

## Issue update

### *Selected Issues on International Financial Institutions*

Volume IV, Number 9 – September 30, 2008

## Bank pulls out of disastrous Chad-Cameroon pipeline

In early September, in a rare move, the World Bank pulled out of the \$4.2 billion Chad-Cameroon pipeline due to ongoing tensions with Chad over oil profits the government had promised to spend on social programs. The exit was finalized when Chad prepaid the outstanding \$65.7 m balance of its \$140 m loan.

The Bank got involved in the project in 2000, hoping to use it as a test case for how oil revenues could be managed responsibly. To address concerns about weak governance and poor budget-management experience, the Bank conditioned its loan on the government establishing a transparent revenue management system. Under Chad's Petroleum Revenue Management Law, 82 percent of the accrued revenues were to be spent on education, health, rural development, infrastructure, environment and water, including 10 percent dedicated to a "future generations' fund". When an independent oversight board discovered in 2005 that much of the money was being squandered, and the government then changed the Management law to allow for greater spending flexibility, the Bank suspended its loan and froze Chad's assets (IU January 2006). Despite a new agreement in 2006 to dedicate 70 percent of revenues on social spending, President Deby circumvented the provisions, allotting more money to address an influx of refugees from Darfur and to fight rebel groups in the East.

Many civil society groups, which had questioned the ability of Chad's government to responsibly manage the oil revenues, are not surprised that the Bank's experiment failed. They are now calling on the Bank for a major rethink of its approach to mining, oil and gas extraction in high risk regions of the world.

World Bank Ends Effort to Help Chad Ease Poverty, New York Times

[http://www.nytimes.com/2008/09/11/world/africa/11chad.html?\\_r=1&ref=world&oref=slogin](http://www.nytimes.com/2008/09/11/world/africa/11chad.html?_r=1&ref=world&oref=slogin)

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



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153 Chapel Street  
Ottawa, ON K1N 1H5  
Canada

TEL: (613) 789-4447  
FAX: (613) 241-4170  
WEB: [www.halifaxinitiative.org](http://www.halifaxinitiative.org)

## Amnesty seeks HR commitments from federal parties

Amnesty International is urging all political parties to include human rights in their election platforms. Amnesty wants the federal parties to commit to adopt the laws and policies needed to address urgent human rights priorities, as identified in its annual Human Rights Agenda.

Among Amnesty's priorities is the area of business and human rights, for which existing voluntary measures are insufficient. Amnesty calls for the implementation of a new national corporate social responsibility framework, as recommended by the Advisory Group to the recent National Roundtables process on the extractive industries (see [IU March 2007](#)). In addition, the AI Agenda highlights the need for Export Development Canada to develop a human rights framework to ensure that the Crown corporation is not implicated in human rights violations when it supports the overseas operations of Canadian companies.

Federal Election 2008: Strengthening our Commitment: A Human Rights Agenda for Canada  
[http://www.amnesty.ca/themes/resources/canada/AICanada\\_HRAgenda\\_2008.pdf](http://www.amnesty.ca/themes/resources/canada/AICanada_HRAgenda_2008.pdf)

## Ecuador audits external debt, determines illegitimacy

A large portion of the internal and external debts the government of Ecuador contracted between 1976 and 2006 are illegal or illegitimate, according to a report submitted to Ecuador's President, Rafael Correa, by a Comprehensive Public Credit Audit Commission.

The report concludes that over the thirty year period, "the process of indebtedness in Ecuador took place to the benefit of the financial sector and transnational corporations, affecting visibly the interests of the State". During this time, the report charges that up to 70 percent of Ecuador's budget was used to service its debt, with only 14 percent available for spending on social programs and infrastructure. Furthermore, it charges that 86% of the loans the government contracted during the 30 year period were simply used to pay existing debts. "The debt was converted into an instrument used by the international creditors to extract our economic and environmental resources, to damage our sovereignty and contribute to the deinstitutionalization of the State." The report charges both lenders and Ecuadorian government officials with co-responsibility for the debts, but stops short of calling on them to be repudiated, leaving that decision to President Correa.

In October 2006 (See [IU](#)), Norway unconditionally cancelled US\$80 million of bilateral debts with five countries, Ecuador among them, admitting that the loans had stemmed from a development policy failure. President Correa established the Commission nine months later.

Presidente de Ecuador ya dispone de pruebas sobre fraude en deuda externa  
<http://www.ecuadorinmediato.com/noticias/especial/88196>

## Notice Board - This month...

- ☰ At the end of **August**, the World Bank revised its estimate of the **number of people living in extreme poverty** as of 2005 from **just under 1 billion to 1.4 billion!** The leap came after the Bank realized that it had, for decades, been grossly underestimating the cost of living of people in the world's poorest nations, and hence had been overestimating people's ability to buy goods and services. The previous benchmark for people living in extreme poverty was US\$1 per day or less. It has now increased to US\$1.25. **One quarter of the developing world**, 50 percent of sub-Saharan Africa's population, 42 percent of India's, and 17 percent of China's, now accordingly live below the poverty line.
- ☰ **German export credit agency (ECA), Hermes, may not back Turkey's controversial Ilisu dam (IU April 2007)** because officials are not satisfied with Turkey's pledge to guarantee environmental protection, to safely relocate 55,000 people and to protect cultural treasures. The town of Hasankeyf, one of the oldest in human history, would be flooded by the \$3 billion dam project. ECAs from Switzerland and Austria may also withdraw.
- ☰ The IMF completed a voluntary **24-point code of conduct**, the "**Santiago principles**", for state-owned **sovereign wealth funds (SWFs)** along with 26 of the largest SWFs (**IU March 2008** and "**JUST THE FACTS**"). Demands for a code emerged last year amid concerns about the rapid growth of SWFs, their potential impact on financial markets and suspicion about their intended use. In fact, the IMF also released a survey indicating that 21 percent of SWFs were unaccountable to their domestic legislatures. The code will be unveiled in October.
- ☰ **Argentina** unexpectedly announced that it would **repay the full \$6.7 bn in defaulted debt** it owed to the 19 western-creditor governments of the **Paris Club**, using central bank reserves. Argentina repaid the debt to avoid being subjected to surveillance of its economy by the IMF - a condition imposed by the Paris Club on Argentina for renegotiating the country's debt.
- ☰ **IMF Managing Director Dominique Strauss-Khan** has **appointed a Committee of Eminent Persons to advise the Fund on changes to its current governance structure**. South African Finance Minister Trevor Manuel will chair the Committee of Finance Ministers, Professors and CEOs. Former IMF Chief, Michel Camdessus, and renowned development economist, Amartya Sen, also head up the Committee. The Committee's findings, to be released by next April, will add to a recent and scathing internal audit that called for broader changes to the IMF's systems of governance and accountability (**IU June 2008**).

### New Publications this month

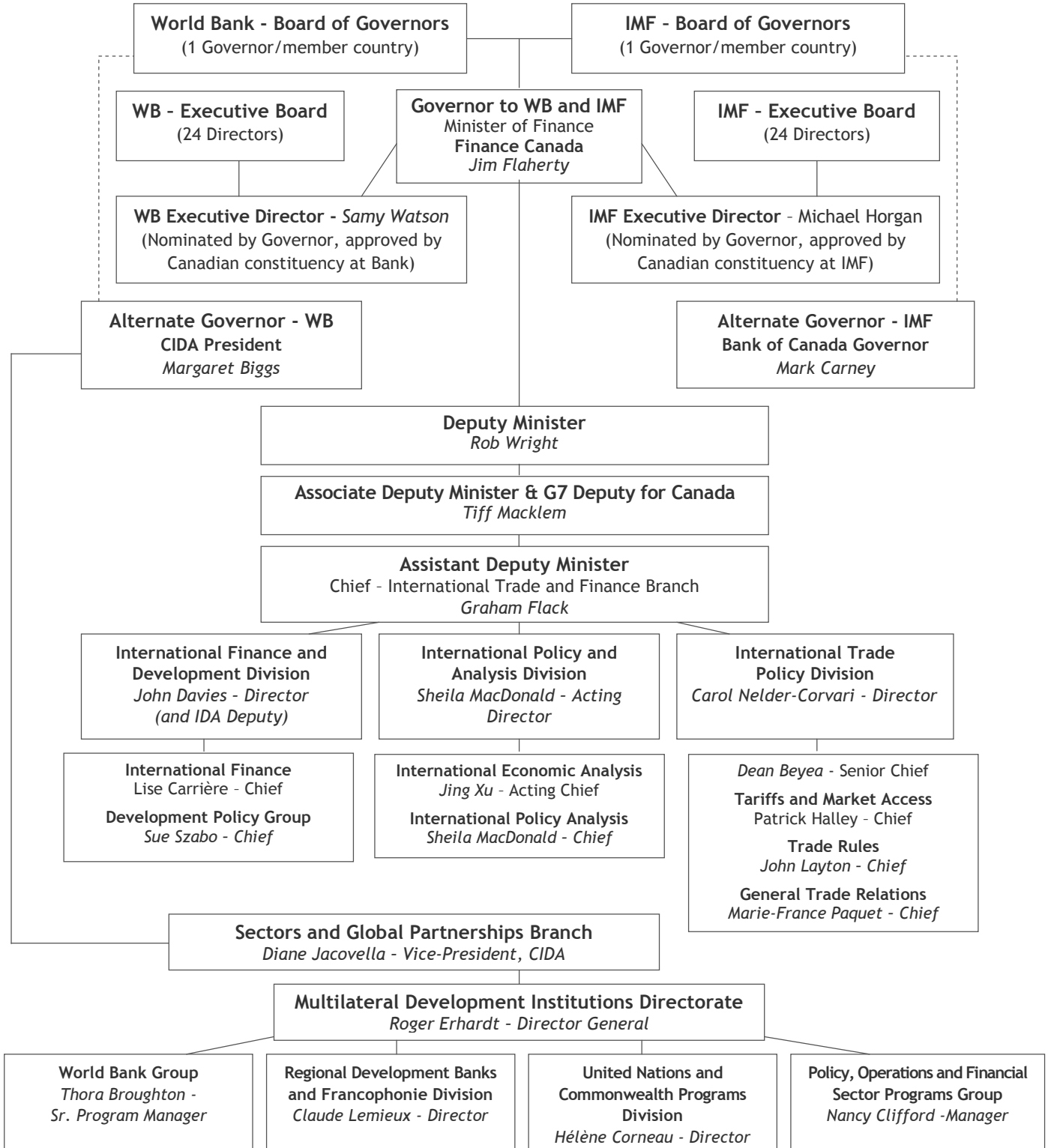
- "*Findings of the Jury - Independent People's Tribunal on the World Bank in India*", World Bank Tribunal, September 2008. One year on from the people's tribunal (IU September 2007), the Jury has posted their final findings. <http://www.worldbanktribunal.org>
- "*Bringing Balance to the IMF Reform Debate*", New Rules for Global Finance, September 2008. The outcome of a series of regional meetings gathering perspectives on the future of the IMF. [http://www.new-rules.org/docs/bringing\\_balance/bbreport090908.pdf](http://www.new-rules.org/docs/bringing_balance/bbreport090908.pdf)

### Upcoming Events

- World Bank and IMF annual meetings, Washington DC, October 9-13.
- Week of Global Action against Debt and IFIs, October 12-19. <http://www.debtweek.org>

# JUST THE FACTS

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



Revised from IU September 2007