

Common Approaches on Export Credits and the Environment

February 2004

THE COMMON APPROACHES – AN OVERVIEW

BASICS

- The Common Approaches, finalised in 2001, have been implemented since the beginning of 2002 by most OECD members on a unilateral and voluntary basis.
- The aim of the instrument is “to develop common procedures and processes relating to the environmental review of projects” covered by export credits and “to promote a level playing field for officially supported export credits”.
- The new text is the result of a review, which involved consultations between the OECD and the BIAC Task Force on Export Credit.
- OECD Recommendations are not legally binding, but in practice are followed by OECD governments.

CONTENT – BIAC INTERVENTIONS

During the review, the discussion focused on the following issues:

- **Scope:** The new text says that the Recommendation applies to Export Credits for projects with a repayment term of two years or more. There was discussion on giving up this restriction on repayment terms and including short term cover. BIAC successfully argued to take out short term cover.
- **Threshold:** There were demands to include screening requirements for projects below SDR 10 millions in sensitive areas. In spite of requests by BIAC to raise the threshold to 15 millions, as requested by commercial banks, the final text still contains that option.
- **Social issues:** A proposal was made to include into the Approaches strong new language on social issues. BIAC raised its concerns and finally a broad reference to social aspects has been taken out.
- **Environmental Screening/Classification:** Category A projects require an environmental impact assessment. They are defined in Annex I which refers to a EBRD list. BIAC tried to scale-down the list of projects affected.
- **Environment Review:** There was strong pressure for demanding *ex ante* World Bank standards to be fulfilled before granting cover. BIAC argued for a flexible “benchmarking” approach to be maintained, whereby respecting the laws of the host country. to be maintained. Now projects must comply with the environmental standards of the host country. When the relevant international standards against which the project has been benchmarked are more stringent, these standards must apply. The relevant international standards are those of the World Bank Group and, where applicable from a geographical viewpoint, those of Regional Development Banks. Members may also benchmark against any higher internationally recognised environmental standards, such as those of the European Community. With regard to the most sensitive projects, the environmental standards to be applied will be reported and monitored by the ECG, and exceptional deviations below international standards will have to be justified.
- **Transparency:** BIAC demanded to take the competitive bidding situation into account while formulating transparency requirements for ECAs. Now, only for the most sensitive projects, OECD members will seek to make environmental information, particularly Environmental Impact Assessment Reports, publicly available 30 calendar days before final commitment.

TEXT REFERENCE GUIDE

The **Common Approaches** consist of a text and two Annexes. The most controversial text focused on EIAs and Transparency:

Environmental Impact Assessment

12.1 When undertaking environmental reviews, Members should benchmark projects against host country standards, against one or more relevant environmental standards and guidelines published by the World Bank Group, the European Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank and the Inter-American Development Bank and against the safeguard policies published by the World Bank Group. Members may also benchmark against any higher internationally recognised environmental standards, such as European Community standards.

12.2 Projects should, in all cases, comply with the standards of the host country and when the relevant international standards against which the project has been benchmarked are more stringent these standards would be applied.

12.3 If a Member finds it necessary to apply standards below the international standards against which the project has been benchmarked, it shall report and justify the standards applied on an annual *ex-post* basis in accordance with paragraph 19.

Transparency

16.For Category A projects, seek to make environmental impact information publicly available (e.g. EIAs, summary thereof) at least 30 calendar days before a final commitment to grant official support. In the case where environmental impact information cannot, for exceptional reasons, be made public Members shall explain the circumstances and report these in accordance with paragraph 19.

“The Common Approaches present a compromise position for business. The consequences for export credit practice remain to be assessed.”
–Jens Berthelsen, Chairman of BIAC Task Force on Export Credits