

2001-2008: who benefits from COFACE guarantees?

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Les Amis de la Terre (Friends of the Earth France) is an association specialised in human and environmental protection. It was created in 1970 and helped establish the French ecological movement, as well as to form the world's first ecological network, *Friends of the Earth International*, which is present in 77 countries, uniting over two million members. Les Amis de la Terre does advocacy work towards economic and political decision-makers and raises the general public's awareness regarding environmental issues. To do so, it relies on a network of 30 local groups.

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Summary

This report analyses the Coface guarantees made on behalf of the State between 2001 and 2008. It also makes related recommendations.

1. Coface: a major public policy tool to support exports

Founded in 1946 by the State and privatised in 1994, Coface (*Compagnie Française d'Assurance pour le Commerce Extérieur*, a French insurance company for foreign trade) is now 100% owned by the investment bank Natixis. In addition to its private sector activities, since its creation, Coface has managed guarantees intended to support French exports, on behalf of the State. This involves insuring risks which cannot be insured on the private market, for the benefit of French companies. Coface is paid by the State to manage these procedures, under a financial agreement, which is renewed every four years. Despite requests by Les Amis de la Terre, this agreement has never been made public, in spite of the fact that it determines the operating conditions of the most important French public policy tool used to support exports.

The Committee on Guarantees: obsolete and opaque

It is the "Committee on guarantees and export credit", which decides which guarantees are made on the State's behalf, based on the documents and analyses presented by Coface. The composition of the Committee is determined by a decree, which became obsolete in 1949, and which has never since been revised. The obsolescence and opacity of this government Committee are detrimental to the sound understanding of French public policy on export facilitation, which involves several billion Euros per year. To this day, it remains extremely difficult for a French citizen to find out who it is that makes the decision with regard to the provision of government support for French exports. In concrete terms, it is essentially the DGTPE (Treasury and Economic Policy Directorate General), within the Ministry of Finance, which determines French public policy in this area.

The international rules surrounding public credits for exports are determined in the OECD framework. They mainly include the "Export Credit Arrangement" (1978), which sets the financial conditions of public support for exports, and the "Common Approaches on Environment and Officially Supported Export Credits" (2003), which is to be revised in 2010.

► Les Amis de la Terre recommends:

- Updating the 1949 decree which determined the list of Export Credit Guarantee Committee members;
- Including Members of Parliament in the Committee;
- Publishing the names of Committee members on the DGTPE and Coface websites.
- Updating the content on the Coface website regarding environmental issues: context of the OECD, publishing information, the environmental activities of Coface, reference documents.

Subsequent to the global financial and economic crisis, in 2009 in London, the G20 committed to supplying at least 250 billion dollars to encourage business via export credit agencies. For Les Amis de la Terre, this massive public financial commitment must, in return, serve as an opportunity to demand strict observance of existing ecological and social regulations, as well as establishing new regulations, to ensure that economic sustainability is supported by the government (and taxpayers). It should not further aggravate the excesses and abuses of the dominant economic model (climate change, pollution, human rights violations, poverty, etc.).

2. Coface guarantees, 2001-2008

Inconsistent Coface data

The total financial volume of the guarantees granted by Coface between 2001 and 2008 amounts to 25.8 billion Euros; an annual average of 3.2 billion Euros. Projects below 10 million Euros will not be disclosed publicly, which makes it impossible to conduct exhaustive analysis on support for Coface (and hence the government) by French SMEs, which are mainly involved in the "small" projects. In addition, the data is inconsistent with other data published by Coface. This problem is recurrent. Although Les Amis de la Terre has frequently requested further details on the published data, to date it has been utterly impossible to obtain a complete, precise overview of the guarantees granted by Coface each year on behalf of the State. It should be noted that "military affairs" guaranteed by Coface on behalf of the State are not published on the Coface website, not even their sum total. The opacity of Coface thus remains extremely important, as military guarantees respectively accounted for 50% of the total volume of Coface guarantees in 2002 and 59% in 2003.

Les Amis de la Terre believes that these inconsistencies must stop. In the middle of a financial crisis in which public powers are criticising the opacity of private financial actors, consistency demands that the data of public financial players be published immediately, to include all projects guaranteed by Coface on behalf of the State. This should include military projects. In addition, opacity is an optimum breeding ground for corruption, which the government is supposedly determined to fight against it.

Coface guarantees are concentrated in the following five meta-sectors:

- Aerospace (mainly Airbus);
- Transport (non-aviation): vehicles, infrastructure (especially rail and underground) and 10 very large contracts for cruise ships;
- Energy (generation and transmission): power plants, pipelines, electricity transmission, several large dams and the EPR nuclear reactor in Finland;
- Telecommunications: telecommunications equipment, installation or extension of GSM mobile phone networks;
- Industry: aluminium, steel, ethylene and plastic factories.

The transport sector alone accounts for two thirds of Coface guarantees (66.3%, or 17.1 billion Euros). The result is the same if one takes into account the number of projects guaranteed and not the total financial volume.¹ The energy sector and climate change will be discussed in the next report on Coface by Les Amis de la Terre, which is scheduled for November 2009.

The environmental categories of guaranteed projects

The most important aspect of this is not the classification itself, but rather the projects which manage to avoid this type of classification. For example, almost two thirds of guaranteed civil projects (63%) are not included in an environmental category. This means that they also avoid environmental analysis by Coface prior to their guarantee being granted. In addition, this data does not account for military contracts, which are consistently under a waiver clause. The result is therefore even more damning. Between 70 and 90% of contracts guaranteed by Coface escape any sort of environmental analysis.

Coface has already been challenged repeatedly by Les Amis de la Terre on this issue and has given the following explanations. As regards the "aviation, space and shipping" sectors, in particular, the exportation of arms and military equipment is beyond the realm of the OECD Common Approaches. These exclusions and limitations reduce more than significantly the environmental approach of Coface. In a State that has given constitutional value to its Environmental Charter, nothing can justify the continuation of this policy of public support for exports with such ecological laxity.

¹ For the aerospace sector, the data on the Coface website is not presented by country. Instead, it is cumulative and quarterly. In order to establish the number of aerospace projects, this report focuses on the number of airline companies which procure planes guaranteed by Coface.

► **Les Amis de la Terre recommends:**

- Ex-post publication of guaranteed projects under 10 million Euros;
- Ex-post publication of guaranteed projects in the military sector. For years, the Netherlands has published the overall volume of issues from annual State guarantees on military exports via their export credit agency. This does not negatively impact the confidentiality of operations. In a second phase, all these projects should be published.
- A full presentation on Coface guarantees, which highlights the proportion of guaranteed contracts to have been classified and an environmental analysis of all guaranteed projects;
- A revision of the OECD's recommendations on Common Approaches to specifically include, at least, the "aviation, space and shipping" sectors.
- France can, unilaterally and without waiting for revisions by the OECD, go further and immediately enforce a requirement for classification and environmental analysis specifically for the "aviation, space and shipping" sectors, as well as for the military sector. In both cases, the volume represents an extremely significant proportion of French exports.

The recipient countries of guaranteed projects

In total, 54 countries have hosted Coface projects between 2001 and 2008. The distribution between the recipient countries has been extremely uneven:

- Two States account for more than a quarter of Coface guarantees (Switzerland and Algeria);
- The main 15 recipient States account for three quarters of the guarantees;
- In contrast, 23 countries (40%) receive projects which are worth less than € 100 million over 8 years, and which are thus of very limited significance.

Of the main 15 recipient countries, three are developed (Switzerland, Finland, Japan, because of some very large cruise ship export projects, and the EPR nuclear reactor for Finland), 11 emerging countries, Russia, but no Least Developed Countries (LDCs). Only five of the 49 LDCs have hosted Coface projects in the course of eight years. The limited number of LDCs (Least Developed Countries) among the recipient countries, which is almost exclusively due to large energy exportation projects, confirms both the lack of world trade for them and the strictly commercial role of Coface, which is totally alien to the concerns of public development assistance.

This purely commercial approach raises the issue of consistency with the other French public policies. However, the French State has made several commitments as regards public development assistance (PDA), companies' social and environmental responsibilities, the strengthening of governance mechanisms in developing countries, respect for human rights, and the fight against corruption and against tax havens. Is the French commercial approach via Coface compatible with these commitments?

3. Recipient companies: Airbus and a handful of multinationals

The total number of companies which benefit from Coface guarantees is striking. In eight years, only 72 have received the 459 guarantees granted by Coface. Of the total 95,000 French companies which export,² this represents 0.08% of companies. Airbus alone benefits from 37% of all Coface guarantees. That is over a third (€ 9.5 billion between 2001 and 2008, or 1.2 billion Euros per year). This is followed by three other companies, which also benefited from over one billion between 2001 and 2008: *Chantiers de l'Atlantique* (€4.4 billion), Alstom (€1.9 billion) and Alcatel (€1.7 billion).

The top five companies thus receive 71% of Coface guarantees, while the top 10 companies benefit from 84% of these guarantees. This extreme concentration of French public export assistance is detrimental to the development of a solid, diversified, local industrial base. On the contrary, the French policy favours a handful of multinational companies, which are already established as world leaders in

² See http://eulerhermes.fr/fr/communication-analyse/communication-analyse_20091008_00119.html (in French).

their respective sectors. This "corporate welfare" in favour of multinationals is highly effective. Of the 15 main recipient businesses of the Coface guarantees, 10 are large French or foreign multinationals, such as Airbus, Chantiers de l'Atlantique, Alstom, Alcatel, Areva, Siemens, Bouygues, Spie and Vinci, General Electric, Thales, Technip and EDF. Frameca (France Metro Caracas) is a consortium established by French multinationals. DMS is the only midsize business to be a member.

Conversely, SMEs seem inadequately supported by the public support mechanism in place for exports, which is managed by Coface. The applications for SME guarantees represent one third of the total number of requests for guarantees, but only 1% of the sums of money accepted.³

► **Les Amis de la Terre recommends:**

- The exhaustive publication of Coface's SME policy and the guarantees provided by Coface to SMEs so that its overall effectiveness can be analysed;

- The establishment of a multi-disciplinary working group comprising ministers, parliamentarians, exporters and civil society, in order to examine whether, above all, the current public aid policy for French exports, which primarily involves Coface providing strong support to a handful of multinationals, is consistent with France's commitments to provide support to SMEs (and to eco-technology⁴ companies, in particular) and the "green economy".

4. Corporate responsibility brushed under the carpet?

How does the French policy of public export assistance account for exporters' social and environmental liabilities, and does it impose certain societal obligations on exporters?

Environment

Besides the obligation to respect the OECD's Common Approaches on the Environment (see Part 1.2), Coface has also developed its own environmental guidelines for the sectors at greatest social and environmental risk (thermal power plants, large dams, construction projects, hydro-carbon projects: Extraction / Transport / Refineries / Petrochemicals / Storage).

These guidelines are of interest, but they are now obsolete. For the construction sector, they date back to December 2006, and all the others date back to January 2004. They have never been revised since, despite the significant developments of social environmental requirements in recent years (notably those which relate to the climate). In addition, they do not affect all sectors in which Coface is asked to provide guarantees.

Finally, the climate issue, which affects all sectors, is currently only taken into account in a piecemeal, marginal fashion in certain specific aspects of the guidelines for the sector. Coface has no carbon accounting system for the guarantees granted on behalf of the French State. It does not even require that French exporters calculate and publish their projects' carbon emissions. This approach entirely contradicts French commitments in the framework of international climate negotiations, particularly the strategy of the historic summit in Copenhagen in December 2009. The argument that the aeronautical sector is not subject to the OECD's Common Approaches, but only to the Agreement, today constitutes an unjustifiable technocratic excuse, given the global mobilisation required to avoid climate catastrophe.

In addition, it is not yet possible to determine whether the environmental procedures of Coface are applied correctly:

³ Coface, Powerpoint Presentation, "DMT Meeting / clients, 22 October 2003," p.19, (Coface, powerpoint de présentation « Rencontre DMT / clients).

⁴ The environmental technology sector accounts for over 60% of SMEs-SMIs, according to a study carried out by the Assembly of French Chambers of Commerce and Industry (ACFCI).

- Coface does not publicise the environmental reviews it carries out on the applications for guarantees, which it sends to the government (Guarantees Commission) as a basis for decision-making;
- The government grants itself the power to waive its own rules when it wishes, and the OECD also authorises it to do so (the government need only notify and justify the OECD's exemption). These exemptions are unacceptable because they call into question the entire system of norms, seriously discrediting it.

► **Les Amis de la Terre recommends:**

- The updating of all Coface environmental guidelines in the sector in 2011, based on the best international practices of the past years, and in the context of public consultations involving civil society;
- The creation of complementary policies in sectors that are not yet covered, particularly aerospace, industry and electricity transmission;
- The creation of a very ambitious cross-sector climate policy. The creation of this policy will be announced at the Copenhagen Summit in December 2009, and it must be implemented by 2010;
- The publication of environmental notices by Coface on guarantee applications;
- The removal of the exemption which enables France to violate its own environmental standards in its public policy to facilitate exports (by deleting Article 13 of the OECD's Common Approaches when they are revised, which is scheduled to take place in 2010).

Fight against corruption

Subsequent to the OECD's recommendation on corruption and export credits, which received public support (December 2006)⁵, in January 2007 Coface established an "Ethics Charter", which is applicable to public procedures⁶. While this measure is of interest because it strengthens obligations to provide information and be vigilant at various stages of the guarantee procedure, and because it created an anti-corruption committee within Coface, it nevertheless has several serious shortcomings. In particular, the Coface Ethical Charter does not include any sanctioning mechanism, which would make it possible to prevent a French company from receiving public support for exports after being convicted of corruption (blacklisting).

► **Les Amis de la Terre recommends:**

- That an anti-corruption procedure be introduced as a sanction. The company should be banned from receiving any kind of public guarantee for five years following the conviction (10 in cases of repeat offences).

Social responsibility and environmental responsibility

The various sets of environmental and social norms for businesses include the "OECD Guidelines for Multinational Enterprises", to which France has subscribed for many years. For the sake of consistency, it is logical to consider that compliance with these principles is imperative in a project which is publicly supported by the government via Coface.

However, Coface merely asks the French exporter to "take note" of these principles. It does not enforce their observance. This extremely limited requirement is by no means sufficient to avoid violations of these guiding principles by French exporters. In addition, Coface has no means of banning a French company which exports from receiving a public guarantee when it has been convicted or blacklisted:

for a serious violation of salary, social or environmental laws;

for use of or domicile in a tax haven, despite countless government statements against tax havens in recent years.

⁵ See http://www.coface.fr/dmt/_docs/RecomOCDEluttecorJan2007.pdf

⁶ http://www.coface.fr/dmt/_docs/chartethiqanticorJan07.pdf

► **Les Amis de la Terre recommends:**

- A Coface procedure which clearly and specifically demands comprehensive observance of all OECD Guidelines by all French exporters (especially for category A and B projects categories, which have the greatest impact);
- A procedure regarding respect for environmental and social obligations by companies, to include, as a sanction, the prevention of any company which has been convicted from receiving any public guarantees for 5 years after the conviction (10 in case of repeat offences);
- A procedure which forbids Coface from providing public support for a business or project registered as domiciled in a tax haven, unless it is the place in which the export project is actually implemented and not a purely financial operation.

1. Context

Since 1996, Les Amis de la Terre has been conducting a campaign on public financial institutions (initially the World Bank). In 1999, the campaign was extended to include Coface, the French agency for export credit insurance, which acts on behalf of the French State. In 2005, the campaign was also extended to include private financial players (banks and French insurance firms). Entitled *Financial actors accountability*, the campaign demands:

- The integration of best international practices into the norms and practices of Coface;
- Transparency of its activities and a more democratic operating system (participation of various relevant Ministries and of Parliament in the strategy to support French exports);
- The implementation of demanding policies in sensitive sectors: energy / climate change, exploitation of natural resources, etc.

This report analyses the Coface guarantees on behalf of the State from 2001 to 2008, and makes recommendations.

1. Functioning of Coface on behalf of the State⁷

A private company registered by the State

Founded in 1946 by the State and privatised in 1994, Coface (French insurance company for foreign trade) is now 100% owned by the investment bank Natixis, a joint subsidiary of the French groups, *Caisse d'Epargne* and *Banque Populaire*. Coface helps companies protect, fund, control and manage their commercial debt via four business lines: credit insurance, factoring, ratings and business information and debt management.

Along these private activities, since its creation, Coface has managed guarantees on behalf of the State. That is, guarantees aimed at supporting French exports under the provisions of articles L 432-1 to L 432-4 of the Insurance Code. This benefits French companies by insuring risks which cannot be insured on the private market.

On behalf of the State, five types of guarantees are thus managed by the Directorate of Public Guarantees (DGP, which brings together the former Coface Directorates of medium term management and insurance prospecting):

- Medium and long term credit insurance, in particular, is by far the most significant financial volume (guaranteed "big contracts" for civilian and military exports for more than two years);
- Insurance prospecting;
- Change of insurance;
- Insurance risk exporter / guarantors of deposits and pre-financing;
- Investment guarantees.

Coface is paid by the State to manage these procedures, under the terms of a financial agreement which is renewed every four years. Despite requests from Les Amis de la Terre, this agreement has never been made public, though it determines the operating conditions of the most important French public policy tool for export support.

How does credit insurance function for exports? The mechanism is simple: when a buyer does not pay an invoice, the supplier, who has signed a credit insurance contract with Coface, asks Coface for payment. Coface thus replaces the defaulting buyer. The credit insurance of the "big contracts" is managed by Coface on behalf of the State and the premiums paid by the insured companies come back to the State (and are not reflected in Coface's consolidated accounts). In the case of disaster, it is the State which pays an indemnity to the guaranteed French exporter.

⁷ See Coface, « Modalités des relations entre l'Etat et la Coface », http://www.coface.fr/dmt/ruba_gen/indexa.htm

Similar public guarantee mechanisms exist in all rich countries (OECD member countries), the major emerging countries and, increasingly, in developing countries.

The Guarantees Committee: obsolete and opaque

It is the "Committee on Guarantees and Credit to Foreign Business" which decides which guarantees are made on the State's behalf, based on documents and analyses presented by Coface. The Committee also considers all matters relating to export insurance credit, which it receives from the Minister of Finance.

The composition of the Committee is determined by a decree which became obsolete in 1949⁸ and which has never been revised since. It thus lists representatives of institutions that have not existed for years or even decades. In addition, the body includes no parliamentarians, contrary, for example, to the supervisory board of the French Development Agency (AFD), the body predominantly responsible for French policy on public aid for development, which includes two deputies and a senator. Finally, despite requests by Les Amis de la Terre, the names of the Committee members have never been made public. **The obsolescence and opacity of this government committee make it difficult to establish a good understanding of French public policy on export credit, which involves several billion euros per year. To this day, it remains extremely difficult for a French citizen to establish who makes the decisions regarding public support for French exports.**

The Treasury and Economic Policy Directorate General (DGTPE) in the Department of Finance submits the requests for guarantees for review by the Guarantee Committee, for which it serves as a secretariat. The Director of Foreign Economic Relations at the Ministry of Finance is also chairman of this Committee. More broadly, it is therefore the DGTPE which, for the most part, manages relations with Coface. It is also the DGTPE which represents France in international negotiations on public export credits at the OECD (see next section).

► Les Amis de la Terre recommends:

- Updating the 1949 decree establishing the list of the Committee on Guarantees and Foreign Trade Credits;
- The introduction of parliamentary representatives to its membership;
- Publication of the names of Committee members on the DGTPE and of Coface websites.

2. The OECD framework

The OECD (Organisation for Economic Cooperation and Development) is the only international organisation which is officially mandated to work on public export credits.⁹

The OECD Arrangement¹⁰

For export credits, which receive public support and are accompanied by a system of delayed reimbursement over two years or more (the "big contracts"), an "Export Credit Arrangement" was established in 1978 and has been regularly revised since that time. It is a commitment, based on multilateral surveillance, referred to as a "gentleman's agreement". It relates to 9 participants¹¹ and does not allow for sanctions or dispute resolution procedures. It constitutes neither an act of the OECD, nor an international agreement. It has nevertheless become an integral component of Community law, subsequent to a European Council decision, and it is explicitly accounted for in the agreements of the World Trade Organization (WTO).

⁸ Decree n° 49-1077 of 4 August 1949, regarding the composition and functioning of the Committee on Guarantees and Credit for foreign business

⁹ It also includes a Group Export Credit, "Working Party on Export Credits and Credit Guarantees, "since 1963 http://www.oecd.org/document/24/0,3343,en_2649_34169_1844760_1_1_1_1,00.html

¹⁰ See OECD, "Arrangement on Officially Supported Export Credits," http://www.oecd.org/document/42/0,3343,en_2649_34171_40898090_1_1_1_37431,00.html

¹¹ Australia, Canada, European Union, Japan, South Korea, New Zealand, Norway, Switzerland, USA

The objective of the Agreement is "to organise government intervention in trade and to promote transparency in order to maintain competitive conditions, based on factors which are technical and commercial, as opposed to financial"¹².

Military equipment and agricultural products do not come within the scope of the Agreement. Agreements by sector govern specific sectors (particularly aircraft, ships, nuclear plants, renewable energy).

The OECD Common Approaches¹³

In 1999, particularly after related campaigns, the G8 and OECD member states accepted the principle of commitment to protecting the environment by public credit agencies exporting from the OECD. In November 2001, "Common Approaches to Environment and officially supported export credits" were adopted at the OECD on an informal basis. Renegotiated in 2003, these approaches have led to the adoption by all Member States of an OECD recommendation of December 2003, which was revised in 2007. The next review of Common Approaches will take place in 2011.

The main points in the "Common Approaches" are:

- The screening of applications for credit insurance, in order to identify projects likely have a negative impact on the environment;
- Classification of projects into three categories (A, B, C), according to the significance of potential environmental impacts;
- A so-called environmental evaluation, which must address all potential impact and, for the most sensitive projects (Category A), must be based on a full environmental impact study;
- Should the project require it, specific environmental conditions must be established and applied to the guarantee, and environmental monitoring should occur;
- The communication of environmental information before the request for a guarantee is accepted (Ex-ante transparency, at least 30 days before making a decision for Category A projects);
- Publication of information on projects in categories A and B, which have awarded a guarantee (ex-post transparency);

Despite requests by civil society, including Les Amis de la Terre, the non-compliance with these obligations is still possible under a clause of the Common Approaches.¹⁴

It must be noted that the Coface website, which presents this framework and which explains the environmental approach of Coface, has not been updated for years. The latest updates on the Common Approaches and the OECD Arrangement date back to 2005.¹⁵

► Les Amis de la Terre recommends:

- Updating the Coface website on environmental issues: OECD framework, publication of information, environmental activities of Coface, reference documents.

3. The evolution of public export credits and the financial crisis

In recent years, significant developments have occurred in public policy on export assistance of OECD countries. The main development has been to expand access to State guarantees:

- to projects which include a more significant "local dimension" (and consequently a weaker participation of French companies). Coface specified that "since February 2008, the rules of

¹² See http://www.coface.fr/dmt/rubc_asscrexp/indexc.htm

¹³ See OECD, "Recommendation on Common Approaches on the Environment and Officially Supported Export Credits," [http://webdomino1.oecd.org/olis/2007doc.nsf/Linkto/tad-ecg\(2007\)9](http://webdomino1.oecd.org/olis/2007doc.nsf/Linkto/tad-ecg(2007)9)

¹⁴ Article 13 of the Common Approaches, "In exceptional circumstances, a member may decide to support a project that fails to meet such international standards, in which case he shall, in accordance with paragraph 22, notify and justify the standards applied." [http://www.olis.oecd.org/olis/2007doc.nsf/LinkTo/NT00002B8E/\\$FILE/JT03228988.PDF](http://www.olis.oecd.org/olis/2007doc.nsf/LinkTo/NT00002B8E/$FILE/JT03228988.PDF)

¹⁵ See Coface, "The rules of the OECD," http://www.coface.fr/dmt/rubf_env/indexf.htm

*incorporation of the foreign entity have been relaxed*¹⁶. The foreign component can, however, account for over 50% of the sum that can be repatriated.

- to so-called strategic projects, even if they are not in the commercial interests of France. The decree of 8 October 2009¹⁷ is explicit. In the Insurance Code, after, "*In the interests of French foreign trade*", it adds the phrase, "*or in the presence of a strategic interest for the French economy*". It specifies, "*Interest is regarded as strategic for the French economy when it relates to French supplies of energy resources and raw materials, if they are not present in sufficient quantity on the national territory to meet the needs of businesses, households and public entities located in France*". It is energy security and access to resources which are sought after. Other OECD countries have made similar changes to their policy of public support for exports.

In 2009, the global financial and economic crisis, which was unprecedented since 1929, pushed States to respond by making a firmer commitment to support their exports. The initiative was launched by the G20 Summit in London on 2 April 2009, where 20 States set out to provide at least US\$ 250 billion over the next two years "to support trade finance through export credit and investment agencies." The OECD followed suit on 24 April 2009 with a declaration to "*coordinate export credit support to boost international trade and investment during the economic crisis*". It is the OECD which will coordinate this commitment¹⁸.

These are major public financial commitments. **For Les Amis de la Terre, they must be implemented in line with social and environmental commitments (particularly with regard to climate). The severity of the economic and financial crisis also involves another genuine environmental and social risk: that of reducing the environmental and social requirements in the context of this public support, to merely privilege short-term economic growth, which is counter-productive in the medium to long term. For Les Amis de la Terre, these massive public financial commitments must instead serve as an opportunity to demand, in return, strict observance of existing ecological and social regulations as well as newly established regulations, to ensure economic sustainability, supported by the government (and taxpayers). It should not further aggravate the excesses and abuses of the dominant economic model (climate change, pollution, human rights violations, poverty, etc.).**

It is in this context that Les Amis de la Terre has published this report, with the aim of analysing whether or not, in the last eight years (2001-2008), French public policy on export support has remained consistent with other French public policies, based on the projects effectively guaranteed by Coface on behalf of the State.

¹⁶ See Coface, « Règles d'incorporation des parts étrangères », http://www.coface.fr/dmt/rubc_asscrexp/indexc.htm

¹⁷ Decree No. 2009-1202 of 8 October 2009 which sets out various measures relating to public procedures managed by COFACE with the guarantee of the State, <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000021135742&dateTexte=&categorieLien=id>

¹⁸ OCDE, 24/04/2009 "Thirty-five countries have agreed to co-ordinate export credit support to help boost international trade and investment during the economic crisis. The OECD will host regular meetings to exchange information and monitor progress," http://www.oecd.org/document/19/0,3343,en_2649_34169_42624083_1_1_1_37431,00.html

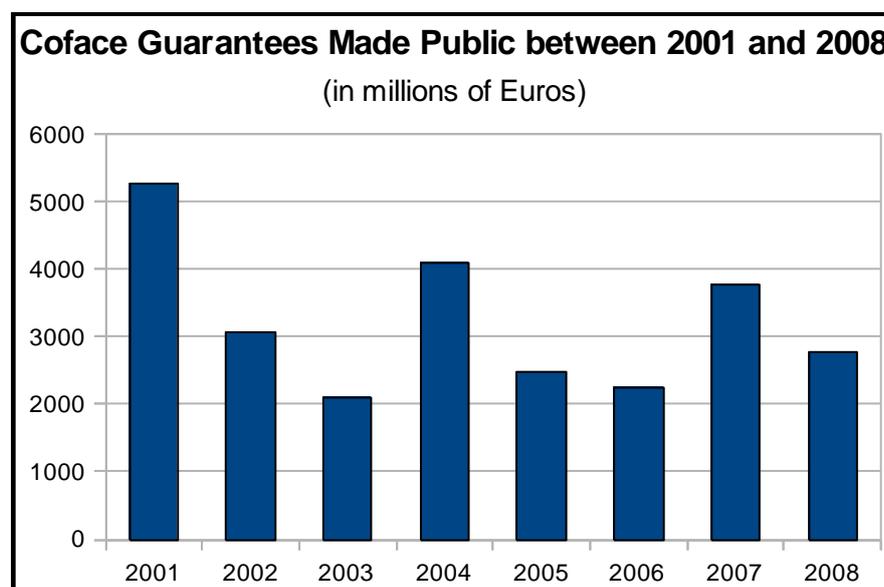
2. Overall volumes of Coface guarantees

All the data calculated by Les Amis de la Terre is based on the Coface database; largely that on the Coface "guaranteed contracts" website.¹⁹ The data used and the calculations carried out by Les Amis de la Terre are available online on their own website²⁰.

1. Financial volume of Coface guarantees, 2001-2008

Year	Financial volume (€ millions)	% of total volume	Number of guaranteed projects
2001	5,269	20.4%	64
2002	3,078	11.9%	51
2003	2,089	8.1%	40
2004	4,113	15.9%	61
2005	2,485	9.6%	57
2006	2,251	8.7%	55
2007	3,777	14.6%	68
2008	2,770	10.7%	63
TOTAL	25,832	100%	459

Source: Coface website²¹. Military exports are not published there and are therefore not included here as guarantees for civil projects of less than 20 million Euros for the period 2001-04, and of projects below 10 million Euros since 2005.



The total financial volume of the guarantees granted by Coface between 2001 and 2008 amounted to 25.8 billion Euros, representing an annual average of 3.2 billion Euros.

The evolution of annual guarantees does not reveal clear trends. The peaks in the three years of 2001, 2004 and 2007 can largely be explained by a few very large contracts, in excess of 300 million Euros

¹⁹ Coface, "Guaranteed contracts," (« Contrats garantis »), http://www.coface.fr/dmt/rubf_env/indexf.htm

²⁰ Les Amis de la Terre, <http://www.amisdela Terre.org/-Coface-et-aides-aux-exportations-.html>

²¹ See http://www.coface.fr/dmt/rubf_env/indexf.htm

in the cruise ship sector (a guarantee for a ship of around 400 million Euros), and to a lesser extent in the energy sector (the Areva guaranteed nuclear reactor in Finland for 570 million Euros in 2004).

If we deduct the annual guarantees of these very large contracts, the total sum is between 2 and 3 billion Euros per year.

The average guarantee per project is 56 million Euros. The number of guaranteed projects did not change significantly between 2001 and 2008 (57 projects per year, on average) despite the threshold for project publication being lowered from 20 to 10 million Euros in 2005. In the 10 to 20 million Euros range, there are some ten projects per year. Projects of less than 10 million Euros are not made public, which makes it impossible to conduct exhaustive analysis of Coface support (and therefore of the Government) for French SMEs, which are most affected by "small" projects.

► **Les Amis de la Terre recommends:**

- Ex post publication of guaranteed projects of under 10 million Euros.

2. Repeatedly inconsistent Coface data

The data presented above, which was taken from the Coface website,²² does not correspond to other data published by Coface and this problem happens repeatedly. Although Les Amis de la Terre has frequently sought clarification on the data published, to date it has been utterly impossible to obtain a complete, precise overview vision of the guarantees granted annually by Coface on behalf of the State.

2.1. Different data published at meetings with Coface clients

Each year, Coface presents its activities to French exporters on behalf of the State. The data presented at these meetings is as follows.²³

For the year 2002:

Guaranteed Contracts in 2002 (billion €)

	2002 (1)	2002 (2)	Difference (%)
Total Medium-Long Term Management	12.55	3.078	308%
Military affairs	6.26	Not published	-
Issues by sector	2.06	1.69	22%
Civil issues	4.23	1.384	206%

(1) Source: DMT meeting [Medium-Long Term Management] / clients, 22 October 2003, Coface

(2) Source: Coface, "Guaranteed contracts," http://www.coface.fr/dmt/rubf_env/indexf.htm

In both cases, this relates to the issues surrounding the guarantees and not to market commitments. It also relates to the twelve months of the 2002 calendar year.

The "military affairs" guaranteed by Coface on behalf of the State are not published on the Coface website, not even their total amount. Yet, in 2002, they represented exactly 50% of all guarantees. The opacity of Coface thus remains extremely significant.

²² Coface, "Guaranteed contracts," (« Contrats garantis »), http://www.coface.fr/dmt/rubf_env/indexf.htm

²³ See "DMT Meeting / clients, 22 October 2003"

In all probability, "sector affairs" refers to sectors such as *planes, ships, satellites*, which relate to a specific OECD category for public export guarantees (see Section 1.2. The framework of the OECD). But a gap of 22% exists. Finally, there should at least be some kind of similarity with the data pertaining to "civil affairs." There is, however, a 206% difference. The total is informative: there is a difference of 308% between the data announced by Coface in the meetings with clients and the data published online.

For the year 2003:

Contracts guaranteed in 2003 (billions of €)

	2003 (1)	2003 (2)	Difference (%)
Medium – Long Term Overall Management	14.19%	2.089	579%
Military affairs	8.31	Not published	-
Sector affairs	1.47	0.85	73%
Civil affairs	4.41	1.24	255%

(1) Source: DMT Meeting [Medium to Long Term Management] / clients, 7 December 2004, Coface

(2) Source: Coface, "Guaranteed contracts", http://www.coface.fr/dmt/rubf_env/indexf.htm

In 2003, the differences are even more significant: a 255% difference regarding civil affairs, a 73% difference on the *Planes, ships, satellites* sector, and a 579% difference in total. The military guarantees represent 59% of all guarantees.

2.2. Differences compared to the Coface data published in the annual report

Since 2005, Coface has published an annual report on its activities on behalf of the State.²⁴ These annual reports publish "the evolution of guaranteed contracts". By comparing them to the data published on the Coface website, regarding guaranteed projects, the results are as follows:

Guaranteed Contracts (€ billion)

Year	Annual Coface report (1)	Coface website (2)	Difference (%)
2001	8.1	5.3	54%
2002	8.3	3.1	170%
2003	5.6	2.1	168%
2004	6.9	4.1	68%
2005	8.8	2.5	254%
2006	7.4	2.3	229%
2007	8.8	3.8	133%
2008	7.4	2.8	167%

(1) Source: DMT Meeting [Medium to Long Term Management] / clients, 7 December 2004, Coface

(2) Source: Coface, "Annual reports on public guarantees", http://www.coface.fr/dmt/_docs/RapportannuelGtiesPubliques2008FR.pdf

Again, the differences are extremely significant. The figures vary systematically, up to a ratio of 1 to 3.5. Do military contracts explain these differences?

Les Amis de la Terre believes that these inconsistencies must stop. In the midst of a financial crisis in which governments have repeatedly criticised the opacity of private financial actors, consistency demands that the data of the public financial actors be published immediately, to include all projects that are guaranteed by Coface on behalf of the State. This should include

²⁴ See, for example, "Coface in 2008 and the management of public guarantees on behalf of the State," http://www.coface.fr/dmt/_docs/RapportannuelGtiesPubliques2008FR.pdf

military projects, so that this outrageous opacity cannot negatively impact on the understanding of French public assistance policy for exports. They respectively accounted for 50% of the total volume of Coface guarantees in 2002 and 59% in 2003. Such opacity is also one of the best breeding grounds for corruption, which the government is supposedly determined to fight against.

► Les Amis de la Terre recommends:

- Ex-post publication of guaranteed projects in the military sector. For years, the Netherlands has published the overall volume of annual public guarantees of military exports by their export credit agency. This does not damage their operational confidentiality. In a second phase, all these projects must be published.

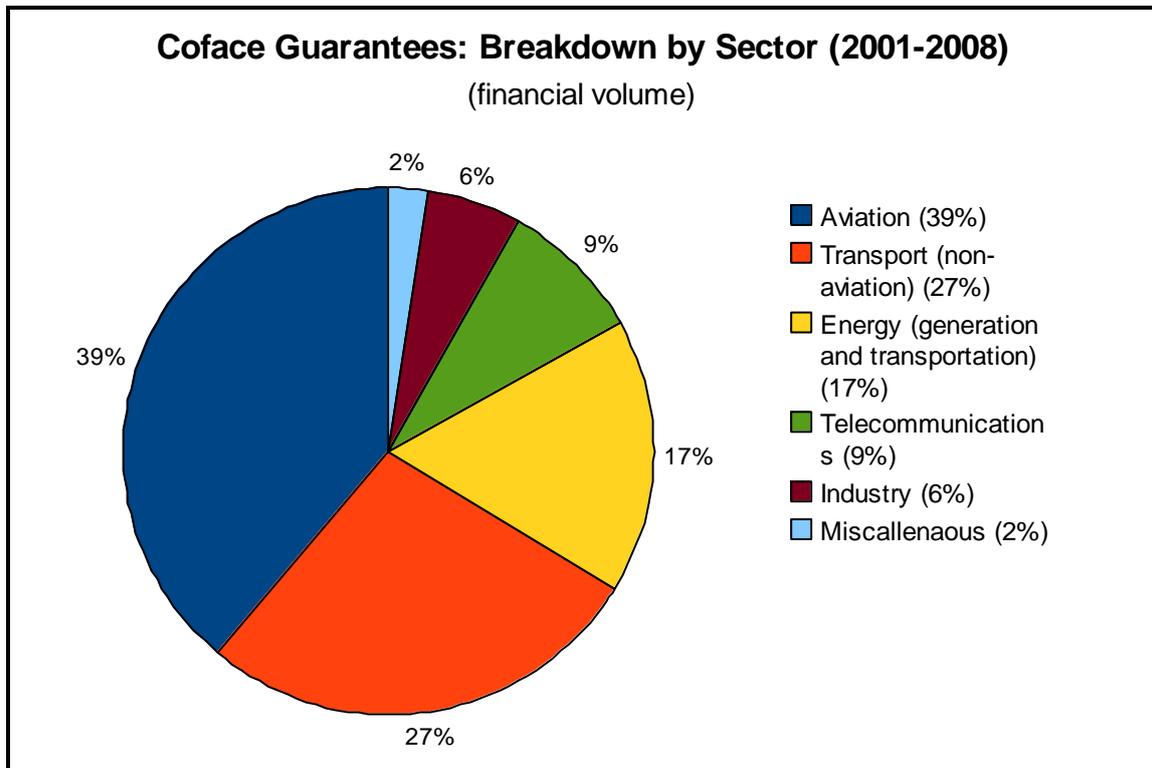
3. Guaranteed Sectors

1. Highly concentrated sectors

From one year to the next, the sectors covered by Coface remain very similar. There is a focus on fewer sectors, reflecting the positions of French industry with regard to exports.

Coface Guarantees from 2001-2008 by sector

Sector	In millions of Euros	% Volume
Aviation	10,026	39%
Transport (non-aviation)	7,097	27%
Energy (prod + transport)	4,347	17%
Telecommunications	2,268	9%
Industry (chemical, steel, etc)	1,485	6%
Miscellaneous	610	2%
TOTAL	25,833	100%



Coface guarantees are concentrated in the five following meta-sectors:

1. Aviation: this mainly relates to contracts for aircraft equipment (mainly Airbus), but also certain contracts relating to airport construction or aeronautical and airport equipment.

2. Transport (non-aviation): this mainly relates to contracts for equipment and vehicles, infrastructure for land transport (especially rail and underground systems), signalling systems, and 10 very large contracts for cruise ships.

3. Energy (generation and transportation): this mainly concerns the construction of thermal power plants, pipelines, hydroelectric dams, the delivery of electrical substations, high voltage cables.

4. Telecommunications: this largely relates to the exportation of telecommunications materials such as satellites, radio frequency management systems, and the installation or extension of mobile phone networks.

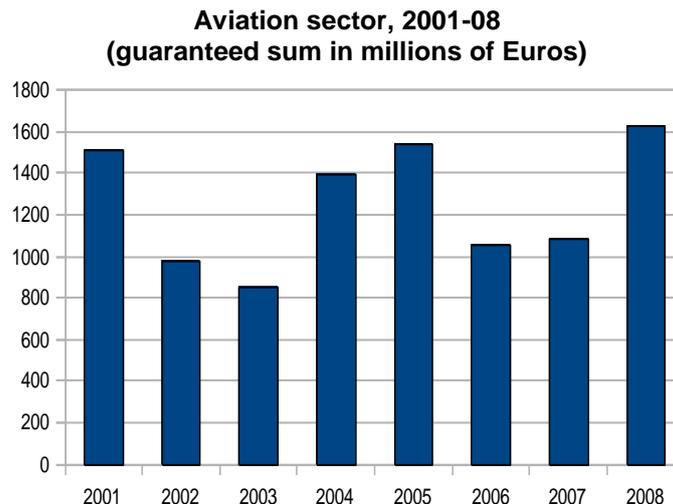
5. Industry: this mainly relates to the development or fitting of aluminium and steel factories, the production of ethylene, ammonia, plastic film, sugar or cement.

Guaranteed contracts outside of these five meta-sectors are classed as “**miscellaneous**”, and only constitute a small portion of the financial volumes involved (2%). The water sector accounts for half.

The transport sector alone accounts for two thirds of Coface guarantees (66.3% or 17.1 billion Euros). The result is the same, if one takes the number of guaranteed projects into account, as opposed to the total financial volume.²⁵

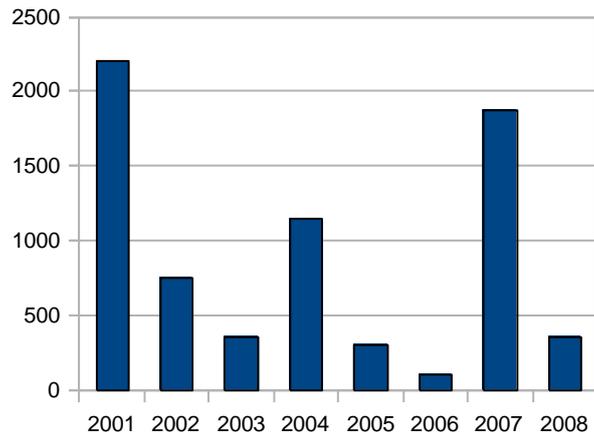
2. Evolutions by sector

Every year, except for 2001 and 2007, the aviation sector has accounted for the most significant financial volume. For these two years, transportation (with the exception of the aeronautical sector), lead the way, for the same reason every time: in 2001, five cruise ships were guaranteed for 1.7 billion Euros and three cruise ships were guaranteed for 1.3 billion Euros in 2007. With the exception of these very large contracts, the aviation sector has always led the way.

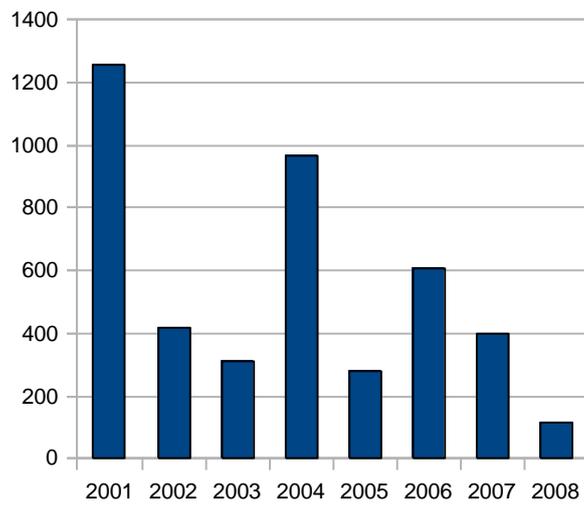


²⁵ For the aviation sector, the data on the Coface website is not presented by country but cumulatively, by quarter. It is the number of airline companies with planes guaranteed by Coface which have been the focus of this report, in order to establish the number of aviation projects in question.

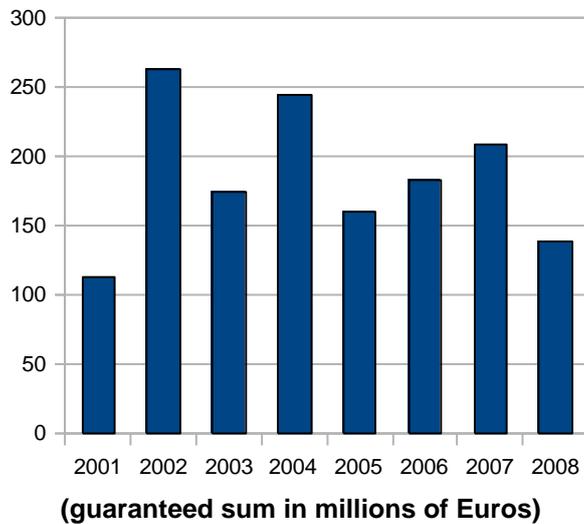
**Transport (not including the aviation sector), 2001-08
(guaranteed sum in millions of Euros)**



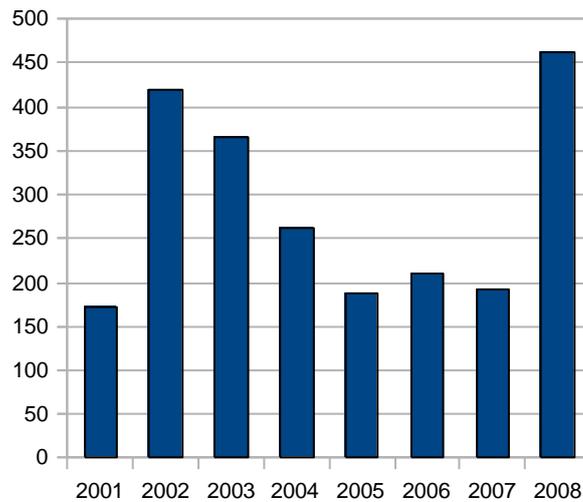
**Energy, 2001-08
(guaranteed sum in millions of Euros)**



Industry, 2001-08



**Telecommunications, 2001-08
(guaranteed sum in millions of Euros)**



Size of Projects

Average amount of guaranteed projects (average, 2001-08)

Sector	Average amount per project (millions of €)
Transport (non-aviation)	145
Telecommunications	76
Energy (production and transport)	72
Aviation	39
Industry (chemical, steel industry, etc.)	32
Miscellaneous	47
TOTAL	56

All of the guaranteed sectors are experiencing annual changes in financial volume. The transport sector (non-aviation) is experiencing the greatest variations in the amounts guaranteed, with annual volumes ranging from 1 to 22, depending on the year. The energy sector is also experiencing some very significant discrepancies, ranging from 1 to 11.

Conversely, industry, telecommunications and the aviation sector are the sectors in which the differences from one year to the next are smallest. They are also fairly comparable, ranging, on average, from 1 to 2.

There is not an extremely pronounced trend as regards the evolution of each sector. There is, however, a relatively upward trend in the aviation sector. Since 2004, the sums guaranteed have always been over one billion Euros.

One of the factors which explains these developments is the average size of the projects guaranteed:

- The transport sector (non-aviation) focuses, for the most part, on very large projects (several hundred million Euros each, especially cruise ships), as well as a few large projects in the railway sector (120 million Euros railway line in Algeria in 2005, 266 million Euros on the Algiers underground in 2007, 249 million Euros on the underground in Cairo in 2008). A limited number of very big projects is enough to change the total amount spent in the sector very significantly.
- There are also some large and very large projects in the energy sector: pumping stations for an oil pipeline in Algeria in 2001 (382 million Euros), a nuclear reactor in Finland in 2004 (570 million

Euros), the Nam Theun 2 dam in Laos in 2005 (200 million Euros), gas plants in Tunisia in 2003 (183 million Euros).

- The telecommunications sector includes several large projects of between 100 and 300 million Euros: provision of a mobile phone network in Algeria in 2003 (269 million Euros), provision of two telecom satellites in Saudi Arabia (159 million Euros), a telecommunications satellite in Indonesia in 2008 (123 million Euros).
- Finally, the industry and aerospace sectors hardly include any project worth over 100 million Euros, resulting in much smaller average amounts being spent in these sectors.

The energy sector will be detailed in a forthcoming report by Les Amis de la Terre on Coface and climate, which is scheduled for mid 2011.

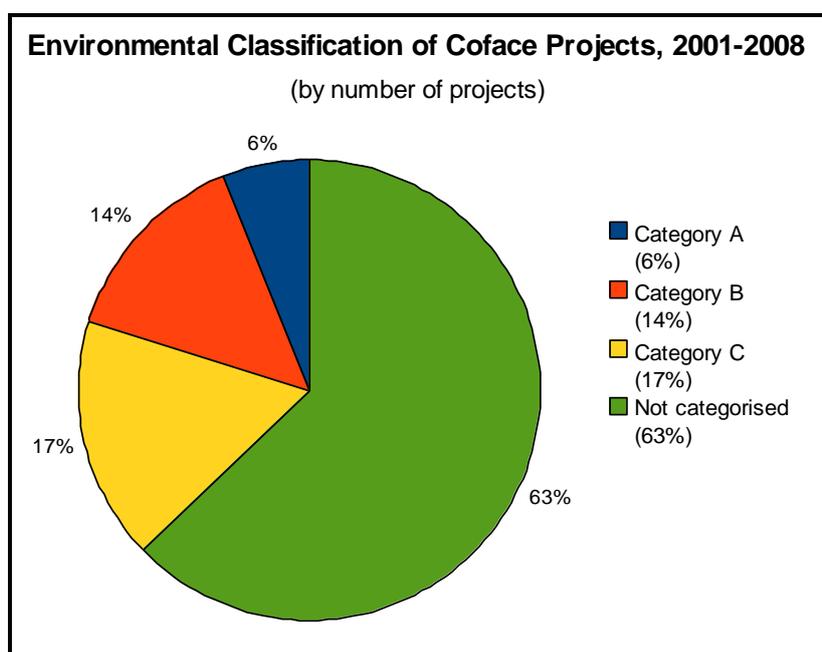
4. Environmental categories of guaranteed projects

Since 2002, Coface has made the environmental classification of the projects it carries out public. There are three categories of project, which are defined by Coface as follows:²⁶

- “Category A: projects of potentially significant impact, the analysis of which requires an environment impact assessment (EIA);
- Category B: projects of potentially non-zero environment impact, for which analysis of additional information may be necessary;
- Category C: unrestricted projects, with little or no environmental impact.”

This classification is in line with the OECD Recommendation on Common Approaches to public export credits and the environment and, more generally, to the international classification used today by all public financial players (multi-lateral development banks, export credit agencies) and private entities (finance and investment banks).

	By number of projects	% of projects	By financial volume (millions of euros)	% volume
Category A	24	6.1%	2,702	13.01%
Category B	56	14.2%	2,245	10.9%
Category C	67	17.0%	3,565	17.3%
Not categorised	248	62.8%	12,051	58.6%
Total	395	100%	20,563	100%



The most important issue is not the classification itself but rather the projects which are not classified. **Almost two thirds of guaranteed civil projects (63%) are not included in an environmental category.** This means that they also manage to avoid environmental analysis by Coface prior to their guarantee being granted. In addition, this data consistently does not take special military contracts into account. The result is therefore even more damning: between 70 and 90% of contracts guaranteed by Coface avoid any kind of environmental analysis.

²⁶ See http://www.coface.fr/dmt/rubf_env/indexf.htm

Having already been questioned by the Les Amis de la Terre on this point several times, Coface has provided the following explanations:

- Some “cash” projects are listed as projects which have been made public by Coface, but they are not classified by the OECD. Therefore they do not have to be classified or subjected to environmental analysis, as specified in the OECD Common Approaches. This explanation only affects a few small projects a year;
- All sector-specific "aviation, space and shipping" projects are also not categorised in the OECD Common Approaches, which only relates to export projects as opposed to products or goods. Such nitpicking and unfortunate semantics excludes 40% of Coface civil guarantees. It is even less acceptable as the aviation sector is the most polluting means of transport in the world, and that, in parallel, the French State is (rightly) in favour of taxing greenhouse gas emissions from air transport within the framework of the international climate negotiations, in preparation for the Copenhagen Summit in December 2009;
- Finally, all exports of arms and military equipment also escape the OECD's Common Approaches. They respectively accounted for 50% and 59% of all Coface guarantees in 2002 and 2003.

These exclusions and limitations reduce the environmental approach of Coface to a minimum. In a state which has given constitutional value to its Environmental Charter, nothing can justify its public assistance policy for exports with such a lax attitude towards the environment.

► **Les Amis de la Terre recommends:**

- An integral presentation of the Coface guarantees, which emphasizes the proportion of guaranteed contracts which have benefited from classification and environmental analysis in relation to the total number of guaranteed projects;
- A revision of the OECD Recommendation on Common Approaches so that it at least incorporates the "aviation, space and shipping" sectors;
- Unilaterally and without waiting for revision by the OECD, France could go further and immediately set a compulsory standard of classification and environmental analysis, specifically for the "aviation, space and shipping" sectors as well as for the military sector, the volume of which is, in both cases, highly significant as regards French exports.

Regarding the three environmental categories, Class C projects are the most numerous (17% of the number and volume of projects). There are least Class A projects, but their significant size explains why their financial volume is of greater importance than the number of projects (6% of the projects, 13% of the financial volume).

The sum involved in Class C projects is roughly the same from one year to the next, though the sums involved in Class A and B projects fluctuate considerably from year to year. The large and very large energy projects explain these variations for the most part. However, the very large projects relating to liners and telecommunications satellites are not categorised because they do not fall within the scope of OECD classifications.

Category A projects guaranteed by Coface, 2001-2008

Category A Projects	Number	%
Energy	17	71%
Industry	4	17%
Transport (except aviation)	2	8%
Telecommunications	1	4%
TOTAL	24	100%

Almost three quarters of Category A projects (71%), which are the most dangerous for the environment, are concentrated in the energy sector alone. It is followed by the industrial sector (17%), and the other sectors are not significantly affected (12% for all the other sectors).

5. Guarantees of Coface recipient countries

Preliminary Note: This chapter does not include the export projects of aircraft as they do not specify their country of destination, but rather only the airline which is importing them.

1. Recipient continents

Coface Guarantees by continent, 2001-2008

Geographic Area	By Millions of Euros	%
North Africa	3,545	24.2%
Western Europe	2,880	19.7%
Asia	2,854	19.5%
Latin America	2,263	15.5%
Middle East	2,081	14.2%
Eastern Europe	767	5.2%
Africa	204	1.4%
North America	43	0.3%

- North Africa is the geographic area which is home to the greatest number of projects guaranteed by Coface. It houses almost a quarter of the volume of Coface guarantees, which are mainly in Algeria, followed by Tunisia, Egypt, Libya and Morocco.
- Surprisingly, it is followed by Western Europe (around 20%), mainly because of the very large contracts for cruise ships to Switzerland (2 cruise ships for 840 million Euros in 2004 and three others for 1.29 billion Euros in 2007) and for an EPR nuclear reactor in Finland in 2004 for 570 million Euros. It is surprising because Coface is only supposed to insure projects which cannot be insured on the market on behalf of the State, and it seems rather incongruous to consider that luxury liners for Switzerland cannot be insured by the market. Conversely, in the case of the EPR for Finland, this confirms that the private financial sector does not want to get involved in the nuclear sector, which it deems too risky, except if the State is ready to cover private sector risk-taking to a great extent.
- Asia is at the same level as Western Europe (almost 20%), largely because of China, followed by Japan, Indonesia, Pakistan, India and Laos.
- They are followed by Latin America and the Middle East, which are almost equal (around 15%). Latin America is lead by Mexico, followed by Chile, Venezuela, Panama, the Dominican Republic, and Brazil. In the Middle East, it is primarily Iran, Turkey and Saudi Arabia which receive the biggest volume Coface projects.
- Other geographic areas are poorly represented: in Eastern Europe, only Russia accumulated over € 200 million over 8 years. In Africa one single large project, which was, moreover, highly controversial, surpassed 100 million Euros (the Chad-Cameroon pipeline, 103 million Euros) in 8 years.

2. Recipient countries

In total, 54 countries have hosted Coface projects between 2001 and 2008, which is slightly more than one in four worldwide (at present there are approximately 200 independent States).

The distribution between recipient countries is extremely uneven:

- States represent more than a quarter of Coface guarantees (Switzerland and Algeria);
- The 15 major recipient States account for three quarters of the guarantees;
- On the other hand, 23 countries (40%) have housed projects of less than 100 million Euros in 8 years, projects which are thus of very limited significance.

List of top 15 recipient countries, 2001 to 2008

	In millions of Euros	%
Switzerland	2,135	14.6%
Algeria	1,846	12.6%
China	895	6.1%
Iran	742	5.1%
Tunisia	727	5.0%
Mexico	687	4.7%
Finland	602	4.1%
Russia	509	3.5%
Turkey	460	3.1%
Egypt	375	2.6%
Saudi Arabia	364	2.5%
Chile	352	2.4%
Japan	345	2.4%
Indonesia	327	2.2%
Venezuela	310	2.1%
Total of 5 top countries	6,345	43.3%
Total of 10 top countries	8,978	61.3%
Total of 15 top countries	10,676	72.9%
Rest of the world	3962	27.1%

Among the top 15 recipient countries are:

- 3 developed countries (Switzerland, Finland, Japan), because of some very large export projects: export contracts for cruise ships for Switzerland and Japan, the exportation of the ER nuclear reactor for Finland;
- 11 emerging countries;
- Russia;
- 0 LDCs (least developed countries).

Five are members of the OECD (Switzerland, Mexico, Finland, Turkey, Japan).

Only five states of the 49 LDCs (Least Developed Countries) have hosted Coface projects of a total of 461 million euro (3.1% of all Coface guarantees):

- In three cases, these are large energy exportation projects (Chad-Cameroon oil pipeline, 103 million Euros in 2001; hydroelectric dam in Laos Nam Theun 2 in Laos, 200 million Euros in 2005; and a 120 million Euros pipeline in Yemen, in 2006). The three projects are controversial because of their social and environmental impact and were the subject of related campaigns.
- Two small projects in Mozambique (extension of an aluminium factory, 24 million Euros) and in Senegal (radars for airports, 14 million Euros).

The limited number of LDCs, almost exclusively large energy export projects, confirms both their absence from world trade and the strictly commercial role of Coface, which is entirely alien to the concerns of official development assistance.

This purely commercial approach raises a problem of consistency with other French public policies: the French State has made several commitments as regards overseas development assistance (ODA), corporate social and environmental responsibility, the strengthening the governance in developing countries as regards respect for human rights and the fight against corruption and tax havens. Is the French commercial approach via Coface compatible with these commitments?

6. Recipient companies

1. An extremely limited number of companies

The total number of companies which receive Coface guarantees is ridiculous. In 8 years, only 72²⁷ have received the 459 guarantees granted by Coface. Of the total 95,000 French companies which export²⁸, this represents 0.08%.

The actual number of firms is likely to be slightly higher if the guaranteed projects below 10 million Euros are included, as well as those in the military sector, but the complete opacity of Coface and the government on the matter does not provide comprehensive figures.

2. The caricature of support for Airbus and a handful of multinationals

Airbus alone benefits from 37% of all Coface guarantees, which is more than one third (€9.5 billion between 2001 and 2008, or 1.2 billion Euros per year).

This is followed by another three companies which also received one billion each in guarantees from 2001 to 2008.

- Chantiers de l'Atlantique (4.4 billion)²⁹
- Alstom (1.9 billion),
- Alcatel (1.7 billion).

Of the 15 main recipients which receive the Coface guarantees:

- 10 are large French or foreign multinationals: Airbus, Chantiers de Atlantic, Alstom, Alcatel, Areva, Siemens, Bouygues³⁰, SPIE, Vinci, General Electric, Thales, Technip, EDF.
- FRAMECA (France Metro Caracas) is a consortium formed by French multinationals for a specific project (it includes Alstom, SPIE, Vinci, Bombardier, Siemens, Thales, etc)³¹.
- DMS is the only mid-sized business.

²⁷ Note: subsidiaries have been regrouped under the main name of the company (e.g. Alcatel CIT is part of Alcatel, Bouygues construction in Bouygues, etc.)

²⁸ See http://eulerhermes.fr/fr/communication-analyse/communication-analyse_20091008_00119.html

²⁹ Having belonged to Alstrom until 2006, it was then bought by the Norwegian naval construction company Aker Yards, which then sold it to the South-Korean company STX Shipbuilding. From 6 November 2008 Chantiers de l'Atlantique has been a subsidiary (50.01%) of STX France which is 33.34% owned by the French state.

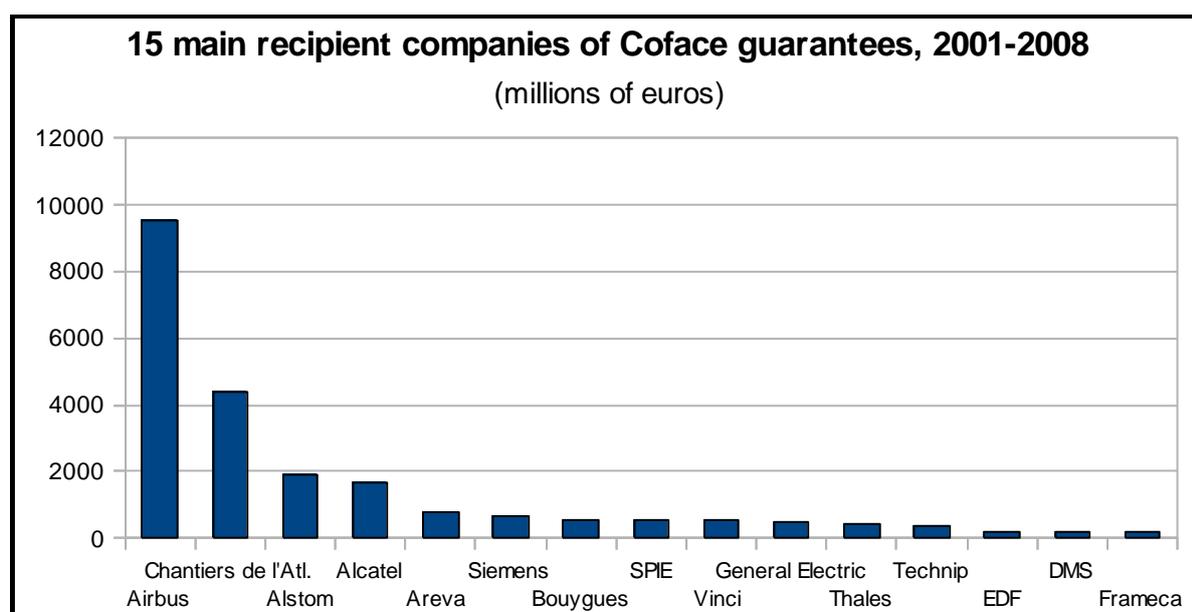
³⁰ To be included under Bouygues with the title ASTM, Tangier Mediterranean Special Agency (Agence Spéciale Tanger Méditerranée), as this is the French company which was awarded the tender to construct a new deep water port in Tangier. See <http://www.bouyguesconstruction.com/fichiers/fckeditor/File/PDF/dossier-de-presse/Port-de-Tanger-2005.pdf>

³¹ See http://www.clipping-tu.com/extranet/media/presse/pdf280_27318814.pdf

List of the 15 top recipient companies, 2001-2008

Company	Amount of the guarantee (in millions of euros)	% total volume
Airbus	9,531	36.9%
<i>Chantier de l'Atlantique</i>	4,407	17.1%
Alstom	1,915	7.4%
Alcatel	1,674	6.5%
Areva	785	3.0%
Siemens	676	2.6%
Bouygues	561	2.2%
SPIE	561	2.2%
Vinci	543	2.1%
General Electric	478	1.9%
Thales	455	1.8%
Technip	382	1.5%
EDF	200	0.8%
DMS	196	0.8%
Frameca (consortium)	172	0.7%
Sub-total of top 5 companies	18,312	70.9%
Sub-total of top 10 companies	21,585	83.6%
Sub-total of top 15 companies	22,364	86.6%

The top five companies thus receive 71% of Coface guarantees, and the top ten 84% of Coface guarantees. This extreme concentration of French public export assistance is detrimental to the development of a solid and diversified local economic fabric. The French policy instead favours a handful of multinational companies which are already established as world leaders of their respective sectors. The "corporate welfare" in favour of multinationals operates effectively. What about Coface support from SMEs?



3. The trapdoor for SMEs

It is common knowledge that SMEs receive inadequate levels of support in France, and are unable to rival their German, English or American counterparts after a few years. Analysis of the Coface guarantees for French exporters only further confirms this phenomenon.

Coface launched a specific plan for SMEs.³² It is applicable for companies with a turnover of less than or equal to 75 million Euros, and relates to very small contracts of less than or equal to a 1.5 million Euros guarantee. Once again, we have to remember here that, because Coface and the government refuse to publish the guaranteed projects of less than 10 million Euros, the analysis is truncated because it is mainly the SMEs that benefit from these "small" contracts.

But Coface provides two important pieces of data in "a medium term management meeting / clients": SMEs' requests for guarantees represent one third of the total number of requests, but only 1% of the sums accepted.³³

In addition, it is clear that the response of the Minister of Finance to the recent global financial and economic crisis is very biased in favour of large groups:³⁴

"The credit export activity managed by Coface on behalf of the State is directly procured in this crisis context: more requests for insurance credit, to include wealthy countries, as well as more requests for contract of guarantees, especially for large groups. To cope with this situation, three substantial series of measures were taken. Emergency measures were taken in October and early November to curb the liquidity crisis. It was a matter of:

- 1. making the credits eligible for exportation using the mechanism of the refinancing company, which became legal on 16 October 2008.*
- 2. enabling Coface to guarantee bank deposits, for the most part, also for large groups. [...]"*

Only two of the six measures of this plan are specific to SMEs, one stating that "*the 100% guarantee by Coface for SMEs is now possible*". But this 100% guarantee granted to SMEs in early 2009 merely offers the same sum as that already guaranteed by the government for the giant Airbus in May 2002, over 7 years ago...³⁵

Unlike the five multinationals which account for 71% of the Coface guarantees over the last eight years, SMEs seem to be insufficiently supported by the public assistance mechanism for exports, managed by Coface.

► Les Amis de la Terre recommends:

- Exhaustive publication of the policy and guarantees made by Coface to SMEs so that its overall efficiency can be analysed;
- - The establishment of a multidisciplinary working group comprising government ministries, parliamentarians, exporters and civil society in order to examine whether France's current public policy of export assistance, which above all involves the support of a handful of multi-nationals, is consistent with France's commitments as regards providing support for SMEs (particularly eco-technologies³⁶) and supporting "the green economy."

³² Coface, "Measures for SMEs," see http://www.coface.fr/dmt/rubc_asscrexp/indexc.htm

³³ Coface, powerpoint presentation on "DMT meeting / clients," 22 October 2003, .p. 19.

³⁴ See <http://www.exporter.gouv.fr/exporter/Pages.aspx?iddoc=1518&pex=1-13-3-1516-1518>

³⁵ Coface, Circular, "Pure, unconditional guarantee for Airbus", («Garantie pure inconditionnelle Airbus »), Mai 2002, http://www.coface.fr/dmt/_docs/ace06_687.pdf

³⁶ Environmental technology accounts for over 60% of SMEs according to a study by the Assembly of French Chambers of Commerce and Industry (ACFCI).

4. French corporate responsibility under the carpet?

Does Coface focus on the promotion of the most responsible French exporters? In other words, does French public policy on export assistance take the social and environmental liabilities of exporters into account and does it impose certain obligations on exporters?

The government and Coface have developed three sets of responses in this field:

4.1. Environment

Coface is obliged to respect the OECD Common Approaches on the Environment (see Part 1.2). Following related campaigns (including campaigns by Les Amis de la Terre), and to clarify expectations, Coface has also developed its own Environmental Guidelines for the most socially and environmentally risky sectors.

To date, the Environmental Guidelines of Coface are as follows³⁷:

- Environmental guidelines for thermal power plant projects;
- Environmental guidelines for hydrocarbon projects (Mining / Transportation / Refinery / Petrochemical / Storage);
- Environmental guidelines for large dam projects;
- Environmental guidelines for construction projects;

These guidelines specify benchmarks, recommended criteria and criteria for good practice by sector. The principle is that if an exporter's project does not respect the reference criteria, Coface must deliver a negative environmental review to the government, which should then refuse to give it a guarantee.

These guidelines are interesting, but are now obsolete. They date back to December 2006 for the construction sector, and January 2004 for all others. They have never been revised since, despite significant developments of recent years on social and environmental requirements (specifically climate). In addition, they do not cover all sectors in which Coface is asked to provide guarantees. Coface must therefore introduce other standards for the sector concerning:

- Transportation, by far the largest sector in the Coface guarantees (66%) and in particular aviation (39% of collateral) and its impact on the climate, which is currently not entirely in line for environmental analysis by Coface;
- Industry, including metallurgy and plastics;
- The transmission of electricity (electrical equipment) in the energy sector.

Finally, the climate issue, which affects all sectors, is now only taken into account in specific piecemeal and marginal aspects of the guidelines for the sector. Coface has no carbon accounting system for the guarantees granted on behalf of the French state. It does not even ask French exporters to calculate and publish the emissions of their projects. This non-approach totally contradicts French commitments in the context of the international climate change negotiations, notably in the approach of the historic Summit in Copenhagen in December 2009. The argument that the aviation sector is not subject to the Common Approaches of the OECD but only to Arrangements made today is now seen as a technocratic unjustifiable pretext in view of the global mobilisation needed in order to avoid climate catastrophe.

In addition, it is not currently possible to check whether the environmental procedure of Coface is properly applied:

- Coface does not publicise the environmental reviews it produces when requests for guarantees are made and transmitted to the government (Guarantees Committee) for it to take the final decision;

³⁷ Coface, "Environmental Guidelines," http://www.coface.fr/dmt/rubf_env/indexf.htm

- The government grants itself the authority to waive its own rules when it wishes, and the OECD also authorises this (the government simply has to notify and justify exemptions to the OECD). These exemptions are not acceptable because they challenge the entire normative structure and seriously discredit it.

► **Les Amis de la Terre recommends:**

- Updating all Coface environmental guidelines for the sector in 2010, based on the best international practices of 2009, and in the context of public consultations involving civil society;
- The creation of complementary policies for the sector in areas that are not currently in place, particularly in areas relating to aerospace, industry and the transmission of electricity;
- Creating a very ambitious cross-sector climate policy. The Copenhagen Summit in December 2009 provides the opportunity to announce the creation of this policy, which must be implemented in 2010;
- Publication of the Coface environmental review on what is required for the guarantee;
- Removal of the exemption which allows France to violate its own environmental standards in its public policy to support exports (deleting Article 13 Common Approaches to the OECD, in the context of the revisions of the Common Approaches, which are scheduled for 2010).

4.2. Battle against corruption

Due to the introduction of the OECD Convention on Combating Bribery of Foreign Public Officials (1998)³⁸ and the OECD Recommendation on Bribery and Officially Supported Export Credits (December 2006),³⁹ in January 2007 Coface set up a "Code of ethics which is applicable to public proceedings".⁴⁰

While this mechanism is of interest because it reinforces the obligations to provide information and be vigilant at different stages of the procedure of establishing a guarantee, as well as creating an anti-corruption committee within Coface, it nevertheless suffers from several serious shortcomings.

In particular, the ethical charter of Coface has no enforcement mechanism with which to prevent a French company from receiving government support for exports (blacklisting) if he is convicted of corruption.

► **Les Amis de la Terre recommends:**

- A procedure to fight against corruption which includes punishing a company sentenced for corruption by preventing it from receiving any kind of public guarantee for 5 years after the conviction (10 in case of repeat offenders).

4.3. Corporate social and environmental responsibility

Several sets of environmental and social norms for businesses have emerged in recent decades. Among the best known are the "OECD Guidelines for Multinational Enterprises". According to the OECD, "*the OECD Guidelines are non-binding recommendations by governments to multi-national enterprises operating in or from...adhering countries*"⁴¹.

France has long subscribed to this. For the sake of consistency, it is logical to assume that compliance with these principles is essential in a project supported publicly by the government via Coface.

³⁸ http://www.coface.fr/dmt/_docs/ConvOCDEluttecorJan2007.pdf

³⁹ See http://www.coface.fr/dmt/_docs/RecomOCDEluttecorJan2007.pdf

⁴⁰ http://www.coface.fr/dmt/_docs/chartethiqanticorJan07.pdf

⁴¹ http://www.oecd.org/department/0,3355,fr_2649_34889_1_1_1_1_1,00.html

However, Coface merely asks the French exporter to familiarise him or herself with the principles. It does not require that they be observed.⁴² This requirement is extremely limited and is by no means sufficient to avoid violations of the guidelines by French exporters.

Furthermore, Coface has no mechanism in place with which to ban a French export company once it has been sentenced (blacklisting):

- - For a serious violation of social, environmental or salary laws;
- - To make use of or be domiciled in a tax haven, despite countless government statements on the fight against tax havens in recent years.

For years, however, civil society has made numerous recommendations on the subject.

► Les Amis de la Terre recommends:

- A Coface procedure which demands total observance by all French exporters of the OECD guidelines, in a specific, well argued way (especially for projects in categories A and B, which have the greatest impact);
- A procedure on companies respect for social and environmental obligations, to include a means of sanction for a company which does not comply, i.e. a ban from receipt of any kind of public support for 5 years after the conviction (10 in cases of repeat offenders);
- A procedure barring public support of Coface for a business or project domiciled in a tax haven, unless it is the place in which the export project is being carried out, as opposed to a purely financial operation.

⁴² "When completing your request for credit-insurance, please ensure that you sign the accompanying letter which requests individual credit-insurance, and which indicates to Coface that you are well informed as regards the OECD guidelines."
http://www.coface.fr/dmt/_docs/ace06_688.pdf

More information

This report is based on an analysis carried out annually by Les Amis de la Terre between 2001 and 2008. It is available at the following address: <http://www.amisdelaterre.org/-Coface-et-aides-aux-exportations->. All data calculated by the Les Amis de la Terre is based on Coface data, mainly those from Coface's website on "guaranteed contracts."



Les Amis de la Terre is an association specialised in human and environmental protection. It was created in 1970 and helped establish the French ecological movement. Les Amis de la Terre works to achieve sustainable societies in the North as well as in the South, and with this aim, it formed the world's first ecological network, *Friends of the Earth International*, which is present in 77 countries, uniting over two million members.

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