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Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

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English - Or. English

**TRADE DIRECTORATE
TRADE COMMITTEE**

**TD/ECG(2001)9
Confidential**

Working Party on Export Credits and Credit Guarantees

UNPRODUCTIVE EXPENDITURES AND OFFICIALLY SUPPORTED EXPORT CREDITS: STATEMENT OF PRINCIPLES -- REVISED PROPOSAL

This document contains a revised Proposal for the Statement of Principles in respect of the Debt Initiative for the Heavily Indebted Poor Countries (HIPC).

The ECG Members are invited to indicate their agreement, or otherwise, to the Proposal, if possible by 30 April 2001.

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**UNPRODUCTIVE EXPENDITURE AND OFFICIALLY SUPPORTED EXPORT CREDITS:
STATEMENT OF PRINCIPLES -- REVISED PROPOSAL**

I. Introduction

1. On the basis of discussions which took place at the 89th Meeting of the Working Party of Export Credits and Credit Guarantees, and in response to the comments provided by Members, the Secretariat has re-drafted the Statement of Principles which was presented in Annex 1 of TD/ECG(2001)4. In view of the forthcoming Ministerial Meeting, the ECG Members are asked to indicate their agreement or otherwise to the Proposal, via OLIS, no later than **30 April 2001**.

II. Proposed Statement of Principles

2. The following Proposal is for Members' consideration. The specific changes compared to the previous text are as follows:

- The word "*projects*" has been replaced with the word "*transactions*" in paragraph 2 for consistency.
- In paragraph 3, the phrase "*poverty reduction strategy programmes*" has been replaced with "*poverty reduction and debt sustainability strategies*" so as to integrate better the notion of debt sustainability in the Statement.
- The bullet point examples relating to "*unproductive*" transactions have been deleted from the text.
- The words "*defence or dual use*" have been deleted from paragraph 4.
- The word "*used*" has been replaced with the word "*provided*" for consistency in paragraph 5.

QUOTE**OFFICIAL EXPORT CREDIT SUPPORT TO HEAVILY INDEBTED POOR COUNTRIES (HIPCS)****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 (HIPCs), 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.

UNQUOTE