

Issue update

Selected Issues on International Financial Institutions

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EDC in the spotlight - beyond responsible to accountable

A statutorily-mandated review of the Export Development Act, the legislation that governs operations at Export Development Canada (EDC), is currently being conducted by the Minister of International Trade (see [Just the Facts](#)).

A submission to the review prepared by the Halifax Initiative (HI) focuses on the environmental, social and human rights standards utilized by EDC when it assesses client proposals. The submission also examines the legislative provisions governing disclosure by the crown corporation.

HI argues that in several important areas, the standards that EDC employs to assess project acceptability fall significantly short of “best practice.” Virtually no information is available to the public regarding EDC decision-making processes. EDC does not disclose how it assesses client proposals; the conditions it imposes on successful clients, if any; or how it assesses whether clients remain in compliance with imposed conditions and/or relevant standards. Recent legislative reform that made EDC subject to the Access to Information Act has not remedied this problem. Moreover, EDC lacks an explicit, comprehensive policy on human rights.

These findings are worrisome given that EDC continues to receive requests to support projects that have the potential to generate adverse social, human rights and environmental impacts. The HI submission calls for amendments to the Export Development Act that address these serious shortcomings.

Export Development Act Review - Halifax Initiative Submission
http://www.halifaxinitiative.org/index.php/EDC_ECA_Reports/1096

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JUST THE FACTS: Export Development Canada’s legislative review - what’s at stake?



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Canada at the heart of mining conflict in the Americas

Members of the Latin American Observatory of Mining Conflicts (OCMAL) recently met in Santiago, Chile, to discuss, among other things, the impact of Canadian mining operations in Latin America. Canadian mining interests have generated conflict in virtually every country that was represented at the meeting. Participants called for the Canadian government to regulate these companies.

OCMAL unites grassroots citizen organizations and indigenous peoples that are affected by commercial mining operations in Latin America. The network also includes NGOs and faith-based organizations that support the efforts of affected groups. The Observatory, which was founded nearly two years ago, is a space for information exchange, collective strategic planning and collaboration. The gathering involved over 60 participants from across the Americas, including HI's Program Officer.

The Latin American Observatory of Mining Conflicts
<http://www.conflictosmineros.net/al/html/index.php>

IMF watchdog tackles broader accountability debate

“The IMF may not be back”, to paraphrase Managing-Director Dominique Strauss-Kahn’s verdict on the new quota system that was to win back the IMF’s credibility (see [Just The Facts, April 2008](#)). On May 28, the Independent Evaluation Office (IEO), the IMF’s internal watchdog, released a scathing report calling for a series of broader changes to the systems of governance and accountability, necessary for strengthening the IMF’s legitimacy.

The Report makes four key recommendations. To minimize potential overlap and fill possible gaps, the IEO calls for the respective roles of the IMF’s top Management, its Executive Board and the International Monetary and Financial Committee (IMFC) to be more clearly defined. To set strategic direction for the institution and ensure a higher level of oversight, the Report suggests activating a Council of ministers, which would shift the role of ministers in the IMFC from an advisory to a decision-making capacity. It suggests streamlining the Board’s current responsibilities for overseeing the Fund’s daily operations towards formulating strategy, monitoring policy implementation and overseeing Management. This would entail less Board meetings and delegating more issues to committees, chaired by Directors. Finally, the IEO suggests establishing a more formal framework for holding Management accountable for its performance, including through an open selection process for the Managing and Deputy Managing Directors.

With the governance debate now finally moving beyond issues of quota, it seems that for now the Board has left the tough decisions about the Fund’s institutional credibility to country capitals; for now, the Board has endorsed none of the IEO’s specific recommendations.

Aspects of IMF Corporate Governance - Including the Role of the Executive Board, IEO
http://www.ieo-imf.org/eval/complete/pdf/05212008/CG_main.pdf

Notice Board - This month...

- 📄 As the **Government of Ecuador** is set to release the **first ever audit of external debt**, groups around the world have signed on to an **open letter of support** to President Rafael Correa. In October 2006, Norway unilaterally and unconditionally cancelled its debt to Ecuador, acknowledging that it resulted from a “development failure”, and accepted shared responsibility for the debt (see **IU**). **Ecuador’s Finance Minister** recently **assuaged concerns that Quito would default on debts** deemed illegitimate, following an earlier announcement by Correa that Ecuador would do just this.
- 📄 Eleven **Commonwealth Heads of Government (CHOGM)**, hosted by UK Prime Minister Gordon Brown, met in London to discuss how **international institutions** could be made more **legitimate**, give equal voice and **fair representation** to their members, be **responsive** to these members in its decision-making, yet **flexible** enough to respond to changing global realities, and more **transparent, accountable and effective**. On the Bank and IMF, the Ministers called for a more ambitious and inclusive governance program, and proposed an extraordinary CHOGM meeting on 24 September 2008, at which an **Action Plan on Reform of International institutions** would be presented to help generate a consensus. http://www.thecommonwealth.org/document/180216/marlborough_house_statement.htm
- 📄 On June 24, the **US Senate Foreign Relations Committee** passed the “**Jubilee Act for Responsible Lending and Expanded Debt Cancellation**” (See **IU April 2008**). The bill still has to pass in the full Senate before going to the President to be signed into law. <http://www.jubileeusa.org/>
- 📄 The **World Bank’s internal watchdog**, the Independent Evaluation Group (IEG), **slammed** the Bank’s annual “**Doing Business Report**” (**DB**), heavily criticizing its deregulatory bias, the lack of rigour and transparency in the way the data is compiled, and its false claims of causality between “ease of doing business” and a variety of economic outcomes. According to the **DB**, **countries that do away with labour-market and other regulations** make their economies **more attractive to investors**. <http://go.worldbank.org/CYH45V15G0>
- 📄 **Michael Horgan**, currently Deputy Minister of the Environment, was “nominated” as **Canadian Executive Director** to the **IMF**, effective August 1. He replaces Jonathan Fried.
- 📄 An additional **three year mandate for John Ruggie**, UN Special Representative on **Business and Human Rights**, and an **Optional Protocol** to the International Covenant on **Economic, Social and Cultural Rights (ICESCR)** - an international remedy mechanism for violations of the ICESCR - were both approved by the UN Human Rights Council.

New Publications this month

- “*Exporting Destruction - Export credits, illegal logging and deforestation*”, FERN, May 2008. This report shines a light on the role export credit agencies (ECAs) play in financing global deforestation. It includes detailed case studies and policy recommendations. http://www.fern.org/media/documents/document_4155_4160.pdf

Upcoming Events

- Group of Eight meeting, Hokkaido Toyako, Japan, July 7-9.

Export Development Canada's legislative review - what's at stake?

The *Export Development Act*, which came into force in 1969, established Export Development Canada (EDC) and continues to govern its operations. Section 25 of the statute mandates a review, every ten years, of the legislation's provisions and its operation. No later than one year following the commencement of the review, the designated Minister must submit a report to Parliament, which is considered in committee.

The 1998 legislative review was referred to the Standing Committee on Foreign Affairs and International Trade and the Senate Standing Committee on Banking, Trade and Commerce. That review resulted in a number of legislative amendments including the adoption of a legal obligation that EDC conduct environmental reviews of client proposals.

A subsequent review is currently being overseen by the Minister of International Trade. Consulting firm, International Financial Consulting Ltd., is preparing a report for International Trade Canada as part of the review process that "will assess how EDC is evolving, and should continue to evolve, to address the competitive dynamics and demands of international trade, and will make recommendations where appropriate, including possible changes to legislation." The report is intended to inform the Minister, who will assess the mandate and future direction of EDC. The Minister is expected to table his report with Parliament this fall.

The review process provides the public with the opportunity to voice concerns regarding operations at Export Development Canada and to identify necessary legislative reforms.

EDC Legislative Review
<http://www.edcreview2008.ca>