

## SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

### ➤ *Leaked Review Slams World Bank over Canadian Mine*

A leaked internal audit assessing the World Bank's involvement in a controversial Canadian gold mine in Guatemala has exposed glaring deficiencies in the due diligence undertaken by the International Finance Corporation (IFC), the Bank's private sector lending arm, prior to approving a \$45 million loan for the mine.

Glamis Gold's Marlin mine in the Western Highlands of Guatemala has been plagued with controversy since the outset (See Issue Update 1 Jan 05). In March, the internal auditor, the Compliance Advisory Ombudsman (CAO), began an investigation after receiving complaints from Guatemalan citizens.

Among other things, the CAO accuses the IFC of failing to enforce its own social and environmental policies, and neglecting to guarantee that adequate, timely and informed consultations were carried out with local populations. According to the CAO, the IFC's failure to adopt a policy regarding human rights and the use of security forces at project sites contributed to rising tensions in the region. The CAO blames the IFC for not addressing the project's potential impact on human rights and failing to adopt measures to mitigate this risk.

The CAO also reveals that Glamis failed to deliver IFC-required studies and management plans on time. Two plans, concerning tailings dam operation and emergency response, have never been submitted. According to the Ombudsman report, Glamis also does not "appear to be committed to working proactively with the local population to build a clear understanding of the appropriate protocols for the dissemination of information and consultation." The CAO advises Glamis to undertake focused, culturally-appropriate consultations with all directly-affected communities.

In June, the Parliamentary Standing Committee on Foreign Affairs and International Trade adopted a report on mining and human rights. The report recommends that Canada work with like-minded countries to apply international human rights standards to the World Bank (see Issue Update 6 June 05).

### **Additional Information:**

Analysis of the draft leaked CAO report done by Friends of the Earth Canada, MiningWatch, and the Halifax Initiative: <http://www.halifaxinitiative.org/index.php/Home/632>

Compliance Advisor Ombudsman: <http://www.cao-ombudsman.org/>

Halifax Initiative will be releasing a case study on the Marlin mine project in September

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### ➤ *G8 Debt Proposal Goes to World Bank and IMF Boards September 23-25*

The G8 Debt Proposal goes to the Board of Directors of the World Bank and International Monetary Fund (IMF) for formal approval at the Annual meetings of the institutions September 23-25. In our analysis of the deal, the Halifax Initiative Coalition has called for the Government of Canada to:

- EXTEND the agreement for 100% cancellation of the debts owed to multilateral financial institutions to all impoverished countries that need debt cancellation in order to meet the Millennium Development Goals. It should champion the "equity of treatment" principle and call for the additional use of the World Bank's and IMF's internal resources as well as other innovative mechanisms such as coordinated taxes of international financial transactions, arms sales, aviation fuel or airline tickets.
- ENSURE that countries are free to implement their own national development strategies by ending IMF and World Bank Structural Adjustment Programs;
- GUARANTEE adequate financing for impoverished countries including through the dedication of 0.7% of Gross National Income to Official Development Assistance.

### **Additional Information**

KAIROS and HI analysis of the G8 Debt Proposal:

[http://www.halifaxinitiative.org/updir/Analysis\\_of\\_June\\_11\\_Formatted.pdf](http://www.halifaxinitiative.org/updir/Analysis_of_June_11_Formatted.pdf)

➤ [World Bank and IMF Conditionality Reviews Set to Fail Government Action Urged](#)

The World Bank and IMF look set to once again fail to deal with the consequences of the impacts of the conditions they attach to loans, grants and programming in poor countries. The Boards of the institutions directed them to “to review its own policy and practice on conditionality” and report on the findings in September 2005. The institutions continue to ignore the recommendations of the Structural Adjustment Participatory Review Initiative (SAPRI), a three year process which contained clear recommendations on the need for drastic reform of World Bank and IMF conditionality policies.

**Additional Information**

The SAPRI report and recommendations can be found <http://www.saprin.org/>

Eurodad analysis of WB conditionality review documents:

[http://www.eurodad.org/uploadstore/cms/docs/Microsoft\\_Word\\_Eurodad\\_Policy\\_Briefing\\_on\\_World\\_Bank\\_Conditionality\\_Review.pdf](http://www.eurodad.org/uploadstore/cms/docs/Microsoft_Word_Eurodad_Policy_Briefing_on_World_Bank_Conditionality_Review.pdf)

Links to WB and IMF review docs (Issue Update 7 July 05) <http://www.halifaxinitiative.org/index.php/Home/630>

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

- *Civil Society Guide to IFI Policy Review* – Several international financial institutions (IFIs) are currently reviewing policies on such issues as transparency, environment, energy, accountability mechanisms, indigenous people, and more. This on-line tool allows groups to determine when the different international financial institutions, including regional development banks, are reviewing their specific policies, and provides information on the review process and access to key documents, analysis, and dates. On-line at [http://www.bicusa.org/bicusa/issues/misc\\_resources/2107.php](http://www.bicusa.org/bicusa/issues/misc_resources/2107.php)
- *HI Briefing Note: Poverty Reduction Strategy Papers* - To receive debt reduction through the World Bank and IMF, low-income countries must prepare a Poverty Reduction Strategy Paper (PRSP) to show how money freed up from debt servicing will be used to alleviate poverty. As of May 2005, 24 countries under the Heavily Indebted Poor Countries (HIPC) initiative have produced PRSPs as a condition of debt relief. Experiences from Asia, Africa and Latin America, however, indicate that country governments have little control over the structure, content and policy prescriptions in their respective PRSPs, thus making a mockery of the idea that PRSPs enjoy national ownership, public accountability and broad-based participation. Full text at [www.halifaxinitiative.org/index.php/Home/631](http://www.halifaxinitiative.org/index.php/Home/631)

**Upcoming IFI-related conferences or meetings**

- *White Band Day*, worldwide, September 10, Canada (see [www.makepovertyhistory.ca](http://www.makepovertyhistory.ca) for more info)
- *UN General Assembly Special Summit*, including a High Level Meeting on the Millennium Declaration, the MDGs, and Challenges and Change in the UN system, September 14-16, New York City.
- *World Bank and International Monetary Fund Fall Meetings*, September 23 – 25, Washington DC.

**JUST THE FACTS – The Compliance Advisor Ombudsman (CAO) – What is it?**

Created in 1999 by former World Bank President James Wolfensohn, the CAO was established to address the environmental and social performance of the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), provide recommendations of ways in which IFC and MIGA can improve their social and environmental due diligence, and provide a mechanism through which people affected by IFC and MIGA -funded projects can raise concerns.

The CAO plays three roles. In its compliance role, the CAO may audit the institutions’ social and environmental performance to ensure adherence to various policies and procedures. In its advisory role, it provides independent advice to the President and senior management of IFC and MIGA on individual projects and/or broader policy, procedural, and strategic issues. As an Ombudsman, it seeks to resolve the concerns of persons, communities or other parties affected by IFC or MIGA -funded projects. It reports directly to the President of the World Bank, by-passing Bank Management and the Board of Directors.

While the CAO is currently the only public accountability mechanism available to citizens affected by the Bank-funded private sector projects, there is no consensus among civil society as to whether the office has been helpful in resolving problems associated with bank-funded projects or not.

CAO website: <http://www.cao-ombudsman.org/>

Additional info: [http://www.bicusa.org/bicusa/issues/ifc\\_compliance\\_advisorombudsman/index.php](http://www.bicusa.org/bicusa/issues/ifc_compliance_advisorombudsman/index.php)