

Issue update

Selected Issues on International Financial Institutions

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Is Wolfowitz Gathering his Forces?

On June 16, 2006, former Spanish Foreign Minister Ana Palacio was appointed Senior Vice President and World Bank Group General Counsel. Ms. Palacio's appointment is perhaps not surprising given her support for the US-led invasion of Iraq. Her role under Spanish Prime Minister Jose Maria Aznar's government in fact was essential to establishing good ties with the US. But at the same time, her appointment is controversial because she continues a legacy of appointments made by President Paul Wolfowitz of a few close, like-minded allies that are forming an inner cabinet, and ostracizing other long-time and upper-level staff members from Bank decision-making (See Issue Update Vol 2, No. 1, 2006). The appointment has sparked public debate on how senior management posts are filled.

“Muttering at the World Bank: Wolfowitz's Appointment of Loyalists Disturbs Some Staffers.”

http://www.washingtonpost.com/wp-dyn/content/article/2006/02/07/AR2006020701911_pf.html Title of publication or document

“Wolfowitz Picks Palacio to Be Top World Bank Lawyer”

<http://blogs.wsj.com/washwire/2006/06/17/wolfowitz-picks-palacio-to-be-top-world-bank-lawyer/>

Update: Canadian Roundtables on the Extractive Industries

On June 14-15, Vancouver hosted the first of a series of four multi-stakeholder roundtables on the overseas activities of the Canadian mining, oil and gas industries. As planned, the Vancouver roundtable included a public session and an expert session on Standards and Best Practices.

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NEW LOOK for the Halifax Initiative

Just the Facts: Paris Club Turns 50! Time for early retirement?



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The public component was successful both on the level of participation by civil society members and the consistency of the message conveyed. The public called for the Canadian Government to enact and ensure strong measures that address the failure of voluntary approaches to Corporate Social Responsibility (CSR). A number of presentations were made by civil society representatives, as well as by Miguel Palacin Q. (National Confederation of Communities Affected by Mining, Peru) and Chief Glenn Nolan (Missanabie Cree) on their experiences dealing with mining companies in the South and in Canada.

The results from the closed session were somewhat disappointing. Civil society delegates were prepared to participate in an in-depth discussion on the application of specific standards to the Canadian extractives sector. Unfortunately, the conversation was fairly abstract and little consensus was reached.

The fall roundtables will be held in Toronto (September), Calgary (October) and Montreal (November). For more information on registration check the Government website <http://www.CSRExtractiveSectorRoundtables.ca>

“Issue Brief on the Private Sector Lending and the World Bank Group - IFC and MIGA.”

<http://www.halifaxinitiative.org/updir/HIIssueBrief-IFCandMIGA.pdf>

“Issue Brief on the International Finance Corporation’s Performance Standards - the new ‘gold standard’ or ‘fool’s gold?’” <http://www.halifaxinitiative.org/updir/IssueBrief-IFCPerformanceStandards.pdf>

“Issue Brief on The World Bank and Extractive Industries Review - Lessons Learned (and promptly ignored)” <http://www.halifaxinitiative.org/updir/IssueBrief-EIR.pdf>

“Policy Brief on Export Development Canada and Human Rights - Risk or Rights?”

<http://www.halifaxinitiative.org/updir/PolicyBrief-EDCandHR.pdf>

Indonesia: Debt Savvy

Indonesia has announced that it is planning to prepay (early repayment) loans received from the International Monetary Fund (IMF) by the end of the year. With Brazil and Argentina having repaid their loans ahead of schedule earlier this year, Indonesia now sits as the second largest debtor to the IMF after Turkey. Indonesia borrowed USD\$10 billion from the IMF during the 1997/98 Asian crisis. This represents 490% of its quota subscription to the Fund.

Every member country of the IMF pays a quota determined by the country’s importance in the global economy. Governments that borrow far in excess of their quotas must comply with a set of rigorous repayment conditions.

Indonesia’s plans to pay off its debt early will thereby free it from the IMF policy prescriptions it has grudgingly accepted over the years. Indonesia’s plan to repay, as early as this year, \$7.8 billion in loans that aren’t due until 2010, will save it \$200 million in net interest and will afford the government greater autonomy. Early repayment by yet another major IMF borrower adds further fuel to the debate about the IMF’s “raison d’être” and its inequitable

governance structure (see Issue Update Vol. 2, No. 2, 2006). As fewer countries borrow from the IMF, pursuing alternative options to protect against potential future economic crises, the institution's influence wanes. IMF reform will be a hot topic of discussion in the months (and likely years) to come.

“Indonesia IMF Payback is End of Key Chapter for Asia.”

<http://www.turkishdailynews.com.tr/article.php?newsid=46222>

“Stiglitz on repayment of IMF loan” <http://www.feeds4all.nl/Item.aspx?ItemID=11169043>

NEW LOOK for the Halifax Initiative

In response to feedback from readers, the *Issue Updates* now have a new look. We continue to provide you with synopses of three of the latest IFI stories, news on new research and publications, upcoming events and Just the Facts. But the new format is a little easier on the eyes! Halifax Initiative also launched our new *web site* this month...same general look, but now with more resources and easier for web browsers to navigate.

New Discussion Papers

- “The Legal Obligations With Respect to Human Rights and Export Credit Agencies”, June 2006, prepared by Özgür Can and Sara Seck for ECA-Watch, Halifax Initiative Coalition and ESCR-Net. This legal analysis is a revision of an earlier discussion paper, and explores the international law of state responsibility with respect to ECAs, concluding that ECAs, as organs or agents of the state, must comply with the international obligations of the state. It then explores the legal implications of these conclusions. http://www.halifaxinitiative.org/index.php/reports_analysis/
- “Letter to World Bank Executive Directors on the Marlin Mine”, June 12, 2006, issued by the Halifax Initiative, Friends of the Earth Canada, Bank Information Centre and Oxfam America. This statement on the IFC-financed Marlin Mine in Guatemala responds to the Compliance Advisor Ombudsman's decision to withdraw from the Marlin case. http://www.halifaxinitiative.org/index.php/sector_extractives/742
- “Challenging the IFIs: Practical Information and Strategies for Trade Union Engagement with International Financial Institutions.” The ICFTU released a new guide that provides trade unionists with information and strategies for challenging IFI programmes and policies. <http://www.icftu.org/www/PDF/IFIEN.pdf>

Upcoming Events

- “Energy Empowerment Workshops”, Fallsbrook Centre, in Carleton County, New Brunswick. Part I focuses on off-grid solar PV and small wind projects, July 8-9, 2006 (registration deadline June 30), Part II focuses on biodiesel and net-metered solar and wind projects, August 12-13, 2006 (registration deadline August 4). Day 1 is theory and planning, day 2 is practical implementation. Renewable Energy Workbook and home-cooked organic lunch are included in the cost. http://www.fallsbrookcentre.ca/technology/re_workshop.htm

Paris Club turns 50! Time for early retirement?

The Paris Club was formed in 1956 as an informal, voluntary group (or “non-institution”) of creditor governments that work to solve payment difficulties experienced by debtor nations. The group helps by rescheduling or postponing debt payments as a means to provide a country with debt relief, and in the case of concessional rescheduling, a reduction in debt service obligations.

Debt rescheduling extends the repayment deadlines over a longer period, but also introduces penalty interest payments and in almost all cases, further indebtedness of poor nations. Nigeria is a classic example of this cycle. In 1985, Nigeria’s external debt was \$19 billion, and between 1985 and 2005, it repaid \$37 billion to all of its creditors. Nigeria’s original loans from Paris Club members amounted to US\$16.7 billion. And although it has already paid Paris Club creditors \$11.6 billion, it still owed them a further \$14 billion at the end of 2004. This is because the government was required to pay penalties, and compound commercial interest on its arrears to the Club’s creditors (see Issue Update Number 10, October 31, 2005).

Civil society groups have called for the creation of an impartial body to oversee the process of international debt management talks and to ensure that the voices of indebted nations and creditors are both heard.

Paris Club Homepage, <http://www.clubdeparis.org/en/>

“The Paris Club Owes Nigeria A Fair Deal”, <http://www.brookings.edu/views/op-ed/20050627rieffel.htm>

“The Paris Club: a red card for foul and unfair play”, EURODAD,
<http://www.eurodad.org/articles/default.aspx?id=717>