

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

➤ *US Congress passes new law aimed at increasing World Bank accountability*

Legislation to encourage greater transparency and accountability at the World Bank and other multilateral development banks (MDBs) was signed into law by President Bush, November 14, 2005. The reforms were contained in an amendment to the 2006 foreign operations appropriation bill proposed by Republican Sen. Richard Lugar, chair of the Senate Foreign Relations Committee, as part of the FY06 Foreign Operations appropriations bill.

Lugar's amendment includes reform measures to help poor countries combat corruption on their own; to require financial disclosure by development bank employees similar to that required for U.S. government officials and members of Congress; to improve the quality and oversight of development bank loans; to support the integrity of the development banks and strengthen whistleblower policies; and to support the independence and efficacy of the audit functions.

It also requires that the Treasury Department make publicly available the positions taken by the U.S. Executive Directors on policies and significant projects.

The U.S. Congress cannot mandate multilateral institutions to act. But the new law does require U.S. executive directors on the banks' governing boards to raise these specific reform issues and to seek adoption by the boards. As well, as the single largest shareholder at the multilateral development banks, the US can threaten to withhold funding, which they did this month, threatening to withhold 20% of funds until improvements in the area of transparency and accountability are made.

Additional Information

The legislation:

<http://www.odiousdebts.org/odiousdebts/publications/MultilateralDevelopmentBanklaw.pdf>

Press:

http://www.chinadaily.com.cn/english/doc/2005-11/16/content_495172.htm

<http://lugar.senate.gov/pressapp/record.cfm?id=241112>

➤ *Export Development Canada (EDC) adopts new disclosure and environment policies*

Export Development Canada introduced amendments to its Environmental Review Directive (ERD) and Disclosure Policy, November 2nd, following a public comment period.

Disclosure of environmental impact information for all projects with known significant adverse environmental or social impacts at least 30 days before approval of support by EDC is now a requirement. This brings EDC in-line with US and some European export credit agencies, which already required ex-ante disclosure. As well, EDC will now disclose which international environmental standards were used to assess the project. The revised policies require EDC to take into account multilateral environmental agreements signed by Canada in its environmental review. EDC had proposed to exempt projects that received World Bank support from any supplemental environmental review, but this was dropped, likely due to comments to EDC pointing out the weaknesses in World Bank application of their policies.

Unfortunately, requirements for public consultation are still very weak, corporate finance facilities are not covered, and "commercial confidentiality" terms have been expanded to make any future inclusion under Access to Information Act less meaningful

The policy review was initiated to reflect changes to the OECD Common Approaches on Environment and Officially Supported Export Credits and recommendations from the Office of the Auditor General in its 2004 examination of EDC's environmental practices. EDC has also committed to conducting reviews of its Environmental Policy a minimum of every three years.

Additional Information

Halifax Initiative press release regarding changes:

<http://www.halifaxinitiative.org/index.php/Home/649>

Summary of public comments:

http://www.edc.ca/corpinfo/csr/comments/index_e.htm

➤ **OECD extends favourable export credits for large hydropower projects**

At discussions mid-November, export credit agencies of the OECD decided to include hydropower projects in their definition of renewable energy. This means that export credits can be offered on preferential financial terms to large dams. Because of the controversies created by the social and environmental impacts of large dams, the negotiations regarding their inclusion under the definition of renewable energy took months. As a nod to the controversy, the OECD export credit agencies acknowledged that such projects should in all material respects meet the requirements of the relevant aspects of all the World Bank Group Safeguard Policies. These countries and the European Commission also recognised the value of the relevant aspects of other international sources of guidance, such as the draft Sustainability Guidelines produced by the International Hydropower Association and the Core Values and Strategic Priorities of the World Commission on Dams Report.

The OECD decision was made on the 5th anniversary of the release of the World Commission on Dams report, ironically, which concluded that large dams have large costs – financial, social and environmental.

Additional Information:

OECD Statement on Export Credits and Hydro-power Projects:

http://www.oecd.org/document/41/0,2340,en_2649_201185_35688937_1_1_1_1,00.html

A Trojan Horse for Large Dams: How export credit agencies are offering new subsidies

www.irn.org/programs/finance/index.php?id=050902oecd.html

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New discussion papers (HI Members or Associates, government) on IFI issues:

– *Driving Under the Influence: Senegal's PRSP process and Guyana: Experience of Economic Reform under World Bank and IMF Direction.* Social Justice Committee. Tight control by the World Bank and IMF resulted in ineffective economic reform and poverty reduction programs, according to these two new studies commissioned by the Halifax Initiative Coalition. On-line at: <http://www.s-j-c.net/English/index.htm>

Upcoming IFI-related conferences or meetings

- Eleventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, (COP 11) in Montreal from November 28 to December 9, 2005.
- The Sixth WTO Ministerial Conference, Hong Kong, December 13-18th, 2005.

JUST THE FACTS – The World Commission on Dams (WCD)

The World Commission on Dams was established by the World Bank and IUCN (the World Conservation Union) in May 1998 in response to growing and intense opposition to large dams. Twelve Commissioners were appointed, representing a broad spectrum of interests, from dam operators to grassroots peoples movements. For 2.5 years, the WCD conducted the most comprehensive and independent review of world's large hydropower projects to date. Its main findings included: large dams showed a "marked tendency" toward schedule delays and cost overruns; that irrigation dams typically neither produced the expected volume of water nor recovered their costs; that environmental impacts were "more negative than positive," and in many cases "led to irreversible loss of species and ecosystems"; and that their construction had "led to the impoverishment and suffering of millions."

The Commission even challenged the conventional assumption that dams provide "clean" energy; on the contrary, it said, dam reservoirs, particularly shallow tropical ones, emit greenhouse gases released by vegetation rotting in reservoirs and carbon inflows from watersheds. The WCD report, *Dams and Development: A New Framework for Decision-Making* was released November 16, 2000.

World Commission on Dams: www.dams.org