

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

► ***Spring Meetings at the World Bank and International Monetary Fund – Some Highlights***
Reform of The International Monetary Fund (IMF) – As the IMF staggers through a budgetary and identity crisis (Issue Update 2, 2006), the IMF's financial committee agreed to a number of changes to both IMF governance and its role. On governance, the Committee proposed reapportioning great voting power to fast-growing economies, such as South Korea, China, Mexico and Turkey, to reflect its place in the global economy. In terms of its role, it proposed the Fund look at how to be more effective in tackling spillover effects from individual country's economic policies, by monitoring the impacts on the global economy of such issues as the US trade deficit, trade surpluses in Asia, and China's pegging its currency to the dollar.

Clean Investment Framework – The World Bank (WB) discussed the controversial clean energy investment framework that proposes instruments to accelerate investment in "clean, sustainable, cost effective and efficient energy".

Anti-Corruption agenda – WB President Paul Wolfowitz has been given a mandate to develop a mandate and clear guidelines to tackle corruption. For the past year, civil society has criticized him for being overly selective in his attacks (for example, suspending support for projects in India, Republic of Congo, Uzbekistan and Chad, but not scrutinizing projects in Iraq), for paying more attention to the public, over the private, sector, and for failing to propose concrete suggestions.

New HIPC countries – The Central African Republic, Comoros, Côte d'Ivoire, Eritrea, Haiti, Kyrgyz Republic, Liberia, Nepal, Somalia, Sudan and Togo – eleven countries in all – were deemed eligible for Heavily Indebted Poor Country Initiative (HIPC) debt cancellation if they follow WB and IMF directives.

In his statement at the meetings, Canadian Minister of Finance, James Flaherty, emphasized strengthening WB and IMF governance and accountability, and the need for developed countries to "increase aid effectiveness and to ensure that aid is delivered in ways that support strengthening developing countries' governance structures" and bring a "commensurate increase in poverty reduction".

Additional Information

Spring meeting highlights: [http://www.brettonwoodsproject.org/article.shtml?cmd\[126\]=x-126-535552](http://www.brettonwoodsproject.org/article.shtml?cmd[126]=x-126-535552)
Minister Flaherty's statement to the WB and IMF: http://www.fin.gc.ca/news06/06-007_1e.html

► ***Bank funding on hold as pulp mills spark conflict between Argentina and Uruguay***

Deep diplomatic tension between Argentina and Uruguay has led the International Finance Corporation (IFC) of the World Bank to withhold \$400 million in support for a pulp and paper project on the Uruguayan-Argentine border, pending an investigation into the project's environmental impacts. The private Dutch bank, ING Group, had earlier withdrawn US\$480 million for the \$1.8 billion project. The two eucalyptus cellulose factories are to be built by ENCE, a Spanish company, and Botnia, a Finnish company, near Fray Bentos, on the Uruguay side of a river that divides the two Latin American countries.

Environmentalists and local authorities are both worried about the risk of pollution posed by the plants and the potential impact on tourism and fishing. In light of this, last fall the Centre for Human Rights and Environment (CEDHA) filed two complaints against the project –one to the Compliance Advisor Ombudsman regarding the IFC's potential involvement, and the other to the Inter-American Commission on Human Rights (IACHR) against the government of Uruguay. The complaints cite violations to a number of social and environmental rights, including the following: to IFC's social and environmental safeguard policies, in particular on international waterways; to the rights of stakeholders to participate, to access to information, to development, to health and a healthy environment, and to water; and to various violations of the 1975 Uruguay River Treaty.

CEDHA has also filed a specific instance complaint to the Organization for Economic Cooperation and

Development (OECD) and its Guidelines on Multinational Enterprises, naming Finnish export credit agency Finnvera who is supporting the project. The Spanish ECA is also looking to support the project.

The appearance of a World Bank project in a human rights tribunal, is unique and is drawing the attention of many observers who are curious to see how this international legal mechanism fares for IFI-financed problems.

Additional Information:

OECD Complaint: "OECD Guidelines Specific Instance: Regarding Pulp Paper Mill Investment in Fray Bentos Uruguay by Botnia S.A.": http://www.cedha.org.ar/en/initiatives/paper_pulp_mills/oecd-specific-instance-botnia-eng.pdf

"Using Human Rights Tribunal to Force Bank Compliance: Uruguayan Paper Mill: Comment by Jorge Daniel Taillant." [http://www.brettonwoodsproject.org/article.shtml?cmd\[126\]=x-126-507742](http://www.brettonwoodsproject.org/article.shtml?cmd[126]=x-126-507742)

"Protesters Resume Roadblock in Pulp Mill Conflict": <http://www.ipsnews.net/news.asp?idnews=32786>

No CANDU - New funding sought for Cernavoda III

The Atomic Energy of Canada Limited (AECL) is currently building the only CANDU reactor in Europe, the Cernavoda II Nuclear Power Station in Romania, having received a \$300 million plus loan guarantee from Export Development Canada to support the operation. Now, before Cernavoda II is even complete, a third reactor is being planned for construction. Although, AECL is one of six companies pre-selected and approved to participate in the project, the Romanian Ministry of Economy and Commerce is now looking for more companies to invest in the US\$1 billion project. The closing date of letters of intent is October 25, 2006. (For more info: http://www.daily-news.ro/article_detail.php?idarticle=25214)

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New Discussion Papers (HI Members or Associates, Government) on IFI Issues:

- "Fighting for Alternatives: Cases of Successful Trade Union Resistance to the Policies of the IMF and World Bank", was recently released by the International Confederation of Free Trade Unions (ICFTU). This paper examines six cases where labour unions and their partners in Latin America, Europe, Africa and Asia have won important victories over the private interests that depend on IFI loans. <http://www.icftu.org/displaydocument.asp?Index=991223658&Language=EN>

Upcoming IFI-related conferences or meetings

- "Advocacy Justice Camp: Seeking Justice, Engaging the Powers", Promoted by KAIROS, Hosted by the Anglican Diocese of Ottawa, Ottawa, May 8-13, 2006. www.justicecamp.org

JUST THE FACTS –Roundtables on the Canadian Extractive Sector in Developing Countries

In June 2005, the Parliamentary Standing Committee on Foreign Affairs and International Trade (SCFAIT) tabled a landmark report on *Mining in Developing Countries and Corporate Social Responsibility (CSR)*. The report recommends that the Canadian government move from its current voluntary approach to CSR towards implementing policies that condition public assistance for Canadian companies on compliance with international human rights and environmental standards. The report also identifies the need for binding legislation that holds companies accountable for their actions overseas.

The Government's October response to the SCFAIT report was highly disappointing (see Issue Update 10, 2005). However, it did commit to a series of public roundtables to foster discussion and analysis on the issues in the report, and to develop a set of clear recommendations for action by government, industry and civil society to improve the Canadian extractive sector's CSR performance abroad.

The first roundtable will take place in **Vancouver**, tentatively on **June 14-15**. It will discuss the appropriate set of standards against which the extractive industries sector should be held accountable for their activities abroad. The remaining roundtables are scheduled to take place from September to December in **Calgary, Toronto, Montreal** and **Ottawa**. Halifax Initiative is on the Advisory Committee for the Roundtables.

Getting involved

To receive updates on the roundtables or to inform us about activities planned for your community, contact Andrea Botto, Canadian Network on Corporate Accountability, cncanet@halifaxinitiative.org, (613) 789-9368.