

# HARMING COMMUNITIES, COUNTRIES AND THE PLANET

As a result of PDBs' investments and standard-setting, and limitations of their safeguards, development banks end up harming people and the planet, and get in the

way of communities, countries and Indigenous Peoples from pursuing their own development pathways and priorities.



Cotton field.  
Credit: Karl Wiggers, Unsplash.

## FUELING REPRISALS AND RIGHTS ABUSES

PDBs are part of a top-down development model, which fails to account for the diversity of cosmovisions of many traditional communities, who have their own development pathways and priorities. Instead of democratizing and decentralizing [development decision-making](#) to those who bear the brunt of development impacts – and those who should be development finance's beneficiaries – PDBs often make decisions in closed rooms with governing and business elites.<sup>115</sup> Many refuse to accept that the human rights

system applies to them, or that people should be able to hold them accountable in national courts.

The lack of a participatory and community-led approach – coupled with failures to conduct meaningful due diligence – exacerbates existing power imbalances and fuels [rights abuses](#), including [land and resource grabs](#).<sup>116</sup> Groups in vulnerable situations – such as womxn, LGBTQI+ people, Indigenous peoples, people with disabilities, and children among others – tend to be disproportionately affected.

### PDBs AND GENDER

There is a [gulf between development banks' rhetoric and their action](#). PDB's documents increasingly adopt a gender-sensitive approach and language that civil society recommends. However, too often PDB operations promote privatization and austerity paradigms that disproportionately harm the

rights of womxn and LGBTQI+ people, for example by reducing their access to public services or promoting projects that put them at risk.<sup>117</sup> Many development projects are also linked to high levels of militarization, which in turn leads to increased gender risks.

[PDBs investments](#) may also lend power and legitimacy to crony capitalists, corrupt and abusive regimes, or fuel conflict or the activity of armed groups.<sup>118</sup> An influx

of financing, or overt pressure from PDBs, can also cause a government to [ignore public opposition](#) or crack down on public protest.<sup>119</sup>

CASE STUDY

## CRIMINAL DEVELOPMENT

In Honduras, following the coup in 2009, PDBs jumped in with new investment despite the absence of democracy, as well as rampant rights abuses and corruption. An adequate due diligence process would have shown that the largest banks in Honduras were controlled by elite family networks linked to corruption and rights abuses. It would also have shown that many holding companies – such as those for proposed renewable energy projects – were linked to criminal groups. Yet, PDBs [bypassed safeguard policies](#) and used these banks as financial intermediaries, ending up funding violence and criminal cartels.<sup>120</sup>

In the case of [Agua Zarca](#),<sup>121</sup> a hydroelectric project financed by many PDBs – including FMO, CABEL, and the IFC – the dam executives conspired with the Honduran state, assassinating the indigenous leader and environmental defender Berta Caceres. For years, FMO and other financiers ignored the collective protest led by Berta and her organization COPINH. Only after Berta’s killing, after powerful and collective mobilization, PDBs eventually [withdrew](#) from the project.<sup>122</sup>



Berta Caceres and the indigenous community resisting the Agua Zarca dam in Honduras.  
Credit: Goldman Environmental Prize.

## POLLUTION AND ENVIRONMENTAL DEGRADATION

The extractivist and export-oriented development model advanced by PDBs adversely impacts the environment and natural resources. For example, PDBs contribute to deforestation and loss of biodiversity by supporting large-infrastructure projects with [significant footprints](#), mega-mines that destroy forest cover, industries that pollute water systems, and conservation efforts that [displace](#) traditional stewards of the forests.<sup>123</sup>

[Many PDBs](#) have a “**climate debt**”. They have been actively supporting projects with negative impacts on the climate for generations, financing some of the dirtiest industries and most [climate-destructive activities](#).<sup>124</sup> Although many PDBs are taking action to [decrease direct investments](#) in coal and other fossil fuels, they continue to lend [untold support](#) to [climate-negative activities](#) indirectly.<sup>125</sup>

## INCREASING DEBT BURDENS

Many larger PDBs, especially multilateral ones, hold a massive amount of countries' debt. While some PDBs offer limited grant-based assistance, most of their financing is through loans. Chinese PDBs provide almost exclusively non-concessional financing, with shorter repayment periods.<sup>126</sup> Some institutions, like the World Bank's International Development Association (IDA) and many regional PDBs, offer concessional loans to the lowest-income countries, providing a source of financing that is relatively cheap and with [longer payback terms](#).<sup>127</sup> For countries not

within the lowest income tier, most PDB financing comes with higher interest rates.

Moreover, most loans from PDBs are made in US dollars or other hard currencies, meaning that if a country's currency devalues during the lifespan of a loan, it becomes much more expensive to pay it back. This is further complicated by the reality that significant amounts of public debt taken from PDBs can be considered dubious debt, as it was contracted by corrupt governments and with a lack of due diligence to human rights impacts on the part of the PDBs.

## CONCLUSION

Even though they are rarely at the center of public debates, development banks strongly impact our lives, our countries and our planet. Despite a mainstream narrative of development finance as the go-to solution to fix the world's problems, PDBs often have negative impacts. Indeed, as this analysis shows, the economic and development model promoted by most PDBs – and the projects, policies, companies and authorities they support – are often a major contributor to the vulnerability and underdevelopment of the Global South.

While most Western-led PDBs say their mission is to end poverty and promote economic inclusion, in practice they replicate a colonial model built on the extraction of resources and labor in the Global South. In order to feed elite and corporate demand, Western PDBs promote approaches such as privatization and **financialization**, that keep fueling [inequality](#), vulnerability and [social conflicts](#).<sup>128</sup>

The missions of Chinese and Global South-led PDBs – like AIIB and NDB – are more focused on sustainable infrastructure. However, the underlying approach is similarly geared towards connecting with [global markets](#) and supply chains, rather than prioritizing [locally-led development pathways](#).<sup>129</sup>

What all these development banks have in common is that they are failing to address the root causes of the exact problems they claim to solve, and instead they are even exacerbating them. This analysis, based on the perspectives of dozens of Global South civil society experts, tries to demystify a narrative that is based on aspirational commitments spelled out in the banks' policies but that does not match with reality on the ground. In doing so, we hope to open up a much-needed debate on the role that development banks are playing in the global financial architecture, and the importance of collectively holding these institutions accountable for their impacts on peoples and the planet.



Resistance movement against the copper mine Las Bambas, Peru.