

THE
CORNER
HOUSE

Station Road
Sturminster Newton
Dorset DT10 1YJ
UK

Tel: +44 (0)1258 473795
Fax: +44 (0)1258 473748
Email cornerhouse@gn.apc.org
Website: www.thecornerhouse.org.uk

Ian Pearson MP
Minister of State for Trade, Investment and Foreign Affairs
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2AH

1st February 2006

Dear Minister

Delay over final response to ECGD consultation on its anti-bribery procedures

We are writing to express our serious disappointment that the final response to the ECGD's consultation on its anti-corruption procedures has been delayed yet again.

As you are aware, the ECGD initially stated that it would provide a response to the consultation, in keeping with Cabinet Office guidelines, three months after the close of the consultation. The response was therefore due in late September 2005. Following the publication of its interim response in October 2005, the ECGD stated that it intended to publish its final response by the end of the year. In December 2005, ECGD wrote to consultees to inform them that due to the 'complexity of the task' the final response could now be expected by the end of January 2006. We now understand that a final response is not now being issued at the end of January and that the timeline is now at some stage 'before Easter' 2006.

We believe the delay in issuing the final response has serious implications for the ECGD's ability to play the key role that it has said it is committed to playing in multilateral negotiations at the OECD on export credits and bribery.

On March 2-3rd 2006, the members of the OECD's Working Group on Export Credits and Credit Guarantees (ECG) are due to meet for discussions with regard to the OECD ECG's proposed Draft Action Statement on Combating Bribery in Officially Supported Export Credits. The discussions at the OECD ECG have the potential to improve export credit agency practice multilaterally.

The ECGD has stated that it cannot take a formal position at the OECD discussions until it has a final response to the consultation. This means that the ECGD has not so far been able and cannot yet take an active part in discussions about improving the OECD ECG's Action Statement on bribery and export credits. We believe that this risks seriously damaging the UK's reputation and credibility with regard to fighting corruption at an international level. **We believe it is essential that the ECGD has reached and published its final response prior to the March 2-3rd meeting so that it is able to take a leadership role in pushing for improved multilateral practice on combating bribery in export credits.**

To date the OECD discussions have been extremely fraught, with consensus yet to be reached. We believe that it is essential that the ECGD play a robust leadership role at the OECD along with allies in pushing for a much enhanced Action Statement on bribery and export credits. In the past, the UK has earned considerable credit for the role it has played in pressing for firm action on corruption. A failure of the ECGD to take a position in the current discussions increases the danger that a weak consensus may be achieved and only minor adjustments made to the Action Statement.

The Commission for Africa noted that Export Credit Agencies have a key role to play in combating corruption. The Commission for Africa specifically stated that "if bribery is to be seriously confronted, members of the OECD should adopt and implement [the OECD's "Best Practices on Combating Bribery in Officially Supported Export Credits" paper]". This paper lays out various key ways in which Export Credit Agencies can improve their anti-bribery procedures and laid the basis for discussions for improving the OECD's Action Statement on bribery and export credits. The G8 countries at Gleneagles in 2005 specifically committed themselves to "strengthening anti-bribery requirements for those applying for export credits and credit guarantees". This commitment would appear to be unequivocal.

We believe that it is incumbent on the ECGD and on the UK government, which presided over the Gleneagles G8 summit, to seek to implement the commitment and to encourage its G8 partners to do likewise. It is our understanding that several other G8 countries are actively blocking any progress at the OECD level on an improved Action Statement on bribery and export credits. An outcome where only minor adjustments were made to the Action Statement would represent a significant failure on the part of G8 countries to meet their Gleneagles' commitments. The UK must play a strong leadership role in encouraging other G8 countries to agree to improvements in Export Credit Agency practice on combating bribery. It will be unable to do so however if it continues to remain silent at the OECD ECG discussions.

Identity of Agents

One of the outstanding issues to be decided in the ECGD's final response is whether to require companies to identify their agents on transactions which ECGD is to provide support for. We note that this has been an issue of considerable disagreement at the OECD discussions. We believe that if ECGD were to decide not to require companies to identify their agents even under the conditions laid out in the Interim response to the consultation, it would place them at odds with the OECD ECG's own proposal for an improved Action Statement on bribery and export credits and would send an extremely detrimental message to the OECD discussions. It will also place the

ECGD well behind other leading export credit agencies, such as the US and Holland, on this issue.

We hope that you will take these facts into account while considering how and particularly when to issue the final response to the ECGD's consultation. We look forward to your response.

Yours sincerely

Susan Hawley

cc. Cabinet Office
Treasury
DTI
DFID
EGAC
Trade and Industry Select Committee
OECD Working Group on Bribery