

## Issue update

### *Selected Issues on International Financial Institutions*

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## People's Tribunal Examines World Bank Influence in India

Over sixty social movements, unions, academics, and local NGOs gathered for four days in New Delhi to examine how decades of World Bank policies and projects have affected the country's economic and social landscape. Testimony, evidence, and research were heard by a 15 member jury of prominent activists, community leaders, retired justices, and academics in an effort to comprehensively assess the costs and benefits of World Bank assistance.

The Tribunal concluded that the Bank maintains an influence over domestic policymaking that is both disturbingly negative and disproportionate to its financial contribution. The Bank has managed to inflate its policy influence mainly through loan conditionality, preventing domestic decision-makers from responding to the political and social consequences of Bank funded projects. The Tribunal also found the movement of ex-Bank officials into senior government positions as an unacceptable trend that further threatens the country's policy independence. Overall, the depth and scope of Bank influence was interpreted as a violation of the Bank's own Rules of Association, rules that prohibit Bank interference in the political processes of member states.

Rather than resembling yet another protest over issues of social justice, organizers framed the tribunal as an opportunity to raise a more serious debate on neo-liberalism, its capacity to serve the wider public interest, and the future of India's economic policy. The event was also geared towards spurring wider international debate over the Bank's effectiveness and legitimacy - two elements that have faced increasing scrutiny over the past year. A similar event, entitled "A Public Hearing on the World Bank" will be held in The Hague, Netherlands, as a prelude to the 2007 Annual Meetings of the World Bank and IMF in Washington D.C.

Independent People's Tribunal of the World Bank in India,  
<http://www.worldbanktribunal.org/>

Tribunal finds undue influence of World Bank on India's national policies,  
<http://www.bicusa.org/en/Article.3514.aspx>

#### *Also in this issue:*

Wolfowitz's Anti-Corruption drive divided World Bank

Bank fundraising drive a mixed priority for G8

Notice Board, new publications and upcoming events

**JUST THE FACTS:** How Canada is represented at the World Bank and IMF



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## Wolfowitz's Anti-Corruption drive divided World Bank

A recent independent review of the World Bank's Department of Institutional Integrity (INT), the unit responsible for investigating allegations of corruption and misconduct within the Bank's programming and staff, has revealed a breakdown of support for the current anti-corruption strategy and a lack of trust in the INT. According to the review, the root of this failure lay in previous President Paul Wolfowitz's poor management of a more aggressive anti-corruption strategy. By repeatedly failing to consult with the Bank's Board, other managers, and project staff before making decisions, the President's Office and the INT sowed internal divisions and undermined staff confidence in both the anti-corruption initiative and the INT.

Criticisms heard by the review panel revolved around the INT's perceived political bias and the INT director Suzanne Rich Folsom. Folsom, a onetime Republican Party activist, was appointed by Wolfowitz to head the INT and serve as counselor to the President's office. Under Folsom, many Bank employees claimed that the INT's targeting of countries and staff members was unfair, undiplomatic, and motivated by a Republican political agenda that was generally unsupportive of the Bank's mission.

Although the INT was exonerated of political wrong-doings by the review panel, it did recognize how staff perceptions led to greater secrecy on the part of the INT, less cooperation with Bank staff, and greater mistrust. The review recommended greater independence for the INT from the President's office, additional oversight mechanisms, and more emphasis on corruption prevention.

Volcker report finds Bank ineffective in addressing corruption - Bank Information Center  
<http://www.bicusa.org/en/Article.3488.aspx>





## Bank fundraising drive a mixed priority for G8

For many years, the International Development Association (IDA) of the World Bank has been the largest source of development assistance for the world's poorest countries. In contrast to the International Bank for Reconstruction and Development (IBRD), which finances loans to middle-income countries by posting bonds on the world's financial markets, IDA is primarily funded by the contributions of OECD countries. But this dependence on donor funding has rendered poor countries' long-term plans vulnerable to shifts in donor country aid policy.

Early indications suggest that the current three year IDA replenishment (IDA 15, *IU March 2007*) may fail to provide the 20% increase (over IDA 14) the Bank is demanding of donors. Although Group of Eight countries pledged "contributions additional to regular replenishments of IDA" at Gleneagles, many are now backtracking, blaming domestic budget constraints, perceptions of Bank ineffectiveness, and strained relations leftover from the Wolfowitz era. Europe, Japan, and the US have indicated they may curtail donations or pursue alternate channels, while Canada looks set to meet Bank targets. Now, as IDA deputies are set to meet the Bank President next month in Washington, Zoellick announced a \$3.5 billion contribution of IBRD and International Finance Corporation income towards IDA 15.

New World Bank Chief Confronts Aid Shortfall - International Herald Tribune  
<http://www.iht.com/bin/print.php?id=7621828>

## Notice Board

-  The IMF Executive Board announced its selection of **Dominique Strauss-Kahn** as the institution's next **Managing Director**. He will replace out-going Director Rodrigo de Rato, who resigned in June, on November 1<sup>st</sup>, 2007. Only Strauss-Kahn and Josef Tosovsky were up for consideration at the August 31<sup>st</sup> nomination deadline. While the **UK initially criticized the nomination process** and the convention of having a European head the IMF, they supposedly backed Strauss-Kahn in exchange for France's support for a more transparent and legitimate selection process next time! <http://www.bicusa.org/en/Article.3483.aspx>
-  The World Bank launched the "**Stolen Asset Recovery Initiative**" (StAR) in an effort to help developing countries **recover assets stolen by corrupt leaders**, re-invest these assets in development projects, and address the issue of international financial safe havens. The cross-border flow of illegal funds obtained through corruption and other criminal activities is estimated to be as much as \$1.6 trillion per year. Bank President Robert Zoellick noted that **developed countries must be more responsible** by making sure that they do not provide safe havens for illicit funds.
-  The Romanian government has **suspended** the environmental impact assessment review of **Canadian owned Gabriel Resources' Rosia Montana mine**, further delaying the mine's development. The suspension followed a court challenge by NGOs who questioned the validity of an "urbanism certificate" that is required to obtain a construction permit. Critics argue that the mine's operations will have serious **environmental consequences** in both Romania and Hungary while offering little economic development.  
<http://www.greentransylvania.ro/home.php?lang=en&kozep=1&id=13&m=1>
-  **Members of Canadian and British Parliaments traveled to Honduras** to examine the social and environmental impact of the mining sector and offer support to local groups in their efforts to secure a **just and responsible national mining law**. The multi-stakeholder recommendation to establish a **Corporate Social Responsibility Standard and independent mining ombudsman in Canada** was held as an example of how developed countries can act responsibly and with integrity when dealing with foreign countries such as Honduras.  
<http://www.devp.org/devpme/eng/pressroom/documents/pdf/MPStatement.pdf>

### New Publications

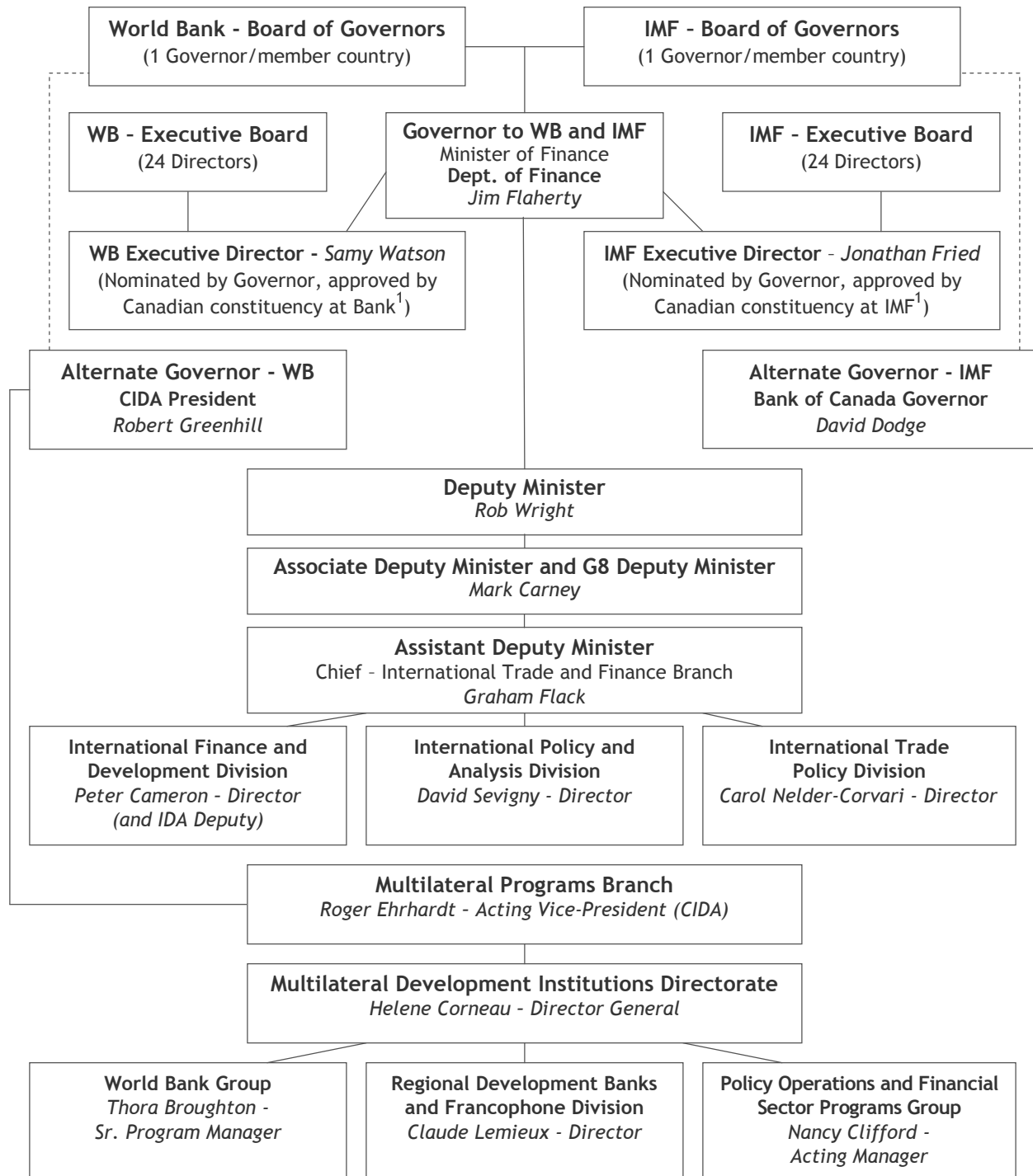
- "Undermining Communities in the Environment: A Review of the International Finance Corporation's Environmental, Health, and Safety Guidelines for Mining", September 2007. This report criticizes the IFC's new guidelines for containing serious gaps and omissions, and for failing to establish firm standards or measurable criteria.  
[http://www.earthworksaction.org/pubs/IFC%20Mining%20Guidelines\\_20070904.pdf](http://www.earthworksaction.org/pubs/IFC%20Mining%20Guidelines_20070904.pdf)
- "Doing Business 2008", World Bank, September 2007. This annual report is a ranking of the easiest and most difficult places in the world to do business. Critics argue that the report rewards countries for adopting policies that remove worker protections and rights.  
<http://www.doingbusiness.org/>

### Upcoming Events

- "*Week of Global Action Against Debt and IFIs*" October 14-21, <http://debtweek.org/>
- *2007 Annual Meetings of the World Bank and IMF*, October 20-22, Washington D.C.  
<http://www.imf.org/external/am/2007/index.htm>

# JUST THE FACTS

## How Canada is represented at the World Bank and IMF



<sup>1</sup> The Canadian Constituency at the Bank includes: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. At the IMF, the constituency is the same minus Guyana.