

Issue update

Selected Issues on International Financial Institutions

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MPs, CSOs demand government response to Consensus Report on Extractives

Earlier editions of this publication reported on the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries (See IU Vol. 1, N° 10; Vol. II, N°s 6, 9, 11; Vol. III, N°s 3 and 6). The cross-country consultation process was a constructive, multi-stakeholder dialogue on the overseas operations of Canadian oil, gas and mining companies. Remarkably, it culminated with the release of a consensus-based action plan for the Canadian government to improve the accountability of Canadian extractive companies overseas. The plan, which is outlined in the Advisory Group Final Report, was endorsed by participating representatives from industry, civil society and academia. That was in March. Eight months later, there is still no response from the federal government.

On November 23, the Canadian Network on Corporate Accountability (CNCA) released a public statement demanding that the government promptly respond to the Final Report. The CNCA also expressed concern regarding communications made to the government by some industry organizations advising against the adoption of key recommendations in the Final Report.

On Parliament Hill, the NDP introduced motions in the Natural Resources, Foreign Affairs, International Trade and Industry Committees also calling on the government to adopt the recommendations and to report to Parliament on its plans for their implementation.

CNCA Statement on lack of government response

http://www.halifaxinitiative.org/updir/CNCA_statement_Nov-final.doc

Advisory Group Report

<http://geo.international.gc.ca/cip-pic/library/Advisory%20Group%20Report%20-%20March%202007.pdf>

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Canada and the Congolese El Dorado

In April, the Government of the Democratic Republic of Congo struck a commission to review over 60 lucrative mining contracts signed between mining companies and the pre-election, transitional government. The contracts, several of which are held by Canadian companies, have been criticized as being grossly unfair. According to information reported in the international press, the commission recently finished its study. This month, international NGOs demanded the immediate publication of the commission's final report. The groups called on the Congolese government to identify the measures that it will take to follow the commission's recommendations, as well as the rules that will govern the renegotiation of mining contracts. Despite announcing its participation in the Extractive Industries Transparency Initiative earlier this year, the Canadian government has failed to voice its support for the Congolese government's efforts to promote transparency and good governance in the mining sector. Moreover, Export Development Canada has signaled its interest in backing one of the most controversial projects under review, Tenke Fungurume.

International Appeal for the Publication of the Final Report of the Ministerial Commission on the Review of Mining Contracts in the DRC, http://www.halifaxinitiative.org/index.php/PR_HI/1064

Debt relief finally for Liberia

In October, Liberia's President Ellen Johnson Sirleaf met with officials in Washington to argue that her country had met the pre-conditions to be eligible for initial debt relief and entry into the Heavily Indebted Poor Country (HIPC) initiative ('decision point'). Finally, in November, eighteen months after Liberia had reached decision point, the IMF announced that it had secured US\$842 million in pledges from member countries and from its own reserves to cover arrears owed to the Fund by Liberia. The announcement means essential debt relief for the country. But it also means the beginning of a three-year process of implementing further IMF-imposed reforms to graduate from HIPC and become eligible for full debt cancellation. As per the terms of the Multilateral Debt Relief Initiative (MDRI) agreed upon at Gleneagles in 2005, once it has done this, Liberia will see the cancellation of \$458 million in debts to the World Bank, \$772 million to the IMF and \$233 million to the African Development Fund.

IMF cancels Liberia's debt
<http://www.bicusa.org/en/Article.3568.aspx>

Canada set to join controversial investment dispute body

This month, the Standing Committee on Foreign Affairs and International Development (SCFAID) briefly debated Bill C-9, an act to implement the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. The Committee proposed no amendments to the act. Once voted on in Parliament, the Act provides for membership in the International Centre for Settlement of Investment Disputes (ICSID). At that time, Canada will become ICSID's 144th member. ICSID is the World Bank's international arbitration tribunal and rules on cases against governments brought by foreign investors (See JUST THE FACTS for more). Canada signed the Convention on December 16, 2006.

Notice Board - This month...

- ☞ For the first time ever, the IMF posted the terms of appointment of the Fund's new and 10th Managing Director, Dominique Strauss-Kahn. Among other things, the terms lay out the Director's responsibilities per the IMF's articles of agreement; set out provisions to avoid conflict of interest; and stipulate the Director's salary (US\$420,930), allowance (\$75,350), travel per diems, and his pension, disability and holiday allowances. Previously the Fund only disclosed the Managing Director's salary in its Annual Report.
- ☞ Citing frustrations with the consultations held by the Export Credit Group (ECG) of the Organization for Economic Cooperation and Development (OECD), in particular with ECG members' reticence to engage in a substantive exchange of views with civil society participants, the latter walked out of the November annual consultation. In a letter to the ECG, civil society organizations - among them HI - cited the need for greater transparency, a more formal and public peer review process to monitor individual ECA practice, and improved meaningful consultation as a condition to their renewed participation in consultations. http://www.halifaxinitiative.org/index.php/pr_hi/OECD__walkout
- ☞ On December 10, the Bank of the South will be formally launched (see IU June 2007). At a Peoples' Summit in November, which ran parallel to the Ibero-American Summit of Heads of State, Jubilee South/Americas published an open letter to the heads of the nine founding countries highlighting expectations and concerns regarding the Bank. http://www.jubileesouth.org/index.php?option=com_content&task=view&id=173&Itemid=2
- ☞ The World Bank's Executive Directors vetoed a new \$232 million loan to a road building project in the Philippines that Bank investigators had previously confirmed was the subject of bid-rigging. Bank staff failed to address these issues in the re-design of the project.

New Publications

- "Untying the Knots - How the World Bank is failing to deliver real change on conditionality", Eurodad, November 2007. This report criticizes the World Bank's "very limited progress" on curbing economic policy conditions, such as privatization and liberalization. <http://www.eurodad.org/whatsnew/reports.aspx?id=1804>
- As an all-party Parliamentary Group for Debt, Aid and Trade called on the British government to impose a 0.005% levy on pound sterling currency transactions, HI announced new FAQ sections on "*Financing for Development*" and "*The Leading Group on Solidarity Levies for Development*", http://www.halifaxinitiative.org/index.php/FAQs_FfD and http://www.halifaxinitiative.org/index.php/FAQs_Leading_Group

Upcoming Events

- Equator Principles Banks and CSO meeting, Amsterdam, December 4.
- Final meeting of International Development Association Deputies on IDA's 15th replenishment, Berlin, December 13 and 14.

ICSID 101 - The World Bank's Investment Tribunal

The International Centre for Settlement of Investment Disputes (ICSID) is the World Bank forum for the arbitration of international investment disputes between private investors and governments. The Centre is perhaps the least known entity of the World Bank Group.

ICSID was established in 1966 when the *Convention on the Settlement of Investment Disputes between States and Nationals of Other States* came into force. ICSID was created primarily to encourage long term investment in developing countries. The rationale was that companies would be more inclined to invest in the global South if an international institution were created to mediate potential disputes.

ICSID's Administrative Council, which meets each year in the fall around the time of the World Bank and International Monetary Fund's Annual Meetings, acts as its governing authority. The Council, which is chaired by the President of the World Bank, includes a member from each state that has ratified the Convention. There is a secretariat and the World Bank General Counsel, Ana Palacio, acts as its Secretary General.

Both ICSID and the international trade / investment regime that it enforces have received harsh criticism from a number of sectors. Civil society has long argued that the unprecedented powers afforded to multinational companies through bilateral investment treaties and free trade agreements severely hamstring the ability of sovereign governments to protect the human rights and environments of their citizens.

A report released this year by two Washington-based NGOs identifies a number of controversial investor-state cases brought before ICSID including the now-infamous case challenging South Africa's affirmative action policies.

In April of this year, Nicaragua, Bolivia and Venezuela expressed their intent to withdraw from ICSID citing, "the legal, media and diplomatic pressure of some multinationals that ... resist the sovereign rulings of countries, making threats and initiating suits in international arbitration." In May, Bolivia made good on its promise to leave by filing a notice of denunciation. This came into effect six months later on November 3, 2007.

International Centre for Settlement of Investment Disputes

<http://icsid.worldbank.org/ICSID/Index.jsp> and <http://www.worldbank.org/icsid/index.html>

Challenging Corporate Investor Rule

<http://www.ips-dc.org/reports/070430-challengingcorporateinvestorrule.pdf>