

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS**► *IFI War on Corruption Falls Short***

Over the past two months, both the World Bank and Export Credit Agencies (ECAs) have been focusing on tackling corruption issues. Bank President Paul Wolfowitz has attempted to demonstrate his “zero tolerance” for bribery by freezing new loans to many countries including India, Yemen, Argentina, Uzbekistan and the Democratic Republic of Congo, and getting the Inter-American and African Development Banks to commit verbally to fighting corruption. While this focus is welcome, civil society and the media have both found Wolfowitz’s new interest to be both arbitrary and lacking due process. A \$100 million loan for new schools in Iraq, for example, was not scrutinized, nor any of the new large infrastructure projects in India. In response to the criticisms, Wolfowitz’s office is developing an anti-corruption framework.

ECAs have also finally adopted a new anti-corruption statement that updates and improves its previous corruption policy. The new corruption policy requires exporters and applicants to disclose to the ECAs charges or past convictions for corruption, and ‘upon demand’ the identities of, and commissions paid to, agents. It also requires ECAs to ‘enhance its due diligence’ for companies who have been public debarred. However, in many instances, the actions that ECAs are required to take are discretionary, and the measures for monitoring compliance with the new agreement are weak.

The Gleneagles G8 Summit called on ECAs and the Bank to improve measures for addressing corruption.

Additional Information:

“OECD Releases new Action Statement on Bribery and Officially Supported Export Credit Agencies.”

http://www.eca-watch.org/problems/corruption/ecaw_oecd_bribery_press_advisory_16may06.htm

“The World Bank weeds out corruption: Will it touch the roots?”

<http://brettonwoodsproject.org/article.shtml?cmd%5B126%5D=x-126-531789>

► *New Review, Same Old Story*

On May 29th, the Organization for Economic Cooperation and Development (OECD) met with Civil Society to discuss the review of the Common Approaches on the Environment, a document that frames how Export Credit Agencies (ECAs) are to address environmental impacts in the projects they fund.

Adopted three years ago, the guidelines were intended to create a level playing field for all ECAs. But three years on, they continue to be criticized for their inconsistent implementation and application across OECD countries, and their failure to achieve their goal of protecting the environment and safeguarding the health and livelihoods of affected communities. For example, the Ilisu dam in Turkey and the Sakhalin II project in the Russian Far East, are expected to completely destroy the credibility of the existing Common Approaches, and indeed the current revision process as well, if financed by ECAs.

ECA-Watch, an international network of groups that monitor the activities of ECAs, argues that the Common Approaches are not only lagging behind the standards set by other public international financial institutions (IFIs), but that as public institutions, they must operate in accordance with the international legal commitments of their governments, and in particular the international human rights and environmental treaties to which they are party.

For the OECD consultation, the Halifax Initiative and the International Network on Economic, Social and Cultural Rights, released a legal paper exploring the international human rights obligations of ECAs.

Additional Information

“Civil Society presses OECD on Common Approaches to the Environment”,

http://www.eca-watch.org/WhatsNew/WNV5_2006/WhatsNewV5N5.html

“The Legal Obligations with respect to Human Rights and Export Credit Agencies – Working Draft”

Halifax Initiative and ESCR-Net, http://www.halifaxinitiative.org/updir/ECA_HR_FINAL_230506.pdf

► **Beware the Paper Tiger!**

Eight months after the release of a damning report by the Compliance Advisor Ombudsman (CAO), the internal auditor of the World Bank's private sector lending arm, about the International Finance Corporation's (IFC) involvement in Glamis Gold's Marlin mine in Guatemala (see Issue Update, August 2005), the CAO has elected to drop the case. The May 2006 Report concludes that dialogue is currently unadvisable and announces that it will close the Marlin complaint. It also recommends that Glamis consider suspending exploration activities in Sipacapa.

Sipacapa is where Glamis processes the ore from the Marlin mine. In July 2005, members of the community held a popular referendum that overwhelmingly rejected mining activities in Sipacapa. The CAO's critical report in September then identified significant weaknesses in the company's approach to consulting with local communities. In a meeting with Bank President Paul Wolfowitz at the end of the year, community representatives made it clear that recognition of the referendum was a precondition to dialogue (See Issue Update, December 2005). Now the CAO has dropped the case - and unfortunately, neither the IFC nor Glamis Gold have given local communities any indication that they are willing to take the necessary steps to reach a genuine, consensus-based resolution to the on-going conflict.

The IFC loaned Glamis Gold (a Canadian-registered mining company) US\$45 million for the project.

Additional Information:

Halifax Initiative, the Bank Information Center, Friends of the Earth Canada and Oxfam America will be submitting their response to the CAO report shortly. [Watch our web site for details!](#)

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New Discussion Papers (HI Members or Associates, Government) on IFI Issues:

- "One Step Forward, One Step Back: An Overview and Analysis of the International Finance Corporation's Sustainable Policy, Performance Standards and Disclosure Policy", May 2006, Halifax Initiative Coalition. Assesses the new IFC framework, and identifies shortcomings, with particular reference to the extractives sector. <http://www.halifaxinitiative.org/updir/IFCAnalysis-HalifaxFINAL.pdf>
- "Report on Operations Under the Bretton Woods and Related Agreements Act, 2005", April 2006, Department of Finance Canada. This annual report gives an overview of some of the activities of the World Bank and IMF. This is the only major release that discloses information on Canadian participation in the international financial fora. http://www.fin.gc.ca/toce/2006/bretwd05_e.html
- "Uneven Patterns of Governance: How Developing Countries Are Represented in the IMF", Review of International Political Economy, August 2006, Ngaire Woods & Domenico Lombardi. Addresses IMF governance, arguing that IMF representation could be improved without altering Board size.

Upcoming IFI-related or Member conferences or meetings

- "Fighting the Blues, Thirteenth National Women's Conference", Canadian Labour Congress, Ottawa, Ontario, June 11-14th, 2006. http://canadianlabour.ca/index.php/conferences_womens
- "Solar Energy Workshop", June 10-11, 2006, The Falls Brook Centre, workshop on planning and building-it-yourself solar thermal projects. http://www.fallsbrookcentre.ca/technology/re_workshop.htm

JUST THE FACTS – "Let's make a deal: Chad and the World Bank"

The World Bank has reached a preliminary deal with Chad to release the country's frozen oil money, resolving a six month dispute. (See Issue Update, February 2006). The deal allows the government to add 30 percent of its oil revenues to its general treasury, up from 15 percent, as long as it agrees to devote the remaining 70 percent to "priority poverty programmes". This, however, leaves Chad free to use the Treasury money for whatever it wants – potentially even for weapons to fight a growing internal rebellion. While the Bank said that Chad has agreed not to spend the revenues on military equipment, the ability of the Bank to enforce this is limited due to the country's instability. The "future generations fund" – a special account set up to guard ten percent of oil income for future development projects and that provoked the original dispute when Chad's Parliament scrapped the fund - has not been revived. When the government enacts the changes in its 2006 budget, the Bank has agreed to release funds and restart lending.

For further info: "Chad: World Bank reallocates oil revenue from development to government."

<http://www.alertnet.org/thenews/newsdesk/IRIN/4f20788d9f6c204340999a84bfb59f07.htm>

"Chad, World Bank reach deal on oil dispute"

<http://www.mercurynews.com/mld/mercurynews/news/world/14443759.htm>