

Issue update

Selected Issues on International Financial Institutions

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UN Special Representative explores human rights obligations of financial institutions

There is growing consensus that human rights rank high among the pressing challenges that face both the private sector and its financiers. On February 16, the UN Secretary General's Special Representative on Human Rights and Transnational Corporations, John Ruggie, and the Office of the High Commissioner for Human Rights convened a consultation on human rights and the financial sector in Geneva. The meeting included representatives from a number of export credit agencies (ECAs), the World Bank's International Finance Corporation, several Equator Principle banks, academia and civil society.

The Halifax Initiative was invited to speak at the meeting on the human rights obligations of public financial institutions, including ECAs and international financial institutions (IFIs). The Bank Information Center submitted an analysis of the human rights obligations to Dr. Ruggie and BankTrack presented its paper on the human rights obligations of private sector banks.

While last year's interim report was seen by many as the death knell of the UN Norms for Business and Human Rights because it underscored the Norms' "exaggerated legal claims and conceptual ambiguities", the report refocused attention on the obligations of states to respect, protect and fulfill human rights. Now, as Mr. Ruggie looks to extend his term by one year and make recommendations on this important issue, public institutions like ECAs could find themselves front and center in the debate.

Halifax Initiative presentation to Ruggie consultation

<http://www.halifaxinitiative.org/index.php/speeches/939>

Banktrack presentation and paper on human rights and private banks

<http://www.banktrack.org/?show=news&id=100>

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International interest reemerges on a currency transaction levy

Norway played host in February to the *Conference of the Leading Group on Solidarity Levies for Development*, made up of more than forty governments. The meeting was convened to discuss innovative financing mechanisms for development. It was initiated by French President Chirac, along with Brazil and Chile and other countries in March, 2006, leading to the French government implementing a levy on airline tickets, the proceeds of which would be used for international development (*Issue Update* March 31, 2006). Canadian civil society groups, including the North-South Institute and Canadian Council for International Cooperation, called on the Norwegian government to build on this initiative, and back a second pilot project that would put a “duty on currency transactions”. While not going this far, the Norwegian government did say that before South Korea assumed the presidency of the Leading Group on March 1, it would gauge official interest in establishing two task forces under the Leading Group - one on financial transaction taxes, and in particular a Currency Transaction Development Levy, the other on corruption, capital flight and tax havens.

Academics, civil society groups, representatives from the United Nations and World Bank and more than eighty government representatives participated in the Oslo meeting. Canada’s new government did not. The Leading Group meets next in July in Seoul.

Conference web site, <http://www.innovativefinance-oslo.no>, which has a link to the following paper, *Taking the Next Step: Implementing a Currency Transaction Development Levy, Stamp Out Poverty* - Commissioned by the Norwegian Ministry of Foreign Affairs, December, 2006.

North-South Institute Report on the meeting, Currency Transaction Tax, <http://www.currencytax.org/>

Parliament to hold hearing on Bank and Fund

Almost twelve years since parliamentarians held their last hearing on the Bretton Woods Institutions, MPs in the Standing Committee on Foreign Affairs and International Development (FAAE) agreed on February 20th to hold a hearing on the International Monetary Fund and World Bank. In a motion passed by Alexa McDonough, the foreign affairs and international development critic for the New Democratic Party, FAAE agreed by unanimous consent to the hearing. FAAE will call the Ministers of Finance and International Cooperation, the Canadian Executive Directors to the World Bank and International Monetary Fund, government officials from the Department of Finance Canada and the Canadian International Development Agency, as well as academics and civil society organizations, to appear before the Committee after the government tables its annual *Report on Operations Under the Bretton Woods and Related Agreements Act*. The annual Report is expected to be tabled on Friday March 30, 2007.

Minutes from the FAAE meeting

<http://cmte.parl.gc.ca/cmte/CommitteePublication.aspx?SourceId=193688&Lang=1&PARLSES=391&JNT=0&COM=10475>

Notice Board

- ☞ Colombian paramilitary leader **Salvatore Mancuso** confirmed that he orchestrated the disappearance and murder of **Kimy Pernia Domico**, the Embera Katio leader who appeared before the Parliament of Canada regarding the Export Development Canada-funded Urrà dam. http://www.dd-rd.ca/site/libertas_html_newsletter/feb_2007.html
- ☞ The World Bank released its **second annual report** on implementing the Management Response to the **Extractive Industries Review (EIR)**. The EIR was an independent evaluation of the World Bank's support for the oil, gas and mining sectors. The Bank Information Center released a critique at <http://www.bicusa.org/en/Article.3127.aspx>
- ☞ The IFC released sixteen technical **Environmental, Health, and Safety Guidelines (EHS Guidelines)** in February for **public comment** until April 2007. The guidelines are the sector specific standards that World Bank private sector projects are expected to meet. http://www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate_Comments
- ☞ **Canada agreed to participate** as a supporting country in the **Extractive Industries Transparency Initiative (EITI)**. EITI aims to increase transparency regarding payments made by oil, gas and mining companies to governments in developing countries. Ottawa will contribute \$750,000 to an EITI implementation fund, as well as an annual \$100,000 contribution.

New Publications

- “Building Scrutiny of the World Bank and IMF, a toolkit for legislators and those who work with them”, World Development Movement, February 2007. The toolkit provides advice to legislators in developing countries on how to address the democratic deficit at the World Bank and IMF, and assert greater control over domestic economic policies. <http://www.wdm.org.uk/resources/reports/debt/toolkitforlegislators19012007.pdf>
- “Committee to Study Long-Term Financing of the IMF - Final Report”, January 2007. The IMF is expected to suffer a \$367 million shortfall in 2010 due to a significant reduction in interest payments on loans that debtor countries have repaid ahead of schedule. IMF Director Rodrigo de Rato asked a group of Central Bank governors to identify ways to increase IMF revenues. Among other suggestions, the governors proposed that the IMF: sell US\$6.6 billion of its gold reserves (something the US has long opposed) to set up an endowment fund that would generate future revenue; invest the subscriptions paid by all member countries in capital markets; and introduce “user fees” in exchange for IMF technical assistance. <http://www.imf.org/external/np/oth/2007/013107.pdf>
- “Quick Reference Guide to Extractive Industries’ Revenue and Contract Transparency at the International Financial Institutions”, Bank Information Center, February 2007. Intended to assist civil society groups track IFI policies and practices on revenue and contract transparency in oil, gas, and mining. The paper identifies important remaining gaps and weaknesses. <http://www.bicusa.org/proxy/Document.9825.aspx>

Upcoming Events

- International day of action for rivers, March 14th 2007, <http://www.irn.org/dayofaction>

Transnational Corporations and Human Rights: the United Nations Special Representative

In July 2005, the UN Secretary General appointed John Ruggie as his Special Representative on the issue of human rights and transnational corporations (TNCs) for an initial period of two years. Among other tasks, Dr. Ruggie was charged with identifying standards of corporate responsibility and accountability for transnational corporations with regard to human rights, and elaborating the role of States in effectively regulating TNCs.

In February of 2006 Dr. Ruggie submitted an interim report. His second report, which identifies the international standards that govern corporate activity in relation to human rights and reviews current human rights impact assessment initiatives, is due to be released in March. The Special Representative has requested a one-year extension of his mandate to develop a series of recommendations for consideration by the UN Human Rights Council.

During his mandate, Dr. Ruggie has convened a number of consultations and commissioned various research. A recent paper synthesizes the commentaries of UN treaty bodies on the issue of human rights and TNCs and identifies the “emergence of clear State obligations to prevent and punish corporate abuse, where failure to do so will be considered a violation of treaty obligations.” The study finds that treaty bodies frequently recommend that States take steps to regulate and adjudicate the acts of mining and other extractive companies, “especially in the context of resource exploitation in indigenous peoples’ land and territories.” Finally, the report identifies a “trend towards the treaty bodies recommending that States influence the overseas actions of business enterprises over which they can exercise jurisdiction” and emphasizes that there is no indication in any of the treaties or from any treaty bodies that States are barred from exercising extraterritorial jurisdiction over their corporations.

UN Special Representative on Business and Human Rights web site

<http://www.business-humanrights.org/Categories/UNintlorgs/UNintergovernmentalorgs/UN/UNSpecialRepresentativeonbusinesshumanrights>

Report on State Responsibilities under Core Human Rights Treaties

<http://www.reports-and-materials.org/State-Responsibilities-to-Regulate-Corporate-Activities-under-UN-Core-Treaties-12-Feb-2007.pdf>