

A quick guide to using the labour safeguards

Multilateral development banks provide billions of dollars in loans every year to projects in developing countries, involving a vast number of workers. Borrowers of the loans include both public entities and private companies.

Trade unions successfully fought for the adoption of binding labour standards, or safeguards, by several multilateral development banks:

- World Bank
- International Finance Corporation (the private sector lending arm of the World Bank)
- African Development Bank
- European Bank for Reconstruction and Development
- European Investment Bank
- The Asian Development Bank has not created a detailed safeguard but has incorporated the core labour standards into its procedures. There are binding rules on occupational health and safety.
- The Asian Infrastructure Investment Bank and the New Development Bank have adopted limited labour safeguards
- The Inter-American Development Bank is drafting a labour safeguard, and the private sector lending arm (IDB Invest) uses the IFC safeguards

The labour safeguards are a tool to organise, build power, defend workers' rights and hold the banks and borrowers accountable. **The safeguards apply to workers employed by a borrower of the multilateral development bank, whether they are directly hired or subcontracted.** Requirements cover:

- freedom of association and collective bargaining;
- occupational health and safety;
- terms of employment;
- collective dismissals;
- forced and child labour; and
- worker grievance mechanisms.

- A limited set of requirements apply to the supply chain of the borrower.

These requirements are binding through their incorporation into the legal loan documents between the multilateral development bank and the borrower. The safeguards provide an important source of leverage to press for worker rights, along with workplace actions, national law, public attention, and complaints to the ILO or under the OECD Guidelines for Multinational Enterprises.

This tool is only useful if we use it. Here is how:

- **Keep track of loan projects** in your country, sector, etc. so that we can **raise concerns about proposed projects prior to approval**, when the pending decision provides additional leverage. Concerns can be related to ongoing disputes, irresponsible borrowers, and failures by the bank to consider labour rights violations and problems. The multilateral development banks provide a list of proposed, ongoing and past loan projects on their websites. Monitor proposed projects using the public information disclosed by the multilateral development banks (Appendix 1). Contact us at the email below to be added to our monthly mailing list of new disclosures from the International Finance Corporation and the European Bank for Reconstruction and Development. Proposed projects are listed before approval by the board of directors of the bank, and sometimes earlier.
- Once a project is underway, **raise problems that occur on the ground**. The disclosures mentioned above can also help a trade union find out if an employer is currently part of a multilateral development bank project. In these cases, the labour safeguards are a tool to demand fair conditions for these workers. If employers refuse to abide by the standards or engage in dialogue with the trade union, the multilateral development banks can be contacted. There are direct procedures for trade unions to raise concerns through the International Finance Corporation's labour portal and the European Bank for Reconstruction and Development trade union communication mechanism (Appendices 2 and 3). The World Bank's Grievance Redress Service can also be

used as a first method of raising issues, or trade unions can contact country representatives of the banks or the bank staff overseeing the project.

- When raising a complaint, it is important to **document the violation** by providing as much detail as possible about the problem, attempts to engage the employer, and the specific labour standards being violated. It is not necessary to provide the names of individuals in the complaint, and any requests for confidentiality should be included in the documentation.
- It is also useful to **propose how the issue can be resolved**. This can include actions by the borrower to change their behaviour, such as reinstating workers and negotiating in good faith, and actions by the development bank including increased monitoring of the project.

The development bank will usually follow up to gather more information from the trade union, and then discuss with the company or government borrower. This can result in an action plan agreed between the bank and borrower to correct the problem, further investigation by the bank, or the convening of dialogue between the borrower, the bank and the trade union. The development bank may seek to involve a third-party auditor to gather information. However, the social auditing industry has been shown to be ineffective at upholding labour standards and it is best to ask the bank to handle the issue directly. If auditing does occur, trade unions should press for criteria on selecting the auditor, use of best practices in gathering information, and trade union involvement in crafting next steps after the auditor delivers a report.

If a borrower continues to violate the labour safeguard, the development bank has the option to suspend the disbursement of the loan, or to recall it and require the money to be paid back.

- If the multilateral development banks refuse to engage, or do not act in a timely and good faith manner to enforce the labour safeguards, then trade unions can **use the independent accountability mechanisms that handle formal complaints**. These independent accountability mechanisms at each bank can facilitate mediation or conduct thorough, although often slow, investigations to determine if the bank acted appropriately to ensure safeguard compliance by the borrower. Although publicly overseen by governments and mandated to support development, the multilateral development banks are ultimately financial institutions. They may be reticent to pressure borrowers to comply or to enforce the binding nature of the requirements.

In addition to pressing for stronger requirements in the safeguards, trade unions are actively demanding that the multilateral development banks improve due diligence and oversight, and act appropriately to enforce the labour safeguards.

The ITUC/Global Unions Washington Office is available to assist in gathering information and engaging the multilateral development banks: washington@ituc-csi.org