Human Rights & Multilateral Development Banks: Evaluating Recipient Records & Lending Practices

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Dr. Ross Burkhart: Mentor

Abstract

This study examines the role of recipient human rights records in the loan allocation of multilateral development banks. Correlating the loan amounts awarded to recipients with their human rights environments determines whether or not human rights are a substantial consideration in multilateral lending practices. By analyzing the African Development Bank, African Development Fund, Inter-American Bank and the International Monetary Fund this study also sheds light on whether international financial institutions are upholding their legally bound human rights obligations. This study uses Ordinary Least Squares and General Least Squares regression models and finds that human rights have little effect on the lending process. Human rights are not a substantial consideration in multilateral lending practices and multilateral development banks are not fulfilling their international legal obligation to advance human rights. It is up to international political institutions to ensure that they do.

Introduction

Are human rights a substantial consideration in multilateral loaning practices? Multilateral lending has long been a strategy for helping to meet the extensive development needs of lesser developed countries, but our understanding of how multilateral development banks (MDBs) function is unclear. Many studies have focused on bringing clarity to the general tendencies of official development assistance (ODA) behavior by nation states, but it is only until recently that the research has focused on characterizing individual banks disparately. Offering an explanation for this focus are the humanitarian expectations that the international community has imposed upon international financial institutions (IFIs) since such financial giants are in a potent position to economically reward or punish varying human rights practices and therefore potentially improve the safety of millions of individuals across the globe. Whether or not these expectations are being met is under question and the intentions and loaning practices of MDBs such as the International Monetary Fund (IMF), the World Bank and its regional counterparts have come under suspicion.

Providing an answer to this question not only helps to create a much needed degree of transparency into the economic centers of the international system, but also assists us in deciding whether their actions are congruent with the progression of international law. The Treaty of Westphalia in 1648 established the primary international subject and actor as the sovereign nation-state. Today the development of human rights is making the individual the new subject of international law. 2 While the nation-state is still the principal actor, this role has advanced to include all international organizations including international financial institutions (IFIs). 3 In respect to the evolution of international law, individuals are becoming the priority legal subject and IFIs including development banks are being assigned responsibilities for the protection of individual rights. 4

So to ask the question ‘Are human rights a substantial consideration in multilateral loaning practices?’, provides an opportunity to measure up MDBs to humanitarian values and assesses whether international economy is maturing slower, in line with, or faster than international law. The findings in this study suggest that human rights play a minimal role in multilateral lending practices. This holds humanitarian implications for either the IFIs or the recipient community, which will be reflected on at the end of this study along with what the results may imply about how international economic maturity measures up to international legal maturity.
Literature Review

This section identifies trends in the organization of previous ODA studies in order to highlight the most appropriate variables and summarizes the conclusions most commonly reached about ODA and loan practices.

A majority of the literature is bilateral – only observing development assistance from country to country. It wasn’t until the 1990s and 2000s that literature evolved as multilateral studies – observing assistance from institutions to countries. Previous scholars have produced mixed results, but most commonly concluded is that, for one, bilateral assistance, especially during the Cold War, served the political-strategic interests of donors and two, that multilateral assistance serves the basic economic, but not humanitarian, needs of loan recipients. Human rights are rarely significant and if they are there is an emphasis on political rights rather than civil or personal integrity rights.

Bilateral studies

The common organization for most of the ODA literature began by observing bilateral flows usually from the United States to other countries as done by Cingranelli & Pasquarello (1985). Common control variables used to reflect recipient need for aid included GDP per capita, population, and sometimes volume of trade. When human rights variables were included, an often narrow definition of human rights was utilized. In the study by Mckinlay & Little (1977), for example, the political stability and democracy variables do not include gender equality or freedom from political imprisonment. A positive reflection on the literature progressing into the 21st century is a gradual change in variables from strategic to humanitarian in nature starting, for instance, with Trumball & Wall’s study (1994) where infant mortality was included into the prospective determinants of ODA. By including this variable, the literature begins taking a more humanitarian tone.

Multilateral studies

The more recent multilateral literature such as by Neumayer (2003) is organized around aggregate ODA flows to all countries from IFIs. They continue to include the traditional control variables more contemporarily described as recipient need (GDP and population) and donor interests (political alliances, volume of trade, or strategic interests such as buying anti-communism).

In addition, human rights definitions are more inclusive by categorizing several degrees of rights. For instance Neumayer (2003) distinguishes political, civil, and personal integrity rights. An additional category – economic rights – would make human rights measures more realistic. Rights such as full employment are promoted by the United Nations’ Economic and Social Council and are distinct enough to fall outside these three categories. However, few data bases compile such information internationally.

There is evidence in the conclusions that two ideological camps compete – those that feel loan practices are humanitarian driven and those that feel they are strategically driven. Closer analysis reveals that the sum of the conclusions is not so dichotomous. Conclusions are mixed as to which set of variables best predicts loan behavior. Frequent results include, but are not limited to: bilateral U.S. ODA to other countries can be predicted by U.S. strategic interests as suggested by McKinlay & Little (1977); both bilateral and multilateral ODA can be predicted by political and civil rights as suggested by Trumball & Wall (1994), yet Wall (1995) found that such rights did not predict ODA in the long term; bilateral ODA from other countries to recipients can be predicted by basic recipient needs and extensive donor interests as suggested by Alesina & Dollar (2000); multilateral ODA is often predicted by recipients’ basic economic need and minimal humanitarian concerns as suggested by Neumayer (2003) or by material incentives and bureaucratic interests according to O’Keefe (2006).

Some may disagree with the presence of bilateral studies supplementing this literature review. Although differences between bilateral and multilateral behavior are expected, bilateral studies dominate the available literature, search for similar relationships among similar variables and therefore are appropriate preliminaries to multilateral research.

Most of the literature views development assistance as strategically driven. However, the summary of conclusions is not definitive enough to allow donor interests to be the exclusive determinant of loan awards by all MDBs. Because many development banks are regionally oriented, from the perspective of weak cultural relativism, it is expected that loan practices would be slightly different for each bank. Furthermore, there is a hefty rationale discussed in the next section for why human rights would be considered in loaning practices and this makes the dominance of donor interest all the more suspect. Therefore, a quantitative analysis on the behaviors of individual MDBs would offer more validity and is the goal of this study.
Theory

If MDBs are primarily economic and not humanitarian institutions then why would MDBs consider human rights in their loan practices? If an institution is capable of violating human rights then accountability is expected. What's more is it would be congruent with the international legal evolution discussed earlier where individuals have attained an international legal status and IFIs are expected to uphold their rights. At the least, customary international law binds IFIs to humanitarian responsibilities. Additionally, human rights considerations are not without benefits for the bank. The success of a development project often depends on the protection of local communities and much of the legitimacy of the bank can often depend on the good will of the people created by a positive bank image.

The theory that MDBs would take into account the human rights records of the countries with which they interact is first addressed by the legal nature of the humanitarian expectations of IFIs. It must be clearly understood that the people whose governments are at the receiving end of bank assistance are susceptible to human rights violations if no effort is made to account for the people, procedures, and progress involved in their economic project. As detailed by Jochnick:

“A great deal of attention has been devoted to the human rights impacts of IFIs like the World Bank and the International Monetary Fund (IMF)...the projects they fund often directly implicate violations of both civil and political rights (CPR) and ESCR [economic, social and cultural rights]. Their potential for violations is directly related to the tremendous influence they exercise over the economies of developing countries...Additionally, many of the development projects funded by the World Bank have involved gross human rights abuses, including forced evictions. Beyond the substantive impacts, IFI involvement in the development decisions often moves the locus of decision making further from affected communities, making policies less transparent, participatory, and accountable to traditional democratic processes.”

Mr. Fantu Cheru, an independent expert on the effects of development bank strategies on the enjoyment of human rights, shares Jochnick’s concerns over the potential for development banks to violate human rights. In reference to the IMF’s Poverty Reduction Strategy Papers (PRSPs) he writes:

“The lack of gender-disaggregated data is a general problem for all the PRSPs reviewed for this report...None of the I-PRSPs attempt to integrate major international human rights principles – namely the Convention on the Rights of the Child,” and others. 8

Cheru’s conclusion here is that the PRSPs – a strategy used by the IMF – is capable of aggravating human rights progress.

The aforementioned evolution of the application of human rights laws to IFIs is best exemplified by another of Jochnick’s comments, “The application of human rights laws to non-state actors is thus well supported under international law...the movement to apply human rights to these actors, though nascent, is already underway.” 9 He goes on to note, “as international organizations they are at least responsible for not violating customary international law.” 10 Taken as a whole, it would make more sense than not to expect economic institutions to have humanitarian responsibilities. An extract from Brigitte Hamm’s article on “A Human Rights Approach to Development” reinforces this legal justification:

“This obligation is laid down in the UN Charter and in some major human rights treaties, such as the ICESCR. It expands to international organizations and International Financial Institutions (IFIs), as states who are members of human rights treaties are also members of these organizations and influence the shaping of their policy...Making donor and recipient states accountable for how they consider human rights in their development policy and efforts will turn the understanding from that of a moral commitment to that of the acceptance of the legal obligation.” 11

Upon recognizing the benefits that human rights considerations could have for the IFIs themselves, it makes even more sense for MDBs to pay attention to the human rights records of the countries with which they interact. A disproportionate awarding of loans to gross human rights violators would not bode well for the public opinion of the banks and the success of their projects often depend on human rights protections. In his report, Cheru is worried that human rights concerns take a back seat to financial considerations. “Desired social and human rights objectives, such as equity, meeting basic needs, etc, need to be central to macroeconomic policy-making if a people-centered development,” is to be promoted. 12 As an expert, Cheru believes that a successful people-centered development project depends on meeting human rights objectives. Reinforcing the idea that human rights efforts increase the likelihood that a banks project will succeed is Cynthia Hewitt de Alcántara’s reference to the 1980s and 90s when, “it became abundantly clear that no economic project was likely to succeed unless minimum conditions
of political legitimacy, social order and institutional efficiency were met.”  

Executing the type of political restructuring suggested by Alcántara in order to ensure that bank projects meet their economic goals will require human rights attention. Furthermore, it has been shown that human rights and economic development have a positive correlation. It is important for development banks to be mindful of this relationship as many communities may expect to see these developments occur simultaneously.

By and large there are appropriate reasons to believe that an economic institution would pay attention to human rights issues of the countries with which they interact. Still, however positive this rationale may be, whether observers of MDB behavior really expect a substantial human rights consideration to be present in development loan practices retains some doubt.

Hypotheses

Based on the literature thus far, it would be difficult for this study to hypothesize that human rights considerations are a substantial part of loaning practices. Although the previous theoretical section presented rationale to believe that they would be, the rationale often does not match up to bank behavior. The development of the hypothesis was not based on the evidence that there is an international legal obligation for IFIs to respect human rights because even member-states of the UN stray away from an, often times, unenforceable international law. Neither was it based on the rationale that human rights considerations benefit the banks since such large enterprises can often afford to sidestep the expectations of ground level citizens or produce good publicity of their own. Based on previous work, this study hypothesized that human rights would have little effect on a country’s eligibility for a loan and on the amount of the loan.

Data

The banks included in this study are: the African Development Bank (AfDB), the African Development Fund (AfDF) - which is a second loan source within the African Bank, but is funded only by the wealthier member countries, awards soft, not hard, loans, has a distinct loan frequency and therefore is different enough to be analyzed separately - the Inter-American Development Bank (IADB) and the IMF.

In accordance with much of the existing literature the variable sets here reflect humans rights issues, recipient need, and donor interest. After examining the variations in loan amounts with the prospective determinants, a gate keeper dummy variable is used to observe the variations of access that some countries have or do not have to loans period. A Cold War dummy variable is used to account for a possible global systematic bias.

Not all variables were used for every model due to irrelevance or an absence of data for that particular bank. AfDB and the AfDF did not provide data for the percent of shares, corruption data was not available for most countries and the Cold War variable is irrelevant since the African models account only for one year (2004). There is no gate keeping model for the IADB since all countries in the time-series had been awarded loans. The IMF models use all variables. Table 1 lists the variables, their descriptions, and their sources.

Human rights variables

The human rights variables in this model reflect the reality that there are different levels of citizen protection that are the obligation of any nation-state. The most immediate obligation is physical protection operationalized as personal integrity ratings. The obligation to protect personal characteristics and private activities is operationalized as civil rights ratings. The final obligation accounted for in these models is the protection of self-determination which is operationalized as political rights ratings. The intention to have a variable reflective of economic rights was abandoned. The difficulty of operationalizing economic rights can be accredited to the premature status of legal economic protections and a lack of data. Inequality measures were often incomplete and invalid.

Personal Integrity ratings came from Poe & Tate’s personal integrity data covering the years, 1976-1979 and from Dalton & Gibney’s political terror scale (PTS) covering the years 1980-2004. Each scale uses a rating from Amnesty International (AI) and a rating from the State Department Reports (SD). Political rights ratings came from the Freedom House Comparative Survey of Freedom covering the years 1976-2004. Civil rights were cut from the models due to multicollinearity.
Recipient needs variables

The variables within a majority of the previous literature that are the most consistently connected to recipient need are GDP per capita and population hence they are used here as well. Data for both variables were extracted from the Penn World Tables (PWTs) covering the years 1976-2004.

Donor interest variables

This set of variables predicts recipient country characteristics that signify different qualities of investment to the bank. Investment concerns are categorized as: the recipient’s economic ‘breathing room’ or the financial space not regulated by the government, the likelihood of repayment, good governance, and the member-state power relationships that exist behind the scenes of the bank.

The economic factors that operationalized financial ‘breathing room’ are: government share, investment share, and openness. All three are extracted from the PWTs. Likelihood of repayment is operationalized as the growth rate of GDP extracted form the PWTs.

Part of good governance is already accounted for by the human rights variables and is complete with the corruption variable, which is taken from the Fraser Index covering the years 1970, 1975, 1980, 1985, 1990, 1995, 2000-2004. Fraser’s variable 4D measures the difference between the country’s official exchange rate and black market rate. Many African countries are not included in the index so it is not used in the African models. Years are limited and the validity of the measure is questionable, however, a more effective measure of corruption was not available.

The percentage of voting shares that a bank member-state holds is interpreted as an indicator of influence and it is interesting to observe how member status affects loan award behavior. Although it is recognized that the degree of influence a member has is slightly more complex than voting share, elaborate power relations are not the focus of this study and the variable is still reflective of nature of the game in respect to bank behavior. 15

Dependent variables

In sync with the literature from studies such as Cingranelli & Pasquarello’s (1985), this study has differentiated between the decision to provide assistance and the decision of how much assistance to provide. Loan amounts are recorded directly from each bank’s website and the gate keeper is a dummy variable – 0 if no loan was awarded that year and 1 if a loan was awarded that year. The loan amounts recorded from the African banks had to be translated from units of account (UA) to US dollars. Approximately 1 UA = 70 cents. As previously mentioned no gate keeper model was used for the IADB.

Dummy variable

To account for what Gomez (2007) identifies as global system effects on aid allocation, a Cold War dummy variable is used – 0 if the loan was awarded during a post-Cold War year and 1 if the loan was awarded during a Cold War year. As mentioned above this variable was irrelevant to the African models.
Table 1: Description of Data & Sources

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Integrity</td>
<td>Respect for the physical person; Personal Integrity Index 1976-9; Political Terror Scale 1980-2004; 1(most respect) 7(least respect)</td>
<td>Poe &amp; Tate (1999); Gibney &amp; Dalton (2006)</td>
</tr>
<tr>
<td>Political Rights</td>
<td>Comparative Survey of Freedom (2006); Ability to participate in political process 1976-2004; 1(most free) 7(least free)</td>
<td>Freedom House (2007)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>Real GDP per capita 1976-2004</td>
<td>Penn World Tables 6.2 (PWT)</td>
</tr>
<tr>
<td>Government Share</td>
<td>Government component share as a percentage of real GDP 1976-2004</td>
<td>PWT 6.2</td>
</tr>
<tr>
<td>Investment Share</td>
<td>Private Component share as a percentage of real GDP 1976-2004</td>
<td>PWT 6.2</td>
</tr>
<tr>
<td>Openness</td>
<td>Exports plus imports divided by CGDP is the total trade as a percentage of real GDP 1976-2004</td>
<td>PWY 6.2</td>
</tr>
<tr>
<td>GDP growth rate</td>
<td>Annual growth rate of real GDP per capita 1976-2004</td>
<td>PWT 6.2</td>
</tr>
<tr>
<td>Percent of Shares</td>
<td>Member-state’s percentage of all votes</td>
<td><a href="http://www.iadb.org/aboutus/IV/go_voting.com">www.iadb.org/aboutus/IV/go_voting.com</a>; <a href="http://www.imf.org/external/np/sec/memdir/members.htm">www.imf.org/external/np/sec/memdir/members.htm</a></td>
</tr>
</tbody>
</table>

Methodology

This study uses a quantitative method with a pooled dataset - both cross national and time series. Ordinary least squares (OLS) was used to estimate the models. Generalized least squares (GLS) was used to support the results using both fixed and random effects. GLS checks specifically for panel autocorrelation and heteroskedasticity, essentially controlling for their presence. No GLS was necessary for the African models since they were not in a time series. For the IADB model the countries in the samples share similar characteristics hence GLS fixed effects was used to estimate the model for disbursement. Again, there is no gate keeping model for the IADB. For the IMF models where the countries in the sample were less similar, GLS random effects was used to estimate the model for disbursement. Logistic regression random effects were used to estimate the model for gate keeping – a dummy dependent variable.
Models

Five models were used during the course of this study. Each model represents an individual Bank to illuminate any contrasts in behavior. Country data was not available for a small number of countries, which were omitted from the models. The AfDB and AfDF models each have a sample of 53 countries and are limited models covering only the year 2003/2004, the IADB models have samples of 26 countries covering the years 1998-2004, and the IMF models have samples of 146 countries covering the years 1976-2004.

The equations are formatted as follows where: Y1=Loan Amounts Received from AFDB & AFDF; Y2=Gatekeeping Dummy Variable for AfDB & AfDF; Y3=Loan Amounts Received from IADB; Y4=Loan Amounts Receive from IMF; Y5=Gatekeeping Dummy Variable for IMF; x1=Personal Integrity; x2=Political Rights (SD); x3=Political Rights (FH); x4=GDP/capita; x5=Gov’t Share; x6=Investment Share; x7=Openness; x8=Growth; x9=Corruption Rating; x10=Voting Share; x11=Cold War dummy variable:

AfDB & AfDF (Eq.1a & 1b)
Y1 = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + b8x8 + e
AfDB & AfDF (2a & 2b)
Y2 = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + b8x8 + e
IADB
Y3 = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + b8x8 + b9x9 + b10x10 + e
IMF
Y4 = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + b8x8 + b10x10 + b11x11 + e
Y5 = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + b8x8 + b9x9 + b10x10 + b11x11 + e

A discussion of the results of the models is followed by case studies of loan awards in two countries (one from the African block and another from the Latin American block) for a rich description on loaning practices.

Results

For the loan amount dependent variable, (Table 2a) human rights had little statistical significance. Only two out of the twelve relationships were statistically significant and they had opposing directions. Each of the two significant human rights variables for loan amounts are found in the IMF model and were surprisingly the top two determinants respectively. The Personal Integrity (AI) was optimistically negative. The Personal Integrity (SD) was contrastingly positive. The more encouraging Amnesty International variable was fortunately the stronger correlation of the two, but not by enough for these results to be anymore than speculative.
Table 2a: Parameter Estimates

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>AfDB</th>
<th>AfDF</th>
<th>IADB</th>
<th>IMF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Integrity (AI)</td>
<td>9954054.4</td>
<td>-2357933.325</td>
<td>16376703.362</td>
<td>-5879633</td>
</tr>
<tr>
<td></td>
<td>(.461)</td>
<td>(-.277)</td>
<td>(.858)</td>
<td>(-2.610)**</td>
</tr>
<tr>
<td>Personal Integrity (SD)</td>
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<td>13526.090</td>
<td>1022727.586</td>
<td>5329337.3</td>
</tr>
<tr>
<td></td>
<td>(-1.098)</td>
<td>(.001)</td>
<td>(.018)</td>
<td>(2.287)**</td>
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<tr>
<td>Political Rights</td>
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<td>3930444.884</td>
<td>898670.94</td>
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<tr>
<td></td>
<td>(.278)</td>
<td>(-.906)</td>
<td>(.089)</td>
<td>(1.030)</td>
</tr>
<tr>
<td>GDP per Capita</td>
<td>4317.146</td>
<td>-2605.166</td>
<td>1687.579</td>
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</tr>
<tr>
<td></td>
<td>(.699)</td>
<td>(-1.068)</td>
<td>(.193)</td>
<td>(1.822)*</td>
</tr>
<tr>
<td>Population</td>
<td>438.086</td>
<td>389.361</td>
<td>5183.151</td>
<td>-4.492</td>
</tr>
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<td></td>
<td>(.765)</td>
<td>(1.722)*</td>
<td>(3.503)**</td>
<td>(-.436)</td>
</tr>
<tr>
<td>Government Share</td>
<td>-253789.8</td>
<td>369749.133</td>
<td>8840246.532</td>
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</tr>
<tr>
<td></td>
<td>(-.297)</td>
<td>(1.097)</td>
<td>(1.424)</td>
<td>(-.672)</td>
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<td>(.549)</td>
<td>(.008)</td>
<td>(-.129)</td>
<td>(-1.519)*</td>
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<td>Openness</td>
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<td></td>
<td>(-.476)</td>
<td>(-.087)</td>
<td>(-.991)</td>
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<td>Corruption</td>
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<td>54275645.611</td>
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<td></td>
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<td>(2.349)**</td>
<td>(1.060)</td>
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<tr>
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<td>--</td>
<td>75678919.283</td>
<td>347419.09</td>
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<td></td>
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<td>(4.004)**</td>
<td>(.204)</td>
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<td>Cold War</td>
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<td></td>
<td>--</td>
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<td>--</td>
<td>(-1.586)*</td>
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Percentage of Variation Explained

<table>
<thead>
<tr>
<th>AfDB</th>
<th>AfDF</th>
<th>IADB</th>
<th>IMF</th>
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</thead>
<tbody>
<tr>
<td>13.3%</td>
<td>29.8%</td>
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<td>3.8%</td>
</tr>
</tbody>
</table>

N | 35 | 35 | 104 | 741|

Figures in parentheses are t-ratios.
**Significant at .05
* Significant at .10
For the gate keeping dependent variable, (Table 2b) human rights had slightly more statistical significance. Three out of the nine relationships were statistically significant and they were all negative, meaning that as human rights conditions worsened, loan eligibility decreased, which is an optimistic result, but only for a third of the relationships. These optimistic relationships are found in the Personal Integrity (AI) for the AfDF and the IMF and in the Political Rights variable for the IMF.

Table 2b: Parameter Estimates

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</tr>
<tr>
<td>Investment Share</td>
<td>439905.92 (.164)</td>
<td>-396071.983 (-.373)</td>
<td>-3731211.037 (-.438)</td>
<td>-74464.471 (-.316)</td>
</tr>
<tr>
<td>GDP Growth Rate</td>
<td>1175565.20 (.549)</td>
<td>6772.729 (.008)</td>
<td>-776194.585 (-.129)</td>
<td>-364367.0 (-1.519)*</td>
</tr>
<tr>
<td>Openness</td>
<td>-245387.1 (-.476)</td>
<td>-17665.062 (-.087)</td>
<td>-1887353.486 (-.991)</td>
<td>-20173.385 (-.581)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-- --</td>
<td>-- --</td>
<td>54275645.611 (2.349)**</td>
<td>582154.88 (1.060)</td>
</tr>
<tr>
<td>Percent of Vote Share</td>
<td>-- --</td>
<td>-- --</td>
<td>75678919.283 (4.004)**</td>
<td>347419.09 (.204)</td>
</tr>
<tr>
<td>Cold War</td>
<td>-- --</td>
<td>-- --</td>
<td>-- --</td>
<td>-6721574 (-1.586)*</td>
</tr>
<tr>
<td>Percentage of Variation Explained</td>
<td>13.3%</td>
<td>29.8%</td>
<td>68.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>N</td>
<td>35</td>
<td>35</td>
<td>104</td>
<td>741</td>
</tr>
</tbody>
</table>

Figures in parentheses are z-scores.
**Significant at .05
* Significant at .10
Overall, the results confirm the hypothesis that human rights would have little effect on a country's eligibility for a loan and on the amount of the loan awarded. A simplified review of the results is available in Table 3. This is followed by descriptions of the bank by bank relationships with the human rights variables and other strong determinants.

### Table 3: Summary of Human Rights Effects

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>AfDB</th>
<th>AfDF</th>
<th>IADB</th>
<th>IMF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan Amount</td>
<td>Gate Keeping</td>
<td>Loan Amount</td>
<td>Gate Keeping</td>
</tr>
<tr>
<td>Personal Integrity (AI)</td>
<td>X +</td>
<td>X +</td>
<td>X -</td>
<td>! -</td>
</tr>
<tr>
<td>Personal Integrity (SD)</td>
<td>X -</td>
<td>X -</td>
<td>X +</td>
<td>X +</td>
</tr>
<tr>
<td>Political Rights</td>
<td>X +</td>
<td>X +</td>
<td>X -</td>
<td>X +</td>
</tr>
</tbody>
</table>

X=statistically insignificant; !=statistically significant; / = close to statistical significance; +=positive correlation; -=negative correlation; na=not applicable;

#### African Development Bank

Because the African models were formed from very little data compared to the IADB and IMF models, these results are relatively less reliable. Regardless, among the human rights variables for the AfDB there were no significant correlations with loan amounts or gatekeeping. Slope coefficients were usually positive (with the exception of the Personal Integrity (SD)), meaning that as human rights conditions worsened, loan amounts and eligibility increased. None of the relationships were statistically significant. Top determinants based on levels of significance included Personal Integrity (SD), population and GDP implying a recipient focus. This is logical result considering the direction of the AfDB is driven primarily by the borrowing member countries.

### Human rights variables

For loan amounts human rights had some effect. Personal Integrity (SD) had a negative correlation, produced a t-statistic of -1.098, a significance of .282 and was the only human rights variables in the top three betas with a result of -.332, making it the strongest but not statistically significant. Personal Integrity (AI) had a positive correlation, but a t-statistic of only .461, a significance of .649, and a moderate beta weight of .132. Political Rights had a positive correlation and an even weaker relationship with a t-statistic of .278, a significance of .783, and one of the lowest beta weights at .066.

For gatekeeping human rights had less effect. Personal Integrity (AI) and Political Rights were positively correlated while Personal Integrity (SD) was negatively correlated (in agreement with the loan amount model). Personal Integrity (AI), Political Rights, and Personal Integrity (SD) were all in the bottom half of the significance rankings at .383, .407, and .619 respectively.

### Strong determinants

Outside of the Personal Integrity (SD) variable for loan amounts, the following determinants reflected an emphasis on recipient need. A positive population bias was evident with a t-statistic of .765, a significance of .451, and a beta weight of .165. There was also a positive GDP per capita bias with a t-statistic of .699, a significance of .491 and a stronger beta weight of .172. This shows that as income increases, loan amounts increase which may indicate a pattern of repeated investments where loans are potentially the most successful. As one of the younger regional development banks, the AfDB may be less inclined to venture into higher risk loan investments.

For gatekeeping the strongest determinants were economic donor-interests. There was a positive GDP per capita bias with a near significance of .065. Negatively correlated was Investment Share with a significance of .162. The decrease in eligibility with an increase in investment share is reflective of the overarching purpose of the World Bank – to supplement any lack of private capital. It makes sense that the Bank targets borrowing members with a lack of invested capital. Positively correlated was growth rate. Recipient GDP growth rates are important for recipients to potentially repay their loans, which is a source of Bank funding.
All together, the results suggest that personal integrity rights considerations are partially evident in their lending practices. Of course, Africa is a region where more egregious personal integrity violations can be found; hence they are more available to discriminate against. However, based on the results not much discrimination can be expected in African lending practices.

**African Development Fund**

No human rights relationships for the AfDF were significantly correlated, yet, one relationship was statistically significant – Personal Integrity (AI) in the gatekeeping model, but with a positive correlation meaning that as personal integrity conditions worsened loan eligibility increased. Slope coefficients were usually negative for loan amounts (with the exception of Personal Integrity (SD)) and positive for gatekeeping (with the exception of the Personal Integrity (AI)). Top determinants included population, Government Share, GDP and Personal Integrity (AI). The economic donor-interest variables having more of an effect than in the AfDB reflects the exclusive nature of the Fund’s supporting members – namely the wealthier member countries who are more likely interested in a healthy investment environment since they are using their own funding and do not require a specific development project for the loan to be awarded.

**Human rights variables**

For loan amounts human rights had little effect. Political Rights had a negative correlation, produced a t-statistic of -.906, a significance of .373 and a beta-weight of -.194. Personal Integrity (AI) had a negative correlation, but a t-statistic of only -.277, a significance of .784, and a low beta weight of -.071. Personal Integrity (SD) had a positive correlation and an even weaker relationship with a t-statistic of .001, a significance of .999, and the lowest beta weight at .000.

For gatekeeping human rights had a respectable effect. Personal Integrity (AI) and Political Rights were negatively correlated while Personal Integrity (SD) was positively correlated (in agreement with the loan amount model). Personal Integrity (AI) acquired statistical significance at .043. Personal Integrity (SD) and Political Rights did not at .237 and .503 respectively.

**Strong determinants**

For loan amounts awarded by the Fund the following determinants reflected an emphasis on recipient need and investment health. A positive and nearly significant population bias was evident with a t-statistic of 1.722, a significance of .097, and a beta weight of .334. The Government Share variable had a positive correlation meaning that as governments take up more financial space, loan amounts increased. It had a t-statistic of 1.097, a significance of .283 and a beta weight of .204. There was also a negative GDP per capita correlation meaning as income increased, loan amounts decreased, which demonstrates a bias towards the poor not evident in the AfDB.

For gatekeeping the strongest determinants were GDP per capita and Personal Integrity (AI). They were both negatively correlated and statistically significant. GDP per capita and Personal Integrity (AI) had a significance of .037 and .043 respectively. Openness was third in the line of gatekeeping determinants, was positively correlated, but did not quite acquire significance with .069.

Based on the results, as in the AfDB, there is some evidence that personal integrity rights play a role in AfDF lending practices, but not much consideration can be expected.

**Inter-American Development Bank**

From the human rights variable in the IADB model, Personal Integrity (SD) was weakly and positively correlated. All slope coefficients were positive. Additionally, no human rights variables were statistically significant or even in the top bet weights. Top determinants with strong significance included Percent of Voting Shares, population, and corruption. With these results, the IADB did the worst in human rights considerations.

**Human rights variables**

For loan amounts human rights had no effect. Personal Integrity (AI) had a positive correlation with a t-statistic of .858, a significance of .393, and a low beta weight of .073. Political Rights was also positive, with a t-statistic of only .089, a significance of .929, and a bottom beta weight of .008. Personal Integrity (SD) was also
positive with a t-statistic of .018, a significance of .986, and the lowest beta weight of .002. There was no gatekeeping model for the IADB.

Strong determinants

For loan amounts, determinants for IADB lending were extremely self-serving. Population factored in as the only recipient-oriented variable with any effect. Positive correlations for percent of shares and corruption were the strongest determinants in the model. Percent of shares produced a t-statistic of 4.004, a significance of .000, and the top beta weight of .458. Corruption produced a t-statistic of 2.349, a significance of .021, and a top beta weight of .150. There was an extremely strong tendency for loan funds to flow towards member countries of the largest size and with generous bank influence. This reveals serious power politics issues within the IADB — power politics that are evident in the region’s history of dictatorships and civil wars.

International Monetary Fund

All the human rights variables were significantly correlated positive. Slope coefficients were usually positive for loan amounts (with the exception of Personal Integrity (AI), which was fortunately positive) and a negative slope for gatekeeping (with the exception of Personal Integrity (SD)). Statistically significant relationships included Personal Integrity (AI) and Personal Integrity (SD) within the IMF loan amounts model (but with opposing signs). Also significant were the Political Rights and Personal Integrity (AI) in the IMF gatekeeping model. Top determinants included Personal Integrity (AI), Personal Integrity (SD) and GDP. More variation and distribution of significance was expected in this model. The large sample size and time period give more room for each variable to have an effect on the dependent variables. Still, there was a consistent rank of significance.

Human rights variables

For loan amounts personal integrity rights had a large effect, but political rights had little effect. Personal Integrity (AI) was negatively correlated, had a t-statistic of -2.610, a significance of .009, and the strongest beta weight of -.173. Personal Integrity (SD) was not far behind with a t-statistic of 2.287, a significance of .022, the second top beta weight of .159, yet was positively correlated.

For gatekeeping human rights had less effect. Personal Integrity (AI) and Political Rights were negatively correlated while Personal Integrity (SD) was positively correlated. Significance varied from .004 to .043 to .146 respectively. The negative relationships are fortunately the statistically significant relationships, which is less of a mixed result than the loan amounts model, but indefinite nonetheless.

Strong determinants

Along with the statistically significant yet contradicting personal integrity variables in the loan amounts model, GDP per capita closely approached significance with a t-statistic of -1.822, a significance of .069, and a beta weight of -.111. Also approaching significance, although not as much as GDP, were the Cold War dummy variable and GDP Growth Rate.

For gatekeeping the strongest determinants were mixed and inconclusive. GDP reached significance at .000, Personal Integrity (AI) at .004, Openness at .004, Corruption at .005, and Political Rights at .043. Overall, the IMF models produced mixed results and human rights played a minimum role.

Conclusion

Reflecting on the data, the question becomes why are human rights not a substantial consideration in multilateral lending practices. It could be that human rights environments have generally improved worldwide and need not be as much of a concern as some international groups might claim. However, I doubt that this is the case, given the continuous pressure on the Security Council to enforce human rights and given the human rights atrocities that are broadcast on international news.

It is encouraging to see that Personal Integrity ratings play more of a role than is suggested by previous studies. This is less surprising considering that cultural variations are less detectable among personal integrity rights. A majority of cultures believe in personal integrity and can more easily agree on their protection. However, based on the results, we can only conclude that IFIs are behind the evolution of international legal principles and are not meeting the expectations of the humanitarian community.
In the end I propose a compromise where the expectations of those groups are moderated in recognition that development banks are first and foremost economic institutions and it would be unrealistic to place them on the front lines in the fight against human rights violations. That is the responsibility of political organizations and NGOs such as the UN and Amnesty International. Yet I would never ignore the secondary, but grave role that needs to be played by International Financial Institutions; a role that I suspect is not being properly taken by development banks.

Notes


6 Donnelly p.32-35 / See Donnelly’s argument for weak cultural relativism.

7 Jochnick p.68-69


9 Jochnick p.64

10 Jochnick p.71


12 Cheru p.15


15 Dreyer & Schotter 1980

References


[40] *Universal Declaration of Human Rights.*