

Hydropower and International Project Finance Due Diligence

Photography acknowledgements: Siphandon Suthep



Oxfam learning's from large scale projects

- Large scale projects have the potential to be a positive driver of sustainable economic development & natural resource management
- If they are well regulated, and the rights and livelihoods of indigenous peoples and project affected communities are respected and protected
- Due diligence at the outset, and throughout the life of the project, is essential



Project Due Diligence

- Due diligence can assist enterprises, multilaterals, governments and financiers meet their responsibilities (UNSRSG)
- Due diligence is increasingly recognised as a necessary component of continuous improvement (WB, review of OECD Guidelines for MNEs)
- Assist companies 'do the right thing', mitigate risks, avoid doing harm, and remedy when things go wrong while carrying out activities
- Both a risk & rights based approach: steps to identify, mitigate, minimise & remedy adverse impacts – actual or potential



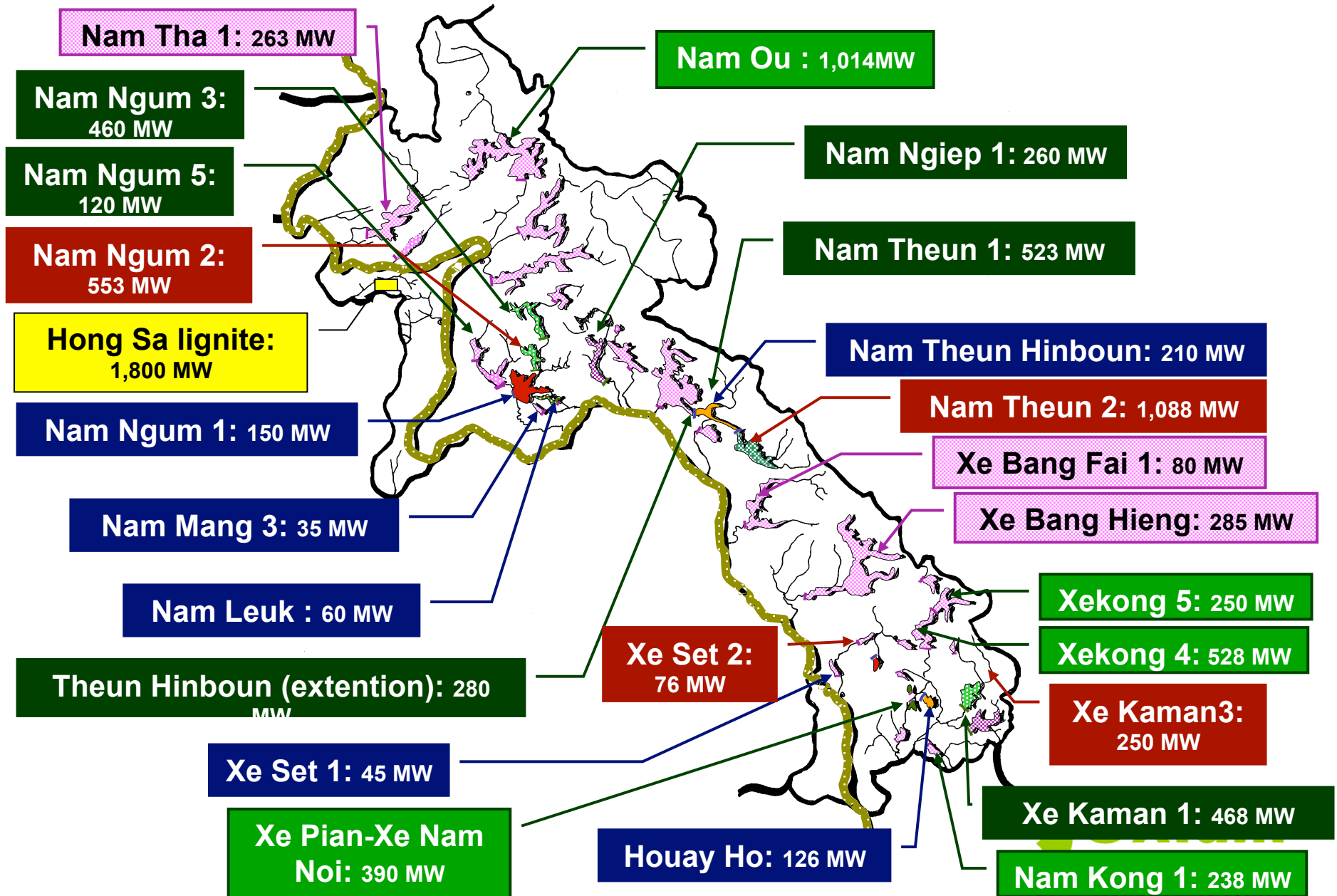
The challenging accountability & due diligence issues

- Free, Prior and Informed Consent
- The gender impact of development
- Resettlement, compensation & benefit sharing – livelihood restoration
- human rights & conflict
- Transboundary impacts
- Revenue transparency & disclosure – country-by-country
- Contract & SEIA transparency
- Doing business in conflict zones, post-conflict & weak regulatory environments
- Grievance mechanisms & corporate-community relations
- Responsible supply chain / value chain management
- Associated facilities – access roads / transmission lines
- Role / accountability / complicity of financial institutions – private sector, ECAs, pension & super funds, development banks



Key Existing & Proposed dams in Laos

(source: Premrudee Daoroun, Terraper)





Getting the basics right

- Global recognition that financial institutions have significant influence & leverage through project finance
- Development of standards has assisted, e.g. Equator Principles, HSAF Protocol, UNPRI, WCD standards, IFC Performance Standards/ WB and ASB Safeguard policies
- Fundamental due diligence and principles of good governance can still be overlooked, or compromised
- Mechanisms such as HSAF Protocol and Equator Principles have an internal focus & lack external accountability
- Practice among Equator Banks is not uniform
- The IFC Performance Standards and WB Safeguard Policy are more suited as an accountability tool
- IFC PS being reviewed in 2010-11
- WB SP considered by some to be outdated – labour rights, working conditions, resettlement, indigenous peoples



What should project finance due diligence look like?

- Full disclosure of SEIA at the outset & each project phase
- Human rights impact assessment
- Gender impact assessment
- Independent mechanisms for community negotiation, consent & complaint handling
- Revenue / benefit sharing transparency
- Conflict / corruption assessment
- Resettlement action plan



More than just a checklist

- Deep project / client knowledge
- Disclose & accountability to those people affected & who bear the risk
- Social, environmental & human rights impact assessment & disclosure
- Ensuring those impacted are the first to benefit
- Responding to a series of due diligence questions can be more revealing than stated compliance / support for voluntary mechanisms – continuous improvement



Due Diligence Guidance

- Leading guidance for due diligence approach includes:
 - Norwegian Export Credit Agency Hydro Dam Projects Questionnaire on Social & Human Rights Impacts (screening tool benchmarked against IFC PS)
 - IFC Revised Guide to Human Rights Impact Assessment & Management-HRIAM (online tool)
 - Oxfam Australia Gender Impact Assessment Guide
 - Oxfam Australia Community-Company Grievance Resolution Guide

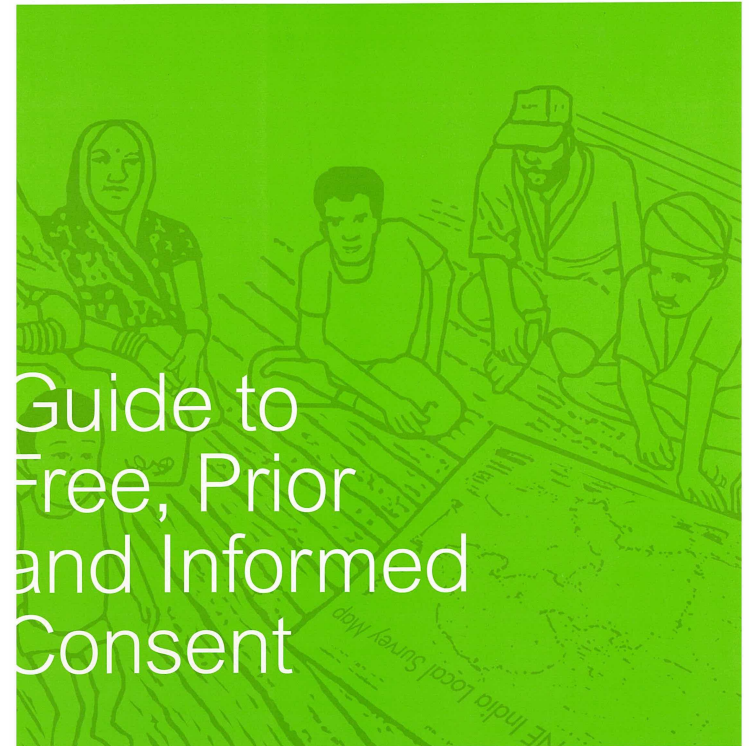


Free, Prior and Informed Consent

www.oxfam.org.au



Free, prior and informed consent:
The role of mining companies



The Business case for Due Diligence

- Improved transparency, accountability and fiscal management of payments to governments
- Defendable, verifiable SEIA
- Risk mitigation of real or perceived complicity in environmental degradation, corruption & human rights violations
- A better informed market & improved investor confidence
- More equitable agreements & benefit sharing – strengthened social licence
- Opportunities for communities to hold their own governments to account



Oxfam's private sector work is focused on ensuring large scale development projects make a positive contribution to regional economic prosperity. Improved due diligence, greater transparency, disclosure and accountability by companies, governments, and financial institutions is essential to assist communities protect their land and livelihoods, and claim their rights to negotiate in decision making processes that affect them.

