

Atradius DSB and the Dutch government

What they can do for sustainable development



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RECOMMENDATIONS FOR ATRADIUS DSB AND THE DUTCH GOVERNMENT TO AVOID NEGATIVE IMPACTS OF OFFICIAL EXPORT CREDIT SUPPORT FOR SUSTAINABLE DEVELOPMENT

The business of export credit agencies (ECAs) is to support the domestic private sector in promoting exports and investments abroad. Most industrialised countries have such an institution. While the scope of ECA-supported transactions is to provide support internationally, often in developing countries, the primary aim of ECAs is to promote the domestic private sector. In this respect ECAs differ distinctly from development agencies that primarily aim to contribute to development abroad. >

> Although ECAs have no sustainable development mandate, ECA-supported activities certainly have significant impacts on the scope for sustainable development, particularly in developing countries. ECAs have no business in directly contributing to sustainable development. As government supported public agencies, however, ECAs have a significant responsibility in doing their utmost to avoid negative impacts on sustainable development efforts and prospects.

The Dutch export credit facility is in tune with the recommendations of the OECD Common Approaches. In other words, it is in harmony with the international standards of ECAs. It conforms to most of the recommendations of the OECD on common approaches on environmental and officially supported export credits. However, the measures promoted in these so-called 'Common Approaches' and the record of most ECAs in the field fall well short of the safeguard policies of most international financial institutions. In addition, the Netherlands government and its ECA Atradius Dutch State Business (Atradius DSB) could make significant improvements in their policies to help avoid the business transactions they support having negative impacts on sustainable development.

General recommendations:

- Atradius DSB formulates an overall sustainable development policy that contains quantified policy targets and outputs.
- Atradius DSB produces an annual sustainability report that complements its annual report.

Sustainable development is generally defined as development that meets the needs and aspirations of the current generation without compromising the ability to meet those of future generations. The broad concept of sustainable development is closely identified to environmentally friendly development that does not over-exploit natural resources. However, various other closely related dimensions of development are essential ingredients to facilitate sustainability. Several mutually related aspects of sustainable development are relevant to the activities of ECAs.

1

INFORMATION DISCLOSURE AND TRANSPARENCY

Atradius DSB publishes limited information on individual transactions 30 days after issuing a policy. In the case of projects with severe environmental impacts, environmental information, or a summary thereof, is made available to the public during a period of 30 days preceding (ex ante) the issuing of the insurance policy. The website of Atradius DSB provides the main points of its policies regarding CSR and environment. The release of this information is mainly inspired by international agreements within the context of the OECD Common Approaches.

So far, the reference to ex ante information is only available in the Dutch language. This is in contrast to many other sections of the website of Atradius DSB, which are available in English. Access to information is essential to enable all relevant stakeholders in processes of sustainable development to participate in decision making. In addition, access to information is critical for developing access to justice on issues of contention.

The OECD Common Approaches also require ECAs to, at least once per year, make available to the public information on projects that have been classified as environmentally sensitive. Apart from a few general sentences in its Annual Review, Atradius DSB does not make further information on environmentally sensitive projects available. Information on the monitoring and/or evaluation of the impacts of supported transactions is lacking.

2

Recommendations:

- Atradius DSB formulates an Information Disclosure Policy, which clarifies what information Atradius DSB will make available to the public. It should explain what kind of information Atradius DSB is keeping, and why specific information is either disclosed or not. For information that may be disclosed, it should indicate what information will be disclosed automatically on its website, and what information may be made available upon request only.
- Atradius DSB makes sure that stakeholders of the activities it supports abroad have access to its information. For that reason, all information relevant to sustainable development should be made available in appropriate (local) languages.

ENVIRONMENT

The policies of Atradius DSB regarding the environmental impacts of supported transactions are in line with the internationally agreed OECD Common Approaches. Since February 2005, additional requirements regarding access to environmental information following the Aarhus Convention are in force. Atradius DSB did not yet indicate what this implies for its obligations on the publishing of environmental information that it keeps. Under the Aarhus Convention there is a clear case for the publication of all information relating to the environmental screening of projects. So far, Atradius DSB does not screen the environmental impacts of transactions that request an exchange rate cover or a guarantee cover. It is hard to understand why such transactions should continue to be exempted. Also it is unfortunate that Atradius does not specify how it exactly decides when adverse environmental impacts are absent, limited, substantial or major. The distinction of these categories determines the categorisation of transactions, and therefore the kind of environmental information that is requested from applicants.

Recommendations:

- Atradius DSB provides an overview of the environmental information that it keeps and indicates which information it may share with the public.
- Atradius DSB publishes the detailed procedures that determine the qualification of adverse environmental impacts and describes the indicators used for this.
- Atradius DSB decides that it will apply the environmental screening process for the complete project that the transaction for which support has been requested may be part of.
- Atradius DSB screens adverse environmental impacts of all transactions it receives applications for.

3

BRIBERY AND CORRUPTION

The policies of the Dutch export credit facility on issues of bribery and corruption are quite good, and better than those of most other ECAs. Atradius DSB requires details on commission eventually paid to obtain the contract for which export credit support is requested. Enhanced due diligence will automatically happen in all cases where the amount of commission reportedly paid for the contract exceeds 5% of the contract price or an amount of € 4,538,000. However, it is noted that in the case of suspicions of bribery, Atradius DSB employees are not required to report such instances to investigative authorities. Since Atradius DSB does not consider itself an investigating agency, cases of suspicions are only reported to the Ministry of Finance. No cases of investigation have become public. While the policies on bribery and corruption are good, their implementation might be strengthened.

Recommendations:

- Atradius DSB makes it a matter of policy that any suspicion of bribery is reported to relevant investigative authorities in the justice department.
- Atradius DSB announces any referral of cases of suspected bribery to the public at large in a press release.
- Atradius DSB annually reports on the results of enhanced due diligence investigations.

4

DEBT AND ECONOMIC SUSTAINABILITY

Persistent debt problems are a major obstacle for the sustainable development of many developing countries. A substantial part of the bilateral debt of developing countries originates from the default of export credit supported business transactions. The cancellation and prevention of such export credit debt is in the interest of developing countries. On the other hand, it is in the interest of the Dutch export credit facility – like any other ECA – to recover all claims, and to provide cover for as many new transactions as possible. In that way there is need for a fair balance between these sometimes opposing interests.

Recommendations:

- Atradius DSB introduces a transparent accounting mechanism that shows its compliance to the international break-even requirement according to which income from premiums, interest and recoveries in the long run balance the costs and losses of the export credit facility.
- To avoid the cancellation of export credit debt to be paid from the ODA budget of the government, Atradius DSB reserves its income to account for future losses due to agreements to cancel bilateral debt.
- Atradius DSB formulates a transparent policy that balances the (increasing) demand for export credit support against the interest of developing countries to avoid building up new unpayable debts.
- Atradius DSB clarifies the role and function of its debt collection department and annually reports on the performance of Atradius Provenuen B.V.

5

HUMAN AND SOCIAL RIGHTS

Atradius DSB does not screen the social conditions in transactions for which export credit support is requested. Though in 2001 screening criteria for social issues were announced, such criteria were never introduced. Atradius DSB requires applicants to state that they are familiar with and will implement the OECD Guidelines on Multinational Enterprises to the best of their ability. Applicants for investment insurances also need to state in the application form that child labour and forced labour did not happen, and that no limitations have been imposed on the rights of workers to organise themselves and to engage in collective bargaining. International sanctions against specific countries for reason of structural violations of human rights will be followed. In addition, social issues mentioned in the OECD Common Approaches, such as impacts on involuntary resettlement, indigenous peoples and cultural property are taken into account. Though it is good that applicants have to respond to some questions on social issues, it would be better for Atradius to introduce a review of a social impact assessment to be submitted by the applicants. Such a review would complement the environmental screening process.

Recommendations:

- Atradius DSB develops a screening procedure for all social issues in which all its screening criteria are clarified.
- Atradius DSB annually reports on the results of the social screening procedures.

6

CONSULTATION AND PARTICIPATION

Atradius DSB has no policies regarding consultation and participation, despite these issues being critical aspects of sustainable development. Occasionally, consultations are organised with CSOs in the Netherlands, but these are not a structural element of the policy development process of the Dutch export credit facility itself. Atradius DSB does not require its applicants to consult with local stakeholders regarding eventual impacts of the planned transaction. Atradius DSB itself also does not include consultations with local stakeholders as regular part of its review activities.

Recommendations:

- Atradius DSB formulates a consultation and participation policy that facilitates access to decisionmaking for all relevant stakeholders.
- Atradius DSB requires applicants to report on consultations with local stakeholders in all transactions requiring an environmental appraisal.
- Atradius DSB promotes applicants to explore possibilities to negotiate legally binding agreements with affected communities.
- Atradius DSB includes stakeholder consultations as part of its monitoring and evaluation activities of supported projects.

7

MONITORING AND COMPLIANCE

Contrary to its mother company, Atradius DSB does not publish an annual report. It only publishes an annual review, which is available at its website. Atradius DSB does not publish monitoring and/or evaluation reports. Atradius DSB has no mechanism through which project-affected people could file complaints about transactions it supported.

Recommendations:

- Atradius DSB publishes annual reports in which it reports on its performance, both in terms of finances as well as in terms of impacts on sustainable development dimensions.
- Atradius DSB introduces and presents a manual describing all its operational policies.
- Atradius DSB annually presents an overview of its monitoring and/or evaluation reports on the impacts of supported transactions.
- Atradius DSB initiates a complaint mechanism for people affected by supported transactions.
- Atradius DSB introduces an accountability mechanism to address claims of project-affected communities of non-compliance with its operational policies.

Both ENDS also published a briefing paper on this subject:

Balancing Risk: What Export Credit Agencies can do for sustainable development.

Please contact the Both ENDS office to order a hard copy, or visit our website to download an electronic version:
www.bothends.org