

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

➤ *International Finance Corporation Review*

The International Finance Corporation (IFC), the private lending arm of the World Bank, is in the process of revising its social, environmental, and disclosure policies. These policies are currently the *de facto international standards* for export credit agencies, the Equator Principle banks, and the IFC – touching upon nearly three quarters of all international public and private project finance. The new Performance standards are better integrated than the IFC's predecessor, the safeguards, but groups have individually challenged them on a number of fronts.

The IFC initiated a consultation in October in Washington DC, but groups boycotted the process because they felt that the process was rushed and that key material (full information, translated material) were either not released in sufficient time, or had yet to be released. Groups presented an NGO statement at the meeting outlining concerns about the poor process, and making a number of demands for extending the consultation period. Boycotts in Latin America, Western and Eastern Europe, Asia and Africa have followed along similar lines. In December, Civil Society released a common policy platform outlining a set of clear rules they felt the IFC need to adopt to ensure appropriate due diligence in project review. A revised draft of the new IFC Policies and Performance Standards, and the "Interpretation Notes" that clarify them, are expected sometime in mid-January. There will then be 4-8 weeks to provide comment on the draft before it is finalized and sent to a subcommittee of the World Bank Group's Board of Directors. The IFC still remains adamant to adopt the new standards by July 1 2005.

Additional information

Global Rights Rules and Responsibilities – a civil society response: <http://www.grrr-now.org/>

The IFC review web site with comments by groups: <http://www.ifc.org/ifcext/policyreview>.

Key dates

December 24th – Deadline for comments on the Performance Standards

Mid January – Release of revised standards and interpretation notes

February 7 – Deadline for comments on the Disclosure Policy, revision of draft, 30 additional days

HI Action

Signed on to the policy platform and the comments on human rights and the IFC

➤ *Fourteenth Replenishment of International Development Association (IDA) Resources (IDA 14)*

IDA Deputies (representatives of donor countries) met December 13-14 in Athens, Greece, to finalize the negotiations for the 14th replenishment of IDA resources. This replenishment will cover July 1, 2005 to June 30, 2008. Prior to the meeting, Government of Canada officials said they thought they would likely reach a final agreement, though there continued to be negotiation over the formula for determining grant shares and the actual size of the replenishment. Government officials indicated that Canada wanted to see its percentage share maintained through IDA 14, and to do so was considering increasing its contribution to IDA from 20 to 30 percent.

If approved, IDA 14 looks set to introduce several significant changes to IDA's grant and loan disbursement. The share of IDA funds provided in grant form is expected to increase (relative to IDA 13), and Country Policy and Institutional Assessments (CPIA) will play a central role in determining grant allocation levels for countries, as well as the total disbursements available to countries. CPIAs are annual performance assessments that measure a borrowing country's policy and institutional framework for fostering poverty reduction, sustainable growth and the effective use of development assistance. Many groups, including the Halifax Initiative Coalition, have raised concerns about the influence of CPIAs over grant allocation, and the influence they have on pre-conditioning policy directions and undermining local ownership (including over the PRSP process). The CPIA has also been criticized for its lack of

transparency. Starting in September 2005 CPIA country ratings will become public, but the most critical element (WB staff assessments of country performance, which determine the final rating levels) will not be disclosed to government officials or the public.

Additional information:

IDA 14 Replenishment -

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20168247~menuPK:370069~pagePK:83988~piPK:84004~theSitePK:73154,00.html>

➤ *Free Prior and Informed Consent (FPIC)*

The World Bank has called for comments on its revised Operational Policy on Indigenous Peoples (Draft OP 4.10). The period for comments is open until February 28, 2005. Groups working on the Extractive Industries Review (EIR) may remember that the Government of Canada drew attention to Canada's experiences surrounding extractive industries and "consultation" with Indigenous Peoples in Marcel Massé's, Executive Director to the Bank, statement to the Board on the Management Response to the EIR. The Halifax Initiative has been approached by Government of Canada officials to convene coalition members to provide comments on the draft for "the consideration of the government". This meeting will occur shortly after the new year. A group of coalition members have been discussing these issues and a meeting will be convened early in January to follow-up on these discussion. Please contact Michael Bassett for further information.

Additional information

Operational Policy on Indigenous Peoples -

http://inweb18.worldbank.org/ESSD/sdvext.nsf/63ByDocName/PoliciesRevisedDraftOperationalPolicyonIndigenousPeoplesRevisedDraftOP41_0

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New discussion papers (HI, Members or Associate members) on IFIs and issues:

- Our Environment, Our Rights (FoE International, August 2004, but only just made available on-line)
<http://www.foei.org/publications/link/rights/index.html>

Upcoming IFI-related conferences or meetings

- A civil society strategy meeting on the international financial institutions, 23-26 February 2005, Accra, Ghana. For details: eherat@bicusa.org
- CSM 4TH Annual Conference on Corporate Citizenship: 'Focus on Sustainable Finance & Investment', 17-18 December, Mumbai, India. For details: info@csmworld.org, <http://www.csmworld.org>

Equator Principles...What's that?

The Equator Principles (EP) are voluntary set of guidelines which large commercial banks have adopted and which they apply to project financing to determine, assess and manage environmental and social risk. They use the IFC's screening process for categorizing projects, and benchmark projects against the WB's Pollution Prevention Abatement Handbook and the IFC Safeguard Policies and Standards. They apply to projects with a capital cost over \$50 million (97% of the market). This covers 70% plus of the worlds project finance. 27 banks have now signed on, including RBC and CIBC in Canada. The EP, however, do not cover projects that receive financing through other windows, and their disclosure on project details is very poor. The Collevocchio Declaration is an NGO response to the Principles and is available at www.banktrack.org, a network of groups monitoring developments around the EP.