

1. Transparency and Access to Financial Institution Information

The right to access information in the power of public authorities – including public banks – is a fundamental human right, regulated by a variety of national and international laws.

The right to access information in the power of public authorities – including public banks – is a fundamental human right, regulated by a variety of national and international laws.

It entails assuring the right to freedom of expression, understood

as broadly as possible to encompass the faculties of both giving and receiving information, and it is everyone's right to exercise', corresponding to the 'universal subject, to each one of us. The guiding principle is that all information is accessible and public, subject to a only limited set of exceptions.

In the case of the National Development Banks, various parties are interested in disclosure of their operating figures.

Firstly, international financial institutions are governed by a set of rules and resolutions established by the Basel Committee on Banking Supervision. However, these rules are established strictly for the purpose of assuring the institution's financial stability, and do not cover other important issues embodied in financial investments.

The determinants of, and developments from, financial investments are much more complex and wide-ranging than simply the lending institution's financial health. That is why, in recent decades, a number of standards and rules have been put in place to guide and regulate the activities of financial institutions so as to bring environmental and social concerns to bear on how their operations are conducted, to contemplate not just the economics of their activities, but also their social and environmental impacts. These include the Equator Principles, United Nations Principles for Responsible Investment (PRI) and United Nations Global Compact. These standards do not yet have compulsory status, but are voluntary guidelines.

The determinants of, and developments from, financial investments are much more complex and wide-ranging than simply the lending institution's financial health, that is why, in recent decades, a number of standards and rules have been put in place to guide and regulate the activities of financial institutions so as to bring environmental and social concerns to bear on how their operations are conducted.

Transparency of the BRICS' National Development Banks

National Development Banks arose largely from countries' post-war intention to surmount problems hindering economic development. Accordingly, they are public banks, set up and coordinated by the State. However, they differ from conventional ('commercial') public banks, which characteristically grant loans and hold deposits. As the name itself suggests, they are public banks with the function of bringing the country to attain development by financing specific policies.

Being public banks that finance development policies, these banks have greater obligations and duties than conventional financial institutions, which generally have no commitment to any given national population or investment goal. For that reason, National Development Banks ought to be governed by stronger, more specific standards and rules, because they are intended to be subordinated to a given nation's development requirements. In practice, however, this is not what happens with the BRICS' National Development Banks.

In countries such as Brazil and China, several commercial banks have much broader transparency policies and information access mechanisms than the respective development banks. China's State Council, for instance, has clear rules as regards the policies to be followed by financial organisations.

However, the development banks (mainly the China Development Bank and Ex-Im Bank of China), claiming that they are special institutions responding to specific policies of State, advocate using only their own internal rules.

These banks have evolved considerably in recent years, accompanying the international conjuncture as regards transparency, but they continue to feature practices and rules that need to improve in order to assure this fundamental right.

National Development Banks ought to be governed by stronger, more specific standards and rules, because they are intended to be subordinated to a given nation's development requirements and social needs.

Variables in Transparency and Access to Information

Unlike other organisational areas, these banks have no clear guidelines and policies on transparency and access to information. Even in the most transparent of them, information disclosure has evolved much more in connection with institutional practices than as a result of fixed policies and guidelines, in a way making it harder to compare and analyse the degree of transparency in these institutions.

Even in the most transparent institutions, information disclosure has evolved much more in connection with institutional practices than as a result of fixed policies and guidelines, in a way making it harder to compare and analyse the degree of transparency in these institutions.

This study attempts to compare among key practices in transparency and access to information within national development banks. In order to determine what these variables are, it draws on not only the practices established by the BRICS' national development banks themselves, but also the various parameters used by international

financial institutions and commitments deriving from existing international agreements.

The first variables to be examined are the obligations set out in existing formal laws, which are very often sanctioned by the lender country and are binding on the bank, imposing certain standards of transparency and information distribution.

The main points to bear in mind are: whether the country participates in the Open Government Partnership (OGP)¹ and whether there are national Public Information Access Laws stipulating that it is public institutions' duty to grant access to information when requested, bar specific exceptions.

In addition to national laws, the study also considered the internal policies that some banks apply to their operations. These include publication of an annual report on the bank's operations, an annual non-financial report containing information on the bank's social and environmental responsibility, and environmental impact studies on projects financed by the bank, as well as whether it is required to hold public conferences and hearings on projects with substantial socio-environmental risk.

The last variables considered require an examination of the bank's institutional procedures as regards information disclosure, particularly by way of its website. The intention here is to inquire what degree of information the bank publishes, whether it does so automatically, whether in individual or aggregate form, and whether for both national and international projects.

¹ The Open Government Partnership (OGP) is an international initiatives designed to assure concrete commitments by governments to promoting transparency, combating corruption, fostering social participation and financing development of new technologies , so as to make governments more open, effective and accountable.

Comparing Transparency in BRICS' National Development Banks

| | BNDES | CDB | Ex-Im of China | Vnesheconombank | DBSA | IIFCL |
|---|---|------------|-----------------------|--|-------------|--------------|
| Country participates in the OGP | Yes | No | No | No | Yes | No |
| Procedural Mechanism for Information Requests (recognised and adopted by the bank) | Yes | No | No | Yes | Yes | Yes |
| Annual Reports on Operations | Yes | Yes | Yes | Yes | Yes | Yes |
| Public Report by bank on project socio-environmental aspects (Non-Financial Reports) | No | No | Yes | Yes | Yes | Yes |
| Publication of EIAs on ongoing high-risk projects | No | No | No | Yes | No | Yes |
| Public Conferences and Hearings to discuss bank policies and projects financed by the bank | No | No | No | Yes | No | Yes |
| Information posted on website on individual national projects | Yes, but only those concluded, not ongoing. Only in Portuguese. | No | No | Yes, with project descriptions and amounts, but only in Russian. | No | No |
| Information posted on website on individual international projects | Yes, but only the individual amounts for each project and only in Portuguese. | No | No | Yes, with project descriptions and amounts, but only in Russian. | No | No |
| Information posted on website on aggregate international financing | Yes, but only in Portuguese. | No | No | Yes | Yes | Yes |

BNDES – Economic and Social Development Bank

Vnesheconombank – Russian Development Bank

IIFCL – India Infrastructure Finance Company

CDB – China Development Bank

DBSA – Development Bank of Southern Africa

Source: the authors, from 2012 Annual Reports and Social Responsibility Reports.

2. Socio-environmental Impacts in BRICS' Development Banks

In all BRICS, the National Development Banks have expanded strongly in the past ten years, with major participation in the countries' economic growth process. They act mainly by investing in the formation of large exporting enterprises and promoting infrastructure, particularly in the energy sector and highways. These large-scale projects have caused environmental and social impacts, including destruction of environmental reserves and displacement of local populations and communities, in disregard of territorial rights and biodiversity.

The socio-environmental impacts are not isolated or specific problems; as can be seen from the table below. They are repeated systematically in the various different investments made by these banks, as a result of the model of development they advocate. Emerging country growth has been based largely on primary exports, which entails strong demand to reduce transport and energy infrastructure costs, because these two factors figure large in commodity costs. However, construction of such productive complexes is accompanied by strong environmental impacts, because it occurs in parallel with environmental degradation and displacement of original communities from their territories.

The socio-environmental impacts are not isolated or specific problems, they are repeated systematically in the various different investments made by these banks, as a result of the model of development they advocate.

Main Conflicts and Impacts Deriving from Non-compliance with Socio-environmental Policies

| Project/Bank | Project Description | Policies Not Applied by Bank | Impacts and Conflicts |
|--|---|---|---|
| Belo Monte Hydroelectric facility / BNDES | Construction of hydroelectric facility in the Xingu Basin | <ul style="list-style-type: none"> Public consultations with communities affected by the project Mechanism for grievances by communities affected Independent critical analysis and monitoring of EIAs, projects and consultation processes Establish agreements tied to compliance with requirements | Major impacts on the environment and local traditional populations |
| Sto. Ignácio de Moxos to Vila Tunari highway / BNDES | Construction of a highway connecting the towns of Sto. Ignácio de Moxos and Vila Tunari, running through the Tipnis indigenous territory in Bolivia | <ul style="list-style-type: none"> Assure compliance with international environmental laws and regulations Public consultations with communities affected by the project Grievance mechanism Independent critical analysis and monitoring Establish agreements tied to compliance with laws Ex-post environmental impact assessment | Impact on traditional populations, revolt and cancellation of the project by President Evo Morales |
| Moscow to St. Petersburg Highway / Vnesheconombank | Construction of highway connecting the cities of Moscow and St. Petersburg, running through the Khimki region, an area of native forest | <ul style="list-style-type: none"> Assure that the EIA findings are taken into consideration Review environmental impact and monitoring Public consultations with communities affected by the project Grievance mechanism | Environmental impacts on the region and revolt among the population |
| Elga Coal Mine / Vnesheconombank | Total funding for first construction and exploration stage of the Elga coal mine, in the Yukatia region, close to Siberia | <ul style="list-style-type: none"> Assure that the EIA findings are taken into consideration Review environmental impact and monitoring | Environmental impact |
| Krishnapatnam Ultra Mega Power Project / IDBI | Construction of a thermoelectric facility fed by coal from Indonesia | <ul style="list-style-type: none"> Ex-ante Environmental Impact Assessment mandatory Review environmental impact and monitoring Ex-post environmental impact assessment | Environmental impact and paralysation of thermoelectric plant's activities following a change in Indonesia's legislation |
| Port of Dhamra / IDBI | Construction of the port of Dhamra, in a region close to the Bhitarkanika National Park and the Gahirmatha Marine Sanctuary | <ul style="list-style-type: none"> Ex-ante Environmental Impact Assessment mandatory Review environmental impact and monitoring Assure compliance with international environmental laws and regulations Ex-post environmental impact assessment | Environmental impact and civil society protests |
| Lesotho Highlands Water Project / DBSA | Reversal of flow of Sengu/Orange River to the Vaal River, increasing water supply to South Africa by building five dams, four supply tunnels, two transfer tunnels and two pumping stations | <ul style="list-style-type: none"> Ex-ante Environmental Impact Assessment mandatory Review environmental impact and monitoring Assure compliance with international environmental laws and regulations Public consultations with communities affected by the project | Environmental and social impacts on the population living in the Lesotho region |
| Grand Inga Project / DBSA | Construction of the world's largest hydroelectric facility, on the Congo River, which will supply half the African continent | <ul style="list-style-type: none"> Ex-ante Environmental Impact Assessment mandatory Review environmental impact and monitoring Assure compliance with international environmental laws and regulations Public consultations with communities affected by the project | Environmental and social impacts on the region |
| Chinese Shougang Group no Peru / CDB and Ex-Im Bank of China | Acquisition of Hierro Peru by the Chinese mining corporation, Shougang | <ul style="list-style-type: none"> Assure compliance with international environmental laws and regulations Grievance mechanism Independent critical analysis and monitoring Establish agreements tied to compliance with laws Ex-post environmental impact assessment | Environmental damage, labour law violations and contamination of water supply to local community and neighbouring areas |
| Alpha Coal Project / CDB and Ex-Im Bank of China | Exploration of a coal mine and construction of an ore transport system including a 450-km railway and a port at Abbot Point, Queensland, Australia | <ul style="list-style-type: none"> Ex-ante Environmental Impact Assessment mandatory Review environmental impact and monitoring Assure compliance with international environmental laws and regulations Ex-post environmental impact assessment | Environmental and social impacts on the region, which has a coral barrier reef considered an environmental heritage by UNESCO |

Source: the authors..

Socio-environmental Policies in BRICS' Development Banks

Até meados da década dos anos 90's grande parte dos Bancos Nacionais de Desenvolvimento nos países dos BRICS não possuíam políticas e diretrizes socioambientais específicas. Somente no final da primeira década dos 2000, em resposta à forte incidência da sociedade civil, esses Bancos passaram a estabelecer políticas internas específicas e atender a certas demandas e medidas restritivas, muitas vezes vinculadas com as principais normas e regras internacionais.

This introduction of certain socio-environmental policies is not permanent; on the contrary, they are constantly changing with political, social and environmental conjunctures. Over the past twenty years socio-environmental guidelines been institutionalised in the major regional and national public development banks, requiring the adoption of a set of practices that precondition loans and financing. These clauses have been internationally agreed and established by common accord. [repetido acima]#?They include the Equator Principles, United Nations Principles for Responsible Investment (PRI) and United Nations Global Compact.

This introduction of certain socio-environmental policies is not permanent; on the contrary, they are constantly changing with political, social and environmental conjunctures.

Variables for Evaluating Socio-environmental Policies

Special emphasis is given to the following international rules and standards as criteria for comparison:

- 1. Ex-ante EIA (Europe Aid):** the EIA “systematic assessment of the potential environmental impacts of this project and its alternatives” (Europe Aid). Following the international definitions, China’s State Council defined the EIA specifically as “methods and institutions for analyzing, predicting and appraising the impacts of programs and construction projects that might incur after they are carried out so as to propose countermeasures for preventing or mitigating the unfavorable impacts and make follow-up monitoring” (Zhu & Lam 2009, 26).
- 2. Critical Analysis of EIA Project:** after the ex-ante environmental impact assessment is concluded, the bank should assure that the EIA findings are considered and will mitigate the project’s social and environmental impact.
- 3. Social and Environmental Regulations on Specific Industries:** the project should incorporate the standards relevant to the specific industries, which are generally those defined by the World Bank and IFC.
- 4. Assure Compliance with Borrower Country Environmental Laws and Regulations:** the bank should assure that the project will comply with the environmental laws and regulations of the borrower country.
- 5. Assure Compliance with International Environmental Laws and Regulations:** the bank should assure that the project will comply with international environmental laws and regulations, which are generally defined by the World Bank or IFC.
- 6. Public consultations with communities affected by the project:** the government, borrower or a third-party expert should offer public consultations with the communities affected and incorporate their problems into the project whenever possible. Early publication of important information on the project and the EIA findings is crucial.
- 7. Grievance Mechanism:** borrowers are required to set up a mechanism to receive, facilitate and address problems raised by the communities affected over the course of the project.
- 8. Independent Monitoring and Critical Analysis:** in order to assure due diligence, an independent social or environmental expert not directly associated with the borrower will review the EIA, project and consultation process (Equator Principles 2006).
- 9. Establish agreements tied to compliance with requirements:** loans should be tied to compliance with environmental guidelines by agreements. Breach of the established guidelines will lead to review of the contract and possible cancellation of funding.
- 10. Ex-post EIA:** after the project is concluded, the borrower should conduct a final EIA to examine the project’s total impact on the society and the environment.

Comparison of Socio-environmental Guidelines

| | BNDES | CDB | Ex-Im of China | Vnesheconombank | DBSA | IIFCL |
|---|--|-----|----------------|------------------------------|------------------------------|------------------------------|
| Ex-ante Environmental Impact Assessment mandatory | X | X | X | X | X | X |
| Assure that the EIA findings are taken into consideration | X | X | X | X | X | X |
| Social and environmental standards specific to the industry | Sugar-ethanol, energy production and livestock | | | Mining and energy production | Mining and energy production | Mining and energy production |
| Assure compliance with borrower-country laws and regulations | X | X | X | X | X | X |
| Assure compliance with international environmental laws and regulations | | | | X | | |
| Public consultations with communities affected by the project | | | X | | X | X |
| Mechanism for grievances by communities affected | | | | | X | X |
| Independent critical analysis and monitoring of EIAs, projects and consultation processes | | | | | | X |
| Establish agreements tied to compliance with requirements | | | X | X | X | X |
| Ex-post environmental impact assessment | | X | X | | | |

BNDES – Economic and Social Development Bank

Vnesheconombank – Russian Development Bank

IIFCL – India Infrastructure Finance Company

CDB – China Development Bank

DBSA – Development Bank of Southern Africa

Source: the authors, based on 2012 Annual Reports and Social Responsibility Reports. To the extent the banks subscribe to international agreements, other information was used (such as the Equator Principles, for the Russian Bank, Vnesheconombank).

Produced by:

Support:



OXFAM



FORDFOUNDATION