

JUST FINANCE
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Just
finance

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Mission

- Just Finance International is dedicated to addressing critical factors contributing to the global climate emergency and the concerning decline of biodiversity, particularly the widespread proliferation and harmful execution of major infrastructure projects.
- Our focus lies in ensuring that both public and private financing involved in global development and infrastructure initiatives adhere to established environmental standards and uphold fundamental human rights.
- At Just Finance International, we conduct comprehensive research on global financial flows and their tangible impacts on local communities. By actively engaging with project-affected populations on the ground, we advocate for increased transparency and accountability from global financial and development institutions.
- Through our campaigns, we have investigated a range of large-scale projects, including major hydropower dams, high-pollution mining ventures, export corridors traversing some of the last remaining wild areas and pristine forests, and power plants poised to emit greenhouse gases for decades to come.
- Beyond the environmental implications, these projects often inflict significant disruptions on local communities, leading to resource contamination, forced resettlement, and widespread loss of livelihoods.
- Central to our mission is the support of affected communities whose rights, livelihoods, and participation in decision-making processes have been obstructed by these investments. We are committed to prioritizing cross-border collaborations to advance our goals.



A fisher woman from Muara village whose family livelihood decimated as a result of the ADB-funded Jawa 1 liquified natural gas-to-power projects and the construction at sea.

PHOTO: JUST FINANCE INTERNATIONAL (2023)

Letter from the director

THANKS TO THE TREMENDOUS SUPPORT of our donors and our longstanding partners across the world, 2023 marks the second full year of Just Finance International’s operations. Right from launch, we knew our work must be anchored in amplifying the voices and effort of the affected local populations, whose ecosystem and way of life have been harmed by ill-conceived investment decisions at the level of international development financing. We began with the conviction that one way of addressing the significant governance gaps in these mega-projects would be to capture and document their foreseeable and often irreversible impacts on the local ecosystem, as well as undertake research and analysis to enable more informed decision-making and more effective advocacy—both at the project and policy level. Unfortunately, the reality in many of the borrowing countries involved in development finance funding and, in particular, the Belt and Road Initiative revealed a grim picture.

WE OBSERVED THE WIDENING GAP between what our European governments have committed to achieve through development-based lending, and a worsening “race-to-the-bottom” trend of skirting the very standards and regulations that they have helped to codify in the past two decades. Throughout the year, our organization actively engaged with shareholding governments of development finance institutions, working group on sustainable finance, climate diplomats, as well as experts across the human rights, governance and energy fields. We advocated for them to uphold crucial standards and principles, ranging from the rights of indigenous peoples, climate finance commitments, transparency, to rule of law.

WE PRIORITIZED THIS STRATEGY because, broadly speaking, the field of international financing attends more readily to interventions that should advance the regulatory framework in the host countries of these investments and projects. In addition to our advocacy efforts with governments, we continued to serve as a reliable source of critical and credible analysis for decision-makers interested in the intersection of climate and environmental justice, governance, and human rights issues associated with global investments and multilateral development banks, including those from China. Our briefings, which encompassed field research findings, investigations into corporate environmental and social governance practices, and analyses of China’s policy statements regarding the Belt and Road Initiative (BRI) and climate related matters, were incorporated into parliamentary discussions held by members of the European parliaments and cabinets of certain governments.

BUT MOST IMPORTANTLY, 2023, similar to the preceding year, was a year we invested much of our time and energy in helping to strengthen the resilience of our partners and the communities in the Global South, whose voices we pledged to elevate. We salute them.

I. Fossil-free Finance

In a world grappling with a climate emergency, the imperative for climate solutions has never been more pressing. However, government institutions and corporations persist in supporting investments in coal, oil, and gas. Despite global commitments to phase out coal power plants, these entities continue to endorse the expansion of the coal industry and other carbon-intensive energy sources.

The United Nations Intergovernmental Panel on Climate Change has underscored that to achieve the Paris climate goals, untapped fossil fuel reserves must remain unexploited, while also urging an end to state subsidies for extraction and export. Through engagements with key officials from government ministries, export credit agencies, and development finance institutions, Just Finance International (JFI) steadfastly advocates for urgent divestment from fossil fuel investments.

Backdoor financing of problematic East African pipeline

The East African Crude Oil Pipeline (EACOP), envisaged as a 1,443 km pipeline route between Uganda's Lake Albert and the Tanzanian shore, has drawn significant criticism for its adverse climate impact, environmental ramifications, and human rights violations. Development activities along the pipeline, as noted by the European Parliament, have placed approximately 100,000 individuals in Tanzania and Uganda at risk of displacement.

Despite widespread acknowledgment of its problematic nature, numerous Western investors have publicly distanced themselves from the EACOP project. However, an investigation conducted by JFI revealed that major banks and investors—including Citigroup, HSBC, and Credit Suisse—continue to support EACOP indirectly through financing provided to the Chinese para-

statal oil company, China National Offshore Oil Corporation (CNOOC).

CNOOC, a key shareholder in the EACOP project and a licensed entity for oil extraction and pipeline construction, maintains a significant role in the venture. Through various forms of engagement with CNOOC—whether through loans, underwriting services, or shareholdings—these Western financial institutions persist in their involvement with EACOP's detrimental activities, notwithstanding their publicized commitments to sustainability and social responsibility.

JFI has actively urged shareholders and investors of these financial entities to exert pressure on CNOOC for increased transparency, adherence to ethical guidelines, and fulfillment of promises made to communities affected by the pipeline. We have called for a suspension of operations until fair compensation is guaranteed, and CNOOC addresses ethical concerns while delivering on commitments to local communities.

Skagen Fund's continued stake in controversial EACOP project

While banks such as Deutsche Bank, Credit Agricole, and HSBC have chosen not to support the East African Crude Oil Pipeline (EACOP), the Nordic investment association SKAGEN Fondene has maintained its investments in the parent companies of EACOP.

JFI actively supported an investigation into Skagen's investment holdings conducted by the Danish media outlet Danwatch. We strongly urge the company to uphold its sustainability goals and align with other prominent Western investors by promptly divesting from companies affiliated with EACOP within its portfolio.



Kostolac B coal power station and the expansion of Drmno mine amidst environmental permitting irregularities.

PHOTO: JUST FINANCE INTERNATIONAL (NEMANJA PANCIC, 2023)

Expanding Chinese-Backed Coal Mine Takes Toll on Serbian Village

The expansion of the Drmno coal mine in Serbia has inflicted significant hardships on nearby residents. Financed by Chinese investment, the project has transformed into a nightmare for villagers, with detrimental consequences. In addition to groundwater depletion, homes bordering the open-cast mine are deteriorating, some even collapsing into it due to excavation activities, resulting in visible cracks in house walls.

Concerns regarding transparency have emerged regarding the management and operation of the mine by China Machinery Engineering Corporation, including allegations of transaction irregularities and potential breaches of state aid obligations. Despite mounting complaints and

challenges raised by environmental organizations like the Center for Ecology and Sustainable Development, the rapid expansion of the Drmno mine persists.

JFI's investigation last spring revealed that villagers not only contend with the physical risks posed by crumbling homes and health hazards but also experience limited support from local authorities, leaving them in dire circumstances. Our efforts have underscored the adverse impact of unchecked coal expansion on local communities and emphasized the imperative for responsible and transparent practices in such projects.

II. Accountable Development Finance

Infrastructure projects funded by development finance institutions (DFIs) and multilateral development banks (MDBs) often entail significant investments and large-scale initiatives, inherently carrying high risks.

Regrettably, poorly planned or inadequately consulted projects mandated by development finance can yield adverse consequences, including the loss of livelihoods, involuntary resettlement, and suppression of community voices and participatory rights. Rather than empowering local communities, such projects may result in human rights violations and exacerbate poverty.

JFI is committed to advocating for enhanced governance within shareholder governments and development institutions, particularly DFIs and MDBs. Our aim is to promote the adoption of robust and binding environmental and social safeguard policies, instead of defaulting to weaker standards that may be more palatable to clients or host governments but have detrimental effects on communities.

Behind Asian Development Bank's Jawa-1 Project Fallout

The Jawa-1 Gas to Power Project stands as a significant Indonesian initiative, encompassing the construction of various power-generation components located within the administrative boundaries of Subang, Bekasi, and Karawang Regencies, approximately 108 km east of Jakarta. JFI conducted an extensive briefing based on 15 site visits and various data-gathering methods, including document reviews and interviews with 133 project-affected individuals. These efforts aimed to expose the due diligence and transparency failures of one of the project's primary funders – the Asian Development Bank (ADB) – dating back to the project's inception.

Despite ADB's assertions of comprehensive consultations since February 2017, JFI and its partners discovered significant shortcomings in the crucial Environmental and Social Impact Assessment, which was conducted by a consultancy partially funded by ADB. The assessment failed to adequately address the project's adverse effects on local communities, including insufficient compensation and delayed livelihood restoration. Furthermore, we uncovered a notable absence of meaningful public consultations with affected individuals, resulting in negative impacts on well-being, income, and livelihood. Most concerning was the systematic deployment of Indonesia's military and police during public consultations, a direct violation of ADB's Safeguard Policy Statement.

Our briefing delineated five recommendations, including calls for the ADB to undertake thorough, independent reassessments of environmental impacts and livelihood restoration, and to facilitate accessible and informative consultations with local populations.

Hidden Consequences of Asian Infrastructure Investment Bank's Financing of Indonesia's Mandalika Project

Nestled on Indonesia's idyllic Lombok Island, the Mandalika Urban Development and Tourism project has encountered challenges and controversies since its initiation. Designated as a "Special Economic Zone" by the Indonesian government in 2017, the project aimed to transform the area into a tourist hub, boasting parks, resorts, and upscale hotels. At its heart lies the Mandalika International Street Circuit, a cutting-edge motorcycle track with 18 turns designed to host exhilarating MotoGP races. Spearheading this endeavor is the Indonesian Tourism Development Corpo-

A young family of four was evicted twice in 2021 and 2022 for the construction of the Mandalika project. They continue to live in a temporary shelter they built themselves, even though AIIB's client, the ITDC, promised them a home and a future. A former fisherman, the father now works as a security guard for the project and has not been paid for 6 months.

PHOTO: JUST FINANCE INTERNATIONAL
(MAS AGUNG WILIS YUDHA BASKORO, 2023)



ration (ITDC), with substantial financial backing from the Asian Infrastructure Investment Bank (AIIB). Despite being AIIB's inaugural independent project in Indonesia, concerns regarding its environmental and social impacts have persisted from the outset.

Mandalika emerged as one of JFI's most prominent campaigns in 2023, yielding comprehensive reports, timely editorials, news updates, and press coverage from both Indonesian domestic and international media. Through collaboration with local partners, we produced two meticulously researched reports last year, each unveiling the depth and longevity of the challenges plaguing Mandalika's development.

In our spring survey, gathering testimonies from 105 affected community members, we discovered that 98% were not consulted about the project,

with a mere 6% participating in consultation meetings. This starkly contravenes AIIB's standards, which mandate meaningful consultation and evidence of broad community support. The survey also exposed concerns of intimidation, coercion, inadequate compensation for land acquisition, and the obstacles faced by women in asserting their land rights.

In the fall, we published another report outlining the AIIB's discriminatory and opaque resettlement eligibility criteria, inconsistent data, and its failure to enforce accountability on its primary client, the ITDC. These shortcomings have led to insufficient housing compensation and stalled relocation efforts, plunging many households into poverty.

III. The Belt and Road Initiative

In 2013, the Chinese government unveiled the Belt and Road Initiative (BRI), a global infrastructure development strategy headquartered in Beijing. Under the BRI umbrella, Chinese state entities and corporations have extended financial support, both in debt and equity, to nearly 70 countries. This support primarily entails investments in fossil fuels and expansive infrastructure ventures, resulting in significant climate, environmental, and social repercussions.

The BRI is renowned for its business-oriented approach, characterized by a lack of stringent conditions for recipients to meet environmental and social standards. Transactions within the BRI often operate with limited transparency, and decision-making processes are typically opaque to the public, including the local communities directly impacted by the projects.

JFI collaborates with local and global partners to advocate for enhanced transparency and accountability in these investments and projects. Our goal is not to oppose Chinese investments in global infrastructure projects but rather to scrutinize their implementation, ensuring meaningful dialogue with local communities and adherence to fundamental international compliance standards.

Militarization and Loss of Livelihoods in Uganda's KingFisher Oil Field

Amidst China National Offshore Oil Corporation's (CNOOC) operations in Lake Albert's KingFisher oil field, JFI uncovered a disturbing video last fall depicting uniformed individuals – purportedly Uganda Peoples Defence Forces (UPDF) members – confiscating fishing boats. The footage captured three individuals in military attire towing away eight fishing boats from the shore, without any explanation to the local fishermen.

The loss of these boats – each supporting two or three families – has dealt a devastating blow to the livelihoods of approximately 288 individuals. The incident implicates CNOOC in collaboration with the Ugandan military to enforce restrictions on boat traffic, revealing the severe consequences of militarized actions aligned with the interests of the oil industry in the region.

Since the onset of oil operations in 2009 and CNOOC's involvement in 2013, traditional fishing communities in the KingFisher area have encountered persistent challenges. JFI's investigations have unveiled numerous instances of involuntary relocations without fair compensation, unfulfilled promises of improved infrastructure, education, and healthcare, and a concerning surge in militarization within the region. Sharing the video and incident reports with the United Nations, JFI has sought accountability for the incident. However, efforts to engage with the Ugandan army, believed to be involved, have been met with silence.

This incident underscores the urgent imperative for accountability, transparency, and the protection of the rights and livelihoods of local communities impacted by oil operations in the region.

China's Karuma Dam Pushes Ugandan Families into Greater Hardship

The construction of Uganda's Karuma Dam, spearheaded by the Chinese company Sinohydro Corporation Limited, has resulted in the displacement of hundreds of individuals in the Nile Delta, leaving them devoid of homes, land, and livelihoods. With a target production of 600 megawatts for Uganda's electricity market, the dam has encountered numerous setbacks and delays, leaving many affected communities waiting for over a decade for promised relocation. Forced evictions



Dump trucks loaded with nickel ore headed to a jetty at a mining site in Molawe district, Southeast Sulawesi, Indonesia.

PHOTO: JUST FINANCE INTERNATIONAL 2023
(BY GARRY ANDREW LOTULUNG)



Still standing: a proud indigenous Sasak community member standing her ground in Ebunut village in Mandalika, Lombok, after years of involuntary land acquisition caused by a project that uprooted Indigenous people from their land for the construction of a motorcycle racetrack. The Mandalika tourism project is funded by the AIIB.

PHOTO: JUST FINANCE INTERNATIONAL 2023

have compelled community members to relocate their residences beneath high voltage transmission lines, exacerbating hazards and risks.

A field investigation conducted last year by JFI revealed that the Awoo village has suffered substantial losses of cultivated land and access to the river due to the dam's construction. Some villagers have resorted to extracting gravel from rocks excavated during the dam's construction, selling it for income. Living conditions in nearby Ayuda village have also deteriorated, with over 100 acres of land confiscated, impacting countless livelihoods. Promised compensation for the land has proven unsatisfactory, leading to protracted legal battles spanning more than a decade. Furthermore, graves in the project area have been destroyed without compensation, causing anguish among community members. JFI remains committed to seeking responses and accountability from Sinohydro and its local partner Uganda Electricity Generation Company Limited.

Concerns Mount Over Security Implications of China-Serbia Free Trade Pact

Last fall, the Serbian Parliament's discreet approval of an expansive trade agreement with China went largely unnoticed amidst global events. However, the substantial implications of the agreement warrant closer examination. JFI collaborated with the Belgrade Center for Security Policy (BCSP) to publish an editorial shedding light on this significant yet under-reported development.

While Serbian leaders highlighted the pact's potential contributions to economic growth, it also included provisions to bolster the two countries' trade of weapons. This agreement undeniably strengthens Serbia's ties with China, prompting concerns about the country's strategic direction and drawing criticism from the EU and the U.S.

Of particular concern is the possible adverse impact of the trade pact on Serbia's domestic economy, potentially leading to the closure of small and medium-sized businesses as Chinese

competitors inundate the market. China already stands as the largest contributor of foreign direct investment to Serbia. JFI and the BCSP put forward several recommendations, including promoting European investments in Serbia to counterbalance China's influence and ensure sustainable economic opportunities for the region. The EU should prioritize incorporating the Western Balkans, including Serbia, into its single market, offering an alternative avenue for economic development and reducing dependence on potentially detrimental Chinese investments. Failure to take action could leave Europe vulnerable to further adverse effects stemming from China's influence in the region.

Contamination and Silence in a Chinese-run Serbian Steel Factory

The Smederevo Iron and Steel Factory in Serbia, once state-owned, was acquired by the Chinese firm HBIS Group in 2016. Initially heralded as a positive development for the local community and Serbia's national economy, the factory's purchase has since come under increasing scrutiny for environmental pollution and alleged labor hazards, amidst annual losses. The community's heavy reliance on the steel industry for livelihoods has created a complex dynamic where residents, despite suffering detrimental health impacts, hesitate to voice concerns due to economic dependence.

JFI conducted a field investigation in Smederevo last year to gain deeper insights into the grievances of the local community. Residents described ongoing struggles with the factory's emissions, which contain harmful micro-particles that have contaminated once-fertile land, leading to a decline in vegetable cultivation and posing health risks.

Despite the visible impacts of the factory, the Serbian government's inaction and the opaque response from HBIS Group have exacerbated frustration and anxiety among residents. The absence of a comprehensive health assessment further



compounds concerns, with local doctors noting an increase in cancer rates linked to factory emissions. Despite these challenges, JFI is supporting efforts to pursue justice through European courts.

↑ **Uganda's fisherfolk and herders losing their livelihood and land to impacts associated with the CNOOC operated oil project in Kingsher.**

PHOTO: JUST FINANCE INTERNATIONAL

Aarhus Convention

The Aarhus Convention, adopted in 1998 by the United Nations Economic Commission for Europe, is designed to empower citizens and civil society organizations in environmental matters, grounded in principles of participatory democracy. At the 2023 Aarhus Convention, JFI extended mentorship and guidance to our local partners from Serbia's Fortress Movement, facilitating a presentation on the environmental and human rights challenges stemming from the Smederevo Iron and Steel Factory.

