PURPOSE OF PAPER AND ACTION: This document contains the final, agreed text of the 2007 Statement of Principles on Unproductive Expenditure.

LINK TO PROGRAMME OF WORK AND BUDGET: Output Result: 7R311006.

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OFFICIAL EXPORT CREDIT SUPPORT TO HEAVILY INDEBTED POOR COUNTRIES (HIPCs) AND COUNTRIES THAT ARE ONLY ELIGIBLE FOR INTERNATIONAL DEVELOPMENT ASSOCIATION FUNDS (IDA-ONLY COUNTRIES)

STATEMENT OF PRINCIPLES

1. Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) recognise the importance of the World Bank and International Monetary Fund Debt Sustainability Framework for Low-Income Countries (DSF), the purpose of which is to support low-income countries in their efforts to achieve the Millennium Development Goals (MDGs) without creating future debt problems, and to keep countries that have received debt relief under the HIPC Initiative on a sustainable track.

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 and IDA-only countries. In this respect, 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.

3. 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.

4. In order to assess the ECG Members' success towards ensuring that officially supported export credits to HIPCs and IDA-only countries 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.