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HUMAN RIGHTS
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Development Finance Institutions and Remedy

One-page brief for policy-makers **November 2025**

Overview

Development Finance Institutions (DFIs) have mandates to support development and "do no harm." However, even well-intentioned efforts with robust safeguards may result in unintentional environmental and social (E&S) harms. Unaddressed, these harms undermine development goals and can leave project-affected communities or workers poorer and worse off. A clear, systematic approach to engaging on remedy can reduce these risks and support development aims.

What is remedy?

Remedy means addressing harms; this can take many forms including, but not limited to 1) restoring affected communities or workers to their original position; 2) rehabilitation; 3) an expression of regret; 4) commitments to non-repetition, such as through changes to policy or practice; and 5) technical, advisory, financial, or non-financial support to address losses.

What action is expected?

Clients have the primary role in remediating harms if and when they occur; in such cases DFIs should enable remedy by using their contractual, financial, and/or relationship leverage if clients are slow or reluctant to take action. In cases where a DFI itself contributed to the harm, it should contribute to the remedy alongside clients.

Why is this good for DFIs? Enabling/contributing to remedy allows a DFI to:

1. **achieve its development mandate**, avoiding negative impacts and contributing to positive impacts.
2. **avoid contributing to or exacerbating conflict**, as unaddressed grievances and perceptions of injustice are well-known contributors to exacerbating violent conflict and state fragility.
3. **enable thoughtful risk-taking required to achieve responsible growth targets**, as project teams and stakeholders will know that there are tools available to address harms that may materialize.
4. **reduce reputational and financial risks**, as quickly remedied harms are far less likely to result in public relations crises (which can impact donor replenishments/capital increases), compared with unremedied harms.
5. **maintain its competitiveness** with private sector financial institutions that have committed themselves to enable and/or contribute to remedy.
6. **reduce already extremely limited legal risks** by addressing harms early and quickly (rather than getting drawn into long-term disputes), which improves cost effectiveness and operational efficiency.

Addressing misconceptions. Enabling/contributing to remedy:

1. **is not the same as or the source of legal liability**.
2. can help to **avoid the already extremely limited risk of legal liability** (note: past plaintiffs have stated that they would not have brought litigation against DFIs had they engaged on remedy).
3. **can take many forms**, depending on what is appropriate in the situation (note: financial compensation will not always be appropriate nor what is requested).
4. **does not mean "writing a blank check,"** as existing DFI practices on remedy demonstrate; remedial actions typically represent a very small percentage of project costs, even in higher risk projects.
5. **would certainly not "bankrupt" the DFI nor negatively impact its credit rating**; credit rating agencies view E&S risk management systems as part of appropriate risk controls.
6. **does not create a moral hazard for clients**; this concern can be addressed through appropriate legal provisions and other use of leverage, and through clarifying the circumstances in which the DFI would and would not directly contribute to remedy.

Summary

DFIs and other financial institutions are increasingly enabling and contributing to remedy, but practice is inconsistent. Having a systematic and transparent approach to enabling and contributing to remedy can help DFIs achieve their development mandates; provide predictability; reduce reputational, financial, and legal risks; maintain competitiveness; and improve cost effectiveness and operational efficiency.