Risk Alert: HKND

The Nicaraguan government is accused of using divisive tactics and coercion to pressure Indigenous and Afro-Caribbean communities into signing a document giving consent for a massive interoceanic canal to pass through their territories. The communities say their requests for legal assistance and independent oversight of the negotiations were rejected, and that some of their leaders were offered bribes to support the project. The government denies the bribery allegations, but maintains that “we have to guarantee efficient processes of free, prior and informed consultation...we cannot have excessive democracy that ends up scaring away investment.”

Hong Kong Nicaragua Development Group (HKND) owns a 50 year concession to build the canal. HKND is a private company, but has hinted at the possibility of an IPO to raise capital for the project. Investors should be wary of high levels of social risk.

Sources: Al Jazeera, Reuters

Oil Patch Communities Feel Market Squeeze

Tribal officials on North Dakota’s Fort Berthold Reservation are refusing to sign a revenue sharing agreement with the state because of new reductions to the tax rate on oil. Chairman Mark Fox says the reductions, which were enacted to help companies weather the effects of falling oil prices, will take money from the tribe that is needed for oversight and impact mitigation.
The slumping oil market is hurting companies, but it is also hurting communities that rely on jobs, business ventures and tax revenues from the industry. This shows the need for revenue sharing mechanisms that are more sustainable. Even during the peak of the Bakken oil boom, taxes were not sufficiently offsetting the negative effects of drilling on the reservation.
Sources: CBS Money Watch

World Bank Project Cancelled
In December 2015, the World Bank cancelled a $265 million loan for a transportation project in Uganda in response to environmental concerns and allegations of sexual misconduct by contractors. An independent review of the project found "serious allegations of road workers' sexual relations with minor girls in the community, and sexual harassment of female employees." The Bank’s president announced that "the multiple failures we've seen in this project—on the part of the Bank, the government of Uganda, and a government contractor—are unacceptable."

Despite its lengthy Safeguards Policy, the Bank rarely withdraws promised funding for projects on social or environmental grounds. Hopefully this demonstrates a renewed willingness by the Bank to hold itself accountable in the wake of mounting criticism. Last year, a Huffington Post investigation revealed “systemic gaps” in the Bank’s ability to enforce protections for people negatively affected by its projects.
Sources: The East African

Rising Tensions at Site C
Tensions are escalating between BC Hydro and a First Nations protest camp established to block construction of the Site C Dam in northeastern BC. The protesters say the company is moving logging equipment into their territory even though lawsuits are still in motion and a final decision about the project has yet to be made. The company says it is working with the protesters and local authorities to peacefully resolve the standoff, although several arrests have been made.
The protest is raising the profile of the communities’ long struggle against the Site C Dam, which has been ongoing since the 1970s. The Union of BC Indian Chiefs released a statement denouncing BC Hydro’s “deliberately provocative and reckless attempts at fast tracking construction” and expressing “deep concern that [the company’s] actions are increasing tensions on the ground.”

Sources: Union of BC Indian Chiefs

Doing Business in Conflict Zones

In December 2015, the Norwegian Public Service Pension Fund divested from Glencore over the company’s oil exploration activities in Western Sahara. According to a statement on the fund’s website, these activities risk “violating fundamental ethical norms” and it is “difficult to conclude” that they can be done “in a manner consistent with international law.”

The licenses were granted by Morocco, whose claims to Western Sahara are challenged by the Sahrawi Peoples. According to Western Sahara Resource Watch (WSRW), “entering business deals with Moroccan companies or authorities in the occupied territories gives an impression of political legitimacy to the occupation. It also gives job opportunities to Moroccan settlers and income to the Moroccan government.” WSRW maintains a full list of companies doing business in the disputed territory.

Sources: Bloomberg

Shell Lawsuit Moves Forward in the Netherlands

In December 2015, a Dutch appeals court ruled that an environmental lawsuit against Shell, filed by Friends of the Earth and four Nigerian farmers in 2008, can be heard in the Netherlands. The decision reversed a 2013 lower court ruling exonerating the company from liability for its foreign subsidiaries, and could pave the way for more compensation claims from overseas.
Shell expressed “disappointment that the Dutch court has determined it should assume international jurisdiction” and continues to attribute its oil spill record on sabotage. The company has gone great lengths to improve its image in Nigeria, including supporting community programs, implementing environmental monitoring schemes, and settling several compensation claims out of court. However, the company continues to make headlines over its legacy in the country.

Sources: The Guardian