

## SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

### ► **World Bank Fund Suspension in Chad: Local Implications for AIDS Work**

The Chadian government recently amended their Petroleum Revenue Management Law for the Chad-Cameroon pipeline by removing the 'future generations fund' (10% of direct oil revenues are placed in an account for future use) to be able to access more oil revenues. This was due to a recent change in national priorities in favour national security and territorial administration, away from such issues as health care. The World Bank perceived this change as unacceptable and in January 2006 suspended their \$124 million loan for eight active projects in Chad (See Issue Update Vol. II, N<sup>o</sup>. 1). Three days of talks between the Chadian government and the Bank ensued. The discussions covered Chad's social spending and its critical budget shortfall, as well as the increases in border security to tackle the influx of refugees coming from the Darfur region of Sudan. Despite the changes made by the Chadian government, the Bank has maintained its suspension, and plans "to safeguard the oil revenues intended for poverty reduction programs included in its original agreement with Chad." A way forward is not clear.

What is clear is that this suspension is already having an impact on Chadian society. One pressing concern is Chad's AIDS epidemic. HIV affects 4.8 percent of Chadians, and two-thirds of their AIDS funding is from World Bank loans. The pipeline is not helping. It is attracting many HIV positive sex trade workers from neighbouring areas to the site that may increase the incidence of the disease along the pipeline – something many had predicted. World Bank funds are also responsible for two technical assistance projects that help monitor and assess the health impacts of the spread of HIV/AIDS in Chad. However, these programs and other efforts funded by the Bank may fall short because current resources are expected to run out in May. Even with an immediate agreement between the Bank and the government, there would still be a three month delay before funds for the various programs were replenished. Furthermore, with no foreseeable resolution to the problem, other lenders, such as the German bank, KfW, and the African Development Bank, may follow the Bank's lead and suspend their financial support.

### **Additional Information**

"World Bank, Chad End Initial Talks on Oil Profits":

[http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2006-02-02T062125Z\\_01\\_BAN222938\\_RTRIDST\\_0\\_OZATP-ECONOMY-CHAD-WORLDBANK-20060202.XML](http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2006-02-02T062125Z_01_BAN222938_RTRIDST_0_OZATP-ECONOMY-CHAD-WORLDBANK-20060202.XML)

"CHAD: Worries about AIDS Funding Crunch after World Bank Spat":

<http://www.alertnet.org/thenews/newsdesk/IRIN/2f0fccdd69adbecce0af5f56045b406d.htm>

### ► **NGOs Pressure Newmont's Afaho Gold Mine Project in Ghana**

The International Finance Corporation (IFC) approved \$125 million USD in loans on January 31, 2006, for the controversial Afaho Gold Mine in Ghana. Ghanaian and international NGO's have argued that this approval was preemptive and proper measures have not been taken to assess the environmental and human rights consequences for this project.

With operations set to begin this year, several NGOs have questioned the IFC's capacity to hold Newmont accountable to social and environmental standards. Groups highlighted the fact that funds for the project were approved days after a monitoring report, commissioned by the IFC itself, was released indicating that the Afaho project failed to meet IFC standards on involuntary resettlement. 9500 people have been displaced by this project without any commitment by Newmont to resolve land and resettlement concerns.

Over the years, groups have been paying increased attention to the inadequate oversight procedures of Bank-funded extractive projects, and have been monitoring the projects themselves. In the Newmont case, groups are hoping to maintain pressure on Newmont to meet the IFC's social and environmental standards.

### **Additional Information:**

"Newmont: The Gold Company, News Release Fourth Quarter and 2004 Results":

[http://media.corporate-ir.net/media\\_files/IROL/66/66018/news\\_pdfs/q404ERa.pdf](http://media.corporate-ir.net/media_files/IROL/66/66018/news_pdfs/q404ERa.pdf)

"World Bank Criticized Over Gold Mine Approval: NGOs to Maintain Pressure on IFC and Newmont to Resolve Community Concerns": [http://www.yubanet.com/artman/publish/article\\_31223.shtml](http://www.yubanet.com/artman/publish/article_31223.shtml)

### ► **International Monetary Fund: Time for a Change?**

The IMF has recently received attention from none other than Mervyn King, the governor of the Bank of England. In a recent speech, King said that the IMF needs to have radical structural reforms before it slips into 'obscurity.' He argued that the managing director and the staff should be granted more responsibility for carrying out IMF work, and that IMF management should be able to publish their own views, particularly when addressing "divergences between stated objectives (of countries) and actual policies at the nation level." His comments were targeted at what he sees as excessive and expensive micro-management by the IMF Executive Body, and brought into question the *raison d'être* of the Fund. "The Fund urgently needs to ask what its main purpose is," said King. Without addressing management concerns, he argued that the IMF's role as the international 'bailout' body, will remain 'unclear', 'piecemeal' and 'ineffective.' King argued that the IMF should be a global monitoring institution, and a key aspect of their mandate should include fostering global economic stability and examining the linkages between countries' balance sheets, as well as their exchange rates.

King's speech came as many countries, including Argentina, Brazil, and Indonesia, repaid their loans to the IMF ahead of schedule. These three, together with Turkey, account for over 70% of total outstanding loans. This total amount fell from \$90 billion in April 2004 to \$66 billion by December of that year. With many large loans being repaid earlier than scheduled, and interest payments which the Fund uses to sustain itself, diminishing as a result, many are calling into question the Fund's financial viability.

#### **Additional Information:**

"King Warns IMF Could Face Slide into Obscurity." <http://business.timesonline.co.uk/article/0,,16849-2049722,00.html>

"IMF Foresees Financial Dilemma as Loans Decline."

[http://www.miami.com/mld/miamiherald/business/international/latin\\_america/13511192.htm](http://www.miami.com/mld/miamiherald/business/international/latin_america/13511192.htm)

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#### **New discussion papers (HI Members or Associates, government) on IFI issues:**

- Two new papers from the Dutch Centre for Research on Multinational Corporations (SOMO) address the differences, similarities and gaps between trade, investment and corporate social responsibility (CSR), from the perspective of poverty eradication and sustainable development: "*Trade and the need to apply international CSR standards*", [http://www.somo.nl/html/paginas/pdf/paper\\_trade\\_2005\\_EN.pdf](http://www.somo.nl/html/paginas/pdf/paper_trade_2005_EN.pdf) and "*Investment agreements and CSR*", [http://www.somo.nl/html/paginas/pdf/paper\\_invest\\_2005\\_NL.pdf](http://www.somo.nl/html/paginas/pdf/paper_invest_2005_NL.pdf).
- "Changing Climates', the Role of Renewable Energy in a Carbon-Constrained World" by the global policy network, REN21, uses a range of different 'scenario' analyses to show how national and regional strategies can help to grow the renewable energy sector and reduce greenhouse gas emissions. <http://www.ren21.net/climatechange/default.asp>
- "A Sterling Solution: Implementing a Stamp Duty on Sterling Exchange Transactions to Increase Development Finance" is a powerful report that shows exactly how a tax on sterling foreign exchange transactions can be plumbed into the financial system with the potential to increase UK aid by £1.8 billion each year. <http://www.stampoutpoverty.org/?lid=9889>

#### **Upcoming IFI-Related Conferences or Meetings**

- Governance and the Mining Sector: the Challenge of the Congo, Montreal, March 30 and 31, Groupe de recherche sur les activités minières en Afrique (GRAMA), <http://www.unites.uqam.ca/grama/>

#### **JUST THE FACTS – The Right to Vote: The IMF Way**

The International Monetary Fund (IMF) began in 1945 through the Bretton Woods conferences to create a forum for international economic cooperation. The IMF consists of 184 member countries. Seven countries are not members (Andorra, Cuba, North Korea, Liechtenstein, Nauru, Taiwan and Tuvalu). There are two principle conditions that grant countries the right to vote on key IMF decisions, including policy, structure and development. First, you must be a member country. Second, voter privileges are dependent on the amount a country contributes to the Fund. In other words, the more a country contributes to the 'IMF money pot', the more voting power a country has. According to the IMF website "The voting power of individual IMF members is based on their subscriptions (quotas). The U.S. has about 17% of the total voting power." The U.S. has stated that it will not allow their voting power to fall below 15%, which consequently maintains their right to a veto over all key decisions.