

MCC's Approach on Trafficking in Persons

Trafficking in persons is the crime of using force, fraud, and/or coercion to exploit another person. Human trafficking can take the form of domestic servitude, peonage, forced labor, sexual servitude, bonded labor, and the use of child soldiers. This practice deprives people of their human rights and freedoms, increases global health risks, fuels growing networks of organized crime, and can sustain levels of poverty and impede development. The U.S. Government, led by the Department of State, is committed to making progress against the global crime and human rights abuse known as trafficking in persons (TIP).

The Millennium Challenge Corporation (MCC) is committed to working with partner countries to ensure appropriate steps are taken to prevent, mitigate, and monitor TIP risks in the countries it partners with and projects it funds. MCC's core mission, reducing poverty through economic growth, does not directly address human trafficking. However, MCC investments do aim to enhance economic opportunities and increase incomes, two factors that reduce people's susceptibility to TIP risks.

MCC has adopted an approach that includes incorporating TIP into determining country eligibility for MCC funding, evaluating activities susceptible to TIP during compact development and design, and analyzing TIP as a possible unintended indirect social impact during compact implementation. Furthermore, for those countries and projects at risk for TIP, MCC works with partner country counterparts and other stakeholders to develop appropriate mitigation measures. MCC also incorporates lessons learned and stakeholder input into its compact eligibility, development, and implementation processes to continually refine and strengthen MCC's approach on TIP.

MCC's approach to fighting human trafficking involves:

- ★ Considering TIP issues when making *country eligibility* decisions.
- ★ Addressing TIP issues during *compact design and implementation* as a potential unintended and indirect social impact.
- ★ *Engaging knowledgeable stakeholders, including* the Department of State, other U.S. government agencies, donors, nongovernmental organizations, and contractors, to learn from their experiences and best management practices to refine MCC's approach on TIP.

Consideration of TIP in Country Eligibility

MCC emphasizes the importance of taking measures to address TIP concerns when evaluating a potential partner's policy performance and eligibility for an MCC compact or threshold program. MCC formally integrates the U.S. Department of State's *Trafficking in Persons Report* into its selection process and uses the World Bank's *Rule of Law* indicator, an aggregate indicator that considers human trafficking as one of its factors, as a part of the selection criteria. By law, a country determined by the U.S. State Department to rank in Tier 3 and has had sanctions applied cannot be included on MCC's annual candidate country list. For high-risk TIP countries, MCC's Board of Directors reviews supplemental information on the TIP rankings and TIP-related practices, such as changes to regulations, enforcement and monitoring requirements, and provisions made to protect victims of trafficking.

Addressing TIP in Compact Design and Implementation

MCC's *Policy on Suspension and Termination* governs cases of decline in the TIP rating of a partner country. In the case of such declines, MCC analyzes what triggered the change to determine whether it reflects a significant policy reversal or a pattern of actions inconsistent with MCC's selection criteria. Consistent with its *Policy on Suspension and Termination*, MCC provides warnings to countries that show a pattern of behavior inconsistent with MCC's selection criteria. If such warning letters are not acted upon, MCC may partially or fully suspend or terminate a country's eligibility to continue developing or implementing a compact or threshold program.

Some development investments, including some funded by MCC, could indirectly and unintentionally contribute to adverse social impacts, including human trafficking. Consequently, MCC addresses TIP, along with other potential project-related adverse social and environmental impacts, during program design and implementation. Human trafficking should be prevented where at all possible, *mitigated* if the risk remains, and *monitored* systematically to verify the effectiveness of preventive measures.

Project Design

MCC assesses proposed compact projects to determine which projects could be most susceptible to TIP risks, for example:

- ★ Large-scale construction works that have contractors and workers who may move in and out of areas, may cross or approach regional and international borders, and may contribute to transport of persons vulnerable to TIP offenses.
- ★ Large-scale linear projects such as roads, railroads, and pipelines that may contribute to easier access or transport of potential victims of human trafficking.

- ★ The establishment of worker camps for infrastructure projects in proximity to borders or vulnerable communities that may contribute to a higher risk of trafficking.

For such projects, MCC works with its partner countries to ensure that TIP risks are identified early as part of the integrated environmental and social impact assessment (ESIA) process. ESIA outputs are then used to optimize project design and to define any mitigating and monitoring measures needed during project construction and subsequent operations.

Project Implementation

MCC has modified bidding documents for construction projects to help identify and reduce TIP risks including: raising contractors' awareness; requesting contractors' input on TIP risks; and, where appropriate, requiring contractors to embed TIP prevention and mitigation in their existing management systems, such as quality, health, safety and security systems. Where human trafficking issues are identified in project development, MCC requires a commitment from contractors that they have "zero tolerance" for TIP with workers and sub-contractors and report any suspicion of TIP incidents. During project implementation, MCC's environmental and social assessment staff engages in oversight of and collaboration with the country entity implementing the compact to ensure that potential TIP issues and risks are being appropriately monitored. Specific examples of MCC's focus on TIP in compact development and implementation include:

- ★ In Lesotho, MCC and MCA-Lesotho, the local accountable entity established by the government to implement MCC-funded projects, have modified standard bidding documents to ensure contractors are engaged in addressing TIP concerns during the construction of a dam and other water and sanitation projects throughout the country.
- ★ In Mongolia, MCC and MCA-Mongolia included language for TIP in the technical specifications of the construction bidding documents and management plans associated with the construction of a road in the southern Gobi near the border with China. MCA-Mongolia will also coordinate with nongovernmental organizations to assess TIP risks and mitigation strategies in the region.
- ★ In Namibia, MCC's due diligence analysis, as well as Department of State's 2008 TIP Report, highlighted potential human trafficking around cattle outposts. To address concerns associated with the livestock activity of the compact's agriculture project, Namibia's compact included a requirement that the Government of Namibia conduct a baseline assessment of human trafficking, with a particular focus on identifying any instances of trafficking of children to provide labor at cattle posts. The government has since launched an awareness campaign with a special emphasis on human trafficking and has approved the development and implementation of a national strategy to address trafficking in persons and related issues.