their standard conditions to promote national policies, aligning with the best available conditions provided by the Arrangement or offering tools not regulated by the Arrangement (e.g. rules on domestic content).

However, for export credits, they cannot go beyond the terms of the Arrangement, which is a limiting factor. There is also no evidence of an enhanced national support for social infrastructure despite some ECA state that they pay now more attention to the "S" factor when analysing the ESG impacts of the projects they support.

III.E. Special rules applying to Social Infrastructure projects

As of October 2024, the Arrangement does not include any specific rule that would grant a preferential treatment to social infrastructure projects. In most EMDEs, these projects probably indirectly benefit from the Common Line on the maximum support for export value, as most loans extended to a sovereign obligor in Categories 5-7 are related to infrastructure.

Table n°7 TXF data – ECA tranches signed in 2023

By Risk Category (million USD)	2023
High Income	87 725
Cat 0	951
Cat 1	
Cat 2	24 498
Cat 3	31 500
Cat 4	4 751
Cat 5	19 588
Cat 6	13 282
Cat 7	9 238
NC	6
Total	**191 539**

By Type of Borrower (million USD)	2023
Sovereign	49 520
Project	66 344
Corporate	75 675
Total	191 539

According to the data provided by the TXF data Report on Export Finance for 2023,

- ECAs tranches with borrowers established in countries rated 5, 6 or 7 reached a value of USD 42,1 billion in 2023.
- ECAs tranches with Sovereign borrowers had a total value of USD 49,5 billion.
- When combining these two sets of data, it appears that two-third of the loans provided to countries in risk categories 5 - 7 are loans to sovereign borrowers.

In parallel, no ECA has published specific rules for improved support for social infrastructure. However, some countries are currently considering whether they could relax their national content rules for social projects.

III.F. International regulations for tied and untied aid

Social and economic infrastructure is not only financed by regular officially supported export credits, but also by (1) untied investment loans from ECAs and DFIs, (2) concessional and semi-concessional loans from multilateral and bilateral DFIs and ODA Aid Agencies. Some stakeholders expressed their concerns about current aid regulations and how various official finance agencies operate next to one another. Some felt also that current aid regulations may have to be reviewed.

For bilateral concessional finance there are various international regulations, which are determined by different organisations among which the Participants (for tied aid), the DAC (for untied ODA) and the IMF and World Bank to manage debt sustainability of highly indebted countries. All these different international organisations have their own mandates, objectives and unique specific requirements and conditions for concessional finance. As a consequence, the international aid architecture has become quite complex and, in some areas not consistent and sometimes even contradicting.

Table n° 8 - Overview of key international aid regulations relevant for EMDEs

Organisation	Participants to Arrangement	OECD DAC	IMF	World Bank
Topic	Tied aid (ODA)	Untied aid (ODA)	Debt sustainability	Debt sustainability
Key regulations	Arrangement Sustainable lending Recommendation	General ODA regulations Untying of aid Recommendation	IMF/WB DSF IMF policy for assessing sovereign risk and debt sustainability for Market Access Countries (MAC SRDSF) IMF Debt Limits Policy (IMF DLP)	IMF/WB DSF WB Sustainable Development Finance Policy (WB SDFP)

Organisation	Participants to Arrangement	OECD DAC	IMF	World Bank
Topic	Tied aid (ODA)	Untied aid (ODA)	Debt sustainability	Debt sustainability
Key objectives of regulations	Ensure that tied aid credits are complementary to market-based finance (incl. ECA export credits) and do not crowd out. (Financial additionality)	To regulate and measure the ODA aid performance of OECD DAC donors in context of international target to spend 0.7% of GDP on aid and to improve aid efficiency and aid effectiveness. Untying of ODA	Manage and monitor debt sustainability of IMF member countries facing debt sustainability issues. Technical and financial support for countries in debt distress.	Manage and monitor debt sustainability of EMDEs facing debt sustainability issues. Technical and financial support for countries in debt distress.
Key official finance agency involved	ECAs and tied aid providing organisations (ODA Aid Agency, BDB or govern-ment Ministry)	BDBs and ODA Aid Agencies	IMF	WB
Key Ministries / Guardian Authorities involved in policy issues and regulations	Ministries of Finance and / or Trade & Industry and for tied aid ministries of development cooperation/ foreign affairs	Ministries of Development Cooperation and / or Foreign Affairs	Ministries of Finance / Central Banks	Ministries of Development Cooperation and / or Foreign Affairs.

Source: OECD Arrangement, OECD DAC, IMF and WB

The three aid frameworks are summarised in Annex n°8. Some key differences in the three systems are highlighted below.

III.F.1. Countries eligible for concessional finance and key criteria

The OECD aid architecture for tied and untied aid is based on different country groups of which one is determined by the United Nations (Least Developed Countries) and the second by the World Bank on the basis of income levels of countries, which covers four country categories, namely HICs, UMICs, LMICs and LICs.

The IMF and WB Debt Sustainability Frameworks are designed to avoid and mitigate the risk of unsustainable debt of EMDEs. They are based on Debt Sustainability Assessments (DSAs), which concerns an analysis of the level of debt distress of governments in EMDEs. They include an in-depth assessment of public and publicly guaranteed external debt of a country and basically reflect sovereign payment risk. For some countries, the risk of financial debt distress is perceived as high for which reason the IMF and / or WB sets an NCB limit. For countries facing external debt challenges this can be a zero-NCB limit, which implies that these countries can (in principle) only borrow on concessional terms. There are also some countries that have a non-zero NCB limit. These countries can borrow funds on market-based conditions, but within certain limits, which are country specific. These zero and non-zero NCB countries can be LDCs, LICs, LMICs and UMICs. The WB income level of countries or their LDC classification by the UN do therefore not play a role in these IMF and / or WB debt sustainability policies.

Table n° 9 – N° of LDCs, LICs, LMICs and UMICs subject to IMF/WB Debt Sustainability Policies (August 2024)

Country Group	LDCs	LICs	LMICs	UMICs
With zero NCB limit (IMF/WB)	21	12	13	4
With non-zero NCB limit (IMF/WB)	13	7	12	2
Without NCB limit (IMF/WB)	1	7	11	5
Not Subject to IMF / WB debt sustainability policies	1	0	17	51
Total	**45**	**26**	**53**	**62**

Source: IMF, OECD and World Bank.

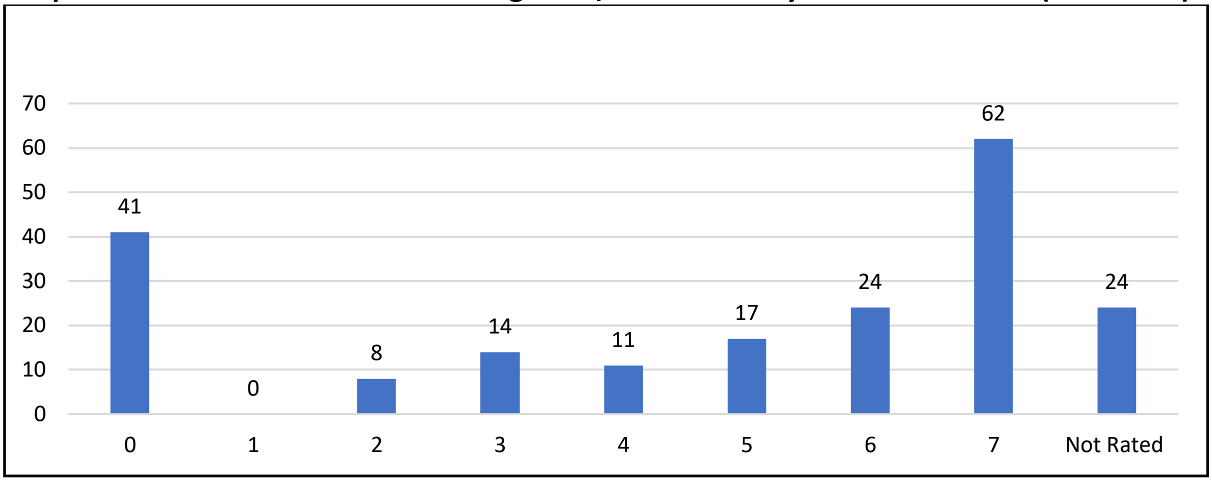
Country - and sovereign risk assessments are also made by OECD ECAs to determine the minimum premiums for officially supported export credits. They give a good indication of sovereign payment risks and payment risks on other types of borrowers (e.g., sub-sovereign and private borrowers). The country risk ratings basically also reflect the ability of countries to attract MLT market-based finance (including "regular" OECD officially supported export credits). These risk assessments do, however, not determine the country cover policies of OECD ECAs, for these are determined at the national level of each individual OECD country.

In general countries with a relatively low OECD ECA country risk rating (e.g., risk categories 2-4) have a good to reasonably good access to MLT market-based finance[31]. This is different for higher rated countries, in particular for countries in risk categories 6 and 7. For example, most OECD ECAs are de facto off cover for many countries, including sovereign borrowers, in risk category 7, which can be based on the debt situation of a country and / or the political situation in the country (e.g., conflict affected countries). Many of these countries in risk category 7 depend only or mainly on concessional finance, provided by multilateral and bilateral DFIs[32]. Most of these countries are LICs or LDCs, but there are also various LMICs and UMICs that are categorised in the highest OECD ECA risk category. The OECD ECA country risk system refers also to 24 EMDEs that are not rated (see Graph n°7).

[31] Market based finance includes MLT officially supported export credits provided by OECD EXIM banks and commercial bank loans backed by insurance or guarantees provided by official OECD ECAs. The pricing of MLT export credits is based on the OECD minimum premium system.

[32] DFIs refers here to Multilateral and Bilateral Development Banks and ODA Aid Agencies.

Graph n°7 - N° of countries in risk categories / OECD country risk classification (June 2024)



Source: OECD.

In conclusion it can be said that the IMF / WB DSAs of countries, which can lead to certain NCB limits and the OECD ECA country risk assessment provide a more accurate picture regarding the ability of countries to borrow on market-based terms and / or concessional terms. Or in other words the IMF/WB DSAs and OECD country risk assessments give a better indication where concessional finance – either tied or untied – can play a complementary role to market-based finance than the current country groupings of the UN and WB.

For ODA Aid Agencies and other concessional financiers, the OECD country risk ratings and IMF /WB DSAs provide valuable insights that can be taken into account for their concessional finance strategies.

III.F.2. Different minimum grant elements and discount rates

The three aid frameworks have different minimum grant element requirements and different discount rates to calculate the grant element.

To ensure that tied aid does not crowd out market-based finance the Arrangement stipulates that such aid is in principle not allowed for UMICs, unless it concerns tied aid with a grant element of at least 80%. For untied aid to these countries, the minimum grant element is 10%, which also reflects that these countries have no or limited needs for concessional finance. They have in general good access to market-based finance, although there are some exceptions. The IMF and WB set the minimum grant element at 35% for UMICs that have a zero NCB limit. There are currently four UMICs that have such zero NCB limit.

Also, for LMICs there can be substantial differences. The Arrangement stipulates that tied aid to these countries should have a minimum grant element of 35%. For untied aid, the minimum grant level is set at 15%, also reflecting that these countries need less aid than for example LICs.

For LICs the Arrangement sets for tied aid a minimum grant element of 35%, whereas for untied aid the minimum grant element is 45%.

Next to aid by WB income groups, the Arrangement has specific provisions for tied aid to LDCs. The minimum grant element for these countries is 50%. For untied aid the minimum grant element for LDCs is 45%, thus similar to LICs.

The different minimum grant elements for untied ODA were among others designed to encourage ODA DAC donors "*to allocate more of total ODA to developing countries most in need, such as least developed countries (LDCs), low-income countries, small island developing states, land- locked developing countries and fragile and conflict-affected states*" [33].

The IMF / WB Debt Sustainability Policies have one minimum grant element of 35%, which in general applies to all countries with a zero NCB limit, irrespective whether they are UMICs, LMICs, LICs or LDCs. There are in total 21 LDCs, 12 LICs, 13 LMICs and 4 UMICs that have such a zero NCB limit.

For countries with a non-zero NCB limit, the IMF and / or WB does usually not set a minimum grant element. This means that for these countries aid donors can in principle make grant element calculations on the basis of only tied or untied aid regulations.

Next to different minimum grant elements, the three frameworks use different discount rates.

The IMF and the WB use a fixed discount rate of 5% for all countries with a zero-NCB limit, irrespective the tenor and currency of the concessional loan and the WB income group in which the country is classified.

The discount rates applicable to untied aid governed by the DAC rules are all based on the 5% discount rate of the IMF and WB (the ODA framework refers to the "IMF base rate"), to which for different country income groups certain "risk premiums" are added, namely 4% for LDCs and LICs, 2% for LMICs and 1% for UMICs. These "risk premiums" are generic and not country specific. This leads to three fixed discount rates of 9% for LDCs and LICs, 7% for LIMCs and 6% for UMICs. These rates apply to all tenors and currencies.

For tied aid, Participants use Differentiated Discount Rates (DDRs), which are tenor and currency specific. These DDRs are set for all leading OECD currencies, based on the actual funding costs of the donor country[34] and adjusted annually. They are therefore not fixed rates, but closer to market discount practices than those for untied aid.

[33] See the final communiqué from the 2014 DAC High Level Meeting, agreed on 16 December 2014, which can be found via the following link: https://one.oecd.org/document/DCD/DAC(2014)69/FINAL/en/pdf

[34] The DDRs for tied aid credits are published annually. The current DDRs can be found via the following link: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/financing-terms-and-conditions/ddr-tad.pdf

Table n°10 - Minimum grant elements and applicable discount rates for concessional loans (June 2024)

Tied aid Min Grant Element: 50% for LDCs, 35% for LICs and LMICs and 80% for UMICs.			
Tied aid: Differentiated Discount Rates (DDRs) for different currencies and tenors			
R=Repayment Period	**15 =< R < 20**	**20 =< R < 30**	**R >= 30**
Currency	**DDR**	**DDR**	**DDR**
Japanese Yen	2.2	2.4	2.6
UK Pound	6.1	6.3	6.5
US Dollar	6.1	6.4	6.5
Euro	4.3	4.5	4.7
Untied aid: Fixed Discount rates for different country categories for all currencies and tenors			
Untied Aid Country Category	**Discount Rate**	**Discount Rate**	**Discount Rate**
LDCs, minimum Grant Element: 45%	9	9	9
LICs, minimum Grant Element: 45%	9	9	9
LMICs, minimum Grant Element: 15%	7	7	7
UMICs, minimum Grant Element: 10%	6	6	6
Concessional loans under IMF/WB debt sustainability policies. Applicable to both tied and untied aid Fixed discount rate of 5% for all currencies and tenors			
Countries	**Discount Rate**	**Discount Rate**	**Discount Rate**
All LICs and LIMCs/UMICs with zero NCB limit: minimum Grant Element: 35%	**5**	**5**	**5**
Other countries: NA	NA	NA	NA

Source: OECD, IMF, World Bank.
NA = not applicable

In general, it can be said that tied aid and concessional loans under IMF / WB Debt Sustainability Policies require a higher amount of "aid subsidies" or a greater donor effort than untied concessional loans, in particular when it concerns untied aid to LMICs and UMICs.

III.F.3 Different grant element calculators[35]

For the calculation of the minimum grant element, the OECD DAC grant calculator is used for both tied and untied aid. There are four factors which determine the grant element of a concessional loan, which are:

1. The actual interest rate of the loan (expressed in a percentage per annum);
2. The grace period, i.e., the interval from commitment date to the date of the first payment of the principal loan amount. For untied aid, this does include the disbursement period of a loan, which is not the case for tied aid (ODA).
3. Maturity or tenor of the loan, i.e., the interval from commitment date to the date of the final repayment of principal loan amount; and

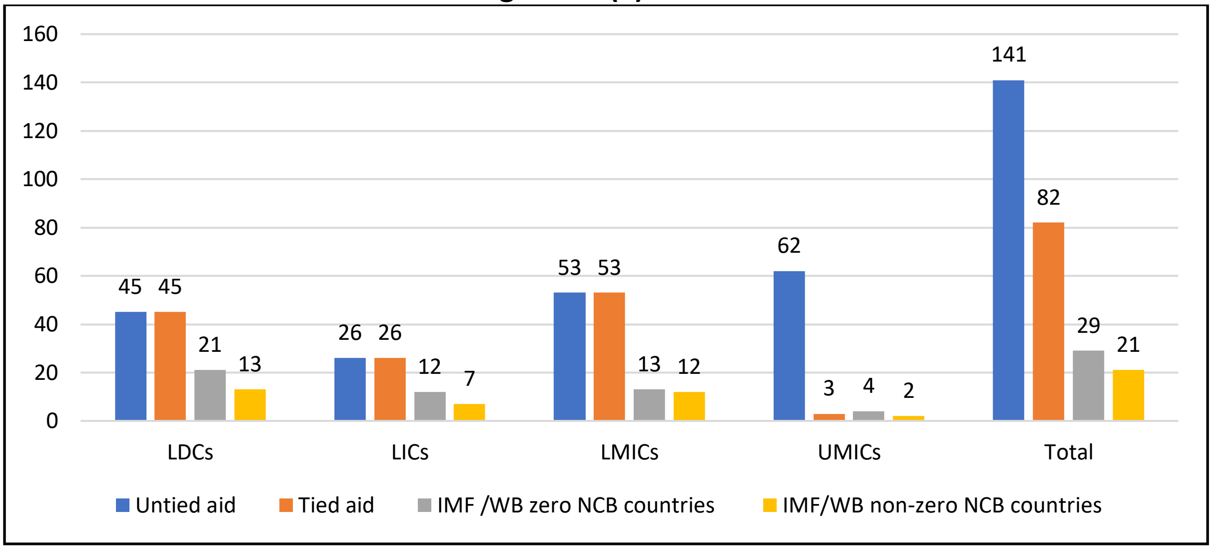
35 The OECD DAC grant calculator for tied and untied aid used to be published on the OECD DAC website, but after the recent changes of the OECD site it is no longer available. The Grant Calculator of the IMF and WB can be found via the following link: https://www.imf.org/en/GECalculator

4. The applicable discount rate used to determine the present value of future payments, which for untied aid varies by OECD DAC country group and for tied aid are based on DDRs, which are tenor and currency specific.

The IMF / WB grant element calculator with a fixed discount rate of 5%, takes next to the interest rate, grace period and tenor of the loan also the fees that the borrower has to pay into account. This is not the case for tied and untied aid on the basis of the OECD DAC grant calculator.

The different grant elements, discount rates and different grant element calculation methods / calculators imply in practice that donors of tied or untied aid for IMF/WB DSF countries with a zero NCB limit have to make two separate grant element calculations to ensure that their aid offer complies with both OECD (tied or untied) aid regulations and IMF/WB Debt Sustainability Policies. This is quite complicated or aid donor countries and aid recipient countries. Most aid recipient countries very likely only check whether the aid offers comply with IMF/ WB concessional finance standards.

Graph n°8 - No. of countries eligible for untied and tied aid and subject to IMF/WB Non-Concessional Borrowing Limits (1)



Source: IMF & WB

Please note:

1. There are in total 73 countries subject to IMF/WB debt sustainability policies among which 50 countries with debt limit restrictions of which 29 with a zero NCB limit and 21 with a non-zero NCB limit. For 29 countries with a zero NCB limit the minimum grant element of 35% of the IMF/WB applies, irrespective their WB income level and irrespective whether it is tied or untied aid.
2. The 3 UMICs that are today eligible for tied aid are Algeria, Tuvalu and Ukraine. For FY 2025 both Algeria and Ukraine were upgraded from LMIC status to UMIC. It is expected that both countries will become ineligible for tied aid in the near future. Tuvalu is not only an UMIC, but also an LDC, which explains its eligibility for tied aid.

III.F.4. Arrangement tied aid and OECD Recommendation on untying of aid[36]

The Arrangement allows OECD countries to provide tied aid to LDCs and LICs, but the OECD Recommendation on the untying of aid of the DAC encourages donor countries to untie their

[36] The current OECD DAC recommendation on untying of ODA can be found via the following link: "https://legalinstruments.oecd.org/public/doc/140/140.en.pdf

aid to these countries as much as possible. Most OECD donors provide therefore de jure untied aid to these countries, but there are longstanding concerns – both within Participants and the OECD DAC – that de jure untied aid is de facto tied[37].

On the untying of aid Recommendation, Japan is the only country that has formally opted out for untied aid to non-LDC HIPCs (Highly Indebted Poor Countries), other LICs and non-LDC IDA-only countries and territories. This implies that Japan is only committed to untie as much as possible its ODA to LDCs[38]. This partially explains that most tied aid to the poorest countries is today provided by Japan.

The consequence of these different aid regulations is that most of the tied aid is provided to LMICs and to a lesser extend to LDCs and LICs and UMICs. LMICs are also the countries that benefit the most from untied aid.

III.F.5 Effective and efficient use of concessional finance (financial additionality)

The tied and untied regulations in the OECD have different regulations or commitments to allocate concessional finance as much as possible to the poorest countries. This explains among others the relatively high minimum grant elements for tied aid (50%) and untied aid (45%) to LDCs. The 45% minimum grant element applies also to untied aid to other LICs, not being LDCs. For tied aid to non-LDC LICs, the minimum grant element is 35%.

The provision in the Arrangement that tied aid to UMICs is not allowed unless it has a minimum grant element of at least 80% aims at discouraging tied aid to these countries. The OECD DAC takes a different approach. Untied aid can be offered to UMICs, but with a minimum grant element of 10%. it requires therefore substantial less aid subsidies. Both Participants and OECD DAC members basically recognise that aid to UMICs should be avoided or limited, but it is regulated in a different manner.

The same is to a certain degree true for aid to LMICs. For tied aid the minimum grant element is 35%, whereas for untied aid it is 15%.

Within the UN and OECD DAC, there is an international commitment of donors to allocate between 0.15% and 0.20% of their ODA to LDCs[39]. This commitment only applies to LDCs

[37] See various OECD DAC untying of ODA reports covering the years 2015 - 2016, 2017 - 2018 and 2019 - 2020. These reports can be found via the following links: (1) 2018 Report on the DAC Recommendation on Untying ODA of 13 June 2018: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCD-DAC(2018)12-REV2.en.pdf (2) 2020 Report on the DAC Recommendation on Untying ODA of 12 March 2021 : https://one.oecd.org/document/DCD/DAC(2020)54/FINAL/en/pdf and (3) 2022 Report on the Implementation of the DAC Recommendation on Untying Official Development Assistance of 5 September 2022: https://one.oecd.org/document/DCD/DAC(2022)34/FINAL/en/pdf

[38] At the 2018 review, Japan notified the DAC that, in accordance with paragraph 20 of the Recommendation, it reserves the right to use tied aid as part of its ODA to all non-LDC HIPCs, other LICs and non-LDC IDA-only countries and territories. Accordingly, as of 1 October 2019, Japan may use tied aid as part of its ODA to all non-LDC HIPCs, OLICs and non-LDC IDA-only countries in conformity with the Recommendation. Source: REVISED DAC RECOMMENDATION ON UNTYING ODA of 24 January 2019/ DCD/DAC(2018)33/FINAL).

[39] The UN target for allocating 0.15% to 0.20% of GNI to ODA for LDCs was first formulated at the Third UN Conference on LDCs in 2001 in Brussels. (see: https://documents.un.org/doc/undoc/gen/g01/528/33/pdf/g0152833.pdf). This commitment was later reaffirmed in various international agreements, including the Istanbul Programme of Action for LDCs (2011). Within the OECD DAC, this target was highlighted and confirmed in subsequent high-level meetings.

and not to other poor countries (e.g., non-LDC LICs or certain highly indebted LMICs and UMICs with a zero-NCB limit).

In addition to these country specific regulations on discount rates and minimum grant elements, the Arrangement has specific regulations for the eligibility of tied aid for certain projects. This concerns the so-called commercial viability test[40], which include two key criteria, namely:

1. whether the project is financially non-viable, *i.e.,* does the project lack capacity with appropriate pricing determined on market principles, to generate cash flow sufficient to cover the project's operating costs and to service the capital employed, *i.e.* the first key test; or
2. whether it is reasonable to conclude, based on communication with other Participants, that it is unlikely that the project can be financed on market or Arrangement terms, *i.e.* the second key test. In respect of projects larger than SDR 50 million (approximately USD 66.5 million) [41], special weight shall be given to the expected availability of financing at market or Arrangement terms when considering the appropriateness of such aid.

In the context of the second key test, whether it is unlikely that a project can be financed on the basis of (regular) Arrangement terms, it is a common practice among Participants to investigate the OECD country risk rating and relevant country cover policies of OECD ECAs. Many OECD ECAs are for example off-cover for various countries rated in the highest OECD country risk category 7, which is an indication that Arrangement based finance will not be available for a project in such a country. In such a case tied aid is allowed. If a substantial number of ECAs is on cover and in principle able to support a project through a "regular export credit", then tied aid is in principle not allowed.
The commercial viability test can lead to 4 different assessments, whereby in two cases tied aid is allowed and in two other cases it is not.

Table n°11 - Possible outcomes of commercial viability test and tied aid eligibility

No.	Does project generate sufficient cash flow (Test 1)	Can project be financed on Arrangement terms (Test 2)	Is project eligible for tied aid?
1	Yes	Yes	No
2	No	Yes	No
3	Yes	No	Yes
4	No	No	Yes

Source: OECD DAC

A similar commercial viability test to avoid that market-based finance / official OECD export credits can be crowded out by untied concessional finance, does not exist. As a consequence, untied aid is in practice sometimes provided to (commercially viable) projects that could have been financed on market-based terms and conditions**.**

[40] In certain exceptional cases the commercial viability test does not apply. This concerns among others projects in LDCs or concessional loans to UMICs with a grant element of 80% or more.
[41] The USD amount is calculated on the basis of an exchange rate SDR 1 = USD 1.33 (January 2024).

This is not only relevant in the context of financial additionality, but also in the context of effective mobilisation strategies, aid efficiency and aid effectiveness. Untied aid is sometimes used where aid – from a financial additionality point of view – is likely not needed.

Also, in light of declining ODA budgets in many OECD DAC countries and the fact that substantial less ODA has become available for EMDEs due to an enormous increase of in-donor refugee costs (which for the 1st year are financed out of ODA budgets) and financial support for Ukraine, it makes sense to review current concessional finance practices and see how concessional finance can be used in the most effective and efficient way for in particular the poorest countries in the world, including LMICs and UMICs that face NCB limits of the IMF and WB.

A better alignment of development finance and export credits is also mentioned in BIAC's position paper of November 2023 in which the following remark is made:

"There is a need to align the rules for development finance and export finance on debt products more coherently. The current set of rules prevent effective financing support for countries which are more vulnerable. They foster isolated approaches and do not reflect the project reality, while tied vs. untied products and programs are not reflected comprehensively in the Arrangement. Thus, more favorable framework conditions should foster easier combination of export and development finance tools to consider projects needed urgently such as for social infrastructure"[42]

The overlap in operations of various official finance agencies requires a better cooperation and alignment between various official finance agencies – and their guardian authorities – involved in financing the cross-border trade and investment needs of EMDEs. A practical additionality ranking tool covering different forms of official finance could help to allocate scarce public capital more effectively and efficiently and to avoid that highly subsidized forms of finance unintentionally crowd out finance that involves less or no subsidies. For the development of successful cooperation and alignment among MDBS, BDBs, ODA Aid Agencies and OECD ECAs a whole of government approach is critical.

[42] The BIAC position paper of November 2023 can be found in annex 16.

Chapter IV - Main gaps, constraints and challenges of the Arrangement in financing social infrastructure

Social infrastructure projects in sectors like health, education, water, social housing, and many economic infrastructure projects that are not commercially viable such as “affordable basic infrastructure” and “essential social services” (e.g. rural roads and electricity distribution) are in most EMDEs primarily financed by the public sector. Private sector involvement in these sectors is in general limited and in many EMDEs (e.g., LICs, LDCs and many LMICs) not or hardly existent.

Most of these public sector projects are typically financed with MLT loans to the sovereign or certain sub-sovereign entities (e.g., municipalities or SOEs), whereby the sovereign acts as guarantor. Public sector infrastructure projects without a sovereign guarantee are in general only possible when the sub-sovereign has an acceptable credit rating, good reputation and solid track record on financial sustainability. Stand-alone sub-sovereign projects are therefore in practice mainly visible in UMICs and some LMICs.

The challenges and financial risks for OECD exporters and ECAs surrounding the financing of social infrastructure are more or less the same as for many other public sector infrastructure projects whereby the central government acts as borrower or guarantor.

They key challenges for OECD ECAs in financing these infrastructure projects are the following: the official export credit competition from non-OECD countries, the competition from untied loans and guarantees, the debt sustainability and the IMF/WB Non-Concessional Borrowing limits, the country cover policies of OECD ECAs, the lack of financial support in local currencies, the limitations of commercial banks to fund LT export credits and the guarantees from the development finance community.

IV.A. Challenge 1: Official export credit competition from non-OECD countries

During the past ten to fifteen years, OECD exporters and their ECAs faced an increased competition from non-OECD exporters and non-OECD ECAs. These non-OECD ECAs are not Participants to the Arrangement and are therefore not directly bound by the regulations of the OECD. This implies among others that detailed rules on minimum premiums, minimum interest rates, maximum tenors, maximum support for local costs, tied aid, high ESG- and anti-corruption standards do formally not apply to the export credit operations of these non-OECD ECAs. These countries are also not bound by OECD DAC regulations on ODA. This all creates important competitive advantages for the non-OECD ECAs and their exporters.

Key non-OECD competing countries are today China and India. Both countries provide (unregulated) tied aid and export credits for various infrastructure projects. For this reason, follows here below a brief analysis of the official support provided by these countries.

IV.A.1. China

In the international expansion of Chinese companies globally and the growth of their cross-border trade with and investments in EMDEs officially supported finance provided by the Chinese government plays a crucial role. Unlike OECD countries, a clear distinction between (1) officially supported export credits and (2) official development finance (e.g., ODA and other forms of development finance) does not exist in China[43]. All Chinese official finance support – either in the form of financing support or pure cover support – is in fact of kind of "blended finance" of development finance and export credits.

The motive of Chinese official finance is to support "South-South Cooperation", with financial and economic benefits for both the provider and recipient of official finance. A key characteristic of Chinese official finance support is that it is all de jure tied to procurement of goods and services from China. This is usually also the case for officially supported export credits from OECD countries, but not for development finance. A substantial part of OECD development finance (e.g., bilateral ODA and other forms of development finance from BDBs concerns de jure untied development finance).

By providing official finance, China clearly promotes national business interest, which include the need for natural resources of China to develop its own economy. This is the reason why resource-backed financing form an essential part of China's officially supported financing program. China provides official financing also to promote exports from its country. For example, China wants to support its companies, among which many SOEs, in exporting to EMDEs (partially also to manage overcapacity in the domestic market) to generate hard currency income and create employment in China. China has also a developmental objective for EMDEs, but this is subordinate to its own national (business) interests.

The problem with Chinese official finance for EMDEs is that detailed information on the terms and conditions that are offered is not made public. This explains that during the past ten years quite some external studies have been conducted that provide an interesting insight into the Chinese official finance practices.

For example, according to the most recent study of AidData[44] China provided during the years 2000 – 2021 USD 1.36 trillion of official finance support to EMDEs of which it classified:

- USD 140 billion as ODA-like finance, covering grants and loans.
- USD 1,077 billion as Other Official Flows (OOF)-like finance, mainly loans.
- USD 144 billion as Vague Official Finance (VOF), which are mainly loans, but due to the lack of information could not be earmarked as ODA or OOF.

[43] In the OECD world "Bilateral Official Finance" is separated in (i) officially supported export credits (with the motive to supports exports) and development finance (with the motive to support development in EMDEs). Both forms of official finance have their own regulations. Development finance can be split in (i) concessional finance, which is Official Development Assistance (ODA) and (ii) non-concessional development finance. Non-concessional finance includes subsidized bilateral development loans to governments with a concessionality below the relevant ODA threshold (semi-concessional loans) and market-based development finance to private borrowers in EMDEs. Next to these forms of Bilateral Official Finance, there is also "Multilateral Official Finance", which can be split in concessional (e.g. IDA-loans), semi-concessional (e.g. IBRD loans) and market -based loans (e.g. IFC loans).

[44] The complete study can be found on the website of AidData via the following link: https://www.aiddata.org/datasets

Box n°8 - AidData criteria for ODA-like and OOF-like official finance

ODA-like: Chinese official finance provided between 2000 – 2017 is classified as "ODA-like" when it (1) has development intent, (2) a grant / concessionality element of at least 25% (using the general discount rate of 10% of the old ODA definition and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. Transactions committed between 2018 – 2021 are classified as ODA-like when it (1) has development intent, (2) a grant / concessionality element of at least 45% for LDCs and LICs, 15% for LMICs and 10% for UMICs, using the applicable discount rate of 9% for LDCs / LICs, 7% for LMICs and 6% for UMICs and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. **OOF-like:** Chinese official finance that refers to "Other Official Flows", which includes semi-concessional or market-based development loans not meeting the ODA criteria and officially supported export credits. Examples of OECD development loans that usually do not meet the ODA criteria are KfW promotional loans for public sector borrowers, market-based loans for private sector borrowers from European private sector-oriented development finance institutions and officially supported export credits from OECD ECAs, such as US-EXIM (USA), EDC (Canada), KEXIM (Korea). Also so-called untied investment loans supported by some OECD ECAs are likely reported as OOF, since they usually do not meet the minimum concessionality level of ODA. There is, however, a lack of information on the terms and conditions (e.g. pricing) of these untied ECA facilities. **Vague Official Finance (VOF):** Chinese official finance that could not be classified as ODA-like or OOF-like.

Source: AidData.

The key providers of official finance support are three Chinese official policy institutions, which are China EXIM bank, China Development Bank and the ECA-insurer Sinosure. In various transactions, financial support was also provided by other Chinese banks, certain Chinese ministries and through supplier credits by exporters (mainly Chinese SOEs).

IV.A.1.i. China and official loans for various infrastructure sectors

During the years 2000 – 2021 China provided in total USD 1,299.8 billion of loans of which AidData classified USD 91.5 billion as ODA-like loans, USD 1,075 billion as OOF-like loans and USD 134.2 billion as VOF.[45]

Sector-wise, the largest amount of loans was provided for Industry and Mining (USD 336.9 billion), followed by Energy (USD 336.2 billion), Transport (USD 255 billion), Communication (USD 50.2 billion), Water (USD 17 billion), Education (USD 6 billion) and Health (USD 4.6 billion). Other sectors, covering among others Agriculture, Banking, General Budget Support, Emergency and Reconstruction Relief received a total amount of USD 293.9 billion.

The key conclusion is that Chinese official finance agencies are quite active in supporting "classical" social infrastructure projects among which Water, Education and Health – in total for all three sectors USD 27.6 billion –, but the majority of Chinese official finance support is provided for other sectors, in particular for Industry and Mining, Energy, Transport and Communication, which typically belong to the key sectors of the Belt and Road Initiative.

[45] For an in-depth assessment of Chinese official finance operations in the context of the Arrangement regulations for export credits and tied aid it is referred to the SFI study " Foreign Subsidies, State Owned Enterprises and Unfair Competition" which can be found via the following link: https://www.linkedin.com/posts/paul-mudde-6792736_state-subsidies-chinese-soes-and-unfair-activity-7202785792388153344-9dRx/

Table n°12 - China's official ODA-, OOF-like and VOF finance by sector 2000-2021 (USD m)

Sector	ODA-like	OOF-like	VOF	Total	% of total
Energy	17,861.83	284,991.41	33,389.39	336,242.63	25.87%
Communication	6,741.33	39,810.22	3,663.19	50,214.73	3.86%
Transport	40,290.70	181,727.34	33,001.48	255,019.53	19.62%
Water	4,965.68	6,953.62	5,055.06	16,974.36	1.31%
Health	484.63	2,613.83	1,450.68	4,549.14	0.35%
Education	950.40	4,543.52	490.11	5,984.03	0.46%
Industry & Mining	6,379.35	310,870.71	19,709.10	336,959.16	25.92%
Other	13,860.33	242,583.00	37,404.52	293,847.85	22.61%
Total	**91,534.25**	**1,074,553.9**	**134,163.53**	**1,299,791.4**	**100.00%**

Source: AidData.

V.A.1.ii. Some key terms and conditions of China's ODA-like loans

According to AidData, China provided during the years 2000 – 2021 in total 1,216 ODA-like loans of which 1,020 to LDCs, LMICs and UMICs with a total value of USD 83.6 billion. In addition, there are 196 ODA-like loans to non-LDC LICs with a total value of approximately USD 7.9 billion.

Box n°9 - China's EXIM Government Concessional Loan and Preferential Buyer Credit

China EXIM bank offers two different types of concessional loans: Government Concessional Loans (GCLs) and Preferential Buyer's Credits (PBCs). Most of the GCLs and PBCs of China EXIM were earmarked as ODA-like loans by Aiddata.

GCLs are RMB-denominated loans granted to government institutions and provided on below-market terms (usually 20-year maturities, 5-year grace periods, 100% financing for the entire project investment and 2% interest rate). China's Ministry of Finance calculates the difference between the interest rates attached to these loans and the Central Bank's benchmark rate and reimburses China EXIM accordingly. The amount reimbursed is basically the subsidy involved.
GCLs can finance 100% of the project costs, but it is unknown how often this happens. It would require additional research.

PBCs are usually USD-denominated loans granted to government institutions that wish to buy Chinese goods and services. The terms of these loans vary, but they are typically offered with fixed rather than floating interest rates that are more generous than prevailing market rates, which implies that certain subsidies are granted. The proceeds of these loans can be used to support up to 85% of a project's overall cost, which implies that the borrower must finance the remaining 15%. PBCs can also finance 100% of an export contract, but it is unknown how often this happens. It would require detailed research on individual projects, but for many projects there is likely insufficient data.

Source: Annual report China EXIM 2023 and Report "How China Lends" [46]

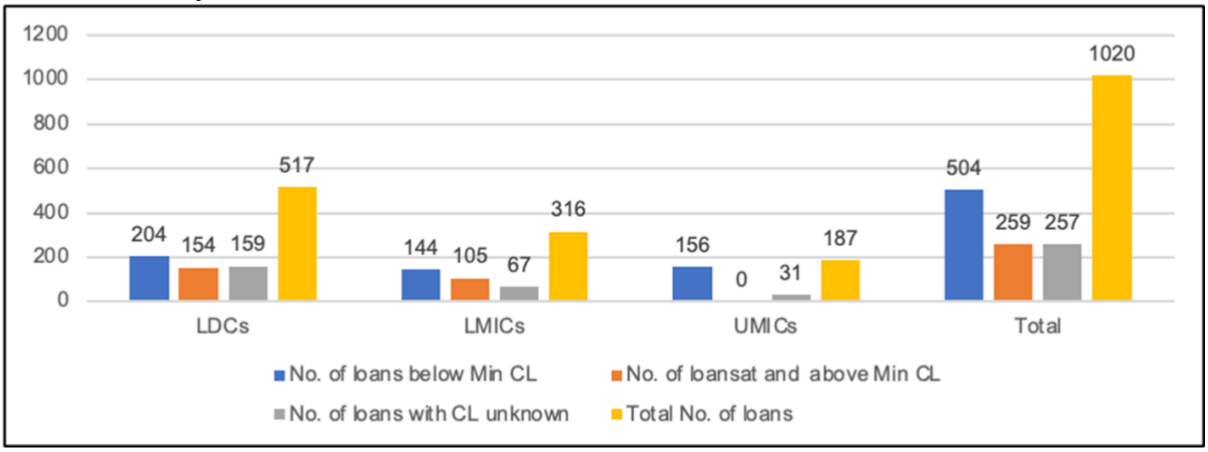
The tenors[47] of ODA-like loans range between 1.5 years and 31 years. An assessment of ODA-like loans by sector and tenor can be found in Annex n°9.

[46] The report « how China lends » covers an analysis of the key terms and conditions of 100 loan agreements between Chinese government institutions (and state-owned banks) and 24 low- and middle-income countries. The report was published by AidData in March 2021 and can be found via the following link: https://www.aiddata.org/how-china-lends
[47] Tenors in the database of AidData refer to the disbursement period (including the grace period) and the repayment period.

Interest rates vary between 0% and 3.839% and the maximum grace period is 18 years. Based on these conditions AidData qualified these loans as ODA-like, for which the grant elements and discount rates of untied ODA of the OECD DAC were used. Given the tied nature of these ODA-like loans it is more appropriate to use tied aid grant elements and discount rates of the Arrangement to assess whether the loans can truly be qualified as aid.

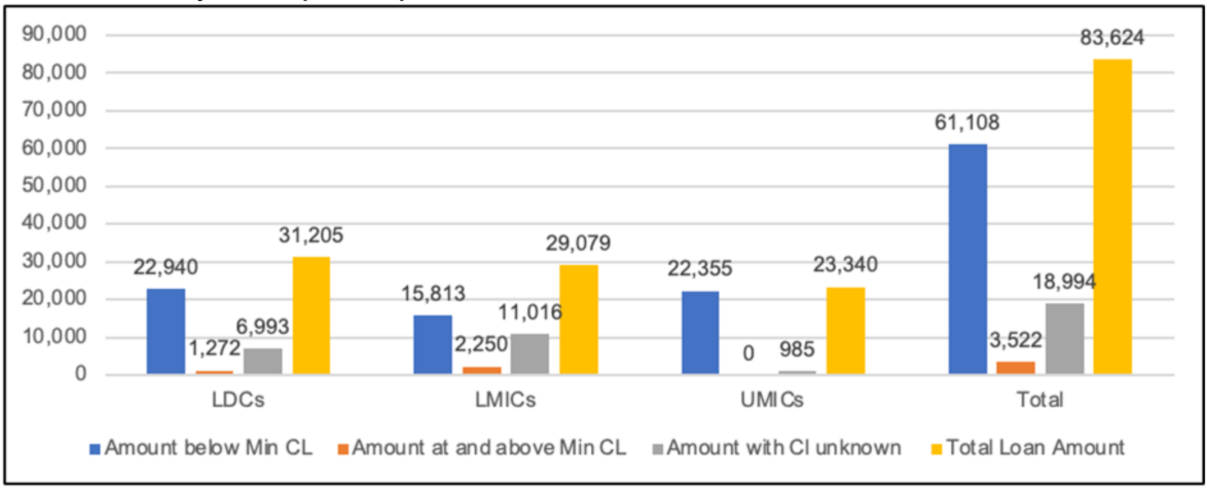
Out of the 1,020 loans to LDCs, LMICs and UMICs, at least 504 loans with a value of USD 61.1 billion do not meet the applicable tied aid minimum concessionality level of the Arrangement[48]. 259 loans with a total value of USD 3.5 billion seem to be in line with OECD tied aid regulations and for 257 loans with a value of USD 19 billion this is uncertain due to the lack of information to make the assessment.

Graph n°9 - Overview of number of ODA-like loans to LDCs, LMICs and UMICs and their Concessionality levels



Source: AidData and SFI.

Graph n° 10 - Volume of ODA-like loans to LDCs, LMICs and UMICs and their Concessionality levels (USD m)



Source: AidData and SFI.

[48] Whether the 196 tied ODA-like loans to non-LDC LICs of in total USD 7.9 billion meet all tied aid criteria of the Arrangement has not been further investigated. The focus in this report is on LDCs, LMICs and UMICs.

For the water sector, China provided during the years 2000 - 2021 tied ODA-like loans for a total amount of USD 4,965 million of which more than 56% does neither meet the minimum grant element of the IMF /WB nor the applicable minimum grant elements of the Arrangement. Because of a lack of data, it is for almost 31% of the ODA-like loans unknown whether the applicable grant elements were reached. For 13% of the projects the loans meet the concessionality conditions of the IMF/WB and likely also those for tied aid under the Arrangement. More details about the financing of Water projects with tied ODA-like loans can be found in Annex n°10.

For the education sector, China provided during the years 2000- 2021 tied ODA-like loans for a total amount of USD 950.40 million of which also more than 56% does neither meet the minimum grant element of the IMF /WB nor the different minimum grant elements of the Arrangement. For more than 34% of the loans, the assessment could not be made, because of a lack of data. Only in 9,3% of the loans, the minimum grant elements of IMF/WB and the Arrangement are reached. More details about the financing of Education projects with tied ODA-like loans can be found in Annex n°11.

For the health sector**,** China provided during the years 2000- 2021 tied ODA-like loans for a total amount of USD 484.6 million of which more than 62% does meet the minimum grant element of the IMF/WB and likely also the applicable grant elements of the Arrangement. In almost 20% of the loans, this is not the case and, for 18%, it is uncertain. More details about the financing of Health projects with tied ODA-like loans can be found in Annex n°12.

OECD governments cannot offer tied aid credits with a too low grant element or subsidised export credits, which creates substantial competitive advantages for Chinese exports.

IV.A.1.iii. Some key terms and conditions of China's OOF-like loans

According to AidData China provided during the years 2000 – 2021 in total an amount of USD 1,075 billion of OOF-like loans, of which USD 329 billion with a tenor up to 10 years, USD 180 billion with a tenor between 10-15 years, USD 202 billion with a tenor between 15 and 20 years and USD 26.4 billion with a tenor beyond 20 years. For a loan value of USD 337 billion the tenors are unknown (for further details of OOF-loans by sector and tenor see annex n° 9).

These tenors beyond 20 years were in particular granted for the Transport sector (USD 11.44 billion), Mining & Industry (USD 9.04 billion) and Water (USD 1.03 billion). In some projects with a total value USD 12.5 billion, the tenors ranged between 25 and 40 years, which is far beyond the maximum tenors for OECD export credits and cannot be offered by OECD ECAs.

A total OOF-loan value of at least USD 76 billion was provided with interest rates at or below 2% and USD 583 billion with an interest rate above 2%. For an amount of USD 414 billion, the interest rates are unknown. Loans with a 2% interest rate or lower are below the applicable CIRRs of the loans and therefore not compliant with the Arrangement.

For the water sector, China provided during the years 2000 - 2021 OOF-like loans for a total amount of USD 6,953.6 million of which almost 15% had a tenor beyond than 20 years up to 25 years. 34% of the loans had a tenor between 10 and 15 years and 24% between 15 and 20 years. Loans up to and including 10 years represents 7% of the loans and for 19% of the loans the tenors are unknown. These tenors are more or less in line with the maximum tenors for water projects under the current CCSU, but many loans date back from the period before the Participants agreed to a tenor extension for water projects. More details about the financing of Water projects with OOF-like loans can be found in annex n°10.

For the education sector, China provided during the years 2000- 2021 OOF-like loans for a total amount of USD 4,543.5 million. Approximately 21% of these loans had a tenor between 15 and 20 years and for 14% it was beyond 20 years. A substantial volume of education business benefitted therefore from tenors much longer than the maximum repayment period of 15 years, which is currently allowed under the modernised Arrangement (max. 15 years).

The interest rates for most education projects ranged between 0% and 5% and the grace periods varied from 2 and 8 years. More details about the financing of Education projects with OOF-like loans can be found in annex n°11.

For the health sector, China provided during the years 2000- 2021 OOF-like loans for a total amount of USD 2,613.83 million. Approximately 27% of these loans benefitted from a tenor of 20 years or more, which is longer than what is currently allowed under the modernised Arrangement (max. 15 years).

For most health projects the grace periods are unknown. More details about the financing of Health projects with OOF-like loans can be found in annex n°12.

IV.A.1.iv. China's non-Arrangement business and "prohibited export subsidies" of the WTO

China is not a Participant to the Arrangement, but it is a full member of the WTO.

According to WTO regulations governments are for their export lending programs not allowed to charge interest rates, which are below their own funding costs. Interest rates lower than the government's funding costs are only allowed if the lending government (or its Agency) adheres to the Arrangement, which is therefore considered as the "Safe Harbour" against potential WTO complaints.

Given the fact that at least 504 tied ODA-like loans with a value of USD 61.1 billion did not meet the OECD minimum grant elements of the Arrangement and likely benefitted from interest rates below the funding costs of the Chinese government, these loans could in the context of WTO regulations potentially be earmarked as "prohibited export subsidies".

A loan amount of USD 76 billion of OOF-like loans benefitted from interest rates of 2% or less, which is below the applicable CIRRs and likely also below the funding costs of the Chinese government. So, also, in OOF-like lending prohibited export subsidies were likely provided.

For the category VOF in the database of AidData with a value of USD 134 billion, the tenors and interest rates are unknown. This explains why no concessionality calculations could be made and their classification as VOF. Also, an assessment whether these loans are non-compliant with WTO regulations can unfortunately not be made.

These potentially prohibited export subsidies in ODA- and OOF-like loans, and likely also in many VOF-loans, create obviously enormous disadvantages for OECD exporters and their ECAs, for they are unable to compete against these unfair lending practices.

IV.A.2. India

The export credit agencies in India are India Exim Bank, which is mainly involved in lending, and the ECA-insurer Export Credit Guarantee Corporation of India (ECGC). India Exim Bank can also provide tied aid.

IV.A.2.i. Export Credit Guarantee Corporation of India

Annual new business of ECGC has grown regularly and fast over 2012-2022 (+9% per year.). It reached in 2022 a total amount of USD 84 billion. During the FY 2022-2023, ECGC supported approximately 18% of the total exports from India.[49]

The vast majority of ECGC's operations concern ST credit insurance, which represents approximately 98.8% of its portfolio. The MLT operations of ECGC are partially done on ECGC's own account and on a national interest account of the Indian Government, which is called the National Export Credit Insurance Account (NEIA). The MLT buyer credit operations are very modest and have during the past ten years declined from USD 900 million in FY 2012-13 to approximately USD 363 million in FY 2022-23. Some MLT business is supported by the NEIA account, but it is not clear from ECGC's annual reports whether these NEIA-operations are included in the a.m. figures.

IV.A.2.ii. India Exim Bank

The annual operations of India Exim Bank are more volatile than those of ECGC. During the years 2013-2022 the annual new business operations increased from approx. USD 8.9 billion (2013) to USD 12.9 billion (2023). The top year was 2017 when it provided financial support for new business for an amount of USD 16.9 billion. Annual new business consists mainly of loans (in 2022: USD 11.1 billion) and guarantees (in 2022: USD 1.77 billion).

Most of its business concerns pre-export finance and working capital facilities for Indian exporters. The MLT buyer credit operations whereby loans are provided to foreign buyers are modest and are partially done on India Exim Bank's own account and partially on the account of the Indian government via the NEIA account.

In 2013, it provided on its own account 27 relatively small buyer credits for USD 382 million. In 2022, 5 buyer credits were provided for USD 180 million.

In April 2011, jointly developed by ECGC and India Exim Bank, a new facility was launched, which concerns the Buyer's Credit under National Export Insurance Account (BC - NEIA). Under this facility, ECGC provides cover up to 100% for the BC extended by India EXIM and also covers exchange rate fluctuation till repayment of the credit, as ECGC's insurance cover is denominated in Indian Rupees at the start of the cover. As of March 2023, the

[49] Source: Source ECGC annual report 2022-2023.

BC – NEIA has issued 28 Buyer's Credit covers with an aggregate Maximum Liability of approximately USD 2,985 million for 28 projects of value USD 2,142 million in various EMDEs, including Cameroon, Cote D'Ivoire, Ghana, Iran, Maldives, Mauritania, Mozambique, Senegal, Sri Lanka, Suriname, Tanzania, Uganda, Zambia and Zimbabwe[50]. In 2013 eight new BC NEIA transactions were financed with a total value of USD 1,152 million. This line of business has decreased over the years. In 2022 for example there were only two BC NEIA transactions with a value of USD 370 million. In 2023, no new transactions were supported under this facility.

Table n°13 - Key features of India Exim Bank BC- NEIA facility

Eligible Borrowers	Sovereign governments and their nominated government-owned entities for financing their import of eligible goods and services from India on deferred payment terms.
Eligible Goods	Project Exports from India, in particular for infrastructure projects such as power, transportation (railways, including rolling stock, roads and vehicles), capital and engineering goods, housing, hospitals and water projects.
Eligible Indian companies	Indian exporters with satisfactory track record and sound financials.
Quantum of Credit	The Buyer's Credit would not normally cover more than 85% of the contract value, with the balance 15% being paid by the project authority as advance or down payment. Higher credit amount can be considered on case -to -case basis.
Guarantee Fee	Ranges between 2.40% to 7.60% based on the country rating and period of the cover.
Tenor / Repayment (Credit) Period	Credit period would normally be limited to 15 years. However, longer credit period up to 20 will be considered exceptionally on merits of the proposal.
Security	Sovereign guarantee in the event the borrower is other than the Ministry of Finance of the borrowing country.

Source: India Exim Bank

IV.A.2.iii. The National Export Credit Insurance Account (NEIA)

The maximum exposure or the Permissible Maximum Liability (PML) for the covers issued under NEIA is capped at Rs.80,000 crore (USD 9,574 billion). Out of the PML, Rs. 60,000.00 crore (75%) is reserved for the Buyer's Credit-NEIA scheme and the balance Rs. 20,000.00 crore (25%) is reserved for other export credit insurance schemes of ECGC. The exposure of the BC NEIA facility increased from USD 239 million in 2013 to USD 3.192 million in 2022. The exposure under the NEIA facility for other ECGC operations increased from USD 685 million in 2013 to USD 1,800 million in 2022. The total NEIA exposure at the end of 2022 was therefore close to USD 5 billion.

[50] See page 25 of the annual report of ECGC 2022-2023, which can be found via the following link: https://main.ecgc.in/wp-content/themes/pcwebecgc/images/pcECGPagePDF/FinancialResult/ECGC Annual Report 2022-23 (3).pdf

Table n°14 - NEIA: Performance Highlights as of 31.03.2022

Topic	BC-NEIA	Support Extended to ECGC Schemes	Total number since inception of the NEIA
No. of Projects Supported	27	213	240
No of Exporters supported	17	64	75
No. of Countries Supported	14	53	57

Source: India Exim Bank

IV.A.2.iv. Tied concessional loan program of India.

Like China, India is also active in providing tied concessional loans, which are mainly provided in the form of Lines of Credit (LOCs) or funding lines to financial institutions (but only with a sovereign guarantee) or sovereign borrowers in EMDEs to finance the imports of Indian goods and services in the aid recipient country. It concerns therefore tied aid.

India provides LOCs since 2004 under the so-called Indian Development and Economic Assistance Scheme (IDEAS) through the EXIM Bank of India. Between 2013 and 2022, 155 LOCs worth USD 24,2 billion have been extended to 65 countries. The projects under the LOCs cover critical infrastructure sectors such as transport connectivity through railways, roads and ports; power generation and distribution; agriculture and irrigation; manufacturing industries, healthcare, education and capacity building. These infrastructure projects have usually a value of USD 200 million or more. For other projects that are of strategic importance the minimum value is USD 100 million.

According to an office memorandum of the Indian Ministry of Finance of 22 March 2022[51] concessional loans can be provided for three different categories of countries, namely:

- Category I:

26 LICs and LMICs for which the IMF has prescribed a minimum grant element of 35%, calculated with a fixed discount rate of 5%.

  It should be noted that, according to Arrangement, tied aid regulation 21 countries in this category I are LDCs, which require a minimum grant element of 50%, calculated on the basis of the applicable DDR. For the other 5 countries, the Arrangement requires a 35% grant element, calculated with DDRs and not with the fixed 5% of the IMF/WB DSF.

- Category II:
  59 LICs and LMICs for which there is no IMF/WB minimum grant element requirement.
  The Arrangement tied aid regulation requires for 23 countries in this category II a minimum grant element of 50% (LDCs) and for 26 countries a grant element of 35%.
- Category III:
  Other EMDEs, which includes 6 UMICs
  According to the Arrangement tied aid regulations, UMICs are in principle not eligible for tied aid unless the aid financing has a grant element of at least 80% (calculated with applicable DDR).

[51] The memorandum can be found via the following link: https://www.eximbankindia.in/assets/pdf/loc/IDEAS_2022_07042022.pdf

The classification of countries in these three country categories determines the terms and conditions of the concessional finance. The higher the country category the less favourable tenors and interest rates.

Table n°15 - Country categories and Terms and Conditions of Indian Lines of Credits

Terms & Conditions (i)	**Country Classification**		
	Category I	**Category II**	**Category III**
Rate of Interest	1.5%	1.75%	Libor +1.5% (ii)
Maturity	25 years	20 years	15 years
Moratorium	5 years	5 years	5 years

Note 1

(i) Grant element as applicable for each category shall be calculated with IMF formula

(ii) For Category I, a minimum 35% grant element is prescribed

(iii) Grant Element is the difference between NPV of the loans repayments and the actual amount of the loan.

Note 2

For countries under category III, the rate of interest will be linked to an equivalent rate based on Alternate Reference Rate approved by GoI in transition away from USD Libor as per existing Regulatory Guidelines

Source: India Exim Bank.

The above-mentioned maximum tenors can be extended up to 5 years, which implies that maximum tenors can range between 20 to 30 years. The grace period can also be extended up to a maximum of 2 years, implying a maximum grace period of 7 years.

The Indian export content of projects financed under LOCs should be at least 75%. In exceptional circumstances this can be reduced with 10%, leaving a minimum national content requirement of 65%.

In addition to LOCs, the India government can also provide a grant to finance project preparation.

In 2022 some key changes were made in the Indian concessional LOCs program, which are the following:

- mandatory appointment of Project Management Consultant for all projects of US$ 10 million and above (except for supply contracts);
- the requirement for the borrowing government to enter into a comprehensive maintenance contract for three to five years, after commissioning of the project and completion of the warranty period;
- streamlining of various timelines in respect of the LOC; and
- an amount up to 0.50% of the LOC can be utilised for evaluation of the project on completion by the lending bank or through an independent agency.

Concessional LOCs have been used to finance the Parliament Building of Gambia, the Presidential Palace in Ghana, the Kosti Power project in Sudan which provides 1/3rd of the country’s power, the Nyaborongo Power Project in Rwanda which provides 1/4th of the country’s power, Railway Bridges and Signalling Systems in Bangladesh.

Table n°16 - Examples of various Concessional Lines of Credit of India

Country	Value of LOCs in USD
Bangladesh	7.862 billion
Sri Lanka	2.129 billion
Nepal	1.65 billion
Mauritius	765 million
Maldives	476 million
Seychelles	128 million

Source: India Exim Bank

The (tied) aid budget for the ministry of external affairs for concessional finance to EMDEs was for the fiscal year 2021 – 2022 set at approximately USD 985 million[52]. The aid is supposed to be provided to 20 countries, which include Bhutan, Afghanistan, Nepal, Sri Lanka, Maldives, Myanmar, Mongolia, Mauritius, Seychelles and some African and Eurasian countries.

IV.A.2.v. Tied aid program of India and “prohibited export subsidies” of WTO

Although Indian concessional loans seem to comply with the IMF/WB DSF, it is likely they do not comply with the tied aid regulation of the Arrangement. This means that India like China operates likely outside the OECD Safe Harbour for tied aid and that some of its tied concessional loans could potentially be earmarked as prohibited export subsidies in the WTO.

IV.B. Challenge 2: Competition from untied loans and guarantees

During the past 10 to 15 years, partially in response to the unregulated finance practices of China, many OECD governments developed new untied financing or guarantee programs or began to use existing untied programs to support national business interests abroad. Untied facilities are among others used to finance the international expansion of national companies, support debt investments in PPP project finance transactions in which a national equity investors / sponsor is involved and for the imports of critical minerals.

IV.B.1. Untied support provided by ECAs

The Arrangement does not apply to these untied financing facilities, while they can easily be used to substitute a regulated officially supported export credit. For example, an investment loan for a PPP project with a national equity investor involved is de jure untied, and the

[52] Source : https://www.ndtv.com/india-news/budget-2021-over-rs-18-000-crore-allocated-for-external-affairs-ministry-rs-7-149-crore-for-foreign-aid-2361507

project owner can thus use the funds for any purpose. In practice, the project sponsor will likely mainly source goods and services from its mother company or some of its key suppliers in its home country. The concerns that de jure untied financing facilities are de facto tied are understandable, also in light of the fact that similar concerns exist in the OECD DAC regarding de jure untied ODA.[53]

These untied programs are offered through ECAs (or their so-called second windows), but in some cases also through DFIs, in particular by those DFIs that have a dual mandate or dual mandate program. Dual mandate DFIs support investments in EMDEs, but it is usually linked to a national business interest, which can be trade - and / or investment related and involves usually a national investor, importer or exporter. In some countries, there are policy institutions that operate both as a dual mandate DFI and as an EXIM bank. JBIC in Japan is an example of that.

According to the US-EXIM competitiveness report 2023, untied financing or guarantee support provided by official ECAs increased from USD 15.5 billion in 2015 to 33.1 billion in 2023. This reflects a clear growing trend of untied financing provided by the ECA community.

Table n°17 - Untied support provided by ECAs 2015 – 2023 (in billion USD)

YEAR	China	France	Germany	Canada	Italy	Japan	Korea	Other ECAs	TOTAL (bn USD)
2015	4,5	0,0	0,1	1,1	0,0	1,3	7,7	0,8	**15,5**
2016	3,9	0,0	0,5	6,6	0,0	1,5	6,8	0,2	**19,5**
2017	3,9	0,0	0,0	6,5	1,5	0,6	1,0	0,2	**13,7**
2018	3,9	0,0	0,5	4,6	1,2	1,1	0,4	0,2	**11,9**
2019	9,6	0,0	0,7	4,7	0,7	2,0	5,2	0,3	**23,2**
2020	1,2	0,0	0,5	2,2	0,6	1,6	4,0	4,8	**14,9**
2021	0,1	0,0	0,0	2,3	1,2	1,8	3,1	9,0	**17,5**
2022	0,0	0,0	4,5	4,1	2,0	2,0	4,3	0,5	**17,4**
2023	0,0	2,3	0,0	3,2	11,4	5,8	9,2	1,2	**33,1**
TOTAL	**27,1**	**2,3**	**6,8**	**35,3**	**18,6**	**17,7**	**41,7**	**17,2**	**166,7**

Source: US-EXIM competitiveness report 2023.

Also, recent data from the Berne Union[54] reflect growing untied aid operations of its members. So-called Other Cross-Border Credit (OCB) , which includes a broad range of products including untied ECA products and (untied) private insurance, flourished in 2023 growing with 30% in new business volumes. While new OCB business in 2023 with a total volume of approximately USD 50 billion remains concentrated in a handful of notable transactions, some Berne Union members reported that "*some clients are choosing untied products over traditional export credit. Additionally, while untied products have been used before for sovereign transactions, there were notable large sovereign transactions in 2023 from untied products which boosted overall volumes*". OCB business also includes import-securing support, of which there has been a recent notable uptick in activity.

[53] See among others the 2022 Report of the OECD DAC on the implementation of the DAC Recommendation untying of Official Development Assistance, published on 5 September 2022. This report can be found via the following link: https://one.oecd.org/document/DCD/DAC(2022)34/FINAL/en/pdf
[54] See Berne Union report *Export Credit &Investment Insurance Industry Report 2023, which was published in July 2024: https://www.berneunion.org/Publication/reports*

Box n°10 - Berne Union annual New OCB business by region (2023)

Africa			Americas			Asia & Oceania			Europe		
Senegal	853	26%	US	7,532	42%	Saudi Arabia	8,744	44%	UK	1,908	21%
Egypt	795	24%	Brazil	2,926	16%	Japan	1,779	9%	Spain	1,699	18%
Morocco	477	14%	Canada	2,239	13%	India	1,753	9%	Cyprus	978	11%
Cote d'Ivoire	439	13%	Chile	1,680	9%	Indonesia	1,513	8%	France	735	8%
Nigeria	236	7%	Peru	1,258	7%	Taiwan	1,432	7%	Hungary	612	7%
REST	521	16%	REST	2,242	13%	REST	4,743	24%	REST	3,269	36%
TOTAL	3,321		TOTAL	17,876		TOTAL	19,963		TOTAL	9,201	

Source: Berne Union

IV.B.2. Untied support provided by bilateral private sector DFIs

As mentioned, untied financing and guarantee support is not only provided by ECAs, but also by bilateral DFIs. And according to various stakeholders their involvement can have a serious impact on the competitiveness of OECD exporters, investors and the demand for export credit support from OECD ECAs.

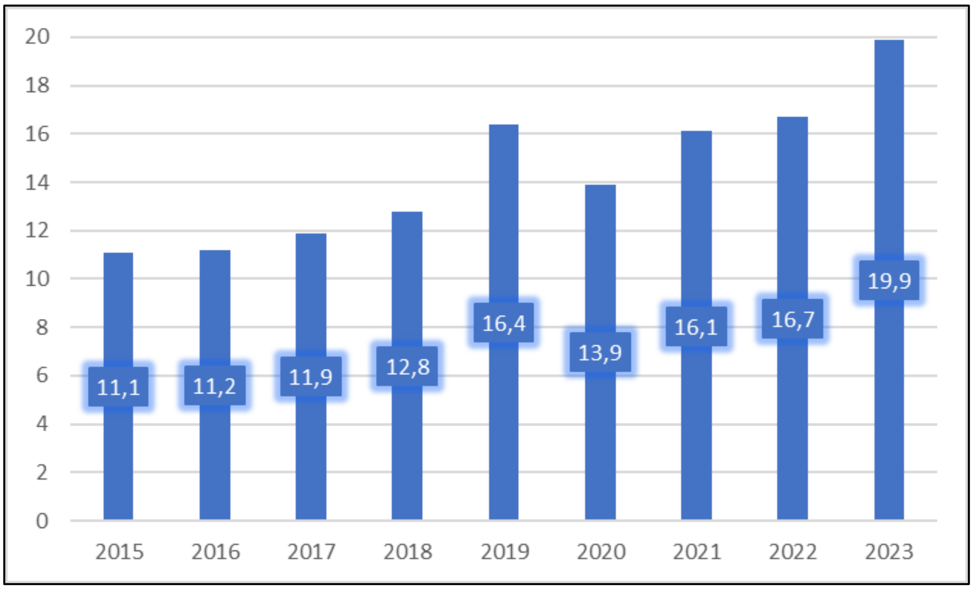
This explains that, in US-EXIM competitiveness reports, figures can be found about the bilateral DFI's that are involved in cross-border trade and investments. These reports cover, however, only bilateral DFIs that support private sector development and include therefore only data of the operations from U.S. International Development Finance Corporation (US DFC), European Development Financial Institutions (EDFI) and Development Finance Institute (Canada). It concerns therefore a small selection of bilateral DFIs and does not include DFIs that provide grants, concessional and semi-concessional loans to the public sector in EMDEs, which are mainly sovereign borrowers.

The bilateral private sector DFIs provide in principle market-based financial support although many of them can make use of government subsidies for their blended finance operations, which are mainly financed from ODA budgets of their governments. A challenge is that the terms and conditions (e.g., tenors, pricing, grace periods and maximum loan amounts available to finance a project) of these blended or market-based finance operations are not transparent. And although the private sector oriented DFIs have developed so-called blended finance principles, which includes some additionality criteria to determine when it is appropriate to use subsidies for blended finance[55], it is unclear how these principles are interpreted and applied in practice. It is also untransparent to what extent these de jure untied DFI facilities are (de facto) used to facilitate exports and investments from the country of the DFI.

[55] See among others OECD DAC blended finance principles for unlocking commercial finance for the sustainable development goals, which can be found via the following link: https://www.convergence.finance/resource/oecd-dac-blended-finance-principles-for-unlocking-commercial-finance-for-the-sustainable-development-goals/view.
Also the MDB community developed certain blended finance principles, which can be found via the following link: https://publications.iadb.org/en/dfi-working-group-blended-concessional-finance-private-sector-projects-summary-report

Fact is that during the past 9 years the operations of the selected bilateral private sector DFIs have increased substantially from USD 11.2 billion in 2015 to almost USD 20 billion in 2023.

Graph n°11 - Untied support provided by Bilateral private sector DFIs 2015 – 2023 (USD billion)



Source: US-EXIM competitiveness report 2023.

IV.B.3. Untied support provided by multilateral and bilateral *public* sector DFIs

As explained in the previous Chapter, there is currently no adequate "financial additionality-test" for untied aid provided by MDBs, OECD Bilateral Development Banks and ODA Aid Agencies for public sector (infrastructure) projects in which a sovereign acts as borrower or guarantor. For bilateral untied aid loans to UMICs and LMICs, relatively low aid subsidies (ODA) have to be provided because of the low minimum ODA grant elements and relatively high discount rates.

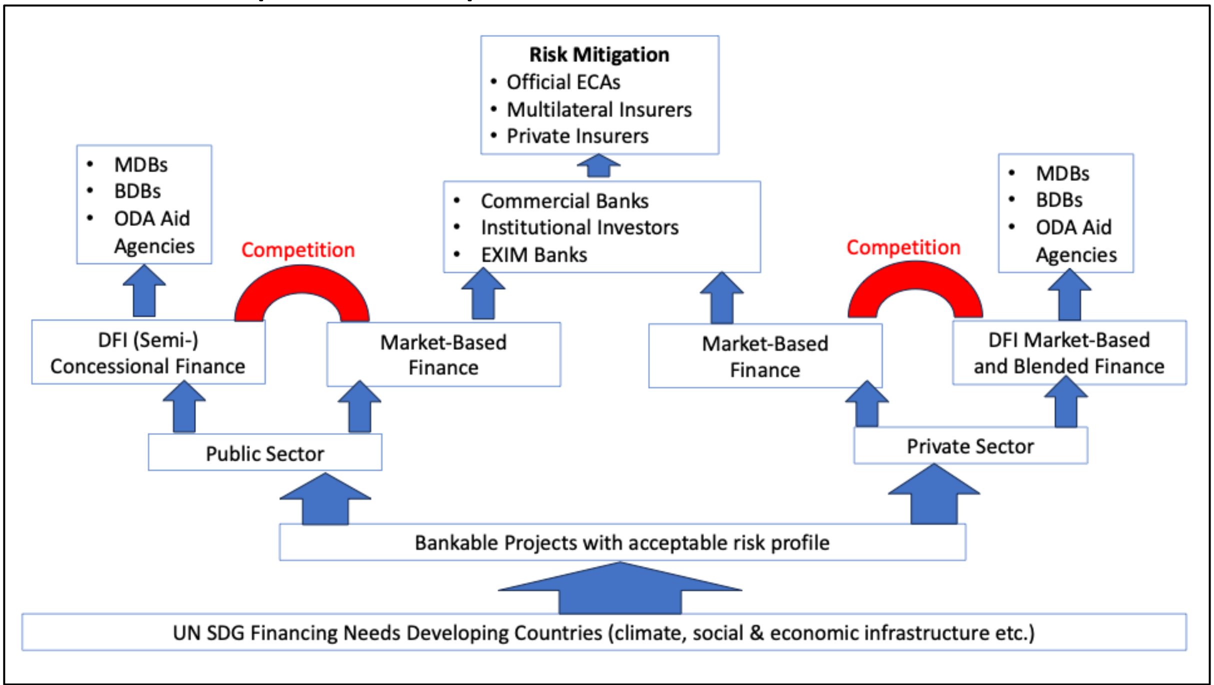
All multilateral DFIs have their own pricing practices for loans to sovereign borrowers. They can be split into concessional loans or grants (e.g. IDA loans), which are offered to relatively poor countries or semi-concessional finance (e.g. IBRD loans) whereby the benefits of the low funding costs of MDBs are passed on to the sovereign borrower. Semi-concessional loans are mainly offered to LMICs and UMICs.

An assessment whether a sovereign project can be financed on the basis of market-based terms and conditions and / or whether ECA export credits can be involved because of certain imports of goods and services or that the OECD ECA minimum premiums could be charged instead of (semi-) concessional interest rates to avoid an unintended crowding out of regulated officially supported export credits is in general not made.

As a consequence, various public sector projects in UMICs and some LMICs, which have good to reasonably good access to market-based finance solutions are financed with bilateral concessional or semi-concessional loans. And this has an impact on the demand for officially supported export credits and the operations of ECAs. They also affect other private and public market-based financiers. (e.g. commercial banks, institutional investors and private insurers). Multilateral Insurers, like MIGA, ICIEC and ATIDI, that are able to provide cover against sovereign payment risks and make extensively use of private reinsurance, face challenges from the sovereign lending operations of MDBs and BDBs.

In summary, OECD ECAs operate in a complex environment of official finance, whereby their export credit operations are in detail regulated to avoid competition among them. At the same time, OECD ECAs face challenges from other official finance agencies both outside and inside the OECD and from MDBs, which complicate their operations and impact the demand for their export credit products and their ability to support their national exporters and investors.

Box n°11 - The competitive landscape of different forms of official finance

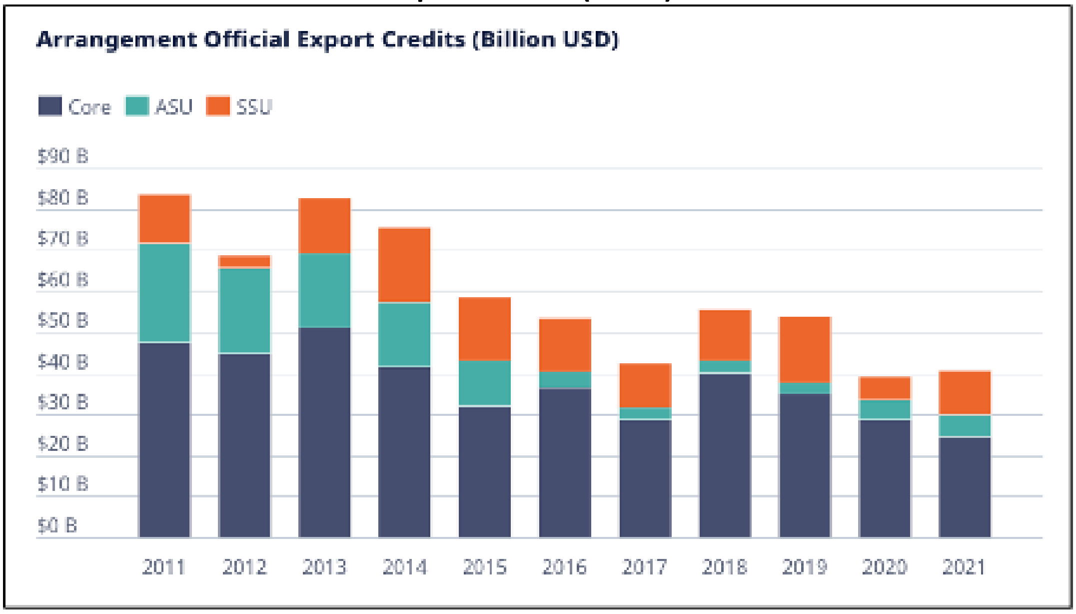


Source: SFI

IV.B.4. Impact of competition on Arrangement Business of OECD ECAs

As a consequence of increased competition from non-OECD countries and through untied support programs of both OECD and non-OECD countries and the challenges with Multilateral DFIs, the volume of export credit operations under the Arrangement has decreased substantially during the pre-COVID years 2011-2020. Obviously, the COVID pandemic also affected the officially supported export business in 2021.

Graph n° 12 – Amounts of Official Export Credits (OECD)

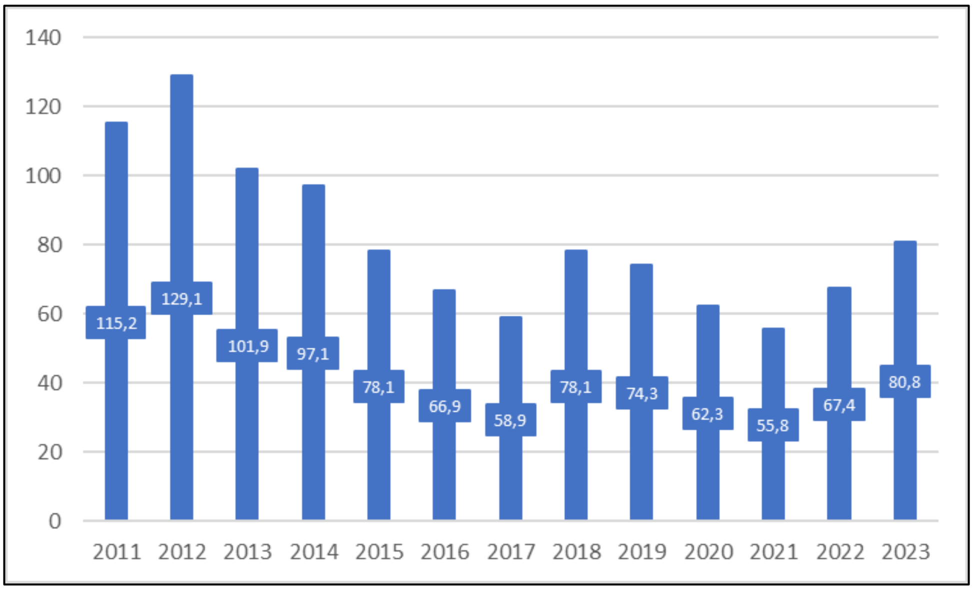


Source: OECD

Please note: “Core” business refers to official export credits supported according to the rules found in Chapter II of the Arrangement, the Climate Change Sector Understanding (Annex I), or the Nuclear Sector Understanding. "ASU" business refers to aircraft supported under the terms and conditions of the Aircraft Sector Understanding (Annex III). "SSU" business refers to ships supported under the terms and conditions of the Ship Sector Understanding (Annex IV).

The latest US-Exim Competitiveness report indicates, however, that the decline in MLT export credits has stopped. It shows an increase of the export credit business in 2022 and 2023, but it is still substantially lower than the years 2011 and 2012.

Graph n°13 – Amounts of Export Credits (billion USD)



Source: US-EXIM Competitiveness Report.

Participants recognised these trends and official finance challenges for which reason the Arrangement was modernised in 2023. This included among others longer maximum tenors for regular Arrangement transactions (from 10 years to 15 years), specific longer tenors for climate change mitigation and adaptation and water projects (from 18 years to 22 years) and more flexibility for the repayment of principal loan amounts (at least annually instead of semi-annually).

Box n°12: Maximum tenors before and after the 2023 "Modernisation" of the Arrangement

Arrangement in2022.	Arrangement since July 2023 (after "modernisation").

• "Regular export credits":
  ○ 8.5 years for Category I Countries
  ○ 10 years for Category II countries
• Project finance: 14 years
• Thermal power plants: 12 years
• Nuclear power plants: 18 years
• Renewable energy projects: 18 years
• Other climate change mitigation projects: 15 to 18 years according to the project class
• Railway infrastructure:
  ○ 12 years for Category I countries
  ○ 14 years for Category II countries.
• Climate change adaptation projects: 15 years
• Water projects: 18 years
	• "Regular export credits": (including project finance)
	  ○ 15 years for all countries
	
	• Thermal power plants: 12 years
	• Nuclear power plants: 22 years
	• Renewable energy projects: 22 years
	• Other climate change mitigation projects (including railways): 15 to 22 years according to the project class
	
	• Climate change adaptation projects: 22 years
	• Water projects: 22 years

Source: OECD

Since the new Arrangement rules became effective in 2023, the experience with the new rules is limited, but it is unlikely that it has resolved all competition issues. Many stakeholders in interviews and focus group discussions highly appreciated the much-needed Modernisation of the Arrangement, but often mentioned that further steps need to be considered by Participants to ensure that regulated export credits remain relevant for the future. There are still serious competition issues outstanding, which require further attention, particularly for social and economic infrastructure projects.

IV.C. Challenge 3: Debt sustainability and IMF/WB NCB limits

There are in total 73 countries that fall under IMF and / or WB Debt Sustainability Policies (DSP), which are the basis for the countries that are included on the list of the OECD Recommendation on sustainable lending. Details of these regulations and the extent to which they affect EMDEs are explained in Annex n°8. It provides an analysis of the impact of the OECD sustainable lending Recommendation on countries rated in the OECD country risk categories (risk categories 1 – 7), 26 LDCs and countries classified in different WB income groups (i.e., LICs, LMICs, UMICs and HICs). It includes also for different WB income categories a list of countries that are affected by debt sustainability policies of the IMF and/ or World Bank.

The 73 countries of the OECD Sustainable lending Recommendation are rated in OECD country risk categories 5 - 7 or are not rated. The Recommendation includes certain guidelines for OECD countries and their ECAs when they consider providing official export credit support to public sector obligors or guarantors in these countries. It applies to export credits with a repayment period of one year or more to sovereign, sub-sovereign buyers/

borrowers and certain State-Owned Enterprises (SOEs). It does not apply to transactions with private sector buyers/ borrowers, including private sector PPP projects.

IV.C.1 Countries rated in OECD country risk category 5.

Out of the 17 countries rated in risk category 5, no country has a zero-NCB limit, but two countries (Côte d'Ivoire and Senegal) face a non-zero NCB limit.

Improved Arrangement terms and conditions for regular export credits is likely for public sector borrowers in all 17 countries important. For public sector borrowers in Côte d'Ivoire and Senegal, the benefits will depend on their individual NCB limit.

IV.C.2. Countries in OECD country risk category 6.

Out of the 25 countries rated in risk category 6, one country (Timor Leste) has a zero NCB limit. The public sector of this country will likely not be able to benefit from improved terms and conditions for regular export credits. It depends mainly on concessional finance.

In risk category 6, 7 countries have a non-zero NCB limit. This concerns Benin, Cameroon, Nepal, Papua New Guinea, Rwanda, Tanzania and Uganda. For public sector borrowers in these countries improved terms and conditions for regular export credits are likely important. The volume of potential additional ECA supported finance for these countries will vary from country by country for each country has its unique NCB limit.

IV.C.3. Countries in OECD country risk category 7.

Out of the 61 countries rated in risk category 7, 18 countries have a zero NCB limit. This concerns Burundi, Cabo-Verde, Central African Republic, Chad, Congo, Djibouti, Ethiopia, Gambia, Guinea Bissau, Haiti, Malawi, Maldives, Mali, Mozambique, Sierra Leone, Somalia, South Sudan, Zambia. Public sector borrowers in these countries will likely not be able to benefit from improved terms and conditions for regular export credits. They depend mainly on concessional finance.

In risk category 7, 10 countries have a non-zero NCB limit. This includes Burkina Faso, Democratic Republic of Congo, Ghana, Kenya, Lao, Liberia, Madagascar, Mauritania, Niger and Tajikistan. For public sector borrowers in these countries improved terms and conditions for regular export credits are likely important, but the extent to which they can benefit from it will depend on their individual NCB limit.

IV.C.4. Countries that are not risk rated in the OECD country risk system.

Out of the 25 countries that are not rated by the OECD, 10 countries have a zero NCB limit. This concerns Comoros, Kiribati, Marshall Islands, Micronesia, Samoa, São Tomé and Príncipe, Solomon Islands, Tonga, Tuvalu and Vanuatu. These countries will likely not be able to benefit from potential improved terms and conditions for regular export credits.

There is one non-rated country (Grenada) that has a non-zero NCB limit. The extent to which it can benefit from improved terms and conditions depends on the country's NCB limit.

In conclusion, the IMF and WB Debt Sustainability Policies limit the ability of some countries to borrow from market-based finance providers. For in total 29 countries there is in principle no possibility to borrow regular export credits and, for 20 countries, there are certain limits. These IMF/WB restrictions do obviously not only affect OECD ECAs, but also private financiers and insurers for they charge market-based interest rates or premiums, well above the rates of concessional loans. From an aid and financial additionality perspective it makes sense that aid providers particularly target these countries for their concessional finance operations.

IV.D. Challenge 4: Country cover policies of OECD ECAs

The ability of OECD ECAs to support (social or economic) infrastructure projects in EMDEs is not only impacted by the OECD recommendation on sustainable lending, but also by various other risks that are taken into account in the country cover policies of ECAs. These country cover policies are determined at the national level and not regulated by the Arrangement. Obviously, in determining their cover policies OECD ECAs take also the OECD country risk classification of individual countries into account, which ensures that they charge adequate risk-based premiums to cover their long-term operating costs and losses and comply with WTO regulations.

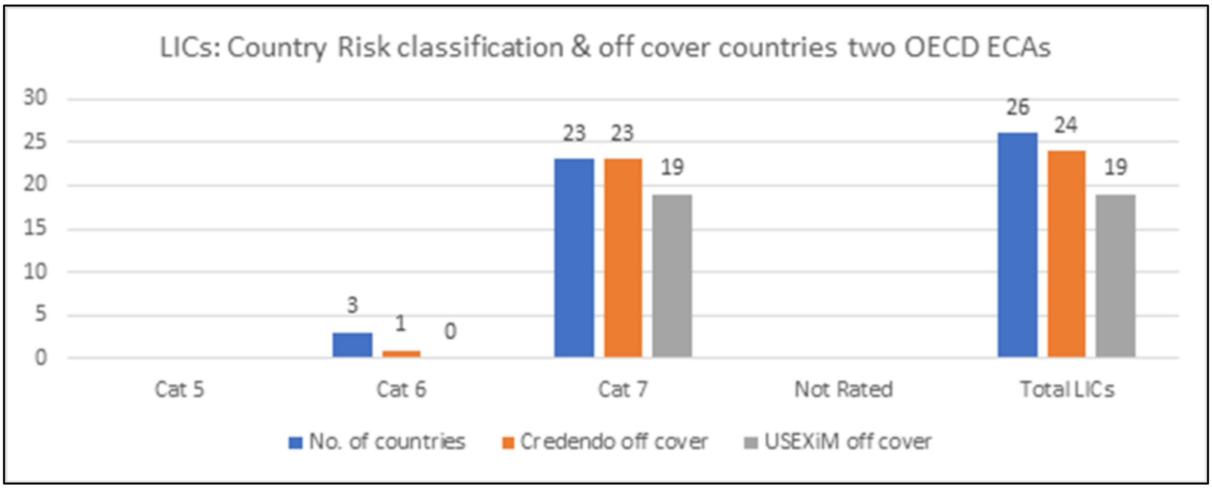
Although country cover policies of individual OECD ECAs vary and national interests and (geo)political considerations can play a role to support certain transactions in high-risk markets, the MLT country cover policies of Credendo and US-EXIM are a reasonable indication of the general risk appetite of OECD ECAs and their ability to support projects in EMDEs. They have therefore been used to provide a representative picture about the ability of OECD ECAs to support projects in LICs, LMICs and UMICs.

IV.D.1. LICs and OECD Country Risk Classification and ECA Country Cover Policies

All LICs have a relatively high-risk profile. Of the 26 LICs twenty-three countries are rated in the highest OECD country risk category (risk category 7) and three in risk category 6. The high-risk ratings of these countries imply also great challenges for these countries to benefit from MLT export credits. Many OECD ECAs are de facto off cover for many LICs or have limited capacity to support MLT export credits to these countries.
As an example, Credendo is off cover for MLT business in 24 LICs, of which 23 are rated in risk category 7 and 1 in category 6[56]. US-EXIM is off cover for MLT business in 19 LICs, which are all rated in risk category 7[57].

[56] Source: Credendo's country cover policy, which can be found via the following link: https://credendo.com/en/country-risk
[57] Source: USEXIM's Country Limitation Schedule, which can be found via the following link: https://www.exim.gov/resources/country-limitation-schedule

Graph n°14 - LICs: OECD Country Risk classification & off cover countries



Source: OECD, Credendo and US-EXIM

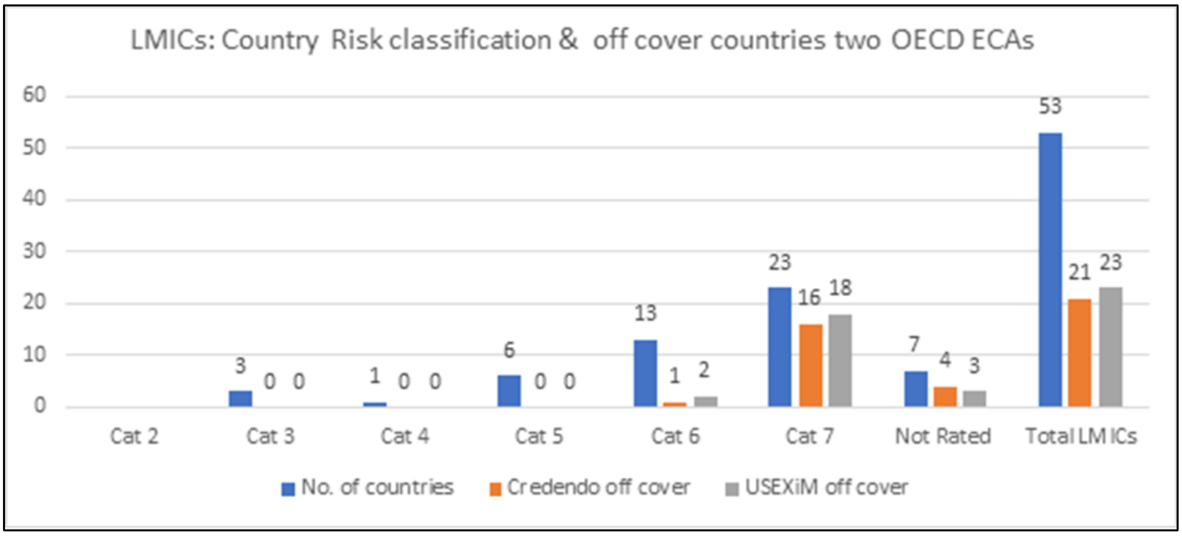
IV.D.2. LMICs and OECD Country Risk Classification and ECA Country Cover Policies

The risk profiles of LMICs are quite diverse. Out of the 53 LMICs twenty-three countries are rated in risk category 7, thirteen in risk category 6, six in risk category 5, one in risk category 4 and three in risk category 3. Seven LMICs are not rated in the OECD country risk system and there are no LMICs that are classified in risk categories 0 – 2.

As for LICs, LMICs rated in risk category 7 have in general limited access to MLT export credits from OECD ECAs, for many ECAs are de facto off cover for these countries or have limited capital available to support MLT export credits.

The country cover policy of Credendo mentions for example that it is off cover for MLT business in 21 LMICs, of which sixteen are rated in risk category 7, one in category 6 and four are not rated by the OECD country risk system.
US-EXIM is off cover for MLT business in total 23 LMICs, of which eighteen in risk category 7, two in risk category 6 and three which are not rated.

Graph n°15 LMICs: OECD Country Risk classification & off cover countries



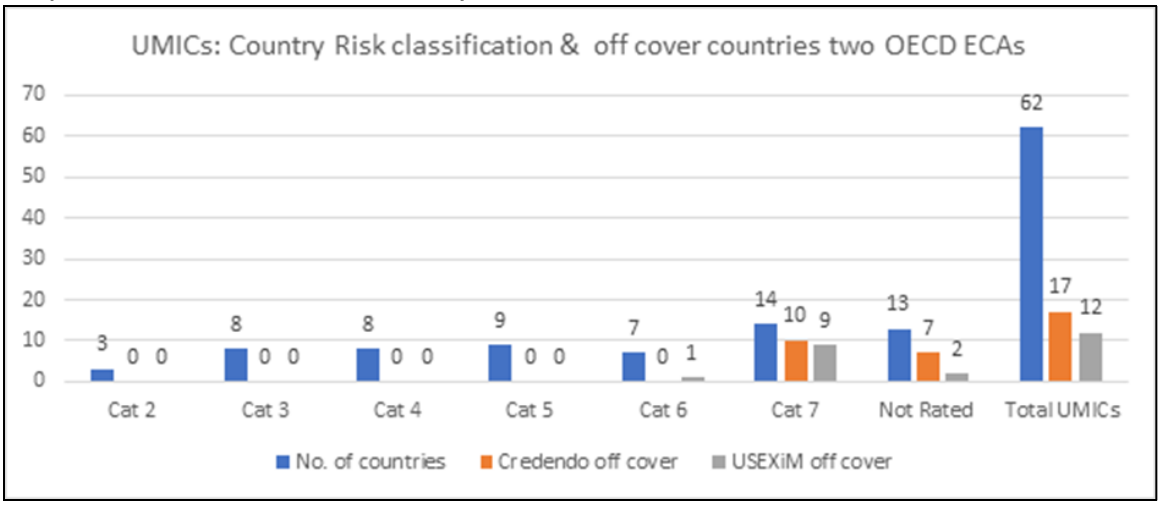
Source: OECD, Credendo and US-EXIM

IV.D.3. UMICs and OECD Country Risk Classification and ECA Country Cover Policies

The risk profiles of UMICs are very diverse. Out of the 62 UMICs fourteen countries are rated in risk category 7, seven in risk category 6, nine in risk category 5, eight in risk category 4, eight in risk category 3 and three in category 2. Thirteen UMICs are not rated in the OECD country risk system and there is no UMIC classified in risk category 1.

According to its' country cover policy Credendo is off cover for MLT business in 17 UMICs of which ten are rated in risk category 7 and seven are not rated by the OECD country risk system. US-EXIM is for MLT business off cover for 12 UMICs, of which one rated in risk category 6, nine in risk category 7 and two that are not rated.

Graph n° 16 - UMICs: OECD Country Risk classification & off cover countries



Source: OECD, Credendo and US-EXIM

IV.E. Challenge 5: Lack of financial support in local currencies

Social infrastructure projects typically do in general not generate income or, if they do, the income is only or mainly in local currency. To avoid a currency mismatch, it is therefore preferred to provide financing in local currency, but local financial markets seldom offer LT loans and the availability of cover in local currency from OECD ECAs is in general limited. This explains that LT export credits are only or mainly denominated in international hard currencies like the US dollar, Euro, British Pound and Japanese Yen. In some EMDEs with a relatively stable national currency, loans in local currency can be provided with tenors between in general 5 - 8 years.

It is worthwhile for OECD ECAs to further explore and market their opportunities to support transactions in local currency, in particular in some LMICs and UMICs that have reasonably stable currencies. Cover in local currency can also assist in enhancing cooperation between OECD ECAs and local banks in EMDEs and increase business for both parties.

IV.F. Challenge 6: Limitations of commercial banks to fund LT export credits

Many infrastructure projects require LT financing, often beyond 15 years. Such financing has become more challenging for many commercial banks for which reason many OECD governments became more active through direct lending programs and / or refinancing programs. It is likely that these official direct lending and / or refinancing programs will become more important in the future, also in light of the recent changes in the Arrangement regarding maximum tenors for CCSU projects (e.g., climate mitigation and adaptation projects, water projects and railway projects).

IV.G. Challenge 7: Guarantees from the development finance community

As mentioned in the previous Chapter guarantees are one of the most important products to mobilise capital for development. This explains the development of ODA guarantees and an increased focus of various MDBs (e.g. WB group) on guarantee operations. This creates likely new challenges for the export credit operations of OECD ECAs, because the development finance community is not bound by detailed export credit regulations OECD ECAs are for example obliged to charge minimum risk-based premiums, whereas this is not the case for MDBs, BDBs and ODA Aid Agencies[58].

Some multilateral DFIs make use of private (re)insurance. This is in particular done for the market-based operations of these DFIs. The pricing of these loan- or guarantee operations is sufficient to pay a market-based insurance or reinsurance premium. This is different for the (semi-)concessional sovereign lending operations of MDBs and BDBs, which partially explains that private insurers do not participate in these types of loans.

The multilateral that is the most active in using private reinsurance is the Multilateral Investment Guarantee Agency (MIGA), which is the insurance-arm of the World Bank Group. In the underwriting of MLT transactions with sovereign borrowers, MIGA applies a minimum credit rating of S&P BB-. In view of some private insurers this is quite conservative, but it gives a reasonably good indication of the general risk appetite for sovereign payment risks beyond 5 years of MIGA and the private reinsurers behind it. For this reason, an analysis is made of what this means for countries rated in OECD Country risk categories. This analysis can be found in Annex n°14 and shows MIGA's risk appetite by OECD risk category, WB income groups and for LDCs. It also provides a comprehensive list of the names of all 201 countries that are on the country risk classification list of OECD ECAs.

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58 It is interesting to note that the previously discussed G20 EPG report of 2018 recommends among others that MDBs should develop" core standards" on pricing to reduce competition among MDBs. Thus far such MDB pricing standards have not been developed. In this area Participants could share their experiences with the OECD minimum premium system to contribute to the development of pricing standards for MDBs and other development financiers. The system could potentially also be used for untied financing facilities of OECD ECAs and DFIs, to reduce competition issues between export credits and untied finance.

Key findings are the following:

- Of the 201 countries that are part of the OECD ECA country risk system in total 89 countries have a credit rating of S&P BB- or higher. This includes 40 HICs, rated in OECD risk category 0, 8 countries in risk category 2, 13 countries in risk category 3, 10 countries in risk category 4, 9 in risk category 5, 3 in risk category 6, 4 in risk category 7 and 2 countries that are not rated.

- In total 59 countries have a credit rating below S&P BB-, which are 1 country in risk category 3, 1 in risk category 4, 4 countries in risk category 5, 17 countries in risk category 6 and 31 countries in risk category 7 and 5 countries that are not rated.

- There are 53 countries that do not have a credit rating of S&P, Moody's or Fitch. This concerns 1 country in risk category 0, 4 in risk category 5, 4 in risk category 6, 27 in risk category 7 and 17 countries that are also not rated by the OECD ECAs.

- More specifically, of the 103 countries rated in risk categories 5 – 7, there are 16 countries with an S&P rating BB- or higher, 57 countries with a rating below BB- and 48 countries that do not have a credit rating from S&P, Moody's or Fitch. Among the 24 countries that are not rated by the OECD ECAs, there are 2 countries with a BB- credit rating, 5 countries with a lower credit rating and 17 countries without a S&P or equivalent credit rating.

- By WB income group: all LDCs and LICs have a credit rating below S&P BB-, Of the 53 LMICs 32 countries have a rating below BB- and among the 62 UMICs this concerns 32 countries.

Conclusion

OECD ECAs face an increased competition from the unregulated export credit operations from non-OECD ECAs. This concerns not only "regular" export credits, but also tied aid. Some of the tied aid and regular export credit operations of some non-OECD countries involve likely "prohibited export subsidies" and are likely not compliant with WTO regulations.

Official export credits face also challenges from untied lending and guarantee products that are offered by both OECD and non-OECD countries. In this area, not only ECAs are involved but also some DFIs.

It is expected that the challenges between regulated export credits and other forms of official finance will further increase in particular in the field of guarantees. Many MDBs and ODA aid agencies are likely to enhance their guarantee operations to increase their mobilisation performance. Without a clear alignment of the operations of various official finance agencies the regulated export credit operations will likely be negatively affected.

Governments behind these official finance agencies should consider the development of clear financial additionality guidelines to avoid that official finance agencies compete with one another on the basis of the terms and conditions of their financing. This is important not only to ensure that scarce public funds are used more effectively and efficiently, but also to develop more effective mobilisation strategies.

At the same time, the overlap in operations of various official finance agencies creates also interesting opportunities for enhanced cooperation. ECA-insurers can for example provide insurance for investment loans of multilateral and bilateral DFIs that are wholly or partially used to finance the imports of goods and services into an EMDE. This will free up economic capital within DFIs, which can be used for other developmental purposes. This explains that “balance sheet optimisation” of in particular MDBs is high on the agenda of the G20[59].

Another area for potential enhanced cooperation is in project development. Many DFIs have specific project preparation funds and are therefore involved in early-stage project development. Information about the country cover policies of OECD ECAs can be very useful for DFIs and project sponsors to identify MLT financing options from both DFIs and ECAs.

All above mentioned considerations explain why Participants should also consider to further modernise the Arrangement to ensure it stays fit for purpose and remains relevant. A next step for a further modernisation could be in the area of social infrastructure, a permanent regulation regarding the common line with maximum 95% ECA support and other potential amendments, which will be discussed in the next Chapter.

[59] See among others the SECOND REPORT TO THE G20 ON THE MDB ACTION PLAN TO OPTIMIZE BALANCE SHEETS of July 2017, which can be found via the following link: https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/world/G7-G20/G20-Documents/Hamburg_reports-mentioned/Second-Report-on-MDB-Action-Plan.pdf?__blob=publicationFile&v=2

Chapter V – Possible improvements to better support Social Infrastructure

The desk research and feedback obtained throughout interviews, focus group discussions, and responses received from questionnaires, led to the identification of several areas for a potential improvement of Arrangement terms and conditions for social infrastructure projects, especially in EMDEs where the financing gaps are most severe. These measures include:

- a permanent maximum support up to 95% of the export value,
- an increased support for local costs,
- longer repayment periods and longer grace periods,
- revised modalities for the payment of premiums,
- an enhanced support for local currency financing
- a support for operation and maintenance costs during the ramp-up period (or the initial operating phase),
- discounts in premium.

While most stakeholders agree on the need for enhanced support for social infrastructure, opinions vary regarding the relevance of individual measures. The following sections will discuss and evaluate each potential solution in detail.

V.A. A permanent maximum support up to 95% of the export value

The most frequently suggested improvement for financing social infrastructure, especially in EMDEs, was to establish a permanent maximum support of 95% of the export value, rather than the current 85%.
This would substitute the existing Common Line on a Minimum Down-payment on the Export Value of 5%, which is set to expire on 13 December 2024.

V.A.1. Minimum down-payment or Maximum support?

For the Participants, the down-payment on the export value must be paid before the starting point of credit, which is at the latest the date of delivery of the goods or services. Although it is not explicitly stated that way, the minimum down-payment is used to determine the maximum support. Consequently, under the Common Line, a minimum down-payment of 5% (instead of 15%) allows the Participants to provide official support of up to 95% (instead of 85%) of the export value. ECAs that utilised the Common Line offered this higher level of support.
For local costs, there is no minimum down-payment requirement. Participants can provide official support up to 100% of these costs, within the Arrangement limits of 40% (for HICs) and 50% (for other countries) of the export value of the contract.

For exporters, the down-payment represents the portion of the price that is paid up-front at the inception of a commercial contract. This may be followed by other interim payments during the construction period (e.g. progress payments) or the final payment upon the delivery of the goods or services/ the date of the starting point of credit , but these additional payments are by exporters not perceived as a down payment. Normally, a single down-payment percentage applies to both imported goods (export value) and local goods. It is crucial for exporters to receive a down payment early, as soon as their commercial contract comes into force, to meet their early cash needs related to the project.

The origin of the financing of the commercial contract is a different topic for them. It can be financed partially or totally by debt, whether export finance or not. If the down-payment on the export value is lower than 15%, the portion below 15% will have to be paid by another source of financing than the export credit; if the down-payment on the export value is higher than 15%, the portion above 15% can be financed by the export credit.
As local costs can be financed at 100% by the export credit, the down-payment on this portion can be fully financed by the export credit.
Hence, for the exporter, there is no direct relation between the level of the down-payment and the portion of the contract paid (and supported) by the export credit.

Box n°13 – Arrangement and Common Line / Maximum support to export value

The text of the Common Line and the text of the Article 11

The Arrangement stipulates in its Article 11

a) *The Participants shall require purchasers of goods and services, which are the subject of official support, to make down payments of a minimum of 15% of the export contract value at or before the starting point of credit as defined in Annex XIII. For the assessment of down payments, the export contract value may be reduced proportionally if the transaction includes goods and services from a third country which are not officially supported. Financing/insurance of 100% of the premium is permissible. Premium may or may not be included in the export contract value. Retention payments made after the starting point of credit are not regarded as down payment in this context.*
b) *Except as provided for in paragraphs b) and d), the Participants shall not provide official support in excess of 85% of the export contract value, including third country supply but excluding local costs.*
c) *The Participants may provide official support for local costs, under the following conditions:*
d) *1)The maximum amount of official support for local costs shall not exceed:*
    i. *– For Category I countries, 40% of the export contract value.*
    ii. *– For Category II countries, 50% of the export contract value.*

The text of the Common Line adopted in November 2021 and renewed twice, now until 13 December 2024, is much shorter.
possibility to reduce the down-payment to 5% (instead of 15%) for sovereign buyers in cat II countries with a country risk category of 5-7 and with Ministry of finance or central bank guarantee

The possibility of increasing the maximum support up to 95% of the export value was never mentioned in the Common Line. This implicit link between the minimum down-payment and the maximum support is only understandable for insiders.

A reference in the Common Line to the maximum support instead of the minimum down-payment could have been more appropriate to better support exporters. It could also have prevented some misunderstandings.
In a Position Memo published in December 2023, the EBF wrote: "*Some - banks - believe that, with the goal of remaining coherent to the initial Common Line, the down-payment flexibility should be applied to the "export contract value" (i.e., excluding the local content)*

instead of to the entire commercial contract. Others - banks -, are of the idea that it would be easier to have it applied to the whole commercial contract amount". But the maximum support of the local costs was at 100% (and not 85% or 95%)! (cf Annex n°15)

<u>V.A.2. Potential beneficiaries of a 95% maximum support of the export value</u>

There are basically four key topics that Participants could consider when they discuss a potential permanent rule on a maximum support up to 95% of the export value, namely:

i. Which sectors or type of exports should be eligible for the improvement?
ii. Which countries should be able to benefit from the improvement?
iii. Which types of borrowers should be able to benefit from the improvement?
iv. What are the key pros and cons of the improvement?

<u>V.A.2.i To what sectors or types of exports could a 95% support apply?</u>

There are in essence various options that Participants could consider, which are briefly described in Table 17.

The current Common Line does not differentiate between types of goods or services that can benefit from increased ECA support. If Participants agree with a permanent rule that would cover all types of exports/ sectors, this could in principle be managed through an amendment of the current Arrangement text.

Alternatively, Participants could decide that the 95% maximum support should only apply to social infrastructure/investment projects (to be defined) and CCSU projects (Option 2) This option would likely require the development of a new Social Infrastructure/Investment Sector Understanding (SISU).

Option 3 would imply that increased ECA support will only apply to social investment / infrastructure projects and option 4 only to CCSU projects.

Table n°18 - Maximum 95% support: for which sectors/ types of exports?

Option	Brief Description	Where could changes be made?	Comparison with current CL
1	To all sectors / exports	In Arrangement text	In line with current CL
2	1. CCSU projects 2. Social infrastructure /Investment projects	1. CCSU 2. New SISU	More restrictive than current CL
3	Only social infrastructure /Investment projects	New SISU	More restrictive than current CL
4	Only CCSU projects	CCSU	More restrictive than current CL

V.A.2. ii. To which countries could 95% support apply?

There are various options that Participants could consider. The most extensive option would be that the maximum support rule applies to all countries that are mentioned on the country risk classification list of the OECD. This concerns 177 countries in risk categories 0 - 7 and 24 countries that are currently not rated (in total 201 countries). This option implies that it will also apply to HICs in category 0. None of the stakeholders that were consulted expressed the need for such a broad application. They considered that the maximum ECA support should be limited to some EMDEs.

Table 18 shows the theoretical options for 95% ECA support in various OECD risk categories, taking into account the number of countries that cannot borrow on commercial terms (zero NCB limit countries) and countries that have limited capacity to borrow on commercial terms (non-zero NCB countries). Annex n°7 provides a more detailed analysis of the impact of the IMF/WB Debt Sustainability Policies (or in other words the OECD Recommendation on Sustainable lending) by OECD country risk categories, WB income groups and LDCs as classified by the UN.

Table n°19 - Maximum 95% support: for which countries?

OECD Risk categories	Total n° of countries (a)	N° of countries with Zero NCB limit (b)	N° of countries with non-Zero NCB limit (c)	N° of countries without NCB limit (a-b-c)
0	41	0	0	41
1	0	0	0	0
2	8	0	0	8
3	13	0	0	13
4	12	0	0	12
5	17	0	2	15
6	25	1	7	17
7	61	18	10	33
Non-rated	24	10	1	13
Total	**201**	**29**	**20**	**152**

Source: OECD & IMF (Based on OECD country risk classification of June 2024)

Most stakeholders that were consulted referred to the current Common Line which limits the maximum support to countries in risk categories 5 - 7. Today this concerns in total 103 countries among which 19 countries with a zero NCB limit and 19 with a non-zero NCB limit. This means that in this option a maximum of 84 risk rated countries could potentially benefit from an increased maximum support, of which 19 only within their applicable non-zero NCB limit. For 65 rated countries there are no NCB restrictions.

Obviously, the number of beneficial countries could in practice be lower for certain individual ECAs because their risk appetite is determined by their national country cover policies, which also take into account other risks than purely debt sustainability risks.

V.A.2.iii. To which types of buyers/ borrowers could 95% support apply?

Regarding the potential types of borrowers that could benefit from increased ECA support there are basically three options, which are mentioned in Table 19.

The first option would allow both public and private sector borrowers to benefit from it. This option was supported by a few stakeholders, which consider that the Arrangement should not differentiate between public and private sector projects. This option would imply a broader application than under the current Common Line.

Various stakeholders mentioned that private sector borrowers – be it as shareholders in a SPV in a limited recourse project or as corporate borrowers – could use their equity or other sources of capital to finance the export share that cannot be supported by an OECD ECA. These stakeholders preferred therefore that only public sector borrowers should benefit from it.

It was however also mentioned that in most countries in risk categories 5-7, option 2 would likely imply only or mainly sovereign borrowers, for there are not many sub-sovereigns that would meet the underwriting criteria of OECD ECAs. With reference to the current CL most stakeholders suggested to limit the application of 95% maximum support to sovereign borrowers (option 3 in line with current Common Line).

Table n°20 - Maximum 95% support: for which types of borrowers?

Option	Brief Description	Comparison with current CL
1	To all public and private sector borrowers / guarantors	Much broader than current CL
2	Only to public sector borrowers (i.e. sovereign, sub-sovereign and public entities)	Slightly broader than current CL
3	Only to Sovereign borrowers (i.e. Ministry of Finance / Central Bank)	In line with current CL

V.A.3. What are the main cons of a maximum 95% ECA support to the export value?

V.A.3.i. Put an end to a provisional measure as the COVID crisis is over

The Common Line was initially adopted in November 2021 for one year during the Covid crisis. According to the OECD "*it aims at easing fiscal pressure on low and middle-income countries and freeing resources in order to continue with priority projects; in addition, it helps mobilising the needed financial means from private sources by addressing market failures caused by the ongoing Covid19-crisis.*"

It was officially targeted at sovereign borrowers established in high-risk countries (Categories 5 - 7), those which had the most difficulty finding private financing and/or private insurances.
As the Covid crisis is over and economic growth has returned, this measure is, in view of some stakeholders, no longer needed.

V.A.3.ii. Improve the risk position of ECAs

Several ECAs also consider they improve their risk position when they do not finance 95% or 100% of a project and when borrowers have to find other sources of financing than export credits to accommodate their projects.

V.A.3.iii. Prevent the reference to down-payments below normal market practices

Some exporters also support its removal. They usually need to receive down-payments in the range of 15% at the coming into force of their contracts. As the Common Line is written, it creates the impression that ECAs are pleased with reduced down-payments of 5%. These exporters fear that some borrowers could use this text to demand lower down-payments. In addition, some national ECAs rules make it difficult to use an export credit to fund a contract before the delivery of the goods. Therefore, the financing of a down-payment through an export credit is complicated in some countries while it is not an issue for other ECAs.

V.A.3.iv. The risk of crowding out the private market (banks)

Development banks and aid providers do not have enough resources to support all the public investments needs of EMDEs. Hence a logical role for ECAs. ECAs, however, should not crowd out local banks and private insurers willing to finance projects in EMDEs.

Several African commercial banks and specialized investment funds have raised their concerns with the OECD regarding (the implementation and renewals of) the Common Line, emphasizing their capacity to provide (tied commercial loan[60]) solutions for the financing of the down payments for sovereign borrowers in Africa. They fear that by increasing the maximum ECA support from 85% to 95% their tied commercial loan operations will be negatively affected. This view is among others expressed in an article on the website of Global Trade Review (GTR) of 15 December 2021. In that article a representative of the South African Standard Bank mentions regarding the agreement in 2021 among Participants on a temporary Common Line: *"By reducing down payment financing requirements, this could crowd out local institutions from the financing of these projects, which could be particularly impactful to the Standard Bank Group, which offers local banking solutions in 20 countries across Sub-Saharan Africa*" [61].

V.A.3.v. The risk of crowding out the private market (credit-insurers)

The same way, most private insurers have confirmed their capacity to offer solutions to cover risks in countries rated 5 - 7 by the OECD. According to a Berne Union study, most of

[60] A tied commercial loan is a loan that is offered next to an ECA covered export finance loan to finance the down payment and / or other costs that an ECA is unable or unwilling to cover. This second loan is offered on market based terms and is "tied" to an ECA supported export credit.

[61] The GTR article " Private sector flags concern over new OECD down Payment Rules of 15 December 2021 can be found via the following link : https://www.gtreview.com/news/global/private-sector-flags-concerns-over-new-oecd-down-payment-rules/. The concerns were also ventilated in the GTR article" Building Africa's social Infrastructure: can ECAs do more?" of 2 September 2024, which can be found via the following link: https://www.gtreview.com/supplements/gtr-mea-2024/building-africas-social-infrastructure-can-ecas-do-more/

their business with sovereign risks in these countries is conducted through reinsurances granted to ECAs and other public insurers (e.g. MIGA, ICIEC and ATIDI); stand-alone private insurance or direct underwriting of commercial loans used to finance down-payments are more limited but private insurers confirmed their interest in this business during the study.

Interesting is also that private insurers have become increasingly more active in offering insurance and reinsurance to large MDBs and BDBs, in particular for private sector loans to local public or private banks in developing markets. Private insurers are active providers of reinsurance to some Multilateral insurers such as MIGA, ATIDI and ICIEC. For example, as of June 30, 2023, 64.6% of the outstanding gross portfolio of MIGA was reinsured, up from 61.9% in FY22. MIGA's main reinsurers are private credit and political risk insurance - and reinsurance companies.

Some private insurers may be less risk averse as MIGA. Their risk appetite for MLT transactions beyond 5-8 years in relatively higher risk markets is focused on well structured transactions. In their underwriting, they take into account the strength and capabilities of the insured to avoid or minimise losses. Private insurers may provide cover to large international banks, but likely not to a relatively small export finance bank or at less favourable conditions. The selective underwriting is also visible in their reinsurance operations with ECAs and other public insurers. For longer tenors, many private insurers have preference to reinsure a multilateral insurer or large ECA with a good recovery track record and strong political clout to avoid and minimise losses instead of being on their own.

Furthermore, annual premiums to cover primary risks as an insurer are usually higher than those received for reinsuring the same risk for an OECD ECA or other public insurer (e.g., MIGA).

Finally, in December 2021, Michael Creighton, executive director Willis Towers Watson, told to GTR "*The biggest issue here is the argument the ECAs have used, of a failure in the private market, While PRI capacity in emerging markets, and in particular Africa, has indeed been constrained over the last 18 months, the PRI market has remained open… well-structured transactions are still being supported by both commercial banks and PRI insurers,"* . He also added there are *"a lot of other reasons*" the ECAs could have provided to support the decision, such as wanting their exporters to win contracts, or to fill funding shortages in emerging markets.[62]

V.A.4. What are the main pros of a maximum 95% ECA support of the export value

V.A.4.i. A need for a stable rule

For many exporters and banks, which support a 95% maximum support, a Common Line valid for a one-year period and eventually renewed for another year is not an adequate tool when they prepare their projects. Between their inception and their closing, projects often

[62] The GTR article can be found via the following link : https://www.gtreview.com/news/global/private-sector-flags-concerns-over-new-oecd-down-payment-rules/

develop over 2 to 5 years. They need stable and predictable rules over this whole preparation period.

V.A.4.ii. Most OECD exporters support a 95% support of the export value

In a position paper published in November 2023, the BIAC, representing both OECD exporters and banks, mentioned that "*It remains difficult to source funding for the 15 percent of the export contract value, particularly for large government contracts. For public buyers/borrowers -especially in emerging and developing markets –liquidity requirements are often challenging. Customers are forced to reserve liquidity for working capital that is lacking for investments, i.e., down-payments. Private insurance companies and commercial banks show little or no willingness to provide unsecured financing or risk cover (credit insurance) for "medium-term" advance payment financing*." (Annex n°16 - Page 6)

During interviews and Focus Group Discussions, these difficulties were again mentioned. Some exporters, and banks, confirmed that they were unable to finalise some contracts in countries classified in Categories 6 or 7 due to a lack of financing for the down-payment, although they had the capacity to bring an export credit.

While most exporters opposed a Common Line that reduces the down payment requirement from 15% to 5%, most supported measures to increase ECA support to 95% of the export value, as long as the required down payment of 15% remains unchanged.

V.A.4.iii. Commercial local banks and funds do not cover all countries

All market-based financiers, irrespective whether they are international banks, local banks or investment funds face at least similar (risk) limitations as OECD ECAs in their MLT export finance operations. For example, local African banks and investment funds that are active in Africa cannot support MLT business in all 54 countries. Among the 54 African countries there are 33 countries that face debt sustainability constraints and restrictions on commercial borrowing imposed by the IMF and World Bank. This concerns today 18 African countries with a zero NCB limit and 15 with a non-zero NCB limit. Debt sustainability risks and other financial risks explain that out of the 54 African countries in total 32 African countries are rated in the highest OECD risk category 7, often implying that MLT ECA cover or private insurance and MLT commercial finance are not available. Of the other 22 African countries twelve are rated in in risk category 6 and three in category 5, one in category 4, three in category 3, while three African countries are not rated. These circumstances explain why the MLT export finance activities of most local African banks and specialized funds are likely focused on approximately 20 - 25 African countries. This likely explains why Standard Bank is active in 20 African countries. Local banks' geographic coverage in the African region is therefore uneven, leaving significant gaps in certain countries.

Some of the local banks suggest that increased ECA export credit support, thereby reducing the need for tied commercial loans for down payments, could be more efficient in terms of debt sustainability for sovereign borrowers. For ECA covered loans have in general a more favorable pricing and longer tenors than tied commercial loans, irrespective whether they are offered by local or international banks (see further below in par. V.A.4.viii).

Local banks face challenges in providing competitive tied commercial loans in USD or other hard currencies, because of their relatively high liquidity costs, which is not or less the case for international banks. This may partially explain why for example NedBank, a major regional bank operating across several African markets, noted to GTR in 2023 that *"the bank is seeing limited opportunities in the down payment sector"*[63].

V.A.4.iv. Most international banks strongly support a 95% maximum

Most international commercial banks, based in Europe, North America, and Asia, support a permanent maximum support of 95%.
During interviews and a dedicated Focus Group Discussion, these banks mentioned that

- Private insurance is often available in volumes and durations and at a reasonable price in developed countries and in the upper part of EMDEs (with risk countries risk categories 2 to 4 and/or UMICs)
- Some countries, especially in Categories 6 and 7, are effectively off cover. When private insurance is available in country risk categories 5 - 7, it is available for shorter durations than from ECAs. For sovereign risks, tenors range between 5 and 7 years.
- Several banks also mentioned that private insurers are now more restrictive than they were a few years ago, referring in some cases to the recent debt reschedulings of Zambia or Ghana, where private lenders are required to accept conditions similar to those offered by Paris Club members. (equal treatment principle).
- Their pricing for sovereign risks in categories 5 - 7 is usually well above that of ECAs for similar durations.

One bank mentioned during this study that these expensive offers, with shorter durations, do not contribute to the debt sustainability of the borrowers.

While a few international banks promote a general 95% support, most banks would accept some limitations, as this was reflected by a position paper issued by the EBF on 7 December 2023 (Annex n°15). The limitations they considered were:

- A focus on some countries, being classified by the OECD in Risk Categories 5 - 7 or by the World Bank as LICs or LMICs.
- A focus on the public sector and sovereign risks. The possibility to add sub-sovereigns and public sector companies (State Owned Enterprises) is also mentioned. However, in these countries, sub-sovereigns and public sector companies seldom borrow without a sovereign guarantee.
- A focus on social infrastructure and projects aligned with Climate Change.

V.4.A.v. Private credit insurers do not cover all countries an attractive way

The difficulties faced by commercial banks are confirmed by a Study of the Berne Union.

- For Category 7, all insurers qualified their risk appetite as "limited" and none mentioned a "moderate" or a "substantial" appetite.

[63] See the GTR article" Building Africa's social Infrastructure: can ECAs do more?" Of 2 September 2024, which is mentioned in footnote 61.

- For Category 6, 61% refer to a “moderate” risk appetite, 31% to “limited” appetite and 8% to “substantial” appetite
- For Category 5, their risk appetite is “substantial” or “moderate”.

The limited appetite of private reinsurers for risks on countries in categories 5 - 7 was also mentioned by some ECAs, which struggle to get reinsurances over 10 years to align with the duration of their own credit-insurances.

In 2021 Albwert Rweyemamu, a senior credit and political risk underwriter at the African Trade Insurance Agency, a multilateral insurance agency based in Kenya, told to GTR the new OECD changes are a “*very positive move*” for Africa and suggests that the decision should be made permanent (see footnote 60).

V.4.A.vi. An increased support is not a relevant risk factor for sovereign borrowers

From a risk perspective, for a private borrower, the minimum down-payment of 15%, which makes it unnecessary to increase the ECA support, can be proof of financial strength. In some cases, especially in structured private sector deals or PPPs, there is no need to increase the debt financing as lenders will expect a minimum equity of 20% to 40%. Then, an increased export credit is not required.

However, for a sovereign borrower in for example a LIC or a LMIC, the most relevant criterion is probably its risk of external debt distress after a debt sustainability analysis, as performed by the IMF.
Then, if the country is allowed to raise non-concessional financing for the entirety of a commercial contract, the recourse to the cheaper financing, between an export credit and a tied commercial loan, probably makes sense.

V.A.4.vii. Export Credits provided by international banks also benefit borrowers

Some local banks pointed out that the Common Line had “the unintended consequence of benefiting international banks” through increased amounts of export credits.

Excluding direct lending, international banks provide almost all MLT export credits with a guarantee or an insurance extended by ECAs (as shown by Banks’ League tables of TXF or Euromoney). Several factors explain it:

- Most loans are extended in USD and EUR while loans in local currencies, extended by local banks remain exceptions.
- Most local banks cannot compete with international banks for loans in USD or EUR as their cost of funds are often higher than the rates offered by these international banks to their sovereign. Pricing from local banks can be more acceptable for private borrowers.
- Some national regulations prevent banks from receiving guarantees or insurances from entities which are not established in their home country, making external ECA cover impossible.

When international banks need to offer a financing in addition to an export credit for a country classified in categories 5 - 7, they have essentially two solutions:

1. offer themselves a commercial loan with or without private credit-insurance.
2. team-up with a local bank able to lend in EUR or USD or in local currency on a commercial basis (with or without a credit-insurance)

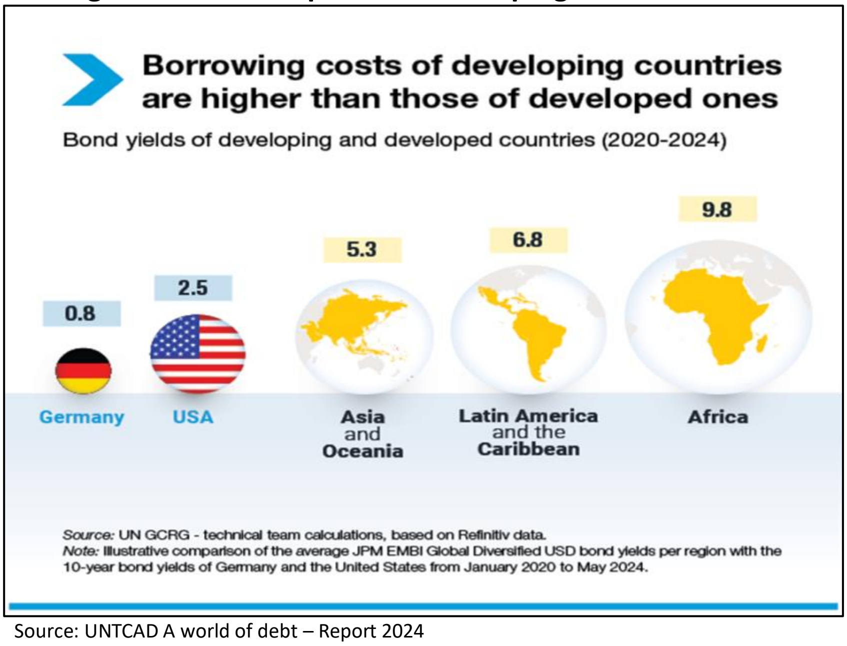
If the second solution is not proposed by the international export finance bank, and if it is competitive, the sovereign borrower has probably the capacity to suggest its utilization.

The development of the local financial markets would be beneficial to local banks, but projects have to be accommodated according to the conditions which prevail today.
It is probably of the interest of the borrowers (and the ECAs as credit-insurers) to choose the cheapest providers of export credits and tied commercial loans.

V.A.4.viii. Export credits contribute to the debt sustainability of the borrowers.

In its report 2024 “A world of Debt”, the UNTCAD mentioned that developing countries, and especially African countries, pay a very high premium above what developed countries pay. In USD, the yield for African sovereign borrowers, which have access to capital markets, was 9,8% during January 2020 to May 2024, which is substantially higher than the yield of the US government (2.5%).

Box n°14 - Borrowing costs of developed and developing countries



Source: UNTCAD A world of debt – Report 2024

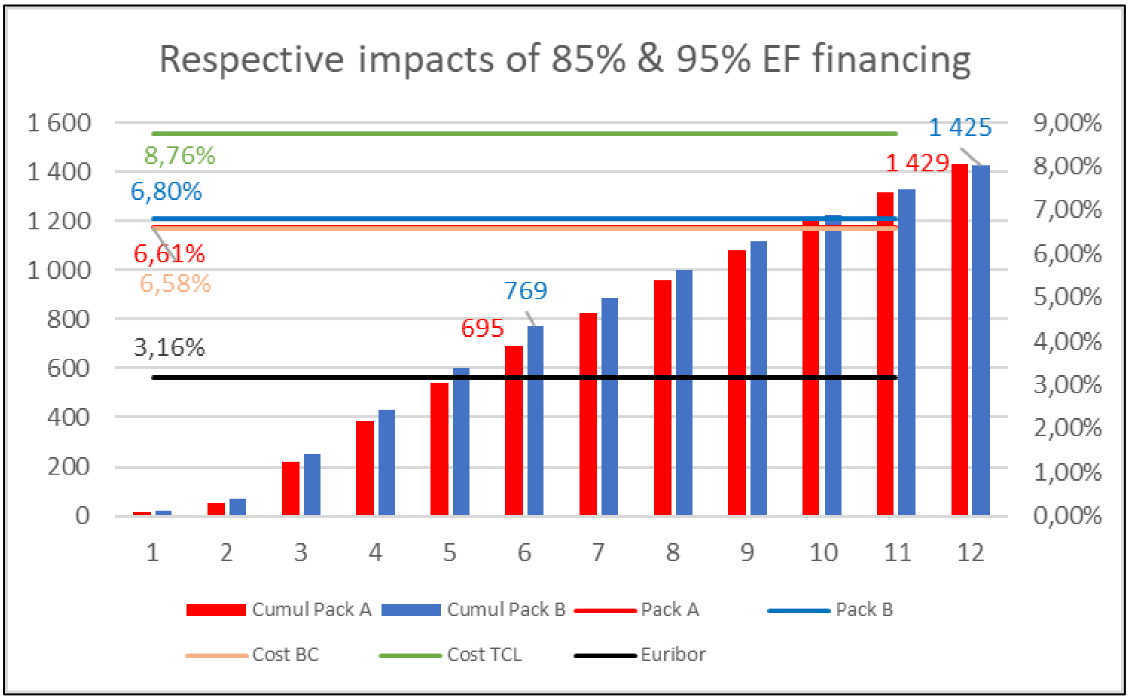
This can be further illustrated with a concrete example: In August 2024, to prepare an offer for a sovereign project in a Category 6 country, an exporter asked for financial proposals for a € 100 million project, with 2 years of construction and 10 years of repayment.
Commercial banks proposed export credits covered at 95% with similar margins close to 1,15% and a standard ECA premium of 11,96% (or close to 2.25% on an annualised basis)
For the tied commercial loan, the door-to-door durations ranged from 4 to 6 years, the margins ranged from 1.6% to 2.0% and the PRI premiums ranged from 2.75% to 4.0% p.a.

If the borrower compares a financing package A funded at 95% by an export credit and a tied commercial loan for the remaining 5% with the alternative of package B funded at 85% by an export credit and 15% by a tied commercial loan:

- the total financial costs (premium and interests) of Package B (€ 42,5 m) would be lower than those of package A (€ 42,9 m)
- the all-in cost of Package A (6,61%) would be lower than that of Package B (6,80%)
- The average life of Package A is higher with 0,15 year than that of Package B
- At the end of Year 6, the total payments made for Package B would reach € 769 m, well above those required for Package A (€ 695 m).

In terms of long-term debt sustainability, Package A would make more sense for the borrower, as instalments are partially deferred during the first years, at a lower all-in margin while the cost difference is minimal. It would also be aligned on a general recommendation of the IMF to promote financing with larger durations.
Would it not be in the interest of lenders (and their insurers) to promote the more sustainable package?

Graph n°17 - Increased support on export value & Debt sustainability



Source: Consultancy team

<u>V.A.4.ix. International competition requires a further improvement of the Arrangement</u>

With the Modernization approved in 2023, the Participants improved the relevance of officially supported export credits by OECD ECAs, mainly through increased durations and more flexible payments terms. As mentioned by the BIAC, there is however a clear need to further improve the Arrangement conditions such as the maximum ECA support of 95% and longer durations for certain sectors that are not covered by the CCSU.

With an increase of ECA support to 95% of the export value, OECD ECAs promoting officially supported export credits will be able to better compete against other public entities, including ECAs, which offer unregulated export credits from non-OECD countries, or unregulated untied investment loans or guarantees. During this study, several stakeholders mention that if the maximum support could not be offered in the Arrangement, untied loans could be a solution to manage it.

Other reasons mentioned in favour of the 95% maximum support include the adequacy with the agenda to mobilise more public capital for development or an increase in the business and premium income for ECAs.

V.B. An increased support for local costs above 50% of the export value

Several sovereign borrowers mentioned that an increased support for local costs should be considered in order to

- Align with the reality of some projects, with important construction works or civil works provided by local suppliers.
- Reduce the value of imports attached to a contract.
- Manage national regulations, imposing minimum involvement of local contractors leading to minimum local costs.

This is supported by

- Several exporters, especially the contractors whose contracts include large local costs related to civil works, for a road, or construction, for social housing.
- Most banks, including all local banks which opposed to a maximum 95% support to the export value.
- Several persons working for ECAs that have been consulted.

In addition, the relevance on a cap for local costs in the Arrangement, especially for Category II countries, is questioned while none applies to foreign costs.
The current local costs rules, defined in the last century, are outdated and do not reflect the evolution of local economies in EMDEs. It is likely no longer appropriate for most OECD ECAs to be today far more flexible on covering foreign content than local content.

For many ECAs, the minimum threshold of national content is set between 20% and 40%.
If a 30% domestic threshold applies, this actual rule means that in order to build an hospital in Benin, the foreign main contractor who will use Togolese workforce for the construction of the building (for 40% of the total cost of the project) could be given a better treatment (with a larger ECA support) than the one who would use a Beninese subcontractor for the same price.

Table n°21 - Impact of local costs capped at 50% on the total supported amount

Total contract / Hospital in Benin	**1 000 m**	**1 000 m**
Construction work 400 m	**Beninese sub-contractor**	**Togolese sub-contractor**
inc. Domestic value	300	300
inc. Foreign value	200	600
inc. Local value	500	100
85% Support Export Value	425	765
Eligible Local Value @ 50% Export Value	250	100
100% Support Local Value	250	100
Total ECA Support	**675**	**865**

Source: Consultancy team

Once their national threshold is met, ECAs could probably improve the consideration given to local costs, keeping in mind the interest of the borrowing country. Current local costs rules discriminate local suppliers vis-à-vis other foreign suppliers.

The local costs rule could be abolished, leaving the matter to the ECAs which will only take into account their own national content requirements. The unintended consequence could be a support given to some projects without any export.
Alternatively, in order to keep a reference to export in the supported contracts, the national rule on local content could be revised for business with Category II countries for which currently a 50% threshold applies. An option to increase the maximum amount for local cost to 100% of the export contract value could also be considered; in other words, if they remain below 50% of the total project cost, all the local costs would be supported.

A more conservative approach would be to limit the substantial increase of maximum local costs support to countries in risk categories 5-7, which would bring this new rule in parallel with potential changes regarding the maximum support on the export value.

Sector wise, Participants could also consider for local costs support the same options as for the maximum support on export value, namely: (1) for all types of exports, (2) for both CCSU projects and social infrastructure/investments, (3) only for social infrastructure/investments and (4) only for CCSU projects.

Most reasons in favour of an increased maximum support to 95% of the export value apply also to a change regarding local costs support (e.g. absence of other private support, improved debt sustainability, international competition).

Some persons, including ECA staff, mention that another solution could be an increased utilization of untied loans, which would mean less relevance of the Arrangement…

The few stakeholders who didn't support this proposal were some ECAs, one exporter and one borrowing country.

V.C. An increased duration of the repayment period

The main advantage offered by the CCSU is the possibility to extend loans with a repayment period up to 22 years and to grant more flexible repayment terms for structured loans.

Most stakeholders consider it would be normal to have the possibility to enlarge durations up to 22 years for social infrastructure projects, as long as it does not exceed the useful life of the supported goods and services.

In December 2021, Hussein Sefian (Acre Capital) said to GTR that "*longer tenors for social infrastructure in markets such as Africa would be a better way of improving affordability of infrastructure for these countrie*s". (see footnote 60)
The BIAC also supported longer repayment terms for social infrastructure projects in its 2023 position paper.

Rather than determining at the inception detailed lists of projects or sectors which would be considered as social infrastructure as it was done for the CCSU, it could be more efficient to proceed step by step

- some sectors would be included in the list at the beginning such as health, education, water, roads in rural areas or social housing.
- then other sectors, such as telecom infrastructure, other civil works, could be integrated after a joint analysis, using or not a common line approach.

This possibility could be used only in limited number of projects as a consequence of

- The funding problems of loans with very large durations for commercial banks.
  The possibility to offer 22 years repayment period as agreed by the CCSU is seldom used for this reason. Then commercial banks usually limit in their offers the repayment periods to 15 years, or even less in some cases. And when they propose large repayment periods, margins increase. The solution could come, country by country, from:
    - ✓ direct lending
    - ✓ public refinancing schemes, when they exist
    - ✓ the utilization of some financial investors which could be ready to finance such projects with an appropriate ECA guarantee. These investors ask for such guarantees from development banks and ignore that ECAs can already offer them.
- The high levels of upfront premium that some borrowers consider excessive.
  Several stakeholders reported some projects where the borrower opted for a shorter repayment period in order to reduce the amount of the upfront risk premium to be paid.

Table n°22 Examples of infrastructure projects and their current maximum tenors in the Arrangement

No.	Subsector	Current Maximum Tenors (T)	Applicable Arrangement regulations
1	Education facilities	T: 15 years	“Regular export credits”
2	Health(care) facilities	T: 15 years	“Regular export credits”
3	Recreational facilities	T: 15 years	“Regular export credits”
3	Social service facilities	T: 15 years	“Regular export credits”
	Public safety facilities	T: 15 years	“Regular export credits”
3	Water facilities	T: 22 years	CCSU
4	Public Transport facilities		
4a	*Zero -and low emission Transport*	T: up to 22 years	CCSU
4b	*Railway projects not included in 4a (*	T:15 years	“Regular export credits”
4c	*Roads (not included in 4a)*	T:15 years	“Regular export credits”
4d	*Airports*	T:15 years	“Regular export credits”
4e	*Ports and water transport*	T:15 years	“Regular export credits”
4f	*Bridges and tunnels*	T:15 years	“Regular export credits”
4g	*Storage facilities*	T:15 years	“Regular export credits”
5	Social Housing	T:15 years	“Regular export credits”
6	Climate adaptation projects	T: 22 years	CCSU
7	Energy projects		
7a	Renewable energy projects	T: 22 years	CCSU
7b	Electricity distribution systems	T: 22 years	CCSU
7c	Nuclear Power	T:22 years	NPSU
8.	Telecommunication (e.g. phone, internet, cables)	T:15 years	“Regular export credits”

(1) CCSU = Climate Change Sector Understanding, which can be found in annex I of the Arrangement
(2) NSU = Nuclear Sector Understanding, which can be found in annex II of the Arrangement

V.D. A longer grace period

Some stakeholders ask for the possibility to lengthen the time period between the starting point of credit (or provisional acceptance of the delivered products) and the first repayment of principal.

- For some borrowers, it would be a way to match competing (semi-) concessional loans sometimes offered.
- For some contractors, it could be a way to manage the delays often suffered in large infrastructure projects and align first instalments of principal repayment on the real date of delivery.

However, other stakeholders consider that, for grace periods, no changes are required as

- Amendments to the loan documentation can be made to consider a delayed provisional acceptance date.
- For Sovereign borrowers, budgetary provisions are defined well in advance and are not directly linked to the delivery date of the financed projects.
- The Arrangement has considered since 2023 in its Article 13 a) that "the first instalment shall be made no later than one year after the starting point of credit", while the previous versions referred to six months.
- At that time, additional flexibilities were also granted for structured projects facing imbalances of cash-flows with an increased maximum instalment (from 25% to 30%), a first repayment date occurring no later than twenty-four months (instead of twelve months) after the starting point of credit and an increased weighted average life.

Considering that
- an export credit cannot match a concessional loan, although challenging concessional financing practices have to addressed;
- the Arrangement already allows since July 2023 for the principal repayment a grace period up to 1 year which is very seldom used;
- the debt service of sovereign loans is a general obligation of the sovereign without any link with (potential) cash-flows of the supported project. Moreover, in many sovereign projects there is no cash flow.;
- the debt service of PPP loans (and other private loans) can already be adapted to the cash-flows;

there is no compelling reason to support this proposal at this stage.

V.E. Revised modalities of payment of the premium

The levels of premium are published by the OECD, assuming a cash payment by the borrower at the signing of the loan.

The borrower can also opt for a differed payment through an increase of the amount of the export credit (and thus financed by the export credit) or through an increase in the interest rate of the export credit.
When the premium is paid by an increase in the amount of the export credit, it means that it will be paid by the borrower over the repayment period, with the interests attached to this increase, which is in practice equivalent to higher interest rates. ECAs prefer to propose this solution and often publish on their website the option that their premiums may be financed in the export finance loans. However, all borrowers do not have the capacity to present the difference in the interest rate attached to such a process.
On the contrary, ECAs seldom offer the possibility to pay premium through increased interest rates and never publish figures on possible increases in the interest rates.

Some stakeholders suggest using more often the payment of the premium by an increase in interest rates, but this solution can create some problems:

- for ECAs, which could not receive the entirety of their premium if a default occurs on the loan before its full repayment.
- for banks, which could fear losing their cover if the premium is not fully paid.

Table n°23 - Premium

		Cat 2	Cat 3	Cat 4	Cat 5	Cat 6	Cat 7
€ CIRR 01-oct-24	10 y Repayment + 36 m Drawing	3,22%	3,22%	3,22%	3,22%	3,22%	3,22%
	15 y Repayment + 36 m Drawing	3,32%	3,32%	3,32%	3,32%	3,32%	3,32%
	22 y Repayment + 36 m Drawing	3,32%	3,32%	3,32%	3,32%	3,32%	3,32%
Flat premium (Loan increase, %)	10 y Repayment + 36 m Drawing	2,82%	4,70%	7,27%	10,00%	12,78%	16,39%
	15 y Repayment + 36 m Drawing	3,88%	6,58%	10,26%	12,71%	16,11%	20,54%
	22 y Repayment + 36 m Drawing	5,37%	9,21%	14,45%	17,12%	21,60%	27,40%
Cost of financing (% p.y.)	10 y Repayment + 36 m Drawing	3,71%	4,03%	4,20%	4,56%	4,92%	5,37%
	15 y Repayment + 36 m Drawing	3,84%	4,19%	4,44%	4,70%	5,05%	5,50%
	22 y Repayment + 36 m Drawing	3,88%	4,27%	4,59%	4,81%	5,18%	5,65%
≈ Implicit premium (% p.y.)	10 y Repayment + 36 m Drawing	0,49%	0,81%	0,98%	1,34%	1,70%	2,15%
	15 y Repayment + 36 m Drawing	0,52%	0,87%	1,12%	1,38%	1,73%	2,18%
	22 y Repayment + 36 m Drawing	0,56%	0,95%	1,27%	1,49%	1,86%	2,33%

Source: Consultancy team

For a project with a 3-year construction period in category 6 country, the premium attached to an export credit covered at 100% range depending on the duration of the repayment period between 12,78% for 10 years and 21,60% for 22 years, if it is financed by the export finance loan. The implicit annualized costs of the different premiums are close (between 1,70% and 1,85%): the surcharge factor linked to the duration is very limited and similar to what can be seen on capital markets when duration increases.

Even if large durations make sense in terms of debt sustainability, the associated levels of premium are sometimes considered as prohibitive by borrowers which then opt for a lower premium and a shorter duration.

Only a few stakeholders (and only one bank) supported the payment of premiums through an increase in interest rates. A simple solution could be a better information by ECAs and banks on the annualized costs associated to a payment through an increase in the amount of the export credits.

V.F. Other suggestions for the Arrangement

V.F.1. Better support to export credits in local currencies

Larger amounts of loans in local currencies would make sense for several reasons:

- Exchange risks for the borrower would then disappear.
- Local banks would be given more prominent roles, being possible providers of liquidity, but the volume of their resources is often limited, and durations are shorter, unless mechanisms to ensure a refinancing are offered by an external entity which could be an ECA or a development bank.
- International banks could offer larger volumes and longer durations but would need cover against long-term currency risks which does not exist on the financial markets.

This would require further research on the solutions ECAs could bring to make it possible.

V.F.2. Support for feasibility studies, work supervision and initial operation and maintenance

The support by an ECA is usually linked to an export contract signed for the delivery of goods and services, but the financing of ancillary contracts is usually not considered while they are critical for a successful implementation of the contract or the utilization of the delivered goods and services. And if ECAs consider such a support, they often do it with less favourable conditions, in particular shorter repayment periods, as the amounts at stake are much lower.

When supporting a large infrastructure project, including social infrastructure, ECAs should be allowed to consider a support, similar to the one granted to the main contract, for

- Feasibility studies, including E&S impact studies.
- The supervision of the execution of the contract for the account and on behalf of the owner.
- A support for the operation and the maintenance of the goods and services delivered during the years which follow their delivery in order to ensure that they will be properly operated and maintained.

Interestingly, the Indian government request to sovereign borrowers in its tied aid program (Lines of Credit) extended by India Exim Bank

- to use an external supervisor during the delivery period
- to sign an operation and maintenance contract for the first three to five years of operation.

V.F.3. Reduced risk premium

The Arrangement establishes that the level of premium should be sufficient to cover the costs of the credit insurances over a large cycle. This objective allowed the WTO to consider that Export Credits aligned with the Arrangement are not subsidies.

In fact, over the last 20 years, as the cash-flow reports of the OECD show it, the level of premiums has been largely sufficient to pay for operations costs and indemnifications before any recovery. Recovered amounts come then as an extra-surplus which could be used to reduce some premium on a selective manner.

Table n°24 - Annual Cash-Flows of OECD ECAs

bn DTS (1 DTS = 1,22 €)	2018	2019	2020	2021	2022	TOTAL 1999-2022
Premium	3,3	3,5	3,4	2,8	2,9	**97,5**
Operating Costs	-0,6	-0,6	-0,6	-0,6	-0,7	**-16,1**
Indemnifications	-1,1	-1,3	-2,2	-2,2	-2,3	**-63,2**
Recoveries	0,8	0,6	0,5	0,6	1,1	**102,5**
Cash Flow	**2,4**	**2,3**	**1,0**	**0,6**	**0,9**	**118,3**
inc. MLT	2,0	1,7	0,5	0,3	0,5	80,4

Source: OECD

These important positive cash-flows explained that the Participants agreed with the Modernisation of the Arrangement in 2023 on a discount, which can reach 15%, for premium to be paid for loans with a duration above 10 years extended to borrowers rated BB+ or below.

Several stakeholders, including the BIAC and Acre Capital, expressed publicly their support to an additional measure for social infrastructure projects.

This request could probably be supported without questioning the equilibrium requested by the Arrangement and the WTO.

V.F.4. Improved CIRR

Some stakeholders asked for lower CIRRs for social infrastructure, to reduce the cost of the export credits for the borrowers.

By construction, CIRR reflects the financial cost of an export credit extended at a fixed rate with a public support. This mechanism was recognized by the WTO as a fair indicator of the absence of any prohibited subsidy as described in the *Annex 1 – point (k) of the* WTO Agreement on Subsidies and Countervailing Measures (SCM).

Box n°15 - WTO and fixed interest rates with a public support applying to export credits

> The Annex 1 – point (k) of the WTO Agreement on Subsidies and Countervailing Measures (SCM)
>
> (k) The grant by governments (or special institutions controlled by and/or acting under the authority of governments) of export credits at rates below those which they actually have to pay for the funds so employed (or would have to pay if they borrowed on international capital markets in order to obtain funds of the same maturity and other credit terms and denominated in the same currency as the export credit), or the payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining credits, in so far as they are used to secure a material advantage in the field of export credit terms.
>
> Provided, however, that if a Member is a party to an international undertaking on official export credits to which at least twelve original Members to this Agreement are parties as of 1 January 1979 (or a successor undertaking which has been adopted by those original Members), or if in practice a Member applies the interest rates provisions of the relevant undertaking, an export credit practice which is in conformity with those provisions shall not be considered an export subsidy prohibited by this Agreement.

Using a lower rate could have unintended consequences at the WTO on the safe-haven protection granted by the Arrangement.

Then it could be challenging to accommodate such a suggestion.

Chapter VI – Recommendations

Introduction

This chapter describes the key recommendations for potential improvements of the Arrangement. It covers the following topics:

A. Increased maximum support to 95% of the export value.
B. Increased support for local costs
C. Longer repayment periods for social infrastructure
D. The scope and definition for a Social Investment Sector Understanding (SISU)
E. Other recommendations

VI.A. N° 1: Increased maximum support to 95% of the export value

The current Common Line applies to all types of exports / sectors for transactions with sovereign borrowers and countries in risk categories 5 - 7. The suggestion is to make this into a permanent rule in the Arrangement.

Although export credit competition with non-OECD countries and untied facilities of OECD and non-OECD countries affect business in all countries (including HICs) and not just countries in risk categories 5-7, the limitation to sovereign projects in categories 5 - 7 reflects a reasonable balance between the various interests that are at stake. Exporters, international banks and various OECD ECAs are strongly in favour of this approach. Some OECD ECAs expressed for various reasons their reservations, so it will likely require a further exchange of views among Participants.

Private insurers and some local African banks are concerned that a permanent rule for a 95% maximum support will affect their operations in tied commercial loans that are used in financing down payments in public sector projects in EMDEs. This may indeed be the case, but, in the context of increased international competition, OECD exporters require more improved export credits from their ECAs. Without more flexibility, Arrangement export credits will likely become less relevant due to replacements with completely unregulated untied financing options, which was mentioned by various stakeholders. Such a replacement will likely also further affect local banks and private insurers. And last but not least: it would also seriously affect the level playing field that the Arrangement tries to protect.

For sovereign borrowers there will be important benefits with longer tenors and more favourable lending conditions, which will contribute to their debt sustainability. It is unlikely that enhanced ECA support will increase debt sustainability problems, for debt sustainability risks are managed by the IMF and WB and their policies are taken into account by OECD ECAs through the Recommendation on sustainable lending.

In lending to sovereign borrowers, local banks are usually unable to offer loans in US Dollar, Euro or British Pound with long tenors (e.g. beyond 7 to 10 years) and competitive terms and conditions, because their credit ratings negatively impact their ability to fund at the most favourable conditions. At the same time, OECD ECAs could consider to more actively promote support for local currency financing, in particular to local banks. Such financing options could be very helpful for export/ import and investment transactions with tenors up to 5 - 7 years. Local banks could assist in originating potential new business for OECD ECAs. So enhanced cooperation can create benefits for both parties.

The impact on private insurers could be mitigated by (more) active risk transfer policies of OECD ECAs to the private (re-)insurance market. EXIM banks could make use of insurance and ECA-insurers could benefit from private re-insurance. In this way, OECD ECAs can mobilise private capital for their export credit and investment operations and the financing of important import/ investment needs of EMDEs. And most importantly, it could substantially improve the risk profile of their business portfolios and potentially create some economic capital benefits. The latter is in particular relevant for so-called capitalised ECAs that operate their business on their own balance sheet.

Currently, quite some private insurers and OECD ECAs are already very active in this area and there is a potential to grow this type of business. Interesting is also that private insurers acting as reinsurers behind an OECD ECA will likely also be able to offer longer tenors and more favourable re-insurance premiums than for transactions that they conduct on a stand-alone insurance basis.

The continuation of the current Common Line in a permanent rule in the Arrangement would imply that all exports including the sales of ambulances, fire trucks, medical - and education equipment and capital goods for climate projects or water projects with sovereign borrowers would benefit. The scope is therefore broader than only Social or other Infrastructure projects (e.g., CCSU projects).

If the application of the maximum ECA support to 95% for in principle all types of exports is considered too broad, Participants could consider a second option, whereby the maximum support of 95% would be limited to climate change projects (CCSU) and social investment projects. It would then also imply that eligible social investments need to be defined. Furthermore, it requires also a decision where these social investments could be “housed”: i.e. in a separate Social Investment Sector Understanding (SISU) or included in the current CCSU, which will be discussed later under recommendation 4.

Table n°25 - Options regarding maximum ECA support up to 95% of the export value

Option	Sectors / types of exports	Which countries?	Which Borrowers?	Where to be regulated?
1	All sectors / exports	OECD ECA country risk categories 5-7 Special attention is needed for 24 non-rated countries	Sovereign borrowers	In Arrangement text
2	1. CCSU projects 2. Social Investment projects (a)	Same as option 1	Same as option 1	In CCSU and potentially in separate SISU (a)
3	Only social investment projects (a)	Same as option 1	Same as option 1	SISU
4	Only CCSU projects	Same as option 1	Same as option 1	CCSU

(a) Further explained below in recommendation 4.

It is important that the text of the 95% maximum support is written is such a way that the 15% down payment requirement remains intact. It should reflect that the Arrangement continues to require a 15% down payment. This can take away the current confusion on the application of the existing Common Line.

If an agreement on this topic cannot be reached before the current expiry date of the Common Line (14 December 2024), it is suggested to extend the Common Line for one more year, so that Participants have sufficient time to reflect on the various pros and cons of this recommendation.

VI.B. N° 2: Increased cover for local costs in the Arrangement

Many stakeholders, including local banks in EMDEs, consider that the current local costs provisions in the Arrangement are outdated. Most OECD ECAs have far more flexible national / foreign content policies (e.g. minimum national content of 20%, allowing support up to 80% foreign content, while the support to local costs is capped at 40% or 50% of the export value), which de facto implies that the Arrangement currently "discriminates" a local supplier vis a vis another foreign supplier. It is therefore more appropriate that local cost support in the Arrangement is aligned with national and foreign content regulations of individual ECAs.

For some Participants, the development and expansion of untied facilities was among others driven by the restrictive local costs requirement, which was initially 30% of the export value and at a later stage increased to 40% (for HICs) and 50% for other countries.
Maintaining strict local costs regulations in the Arrangement will de facto remain an incentive to expand unregulated untied finance or guarantee operations, which would likely further harm the level playing field for Arrangement export credits. It will, similar to untied ODA, also further fuel a debate about de jure untied financing that is de facto tied.

It is realized that a complete abolishment of local costs provisions in the Arrangement, implying that individual Participants handle this topic by themselves under their national content rules for export credits, may at this stage be a bridge too far for some Participants. For this reason, it is suggested to consider a further relaxation of the local costs requirement from 50% of the export value to 100% of the export value. This implies that for a project with a total contract price of USD 200 millions of which USD 100 million export value and USD 100 million of local costs, the local costs could be fully supported. Under the current OECD 50% local costs rule, the maximum support for local costs would be USD 50 million, being 50% of the export value of USD 100 million. This basically reflects a national content requirement of 50%, which is still substantially above the minimum national content requirement of many OECD ECAs (many OECD ECAs require a minimum national content between 20%-30%).

Furthermore, this new rule could, like the suggested maximum 95% ECA support, be limited to export transactions with sovereign borrowers in OECD country risk categories 5 - 7, with the notion that Participants have to consider current non-rated countries separately and could potentially expand the scope of application to other potential borrowers and country risk categories at a later stage. The limitation to sovereign borrowers in risk categories 5-7 is based on the same considerations as those for max 95% ECA support.

Table n°26 - Options for an increased support for local costs from 50% to 100% of the export value

Option	Sectors / types of exports	Which countries?	Which Borrowers?	Where to be regulated?
1	All sectors / exports	OECD ECA country risk categories 5-7 Special attention is needed for 24 non-rated countries	Sovereign borrowers	In Arrangement text
2	1. CCSU projects 2. Social Investment projects (a)	Same as option 1	Same as option 1	In CCSU and potentially in separate SISU (a)
3	Only social investment projects (a)	Same as option 1	Same as option 1	SISU
4	Only CCSU projects	Same as option 1	Same as option 1	CCSU

(a) Further explained below in recommendation 4.

VI.C. N° 3: Longer repayment periods for social infrastructure projects

Most stakeholders consider that tenors for certain social (and economic) infrastructure projects could be extended, provided that the duration does not exceed the useful life of the supported project.

For projects involving “affordable basic infrastructure” and / or “essential social services” such as health, education, rural roads, seaports, regional airports, tunnels, bridges and telecommunication the current maximum tenor is 15 years. Most stakeholders mentioned that Participants should consider an extension of tenors taking into account the life of the assets, tenor competition from non-OECD countries and untied financing from both OECD and non-OECD countries and the financing practices of MDBs and BDBs. Longer tenors can also contribute to mitigating debt sustainability issues of sovereign borrowers. And they can potentially contribute to a decrease of tied aid for more projects that generate some cash flow could become commercially viable.

Regulations on potential tenor extensions for social investments could – in principle – apply to both public and private sector projects in all countries irrespective their OECD country risk classification or WB income category. This would be similar to the current CCSU regulations. The potential new tenor rules will differ from the suggested changes regarding the 95% maximum support of the export value and local costs support. The latter two are suggested to apply to all export transactions with only sovereign borrowers in risk categories 5 -7.

Regarding capital goods (e.g., ambulances, fire trucks, medical - and education equipment) that can be used to improve social services in EMDEs it is expected that longer tenors are not needed. Most of these capital goods can likely be adequately financed within the general maximum credit period of 15 years, as their useful life is normally shorter.

Table n° 27 - Indicative list of social infrastructure projects that could benefit from longer tenors

Sub Sector	Current max tenor in years	Potential new max tenor in years
Education related infrastructure: schools, colleges, universities, student residences, libraries and other education related facilities.	15	22
Health related infrastructure: hospitals, clinics, nursing homes, homes for the aged, other health related facilities.	15	22
Public order and safety related infrastructure: police stations, fire stations, courts, prisons, other public safety related facilities.	15	22
Culture related infrastructure, which include museums, historical sites, religious centres and memorial sites.	15	22
Public Parks: Natural reserves, including land acquisitions and investments to make the natural reserves accessible	15	22

Sub Sector	Current max tenor in years	Potential new max tenor in years
Transport infrastructure: non-toll / rural roads, regional airports, seaports, bridges, tunnels.	15	22
Water and waste management infrastructure: Drinking water, water sanitation and waste management.	22, currently regulated in CCSU	22, currently regulated in CCSU

Source: Arrangement

VI.D. N° 4 : Develop a Social Investment Sector Understanding

Eligible social investments for improved terms and conditions

It is recommended to use as a starting point the widely recognised LMA framework for social loans to identify key sectors that that could potentially benefit from improved Arrangement terms and conditions. The key sectors include:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, energy transport, basic telecommunications);
- Access to essential services (e.g. education and vocational training, public health/healthcare, public health emergency response energy (including electricity), financing and financial services, other governmental offices servicing select populations (and/or in low /low-middle income countries);
- Affordable housing;
- Food security and sustainable food systems

Assets eligible for potential improved terms and conditions would include construction works (physical facilities), capital goods, intangible assets (such as system software) and ancillary services that may be included in project cost (such as initial maintenance during the first years of operation).

Like the LMA/ICMA frameworks, this approach broadly defines social infrastructure to include certain sectors with social impact, that other statistical frameworks may classify as economic infrastructure. Potential improved terms and conditions would therefore not only apply to “classical” social infrastructure as defined by the OECD Working Group on National Accounts (e.g. health, education, water, public safety, culture and recreation), but also to other “basic affordable infrastructure” and “essential social services”, which includes certain subsectors of economic infrastructure like transportation, storage and telecommunication.

From a sustainable development point of view, it would make sense to consider the inclusion of certain transport-, telecommunication -and water projects, because the financing needs of EMDEs are the highest in these sectors. Also, the international competition from non-OECD ECAs and untied financing is in particular felt in economic infrastructure.
The LMA framework refers also to “energy-projects” but given existing regulations in the CCSU (e.g. renewable energy projects), NSU (nuclear power) and the Arrangement (i.e. conventional power plants) it is suggested to exclude them at this stage from a potential SISU. Also, climate-friendly railway projects would remain under the CCSU.

The generic LMA definition of sectors offers several advantages:

- It is relatively broad, flexible and inclusive.
- It is recognized by most banks, the primary providers of export credits.
- It is aligned with the definition of social bonds, promoted by ICMA, which is recognized by most institutional investors, who could actively participate in the funding of export credits.
- It is familiar to many borrowers.

What needs to be regulated for social investments?

The scope and content of a potential SISU is determined by the topics that need to be regulated in such a sector understanding. If the sector understanding would only cover potential longer tenors and flexible payment terms, because – as recommended in option 1 – max 95% ECA support and relaxation of local costs will be regulated in the general Arrangement text, (implying that these new rules apply to all export transactions with sovereign borrowers in country risk categories 5-7) new regulations for social investments would likely only cover certain social and economic infrastructure projects, for capital good transactions can likely be adequately supported under the maximum tenor of 15 year of the current Arrangement.

If Participants, however, consider that max 95% ECA support should not apply to all export transactions (implying it will not be regulated in the general text of the Arrangement), but only to CCSU-projects and eligible social projects – option 2 – than this needs to be specifically regulated in the CCSU and a potential new SISU. In this scenario potential "project classes" for social projects will need to cover both (1) construction services for infrastructure projects (e.g. building of new hospitals) and (2) separate capital good transactions that are used for providing for example essential social services (e.g. ambulances). A similar approach would likely also be needed for certain capital goods exports for eligible CCSU projects. Interesting is that the current CCSU already refers to climate friendly capital goods such as electric vehicles, certain rolling stock for railway projects and trolley buses.

For capital good transactions, for social projects, and likely also for CCSU projects, a further relaxation of local costs is likely not relevant for these transactions usually have no or very limited local costs. Also, longer tenors are likely not needed for such capital good transactions. They can be adequately supported within the current general maximum tenor of 15 years of the Arrangement.

However, for infrastructure projects in the SISU and CCSU more flexible local costs rules are, like the maximum 95% support of the export value, very relevant if the relaxation cannot be regulated in the Arrangement.

Social investments under the CCSU or a separate Sector Understanding?

Social projects that could benefit from improved terms and conditions could be included in the current CCSU. The enlargement of the CCSU would imply one comprehensive Sector Understanding for both climate - and social projects. Some stakeholders expressed a preference for such an approach for it covers both green projects and social projects. It would keep the Arrangement simple.

Most stakeholders, however, prefer two separate Sector Understandings, one for climate projects and one for social projects. Main considerations for such an approach are:

- The CCSU refers to a willingness to better support Climate Change projects and its purpose should not be blurred by other activities.
- A specific SISU would also be a way to show a willingness to better support social projects, especially in EMDEs.
- In the LMA and ICMA frameworks a distinction is also made between social and green finance and there is a third category that recognises that some projects have both green and social benefits (i.e. sustainability bonds/ loans).
- Many banks are already familiar with the ICMA /LMA frameworks for social and green finance.

The creation of a dedicated SISU in addition to the CCSU, appears as the better solution. This approach basically mirrors the existing LMA/ICMA frameworks for green and social finance.

Once the decision to create a SISU will be made, a transfer of water projects from the CCSU to the SISU should be considered.

Development of the SISU.
The first step towards the establishment of a SISU is to agree on a generic and broad definition about what social investments / infrastructure entails. This is a prerequisite to the description of potential improved terms and conditions for certain social "project classes". This could be accomplished through a two-level process similar to the development process of the CCSU:

- First an agreement on a generic definition for social investments outlining a general scope of the SISU.
- Second, an Appendix with different "Project classes" that can be regularly updated.
- Third a brief description of specific terms and conditions that apply to different SISU project classes, insofar that is need given general Arrangement regulations.

Indicatively, social investments could in the same way as under the LMA framework for social loans, be generically defined as investments in:
"The physical facilities and systems essential for delivering social services that support a functioning, sustainable, inclusive society."

- In the second phase certain "project classes" could be defined, again in line with the LMA framework. Assuming the SISU, like the CCSU, would only cover longer repayment periods for certain infrastructure projects a start could be made with the following list of initial "project classes":
  Education
- Health
- Public Order and Safety
- Culture and Recreation
- Water and Sanitation (currently regulated in the CCSU)

- Transport & Storage
- Telecommunications
- Food Security

This initial list of project classes could overtime be increased using the whole list of social projects categories of the LMA.

As mentioned above, SISU regulations for longer tenors should apply to social investments in public and private sector projects in all countries, irrespective their OECD country risk classification or WB income category. The application of longer tenors to both public and private sector projects ensures that there is - tenor-wise - no discrimination between the two types of projects.

VI.E. Other Recommendations

VI.E.1. Improve visibility of ECA operations outside the ECA community

Participants could consider improving the visibility of OECD ECAs and the role they play in global development by participating in international discussions like the UN, G7 and G20 where discussions take place on the UN SDGs and the mobilisation of capital for development. Participants and OECD ECAs could also consider improving existing mobilisation measurement systems and ensure that the mobilisation impact of ECA operations is adequately reflected in these systems.

In addition, Participants could consider reporting the OECD ECA operations into the TOSSD framework. It could cover the ST and MLT export credit, investment and domestic operations of the OECD ECAs and would make their roles in official finance for the UN SDGs better visible. It should be noted that the TOSSD framework covers official support to both developed and EMDEs and that various non-OECD countries already participate in this framework.

VI.E.2. Engage with multilateral and bilateral DFIs on financial additionality of official finance and enhanced cooperation

Participants could consider engaging more actively with multilateral and bilateral DFIs (and their guardian authorities) on improving mutual cooperation and a better alignment of different sources of official capital for EMDEs with the aim to improve financial additionality of these public sources, enhance mobilisation performance and minimise competition and crowding out. The overlap in operations in official finance creates also important opportunities for enhanced cooperation, through among others ECA insurance for DFI loans that are partially used to finance the imports of goods and services from OECD countries into EMDEs. This could substantially contribute to balance sheet optimisation within DFIs.

In this context, Participants could also seek a better alignment of different frameworks on concessional finance (tied and untied aid regulations and IMF/WB Debt sustainability policies).

VI.E.3. Integrate OECD ECA country risk classification system in aid frameworks for tied and untied aid

The current aid frameworks for tied and untied aid are based on two types of country groupings, namely WB country income groups and UN LDCs. Both frameworks do not take into account the country risk of EMDEs and the extent to which their sovereign borrowers have access to market-based finance. This leads to inconsistencies in aid regulations and practices, which is further complicated by different minimum concessionality requirements and discount rates. An additional complexity are the separate IMF/WB debt sustainability policies, which focus on the debt situation of countries and have an impact on their capabilities to borrow on market-based terms and set conditions regarding concessional finance. These IMF/WB conditions deviate from the Arrangement and OECD DAC regulations for tied and untied aid.

As an example: There are several UMICs that have zero or non-zero NCB limits of the IMF/WB, which implies they cannot or only within certain limitations borrow on commercial terms. For 4 UMICs with a zero NCB limit the IMF requires for concessional loans a minimum concessionality of 35%, calculated with a 5% discount rate. At the same time the Arrangement stipulates that tied aid to UMICs is in principle not allowed unless it has a grant element of 80%. For untied aid, the minimum concessionality level for UMICs is 10%, which reflects that UMICs do require less aid than LMICs and LICs.

Among the 53 LMICs there are 13 countries with a zero NCB limit and 12 with a non-zero NCB limit. For 13 LMICs the minimum concessionality of IMF / WB is 35%, the same level as for tied aid. For untied aid this is 15%, reflecting that LMICs in general require less aid than LICs.

These examples with different minimum concessionality requirements for countries that need and even depend on concessional finance illustrates that the existing tied and untied aid frameworks based on only WB income categories have some inconsistencies. The OECD country risk classification system could complement both aid frameworks. Integration of the country risk system into the two aid frameworks will help to improve consistency and to direct aid to those countries that face the greatest challenges in attracting market--based finance (e.g. countries in risk category 7). It can also help to better align the different forms of official finance and their complementary roles.

VI.E.4. Improve transparency on actual costs of MLT export credits

Longer repayment periods mean increased risk premium, which can scare borrowers if the benefits of the upfront premiums and / or the financing of the premium through export credits are not properly explained. Most borrowers are used to assessing their costs of borrowing on the basis of the interest rates that are charged. ECAs can help this assessment by making visible how their upfront premiums and the potential financing of their premiums in export credits translate in an interest rate margin. This would help potential borrowers in EMDEs substantially and would not require any modification of the Arrangement.

VI.E.5. Improve transparency regarding untied financing and guarantee programs

The terms and conditions of untied financing or guarantee facilities (e.g. tenors, interest rates, repayment conditions) and the utilisation of funds provided are highly untransparent. This concerns untied financing offered by ECAs, multilateral and bilateral DFIs both for private and public sector projects and covers market-based finance, blended finance, concessional and semi-concessional lending.

Untied financing has increased substantially during the past 8 years and affects regulated export credits negatively. For some OECD ECAs, the untied financing and guarantee operations have become far more important than their regulated export credits.

It is unclear whether untied financing structures benefit from lower pricing than regulated export credits with minimum premiums. In principle the risks are the same. Can it be assumed that ECAs apply the OECD minimum premiums also to their untied financing facilities? If other premiums are charged, what is the rationale?

More transparency is needed to assess the extent to which the untied financing alternatives crowd out market-based finance, including official export credits. This is also critical to minimise competition challenges and develop a better alignment of different sources of public capital.

VI.E.6. Consider possible improvements for export credits in local currency

Many ECAs have capabilities to provide cover in local currency. These capabilities could be promoted more actively to local banks in countries with currencies that ECAs are able and willing to cover. This could imply additional business for both local banks and OECD ECAs.

This would require likely some additional research on the capacity of financial markets, both local and international, to accommodate local currency financing. OECD ECAs could mitigate potential currency devaluation risk that could emerge after a claims payment by ensuring that when a claim needs to be paid the defaulted payment obligation of the borrower will (automatically) be converted into a hard currency payment obligation. This is also the way how IFC mitigates this risk in providing guarantees for local currency loans. Obviously, this obligation needs to be well documented in both the loan documentation and insurance documentation. Noteworthy is that the current Arrangement allows for a maximum premium reduction of 20 % when loans are financed/ covered in local currency.

In identifying potential eligible local banks in countries with an acceptable local currency, ECAs may investigate the trade financing banks that participate in the trade finance programs of various MDBs (IFC, EBRD, ADB and IDB invest) [64]. ECAs can also look at local banks that benefit from funding lines or equity investments from MDBs and BDBs.

VI.E.7. OECD ECAs could further enhance their cooperation with private insurers

Many ECAs cooperate already with private insurers successfully. This cooperation could be further strengthened so that potential negative impacts of the changes of the Arrangement for private insurers can be mitigated. Enhanced cooperation will also have benefits for sovereign borrowers (likely longer tenors and lower interest rates), exporters (more competitive export finance) and the ECAs themselves (mobilising capital from private insurers, better risk profile of their business portfolio and for capitalised ECAs likely some economic capital gains).

VI.E.8. Consider a better support for ancillary contracts

OECD ECAs could consider supporting prefeasibility studies, E&S studies, assistance to the owner, initial O&M) on the same terms and conditions as the main export contract.

The possibility to consider more easily the financing of these contracts, even if they are executed after the delivery of the exported goods and services and the alignment of their repayment periods with those of the main contract could be beneficial to all parties (borrowers, exporters, banks and ECAs) as they secure the preparation, the execution and the initial operation of the main construction project.

[64] As an example, it is referred to the list of participating banks under IFC's Global Trade Finance Program (GTFP), which can be found via the following link: https://www.ifc.org/content/dam/ifc/doc/2024/202409-gtfp-issuing-banks.pdf.

ANNEXES

Annex n° 1: Berne Union / Sectors for MLT Export Credits and PRI

1. Energy (Production):

Includes products, projects, companies, and investments related to distribution, refining, and or generation of energy except for those applicable to Renewable Energy.
Note that this sector includes Nuclear Energy.

2. Renewable Energy (Production):

Includes products, projects, companies, and investments specifically related to generation of energy from renewable sources (wind, solar, biomass, hydroelectric dams, etc.).
Note that this does not-include Nuclear Energy.

3. Transportation (Capital Goods):

Mobile assets (including components) for the purpose of (and companies/ investments related to) transportation of goods and/or persons including (aircraft, ships, hovercraft, locomotives) – This would not include related/supporting infrastructure (i.e. airports, seaports, rail systems, etc.), which should be recorded under '5. Infrastructure.'

4. Natural Resources (Production):

Includes products, projects, companies, and investments specifically related to exploration/extraction/production/harvesting of natural resources (includes: lumber, mining, petroleum exploration and extraction).

5. Infrastructure:

Includes products, projects, companies, and investments specifically related to infrastructure (includes: railways, roads, bridges, airports, seaports, power transmission, communications transmission infrastructure, pipelines, tunnels, water treatment and transport, non-hydroelectric dams).

6. Manufacturing (production):

Includes products, projects, companies, and investments related to maintaining or increasing manufacturing capacity (including steel production).
Does not include the outputs from Manufacturing.

7. Other/Multiple:

Includes all other products/projects/companies/investments that: (1) are not applicable to any of the defined sectors, or (2) are applicable to more than one sector.

8.Non-specific:

Includes total business figure for those Members who are unable to report by sectors.

Annex n° 2: Definitions for Economic and Social Infrastructure as suggested by OECD Working Group on National Accounts

Economic infrastructure

- ***Transport related infrastructure***
  - Land transport infrastructure (highways, other road structures and networks including cycle paths and pedestrian areas; tunnels; bridges; and railway lines)
  - Water transport infrastructure (canals and waterways; marinas and harbours; seaports; and other water infrastructure)
  - Air transport, infrastructure (airports and other passenger terminals and runways)

- ***Utilities related infrastructure***
  - Mineral exploration and evaluation
  - Oil refineries
  - Storage facilities and distribution networks (e.g. petrol stations) for fossil fuels
  - Natural gas _distribution systems and transmission support structures
  - Heat distribution networks
  - Electric power plants and facilities
  - Nuclear production plants, nuclear reactor steam supply systems
  - Steam production plants
  - Hydraulic production plants
  - Geothermal energy producing facilities
  - Windmills and solar panels
  - Power and distribution transformers, turbines, turbine generators, etc.
  - Power distribution and transmission networks
  - Water-related systems (water filtration plants, water treatment equipment, water distribution systems, etc.)
  - Sewage systems (sewage treatment plants, other sewage infrastructure)
  - Waste disposal facilities_ _

- ***Flood protection and water management related infrastructure***
  - Dykes, dams and sea walls
  - Water regulation systems
  - Relevant improvements to land, including land acquisitions (e.g. investments in flooding areas, forest management systems to avoid erosion and absorb water excess, etc.)
  - Other flood control systems

- ***IT and communications related infrastructure***
    - Communications buildings, including cell-towers and data centres
    - Network base stations
    - Broadband access and internet connectivity systems
    - Software to run IT and communication related networks
    - Permits for the use of radio spectra
    - Cables and lines - coaxial, copper, aluminium, etc., optical fibre
    - Other communication construction

Social infrastructure

- ***Education related infrastructure***
    - Schools, colleges and universities
    - Student residences
    - Libraries

- ***Health related infrastructure***
    - Hospitals and clinics
    - Nursing homes, homes for the aged
    - Other health related facilities

- ***Public order and safety related infrastructure***
    - Police Stations
    - Fire stations
    - Corts
    - Prisons
    - Other public safety related facilities

- ***Culture related infrastructure***
    - Museums
    - Historical sites
    - Religious centres and memorial sites

- ***Recreation related infrastructure***
    - Indoor and outdoor recreational facilities
    - Sports facilities with spectator capacity _
    - Public parcs
    - Natural reserves, including land acquisitions and investments to make the natural reserves accessible

Annex n° 3: Comparison of Social, Green, and Sustainability Financing (ICMA and LMA Guidelines)

This annex compares Social, Green, and Sustainability financing as guided by the **International Capital Market Association (ICMA)** for bonds and the **Loan Market Association (LMA)** for loans. Both frameworks focus on funding projects with positive social or environmental impacts, though there are some differences in emphasis and sectoral coverage.

1. Focus and Use of Proceeds

- **Social Financing**: Primarily funds projects aimed at improving social outcomes. Eligible sectors include:
    - **Affordable basic infrastructure** (e.g., clean drinking water, sewers, sanitation, transport, energy)
    - **Access to essential services** (e.g., healthcare, education, vocational training, financial services)
    - **Affordable housing**
    - **Employment generation** (e.g., SME financing, microfinance)
    - **Food security** (e.g., sustainable food systems)
    - **Socioeconomic advancement** (e.g., reducing income inequality)
    - **Emergency services** (e.g., disaster relief)

- **Green Financing**: Focuses on projects with clear environmental benefits. Eligible sectors include:
    - Renewable energy (e.g., solar, wind)
    - Energy efficiency (e.g., building retrofits)
    - Sustainable water and wastewater management
    - Pollution prevention and control
    - Biodiversity conservation
    - Clean transportation
    - Climate change adaptation

- **Sustainability Financing**: Combines social and environmental objectives. Eligible sectors include:
    - Sustainable agriculture
    - Sustainable urban development
    - Clean energy access
    - Water and sanitation

Note: While ICMA and LMA are largely aligned in their definitions and eligible sectors for Social, Green, and Sustainability financing, there are minor differences. For instance, LMA includes **telecommunications** and **public health emergency response**, which are not explicitly mentioned by ICMA.

2. Eligibility Criteria

- **Social Financing**: Projects must primarily benefit vulnerable populations such as low-income communities, marginalized groups, or those affected by emergencies or socioeconomic crises.
- **Green Financing**: Projects must demonstrate significant environmental benefits such as reducing greenhouse gas emissions, improving biodiversity, or enhancing energy efficiency.
- **Sustainability Financing**: Projects must address both social and environmental objectives, targeting underserved populations while promoting environmental sustainability.

3. Reporting and Transparency

- **Social Financing**: Issuers or borrowers are required to report on social outcomes, such as the number of beneficiaries, improvements in living standards, or increased access to services.
- **Green Financing**: Reporting focuses on environmental metrics, such as CO2 emissions avoided, energy savings, or improvements in water quality.
- **Sustainability Financing**: Borrowers must report on both social and environmental outcomes, tracking performance against relevant KPIs in both areas.

4. Sectoral Focus

Financing Type	Typical Sectors
Social Financing	Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy); Access to essential services (e.g., healthcare, education, vocational training, financial services); Affordable housing; Employment generation (e.g., SME financing, microfinance); Food security (e.g., sustainable food systems); Socioeconomic advancement (e.g., reducing inequality); Emergency services (e.g., disaster relief)
Green Financing	Renewable energy, energy efficiency, sustainable water and wastewater management, pollution control, biodiversity conservation, clean transportation, climate change adaptation
Sustainability Financing	Sustainable agriculture, sustainable urban development, clean energy access, water and sanitation

5. **Target Populations**

- **Social Financing**: Primarily targets underserved or vulnerable groups such as low-income communities, gender minorities, displaced people, or those impacted by crises.
- **Green Financing**: Broader in focus, targeting global or local environmental improvements without necessarily focusing on specific population groups.
- **Sustainability Financing**: Must benefit both vulnerable populations and contribute to environmental sustainability.

6. **Key Differences Summary**

Criteria	Social Financing	Green Financing	Sustainability Financing
Primary Focus	Social impact, particularly for vulnerable or underserved populations (e.g., improving access to healthcare, education, affordable housing)	Environmental impact (e.g., reducing CO2 emissions, conserving biodiversity)	Combined social and environmental impact
Eligibility	Focuses on projects that **target vulnerable populations** such as low-income communities, marginalized groups, or those impacted by emergencies (e.g., public health crises, social inequities)	Projects must demonstrate **clear environmental benefits**, such as reducing greenhouse gases, improving energy efficiency, or enhancing biodiversity	Projects must address **both social and environmental goals** simultaneously, benefiting vulnerable populations and promoting sustainability
Reporting	Social outcomes and KPIs (e.g., number of beneficiaries, increased access to essential services, reduction in unemployment)	Environmental metrics (e.g., CO2 reduction, energy savings)	Both social and environmental outcomes (e.g., improved social conditions and environmental performance)
Typical Sectors	Healthcare, education, affordable housing, employment generation, food security, socioeconomic advancement, emergency services	Renewable energy, energy efficiency, clean transportation	Sustainable agriculture, urban development, clean energy access, water and sanitation

Annex n° 4: Classification of Social Infrastructure Sectors by Key Institutions

This annex compares how different organizations classify sectors under social infrastructure. Social infrastructure generally supports essential services, but the exact scope varies by institution. Below are some general trends:

- **Core Sectors**: Education and healthcare are widely accepted as social infrastructure across most institutions.
- **Water and Sanitation**: Commonly included in social infrastructure, though irrigation is often treated as economic infrastructure.
- **Housing**: Included by some institutions, but not universally.
- **Public Order, Culture, and Recreation**: Classification varies by institution, with some including these sectors under social infrastructure and others not.
- **Food Security**: Generally, not as widely recognized under social infrastructure but crucial for achieving Sustainable Development Goal 2 (Zero Hunger).

Some organizations adopt broader definitions, including governance, civil society, and food security, while others, such as the UK and the Netherlands, tend to focus more on economic infrastructure, leaving social infrastructure more loosely defined.
In some cases, even within a country like Canada, definitions of social infrastructure may vary between institutions.

Sector	OECD National Accounts	OECD DAC/TOSSD	AfDB (Not official)	Canada (varies by institution)	Australia	LMA/ ICMA
Education	Yes	Yes	Yes	Yes	Yes	Yes
Healthcare	Yes	Yes	Yes	Yes	Yes	Yes
Public Order and Safety	Yes	Yes (Codes 150, 160)	No (?)	Yes	Yes	Yes
Culture	Yes	Yes (Code 160)	No (?)	Yes	Yes	Yes
Recreation	Yes	Yes (Code 160)	No (?)	Yes	Yes	Yes
Housing	No	Yes (Code 160)	No (?)	Yes	Yes	Yes
Water and Sanitation	No (economic)	Yes	Yes (except irrigation)	Yes	Yes	Yes
Transport	No (economic)	No (economic)	No (economic)	No (economic)	No (economic)	Yes
Energy	No (economic)	No (economic)	No (economic)	No (economic)	No (economic)	Yes
Communications	No (economic)	No (economic)	No (economic)	No (economic)	No (economic)	Yes
Food Security	No	Yes (Code 100)	No	Yes	Yes	Yes

Key Notes:

1. **OECD DAC/TOSSD**: The DAC/TOSSD framework includes broad social services across several codes, including:
    - **100**: Food Security
    - **110**: Education
    - **120**: Healthcare
    - **130**: Water and Sanitation

- **150**: Governance and Civil Society
- **160**: Other Social Infrastructure and Services (including Housing and Social Services)

2. **AfDB**: Based on selected documents, the AfDB classifies education, healthcare, and water as social infrastructure, excluding irrigation. Public order, culture, recreation, and housing do not appear to be included.

3. **Canada**: Definitions of social infrastructure can vary across institutions, with some sectors being included by certain agencies but not others.

Annex n° 5: Mobilising Capital for UN SDGs

International commitments and declarations regarding the mobilisation of all sources of capital for the UN SDGs and the Climate Change Agenda.

I. United Nations (UN) Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda) (2015)

In the Addis Ababa Action Agenda UN member states recognise the importance of mobilising all sources of capital for development, including public and private, bilateral and multilateral as well as alternative sources of finance. It also refers to the important role trade and investments can play to contribute to the UN SDG agenda.

Statements in the Addis Ababa Action Agenda include among others:

……We recognize that funding from <u>all sources, including public and private, bilateral and multilateral, as well as alternative sources of finance</u>, will need to be stepped up for investments in many areas including for low-carbon and climate resilient development. We recognize that, in the context of meaningful mitigation actions and transparency on implementation, developed countries committed to a goal of mobilizing jointly $100 billion a year by 2020 from a wide variety of sources to address the needs of EMDEs….

……Recognizing that <u>international trade and investment offers opportunities but also requires complementary actions at the national level</u>, we will strengthen domestic enabling environments and implement sound domestic policies and reforms conducive to <u>realizing the potential of trade for inclusive growth and sustainable development….</u>

……<u>Solutions can be found</u>, including through strengthening public policies, regulatory frameworks <u>and finance at all levels</u>, unlocking the transformative potential of people and the private sector, and <u>incentivizing changes in financing as well as consumption and production patterns to support sustainable development</u>. We recognize that appropriate incentives, strengthening national and international policy environments and regulatory frameworks and their coherence, harnessing the potential of science, technology and innovation, closing technology gaps and scaling up capacity-building at all levels are essential for the shift towards sustainable development and poverty eradication….

Source: the Addis Ababa Action Agenda can be found via the following link:
https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf

II. "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance" (2015).

This "from Billions to Trillions" document was a collaborative effort between several leading MDBs, including World Bank Group, African Development Bank (AfDB), Asian Development

Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB).

The joint paper of MDBs was effectively endorsed by all shareholders of these MDBs, which include governments of OECD and non-OECD countries, which are represented in the boards of these institutions. This endorsement is crucial because the shareholders determine the strategic priorities and operational policies of the MDBs and reflects the intention of shareholding governments to mobilise both private and public capital for development.

Statements in the joint MDB document "From Billions to Trillions" include among others:

…. To meet the investment needs of the Sustainable Development Goals, the global community needs to move the discussion from "Billions" in ODA to "Trillions" in <u>*investments of all kinds: public and private, national and global, in both capital and capacity……*</u>

…… "Billions to trillions" is shorthand for the realization that achieving the SDGs will require more than money<u>*. It needs a global change of mindsets, approaches and accountabilities*</u> *to reflect and transform the new reality of a developing world with highly varied country contexts……*

<u>*……. More financial resources are available globally, but channelling them to support the SDGs*</u>
<u>*will be a challenge*</u>*. In principle, humanity has the resources to achieve the SDGs. Reflecting developments in the global economy over the last decade, large amounts of investable resources, mostly private, are available in advanced and emerging economies. In addition, domestic public resources, even in low-income countries, can be increased. However, not all available public and private resources will automatically be allocated and used effectively to support the SDGs. Nor are they programmable by—or responsive to—policy making bodies or conferences……*

<u>*……Private finance and investment*</u>*: Private resources move in directions determined by risk-reward considerations, which in turn are driven by public policies in both host and source countries*<u>*. Shifting the allocation of investable funds to better meet development needs is thus an issue of "getting policies right" – whether at the national or international level….*</u>

Source: the document "From Billions to Trillions" can be found via the following link: https://thedocs.worldbank.org/en/doc/622841485963735448-0270022017/original/DC20150002EFinancingforDevelopment.pdf

III. G20 support for UN SDGs

III.A. Action Plan on the 2030 Agenda for Sustainable Development (G20 Presidency China 2016)

The importance of the UN SDGs has been confirmed in various statements of governments that are member of the G20. The G20 Action Plan on the 2030 Agenda for Sustainable

Development of 2016 refers among others to the importance of mobilising all sources of capital for development, both public and private capital.

………In this regard the G20 contribution to the implementation of the 2030 Agenda will be guided by the following high-level principles:

- *Promote a revitalized and enhanced global partnership for sustainable development including through the mobilization and responsible use of all sources of financing – domestic and international, public and private, and enhance international support for implementing effective and targeted capacity-building in EMDEs to achieve all the SDGs, including through North-South, South-South and triangular cooperation, as well as international cooperation on technology and capacity building, consistent with the AAAA and the 2030 Agenda……*

Source: The G20 Action Plan on the 2030 Agenda for Sustainable Development can be found via the following link:
https://www.bundesregierung.de/resource/blob/974430/474632/7eaa1748c2f28c579361ec336a5fb3cd/2016-09-08-g20-agenda-action-plan-data.pdf?download=1

III.B. G20 Osaka Leaders Declaration (G20 Presidency Japan 2019).

The G20 Osaka declaration in 2019 reconfirms the importance of mobilisation of all sources of capital for the UN SDGs and the Climate Agenda.

…….We support developing countries in their efforts to advance progress towards the timely implementation of the SDGs in such areas as poverty eradication, quality infrastructure investment, gender equality, health, education, agriculture, environment, energy, and industrialization, using all means of implementation, such as the mobilization of private sector resources and capacity building assistance…..

……To this end we stress the importance of accelerating the virtuous cycle and leading transformations to a resilient, inclusive, and sustainable future. We emphasize the importance of taking concrete and practical actions and collecting international best practices and wisdom from around the world, mobilizing public and private finance, technology and investment and improving business environments……

……To this end, we strive to foster inclusive finance for sustainable development, including public and private financing mobilization and alignment between them, as well as innovation in a wide range of areas for low emissions and resilient development….

Source: The G20 Osaka Leaders Declaration can be found via the following link:
https://www.mofa.go.jp/policy/economy/g20_summit/osaka19/en/documents/final_g20_osaka_leaders_declaration.html"

III.C. G20 New Delhi Leaders' Declaration (G20 Presidency India 2023)

The declaration of the G20 meeting in New Delhi reaffirms the commitment of G20 countries to mobilise financing from all sources to support developing countries and the UN SDGs.

……We reaffirm our commitment towards the mobilisation of affordable, adequate and accessible financing from all sources to support developing countries in their domestic efforts to address bottlenecks for implementation of the 2030 Agenda and the Addis Ababa Action Agenda….

Source: The G20 New Delhi Leaders' Declaration can be found via the following link: https://www.mea.gov.in/Images/CPV/G20-New-Delhi-Leaders-Declaration.pdf

IV. G7 support for the UN SDGs

In various statements or communiqués of leaders of the G7 countries reference is made to the importance of the UN SDGs and the need to mobilise all sources of capital available.

IV.A. The Charlevoix G7 Summit Communiqué (G7 Presidency Canada in 2018)

In this G7 communiqué it is among others mentioned that public finance and mobilisation of capital are key to achieve the UN SDGs and finance the international Climate Agenda.

……. Public finance, including official development assistance and domestic resource mobilization, is necessary to work towards the achievement of the Sustainable Development Goals of the 2030 Agenda, but alone is insufficient to support the economic growth and sustainable development necessary to lift all populations from poverty…….

…….Canada, France, Germany, Italy, Japan, the United Kingdom and the European Union reaffirm their strong commitment to implement the Paris Agreement, through ambitious climate action; in particular through reducing emissions while stimulating innovation, enhancing adaptive capacity, strengthening and financing resilience and reducing vulnerability; as well as ensuring a just transition, including increasing efforts to mobilize climate finance from a wide variety of sources……

Source: The Charlevoix G7 Summit Communique (2018) can be found via the following link: https://www.international.gc.ca/world-monde/international_relations-relations_internationales/g7/documents/2018-06-09-summit-communique-sommet.aspx?lang=eng

IV.B. The G7 Cornwall Summit Communiqué (G7 Presidency United Kingdom in 2021)

The G7 Cornwall Summit Communiqué focused on the need for financial flows from all sources to help achieve the Paris Agreement goals and the UN SDGs.

……. Achieving our collective ambitions of a global green and resilient recovery offers the greatest economic opportunity of our time to boost income, innovation, jobs, productivity and growth while also accelerating action to tackle the existential threat of climate change and environmental degradation. To close the gap between the funds needed and actual finance flows requires mobilising and aligning finance and investment at scale towards the technologies, infrastructure, ecosystems, businesses, jobs and economies that will underpin a net-zero emissions resilient future that leaves no one behind. This includes the deployment and alignment of <u>all sources of finance: public and private</u>, <u>national and multilateral</u>. We recognise the particular challenges of financing the transition to net zero economies poses for developing countries and stand by our bilateral and multilateral commitments to support these partners, in the context of meaningful and transparent decarbonisation efforts. We reaffirm the collective developed country goal to jointly mobilise $100 billion per year from public and private sources, through to 2025 in the context of meaningful mitigation actions and transparency on implementation. Towards this end, we commit to each increase and improve our overall international public climate finance contributions for this period and call on other developed countries to join and enhance their contributions to this effort…….

The G7 Cornwall communiqué can be found via the following link:
https://www.consilium.europa.eu/media/50361/carbis-bay-g7-summit-communique.pdf

IV.C. G7 Elmau Leaders Declaration (G7 Presidency Germany 2022)

…. We recognise that combating climate change, biodiversity loss, and pollution requires <u>mobilising private and public, domestic, and international financial resources</u>. To this end, we commit to implementing with others clear policies and strategies to align financial flows with our climate and biodiversity objectives and are committed to mobilising resources from all sources….

……. Building on our initiatives and strong commitment, and using all financial instruments at our disposal, we aim at collectively mobilising up to USD 600 billion in public and private investments with a particular focus on quality infrastructure over the next five years….

……. Recognising the particular strain multiple crises have put on developing countries we reaffirm our strong commitment to put the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda at the center of our agendas to mainstream sustainable development across all policy priorities. We will accelerate our efforts to achieve the Sustainable Development Goals by 2030 by mobilising all sectors and levels of society……

Source: The G7 Elmau Leaders Declaration can be found via the following link:
https://www.g7germany.de/resource/blob/974430/2062292/fbdb2c7e996205aee402386aae057c5e/2022-07-14-leaders-communique-data.pdf?download=1

Annex n° 6: TOSSD Framework

Total Official Support for Sustainable Development and reporting by OECD member countries

Introduction: background and purpose of the TOSSD framework

The Total Official Support for Sustainable Development (TOSSD) statistical framework aims to provide a comprehensive picture of global, official and officially supported resource flows provided to promote sustainable development of developing countries. It has been developed in response to the agreements of the international community to implement the most ambitious development agenda ever devised – _the Sustainable Development Goals (SDGs) – and the equally ambitious financing strategy – the Addis Ababa Action Agenda (AAAA). The vast scope of the SDGs creates a new imperative to maximise the full potential of all resources – public, private, national and international – that finance development.

The key to unlocking this potential is understanding the scope, nature and dynamics of the full range of resources being deployed to achieve the SDGs. This, in turn, requires a global framework for measuring resources in support of sustainable development, including external finance.

The TOSSD framework is designed to provide a coherent, comparable and unified system for tracking resources for sustainable development that can inform strategic planning, identify emerging gaps and priorities, and assess progress in matching supply with needs. TOSSD thus supports the vision of the SDG 17 on revitalising the global partnership for sustainable development and is expected to serve for monitoring this goal and several other SDG targets.

The primary objective of the TOSSD measurement framework is to promote greater transparency and accountability about the full array of officially-supported development finance provided in support of the 2030 Agenda for Sustainable Development – including resources provided through South-South co-operation, triangular co-operation, multilateral institutions, emerging and traditional donors as well as private finance mobilised through official interventions. TOSSD data track resource flows regardless of the financial instrument used, the level of concessionality involved or whether they are delivered through bilateral or multilateral channels. Information about resource flows will facilitate learning and exchange of good practice among EMDEs about how to access and combine resources most effectively. Importantly, it will promote greater collaboration and synergies across development partners financing the SDGs and support more informed policy discussions about the ultimate quality and impact of development finance.

TOSSD will also provide insights about the extent to which the international community is financing development enablers and responding to global challenges – essential for the implementation of the SDGs while not necessarily involving direct resource transfers to

EMDEs. This information is so far not systematically captured in international statistics on development finance.
In line with inherent thrust of the SDGs – _to promote a more sustainable, equitable and prosperous world for all people – this statistical framework assumes that all resources captured therein should be provided consistent with prevailing global and regional economic, environmental and social standards and disciplines, with development co-operation effectiveness principles, as well as with the United Nations Charter and International Law. These safeguards ensure that TOSSD-eligible investments are sustainable, promote equal opportunities and rights, guard against negative environmental, social and climate impacts and risks, and – where necessary – limit damage through mitigation measures.

Particular attention is paid to commercially motivated resource flows – such as officially-supported export credits, subsidies and resources mobilised from the private sector – and on their compliance with global standards and disciplines, including to ensure that they do not create trade distortions.

It is also assumed that providers of TOSSD seek to ensure that the financing of global and regional expenditures does not have a crowding-out effect on their country-specific development co-operation to TOSSD recipients. When granting scholarships or hosting students from TOSSD-recipients in their education and training institutions, provider countries should take into consideration whether the partner country has put in place incentives to minimise brain drain in EMDEs.

Data generated through the TOSSD framework can also be used to compile aggregates on sustainable development finance from the providers perspective and published upon their request. These data should be seen as complementary to the figures on Official Development Assistance (ODA) reported by the DAC members and many other provider countries. TOSSD aggregates by provider will not by any means replace ODA as a measure of donor effort, nor will they undermine some providers commitment to reach the UN ODA/ GNI target of 0.7%.

The present Reporting Instructions – which have been developed by the international community working together in an open, inclusive and transparent manner – are designed to assist countries and institutions wishing to report data regarding the resources they are providing to EMDEs in support of sustainable development and the 2030 Agenda. They will be updated and adjusted as and when the need arises. It is expected that the TOSSD framework will continue to exist beyond 2030, to continue promoting greater transparency on flows in support of sustainable development.

The TOSSD reporting framework was officially recognized by the G20 as part of the "G20 Financing for Sustainable Development Framework" in 2020.

Definition of TOSSD.
The Total Official Support for Sustainable Development (TOSSD) statistical measure includes all officially supported resources to promote sustainable development globally, thus in both developing and developed countries. This includes i) cross-border flows to EMDEs and ii)

resources to support development enablers and/or address global challenges at regional or global levels.

Explanation of "Officially supported".
TOSSD aims to capture the entirety of instruments and modalities used by official provider countries and organisations to support sustainable development, including mechanisms that mobilise resources from the private sector. Therefore, in the context of TOSSD, "officially supported resources" are defined as

a) resources provided by:

  i) official agencies, including state and local governments, or by their executive agencies, and

  ii) public sector corporations.

b) private resources mobilised by official interventions, where a direct causal link between the official intervention and the private resources can be demonstrated.

TOSSD reporting and officially supported export credits.
TOSSD financial instruments may include officially supported export credits extended in association with development finance or explicitly designed to contribute to sustainable development objectives. The TOSSD framework mentions officially supported export credits explicitly, but does not refer to other official products that ECAs / Participants offer. (e.g. untied ECA facilities, domestic ECA support, ST ECA operations).

Definition of officially supported export credits.
Credits extended by government-owned or controlled specialised export-financing agencies or institutions (ECAs) for commercial purposes to finance a specific purchase of goods or services from within the creditor country. They include both official direct export credits (i.e. loans extended by ECAs to facilitate exports to EMDEs) and officially guaranteed/insured export credits (i.e. loans extended by the private sector but guaranteed/insured by ECAs to finance an export transaction).

The definition does not make a distinction between ST and MLT export credits and covers therefore a broader range of export credits than those governed by the Arrangement, which refers to official export credits with a tenor of at least two years or more.

The TOSSD statistical framework has detailed reporting guidelines, which can be found via the following link: https://tossd.org/docs/reporting_instructions.pdf

The two tables below provide information on the TOSSD reporting by OECD countries during the years 2019 – 2022 and whether their reporting includes officially supported export credit activities.

Table 1: OECD Countries and their TOSSD reporting 2019 - 2022

No.	OECD Member Country	2019	2020	2021	2022	ECA operations included?
1	Australia	yes	yes	yes	yes	No
2	Austria	yes	yes	yes	yes	Only for 2022
3	Belgium	yes	yes	yes	yes	Yes, but only for rescheduling
4	Bulgaria	no	no	no	yes	No
5	Canada	yes	yes	yes	yes	No
6	Croatia	yes	yes	yes	yes	No
7	Cyprus	no	no	no	yes	No ECA
8	Czech Republic	no	no	no	yes	No
9	Denmark	yes	yes	yes	yes	Yes, except for 2019. Only climate related transactions
10	EU Institutions	yes	yes	yes	yes	No ECA
11	Estonia	yes	yes	yes	yes	No
12	Finland	yes	yes	yes	yes	No
13	France	yes	yes	yes	yes	Yes
14	Germany	no	no	no	Yes	No
16	Greece	yes	yes	yes	yes	No
17	Hungary	yes	yes	yes	yes	No
18	Ireland	yes	yes	yes	yes	No ECA
19	Italy	yes	yes	yes	yes	Yes, but only for rescheduling
20	Japan	yes	yes	yes	yes	Yes, but only for 2019 and 2021
20	Korea	yes	yes	yes	yes	Yes
21	Latvia	yes	yes	yes	yes	No
22	Lithuania	yes	yes	yes	yes	No
22	Luxembourg	yes	no	no	no	No
23	Malta	yes	yes	yes	yes	No ECA
24	The Netherlands	no	no	no	no	No
25	New Zealand	yes	yes	yes	yes	No
26	Norway	yes	yes	yes	yes	Yes, only for 2019
27	Poland	yes	yes	yes	yes	Yes, except for 2022

Table 1: OECD Countries and their TOSSD reporting 2019 - 2022

No.	OECD Member Country	2019	2020	2021	2022	ECA operations included?
28	Portugal	yes	yes	yes	yes	Yes, for 2020 and 2021
29	Slovak Republic	yes	yes	yes	yes	No
30	Slovenia	yes	yes	yes	yes	No
31	Spain	yes	yes	yes	yes	Yes for 2020 and 2021
32	Sweden	yes	yes	yes	yes	Yes for 2021, likely only SEK, EKN reporting unknown.
33	Switzerland	yes	yes	yes	yes	No
34	Türkiye	yes	yes	yes	yes	Yes, except for 2021
35	United Kingdom	yes	yes	yes	yes	No
36	United States	yes	yes	yes	yes	Yes, but only for 2019.

Source: TOSSD website and OECD Statistical Department
(a) In 2022 Germany reported partial information for the TOSSD framework.

Table 2: Number of activities of TOSSD reporting countries reported by year corresponding to officially supported export credits (FA04)

No.	TOSSD reporter	2019	2020	2021	2022
1	Austria				38
2	Denmark		11	41	41
3	France	26	38	38	26
4	Japan	10		1	
5	Korea	129	130	119	126
6	Norway	23			
7	Poland	6	6	6	
8	Portugal		7	4	
9	Spain		21	17	
10	Sweden			6	
11	United States	58			
12	Türkiye	12	10		18
13	Indonesia (1)	3			
	Grand Total	**267**	**223**	**232**	**249**

Source: OECD Statistical Department.
(1 Indonesia is not a Participant to the Arrangement, but it does report its export credit operations in the TOSSD framework.

Annex n° 7: Examples of revised ECA rules for priority projects

I) FOR GREEN PROJECTS

I - A) ATRADIUS DSB & Green Projects

Green cover is for Dutch companies that want to invest in new green technologies or production capacity for green capital goods or projects. The cover is meant for companies leading the energy transition through innovation while expanding their international reach through export. Many green technologies are still in the developing phase or have a long way to go before achieving commercial maturity. Financiers tend to interpret these stages as high risk, which makes it difficult to get a green investment financed.

Our Green Cover solution helps companies acquire the finance they need for their respective investments to develop or scale up sustainable projects or green capital goods.

https://atradiusdutchstatebusiness.nl/en/products/green-cover.html

I - B) Bpifrance AE & Environmental Projects

ELIGIBILITY CRITERIA
Projects whose sector is governed by the European Taxonomy for sustainable activities contributing significantly to one of the six following environmental objectives and having no negative impact on the others environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

ADVANTAGES
• The maximum threshold of the financed share established at twice the French share, applied to
(i) companies with a turnover of more than €150M, (ii) Major Projects and (iii) project financing,
is raised to 85% of the exported value of the contract - French share is maintained at 20%.
• The advance on the premium for limited recourse project financing has been abandoned for
contracts of €50 million or less and for contracts carried out by ETIs or SMEs.
• A stabilized subsidized rate (CIRR) may be granted for applications concerning sustainable projects in the naval sector, to compensate for the abatement costs of the most virtuous technologies

https://www.bpifrance.com/storage/sites/7/2022/03/Synthese-Environnemental-Bonus_042024.pdf

I - C) CESCE & Green Projects

Projects that are considered eligible will benefit from the following more favourable conditions:

- These **operations** will be **considered a priority.**
- **Refund of study expenses** on the signing of the policy
- **Flexibility in the national content standard:** goods and/or services of Spanish origin may represent 20% of the credit insured by Cesce, instead of the 30% or 40% that is required as a general rule (prior to considering Cesce's premium and IDCs which can increase the amount of the insured loan).
- For **operations** subject to the **OECD Consensus, the price will be discounted by applying the discounts allowed** in said agreement.
- If the **project** falls within one of the sectors identified in **Annex I of the OECD Consensus,** more **flexible financing conditions are allowed**. (E.g. repayment terms of up to 22 years in certain cases.)

https://www.cesce.es/en/cuenta-del-estado/polizas-verdes

I - D) EULER HERMES & Green Projects

Improved cover conditions for climate-friendly technologies

Preferential cover conditions are introduced that will make financing of Export Credit Agency (ECA) covered "green" exports even more attractive.
With this, German exporters are strengthened to assert themselves in the highly competitive global market for climate-friendly technologies:

- The cover ratio for financial credit cover for economic and political risks increases from 95 to 98 percent - making financing and presumably the German product more attractive.
- The generally permissible foreign content increases to 70 percent. This will give exporters greater flexibility in sourcing and allows for more competitive pricing. The prerequisite is that core competencies or key technologies remain in Germany. This will also benefit the renewable energy export sector/market.
- The down payment requirement for local costs is waived. Through this the share of the Export Credit Guarantee (ECG) backed part of the funding can increase and, vice versa, will reduce the cost of credit.
- The surcharge for local currencies (which are often so-called "soft currencies") is waived. The surcharge had hindered "green" projects in particular, as their revenues are often generated in local currencies.

https://www.exportkreditgarantien.de/en/sustainability/climate-strategy/climate-strategy-for-ecg.html

I - E) NEXI & Green Projects

In December 2020, NEXI announced the LEAD Initiative to respond to the business environment with and after the Covid-19. This initiative is intended to actively promote the underwriting of projects, with a focus on contributing to global carbon neutrality, solving social issues and achieving the SDGs. Under this initiative, we aim to underwrite insurance of total value of JPY 1 trillion by the end of fiscal 2025, while diversifying our funding sources not only from traditional capital providers, but also from institutional investors etc.

By changing some of its methods of assessing credit risk and enabling proactive risk assessment, NEXI will be able to offer preferential credit risk premiums for projects in the field of environmental protection/climate change prevention.

https://www.nexi.go.jp/en/topics/newsrelease/2019072901.html

II) CHINESE COMPETITION

II - A) US EXIM & CTEP China and Transformational Exports Program

COMPETITION FROM THE PEOPLE'S REPUBLIC OF CHINA

Foreign buyers should make their choices based on the price and quality of the goods or services, and not be swayed by the financing alone.

EXIM's goal is to support U.S. jobs by levelling the financing playing field to help U.S. exporters compete based on price and quality.

To determine if EXIM's CTEP applies to your export transaction, please consider the following questions:

- Is your export sale facing a competitor backed by export subsidies from the People's Republic of China (PRC)?
- Do you have direct evidence of export subsidies from the PRC or other unfair financing?
- Do you have more general evidence of export subsidies?
- EXIM may not be aware of all the ways you face PRC competition. So please, reach out for a CTEP Consultation and we will help.

To support your company's bid against PRC competition, EXIM may be able to offer:

- Reduced Fees
- Extended Repayment Tenors
- Exceptions from other EXIM policies

https://www.exim.gov/about/special-initiatives/ctep/competition

Annex n° 8: Key International aid regulations and an assessment of the number of countries eligible for untied and tied aid

For bilateral concessional finance there are various international regulations, which are determined by different organisations among which the Participants (for tied aid), the DAC (for untied aid), the IMF and / or World Bank to manage debt sustainability of highly indebted countries.

Table 1: Overview key international aid regulations for EMDEs.

Organisation	Participants to Arrangement	OECD DAC	IMF	World Bank
Topic	Tied aid	Untied aid (ODA)	Debt sustainability	Debt sustainability
Key regulations	Arrangement Sustainable lending Recommendation	General ODA regulations Untying of aid Recommendation	IMF/WB DSF IMF MAC DSF IMF DLP	IMF/WB DSF WB SDFP policy
Key objective of regulations	Ensure that tied aid credits are complementary to market-based finance (incl. ECA export credits) and do not crowd out such finance and distort international competition. (Financial additionality).	To regulate and measure the ODA aid performance of OECD DAC donors in context of international target to spend 0.7% of GDP on aid and Improve aid efficiency and aid effectiveness.	Manage and monitor debt sustainability of IMF member countries facing debt sustainability issues. Technical and financial support for countries in debt distress.	Manage and monitor debt sustainability of WB member countries facing debt sustainability issues. Technical and financial support for countries in debt distress.
Key official finance agency involved	ECAs and tied aid providing organisations, (ODA Aid Agency, BDB or government Ministry)	BDBs and ODA Aid Agencies	IMF	WB
Key Ministries / Guardian Authorities involved in policy issues and regulations	Ministries of Finance and / or Trade & Industry and for tied aid ministries of development cooperation/ foreign affairs	Ministries of Development Cooperation and / or Foreign Affairs	Ministries of Finance / Central Banks	Ministries of Development Cooperation and / or Foreign Affairs.

Source: SFI based on various IMF, World Bank and OECD documents.

All these different international aid regulations have their unique specific requirements and conditions. As a consequence, the international aid architecture is quite complex.

This annex summarises the key international regulations regarding debt sustainability, tied and untied aid.

A. Key regulations on debt sustainability of the IMF and World Bank

Today there are in total 73 EMDEs to which certain debt sustainability policies of the IMF and / or World Bank apply. These policies are the following:

- The IMF Debt Limits Policy, which includes the IMF /WB Debt Sustainability Framework that applies to LICs (IMF /WB DSF) and the IMF Framework for assessing Sovereign Risk and Debt Sustainability for Market Access Countries (IMF MAC DSF), which applies to some LMICs and UMICs that face debt sustainability constraints.
- The World Bank Sustainable Development Finance Policy (SDFP) that applies to IDA-only countries (WB SDFP).

The 73 countries that currently fall under these IMF/WB debt sustainability frameworks are all 26 LICs, 36 LMICs (out of in total 53 LMICs) and 11 UMICs (out of in total 62 UMICs). The frameworks also apply to 44 UN LDCs (out of in total 45 LDCs).

Under these IMF/WB policies the countries may face certain restrictions on their external borrowing. This can be:

(1) Countries with a zero Non-Concessional Borrowing Limit (zero NCB limit), which implies that these countries can – in principle – not borrow on market-based terms and conditions, which includes "regular" officially supported export credits.
(2) Countries with a non-zero NCB limit, which are allowed to borrow market-based loans but within a certain NCB limit, which is country specific.
(3) Countries without an NCB limit, which are not restricted by the IMF or WB to borrow on market-based terms and conditions.

Table 2: No. of EMDEs and IMF/WB debt sustainability restrictions (August 2024)

Country group	Zero NCB limit	Non-zero NCB limit	Without NCB limit	Not Subject to IMF / WB debt sustainability restrictions	Total
UN LDCs	21	13	1	1	45
LICs	12	7	7	-	26
LMICs	13	12	11	17	53
UMICs	4	2	5	51	62

Source: IMF and World Bank

The OECD Recommendation of the Council on sustainable lending practices and officially supported export credits[65] refers to the debt sustainability policies of the IMF and World Bank. The purpose of this OECD Recommendation is to ensure that officially supported export credits do not contribute to the build-up of unsustainable external debt in "lower income countries". For this reason, "regular" official export credits (not being tied aid loans) should in principle not be offered to "Lower Income Countries" that have a zero NCB limit.

[65] The Recommendation of the Council on sustainable lending practices and officially supported export credits can be found via the following link: https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0442

Regular export credits can be offered to countries with a non-zero NCB limit, but in principle within their NCB limit.

"Lower-income countries" in the Recommendation refers to countries that are eligible for financing through the International Monetary Fund (IMF) Poverty Reduction and Growth Trust (PRGT) or that only have access to interest free credit or grants from the International Development Association (IDA) of the World Bank ("IDA Only" countries).

A.1. Minimum grant element and applicable discount rate

Under the IMF /WB DSF, applicable to LICs, concessional loans should have a minimum concessionality level of 35%, which is calculated on the basis of a fixed discount rate of 5% (which applies to all currencies and tenors of concessional loans) and should be calculated with the IMF /WB grant calculator. This calculator differs substantially from the grant element calculator of the OECD DAC that is used to calculate the minimum grant element for tied and untied aid. In the IMF/WB calculator for example upfront or management fees should be taken into account, which is not the case in the grant calculator of the OECD DAC.

For thirteen LMICs and four UMICs that have zero NCB limit the IMF or World Bank will usually also require that the concessional loan has a minimum grant element of 35%, calculated with the IMF/WB grant calculator on the basis of a 5% discount rate.
For LMICs and UMICs with a non-zero NCB or without an NCB limit the IMF and WB do normally not impose that concessional loans should meet the 35% minimum grant element. This implies that for these countries the minimum grant element can be determined on the basis of OECD regulations for either tied or untied aid.

Concessional loans that meet the applicable minimum concessionality levels of tied or untied aid and are calculated on the basis of the OECD DAC grant calculator, but do not meet the IMF/WB minimum requirements on the basis of the IMF/WB grant calculator cannot be reported as ODA.

B. Key regulations on tied aid in the Arrangement on officially supported export credits

The Arrangement on Officially Supported Export Credits provides specific regulations for tied aid as well as transparency requirements for trade-related untied aid. The tied aid regulations are also called the "Helsinki disciplines" and were agreed in 1991 by the Participants with the aim of limiting the use of (tied) concessional financing for projects that might be supported through commercial financing.

Tied aid should in view of the Participants be complementary to regular MLT commercial financing with or without ECA cover and not replace such financing. These rules were therefore also developed to redirect tied aid away from relatively rich EMDEs, which should be able to attract commercial credits, towards developing counties, which are less well-off and do not have adequate access to MLT market-based financing.

The prevailing tied aid disciplines are detailed in Chapter III of Arrangement and the transparency requirements relating to tied aid (e.g. prior/prompt notifications, enquiries and consultations) are set out in Chapter IV of the Arrangement.

Box 1: Definition of tied aid in Arrangement

Tied Aid: aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries; it includes loans, grants or associated financing packages with a concessionality level greater than zero percent.

This definition applies whether the "tying" is by formal agreement or by any form of informal understanding between the recipient and the donor country, or whether a package includes components from the forms set out in Article 30 of the Arrangement that are not freely and fully available to finance procurement from the recipient country, substantially all other EMDEs and from the Participants, or if it involves practices that the DAC or the Participants consider equivalent to such tying.

Source: Arrangement

B.1. Tied aid and eligible countries

Article 32 of the Arrangement mentions that no tied can be provided to countries whose per capita GNI, according to the World Bank data, is above the upper limit for LMICs. Tied aid is therefore (in principle) not allowed for UMICs. There is an exception to this rule, namely for loans that have a minimum concessionality level of 80%, which is close to a grant.

All other countries are according to the Arrangement eligible for tied aid. However, in the OECD DAC there is a Recommendation to untie aid as much as possible to LDCs and LICs. This explains that the vast majority of tied aid is provided to LMICs.

B.2. Tied aid and minimum grant element and applicable discount rate

Article 34 of the Arrangement rules that Participants shall not provide tied aid that has a concessionality level of less than 35%, or 50% if the beneficiary country is a Least Developed Country (LDC).

For the calculation of the minimum concessionality level for tied aid loans Participants are obliged to use so-called Differentiated Discount Rates (DDRs), which are different from the discount rates that are used by OECD DAC members for untied ODA or the IMF under the IMF/WB Debt Sustainability Policies.

These DDRs are set for all major currencies of OECD countries, are tenor specific and subject to annual change on 15 January. This is where they differ from the fixed discount rates under IMF/WB debt sustainability policies and the OECD DAC framework for ODA (see table 3 further below).

Box 2. Composition of Differentiated Discount Rates (DDRs)

DDRs are based on two components, namely:

1. The average of the Commercial Interest Reference Rate (CIRR) using seven-year government bond yields, and
2. A margin which depends on the repayment terms of the concessional loan.
   This margin is:
   - 75 basis points / 0.75% for a repayment period less than 15 years
   - 100 basis points / 1% for repayment period from 15 years up to, but not including 20 years
   - 115 basis points / 1.15% for a repayment period from 20 years up to but not including 30 years
   - 125 basis points / 1.25% for a repayment period from 30 years and above

- For all currencies, the average of the CIRR using seven-year government bond yields is calculated taking an average of the monthly rates valid during the six-month period between 15 August of the previous year and 14 February of the current year, as determined according to the provisions of Annex XII. The calculated rate, including the Margin, is rounded to the nearest ten basis points.

Source: Article 36 of the Arrangement

Calculations for the concessionality level of tied aid credits should be made on the basis of the OECD DAC grant calculator, which differs from the one used under the debt sustainability policies of the IMF and World Bank.

B.3. Tied aid and project eligibility: "commercial viability test"

Article 33 of the Arrangement stipulates that tied aid shall not be extended to public or private projects that normally should be commercially viable if financed on market or Arrangement terms. The intention of this general provision is that tied aid is not used for so-called commercially viable projects that generate sufficient cash flow to repay commercial loans, which includes regular officially supported export credits of OECD ECAs.

To assess whether a project is commercially viable or not article 33 oblige participants to apply the so-called "commercially viable test", which includes two key criteria, which are:

3. whether the project is financially non-viable, *i.e.* does the project lack capacity with appropriate pricing determined on market principles, to generate cash flow sufficient to cover the project's operating costs and to service the capital employed, *i.e.* the **first key test**; or
4. whether it is reasonable to conclude, based on communication with other Participants, that it is unlikely that the project can be financed on market or Arrangement terms, *i.e.* the **second key test**. In respect of projects larger than SDR 50 million (approximately USD 66.5 million) [66]special weight shall be given to the expected availability of financing at market or Arrangement terms when considering the appropriateness of such aid.

In the context of the second key test – whether it is unlikely that a project can be financed on the basis of (regular) Arrangement terms – it is a common practice among Participants to investigate the OECD country risk rating and relevant country cover policies of OECD ECAs. Most OECD ECAs are for example off cover for countries rated in the highest OECD country risk category 7, which is an indication that Arrangement based finance will not be available for a project in such a country.

[66] The USD amount is calculated on the basis of an exchange rate SDR 1 = USD 1.33 (January 2024).

The commercial viability test can lead to 4 different assessments, whereby in two cases tied aid is allowed and in two other cases it is not.

Table 3: Possible outcomes of commercial viability test and tied aid eligibility.

No.	Does project generate sufficient cash flow (Test 1)	Can project be financed on Arrangement terms (Test 2)	Is project eligible for tied aid?
1	Yes	Yes	No
2	No	Yes	No
3	Yes	No	Yes
4	No	No	Yes

Source: OECD DAC

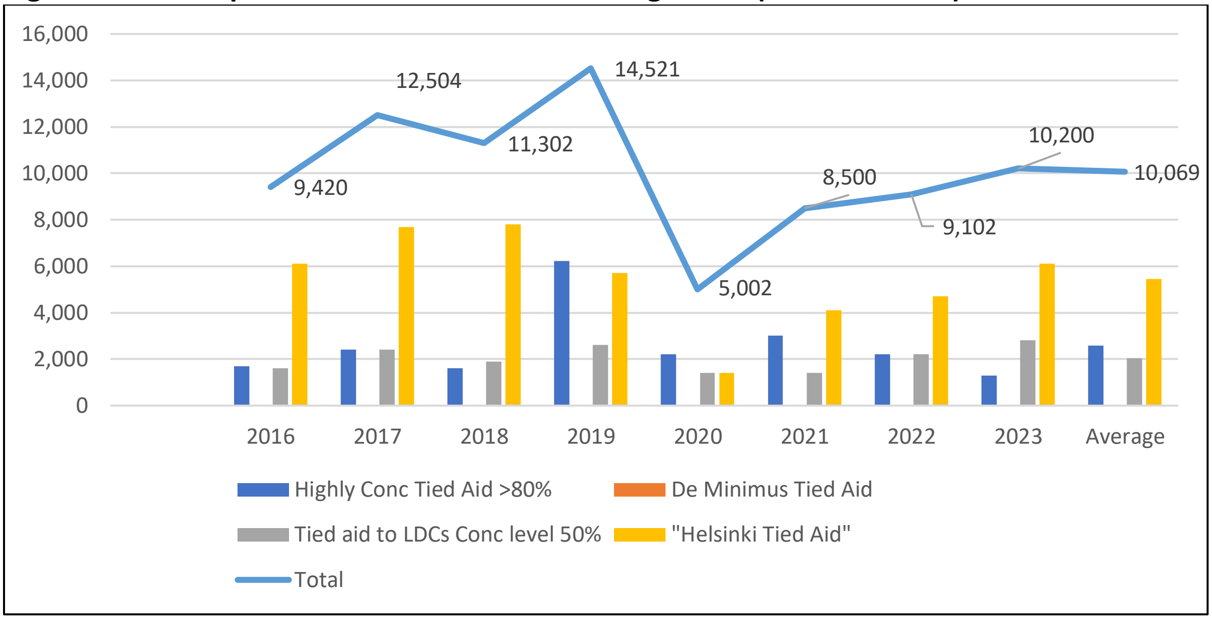
In certain cases, the commercial viability test does not apply. This concerns among other projects in LDCs or concessional loans to UMICs with a grant element of 80% or more.

B.4. Volume of tied aid to EMDEs

The secretariat for the OECD - ECG makes each year an overview of the tied aid operations of OECD member countries. This overview is unfortunately not published, but some information about the tied aid operations of OECD countries can be found in the annual competitiveness reports of US-EXIM. In these reports US-EXIM describes on the basis of OECD tied aid regulations four main types of tied aid, which are:

1. Tied aid that has a concessionality level greater than or equal to 80%, which is highly concessional and more costly to the donor country than tied aid with a (minimum) concessionality level of 35%. It more closely resembles a tied aid grant than a tied aid concessional loan. In 2023, highly concessional tied aid totalled USD 1.3 billion. On average the annual tied aid with a concessionality level of 80% or more was during the years 2016 – 2023 USD 2.58 billion. The US-EXIM reports do not mention to which countries this highly concessional finance is provided but is concerns very likely tied aid to certain UMICs.
2. De minimis tied aid concerns tied aid that has a value of less than SDR 2 million (approximately USD 2.66 million). In the years 2016 – 2023 there were a limited number of “de minimis tied aid transactions” reported. The annual average of such tied aid during the years 2016 – 2023 was USD 4 million, which is mainly caused by a relative high volume of USD 19.6 million in 2019. In 2023 there was no de minimis tied aid reported.
3. Tied aid for Least Developed Countries (LDCs), as defined by the United Nations, which according to the Arrangement require a minimum concessionality level of 50%. In 2023, tied aid to LDCs totalled approximately USD 2.8 billion. During the years 2016 – 2023 the average annual tied aid for LDCs was USD 2.04 billion.
4. “Helsinki tied aid” is the core type of tied aid and captures all other tied aid activity in LICs and LMICs, not being LDCs. In view of US-EXIM Helsinki tied aid has the highest potential for competitiveness concerns and potentially negative implications for a level playing field. The Arrangement requires 35% concessionality and directs this type of tied aid to commercially non-viable projects (commercial viability test). Helsinki-type tied aid increased from USD 4.7 billion in 2022 to USD 6.1 billion in 2023. During the years 2016 – 2023 the average annual “Helsinki tied aid” was USD 5.45 billion.

Figure 1: Reported tied aid under the Arrangement (in million USD)



Source: US-EXIM Competiveness reports

According to US-EXIM's competiveness report the key OECD providers of "Helsinki tied aid" are Japan, Korea and France.

Most of the tied aid is provided for projects in the transport & storage sector, which is often also referred to as "economic infrastructure". Social infrastructure, which includes health, water & sanitation benefits also substantially from tied aid.

Key recipients of "Helsinki tied aid" are India, Indonesia, Philippines, Egypt and Kenya. Key recipients of other forms of tied aid are, unfortunately, not mentioned in the annual competitiveness reports of US-EXIM.

Table 4: Key trends in "Helsinki tied aid"

Year	Key tied aid providers	Key recipients of "Helsinki tied aid"	Key sectors
2016	• Japan	• Indonesia • India • Egypt • Vietnam	• Transport & Storage
2017	• Japan: USD 6 billion • Korea: USD 1 billion • Austria: (1) • France: (1) •	• Philippines	• Transport & Storage • Health
Year	**Key tied aid providers**	**Key recipients of "Helsinki tied aid"**	**Key sectors**
2018	• Japan. • Korea • Austria • Belgium • France	• Philippines • India • Indonesia	
2019	• Japan. • Korea • Spain • Austria (1)	• Kenya • Philippines • Sri Lanka (1)	Not reported, but likely Transport & Storage (1)
2020	• France, • Spain, • Belgium • Korea (1)	• Kenya: Approx. USD 467 million • Mongolia: Approx. USD 210 million • Morocco: Approx. USD 210 million	• Transport & Storage • Health • Agriculture (1)
2021	• Japan: USD 1.9 billion • Korea: USD 1.6 billion • Spain: USD 200 million	• Indonesia: USD 2.1 billion • Egypt: USD 450 million • Phillipines: USD 425 million	• Transport & Storage: USD: 3.3 billion • Water & Sanitation: USD 310 million • Communications: USD 270 million
2022	• Japan: USD 1.8 billion • Korea: USD 1.2 billion • France: USD 1.2 billion	• Egypt: USD 3.5 billion	• Transport & Storage: USD 4 billion
2023	• Japan: USD 4.4 billion • Korea: USD 1.2 billion	• Indonesia USD 3.5 billion • Philippines: USD 1.1 billion	• Transport & Storage: USD 5.5 billion

Source: US-EXIM competiveness reports

(1) Specific amounts of the key tied aid providers, tied aid recipients and key sectors were not published.

C. Key regulations on untied aid from the OECD DAC

The OECD Development Assistance Committee (DAC) was created by Ministerial Resolution of 23 July 1960. It is the international forum of the largest providers of aid, which includes currently 32 members (out of 38 OECD members).

The overarching objective of the DAC is to promote development co-operation and other relevant policies so as to contribute to implementation of the 2030 Agenda for Sustainable Development, including inclusive and sustainable economic development, the advancement of equalities within and among countries, poverty eradication, improvement of living standards in EMDEs, and to a future in which no country will depend on aid.

In order to monitor the aid performance of its members and to assess whether they meet the international target of 0.7% of GNI[67] the OECD DAC developed a definition of Official Development Assistance (ODA), which was reviewed and redefined in 2014.

Box 3. ODA Definition (Agreed in 2014, but applicable as from 2018)

"Official development assistance flows are defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

- *provided by official agencies, including state and local governments, or by their executive agencies; and*
- *each transaction of which:*

1. *is administered with the promotion of the economic development and welfare of developing countries as its main objective; and*
2. *is concessional in character. In DAC statistics, this implies a grant element of at least:*
    - ***45 per cent** in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of **discount of 9 per cent**).*
    - ***15 per cent** in the case of bilateral loans to the official sector of LMICs (calculated at a rate of **discount of 7 per cent).***
    - ***10 per cent** in the case of bilateral loans to the official sector of UMICs (calculated at a rate of **discount of 6 per cent**).*
    - ***10 per cent** in the case of loans to multilateral institutions (calculated at a rate of **discount of 5 per cent for global institutions and multilateral development banks, and 6 per cent for other organisations,** including sub-regional organisations).*

Source: OECD DAC

C.1. Untied aid and eligible countries

The OECD DAC maintains a list of countries that are eligible for ODA. This list covers basically all LDCs, LICs, LMICs and UMICs.

C.2. Untied aid and minimum grant elements and applicable discount rates

Whereas under the old ODA definition applicable up to 2018 ODA had one general minimum concessionality level of 25%, calculated with a fixed discount rate of 10%, the current definition requires separate grant elements and discount rates for different categories of countries.

- For LDCs and LICs the minimum grant element is 45% and calculated with a fixed discount rate of 9%, which is used for all currencies and tenors of concessional loans.
- For LMICs the minimum grant element is substantially lower, namely 15% and calculated with a discount rate of 7%, which is used for all currencies and tenors of concessional loans.
- For UMICs the minimum grant element is set at 10%, which is calculated with a fixed discount rate of 6%, which is used for all currencies and tenors of concessional loans.

The rationale for a relatively high grant element for LDCs / LICs is that these countries have in general no or (very) limited access to market-based finance. They depend only or mainly on concessional finance, provided by multilateral and bilateral DFIs.

[67] In October 1970 the United Nations (UN) General Assembly adopted a Resolution including the goal that "*each economically advanced country will progressively increase its Official Development Assistance (ODA) and will exert its best efforts to reach a minimum net amount of 0.7% of its Gross National Product (GDP) by the middle of the Decade.*"

For LMICs and UMICs lower grant elements have been set for most of these countries have in general reasonably good (LMICs) or good (UMICs) access to market-based finance. These countries are in general not or less dependent on concessional finance. The different minimum grant elements were also designed to encourage ODA DAC donors "*to allocate more of total ODA to developing countries most in need, such as least developed countries (LDCs), low-income countries, small island developing states, land- locked developing countries and fragile and conflict-affected states"*[68].

The three discount rates for untied ODA are based on the general IMF discount rate of 5% with a "risk premium" which varies by country category. Lending to LICs and LDCs is deemed the riskiest, and a 4% risk premium is added for these countries. For LMICs and UMICs, the "risk premiums" are 2% and 1%, respectively. The discount rates used for untied ODA are therefore 9% for LDCs and LICs, 7% for LMICs and 6% for UMICs.

Calculations of the minimum grant element should be made on the basis of the OECD DAC grant calculator, which differs from the IMF/WB grant calculator.

C.3. OECD Recommendation on the untying of aid

A major theme in the OECD DAC community is whether aid should be freely available to buy goods and services from all countries ("untied aid"), or whether aid could be restricted to the procurement of goods and services from the donor country ("tied aid") or a limited number of countries ("partially untied aid").

The theory is that through untying of aid the aid recipient country can get the best value for money. It assumes a fair, open, transparent market whereby (potential) suppliers across the globe compete with one another only on the basis of the price and quality of their goods and services. This is the basis of the OECD Recommendation on untying of ODA.

Box 4. Definition of untied ODA in OECD DAC Recommendation

"*Untied ODA refers to loans or grants which are freely and fully available to finance procurement from "substantially all aid recipient countries and from OECD countries".*

Source: OECD document" revised DAC recommendation on untying of ODA to the least developed countries and heavily indebted poor countries of 12 August 2014. (OECD DAC document: DCD/DAC(2014)37/FINAL)[69]

The OECD Recommendation reflects the intention of OECD DAC donor countries to untie their ODA to the LDCs, HIPCs, other LICs and IDA-only countries to *"the greatest extent possible*". The Recommendation does therefore not apply to all developing / aid recipient countries, but only to relatively poor countries. This partially explains why tied aid practices still exist in many donor countries, in particular for LMICs. It also explains that most aid to LDCs and LICs is today de jure untied.

It is important to note that Japan has explicitly opted out of from the untying aid recommendation. At the 2018 review, Japan notified the DAC that, in accordance with paragraph 20 of the Recommendation, it reserves the right to use tied aid as part of its ODA to all non-LDC HIPCs, other LICs and non-LDC IDA-only countries and territories listed in

[68] See the final communiqué from the 2014 DAC High Level Meeting, agreed on 16 December 2014, which can be found via the following link: https://one.oecd.org/document/DCD/DAC(2014)69/FINAL/en/pdf

[69] This OECD DAC document can be found via the following link: https://one.oecd.org/document/DCD/DAC(2014)37/FINAL/En/pdf

Annex II of the Recommendation. Japan is only committed to untie as much as possible its ODA to LDCs. Accordingly, as of 1 October 2019, Japan may use tied aid as part of its ODA to all non-LDC HIPCs, other LICs and non-LDC IDA-only countries in conformity with the Recommendation[70].

Donor countries are in principle free to tie their aid to other EMDEs, but for tied aid the relevant tied aid regulations of the Arrangement on officially supported export credits have to be adhered to.

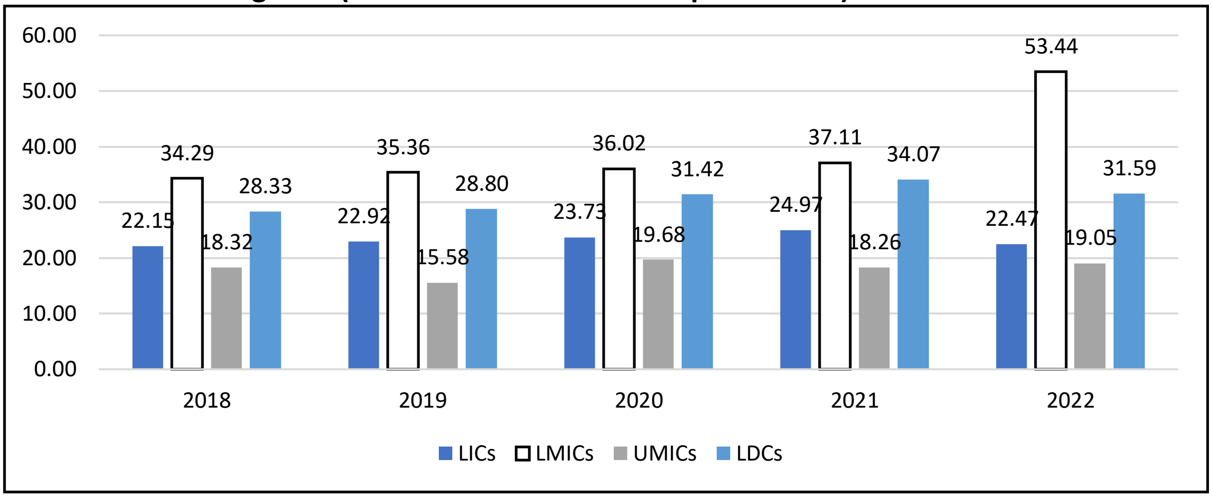
C.4. Volume of ODA to EMDEs

During the past 5 years gross ODA disbursements increased quite substantially to LMICs from USD 34 billion in 2018 to USD 53 billion in 2022. ODA to LICs remained rather stable at around USD 22 billion annually.

ODA plays also a key role in UMICs. During the past 3 years UMICs received almost every year an amount of around 18 billion.

ODA to LDCs increased from USD 28 billion in 2018 to USD 31.6 billion in 2022.

Figure 2: Allocation of ODA gross disbursements to LDCs and countries by WB income categories (in billion USD at constant prices 2020)



Source: OECD DAC

D. Summary overview of international aid regulations

Figure 3 provides an overview of the current number of countries eligible for tied and untied aid and subject to IMF / WB NCB limits.

Tied aid is today – according to the Arrangement – allowed for 82 countries, which concerns 26 LICs, 53 LMICs and 3 UMICs. Among these three UMICs is one LDC country which is Tuvalu. The Arrangement is not clear about the minimum grant element that applies to a

[70] Source: REVISED DAC RECOMMENDATION ON UNTYING ODA of 24 January 2019/ DCD/DAC(2018)33/FINAL).

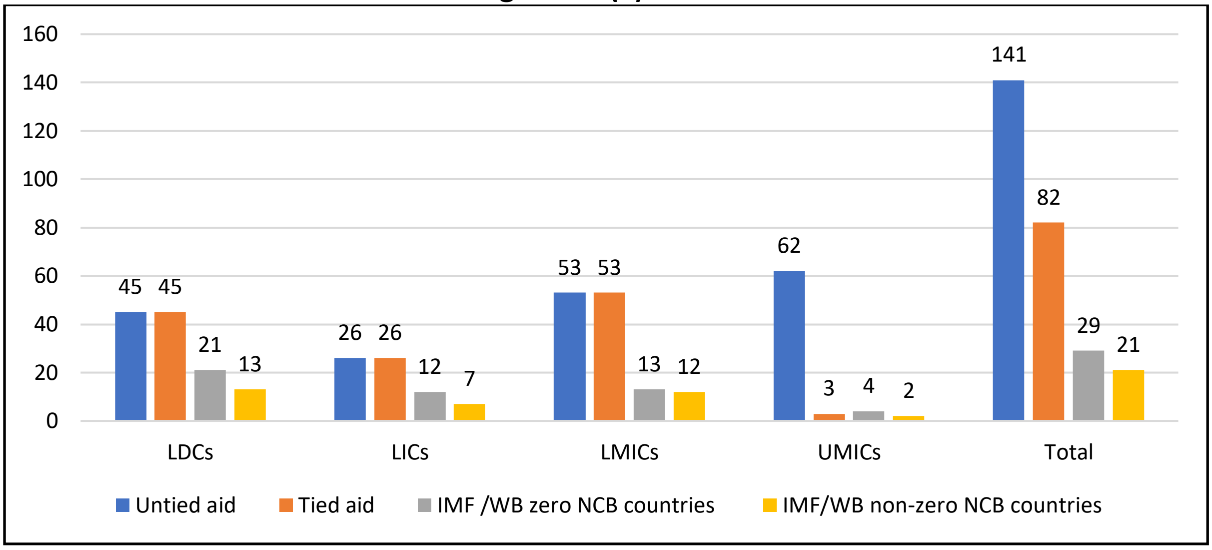
country that is classified both as an UMIC and an LDC. Very likely the 50% requirement is used in practice, but this is unknown. The two other UMICs are Algeria and Ukraine that today are still eligible for tied aid, but they may become ineligible in the future for both countries have for FY 2025 been upgraded from LMIC to UMIC.

Although the Arrangement allows for tied aid to LDCs and LICs, most OECD DAC donors - in compliance with OECD DAC untying of ODA Recommendation - provide mainly de jure untied aid to these countries. The key provider of tied aid to LDCS and LICs is Japan.

Untied aid can be provided to basically all EMDEs irrespective their income group or their OECD country risk classification. It can be offered to in total 141 countries, among which 62 UMICs, 53 LMICs and 26 LICs. All 45 LDCs are eligible for untied aid.

The IMF /WB grant element requirement of 35% calculated with a 5% discount rate applies today to 12 LICs, 13 LMICs and 4 UMICs. They also apply to 21 LDCs. For all these countries donors have to make two grant element calculations to ensure that they comply with international aid regulations.

Figure 3: No. of countries eligible for untied and tied aid and subject to IMF/WB Non-Concessional Borrowing Limits (1)



Please note:

1. There are in total 73 countries subject to IMF/WB debt sustainability policies among which 50 countries with debt limit restrictions of which 29 with a zero NCB limit and 21 with a non-zero NCB limit. For 29 countries with a zero NCB limit the minimum grant element of 35% of the IMF/WB applies, irrespective their WB income level and irrespective whether it is tied or untied aid.
2. The 3 UMICs that are today eligible for tied aid are Algeria, Tuvalu and Ukraine. For FY 2025 both Algeria and Ukraine were upgraded from LMIC status to UMIC. It is expected that both countries will become ineligible for tied aid in the near future. Tuvalu is not only an UMIC, but also an LDC, which explains its eligibility for tied aid.

EMDEs with a zero NCB limit will – in practice – likely mainly check whether the concessional loans that are offered to them meet the IMF and World Bank grant element requirement of 35%.

For comparisons purposes table 3 provides an overview of the minimum grant elements and applicable discount rates for tied and untied aid and concessional loans under IMF and / or World Bank debt sustainability policies.

Table 5. Overview of minimum grant elements and applicable discount rates for concessional loans (June 2024)

Tied aid Min Grant Element: 50% for LDCs, 35% for LICs and LMICs and 80% for UMICs.			
Tied aid: Differentiated Discount Rates (DDRs) for different currencies and tenors			
R=Repayment Period	**15 =< R < 20**	**20 =< R < 30**	**R >= 30**
Currency	**DDR**	**DDR**	**DDR**
Australian Dollar	5.9	6.2	6.3
Canadian Dollar	5.5	5.7	5.9
Czech Koruna	6	6.2	6.4
Danish Krone	4.4	4.6	4.8
Hungarian Forint	8.6	8.9	9
Japanese Yen	2.2	2.4	2.6
Korean Won	5.6	5.8	6
New Zealand Dollar	6.6	6.9	7
Norwegian Krone	5.5	5.7	5.9
Polish Zloty	7.1	7.4	7.5
Swedish Krona	4.5	4.7	4.9
Swiss Franc	2.7	2.9	3.1
UK Pound	6.1	6.3	6.5
US Dollar	6.1	6.4	6.5
Euro	4.3	4.5	4.7
Untied aid: Fixed Discount rates for different country categories for all currencies and tenors			
Untied Aid Country Category	**Discount Rate**	**Discount Rate**	**Discount Rate**
LDCs, minimum Grant Element: 45%	9	9	9
LICs, minimum Grant Element: 45%	9	9	9
LMICs, minimum Grant Element: 15%	7	7	7
UMICs, minimum Grant Element: 10%	6	6	6
Concessional loans under IMF/WB debt sustainability policies. Applicable to both tied and untied aid **Fixed discount rate of 5% for all currencies and tenors**			
Countries	**Discount Rate**	**Discount Rate**	**Discount Rate**
All LICs and LIMCs/UMICs with zero NCB limit: minimum Grant Element: 35%	**5**	**5**	**5**
Other countries: NA	NA	NA	NA

Source: OECD, IMF, World Bank.
NA = not applicable

Annex n° 9: Overview of tenors of China Official Finance support for social - and economic infrastructure 2000- 2021

One of the key sources regarding the official finance operations of China concerns AidData[71]. This is an international development research lab, which has published various in-depth reports about the topic. In the assessment of Chinese official finance AidData classifies the financing in three main categories, namely: “ODA-like”, “OOF-like” and “Vague Official Finance” (See **Box I**). The concepts of ODA and OOF are commonly used by the OECD to measure official finance provided by OECD countries to EMDEs.

Box I.: AidData criteria for ODA-like and OOF-like official finance

ODA-like: Chinese official finance provided between 2000 – 2017 is classified as “ODA-like” when it (1) has development intent, (2) a grant / concessionality element of at least 25% (using the general discount rate of 10% of the old ODA definition and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. Transactions committed between 2018 – 2021 are classified as ODA-like when it (1) has development intent, (2) a grant / concessionality element of at least 45% for LDCs and LICs, 15% for LMICs and 10% for UMICs, using the applicable discount rate of 9% for LDCs / LICs, 7% for LMICs and 6% for UMICs and (3) supports a country that is on the OECD DAC list of countries eligible for ODA.

OOF-like: Chinese official finance that refers to “Other Official Flows” includes semi-concessional - or market-based development loans not meeting the ODA criteria and officially supported export credits (i.e. direct lending).

Examples of OECD development loans that usually do not meet the ODA criteria are KfW promotional loans for public sector borrowers, market-based loans for private sector borrowers from European private sector-oriented Development Finance Institutions and officially supported export credits from OECD ECAs, such as, US-EXIM (USA), EDC (Canada), KEXIM (Korea). Also so-called untied investment loans supported by some OECD ECAs are likely reported as OOF, since they usually do not meet the minimum concessionality level of ODA.

Vague Official Finance (VOF): Chinese official finance that due to the lack of information could not be classified as ODA-like or OOF-like.

Source: AidData.

This annex provides detailed information about the tenors of official finance support provided by China for various projects in social and economic infrastructure. It covers only the ODA-like and OOF-like financing for VOF-like finance does not provide sufficient data about the tenors that were offered.

The tenors mentioned in the tables below concerns the total maturity of the loans, which includes the disbursement period (including the potential grace period) and the repayment period.

[71] AidData is housed at the William & Mary’s Global Research Institute. More information about AidData can be found via the following link: https://www.aiddata.org/about

China ODA-like loans by sector and tenors 2000- 2021 (in million USD)

ODA like loans	Tenor	Tenor	Tenor	Tenor	Tenor
Sector	up to and including 15 years	> 15 up to and including 20 years	> 20 years	Unknown	Total
Energy	8,300.59	5,448.88	1,765.95	2,346.41	17,861.82
Communication	499.26	4,097.51	523.87	1,620.69	6,741.33
Transport	2,433.00	27,254.81	4,647.11	5,955.79	40,290.71
Water	504.27	2,604.55	333.68	1,523.19	4,965.68
Health	60.12	179.703	122.79	122.02	484.63
Education	35.00	590.02	0.00	325.38	950.40
Industry & mining	1,175.94	2,775.39	1,490.79	937.23	6,379.35
Other	5,308.76	5,838.91	267.12	2,445.54	13,860.33
Total	18,316.94	48,789.77	9,151.30	15,276.24	91,534.25
ODA like loans	Tenor	Tenor	Tenor	Tenor	Tenor
Sector	up to and including 15 years	> 15 up to and including 20 years	> 20 years	Unknown	Total
Energy	46.47%	30.51%	9.89%	13.14%	100.00%
Communication	7.41%	60.78%	7.77%	24.04%	100.00%
Transport	6.04%	67.65%	11.53%	14.78%	100.00%
Water	10.16%	52.45%	6.72%	30.67%	100.00%
Health	12.41%	37.08%	25.34%	25.18%	100.00%
Education	3.68%	62.08%	0.00%	34.24%	100.00%
Industry & mining	18.43%	43.51%	23.37%	14.69%	100.00%
Other	38.30%	42.13%	1.93%	17.64%	100.00%
Total	20.01%	53.30%	10.00%	16.69%	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans by sector and tenors 2000- 2021 (in million USD)

OOF like	Tenor	Tenor	Tenor	Tenor	Tenor	Tenor
Sector	up to and including 10 years	> 10 up to and including 15 years	> 15 up to and including 20 years	> 20 years	Unknown	Total
Energy	41,885.53	70,879.31	58,339.37	1,925.14	111,962.06	284,991.41
Communication	21,270.99	3,633.18	2,563.89	591.63	11,750.54	39,810.21
Transport	8,291.80	32,118.73	74,745.63	11,442.82	55,128.37	181,727.35
Water	513.68	2,374.74	1,688.81	1,027.79	1,348.60	6,953.62
Health	852.93	266.29	221.10	482.56	790.94	2,613.83
Education	213.76	919.29	941.41	648.12	1,820.95	4,543.52
Industry & mining	85,213.42	55,734.17	55,636.27	9,038.95	105,607.91	311,230.71
Other	171,172.43	13,979.96	7,850.50	1,206.55	48,473.80	242,683.25
Total	329,414.53	179,905.67	201,986.98	26,363.55	336,883.16	1,074,553.90
OOF like	**Tenor**	**Tenor**	**Tenor**	**Tenor**	**Tenor**	**Tenor**
	up to and including 10 years	**> 10 up to and including 15 years**	**> 15 up to and including 20 years**	**> 20 years**	**Unknown**	**Total**
Energy	14.70%	24.87%	20.47%	0.68%	39.29%	100.00%
Communication	53.43%	9.13%	6.44%	1.49%	29.52%	100.00%
Transport	4.56%	17.67%	41.13%	6.30%	30.34%	100.00%
Water	7.39%	34.15%	24.29%	14.78%	19.39%	100.00%
Health	32.63%	10.19%	8.46%	18.46%	30.26%	100.00%
Education	4.70%	20.23%	20.72%	14.26%	40.08%	100.00%
Industry & mining	27.38%	17.91%	17.88%	2.90%	33.93%	100.00%
Other	70.53%	5.76%	3.23%	0.50%	19.97%	100.00%
Total	30.66%	16.74%	18.80%	2.45%	31.35%	100.00%

Source: SFI calculations on the basis of the database of AidData.

Annex n°10: China Official Finance support for water projects 2000- 2021

One of the key sources regarding the official finance operations of China concerns AidData[72]. This is an international development research lab, which has published various in-depth reports about the topic. In the assessment of Chinese official finance AidData classifies the financing in three main categories, namely: "ODA-like", "OOF-like" and "Vague Official Finance" (See **Box I**). The concepts of ODA and OOF are commonly used by the OECD to measure official finance provided by OECD countries to EMDEs.

Box I.: AidData criteria for ODA-like and OOF-like official finance

ODA-like: Chinese official finance provided between 2000 – 2017 is classified as "ODA-like" when it (1) has development intent, (2) a grant / concessionality element of at least 25% (using the general discount rate of 10% of the old ODA definition and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. Transactions committed between 2018 – 2021 are classified as ODA-like when it (1) has development intent, (2) a grant / concessionality element of at least 45% for LDCs and LICs, 15% for LMICs and 10% for UMICs, using the applicable discount rate of 9% for LDCs / LICs, 7% for LMICs and 6% for UMICs and (3) supports a country that is on the OECD DAC list of countries eligible for ODA.

OOF-like: Chinese official finance that refers to "Other Official Flows" includes semi-concessional - or market-based development loans not meeting the ODA criteria and officially supported export credits (i.e. direct lending).

Examples of OECD development loans that usually do not meet the ODA criteria are KfW promotional loans for public sector borrowers, market-based loans for private sector borrowers from European private sector-oriented Development Finance Institutions and officially supported export credits from OECD ECAs, such as, US-EXIM (USA), EDC (Canada), KEXIM (Korea). Also so-called untied investment loans supported by some OECD ECAs are likely reported as OOF, since they usually do not meet the minimum concessionality level of ODA.

Vague Official Finance (VOF): Chinese official finance that due to the lack of information could not be classified as ODA-like or OOF-like.

Source: AidData.

This annex provides detailed information about the official finance support provided by China for water projects.

A. China total official finance support for water projects

Official Finance support of China for water projects 2000 – 2021 (in million USD)

Type of Finance	Amount
ODA-like	5,485
OOF-like	6,954
Vague Official Finance (VOF)	5,118
Total	17,557

Source: SFI calculations on the basis of the database of AidData.

[72] AidData is housed at the William & Mary's Global Research Institute. More information about AidData can be found via the following link: https://www.aiddata.org/about

B. China ODA-like official finance support for water projects

China ODA-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	489.64	8.93%
Loans	4,965.68	90.52%
Unknown	30.48	0.56%
Total	5,485.80	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	4,160.88	75.85%
Entity in Developing country (incl. local government)	477.20	8.70%
Intergovernmental organisation	263.63	4.81%
Other	50.15	0.91%
Unknown	533.94	9.73%
Total	5,485.80	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	2,258.88	45.49%
LMICs	1,991.60	40.11%
UMICs	715.20	14.40%
Total	4,965.68	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans meeting 35% concessionality level with 5% discount rate 2000-2021 (in million USD)

Meeting IMF/WB DSF minimum Concessionality Level?	Amount	in % of total
Yes	642.73	12.94%
No	2,799.76	56.38%
Unknown	1,523.19	30.67%
Total	4,965.68	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
Up to and including 15 years	504.27	10.16%
> 15 up to and including 20 years	2,604.55	52.45%
> 20 up to and including 25 years	333.68	6.72%
Unknown	1,523.19	30.67%
Total	4,965.68	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China ODA-like loans and grace periods (1) 2000-2021 (in million USD)

Grace Periods	Amount	in % of total
up to and including 5 years	1,990.27	40.08%
> 5 years up to and including 7 years	859.62	17.31%
> 7 years up to and including 13.75 years	411.55	8.29%
Unknown	1,704.24	34.32%
Total	4,965.68	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China ODA-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
Up to and including 2%	2,735.72	55.09%
> 2% up to and including 3%	305.71	6.16%
> 3% up to and including 4%	407.11	8.20%
> 4%	0.00	0.00%
IR unknown	1,517.15	30.55%
Total	4,965.68	100.00%

Source: SFI calculations on the basis of the database of AidData.

C. China OOF-like official finance support for water projects

China OOF-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	0.00	0.00%
Loans	6,953.62	100.00%
Unknown	0.00	0.00%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	5,934.52	85.34%
Entity in Developing country (incl. local government)	253.60	3.65%
Joint Venture with China Partner	212.07	3.05%
Other	0.00	0.00%
Unknown	553.43	7.96%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	4,044.21	58.16%
LMICs	2,247.73	32.32%
UMICs	661.68	9.52%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
Up to and including 10 years	513.68	7.39%
> 10 up to and including 15 years	2,374.74	34.15%
> 15 up to and including 20 years	1,688.81	24.29%
> 20 up to and including 25 years	1,027.79	14.78%
Unknown	1,348.60	19.39%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China OOF-like loans and grace periods (1) 2000-2021 (in million USD)

Grace Periods	Amount	in % of total
up to and including 2 years	369.81	5.32%
> 2 years up to and including 5 years	2,831.25	40.72%
> 5 years up to and including 10 years	962.72	13.84%
Unknown	2,789.84	40.12%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China OOF-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
IR up to and including 2%	1,236.45	17.78%
> 2% up to and including 3%	1,651.41	23.75%
> 3% up to and including 4%	915.10	13.16%
> 4%	820.86	11.80%
IR unknown	2,329.81	33.51%
Total	6,953.62	100.00%

Source: SFI calculations on the basis of the database of AidData.

D. China VOF-like official finance support for water projects

China VOF-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	In % of total
Grants	0	0.00%
Loans	5,055,064	98.76%
Unknown	63,289	1.24%
Total	5,118,353	100.00%

Source: SFI calculations on the basis of the database of AidData.

China VOF-like finance by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	3,254,150	63.58%
LMICs	1,346,940	26.32%
UMICs	517,263	10.11%
Total	5,118,353	100.00%

Source: SFI calculations on the basis of the database of AidData.

Annex n°11: China Official Finance support for education projects 2000- 2021

One of the key sources regarding the official finance operations of China concerns AidData[73]. This is an international development research lab, which has published various in-depth reports about the topic. In the assessment of Chinese official finance AidData classifies the financing in three main categories, namely: "ODA-like", "OOF-like" and "Vague Official Finance" (See **Box I**). The concepts of ODA and OOF are commonly used by the OECD to measure official finance provided by OECD countries to EMDEs.

Box I.: AidData criteria for ODA-like and OOF-like official finance

ODA-like: Chinese official finance provided between 2000 – 2017 is classified as "ODA-like" when it (1) has development intent, (2) a grant / concessionality element of at least 25% (using the general discount rate of 10% of the old ODA definition and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. Transactions committed between 2018 – 2021 are classified as ODA-like when it (1) has development intent, (2) a grant / concessionality element of at least 45% for LDCs and LICs, 15% for LMICs and 10% for UMICs, using the applicable discount rate of 9% for LDCs / LICs, 7% for LMICs and 6% for UMICs and (3) supports a country that is on the OECD DAC list of countries eligible for ODA.

OOF-like: Chinese official finance that refers to "Other Official Flows" includes semi-concessional - or market-based development loans not meeting the ODA criteria and officially supported export credits (i.e. direct lending).

Examples of OECD development loans that usually do not meet the ODA criteria are KfW promotional loans for public sector borrowers, market-based loans for private sector borrowers from European private sector-oriented Development Finance Institutions and officially supported export credits from OECD ECAs, such as, US-EXIM (USA), EDC (Canada), KEXIM (Korea). Also so-called untied investment loans supported by some OECD ECAs are likely reported as OOF, since they usually do not meet the minimum concessionality level of ODA.

Vague Official Finance (VOF): Chinese official finance that due to the lack of information could not be classified as ODA-like or OOF-like.

Source: AidData.

This annex provides detailed information about the official finance support provided by China for education projects.

A. China total official finance support for education projects

Official Finance of China for education projects 2000 – 2021 (in million USD)

Type of Finance	Amount
ODA-like	3,356
OOF-like	4,763
Vague Official Finance (VOF)	518
Total	8,637

Source: SFI calculations on the basis of the database of AidData.

[73] AidData is housed at the William & Mary's Global Research Institute. More information about AidData can be found via the following link: https://www.aiddata.org/about

B. China ODA-like official finance support for education projects

China ODA-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	2,405.60	71.68%
Loans	950.40	28.32%
Unknown	0.00	0.00%
Total	3,356.00	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	1,784.24	53.17%
Entity in Developing country (incl. local government)	61.53	1.83%
Joint Venture with China partner	410.00	12.22%
Other	290.41	8.65%
Unknown	809.82	24.13%
Total	3,356.00	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	228.80	24.07%
LMICs	680.24	71.57%
UMICs	41.36	4.35%
Total	950.40	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans meeting 35% concessionality level with 5% discount rate 2000-2021 (in million USD)

Meeting IMF/WB DSF minimum Concessionality Level?	Amount	in % of total
Yes	88.49	9.31%
No	536.53	56.45%
Unknown	325.38	34.24%
Total	950.40	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
15 years	35.00	3.68%
19 years	65.05	6.84%
20 years	524.97	55.24%
Unknown	325.38	34.24%
Total	950.40	100.00%

Source: SFI calculations on the basis of the database of AidData.

(2) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China ODA-like loans and grace periods (1) 2000-2021 (in million USD)

Grace Periods	Amount	in % of total
5 years	507.40	53.39%
7 years	29.14	3.07%
10 years	84.9	8.93%
Unknown	328.96	34.61%
Total	950.40	100.00%

Source: SFI calculations on the basis of the database of AidData.

(2) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China ODA-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
0%	91.82	9.66%
> 0% up to and including 2%	562.85	59.22%
> 2%	19.16	2.02%
IR unknown	276.58	29.10%
	950.40	100.00%

Source: SFI calculations on the basis of the database of AidData.

C. China OOF-like official finance support for education projects

China OOF-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	219.37	4.61%
Loans	4,543.52	95.39%
Unknown	0.00	0.00%
Total	4,762.89	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	3,941.08	82.75%
Entity in Developing country (incl. local government)	780.79	16.39%
Other	41.02	0.86%
Total	4,762.89	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	1,862.68	41.00%
LMICs	594.05	13.07%
UMICs	2,086.79	45.93%
Total	4,543.52	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
Up to and including 10 years	213.76	4.70%
> 10 up to and including 15 years	919.29	20.23%
> 15 years up to and including 20 years	941.41	20.72%
> 20 years	648.12	14.26%
Unknown	1,820.95	40.08%
Total	4,543.52	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China OOF-like loans and grace periods (1) 2000-2021 (in million USD)

Grace Periods	Amount	in % of total
up to and including 2 years	954.09	21.00%
> 2 years up to and including 4 years	746.62	16.43%
> 4 years up to and including 6 years	471.68	10.38%
> 6 years up to and including 8 years	139.24	3.06%
Unknown	2231.89	49.12%
Total	4,543.52	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China OOF-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
Up to and including 2%	412.67	9.08%
> 2% up to and including 3%	906.68	19.96%
> 3% up to and including 4%	445.70	9.81%
> 4% up to and including 5%	545.67	12.01%
> 5%	335.73	7.39%
Unknown	1,897.07	41.75%
Total	4,543.52	100.00%

Source: SFI calculations on the basis of the database of AidData.

D. China VOF-like official finance support for water projects

China VOF-like finance support by type of finance 2000- 2021 (in million USD)

ODA-like	Amount	in % of total
Grants	0.00	0.00%
Loans	490.11	94.69%
Unknown	27.48	5.31%
Total	517.59	100.00%

Source: SFI calculations on the basis of the database of AidData.

China VOF-like finance by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	256.74	49.60%
LMICs	258.37	49.92%
UMICs	2.48	0.48%
Total	517.59	100.00%

Source: SFI calculations on the basis of the database of AidData.

Annex n°12: China Official Finance support for health projects 2000- 2021

Introduction

One of the key sources regarding the official finance operations of China concerns AidData[74]. This is an international development research lab, which has published various in-depth reports about the topic. In the assessment of Chinese official finance AidData classifies the financing in three main categories, namely: "ODA-like", "OOF-like" and "Vague Official Finance" (See **Box I**). The concepts of ODA and OOF are commonly used by the OECD to measure official finance provided by OECD countries to EMDEs.

Box I.: AidData criteria for ODA-like and OOF-like official finance

ODA-like: Chinese official finance provided between 2000 – 2017 is classified as "ODA-like" when it (1) has development intent, (2) a grant / concessionality element of at least 25% (using the general discount rate of 10% of the old ODA definition and (3) supports a country that is on the OECD DAC list of countries eligible for ODA. Transactions committed between 2018 – 2021 are classified as ODA-like when it (1) has development intent, (2) a grant / concessionality element of at least 45% for LDCs and LICs, 15% for LMICs and 10% for UMICs, using the applicable discount rate of 9% for LDCs / LICs, 7% for LMICs and 6% for UMICs and (3) supports a country that is on the OECD DAC list of countries eligible for ODA.

OOF-like: Chinese official finance that refers to "Other Official Flows" includes semi-concessional - or market-based development loans not meeting the ODA criteria and officially supported export credits (i.e. direct lending).

Examples of OECD development loans that usually do not meet the ODA criteria are KfW promotional loans for public sector borrowers, market-based loans for private sector borrowers from European private sector-oriented Development Finance Institutions and officially supported export credits from OECD ECAs, such as, US-EXIM (USA), EDC (Canada), KEXIM (Korea). Also so-called untied investment loans supported by some OECD ECAs are likely reported as OOF, since they usually do not meet the minimum concessionality level of ODA.

Vague Official Finance (VOF): Chinese official finance that due to the lack of information could not be classified as ODA-like or OOF-like.

Source: AidData.

This annex provides detailed information about the official finance support provided by China for health projects.

A. China total official finance support for health projects

Official Finance of China for education projects 2000 – 2021 (in million USD)

Official Finance of China for health projects 2000 – 2021 (in million USD)

Type of Finance	Amount
ODA-like	6,179
OOF-like	856
Vague Official Finance (VOF)	1,654
Total	8,689

Source: SFI calculations on the basis of the database of AidData.

[74] AidData is housed at the William & Mary's Global Research Institute. More information about AidData can be found via the following link: https://www.aiddata.org/about

B. China ODA-like official finance support for health projects

China ODA-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	5,694.57	92.16%
Loans	484.63	7.84%
Unknown	0.00	0.00%
Total	6,179.20	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	2,145.70	34.72%
Entity in Developing country (incl. local government)	2,601.37	42.10%
Other	28.62	0.46%
Unknown	1,403.52	22.71%
Total	6,179.20	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	301.31	62.17%
LMICs	95.05	19.61%
UMICs	88.27	18.21%
Total	484.63	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans meeting 35% concessionality level with 5% discount rate 2000-2021 (in million USD)

Meeting IMF/WB DSF minimum Concessionality Level?	Amount	in % of total
Yes	301.31	62.17%
No	95.05	19.61%
Unknown	88.27	18.21%
Total	484.63	100.00%

Source: SFI calculations on the basis of the database of AidData.

China ODA-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
15 years	60.12	12.41%
16.66 years	18.12	3.74%
20 years	161.58	33.34%
> 20 up to and including 21 years	122.79	25.34%
Unknown	122.02	25.18%
Total	484.63	100.00%

Source: SFI calculations on the basis of the database of AidData.

(3) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China ODA-like loans and grace periods (1) 2000-2021 (in million USD)

Grace Periods	Amount	in % of total
up to and including 5 years	178.23	40.08%
> 5 years up to and including 7.25 years	114.85	17.31%
10 years	69.53	8.29%
Unknown	122.02	34.32%
Total	484.63	100.00%

Source: SFI calculations on the basis of the database of AidData.

(3) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China ODA-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
0%	81.53	16.82%
> 0% up to and including 2%	264.23	54.52%
3%	18.12	3.74%
4.27%	0.75	0.15%
Unknown	120.00	24.76%
Total	484.63	100.00%

Source: SFI calculations on the basis of the database of AidData.

C. China OOF-like official finance support for health projects

China OOF-like finance support by type of finance 2000 - 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	242.43	8.49%
Loans	2,613.82	91.51%
Unknown	0.00	0.00%
Total	2,856.25	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like finance and implementing agency 2000-2021 (in million USD)

Implementing agency	Amount	in % of total
China SOE / Organisation / Agency	1,262.26	44.19%
Entity in Developing country (incl. local government)	828.41	29.00%
Other	176.42	6.18%
Unknown	589.156	20.63%
Total	2,856.25	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	666.93	25.52%
LMICs	404.61	15.48%
UMICs	518.79	19.85%
Unknown	1,023.49	39.16%
Total	2,613.82	100.00%

Source: SFI calculations on the basis of the database of AidData.

China OOF-like loans and tenors (1) 2000-2021 (in million USD)

Tenors	Amount	in % of total
Up to and including 10 years	852.93	32.63%
> 10 up to and including 15 years	266.29	10.19%
20 years	221.10	8.46%
> 20 years	482.56	18.46%
Unknown	790.94	30.26%
Total	2,613.83	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Tenor in the AidData base refers to the total maturity of a loan and includes both the grace period (including the disbursement period) and the repayment period of the loan.

China OOF-like loans and grace periods (1) 2000-2021 (in million USD)

OOF-like loans and grace periods	Amount	in % of total
Up to and including 2 years	394.77	15.10%
> 2 years up to and including 5 years	89.96	3.44%
> 5 years up to and including 7 years	179.96	6.88%
> 7 years up to and including 10 years	114.9	4.40%
Unknown	1,834.24	70.17%
Total	2,613.83	100.00%

Source: SFI calculations on the basis of the database of AidData.

(1) Grace period in the AidData framework captures the number of years for which the borrower (receiving agency) is not expected to make principal repayments to the creditor (funding agency), as specified in the original loan agreement. It should be kept in mind that the rescheduling of a loan can result in a de facto grace period that is substantially different from its de jure grace period. In cases when a loan's grace period is modified after an official commitment is issued, AidData captures the grace period modification through a separate record in the dataset that is given a flow type designation of "Debt Rescheduling."

China OOF-like loans and interest rates 2000-2021 (in million USD)

Interest Rates	Amount	in % of total
Up to and including 2%	579.96	22.19%
> 2% up to and including 3%	0.00	0.00%
> 3% up to and including 4%	558.50	21.37%
> 4% up to and including 5%	74.00	2.83%
> 5%	210.77	8.06%
IR unknown	1,190.60	45.55%
Total	2,613.83	100.00%

Source: SFI calculations on the basis of the database of AidData.

D. China VOF-like official finance support for water projects

China VOF-like finance support by type of finance 2000- 2021 (in million USD)

Type of Finance	Amount	in % of total
Grants	0.00	0.00%
Loans	1,450.68	87.71%
Unknown	203.20	12.29%
Total	1,653.88	100.00%

Source: SFI calculations on the basis of the database of AidData.

China VOF-like finance by WB Income Category 2000 – 2021 (in million USD)

WB Income Category	Amount	in % of total
LICs	351.30	21.24%
LMICs	428.96	25.94%
UMICs	539.10	32.60%
Unknown	334.52	20.23%
Total	1,653.88	100.00%

Source: SFI calculations on the basis of the database of AidData.

Annex n°13: The OECD Recommendation on sustainable lending practices and officially supported export credits

There are in total 73 countries that fall under the OECD Recommendation of the Council on sustainable lending practices and officially supported export credits[75]. This Recommendation was adopted by the OECD Council meeting at Ministerial level on 30 May 2018 on the proposal of the Working Party on Export Credits and Credit Guarantees (ECG). It was revised in 2024 in order to update the references to the World Bank's Sustainable Development Finance Policy (SDFP).

The purpose of the Recommendation is to ensure that officially supported export credits do not contribute to the build-up of unsustainable external debt in "lower income countries". "Lower-income countries" in the recommendation refers to countries that are eligible for financing through the International Monetary Fund (IMF) Poverty Reduction and Growth Trust (PRGT) or that only have access to interest free credit or grants from the International Development Association (IDA) of the World Bank ("IDA Only" countries). The 73 countries fall under three different debt sustainability policies of the IMF and/ or the World Bank, which are:

- The IMF WB Debt Sustainability Framework (IMF/WB DSF), which applies to LICs.
- The World Bank Sustainable Development Finance Policy (WB SDFP) that applies to IDA-only countries.
- The IMF framework for assessing Sovereign Risk and Debt Sustainability for Market Access Countries (IMF MAC DSF), which applies to some LMICs and UMICs that face debt sustainability constraints.

The 73 countries that currently fall under these three international debt sustainability frameworks are 44 LDCs (out of in total 45 LDCs), all 26 LICs, 36 LMICs (out of in total 53 LMICs) and 11 UMICs (out of in total 62 UMICs).

The Recommendation includes certain guidelines for OECD countries and their Export Credit Agencies when they consider to provide official export credit support to public sector obligors or guarantors in these countries. It applies to export credits with a repayment period of one year or more to sovereign, sub sovereign buyers/ borrowers and certain State-Owned Enterprises (SOEs). It does not apply to transactions with private sector buyers/ borrowers.

[75] The Recommendation of the Council on sustainable lending practices and officially supported export credits can be found via the following link: https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0442

Definition of public sector obligor in OECD sustainable lending recommendation

"Public obligors" or "publicly guaranteed obligors" refer to any obligor whose repayment obligation is guaranteed by a public entity. In this context, a public entity refers to the central, regional and local governments and public enterprises whose debt obligations would be assumed by the government in the case of a default. In order to determine the status of an entity in a country that is subject to a limit on public debt under a programme supported by the IMF, recourse may be had to the technical Memorandum of Understanding for an IMF programme, where the list of public institutions is defined, or to consultation with the IMF and World Bank

Source: OECD Sustainable lending recommendation.

The guidelines state among others that when OECD governments / ECAs consider to provide export credit support they should:

1. take into account the results of the most recent IMF/World Bank country specific debt sustainability analyses (DSAs) conducted within the joint Debt Sustainability Framework and review the relevant programme or policy documents in relation to each transaction under consideration for support.
2. take into account the prevailing limits on public sector Non-Concessional Borrowing (NCB), according to the methodology applied by the World Bank and the International Monetary Fund, for a specific country for transactions involving public obligors or publicly guaranteed obligors in lower income countries that are subject to debt limit conditionality for non-concessional borrowing under the IMF's Debt Limits Policy (DLP) or the World Bank's Sustainable Development Finance Policy (SDFP). To that effect, OECD governments / ECAs should:
   - not provide support for official export credit transactions involving public obligors or publicly guaranteed obligors in lower income countries that are subject to a zero limit on non-concessional borrowing under the DLP or the SDFP. (Recognising that, in rare circumstances, countries may be moved from a zero to a non-zero limit under IMF and World Bank policies following consultations between country authorities and IMF or World Bank staff, as well as subsequent management/board approvals from the respective institutions).
   - seek assurances, on a best effort basis, from the appropriate government authorities in the debtor country that the project/expenditure is in accordance with the DLP or the SDFP for that country for official export credit transactions involving public obligors or publicly guaranteed obligors in lower-income countries that are subject to a non-zero limit on non-concessional borrowing under the DLP or the SDFP with a credit value in excess of SDR 5 million (for very small countries with low national income levels of less than USD 1 billion, a threshold of SDR 1 million should be applied). In this regard, participation of the Ministry of Finance or central bank in a transaction as the obligor or guarantor would be sufficient evidence of this obligation having been met.
3. To inform the IMF and World Bank about all potential public external debt obligations related to projects in lower-income countries to be supported by official export credits in countries before they are contracted.

The 73 lower income countries to which the Sustainable Lending Recommendation applies are classified into 4 sustainable lending categories, which are explained in the table below.

Table: number of lower income countries classified in 4 categories of sustainable lending

Type of country in OECD Sustainable Lending Recommendation	No. of countries
"Lower income" country subject to IMF or World Bank debt limits conditionality with a ZERO non-concessional borrowing limit	29
"Lower income" country subject to IMF or World Bank debt limits conditionality with a non-ZERO non-concessional borrowing limit	21
"Lower income" country subject to IMF or World Bank debt limits conditionality that do not have a non-concessional borrowing limit	19
"Lower income" country that is not subject to IMF or World Bank debt limits conditionality	4
Total	73

Source: OECD

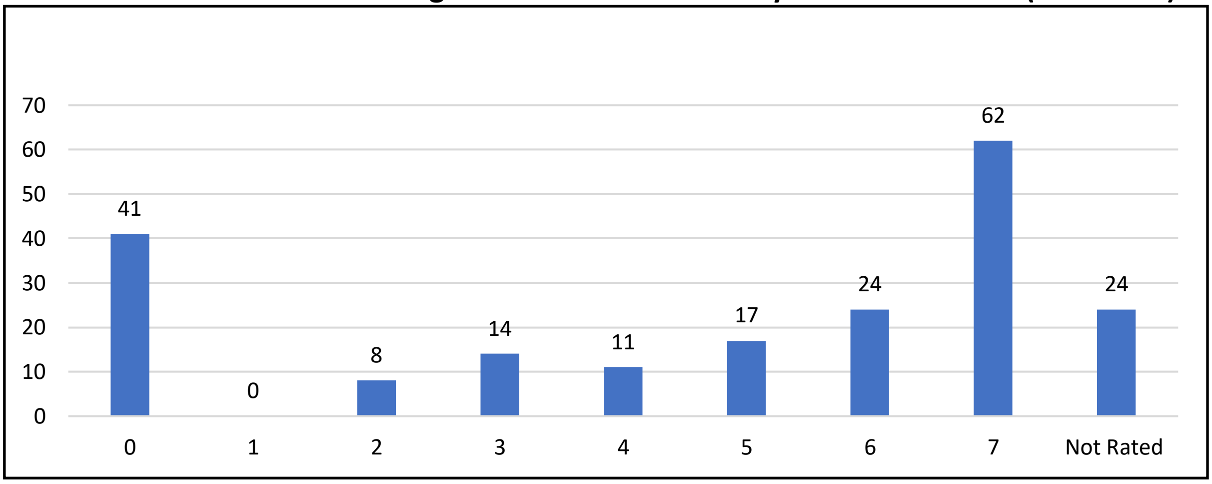
In order to assess which countries could potentially benefit from improved terms and conditions for export credits it is therefore important to have a closer look at the implications of the Sustainable Lending Recommendation for these 73 countries. This is done for:

A. All countries on the basis of the OECD country risk classification of the Arrangement,
B. All countries that are mentioned on the List of the United Nations of Least Developed Countries (LDCs), and
C. All countries on the basis of their income category as determined by World Bank.

A. OECD country risk classification and Sustainable Lending Recommendation

The current list of countries of the OECD country risk classification includes in total 201 countries, of which 41 High Income Countries (HICs), which are often also referred to as risk category 0 countries, 136 countries rated in risk categories 2 - 7 and 24 countries that are not rated. None of the countries is classified in risk category 1.

Number of countries in risk categories of the OECD country risk classification (June 2024)



Source: OECD

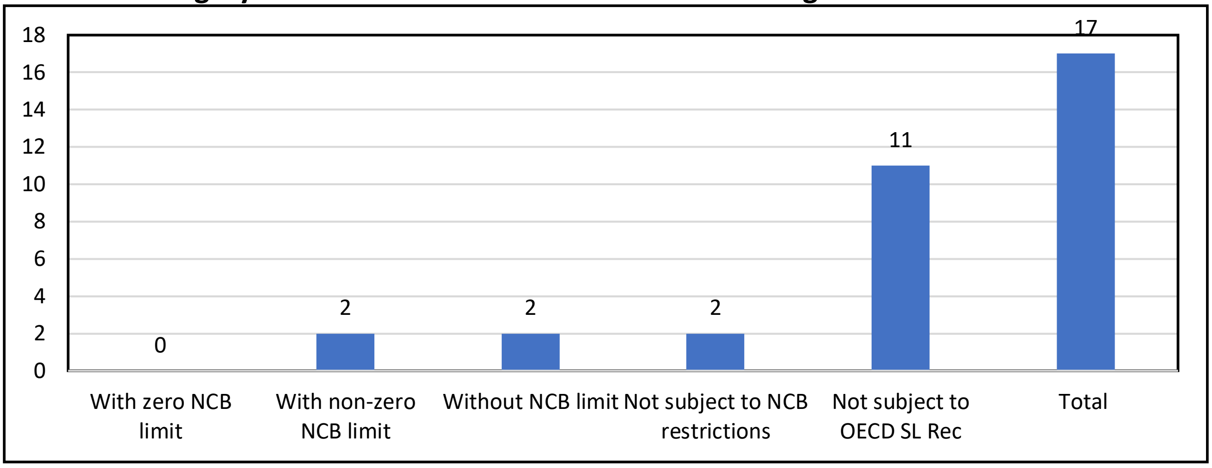
The 73 countries that fall under the OECD Sustainable Lending Recommendation are all rated in risk categories 5 - 7 or are not rated. Countries classified in the risk categories 0 - 4 are not subject to the OECD Sustainable Lending Recommendation. For this reason, follows here below an analysis of the number of countries in risk categories 5 - 7 and non-rated countries that are affected by the

OECD Sustainable Lending Recommendation.

A.1. Countries in risk category 5

Out of the 17 countries rated in risk category 5 there are no countries that have a zero Non-Concessional Borrowing (NCB) limit, but there are two countries that face a non-zero NCB limit, which are Côte d'Ivoire and Senegal. Improved Arrangement terms and conditions for regular export credits is likely for all public sector borrowers in all 17 countries important. For public sector borrowers in Côte d'Ivoire and Senegal the benefits will depend on their NCB limit.

OECD risk category 5 countries and OECD Sustainable Lending Recommendation

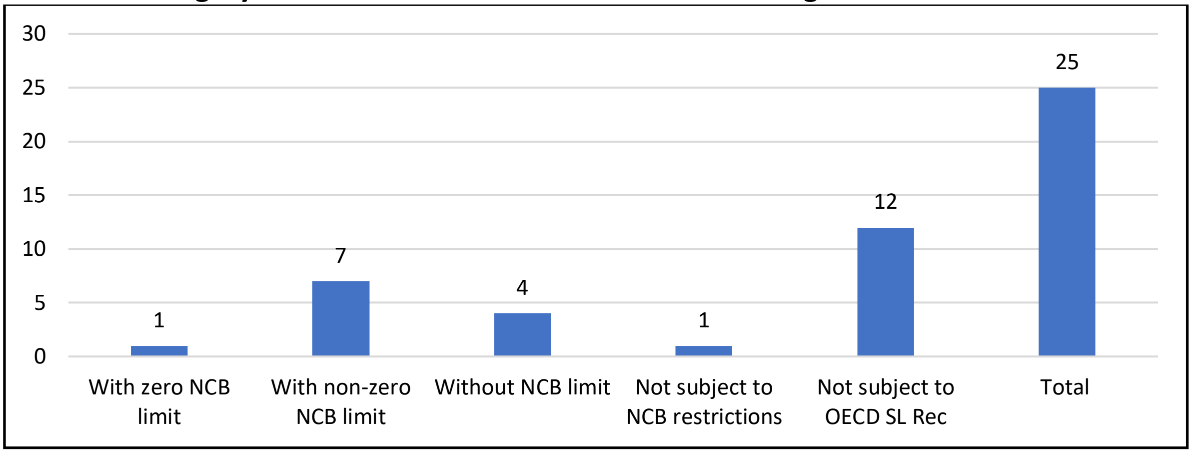


A.2. Countries in risk category 6

Out of the 25 countries rated in risk category 6 there is one country that has a zero Non-Concessional Borrowing (NCB) limit, which concerns Timor Leste. The public sector of this country will likely not be able to benefit from improved terms and conditions for regular export credits. It depends mainly on concessional finance.

In risk category 6 there are 7 countries that have a non-zero NCB limit. This concerns Benin, Cameroon, Nepal, Papua New Guinea, Rwanda, Tanzania and Uganda. For public sector borrowers in these countries improved terms and conditions for regular export credits are likely important. The volume of potential additional ECA supported finance for these countries will vary from country to country for each country has its unique NCB limit.

OECD risk category 6 countries and OECD Sustainable Lending Recommendation



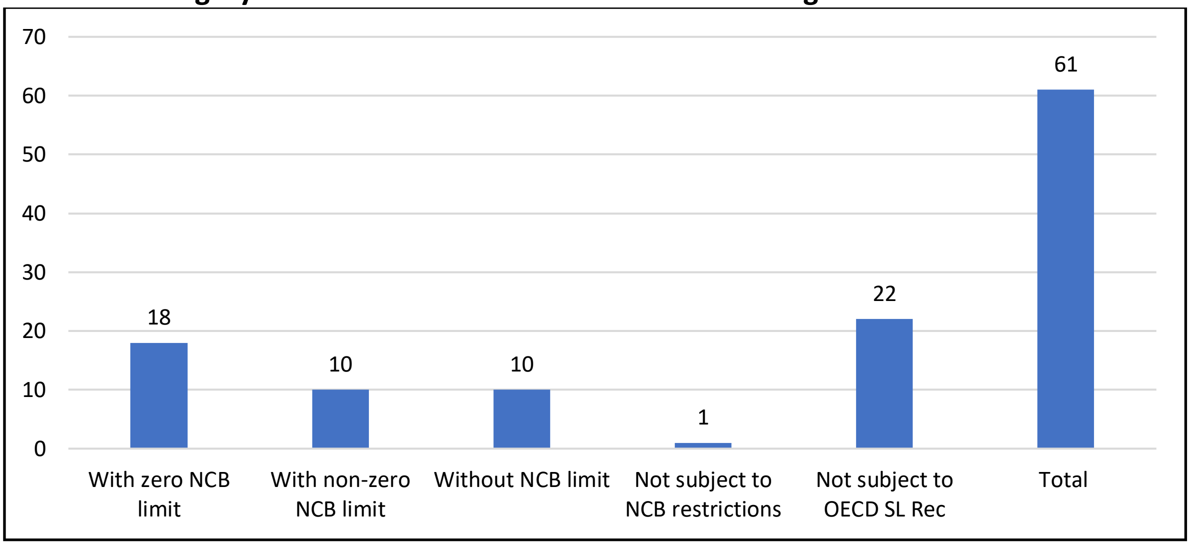
Source: OECD

A.3. Countries in risk category 7

Out of the 61 countries rated in risk category 7 there are 18 countries with a zero Non Concessional Borrowing (NCB) limit, which concerns Burundi, Cabo-Verde, Central African Republic, Chad, Congo, Djibouti, Ethiopia, Gambia, Guinea Bissau, Haiti, Malawi, Maldives, Mali, Mozambique, Sierra Leone, Somalia, South Sudan, Zambia. Public sector borrowers in these countries will likely not be able to benefit from improved terms and conditions for regular export credits. They depend mainly on concessional finance.

In risk category 7 there are in total 10 countries with a non-zero NCB limit. This includes Burkina Faso, Democratic Republic of Congo, Ghana, Kenya, Laos, Liberia, Madagascar, Mauritania, Niger and Tajikistan. For public sector borrowers in these countries improved terms and conditions for regular export credits are likely important, but the extent to which they can benefit from it will depend on their NCB limit.

OECD risk category 7 countries and OECD Sustainable Lending Recommendation



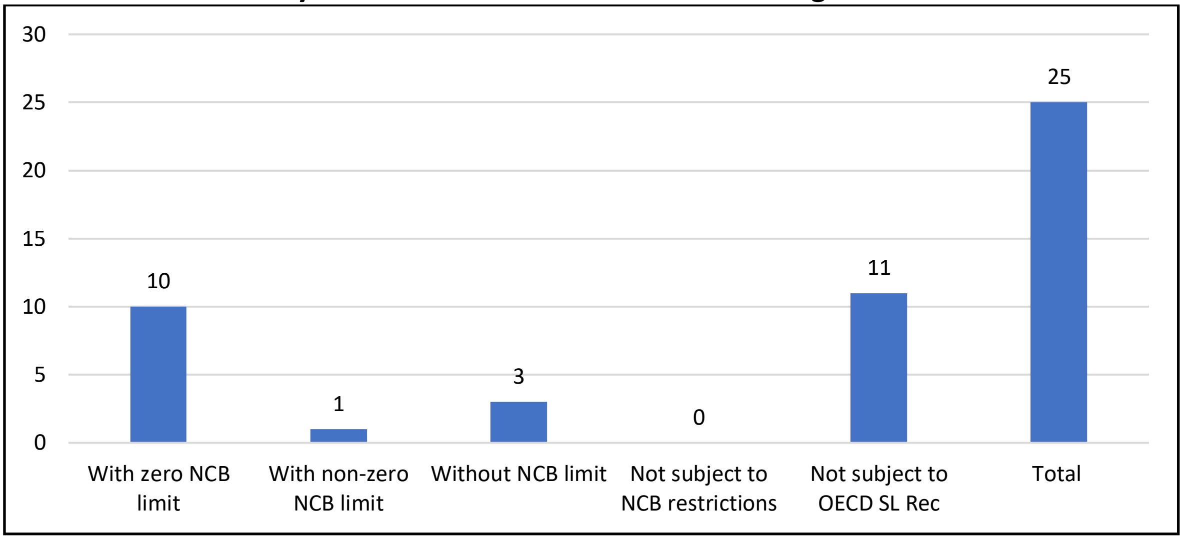
Source: OECD

A.4. Countries that are not risk rated in the OECD country risk system

Out of the 25 countries that are not rated by the OECD ECAs there are 10 countries that have a zero Non-Concessional Borrowing (NCB) limit, which concerns Comoros, Kiribati, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, Tonga, Tuvalu and Vanuatu. These countries will likely not be able to benefit from potential improved terms and conditions for regular export credits.

There is one non-rated country that has a non-zero NCB limit, which concerns Grenada. The extent to which it can benefit from improved terms and conditions depends on the country's NCB limit.

Non-rated countries by the OECD & OECD Sustainable Lending Recommendation



Source: OECD

A.5. Summary overview based on OECD country risk classification

The table below provides an overview of the number of countries that could potentially benefit from improved Arrangement Terms and Conditions (T&Cs), taking into account the current OECD country risk classification and the OECD Sustainable Lending Recommendation. The options that could be considered are the following:

1. All countries classified by the OECD
2. Countries classified in OECD risk categories 1 - 7
3. Countries classified in OECD risk categories 2 - 7
4. Countries classified in OECD risk categories 3 - 7
5. Countries classified in OECD risk categories 4 - 7
6. Countries classified in OECD risk categories 5 - 7
7. Countries classified in OECD risk categories 6 - 7
8. Countries classified in OECD risk category 7

The 24 countries that are currently not rated by OECD ECAs are mentioned separately.

No. of countries that could benefit from improved Arrangement T&Cs by risk categories (June 2024)

OECD Risk categories	Total no of countries (a)	No of countries with Zero NCB limit (b)	No of countries with non-zero NCB limit (c)	No of countries without NCB limit (a-b-c)
0 - 7	177	19	19	139
1 - 7	136	19	19	98
2 - 7	136	19	19	98
3 - 7	128	19	19	90
4 - 7	115	19	19	77
5 - 7	103	19	19	65
6 - 7	86	19	17	50
7	61	18	10	33
Non-rated	24	10	1	13
Total	201	29	20	152

Source: OECD

Improved T&Cs for all countries rated in risk categories 0 - 7

- Today, in total 177 countries are rated in risk categories 0 - 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs could apply to all countries rated in risk categories 0 – 7 it will imply that in total 158 rated countries can benefit from it, because 19 countries have a zero NCB limit. These countries mainly depend on concessional finance.

- For 19 countries with a non-zero NCB limit the benefits will be determined by their NCB limit. For 139 rated countries there are no NCB limits.

- The total number of rated countries in risk categories 0 - 7 that could benefit from improved Arrangement T&Cs is therefore 158 (139 + 19), of which 19 countries with a non-zero NCB limit.

Improved T&Cs only for countries rated in risk categories 1 - 7 or 2 - 7

- Today, in total 136 countries are rated in risk categories 1 - 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs should not apply to High Income Countries (HICs), but only to EMDEs – these are all countries rated in risk categories 1 - 7 and all non-rated countries – it will imply that in total 117 rated countries can benefit from it, because 19 countries have a zero NCB limit.

- Among these 117 countries there are 19 countries with a non-zero NCB limit, which implies that their benefits will be limited by their NCB limit. For 98 rated countries there are no NCB limits.

- The total number of rated countries in risk categories 1 - 7 that could benefit from improved Arrangement T&Cs is therefore 117 (98 + 19), of which 19 rated countries with a non-zero NCB limit.

- The picture looks the same if participants would decide that only countries rated in risk categories 2 - 7 could potentially benefit from improved T&Cs for there are no countries rated in risk category 1.

Improved T&Cs only for countries rated in risk categories 3 - 7

- Today, in total 128 countries are rated in risk categories 3 - 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs could apply only to countries rated in risk categories 3 - 7 it will imply that in total 109 rated countries can benefit from it, because 19 rated countries have a zero NCB limit.

- Among these 109 countries there are 19 countries with a non-zero NCB limit, which implies that their benefits will be limited by their NCB limit. For 90 rated countries there are no NCB limits.

- The total number of rated countries in risk categories 3 - 7 that could benefit from improved Arrangement T&Cs is therefore 109 (90 + 19), of which 19 rated countries with a non-zero NCB limit.

Improved T&Cs only for countries rated in risk categories 4 - 7

- Today, in total 115 countries are rated in risk categories 4 - 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs could apply only to countries rated in risk categories 4 – 7 it will imply that in total 96 rated countries can benefit from it, because 19 rated countries have a zero NCB limit.

- Among these 96 countries there are 19 countries with a non-zero NCB limit, which implies that their benefits will be limited by their NCB limit. For 77 rated countries there are no NCB limits.

- The total number of rated countries in risk categories 4 - 7 that could benefit from improved Arrangement T&Cs is therefore 96 (77 + 19), of which 19 rated countries with a non-zero NCB limit.

Improved T&Cs only for countries rated in risk categories 5 - 7

- Today, in total 103 countries are rated in risk categories 5 - 7 and 24 countries are not rated.

- In response to the COVID crisis Participants agreed through a Common Line procedure to reduce the down payment requirement from 15% to 5% for projects with (1) sovereign borrowers in category II countries, which are rated in OECD risk categories 5 - 7 and (2) benefit from a guarantee from the Ministry of Finance and / or the Central Bank of the borrowing country. This common line was agreed in November 2021 and is currently still valid. The reduced 5% down payment requirement implies that an OECD ECA can support up to 95% of the value of an export contract.

- If the current common line would be made permanent in the Arrangement text it would imply that out of the 103 rated countries in total 84 rated countries can benefit from it, because 19 rated countries have a zero NCB limit. For 19 rated countries with a non-zero limit the benefits will be determined by their NCB limit. For 65 rated countries there are no NCB restrictions.

- The total number of rated countries in risk categories 5 - 7 that could benefit from improved Arrangement T&Cs is therefore 84 (65 + 19), of which 19 rated countries with a non-zero NCB limit.

Improved T&Cs only for countries rated in risk categories 6 - 7

- Today, in total 86 countries are rated in risk categories 6 - 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs could apply only to countries rated in risk categories 6 – 7 it will imply that in total 67 rated countries can benefit from it, because 19 rated countries have a zero NCB limit.

- Among these 67 countries there are 19 countries with a non-zero NCB limit, which implies that their benefits will be limited by their NCB limit. For 48 rated countries there are no NCB limits.

- The total number of rated countries in risk categories 6 - 7 that could benefit from improved Arrangement T&Cs is therefore 67 (48 + 19), of which 19 rated countries with a non-zero NCB limit.

Improved T&Cs only for countries rated in risk category 7

- Today, in total 61 countries are rated in risk category 7 and 24 countries are not rated.

- If Participants would decide that improved T&Cs could apply only to countries rated in risk category 7 it will imply that in total 43 rated countries can benefit from it, because 18 rated countries have a zero NCB limit.

- Among these 43 countries there are 10 countries with a non-zero NCB limit, which implies that their benefits will be limited by their NCB limit. For 33 rated countries there are no NCB limits.

- The total number of rated countries in risk category 7 that could benefit from improved Arrangement T&Cs is therefore 43 (33 + 10), of which 10 rated countries with a non-zero NCB limit.

Improved T&Cs for countries that are not rated by the OECD ECAs

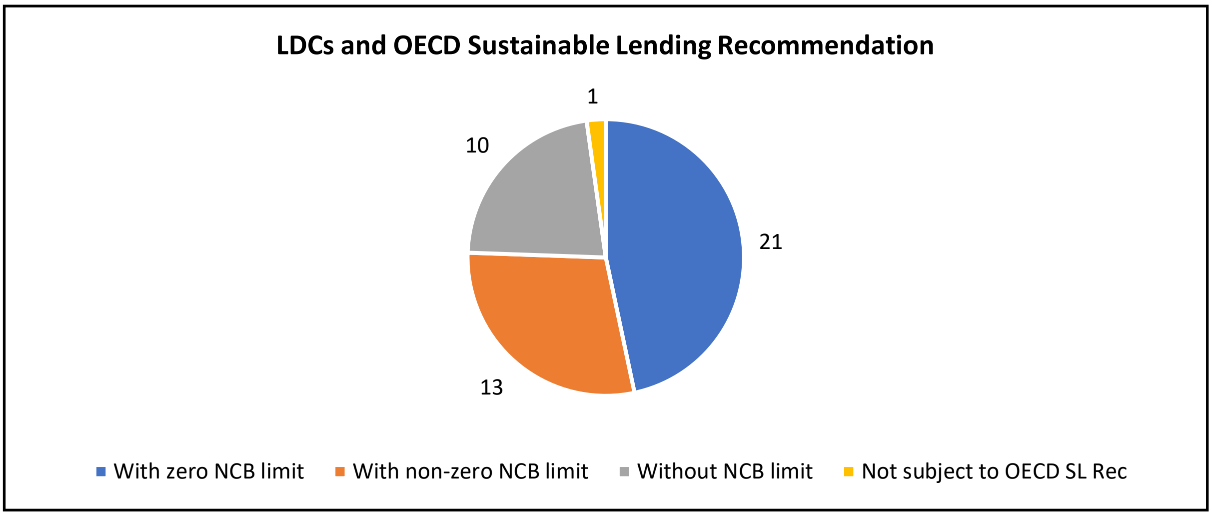
- Out of the 201 countries that are mentioned on the list of the OECD country risk classification there are currently 24 countries that are not rated. Among these 24 countries there are 10 countries with a zero-NCB limit and one country with a non-zero NCB limit. Thirteen non-rated countries don't have an NCB limit.

- This implies that 10 non-rated countries will likely not be able to benefit from improved T&Cs and that 14 non-rated countries can benefit from it, among which one non-rated country up to its NCB limit.

- The current Common Line for maximum ECA support from 85% to 95% of the export value refers to sovereign borrowers classified in OECD country risk categories 5 - 7. It is therefore unclear what is possible for EMDEs that are currently not rated. For non-rated countries Participants have to either classify the countries in the OECD country risk system or find an alternative a solution.

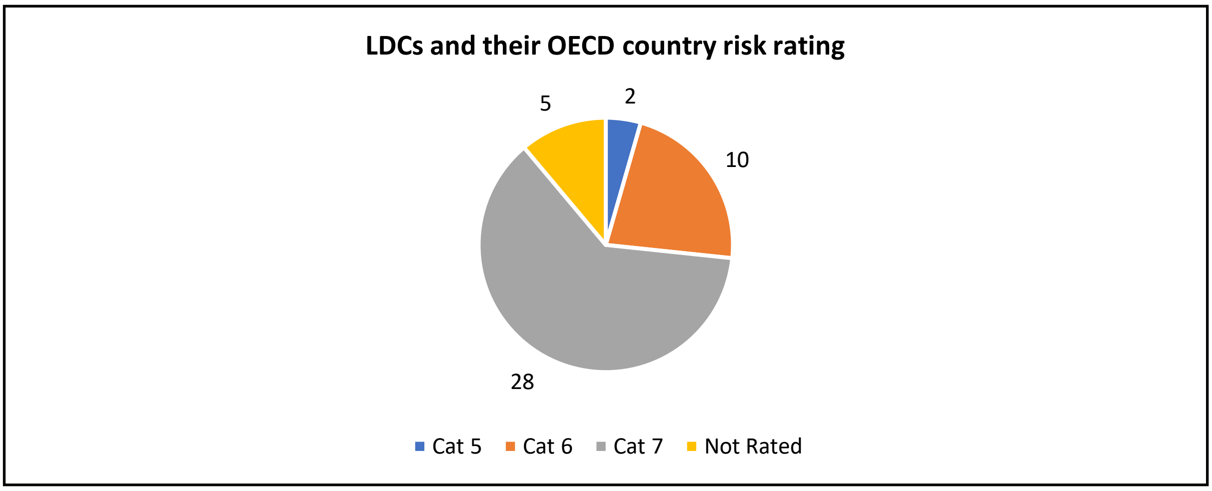
B. United Nations list of Least Developed Countries and OECD Sustainable Lending Recommendation

There are currently 45 Least Developed countries, among which 21 have a zero NCB limit, 13 a non-zero NCB limit and 11 do not face any IMF or WB NCB restrictions. There is one LDC to which the OECD sustainable lending recommendation does not apply. This concerns Angola.



This implies that out of the 45 LDCs 21 countries will likely not be able to benefit from improved terms and conditions for regular export credits. For 13 countries the extent to which they can benefit depends on their NCB limit. For 11 LDCs there are no NCB restrictions, which implies that they can benefit from improved terms and conditions for regular export credits.

Twenty-eight LDCs are rated in the highest risk category (7), ten in risk category 6 and two in risk category 5. Five countries do not have an OECD country risk rating.



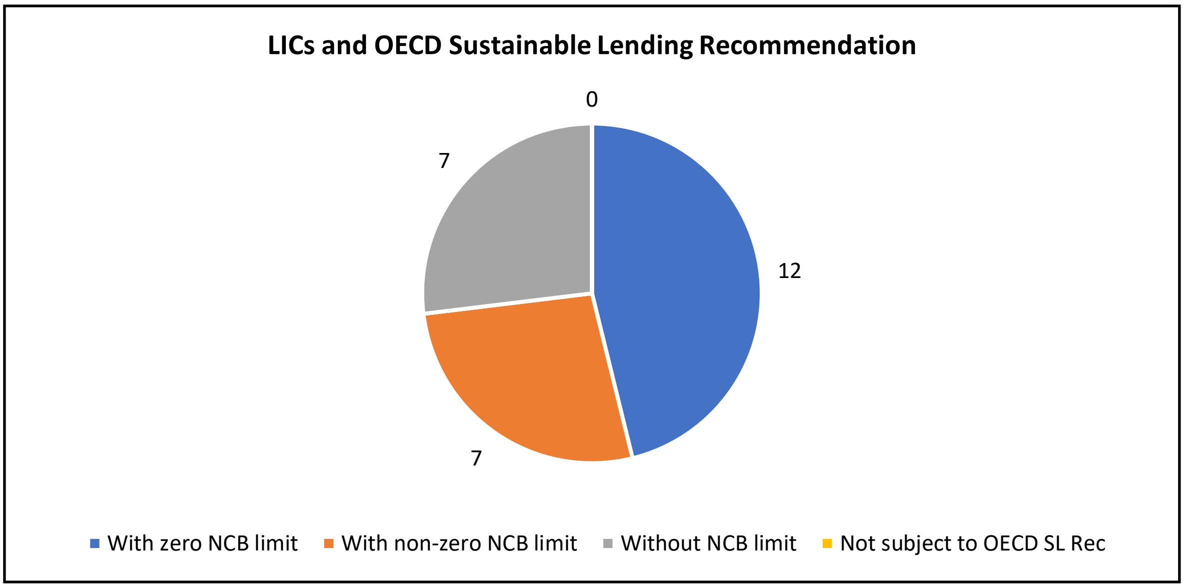
Source: OECD

Appendix I provides a comprehensive overview of the 45 LDCs and the extent to which they are affected by NCB limits of the IMF or World Bank.

C. World Bank classification by income group and OECD Sustainable Lending Recommendation

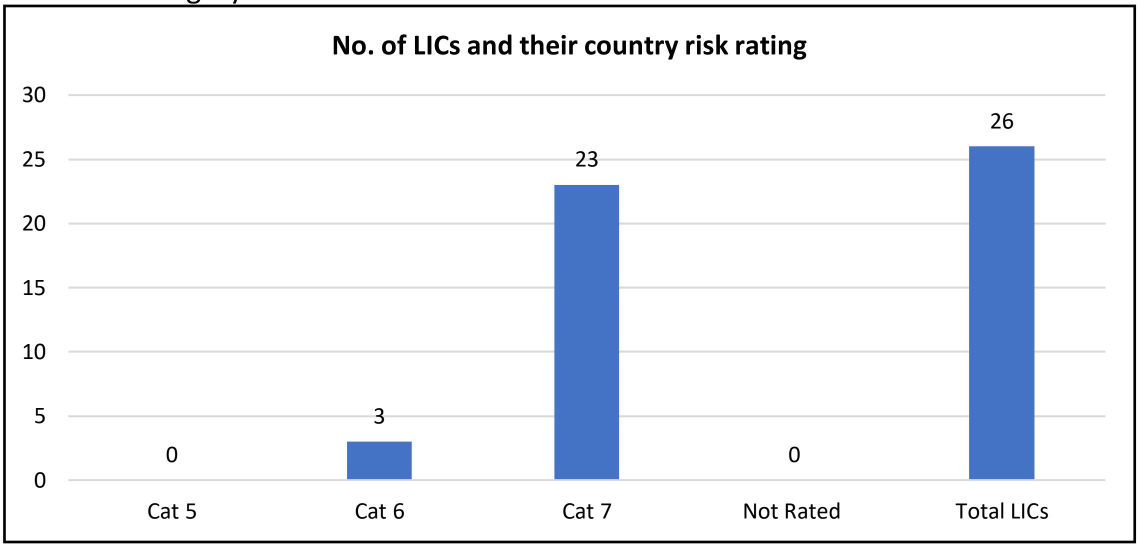
C.1. Low Income Countries

For the FY 2025 there are 26 LICs, of which 12 with a zero NCB limit, 7 with a non-zero NCB limit and 7 without an NCB limit. The OECD Recommendation on Sustainable Lending applies to all LICs. Improved terms and conditions for regular export credits can create benefits for 14 LICs among which 7 countries with a non-zero NCB limit. For public sector borrowers in 12 LICs improved terms and conditions for export credits will likely not create any benefits, for they mainly depend on concessional finance.



Source: OECD

Currently all LICs are rated in the two highest OECD country risk categories, namely 3 in category 6 and 23 in category 7.

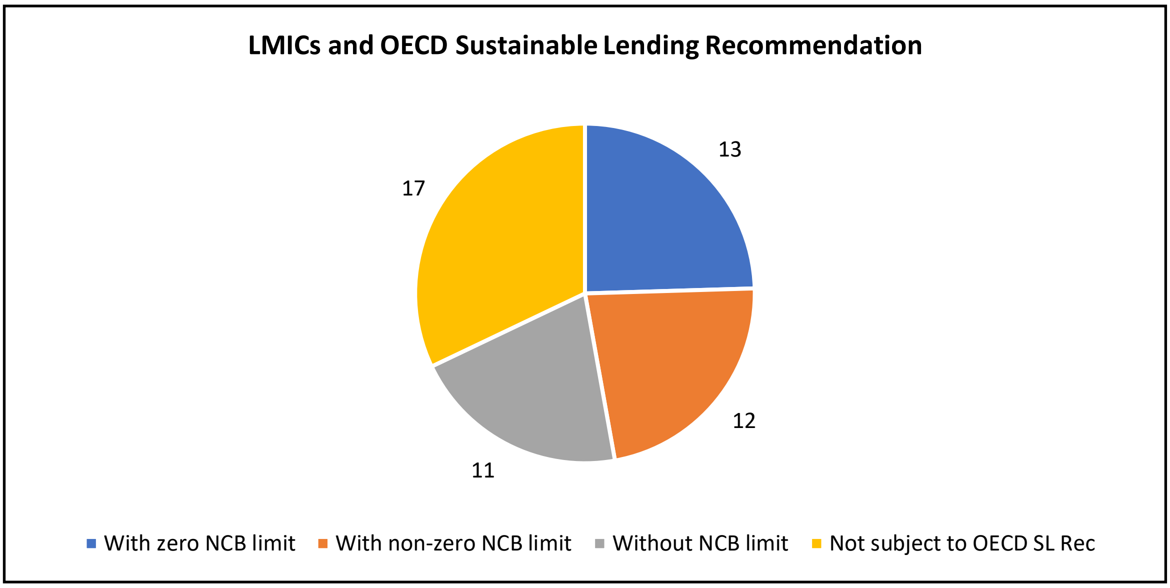


Source: OECD

Appendix II provides a comprehensive overview of the 26 LICs and the extent to which they are affected by NCB limits of the IMF or World Bank.

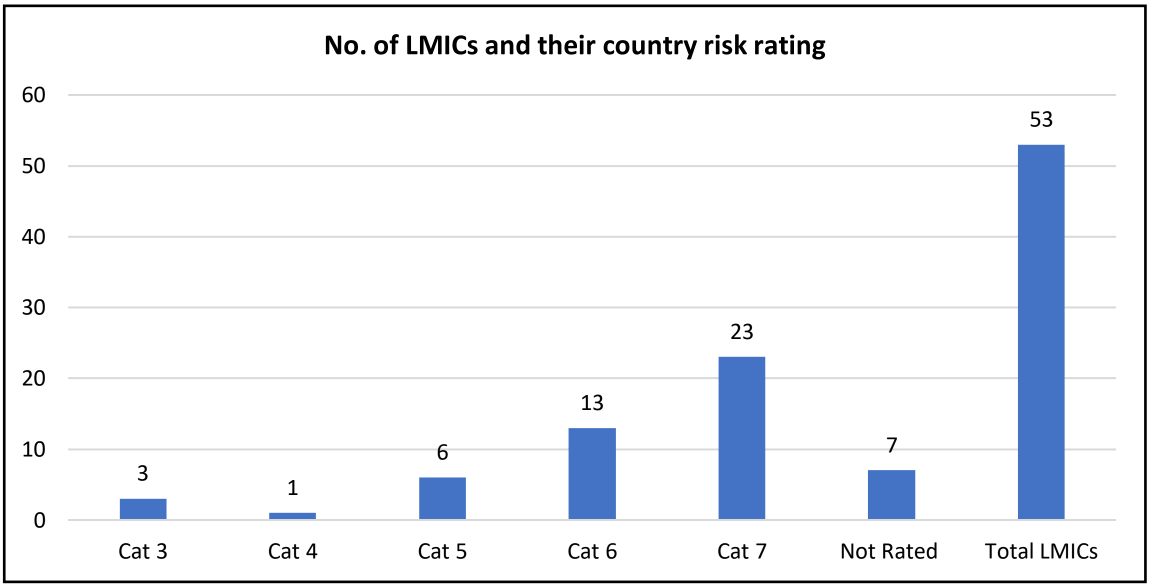
C.2. Lower Middle-Income Countries (LMICs)

For the FY 2025 there are 53 LMICs, of which 13 with a zero NCB limit, 12 with a non-zero NCB limit and 11 without an NCB limit. The OECD Sustainable Lending Recommendation does not apply to 17 LMICs.
Improved terms and conditions for regular export credits can create benefits for 40 LMICs among which 12 countries with a non-zero NCB limit. For public sector borrowers in 13 LMICs improved terms and conditions for export credits will likely not create benefits, for they mainly depend on concessional finance.



Source: OECD

Out of the 53 LMICs twenty-three countries are rated in risk category 7, thirteen in risk category 6, six in risk category 5, one in risk category 4 and three in risk category 3. Seven LMICs are not rated in the OECD country risk system and there are no LMICs that are classified in risk categories 0 – 2.



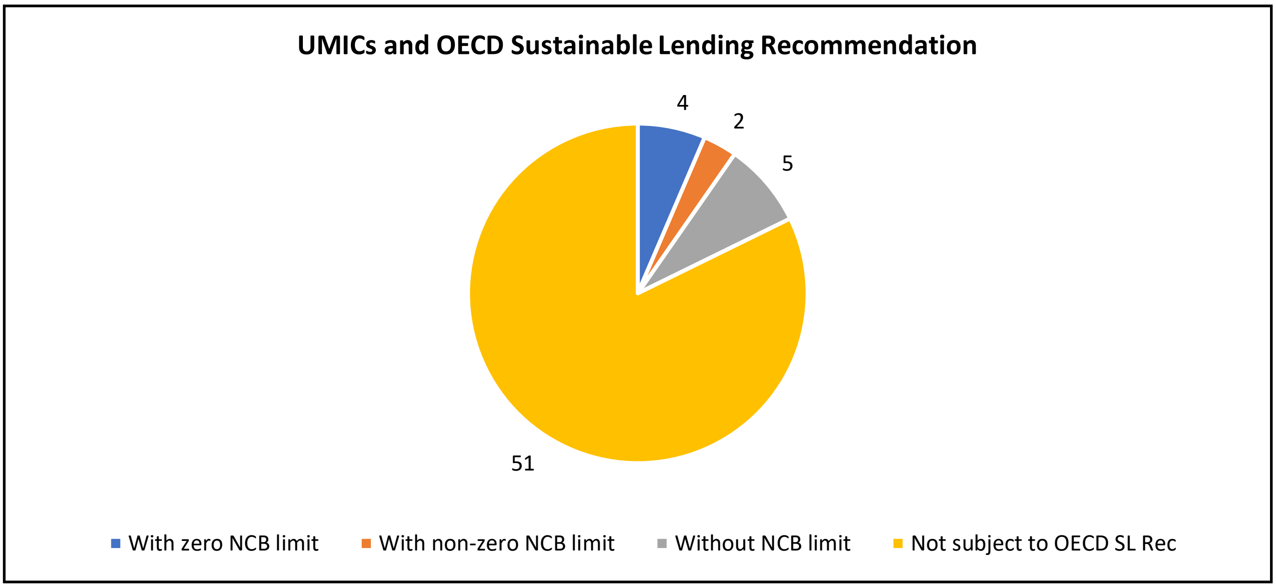
source: OECD

Appendix III provides a comprehensive overview of the 53 LMICs and the extent to which they are affected by NCB limits of the IMF or World Bank.

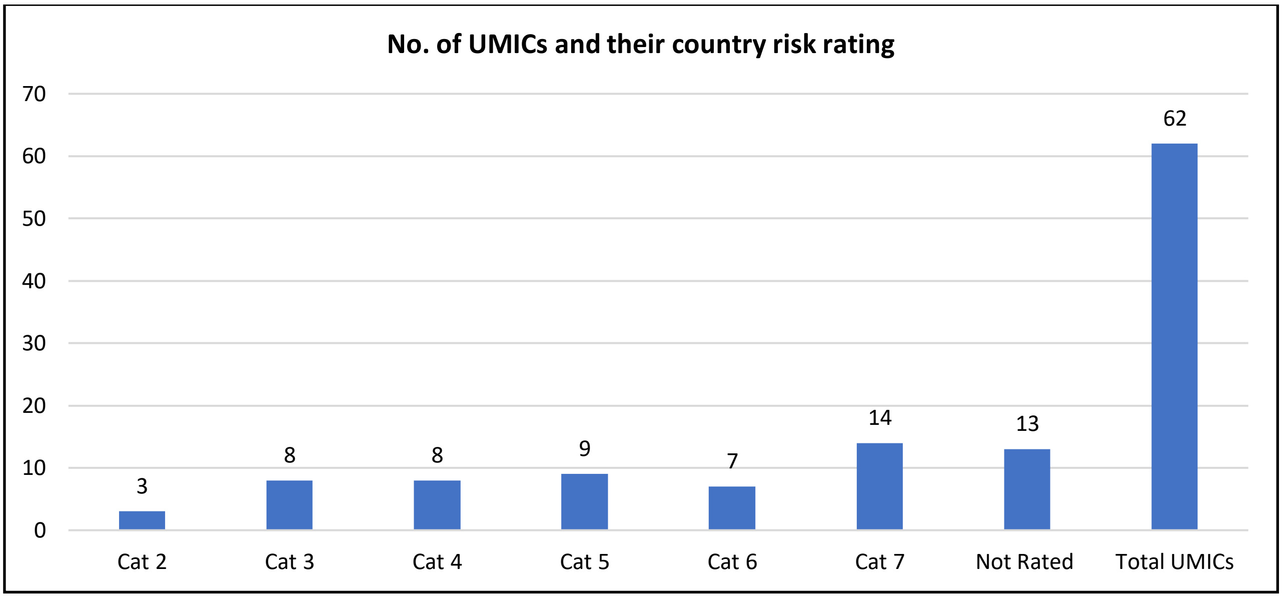
C.3. Upper Middle-Income Countries (UMICs)

For the FY 2025 there are 62 UMICs, of which 4 with a zero NCB limit (i.e. Maldives, Marshall Islands, Tonga and Tuvalu), 2 with a non-zero NCB limit (i.e. Grenada and Moldova) and 5 without an NCB limit. The OECD Recommendation on Sustainable Lending does not apply to 51 UMICs.

Improved terms and conditions for regular export credits can create benefits for 58 UMICs among which 2 countries with a non-zero NCB limit. For public sector borrowers in 4 UMICs – Maldives, Marshall Islands, Tonga and Tuvalu – improved terms and conditions for export credits will likely not create benefits, for they mainly depend on concessional finance.



Source: OECD



Source: OECD

Appendix IV provides a comprehensive overview of the 62 UMICs and the extent to which they are affected by NCB limits of the IMF or World Bank.

C.4. High Income Countries (HICs)

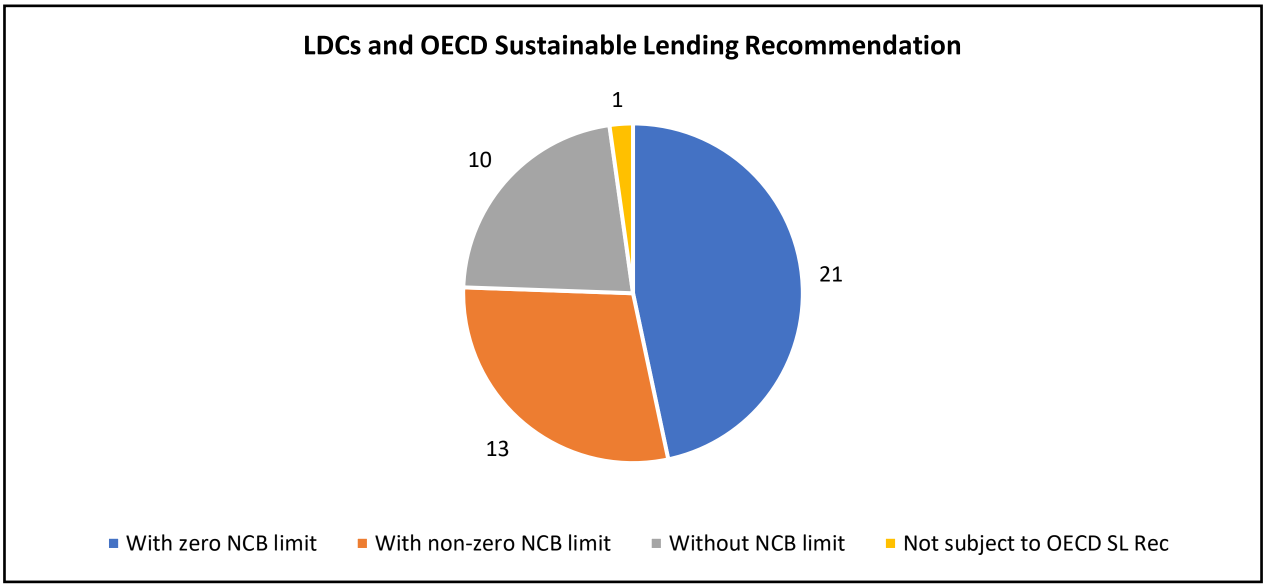
All 41 High Income Countries (HICs), which are not classified in the OECD country risk categories 1 – 7, are not subject to the OECD Sustainable Lending Recommendation. This implies that all these countries could potentially benefit from improved Arrangement T&Cs.

Appendix I
Least Developed Countries (LDCs) and OECD Sustainable Lending Recommendation

LDCs and OECD Sustainable Lending Recommendation (June 2024)

LDCs with zero NCB limit	LDCs with non-zero NCB limit	LDCs without NCB limit
Burundi	Benin	Afghanistan
Central African Republic	Burkina Faso	Angola (1)
Chad	Democratic Republic of the Congo	Bangladesh
Comoros	Lao People's Democratic Republic	Cambodia
Djibouti	Liberia	Eritrea
Ethiopia	Madagascar	Guinea
Gambia	Mauritania	Lesotho
Guinea-Bissau	Nepal	Myanmar
Haiti	Niger	Sudan
Kiribati	Rwanda	Togo
Malawi	Senegal	Yemen
Mali	Tanzania	
Mozambique	Uganda	
São Tomé and Príncipe		
Sierra Leone		
Solomon Islands		
Somalia		
South Sudan		
Timor-Leste		
Tuvalu		
Zambia		

Source: OECD
(1) Angola is not subject to the OECD Sustainable Lending Recommendation.



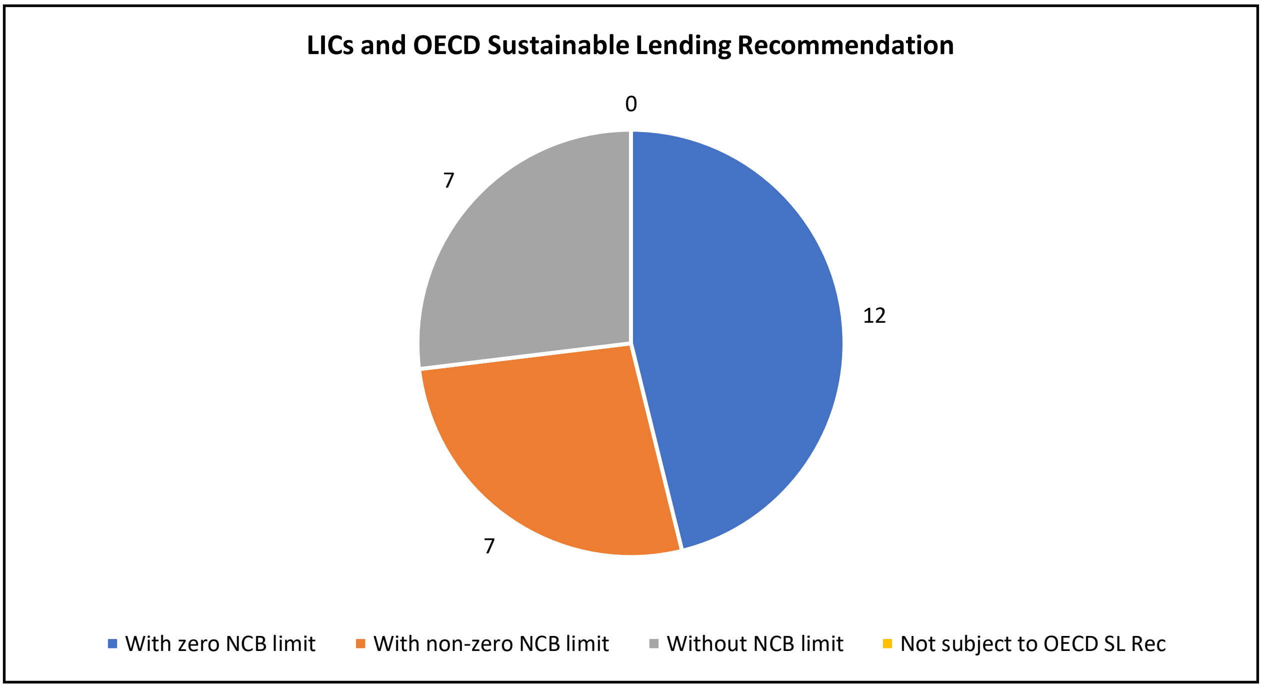
Source: OECD

Appendix II
Low Income Countries and OECD Sustainable Lending Recommendation

LICs and OECD Sustainable Lending Recommendation (June 2024)

LICs with zero NCB limit	LICs with non-zero NCB limit	LICs without NCB limit
Burundi	Burkina Faso	Afghanistan
Central African Republic	Democratic Republic of the Congo	Democratic People's Republic of Korea
Chad	Liberia	Eritrea
Ethiopia	Madagascar	Sudan
Gambia	Niger	Syrian Arab Republic
Guinea-Bissau	Rwanda	Togo
Malawi	Uganda	Yemen
Mali		
Mozambique		
Sierra Leone		
Somalia		
South Sudan		

Source: OECD



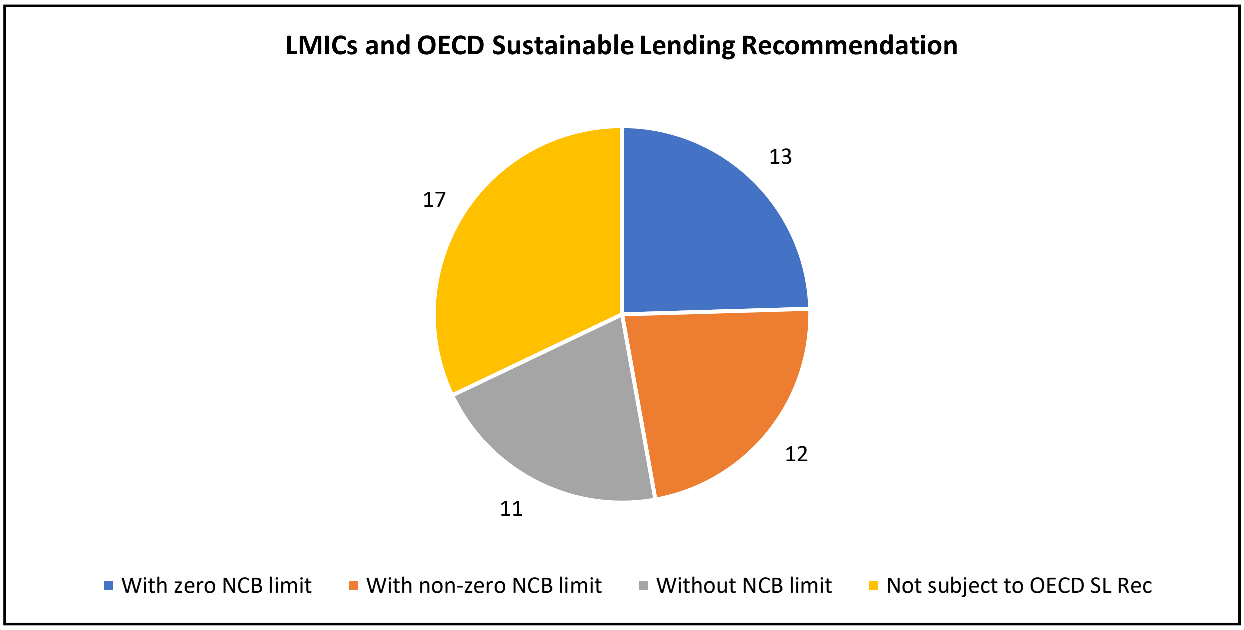
Source: OECD

Appendix III
Lower Middle-Income Countries (LMICs) and OECD Sustainable Lending Recommendation

LMICs and OECD Sustainable Lending Recommendation (June 2024)

LMICs with zero NCB limit	LMICs with non-zero NCB limit	LMICs without NCB limit	LMICs not subject to OECD SL Rec
Cabo Verde	Benin	Bangladesh	Angola
Comoros	Cameroon	Bhutan	Bolivia
Congo	Côte d'Ivoire	Cambodia	Egypt
Djibouti	Ghana	Guinea	Eswatini
Haiti	Kenya	Honduras	India
Kiribati	Lao People's Democratic Republic	Kyrgyzstan	Iran
Micronesia	Mauritania	Lesotho	Jordan
Samoa	Nepal	Myanmar	Lebanon
São Tomé and Príncipe	Papua New Guinea	Nicaragua	Mongolia
Solomon Islands	Senegal	Uzbekistan	Morocco
Timor-Leste	Tajikistan	Zimbabwe	Nigeria
Vanuatu	Tanzania		Pakistan
Zambia			Philippines
			Sri Lanka
			Tunisia
			Viet Nam
			West Bank and Gaza Strip

Source: OECD



Source: OECD

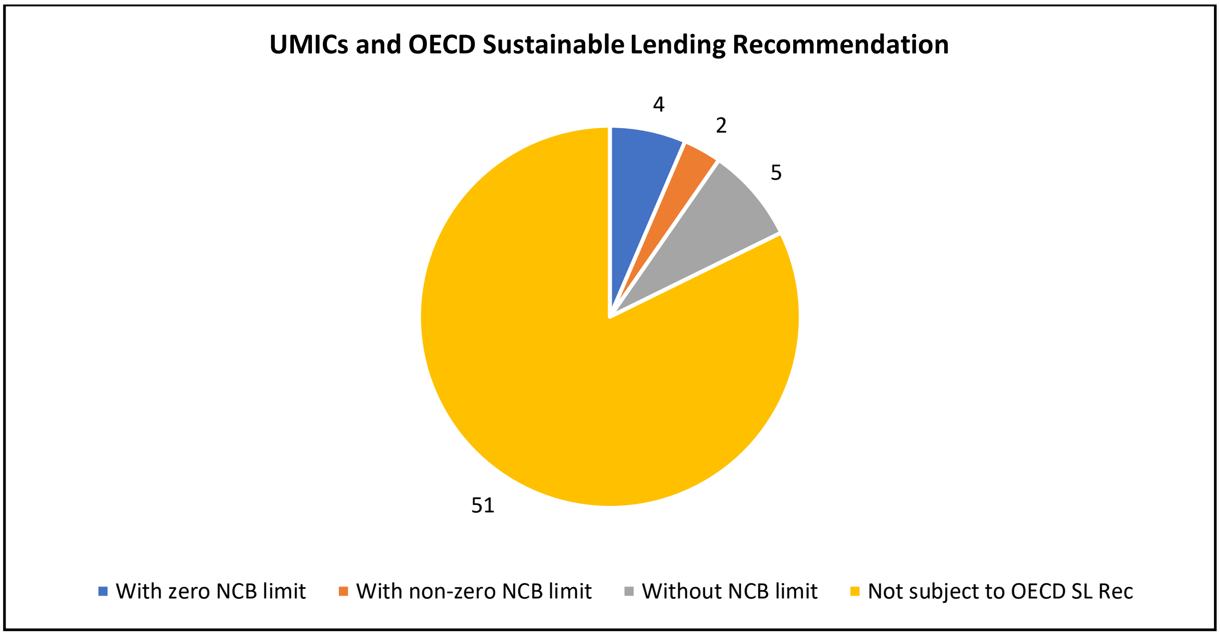
Appendix IV
UMICs and OECD Sustainable Lending Recommendation

UMICs and OECD Sustainable Lending Recommendation (June 2024)

UMICs with zero NCB limit	UMICs with non-zero NCB limit	UMICs without NCB limit	UMICs not subject to OECD SL Rec
Maldives	Grenada	Dominica	Albania
Marshall Islands	Moldova	Guyana	*Algeria*
Tonga		Kosovo	Argentina
Tuvalu		Saint Lucia	Armenia
		Saint Vincent and the Grenadines	Azerbaijan
			Belarus
			Belize
			Bosnia and Herzegovina
			Botswana
			Brazil
			China (People's Republic of)
			Colombia
			Costa Rica
			Cuba
			Dominican Republic
			Ecuador
			El Salvador
			Equatorial Guinea
			Fiji
			Gabon
			Georgia
			Guatemala
			Hong Kong (China)
			Indonesia
			Iraq
			Jamaica
			Kazakhstan
			Libya
			Macau (China)
			Malaysia
			Mauritius
			Mexico
			Montenegro
			Namibia
			Nauru

UMICs with zero NCB limit	UMICs with non-zero NCB limit	UMICs without NCB limit	UMICs not subject to OECD SL Rec
			North Macedonia
			Palau
			Panama
			Paraguay
			Peru
			San Marino
			Serbia
			Seychelles
			South Africa
			Suriname
			Thailand
			Trinidad and Tobago
			Türkiye
			Turkmenistan
			Ukraine
			Venezuela

Source: OECD



Source: OECD

Annex n°14: An analysis of the availability of MLT cover of MIGA for public sector payment risks (June 2024)

The Multilateral Investment Guarantee Agency (MIGA) is the investment insurance agency within the World Bank Group. MIGA can in general cover Medium- and Long-Term political risk up to 15 years.

MIGA's product portfolio includes comprehensive cover for payment risks on eligible public sector borrowers, which include sovereign borrowers, sub- sovereign borrowers and State-Owned Enterprise (SOEs). In the underwriting of public sector payment risks MIGA applies in general a minimum credit rating of S&P (or equivalent rating) of BB-. In this way MIGA protects its long-term financial sustainability and that of its re-insurers.

Since 1997, MIGA has successfully used reinsurance as a tool to use its capital efficiently and manage the risk profile of its portfolio. The primary benefits of reinsurance accrue to MIGA's clients—first, to the investors/ lenders, who gain access to increased capacity to insure eligible projects in EMDEs; and second, to client countries, which benefit from larger amounts of foreign direct investment (i.e. MLT equity investments and debt investments/ loans).

MIGA continues to make use of the reinsurance market, ceding USD 5 billion of new business to its reinsurance partners during FY23 in line with the strategy of preserving capital to support growth. As of June 30, 2023, 64.6% of the outstanding gross portfolio was reinsured, up from 61.9% in FY22.
MIGA's main reinsurers are private credit and political risk insurance - and reinsurance companies.

The minimum credit rating of S&P BB- that MIGA applies for the cover of MLT payment risks on public sector borrowers is a good indication to assess the risk appetite of MIGA and its private re-insurers for public sector payment risks beyond 5 years.

Of the 201 countries that are part of the OECD ECA country risk system in total 89 countries have a credit rating of S&P BB- or higher. This includes 40 HICs, rated in OECD risk category 0, 8 countries in risk category 2, 13 countries in risk category 3, 10 countries in risk category 4, 9 in risk category 5, 3 in risk category 6, 4 in risk category 7 and 2 countries that are not rated.

In total 59 countries have a credit rating below S&P BB-, which are 1 country in risk category 3, 1 in risk category 4, 4 countries in risk category 5, 17 countries in risk category 6 and 31 countries in risk category 7 and 5 countries that are not rated.

There are 53 countries that do not have a credit rating of S&P, Moody's or Fitch. This concerns 1 country in risk category 0, 4 in risk category 5, 4 in risk category 6, 27 in risk category 7 and 17 countries that are also not rated by the OECD ECAs.

No. of countries in OECD country risk categories and their credit ratings from S&P, Moody's, or Fitch (June 2024)

OECD country risk category	No. of countries with credit rating of S&P BB- or higher	No. of countries with credit rating S&P below BB-	No. of countries without credit rating	Total No. of countries
Cat 0	40	0	1	41
Cat 1	0	0	0	0
Cat 2	8	0	0	8
Cat 3	13	1	0	14
Cat 4	10	1	0	11
Cat 5	*9*	*4*	*4*	*17*
Cat 6	*3*	*17*	*4*	*24*
Cat 7	*4*	*31*	*27*	*62*
Not Rated	*2*	*5*	*17*	*24*
Total	**89**	**59**	**53**	**201**

Source: OECD, MIGA, S&P, Moody's, and Fitch

The next table provides an overview of LDCS, LICs, LMICs, UMICs and HICs that have a credit rating of S&P BB- or higher.

Among the 45 LDCs there are no countries that have a credit rating of S&P of BB- or higher, 20 countries with a credit rating below S&P BB- and 25 countries without a credit rating of S&P, Moody's or Fitch.

Among the 26 LICs there are no countries that have a credit rating of S&P of BB- or higher, 10 countries with a credit rating below S&P BB- and 16 countries without a credit rating of S&P, Moody's or Fitch.

Among the 53 LMICs there are 8 countries that have a credit rating of S&P of BB- or higher, 28 countries with a credit rating below S&P BB- and 17 countries without a credit rating of S&P, Moody's or Fitch.

Among the 62 UMICs there are 32 countries that have a credit rating of S&P of BB- or higher, 17 countries with a credit rating below S&P BB- and 13 countries without a credit rating of S&P, Moody's or Fitch.

Among the 60 HICs there are 49 countries that have a credit rating of S&P of BB- or higher, 4 countries with a credit rating below S&P BB- and 7 countries without a credit rating of S&P, Moody's or Fitch.

No. of LDCs, LICs, LMICs, UMICs and HICs and their credit ratings from S&P, Moody's, or Fitch (June 2024)

Country category	No. of countries with credit rating of S&P BB- or higher	No. of countries with credit rating S&P below BB-	No. of countries without credit Rating	Total No. of countries
LDCs (UN)	0	20	25	45
WB Income Category	**No. of countries with credit rating of S&P BB- or higher**	**No. of countries with credit rating S&P below BB-**	**No. of countries without credit Rating**	**Total No. of countries**
LICs	0	10	16	26
LMICs	8	28	17	53
UMICs	32	17	13	62
HICs	49	4	7	60
Total	89	59	53	201

Source: World Bank, MIGA, S&P, Moody's, and Fitch.

List of countries and their credit ratings from S&P, Moody's, Fitch, OECD ECAs and country classification by WB and UN

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
1	Afghanistan	n.r.	n.r.	n.r.	NR	7	LIC		Yes
2	Albania	BB-	B1	n.r.	Yes	5	UMIC		No
3	Algeria	n.r.	n.r.	n.r.	NR	5	UMIC		No
4	Andorra	BBB+	Baa1	A-	Yes	no	HIC		No
5	Angola	B-	B3	B-	No	6	LMIC		Yes
6	Antigua and Barbuda	n.r.	n.r.	n.r.	NR	7	HIC		No
7	Argentina	CCC	Ca	CC	No	7	UMIC		No
8	Armenia	BB-	Ba3	B+	Yes	6	UMIC		No
9	Aruba	n.r.	n.r.	n.r.	NR	5	HIC		No
10	Australia	AAA	Aaa	AAA	Yes	no	HIC		No
11	Austria	AA+	Aa1	AA+	Yes	no	HIC		No
12	Azerbaijan	BB+	Ba1	BB+	Yes	4	UMIC		No
13	Bahamas	B+	B1	n.r.	No	4	HIC		No
14	Bahrain	B+	B2	B+	No	6	HIC		No
15	Bangladesh	B+	B1	B+	No	5	LMIC		Yes
16	Barbados	B-	B3	B	No	Not Rated	HIC		No
17	Belarus	SD	Ca	r.w.	No	7	UMIC		No
18	Belgium	AA	Aa3	AA-	Yes	no	HIC		No
19	Belize	B-	Caa2	n.r.	No	Not Rated	UMIC		No
20	Benin	B+	B1	B+	No	6	LMIC		Yes
21	Bhutan	n.r.	n.r.	n.r.	NR	6	LMIC		No
22	Bolivia	CCC+	Caa3	CCC	No	7	LMIC		No
23	Bosnia and Herzegovina	B+	B3	n.r.	No	6	UMIC		No
24	Botswana	BBB+	A3	n.r.	Yes	3	UMIC		No
25	Brazil	BB	Ba2	BB	Yes	3	UMIC		No
26	Brunei	n.r.	n.r.	n.r.	NR	Not Rated	HIC		No

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
27	Bulgaria	BBB	Baa1	BBB	Yes	3	HIC		No
28	Burkina Faso	CCC+	n.r.	n.r.	No	7	LIC		Yes
29	Burundi	n.r.	n.r.	n.r.	NR	7	LIC		Yes
30	Cabo Verde	B	n.r.	B	No	7	LMIC		No
31	Cambodia	r.w.	B2	n.r.	No	6	LMIC		Yes
32	Cameroon	B-	Caa1	B	No	6	LMIC		No
33	Canada	AAA	Aaa	AA+	Yes	no	HIC		No
34	Central African Republic	n.r.	n.r.	n.r.	NR	7	LIC		Yes
35	Chad	n.r.	n.r.	n.r.	NR	7	LIC		Yes
36	Chile	A	A2	A-	Yes	no	HIC		No
37	China PRC	A+	A1	A+	Yes	2	UMIC		No
38	Chinese Taipei	AA	Aa3	AA	Yes	2	HIC		No
39	Colombia	BB+	Baa2	BB+	Yes	4	UMIC		No
40	Comoros	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		Yes
41	Congo	CCC+	B3	CCC	No	7	LMIC		No
42	Costa Rica	BB-	B1	BB	Yes	4	UMIC		No
43	Côte d'Ivoire	BB-	Ba2	BB-	Yes	5	LMIC		No
44	Croatia	BBB+	Baa2	BBB+	Yes	no	HIC		No
45	Cuba	n.r.	Ca	n.r.	Yes	7	UMIC		No
46	Curaçao	n.r.	n.r.	n.r.	NR	5	HIC		No
47	Cyprus	BBB+	Baa2	BBB+	Yes	no	HIC		No
48	Czech Republic	AA-	Aa3	AA-	Yes	no	HIC		No
49	Democratic People's Republic of Korea	n.r.	n.r.	n.r.	NR	7	LIC		No
50	Democratic Republic of the Congo	B-	B3	n.r.	No	7	LIC		Yes
51	Denmark	AAA	Aaa	AAA	Yes	no	HIC		No

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
52	Djibouti	n.r.	n.r.	n.r.	NR	7	LMIC		Yes
53	Dominica	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
54	Dominican Republic	BB	Ba3	BB-	Yes	4	UMIC		No
55	Ecuador	B-	Caa3	CCC+	No	6	UMIC		No
56	Egypt	B-	Caa1	B-	No	6	LMIC		No
57	El Salvador	B-	Caa1	CC	No	7	UMIC		No
58	Equatorial Guinea	n.r.	n.r.	n.r.	NR	7	UMIC		No
59	Eritrea	n.r.	n.r.	n.r.	NR	7	LIC		Yes
60	Estonia	AA-	A1	AA-	Yes	no	HIC		No
61	Eswatini	n.r.	B3	n.r.	No	6	LMIC		No
62	Ethiopia	SD	Caa3	RD	No	7	LIC		Yes
63	Fiji	B+	B1	n.r.	No	5	UMIC		No
64	Finland	AA+	Aa1	AA+	Yes	no	HIC		No
65	France	AA-	Aa2	AA	Yes	no	HIC		No
66	Gabon	r.w.	Caa2	B-	No	7	UMIC		No
67	Gambia	n.r.	n.r.	n.r.	NR	7	LIC		Yes
68	Georgia	BB	Ba2	BB	Yes	5	UMIC		No
69	Germany	AAA	Aaa	AAA	Yes	no	HIC		No
70	Ghana	SD	Ca	RD	No	7	LMIC		No
71	Greece	BBB-	Ba1	BBB-	Yes	no	HIC		No
72	Grenada	SD	n.r.	n.r.	No	Not Rated	UMIC		No
73	Guatemala	BB	Ba1	BB	Yes	4	UMIC		No
74	Guinea	n.r.	n.r.	n.r.	NR	7	LMIC		Yes
75	Guinea-Bissau	n.r.	n.r.	n.r.	NR	7	LIC		Yes
76	Guyana	n.r.	n.r.	n.r.	NR	5	UMIC		No
77	Haiti	n.r.	n.r.	n.r.	NR	7	LMIC		Yes

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
78	Honduras	BB-	B1	n.r.	Yes	5	LMIC		No
79	Hong Kong	AA+	Aa3	AA-	Yes	2	UMIC		No
80	Hungary	BBB-	Baa2	BBB	Yes	no	HIC		No
81	Iceland	A	A2	A	Yes	no	HIC		No
82	India	BBB-	Baa3	BBB-	Yes	3	LMIC		No
83	Indonesia	BBB	Baa2	BBB	Yes	3	UMIC		No
84	Iran	n.r.	n.r.	r.w.	NR	7	LMIC		No
85	Iraq	B-	Caa1	B-	Yes	7	UMIC		No
86	Ireland	AA-	Aa3	AA-	Yes	no	HIC		No
87	Israel	A+	A1	A	Yes	no	HIC		No
88	Italy	BBB	Baa3	BBB	Yes	no	HIC		No
89	Jamaica	BB-	B1	BB-	Yes	6	UMIC		No
90	Japan	A+	A1	A	Yes	no	HIC		No
91	Jordan	B+	Ba3	BB-	Yes	5	LMIC		No
92	Kazakhstan	BBB-	Baa2	BBB	Yes	5	UMIC		No
93	Kenya	B	Caa1	B-	No	7	LMIC		No
94	Kiribati	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		Yes
95	South Korea	AA	Aa2	AA-	Yes	no	HIC		No
96	Kosovo	n.r.	n.r.	n.r.	NR	6	UMIC		No
97	Kuwait	A+	A1	AA-	Yes	2	HIC		No
98	Kyrgyzstan	r.w.	B3	n.r.	No	7	LMIC		No
99	Laos	n.r.	Caa3	CCC-	No	7	LMIC		Yes
100	Latvia	A+	A3	A-	Yes	no	HIC		No
101	Lebanon	D	C	RD	No	7	LMIC		No
102	Lesotho	n.r.	n.r.	B	No	6	LMIC		Yes
103	Liberia	n.r.	n.r.	n.r.	NR	7	LIC		Yes

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
104	Libya	n.r.	n.r.	r.w.	NR	7	UMIC		No
105	Liechtenstein	AAA	n.r.	n.r.	Yes	No	HIC		No
106	Lithuania	A+	A2	A	Yes	No	HIC		No
107	Luxembourg	AAA	Aaa	AAA	Yes	No	HIC		No
108	Macau	n.r.	Aa3	AA	Yes	Not Rated	UMIC		No
109	Madagascar	n.r.	n.r.	n.r.	NR	7	LIC		Yes
110	Malawi	n.r.	n.r.	r.w.	No	7	LIC		Yes
111	Malaysia	A-	A3	BBB+	Yes	2	UMIC		No
112	Maldives	n.r.	Caa1	CC	No	7	UMIC		No
113	Mali	n.r.	Caa2	r.w.	No	7	LIC		Yes
114	Malta	A-	A2	A+	Yes	no	HIC		No
115	Marshall Islands	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
116	Mauritania	n.r.	n.r.	n.r.	NR	7	LMIC		Yes
117	Mauritius	n.r.	Baa3	n.r.	Yes	3	UMIC		No
118	Mexico	BBB	Baa2	BBB-	Yes	3	UMIC		No
119	Federated States of Micronesia	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		No
120	Moldova	n.r.	B3	n.r.	No	7	UMIC		No
121	Monaco	n.r.	n.r.	n.r.	NR	no	HIC		No
122	Mongolia	B	B3	B	No	7	LMIC		No
123	Montenegro	B+	B1	n.r.	No	6	UMIC		No
124	Morocco	BB+	Ba1	BB+	Yes	3	LMIC		No
125	Mozambique	CCC+	Caa2	CCC	No	7	LIC		Yes
126	Myanmar	n.r.	n.r.	n.r.	NR	7	LMIC		Yes
127	Namibia	n.r.	B1	BB	Yes	6	UMIC		No
128	Nauru	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
129	Nepal	n.r.	n.r.	n.r.	NR	6	LMIC		Yes

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
130	Netherlands	AAA	Aaa	AAA	Yes	no	HIC		No
131	New Zealand	AA+	Aaa	AA+	Yes	no	HIC		No
132	Nicaragua	B	B2	B	No	7	LMIC		No
133	Niger	n.r.	Caa2	n.r.	No	7	LIC		Yes
134	Nigeria	B-	Caa1	B-	No	6	LMIC		No
135	North Macedonia	BB-	n.r.	BB+	Yes	5	UMIC		No
136	Norway	AAA	Aaa	AAA	Yes	No	HIC		No
137	Oman	BB+	Ba1	BB+	Yes	4	HIC		No
138	Pakistan	CCC+	Caa2	CCC+	Yes	7	LMIC		No
139	Palau	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
140	Panama	BBB	Baa3	BB+	Yes	4	UMIC		No
141	Papua New Guinea	B-	B2	n.r.	No	6	LMIC		No
142	Paraguay	BB	Ba1	BB+	Yes	5	UMIC		No
143	Peru	BBB-	Baa1	BBB	Yes	3	UMIC		No
144	Philippines	BBB+	Baa2	BBB	No	3	LMIC		No
145	Poland	A-	A2	A-	Yes	No	HIC		No
146	Portugal	A-	A3	A-	Yes	No	HIC		No
147	Qatar	AA	Aa2	AA	Yes	2	HIC		No
148	Romania	BBB-	Baa3	BBB-	Yes	3	HIC		No
149	Russia	r.w.	Ca	C	No	7	HIC		No
150	Rwanda	B+	B2	B+	No	6	LIC		Yes
151	Saint Kitts and Nevis	n.r.	n.r.	n.r.	NR	Not Rated	HIC		No
152	Saint Lucia	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
153	Saint Vincent and the Grenadines	n.r.	B3	n.r.	No	Not Rated	UMIC		No
154	Samoa	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		No
155	San Marino	n.r.	n.r.	BB	Yes	Not Rated	UMIC		No

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
156	São Tomé and Príncipe	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		Yes
157	Saudi Arabia	A-	A1	A+	Yes	2	HIC		No
158	Senegal	B+	Ba3	n.r.	No	5	LMIC		Yes
159	Serbia	BB+	Ba2	BB+	Yes	4	UMIC		No
160	Seychelles	n.r.	n.r.	BB-	NR	Not Rated	UMIC		No
161	Sierra Leone	n.r.	n.r.	n.r.	NR	7	LIC		Yes
162	Singapore	AAA	Aaa	AAA	Yes	No	HIC		No
163	Sint Maarten	n.r.	n.r.	n.r.	NR	Not Rated	HIC		No
164	Slovakia	A+	A2	A	Yes	No	HIC		No
165	Slovenia	AA-	A3	A	Yes	no	HIC		No
166	Solomon Islands	n.r.	Caa1	n.r.	No	Not Rated	LMIC		Yes
167	Somalia	n.r.	n.r.	n.r.	NR	7	LIC		Yes
168	South Africa	BB-	Ba2	BB-	Yes	4	UMIC		No
169	South Sudan	n.r.	n.r.	n.r.	NR	7	LIC		Yes
170	Spain	A	Baa1	A-	Yes	No	HIC		No
171	Sri Lanka	SD	Ca	RD	No	7	LMIC		No
172	Sudan	n.r.	n.r.	n.r.	NR	7	LIC		Yes
173	Suriname	CCC+	Caa3	RD	No	7	UMIC		No
174	Sweden	AAA	Aaa	AAA	Yes	No	HIC		No
175	Switzerland	AAA	Aaa	AAA	Yes	No	HIC		No
176	Syria	n.r.	n.r.	n.r.	NR	7	LIC		No
177	Tajikistan	B	B3	n.r.	No	7	LMIC		No
178	Tanzania	n.r.	B1	B+	No	6	LMIC		Yes
179	Thailand	BBB+	Baa1	BBB+	Yes	3	UMIC		No
180	Timor-Leste	n.r.	n.r.	n.r.	NR	6	LMIC		Yes
181	Togo	B	B3	n.r.	No	6	LIC		Yes

No.	Country	S&P	Moody's	Fitch	BB- or higher	OECD Country Risk Rating	WB Income category		LDC country (Yes / No)
182	Tonga	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		No
183	Trinidad and Tobago	BBB-	Ba2	n.r.	Yes	3	UMIC		No
184	Tunisia	r.w.	Caa2	CCC-	No	7	LMIC		No
185	Türkiye	B	B3	B+	No	5	UMIC		No
186	Turkmenistan	n.r.	r.w.	BB-	Yes	7	UMIC		No
187	Tuvalu	n.r.	n.r.	n.r.	NR	Not Rated	UMIC		Yes
188	Uganda	B-	B3	B	No	6	LIC		Yes
189	Ukraine	SD	Ca	RD	No	7	UMIC		No
190	United Arab Emirates	AA	Aa2	AA-	Yes	2	HIC		No
191	United Kingdom	AA	Aa3	AA-	Yes	No	HIC		No
192	United States	AA+	Aaa	AA+	Yes	No	HIC		No
193	Uruguay	BBB	Baa1	BBB	Yes	3	HIC		No
194	Uzbekistan	BB-	Ba3	BB-	Yes	5	LMIC		No
195	Vanuatu	n.r.	n.r.	n.r.	NR	Not Rated	LMIC		No
196	Venezuela	r.w.	r.w.	r.w.	No	7	UMIC		No
197	Vietnam	BB+	Ba2	BB+	Yes	4	LMIC		No
198	West Bank and Gaza Strip	n.r.	n.r.	n.r.	NR	7	LMIC		No
200	Yemen	n.r.	n.r.	n.r.	n.r.	n.r.	n/a	NR	n.r.
200	Zambia	SD	n.r.	Caa2	RD	n.r.	14/06/2024	No	SD
201	Zimbabwe	n.r.	n.r.	n.r.	n.r.	n.r.	n/a	NR	n.r.

Annex n°15: EBF Position Paper on the renewal of the Common Line (Dec. 2023)

Brussels, 7 December 2023

EBF Proposal

Downpayment Requirements: making the temporary measure allowing for the financing of up to 95% of the export contract, structural

In light of the current interest rate environment and recent cost inflation in supply chains, and considering the lack of local financing availability in some low-income countries, during the last OECD CSOs Forum on Export Credits (7th November 2023) **the EBF supported the extension of the recently expired (4th November 2023) Common Line temporary measure, allowing for the financing of up to 95% of the export contract.** As an alternative to what mentioned above, EBF Members also suggested the possibility of **replacing the temporary Common Line with a similar one until** directly incorporated into the OECD Consensus in an appropriate manner.

With the goal of delivering a more concrete and elaborated proposal on the **structural extension of the temporary Common Line**, EBF Members provided for answers to the below questions.

1. Should the downpayment flexibilities apply to all countries or should it be focused on developing countries or even LDC countries? Could you please indicate the minimum rating to be used as starting point to identify the eligible countries? (i.e. countries below …)

EBF Members are generally supportive of an extension of the downpayment flexibilities **to all countries, but with different percentages.** Indeed, it would be beneficial to offer such an extension to all countries at least with respect to CCSU/social infrastructure or subject to ECAs assessing of a market need.

Should this not be possible, and considering the fact that the initial Common Line was created to **support low and lower-middle income countries**, EBF Members are supportive of sticking to these subsets of countries.

Indeed, one argument for the focus on emerging markets is that the CPRI market is less deep for these countries compared to developed markets. For the rating cut off, two possible alternatives can be considered:

- **The OECD country rating scale.** In this second option, countries would have to be chosen from class 5,6 and 7. The larger the part of the financing covered, the better it is for difficult countries and this fully follows the ECA logic of insuring non-marketable risks. Indeed, in case of positive reception of this proposal, linking it clearly to OECD country risk classification would be a simple way of defining country eligibility.
- The **official World Bank definition of "Low" and "Lower-Middle" income countries** (i.e. the 2 lowest of the 4 WB categories.

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2. Should the downpayment flexibilities that you suggest be limited to transactions with the sovereign? (MoF, Central Bank, etc.)

The majority of EBF Members generally believe that only sovereign-related financing should fall within the scope of downpayment flexibility to also provide for a clear definition of scope and criteria. Indeed, the purpose of the downpayment is a risk mitigation tool, and limited liability borrowers can go insolvent while sovereigns need to engage in a debt restructuring. It should also generally be easier for ECAs to de-risk their sovereign exposure than corporate exposure in emerging markets due to the financial market tools available.
EBF Members pointed out that when dealing with corporates, a downpayment, and thus proof of the financial strength of the company/ borrower, is needed on the bank's side. This is not required or necessary for State projects and the logic is often opposed by local legislation. With the view of staying close to the initial Common Line, EBF Members suggest narrowing the downpayment flexibility to (sub-) sovereign borrowers.

However, it has to be mentioned that, among EBF Members, the important role of **State-owned enterprises and corporates** in being partners for solving the infrastructure deficit in emerging markets, was also raised and led to the **consideration of possibly not limiting the downpayment flexibilities to transactions with the sovereign only**.

3. Should the downpayment flexibilities be applied primarily in certain sectors (CCSU? Social infrastructure...)?

The majority of EBF Members believe that downpayment flexibilities **should be mainly applied in those sectors, but not exclusively.** Indeed, ideally **no sector restrictions should apply.** Within the subset of (sub-) sovereign borrowers in emerging markets (as per Q1 and Q2 above), they believe the downpayment flexibility should apply to all infrastructure projects that have impact in general. As most infrastructure projects in emerging markets (i.e. port development, road construction, railways, energy) can be labelled social or sustainable, and prove to be critical ones for country development, there is no need to narrow down the scope to certain sectors.

4. Should the downpayment flexibility be applied to the entire commercial contract amount or only to the export portion excluding the local content?

In this respect, views from EBF Members are evenly split. Some believe that, with the goal of remaining coherent to the initial Common Line, the downpayment flexibility should be applied to **the "export contract value"** (i.e., excluding the local content) instead of to the entire commercial contract. Others, are of the idea that it would be easier to have it applied to the whole commercial contract amount.

Annex n°16: BIAC Position paper (November 2023)

BUSINESSatOECD

Building on the momentum for a more fit-for-purpose OECD Arrangement

November 2023

Position and proposals by *Business at OECD* (BIAC) on the OECD Arrangement post-modernization discussions on payment and credit term

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 9 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.

Contents

Key Messages

- *Business at OECD* (BIAC) thanks all Participants of the Arrangement on the **modernization** of its "Arrangement on Officially Supported Export Credits" (**OECD Consensus**). In *Business at OECD*'s view, **important milestones have been reached** to reduce its complexity and to regain the attractiveness of the Arrangement.

- Continuous efforts to **establish a global level playing field are still necessary** to ensure that competition amongst exporters is based on the quality and price of goods and services, rather than on the favorability of public financial support. It is also important to reaffirm that the core purpose of the OECD Consensus is to make a uniform and practicable set of rules for all official support for cross-border trade-related finance.

- **There is a need to align the rules for development and export finance on debt products more coherently**. The current set of rules prevent effective financing support for countries which are more vulnerable. They foster isolated approaches and do not reflect the project reality, while tied vs. untied products and programs are not reflected comprehensively in the Arrangement. Thus, a more favorable framework conditions should foster an easier combination of export and development finance tools to consider projects needed urgently such as for social infrastructure.

- Considering the **efforts of the OECD Consensus to address climate change, *Business at OECD* would also like to draw attention to the technologies necessary for the energy transition towards a carbon neutral industry, also in the context of the upcoming revision of the Common Approaches (CA)**. We strongly believe that in their efforts to reform the currently outdated CA, decision-makers should carefully analyze global competition and practicability, versus the risk of an overly burdensome reporting requirements. *Business at OECD* is ready to exchange views on a more coherent but also more business-oriented approach, and to define a common position since the current Consensus lacks a clear bottom line for applicable standards. Finally, we advocate for the revision of universal standards that could derive from the OECD Common Approaches and related standards (such as IFC Performance Standards, World Bank EHS Guidelines) which could serve as potential guiding principles.

3

Introduction

With this position paper, *Business at OECD* (BIAC) aims to contribute to the ongoing discussions within the OECD on the modernization of its "Arrangement on Officially Supported Export Credits" (OECD Consensus). *Business at OECD* and its members are grateful and applaud all actions, engagement and the determination of the Participants and the Secretariat in achieving the recent modernization package. The steps taken reflect a wide range of the positions advocated for by *Business at OECD* with the goal of making the OECD Consensus again fit-for-purpose, while it has a significant focus on mere credit and loan repayment terms. Again, we support all efforts for a more fit-for-purpose Arrangement, especially considering the need to account for new products and business models in the context of the post-Covid global economic landscape that is still filled with many uncertainties. At the core of our concerns are especially the continuing constraints on energy supplies and the global energy transition, ensuring a fair and competitive global trade environment, and improving public welfare.

The overall interest since 1974 has been to create a global level playing field to ensure that competition amongst exporters is based on the quality and price of goods and services rather than on the favorability of public financial support. With this modernization, an important milestone has been achieved in terms of market-reflected payment and repayment terms, whilst addressing global constraints such as climate change actions and climate-related transformation approaches.

Besides the relevance of global value chains and the widely acknowledged increased competition outside the OECD Arrangement, that also propose better financing conditions, there is a continuous need to ensure that the OECD Consensus remains attractive for the re-establishment of a real global level playing field. *Business at OECD* supports convincing existing members to adhere to the set of given rules in the Arrangement, and to further attract new members as a response to the challenges that emerge from recent BRIC initiatives and beyond.

Therefore, we are committed to further exchanges with the Practitioners, representatives from the banking sector and *Business at OECD* as well as NGOs. In our 2023 paper, we provide several recommendations that – in our view – are necessary amendments to the terms and conditions of the OECD Consensus.

Recommendations

A) Expanding the scope of technologies to fight climate change

The recent modernization of the Arrangement also included technological developments to fight climate change. This updated sector understanding on export credits for climate change was certainly a good first step to support climate change mitigation projects beyond renewable energy projects. However, in *Business at OECD*'s view, its scope should be extended. We think that more generally **circular economy, recycling (not solely for BEV), biofuel** are some examples that could be covered in the CCSU annex. We urge the Participants to agree on criteria, standards and definitions to keep low emissions manufacturing and Clean Energy Mineral and Ores in the scope of the CCSU beyond 30 June 2024. Additionally, biofuels should be incorporated in this revision.

Moreover, we stress that the recently updated CCSU and its promotion in coverage and funding for **energy transformation technologies** should not be ceased, since it is a continuous necessary effort. It also needs to be considered in view of **global competition and customer requirements**, especially in emerging and developing countries.

B) A strong case for the adaptation of the OECD Consensus towards a more flexible set of rules

Besides the increased competition outside OECD rules with flexible and fit-for-purpose financing conditions as well as an increased relevance of global value chains, there is new product and business model related evidence from the day-to-day business of exporters that make **a strong case for the adaptation of the OECD Consensus towards a more flexible set of rules.**

New product and business models related to greater flexibility, such as pay-per-use business models and new products that are typically not bound to physical exports, e.g. cloud-based and software solutions, pay-per-use models, or cross-border lease and rent cannot be financed by the current OECD Consensus. In that regard, flexible repayment models, open residual values and low (or nil) down-payments must be considered. Similarly, there is not always a traditional sale of goods, e.g., a customer abroad may not buy a machine, but instead purchase a right (license) of use. The respective ECA cover should hence not only relate to a physical export, but to a cross-border contractual relationship. The structures and their legal consequences are diverse and need to be covered by the OECD Consensus as it exists today.

C) Proposals for concrete updates

Business at OECD **proposes the following concrete updates regarding the OECD Consensus' financing terms and conditions** as concerns (1) minimum down payments, (2) the scope of Consensus and (3) the minimum premium for credit risks.

(1) Minimum down-payment requirement

It remains difficult to source funding for the 15 percent of the export contract value, particularly for large government contracts. For public buyers/borrowers – especially in emerging and developing markets – liquidity requirements are often challenging. Customers are forced to reserve liquidity for working capital that is lacking for investments, i.e., down-payments. Private insurance companies and commercial banks show little or no willingness to provide unsecured financing or risk cover (credit insurance) for "medium-term" advance payment financing. Furthermore, in addition to the effects of the Covid pandemic, many private 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.

We propose that ECAs should have more flexibility to support the financing of the down-payment by a maximum cover of 95 percent of the export contract value, including third country supply, i.e., a minimum of 5 percent down payment but excluding local costs. This would be possible thanks to the amendment (through a so-called "Common Line") in force since 5 November 2021, but:

- This amendment is only valid for renewable periods of 12 months, while most files are discussed over larger periods of time, which might cause potential problems when files are finalized.

- The amendment only benefits loans extended to (or guaranteed) by a Sovereign borrower, whilst excluding most projects with public but non-sovereign entities and private buyers.

There is also a need to further extend the common line for another year until November 2024. It is important to achieve an overall general understanding for a broader and more flexible approach to the currently strict handling of the down-payment for all supported projects.

(2) Scope of the OECD Consensus, definition of scope

The scope of the Arrangement is outdated and does not reflect new business models and continuous unaddressed issues which were communicated by the 17 UN SDG´s. The Arrangement also does not set parameters for programs outside its scope of rules, such as a provision for untied export credits, untied investment loans or untied development loans and for official support for equity investment. We believe the Arrangement would be more comprehensive and more incorporating if ways could be found to better combine the export credits with development aid products. **We therefore would like to start a discussion regarding the possibility to consider – if possible, in a separate sector understanding – affordable public social infrastructure**, e.g., health care, as a key priority to ensure the delivery of basic essential services in emerging market economies.

These social infrastructure projects are partly revenue and partly non-revenue generating (unlike for instance green power generation projects), and therefore longer repayment terms – **in line with what is contemplated for the CCSU** – and other useful incentives such as a premium reduction would be very much appreciated by our business partners in emerging economies. The Participants may consider defining sectors and criteria that would also include social projects.

Further outreach to new members, as well as discussions on issues related to forming an understanding of tied and untied aid, lie ahead. The question from BIAC's point of view is not how we can limit and find stricter regulatory approaches but how to continue fostering support for home-based industries as well. It is important to find common ground on how we are going to tackle the immense tasks and questions which lay ahead of us in terms of social infrastructure, UN SDGs, energy and public transport transformation, climate change, health, digitalization, CI and other issues. For the trillions of funds needed currently and, in the future, narrowing programs and products is not the path forward. Cooperative and inclusive actions are necessary to help to onboard more players and provide solutions for the challenges ahead.

(3) Minimum premium for credit risks

Without publishing or notifying, non-OECD and OECD competitors have created tools and mechanisms to subsidize premiums, interest rates or provide grants.

As the ECA premium becomes the ECA's main tool for regulating and pricing the choice of tenor, for assets with a very long-life expectancy or a second life expectancy following rehabilitation services, we think it may be interesting to explore improving the project/ borrower rating if it addresses climate change, the energy transition, the UN SDGs, or social impact. Consequently, this approach would also enable a reduction of the premium.

This can be especially relevant to infrastructure development and benefit a more sustainable use of resources. Especially for least developed countries, a better coordination and combination with ODA instruments needs to be implemented to keep the global relevance of OECD players alive and foster exports and services from the Participants in the global environment. It might thus be worth considering the creation a certain form of a bonus- related system on the premium for borrowers that have not produced any default, e.g., by providing a one notch better buyer category for the next project to be covered. For smaller transactions, the notification requirements should be reduced.

This could be done without questioning the need for the ECA activities to be self-supporting over an economic cycle. Data from the OECD Export Credit Group shows that since 1999, prior to any recovery, premiums have covered indemnifications and operating costs. We would also propose a revision of the **TCMB methodology. In our view, this is an inadequate methodology and approach that makes prohibitive** the ECA solution prohibitive for Cat 0 countries.

We fully understand the need to respect a benchmark methodology with private markets but with current market developments and the need to support investments in climate change and the energy transition that require billions of capital expenditures, it is important that the Participants ensure supporting those developments in developed countries too.

The TCMB model can sometimes result in a premium level that turns out higher than the private market and a Cat 0 country project may have a premium higher than a Cat 2 or 3 country project. Therefore, premiums for Cat 0 countries should ultimately not be more expensive than those given as a minimum rule for projects in Cat 1.

Additionally, an alternative may be to set a cap on projects addressing those in the CCSU annex, with positive social impacts, etc. in capping the result (similar to premiums in the case of longer tenor post-modernization for clients rated BB- or below).

D) Upcoming review: The reform of the Common Approaches and its related standards

Moreover, the OECD consensus currently lacks a clear set of minimum ESG standards. The OECD Common Approaches (CA) and related standards (IFC Performance Standards, World Bank EHS Guidelines) could be guiding principles and serve as a potential base line definition. Hence, they need to be fit-for-purpose to form a strong and respected framework that is put into practice through engagement.

As already stated in our key messages, we as members of *Business at OECD* and representatives of the private sector at the OECD, are committed to a more sustainable future and to addressing climate change. Although the current CA might be outdated, it is critical to always carefully consider global competition and practicability versus an over-stretched reporting that can lead to counterproductive results. We do not believe that more required data as well as additional processes would help to improve the overall project situation tremendously, neither would that be true for more costly reports of external consultation works, etc. Hence, *Business at OECD* stands ready for an exchange of views on the current Consensus and to advocate for the revision of universal standards that could derive from the OECD Common Approaches and related standards (such as IFC Performance Standards, World Bank EHS Guidelines).