**Swedwatch’s input on Development Finance Institutions and Human Rights**

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Swedwatch is an independent, non-profit organisation based in Stockholm that advocates for empowerment of rightsholders on issues surrounding business, human rights, and the environment.

In its submission, Swedwatch particularly emphasises the importance of addressing the following two questions on state duty to protect human rights.

**QUESTION 6: What measures should States take to ensure access to an effective remedy when DFI-supported projects are associated with adverse impacts on individuals, communities, and the environment?**

As state-owned or controlled entities, DFIs should be expected to adhere to the highest human rights and environmental standards. Clear and legally binding requirements should be put on DFIs by home states to ensure DFIs conduct proper environmental and human rights due diligence and cooperate in providing remedy as appropriate, in line with the UN Guiding Principles on Business and Human Rights. This should include, among other things:

Adequate and efficient mechanisms must be in place to ensure accountability for impacts caused, contributed to, or linked to DFI-funded projects. Mechanisms should be in place to provide remedy and money to account for impacts should be set aside from the start and not depend on the economic viability of the project.

Division of roles and responsibilities between home states, host states, DFIs, financial intermediaries and project owners must be clear from the beginning and include inclusive, transparent, and rights-based mechanisms to safeguard the rights of local communities. Particular emphasis must be placed on developing responsible exit strategies in consultation with all relevant stakeholders at the initial phase of the project, paying particular attention to clearly defining and communicating responsibilities in case of a DFI exit/divestment or change in ownership of a project. Due diligence practices should include consultation with communities in line with FPIC-principles, the [right to a healthy environment](https://swedwatch.org/wp-content/uploads/2022/05/policy-paperhealthy-enviroment220524.pdf) and the Aarhus Convention and respect for communities right to say no to projects.

Meaningful dialogue with communities before, during and after project execution is key and should be mindful of social, economic, and cultural barriers, gender risks and risks to HREDs. Grievance mechanisms must be known, credible, and accessible by potentially affected rightsholders and should be open to receive and handle complaints also after an exit/divestment. This is particularly important when the omission, or failure to mitigate identified risks, by DFIs have exacerbated the impacts.

DFIs have a particularly important role in [supporting human rights and environmental defenders](https://swedwatch.org/wp-content/uploads/2020/11/Investor-briefing_The-role-of-investors-in-supporting-defenders-in-the-Covid-19-era.pdf). Human rights and environmental defenders play a key role in contributing to upholding democracy and sustainable development. When defenders are attacked and silenced, opportunities to hold companies and other actors accountable are reduced along with the ability of investors to identify, prevent, and address risks of potentially severe human rights and environmental impacts of their investments. Identification and assessment of risks related to defenders, as well as appropriate action to support their ability to work without fear of retaliation, should be a priority for all investors committed to respecting and advancing human and environmental rights, in particular DFIs.

**QUESTION 5: What are the specific human rights risks posed by DFIs to groups in the most vulnerable situations, such as women and girls, indigenous communities, human rights defenders, persons with disabilities, persons with different sexual orientation or gender identity, older persons, persons living in poverty or migrant workers?**

Swedwatch’s research and work with local communities has shown that DFI-funded projects can entail severe human rights and environmental risks for local communities, especially in the context of large-scale land-related projects in high-risk contexts. Impacts are particularly severe in conflict or post-conflict contexts (See Swedwatch reports from 2017and 2018 on Swedfund’s investments in [Sierra Leone](https://swedwatch.org/wp-content/uploads/2017/11/86_Sierra-Leone_NY.pdf) and [Liberia](https://swedwatch.org/wp-content/uploads/2021/01/liberiaupdate180524slutversion.pdf), as well as Swedwatch report from 2018 on the [Hidroituango project](https://media.business-humanrights.org/media/documents/files/documents/rapport_77_colombia_lowres_0.pdf) in Colombia financed by the Inter-American Development Bank).

It is Swedwatch’s experience that projects that occupy vast areas of land such as renewable energy and infrastructure projects are frequently located in rural areas and commonly impact communities’ livelihoods which largely depend on traditional practices and access to natural resources. Furthermore, the scale of land and number of people affected are often much bigger than identified in initial risks assessments leading to inaccurate mitigation plans. This leads to vulnerable groups being left without access to remedy or compensation from the very beginning of the project, not least women or indigenous groups lacking formal tenure rights. The consequent exclusion of some affected groups from compensation schemes and mitigation measures can increase conflicts both within and between communities.

Inter-linkages between human rights and environmental impacts are frequently missed in initial risk assessments by DFIs, as are gender-related impacts, conflict-related impacts and impacts exacerbated by climate change. Women, especially those belonging to particularly vulnerable groups within the community such as landless, older women, young girls, indigenous groups, and women lacking formal education are particularly at risk of negative impacts of business operations. Meanwhile, employment opportunities related to the projects are often far less than expected or communicated at the beginning and might be of a temporary nature, notably during the construction phase. Additionality of DFI investments is often questionable as employment seldom benefits the poorest and most vulnerable parts of the community who are the ones most dependent on traditional livelihoods and natural resources. These groups in many cases loose access to essential natural resources such as land, water, firewood, medicinal herbs, etc without having any alternative livelihood options. Women may be forced into prostitution or may have to leave the area, ending up in the slum areas of bigger cities. In Swedwatch experience, these impacts are rarely captured in DFIs’ due diligence processes.

Human rights and environmental defenders (HREDs) supporting communities and demanding accountability are [increasingly at risk](https://swedwatch.org/publication/urgent-need-for-companies-to-address-attacks-against-rights-defenders/). Retaliation in form of physical, legal, or reputational attacks or even killings may come from employees or security personnel, local authorities and community leaders benefiting or having a self-interest in promoting the project, or paramilitary groups, among others. Attacks are rarely investigated and tend not to be identified as a human rights risk related to the project by DFIs or project owners. Risks to HREDs are particularly high in conflict or post-conflict areas.

Migrant workers moving into the area in search of employment may exacerbate intra-community conflicts and increase competition over remaining natural resources. Prostitution and sexually transmitted diseases around project sites often increase as well as teenage pregnancies and school drop-outs, with young girls from vulnerable households being drawn into temporary relationships with male workers who tend to leave the area and new families after the construction phase when employment opportunities dwindle. Sexual harassment and rape of women community members have been documented in several cases, sometimes by company personnel expecting women to offer sexual services in order to get employed. Research shows that impacts may continue or even worsen as [DFIs channel funding through financial intermediaries](https://www.oxfam.org/en/research/suffering-others) such as banks and private equity funds, or if DFIs and/or change of ownership, especially when [exit strategies are lacking](https://swedwatch.org/wp-content/uploads/2017/11/86_Sierra-Leone_NY.pdf).

Current environmental and human rights due diligence practices by DFIs are falling short of respecting the rights of rightsholders. Communities frequently have very limited possibilities to demand accountability and get access to remedy in cases of negative impacts of DFI-funded projects. DFIs’ due diligence practices, grievance mechanisms and mechanisms for providing remedy must be further developed, applying both a gender lens and increased conflict sensitivity as well as measures to increase communities’ resilience to climate change. The impacts described above are likely to increase, not least given the current surge in DFIs’ funding in the context of the transition from fossil fuels to renewables. Human rights risks in these sectors are largely neglected by businesses.

**Relevant reports, articles, and open letters:**

* Coalition for Human Rights in Development (2022), Wearing blinders – How banks are ignoring reprisal risks <https://rightsindevelopment.org/wearing-blinders/>
* Swedwatch (2022), Safeguarding the right to a healthy environment – the roles of state and business actors, <https://swedwatch.org/wp-content/uploads/2022/05/policy-paperhealthy-enviroment220524.pdf>
* Swedwatch (2021), Finance in Common: CSO voices still missing, <https://swedwatch.org/publication/article/cso-voices-missing-at-development-finance-summit/>
* Swedwatch (2020) The role of investors in supporting human rights and environmental defenders in the Covid-19 era, <https://swedwatch.org/wp-content/uploads/2020/11/Investor-briefing_The-role-of-investors-in-supporting-defenders-in-the-Covid-19-era.pdf>
* Climate Action Network International (2020), Finance in Common Joint CSO statement, <https://climatenetwork.org/2020/11/11/finance-in-common-joint-cso-statement/>
* Swedwatch (2019), Sierra Leone bioenergy project poses new challenges to communities, <https://swedwatch.org/publication/sierra-leone-bioenergy-project-poses-new-challenges-to-communities/>
* Swedwatch (2018), Human rights defender warns of risks related to Colombian hydropower plant, <https://swedwatch.org/publication/human-rights-defender-warns-of-risks-related-to-colombian-hydropower-plant/>
* Swedwatch (2018), Human rights impacts of the exit of Swedish investors from Buchanan Renewables Fuel in Liberia: an update, <https://swedwatch.org/wp-content/uploads/2021/01/liberiaupdate180524slutversion.pdf>
* Swedwatch (2017) No Business, No Rights – Human rights impacts when land investments fail to include responsible exit strategies. The case of Addax Bioenergy in Sierra Leone, <https://swedwatch.org/wp-content/uploads/2017/11/86_Sierra-Leone_NY.pdf>
* Bretton Woods Project (2016) IFC investments through financial intermediaries linked to human rights abuses in Honduras, again, <https://www.brettonwoodsproject.org/2016/04/20361/>
* Oxfam International (2015), The suffering of others - the human cost of the International Finance Corporation’s lending through financial intermediaries, <https://www.oxfam.org/en/research/suffering-others>
* Swedwatch (2014), Derechos ahogados, responsabilidades diluidas - Un informe sobre los abusos en torno a la construcción de la hidroeléctrica Hidroituango en Colombia y la responsabilidad de los actores suecos, <https://media.business-humanrights.org/media/documents/files/documents/rapport_77_colombia_lowres_0.pdf>
* Swedwatch and SOMO (2013), Cut and Run – Update on the impacts of Buchanan Renewables’ operations and Vattenfall’s divestment, <https://swedwatch.org/wp-content/uploads/2016/12/swedwatch_somo_-_cut_and_run.pdf>