

# Issue update

## *Selected Issues on International Financial Institutions*

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### Wolfowitz & World Bank in the spotlight over scandal

While the World Bank's executive directors have yet to make a decision on the future of president Paul Wolfowitz, calls for the former U.S. deputy defence secretary's resignation are gaining momentum. The Bank's Independent Evaluation Group (IEG), which assesses the degree to which the Bank's work meets its stated objectives, issued a formal statement described by the Financial Times as a "searing indictment of Paul Wolfowitz's leadership."

The crisis at the bank was precipitated by revelations of favouritism by Mr. Wolfowitz towards his romantic partner and former bank employee, Shaha Riza.

Canada's Finance Minister, Jim Flaherty, was at the World Bank / IMF Spring Meetings this month in Washington when the scandal broke. He was quick to jump to Mr. Wolfowitz's defence, shortly after a White House press secretary communicated President Bush's unwavering support for the American appointee. Faced with growing calls for Mr. Wolfowitz's resignation, the U.S. notwithstanding, Canada has softened its position - stating that it will withhold judgment pending a report from a special panel of the Board of Directors that is charged with investigating whether the beleaguered president violated internal ethics rules.

International civil society organizations argue that the selection process for the head of the world's largest development organization must be fundamentally reformed. The position must be open to all nationalities and the appointment should be transparent and merit-based.

Latest news stories on the Wolfowitz scandal  
<http://www.worldbankpresident.org/>

Op Ed in the Globe & Mail "Beyond Wolfowitz: Merit and leadership at the World Bank"  
[http://www.halifaxinitiative.org/index.php/Press\\_WorldBank/983](http://www.halifaxinitiative.org/index.php/Press_WorldBank/983)

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**JUST THE FACTS:** Finance Minister Flaherty on the Record at 2007 Spring Meetings



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## Revised ECA environmental standards meaningless

As the Organisation for Economic Co-operation and Development (OECD) prepares to adopt a revised environmental framework for export credit agencies (ECAs), civil society organizations have lambasted the latest formula. Referred to as the “Common Approaches”, the framework includes a loophole (para. 13) that allows ECAs to ignore the agreement’s environmental standards, provided that they report this derogation to the OECD.

The credibility of the Common Approaches has long been questioned. Any remaining optimism vanished in March when ECAs from Germany, Austria and Switzerland, all OECD members, agreed to support the Ilisu dam project in Turkey. The dam is a decades-old plan (previously rejected for ECA financing in 2002) to build a hydroelectric power plant on the Tigris River in Turkey. The project’s Environmental Impact Assessment (EIA) fails to meet accepted international standards, including World Bank safeguard policies. Baseline data for the project is almost non-existent. And reliable sources indicate that Turkey has failed to consult with other Tigris riverain nations, in contravention of international law.

NGOs view the para. 13 derogation provision as the final nail in the coffin of the Common Approaches. ECA-Watch is calling for the OECD to adopt mandatory standards that incorporate international norms, coupled with a transparent and thorough peer review process for ECA decision-making.

ECA-Watch letter to the OECD Export Credit Group on the revised Common Approaches  
<http://www.halifaxinitiative.org/index.php/Correspondence/982>

## Annual report on WB and IMF - new, improved, but still falls short

Each year the Minister of Finance tables the “Report on Operations under the Bretton Woods and Related Agreements Act”. The report details Canadian priorities, commitments and interests over the past fiscal year at these institutions. For the past three years, the Halifax Initiative Coalition has produced report cards on Finance’s reports that evaluate the transparency and accountability of the ministry to Parliamentarians on these issues.

This year’s report features improvements in both content and format. The improvements are a step in the right direction and Finance Canada should be commended for taking this “good faith” initiative. However, while the report does shed more light on the Canadian government’s role at the Bretton Woods Institutions, there is still a lot of hiding in the shadows. This year’s report receives a B- grade.

Halifax Initiative Report Card on Finance Canada’s 2006 Annual Report to Parliament on the BWIs  
[http://www.halifaxinitiative.org/index.php/canada\\_and\\_the\\_ifis/984](http://www.halifaxinitiative.org/index.php/canada_and_the_ifis/984)

## Notice Board

- ☞ At the Parliamentary Network on the World Bank (PNoWB) conference held in South Africa in March, Parliamentarians launched a "**Declaration for Shared Responsibility in Sovereign Lending**". It calls on democratically-elected officials to scrutinize the actions of their governments as either lenders or borrowers. <http://www.debtdeclaration.org/>
- ☞ The **Bank's Chief Economist**, François Bourguignon, has been charged with conducting a **strategic review for the Bank**, the first since 2001. The review will seek to determine where the Bank can add value, and will likely move it away from social sector projects.
- ☞ This month, **Ecuador** made a US\$9 million payment to the **IMF** and joined a growing number of countries that have **repaid their debts ahead of schedule**. Rafael Correa, who became Ecuador's President on January 15, 2007, is currently auditing Ecuador's debt and has indicated that he will **repudiate debts deemed to be illegitimate**. Correa has also indicated that he will not allow the IMF to conduct Article IV consultations on his country's economy. **Venezuela** announced that it made the final payment against the **\$3 billion** it owed to the **World Bank**, freeing itself of debt to both the WB and the IMF.
- ☞ Last month we reported on the plans of some multilateral banks to promote greenhouse gas reductions. In April, the Bank Information Center produced data revealing that between FY2005 and FY2006, the **World Bank Group increased finance for fossil fuels by 93%**! [http://www.bicusa.org/ifc\\_spreadsheet](http://www.bicusa.org/ifc_spreadsheet)
- ☞ On April 26, the World Bank Board approved a **US\$360 million in loans and guarantees for the Bujagili hydropower project in Uganda**. Last month, Uganda's National Association of Professional Environmentalists (NAPE) filed a complaint with the World Bank Inspection Panel raising a number of social, environmental and economic concerns.
- ☞ As the Bank Board prepared to discuss its **new Health, Nutrition and Population Strategy**, groups raised concerns about the **lack of explicit support for continued access to family planning and contraception** in the policy. Earlier this month, the Bank's managing director, Juan José Daboub, reportedly instructed Bank specialists to **remove all references to family planning** from the proposed Country Assistance Strategy for **Madagascar**. <http://www.halifaxinitiative.org/index.php/correspondence/981>

### New Publications

- "Debt and Conditionality: Multilateral Debt Relief Initiative and Opportunities for Expanding Policy Space", Celine Tan (22pp) March 2007. \$8.00 from Third World Network, <http://www.twinside.org.sg/title2/ge/ge09.htm>
- "IMF Still Blocking Progress on HIV/AIDS, Health, and Education", ActionAid, April 2007. <http://www.actionaidusa.org/pdf/PoliciesandPriorities-IFIs-Spring2007issue-1008.pdf>
- "Why Investment Matters - Reclaim Investment for the Public Good", Kavaljit Singh, CornerHouse, CRBM, FERN, April 2007. A primer on investment flows. <http://www.thecornerhouse.org.uk/pdf/document/Investment.pdf>

### Upcoming Events

- *Reconciling Trade and Human Rights: The New Development Agenda*, Rights & Democracy and Canadian Council for International Co-operation, May 28-29, 2007. [http://www.ccic.ca/e/002/trade\\_reconciling\\_human\\_rights\\_and\\_trade.shtml](http://www.ccic.ca/e/002/trade_reconciling_human_rights_and_trade.shtml)

### Finance Minister Jim Flaherty on the Record at 2007 Spring Meetings

Promoting Gender Equality - “Canada commends the Bank for having launched its Gender Equality as Smart Economics Action Plan.....To underscore the importance of this work, Canada has contributed C\$1.5 million to support this plan. We strongly encourage the Bank to devote the resources necessary to ensure full implementation of the gender action plan.”

The Challenge of Africa - “the Bank and IMF need to undertake a more rigorous analysis of mechanisms that can signal when a country’s debt accumulation threatens to become unsustainable.....Investments in health and education are also key to ensuring that people can take advantage of stronger economic conditions....Canada is a strong supporter of the Education For All - Fast Track Initiative (EFA-FTI), which encourages donor and recipient countries to work in a spirit of partnership to achieve the education Millennium Development Goals.”

IBRD Partner Countries - “While more can be done to streamline lending operations in many IBRD partner countries, we would underscore the continued need to maintain strong project social and environmental safeguards.”

Enhancing Accountability Through Improved Governance - “...there is a clear need to assess how best to enhance the voice of developing countries within both institutions [World Bank and IMF]. The discussion in the Bank should include consideration of how to improve transparency and accountability of selecting the President, the scope to increase staffing resources for African Executive Board constituencies, and how developing countries could be encouraged to take up their full IDA subscriptions. The institution also needs to review how best to attract qualified developing country candidates to senior management appointments.”

Statement Prepared for the Development Committee of the Boards of Governors of the World Bank and International Monetary Fund

<http://www.fin.gc.ca/activty/G7/imf150407e.html>