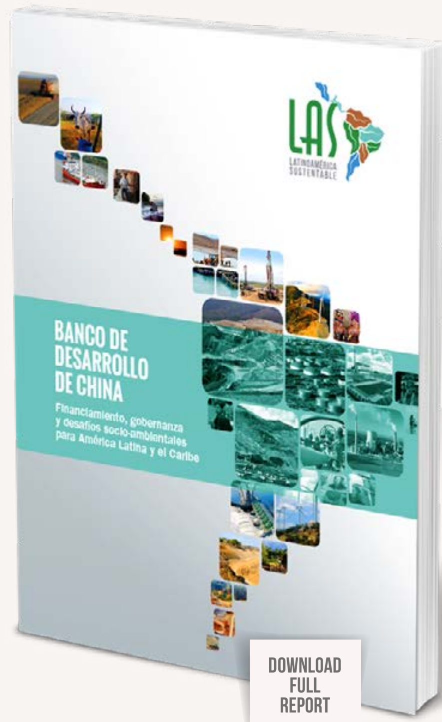
Release of china development bank report

November 29th, 2021

Siran Huang
Consultant at Latinoamérica Sustentable (LAS)



DOWNLOAD FULL REPORT

DOWNLOAD EXECUTIVE SUMMARY

Latinoamerica Sustentable (LAS) has published a report entitled "China Development Bank: financing, governance and socio-environmental challenges for Latin America and the Caribbean" in which it analyzes the importance of the China Development Bank (CDB) for China , its presence in Latin America and the Caribbean (LAC) and its environmental and social governance.

The CDB is the largest development bank in the world, one of the most important financiers of extractive and infrastructure projects globally, and a key instrument for implementing Chinese international development policies, such as "China Going Out" and the Belt and Road Initiative. By 2016, the CDB's overseas loan balance reached USD 328.5 billion, representing more than 30% of the overseas loans by Chinese financial institutions.

In the LAC region, the CDB has financed more than 200 projects in 18 countries, among which are some large-scale projects such as the Las Bambas mining projects in Peru and Mirador in Ecuador, and the Santa Cruz River Hydroelectric project in Argentina (formerly known as the Kerchner and Cepernic dams). Some of these projects are located in or near ecologically vulnerable areas and in indigenous territories. In addition, a large part of the CDB's sovereign loans in Venezuela, Ecuador and Brazil (countries that represent 85% of its loan portfolio) are paid with revenue from the sale of petroleum. This has generated many debates and concerns regarding its socio-environmental impacts, the sustainability of its debt and the fact that this provokes a deepening dependence on natural resources for borrowing countries.

Despite the large scale of its business in LAC, the CDB is relatively little known in the region, partly due to a lack of information available in Spanish, as well as a lack of information disclosure on its loans and standards. It is almost impossible to contact their offices in Rio de Janeiro and Caracas, or their headquarters in China. During the course of this research project, the working group at LAS attempted to contact the bank several times with requests for interviews, comments and feedback on drafts of the report, but there was never any response from the bank.

The purpose of this report is to address some fundamental questions regarding the CDB's modus operandi, and its environmental and social governance. We found that the CDB's environmental and social assessment instruments lag behind those of other international financial institutions (IFI) who manage similar project portfolios. For example, the CDB has no public document that explains its environmental and social policies, their implementation procedures, or even the structure within the bank responsible for its administration. The CDB lacks a dedicated department or team to handle environmental and social assessment and associated complaints. We believe that adopting these instruments is an important step for the CDB to improve its governance and its oversight of the impacts that its loans have. We recognize that other IFIs have made great strides in improving the implementation and effectiveness of these instruments, but there also remains room for considerable further improvement.

In addition, based on seven loan contracts examined as part of our research, we found that no contract mentioned CDB's obligation to monitor the use of the loans; none of the contracts included information regarding the CDB's environmental and social criteria, requirements, or guidelines applicable to its loans. In both the Santa Cruz River Hydroelectric project and the Villonaco I Wind Power project (Ecuador), the CDB continued to disburse funds even when the projects were breaching national laws and the contracts had clauses which specified that the lender had the right to execute disbursements when there were no breaches of laws or pending legal cases.

Due to our concerns about the existing and potential impacts associated with CDB loans, we recommend that the CDB establish mandatory environmental and social safeguards; a mechanism dedicated to addressing the concerns of project-affected communities; and environmental, social, transparency and anti-corruption provisions in all of its loan contracts. Furthermore, LAS urges the CDB not to finance projects in ecologically vulnerable areas or projects that do not have the free, prior and informed consent of indigenous peoples. We hope that the CDB will consider participating in debt-for-nature swaps and climate relief initiatives to support green recovery efforts of LAC countries who have suffered damages caused by the COVID-19 pandemic.

LAS
LATINOAMÉRICA SUSTENTABLE

Diego de Robles y Pampite Esquina,
Edificio Impaqto. Quito-Ecuador

- Teléfono: (+593) 2 602 2078
- Email: info@latsustentable.org
- Web: http://latsustentable.org