HOLD FOR RELEASE: Embargoed until 1.00 PM Central European Time, (12h00 GMT) Tuesday, 6th December, 2011

European export support swells poor country debt and shrinks aid budgets, exposes new Eurodad research

BRUSSELS, 6th December, 2011: Campaigners are demanding tighter controls on the activities of so-called export credit agencies after a report released Tuesday lifts the lid on how the shadowy government bodies force vulnerable developing nations ever-deeper into debt, while allowing European governments to count their own financial gain as development aid.

"**Almost 80 percent of developing country debt to European governments comes from loans that supported European commercial interest and not development,"** says Núria Molina, director of the European Network on Debt and Development (Eurodad) which drew up the new report, *Exporting goods or exporting debts? Export Credit Agencies and the roots of developing country debt*. "They are undermining aid efforts, and keeping countries mired in poverty," adds Molina.

Export credit agencies (ECAs) are public bodies that provide credit guarantees to companies and financial institutions to ease exports from the country in which they are based. This allows exporting companies to invest in riskier projects than what would normally be the case, often in developing countries.

Export credits to developing countries almost tripled in 2008 as compared to pre-crisis levels, showing the need to tighten up on controls. UN figures show that European government ECAs supported more than US$ 1 trillion in trade and investment in 2007. The figure increased by 35% in 2008-2009 as an effort by European governments to save their export industries at a time of dwindling global markets.

Export credits greatly reduce the amount of aid to developing countries, as when most European governments cancel developing country debt they charge that amount from the aid budget. "**85 percent of developing country debt *cancelled* by European governments and charged from the aid budget in 2005-2009 was actually debt created from export credits, which are in most cases driven by commercial, not development objectives**," says Øygunn Sundsbø Brynildsen, policy officer at Eurodad and author of the report. "Counting cancellation of export credit debt as aid monies draws monies away from real aid, making fewer resources available for the world's poor," continues Brynildsen.

"The activities of these public bodies are hardly controlled at all, so the projects they support have often caused human rights violations and environmental damage in poor countries," adds Brynildsen.

European Union regulations agreed in September, although welcome, don't go far enough. Based on its Responsible Finance Charter, Eurodad is proposing concrete measures for governments to clean up their export credit operations including:

- Ensuring that ECAs and the projects they back are opened up to public scrutiny;
- Ending the use of aid money to cancel export credit debt;
- Introducing binding regulations to stop export credits being peddled aggressively to developing countries to the benefit of companies in industrialised nations.

Eurodad will be presenting the report's findings at a meeting in Brussels on Tuesday, 6th December, in Brussels.

END

Eurodad (European Network on Debt and Development) is a network of 54 non-governmental organisations from 19 European countries working on issues related to debt, development finance and poverty reduction. www.eurodad.org.

For more information contact: Øygunn Sundsbø Brynildsen, author of the report on +32 (0)2 894 46 45 obrynildsen@eurodad.org or Clare Birkett, communications officer on +32 (0)2 894 46 42, cbirkett@eurodad.org