OECD Export Credit Group Discourages Official Support for Unproductive Expenditure in Heavily Indebted Poor Countries: A Statement of Principles

The OECD’s Export Credit Group (ECG) has agreed to a Statement of Principles designed to discourage the provision of officially supported export credits for "unproductive" expenditures in "Heavily Indebted Poor Countries" (HIPCs). This responds to OECD and G8 Ministers’ calls to strengthen measures towards ensuring that export credit support for these countries is not used for unproductive purposes.

The measure seeks to ensure that non-essential capital goods and projects which do not contribute to the social and/or economic development of the poorest nations, but have the effect of increasing their external debt burdens, do not benefit from OECD governments’ support.

The Principles -- of which the text is attached -- are consistent with efforts in OECD countries to ensure that trade and sustainable development policies are complementary as well as with the World Bank-led "Heavily Indebted Poor Countries Debt Initiative" which attempts to lower the debts of poor countries to sustainable levels.

"These countries are not major export credit markets at present, but officially supported export credits have contributed to the debts of these countries in the past," says Birgitta Nygren, Swedish Chairman of the Export Credit Group. "We do not want this to happen again once the debts have been forgiven and these countries return to creditworthiness as a result of the HIPC initiative."

In parallel, Export Credit Group members also agreed to report details of official export credit transactions involving Heavily Indebted Poor Countries and to review them on an annual basis. Members of the OECD Export Credit Group include all OECD countries except for Iceland and the Slovak Republic.

For further information, contact Janet West, OECD Trade Directorate (tel 33 1 45 24 89 10 or janet.west@oecd.org) or Michael Gonter, OECD Trade Directorate (tel. 33 1 45 24 18 22 or michael.gonter@oecd.org).

PAC/COM/NEWS(2001)69
Paris, 19 July 2001
OFFICIAL EXPORT CREDIT SUPPORT TO HEAVILY INDEBTED POOR COUNTRIES (HIPC’s)

STATEMENT OF PRINCIPLES

1. Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) recognise the importance of the Debt Initiative for Heavily Indebted Poor Countries (HIPC’s), the purpose of which is to bring these countries’ debt burdens to sustainable levels, subject to satisfactory policy performance, so as to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens.

2. Insofar as official export credits contribute to a country’s overall debt burden, the ECG Members agree that such credits should not be provided for unproductive expenditure in HIPCs.

3. Unproductive expenditure generally refers to transactions that are not consistent with these countries’ poverty reduction and debt sustainability strategies and do not contribute to their social and/or economic development.

4. It is understood that the adoption of these Principles does not automatically preclude support for equipment deemed essential to the debtor country’s national security or required to combat e.g. the drug trade, smuggling, piracy.

5. In order to assess the ECG Members’ success towards ensuring that officially supported export credits to HIPCs are not provided for unproductive purposes, the ECG Members have agreed to report transactions supported to these countries and to review them on an annual basis.