

Czech Republic: EGAP/ČEB

Quick facts

Number of employees

EGAP: 120 (2016)³

ČEB: 148 (2016)⁴

Business volume (operating earnings 2015)

EGAP: CZK 40.5 billion/EUR 1.59 billion⁵

ČEB: CZK 4.04 billion/EUR 158 million⁶

Business volume (operating earnings 2016)

EGAP: CZK 31.9 billion⁷

ČEB: CZK 2025 million⁸



Exportní garanční a pojišťovací společnost, a. s. (EGAP)¹

Vodičkova 34/701, 111 21 Praha
Tel.: +420 222 841 111

Website: www.egap.cz



Česká Exportní Banka, a. s. (ČEB)²

Vodičkova 34/701, 111 21 Praha
Tel.: +420 222 841 100

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Export credit insurance cover provided by EGAP for the Czech Republic

- **Legal maximum volume of exposure (2016)⁹**
CZK 230 billion / EUR 8.5 billion
- **Volume of exposure (as of 31 December 2016)¹⁰**
CZK 201.2 billion/EUR 7.5 billion
- **New guarantee contracts issued in 2016**
93 contracts¹¹
- **Claims (Gross claims paid in 2016)**
EGAP: CZK 5.5 billion/ EUR 217.5 million¹²

Export financing measures by ČEB for the Czech Republic

- **Legal maximum volume of exposure (2016)**
CZK 120 billion / EUR 4.61 billion
- **Volume of exposure (as of 31 December 2016)**
CZK 71.08 billion / EUR 2.73 billion¹³
- **New export finance transactions signed in 2016**
80 contracts with a total value of CZK 2.03 billion/EUR 78 million¹⁴

Legal framework

Both EGAP and ČEB operate on the basis of Act No. 58/1995 Co on insuring and financing exports with state support.¹⁵ EGAP is governed by Section 55, Act no. 277/2009 on Insurance¹⁶; the Act on Insurance No. 277/2009 as amended, and the related CNB decree No. 434/2009 which governs certain provisions of the Act on Insurance.¹⁷ For risk classification: Decree no. 434/2009.¹⁸ ČEB is governed by Act No. 21/1992 Coll. on Banks, as amended, and other banking regulations.

Both ECAs are further regulated by the Regulation (EU) No 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits, as amended, and by the OECD Arrangement on officially supported export credits.

Political responsibility

According to the OECD, the Ministry of Finance is the institution which represents the Czech Republic in matters of state-supported export credits.¹⁹ But the management of EGAP and ČEB is based on shared political ownership between the Ministry of Finance, the Ministry of Industry and Trade, the Ministry of Foreign Affairs, as well as the Ministry of Agriculture.

(See also: Decision-making processes below.)

Overview

The establishment of the Czech Republic's state-backed exports agencies took place in the first half of the 1990s and differs from other examples in this report, as export promotion is separated into two institutions: the Czech Republic's official export insurer EGAP (Exportní garanční a pojišťovací společnost, a. s./Export Guarantee and Insurance Corporation), which was founded in 1992.²⁰ The Czech export bank ČEB (Česká Exportní Banka, a.s./Czech Export Bank), where EGAP holds a minority share, was founded in 1995.²¹

As the 29th largest export economy in the world, Czech industry is heavily based on external trade. In 2015, its top exported goods were cars, vehicle parts, computers, telephones and seats.²² An important part of the country's export strategy for 2012-2020²³ is to gain access to developing countries, since deliveries to traditional export countries like Russia, Syria, Iraq and Libya have recently decreased, due in part to sanctions and political instability.²⁴ Even so, Czech exports are growing overall and equalled almost EUR 148 billion in 2016, with Germany being the top recipient, with almost one third of its exports.²⁵

The Czech Republic's institutional set-up for state-backed export promotion is two-fold: while EGAP insures state-supported exports, ČEB finances the exports of goods and services, and provides additional financing for engineering projects. According to Act No. 58/1995 ČEB's basic task is the promotion of exports and the provision of preferential loans for financing on terms that are customary on international markets for officially-supported export credits.²⁶ The two institutions often work in collaboration.

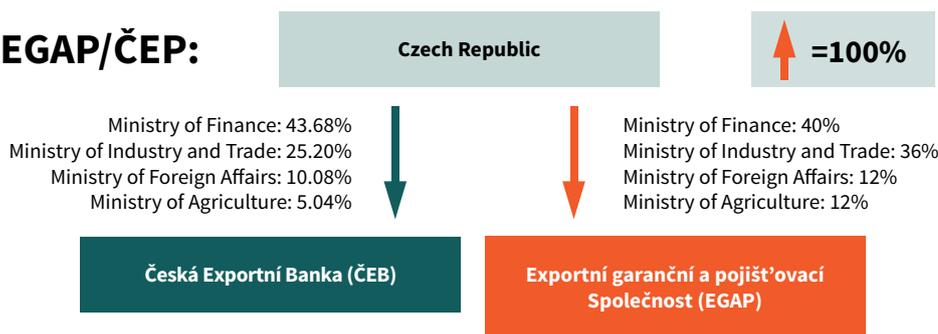
Most of the long-term projects financed by ČEB are also insured by EGAP.²⁷ While ČEB provides loans for exports from Czech suppliers, EGAP insures the project. In cases where ČEB cannot get back its financing, EGAP will cover the sum of money lost. Simultaneously, EGAP cooperates with commercial banks, and directly with Czech exporters, producers for exports and Czech investors, while in large-scale transactions ČEB participates in bank syndicates with commercial banks, meaning that ČEB's share in EGAP's business is declining.²⁸ In recent years ČEB has also tried to increase the number of contracts without EGAP insurance, especially for SME transactions. For large-scale transactions ČEB has been aiming to structure bank syndicates with commercial banks.²⁹

In 2016 new exports insured by EGAP were dominated by Russia (22.5%) and Azerbaijan (21%), followed by Turkey and Slovakia (11–12%) and then Georgia, Belarus, China and Serbia (2–4%).³⁰ In 2016 almost all transactions (94%) were related to machinery and transport equipment.³¹ The majority of ČEB's 2016 loans and receivables went to production and distribution of electricity, gas, heat and air (58.14%), followed by the processing industry (18.80%) and public administration and defence (10.16%).³² ČEB wants to focus on high technologies, the energy sector and aviation.³³ Both institutions intend to diversify their portfolio by increasing contracts with small and medium businesses. Both support outreach to new potential export countries in order to open new markets, among other things to be less dependent on exporting to Russia.³⁴

In 2008, as a reaction to the global financial crisis, the Czech government decided to actively push for an increase in the volume of exports to support the national economy. EGAP and ČEB began to support more risky projects, many of which failed and resulted in various scandals.³⁵ Even today ČEB and EGAP are struggling with some of these projects.³⁶ ČEB's 2015 state-backed insurance volumes dropped to roughly only 30% compared to the previous year.³⁷ This decrease in demand continued at the same pace in 2016, when ČEB's total volume of new transactions amounted to CZK 2.025, totaling one of the lowest amounts since the system of state support for export financing was established.³⁸

In a few cases these two institutions have disagreed over who should take responsibility for these problems.³⁹ As a result, a political discussion arose in the Czech Republic on whether EGAP and ČEB should be merged. In autumn 2016 the Czech government declared that "the best solution" would be found by the end of 2017.⁴⁰ The final decision should be based on an analysis of the current situation and made by the new government after the elections in October 2017. It is unclear which way the discussion will lead.

EGAP/ČEB:



Corporate structure

EGAP is 100% owned by the Czech Republic.⁴¹ Control of EGAP is shared by four ministries: The Ministry of Finance (40%); Ministry of Industry and Trade (36%); Ministry of Agriculture (12%); Ministry of Foreign Affairs (12%).⁴² Export credit insurance is a major part of its activities, especially export buyer credits, where the bank makes payments to a Czech exporter and the amount owed is then paid back by a foreign buyer on regular dates given by the credit agreement.⁴³ It also carries out investment insurance⁴⁴.

Similarly, the Czech state directly holds 84% of ČEB's shares, while the remaining 16% are held by EGAP and are thus indirectly state-owned.⁴⁵

Decision-making structures

Both EGAP and ČEB are overseen by representatives from the Ministry of Finance, the Ministry of Industry and Trade, the Ministry of Foreign Affairs, as well as the Ministry of Agriculture.

As sole shareholder of EGAP, the Czech state exercises its shareholder's rights through the four ministries who hold the following share percentage and corresponding voting weight in EGAP's general meeting: the Ministry of Finance (1630 votes)⁴⁶, the Ministry of Industry and Trade (1467 votes), the Ministry of Foreign Affairs (489 votes) and the Ministry of Agriculture (489 votes). The representatives of these four ministries together with representatives from the Confederation of Trade Unions sits also in EGAP's Supervisory Board. EGAP's chairman (executive director) and main representative is currently Ing. Jan Procházka.⁴⁷

ČEB's supervisory board currently consists of two representatives of the Ministry of Industry and Trade, two representatives of the Ministry of Finance, one representative each of the Ministry of Foreign Affairs and the Ministry of Agriculture as well as one representative from ČEB's staff.⁴⁸ ČEB's operations are also supervised by the bank's audit committee.⁴⁹ Chief Executive Officer and chairman of ČEB's Board of Directors (management board) is currently Ing. Karel Bureš.⁵⁰

Environmental and human rights screening

For its environmental and social project screening EGAP follows the recommendations of the OECD ECG (Common Approaches): "A positive assessment of environmental acceptability of the export and investment in the country of final destination is one of the basic preconditions for conclusion of an insurance contract. Environmental review shall be made for all projects where the Exporter applied for insurance of a credit with state support with repayment exceeding 2 years as well as for all investment in foreign countries."⁵¹

The assessment process starts with the exporter filling a questionnaire concerning the environmental review of the export project. Based on this, EGAP internally classifies the application into one of three categories (A, B, C) and decides if an expert opinion on the environmental impact needs to be prepared. The process of environmental and social assessment is carried out within EGAP in the case of projects with a transaction value under SDR 10 million.⁵² These projects are categorised based on the questionnaire form the exporter. Larger projects (over SDR 10 million) and projects of a “sensitive area or with impact on human rights” have to be sent beforehand by the exporter – at its own cost – to external experts who then decide on the categorisation.⁵³

It is EGAP, rather than the exporter, which makes the primary assessment about whether a project is taking place in a sensitive area or is likely to impact human rights.⁵⁴

The list of experts accepted by EGAP for external consultancy is publicly available.⁵⁵ The two recent ESIA's conducted in connection with Environmental and Human Rights Screening were evaluated by the same two people from the Czech University of Life Sciences in Prague.⁵⁶

When an assessment contains an obligation to present regular monitoring reports in compliance with ecological parameters, EGAP is to include this into the wording of the insurance contract. According to EGAP, monitoring is usually conducted until the date of expiry of the guarantee period and by the end of the insurance period at the latest.⁵⁷

There is no strict regularity of reporting since it depends on the particular project. According to EGAP, monitoring takes place throughout the guarantee period, so there is some time during the construction phase and operational phase to address any issues arising..

For cases where claims arise from an export guarantee or insurance, EGAP states: “During the claim settlement, EGAP shall investigate whether the reason for the claim was a non-compliance with ecological limits contained in the assessment and eventually penalize the exporter accordingly in the form of reduction of indemnification payment or application of recourse.”

EGAP does not screen or classify projects with repayment under two years for their potential environmental and human rights impact, citing the fact that it is not obligatory under the 2016 Common Approaches for ECAs.⁵⁸

In collaboration with the Czech Technical University in Prague, EGAP has developed a system for risk-evaluation which it has labelled “Effectiveness of Support for Exports”.⁵⁹ This approach is geared towards economic risk assessment and does not include an assessment of ecological or social impacts.

ČEB essentially follows the same procedure as EGAP. Since 2002 applicants for officially supported export financing through ČEB are obliged to provide the export bank with information that will allow it to assess the project’s environmental impact potential in the final destination country. This obligation applies to all export projects with export credit

repayment terms of two years or more (as accepted by the Czech Republic at the OECD ECG in November 2001).⁶⁰

In projects where both institutions are involved, usually EGAP does the initial assessment and categorisation. When ČEB provides loans for projects without insurance from EGAP, it has to carry out the process itself.⁶¹

It is not clear whether ČEB has staff trained for doing in-house preliminary social and human rights assessments before deciding whether a project needs to be evaluated by external consultants.

Concerning monitoring compliance with environmental requirements (when stipulated in an ESIA) ČEB states the following: “During the entire life of a credit CEB is entitled to require the exporter to provide written monitoring reports that include the requisites stipulated in the assessment. The reason for such a request may be any information or suspicion that during the execution of the project there has been environmental damage. The obligation of the exporter to comply with the conditions in the assessment will be one of the conditions for the provision of the export financing. The Applicant will submit the monitoring reports to CEB; the exporter will ensure their preparation by an authorised person at its own cost.”⁶²

ČEB states further: “If a monitoring report demonstrates serious non-compliance with the conditions of an assessment by the exporter, ČEB will be entitled to suspend financing until the situation is brought into compliance with the assessment. ČEB will inform the Applicant in writing of the suspension of financing and the conditions for its renewal. ČEB will renew financing only on the basis of a new monitoring report submitted by the Applicant that demonstrates that the conditions of the assessment stipulated for the environmental impacts of the respective export transaction have been fulfilled.”⁶³

Again it is not clear whether ČEB requires regular monitoring reports or whether it is only entitled to do so. Even though monitoring is no substitution for ex-ante project impact assessment, this could make a difference in addressing issues that arise during project implementation.

Exclusion lists

Both EGAP and ČEB share a list of sensitive sectors and areas from the OECD recommendations.⁶⁴ Apart from this, no exclusion lists for specific business types with high potential negative environmental or human rights impact were found.

Climate mitigation measures

There appear to be no specific climate change-related policies in place within ČEB and EGAP or towards officially-supported export promotion other than sector-specific agreements in the OECD ECG’s Sector Understandings.

Reporting and transparency

Both ČEB and EGAP send quarterly reports to the Czech National Bank (CNB) about their financial situation.⁶⁵ Based on the new EU Solvency II Directive, EGAP will have to provide additional disclosure to CNB (“Solvency and financial condition report”⁶⁶ and “Regulatory Supervisory Report”).⁶⁷ As is the case for most other ECAs covered in this report, the Czech government and its ECAs also report on certain (small) aspects of their state-backed export promotion both to the OECD ECG⁶⁸ and to the European Commission, as per the OECD Arrangement/Common Approaches and the EU ECA Regulation.

The lower house of the Czech Republic’s parliament, the Chamber of Deputies, receives a report once a year about state-backed supported financing via EGAP and ČEB which is disclosed and can be discussed in the chamber’s economic committee.⁶⁹

Both EGAP and ČEB have overall relatively detailed online descriptions of some of the international standards they apply,⁷⁰ as well as about their disclosure policies and the procedures they use for environmental assessment and screening.⁷¹ In parts, ČEB links to EGAP’s website on this matter.⁷²

EGAP’s website shows a list of category A and B projects which are published according to the Common Approaches (guarantees for a loan contract of more than two years). For each Category A project EGAP provides an authorisation of an environmental impact assessment and is obliged to publish it at a minimum of 30 days before the conclusion of the contract.⁷³

For each project EGAP states: the name of the project; export country; supplier; export contract amount; category; reason for classification into the category; date of conclusion of the insurance contract; and contact person. The oldest project published is from March 2014.⁷⁴ EGAP published a list of recent overall representative projects online up through 2013.⁷⁵

Both institutions provide annual reports online. Since 1998, ČEB’s annual report appears to provide some relatively detailed information on business activities, key markets risks and finances, in comparison to other ECA annual reports. EGAP’s report even lists the monthly fees its management is paid.⁷⁶ Nevertheless it is unclear from their reports which projects are backed by the state budget and to what extent and which projects are not.

In general, both institutions have a serious problem with communication about their projects. As was described above, both ČEB and EGAP give some information in their annual reports. According to the OECD Common Approaches, ECAs should release a complete list of Category A and B projects every year. EGAP also discloses some projects categorised as B on its websites, and two Category A projects are listed there together with an Environmental and Social Impact Assessment. According to EGAP, this represents all category A and B projects since 2014.⁷⁷ But neither of the institutions publishes a full list of the projects supported in past years, so it is difficult to assess whether projects were properly categorised. Clearly this lack of complete project lists represents a lack of transparency and public participation,⁷⁸ however, ČEB states that it is lack of disclosure is due to relevant applicable banking regulations which must be taken into account when communicating publicly about bank’s clients.

When the prime minister was asked via a parliamentary interpellation for a list of projects the parliamentarian was denied this information. All information was declared banking secret by ČEB and business secret by EGAP.⁷⁹

In reaction to this refusal to disclose the list of projects, the Prague-based environmental NGO Center for Transport and Energy (CDE) sent two freedom of information requests to EGAP.⁸⁰ The first asked for a list of the projects supported in the last seven years and the second requested all available information about the Long Phu coal power plant which is to be built in Vietnam and where EGAP is listed as a potential source of financing. In each request one paragraph warned that such information cannot be a business secret. But EGAP refused to disclose the information and answered that EGAP is not a public institution and therefore is not obliged to answer a FOIA. The same answer came after an appeal against this response.⁸¹

Similar requests were sent then to the Ministry of Finance and Ministry of Industry and Trade. The requests were refused with the questionable argument that ministries do not have such information.⁸²

EGAP's management was also asked for an interview about its processes, transparency and planned revision. Unfortunately, there was no answer from their side to set up a meeting. A similar request was sent to the Ministry of Industry and Trade which had been appointed by the Czech government to do an analysis of the current state of the two Czech export financing institutions and to deliver a proposal of changes and/or a new structural setup for state-backed export financing for the Czech Republic. While an initial meeting concerning possible structural deficits did take place in April 2017,⁸³ subsequent requests to conduct an interview for this report were not answered at all.⁸⁴

Complaint mechanisms

EGAP accepts complaints concerning the non-fulfillment of contracts relating to insurance and other services. A description how a complaint can be sent is provided on EGAP's website.⁸⁵ A complaint can be sent by anybody who is harmed by a contract. EGAP is supposed to answer within 30 days.

While this is in principle a useful tool in cases of misconduct for projects supported by EGAP (with which the insurer has had numerous experiences in recent years - see the section below), the authors notice that the guide is 'hidden' at the bottom of the page with contacts and is available only in Czech.

ČEB does not offer any possibility for complaints on environmental and social issues via its website, however it states that it accepts complaints concerning the non-fulfillment of contracts relating to financing and other services and also provides this information in English.⁸⁶ ČEB also states that a complaint can be sent by anybody who is harmed by a contract and that the bank is supposed to answer within 30 days.⁸⁷ However it is not obvious from the website text that the complaint mechanism also applies to affected people other than those involved in contract disputes.

EGAP and ČEB in focus: Increasing involvement in dubious projects and possible financial misconduct⁸⁸

By Dan Heuer (*Centrum pro dopravu a energetiku*)

Although not institutions that typically receive much fanfare, the Czech Republic's two collaborating state-backed export credit agencies EGAP and ČEB have a poor track record worthy of more scrutiny: As a response to the financial crisis and thus a desire to boost exports, the two institutions became more lenient in evaluating the financial and political risks of the projects and so a number of loans were made to projects that otherwise would not normally have received them. Without the proper safeguards in place, several problematic projects emerged.

There was a scandal caused by a police investigation against EGAP and ČEB. On 15 January 2014 ČEB and EGAP were closed because of investigations by Czech police. Also the Czech Supreme Audit Office conducted an investigation of both institutions.^{88,90}

Between 2005 and 2011, a significant amount of financing was distributed questionably by ČEB and backed by EGAP. During the six years, a total of 143 billion CZK/EUR 5.6 billion was sent to more than one hundred applicants. But almost 14 percent of this amount was received by just two companies. One of them even sent 40 percent of the loan to its supplier in a tax haven.⁹¹ ČEB was accused by the Supreme Audit Office of breaking the bank law by admitting numerous loans which should have never been given.⁹² In addition, EGAP was accused of receiving donations from the state in 2012 and 2013 even though it was not necessary.⁹³

The latest troubled project of ČEB and EGAP relates to a contract for the construction of the Yunus Emre thermal power plant in the north west of Turkey.⁹⁴ The operator of the power plant, Adularya, alleges that the components and machines provided by Czech exporter Vítkovice Machinery Group are not suitable for the low quality coal that is used at its Yunus Emre power plant. Neither side

wants to take responsibility for the dispute, so the future of the plant is now unclear. Since the beginning of 2017, the Czech government has sought a solution with its Turkish counterpart who took over Adularya after the political purge in 2016. There is, however, no agreement among Czech politicians about how to resolve this situation⁹⁵ and no will on the Turkish side to finish the construction of the power plant, so there is little chance the loan will be paid back.⁹⁶

This is not the first time ČEB and EGAP have supported failed coal power plant projects, resulting in losses for the state.⁹⁷ One was the Kolubara power plant in Serbia, which received a loan in 1999 following damage it sustained during the war in the former Yugoslavia. But part of the loan was never repaid, making top-ups from the Czech state budget necessary. EGAP also had to pay for power plants at Balloki and Muridke in Pakistan because the Czech supplier was not able to finish construction.⁹⁸

Three more unsuccessful projects backed by the ECA are located in Russia: A power plant in Kurganskaja had temporary difficulties with paying back ČEB, because of losses it incurred as a result of the devalued Ruble.⁹⁹ As of 2017, ČEB reports that the project is back on track, resulting in regular re-payments of the loan.¹⁰⁰ The Krasavino power plant, which is already running, split into two divisions, neither of which is willing to pay back the loan from ČEB.¹⁰¹ In addition, ČEB had to freeze payments for the 268 MW Poljarnaja gas-fired power plant, near Salekhard, Siberia. Its Russian partner did not adhere to its contract and the plant is not going to be finished.¹⁰² ČEB once again faces the severe headache of trying to recover its loans and will lose a significant amount of money on the deal.

It is estimated that all these measures, which were supposed to help the Czech state to get through the financial crisis, will

end up costing the Czech population at least CZK 20 billion (over EUR 740 million) due to materialisation of political risks and poor performance of projects especially in the Russian Federation.¹⁰³ Aiming at the mitigation of negative budgetary impacts, both institutions have established specific departments engaged in recovery operations concerning troubled projects.¹⁰⁴

In spite of these failures, ČEB and EGAP also considered supporting, a new unit at the Pljevlja lignite power station in Montenegro. Right from the beginning, the project was questioned by several NGOs, including CEE Bankwatch Network.¹⁰⁵ The construction company Škoda Praha – owned by the Czech state via ČEZ – was chosen for the project without a regular tender process, for which the Montenegrin government had to adopt a special law. Experts and local NGOs doubted future energy demand scenarios as well as the predicted price of the power plant.¹⁰⁶ Following public criticism and after internal evaluation of the project (reflecting ČEB’s newly introduced risk guidelines and procedures),¹⁰⁷ ČEB declined financing of the Pljevlja project, announcing in October 2016 that the project was too risky to participate in.¹⁰⁸

The only publicised outcome in terms of responsibility for failures so far was the charging of two former EGAP managers on 30 June 2016¹⁰⁹ for falsifying documents which constituted the basis for a decision to provide export support via EGAP and ČEB for the construction of a cement production plant in Vietnam. ČEB collected and prepared all the project documentation to be approved for support. Among the documents was also a study conducted by KPMG that had originally said that there was too low cement demand in Vietnam. Before the project documentation reached EGAP’s Supervisory Board, the KPMG study was removed by two managers of EGAP.

ČEB, which was to provide the export loan, stepped back from financing the project, aware that the deal might not end well. But EGAP’s Board approved the project, lacking the results of the KPMG study to guide their decision-making. And the Czech bank PPF, also mis-informed due to manipulated project data, stepped in to provide an export loan for the project. In the first third of the financing PPF bank realised the infeasibility of the project and stopped disbursement of the loan. Of a total EUR 100 million, PPF lost EUR 30 million which the bank had already transferred for the project. EGAP, which had provided insurance for the deal, was forced to pay back PPF’s losses.^{110 111} The trial of the two managers started in May 2017 but may take some years to complete.¹¹²

Despite all the scandals so far, another one may be on the way for EGAP, which is reinsuring another ECA, which is leading the transaction for the Long Phu coal power plant in Vietnam. EGAP is also negotiating with Russia about the construction of nuclear power plants in third countries.^{113 114}

EGAP does not actively share data about Long Phu. This lack of transparency is one of the reasons for all EGAP’s troubles. Neither potential nor finished projects can be properly discussed in public. EGAP has not considered public interest in the project and therefore other interests have a bigger influence. There is a lack of political responsibility in the Czech Republic for export financing.

While there is currently an ongoing political discussion about reform of EGAP and ČEB and even about a possible merging of the two institutions, the lessons to be learnt from recent years’ shortcomings have to be seriously taken into account. Hopefully, there will be better transparency and responsibility in the new future Czech ECA(s).

Conclusion

ČEB and EGAP, both state-owned enterprises, have used funds that are backed by public money through state-backed guarantees and insurance to finance a number of problematic projects in recent years, both from a financial and environmental point of view. These include coal, gas and nuclear power stations. This is in part due to the Czech strategy of boosting exports and minimising the impacts of the financial crisis. ČEB and EGAP relaxed their rules and provided loans and guarantees for riskier projects. The fact that several projects have been under investigation by the Czech police since at least 2014 shows that the problem goes far beyond this. Since 2014 at least the risk appetite of both ČEB and EGAP seems to have decreased. And, according to ČEB, internal rules and procedures under which new projects are assessed, have tightened in this regard.¹¹⁵

The unsuccessful projects financed by ČEB and EGAP such as the Krasavina and Poljarnaja power stations in Russia raise the alarm about their decision-making processes, transparency and accountability. In theory the Czech Ministries of Finance, Industry and Trade, Foreign Affairs and Agriculture supervise the institutions through their shareholding, but in practice there has been a serious lack of political accountability for the failed projects. Until the end of 2016 the only result of all the investigations was that two former EGAP managers were charged with falsification of documents.

In theory ČEB and EGAP support Czech business abroad, but their backing for projects like coal and gas power projects which impact climate change are incompatible with achieving the goals of the Paris Agreement¹¹⁶ and in fact have served to prop up Czech companies' outdated business strategies. ECAs should rather help transform or grow companies which are more future-proof and operate in developing industries like renewable energy or public transport. They should adopt stricter criteria preventing financing for fossil fuel projects.

Unfortunately, there appear to be no specific climate change-related policies in place within ČEB or EGAP other than sector-specific agreements in the OECD ECG's Sector Understandings. Both ECAs should develop their own internal exclusion lists for specific business types with specifically high potential negative environmental or human rights impact where no support will be granted.

Both ČEB and EGAP operate with public finances, so the public has the right to actively participate in environmental decision-making related to their operations.

The most urgent need in this respect is to disclose the list of projects financed between 2010-2016. In addition the ECAs need to actively disclose information about projects that they discuss at an early stage, before decisions on financing are made. This way, NGOs can evaluate the potential environmental and social impacts of projects and the public can express its views. This would go a long way to help avoid the conflicts and criticisms that have arisen so far across the portfolios of ČEB and EGAP. Disclosing information on Category A and B projects 30 days before board approval may be in line with the OECD's Common Approaches for Export Credit Agencies but is insufficient for real public discussion to take place.

Projects which take place in sensitive areas or are likely to have human rights impacts are classified by external experts as Category A or B. Relatively few of these have been published, but since no overall project list is published, it is impossible to tell whether some projects have escaped scrutiny this way.

ČEB and EGAP both write on their websites that they have the right to ask for monitoring reports on projects they support. They do not publish any of these reports or summaries, so it is unclear to what extent monitoring is really taking place, however according to EGAP, monitoring reports are requested for all projects of category A and B.¹¹⁷

EGAP has developed a basic complaint mechanism, but it does not have clearly developed rules of procedure, is not very visible on its website, and the information about it is only available in Czech.

Complaints can be made by any natural or legal person, e.g. damaged third party. There is no restriction when reporting environmental violations or corruption allegations. ČEB accepts complaints concerning the non-fulfillment of contracts relating to financing and other services.¹¹⁸ It also states that a complaint can be sent by anybody who is harmed by a contract, however this is not immediately obvious from looking at the website.

EGAP and ČEB's commitment to answer complaints within 30 days is welcome, but information about these needs to be available in the languages relevant for the countries where their impacts are felt and to be made much more visible on their websites. A list of complaints received and ČEB/EGAP's conclusions and any corrective action to be taken also needs to be published.

Endnotes

- 1 <http://www.egap.cz/styles/logo-egap-en.png>
- 2 <https://www.ceb.cz/webs/ceska-exportni-banka/images/logo.png>
- 3 EGAP Annual report 2016: <http://www.egap.cz/dokumenty/vyrocnizpravy/vyrocnizprava-2016-en.pdf>
- 4 ČEB Annual report 2016: https://www.ceb.cz/_sys_/FileStorage/download/2/1944/vz_en_16_fin_last.pdf
- 5 EGAP Annual report 2015, p.53: <http://www.egap.cz/dokumenty/vyrocnizpravy/vyrocnizprava-2015-en.pdf>
- 6 ČEB Annual report 2016, p.17: https://www.ceb.cz/_sys_/FileStorage/download/2/1944/vz_en_16_fin_last.pdf
- 7 EGAP Annual report 2016
- 8 ČEB Annual report 2016
- 9 EGAP Annual report 2016, p.7
- 10 Ibid.
- 11 EGAP Annual report 2016, p.10: Sum of “Number of Insurance Contracts by Products concluded in 2016” (Chart 5)
- 12 Ibid., p.14
- 13 ČEB Annual report 2016, p.27, see “Loan principal balance in 1996–2016” (Graph 3)
- 14 This corresponds with a decline in volume of nearly 50% compared to 2015. 41% of this volume related to transactions made with insurance of EGAP. (ČEB Annual report 2016, p.25)
- 15 <http://www.egap.cz/o-spolecnosti/profil/zakon-c-58-1995-sb/index-en.php> and ČEB Annual report 2015, p.20
- 16 EGAP Annual report 2015, p.25
- 17 Ibid., p.27
- 18 ČEB Annual report 2015, p.28
- 19 <http://www.mfcr.cz/cs/zahranicni-sektor/podpora-zehranici/podpora-exportu>
- 20 <http://www.egap.cz/o-spolecnosti/identifikacni-udaje/index-en.php>
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- 35 For details see in-depth section towards the end of this profile.
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- 51 <http://www.egap.cz/informace/o-vlivu-vyvozu-na-zivotni-prostredi/postup-pri-vyhodnoceni-vlivu-vyvozu-na-zivotni-prostredi/index-en.php>
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- 53 Ibid.
- 54 E-mail communication from EGAP with Center for Transport and Energy (CDE), 28 November 2017
- 55 <http://www.egap.cz/informace/o-vlivu-vyvozu-na-zivotni-prostredi/seznam-zpracovatelu/index-en.php> and <http://portal.cenia.cz/eiasea/osoby/osoby>
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- 62 Ibid.
- 63 Ibid.
- 64 <https://www.ceb.cz/en/about-us/legislation/assessment-of-the-impact-of-exports-on-the-environ/>
- 65 <http://www.egap.cz/o-spolecnosti/egap-podlevyhlaske-cnb/index.php> and <https://www.ceb.cz/kdo-jsme/povinne-zverejnovaniinformace/pravidelne-ctvrtletni-informace2/>

- 66 <http://www.egap.cz/o-spolecnosti/egap-podle-solvency-ii/index.php>
- 67 Letter from Czech Prime Minister Bohuslav Sobotka to Member of Parliament Michal Kučera in response to interpellation sent on 28th of April 2017.
- 68 See for example the ECG's summary on ECG members' reporting from January 8th 2016: Trade and Agriculture Directorate (Trade Committee, Working Party on Export Credits and Credit Guarantees): INFORMATION ON CATEGORY A AND CATEGORY B PROJECTS (2013 REPORTS).
- 69 Letter from Czech Prime Minister Bohuslav Sobotka to Member of Parliament Michal Kučera in response to interpellation sent on 28 April 2017.
- 70 see for example: <https://www.ceb.cz/en/about-us/legislation/international-standards/>
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- 73 <http://www.egap.cz/informace/o-vlivu-vyvozu-na-zivotni-prostredi/postup-pri-vyhodnoceni-vlivu-vyvozu-na-zivotni-prostredi/index-en.php>
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- 76 <http://www.egap.cz/dokumenty/vyrocní-zpravy/vyrocní-zprava-2015-en.pdf> p. 51
- 77 E-mail communication from EGAP with Center for Transport and Energy (CDE), 28 November 2017
- 78 OECD, Common Approaches 2016, par. 41.
- 79 Letter from Czech Prime Minister Bohuslav Sobotka to Member of Parliament Michal Kučera in response to interpellation sent on 28 April 2017
- 80 Both letters were sent on 13 July 2017. Negative answers were received on 21 July 2017.
- 81 The appeal was sent by CDE on 28 July 2017 and the answer was received on 31 August 2017.
- 82 The requests for a list of approved projects and environmental information about Long Phu were sent by CDE both to the Ministry of Finance and the Ministry of Industry and Trade on 11 September 2017. The Ministry of Finance answered negatively on 25 September 2017. The negative answer from the Ministry of Industry and Trade was received on 4 October 2017. Again all the communication was between the ministries and CDE.
- 83 Meeting between representatives of the Czech Ministry for Industry and Trade, Dan Heuer, CDE and Barbora Urbanová, Center for Transport and Energy, on 13 April 2017.
- 84 The fact that neither EGAP's management nor representatives of the Ministry of Industry and Trade responded to the authors' requests to arrange an interview can be assumed to be an indicator of their willingness to engage with the public and their views on transparency. (Emails offering the opportunity for an exchange meeting and asking to carry out an interview were sent the Ministry of Industry and Trade on 25 April 2017, on 16 May 2017 and on 07 June 2017. EGAP management was contacted by e-mail with a request for an interview on 27 March 2017, on 04 May 2017 and on 22 May 2017.) A lawsuit was filed against EGAP in October 2017 by the Czech NGO CDE for not disclosing a list of projects supported in 2010-2016.
- 85 <http://www.egap.cz/kontakty/vyrizovani-stiznosti/index.php>
- 86 <https://www.ceb.cz/en/about-us/further-information/rules-for-handling-complaints-and-grievances/>
- 87 E-mail communication from EGAP with Center for Transport and Energy (CDE), 28 November 2017
- 88 The following text is an adapted and updated version of Dan Heuer's original article "Lack of transparency hindering Czech export agency" form February 15th, 2017 to be found on CEE Bankwatch's website: <https://bankwatch.org/news-media/blog/lack-transparency-hindering-czech-export-agency>
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- 96 <https://byznys.ihned.cz/c1-65875650-statni-pojistovna-egap-ma-naslapnuto-na-rekord-od-dluzniku-vymohlajiz-932-milionu-splaci-i-kuba>
- 97 https://ekonomika.idnes.cz/ceska-exportni-banka-uverovala-neuspesne-elektrarny-p0q-/ekonomika.aspx?c=A160205_201831_ekonomika_jvl
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- 101 see: <https://www.respekt.cz/politika/cesku-se-nedari-z-ruska-ziskat-zpet-utopene-miliardy-presto-tam-chce-poslat-dalsi> as well as https://ekonomika.idnes.cz/ceska-exportni-banka-uverovala-neuspesne-elektrarny-p0q-/ekonomika.aspx?c=A160205_201831_ekonomika_jvl
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