

Issue update

Selected Issues on International Financial Institutions

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Business and human rights - protect, respect and remedy

Last month, members of the United Nations (UN) Human Rights Council unanimously endorsed the policy framework identified in April by John Ruggie, the Special Representative of the Secretary-General (SRSG) on human rights and transnational corporations. The Council also extended Mr. Ruggie's mandate for three years.

During the extension, the Council asks the SRSG to provide recommendations regarding the three pillars of his framework (state duty to protect; corporate responsibility to respect; and access to effective remedies). The Council further requests that the SRSG continue to consult with all stakeholders, that he integrate a gender perspective into his work and that he give special attention to persons belonging to vulnerable groups, with particular emphasis on children.

A submission made to the SRSG by the Canadian Network on Corporate Accountability (CNCA) in July articulates support for both the framework and the mandate extension. However, the CNCA expresses concern regarding the suggestion that governments establish a closer alignment between their export credit and official development agencies. The CNCA also encourages Mr. Ruggie to focus greater attention on the role of the international financial institutions in the application of his framework and to seek the participation of experts from the global South in the operationalization of the three pillars.

Human Rights Council resolution

http://ap.ohchr.org/documents/E/HRC/resolutions/A_HRC_RES_8_7.pdf

Canadian Network on Corporate Accountability submission to the SRSG

http://www.halifaxinitiative.org/updir/CNCA_statement_re_Ruggie_report-July_08.pdf

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World Bank gets failing grade on environment

The World Bank has consistently failed “to integrate environmental stewardship centrally or integrally into country programs, incorporate them as requirements for sustainable growth, and provide lending for environmental priorities”, finds a new report released this month by the Independent Evaluation Group (IEG), the Bank’s internal auditor. While the IEG recognizes some improvement in the Bank’s treatment of environmental issues between 1990 and 2007, it identifies a number of serious shortcomings. For example, the evaluation reveals that one in three projects funded by the International Finance Corporation (IFC) do not fully meet IFC environmental and social requirements. IEG recommendations include, *inter alia*, the adoption of improved environmental assessment and monitoring systems; the introduction of more effective safeguards in environmentally sensitive regions; and greater focus on cumulative impacts.

In its response to the report, World Bank management questions the IEG’s evaluation methodology and contests several of its findings and recommendations.

Environmental Sustainability: An Evaluation of World Bank Group Support, Independent Evaluation Group Report (includes Bank Management Response), <http://go.worldbank.org/BD8MP7T5B0>

TB or not TB - that is the question (for IMF policies)

A new joint study from Cambridge and Yale Universities links International Monetary Fund policies - which require countries to reduce spending on health care to access IMF loans - with an increase of tuberculosis (TB) in Eastern European and the former Soviet Union. Looking at health records in 21 post-communist countries from 1992-2002, the study finds that while pre-IMF TB rates were falling or steady, when new IMF programs were introduced the incidence of TB increased by 13.9 percent, its prevalence by 13.3 percent and TB-related deaths by 16.6 percent. Furthermore, mortality rates continued to rise with every year of the IMF program, with each 1 percent increase in credit being associated with a 0.9 percent increase in mortality. Conversely, mortality rates dropped on average by 30.7 percent when a country left an IMF program. The authors note that the 21 countries also witnessed, on average, an 8 percent drop in health spending and 7 percent less doctors per capita. “Directly observed therapy” (DOTS) programs, in which health personnel ensure outpatients take their TB medication thereby preventing new drug-resistant strains, also dropped in number.

Not surprisingly, in its response, the IMF disputes the findings, the methodology and the data.

International Monetary Fund Programs and Tuberculosis Outcomes in Post-Communist Countries, PLOS Medicine, <http://www.plos.org/press/plme-05-07-stuckler.pdf>

IMF casts doubt on TB Study, <http://www.imf.org/external/pubs/ft/survey/so/2008/RES072308A.htm>

See the August Upstream Journal for the Authors’ responses to the IMF, <http://www.upstreamjournal.org>

Notice Board - This month...

- ☰ Finance Minister Jim Flaherty is vying for the **Chair of the International Monetary and Finance Committee**, the IMF's main policy setting committee, along with India and Egypt. Italian Economy Minister Padoa-Schioppa had to resign as Chair in April when Italy's government changed. With Europe not proposing a candidate this time, the **stand-off** is expected to be **between Egyptian Finance Minister Youssef Boutros-Ghali and Flaherty**. Last year, for the first time ever, India proposed a Finance Minister from a developing country as Chair, but lost the bid amidst political wrangling.
- ☰ The World Bank's International Finance Corporation has established a **new \$100 m fund, InfraVentures**, to **cover the start-up costs** (feasibility studies and legal fees) of 25 power, logistics, transport, ports and communications **projects** in Africa, Asia and Latin America. When projects are deemed to be **viable**, they will be **tendered to other investors**.
- ☰ According to the Bank Information Center, **World Bank Group support for fossil fuels** skyrocketed from **\$376 million in 2005 to \$2.275 billion in 2008**. In contrast, the WWF claims that between 2006 and 2007 Bank support for **new renewables and energy efficiency** only increased by **2 percent**. The 2004 Extractive Industries Review (EIR) recommended immediately phasing out Bank support for the coal and oil sectors by 2008 and increasing Bank support for renewables and energy efficiency by 20 percent per year. The two reports are available at <http://www.bicusa.org/proxy/Document.11277.aspx> and http://www.wwf.org.uk/filelibrary/pdf/world_bank_report_-_final.pdf
- ☰ **"Leaked"**, and now published, **World Bank** research by its top agricultural economist estimates that a **big push** in Europe and the United States to use **biofuels** - e.g. ethanol derived from maize and biodiesel from canola oil - in transport fuels has had **more of an impact on global food prices** (75 percent) **than an increase in energy and fertilizer prices** (15 per cent). The paper argues that a shift in grain use from food to fuel, farmers setting aside land for biofuels, price speculation, and food export bans are the major causes of rising food prices. The research has caused controversy because of the focus it puts on biofuel production at a time when many northern governments, including Canada, are making biofuel content a mandatory component of gasoline. When the research was first released, the Bank distanced itself from the working paper's findings. *"A note on rising food prices"*, Don Mitchel, <http://go.worldbank.org/TSCSENOPLO>
- ☰ As the Democratic Republic of Congo (DRC) begins **renegotiating 62 mining contracts** with companies (see [IU Feb 2008](#)), the **World Bank** plans to **establish an independent panel** to monitor the process and **ensure international standards are met**. NGOs previously called on both donors and multilateral institutions to publicly support an open and transparent re-negotiation process.

New Publications this month

- *"Canada at the World Bank and IMF - Watching from the sidelines?"* Halifax Initiative, July 2008. http://www.halifaxinitiative.org/index.php/canada_and_the_ifis/1102
- *Civil Society "Key Recommendations" and "Benchmarks" for the Financing for Development Review*, <http://un.org/esa/ffd/doha/hearings/civilsociety/KeyRecommendations.pdf> and <http://un.org/esa/ffd/doha/hearings/civilsociety/Benchmarks.pdf>

The G8 is dead! Long live the G13?

Perhaps the only exciting thing to come out of the Group of Eight (G8) meeting in Hokkaido, Japan, was the call by the Center for Global Development - a well-respected, fairly mainstream Washington think-tank - to “**scrap the G8**”. While it praised the leaders for managing to say all the right things about all the right topics without really saying anything, it questioned the ability of the current configuration to tackle these problems alone. The excitement stopped there, as CGD proposed a new G8+, adding the “outreach five” of Brazil, China, India, South Africa and Mexico, or more countries like South Korea, Australia and Indonesia. However, as the examples below illustrate, it seems unlikely whether a revamped G8 will lead to anything more than bigger promises with an even lower common denominator.

Climate change - The big victory of the G8 meeting was that Russia and the United States finally joined the other six leaders in agreeing to “consider” reducing greenhouse gas emissions by 50 percent by 2050 and to make binding midterm cuts. No baseline for the reduction was announced, nor any figures indicated for the cuts. Huh? Canada has also made it clear that cuts will be conditional on India and China playing their part.

Development and Africa - Nothing new was said on Africa, with the G8 repeating past commitments on the MDGs, aid, health systems and fighting HIV, malaria and polio, water and sanitation, education for all, private sector growth, and making aid more effective. They even renewed their commitment to the Monterrey Conference on Financing for Development, even though November’s review in Doha is barely even a blip on the radars of any G8 countries.

World Economy - The G8 remained upbeat about the global economy, while mindful of increased commodity prices, and promised to take action to ensure stability and growth and to press for open markets, trade and investment - at home and abroad. They welcomed initiatives to develop best practices for Sovereign Wealth Funds (see IU March 31 2008). They encouraged more companies to taken on voluntary corporate social responsibility standards (see IU June 30, 2007). Rising oil prices also registered some concern, with increased production and refining capacities, improved energy efficiency, and diversified portfolios seen as the answer.

International institutions - Keep up the good work.

Food security - The G8 promised to increase aid and investment in the agricultural sector, and support agricultural research and development. Nothing was said about ending northern biofuel subsidies.

Scrap the G8, Center for Global Development, Lawrence MacDonald,
http://blogs.cgdev.org/globaldevelopment/2008/07/scrap_the_g8.php

G8 leaders’ declaration, http://www.g8.gc.ca/pdf/Chairs_Summary-eng.pdf