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EU under spotlight over Lesotho bribery case

A public hearing at 10.30 on Thursday 12 June at the European Parliament¹ will raise questions about the involvement of the European Union in financing the Lesotho Highlands Water Project – a project that will probably lead to the prosecution of European corporations for bribery and corrupt practices.²

Commenting, Emilie Thenard of the European ECA Reform Campaign³ said:

“The EU cannot pretend it has no responsibility for this shameful project. The shadowy practices of European companies – backed by the financial institutions of the EU and member states – must be exposed and the EU must set clear guidelines that will prevent these mistakes being repeated. The EU must make amends by supporting Lesotho’s efforts to uphold justice.”

The EU and member states supported the European companies involved in the project through loans from the European Investment Bank (€122.5m) and aid grants from the European Development Fund (€59.8m), and through guarantees from several European Export Credit Agencies (ECAs)⁴ including COFACE from France, Hermes from Germany, ECGD from the United Kingdom and SACE from Italy.

In 1999 the European Union promised Lesotho officials that it would help finance court cases related to corruption charges.⁵ So far no funding has been delivered.

The public hearing has been organised by Richard Howitt MEP. Witnesses include:

- Guido Penzhorn, the lead Counsel on behalf of the Lesotho Government on this case
- Karsten Großimlinghaus, of Hermes the German Export Credit Agency
- Antonio Tricorico, of Campagna per la Reforma del Banco Mundial a member of the European ECA Reform Campaign.

The Lesotho Highlands Water Project has attracted severe criticism for its social and environmental impacts including fostering corrupt practices and the displacement of hundreds of subsistence farmers, many of whom have not been properly compensated. To ensure the EU and member states avoid damaging projects in the future, the European ECA Reform Campaign has published a set of 17 demands for *Key Reforms for ECAs*.⁶ These call for ECAs to address issues such as debt, transparency, corporate social responsibility, illegal logging and human rights.

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¹ European Parliament (Brussels), Room ASP 1 G 2

² The Lesotho Highlands Water Project (LHWP) is a series of large dams designed to provide water in South Africa. In 2002 the Canadian company Acres International was found guilty of paying bribes to Masupha Sole, a former executive of the LHWP. Several consortiums that include European companies – backed by European ECAs – may face similar charges.

³ The European ECA Reform Campaign brings together a coalition of organisations working to achieve binding environmental, development, human rights and social guidelines for EU-based ECAs, set at a significant high level and drawing upon relevant internationally-recognised standards and EU legislation. 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), WEED (Germany) and WWF (UK). The campaign is co-ordinated by Emilie Thenard of FERN. Tel: +32 (0)2 735 2500. Further information: www.fern.org.

⁴ Export Credit Agencies (ECAs) are for the most part publicly-backed national agencies that offer export finance, mostly in the form of guarantees and insurance, to companies that want to invest in projects that are too risky – politically or commercially – for conventional funding. Today, 80% of financing for projects and investment in poorer countries comes from ECAs, yet these institutions have, to date, been subject to few environmental, human rights or developmental safeguard standards and policies.

⁵ Business Day, 30 November 1999, Cape Town.

⁶ Available at www.fern.org