Issue update
Selected Issues on International Financial Institutions

Volume III, Number 8 — August 31, 2007

Wolfowitz Swept “Climate Change” Under the Rug at Bank

Documents released by the Government Accountability Project (GAP) reveal that Paul Wolfowitz, then World Bank President, personally intervened to remove the emphasis on climate change from a 2006 Bank report requested by the G8. The original report, entitled “Climate Change, Energy and Sustainable Development: Towards an Investment Framework” and endorsed by Bank vice-presidents, was later changed to “Clean Energy and Development: Towards an Investment Framework”.

Wolfowitz’s political and ideological ties to the Bush administration explain his aversion to climate change, a background that made his appointment to World Bank President controversial from the start. According to media reports, Wolfowitz’s decision to censor climate change from the title of a key bank document is consistent with the U.S. administration’s efforts to inhibit the integration of climate change concerns into the Bank’s decision-making process.

The Bank’s strategy and operations director for sustainable development, Kristalina Georgieva, lamented that the politically charged nature of the climate change debate in recent years has prevented staff from incorporating climate change factors, such as the consideration of emissions, into the Bank’s decision-making process. She estimates that it will be at least two years before the Bank starts measuring the impact of emissions from fossil-fuel related projects. This delayed and half-hearted response to climate change highlights the fundamental flaw in having one country, the United States, wield disproportionate influence over the direction of policy at the World Bank.

At World Bank, Climate Change Isn’t Part of the Equation – LA times
http://www.latimes.com/news/nationworld/nation/la-na-emitside12aug12,1,92299.story?coll=la-headlines-nation&ctrack=1&cset=true

Also in this issue:

Independent Evaluation of IFC Projects Reveals Poor Development Results in Africa
U.S. Supports Canadian approach to IMF Voting Reform
Notice Board, new publications and upcoming events
JUST THE FACTS: Carbon Trading at the World Bank: A Profitable Environment?

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Our core funders are the C.S. Mott Foundation, the Wallace Global Fund, the International Development Research Centre, the Sigrid Rausing Trust, and Coalition members.

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Independent Evaluation of IFC Projects Reveals Poor Development Results in Africa

In its assessment of International Financial Corporation (IFC) projects between 1996 and 2006, the World Bank's Independent Evaluation Group (IEG) found that only half of all projects in Africa had produced positive development outcomes. Development performance was based on an evaluation of project business success, economic sustainability, environmental and social effects, and wider private sector development impacts.

However, even these limited positive outcomes reported by the IEG may be over-stated. As "environmental and social effects" make up only one fourth of the assessment formula, a positive overall development rating may conceal a negative social impact. This weighting of the formula in favour of positive economic outcomes throws into question the IFC's commitment to addressing the social and environmental consequences of its financing.

Moreover, the report finds that the most important factor in the achievement of positive social and environmental effects was the client's *commitment* to "good environmental and social management". The report states: "if the client is committed, with IFC's help it can build environmental management capacity and resources to identify and mitigate the environmental and social risks in a project". This implies that the IFC merely encourages these practices, rather than ensuring that financed projects complied with IFC performance standards; an approach that should cause concern as the Corporation aims to double its investments in Africa by 2009.

IEG Evaluation of IFC's Development Results 2007
http://www.ifc.org/ieg/iedr2007

Halifax Initiative brief on the IFC's Performance Standards
http://www.halifaxinitiative.org/updir/IssueBrief-IFCPerformanceStandards.pdf

U.S. Supports Canadian Approach to IMF Voting Reform

Efforts to reform the voting-share formula at the IMF have stalled once again as Europe remains firmly opposed to proposals that would decrease its influence at the institution. European countries, led by France, the UK, and Germany, have rejected proposals that would see the voting power of middle-income countries increase at their expense. Proposals under consideration would allow rapidly growing countries such as China to eventually surpass European countries' influence at the Fund.

European resistance has led to a rift with the US, which has expressed its support for a re-distribution of voting shares along the lines of the Canadian proposal (see July Issue Update). Under this proposal, more votes would shift to under-represented countries such as China, Mexico, South Korea and Turkey.

Given that 85 per cent of the Board's support is needed to reform the IMF articles of agreement, European endorsement is essential for reforms of any type. As little hope remains for gaining this support by the annual meetings in October, It is unlikely that departing Director Rodrigo de Rato will preside over the reforms that he championed during his term.

Europe holds out against reform of IMF – Financial Times
http://www.ft.com/cms/s/0/8ac8bcf2-443a-11dc-90ca-0000779fd2ac.html

Notice Board

- Despite a 2002 moratorium on new timber harvesting contracts in the DRC, the **International Finance Corporation** has invested millions in a company that obtained two **illegal timber concessions** in 2005. The Singapore-based Olam International was also recently charged with underreporting the amount of timber it was transporting. Olam argued that it was unaware of the moratorium at the time it received the contracts, while the World Bank's website claims that the IFC "has no client in the field of forests in DRC". *(LA Times Aug 17, 2007)*
- On August 22nd, **Russia** nominated Josef Tosovsky, former Czech Prime Minister and National Bank Governor, for the position of IMF Managing Director. Analysts argue that Tosovsky poses no serious threat to Dominique Strauss-Kahn, the European front-runner, and interpret Russia's move as a **symbolic challenge to the West's dominance** at the world's international financial institutions. The Czech Republic has refused to endorse Tosovsky, and has reaffirmed its support for Strauss-Kahn.
  Meanwhile, Luxembourg's Prime Minister, Jean-Claude Juncker, has stated that "**the next (IMF) director will certainly not be a European".** While acknowledging the need for reforms to the appointment process, Juncker defended EU support for Dominique Strauss-Kahn, claiming that he is best suited to reform the Institution in favor of developing country interests. http://www.ft.com/cms/s/0/d113dc72-5110-11dc-8e9d-0000779fd2ac.html http://www.ft.com/cms/s/0/f3d19198-55d2-11dc-b971-0000779fd2ac.html
- The DRC government has said that it is **revoking** Central African Mining & Exploration Co.'s **mining licence** due to **"serious irregularities"** in the original issuing process. Mining contracts awarded to firms such as Freeport-McMoRan, its Canadian partner Lundin Mining Corp., and Anvil Mining Corp. face similar reviews. The contract for the Tenke Fungurume project, which has drawn the interest of **Export Development Canada**, is also under review. http://www.halifaxinitiative.org/index.php/issues_projects/

New Publications

- "Guide to Human Rights Impact Assessment and Management – Road-Testing Draft", International Finance Corporation, August 2007. The guide was created to help IFC clients identify and develop management responses to human rights issues in their operations. It states that better management of human rights issues benefits both the community and the company's business interests.
  http://www.ifc.org/ifcext/enviro.nsf/Content/OurStories_SocialResponsibility_HumanRights
- "Environmental and Social Review Procedure - update", International Finance Corporation, July 2007. This update is based on 15 months of experience implementing the IFC's Performance Standards. http://www.ifc.org/ifcext/enviro.nsf/Content/ESRP
- "Ten Years After: The Lasting Impact of the Asian Financial Crisis", Center for Economic and Policy Research, August 2007. This article discusses how the crisis led to the IMF's declining influence over middle-income countries.
  http://www.cepr.net/documents/publications/asia_crisis_2007_08.pdf

Upcoming Events

- *"2007 Annual Meetings of the World Bank and IMF – Civil Society Policy Forum". Washington D.C., October 18-22, 2007.* Deadline for NGO accreditation is Sept.14th .
  http://www.worldbank.org/civilsociety

Carbon Trading at the World Bank: A Profitable Environment?

Through its Carbon Finance Unit (CFU), the Bank manages eleven different carbon funds and facilities. Capital for the CFU is provided by OECD countries and companies, and is used by the Bank to fund greenhouse gas emission reductions in developing countries. The Unit operates according to the Kyoto Accord's Joint Implementation (JI) and Clean Development Mechanism (CDM), the latter of which gives Kyoto signatories in the developing world – who do not have emission reduction targets - the chance to earn and sell emission credits to polluters in the developed world. These credits help countries in the developed world reach their emission reduction targets under the Kyoto Accord.

Developing country companies can earn emission credits through the CDM if they demonstrate that their investment in green technology would not occur without the financial benefit derived from the sale of these credits. The objective of the CDM is to create financial incentives for developing countries to move towards a low-carbon economy (while the attendant costs are low), while promoting both sustainable development and the expansion of the international carbon market.

However, the CDM has been the subject of much criticism. The main technical criticism revolves around the difficulty of establishing the volume of emissions that a particular project would have produced without CDM support. Both the subjective nature of this estimate, and the fact that it determines the amount of credits earned, renders the system susceptible to abuse. This encourages both the developed country investor, and the developing country host, to overstate the estimated emission reductions. Reports indicate that the CDM has over-allocated emission credits in recent years, thereby overstating its impact on global greenhouse gas reductions.

Moreover, some of the credits from the CFU have been criticized for failing to meet the CDM's sustainable development requirements. Earning and selling emission credits can be more profitable than a company's core business. This creates a perverse incentive for companies to invest in certain industries that may reduce emissions, but that may generate a net negative impact on the environment.

Finally, it is important to note that although the World Bank has been a leader in promoting the CDM and the inherent value of emissions trading, it has yet to implement a framework for calculating the carbon emissions from its own fossil fuel related projects; projects that massively out-value its investment in CDM projects.

How the World Bank's Energy Framework Sells the Climate and Poor People Short – Bretton Woods Project
http://www.ifiwatchnet.org/sites/ifiwatchnet.org/files/WB_EnergyReportFINAL_1.pdf