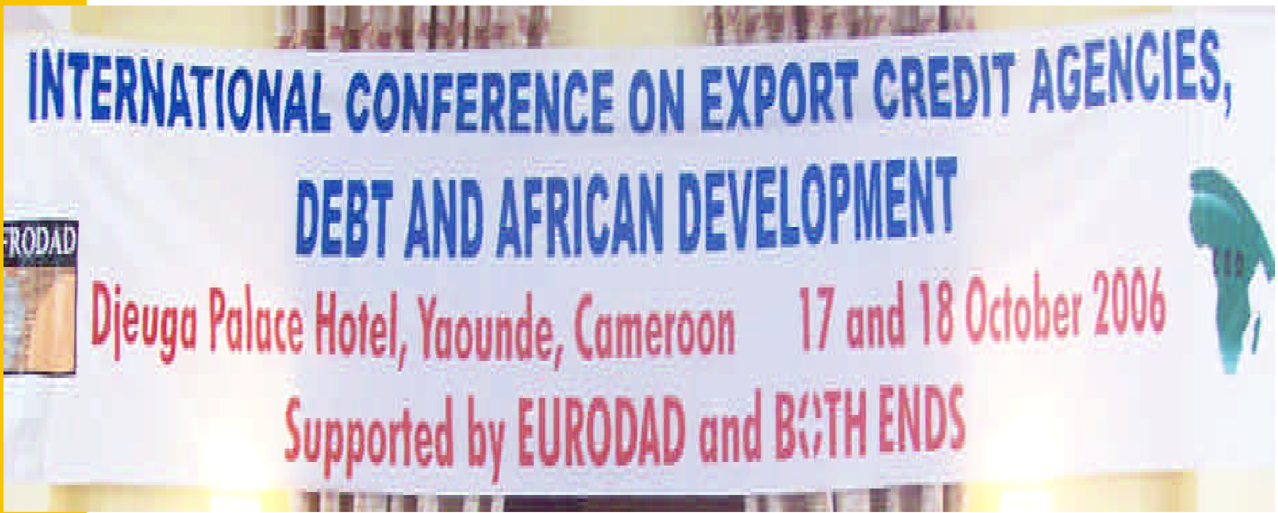
African Forum and Network
on Debt and Development



A REPORT

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About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

1 To enhance efficient and effective management and use of resources by African governments;

2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.

3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.

Report on International Workshop on Export Credit Agencies (ECAs)
Their Role in the Indebtedness and Environmental Degradation of Africa
17 - 18 October 2006
Yaounde, Cameroon

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List of Abbreviations

ABR	African Business Roundtable
ADB	Asian Development Bank
AfDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
AGOA	Africa Growth and Opportunity Act (US)
AIDS	Acquired Immune Deficiency Syndrome
AU	African Union
CED	Centre for Environment and Development (Cameroon)
CEDHA	Center for Human Rights and Development (Argentina)
CEMAC	Central African Economic and Monetary Cooperation
CERDES	Centre d'Etudes et de Recherche pour le Developpment Economique et Social (Mali)
COFACE	Compagnie Francaise d'Assurance pour le Commerce Exterieur
DMO	Debt Management Office (Nigeria)
ECA	Export Credit Agency
ECGD	Export Credit Guarantee Department (UK)
ECIC SA	Export Credit Insurance Corporation of South Africa
ECOWAS	Economic Community of West African States
EDB	European Development Bank
EDC	Export Development Corporation (Canada)
EIA	Environmental Impact Assessment
EKN	Swedish Export Credit Agency
EURODAD	European Network on Debt and Development
EXIM	Export-Import Bank (US)
FCFA	Franc of the CFA zone
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development (World Bank)
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
JEXIM	Japan Export-Import Bank
LDC	Least Developed Country
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
NEEDS	National Economic Empowerment and Development Strategy (Nigeria)
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organisation
NLNG	Nigeria Liquefied Natural Gas
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development (in Europe)
OECD-DAC	OECD Development Assistance Committee
OECD-ECG	OECD Export Credit Group
PRSP	Poverty Reduction Strategy Paper
SACE	Istibulo per i Servizi Assicurativi del Commercio Estero (Italy)
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
UN	United Nations
WTO	World Trade Organisation

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Executive Summary

An international workshop on Export Credit Agencies (ECAs) and their Role in the Indebtedness and Environmental Degradation of Africa was held at the Djeuga Palace Hotel, Yaoundé, Cameroon on 17 and 18 October 2006. The workshop was initiated and run by the African Forum and Network on Debt and Development (AFRODAD), a pan African organisation based in Harare, Zimbabwe. Local support and back up was provided by Cameroonian organisation, Center for the Environment and Development (CED) and the workshop was supported by international advocacy organisations, Both ENDS, ECA-Watch and EURODAD.

The workshop marked the conclusion of a six month process of research into the impact of ECAs on African countries led by AFRODAD, with research being carried out in Cameroon, Nigeria and Zambia.

Participants included the researchers, high level government officers working with debt and financing, civil society activists and academics from 11 African countries - Cameroon, Ethiopia, Gabon, Ghana, Lesotho, Mali, Nigeria, South Africa, Togo, Uganda and Zambia - as well as the United States, Argentina and Europe.

As noted in the Opening Session, the success of Africa depends on the ability of its people to debate and critically scrutinise development issues and AFRODAD has been deeply involved in seeking lasting alternatives to Africa's development problems, especially those related to indebtedness. The research and workshop process had broadened AFRODAD's work to encompass environment issues, bringing in new partner organisations and new countries.

The Concept of ECAs

Companies in the industrialised world wanting to export goods to 'risky' developing countries find that banks are unwilling to finance such ventures without some sort of guarantee. The ECAs provide this guarantee and makes them a lubricant to international commerce. They make no claim to development objectives but exist to aggressively promote the exports of their home countries into developing markets. Rather than accept the risk themselves, the ECAs generally pass it on to the developing country government where the project is to be implemented by demanding that they provide a counter guarantee, on the dubious assumption that their country and people need the project.

In this manner, ECAs are used as a mechanism to transfer the risk of doing private business in a developing country to the public financial realm of that country. If the projects fail, as has often happened, the developing country generally cannot meet the costs, which are then added to their debt owed to the home country of the ECA.

Given the lack of risk to the investor and the absence of any development requirement, ECA backed projects are frequently not only unproductive but also not economically viable. The operations of the ECAs themselves are secretive and they have been implicated in many cases bribery and corruption, thus contributing to and worsening corruption already acknowledged to exist in some of the countries in which they operate.

Research Findings on ECAs

The findings of the AFRODAD research in Cameroon, Nigeria and Zambia were presented. A review of the purposes for which the loans were contracted in Cameroon and Nigeria shows that by far the largest part of the borrowing went towards consumer goods and general services, to which items it is difficult to ascribe any developmental objective. In each of the countries, projects were identified that were problematic in their original conception, have dragged on over decades, have brought no discernible benefits to the country's citizens and have never been completed. These include the NITEL telecommunications project and the National ID Card project in Nigeria, the Mongu-Kalabo Road project in Zambia and the Chad-Cameroon Pipeline.

The research quantifies the cost of such projects in financial terms and also uncovers a number of non financial costs to the three countries, including foregone investment in necessary developmental sectors as governments in their quest for funding adopt the priorities of the ECAs. This is, of course, a contraction of the national policy space and a shift from a focus on production and manufacturing to the non productive services sector.

The Chad-Cameroon Pipeline Case Study

A case study was presented of the Chad-Cameroon Pipeline, a partially ECA-backed project to transport petrol from the oil fields of southern Chad to the Atlantic coast of Cameroon that is acknowledged to have had very negative social end environmental effects. Among the environmental effects (principally in Cameroon) have been felling of a broad swathe of indigenous forest and the unique and fragile ecosystem of which it forms a part, along the 1 070 km course of the pipeline, and destruction of a section of reef and marine habitat at Kribi where the pipeline reaches the Cameroon coast. The measures in place to respond to any future problem are not sufficient to prevent further massive environmental impacts.

Ironically, measures taken to mitigate the environmental impact of the project have taken the form of additional large ECA-supported projects which, in themselves, have had damaging social impacts. The creation of the Campo-Ma'an National Park, for example, has led to the expulsion of indigenous Pygmies from their forest homelands. Efforts to mitigate these impacts have been tokenist and are not envisaged as continuing for any length of time.

ECAs and the Private Sector

The point of view of African private enterprise was also presented. Business people perceive ECAs as a potentially valuable source of investment financing but a number of constraints were also identified. Export credit is deceptive in that it postpones the debt, which, in countries with an unstable exchange rate regime, risks being magnified dramatically. In addition, ECAs provide cover for investment rather than the actual investment funding that African business needs. Finally, export credits tend to be short term, encouraging the proliferation of trade, rather than development in industry and manufacturing that would have knock on impacts in terms of local employment and economic growth.

The Future

It was noted that the workshop raised awareness on a key issue of which there has previously been little discussion and very limited awareness and understanding in Africa. The three country study reports coming out of the AFRODAD research process will provide valuable data and analysis which can be utilised in campaigning around this issue by both southern and northern partners and it is to be hoped that the research and workshop can be replicated in a number of other African countries. Although the issue of ECAs had been pulled out for the purposes of the workshop, it exists within the broader debt context tackled by AFRODAD and its partners. Thus understanding and decision making on ECAs must be in line with African efforts generally to gain a clear understanding of the forces acting upon the continent and to ensure that well informed decisions are taken that are in the interests of African countries and their people. African civil society has a key role to play in this process, along with governments, the private sector and CSOs in the north. In order to consolidate the political and economic strength of African countries, and to provide a forum for further networking and advocacy, the formation of the 'Yaoundé Club' of African debtor nations was strongly recommended.

1.0 Opening Session

1.1 Welcoming Remarks

Opa Kapijimpanga, AFRODAD Board Chairperson

On behalf of the Board and secretariat of the African Forum and Network on Debt and Development (AFRODAD), Mr Kapijimpanga warmly welcomed all participants to the workshop.

He noted that AFRODAD has been deeply involved in seeking lasting alternatives to Africa's development problems, especially those related to indebtedness. Although, as a regional, pan African organisation AFRODAD has worked with Central African partners and commissioned research work in Cameroon, the meeting was the organisation's first official event in the region.

The speaker acknowledged the presence of colleagues from the African continent, namely, representatives of the African Union Commission, the Debt Management Office of Nigeria, the Deputy Minister for NEPAD in Senegal, the business community, other intergovernmental organisations and government ministries. He also thanked colleagues from Europe and the United States, who had agreed to share their knowledge, experience and passion on the issue of Export Credit Agencies (ECAs). He noted that AFRODAD was greatly indebted to the Center for Environment and Development (CED) in Cameroon, especially to Samuel Nnah Ndobe, for their tremendous efforts in putting the meeting together. Mr Kapijimpanga expressed deep appreciation to civil society activists in Cameroon and elsewhere who had agreed to chair various panels or to be speakers, as well as to the researchers from Cameroon, Nigeria and Zambia who had done the groundwork of providing a factual basis for the deliberations of the workshop.

He stated that export credits are an increasingly important source of public financial flows to underdeveloped countries. Thus the focus at the workshop was to secure a better understanding of the role of export credits in Africa's mounting external debt and environmental degradation, and to interrogate the extent of the African debt overhang and environmental degradation resulting from the use of export credits. It also sought was to establish whether and how ECA supported credits and investments could contribute to sustainable and equitable development in Africa.

He further stated that the emerging evidence would be used to initiate policy change, increase the capacity to map sustainable development strategies for Africa and put in place appropriate mechanisms to overcome the identified issues. The immediate benefits, therefore, would accrue to the African people, African governments, regional bodies, civil society and northern partners.

He concluded that the success of Africa depends on the ability of it's people to debate and critically scrutinise development issues. It cannot be assumed that things will move in a positive direction without regular review, analysis and critique. To this end, AFRODAD committed itself to continued mobilisation of support from stakeholders in all African countries on making ECAs more meaningful and effective to Africa's development agenda.

1.2 Continental Context

H.E. Mr Ibrahima Diouck, Deputy Minister for NEPAD, Senegal

Mr Diouck defined the New Partnership for Africa's Development (NEPAD) as both a philosophy, founded in the concept of African renaissance, and a strategy for the renewal and exploitation of Africa's economic potential. It is a philosophy and strategy conceived by Africans, for Africans with a vision of sustainable development for Africa in the 21st Century.

NEPAD was adopted as the socioeconomic development programme of the African Union (AU) at its Summit in July 2001, in Lusaka, Zambia. Those who conceived it see its success as resting on the implementation of a regional (pan African) approach, drawing on substantial participation by the African private sector, and the institution of good governance.

As the name indicates, NEPAD is concerned with 'partnership' and is not a request for aid. It is new in that, along with an attempt to reach out politically, it encompasses a break in the vicious cycle of aid and debt by insisting on the importance of investment by the private sector.

He submitted that in regard to ECAs, NEPAD envisages the promotion of a conducive environment for the entry of private capital, which would, in itself, create the circumstances for efficient utilisation of aid funding. A four track approach to the mobilisation of financial resources has been defined:

1 Building upon local savings;

2 The reinforcement of existing debt relief mechanisms;

3 An increase in public development assistance; and

4 Facilitation and encouragement of private capital flows.

He went on to point out that the issue of the environment features in the eight overriding priorities of NEPAD and forms the basis of an envisaged plan of action around:

- The improvement of environmental conditions in Africa with a view to the environment contributing to economic growth and poverty eradication; and
- African capacity building towards optimal application of international, regional and sub regional arrangements and effective responses to environmental challenges, within the framework of NEPAD's overall work.

Of the 200 projects outlined in the work plan, 79 primarily were concerned with environmental issues, such as:

- The fight against soil degradation and desertification;
- Conservation of humid zones;
- Prevention, control and management of pests;
- Conservation and sustainable management of marine, coastal and fresh water areas;
- The fight against the negative effects of climate change on Africa;
- Trans-frontier management of resources;
- Pollution and waste management;
- Cross cutting issues of health and environment;
- The transfer of clean technologies; and
- Prevention and management of natural disasters.

Mr Diouck recalled that the key issue at the Gleneagles Summit of the G8 was that of readiness to "act now… slow, stop and reverse the growth of greenhouse gases".

Mr Diouck concluded by commending AFRODAD Director, Charles Mutasa. and his colleagues on their tireless efforts to enable the African continent to profit from international trade and investment in a manner that will ensure sustainable development, in coherence with the international commitments of the developed nations against inequality and environmental degradation.

Official Opening

Albert Ndili, Inspector General in Charge of Economic Affairs, Ministry of Economy and Finance, Cameroon

Speaking on Behalf of the Minister of Economy and Finance in the Government of Cameroon, Mr Ndili warmly welcomed all participants to the workshop and expressed the wish that those from abroad would enjoy their visit to Cameroon. He also thanked AFRODAD for choosing Cameroon as the host country for the workshop.

He noted the importance of the workshop at a time when efforts are being made to reach sustainable levels of debt while increasing growth, in a global context in which debt relief has become a de facto source of funding for previously indebted countries as it is widely considered by the creditor countries as development assistance. Within this context, export credits are one of the sources of financial flows to underdeveloped countries and export credit induced debt is an important contributor to an overall debt situation that also includes other under recognised forms, such as private national debt.

Mr Ndili noted that the organisers had recognised the need to raise awareness and promote debate on the role of export credit agencies in Africa's development. Although they could play a role in promoting sustainable and equitable development, all too often, their imperatives have conflicted with the national priorities of the recipient countries. Thus, the workshop was to examine the extent to which Africa's debt overhang could be attributed to the activities of ECAs on the continent.

The speaker exhorted participants and other presenters alike to be frank and constructive in their discussions, noting that the research outcomes and conference deliberations were intended to influence policy at the national, sub regional and regional level in Africa as well as at the global level. Civil society groups were also expected to benefit from the outputs in terms of their lobbying and advocacy work on issues of corporate globalisation. Mr Ndili noted that the Government of Cameroon would spare no effort to support the reduction of the debt burden of developing countries.

Wishing the participants fruitful deliberations, Mr Ndili concluded by declaring the workshop officially open.

2.0 The Concept of Export Credit Agencies

Presentation 1

2.1 The History, Legal Frame and Role of ECAs in the Development of Poor Countries

Bruce Rich, Director, International Programme, Environmental Defence

Bruce Rich discussed the role of ECAs in the developing countries with a particular focus on their impact in Africa.

He pointed out that ECAs have made a major contribution to the accumulation of debt in sub Saharan African countries but this is not usually discussed. There is, instead, much discussion of the Heavily Indebted Poor Country (HIPC) initiative, which deals with the multilateral debt of the countries involved while, in many countries, the ECA related debt is far higher than the multilateral/HIPC debt. For example, in 2003:

- Cameroon's multilateral debt was US$ 1.736 billion, while its (official) ECA related debt was US$ 2.872 billion; and
- Nigeria's multilateral debt was US$ 2.984 billion, against an ECA related debt of US$ 14.756 billion.

He also noted that the multilateral debt has been incurred for developmental purposes but there is no such justification for the ECA related debt. He described the ECAs as 'totally non-hypocritical'. Their interest is entirely and openly in their own benefit and their mandate is to help their own companies to invest abroad. ECA investments are not screened for social benefits and, as a result, ECA investment is characterised by useless or damaging projects, including the supply of arms.

The basic idea of ECAs is that companies in the industrialised world wanting to export goods to 'risky' developing countries find that banks are unwilling to finance such ventures without some sort of guarantee. The ECAs provide this guarantee, becoming in the process a lubricant to international commerce. The ECA input may take the form of short-term credit insurance, to cover the risk of exporting consumable goods, or medium to long term guarantees. The latter might be either a direct loan or a guarantee to a private bank granting a loan and would be used for major infrastructural projects, such as dams or power plants.

A History of ECAs

Mr Rich traced the idea behind ECAs back to a treaty written in India in the 4th Century BC. The treaty outlines the management of an ideal state and ascribes to customs officials the responsibility for the safe transport of goods within their territory.

The first ECA in the modern world, the UK's Export Credit Guarantee Department (ECGD) was created around 1920, shortly after WWI. It was followed in 1934, in the context of the depression, by the Export Import Bank (EXIM) of the US. The Japan Export Import Bank (JEXIM), France's Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE) and the German ECA, Hermes Kreditversicherungs, emerged after WWII.

Role and Impact of ECAs

He said that in 2004, ECAs approved US$ 788 billion worth of loan guarantees. US$ 76 billion was in medium to long term guarantees on project finance in developing countries and economies in transition. By comparison, official development assistance (ODA), throughout the 1990s, stood at between US$ 55 billion and US$ 60 billion per year. This figure has now risen to US$ 80 billion but, in many cases, includes debt relief figures counted as development assistance.

According to the World Bank, from 1997 to 2002, there were no large commercial bank loans to any of the world's 70 poorest countries without an ECA guarantee, i.e. private banks will not lend to poor countries unless someone - their own taxpayers or those in the recipient country - is prepared to stand behind the loan.

The Paradox of ECAs

During the 1990s and since 2000, there has been a great deal of talk about 'free trade' and 'export led growth' although neither of these has been realised. At the same time that this rhetoric existed, Africa was exposed to huge agencies (ECAs) whose impact is to distort, rather than create, free markets.

The general thrust of the World Trade Organisation (WTO) is that subsidies are undesirable but the Marrakesh Agreement, establishing the WTO, makes an exception to this rule for ECA's in line with the conditions set for them within the Organisation for Economic Cooperation and Development (OECD). Developing countries entering the WTO, therefore, take on the burden of these exceptional conditions that are a huge disadvantage to them.

It was noted that ODA growth has remained stagnant since the late 1980s, while the 'neo mercantilist' ECAs have quadrupled their investment levels over the same period, particularly on the basis of the competitive nationalism that arose in the 1990s.

The critique of ECAs comes from two different angles:

1 Social critique, touching on their negative and uncontrolled impact on people and the environment; and

2 Neoliberal critique, because ECAs clearly do distort markets.

They tend to be characterised by a lack of transparency, under the guise of 'commercial confidentially', but actually more a matter of keeping a low profile. It is almost impossible to obtain information about their transactions, although it was noted that the Nigeria Debt Management Office (DMO) was able to provide such information from the recipient country perspective when it is not available in the home countries of the ECAs. The lack of transparency makes corruption an issue and this in turn, contributes to the tendency for ECA support to go into poor quality and inappropriate projects.

The Process

The two 'screening' questions that an ECA applies to a proposed project are:

1 Will the investment benefit a company of the home country; and

2 Will we be paid back?

If they are satisfied on these grounds, they determine the best way (from their own perspective) to guarantee the investment. Generally this is through the government of the recipient country. If the project is successful financially, then the private company takes the profit (profit is private) but, if the project fails financially, then the loss becomes the problem of the recipient government (loss is public). As the developing country government will not have the funds to repay, the amount of the loss represents an accumulation of further debt by them.

Because of this complete absence of risk to the investor, ECA backed projects tend to be those at the bottom of the barrel, i.e. those that the international financial institutions (IFIs) refuse to support on social grounds and banks refuse to back because of the financial risk. Therefore, if a project is backed only by ECAs, it is safe to assume that it is a bad project.

Some Examples

The type of projects that ECAs become involved in tend markedly towards:

- The extractive industries;
- Arms, which make up one third of the business of the French, British and Dutch ECAs; and
- Nuclear power, because this is so expensive and risky that it could not be generated without some sort of distortion in financing.

In Indonesia in the late 1990s, ECAs from Canada, Denmark, Finland, Germany, Japan and Sweden financed three giant pulp and paper mills on Sumatra to a value of US$ 4 million. Plantations to supply the plants were also supposed to be established but this did not take place. The output far exceeded demand, creating downward pressure on prices and forcing increased production in a bid to realise the expected profits. The other result was an unsustainable demand for timber which, in the end, was met through clear felling in one of the world's acknowledged biodiversity reserves.

Reform Efforts

Awareness of the behaviour and impact of ECAs was only roused among NGOs in the 1990s. A leading player is ECA-Watch.

The forum for any internally generated reform of ECAs is the OECD but, for many years, they refused to consider environmental or social issues within this setting. The US has inadvertently played a positive role because of former President, Clinton's belief in the insertion of environmental and social issues to the process of globalisation. The upshot has been a delineation of environmental standards, albeit weak and voluntary ones, in 2003 and some current attempts to strengthen these. Implementation of the standards, even in their weak form, has been poor.

Future Directions

Bruce Rich concluded his presentation by suggesting that the least that should be demanded is that ECAs do no harm. Thus, their involvement in developing countries must be in coherence with the ODA goals of their home country.

With respect to a potential positive role for ECAs, it was pointed out that the success rate of IFI supported projects has been generally poor and ECAs do not even pretend to offer the developmental advantages that these institutions claim.

The debt already accumulated through ECA investment must be cancelled. It is greater in volume than the multilateral debt and, therefore, represents a greater problem. It is also debt of the most illegitimate type, given its entire lack of developmental objectives. In any case, the indebted countries simply do not have the capacity to repay this debt.

The Norwegian government has begun to lead the way by forgiving US$ 80 million in debts generated in five developing countries as the Norwegian ECA sought to find an outlet for the overproduction of the nation's shipbuilding industry. The point made by the presenter with regard to this and any future cancellation of ECA related debt is that the amount cancelled should not be immediately reinterpreted as ODA.

Presentation 2

2.2 The Responsibility of ECAs for the External Debt of Countries in the South

Wiert Wiertsema, Senior Policy Advisor, Both ENDS

Wiert Weiertsema began by discussing the work of Both ENDS, a Netherlands based advocacy organisation. The organisation began with the realisation that the Netherlands' own ECAs did not apply any standards to their business, not even those that are the norm for the World Bank. This led to a campaign in collaboration with other groups, such as debt campaigners, Jubilee Netherlands, to challenge the ECA related debt left behind by the Dutch in many developing countries.

The speaker gave some examples of ECA supported projects in Africa:

- The Nigeria Liquefied Natural Gas (NLNG plus) project is the largest, with a total cost of US$ 12 billion, a substantial part of which was obtained through the US, Dutch, Canadian and British ECAs;
- The Lesotho Highlands Water Project, on which the operations of investors have been exposed through corruption charges and court rulings;
- The Chad-Cameroon Oil Pipeline and
- The Merowe Dam, currently under construction on the Nile in Northern Sudan.

The Netherlands' ECA, Atradius DSB, supports exports in the areas of medical equipment, shipping and harbour facilities, hotels and airplanes. It was noted that all of the support for export of medical equipment goes to just one Dutch company.

What ECAs Do

ECAs support the domestic business sector of their home countries by promoting exports and investments abroad. Their total volume of business support in 2004 was more than US$ 100 billion, of which nearly US$ 70 billion was medium to long term support, i.e. to projects with a completion time of more than one year. Africa makes up about 10 to 15 percent of the global market. ECAs undertake recovery of arrears and debt through their debt collection departments.

The types of official ECA support are export credits, guarantees for commercial loans and export credit insurance. Many of them are government agencies, e.g. ECGD of the UK and Istibulo per i Servizi Assicurativi del Commercio Estero (SACE) of Italy. But others, like Atradius DSB of the Netherlands and France's COFACE, are private. As such, the debts related to their involvement in a country fall outside of the scope of negotiations on debt relief or cancellation taking place within the Paris Club.

How the ECA Debt Comes About

The potential investor company first obtains insurance for a transaction in its home country, through that country's ECA

The company exports (goods, services, capital) to a developing country

The recipient developing country government is required to provide a counter guarantee for the loan (in the belief that whatever is being supplied is of benefit to their country)

In the case of failure of the project/investment, the ECA repays the private company for it's loss

The ECA then seeks reimbursement for its costs from the developing country government against its counter guarantee

If the developing country government is unable to pay (as is generally the case - if the funds for the project had been available, they would not have entered into the ECA arrangement in the first place) the amount owing is added to the official debt claim of the developed over the developing country

In this manner, ECAs are used as a mechanism to transfer the risk of doing business in a developing country to that country. The northern country taxpayers' money, which supports the ECA, is used as a form of leverage but is seldom at risk.

Regulation of ECAs

The operations of ECAs are largely unregulated at the global level. The purpose of the WTO Agreement on Subsidies and Counterveiling Measures is to proscribe government subsidies and support for domestic business but, as mentioned above, it provides a 'carve out' or exception for ECAs operating in the context of the OECD. Thus, such regulations as do exist have been transferred directly from their OECD source, into the WTO Agreement.

The OECD's official stance is that ECAs should break even, i.e. that their operational costs should be covered by premiums and recoveries. It also sets minimum premiums to be demanded from clients. However, given that the OECD itself uses no internationally recognised accounting or reporting system, adherence to its rules is very difficult to monitor.

The OECD also has regulations for risk control. According to its Statement of Principles, there should be no cover for 'unproductive' transactions in HIPC countries. However, 'unproductive' is not defined and would not necessarily rule out spending on defence, for example. Countries are classified in terms of risk on a scale of 1 to 7 (with 7 representing the highest risk) and risk ceilings are set according to this classification. The HIPC countries are perceived as the most risky, while emerging economies, such as Botswana and China, are ranked at 2, carrying a risk ceiling of € 2 000.

The level of risk ECAs will take has increased dramatically in recent years in response to internal pressure in industrialised countries to increase exports. The total value of export credits in 2001 was $US 35 billion; by 2006, this had reached US$ 105 billion. The example was given of the Netherlands, where there is a huge push to do business abroad. Usually this country's exports increase at a rate of 3 to 4 percent per year but in 2005, ECA support increased by 30 percent. What is available under the current ceilings seems not to be enough for Dutch exporters and some companies complain that the projects supported for the lucky few are so large that there is no ECA cover left for them to buy into.

Implications of ECAs for the Developing Countries

Wiert stressed that the developing countries have no say whatsoever in ECA policy and they have had to accept the OECD framework for ECAs in the context of WTO membership.

In addition, developing countries are forced to accept the write off of losses and the damages of ECAs as ODA expenses by the OECD countries. The ECAs are represented in delegations to the Paris Club, where decisions on debt cancellation are made. The Netherlands, for example, spends 0.8 percent of gross national product (GNP) annually on ODA but any cancellation of ECA related debt cuts into this and means less real development spending. The only country that has not relabelled ECA debt cancellation as ODA spending is Norway.

Non OECD ECAs Operating in Africa

There are ECAs operating in Africa that are domiciled outside of the OECD countries. These include the Export Credit Insurance Corporation of South Africa (ECIC SA), Sinosure of China and China Eximbank.

The OECD paints a negative picture of these ECAs but it can hardly be considered an impartial judge. It is necessary for the recipient countries themselves to monitor these new ECAs in terms of their social and environmental impacts, and their credit portfolios. Value would be added to this monitoring by information sharing and exchange between civil society organisations in Africa and Europe.

Action Conclusions

Mr Wiertsema concluded with a number of specific suggestions for future campaigning around the ECA issue:

1 **Transparency on Defaulted Projects**: The level of transparency has increased somewhat. The Dutch ECA, for example, now publishes a summary of all new projects but information on past projects, including the major failures of the 1980s, is still not available. In the course of the AFRODAD research on ECAs and African Debt, it had been found that the African debt management agencies do have information and are prepared to share it. A debt audit of all ECAs is needed. This would build onto the information available from the AFRODAD case studies

2 **Cancellation of ECA Debt and ODA**: Debt campaigners need to campaign for the exclusion of ECA debt cancellation from the definition of ODA under the OECD-DAC. At the same time, ECA campaigners need to challenge ECAs and the OECD Export Credit Group (ECG) to introduce a transparent debt accounting and reporting system. Within Africa, there would be a strategic advantage in setting up the 'Yaoundé Club' of indebted nations to face the Paris Club as a unified bloc.

3 **Prevention of New ECA Debt:** Developing countries should not contract further ECA related debts for unproductive expenditure. In particular, it was suggested that there should be no ECA support for military expenditures. The debt collection departments of ECAs themselves should regularly publish debt prevention studies and recommend debt prevention strategies. Accountability mechanisms for ECAs, as exist for the IFIs, are necessary. These should be charged, among other things, with investigating complaints concerning illegitimate debt. Finally, there is a need for annual reporting of how ECAs balance the public interests of development with the private interests of their corporate clients.

4 **The Role Of Non-OECD ECAs:** Now is the time to examine the operations of this new group of ECAs, to make a comparative analysis with those of the OECD group, to raise awareness and to forestall potential problems.

2.3 Plenary Discussion of the Presentations

In response to a question about how a very small and poor country like Lesotho could resist ECAs, Bruce Rich commented that the ECAs are part of an international economic and financial system based on power. This adds urgency to the proposal for unity among the debtor nations, say through a 'club' structure, to increase their power base. A key function of such a structure would be to examine and highlight the illegitimacy of ECA related debt.

The ECAs never stand to lose out. As a last resort, they can draw on the taxpayers of their own countries but this is barely ever done. The preferred approach is to extract funds from the governments of the recipient developing countries. For example, after the Suharto government collapsed in Indonesia, the new government tried to renegotiate the ECA related debt accumulated in the previous era. The response of the ECAs was that, if they did not repay this 'sovereign debt' they would not be eligible for any new loans. Another case given was that of the Netherlands in relation to the debts of Nigeria and Russia. The profits of the ECA go to the Netherlands government. Nigeria had 60 percent of its ECA related debt to the Netherlands cancelled on the basis of paying € 575 million, 60 percent of which went to the government. Russia sought a new deal, had none of its ECA debt cancelled and instead ended up in a 'fast track' repayment regime. Thus, in 2005, the Netherlands government received US$ 1 billion in debt repayment income from Nigeria and Russia, while its total ODA spending for the year was US$ 600 million. The result of all this is that, for the 2006/07 fiscal year, the Netherlands has no budget deficit.

Technically speaking, ECAs are accountable to the governments and parliaments of their own countries but they are not effective because of their lack of transparency. In the UK for example, officers of the Environment Department and the Foreign Office have trouble obtaining any information from these agencies and this is the case in most countries. In fact the links between ECAs from different countries are often stronger than those between an individual ECA and the other agencies of its own government.

'Safeguard' policies developed by the World Bank and applied by the International Financial Corporation (IFC) have become a semi official minimum benchmark for investment but the ECAs do not meet this mark. The OECD 'Common Approaches' is considerably weaker than the World Bank standards.

Presentation 3

2.4 Export Credit Agencies and the African Continent

Key Findings on the Impact of Export Credits in Cameroon, Nigeria and Zambia

Chukwuma Agu, Research Coordinator, AIAE

Chukwuma Agu was the lead researcher for a six month research project on the Impacts of ECAs on African Indebtedness and Environmental Degradation in Cameroon and Nigeria. He presented a summary of his research findings, also incorporating findings from a similar research project carried out in Zambia over the same period (April to September 2006).

He began by posing a key research question for those in the recipient developing countries is: 'Do ECAs really promote growth?' This raises issues of trade vs. growth and development, and trade vs. debt.

He pointed out that there are four sources of finance available to developing countries:

1. Trade finance, which represents earnings for locally produced goods and services and yields independence;
2. Direct investment, which expresses appreciation of a country's potential by others;
3. Loans, which to be of an effective size need global collaboration and can be distorting; and
4. Official development assistance, which is granted at the discretion of the donor and which fell from US$ 56.4 billion to US$ 40.8 billion between 1990 and 1996.

The ECAs are straightforward in their objectives. Some of them were cited as follows:

- **United Kingdom ECGD** "...to benefit the UK economy by helping exporters of UK goods and services win business and UK firms to invest overseas, by providing guarantees, insurance and reinsurance against loss, taking into account the Government's international policies."
- **EDC Canada** "...to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities."
- **EKN Sweden** "...to promote Swedish exports by issuing guarantees...offer (the) Swedish export companies support which corresponds to the support available for their competitors in other countries".

The Economies under Review

Cameroon, Nigeria and Zambia are all small, open economies. Nigeria's per capita GDP is US$ 350 billion and amounts to US$ 45 billion less than the assets of Microsoft Corporation. The country is ten times the size of Belgium but its economy is one tenth the size of Belgium's economy. Its average output per capita growth was zero throughout the 1990s. Cameroon has a GDP of US$ 34.1 billion, i.e. US$ 776 per capita. This is based on production of cotton, cocoa, coffee and oil. Zambia is an agro and minerals based economy in which government is also a major sector. For Cameroon and Nigeria, the three leading sectors are the government, oil and gas, and the rest of the economy.

All three have suffered erratic economic performance, particularly affected by international price shifts in the commodities at the core of their economies. They are least developed countries (LDCs) and HIPCs, and have among the highest poverty levels in the world. Their debt levels are unsustainable, with a high proportion of their debt coming from ECAs. Each of the three countries has been pushed into structural adjustment on account of their debt.

Nigeria (and perhaps Cameroon) faces the 'dilemma of being oil rich'. Oil is not the most important sector in the economy but it is the most visible. It is also the sector that absorbs the most in terms of foreign loans and foreign investment.

Loans, Debt and ECAs

Graphs of the countries' revenue and expenditure show expenditure soaring over revenue from the mid 1980s to the mid 1990s. This is also the period in which both domestic and foreign borrowing increases markedly, a situation the presenter described as akin to lending to a person who is already clearly bankrupt and unable to either manage or repay a debt. The level of disbursement of ECA loans can be matched to this pattern. They reached a peak of around US$ 440 billion in 1988/89, twice the previous year's level and more than ten times the level of 1980/81.

The Sources of the Debt

The portions of the debt held by the various types of creditors in the three countries are indicated in Table 1, below.

Table 1 Creditors to Cameroon, Nigeria and Zambia

Cameroon	Nigeria	Zambia
Paris Club – 64% Multilateral – 29% Commercial – 6% Other Bilateral – 1%	ECA – 40% Bilateral – 21% World Bank – 22% Other Multilateral – 10% IMF – 7%	World Bank/IDA – 37% Bilateral – 33% IMF – 14% Other Multilateral – 10% Short Term – 3% Private – 3%

Of note is the fact that the share of the debt due to Paris Club members, which are the homes of the ECAs, is high in all three countries. In addition, while debt owed to other creditors has fallen, that owed to the Paris Club members continues to rise.

The IMF holds only a small percentage of the debt in any of the countries, raising the question of why this agency is perceived as very powerful. One reason is that, if ECAs are to consider and negotiate debt cancellation, they would do this on the basis of the indebtedness certification of any particular country supplied by the IMF.

Historical ties are important. In Cameroon, for example, the highest debt is owed to France, the leading colonial power, while Germany, which also had colonial interests comes in second. The greatest portion of Nigeria's debt is owed to its former colonial power, Britain.

Multiplication of the Debt

Table 2, below, provides a comparison of the amounts originally borrowed by Nigeria from various creditor countries with the amount owing as of December 2004, without any further borrowing. For Germany, France and Denmark, the amount owing by 2004 was more than twice the amount originally borrowed, noting that the first two of these are also the largest creditors to Nigeria. Only in the cases of Belgium and Russia had the amount owed dropped at all since the original contraction of the debt.

Table 2 Nigeria's Initial Debts and Current Value

Country	Original Amount	Share in P/C Original	Debt Value at Dec 2004	Share in Total Debt Value	2004 Debt Value as Ratio of Original
UK	4 707.17	28.03	8 000.32	25.93	169.96
Japan	3 927.24	23.39	4 447.97	14.42	113.26
Germany	2 226.59	13.26	5 288.66	17.14	237.52
France	2 132.81	12.70	6 249.61	20.26	293.02
Italy	1 026.86	6.11	1 975.94	6.41	192.43
Belgium	694.52	4.14	608.19	1.97	87.57
USA	641.79	3.82	984.49	3.19	153.40
Netherlands	438.45	2.61	1 707.98	5.54	389.55
Austria	342.83	2.04	521.38	1.69	152.08
Denmark	246.80	1.47	571.75	1.85	231.67
Spain	185.29	1.10	249.54	0.81	134.68
Switzerland	151.55	0.90	201.01	0.65	132.64
Russia	67.50	0.40	36.97	0.12	54.77
Finland	3.98	0.02	3.99	0.01	100.25
Total	**16 793.38**	**100.00**	**3 0847.8**	**100.00**	**183.69**

Where does the Money Go?

Table 3, below, shows the value and percentage of debt allocated to different sectors in Cameroon and Nigeria.

Table 3 Sectors accounting for Debt in Cameroon and Nigeria (US$ million)

Sector	Cameroon		Nigeria	
	Total Original Borrowing	% of Original Total	Total Original Borrowing	% of Original Total
Consumer Goods			4 580.47	27.28
General Services	1 011.45	56.82	3 215.50	19.15
Oil/Gas/Energy	127.43	7.60	2 265.63	13.49
Heavy Manufacture			1 464.63	8.72
Water and Dams	185.85	10.44	1 331.55	7.93
Light Manufacture	7.79	0.44	946.41	5.64
Agriculture	52.67	2.96	460.87	2.74
Agric Processing			734.03	4.37
Physical Infrastructure	226.57	12.73	673.91	4.01
Social Infrastructure	111.97	6.29	444.91	2.65
Defence	23.37	1.31		
Textiles			75.16	0.45
Unclassified	33.14	1.86	596.61	3.55
TOTAL	**1 780.24**	**100.00**	**16 789.70**	**100.00**

The table indicates that by far the largest part of the borrowing went towards consumer goods and general services (56.2 percent in the case of Cameroon and a combined total of 46.43 percent in the case of Nigeria), to which items it is difficult to ascribe any developmental objective. Indeed, one Cameroonian journalist has noted,

…Does anyone know the true bill of wine imports including champagne into Cameroon per year? In the late eighties, Cameroonians imported more champagne than England - according to records… (Nsom, 2005)

In each of the countries reviewed it is possible to identify projects that were problematic in their original conception, have dragged on over decades, have brought no discernible benefits to the country's citizens and have never been completed:

- NIGERIA Both the telecoms company, NITEL and the Nigeria Hilton have now been privatised. After over three decades of operations, NITEL had managed to get telephone access to less than 500 000 Nigerians, in a country of over 120 million people, making the country one of the least developed countries in telecommunications up until 2001 when cellular phones came into common use. The national ID Card project, for which loans were originally taken in 1983, finally got off the ground in 2003. Production at Ajaokuta, the largest steel investment in the country, has never been able to kick off. The nature of Nigeria's heavy industry has particular environmental implications. The oil industry, for instance, has been responsible for spillages, gas flaring (a generally outdated practice in fossil mineral exploitation, still used in Nigeria) and water pollution.
- CAMEROON Yaoundé-Nsimalen Airport is in use but has never been completed. The Cameroon government has sunk over US$ 330 million in borrowed funds and far more in domestically generated resources and debt servicing into this project.
- ZAMBIA The Mongu-Kalabo Road in the west of the country has been under construction for three decades. It is not completed and the work done so far is of poor quality. In addition, it has had negative cultural and environmental impacts. The original debt to the Government of Kuwait was sold to the ECA, Camdex, which then took the Zambian government to court in the UK to recover its costs. Camdex won the case and the Zambian government was required to pay the debt. In court, Zambia did not argue that the debt was illegitimate or odious and it could hardly do so now as it has since taken a further loan from Kuwait and contracted Kuwaiti firms for consultancy and the ongoing construction of the road.

The Non-Financial Costs

The financial costs are obvious but there are many other ways in which the citizens of the three countries pay for these debts, including a brain drain in health and education. Nigeria has one nurse to 15 000 people and its annual health expenditure is a mere four times the annual budget of the Harvard School of Dental Medicine (with an enrolment of 138 students), while Cameroon froze the engagement of teachers at a time of rising student populations and spent just 1.2 percent of its annual budget on health throughout the 1990s and up to 2002.

Nigeria has experienced a rising median age of employment in agriculture, threatening the productivity of this key but under recognised sector. Life expectancy in Cameroon is 45.8 years, against a developing country average of 65 years, and its human development index (HDI) ranking is 0.497, against a developing country average of 0.694. These phenomena are clearly linked to the size of the debt and the servicing requirements. Nigeria and Cameroon's spending on debt service, and on social sectors are compared in the table below.

Table 4 Cameroon and Nigeria Social Sector and Debt Service Spending, 2003

	Health	Education	Debt Service
Cameroon	13 %	35 %	52 %
Nigeria	12 %	21 %	67 %

Other non financial costs include:

- Forgone investment in credible sectors;
- Counterpart funding by governments in sectors which they have not prioritised;
- The contraction of policy space as the debt situation has left governments unable to resist the prescriptions of SAPs, HIPC etc;
- A lost generation of students;
- Conversion of productive economies to a focus on services;
- Imposed loans and poor economic impact of projects; and
- Involvement of multinationals in the oppression of local people.

Issues of Corruption

Mr Chukwuma quoted Hawley (2003) on this issue:

Between 1994 and 2001, the US government received reports of 400 international contracts worth US$ 200 billion signed between governments and businesses worldwide that purportedly involved bribery. Between May 2001 and April 2002 alone, the US government learned of 60 contracts worth a total of US$ 35 billion that had been affected by bribery. In their operations abroad, many of these companies are supported in various ways by Export Credit Agencies (ECAs) …[and] over 10% of global exports are with ECA support.

Obviously, where there is corruption in African countries, this is strongly encouraged by outside forces and it was suggested that, on one level, corruption may be a response to the arbitrary changes and freezes in the public service that have made it difficult for many countries to be effectively run in a non-corrupt manner.

ECA Debts and the Environment

Each of the three countries studied offers an example of ECA funding having profoundly negative environmental impacts. The role of multinational oil companies in the social and environmental destruction of the Niger Delta is well known. There has been massive and often high profile civil society action around this by the Ogoni people who inhabit the area as well as international support groups. The Chad-Cameroon pipeline is another widely discussed case. Some mitigatory efforts have been built into the project design but the scale of these efforts in no way reflects the level of destruction caused to the environment or the people who depend on this environment for their livelihoods. The impacts of both the faulty design and non-accomplishment of the Mongu-Kalabo road project are discussed in detail in the Zambian research paper. Civil society awareness has resulted in the formation of a coalition against the project. The ever present challenge is to have the notion of an environmental impact assessment (EIA) for every project accepted and then to ensure that the EIAs are actually carried out.

Looking Ahead

Decades of experience with ECA projects has shown that they are extremely high cost, both in direct terms and in terms of foregone benefits. The problem of local savings is principally one of harnessing the resources that tend to be consolidated in the banking sector. The findings on Zambia's case in the UK courts and the general level of international silence over the Ken Saro-Wiwa case and the fate of the Ogoni people suggest that the international justice system is not yet ready to come to the rescue of countries weighed down by illegitimate ECA related debt.

He went on to point out that ECAs become less singularly nationalist, they will build a stronger bloc but they will also need to coalesce around some sort of shared values. Thus the time is right for the recipient countries to ensure that they have an input to the formation of these values. They can do so most effectively on the basis of clear and extensive information about the operations of ECAs and their impacts. In this regard, the information sharing and exchange of views in the current workshop represents a major opportunity.

2.5 Plenary Discussion of the Presentation

The presenter and research teams were congratulated on their work. It was felt that the research studies on which the presentation had been based opened up the subject of ECAs and provided the type of information and data that could lead to better decision making in future. It was therefore recommended that there is need to disseminate the research findings widely.

Participants also felt that work on ECAs must be linked to the overall debt discourse so that decision making about ECAs is informed by broader objectives in debt cancellation and the avoidance of new debt accumulation. ECA related debt needs to be recognised and tied into other action areas, such as debt swaps and redirection of debt.

It was also agreed that the research and workshop mark the beginning of a process of analysis of how ECAs are influencing development in Africa. For example, in both Nigeria and Cameroon, there have been major inflows to the oil industry but not in ways that promote growth, i.e. they are purely extractive with no processing component. Many of the 'ongoing' ECA supported projects in these two countries have, in fact, been abandoned. It was acknowledged that most investment projects have a defined lifespan but these are projects that simply never come alive, in many cases because they were not viable in the first place.

3.0 The Environment and Export Credit Agencies

Presentation 4

3.1 The Environment and the Global Campaign Against ECAs

Bob Thompson, Facilitator, ECA-Watch

Bob Thompson, who is responsible for the website of ECA-Watch, gave a brief introduction of his organisation, which began in the 1990s in response to an increasing awareness of the presence of ECAs and their impacts in developing countries. He noted that, as a person working on the environment, he encountered active resistance when he tried to make contact with the OECD, finding that they operate like bankers, secretively and with an emphasis on client confidentiality.

He pointed out that there is US$ 104 billion a year in ECA funding. The bulk of it goes to developing countries and the majority of the projects supported have major environmental and social impacts. As many of the multilateral agencies began to adopt environmental standards in 1990s, the OECD, of which most of the countries having ECAs are members, also drafted the 'Common Approaches', which was meant to set some minimal standards for ECA investment. However, the Common Approaches was not adopted by consensus because the US felt it was not strong enough.

Some further developments have been made to the Common Approaches since they were initially drafted in late 2001. In 2005, a protocol was added on international financing of renewable energy. The problem with this was that, despite their known damaging environmental and social impacts, large dams had been included in the 'renewable energy' category. The protocol has since been amended to state that large dams must meet the more stringent standards set by the World Bank and the World Commission on Dams. The Common Approaches are currently being reviewed again but it was noted that there are some OECD countries that would like to see them weakened. Italy, for example, would like to remove the definition of 'Category A' projects.

There has been some stakeholder involvement in this process, driven by proactivity on the part of those outside the OECD. ECA-Watch, for example presented a series of suggestions but there was barely any response from the OECD. The organisation has also asked the OECD to come up with a draft document 40 days in advance of any decision being taken on the updated Common Approaches so that ECA-Watch and other stakeholders may comment on it. No draft, however, has been forthcoming.

It was noted that, until a few years ago, the OECD and ECAs had no environmental review mechanism at all. He stated that the environmental staff within the OECD are fairly committed but are not ultimately the ones who make the decisions. In addition, their approach is usually a technical one and they do not have a deeper understanding of issues such as what the construction of a large dam does to a community.

The Common Approaches deal with:

- The promotion of policy coherence;
- Common procedures;
- Good environmental practice;
- Achieving efficiency;
- Levelling the playing field; and
- Transparency and predictability.

He pointed out that what is left out of this is a requirement or mechanism for monitoring. He also stressed that what is needed is for those affected by a project to be aware of the conditions under which it is approved so that they can monitor whether these conditions are being met.

Projects are defined by type as Category A, with the most potentially damaging impact and therefore requiring the most stringent assessment, through to Category C, for which no environmental mitigation measures are needed. There is pressure from the ECAs' underwriters for projects not to be ranked as category A or B because of the extra EIA requirements implicit in this and the additional costs this involves.

He also pointed out that Projects should be benchmarked against the national standards of the host country as well as one or more international standard, for example, the World Bank's Operating Principle 4 on EIAs. However, if a project has not applied these standards, there is provision for reporting to the OECD why they were not used. The OECD is then supposed to publish this information in its annual report but it does not do so.

Thus the process becomes one of the OECD and its agencies reporting to itself but not to the project. The OECD ECAs, under the Aarhus Convention on access to information, right to participate in decision making and access to justice, including for people outside of the Parties' jurisdiction, are required to publish environmental information 30 days in advance but this does not allow enough time for consultation with communities.

In conclusion, the speaker suggested three possible approaches to ECAs for consideration:

1 Ensuring, through information dissemination and advocacy, that they at least do no further harm;

2 Redirecting the tax dollars currently being swallowed by ECA related debt; and/or, at most

3 Abolishing ECAs.

Presentation 5

3.2 Africa's Environmental Degradation and ECAs

Samuel Nnah Ndobe, Agro-Socioeconomist, CED

Samuel Nnah Ndobe began with some background information on ECAs, in which he stressed that ECAs contribute US$ 50 to 70 billion per year to 'mid and long term transactions', mostly large infrastructural and industrial projects. Most ECAs support projects that even the World Bank and other multilateral agencies would consider dangerous to support. Hence ECAs become the "dirtiest and dangerous drivers" of globalisation.

ECAs and the Degradation of the Environment

ECAs often provide the loans with the least environmental safeguards and, as such, they support projects that end up destabilising the environment and the lives of local communities. Some of the typical ECA supported projects with high environmental impacts are:

- Electric centrals that emit greenhouse gases;
- Large dams, such as the Lampanga Dam in Cameroon;
- Mining projects;
- Road construction projects;
- Forest exploitation;
- Agro complexes, with monoculture plantations; and
- Petroleum pipeline projects, such as the Chad-Cameroon Pipeline.

The Switch towards Environmental Safeguard Policies

Following a recommendation called the 'Common Approaches', negotiated in Paris in 2003, within the OECD-ECG, most ECAs have adopted environmental policies based on the safeguards of the World Bank group and other development banks (like the EDB, AfDB, ADB and the Inter American Development Bank). But the big question is: how effective are these safeguards when the environmental policies of the regional banks and those of the World Bank have received serious criticism from environment groups? Samuel went on to cite the Chad-Cameroon pipeline project as a typical example of an ECA project.

3.2 A Case Study of the Chad Cameroon Pipeline Project

The purpose of the project is to transport oil from oil wells in southern Chad, through 1 070 km across rich biodiversity and fragile ecosystems, to the Atlantic ocean in Cameroon.

This is a US$ 4.2 billion project, and represents the largest investment in sub Saharan Africa, with contributions from the World Bank group - IBRD loans to Chad and Cameroon, totalling US$ 92.9 million, an IFC loan of US$ 200 million and a loan from the European Investment Bank (EIB) of US$ 41.5 million - and ECAs - US$ 200 million from the US EXIM Bank US$ 200 million from COFACE of France and US$ 500 million from the African Ex-Im Bank. In addition, more than half of the total cost of the project was met by the oil consortium or equity partners - ExxonMobile, Chevron and Patronas - who covered the full cost of oil field development and one third of the export facilities. The remaining financing was provided by commercial arranging banks - ABN-Amro and Credit Agricole Indosuez.

The Environmental Impacts of the Pipeline

To lay the pipe, a space of 15 to 30 metres had to be opened up for its whole distance. This has meant destruction of biodiversity around the forested ecosystems of southern Cameroon. There has been further destruction of fishing reefs on the coasts of Kribi to allow for the pipe to pass through. The stagnant water ponds created around villages leading to health hazards, increased malaria. In addition, the large roads that had to be built to facilitate laying of the pipeline have facilitated the entry of poachers and illegal loggers into Cameroon's forests.

Other potential environmental risks include:

- Explosion followed by an oil spill;
- Uncontrolled flow and oil spilling in with an impact on the groundwater table;
- Leaks causing accidental spillage into rivers, given that at least a 50 to 100 km section has to be laid in wetlands and the river banks are mostly unconsolidated.

Social Impacts

Local communities were not involved in decision making on the pipeline and neither have they been informed of the risks or what to do if anything goes wrong. The creation of the Campo-Ma'an National Park, supposedly as a mitigatory measure, has led to the expulsion of indigenous Pygmies from their forest homelands, while disruption of the marine environment around Kribi has led to acute impoverishment of local fishing communities in the area.

3.3 Plenary Discussion of the Presentations

The case of the Chad-Cameroon pipeline was seen to be in line with the kind of cases presented from other parts of the world. Participants noted that the same case was discussed in the Fair and Transparent Arbitration Project, initiated by AFRODAD, seeking to bring such cases to international arbitration to make the investors pay for the damage caused. The proposed approach is to channel cases initially through the African Union (AU) and eventually to the UN. A further impact of getting such cases to the UN might be to bring about a re-examination and, hopefully, strengthening of the benchmarks currently in place as these are inadequate anyway.

Participants observed out that there is generally a dearth of policy and very weak policy positions at national and sub regional levels. A major constraint has been that those who ought to be making the correct decisions to protect their nations and regions lack the necessary information to do so. In this context, a key role for civil society is to determine what might be a pragmatic position for regional economic communities to adopt and to put this forward. As such ECAs provide such a starting point for the required policy changes.

Participants noted that in the case of the Chad-Cameroon pipeline, it would have been extremely difficult for the Cameroon government to make a decision against the project, given that petrol is the country's number one earner and the project is set to generate royalties for a period of 25 years. Importance was, however, attached to the fact that when the government takes such loans, some of the funding is supposed to be directed towards capacity building. The capacity building project linked to the Pipeline is to continue for only one more year after the completion of the pipeline itself.

It was pointed out that EIAs were conducted in advance of the Chad-Cameroon Pipeline project as has been for other projects. The problem with most ECA projects is that they fall into abeyance once implementation begins. In the case of the Pipeline, this has meant that the affected populations are simply left in limbo.

Participants concurred that although the development of national level capacity is part of a long-term process that is already underway. It would be highly strategic to back this up with an additional mechanism, such as the arbitration approach suggested. In addition, some participants felt that since the OECD itself has contact points to which complaints about a project can be made. Cameroon should use such channels. It was noted that most current complaints refer to ECA backed projects.

Another specific strategy suggested was a letter to the OECD-ECG, which, in a neutral tone, raises contentious questions and opens up the issue. This could be backed with a well-informed article in the Financial Times on the issue of ECAs. The time for such a move was ripe as Chevron/Texaco has recently been sued for US$ 4 to 5 billion worth of damages in a US court for its dumping of forest waste in open forest areas of Equador in the 1960s. The case was brought under the Alien Claims Torts Act, which provides that any company that has some interests in the US (though not necessarily being domiciled there) can be sued in a US court. This has created great fear among multinationals as practically all of them do have some US interests.

The participants also felt that case studies presented had opened up access to information that would not normally be available in Europe. This assists northern partners in their efforts to support the campaign against ECAs, as well as the broader debt campaign, in the south. It was also agreed that Northern organisations have an important role to play in making environmental information available to African countries, leaders and civil society groups so that they are better able to assess the environmental, alongside the economic, impact of proposed projects.

The workshop agreed that it is crucial that a contractor carrying out work within their own country is guided by a certain set of national standards and the same sort of work carried out across borders should be completely regulated. The 'Equator Principles' are one model for performance standards that could be looked into. Under these, private banks commit themselves to higher standards than the ECAs are currently doing (although no claims were made for their implementation). The company carrying out the project has the primary responsibility for their output but the existence of independent performance standards assists in demanding more of them.

4.0 Sharing Perspectives on Export Credit Agencies

A panel debate, moderated by Mr Kapijimpanga (AFRODAD), was conducted between representatives of:

- The Center for Human Rights and Environment (CEDHA), of Argentina;
- The World Bank;
- NEPAD;
- The IMF;
- The Abia State Government, of Nigeria; and
- The Cameroon Sinking Fund.

Each panellist was given seven minutes to make their case concerning ECAs. The submissions were done as follows:

4.1 CEDHA, David Barnden

CEDHA is an advocacy organisation that has focussed extensively on ECAs, particularly a large pulp and paper mill investment in Uruguay.

David Barnden made the following points arising from CEDHA's experience on ECAs:

- Under the Aarhus Convention, anyone has a right to information from the ECAs: and CEDHA could assist with such requests;
- As state organs, ECAs ultimately take their orders from their home state and are subject to the laws of that state in relation to both financial transactions and human rights;
- CEDHA has prepared a paper on the human rights obligations of ECAs that contains an analysis of how human rights law relates to them;
- Specific instruments under which demands could be made of ECAs are those outlining the right to health, a healthy environment, and the rights of the child;
- The OECD is expected to come up with a position and guidelines for the operations of ECAs by March 2007 but is still in a state of flux and unsure what these guidelines should be; and
- Once ECA is already a signatory to the Equator Principles and, therefore, any complaint against that particular ECA could be taken through the Compliance Ombudsperson.

In response to points raised during the plenary discussion, Mr Barnden noted the importance of understanding that ECAs exist to make profits but Africans must ensure that a good portion of such profit remains within their own countries.

4.2 World Bank, Serge Menang

Serge began by pointing out that Africa, environmental standards have been unknown and scarcely implemented but people are beginning to realise that they are a key determinant of survival. A failure to deal with environmental issues constrains development and Africans need to make a choice to pursue and achieve development without damaging the environment. This is a matter of balancing the requirements or demands of outsiders against those of Africa's own people.

He went on to say an important question to ask is, 'development for whom?' Development has not been achieved if communities do not benefit. It is necessary for everyone working for development to embrace environmental principles so that whatever is achieved is real for all stakeholders.

In terms of World Bank policy, the fight against poverty is a matter of survival and it includes environmental targets because, if a situation is created in which communities cannot survive, poverty has not been reduced.

It is necessary to ensure that all countries, both those investing in the developing world and the recipient developing countries, implement environmental safeguard policies.

In response to comments made in the plenary discussion, Mr Menang commented that the notion that environmental issues are a diversion from development issues is a dangerous one. The two issues are complementary and must be dealt with in tandem.

4.3 NEPAD, H.E Mr Ibrahima Diouck,

Deputy Minister of NEPAD, African Economic Integration and Good Governance Policies, Senegal

Mr Diouck noted that Faced with the very negative impacts of ECA actions, NGOs have, since 1997 demanded major reforms in the behaviour of ECAs. As a result,

- Were banned from participating in the Three Gorges Dam project in China;
- In Australia, rules for environmental protection were adopted in June 2000; and
- In Canada, Japan and the UK, a revision of ECA operating procedures is ongoing.

At the international level, the G7 conducted a summit in Denver, USA in 1997 to consider financial flows from the industrialised countries and their contribution to environmentally sustainable practice.

In 2002, several international NGOs launched a new campaign to demand IFIs to no longer allow ECAs to finance fossil energy projects (coal, petroleum and gas) or the mining industry because of the disastrous consequences these have had for the countries of the South.

Trade and international investment are not intrinsically bad but they must be implemented in a manner that permits sustainable development in coherence with international commitments to fight inequality and environmental destruction.

Among other NGos, Friends of the Earth demanded:

- Transparency and publication of the projects financed;
- Genuine control of the impact of aid on exports, including the publication of an annual report;
- Studies of the social and environmental impact of projects with reference to the laws of the country of origin and in consultation with the local population;
- Respect for norms and international conventions on the environment, human rights and labour;
- Establishment of mechanisms through which affected people may gain recourse and reparations; and
- A ban on export assistance to the arms trade, fossil energy and mining.

Likewise in Africa, NEPAD, under its Good Governance programme, has special provision for a peer review mechanism for checking ECAs. The speaker stressed that the NEPAD AU-G8 forum is a major platform for the presentation of issues and for finding common solutions to the common problem of debt, including ECAs.

In response to points raised during the plenary discussion, Mr Diouck noted that African wisdom warns against putting all one's eggs in the same basket. What is needed is a blend of funding sources and for the resources so obtained to be used effectively and strategically.

4.4 IMF, Mrs Malangu Kabedi-Mbuyi

Kabeti Mbuyi began by pointing out that NGOs have an important role to play and the current workshop shows that they need to be more vigilant with regard to credit and a range of other issues.

She reminded participants that the world is changing for the better, and as such the IMF has gone through a process of transition from SAPs to more development oriented and poverty responsive programmes, including the HIPC and MDRI initiatives. The Paris Club has also moved from granting of initial debt relief with conditionalities attached to more significant cancellation.

She argued that regarding ECAs, the issue is not really whether a country is in debt or not but one of strategy and how loans are used for the true development of a country. Following the efforts made by the multilateral agencies towards debt relief, the question becomes whether needy countries can now contract unconditional loans.

If they are not able to, this will be a great drawback to developmental projects.

She added that ECAs are but one mode of funding and there might be some projects that can only be done in this way. The important point is how ECAs are used, within the broader context of a country's development programme - its policy environment and the existence of proper institutions. Debt cancellation on its own will not amount to development.

In order to move into the future, it is necessary to consider past debt in terms of the conditions under which it was contracted and what was misappropriated. As stated by other speakers, it is necessary that Africans involve themselves in advocacy and monitoring, and in ensuring that the conditions under which new debts are contracted are in line with national priorities.

In response to comments made during the plenary discussion Ms Kabete-Mbuyi stressed that the various initiatives taken by the IMF are incremental and seek to build upon the lessons and experiences of the past, including the sometimes harshly critical comments of those who have lived within these programmes, to create better programmes for the future. She added that Africa can do without ECAs, and could also do without the IMF but questioned the ability of many countries to maintain their current position or move forward if they take this route.

4.5 Abia State Planning Commission - Ms Chinedu Brown

Ms Brown began by pointing out that Abia State owns the highest portion of Nigeria's debt, currently US$ 608 million. The issues of export credit and debt are a sore issue, as many ECAs are concentrated in the area.

She went on to say Nigeria has a new Fiscal Responsibility Act dealing with bribery and corruption, which is positive in itself but, unless it brings into focus possible indictment of the receiving nation, not much will have been achieved.

In her personal research of ECAs before the workshop, the speaker had found that they are mostly owned by the OECD member states and, therefore, suggested that it is inappropriate to expect the OECD to limit their own operations. By nature, they are profit making and this is what their governments expect of them. As the industrialised countries like to tell the developing world, there is 'no free lunch'.

She recommended that developing countries must be sure, when they accept ECA backed contracts that there are benefits for them in the arrangement. It is necessary for them to use their own consultants to ascertain this. There are opportunities for a country like Nigeria in this regard as it has many nationals working outside the country. ECAs work best if African countries utilise them in those economic sectors where they have comparative advantage over others.

She also said that the role of the press is very important and it is essential that they understand what they are reporting. It was pointed out, for example, that the press in Nigeria reports on EXIM Bank as though it were giving aid to the country. Good and informed press reports will always help in getting things right.

4.6 CAA, Thierry Siewe Guillame

The speaker began by asking whether it is possible for African countries to develop without ECAs. He suggested that it would be virtually impossible for any African country to develop without access to funding on the sort of scale offered by ECAs, but this leaves unresolved the issue of who will foot the bill in terms of environmental impact.

He thus added another question to the debate: 'Can Africa develop without taking into account environmental issues?' He submitted that until now, African countries have not always understood the environmental threat arising from some projects. Unless this is taken on board, it will be impossible for them to reach the MDGs.

He further observed that the development of some sectors of an economy at the expense of others (the Dutch disease) has been prevalent in a number of African countries and arises from an over dependence on the industrialised countries that have an interest in these sectors. African governments must be the ones that shift the emphasis towards the social sectors.

He concluded that the issue of ECAs needs to be considered within a general development perspective and, in Cameroon and other 'completion point' countries, this will shape the approach to new funding in the future.

4.7 Plenary Discussion of the Presentations

Some participants argued that the entire debate contributions on ECAs on the first day of the workshop was perceived to have been negative but on the balance of it all, ECAs are an integral part of international financial flows that need to be sustained and secured. The real issue might be our ability to plan and undertake feasibility studies before implementing projects. It was also felt that recipient countries need to be involved in the implementation of ECA supported projects where these take place, not just through NGOs but through official government structures and agencies as well.

Another suggestion was that, although ECAs might be necessary in the short term, it is necessary to at least change the way they work for maximum benefits in poor countries, preferably to begin to conceive of a future for Africa without them. This is certainly possible; Nigeria, under its National Economic Empowerment and Development Strategy (NEEDS) has managed to increase the capital of its commercial banks from US$ 2 million to US$ 25 million. This considerably enhances the country's ability for development without reliance on outside funding sources.

A representative of the AU, Mr Msa Abdallah reported that the AU's current initiatives with its development partners. Negotiations with the EU had been wrapped up the previous week and among the points of disagreement had been the issue of free trade. He noted that subsidies continue to be given to EU and US farmers and these translate into unfair competition for African farmers.

Such negotiations with partners are very difficult because of the need for expertise in a very broad range of issues. African civil society has a key role to play in supporting and building the necessary expertise.

He further said that the AU is in the process of engaging with new partners in Latin America as well as with China and India. These contacts are growing beyond just trade to encompass broader economic development issues.

In his thinking the major manipulative strength of ECAs seems to rest on their covert way of operating, They enter a country as private enterprise and proceed to suck in the government and its people. To overcome this process of governments being compromised, he recommended that the current workshop be replicated at national level across Africa.

He suggested that, once Nigeria's Fiscal Responsibility bill becomes law, the country will have gone half way in dealing with corruption and misuse of funds, i.e. by removing the local component.

Abdallah challenged the programmes of the international financial institutions - SAP, HIPC, PRSP etc. - that no one has sat down and asked whether such programmes will lift Africa out of poverty. Instead a one-off, 'Marshall Plan' approach was recommended.

He noted that while looking at the negative environmental and social impacts of ECA projects, it is important to bear in mind that many such projects are also financially non viable and useless to the recipient countries.

5.0 Debt and Export Credit Agencies

Presentation 6

5.1 ECAs and the Private Sector

Kwasi Abeasi, CEO, African Business Round Table

Mr Abeasi began by introducing his organisation the African Business Roundtable (ABR) a continental association of African business. Set up by the African Development Bank (AfDB) in 1988. It sought greater autonomy and a better way of having the business sector interact with African leaders. Since 2003, ABR has been undergoing reforms to render it more relevant to the aspirations of the private sector and re-establish its former close relationship with the AfDB. It has six chapters and is run by a Board of Directors. Its mission is to achieve African, private sector led regional economic integration and sustainable economic development, based on good corporate governance and competitively open market systems.

Enterprise Financing

Mr Abeasi stated that the funding of any enterprise should be a combination of one's own and another's resources, in order to spread the risk, especially, as in many African countries, where the business environment itself might be considered risky.

He further pointed out that export credits have become a significant source of 'other's' resources for developing countries. However, this is not properly recognised in the official debt analysis and figures and data on export credits are hardly available.

The Limitations of Export Credit

He argued that export credit is deceptive in that it postpones the debt, which is then magnified (due to changes in interest and foreign exchange rates) by the time it falls due. However this is less of a problem in counties with a stable exchange rate regime (generally the Francophone countries whose currency is tied to the French Franc) but has had serious consequences in countries such as Ghana and many others, where foreign exchange losses on credits might be incurred years after the debts are originally sourced.

He also pointed out a further limitation of ECAs which is the fact that they provide cover (for their own firms) rather than actual funds for investment. The premiums for such cover are relatively high, as dictated by the perceived level of risk, and it is only in a case of default or failure of the project that it comes into effect.

Another ECA's weakness is that their own admission, are trade promoting instruments for companies in developed economies seeking to push their products into developing markets. As such, ECAs tend to be short term credits that encourage a proliferation of traders, rather than industrialists, manufacturers or entrepreneurs, creating what Ghana's The Daily Telegraph has referred to as "a nation of shopkeepers". In fact, what Africa needs is credit for production and for industries so as to increase its manufacturing and production base, with knock on impacts in terms of local employment and increased GDP.

In some countries, the central bank has instituted laws to make it compulsory for businesses to seek approval for credit agreements with ECAs. He also stressed the need to have a clearer national economy agenda on ECAs.

The Way Forward

Mr Abeasi recommended the it is necessary to recognise that export credits are an easy but expensive means of external resource mobilisation. Good use of ECAs is when they are used as 'non bank financial services' providers as done in Ghana when they provide quick money for customs clearing or preparation of goods for export, for which the client cannot wait for the time required to process a bank loan.

He went on to recommend that African governments sould set limits for ECA operations since they can only be productive in certain sectors. Government should therefore identify those areas of competitive advantage and create dialogue between private sector and ECAs to avoid unnecessary debts, corruption and bribery.

5.2 ECAs in the Past and Future

Oumar Makalou, CERDES

Presentation 7

He reiterated some issues already raised, namely that ECAs:

- Hardly ever give loans but focus on guarantees and insurance;
- Play a key role in international trade and are found in nearly all developed and some emerging countries; and
- Have quadrupled the volume of their activities over the past decade, while ODA has stagnated and declined in real terms.

He emphasised the fact that ECAs' their performance must be appraised objectively. They have played an important role for both sides in the past and it is necessary to determine a constructive role for them in the future.

He also argued that ECAs have operated in the past in the mode of unbridled liberalism and have often flouted the rules of international trade. Experience has shown that their negative effects, especially given that the projects in the past have not been subject to adequate social or environmental impact assessment, are not counterbalanced by, and indeed far outweigh, the benefits they have offered to the recipients, especially in Africa

He also pointed out that the question of the sectors in which ECAs invest needs further examination in Africa interrogation as often the credit goes towards non productive, luxury consumer goods. In other instances, they have supported industries that cause serious and unmitigated pollution problems..

He urged ECAs professionals and workshop participants that is necessary that all parties act responsibly for the future rather than making decisions on the basis of short term politics. ECAs need to admit the role they have played in the destruction of the environment and take on board human, social and environmental considerations.

He concluded by recommending:

- The formation of a central body to carry on the efforts of the workshop and study the issues of ECAs. It should produce updated statistics and case studies towards a situational analysis and review.
- The establishment of a statutory/legal framework on the basis of the needs of developing countries, not those of the developed countries as represented by the OECD;
- An authority to enforce compliance to corporate social responsibility standards, with capacities for evaluation, appraisal, punishment and commendation.

Presentation 8

5.3 ECAs and Debt

Charles Mutasa, Executive Director, AFRODAD

He began by pointing out the qualitative and statistical information on their operations make clear the need for far greater transparency and accountability requirements to ensure their corporate responsibility. The speaker suggested that the work of ECAs should be enabled but in certain portfolios only and according to predefined standards.

Mr Mutasa noted that the challenge for African development is to link the issue of multilateral debt relief with that of export credit agencies. Now that 19 countries have been granted debt relief under the Multilateral debt relief iniatiave (MDRI) and are thus eligible to contract new debts, it is necessary to ask to what extent and how the ECAs interface with the multilateral debt and with 'ecological debt'. He pointed out that a lot needs to be done on the impact of ECAs considering that the G8 meeting of 2007will focus on the issue of infrastructure and environment.

He also pointed out that as we enter a new era, it is necessary to gain a very thorough understanding of the role ECAs have played in promoting illegitimate or odious debt and supporting non productive investment. ECAs have become a chosen alternative for African countries and it is important to understand why this is the case. HIPC access to external financial resources makes them less credit-worthy and are automatically left at the mercy of ECAs.

Of primary importance is the issue of sustainable development lending criteria to ensure that loans (from whatever source) that are not recklessly borrowed. If HIPCs now have access to further credit, the issue becomes one of whether what is borrowed is put into social spending.

He also mentioned that the MDRI makes a claim of 'total debt cancellation' but this needs to be unpacked. Issues such as cut off dates have an impact on whether some portions of the debt are actually cancelled, while, as noted often during the workshop, a large part of the debt of many HIPCs is not multilateral debt anyway. For Guyana, for example, MDRI represents 30 percent of their debt stock owed to IDA and IMF. In any case, it must be remembered that debt cancellation does not, in itself, create additional resources for such countries like Guyana. The big portion of its debts with Inter-American bank and Caribbean Development bank is still to be repaid.

Mr Mutasa also reminded the participants to consider the fact that while some countries have had their multilateral debts cancelled, others are still struggling to meet the HIPC completion point, i.e. battling with public expenditure management systems, poverty reduction strategies and conditionalities. This is a case of justice delayed being justice denied.

The following are the key issues that the speaker felt the meeting needed to address to the ECAs:

- Linking export credit intervention with sustainable development work;
- The need to strengthen the analytical capacity within ECAs themselves towards better design and implementation of projects that are sensitive to human and social rights.
- The integration of environmental issues into business; and
- The need for a balance between commercial confidentiality with full project disclosure.

He also concluded by recommending that it is necessary to identify and respond to corruption by blacklisting the offending companies.

5.4 Plenary

- Some issues were raised had to do with the lack of availability of information and capacity for assessment. As had been noted, ECAs themselves give out very little information. Therefore, even to the extent that their projects have some sort of developmental objectives, it is difficult to assess the extent to which these are achieved.
- Where information is available, as in Gabon which has made some economic strides, and is able to demand EIAs, the capacity to interpret the information may still be lacking. One response to this situation is to build civil society capacity so that actors at that level can back the EIA process. The whole issue of development is to do with making sure that the voices of the people are heard and it is essential that they be heard at this level. It was noted as a tragedy of the African continent that its leaders have often been more concerned with accounting to those who give them money than to their own people.

Some participants called for a people-centred development which include:

- Stepping up capacity building for management and to curb corruption, wherever this occurs;
- Enhancing governance, including by ensuring a meaningful role for civil society;
- Ensuring developed countries follow through on their commitment to allocating 0.7 percent of GDP to ODA, to lessen the need of developing countries to rely on ECAs; and
- The establishment of regulatory and statutory frameworks that are participatory in nature, including an independent appeals mechanism;
- The question of who pays when a project is not implemented suggests the need for a punishment mechanism as well. It was noted that it is not uncommon for the same budget allocation to be made for the same item every year.
- Without broad and inclusive brainstorming on debt management, governments (notwithstanding the cautionary caveat in the HIPC agreement) are likely to just slip back into the same unsustainable debt position that they have recently escaped from. It is the role of parliaments to oversee these processes. AFRODAD's work on debt management and loan contraction processes has shown that the problem of debt is not just external but also a result of ineffective internal mechanisms. Specific rules and policies are necessary to which governments can be held accountable. These should include both aid policies and debt policies.
- The AU is striving to ensure that ECAs and their activities are controlled and directed towards sustainable development at the regional and country levels. It was suggested that, in response to the rather weak efforts of the OECD to regulate ECAs, African countries, perhaps through the AU should come up with regulatory mechanisms that it can apply itself.

6.0 Break Out Sessions

Participants were divided into four working groups to consider the following key questions

1. What are the key issues with regard to ECAs?
2. What should be done and by who?
3. What are the opportunities and risks that will be faced in the campaign?
4. What are the specific roles of CSOs, governments, and ECAs

6.1 Group 1 Response

The issues identified were:

- **Education:** This is need to raise awareness around the issue, its debt and development implications and the fact that ECA support is not development assistance.
- **Transparency:** ECAs need to be pressured into making more information about their operations available, while governments in the recipient countries, who have better information, should make sure it is shared.the group suggested that since the Paris Club has a secretariat and a website that could be used as a central forum for information from both ECA and recipient countries.
- **Coherence:** The group recommended that there is need for mechanisms to ensure public participation in environmental and social assessments. The ECAs themselves also need to improve their policies in this regard.

Responsibilities were ascribed to difference actors as follows:

- The international community should develop stricter requirements for public access and transparency for ECAs, and criteria for coherence. As the OECD-ECG is currently revising its Common Approaches, now is the time for NGOs and regional organisations to intervene and demand improved procedures for assessment.
- **The Paris Club** Civil society should send letters to the club secretariat asking them to proactively distribute such information..
- **Supravision of ECAS** It was suggested that this could take place either through national parliaments in developed and developing countries, or through regional bodies such as ECOWAS, CEMAC and SADC.
- **Recipient Country Parliaments** People, including policy makers, need to be informed of good practice in social and environmental standards, e.g. the safeguard policies of the World Bank and IFC so that they monitor them at local community level.

With regard to risk, the group felt that African countries have nothing to lose with regard to ECAs, and everything to gain.

6.2 Group 2 Response

The group identified the following as the key issues regarding ECAs:

- **Transparency and Accountability** ECAs have been identified as one of the greatest sources of finance for developing countries so they are likely to keep dealing with them. There is need therefore to ensure transparency and maximise benefits from ECAs in recipient countries.
- **Project Types** Greater understanding and transparency are needed so that developing countries only engage with ECAs on projects that they are sure will bring economic and social benefits. Communities need to be more involved to ensure direct benefits rather than some sort of uncertain trickle down. The recipient state often has insufficient knowledge to even assess the economic viability of projects.
- **Power and Responsibility** Traditionally, the risk of ECA backed projects has been transferred from the ECA to the recipient government and, by implication, to local taxpayers. This reflects the fact that the power balance is heavily weighted on the side of the ECAs.
- **Policy, Priorities and Coherence** The projects financed need to be in line with the development strategy and vision of the recipient country and not to run counter to its foreign exchange programme.

- **Governance** At the global level, there is a lack of common positions, standards and harmonisation. At national level, there is a need for public sector reform towards greater knowledge and better decision making.
- **Civil Society** The voice of civil society needs to be raised on this priority matter of national interest.
- **Environment** The implications for those affected need to be recognised at the planning stage, not later on.

In terms of what should be done, the group stated that it is necessary to recognise the internal problems of African governments, including poor capacity and a lack of power to resist. Their poor bargaining power is an issue that needs to be addressed. Mechanisms need to be found to finance investment by the local private sector, rather than frequently bringing in outside, ECA backed firms. A judicial framework and accountability mechanisms are needed.

The group identified risks and opportunities as follows:

- **Risk** That the valuable discussions that had taken place in the workshop would not go further and the message would not be communicated to those who need to hear it. It was noted that anger is not a strategy in itself; what is needed is engagement, rather than a campaign.
- **Risk** That there may be a lack of political will and governments might prevail against the necessary action.
- **Opportunity** To get the recommendations of the workshop across to as many people, in as many different countries, as possible.
- **Opportunity** For the AU to provide an identity and put Africa's case across to the OECD countries.
- **Opportunity** To create networks out of the workshop and strengthen exchanges.

6.3 Group 3 Response

Building on the responses of the previous groups, the issues identified were:

- A lack of information and transparency around the whole negotiation process and the details of contracts;
- The non sustainability of ECA activities and the fact that they are often not economically viable;
- Environmental and ethical issues; and
- The fact that ECA supported projects are inevitably supply driven.

In terms of what needs to be done, the group suggested:

- **Public Sensitisation And Information Sharing** The issue is who the custodians of the information are. The findings of the AFRODAD research as well as information available through local debt management offices should be consolidated towards the production of position and policy papers.
- **Local Financial Capacity Building** This will allow for the eventual replacement of ECAs by local investors. There is need for CSOs to collaborate with debt management offices.
- **Advocacy** This must be undertaken by governments who should put in place appropriate legal frameworks.
- **Capacity Building Of Civil Society** This is necessary to facilitate the analysis of the social and environmental assessments.

Opportunities identified by the group were:

- The current workshop which had brought civil society from the North and South together to interact and network; is a chance for continued collaboration on and information exchange.
- The AFRODAD research results should be used as position papers.
- With the availability of funding workshops of a similar nature should be conducted nationally.

6.4 Group 4 Response

The key issues identified were:

- **A Legal/Institutional Framework** There is a need to build this at international level to govern the activities of ECAs. Chief contributors would be the regional economic communities which should define the priority sectors for ECA backed investment.

- **Public Debt** The ECAs have become tools to shift what should be private risk into public sector debt for developing countries. The cost of this is borne by developing country taxpayers. It was noted that Nigeria has a new law that seeks to determine the financial liability of the various stakeholders in debt contraction including ECAs, which others can emulate and learn from
- **Institutional and Statutory Framework** This needs to be enhanced to give civil society access to information and allow its participation in economic governance. Forums like the current workshop should be multiplied. It is also necessary to trigger broader discussion, raise the awareness of the general public and provide and objective counterweight to the hype of the ECAs.
- **Lending Conditions** Those currently applied by the ECAs are not conducive to sustainable development and need to be reviewed. This could be done through a consultation process with donor countries.
- **Awareness Raising** This should target governments, civil society and all other sectors to ensure that they are aware of the impact of ECAs.

The group concluded that it is obvious that, to achieve their development goals, African countries may want access to ECA backed investment but this must be channelled to poverty reduction projects, towards the achievement of the MDGs.

7.0 Closing Session

7.1 Comments from AFRODAD

Both Charles Mutasa and Opa Kapijimpanga of AFRODAD stressed that the workshop was not simply an event, but the launch of a much longer term process of taking positive action on the impacts of ECAs, within the context of work around the whole range of debt issues on the African continent.

AFRODAD maintains a strong commitment to this process and it was noted that, in the past year and a half, the organisation has focussed on sensitising MPs to these issues.

They thanked all those involved in the planning and implementation of the process, particularly the Cameroonian partner, CED.

7.2 Closing Remarks - Samuel Nnah Ndobe, CED

On behalf of Samuel Nguiffo, the Secretary General of CED, Samuel Nnah stated that he and CED had been very pleased with the conduct and outcomes of the workshop. He thanked AFRODAD for initiating it and acknowledged the contributions of all of the participants.

He also thanked members of the media who had attended the final session and press conference, noting that it will be their responsibility to carry the ECA issue forward in their newsrooms and papers. He also noted

The workshop is not the conclusion of a process. It is, among other things, a beginning for intensive and constructive networking between north and south. He encouraged all participants to continue working hard towards crushing the negative impacts of ECAs.

Finally, Mr Nnah wished all participants a safe return to their homes and requested them to carry the wishes of CED and Cameroon with them.

8.0 Annex 1

Presentations

8.1 ECA Workshop Welcome Speech

Opa Kapijimpanga, AFRODAD Founder Chairman

Distinguished participants

Ladies and gentlemen

On behalf of the AFRODAD board and secretariat, and on my own behalf, it is a great pleasure for me to warmly welcome you all to Yaoundé and to this workshop on the impact of Export Credits Agencies on Debt and environment in Africa. As you might all know AFRODAD has deeply involved in seeking lasting alternatives to Africa's development problems especially those related to indebtedness. In line with that are honoured to host this prestigious and important ECA workshop in Yaoundé. Although, as a regional Pan African organization we have been working with partners and have commissioned research work here in Cameroon and indeed the rest of Central Africa, this meeting marks our first official event in the region. .

Permit me at the outset to express our deep appreciation to most of you for agreeing to be with us here today. Let me begin by acknowledging our colleagues from various intergovernmental organizations and government ministries across and beyond the Africa region who are with us to day. I would to reverence the presence of the representatives of the African Union commission, The United Nations Economic Commission for Africa, the Debt Management Office in Nigeria, the Minister for NEPAD in Senegal, and the NEPAD Business Community for agreeing to be with us and share their experience in regard to this important topic. I wish also to express my thanks to our colleagues from Europe and the United States, who have not only being highly honoured at home and acclaimed abroad for their extensive work on ECAs, but do also personally have a passion for this kind of work- and today they are with us. AFRODAD will remain greatly indebted to the Center for Environment and Development (CED), especially to Samuel Ndobe for the tremendous job done to put this meeting together. Quite honestly we could not have done it by remote control from our offices in Harare; we needed an understanding partner such as CED to do this kind of work for us. Let me also at this juncture express our deep appreciation to the civil society activists based here in Cameroon and elsewhere who have agreed to chair various panels or to be speakers. Many thanks to our researchers from Cameroon, Nigeria and Zambia who have agreed to put a substantial amount of time to do the ground work of researching and ensuring that we have a starting point based on some kind of facts. We do indeed appreciate your being here with us today to share your thoughts and perspectives on the important topic before us. We look forward to the discussions and deliberations of such a distinguished group of policy makers, academics and representatives of civil society organizations.

Over the years, our AFRODAD-convened meetings have focused on themes of current interest and relevance to Africa and its partners. This workshop topic is no exception as Export credits are an increasingly important source of public financial flows to under-developed countries. Indeed, it would not be an exaggeration to state borrowing heavily from abroad, especially through the use of export credits to finance development, has spiralled out of control for many African countries and has left those governments at the mercy of often fickle investors. Growing evidence of the negative impacts of ECAs includes environmental degradation, corruption, mismanagement and increased debt burdens. In line with financing for development efforts , much hope has been placed on ECAs as a frame work for achieving the people driven development and pulling our continent from marginalization, poverty, indebtedness, bad governance, conflict and economic quagmire. Our focus at this consultative meeting is to secure a better understanding of the role of export credits in Africa's mounting external debt and environmental degradation. We seek to interrogate the extent of the African debt overhang and environmental degradation resulting from the use of export credits and offer solutions pertaining to how best ECA supported credits and investments can contribute to sustainable and equitable development in Africa.

I believe that we can successfully establish the role, success and failure of export credits in financing development in Africa and use the emerging evidence to initiate policy change and institution of new mechanisms to overcome the identified issues. I also believe that such an exercise will help to bring to the fore the underlying internal and external problems of African development and increases the capacity to map strategies that will move Africa towards achieving sustainable development and solutions to the Debt problem. The immediate benefits therefore accrue to the African people, African governments, regional bodies, civil society and their northern partners.

Distinguished participants

Ladies and gentlemen,

The success of Africa continues to depend on our ability to debate and critically scrutinize some of these development issues. Permit me to conclude by expressing once again our appreciation for your coming and your ability to meaningfully engage in this process. We cannot assume that things are moving without us reviewing, analyzing and critiquing them from time to time. Towards this end we should continue mobilizing support from all our stakeholders in our countries.

I thank you for your kind attention.

8.2 Opening Speech, Minister's Representative

Mr Albert Njili

- The Executive Director
  African Forum and network on Debt and Development (AFRODAD)
- Madame the Country Representative of the IMF
- Representative of the World Bank
- The Director of International Programme on Environment and Defence
- Distinguished delegates and Invitees
- Ladies and Gentlemen.

Il is a great honour for me to preside the opening ceremony of your meeting on behalf of the honourable Minister of Economy and Finance who is unavoidably absent. First of all I wish extend a very warm and fraternal welcome to delegates especially those from other ~~comities~~ countries " For these of you visiting our beautiful and peace loving country for the first time we nope you will find your stay here enjoyable. The Government wishes to tank AFRODAD immensely for choosing Cameroon to host this important ~~worship~~ Workshop. This workshop is very important, not only to Cameroon, but to Africa as a whole at a time when efforts are being made to reach sustainable levels of debt while increasing growth.

In a global context where developed and developing countries are bound to interrelate and corporate the importance of debt relief need not be over emphasised. Infact it's gradually becoming the main source of aid from the north to the south. One can say with much exactitude that it is one of the biggest sources of financing for development in recipient countries.

Talking ~~abound~~ about debt relief a vital sector like that of Export credit debt cannot be ignored being an increasingly important source of financial flow to under developed countries.

Included in this category are national private debt and the debt contracted as a result of investment in the country by foreign firms backed by export credit agencies in their home countries.

If we are assembled here today, it is because you have recognised the need to both ~~reuse~~ raise awareness and promote public debate on the role and impact of export credits in Africa's development. The u se of export credits have recently become an important source of support from industrialised countries for exports and investments of Private Corporations in developing countries. Export credits are supposed to help bear responsibility for promoting sustainable and equitable development in developing countries but too ~~offend~~ often their promotions conflict with domestic priorities. during thus session findings will be presenter of a research which seeks to ascertain the extent to which the African debt overhang can be ascribed to the use of export credit and other suggestions as to how best ECA supported credits and investments could contribute to sustainable and equitable development in Africa.

During this sitting your will be ~~importuned~~ opportuned to listen to eminent academician who are versed with the subject. These will be followed by rich and intense debates.

I wish to exhort you to be frank and constructive in your discussion.

The research out comes and the conference deliberators are intended to influence policy at the national sub-regional and regional levels in Africa as well as at the global level. Civil Society organisations engaged in issues of globalisation are expected to benefit from these studies as they develop their lobby and advocacy work on issues of corporate globalisation. The Government of Cameroon on its part will spare no effort in supporting any initiative geared towards the negotiation of the debt burden of developing nations. I ~~wist~~ wish you fruitful deliberations. It is on this note that i have the honour to declare open " the international meeting on the impact of Export credits on Africas indebtedness and environmental degradation.

Thanks for your kind attention

8.3 Impact of ECAs on the Degradation of the Environment in Africa

By Samuel Nnah Ndobe, Agro-Socio-economist CED Cameroon

What are ECAs

- Export Credit Agencies (ECAs), are public agencies based in the north, and using the tax payers monies of their home country to finance projects of in countries in the south.
- By giving them loans, guarantees, and insurance.
- They give firms or companies of their countries of origin the possibility to do business abroad

Some statistics and key issues on the financial activities of ECAS

- In the 1990s the financial activities of ECAs averaged 80 to 100 billion USD per year, whch is about half of total official development aid
- ECAs actually support trade and investment worth about 432 billion USD, an equivalent of 10% of all exports.
- The system is founded within the framework of an accord between members of the OEDC, of which each country has an ECA which is usually a branch of the government.
- ECAs as awhole figure as the most important source of public finances for their home firms to participate in industrial projects in the south
- ECAs contribute 50 to 70 billion USD per year to what is called "mid and long term transactions", mostly big infrastructure and industrial projects
- This is characterized by the fact that once business is unfavorable the guarantees of ECA covers the losses of the private firm, but this sum is them added to bilateral debts of the country of origin to the receiving country
- That is why ECAs are responsible for non reimbursable debts in the South as a whole.
- Most ECAs support projects that even the World Bank and other multilateral Banks would consider dangerous to support
- Hence ECAs play an important role in the expansion of (non) development of globallisation carried out by these firms

ECAs and the degradation of the Environment

- ECAs often provide loans with the least environmental safeguards.
- As such ECAs support projects that end up destabilizing the environment and the lives of local communities

Some ECA supported projects with high environmental impacts

- Electric centrals that emit greenhouse gases
- Large dams
- Mining projects
- Road construction projects
- Forest exploitation
- Agro complexes, with monoculture plantations
- Petroleum pipeline projects

The switch towards environmental safeguard policies

- Following recommendation called "the common approach" , negotiated in Paris in 2003, within the OECD group on ECAs, most ECAs have adopted environmental policies based on safeguards of the World Bank group and other development banks (like the EDB, AfDB, ADB and the Inter American Development Bank)

- But what safeguards? When the environmental policies of the regional banks and those of the world Bank have receive serious criticism from environment groups

Case study of the Chad Cameroon Pipeline project

- To transport oil from oil wells in southern Chad , through 1070km across bidiversity rch and fragile ecosystems, to the Atlantic ocean in Cameroon
- 4.2 billion USD project, largest investment in sub-Saharan Africa with contributions from the
- World Bank group (IBRD loans to Chad and Cameroon - 92.9 million USD, IFC loan 200 million USD)
- EIB - 41.5 million USD
- ECAs (US EXIM Bank 200 million USD, COFACE (France) 200 million USD, African Ex-Im Bank 500 million USD
- More than half of the total cost of the project was met by the oil consortium or equity partners - ExxonMobile, Chevron and Patronas - who covered the full cost of oil field development and one third of the export facilities
- Remaining financing was provided by commercial arranging banks (ABN-Amro, Credit Agricole Indosuez

Environmental impacts of the CCPP

- Destruction of biodiversity around the forested ecosystems of southern Cameroon
- Destruction of fishing reefs on the coasts of Kribi
- Stagnant water ponds created around villages leading to health hazard, increased malaria

Other potential environmental risks

- Explosion followed by oil spill
- Uncontrolled flow and oil spilling in with impact on the groundwater table
- Leaks, accidental spilling in rivers
- At least a 50-100 km section as to be laid in wetlands
- River banks are mostly unconsolidated
- the pipeline would hold 250 000 barrels of oil for a total length od 1050 km with one stop valve every 35 km
- Spilling of total oil volume contained in pipeline section separated by two stop valves (35*250000/1050 = 8333 barrels).
- Assumed
- Centralized automatic control (SCADA) : 24h/24h
- Control centre : Houston, USA (main) and Douala
- Contingency headquarters : Douala, Cameroon

Some key environmental mitigation measures

- Creation of the Mbam and Djerem and extension of the Campo-Ma'an National Parks

Problems and risks

- Creation of the CMNP leads to expulsion of indigenous Pygmies from their forest homelands
- Acute impoverishment of local fishing communities around Kribi
- Doubtful contingency plans for efficient intervention

Thank you very much

8.4 Export Credit Debt

The responsibility of ECAs for the external debt of countries in the South

Wiert Wiertsema, Senior Policy Advisor - Both ENDS

What are ECAs

Ownership	**Example**
• Government agencies	• ECGD, United Kingdom SACE, Italy
• Private companies	• Atradius DSB, The Netherlands, Coface, France

Official, government supported export credits only.

What ECAs do:

- Support domestic business sector by promoting exports and investments abroad.
- Total volume business support (2004) was more than US$ 100 billion, out of which nearly US$ 70 billion for medium & long term (>1 year).
- Africa covers about 10 - 15% of global market
- Recoveries of arrears and debt (debt collection departments)

Types of official ECA support:

- Export Credits
- Guarantees
- Export credit insurance

Examples of ECA supported projects in Africa:

- Nigeria Liquefied Natural Gas (NLNG plus project), Nigeria
- Lesotho Highlands Water Project, Lesotho
- Chad-Cameroon Oil Pipeline
- Merowe Dam, Sudan

Examples of other exports often supported by ECAs:

- Medical equipment
- Ships
- Harbor facilities
- Hotels
- Airplanes

Governing international regulations international regulations

- WTO Agreement on Subsidies and Countervailing Measures (ASCM) leaves a special "carve-out" for ECAs.
- Developing countries signatories to ASCM only.
- OECD Arrangement on Officially Supported Export Credits:
  - Minimum Premiums
  - Costs to be covered by premiums, interest and recoveries (break-even)

- No internationally recognized accounting and reporting system within OECD

How ECA debt comes about:

1. Exporting / investing company gets ECA support;
2. Non-payment transaction: ECA pays company;
3. ECA claims money from host country

- ECAs turn private risk of company into public risk of developing country
- ECA debt is usually a large chunk of bilateral debt of a country

December 2002 ECA debt figures:

US$ 370 billion (world wide)

US$ 45 billion (sub-Sahara Africa)

- Information on defaulted projects generally not disclosed, but most debt accumulated over 20-30 years.

Regulations for risk control

- OECD Statement of Principles on unproductive expenditures: in principle no cover for transactions in HIPC countries that do not contribute to social/economic development
- Classification of countries according to perceived risk: 1-7
  - China (2): ceiling € 2,000 million
  - Botswana (2): ceiling also € 2,000 million
- Total volume of acceptable risk Atradius DSB:
  - 2001: 35 billion
  - 2006: 105 billion
- New market for risk exposure of ECAs on specific countries

ECA debt cancellation

- Paris Club: ECAs part of creditor delegations
- Paid from ODA (except Norway)
- Profit for ECAs:

  Income (premium + interest + recoveries) much larger than expenses (operating costs + debt cancellation)

Implications for South

ECAs cannot lose, while:

- The South has to accept privileges for ECAs of OECD countries, over which they have no say.
- The South is forced to accept write-off of losses and damages of ECAs as ODA expenses by OECD countries

Some non-OECD ECAs in Africa

- Export Credit Insurance Corporation of South Africa (ECIC SA)
- Sinosure (China)
- China Eximbank

Requirement of monitoring:

- social and environmental impacts
- credit portfolios

- Need for information sharing and exchange of CSOs in Europe and in Africa

Suggestions for Future Campaigning - I

1. Transparency on defaulted projects

a Creditor countries (OECD): transparency of ECAs

b Debtor countries: information of debt management authorities

c Debt audits of all ECAs

2. Cancellation of ECA debt and ODA

a Debt campaigners: need to campaign for exclusion of ECA debt cancellation from ODA definition of OECD-DAC

- Norway's recent write-off of debt from shipping deals is excellent precedent!

b ECA campaigners: need to challenge ECAs and OECD-ECG to introduce transparent debt accounting and reporting system

c Promote Club of Indebted Nations (Yaounde Club)

Suggestions for Future Campaigning - II

3. Prevention of new ECA Debt

a Unproductive expenditure: No ECA support for military transactions and all other unproductive expenditures

b Debt collection departments: ECAs should regularly publish debt prevention studies and recommend debt prevention strategies

c ECA accountability mechanisms: should investigate complaints on illegitimate debt

d License to operate: annual reporting of how ECAs balance public interest to development with private interest of corporate clients

4. Role of non-OECD ECAs

CSOs in Africa and Europe need to increase cooperation in monitoring exports and investment projects supported by non-OECD ECAs

8.5 Export Credit Agencies, Debt and Development in Africa

International Conference on ECAs, Debt and African Development

The Research Team

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Countries where researches were done

- Nigeria
- Cameroon
- Zambia

Why the study

As part of the international competition that underlies trade and investment, a number of countries, especially among the more advanced ones instituted export credit agencies (ECAs). These institutions provide semi-sovereign loans and guarantees to private exporting firms based in the same countries as the ECAs. Such loans can be direct in which case, the ECA gives funds to a manufacturer or exporter or it can be in the form of providing counter-guarantees to banks that lend to a manufacturer, exporter or investor. They also provide credit to developing country governments to help them purchase products by exporting and manufacturing firms in the countries which they represent. The understanding behind the activities of most ECAs is that developing countries are quite risky, and firms will need additional incentives to do businesses in those places.

While there is known diversity in operations of the ECAs, their key objective in almost every case remains fairly the same - to promote exports of products of their nationals to other countries and to give support to private firms thereby increasing their competitive edge . These credit agencies cover mainly two sorts of activities - provision of short term trade credit and provision of investment finance and insurance for long run projects. Apparently however, operations of ECAs in recent times tend more towards long term project financing as commercial banks are fast taking over the provision of credit cover for short term trade operations of multinationals and private firms. Their activities are also in the most part not very visible.

Export credit agencies have grown to be the largest channel of resource flows for developing countries. Notionally, this owes to the desire to speed up growth in the less capitally endowed countries. But this is doubtful given the declared objectives for their establishment in the first place. There is therefore the continual friction between declared intentions and actual operational objectives of ECAs raising questions on the extent to which they promote and/or hinder development in the host countries. Recent events and in particular, the debt trap of most developing countries have raised questions as to whether guarantees and insurance cover provided by ECAs facilitate trade for multinationals and first world firms or development for third world host countries. The ambiguity and lack of transparency surrounding export credits and guarantees seem to point to the fact that all may not have been well between them and the host countries. In addition, the economic viability and 'necessity' of the projects which most of these credits and guarantees have been used to finance continually point to the fact of political arm-twisting and the supply driven nature of the projects leaving the impression that the developing countries never needed these projects in the first place. What is more? The countries concerned have almost in all cases fallen into questionable but crushing debt and other liabilities, while the beneficiary firms have maximum profits following success of projects and nil losses in the event of their failure.

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