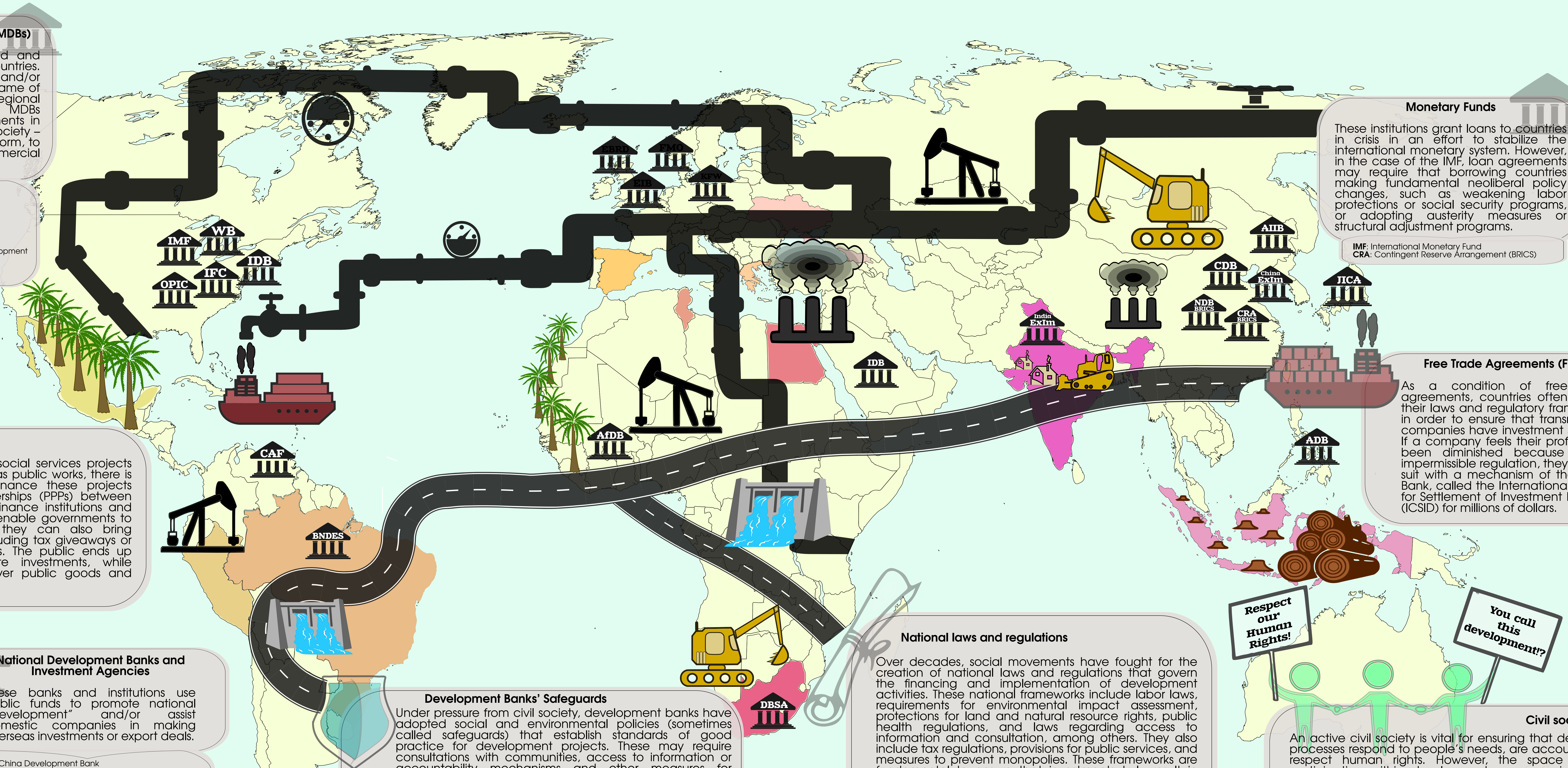
“Development” Finance

...and the roll-back of social and environmental protections



Multilateral Development Banks (MDBs)

MDBs are large banks comprised and governed by their member countries. These banks finance public and/or private sector investments in the name of “development.” Some have a regional focus, others sectoral. Globally, MDBs have a major impact on investments in every area of the economy and society – from social programs and legal reform, to infrastructure programs and commercial integration.

WB: World Bank
IFC: International Finance Corporation
IDB: Inter-American Development Bank
CAF: Development Bank of Latin America
AfDB: African Development Bank
ADB: Asian Development Bank
AIIB: Asian Infrastructure Investment Bank
EIB: European Investment Bank
EBRD: European Bank for Reconstruction and Development
NDB: BRICS New Development Bank
IDB: Islamic Development Bank
And many more!

Monetary Funds

These institutions grant loans to countries in crisis in an effort to stabilize the international monetary system. However, in the case of the IMF, loan agreements may require that borrowing countries making fundamental neoliberal policy changes, such as weakening labor protections or social security programs, or adopting austerity measures or structural adjustment programs.

IMF: International Monetary Fund
CRA: Contingent Reserve Arrangement (BRICS)

Public-Private Partnerships

While large infrastructure or social services projects have typically been funded as public works, there is now a growing trend to finance these projects through Public-Private Partnerships (PPPs) between governments, development finance institutions and private investors. While PPPs enable governments to attract private investment, they can also bring negative consequences, including tax giveaways or hikes in consumer utility fees. The public ends up bearing the risk of private investments, while corporations gain control over public goods and services.

Free Trade Agreements (FTAs)

As a condition of free trade agreements, countries often modify their laws and regulatory frameworks in order to ensure that transnational companies have investment security. If a company feels their profits have been diminished because of an impermissible regulation, they can file suit with a mechanism of the World Bank, called the International Centre for Settlement of Investment Disputes (ICSID) for millions of dollars.

National Development Banks and Investment Agencies

These banks and institutions use public funds to promote national “development” and/or assist domestic companies in making overseas investments or export deals.

CDB: China Development Bank
China Exim: Export-Import Bank of China
JICA: Japan International Cooperation Agency
BNDES: Brazilian Development Bank
OPIC: U.S. Overseas Private Investment Corporation
KFW: German Development Bank
FMO: Netherlands Development Finance Company
Exim India: Export-Import Bank of India
DBSA: Development Bank of Southern Africa (South Africa)
And many more!

Development Banks’ Safeguards

Under pressure from civil society, development banks have adopted social and environmental policies (sometimes called safeguards) that establish standards of good practice for development projects. These may require consultations with communities, access to information or accountability mechanisms and other measures for preventing harm to communities or the environment. Nonetheless, in many cases the policies are ignored. In recent years there has been pressure to make safeguards more flexible in order to facilitate investment. Borrowing countries argue that they have their own laws and regulations to protect communities and the environment. But we see that many countries do not have adequate national laws and regulations and in many cases where they do, they are not enforced or are being weakened.

National laws and regulations

Over decades, social movements have fought for the creation of national laws and regulations that govern the financing and implementation of development activities. These national frameworks include labor laws, requirements for environmental impact assessment, protections for land and natural resource rights, public health regulations, and laws regarding access to information and consultation, among others. They also include tax regulations, provisions for public services, and measures to prevent monopolies. These frameworks are fundamental to ensure that investments truly result in development and do not trample human rights. Unfortunately, today we see an alarming tendency to roll-back national social and environmental protections in an effort to attract bigger and faster investment. See below for some examples.

Civil society

An active civil society is vital for ensuring that development processes respond to people’s needs, are accountable and respect human rights. However, the space for public participation within development processes is becoming increasingly limited. In 2014 civil society was under threat in over 96 countries. 2015 saw legal restrictions against civil society organizations in Russia, India, and Cambodia, among others. Measures criminalizing indigenous peoples and other human rights and environmental defenders continued, along with restrictions on freedom of expression and dissent.

Mexico

In 2014 the government enacted the “Energy Reform” which modified and created new laws regarding oil and gas, electricity, geothermal energy, water, mining and fracking, as well as labor, environment, foreign investment, and land tenure. The reform weakened labor rights, health and education protections, among others. Social protest was criminalized and the government jailed dozens of human rights defenders.

rightsindevelopment.org

Peru

In 2014 the government approved a law to establish tax measures, simplify regulations, energize private investment and make development-related licensing and procedures more flexible. The law restricted the government’s evaluation and regulation of environmental impacts, with short time limits for the environmental certification of investment projects. The government proposed a law to redraw the borders of a Protected Area to facilitate an infrastructure investment. In 2015 another law diminished environmental standards even further. This substantial weakening of the national environmental framework was done with limited transparency or citizen participation.

Brazil

In recent years, Brazil has weakened social and environmental protections at an alarming scale. The Forest Code of 2012 eliminated requirements that property owners maintain conservation areas and a quantity of native vegetation. The Code created a type of amnesty for deforestation, including for those engaging in illegal agricultural activities in Protected Areas. The change benefited the expansion of agribusiness and deforestation, and increased pressure on indigenous peoples’ territories.

Tunisia

Over the last few years, the Tunisian government introduced several draft legal reforms designed to attract private investment and facilitate public-private partnerships. These proposals – some drafted directly by MDBs – could facilitate the privatization of various sectors of Tunisia’s economy, from health and education, to energy. This reform process, pushed by the banks, compromises Tunisia’s fledgling democracy, cutting out the voice of Tunisian citizens in critical decisions.

Egypt

World Bank and IMF assistance to Egypt both before and after the Arab Spring has pressured successive Egyptian governments to eliminate food and fuel subsidies, under the argument that the subsidies are inefficient and market-distorting. Many lower and middle income Egyptians, however, depend on the subsidies to be able to meet their basic needs. Without the development of robust alternative social support structures and job creation, the continued elimination of subsidies threatens to increase poverty and spur greater social unrest.

South Africa

In 2010, the South African government passed the Infrastructure Development Act with the goal of accelerating infrastructure development and facilitating “strategic” projects by eliminating procedural requirements. While these mining, airports, ports and other infrastructure projects carry significant social and environmental risks, the Act mandates compulsory time limits for project implementation, greatly inhibiting meaningful social and environmental assessment and public consultation. In addition, the Act provides the government greater power to expropriate lands for development activities.

India

In 2015, under pressure from corporations, the World Bank, and the IMF, the Indian government created a new Land Ordinance to remove requirements that investors obtain the consent of local people and conduct environmental and social assessments during the process of land acquisition. If it is approved, it would further add to the 50 million poor and marginalized people displaced by “development projects” in India over the last 50 years.

Indonesia

In 2012, with assistance from the Asian Development Bank, Indonesia passed the Land Acquisition for Development Law, with inadequate protections for land rights, such as compensation requirements and protection against forced eviction. In 2015, Indonesia amended the law to drive infrastructure development and expand public-private partnerships. The amendment gave private companies new powers to finance land acquisition, greatly increasing the potential for land grabbing.

Georgia

Since 2007 the Georgian government has significantly watered down the country's environmental legislation to allow the extraction of natural resources or development of large energy and infrastructure projects without environmental and social impact assessment. Now, if these projects overlap legally designated ‘protected areas’, the protected area maps are amended, paving the way for development. Through these changes, public participation in development decision-making has been weakened along with the State's environmental enforcement authority.

Ukraine

In 2011, the Ukrainian government created the “Regulation of Urban Development” which virtually eliminated the national system of environmental impact assessment, no longer requiring mandatory assessments or approval of the state environmental authority for activities with high environmental risk. In 2014 to improve the “business climate” a moratorium was imposed on environmental inspections. Now, new infrastructure projects are proceeding without proper assessment and mitigation of environmental impacts, and without proper public participation.

Greece

In 2015, the European Commission, the Central Bank of Europe and the IMF sharpened the imposition of structural adjustment measures on Greece because of its indebtedness. The result was an erosion of human rights, increases in taxes, the shrinking of social services like health, education and pensions, and more privatization. The Greek people rejected the reforms in a historic referendum. Nonetheless, the government and lenders later agreed to apply the majority of the adjustments.

Spain

In 2012 the burden of public debt led Spain to privatize health and education services, reduce salaries and pensions and set quotas for access to justice. As a result poverty climbed. Out of this arose a popular movement against the policies of structural adjustment imposed by financial institutions. In response, the government passed the Mordaza Law criminalizing public protest and social mobilization against the government and its policies.