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## Briefing Note: Export Development Canada and Transparency

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### Overview

Transparency is an essential tool for promoting greater public accountability. Yet Export Development Canada (EDC), a Crown Corporation mandated to promote Canadian trade abroad, maintains a disclosure policy that not only falls behind the practices of numerous international counterparts, but falls well short of the federal government's efforts to improving the transparency of crown corporations.

As a first step toward enhancing its disclosure practices, for companies seeking financial support for projects with potential significant adverse impacts on the environment (Category A projects), EDC should *require* companies to disclose the environmental impact assessments (EIAs) for projects they are considering funding at a minimum of 60 days prior to board consideration.

### Disclosure and the Environment

Access to environmental information, as well as public participation in environmental decision-making, are fundamental to a good environmental assessment process. Through informed public participation, local individuals and groups can raise social, economic, or cultural concerns that assessment practitioners or decision-makers may have overlooked. Environmental specialists can highlight environmentally unsound proposals and suggest alternatives. For instance, in 2001, the Sierra Club obtained a summary of the EIA for the Cernavoda 2 nuclear power plant in Romania, financed in part through EDC. Among other omissions, the summary failed to address the impacts of building a nuclear reactor in an earthquake zone (there have been three earthquakes in Romania since 1979), a problem that could easily have been identified if the EIA had been made public earlier.

Numerous public international financial institutions have recognized the importance of transparent decision-making and informed public participation. For particularly risky projects, these institutions now disclose EIAs before ('*ex-ante*' disclosure) the board even considers approving them. (See table opposite).

**Environmental information disclosure requirements for projects with significant adverse risks (Category A)**

**World Bank**

IFC – 60 days prior to board approval

**Regional Development Banks**

Europe - 60 days prior to board approval;

Asia and Africa – EIA summary - 120

days prior; EIA - upon request;

Americas- Prior to starting due diligence.

**Export credit agencies (ECAs)**

US Overseas Private Investment Corporation - 60 days prior to board approval;

Australia and Japan – 45 days prior

Belgium, Finland, Netherlands,

Switzerland, UK – 30 days prior

EDC, Canada's export credit agency (ECA), stands in stark contrast to this. It simply *encourages* companies to release the EIA 30 days prior to board approval, and seeks the company's consent before disclosing any project information.

EDC defends withholding key information by citing "commercial confidentiality" concerns. While these concerns may apply to transaction details or operational practices specific to a company, EDC is abusing the term in order to escape greater transparency. The US General Accounting Office (equivalent to Canada's Auditor General), for example, has investigated business concerns over commercial confidentiality and environmental information in relation its own ECA's policy of *ex-ante* disclosure. It found

that for all the EIAs it reviewed, none contained either proprietary information, or details relating to other companies involved. In fact, US ECA officials indicated that if such information was included, they would simply remove these details prior to disclosure<sup>1</sup>. In another example, Britain's ECA now posts EIAs in advance of board decisions as it found that this information was often already public through third parties<sup>2</sup>. As the table above indicates, several of EDC's counterparts, each of whom would have similar commercial confidentiality concerns, now require EIAs to be made publicly available before decisions are made. Despite this, EDC has yet to disclose even a single EIA on their website.

In February 2004, the Federal Government mandated the Treasury Board to begin a comprehensive review of the accountability framework for crown corporations. The review focused on how to make information on these institutions' operations more readily available to parliamentarians and the public. Early indications suggest the report will recommend all crown corporations be subject to the Access to Information Act, although early media reports indicate that EDC, among others, is already opposed to such provisions.<sup>3</sup>

Yet in May 2001, in the review of EDC's environmental framework, the Auditor General also highlighted important gaps in public consultation and disclosure. Her October 2004 report echoed these concerns and suggested that EDC should take additional steps to enhance transparency, including disclosing information both prior to and after signing a transaction to build public trust.

EDC will be completing a review of its disclosure policies by May 2005. If the outcome of the review maintains EDC's voluntary disclosure policies, the Crown Corporation will continue to operate with relatively no parliamentary oversight and few public accountability requirements with regard to the environmental impact of the projects it supports.

### **Policy Recommendation**

As a first step towards enhancing its disclosure practices, for projects with potential significant adverse impacts on the environment (Category A projects), EDC should *require* companies to disclose the environmental and social impact assessments at EDC offices in the region and on the Internet a *minimum of 60* days prior to board consideration. For such projects, EDC should also require companies to disclose project details at least 120 days prior to board consideration.

### **For further information, contact:**

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*The Halifax Initiative is a Canadian coalition of development, environment, faith-based, human rights and labour non governmental organizations working for global economic democracy.*

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<sup>1</sup> General Accounting Office (September 2003), Export Credit Agencies – Movement Toward Common Environmental Guidelines, but National Differences Remain, Report to Congressional Requesters, p.28.

<sup>2</sup> Supra, note 1

<sup>3</sup> August 24, 2004, CBC balking at inclusion under access-to-information law, Jim Bronskell, Canadian Press.