

PUBLIC CONSULTATION ON CHANGES TO ECGD POLICY ON SUPPORT FOR FOREIGN CONTENT

COMMENTS BY BRITISH EXPERTISE

Summary

ECGD support services for international business development should return to the premier position they have occupied in the past. The allowable foreign content should be much more flexible as multi sourcing is increasingly the important, and the ECGD "One stop shop" approach does not satisfactorily address this matter. It is also necessary to ensure that the assessment of what constitutes "UK" content is clear so that the role ECGD can discharge in supporting international project development is clear.

These comments attempt to stress the issues of value for money, sustainability and affordability. These are clear issues that should precede the decision making process for the right projects.

The questions addressed in this consultation are reproduced below.

Should ECGD change its current policy for supporting foreign content under credit contracts?

Yes, ECGD should change its policy.

ECGD should support more effectively project development in difficult markets. It should also be understood that ECA guarantees facilitate cross border lending activities in support of these projects.

The availability of a guarantee from an OECD government owned or controlled ECA changes the risk such business activities lead to. Without such a guarantee, appropriate loan facilities for the development of essential Infrastructure, especially in third world and ex-HIPC countries cannot be effectively supported by the banks.

In general, how much foreign content should ECGD be willing to support?

In increasing support for projects including more than the current level of foreign content allowable, ECGD should also be satisfied with other aspects of the project.

They should be satisfied as to its importance in developmental terms:

- to the host country concerned;

- to the project sustainability;
- to the environmental impact assessment.

Many other issues relating to the impact of the project on the host economy need to be reviewed. To set a maximum level of foreign content required is difficult since this would depend on the project, but it should probably be set in the order of 35-50% of the project value. With this type of support in place such issues as affordability, value for money, sustainability and other issues such as those mentioned above can be taken into account.

Should ECGD policy include the flexibility to support more or less foreign content for a particular credit?

ECGD's policy should provide flexibility to support more foreign content, as explained above.

- What factors should govern whether such flexibility should be exercised in individual cases?

The most important issues should always be:

- project sustainability;
- affordability; and
- value for money.

The priority of a project for the host government and the status of the project within the country's development plans will also be vitally important considerations. Many of the countries likely to be concerned have agreed poverty alleviation strategies, and are also working to achieve millennium development goals.

Should ECGD simplify its policy? If so, how?

Hopefully these comments show the importance of the flexibility ECGD should adopt.

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