

## Issue update

### *Selected Issues on International Financial Institutions*

Volume II, Number 11, – November 30, 2006.

## Groundswell of Interest in Canadian Overseas Extractive Operations

This month the Government of Canada's final roundtable on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries was held in Montreal (see April 2006, Issue update). In order to accommodate public demand, more time was dedicated to public sessions in the November roundtable than in any of the previous consultations. Roundtable participants heard diverse perspectives from an impressive range of stakeholders. An Indonesian speaker described how her community is affected by the operations of a Canadian mining company. John Ruggie, the Special Representative of the Secretary-General on business and human rights also addressed roundtable participants.

The closed door "expert" sessions of the roundtable included discussions on the important issue of host government capacity to regulate the activities of Canadian extractive companies in their territories. Participants explored how the policies, programs and lending practices of the multilateral development banks affect the governance capacity of Southern governments. Experts also discussed the degree to which Canadian bilateral aid, trade and lending policies affect governance capacity. Finally, a number of policy proposals were debated seeking to enhance governance capacity in host countries, through both bilateral and multilateral avenues.

A final report from the roundtables, including a series of recommendations for the Government of Canada, will be released in the New Year.

Canadian Network on Corporate Accountability  
[http://www.halifaxinitiative.org/index.php/Issues\\_CNCA](http://www.halifaxinitiative.org/index.php/Issues_CNCA)

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## New map highlights problematic Canadian mining projects

The Canadian mining industry portrays itself as a responsible corporate citizen and frequently characterizes those mining companies whose overseas operations are socially and environmentally destructive as “a few bad apples.” But a new map produced by members of the Halifax Initiative Coalition that highlights 23 Canadian mining projects around the world seeks to debunk this myth. Developed to coincide with the National Roundtables on Extractive Industries (see above), the map is intended to draw attention to the fact that many mining projects, including those associated with environmental and social problems, are supported by the Government of Canada. The map will also be utilized to raise awareness about the impacts of Canadian mining operations in developing countries and the need for binding regulatory instruments to govern those operations.

Canadian Mining Map

<http://www.halifaxinitiative.org/miningmap>

## China in Africa - altruist, opportunist or realist?

At the November Forum on China-Africa Cooperation (FOCAC) China unveiled a massive new aid, trade and investment package for Africa. The package doubles current aid to the region by 2009, provides a further \$5 billion in preferential loans and export credits, establishes a \$5 billion China-Africa development fund to promote private investment and cancels all bi-lateral debt incurred as of 2005 for all African Heavily Indebted Poor Countries and Least Developed Countries, among other initiatives.

The move has ruffled the feathers of World Bank President Paul Wolfowitz, as China refuses to attach any of the conditions typically associated with Bank loans to its initiatives. Wolfowitz claims that this will undermine the Bank’s efforts in the region to fight corruption, promote transparent accounting, and protect workers and the environment. The Bank president is also concerned that China’s plan may lead to a future debt crisis for the continent, just after the Bank negotiated a debt relief deal for many African countries. Wolfowitz is also likely worried by the Bank’s dwindling influence in the region. China’s investments in just a few African countries already far surpass the Bank’s investments in the whole region.

China’s plan also worries environmentalists and human rights advocates. Proposed investments will focus on large scale infrastructure and oil, gas and mining projects, and will be made in countries with questionable human rights records, such as Sudan and Angola.

China to surpass World Bank as Top Lender to Africa

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=145426](http://www.financialexpress.com/fe_full_story.php?content_id=145426)

China: Doubles aid and investment to Africa

<http://www.twinside.org.sg/title2/finance/twninfofinance010.htm>

## Notice Board

- ☞ Samy Watson begins his tenure as **new Canadian Executive Director to the World Bank**, replacing Marcel Massé. Mr. Watson was Deputy Minister of Agriculture for four years, then Deputy Minister of the Environment under Stéphane Dion, and briefly worked as Special Advisor to the Privy Council office.
- ☞ The UN General Assembly has agreed to hold a **Follow-up International Conference on Financing for Development** in Doha, Qatar in the second half of 2008. The preparatory process will commence in 2007. <http://www.un.org/esa/ffd>
- ☞ The **IMF lost another client** in November when Uruguay announced it would repay its entire \$1.08 billion debt ahead of schedule. The Uruguayan Finance Minister has publicly said that this early repayment will end IMF economic conditionality in Uruguay.
- ☞ Governors of the Inter-American Development Bank (**IDB**) agreed on November 17 to **extend debt relief** to the five Highly Indebted Poor Countries (HIPC) of the Americas, **Bolivia, Guyana, Haiti, Honduras and Nicaragua**. Modalities and amounts for the deal will be determined in the new year.
- ☞ On November 21, the **World Bank's board approved** \$520 million in loans and insurance for a **controversial Uruguayan pulp mill** (*Issue Update* April 30, 2006), despite a letter from Argentina's President to Paul Wolfowitz, requesting that the decision be delayed until after the International Court of Justice has ruled on a case brought by Argentina against the project. The Bank has deemed that the project poses no risk to either the environment or local inhabitants.  
<http://www.alertnet.org/thenews/newsdesk/N09586278.htm>
- ☞ The World Bank Group's Multilateral Investment Guarantee Agency (**MIGA**) launched **two new websites**. The Political Risk Insurance Center (<http://www.pri-center.com/>) provides information on mitigating the political or noncommercial risks associated with investing in developing countries. The second site, <http://www.fdi.net/>, offers on-demand country analysis and information on all things related to foreign direct investment in 175 countries.

### New Publications

- "*Trade, Aid and Security: An agenda for Peace and Development.*" IISD and IUCN (forthcoming). With a foreword by former Canadian Minister of Foreign Affairs, Lloyd Axworthy, this book looks at how the exploitation of natural resources can contribute to violent conflict at the sub-state and international levels, and at the role that aid and trade policies play in exacerbating or minimizing the potential for conflict.  
<http://www.iisd.org/security/tas/>
- "*Flying Low: The UK Export Credit Guarantee Department and Climate Change.*" WWF. This report contrasts the UK Export and Credit Guarantee Department's (ECGD) approach to climate change with those of other UK government departments - and finds significant incoherence. [http://www.wwf.org.uk/news/n\\_0000003178.asp](http://www.wwf.org.uk/news/n_0000003178.asp)

### Upcoming Events

- 2006 John Humphrey Freedom Award, honouring Ms. Su Su Nway of Burma, December 6, Canadian Museum of Civilization, Ottawa.

### Governance, the World Bank and the Extractive Industries

The World Bank Extractive Industries Review (EIR) (see June 2006 Issue Brief) placed high priority on the issue of host government capacity and carefully considered the relationship between governance and the developmental outcomes of extractive investments. The EIR final report, *Striking a Better Balance*, argues that investment in oil, gas and mining is unlikely to contribute to poverty reduction in countries with weak governance.

The EIR notes that “[t]he Operations Evaluation Department (OED) [of the World Bank Group (WBG)] found that during 1990-99 there was a negative relationship between extractive industry dependence and economic growth for all WBG borrower countries. In relation to the Millennium Development Goals endorsed by the international community in September 2000, countries that depend on extractive industries for exports are likely to achieve only reduced child malnutrition; the other goals, most notably increasing access to clean water and reducing child mortality, maternal mortality, and HIV/AIDS are less likely to be achieved.”

The EIR concludes that “[t]he key difference between resource-rich states that do well and those that do poorly is the quality of government institutions and government policies. When governments are not corrupt, act decisively to prevent currency overvaluation, enact countercyclical policies, manage windfall revenues properly, and promote the needs of the poor, the revenues from the development of oil, gas, and mineral resources can contribute to poverty alleviation.”

World Bank Extractive Industries Review: *Striking a Better Balance*. December 2003.  
[http://iris36.worldbank.org/domdoc/PRD/Other/PRDDContainer.nsf/All+Documents/85256D240074B56385256FF6006843AB/\\$File/volume1english.pdf](http://iris36.worldbank.org/domdoc/PRD/Other/PRDDContainer.nsf/All+Documents/85256D240074B56385256FF6006843AB/$File/volume1english.pdf)