Issue update
Selected Issues on International Financial Institutions

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Government accountability bill returns to the House

On March 3, the Governor General will open a new session of Parliament, ending the recess created when the Harper government prorogued the previous session in December. All legislation that was under consideration at that time was extinguished, with the exception of private members' bills, which return to the House, unscathed. These bills begin anew at whichever stage of the legislative process they had reached before the plug was pulled on Parliament.

Private member's bill C-300, *An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries* (see IU February 2009), was tabled in Parliament by Liberal MP John McKay in February 2009. The bill was under debate in the Standing Committee on Foreign Affairs and International Development (SCFAID) when government prorogued. With the resumption of Parliament, Bill C-300 will return to the committee stage, where members will decide whether to begin a new session of hearings, or send the bill back to the House of Commons, where it will face Third Reading.

During SCFAID hearings in 2009, a number of witnesses critical of the legislation argued that its provisions would place the Canadian extractive industry at a competitive disadvantage relative to companies based in other countries. Bill C-300 detractors no doubt breathed a sigh of relief when Canada's most important trading partner, the United States, recently passed analogous legislation concerning the operations of its export credit agency. The *Consolidated Appropriations Act* creates new guidelines for private sector clients that receive support from the Overseas Private Investment Corporation (OPIC). Unlike Bill C-300, the US legislation is not restricted to the extractive sector but rather, covers all OPIC clients. For more information on the US legislation, see Just the Facts.

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Strauss Khan talks up new climate change fund for IMF

At January's World Economic Forum in Davos, IMF Managing Director Strauss Khan announced the launch of a new fund to mitigate the global effects of climate change. The costs of climate change are estimated to reach $100 billion per year, in the next few years. The fund would be financed in part by the IMF reserve currency, known as Special Drawing Rights or SDRs (see IU August 2009). Under the proposal, all countries would convert their current SDR holdings into hard currency, which would be channeled into a "Green Fund". Currently approximately SDR 204.1 billion are being used globally (US$324 billion). Strauss Khan has indicated that the fund would require the release of additional SDRs.

Climate financing is gaining increasing attention among both governments and civil society organizations. CSOs have long indicated that any such financing should occur through the UN Framework Convention on Climate Change (UNFCCC), rather than through institutions such as the World Bank and the IMF. As a result, groups staunchly oppose the Bank's Climate Investment Funds – which they see as allowing donors to impose their agenda and the Bank to impose conditions to its lending. The same would be true of the IMF, although SDRs do traditionally come without conditions. This month, ActionAid, which has looked at the use of SDRs for development, released a report evaluating whether SDRs could be used for climate financing. If used, they propose that the interest rates charged on the conversion of SDRs into hard currency be waived or subsidized by other parties or funds. ActionAid also indicates that SDRs, once converted, could be transferred to a UNFCCC fund or mechanism.

Other innovative mechanisms being considered for financing climate change adaptation and mitigation are a financial transaction tax, redirecting subsidies on fossil fuels to clean technology and new levies on airline and shipping industries.

"Using Special Drawing Rights for Climate Finance", Action Aid, Discussion Paper, February 2010, http://www.actionaid.org/assets/pdf%5Csdr_climate_finance.pdf

G7 Finance push debt deal for Haiti, details unclear

At this month's meeting of G7 Finance Ministers in Iqaluit, Canada, participants noted that they have already cancelled all existing bilateral debt with Haiti, and will work to have the country's debt at the multilateral development banks (MDBs) cancelled as soon as possible. The technical details on how this would happen still remain scant, including whether the recent $100 million plus concessional loan from the IMF would be included under the cancellation and whether Haiti would need to meet any further conditions before being eligible for the cancellation. IMF, World Bank and Inter-American Development Bank staffs are likely to come up with a proposal ahead of the Bretton Woods Institutions' spring meeting for funding a Multilateral Debt Relief Initiative II for Haiti.

G7 Chair's Summary - February 6, 2010, http://www.fin.gc.ca/n10/10-010_1-eng.asp

Letter to Ministers Flaherty and Cannon re debt cancellation for Haiti - February 1, 2010
http://halifaxinitiative.org/content/letter-ministers-flaherty-and-cannon-re-debt-cancellation-haiti

Notice Board – This month…

- The Chinese Investment Corporation is planning to build a dam in Burma with the assistance of the military junta. The 500 foot high Myitsone dam will produce 3,600 to 6,000 megawatts of electricity, all exported to China. It will flood an area the size of New York City (300 square miles) and displace thousands of people from 47 villages, all the while generating $500 million (in energy exports) for the junta.
- Vancouver's First Quantum Minerals and the World Bank's International Finance Corporation are suing the government of the Democratic Republic of Congo over the its closure of First Quantum's Kolwezi mine. The mine was closed last September following a decision by Katanga Province's General Prosecutor to seal the mine following a national mining contract review initiated in 2007. The contract was subsequently cancelled in January, 2010. The company considers the government's closure illegal.
- UK groups launched a new "Robin Hood Tax" campaign, with a snappy video featuring British Actor Bill Nighy, pushing the idea of a financial transactions tax (see IU January 2009). The campaign comes amid growing interest in Europe, as well as reports that Canada plans to scuttle the idea at the G20. http://www.robinhoodtax.org.uk
- Work on the controversial Ilisu dam will start up again soon now that Ankara has secured financial support from two Turkish banks. Last July, three export credit agencies withdrew their support when Turkey failed to fulfill key environmental conditions.
- Developing countries are losing approximately $100 billion dollars every year, or 4.4% of total government revenue, due to trade mispricing, according to a new report produced by Global Financial Integrity. $1 trillion is lost annually from the South through crime, corruption and tax evasion. This report looks at one type of evasion. http://www.gfip.org/storage/gfip/documents/reports/implied%20tax%20revenue%20loss%20report_final.pdf
- A new paper by the IMF supports the use of restrictions by emerging markets on capital inflows, a big shift from even very recent positions. Capital controls are sometimes "justified as part of the policy toolkit" for an economy seeking to deal with surging inflows. http://www.imf.org/external/pubs/ft/spn/2010/spn1004.pdf
- Tiff Macklem, G7 Deputy, Associate Deputy Minister and co-Chair of the G20 working group on financial regulation, will become Deputy Governor of the Bank of Canada on July 1.

New Publications this month

- "*Trade Finance in Crisis: Should Developing Countries Establish ECAs*?" World Bank, Policy Research Working Paper 5166, January 2010, http://tinyurl.com/yglfm46.
- *"Fruits of the Crisis: Leveraging the Financial & Economic Crisis of 2008-2009 to Secure New Resources for Development and Reform the Global Reserve System"* ActionAid International and Bhumika Muchhala of Third World Network, February 2010, http://www.actionaid.org/docs/sdr_reserve_final.pdf

Upcoming Events

- High-Level Dialogue on Financing for Development, New York, March 23-24.
- G8 Foreign Affairs Ministers' meeting, Gatineau, Quebec, March 29-30.

JUST THE FACTS

Ground-breaking legislation sets human rights standards

The *Consolidated Appropriations Act*, recently passed by US Congress, provides funding for the Overseas Private Investment Corporation (OPIC). OPIC is one of two American export credit agencies. However, the legislation also creates important new standards for OPIC's private sector clients. The Act directs the President of OPIC to issue a set of guidelines within nine months of the statute's passage. The guidelines must include "environmental, transparency and internationally recognized worker rights and human rights" provisions. OPIC is to consistently apply the guidelines to all projects, funds and sub-projects. The statute further provides that the guidelines may be no less rigorous than the environmental and social standards currently applied by OPIC, or the policies of the World Bank Group, which include the International Finance Corporation's Performance Standards.

The *Consolidated Appropriations Act* also addresses climate change, mandating OPIC to adopt a "substantial commitment to invest in renewable and other clean energy technologies." The Corporation is instructed to develop a climate change mitigation plan that would "reduce greenhouse gas emissions associated with projects and sub-projects in the agency's portfolio as of June 30, 2008 by at least 30 percent over a 10-year period and by at least 50 percent over a 15-year period."

The American legislation is similar in several important respects to Bill C-300. Both establish legally-binding requirements that the private sector recipients of export credit support comply with social, environmental and human rights standards. Moreover, both laws reference the World Bank Performance Standards. However, while Bill C-300 is restricted to extractive companies, the *Consolidated Appropriations Act* applies to all OPIC clients. In addition, Bill C-300 does not establish greenhouse gas emission targets for Export Development Canada.

Consolidated Appropriations Act, 2010,
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3288enr.txt.pdf