1. Are human rights relevant to economic development?

Yes. The 2030 Agenda for Sustainable Development has explicitly recognized the inextricable linkages between human rights and sustainable development. The body of evidence is growing, including evidence produced by the World Bank recently on the importance of women’s rights to development, human rights approaches and claiming mechanisms, the relationship between human rights violations and violent conflict, the relationship between civil liberties and project performance, and the economic costs of discrimination. IMF research has shown that the sustainability of economic growth is undermined by horizontal inequalities, which are often linked to discrimination, and OECD research has shown that income inequality can negatively affect growth.

At the operational level, where human rights risks are not mitigated, projects can easily harm the people they intend to benefit, prevent people from accessing development benefits, or flare up into protracted and damaging conflicts. One recent study has shown that lost productivity costs due to temporary shutdowns or delays in the mining sector, following failure

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to manage social conflict, can result in USD 20 million per week in net present value terms. As at June 2014 it was estimated that the world’s top three platinum miners had lost USD 2.25 billion in revenue from the Marikana miners’ strike in South Africa, over and above the human suffering and loss of life associated with that conflict.

2. Are human rights “political” in nature and beyond MDBs’ mandates?

No. The Articles of Agreement of the International Bank on Reconstruction and Development (IBRD, written in 1945) prohibit the Bank from interfering in the political affairs of its members and require it only to take “economic” factors into account in its lending decisions. Other MDBs have similar provisions. These provisions were intended to prevent lending decisions being made on grounds of a country’s political system and/or strategic relationship with major donors. They cannot be construed as preventing MDBs from respecting and supporting the implementation of internationally recognized human rights within the scope of their mandated activities. The IBRD Articles pre-date the modern fields of international human rights and environmental law and should be interpreted in the context of those subsequent bodies of law.

The Executive Board has the power to amend the Articles of Agreement, but in practice most MDBs have relied very little upon this. The IBRD’s mandate and functions have evolved dramatically since 1945, although only three formal (technical) amendments to the IBRD Articles have been made to date. The World Bank’s own legal doctrine suggests that the Bank’s engagement with human rights should be justifiable providing that an economic rationale can be identified and political interference (such as the Bank involving itself in “partisan politics or ideological disputes”, or favouring political factions or endorsing particular forms of government) is avoided. The Bank itself has researched and worked extensively on human rights over the last 20 years, showing the importance of human rights for economic development (see Q1). The Bank carries out political analysis for risk assessment purposes without falling foul of the “political prohibition”, and the Bank’s Independent Evaluation Group (IEG) has urged the Bank to do more.

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12 Anne-Marie LeRoy, “Legal note on Bank involvement in the criminal justice sector,” 9 February 2012. According to this opinion, one should also take into account possible risk mitigation measures and the particular nature of the Bank’s proposed action(s), when deciding whether an issue is within the Bank’s mandate.

13 A recent IEG report on the poverty focus of World Bank country programs found that the Bank’s analytical work on poverty “often does not adequately address the important social and political factors that contribute to poverty and impede efforts to reduce it.” IEG (2015) The Poverty Focus of Country Programs, p. xvi https://ieg.worldbankgroup.org/Data/reports/poverty_focus_cp_1.pdf.
With these factors in mind, there is a potentially broad menu of good faith engagement by MDBs in support of the implementation of borrowing countries’ obligations under international human rights law, beginning with a baseline commitment that the MDBs themselves respect international human rights law relating to the operations that they support.

3. Would integrating human rights within MDBs’ safeguard policies infringe the sovereignty of borrowers?

No. States themselves create the international laws by which they are bound, through treaties, declarations and other ostensibly non-binding instruments (which may nevertheless evolve into binding law over time) and through consistent practice generally accepted as law (customary international law). Adhering to human rights treaties is an exercise of State sovereignty, not an abridgement of it. This is also true for environmental, trade and many other international legal regimes, although the international human rights regime is a special case as it embodies (principally) a compact among States as to how they will treat their own populations, and to a lesser extent how they will cooperate with each other on the international plane. All shareholders of the MDBs have ratified one or more, and frequently several, of the ten core UN human rights treaties and eight core ILO labour conventions. Nearly all countries have bills of rights or other kinds of explicit human rights guarantees in their constitutions.

As subjects of international law, and in response to societal expectations, MDBs should, at a minimum, respect international human rights standards and principles relevant to their operations. In the business community this is part of the “social licence to operate.” In the 2030 Agenda for Sustainable Development, all governments committed themselves to implementing the 2030 Agenda “in a manner that is consistent with the rights and obligations of states under international law.” At the 3rd International Conference on Financing for Development, governments specifically encouraged all development banks “to establish or maintain social and environmental safeguards systems, including on human rights, gender equality and women’s empowerment.”

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14 International human rights law also includes “jus cogens” norms, that is to say, peremptory norms from which no derogation is permitted. The prohibitions against torture and forced labour are examples. These may not seem like “development” issues in a traditional sense, or issues relevant to MDB-supported investment projects, but the Chad/Cameroon pipeline project and Uzbekistan Rural Enterprise Services Project II project illustrate otherwise.

15 This is only a generalisation. Economic, social and cultural rights are required to be realized within the framework of international cooperation, where resource constraints so require. The 1948 Universal Declaration on Human Rights and 1982 UN Declaration on the Right to Development both reflect duties of international cooperation.


17 Transforming Our World: The 2030 Agenda for Sustainable Development, UN Doc. A/RES/70/1, para.18.

18 Addis Ababa Action Agenda of the Third International Conference on Financing for Development, GA Res 69/313, July 27, 2015, para. 75, provides inter alia: “We welcome efforts by new development banks to develop safeguard systems in open consultation with stakeholders on the basis of established international standards, and encourage all development banks to establish or maintain social and environmental safeguards systems, including on human rights, gender equality and women’s empowerment, that are transparent, effective, efficient and time-sensitive.”
4. Are human rights a form of political conditionality?

No. As indicated in Q2, most MDBs’ Articles of Agreement appropriately and explicitly prohibit the lender from basing lending decisions on the political character of a prospective borrower. These “political prohibitions” serve as a vital hedge against arbitrariness and help to ensure that MDBs remain focused on their core business of development. At the same time, all MDBs impose legitimate requirements of many different kinds – fiduciary, legal, social, economic and environmental – to ensure that development objectives are achieved and that the MDBs themselves fulfil their own responsibilities to all relevant stakeholders.

Human rights law is among the many sources of law applicable to MDB-supported projects. MDBs have human rights responsibilities independently of their members, and international human rights law covers rights of all kinds – economic, social, cultural, civil and political – all of which may be relevant to development and social and environmental risk management in different contexts (see Q’s 1, 3, 6 & 10). Recognising and protecting human rights can have dramatic and sometimes life-saving impacts: for example, it is likely that over 1,100 factory workers would still be alive today, and 2,500 more would have avoided injury, had they been free to organize themselves and voice their concerns about safety and working conditions prior to the Rana Plaza building collapse in Bangladesh on 24 April 2013.19

Human rights risk information should be dealt with in the same way as other potentially relevant information sources, strengthening country diagnostics and social and environmental risk assessment and informing monitoring, redress and mitigation measures. Human rights policy dialogues need not be conflictual. There will always be instances where human rights concerns relating to a project (for example, forced evictions, discrimination against certain population groups, child labour, or reprisals against people expressing dissenting views) are sufficiently serious to trigger suspension or other legal remedies under the loan agreement. The same applies to environmental, fiduciary or other important concerns. However these cases will be less frequent and there will be less likelihood of disruption if expectations, procedures and parameters for addressing human rights risks are defined clearly at the outset.

5. Would integrating human rights within MDBs’ safeguard policies turn the lender into a human rights tribunal or “enforcer”?

No. Integrating human rights within MDBs’ due diligence and social risk management procedures already occurs to some extent. Systematising this practice would not require MDBs

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to be the arbiter or enforcer of borrowing countries’ compliance with their treaty obligations, and would not involve the “sanctioning” of countries with a poor human rights record. MDBs’ concern for environmental issues provides a useful analogy. Borrowing countries – not the lender – are responsible for implementing their human rights and environmental law obligations. Courts, tribunals, treaty monitoring bodies and other specialized bodies – not the lender – are responsible for monitoring compliance by countries with their obligations and, as appropriate, determining violations.

Due diligence is principally an obligation of conduct: it is a matter of knowing all relevant risks, and taking care that one’s own actions do not unwittingly exacerbate those risks. It is not about adjudication or enforcement. Information and recommendations from international human rights bodies (the UN Human Rights Council, Special Procedures, UN treaty monitoring bodies, and ILO supervisory mechanisms) are relevant to specific investment project risks as well as broader contextual risks, upstream country diagnostics, and strategic social and environmental assessments. MDB staff should weigh human rights information carefully, together with all other relevant information, in the exercise of their professional judgment about social and environmental risks. In so doing lenders may more effectively anticipate and mitigate social risk in relation to the projects that they support, avoid community backlash and costly blowouts, and improve social and environmental outcomes.

6. Why must human rights be mentioned explicitly?

Human rights are intrinsically important. Human rights embody an important set of freedoms, entitlements, and claims by individuals against organs of the State, commensurate with the requirements of a dignified life, protected by international, regional and national legal systems. The universal, solemn and legally binding character of human rights calls for their explicit recognition by all those supporting their implementation. Human rights have an empowering quality that other claims lack, which is why people and communities across the world increasingly express their grievances and aspirations in human rights terms. The denial of a human right has specific consequences for accountability. 20 Research within the World Bank and elsewhere demonstrate the practical importance that human rights claims can make (see Q1).

Human rights are frequently violated in the context of MDB-supported investment projects. Negative impacts have often been irremediable. While the borrower is responsible for project implementation, inadequate due diligence by the lender has often been a contributing factor. If human rights risks are not highlighted explicitly in safeguard policies, they will not be taken as seriously: information specific to particular human rights risks will be overlooked in the Bank’s due diligence and borrower’s social and environmental risk assessment; implementation will be inconsistent; and expectations between lender and borrower will not be clear, making project

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20 See e.g. Varun Gauri & Daniel Brinks eds., Courting Social Justice (Cambridge University Press 2008); Beth Simmons, Mobilising for Human Rights (Cambridge University Press 2009).
interruption or cancellation more likely. For these reasons the safeguard policies of all MDBs should include an explicit commitment that the Bank will take all necessary measures to avoid supporting projects that may put a borrower in breach of its obligations under international agreements in the social and environmental fields, including international human rights agreements. This would be consistent with the World Bank’s existing safeguards (Operational Policies 4.01 and 4.36) and those of the ADB, EBRD, EIB, AfDB and IDB and, in line with the 2030 Agenda and Addis Ababa Agenda for Action, would constitute a foundation stone towards the goal of social and environmental sustainability.

Human rights have specific, internationally accepted meanings, including in relation to forced evictions and eminent domain, child and forced labour, the anti-discrimination norm and many other MDB safeguard standards. The environmental and social standards in MDB safeguards are aligned with corresponding human rights standards to varying degrees. But, across the board, there are many gaps and contradictions, presenting challenges to the consistent implementation of borrowing countries’ treaty obligations at country level. It is vital that MDBs avoid renegotiating and inadvertently undermining international human rights standards corresponding to the subject matter of safeguard policies. Consistent adherence to international standards would also reduce potential confusion and inefficiencies for borrowing countries by encouraging them to implement one single set of standards across sectors and lenders.

Explicit referencing of human rights would also help to ensure that safeguard requirements keep pace with international standards as they change over time, and reflect different country contexts. International human rights standards may evolve quite dramatically within the (10-15 year) lifetime of safeguard policies. Through interpretation and country-specific application by specialized human rights monitoring bodies, international human rights standards reflect country and local specificities in a way that a single set of safeguard policy standards at global level cannot. For example, information from human rights monitoring bodies may shed light on the particular challenges faced by women, children, migrants, persons with disabilities and other groups in the context of a particular investment or type of investment, and may reveal constraints to participation, access to livelihood rights, effective grievance mechanisms and other issues covered by safeguards.

21 Recent examples include the World Bank’s suspension of the Uganda health sector loan in 2014 in response to laws criminalising homosexuality, and the more recent cancellation of the Uganda Transport Sector Development Project following reports of serious human rights violations by contractors.
22 This commitment is sometimes reflected in the safeguard policy text, such as in the Bank’s OP 4.01/4.36 (although limited to environmental agreements), and sometimes in exclusion lists indicating that the lender will not finance activities “deemed illegal under host country laws and regulations or international conventions and agreements” (e.g. IFC, EBRD, AfDB).
23 For example the UN Convention on the Rights of Persons with Disabilities entered into force in 2008 and has significant implications for how investment projects should deal with access to goods, services and physical facilities and enable effective participation for persons with disabilities, among a wide range of other issues. Over the last ten years there have been rapid advances in international understanding and implementation of the human rights to water and sanitation, social security, the right to take part in cultural life, the freedoms of opinion and expression, procedural rights including the right to a remedy, and many other rights directly relevant to MDB safeguard policies.
For these reasons MDB safeguard policies should not be seen as a stand-alone, static set of standards, but rather, should be interpreted and applied in a dynamic and contextually specific fashion in the light of international human rights and environmental agreements governing the same subject matter. Explicit referencing of the latter agreements would help make sure that this happens consistently in practice, and that where there is a conflict between a safeguard standard and international law the latter will prevail. The 2009 ADB Safeguard Policy Statement (Annex 3, para. 7) provides a useful model where it states that, in order to help identify whether groups are “indigenous” and therefore entitled to the specific protections of the indigenous safeguard policy, “national legislation, customary law, and any international conventions to which the country is a party will be taken into account.”

Finally, the explicit referencing of human rights would also help to trigger mitigation actions, as human rights problems often benefit from human rights responses. This already happens to some degree in practice: for instance, the mitigation plan in relation to the IFC’s loan in 2009 to Corporación Dinant in Honduras (an agribusiness investment characterized by serious allegations of human rights abuses by the client’s private security forces) includes human rights training for security forces, investigation of alleged human rights abuses, and adherence to the UN Voluntary Principles on Security and Human Rights. The mitigation plan for the World Bank-supported Uzbekistan Rural Enterprise Support Project (where forced labour was pervasive) includes monitoring by the ILO of the agricultural sector and alignment of the project with ILO core labour standards. Explicit referencing of relevant human rights would help to trigger these kinds of tailored mitigation measures earlier in the project when the lender’s leverage is greater and the measures in question may do the most good.

7. Are human rights treaties too numerous or complex to be useful for project due diligence?

No. There are many human rights treaties but not all are relevant to particular projects. Moreover, while MDBs have obligations under general international law (including in relation to human rights), they do not have the same obligations as a State.MDBs should, at a minimum, respect international human rights agreements, however it is the ratifying State which must implement them. A core group of the most widely ratified and relevant treaties may be prioritized by the lender for its own due diligence purposes, as the IFC and EBRD recommend for their private sector clients, supplemented as needed according to the nature, scope and subject matter of particular projects.

Human rights monitoring bodies strive to ensure internal consistency in their recommendations and jurisprudence although, as with any body of law, contradictions can arise in practice. However from a due diligence and social risk management perspective, as applied to specific

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24 The IFC and EBRD recommend prioritising the 1948 Universal Declaration on Human Rights, the 1966 International Covenant on Civil and Political Rights, the 1966 International Covenant on Economic, Social and Cultural Rights, and the eight core ILO conventions.
investment projects, MDBs do not have to (and are not mandated to) resolve any such contradictions, much less pronounce themselves on violations. Risk assessment is inherently about probabilities, not definitive legal judgements. In this respect, MDBs should simply take into account risk information and relevant recommendations generated by specialised human rights bodies when deciding on the level of social risk relating to particular projects and what should be done to mitigate those risks and compensate for harmful impacts. The technical challenges involved in this regard are no different from those pertaining to due diligence and project supervision processes generally, where the professional judgment of the lender is called upon to sift through information gaps and competing views to determine a credible and evidence-based assessment of the situation.

8. Would integrating human rights in MDBs’ due diligence increase their potential legal liability?

No. If anything, the reverse is true. The MDBs’ legal immunities, and those of the United Nations and other international organizations, have typically been interpreted strictly by the organisations concerned and national courts. The sources and scope of obligations of MDBs under international human rights law are matters of legitimate ongoing debate, although most commentators agree that MDBs should at least “respect” international human rights law relating to the operations that they support. However there is no evidence that the World Bank, ADB, EBRD, EIB, AfDB, IDB and other lenders whose safeguards contain a commitment to respect relevant international agreements or avoid financing projects on human rights grounds have thereby been exposed to greater legal liability. To the contrary, such a commitment provides evidence that the lender takes its borrowers’ obligations seriously, and would be part of the lender’s defence in relation to any such claims.

9. Would MDBs’ complaint mechanisms generate potentially conflicting bodies of human rights jurisprudence?

No. The concern that the MDBs’ independent complaints mechanisms, such as the Bank’s Inspection Panel, may in effect turn into human rights tribunals if they took international human rights law into account, misrepresents the very specific mandates of these mechanisms which is to determine compliance by the lender with its own safeguard policies (not compliance by borrowing States with their international obligations). The complaint mechanisms’ essential inquiries would not change: did Bank consider all relevant information in appraising the project? Was the Resettlement Action Plan (RAP), or Indigenous Peoples Plan or other relevant planning instruments in line with safeguard policy requirements? Were appropriate consultation, monitoring and supervision processes in place?

25 This is not to endorse the breadth of many such claims. Each claim must be assessed on its own facts in the light of applicable treaties governing international organisations’ immunities and other relevant principles of international law.
But there would be some important differences and potential improvements. International human rights standards would inform the complaint mechanisms’ interpretations of safeguard policy requirements as they apply to a particular investment in a particular country, triggering more focused questions such as: was minority group “x” included in consultations? Were constraints on freedom of expression factored into appraisal and consultation plans, and do project-affected communities face risk of reprisals? Are the RAP compensation requirements in line with international human rights law, and do they take into account institutional constraints in the country identified by the UN Committee on Economic, Social and Cultural Rights? In pursuing these kinds of inquiries the complaint mechanisms would not be doing anything different to what they already do: they would not be determining violations by the Borrower, and their interpretations would not have any bearing on how courts or international or regional human rights bodies perform their functions. Their interpretations would relate only to whether the lending institution complied the procedural requirements in its own safeguards.

10. Would the costs of integrating human rights in MDBs’ due diligence exceed the likely benefits?

No. The reverse is true. It is sometimes wrongly assumed that integrating human rights in project due diligence and social and environmental risk management will drive up the cost of lending and will not contribute to better outcomes. However, rarely is the evidence shown that backs up the claim empirically, and rarely are social and environmental outcomes monitored to the extent needed for informed debate on this issue. Nevertheless, from a recent analysis of World Bank-supported projects, the Bank’s Independent Evaluation Group (IEG) concluded that the economic benefits of effective safeguard application “far outweigh” the costs.26

In a great number of cases, the early integration of human rights risk information and mitigation measures may well have helped MDBs avoid costly failures and harm to communities. Recent examples include the Cambodia Railway Project (ADB),27 the Uzbekistan Rural Enterprise Project II (World Bank),28 the Ethiopia Basic Services Project III (World Bank),29

the Cambodia Land Management and Administration Project (World Bank),\(^{30}\) the Panama Pando-Monte Lirio Hydroelectric Power Project (IDB),\(^{31}\) Honduras – Corporación Dinant and Banco Ficohsa (IFC),\(^{32}\) and the Gazela Bridge Rehabilitation Project, Serbia (EIB/EBRD).\(^{33}\) All of these cases were characterized by inadequate due diligence and, to varying degrees, inadequate social and political economy analysis and supervision. In all cases, information and recommendations from the international human rights system and other reputable sources, relevant to the project risk factors, were available to be consulted but apparently were not consulted. In a few of these cases (Uzbekistan RESP II, Ethiopia BSP III, IFC-Dinant), human rights risk information and mitigation measures were introduced only after major problems had already reached the surface. The challenge is to integrate that information systematically at the earliest stage of the project, before project harms and reputational damage have occurred.

Failed safeguards in accidents or accumulated damages almost always cost far more than sound regulation and enforcement. According to Vinod Thomas, head of the Evaluation Unit at the Asian Development Bank: “The 1978 Amoco-Cadiz Tanker spill on the Brittany coastline of France led to claims of $250 million, while the claims and clean-up costs in the 2010 BP-Amoco Gulf of Mexico oil spill in the United States were more than 100 times as much. … The Sardar Sarovar Dam on the Narmada River in India eventually displaced over 200,000 people, far more than planned, while China’s Three Gorges Dam displaced six times as many... Admittedly, it is hard to pin down the value of safeguards. But the gain from these defenses would be several times higher than their cost, which is usually 3-4 percent of the project.”\(^{34}\)


\(^{32}\) CAO Audit of IFC Investment in Corporación Dinant S.A. de C.V., Honduras, CAO Ref: C-I-R9-Y12-F161 (20 December 2013);


\(^{34}\) Vinod Thomas, June 1, 2015, “Infrastructure lending must be based on environmental and social safeguards,” Brookings, at http://www.brookings.edu/blogs/future-development/posts/2015/06/01-infrastructure-environment-banks-Thomas.