

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

➤ *Halifax Initiative Analysis of Finance Canada Report to Parliament on Bretton Woods institutions*

On the eve of the annual spring meetings of the World Bank (WB) and International Monetary Fund (IMF) in Washington, DC, the Halifax Initiative Coalition (HI) released a new report critical of how the federal government publicly reports to Canadians about its relations with the WB and IMF. The federal government is required, by an act of Parliament, to report to Parliament on the operations of the Bretton Woods institutions (BWI) annually. The government report for 2004 was released on March 22, 2005.

HI analysis reveals that the report to Parliament fails to provide the qualitative and quantitative information necessary to provide Canadians with an adequate picture of Canada's relations with the WB and IMF. As the report is, effectively, the only means by which Parliament and the public are officially informed of Canada's relations with the BWIs, this creates a serious gap in public accountability and awareness.

HI called for significant changes to the report to ensure detailed, analytical and comprehensive information is provided in a transparent and understandable manner with adequate follow-up and continual improvement. The coalition urged Parliament to respond to the annual report through an annual Finance or Foreign Affairs Standing Committee hearing on its contents.

Additional information:

HI's "Analysis of The Report on Operations Under the Bretton Woods and Related Agreements Act 2004" is available at www.halifaxinitiative.org

The Department of Finance Report on Operations Under the Bretton Woods and Related Agreements Act 2004 is available at http://www.fin.gc.ca/toce/2005/bretwd04_e.html

➤ *International Policy Statement released*

The long delayed International Policy Statement (IPS) was released by Prime Minister Martin on April 19. The policy statement "outlines a multi-year strategic approach focused on five interrelated priorities:

1. revitalizing Canada's North American partnership with the United States and Mexico by enhancing security and promoting prosperity;
2. building a more secure world by countering terrorism, stabilizing failed and fragile states, and combatting the proliferation of weapons of mass destruction;
3. increasing domestic and global prosperity by strengthening Canada's competitiveness, enhancing international commercial engagement with key partners, and providing targeted services and support for Canadian businesses;
4. promoting good governance by sharing Canadian expertise to reform global governance and enhance local capacity; and
5. crafting a new flexible diplomacy to deal with global developments."

The BWIs barely feature in the statement that looks at diplomacy, defense, development and commerce. The WB and IMF are directly mentioned in the context of debt relief and indirectly in general statements on the effectiveness and transparency of multilateral organizations in the "Development" section. In all, the lack of attention given to the BWIs is a concern given their impacts on development, the environment and social issues. The document is expected to undergo Parliamentary scrutiny providing an opportunity to address its weaknesses and omissions, though no details on scheduling are currently available.

Additional information:

HI Coalition member CCIC will be releasing an in-depth analysis of the full IPS on-line at www.ccic.ca

➤ *IFC New law in "Consultation" - International Finance Corporation Performance Standards Review*

The International Finance Corporation (IFC), the private sector arm of the WBG, for the past year has been reviewing the standards against which it benchmarks the projects it supports. The changes are significant because export credit agencies (ECAs) and the Equator Principle (EP) banks [See Update 12, Dec 2004], representing more than 75% of global project finance, use the standards to screen projects.

The Performance Standards (PS), and accompanying Interpretation Notes, lay out how the IFC will address issues of Social and Environmental Assessment and Management, Pollution Prevention, Community Health, Involuntary Resettlement, Indigenous Peoples and Cultural Heritage. From the start, civil society has highlighted the flawed consultation process, noting the late and insufficient disclosure of key documents, the discretionary nature of the new standards, and the weak language and content.

The final consultation in mid April was indicative of this poor process. The IFC provided no update on the initial draft. It claimed that the increased level of discretion that the standards allow will be balanced by greater transparency and accountability – although did little to articulate how. The content is also substantially weakened. A new loophole will allow the IFC to fund projects that don't enjoy "broad community support" (a term they are narrowly defining) if such projects are deemed to be of "strategic importance". This, along with the scant reference to human rights, has been dumped into the IFC Policy Overview, separate from the individual Performance Standards. As it stands, the current draft allows EP banks and ECAs to pick and choose among the standards, and avoid the more contentious issues.

The PS Review was the winner of the 2004 'Award for Most Flawed Consultation Process', presented by the Coalition for Global Rights, Rules and Responsibilities.

Additional Information:

Information on the Policy Review: <http://www.ifc.org/ifcext/policyreview.nsf>

Summary of the April consultation: <http://www.brettonwoodsproject.org/IFCconsultationspring05>

* * *

HI ACTION - TELL PAUL to act NOW to secure 100% Cancellation for the Poorest Countries.

In April, Finance Ministers once again failed to reach an agreement to cancel 100% of the debts of the poorest countries. The deal is now in the hands of the leaders as they move toward the G8 Summit in Gleneagles Scotland on July 8th. Canadians can demand a better deal by telling Prime Minister Paul Martin that you want Canada and the G8 to go beyond suspending debt service payments until 2015 and cancel these illegitimate debts. **Full and unconditional cancellation for the poorest countries is what is needed, not just temporary relief.** The Halifax Initiative and the Make Poverty History Campaign have joined together to ask Canadians to **call or write Prime Minister Martin and tell him that World Bank and IMF debts held by the poorest countries must be fully canceled without conditions.**

Call the PM at (613) 992-421, or send him a letter (no postage needed) at
Rt. Hon. Paul Martin, M.P., P.C., House of Commons, Ottawa, ON K1A 0A6.
A Backgrounder is at www.makepovertyhistory.ca

JUST THE FACTS – Bank Slow to Change on Approach to Extractive Industries

Last September, World Bank Group (WBG) Management came out with their response to the Extractive Industries Review (EIR) – a two year review of the Bank's involvement in oil, gas and mining. While many of the EIR's key recommendations were rejected, Bank Management committed to following up in a number of areas. Six months later, and implementation of even these commitments is weak.

- Management recommendations are being treated as voluntary, are not being applied systematically, and are dependent on client capacity.
- The Bank's poverty indicators – to flag the benefits communities derive from projects - only provide a superficial sense of how EI projects are alleviating poverty, highlight the positive benefits of a project, rather than any negative impacts, and are the client's responsibility.
- "Free prior and informed consultation" for indigenous groups on projects is now "broad community support" and is being treated (and dropped) by the IFC in its PS review (see details above).
- Companies are still only *encouraged* to make revenue management systems transparent.
- A small multidisciplinary Extractives Advisory Group meet once a year for a day to review issues.
- The first Annual Progress Report on implementation of EIR Management recommendations is due in early January, and will only be available to the public following final Board approval.

EIR Report – Executive Summary : <http://siteresources.worldbank.org/INTOGMC/214578-1101938075886/20307491/execsummaryenglish.pdf>;

Bank Management Response – Executive Summary: <http://siteresources.worldbank.org/INTOGMC/resources/finaieirmanagementresponseexecsum.pdf>