

BANK ON HUMAN RIGHTS

A COALITION FOR HUMAN RIGHTS IN DEVELOPMENT FINANCE

Development Finance Institutions in Africa

Citing record economic growth rates, economists and politicians have begun painting a picture of an “Africa Rising.”¹ From the US and Europe, to China and Brazil, businesses and governments are looking toward Africa as a profitable destination for investment and a critical source of natural resources. African leaders and development institutions such as the World Bank tout the benefits that increased investment will bring for the region.

Increased investment, however, is no guarantee for positive development results. In fact, in many instances, increased investment has exacerbated poverty and inequality and contributed to human rights abuses such as forced evictions. Without effective mechanisms to ensure that the African people have a say in what development will look like and how it will be implemented, past development failures are sure to be repeated.

At the same time, as the world’s eyes turn toward Africa, African civil society may have a unique opportunity to use this moment to demand a new type of development – one that is just, equitable, sustainable, and based on human rights.

A growing number of development finance institutions (DFIs) are investing in Africa. DFIs offer certain leverage points for African civil society organizations which may wish to help shape this new wave of development. This publication hopes to contribute to advocacy strategies by providing an overview of the kind of development being proposed, the different DFIs engaged, and the leverage points they offer.

Development Finance Institutions

DFIs are public institutions that provide loans, guarantees, and technical assistance for development projects and policy reforms. DFIs are owned and governed by States — either one State as in the case of the Brazilian National Development Bank, or several States, as in the case of the African Development Bank or the World Bank. DFIs generally have public interest missions, such as poverty alleviation and sustainable development, and the money they invest is public money, often taxpayer resources. This means that DFIs, and the country representatives who make up their governing boards, have both legal and political obligations to respect and protect human rights in their activities.

¹See e.g. “Africa Rising: The hopeful continent,” The Economist, 3 December 2011.

What Kind of Development is on the Table?

In recent years, development finance in Africa has focused on three main sectors: agriculture, natural resources, and infrastructure.

Agriculture. Africa has borne the brunt of a global spike in large-scale land deals for production of commodities such as palm oil and sugarcane. In just the last ten years, the amount of land acquired by foreign investors in Africa is equal in size to all of Kenya.² In recent years, many developing country governments have welcomed increased investment in agriculture as a strategy for improving food security. Unfortunately, without protections for local people's land and resource rights, these investments have instead led to forced evictions, land conflicts, and food insecurity. The World Bank and other DFIs have played a critical role in land acquisitions, both as a source of financial support for investments, as well as through technical assistance and policy advice to governments.

Natural Resources. Africa's economic growth in recent years has been fueled by natural resource extraction. While the continent has seen rising GDPs, in most cases the poor have been left behind as inequality has widened. Without strong governance to manage natural resource development, extractive industries have stripped Africa not just of natural capital, but public wealth – making up a significant portion of the more than USD 50 Billion lost every year in illicit outflows.³ Natural resource extraction has also often been accompanied by evictions, violent conflict, and environmental devastation.

In February 2014, the World Bank announced a plan to design a USD 1 Billion map of the continent's undiscovered natural resources. The stated goal of the mapping project is to help African governments assess the full value of their natural resources, and in so doing, better attract and negotiate with potential investors. Others fear that the effort will facilitate greater resource extraction without addressing governance gaps.

Infrastructure. The newest wave of development in Africa is mapped out in the Programme for Infrastructure Development in Africa (PIDA). PIDA was adopted by the African Union in 2012 as a continent-wide program for regional integration and infrastructure transformation. The logic of PIDA rests on several important assumptions. The most important of these is that improving access to integrated regional and continental infrastructure networks will lead to positive development in Africa, improving living standards, energy access, and food security.⁴ PIDA aims to provide a framework that will succeed in making complex, cross-border mega-projects viable and attractive to both public and private capital.

Inga 3 Dam

The Inga 3 Dam project in the Democratic Republic of Congo is part of a massive dam complex on the Congo River. The project is planned as a public-private partnership involving the African Development Bank, European Investment Bank, and the World Bank. The Inga 3 project alone is projected to displace 35,000 people. Moreover, while 90% of the DRC's population lacks electricity, the power generated by the dam is not planned to meet this need. Instead, the energy will be utilized to power mining operations in the DRC and sold to South Africa.

Source: International Rivers www.internationalrivers.org

² "Our land, our lives: Time out on the global land rush", Oxfam, October 2012, <http://www.oxfam.org>.

³ See for instance, United Nations Economic Commission for Africa, Seventh Joint Annual Meetings of the ECA Conference of African Ministers of Finance, Planning and Economic Development and AU Conference of Ministers of Economy and Finance, UN Doc E/ECA/CM/47/6 AU/CAMEF/MIN/6(IX), 3 March 2014.

⁴ See AUC report and "Africa's Infrastructure: Challenges and Opportunities," World Bank presentation at the Dakar Financing Summit for Africa's Infrastructure, Dakar, Senegal, 14 June, 2014.

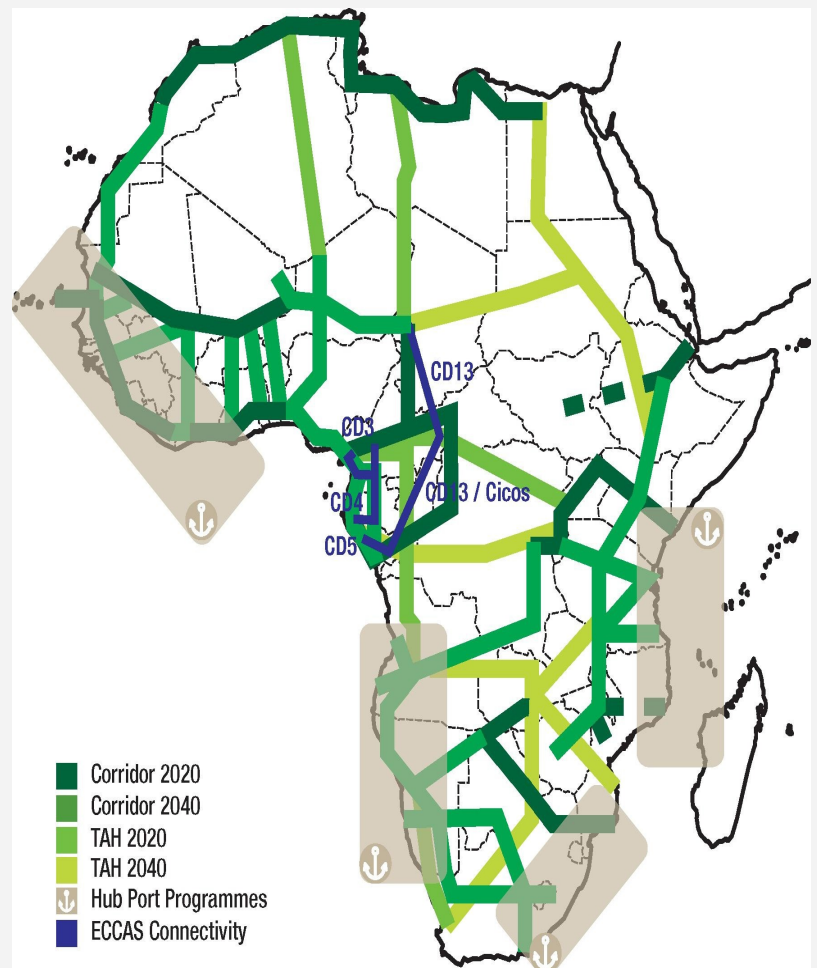
PIDA is administered by the African Union Commission (AUC), the New Partnership for Africa's Development Planning and Coordination (NEPAD Agency) and the African Development Bank (AfDB). There are 51 projects in the PIDA pipeline, including trans-border rail lines, hydropower projects, gas pipelines, and internet and telecommunications systems.⁵ PIDA's design integrates infrastructure with natural resource extraction, for instance, by anchoring energy infrastructure to mining operations.⁶ The project pipeline carries an estimated price tag of USD 360 Billion through 2040.

The 16 PIDA Priority Projects

1. Ruzizi III Hydropower Project
2. Dar es Salaam Port Expansion
3. Serenge-Nakonde Road (T2)
4. Nigeria-Algeria Gas Pipeline
5. Modernization of Dakar-Bamako Rail Line
6. Sambangalou Hydropower Project
7. Abidjan-Lagos Coastal Corridor
8. Lusaka-Lilongwe ICT Terrestrial Fibre Optic
9. Zambia-Tanzania-Kenya Transmission Line
10. North Africa Transmission Corridor
11. Abidjan Ouagadougou Road-Rail Projects
12. Douala Bangui Ndjamenena Corridor Road-Rail Project
13. Kampala Jinja Road Upgrading
14. Juba Torit Kapoeta Nadapal Eldoret Road Project
15. Batoka Gorge Hydropower Project
16. Brazzaville Kinshasa Road Rail Bridge Project and the Kinshasa Illebo Railways

Source: NEPAD Agency www.dakar-nepadsummit.org

PIDA's Transportation Impact

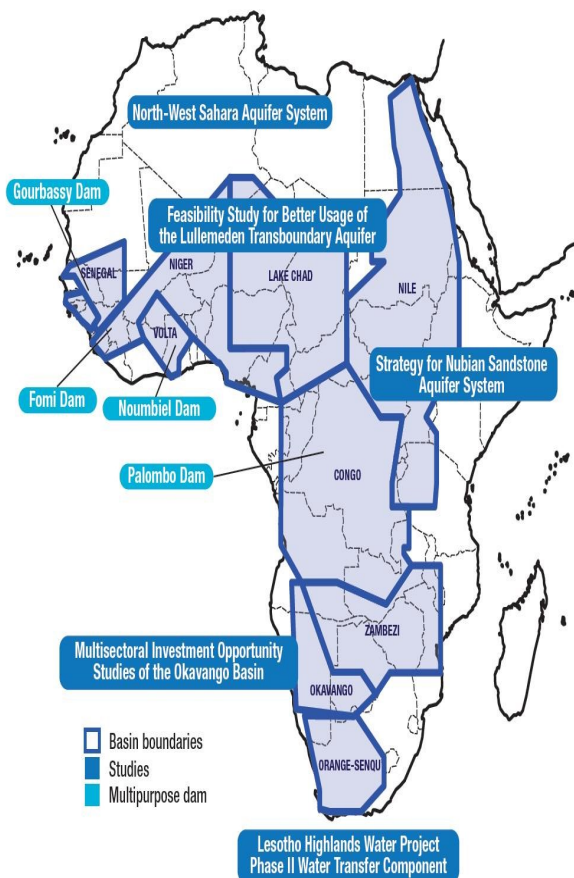


Source: AUC Report E/ECA/COE/31/3/AU/CAMEF/EXP/3(VII)

⁵ Dakar Financing Summit for Africa's Infrastructure brochure, NEPAD Agency, Midrand, South Africa, at <http://www.dakar-nepadsummit.org>.

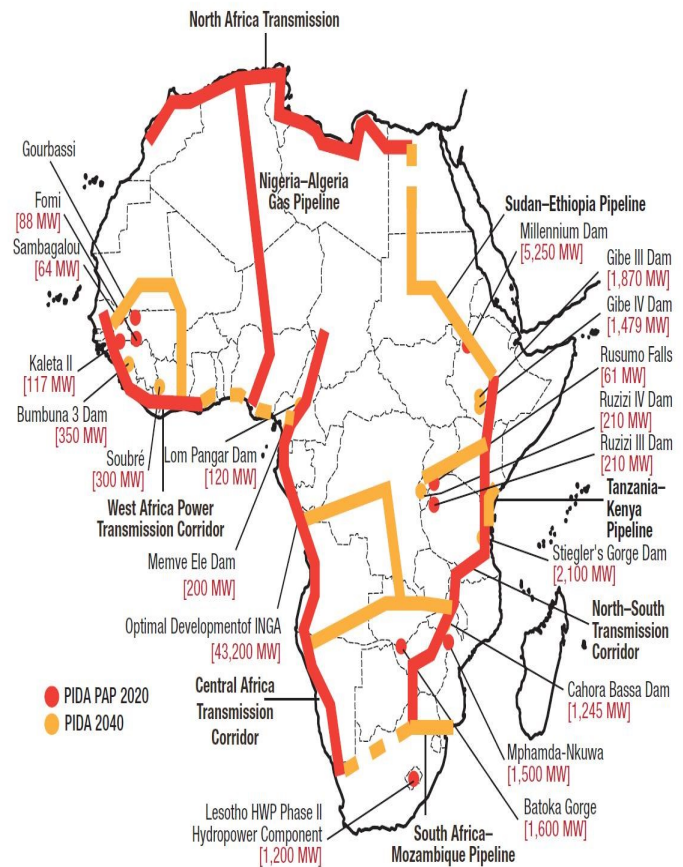
⁶ See e.g. "Africa's Infrastructure: Challenges and Opportunities," World Bank presentation at the Dakar Financing Summit for Africa's Infrastructure, Dakar, Senegal, 14 June 2014.

PIDA's Transboundary Water Impact



Source: AUC report E/ECA/COE/31/3/AU/CAMEF/EXP/3(VII)

PIDA's Energy Impact



Source: AUC report E/ECA/COE/31/17AU/CAMEF/EXP/17(VII)

Civil society should raise several critical questions about PIDA:⁷

- Are these development projects geared toward increasing Africans' access to local markets or intra-African trade, or increasing exports?
- How will PIDA's infrastructure support industrialization and job creation?
- Will the infrastructure promote "structural transformation," including value-added manufacturing?
- Will PIDA improve living standards?
- Will traditional centralized energy development such as dams and pipelines improve public energy access?
- What will be the social and environmental impacts of PIDA, and have they been analyzed?
- Will these projects involve human displacement – how will that be managed?

⁷ See: Qobo, Mzukisi, "High Ambitions and High Risks: Programme for Infrastructure Development in Africa (PIDA)," Heinrich Boell Foundation, April 2014.

PIDA's PPPs

While large infrastructure projects have typically been funded as public works, many PIDA projects use a model of Public-Private Partnerships (PPPs), securing financing from governments, DFIs and private investors. The idea behind PPPs is that governments can use public money to attract significant private investment by offsetting the risks for private investors. Unfortunately, this strategy can backfire with negative fiscal and development consequences. For instance, in order to ensure that infrastructure projects are profitable, governments often offer corporate tax concessions or raise consumer utility fees. Frequently, corporations force re-negotiation of PPP contracts to raise their profits and decrease their obligations. There are many cases in which, if a project fails (or fails to maintain the expected profit levels of the private investor), governments and citizens absorb exorbitant costs over decades.

Leverage Points for Better Development

Communities and civil society organizations in Africa and across the globe have used a range of strategies to win development that respects their human rights. In the long-term, changing national laws and policies is one of the most effective ways to affect the course of development – whether it is financed by private companies, governments, or financial institutions. In the medium-term, however, DFIs can provide some accountability avenues that may not be available when only the State or a private investor is involved. Two critical tools for influencing development are safeguards and accountability mechanisms.

Social and environmental safeguards

After a long history of development projects that often impoverished communities and devastated the environment, communities, indigenous peoples, and civil society organizations have succeeded in working with legislators to require many DFIs to adopt policies to protect people and the environment. These social and environmental “safeguards” establish standards and procedures for how development projects are designed and implemented. Safeguards establish requirements with which the DFI and its clients – borrower governments or corporations – must comply during project implementation. Safeguards differ among different DFIs, however there are several common elements. These include requirements for social and environmental impact assessment, transparency and access to information, participation and consultation, engagement with indigenous peoples, resettlement, as well as protection of biodiversity, cultural heritage, and increasingly, labor rights and gender rights. One common safeguard requirement is that project developers must avoid displacing people against their will. If people are displaced, they must be resettled in a way that ensures that their belongings, livelihoods, and well-being are restored.

In addition, safeguards provide critical entry points for communities and civil society to gain information about project proposals and to give input into project design and implementation. Many DFIs, for instance, require that an environmental impact assessment be prepared in consultation with local communities and disclosed publicly, prior to the approval of a given project.

Safeguards may also require that any project affecting indigenous peoples include a development plan negotiated with those peoples. By having access to project planning documents, communities can monitor the promises that companies and governments have made and hold them accountable if they do not fulfill them.

While safeguards are not a panacea for ill-conceived development, they can help improve development outcomes and prevent harm. If a government or corporation does not comply with safeguards, the DFI is supposed to withhold financing. If a DFI doesn't follow its safeguards, communities and civil society can raise a complaint with the institution, with their government representatives, or with an independent accountability mechanism.

Independent Accountability Mechanisms

If a community is harmed by a development project or the project developer does not comply with the safeguards, the community may be able to bring a complaint to an Independent Accountability Mechanism (IAM). IAMs are bodies established by DFIs. They are charged with investigating complaints, including by visiting project sites and interviewing local communities. Communities have been able to use IAMs to negotiate favorable solutions with project developers, secure changes in project design or implementation, receive compensation for harms, or have project financing cancelled.

IAMs have limited mandates and powers. They are not able to hold a bank or government legally accountable and many of them cannot compel a DFI to provide redress. Generally, IAMs can only judge whether DFIs have complied with their own safeguard policies, rather than whether DFIs have complied with human rights obligations. However, when corporations, national governments and judicial systems are unresponsive to community complaints, often the act of bringing a complaint before an IAM can help communities to raise the profile of their concerns and pressure project developers into resolving problems.

The Dakar-Diamniadio

Highway Project

The Dakar-Diamniadio Toll Highway (DDTH) is a project initiated in Senegal in 2010 for construction of a three-lane highway between the capital Dakar and the new International Airport. The project, financed by the African Development Bank (AfDB), involved relocation of communities in the project area.

In 2011, after residents and a local school were displaced by the highway, their representatives filed complaints with the AfDB's Independent Review Mechanism (IRM), arguing that the resettlement compensation provided was inadequate. The IRM conducted a field mission in Senegal and mediated the dispute between the government and the community members. As a result, resettlement compensation was improved and expanded, residents were provided with the assistance needed to form a cooperative to obtain land, and the school was rebuilt in another location.

DFIs Engaged in Africa

Countless DFIs are operating around the world, and new institutions are forming at a staggering pace. This section describes the DFIs with the most significant impact on Sub-Saharan Africa.

World Bank

The World Bank (International Bank for Reconstruction and Development) provides loans, grants, and technical assistance for a broad range of development projects and programs, as well as policy reform efforts. The Bank is owned by the 188 member countries who sit on the World Bank Board and whose voting power is based on how much money they give to the Bank. African countries, for instance, hold three of the 25 seats on the Board of Directors. The World Bank's clients are governments of middle- and low-income countries.

The World Bank has been, and continues to be, a standard-setter for DFIs globally. The Bank first adopted social and environmental safeguards in the 80s and 90s, and since then, national governments, multilateral institutions, and private businesses have used them as models for their own safeguards. In 2012, the World Bank began a process of revising and updating its social and environmental safeguards. The Bank argues that to remain relevant in the context of new sources of development finance it must streamline the safeguards and make them more flexible.

In July 2014, the first draft of the Bank's new safeguard framework was released for consultation. Despite some technical improvements, the new framework proposes to remove many of the procedural requirements of the safeguards and diminish their enforceability. The proposed new safeguards, for instance, would no longer require disclosure of environmental assessments and detailed resettlement plans prior to project approval.

The proposed revision would allow the Bank and its borrowers to rely on national laws and regulations instead of the safeguards with no clear indication of when this is appropriate or how a minimum level of protection would be assured. The draft proposal also includes a new provision allowing countries to "opt out" of applying the Indigenous Peoples Policy to projects. African government representatives on the

Africa Rising to Safeguard Human Rights

African country representatives on the World Bank's Board have argued that safeguards are an unnecessary burden and an obstacle to development.⁸ They paint a picture in which there is a trade-off between human rights and development and imply that human rights are somehow unAfrican.

During the safeguards review, African governments and civil society will be consulted on the proposed safeguards draft. The Bank will host public consultations in African countries, planned for October and November in Ethiopia, Senegal, Nigeria and Kenya or Tanzania. Written inputs may also be submitted through an online portal (www.worldbank.org/safeguardsconsultations).

This consultation period is a critical window for African civil society organizations to lobby their country representatives on the World Bank's Board of Executive Directors as well as finance ministers and other government officials who have the "last word" on Board policies. National human rights institutions, labor ministries, and environmental ministries may be helpful allies in advocating for stronger national positions on World Bank safeguards. This is a critical opportunity for African civil society to make clear that Africans support development with human rights.

⁸ See Statement by the African Caucus of Governors from the World Bank Group and the IMF, Khartoum, Sudan, 4 September 2014.

Bank's Board of Executive Directors have argued that the existing policy on indigenous peoples is divisive and goes against national laws.⁹ If the final version of the safeguards retains the "opt out" provision, it would allow governments to deny indigenous peoples their specific collective rights, such as land and resource rights or the right to free, prior and informed consent.

While the proposed new safeguards include a new policy on labor rights, the policy itself is weaker than that recently adopted by the African Development Bank in that it excludes contract workers and does not protect the rights to freedom of association and collective bargaining. If the revised safeguards are not strengthened it would set a dangerous precedent for the idea that governments can pick and choose which human rights they wish to respect.

Individuals or communities who are harmed by World Bank-financed projects may bring a complaint to the World Bank's Inspection Panel. This independent accountability mechanism investigates complaints and, where it finds that the Bank has failed to comply with its policies, it will make a recommendation to Bank management to address project harms. Cases under review by the Inspection Panel have helped to bring attention to problematic projects and gradually improve the World Bank's policy and practice.

The World Bank's impact in Africa may grow over the next decade. The Bank plans to launch a Global Infrastructure Facility (GIF) that will finance regulatory reforms and project preparation as a means of mobilizing resources to support infrastructure PPPs in emerging markets and developing economies. African governments are pushing for a dedicated "window" for Africa within the GIF. Rather than relying only on standard public or private finance, the GIF is hoping to position infrastructure as a new class of assets, for investment by non-traditional sources of financing, such as pension funds. The idea of financializing infrastructure as an "asset class" raises serious questions regarding the impact that profit-driven, speculative financing may have on public goods in Africa.

PYGMY PEOPLES' VICTORY

In 2005, representatives of the indigenous Pygmy peoples in the Democratic Republic of Congo filed a complaint with the World Bank Inspection Panel regarding a forest concession program financed by the Bank. The DRC government and the Bank had designed the forest concessions without considering the rights and wellbeing of the Pygmy peoples who live in the forests of the project area. In violation of the safeguard policies, project planning documents failed to even acknowledge the presence of the Pygmy peoples. As a result, the Bank's safeguard on indigenous peoples was never applied. After an investigation, the Inspection Panel found that the Bank had violated its own policies. As a result of the case, Bank Management established a plan to integrate indigenous peoples into its forest investments in the DRC. The case contributed to the eventual recognition of Pygmy peoples by the DRC government as indigenous peoples.

The International Finance Corporation

The IFC is the arm of the World Bank that provides financing and guarantees to private businesses. The IFC's safeguards are called "Performance Standards." They set standards for project performance on issues from environmental management to labor rights. They have been adopted by private companies around the world who have seen how they benefit social and environmental management. While the Performance Standards are superior to the World Bank's safeguards in some ways, they are less

⁹ Ibid.

compliance-based, relying on self-reporting and management by companies rather than more direct oversight and enforcement by the IFC. When the World Bank finances public-private partnerships, it is the IFC Performance Standards which apply, rather than the World Bank safeguards.

The independent accountability mechanism of the IFC is the “Compliance Advisor Ombudsman” (CAO). The CAO has a dispute resolution mechanism, as well as a compliance mechanism similar to the Inspection Panel. Cases reviewed by the CAO in the last year have identified several IFC projects involving serious human rights violations.¹⁰

In recent years, the IFC launched an Asset Management Company and Global Infrastructure Fund. The Fund has raised \$1.2 billion from sovereign wealth funds and institutional investors to make investments in infrastructure projects in developing countries.

A “Model PPP”?¹¹

In 2008, the government of Lesotho entered into a public-private-partnership with a private healthcare consortium to build and operate a new hospital in its capital city. The World Bank, which facilitated the project through the International Finance Corporation, called it a “model PPP.” The results, however, are far from encouraging.

By the time the new Queen Mamohato Memorial Hospital began operations, the government was paying more than three times what the old hospital would have cost to run today - or roughly \$67 million per year – consuming more than half of the entire government health budget.

To cover the increased costs, healthcare resources to rural areas have been diverted, despite the fact that Lesotho’s population is primarily rural. While government coffers are being drained, private shareholders are expected to receive a 25 percent rate of return on their investment.

In 2014, the Lesotho government announced plans for the construction of an entirely new hospital, which officials believe will be cheaper than paying for treatment at the Queen Mamohato.

Equator Principles

The Equator Principles (EPs) are a voluntary set of standards launched in 2003 to assist private banks in determining, assessing and managing social and environmental risk in project financing. Financial Institutions that adopt the EPs agree to not provide loans to borrowers that will be unable to comply with the social and environmental standards set forth by the EPs.

The EPs are based on the IFC Performance Standards and on the World Bank Group’s Environmental, Health and Safety guidelines. Eighty financial institutions have signed on to the EPs. The EPs are voluntary standards, and do not have a mechanism for enforcement, though they do provide some reputational leverage for civil society to hold banks to account.

¹⁰ Compliance Advisor Ombudsman, “CAO Audit of IFC Investment in Corporación Dinant S.A. de C.V., Honduras,” 20 December 2013.

¹¹ See “A Dangerous Diversion: Will the IFC’s flagship health PPP bankrupt Lesotho’s Ministry of Health?”, Oxfam, April 2014.

The African Development Bank

The African Development Bank (AfDB) is a multilateral development bank with a mandate to reduce poverty and promote economic and social development in Africa. The AfDB provides loans, grants, policy reforms, and technical assistance to African governments as well as private corporations operating in Africa. The AfDB is owned and governed by 78 member countries within Africa and beyond. The AfDB finances infrastructure as well as health and social development, and serves as an executing agency for PIDA.

In 2012 the AfDB adopted a new policy on Disclosure and Access to Information. The following year, the institution adopted a new suite of safeguards called the Integrated Safeguards System (ISS). The preamble to the ISS “affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples’ Rights.” The safeguards cover issues including environmental and social assessment, resettlement, biodiversity, pollution, and labor. Unlike most other multilateral development banks, however, the AfDB does not have a safeguard for indigenous peoples. While the Integrated Safeguard System sets some strong requirements, there is much work to be done to improve implementation.



The AfDB has an accountability mechanism called the Independent Review Mechanism (IRM), which has two functions: mediation and compliance review. Mediation aims to restore dialogue between the complainant and government (or company) in order to resolve problems. Compliance review assesses compliance with AfDB operational policies and procedures for public sector projects, and compliance with social and environment policies for private sector projects. The IRM is currently undergoing a review, and civil society organizations have been calling for several improvements in the mechanism’s independence and accessibility.

The New Development Bank

In 2014, Brazil, Russia, India, China, and South Africa, known as the BRICS, announced the creation of the New Development Bank (NDB). The Bank will be based in Shanghai, with a regional office in South Africa. The NDB’s membership will be open to countries outside of the BRICS, though BRICS countries will maintain 55% of shares.

The focus of the NDB will be on infrastructure and sustainable development investment in emerging and developing countries. As of yet, the NDB has not formulated social or environmental safeguards, transparency requirements, or accountability mechanisms. The agreement establishing the NDB states that the bank must be transparent in its activities and that rules will be drafted on access to information. BRICS country officials, however, have made clear that the NDB will not impair borrower countries’ discretion over how development projects are designed and implemented.

Over the course of the next year, the governments of BRICS countries will need to ratify the BRICS constitution. This process may present an opportunity for civil society in South Africa and other BRICS countries to generate public and parliamentary discussions about the NDB, including the type of development it should finance and the rules that should govern it.

China Development Bank¹²

The China Development Bank (CDB) is a national development bank, yet it is the largest of all of the national and multilateral development banks in the world, with almost \$1 trillion in assets. The CDB finances projects with strategic interest for China. Its overseas investments focus on energy and natural resources, with increasing investments in agriculture. The CDB is one of the biggest investors in Africa, focusing in resource-rich countries. The CDB operates as a semi-commercial bank and does not offer concessional loans. The Bank does, however, offer loans payable in kind. These loans are paid in oil and gas, minerals, or other commodities. The CDB's China-Africa Development Fund (CADFund) invests directly in Africa, through joint ventures.



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The CDB references several guidelines on social and environmental management as well as a risk prevention framework that draws on the UN Global Compact. Projects are said to require independent environmental impact assessment prior to approval. One of the greatest criticisms of the CDB, however, is its lack of transparency and accountability. The Bank has no known requirements for communities to give input into project plans or to raise concerns if they are harmed.

China's new Green Credit Policy and Directive, however, may provide some leverage for affected communities. This instrument lays out due diligence requirements for Chinese commercial banks operating abroad, including social and environmental management, disclosure, compliance with national laws, and notably, consistency with international norms and best practices.

Brazilian Development Bank¹³

The Brazilian Development Bank (BNDES) directs financing and technical assistance to support the competitive



BNDES

The Brazilian development bank

insertion of Brazilian capital and companies in the global economy. Its financial power greatly surpasses that of the World Bank and regional development banks. In 2012, BNDES provided \$650 million in financing for infrastructure in Africa. BNDES' investment has been heaviest in Portuguese-speaking countries, though the institution also maintains a regional office in Johannesburg, South Africa. In the last couple of years, BNDES has been increasing its transparency in response to civil society pressure. For investments outside Brazil, however, it is still difficult to get detailed information. Civil society organizations have been using a new Brazilian Access to Information law to challenge BNDES' secrecy.

In 2010 BNDES adopted a very general Social and Environmental Policy addressing risk management several sector-specific guidelines (e.g., relating to cattle, power plants, and sugar-ethanol). The Bank does not, however, have operational regulations establishing specific requirements for social and environmental management or human rights due diligence. In overseas investments, BNDES claims that it evaluates projects' social and environmental risks and requires its clients to attest to compliance with host countries' national law. This process, however, lacks transparency. Neither contracts nor social and environmental impact assessments are disclosed.

¹² "China Development Bank's overseas investments: An assessment of environmental and social policies and practices," Bank Track and Friends of the Earth, July 2012; and forthcoming publication by the Heinrich Boell Foundation.

¹³ See "Desenvolvimento para as pesoas? O financiamento do BNDES e os direitos humanos" Conectas Direitos Humanos, August 2014.

While BNDES does have an ombudsperson, the position was established for the purpose of responding to complaints from businesses and is not suited to responding to community complaints. Brazil's office of the Public Prosecutor, however, has been a strong force for holding BNDES accountable. In June of 2014, the Public Prosecutor lodged a legal suit against the Brazilian construction company Odebrecht over a BNDES-financed project in Angola where workers were found in conditions analogous to slavery.

Development Bank of Southern Africa¹⁴

The Development Bank of Southern Africa (DBSA) is South Africa's national development bank. Its mission is to spur economic development within South Africa and public infrastructure development in the region. DBSA supports sub-regional and national development banks in Africa, and the institution will serve as the regional hub for the BRICS bank. One of DBSA's priorities is the North-South Corridor with its myriad road, rail, and bridge projects.

DBSA projects are assessed for environmental sustainability, risk management, and economic impact. DBSA has a system called the Development Impact System (DIS) to assess and manage the impact of operations on communities based on established indicators. The Bank, however, has no requirements for consultation or public participation and no formal channel for affected communities to raise concerns.



Industrial Development Corporation¹⁵

The purpose of the IDC within South Africa is to foster industrialization and economic empowerment of South Africa's black population. Across the continent, the IDC works to support cross-border industrial development initiatives, including through support for foreign investment by South African companies. Investments outside of South Africa must be approved by the Department of Economic Development and the National Treasury. The IDC currently has 41 projects in its external pipeline, involving 17 countries. Most of these are in mining and tourism, with additional investments in industrial infrastructure and agro-processing.



The IDC has committed to taking into account social and environmental risks and impacts in its decision-making processes, and clients are required to comply with environmental regulations. Social and environmental performance is audited during monitoring and evaluation of projects. When investing outside of South Africa, the IDC requires investments to comply with host country laws and regulations, or South African law, whichever is a higher standard. Like the DBSA, however, IDC does not have any formal mechanisms for public input, although it does disclose project information.

¹⁴ See "Civil Society Development Financing in the BRICS: Case of South Africa (Development Bank of South Africa and the Industrial Development Corporation), Mzukisi Qobo, Center for Governance Innovation, University of Pretoria, 2013.

¹⁵ Ibid.

Knowledge is Power — Questions to ask about development proposals:

- ◆ What type of development is being pursued? Who will benefit? And who will lose? Will a given development project help to transform the economy or reduce poverty and inequality? Will it create good jobs? Is it environmentally sustainable? Will it help develop domestic industries, or merely increase natural resource dependency?
- ◆ What is the role and impact of private sector investment? Who will drive the priorities and terms? Will there be social and environmental tradeoffs for ensuring investment profitability? Will profit transactions increase costs for consumers or taxpayers?
- ◆ How are national and international development decisions made? What is the process for selecting and designing projects? Is it transparent? Who decides? Are civil society organizations and affected communities consulted? Is their input taken into account?
- ◆ What rules will govern? Are there safeguards for communities and the environment? Is human rights due diligence or impact assessment required? How will projects be supervised and monitored? Is there a means of redress if people or the environment are harmed?
- ◆ Are there national laws which require investments to comply with core labor standards, to use domestic labor, abide by environmental laws, re-invest, or procure goods and services locally? Are there effective laws and processes to ensure transparency and accountability, and prevent corruption or illicit capital flows?

5 Key Elements for Safeguarding Human Rights in Development Finance:

1. A policy commitment to not support any activity that may cause, contribute to or exacerbate human rights violations, including a commitment to non-discrimination.
2. Procedures to ensure full and effective participation and decision-making by indigenous peoples, affected communities and marginalized groups in development processes.
3. Due diligence requirements, including assessment and management of environmental, social, and human rights risks and impacts, to ensure financing does not support activities that will cause, contribute to or exacerbate human rights violations.
4. Safeguard policies that ensure protection of human rights, are consistent with international human rights norms, cover all lending mechanisms, and are binding on the DFI and the borrower.
5. Mechanisms that provide affected communities access to effective remedy.

Bank on Human Rights is a global coalition of social movements, civil society organizations, and grassroots groups working to ensure that all development finance institutions respect, protect, and fulfill human rights.

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