



## TOPIC 12 | HUMAN RIGHTS AND THE IMF'S COVID RESPONSE

### Main Takeaways

- *The International Monetary Fund is playing a major role in shaping economic and public health responses to the pandemic, including by extending grants and loans. So far, its actions are not conducive to a rights-based recovery.*
- *Both member governments and the IMF itself have a range of human rights obligations, including at the international level, that require them to support large-scale, equitable relief efforts.*
- *There are a range of measures the IMF can take in line with their human rights obligations, including providing resources to promote government spending, and eliminating loan conditions that restrict government flexibility.*

### Why is this topic important in the context of COVID-19?

The International Monetary Fund (IMF) will play a central role in either enabling or hindering a just economic recovery from the COVID-19 pandemic. The leadership of the IMF has “talked the talk” about the importance of increased public spending on health and other social services to contain the crisis. But in practice the Fund has not “walked the walk”.

The mandate of the IMF has far-reaching impacts on people’s rights. The IMF is partly a crisis manager. It determines access to finance for countries in financial trouble, including by providing loans with stringent conditions attached. But it also offers policy advice and technical support to governments. This gives it a lot of influence over the macroeconomic policy decisions made by the majority of the world’s governments.

Over the past four decades, the IMF has promoted policies aimed at reducing the scale of government spending. These policies have crippled governments’ ability to deliver on economic and social rights for those most in need. For example, in the three years preceding the COVID-19 pandemic, IMF-backed austerity policies reduced Ecuador’s health budget by nearly 65%. Now the country is suffering from one of the worst outbreaks in the world and existing inequalities have worsened.

The current economic crisis is predicted to be the worst since the Great Depression. The IMF itself acknowledges that countries in the Global South face a USD 2.5 trillion financing gap in recovering from the pandemic. But only a tiny fraction of this gap has been filled. The IMF itself has only made about a quarter of its USD 1 trillion lending capacity available to its members.

Worryingly, austerity and other policies that undermine the fulfilment of human rights continue to feature in the IMF’s approach to the pandemic recovery in the Global South. Oxfam recently [found](#) that 84% of the IMF’s COVID loans encourage or require austerity. Similarly, Eurodad [have shown](#) that at least 80 countries have already made commitments to the IMF to implement severe austerity measures between 2021 and 2023.

Global North countries remain the IMF’s primary financial contributors and decision-makers because its governance structure gives them a disproportionate influence. For example, the United States continues to have effective veto over core decisions. It has blocked recent efforts to issue Special Drawing Rights (or SDRs).

### What do these obligations involve?

Most of the world’s governments have signed up to binding international treaties that commit them to investing the *maximum of their available resources* in fulfilling people’s socioeconomic rights (see [Topic 1](#)). This includes a duty to generate sufficient revenue to invest in the infrastructure, goods and services needed to guarantee people’s rights.

Governments’ human rights commitments extend beyond their borders (see [Topic 2](#)). As part of their *extraterritorial obligations*, they must cooperate internationally to support others to fulfill human rights. These obligations are triggered in a variety of situations. One is when governments act as members of international organizations that have *decisive influence* over other governments’ ability to realize human rights. The IMF’s unique power to require specific economic policies—as a condition of loans needed to avert economic crises—places it squarely in this category. So, when they’re acting as IMF board members, governments must take

positions that push the organization to act consistently with these human rights obligations.

There are a number of ways that international human rights law can also apply directly to the IMF. First, it is a specialized agency of the United Nations. This means it must comply with the human rights provisions in the UN Charter. Second, elements of human rights law—in particular the Universal Declaration on Human Rights—have become part of customary international law. This means they are “generally accepted” as having universal application. So, the UDHR would apply to and bind the IMF. Finally, it is argued that its Articles of Agreement (i.e. its constitution) should be interpreted as directing it to take into account human rights concerns in carrying out its work.

The scope of the human rights obligations that apply to the IMF may be more limited than for governments (given its more limited mandate and powers). But, at a minimum, respecting human rights by taking measures to ensure it “does no harm” is essential. This can be interpreted to include not interfering with governments’ ability to invest in rights, given the severe harms such measures can cause. Loan conditions that constrain fiscal space, regressive policy advice that fails to assess social impacts, and onerous debt burdens that squeeze public budgets are examples of such interference.

The IMF has generally resisted the idea that it has human rights obligations. Its leadership has interpreted its constitution as preventing it from considering “political” factors in its operations. The purpose of these provisions was to ensure the IMF acts impartially towards different governments. But, over time, it has become an excuse to ignore the human rights impacts of their activities.

Even if the IMF contests its obligations under international human rights law, what is obvious is that the Fund’s actions have serious human rights impacts. Considering the Fund has taken credit when it perceives human rights improvements in relation to its work, denying any corresponding obligations is politically indefensible.

### How can the IMF meet these obligations in its COVID-19 response?

A range of proposals have been put forward that would represent an important step in honoring the Fund’s human rights obligations, including:

- **Urgently scale up financial support:** a large-scale issuance of Special Drawing Rights would effectively create new financial assets to tackle the crisis (See [Topic 4](#)).
- **Promote just, sustainable debt resolution:** the IMF should consider human rights in its debt

sustainability analysis; forgive unsustainable loans; and actively support efforts to establish a debt workout mechanism (See [Topic 4](#)).

- **Undertake human rights impact assessments:** the IMF should systematically identify the likely human rights impacts of its loan conditions or policy advice. This is particularly important for policy areas like social protection, public services, wage and labor reforms, and tax.
- **Eliminate loan conditions related to “fiscal consolidation” or austerity:** The IMF should ensure all current and future loans negotiated do not impose restrictive fiscal targets.
- **Promote policies that equitably expand fiscal space:** The IMF should support countries in making their tax systems more progressive and equitable, including by combating tax evasion and avoidance and boosting direct taxes, rather than promoting over-reliance on regressive consumption taxes.
- **Promote universal, comprehensive social protection and investment in public services:** The IMF should make a decisive shift away from promoting narrowly targeted social protection programs. Any social spending floors set should be compatible with the realization of human rights and full implementation of social protection floors. (See [Topic 7](#)).
- **Reform governance and decision-making structures:** the above actions will be facilitated by a fairer balance of power in the IMF. Concrete steps should be taken to reform IMF quotas and abolish the “gentleman’s agreement” on IMF leadership, in line with SDG target 10.6.

#### Critical Questions

- ▶ What measures is your government pushing for or resisting within the IMF? What positions are they taking on the proposals outlined above?
- ▶ Did your government receive emergency financing from the IMF in 2020 and what commitments did it make to the IMF in doing so?
- ▶ Is your government currently negotiating a longer-term loan agreement with the IMF? Are civil society being consulted?
- ▶ Has your country received loans from the IMF in the past? What were the human rights impacts?