



News update: Thursday 19 September 2002

Lesotho bribery conviction link to EU Export Credit Agencies

The practices of EU financial institutions have come under scrutiny following the conviction of Acres International on bribery charges relating to contracts on the multi-billion dollar Lesotho Highlands Water Project (LHWP).[1]

Acres, convicted yesterday (18.9.02), was the first of several companies, including a number of European firms, to have been prosecuted.[2] Lahmeyer International of Germany is currently being tried and Spie Batignoles of France is due to come to court in 2003. Italy's Impregilo and France's Dumez International also face prosecution.

EU financial support

The EU and its member governments supported the European companies involved in the project through loans from the European Investment Bank (122.5m Euros) and aid grants from the European Development Fund (44m Euros), and through guarantees from several European Export Credit Agencies (ECAs) including COFACE from France, Hermes from Germany, ECGD from Great Britain and SACE from Italy.[3]

EU action

ECA reform campaigns across Europe are calling for the EU to help Lesotho, one of Africa's poorest countries, fund the remaining trial costs. The EU should make it clear that it supports the actions of Lesotho in seeking justice.

In addition, the European ECA Reform Campaign [4] is urging European ECAs to exercise due diligence to ensure the companies they underwrite are free of corruption. If evidence of bribery is uncovered, ECAs should publicly disclose details of transactions and should impose sanctions on those companies involved, including disqualification from ECA support.

Further information:

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Notes

[1] The LHWP project is a series of large dams. It directly affects approximately 27,000 people and has displaced hundreds of subsistence farmers, many of which have never been properly compensated.

[2] Acres was found to have paid \$266,000 in bribes to Masupha Sole, the former chief executive of the LHWP. Earlier this year, Sole was sentenced to 18 years in prison for receiving bribes from Acres and other multinationals, including consortiums of which European companies – underwritten by EU ECAs – were a part. Acres' defence was that it was not responsible for the payments made to Mr Sole, since these were made by an intermediary, was rejected by the judge.

[3] Susanne Moxon, *Water Power & Dam Construction*, 'Hydro finance: Heart of the Matter', 28 February 1999, London.

[4] The European ECA Reform Campaign brings together a coalition of organisations including Both Ends (The Netherlands), The Cornerhouse (UK), ECA Watch (Austria), FERN (EU), Les Amis de la Terre (France), Reform the World Bank Campaign (Italy), Urgewald (Germany) and WEED (Germany). The Campaign is co-ordinated by FERN, the EU forest campaign, at 20 avenue des Celtes, 1040 Brussels, Belgium.