Extraterritorial Obligations in the Context of International Financial Institutions
Prepared by the Global Initiative for Economic, Social and Cultural Rights, which is a member of the Steering Committee of the ETO Consortium and part of the Focal Group on IFIs and Development Cooperation. Contributions to the text were provided by Ashfaq Khalfan (on legal analysis) and Alessandra Masci (role of civil society) of Amnesty International.

The Global Initiative for Economic, Social and Cultural Rights (GI-ESCR) is an international non-governmental human rights organization which seeks to advance the realization of economic, social and cultural rights throughout the world, tackling the endemic problem of global poverty through a human rights lens. The vision of the GI-ESCR is of a world where economic, social and cultural rights are fully respected, protected and fulfilled and on equal footing with civil and political rights, so that all people are able to live in dignity.

For more information see: www.globalinitiative-escr.org

Editor: Laura Michèle
Published by FIAN International for the ETO Consortium
The Secretariat to the ETO Consortium is currently hosted by FIAN International.

FIAN INTERNATIONAL
Willy-Brandt-Platz 5
69115 Heidelberg, Germany
Tel.: +49 6221 65300 30
Fax: +49 6221 65300 33
E-mail: secretariat@etoconsortium.org

Coverphoto: Dam, Kenya © Ralf Leonhard
Published in Heidelberg, December 2014.
# Table of Contents

1. Extraterritorial Obligations and the Maastricht Principles 4

2. ETOs and International Financial Institutions (IFIs) 5

3. Obligations of Members States of International Organisations 5
   3.1. Extraterritorial State Obligations to Respect Rights and Ensure International Organisations Respect Rights 6
   3.2. Extraterritorial Obligation to Fulfil 7

4. Direct Obligations of International Financial Institutions 8

5. Ways Forward for Civil Society to Promote Implementation of these Obligations by States and IFIs 9
1. Extraterritorial Obligations and the Maastricht Principles

Despite the universality of human rights, many States still interpret their human rights obligations as being applicable only within their own borders. This attempt to limit obligations territorially has led to gaps in human rights protection in various international political processes and a lack of adequate regulation for the protection of human rights.

Gaps in human rights protection have become more severe in the context of globalisation over the past 20 years. These gaps include:

- the lack of human rights regulation and accountability of transnational corporations (TNCs)
- the absence of human rights accountability of intergovernmental organizations (IGOs), in particular international financial institutions (IFIs)
- the ineffective application of human rights law to investment and trade law, policies and disputes
- the lack of implementation of duties to protect and fulfil Economic, Social and Cultural Rights (ESCR) abroad, inter alia through international cooperation and assistance

Extraterritorial obligations (ETOs) are a missing link in the universal human rights protection system. Without ETOs, human rights cannot assume their proper role as the legal basis for regulating globalization and ensuring universal protection of all people and groups. A consistent realization of ETOs can generate an enabling environment for Economic, Social and Cultural Rights and guarantee the primacy of human rights among competing sources of international law. ETOs provide for State regulation of transnational corporations, State accountability for the actions and omissions of intergovernmental organizations in which they participate, set standards for the human rights obligations of IGOs, and are a tool needed to ultimately stop the destruction of eco-systems and climate change.

As the challenges have grown in size and number, the human rights community has increasingly paid attention to these issues, as reflected for instance in the numerous pronouncements relating to ETOs in human rights law.\(^1\)

Efforts of international experts have focused on careful research on the underlying human rights law principles of ETOs and have resulted in the ‘Maastricht Principles on Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights’ (Maastricht Principles).

The Maastricht Principles constitute an international expert opinion, restating human rights law on ETOs. They were issued on 28 September 2011 by 40 international law experts from all regions of the world, including current and former members of international human rights treaty bodies, regional human rights bodies, as well as former and current Special Rapporteurs of the United Nations Human Rights Council.

The Maastricht Principles do not purport to establish new elements of human rights law. Rather, the Maastricht Principles clarify extraterritorial obligations of States on the basis of standing international law. The legal sources that support the content of the Maastricht Principles are provided in the detailed commentary that accompanies the Principles.\(^2\) The time has come for civil society including social movements, States, intergovernmental organisations, international and regional courts and human rights treaty bodies, to apply the Maastricht Principles as an integral part of any human rights analysis and policy making to ensure universal protection of human rights.


\(^{2}\) Ibid.
2. ETOs and International Financial Institutions (IFIs)

States increasingly act collectively through intergovernmental organizations (IGOs) and their decisions within IGOs can have a substantial impact on human rights – whether beneficial or detrimental – which is often felt in the territory of another State. This fact is particularly relevant in the context of international financial institutions (IFIs), such as the World Bank and regional development banks, as their financial support, policy advice and prescriptions they may impose can have a significant direct and indirect effect on social and economic development.

Member States of IFIs all are bound individually by their human rights obligations, based on treaty or general international law, including outside their borders and in regard to their conduct as members of IFIs. States are not permitted by international law to ignore, and ultimately violate, their respective human rights obligations simply by organizing themselves into IFIs or by using an IFI as an agent to carry out policies or practices that violate their respective international human rights obligations.

IFIs all too often state they are not bound by human rights obligations and it is a challenge to find ways to address the immunity from accountability that results.

Most international and regional judicial and quasi-judicial human rights mechanisms have begun addressing the issue of ETOs. However, there has been only limited attention to the roles of States acting in concert (or acquiescing) within intergovernmental organizations, which adds an additional layer of complexity.

The UN Committee on Economic, Social and Cultural Rights (CESCR) is the independent body of experts elected by States to monitor implementation of the International Covenant on Economic, Social and Cultural Rights (ICESCR) which binds 162 States. In its guidelines for the periodic reports to be submitted by States, the Committee requires States to provide information on:

Mechanisms in place to ensure that a State party’s obligations under the Covenant are fully taken into account in its actions as a member of international organizations and international financial institutions ... in order to ensure that economic, social and cultural rights, particularly of the most disadvantaged and marginalized groups, are not undermined; ...³

Several of its Concluding Observations on the periodic reports of developed countries have indicated that it is necessary for those States to ‘to do all [they] can to ensure that the policies and decisions of international financial institutions are in conformity with the obligations of States parties under the Covenant ...’⁴

The Maastricht Principles provide a clear articulation of public international law as it relates to the human rights obligations of IFI Member States. Although they address only economic, social and cultural rights, it would be legally correct to apply them to civil and political rights, except in limited instances where they refer to concepts that have been applied uniquely to economic, social and cultural rights, such as ‘progressive realisation’.⁵ In addition, many scenarios involving violations actually affect multiple areas of rights, for example, IFI-supported corporate activity that leads to forced evictions and life-threatening pollution of ecosystems, thereby undermining political and civil rights as well as economic, social and cultural rights.

In addition to being required as a matter of legal obligations, human rights protections are a tool to improve the development effectiveness of programmes supported by IFIs and a way to avoid reputational damage that IFIs will face if they are responsible for supporting human rights violations.

3. Obligations of Members States of International Organisations

Maastricht Principle 9 describes the contexts in which a State is considered to have jurisdiction (that is, the legal power and the legal obligation) to implement its human rights obligations. It states that:

A State has obligations to respect, protect and fulfil economic, social and cultural rights in any of the following:

a) situations over which it exercises authority or effective control, whether or not such control is exercised in accordance with international law;

b) situations over which State acts or omissions bring about foreseeable effects on the enjoyment of economic, social and cultural rights, whether within or outside its territory;

c) situations in which the State, acting separately or jointly, whether through its executive, legislative or judicial branches, is in a position to exercise decisive influence or to take measures to realize economic, social and cultural rights extraterritorially, in accordance with international law.

The International Law Commission (ILC) has addressed the issue of international responsibility of States for an “internationally wrongful act” of an international organization. In 2011, the ILC adopted the Draft Articles on the Responsibility of International

⁴ For example, CESCR, ‘Concluding Observations: Germany’ (2001) UN Doc E/C.12/1/Add.68para 31. Germany claimed in its subsequent report that it had ‘used its influence with the World Bank to ensure that its decisions and commitments were in tune with the undertakings entered into by the States parties’, Government of Germany, ‘Implementation of the ICESCR: Fifth periodic report’ (2010) UN Doc E/C.12/DEU/5para. 16.

Organizations (ILC Articles on International Organizations). The UN General Assembly commended these to the attention of States and stated that it would consider “the question of the form that might be given to the articles’ at its 69th session (2014-2015). It is unlikely that any treaty on this issue will be developed in the short or medium term, and it may be unnecessary. As the ILC is seen as a major authority on international law, the ILC Articles on International Organizations are likely to become the accepted understanding of general international law as it relates to international organisations.

Article 4 of the ILC Articles specifies that an international organisation is responsible for an internationally wrongful act if an action or omission: (a) is attributable to that organization under international law; and (b) constitutes a breach of an international obligation of that organization.

With regard to Member States, it is particularly relevant that Article 61 stipulates:

A State member of an international organization incurs international responsibility if, by taking advantage of the fact that the organization has competence in relation to the subject-matter of one of the State’s international obligations, it circumvents that obligation by causing the organization to commit an act that, if committed by the State, would have constituted a breach of the obligation.

For this rule to apply, it is necessary that the State has intended to avoid compliance with its obligations. Furthermore, ‘there must be a significant link between the conduct of the circumventing member State and that of the international organization. The act of the international organization has to be caused by the member State’. This implies that when a State expressly approves of a particular course of action, such as by adopting a decision which requires that action, this would constitute a significant link between the State’s conduct and that of the international organization. A State is not necessarily responsible for the conduct of an international organization simply by being a member, but only for its own conduct (acts and omissions) related to decision-making within that organization.

The Maastricht Principles reaffirm the obligations enunciated by the International Law Commission. Maastricht Principle 11 states that a State can be held responsible under international law for conduct attributable to it, whether acting separately or jointly with other States or entities, if such conduct breaches its international human rights obligations within its territory or extraterritorially.

Regarding obligations of States as members of international organizations, Maastricht Principle 15 states that:

As a member of an international organisation, the State remains responsible for its own conduct in relation to its human rights obligations within its territory and extraterritorially. A State that transfers competences to, or participates in, an international organisation must take all reasonable steps to ensure that the relevant organisation acts consistently with the international human rights obligations of that State.

This obligation applies whether or not the international organization concerned itself has any such human rights obligations.

### 3.1. Extraterritorial State Obligations to Respect Rights and Ensure International Organisations Respect Rights

A State has an obligation to refrain from direct or indirect interferences with human rights in other countries, as stated in Maastricht Principles 20 and 21. A State’s obligation to ensure that its own conduct within an international organization complies with its human rights obligations implies that it must refrain from taking positive steps to induce conduct by an international organization which would foreseeably lead to human rights abuses. A State will only be responsible for harm that is a foreseeable result of its conduct. However, once the impact of its conduct on ESC rights is manifest, the State is bound to take steps to minimize that impact and to cease further actions that could exacerbate that harm.

States’ obligation to ensure that an international organization conforms to their human rights obligations means that they must take reasonable steps to prevent the international organisation from impairing the enjoyment of rights. This implies at least the following protective duties for each Member State:

- Opposing within the organization any policies and programmes that may foreseeably impair the enjoyment of human rights;
- Proposing that robust human rights due diligence be put in place to adequately identify, prevent and address potential negative impacts on human rights;

Note, however, that in some cases, as with the World Bank, a State may share its responsibility to the international organization with other countries. In that case, the State would be responsible for its instructions (or lack thereof) to – but not necessarily for the actions of – that representative.


It is therefore very similar to the State obligation to protect human rights from harm by third parties such as: “individuals, groups, corporations and other entities as well as agents acting under their authority”. See, for example, CESCR General Comment 15: ‘The Right to Water’ (2002) UN Doc E/C.12/2002/11, para. 23.
• Developing or revising relevant policies to ensure that the organization’s activities comply with human rights standards.

In the event of a foreseeable impairment of the enjoyment of a human right, responsibility would be jointly attributed to the States that did not support reasonable steps to prevent it.

It is important to emphasise, however, that in the context of IFI activities, these steps do not require imposing conditions on recipient States beyond those required to ensure the activities concerned identify and prevent potential negative impacts on human rights.

Case Study: Efforts to Seek Human Rights Accountability for IFIs in Chixoy

The Chixoy Dam case before the Inter-American Commission on Human Rights provides an example for using ETOs to end the impunity for human rights violations caused by IFIs. The case deals with the construction of the Chixoy Hydroelectric Dam in Guatemala—a project financed by the World Bank and the Inter-American Development Bank.

During acquisition of the land for the dam and construction, several massacres took place as a means to forcibly evict the indigenous population from their ancestral lands. The village of Río Negro suffered several massacres which killed over 400 persons. The massacres were carried out by Guatemalan armed forces and associated paramilitary groups and occurred while the banks supervised the project. Materials from the project were at times used to carry out the massacres, for example, vehicles from the construction companies were used to transport the perpetrators of the massacres. After the massacres had taken place, rather than using their influence to hold Guatemalan authorities accountable and ensure remedy for the victims of these abuses, the banks disbursed further loans.

To date, neither the World Bank nor the Inter-American Development Bank has acknowledged their complicity in these human rights violations. In 2005, a complaint was filed before the Inter-American Commission on Human Rights seeking accountability and remedies for the survivors of the massacres. The complaint focused on the Member States of the boards of directors of the two banks that had a high share of the decision-making authority at the time, as well as human rights obligations under the Inter-American human rights system. Four years after the complaint was filed before the Commission, the Secretariat of the Commission summarily rejected the complaint without explanation and has on several occasions refused to provide a rationale for this rejection. In 2011, the dismissal was appealed and the complaint revised to expressly cite the Maastricht Principles and the underlying international law to which the Principles refer. It is hoped that now accountability and remedies can finally be achieved and that impunity for human rights violations by IFIs can be put to an end.

3.2. Extraterritorial Obligation to Fulfil

IFIs, and their Member States, can also play an important role in the global fulfilment of human rights. When the mandate or primary activity of an international organization substantially addresses human rights issues (as is the case for IFIs whose lending and accompanying terms can have a significant influence on human rights, particularly ESC rights), Member States are required to take steps to propose and support actions by the organization to carry out its mandate and contribute to the fulfilment of rights within the resources available to that organization. Maastricht Principle 29 recognizes the requirement under international law that:

States must take deliberate, concrete and targeted steps, separately, and jointly through international cooperation, to create an international enabling environment conducive to the universal fulfilment of economic, social and cultural rights, including in matters relating to bilateral and multilateral trade, investment, taxation, finance, environmental protection, and development cooperation.

The compliance with this obligation is to be achieved through, inter alia:

a) elaboration, interpretation, application and regular review of multilateral and bilateral agreements as well as international standards;

b) measures and policies by each State in respect of its foreign relations, including actions within international organisations, and its domestic measures and policies that can contribute to the fulfilment of economic, social and cultural rights extraterritorially.

Furthermore, Maastricht Principle 32 is highly relevant to decision-making within IFI governance bodies. It requires that:

In fulfilling economic, social and cultural rights extraterritorially, States must:

a) prioritize the realisation of the rights of disadvantaged, marginalized and vulnerable groups;

b) prioritize core obligations to realize minimum essential levels of economic, social and cultural rights, and move as expeditiously and effectively as possible towards the full realization of economic, social and cultural rights;
c) observe international human rights standards, including the right to self-determination and the right to participate in decision-making, as well as the principles of non-discrimination and equality, including gender equality, transparency, and accountability; and

d) avoid any retrogressive measures or else discharge their burden to demonstrate that such measures are duly justified by reference to the full range of human rights obligations, and are only taken after a comprehensive examination of alternatives.

As stated earlier, the Maastricht Principles are applicable to civil and political human rights, except where they address concepts that have been applied uniquely to economic, social and cultural rights, such as those listed in paragraphs (b) and (d), which are based on the jurisprudence of the CESCR.15

The above guidance is grounded in international human rights law obligations. When IFIs fail to do abide by them, Member States that are represented on IFI governing bodies, and thus are able to exercise control and influence over IFI activities, must be held accountable. The Maastricht Principles provide a useful resource for advocates seeking such accountability.

4. Direct Obligations of International Financial Institutions

The Maastricht Principles did not elaborate the direct legal obligations of international organizations because that issue deserved separate scrutiny. However, Maastricht Principle 16 states that the Principles apply to States "without excluding their applicability to the human rights obligations of international organizations under, inter alia, general international law and international agreements to which they are parties."

It has been argued that where and to the extent that human rights standards are binding on international organizations, the obligations set forth in the Maastricht Principles apply to international organizations, with the exception of those elements of the Principles that are specifically designed to allocate responsibilities among States.16

The commentary to the Maastricht Principles indicates four ways in which international organizations may be bound by human rights law.17 First, by customary international law in respect of human rights that may be considered part of customary law; second, by treaties to which such organizations are parties, for example, in respect of the European Union's accession to the Disabilities Convention and its impending accession to the European Convention on Human Rights; third, through their constitutions, which is particularly relevant to the United Nations specialized agencies as they are bound by the UN Charter; and fourth, by general principles of law. In regard to customary international law and general principles, there is a strong case that at the very least the Universal Declaration of Human Rights binds international organizations as general international law and/or, in the case of UN specialized agencies, as an authoritative interpretation of the Charter of the United Nations (UN Charter).18

As a specialized agency of the United Nations, the World Bank is obliged not to defeat the purposes of the UN Charter. Additionally, the World Bank must work to further the objectives of the UN Charter and, of course, must not undermine these objectives.19 It is clear from the articles in the UN Charter relating to specialized agencies (in particular Articles 57 and 59), that the objective of creating specialized agencies and/or bringing them into a relationship with the United Nations is to achieve the purposes set out in Article 55 of the UN Charter. These purposes include, among others, the promotion of "universal respect for, and observance of, human rights and fundamental freedoms for all."20 Furthermore, Article 103 of the UN Charter makes clear that "in the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, their obligations under the present Charter shall prevail."21

In 2000 the then-General Counsel of the World Bank stated that "the Bank cannot reasonably place its members in a situation where they would be violating their obligations under the UN Charter if they agree with a proposed action by the Bank."22

The consequence of direct legal obligations for IFIs is to provide an additional basis (aside from the obligations of Member States) requiring the relevant staff of international organisations to ensure their organisation conforms to international law. Where the approval of Member States is required, the organisation may only present proposals that are consistent with human rights standards, or risks violating international law.

The substantive elements of the obligations of IFIs to respect and fulfil rights have been addressed above. However, it is necessary to clarify the extent of an IFI's obligations to fulfil rights. International organizations are bound to fulfil rights only to the extent that a particular right and aspect of its realization lies within their particular mandate and competency and to the extent that resources for such obligations are identified in the IFI's constitutions and other international agreements.

15 Khalfan and Seideman, Wider Implications of the Maastricht Principles, note 5 above.

16 Ibid. For example, those premised on control over territory which is not relevant to IFIs.

17 Commentary to Maastricht Principle 16, note 1 above, para. 1.


20 Charter of the United Nations, Art. 55(c). Other human rights obligations are enshrined in Article 1 and Article 56 of the UN Charter, and these too are binding upon all Member States of the United Nations. Article 1(3) states that the "purposes and principles" of the United Nations is "to achieve international co-operation in ... promoting and encouraging respect for human rights and for fundamental freedoms for all. ..." While Article 56 states that "all Members pledge themselves to take joint and separate action ... for the achievement of the purposes set forth in Article 55."

21 Charter of the United Nations, Art. 103.

purposes are available to them. In other words, international organizations have an obligation to fulfill rights if and to the extent that their Member States either impose such obligations upon them or give them the discretion to fulfill such obligations arising from other sources of law. For example, although Article 28 of the UDHR — requiring a social and international order in which all UDHR rights can be realized — likely constitutes general international law, and is therefore binding for international organisations, an IFI can only contribute to its implementation to the extent its Member States permit. In addition, international organizations, unlike States, have limited options for raising resources, relying on contributions from their Members and voluntary donations from other sources. Furthermore, in regard to the elaboration of international agreements, such as referred to in Maastricht Principle 29, international organizations may only be able to positively influence international standards to the extent that States mandate or at least authorize them to take positions on such matters. International organizations, however, are always obliged to interpret international standards in conformity with human rights obligations.

5. Ways Forward for Civil Society to Promote Implementation of these Obligations by States and IFIs

The following are important goals that can be achieved by civil society organisations with concerted and coordinated effort over the short or medium term:

- Promote international recognition by UN Member States on the need to strengthen and elaborate international standards and practice on the conduct of IFIs and of Member States when acting multilaterally.

At the UN Human Rights Council in September 2013, 61 organizations issued a statement to urge the Council to take concerted and expeditious action to elaborate and reinforce the human rights responsibilities of IFIs.23 NGOs called for an official panel discussion on this issue to be held at a future session of the Council. Civil society organizations stated that the focus of the panel should be the connection between IFIs’ activities and their responsibility to ensure that human rights are respected and protected, and the options available to States and to the Human Rights Council to address violations. A concrete medium term objective could be to establish a forum within the UN Human Rights Council or the UN General Assembly to increase recognition of, elaborate and reinforce the human rights obligations of IFIs and of Member States when acting multilaterally.

Aside from the development of stronger standards on IFIs, the above process could have two further benefits. First, it would increase public attention and pressure on IFIs in a space that IFIs do not control, thereby allowing civil society to contribute in a meaningful way. Second, it would engage government officials responsible for human rights (mission delegations or Foreign Offices/Justice Ministers) on this subject as well as those who are responsible for the work of IFIs (economy, finance, treasuries, and development ministries). This may contribute towards greater policy coherence on the issue.

- Support calls to ensure that, as part of the post-2015 development framework, international organisations are required to ensure that their policies related to the sustainable development goals are consistent with international human rights standards.

Many States and civil society organisations are calling for the post-2015 development goals to be implemented in a manner consistent with human rights standards. This is a matter of legal obligation as well as an important tool for targeted poverty reduction and to ensure that development efforts do not cause harm. It would be important to have a clear target requiring international organisations to ensure that, and to report on the extent to which, all their policies relevant to the post-2015 goals have been reviewed, through a transparent and participatory process, for consistency with international human rights standards, including a transformative gender assessment, and where necessary revised.

- Assist Special Procedures and human rights treaty bodies to address the human rights responsibilities of IFIs and Member States.

Some UN Special Procedures have made strong recommendations to IFIs and their Members States, in particular in relation to the need for human rights due diligence and the need to align IFI policies with international human rights standards. These recommendations have contributed to building public pressure on these issues. Civil society organisations could make a significant contribution by providing information and recommendations to UN Special Procedures on specific cases and issues.

- Promoting wider awareness of the Maastricht Principles and its commentary and the ILC Articles on International Organisations.

Useful actions could include explicitly utilising these standards in reports, advocacy and policy work, disseminating them to civil society colleagues.

b-84ea-4062-898d-a17506b28340/ior410202013en.pdf
The ETO Consortium is a member-led network, comprised by a large number of CSOs and academics interested in human rights promotion and protection.

Established in Geneva in 2007, the purpose of the ETO Consortium is to address the gaps in human rights protection that have opened up through the neglect of extraterritorial obligations (ETOs).

The ETO Consortium mainstreams and applies ETOs, using as a key term of reference the Maastricht Principles on Extraterritorial Obligations in the Area of Economic, Social and Cultural Rights. The Consortium is continuously working to advance ETOs in multiple contexts and on various occasions, for instance by virtue of international and regional conferences and capacity building, case-work, research and advocacy.

The ETO Consortium organizes its work in focal groups according to thematic issues and to geographical regions. In addition to the focal groups, there is an academic support group, with a separate mandate to assist the focal groups and members. The ETO Consortium members use the Maastricht Principles in their day-to-day work, individually and in cooperation, with a view to seeking new avenues for addressing some of the most urgent problems related to the protection of economic, social and cultural human rights.

The ETO Consortium is led by an elected Steering Committee with academics and representatives of CSOs from various regions of the world. The Consortium appoints one of its member CSOs to host the ETO Consortium Secretariat for a certain period of time. CSOs and academics interested in cooperation or membership are invited to contact the ETO Consortium’s Secretariat.

secretariat@etoconsortium.org
www.etoconsortium.org