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OECD EXPORT CREDITS CONSULTATION WITH CIVIL SOCIETY ORGANISATIONS

European Banking Federation (EBF) Position Paper – Modernisation 2 of the OECD Export Credit Arrangement

The EBF wishes to initiate a second phase of modernization of the OECD Arrangement on Officially Supported Export Credits. The reform that entered into force in July 2023 represented a significant step forward, notably through the extension of repayment terms, the reform of the Commercial Interest Reference Rate (CIRR), and the expansion of the Climate Change Sector Understanding (CCSU).

However, these developments remain insufficient given the rapid transformation of the international export finance landscape.

Further clarification and greater consistency in the application of the Arrangement framework would be desirable, notably as regards repayment terms, drawdown periods and project classification.

In addition, Members note increasing reliance on financing structures operating outside the Arrangement framework, including sovereign financing, Development Finance Institution (DFI) lending and non-covered financing or hybrid structures. This trend risks creating distortions of competition and weakening the credibility and effectiveness of the multilateral framework.

The European Banking Federation (EBF) therefore formulates **seven operational proposals to strengthen project competitiveness**, financing conditions, and the effectiveness and credibility of the OECD Arrangement, while pursuing simplification as a key guiding principle for future reforms.

For ease of reference and in line with the consultation agenda, the EBF recommendations are organised under the two discussion sessions in which the EBF will participate, namely: (i) Financial Terms and Conditions and (ii) Environmental and Social Issues.

I. FINANCIAL TERMS AND CONDITIONS

1. Optimize premiums for green and social projects

Financing green and social projects in emerging markets is characterized by high investment needs, long maturities, and progressive profitability, making their financial balance particularly sensitive to ECA premium costs.

Under the current framework, the premium levels set by the Arrangement for such categories of projects can constitute a substantial barrier, especially compared with the conditions offered by DFIs or non-OECD lenders, which often entail lower premiums.

Therefore, the EBF recommends a targeted reduction in premiums for such projects under the Arrangement.

In EBF's views, this would:

- Improve their financial viability;
- Encourage the mobilization of more private capital;
- Reduce the substitution of OECD financing with alternative solutions;
- Strengthen the previous CCSU reform, particularly for the longest tenors, as these maturities are currently little used due to prohibitive premium levels.

Also, the EBF believes that such premium optimization should not be confined solely to emerging markets, acknowledging that green and social projects are also of public relevance in developed economies, notwithstanding differences in cost structures and risk profiles.

It should be also noted that the current Arrangement already provides for premium discounts of up to 15% for certain lower-rated borrowers and longer maturities, demonstrating that differentiated premium treatment is already an accepted principle within the framework.

Such an evolution would also be fully aligned with the climate and development objectives pursued by the OECD, without generating competitive distortions.

2. Provide a permanent and balanced framework for down payments and ECA Cover

While recognising the operational benefits of the Common Line authorising a reduction of the down payment — notably by allowing the down payment to decrease from 15% to 5% for public buyers in Category II countries where financing benefits from a sovereign guarantee — **the EBF would support a more balanced and permanent approach.**

Such an approach could consist in preserving the existing 15% down payment threshold while allowing ECAs to increase their cover from 85% to 95% and making this flexibility permanent. This would immediately strengthen the competitiveness of OECD-supported financing compared with international competitors operating under fewer constraints, while having a limited impact on financiers and ECAs.

Regarding the scope of application, while recognising that the decision to provide such cover ultimately remains with ECAs, **the EBF would advocate focusing this flexibility on Category IV–VII countries, rather than extending it to all Category II countries.**

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3. Clarify the application of the Aircraft Sector Understanding (ASU) to sovereign non-commercial projects

The Aircraft Sector Understanding (ASU) aims to regulate commercial competition on civil aircraft. Applying it to sovereign acquisitions for non-commercial purposes (civil protection, emergency services, population safety, sovereign missions such as coast guard) does not adequately reflect the nature and objectives of these transactions.

These projects fall under State continuity and citizen protection, not market logic. They should therefore be treated under the general provisions of the OECD Arrangement. Subjecting them to ASU constraints imposes a rigid and unsuitable framework, significantly delaying the implementation of essential investments.

In this context, **further clarification regarding the possible application of standard Arrangement conditions could facilitate more appropriate financial structuring** — including maturities, repayment profiles and premium calculation — better reflect the sovereign and public-interest nature of such transactions and help avoid distortions of commercial competition. Since various non-commercial purposes contribute to societal resilience, these projects could benefit from falling under the standard Arrangement conditions, consistent with the EBF proposal to strengthen the recognition of social projects set out in the Environmental and Social Issues section below (point 2).

4. Assess the performance of the TCMB-BAP methodology (Through the Cycle Market Benchmarking Model Blended with Actuarial Premium) to ensure its continued relevance, predictability and effectiveness

The OECD framework should continue to provide a predictable and consistent financing environment over time. In this context, it is important to assess whether the current TCMB-BAP methodology continues to adequately reflect evolving financing structures and changing market conditions.

Before considering any amendments to the methodology, **a comprehensive review should be undertaken to assess its practical application, effectiveness and overall performance.** Such a review could include a historical assessment of how TCMB-BAP-generated premium rates have evolved over time and whether the outcomes have remained aligned with market realities and the objectives of the Arrangement.

Greater transparency regarding the functioning and calibration of the methodology would also be beneficial. A better understanding of its strengths, limitations and long-term impacts would provide a sound basis for determining whether any targeted technical adjustments are warranted.

Only following such an assessment should potential modifications be considered, with the objective of preserving predictability, avoiding unnecessary complexity and ensuring that the framework remains fit for purpose.

5. Adapt local cost provisions to evolving supply chains and localisation requirements

The OECD Arrangement currently allows Local Costs of up to 40% of the export value for Category I countries and up to 50% for Category II countries. Local Costs are exempt from the 15% down payment requirement.

However, evolving global supply chains and increasingly common localisation requirements in international tenders call for greater flexibility.

In this context, **the EBF supports increasing eligible Local Costs up to 100% of the export value**, while maintaining the exemption from down payment requirements for Local Costs. The increasing recourse to untied financing structures outside the OECD Arrangement also reflects the need for greater flexibility regarding Local Costs.

Greater flexibility on Local Costs would:

- Recognise localisation requirements as a regular and legitimate feature of international tenders, including beyond large-scale projects
- Facilitate multi-sourcing strategies and the integration of local supply chains, irrespective of the country of origin
- Allow that civil works and certain other activities can be sourced locally where appropriate, rather than being shifted to neighbouring countries solely to satisfy the Arrangement's eligibility requirements.
- Contribute to broader sustainable development objectives.

II. ENVIRONMENTAL AND SOCIAL ISSUES

1. Optimize the application and clarity of the Climate Change Sector Understanding (CCSU)

Notwithstanding the progress introduced through the modernisation of the Arrangement, it is, particularly with regard to the CCSU, not always straightforward to identify the treatment applicable to each category of project, as the relevant provisions remain dispersed across different parts of the framework. This may create uncertainty, both regarding the maximum repayment terms and the appropriate drawdown periods applicable to specific transactions.

Similarly, some grey areas remain in relation to projects that may fall under more than one sectoral framework — such as green public transport projects — which, despite their climate and public-interest rationale, may still be treated as conventional projects, resulting in less favourable outcomes in terms of premiums, maturities and financial flexibility.

Finally, the CCSU is accompanied by an overly high degree of detail and considerable complexity in certain areas.

From the perspective of EBF members, there is therefore a clear need to simplify and streamline the CCSU framework in order to improve its usability and ensure greater consistency, transparency, and efficiency in its application. For example, it could be assessed whether grouping maturities might be preferable to a highly granular sector-based classification.

2. Better integrate social projects into the OECD Arrangement

Social projects (health, education, water, housing, social infrastructure, inclusive transport) play a central role in the economic and institutional stability of States, particularly in emerging markets. Yet they remain structurally underfinanced due to limited direct revenues and a perceived high-risk profile.

The OECD Arrangement remains primarily oriented toward economic infrastructure and green projects, while several non-OECD countries offer more attractive conditions for social investments.

Therefore, the **EBF recommends a strengthened recognition of social projects within the Arrangement (adapted financial conditions, premiums, maturity).**

This would:

- Increase resilience in the most fragile States;
- Preserve the ability of OECD actors to finance high public-utility projects.

In this context, **EBF Members are of the view that a clearly defined category of social projects could be introduced ensuring equal treatment and benefits for eligible projects to those granted to green projects under the current framework.**

Introducing a distinct definition, although equal in terms of benefits, is seen as desirable from an operational and clarity perspective, reducing the risk of overlapping classifications. As mentioned above, this is particularly relevant for public transport projects, which are often insufficiently assessed in terms of their human and social development benefits, beyond their environmental contribution. In addition, current criteria linked to the EU Taxonomy are often difficult to meet in emerging markets.