

Issue update

Selected Issues on International Financial Institutions

Volume V, Number 3 – March 31, 2009

Government response on CSR and extractives: Fool's Gold

For two years, parliamentarians, civil society, industry and the Canadian public have waited for the Government of Canada to issue a response to the ground-breaking consensus report from the National Roundtables on Extractive Industries (see [IU March 2007](#)). Against great odds, that process produced a consensus document, endorsed by industry and civil society, on a program of policy reform regarding the overseas operations of Canadian extractive companies that would make Canada a leader on the world stage.

The disappointing government response released this month (see *Just the Facts*) squanders that consensus and the good will that made it possible. It quashes expectations, around the world, that Canadian companies would be held to account for the impacts of their overseas operations. The government's reliance on voluntary measures and its refusal to adopt effective sanctions means that the communities impacted by Canadian mining, oil and gas projects are more vulnerable than ever. Moreover, by refusing to place tighter controls on the government services that are provided to Canadian companies, the government will remain complicit in the human rights violations and environmental damage occasioned by the beneficiaries.

The government's abdication of its responsibility makes the adoption of Private Member Bill C-300 (see [IU February 2009](#)) all the more pressing.

CNCA press release: Government Squanders Opportunity to Hold Extractive Companies to Account
http://www.halifaxinitiative.org/updir/March_26_press_release-final.pdf

Also in this issue:

Stiglitz Commission report, UN dialogue, ahead of G-20

World Bank Vulnerability Fund - Update

Notice Board, new publications and upcoming events

JUST THE FACTS: Building the Canadian Advantage - for Extractive Companies



Halifax
INITIATIVE
d'Halifax

Our core funders are the C.S. Mott Foundation, the International Development Research Centre, the Sigrid Rausing Trust and Coalition members.

Email subscriptions@halifaxinitiative.org to automatically receive our *Issue Update* newsletter each month.

153 Chapel Street
Ottawa, ON K1N 1H5
Canada

TEL: (613) 789-4447
FAX: (613) 241-4170
WEB: www.halifaxinitiative.org

Stiglitz Commission report, UN dialogue, ahead of G-20

Two key messages emerged from the Stiglitz Commission (see [IU Jan 2009](#)) Interim Report presented on March 25-27 at the UN Interactive Thematic Dialogue on the financial and economic crisis and its impact on development: the global financial crisis warrants a response from the G-192 and the G-20 should be replaced by a Global Economic Council. The Council would consist of 20 to 25 senior international economists that would set the agenda for global economic and financial policy. It would represent the world's economies through a constituency system and be independent of the UN Security Council.

The report made nine other recommendations. Among others, they include the following: strong, coordinated national stimulus packages in industrialized countries, including dedicating 1% of stimulus plans to developing countries on top of existing aid budgets and commitments; permanent, stable and quick sources of funding - without conditions - through additional [Special Drawing Rights](#); new credit facilities within the World Bank and Regional Development Banks or within new, more democratic institutional arrangements; more space for countries to make decisions about their own policies, in particular on financial liberalization; avoiding trade and financial protectionism; access for least developed country exports to advanced economy markets; real and substantive regulatory reforms and greater transparency of financial information; and greater coordination of global economic policy.

The ten-points are the basis for the interactive dialogue and upcoming UN Summit on the crisis, and will be raised by UN Secretary-General Ban Ki-Moon at the G-20 summit in London.

Archived webcast of the three-day Interactive dialogue, <http://www.un.org/webcast/ga.html>
Stiglitz Commission Report, http://www.halifaxinitiative.org/index.php/Reports_Analysis/1096

World Bank Vulnerability Fund - Update

Ahead of the April G-20 meeting, Bank President Robert Zoellick has been pushing for support for a new Vulnerability Fund (VF) (see [IU Jan 2009](#)) and framework to fast-track up to 0.7 percent of industrialized countries' fiscal stimulus packages into low income countries hit by the food, fuel and financial crises. The framework consists of three pillars: a Vulnerability Financing Framework (VFF), an Infrastructure Recovery Assets Platform (INFRA plus energy) and a Private Sector Platform (PSP). The VFF includes a) the existing Global Food Crisis Response (focused on agriculture); b) the IDA Fast-Track Facility (pulled from existing IDA money for low-income countries); and c) the Rapid Social Response Program (providing employment through public works programs, short term social safety nets (cash transfers), and protecting social services, in particular maternal/child health programs and basic education). None of the Bank money for the fund is new, having been reallocated from different areas. The UK has announced it will contribute £200 million from existing aid money, and other pledges are expected at the April G-20 meeting. The Bank's thinking is sound in terms of trying to boost spending in areas most susceptible to the crisis, but the VF's impact is less certain. While the IMF is urging countries to keep social protection systems intact, new loan conditions will see cuts to public spending, a freeze on public sector wages, and higher fees on utilities.

World Bank Group Response to the Financial Crisis,
<http://www.worldbank.org/html/extdr/financialcrisis/pdf/WBGResponse-VFF.pdf>

Notice Board - This month...

- ☰ In tough economic times and with markets for credit drying up, none are doing better than **Export Development Canada**. The Crown Corporation announced that in 2008, **business was up 23% on last year**, peaking at an all time high at \$85.8 billion. Last November, the government temporarily increased EDC's borrowing authority and gave it a **C\$350 million capital** injection to provide loans to some of Canada's hardest hit manufacturing and auto sectors. The **G-20 is expected to push for an increase in global trade finance and boost export credit funding** at the upcoming **April 2 summit**.
- ☰ On March 13, the **World Bank** launched the review of its **Policy on Disclosure of Information** through the release of a paper entitled "**Toward Greater Transparency: Rethinking the World Bank's Disclosure Policy**." The Bank Information Center is monitoring the review at <http://www.bicusa.org/en/Issue.47.aspx>.
- ☰ The IFC is running a consultation from March 18 to April 16 on its "**Draft Good Practice Notes on Project-Level Grievance Mechanisms**," intended to "assist companies [...] in creating, implementing, and monitoring an effective project- or company-level grievance mechanism" for external stakeholders.
http://www.ifc.org/ifcext/sustainability.nsf/Content/PublicComment_GrievanceMechanisms
- ☰ The IMF launched a consultation on "**The Report by Eminent Persons on IMF Governance Reform**", Chaired by South African Finance Minister Trevor Manuel, and is seeking comments from the public until April 30.
<http://www.imf.org/external/np/omd/2009/govref/032409.pdf>
- ☰ Ahead of the G-20 London Summit, **G-20 Finance Ministers and Central bank Governors** agreed in their **communiqué** to continue to boost growth and jobs through expansionary monetary and fiscal policy, stave off protectionism, supersize the IMF's resources and make it the new lighthouse for future financial crises, expand the membership of the Financial Stability Forum, and review quota and governance issues at the Bank and Fund. Unlike much of the rhetoric, no fundamental reforms or rethinks were proposed.
<http://www.fin.gc.ca/n08/09-030-eng.asp>

New Publications this month

- "**Rethinking Finance**", an on-line resource that provides the latest in civil society news, views, events and analysis on the global financial crisis, <http://www.rethinkingfinance.org>
- "**Undue Diligence: How Banks Do Business with Corrupt Regimes**", Global Witness, March '09. How some of the world's biggest banks support some of the world's most corrupt regimes. http://www.globalwitness.org/media_library_detail.php/735/en/undue_diligence_how_banks_do_business_with_corrupt_regimes_
- "**IMF Gold Sales Could Raise \$10 Billion for Poor Country Debt Relief**", Jubilee USA, March 2009. This report outlines a proposal to provide up to \$10 billion in poor country debt relief through the expanded sale of IMF gold. <http://www.jubileeusa.org/gold>

Upcoming Events

- "Stability, Growth, Jobs", G20 Summit of Heads of State Summit, London, April 2, <http://www.londonsummit.gov.uk/en/>
- World Bank and IMF Spring Meetings, April 25-26, Washington, DC.

Building the Canadian Advantage: for Extractive Companies

The Advisory Group to the National Roundtable process recommended the adoption of a Canadian CSR Framework. In its response, the government follows the Framework model but fails to adopt any of its elements:

- The Framework was intended to apply to all Canadian mining, oil and gas companies that operate in developing countries. The government scheme is entirely voluntary.
- The Framework included human rights guidelines. The government plan does not.
- The Framework created an independent Ombudsman to receive complaints regarding the operations of Canadian extractive companies. All companies were subject to the Ombudsman process. The Ombudsman was mandated to undertake fact-finding activities and to publish the results. A Compliance Review Committee was to use these findings to assess compliance with the standards. The Committee would publish its conclusions. The government's Extractive Sector CSR Counsellor is appointed by cabinet. The Counsellor may review a company's practices if the company in question has given its explicit consent. No mechanism exists to assess the company's compliance with established standards.
- Under the Framework, government services, such as those offered by embassies and Export Development Canada, are denied to companies that are found to be in serious non-compliance with the standards. The government plan does not address the provision of government services to extractive companies.

Building the Canadian Advantage: A Corporate CSR Strategy for the Canadian International Extractive Sector
<http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr.aspx?lang=eng>