

CIVIL SOCIETY STATEMENT ON EXPORT CREDIT AGENCY DEBT
Statement produced and promoted by Eurodad and ECA-Watch.

For more information on the issues, see the attached 2 page backgrounder.

At the Monterrey and Millennium summits governments worldwide pledged to achieve a series of important poverty-related goals by 2015. Among other important measures, the industrialized world promised to increase aid flows to enable increased social investments by those countries that are struggling to guarantee a future to their citizens.

While it is encouraging that a number of governments have announced increased aid levels in recent years, we are very concerned that many governments are falsely inflating their aid figures by including debt write-offs. Export credit debts alone increase the stated aid total of many countries by one quarter of their real amount.

This misleads the public, which assumes all promised aid will be spent on meeting the needs of poorer people. It also contradicts the agreements signed by governments at Monterrey and elsewhere which state that debt relief does not detract from aid (ODA). Furthermore, it needs to be noted that export credits are provided to support corporations in developed countries, and never qualify as development aid.

Rich country governments must therefore change the way they report aid statistics so that their citizens get a true picture and can hold them accountable.

The undersigned 57 civil society organizations from 24 countries therefore demand urgent action by governments to:

- a) Acknowledge that ECA support to domestic corporations does not serve development objectives as defined by ODA;
- b) Exclude cancellation of export credit debt from ODA, thereby removing these amounts from their reporting of progress towards the agreed United Nations target of 0.7% ODA/GDP;
- c) Establish regular audits to ascertain and publicly report on the origins of export credits debts;
- d) Cancel, as in the case of Iraq, all export credit debts that originate from export credit support to deals with undemocratic regimes.

Signatories:

Organization	Country/Continent
Afrodad	Africa
International Gender and Trade Network (IGTN)	
National Conference of Dalit Organizations and World Dignity Forum	
International Center for Labor Solidarity (ICLS)	
Mercy Global Concern	
Jubilee South in Asia and the Pacific	Asia
ATTAC	Asia
AID/Watch	Australia
Agez (Arbeitsgemeinschaft Entwicklungszusammenarbeit)	Austria
Koo	Austria
All Together	Bangladesh
Anti-Privatization Forum	Bangladesh
Friends of the People	Bangladesh
WIDE	Belgium
IBIS	Denmark
MS Danish Association for International Co-operation	Denmark
FinnWID	Finland
KEPA	Finland
Agir ici	France
Plate-forme Dette et Développement	France
CCFD - Comité catholique contre la faim et pour le développement	France
ECA Watch	France
People's Alliance (HKPA)	Hong Kong
India Movement for National Land and Agricultural Reform (MONLAR)	India
Trade Union Centre WARBE	India and Bangladesh
Action Aid	Indonesia
Jubilee Iraq	Iraq
CRBM	Italy
Mani Tese	Italy
Sdebitarsi	Italy
Karmojibi Nari – KN	Ivory Coast
SARI	Japan
Weed	Germany
Cordaid	Netherlands
Jubilee Nederland	Netherlands
Oikos	Netherlands
Wemos	Netherlands

Both ENDS	Netherlands
Alab-Katipunan	Philippines
Freedom from Debt Coalition	Philippines
Fisherfolks Movement	Philippines
Kilusang Mangingisda	Philippines
Forum National sur la Dette et Pauvrete	Sri Lanka
Gigi Francisco	South Africa
Alliance of Progressive Labor (APL)	South Korea
Au Mei Po	South Korea
Institute for Global Justice	South Korea
KOPA	South Korea
Diakonia	Sweden
Berne Declaration	Switzerland
Swiss Coalition of Development Organizations	Switzerland
Women's International League for Peace and Freedom	Switzerland
Thai Labor Campaign Alliance	Thailand
Alliance of Food Sovereignty	Thailand
Alternative Agriculture Network	Thailand, India and Philippines
Focus on the Global South	Philippines
Corner House	UK
Engineers Against Poverty	UK

Export credit debt write-downs: distorting aid figures, misleading the public.

Introduction

Around one third of the total external official debt of developing countries is export credit debt. Many of these debts are the result of Northern government support for deals between greedy companies and illegitimate regimes in the South. Northern governments channel such support via export credit agencies (ECAs). While it is positive that Northern governments are in many cases writing off export credit debts it is totally unacceptable that they are doing so from current aid budgets. Such action is contrary to international commitments on aid and debt and prevents the public from holding their governments to account for their lack of action on real aid increases.

The issue of how export credit debt is incurred and treated is a growing concern for civil society organizations both in the North, where it is originated, as well as in the recipient countries in the South where its effects are felt, deal after deal and year after year. The global campaign to reverse these practices is rapidly gaining ground. Civil society as well as trade unions and Parliaments are questioning the grave distortions arising from ECA support to corporations.

Rich country governments should both write off their outstanding export credit debts for low-income countries, AND provide additional aid in line with their UN commitments.

Commercial risks: public debt

The risks taken by rich country companies have become a burden of developing nations. These debts are only cancelled in case the Paris Club of at least 19 creditor countries concludes a rescheduling deal with individual indebted countries. The creditor countries generally report all debt cancellation as Official Development Assistance (ODA) expenditure.

The rules of what may and may not be reported as ODA are drawn up by rich country representatives in the Development

Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC). This OECD DAC allows creditor countries to report all debt cancellation as ODA, disregarding the issue of how this debt came about.

ECA supported transactions are never required to serve development purposes. A well-known notorious example is the US\$2 billion Bataan nuclear power plant in the Philippines, which was never used. Such a project would never have been possible without ECA support. Rich country governments should, therefore, accept co-responsibility for these deals and guarantee that local people are not left to pay the bills for projects they never asked for. Instead, however, they punish developing country citizens by reducing the amount of aid available to them.

Rich country governments are using “redefined” ODA statistics to increase ODA, without

How export credits create debt

Governments use export credit agencies (ECAs) to provide financial support to domestic companies to do business abroad. The agencies insure, on behalf of the State, private sector investments in countries considered “risky”. Developing country governments in turn have to provide counter-guarantees for such deals.

In cases of default, the Northern company is reimbursed by the ECA, which then tries to recover these sums from the developing country government. ECAs thus turn corporations’

actually transferring any money. The practice of including export credit debt write-offs as aid contradicts the same government's pledges to increase aid flows to 0.7 per cent by 2015 in order to play their part in the achievement of the Millennium Development Goals (MDGs). In these pledges they committed to extra debt relief without any diversion of ODA funds: such goals can be achieved only if the resources made available are real, not statistical tricks.

Commenting on the case of export credit write-offs to just one country (Iraq) the Financial Times, in an editorial of 12 April 2005, commented: "next year, the first \$15bn to be written off will boost OECD members' aid total by more than 15 per cent. This is misleading. A writedown of unpayable commercial bad debt to an oil producer is not comparable to aid to Africa to combat HIV-Aids or build ports. The official export credit agencies whose often questionable loans generate much of the bad commercial debt are mercantilist export promoters, not aid agencies."

In the official OECD report on aid levels only one country – unfortunately not named due to the secretive way this organization operates – has reported export credit debt cancellation expenses separately from ODA. Other governments can and should follow this excellent precedent.

Murky deals: creditor responsibility and the need for transparency

Given its very nature and purpose, the cancellation of ECA debt should not be attributed to developing countries' public debt. Instead, it needs to be fully paid for from the premiums and interest that corporations paid to obtain ECA support. Furthermore, many of these ECA debts are odious – i.e. taken on by dictators and similar regimes, as in the case of Iraq, the large part was and is, first and foremost, used to serve strategic geo-political and economic interests of industrialized governments, rather than the well-being of local population.

In the case of Iraq it seems that creditor country governments have explicitly or implicitly acknowledged their responsibility for ECA debt. They agreed to concede an 80 percent debt reduction last November, a treatment that will reduce the total debt stock from 38.9 billion to 7.8 billion US dollars. This was more than the whole of Africa has received in debt cancellations of any type in the last 10 years.

Country examples

In France, 29 per cent of official development aid is devoted to debt relief. Of this amount half is ring-fenced to cancel export-credit debt.

In the Netherlands, debt relief has not been funded by additional money. The most recent figures show that €300 million is reserved for export-credit cancellation, 10 per cent of the annual aid budget.

OECD country governments must acknowledge that export promotion for Northern companies cannot be counted as development efforts. They must confirm that ECA support and ODA are two entirely different mechanisms. They must make ODA definitions much more transparent, becoming fully accountable to their own citizens and those of Southern countries on implementation of their international commitments. ECAs should open their books and agree to regular parliamentary audits of their transactions.

Further information and links

www.eca-watch.org and www.eurodad.org