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, especially private sector 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.

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) and export credit agencies (ECAs) are working to facilitate greater investment in Africa. These institutions 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 finance institutions involved, and the leverage points they offer.

**Development Finance Institutions and Export Credit Agencies**

DFIs are public institutions that provide loans, guarantees, and technical assistance for development projects and policy reforms. They are owned and governed by States — either one State as in the case of South Africa’s 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 promoting poverty alleviation and sustainable development, and the money they invest is public money, often taxpayer resources. This means that DFIs, and the countries that make up their governing boards, have both legal and political obligations to respect and protect human rights in their activities. In addition to DFIs, export credit agencies (ECAs) are institutions that provide government-backed guarantees, insurance, credits, and loans to support the export of goods and services abroad. While most ECAs lack the development mandate of DFIs, ECAs have an important influence on the types of development projects that move forward in Africa.
What Kind of Development is on the Table?

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

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 ten years, the amount of land acquired by foreign investors in Africa is equal in size to all of Kenya. 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. Natural resource extraction has also often been accompanied by evictions, violent conflict, and environmental devastation. In 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 infrastructure 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. 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.

Energy. Energy investment in Africa has traditionally relied on large-scale environmentally taxing fossil fuels and more recently, hydropower. These megaprojects bring devastating social and environmental impacts, such as air and water contamination and large-scale displacement of communities. In recent years, some development finance institutions have begun placing more attention on renewable energy, but this investment still pales in comparison to traditional energy sources. New initiatives, such as the U.S.-facilitated Power Africa and the African Development Bank’s New Deal on Energy for Africa, bring together public and private investors to supposedly expand energy access. Civil society groups are taking a cautious approach to these new initiatives – welcoming the attention to energy access, but raising concerns that this goal may not be met if undue preference is given to private investors and not enough attention is placed on ensuring that energy production is socially and environmentally sustainable and reaches those populations most in need. To date, these initiatives do not have strong mechanisms for engaging with civil society and the communities they are designed to benefit.

Looking to the Private Sector

The common ingredient for many of the investment initiatives targeting Africa is that they focus on private sector investment as the cornerstone of development. Increasingly, the private sector is seen not only as a source of needed financial resources, but also as a key target and deliverer of development. Development finance institutions and bilateral aid agencies are changing the way they do business to focus on brokering private sector deals and facilitating pro-business regulatory reforms. The World Bank’s flagship ‘Ease of Doing Business’ report for instance, ranks countries based on the extent to which they promote a favourable legal and regulatory environment for private investment. The ranking, which is used as a target indicator by several African development initiatives, has been criticised for penalising countries with strong labor or land rights protections. Since 2008, ‘Doing Business’ has spurred at least 600 regulatory reforms in Africa.

The pivot toward the private sector coincides with an unprecedented boom in large-scale infrastructure development in mining, energy transport, water and communications. While there is an urgent need for investments in infrastructure, these investments do not automatically translate into positive development outcomes unless they are designed with poverty reduction and sustainability in mind. Much of the energy infrastructure boom in Africa, for instance, is geared toward enabling mining and other extractive industries, not toward meeting consumer demand.

When infrastructure and other development is driven by the private sector, critical priorities such as equity or services provision to rural or poor areas, tend to lose out. The International Finance Corporation’s Health in Africa initiative, for instance, was found to have concentrated investments in high-end urban hospitals and clinics unlikely to serve poor populations. In fact, studies have shown “little direct evidence” that DFI investments in the private sector lead to poverty reduction.

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Note

4 See Development Committee (2 April 2015), From Billions to Trillions: Transforming Development Finance, Development Committee Discussion Note


Compact with Africa

In 2017, the G-20 governments, together with the World Bank, African Development Bank, and International Monetary Fund, launched the Compact with Africa to boost private investment and infrastructure development. Under the Compact, African member countries put forward their priorities for investment through country-based investment compacts. The Compact then provides a platform to showcase the African countries with the most inviting environments for private investors. The reforms sought under the compact include streamlining business licensing requirements, adopting investor protections and complaint systems, and adopting legislation and regulations to facilitate public private partnerships. While some regulatory reforms can be beneficial for the public interest, the concern is that many of these investor protections may actually limit the ability of governments to act in the public interest, such as restricting the ability of governments to enact social, environmental, or fiscal regulations. While the Compact with Africa is focused on creating an enabling environment for business within African nations, there is little talk of strengthening the enabling environment for rights-respecting, participatory development. It will be critical for civil society to follow and attempt to influence what their governments are proposing as investment compacts. The G20 leadership and the international financial institutions setting the Compact with Africa agenda are other critical leverage points for shaping the impact of the Compact.
The Programme for Infrastructure Development in Africa (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 currently 110 projects in the PIDA pipeline, including trans-border rail lines, hydropower projects, gas pipelines, and internet and telecommunications systems. PIDA’s design integrates infrastructure with natural resource extraction, for instance, by anchoring energy infrastructure to mining operations.

### PIDA Priority Projects

1. Nigeria-Algeria Gas Pipeline – Nigeria  
2. Boulenouar Wind Power  
3. Sambangalou Hydropower  
4. West Africa Power Pool - Domunli Regional Power – Gas  
5. Ghana 1000 LNG to Power  
6. West Africa Power Pool - Maria Gleta Regional Power – Gas  
7. Inga III Basse Chute (BC) – Hydropower  
8. Ctrl African Interconnection Transmission Line  
9. Deseretec Sahara Solar  
10. North-South Transmission  
11. Suswa Geothermal  
13. Batoka Gorge Hydropower  
15. Modernization of Dakar-Bamako Rail Line  
16. Abidjan Ouagadougou Road-Rail Projects  
17. Abidjan-Lagos Coastal Corridor  
18. Douala Bangui Ndjamena Corridor Road – Rail Project  
20. Lusaka-Lilongwe ICT Terrestrial Fiber Optic  
21. Serenge-Nakonde Road (T2)  
22. Dar es Salaam Port Expansion  
23. Kampala Jinja Road Upgrading  
24. Juba Torit Kapoeta Nadapal Eldoret Road  
25. Ruzizi III Hydropower  
26. Missing Link of the Trans-Sahara Highway – Algeria  
27. Optic Fiber from Algeria via Niger to Nigeria – Nigeria  
28. North –South Corridor Road/Rail – South Africa  
29. Unblocking of Political Bottlenecks for ICT Broadband and Fiber optic projects in neighboring states – Rwanda  
30. Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET) – Kenya  
31. Navigational Line from Lake Victoria to Mediterranean Sea via River Nile Project – Egypt  
32. Dakar-Ndjamena-Djibouti Road/Rail – Senegal

Source: 2016 PIDA Progress Report

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8 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.
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.
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, strengthening 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 the indigenous community. 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 does not 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.

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**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, programs, and policy reform efforts. The Bank is governed by its 188 member countries. A country’s voting power is based on how much money it gives 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 is a standard-setter for DFIs globally. The Bank’s social and environmental safeguards have been utilized as models by national governments, multilateral institutions, and private businesses. In 2016 the World Bank adopted a new Social and Environmental Framework. While the new framework expands coverage for some critical social issues such as discrimination and persons with disabilities, it has been criticized for eliminating key requirements and shifting due diligence responsibilities from the Bank to its clients.

Individuals or communities who are harmed by World Bank-financed projects may bring a complaint to the 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 is one of the main proponents of the Compact with Africa and other strategies to leverage private sector investment in development. Part of this work is promoting a model of Public-Private Partnerships that provides great benefits for investors while saddling governments with a disproportionate amount of financial risk. The Bank is working with governments around the world to adopt model PPP contracts and PPP laws that risk increasing public debt while shutting government out of equity ownership of public infrastructure. The Bank’s model provisions could even prevent governments from enacting new social and environmental regulations if those regulations might undermine investor profits.
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 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 IFC has been widely criticized for its practice of lending through financial intermediaries, and its failure to exercise due diligence over the end use of these investments to ensure compliance with the performance standards. A recent report by Inclusive Development International revealed that the IFC has contributed to some of the most notorious land grabs on the continent through its financial intermediary investments.9

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 recent years have identified several IFC projects involving serious human rights violations.10

A Dangerous Business

In 2007, the IFC and the African Development Bank provided financial intermediary South African Nedbank a loan of $140.73 million to, among other things, increase “cross-border corporate lending across Africa,” including “resource-extraction projects”. In July 2015, Nedbank, while still a client of IFC, co-facilitated a $105 million loan to mining giant AngloGold Ashanti for general corporate purposes, including operations in Guinea and around the world. According to IFC’s Performance Standards, Nedbank was to require that recipients of its financing comply with the IFC Performance Standards and national law where their activities would present significant risks.

According to a complaint filed with the IFC’s independent investigation mechanism, in early 2015, AngloGold Ashanti had issued a memorandum in which it asked the Guinean government to make an area of the concession known as Area One available by August of that year, or it would be obliged to cease all its operations in Siguiri, Guinea. When negotiations with the community broke down, the community’s negotiators were arbitrarily arrested and detained and state security forces moved into the area. According to residents, members of the security forces looted their businesses, used tear gas and beat residents, and set huts on fire. Several people were arrested and shot, and hundreds fled the area.

Source: Inclusive Development International11

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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. AfDB also serves as an executing agency for PIDA. The AfDB is owned and governed by 78 member countries within Africa and beyond. The AfDB’s “High 5” Agenda adopted in 2015, focuses on energy, agriculture, regulatory reform to foster industrialization, integration and infrastructure, services, and job creation.

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. In 2018 AfDB will review the ISS, and this is a good opportunity for civil society to engage and press for a strengthening of the framework.

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.

Groups have criticized the AfDB for a lack of meaningful engagement with civil society. Starting in 2017 the Bank is revising its Civil Society Organization Engagement Framework. Civil society groups across the continent are hoping that the review will lead to more meaningful opportunities to shape AfDB priorities, policies and projects.

The BRICS 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 is based in Shanghai, with a regional office in Johannesburg, South Africa. The NDB is presently primarily funding public sector projects within BRICS’s countries, but as the bank opens its membership to countries outside of the BRICS, its lending will expand to additional countries, as well as to the private sector.

The focus of the NDB is on infrastructure and sustainable development investment in emerging and developing countries. In 2016 the NDB published its environmental and social framework and disclosure policy. Civil society groups have pressed the Bank to develop robust social and environmental sustainability criteria and criticized the lack of transparency and failure to consult with civil society. The NDB does not have an accountability mechanism.
China Development Bank

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. 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 China-Africa Development Fund (CADFund), a subsidiary of CDB, invests directly in Africa, primarily through equity financing.

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

Brazilian Development Bank

The Brazilian Development Bank (BNDES) directs financing and technical assistance to support the competitiveness of Brazilian capital and companies in the global economy. Its financial power greatly surpasses that of the World Bank and regional development banks. Between 2007 and 2015, BNDES financed more than USD 4 billion to export Brazilian companies engineering goods and services from in Africa, specifically in Angola, Mozambique and Ghana. 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 slowly 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, and 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.

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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 pessoas? O financiamento do BNDES e os direitos humanos” Conectas Direitos Humanos, August
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.

**European Investment Bank**

The European Investment Bank (EIB), the world’s largest multilateral financial institution, is governed by European Union member states. It provides loans, guarantees, technical assistance and equity investments to both public and private sector entities. The Bank’s stated goal is to promote EU policy objectives both within Europe and abroad, including in Africa, where the EIB has offices in nine countries. EIB’s priority sectors include infrastructure, climate and environment, small and medium enterprises, and innovation.

The EIB maintains a set of Social and Environmental Standards that are to be followed in EIB investments, including a human rights-based approach to development. The institution has come under criticism, however, for failing to apply its own policies and for not conducting the necessary due diligence to prevent human rights abuses in its projects.

Where communities are harmed by an EIB project, they can submit a complaint to the EIB Complaints Mechanism which will engage in either mediation or investigation. Unique among accountability mechanisms, the CM has an appeals process wherein if a complainant is unsatisfied with how the Complaints Mechanism treated the cases, they may appeal to the European Ombudsman. Civil society groups have strongly criticized the CM for not being independent from Bank management and are seeking substantial reforms of the mechanism.

**Development Bank of Southern Africa**

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, including the BRICS New Development 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.

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What Are ECAs and Why do they Matter?

Export Credit Agencies (ECAs) are powerful institutions that provide government-backed loans, guarantees, insurance, and credits to projects overseas in the hopes of boosting their home countries’ exports and jobs.

ECAs exist in most wealthy (e.g., United States, Germany, Japan, Korea), some middle income (e.g., Indonesia, India, China), and a few poor countries. In the past decade, ECAs have grown to become the world’s largest source of public financing for large extractive, energy and infrastructure projects, greatly exceeding financing from multilateral finance institutions like the World Bank.

Many ECA investments are for risky extractive and energy projects that might not receive private financing or otherwise come to fruition. A recent report has found that export credit agencies provided almost $40 billion annually to harmful fossil fuel projects — 12 times more than they provided for renewable energy projects. ECAs have provided billions of dollars to projects that have resulted in massive pollution, destruction of local communities’ land, and even death in some cases. For instance, at least 27 people died as the result of an ECA-supported liquefied natural gas project in Papua New Guinea. In addition, local air and water pollution at the ECA-supported Kusile coal plant in South Africa has caused illness, such as asthma, and poisoned local crops.

How Can Communities Engage and Hold ECAs Accountable?

ECAs are governed by both domestic and international policies that require they follow certain norms and best practices. Some ECAs belong to the Organization of Economic Cooperation and Development (OECD) Export Credit Group, which requires that the ECAs adhere to certain standards. These guidelines cover protection against human rights abuses, environmental and social impact assessment, and prevention of involvement where there is suspected corruption and bribery, among other issues. In addition, some ECAs apply the IFC Performance Standards, Environmental Health and Safety Guidelines of the World Bank Group, or similar policies.

A few ECAs are developing grievance mechanisms, but they are either quite weak or are still in their infancy. For instance, the U.S. Export-Import Bank has created a website for project impacted communities to submit complaints, but it lacks a clear means for achieving improvements for communities and holding project implementers accountable. Civil society groups are working to improve these mechanisms so that they are an effective avenue for communities seeking to prevent harm or secure remedy.

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Knowledge is Power — Questions to ask about development proposals:

- What type of development is being pursued? Who will benefit? And who will bear the costs? Will the 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 provide peoples energy access, or will it merely increase natural resource dependency or fuel exports?

- 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 social and environmental 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 investors 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.

The Coalition for Human Rights in Development 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.

www.RightsinDevelopment.org