

# Reform of Australia's Export Credit Agency

## **Reform Australia's Export Credit Agency and strengthen human rights safeguards to guarantee Australian taxpayers do not bankroll environmentally or socially risky projects.**

Export credit agencies, such as EFIC, exist to stimulate trade by reducing costs and risks for domestic companies to export or invest in overseas markets, often in developing countries. EFIC fills a gap for Australian businesses that are seeking to enter overseas markets by offering loans and insurance that is not available through private or commercial banks and other traditional sources of finance because the projects involved carry significant risks that these other financiers do not want to take on.

The Australian Government should review EFIC's role and reform its current working practices in which decision making processes are secretive, information is not disclosed to Australian tax payers or to the people who may be directly and potentially negatively impacted by EFIC-supported projects. EFIC does not adequately incorporate environmental, social or human rights considerations into its funding decisions.

Globally there is significant action from business and governments to strengthen human rights protections to ensure that business does no harm. The role of export credit agencies is central to this.

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## The current situation

A significant proportion of EFIC financial support goes to large mining projects that, due to the nature of mining activities, can pose threats to local environments and communities. These risks are compounded when mining occurs in conflict and post-conflict areas, or in states where the political and legal structures that should provide social and environmental protections are absent or weak. It is in these high risk countries that EFIC support is typically sought from Australian companies.

Increased transparency and disclosure, and strengthened environmental and social safeguards are necessary to ensure that EFIC does not finance overseas projects that will result in significant harm to local environments, social structures and people – including through serious human rights abuse. The history of EFIC support for mining projects is littered with numerous examples of projects that have caused significant harm to local environments and people – including the Bougainville, Ok Tedi and Porgera mines in Papua New Guinea. Without EFIC reform, Australia will continue to back risky projects that may result in significant harm to local communities, and that may result in damage to Australia's international reputation and have political and legal implications for EFIC itself.

The Australian Government, and EFIC as a public agency, has a duty to ensure that Australian companies operating overseas do no harm. International law provides that States have a duty to protect against human rights abuse by third parties, including business.

## *Oxfam Australia recommends:*

In line with its role as a good international citizen, the Australian Government has an opportunity to show real leadership on this issue. By reforming EFIC the Australian Government would send a strong signal to other states that it is serious about transparency and disclosure, and environmental and social protections. It would also send a strong signal that there are the minimum requirements expected of all Australian companies operating overseas – Australian companies will then have a competitive advantage when trying to do business overseas due to an improved reputation for the way they conduct business.

The EFIC Environment and Social Policy Review (August 2010) was inadequate. A comprehensive inquiry and reform of EFIC is required.

## *Specific reforms should include:*

- Increasing transparency and disclosure by
  - Requiring the public release of project impact assessments and records of how decisions are made, and compliance and monitoring reports
  - Publishing the minutes of Board meetings
- Strengthening social safeguards including by requiring human rights due diligence of potential EFIC backed projects
- Implementing an independent oversight function, similar to the Compliance/Advisor Ombudsman of IFC/World Bank

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