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PROPOSAL

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	26 August 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2021) 498 final
Subject:	ANNEX to the Proposal for a Council Decision on the position to be taken on behalf of the European Union in the written procedure by the Participants to the Arrangement on Officially Supported Export Credits as regards the Common Line on the temporary decrease of the minimum down payment

Delegations will find attached document COM(2021) 498 final.

Encl.: COM(2021) 498 final

EUROPEAN
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Brussels, 26.8.2021
COM(2021) 498 final

ANNEX

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to the

Proposal for a Council Decision

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ANNEX

Draft Proposal by the European Union for a Common Line

in accordance with Chapter IV, Section 5 of the Arrangement on Officially Supported Export Credits

ECH [•]/2021

Lowering of the down payment requirement to 5 %

The Covid-19 crisis is taking its toll around the globe on people's lives and living conditions. A strong factor contributing to the negative impacts is the downturn in the global economy resulting from the sanitary crisis. In this extraordinary situation, governments and international institutions have started to react. A substantial part of their efforts is dealing with measures which are intended to alleviate the negative economic effects. While the industrialised countries usually have more resources and options to tackle the problems, low and middle-income countries are confronted with many limitations, in particular, they often lack adequate financial resources.

Export credit agencies ('ECAs') and their authorities have implemented a series of measures with the goal of maintaining international trade flows and addressing the needs of their industries and of foreign buyers/countries. Though many countries are expected to reduce their investment programmes, there will remain a substantial need for investments in crisis prevention projects and basic infrastructure projects. There are, however, measures which can only be taken jointly as they are subject to internationally agreed rules like the OECD Arrangement on Officially Supported Export Credits.

Against the background of the severe economic situation, both industry associations as well as individual companies have called upon ECAs to relax the current requirement for a down payment as buyer countries are increasingly coming under financial pressure. The bulk of the projects concerned are carried out with sovereign/public buyers in developing countries. Under normal economic circumstances, buyers would have the possibility to finance the down payment with longer repayment terms and the financing banks would seek and usually get cover for this portion of the loan on the private market. Due to the COVID-19 crisis the private sector seems to be very reluctant or even unwilling to provide this cover for developing countries. Without such cover, banks are not ready to finance that portion of a project in countries, which are most in need of such projects. We are therefore in a situation of clear market failure that has to be addressed urgently.

The proposed Common Line would benefit both sides: it would provide immediate financial relief for the buyer country's government and increase its ability to continue with investment projects. It would raise the volume that can be mobilized for priority projects, such as in the health care sector and would provide exporters the possibility to offer flexible solutions in difficult times and stay in business.

Against this background, we propose to lower the requirement of a down payment by sovereign and public buyers in low and middle-income countries to 5 % taking into account that:

- the measure would have an immediate fiscal effect on countries struggling with the crisis;

- the measure would increase the flexibility exporters need now to continue their businesses;

- the measure would address the concerns voiced by the industry;

- the measure would be very narrow and targeted, only covering selected buyer categories;

- the measure would not jeopardise the sustainability of debt, as compliance with the provisions of the OECD Sustainable Lending Recommendation and the obligations under IMF and World Bank programs would remain a precondition for supporting such projects; and

- the measure would be of temporary nature, automatically ceasing to be in force after 12 months.

Common Line Proposal: ECH [•]/2021

1. Reference Number:	ECH [•]/2021
2. Importing countries and buyers:	Sovereign or public buyers (in accordance with Annex XII) in category II countries (Art. 10) with a guarantee by the Ministry of Finance or the central bank.
3. Description of Transaction:	Project subject to Art. 11 of the Arrangement.
4. Terms and Conditions:	In accordance with all other articles of the Arrangement.
5. Common Line Proposal:	Lowering of the down payment requirement to 5% (Art. 11 a)) and increase of the maximum official support limit to 95 % of the export contract value (Art. 11 c)). The measure will come into effect immediately and remain in force for 12 months after coming into effect. Transactions within the scope of the Arrangement may benefit from the official support under the terms and conditions of this Common Line provided that: 1. the application for export credit support was received by the end of the validity period of this Common Line at the latest, and 2. the date of the final commitment is within 18 months following the end of the validity period of this Common

	Line.
6. Nationality and names of known competing bidders:	N/A due to the general nature of this proposal.
7. Tender/Bid period:	N/A
8. Other Information:	This measure aims at easing fiscal pressure on low and middle-income countries and freeing resources in order to continue with priority projects; in addition it helps mobilising the needed financial means from private sources by addressing market failures caused by the ongoing COVID19-crisis.