

Issue update

Selected Issues on International Financial Institutions

Volume VII, Number 4 – May 31, 2011

IMF boss: heading for the right choice?

The selection of the managing director appears to be heading down the well worn path that ensures the world's richest countries control the IMF. The Fund has made repeated commitments to governance reforms and the G20's IMF Reform Working Group recently repeated the G20 demands for a merit based, transparent process. But, the EU and US still control more than 50% of IMF votes. In accordance with a long standing tradition, whereby a European runs the IMF and an American controls the World Bank, the US government has so far declined to advance a rival to the EU's nominee for the position of IMF Managing Director.

The process to date does not bode well for an institution in need of global credibility. Emerging economies are changing the face of the global economy and demanding that international institutions reflect this new reality in terms of governance and policy approaches. The IMF needs to rebuild its credibility after failing to anticipate and promote appropriate policies in the lead-up to the global financial crisis. In fact, the IMF itself has admitted that its obsession with deregulation actually exacerbated the crisis.

The Fund is still suffering from a credibility gap in low and middle income countries, where most IMF lending takes place. Countries are increasingly choosing to go it alone or seek other sources of support rather than submit to IMF policy prescriptions that undermine their capacity to protect themselves from an ever more volatile global economy.

This is a crucial time for the IMF and the selection of the new director must be merit based and transparent, and signal that the IMF is making progress in moving from an institution that promotes rich countries' interests to one that contributes to more broad-based development on a global scale. See *Just the Facts* for more on civil society's proposals for selecting the IMF boss.

Also in this issue:

CSOs urge UN to move beyond Ruggie

Argentine civil society sues Barrick Gold

Notice Board, new publications and upcoming events

JUST THE FACTS: A professional approach to selecting the IMF boss



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

Email subscriptions@halifaxinitiative.org to automatically receive our *Issue Update* newsletter each month.

153 Chapel Street
Ottawa, ON K1N 1H5
Canada

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

CSOs urge UN to move beyond Ruggie

The UN Special Representative to the Secretary-General on business and human rights, John Ruggie, will complete his mandate in June of this year. Mr. Ruggie, who began his work in 2005, developed a policy framework regarding international human rights and the activities of multinational companies (see IU Jan. 2011). Civil society organizations emphasize the need for continued work in this area. They urge the Human Rights Council to renew its commitment to the issue at the conclusion of the Ruggie mandate through the creation of a special procedure. Special procedures are mechanisms established by the Human Rights Council to address either specific country situations or thematic issues. These procedures serve a number of functions, including responding to individual complaints, conducting studies, providing advice and engaging in promotional activities.

A broad grouping of international civil society organizations proposes that a new special procedure on business and human rights be established to: assess implementation of the “protect, respect, remedy” framework; assess options for developing an international legal instrument on business and human rights; and provide guidance to states and companies.

CSO statement

<http://halifaxinitiative.org/sites/default/files/Joint-civil-society-statement-on-business-and-human-rights-May-2011.pdf>

Argentine civil society sues Barrick Gold

This month, a coalition of Argentine NGOs (Greenpeace, the Foundation for the Environment and Natural Resources - FARN, the Argentine Association of Environmental Lawyers - AAdeAA, Friends of the Earth and Dialogue for the Environment -DxA) launched an action before the Supreme Court of Argentina to demand an immediate end to activities at Barrick Gold’s Pascua Lama mine site. The plaintiffs argue that the project violates the federal Glacier Protection Law, which prohibits mining activity on or around glaciers. Barrick is constructing Pascua Lama in a glacial field on the border between Chile and Argentina. Among other impacts, Barrick perforated glaciers and constructed roads on top of glacial bodies during its exploration activities. The law suit also demands that the federal government of Argentina, the provincial government of San Juan and Barrick Gold be required to restore the natural environment in the area that’s affected by the company’s operations to its original condition.

For more information on the impacts of the Pascua Lama project, see
<http://halifaxinitiative.org/sites/default/files/Hochberg.pdf>

Press release (in Spanish)

http://www.farn.org.ar/prensa/gacetillas2011/comunicado_glaciares13052011.pdf

Notice Board - This month...

- ☰ On April 27, the Superior Court of Quebec accepted jurisdiction in a law suit initiated by Congolese nationals against Canadian mining company, Anvil Mining Limited. The plaintiffs are suing in relation to gross human rights violations perpetrated by the Congolese Armed Forces in 2004. They accuse Anvil of providing the army with logistical support in the commission of the acts (See IU Oct. 2010). The court's ruling is an important victory for the plaintiffs. In 1998, the same court declined to hear a case brought by Guyanese nationals against a Canadian mining company in relation to a massive tailings spill in their country. Anvil's operations in the Democratic Republic of Congo were insured by the World Bank's Multilateral Investment Guarantee Agency.
<http://www.globalwitness.org/library/court-ruling-major-step-forward-case-against-canadian-mining-company>
- ☰ Chilean civil society organizations released an open letter to Barrick Gold shareholders on April 27, the company's AGM. Protests against the company's bi-national Pascua Lama project were held the same day in Buenos Aires, Santiago, San Juan and Vallenar.
<http://www.halifaxinitiative.org/content/letter-barrick-shareholders-re-pascua-lama-april-27-2011>
- ☰ On May 1-3, Halifax Initiative member, Kairos, convened an Ecumenical Conference on Mining, with the participation of over 150 representatives from around the world. Final conference statement:
[http://www.kairoscanada.org/en/news/archive/2011/05/article/ecumenical-conference-on-mining-final-statement/?tx_ttnews\[backPid\]=1&cHash=1a0dab2e4a](http://www.kairoscanada.org/en/news/archive/2011/05/article/ecumenical-conference-on-mining-final-statement/?tx_ttnews[backPid]=1&cHash=1a0dab2e4a)

New Publications

- FIDH, Justiça Global and Justiça nos Trilhos: *How much are human rights worth in the Brazilian mining and steel industry?* This report documents the impacts generated by Brazilian mining giant, Vale, on communities in the State of Maranhão, Brazil. In 2010, EDC approved a line of credit for Vale of up to US\$1 billion.
<http://www.fidh.org/How-much-are-human-rights-worth-in-the-Brazilian>
- On May 11, the final report of an industrial inquiry commission regarding the 18-month strike at Voisey's Bay nickel mine in northern Labrador was released. The mine is owned by Brazilian mining company, Vale. See analysis by the CCPA's Armine Yalnizyan on The Progressive Economics Forum:
<http://www.progressive-economics.ca>.
- AFRODAD: *Borrowing Charter* guides and informs sovereign borrowers to improve the administrative, institutional and legal procedures for loan contraction and public debt management systems.
http://afrodad.org/index.php?option=com_content&view=article&id=407:afrodad-launches-borrowing-charter
- Bretton Woods Project has launched "IMF BOSS," a website that is "tracking the fight to head the fund." The site assesses the candidates, selection process and press coverage on the selection of the IMF's new managing director.
<http://imfboss.org/>

A professional approach to selecting the IMF boss

“Heading for the right choice” is a policy brief published by 21 international CSOs. It calls on the IMF to follow-up on its commitments to end the tradition of a European managing director at the Fund. The IMF is one of the world’s most powerful institutions and the reform of the selection process has been the subject of long standing and ongoing demands for increased transparency from civil society organizations and governments marginalized from the process. The institution itself has recognized the need for reform. The Fund’s Independent Evaluation Office called for reforms to ensure that “likely effectiveness ... be the main criteria used in the selection, and the competition should be open to candidates of all nationalities.” Little has changed: the recent appointment of two deputy managing directors has ensured continued IMF dominance by rich countries: “the three IMF deputy MDs are now from the US, Japan and the UK.”

According to the CSO statement, “it matters who the head of the IMF is, and it matters how they are chosen. It matters for the legitimacy of an organisation that, through the stringent conditions often attached to its loans, has a powerful hand in economic policy making - and hence politics - in many countries, particularly poorer ones. It matters for the effectiveness of the Fund, which is struggling to adapt to an emerging world order where the old Western powers are gradually being eclipsed by faster growing, larger southern countries. And it matters because the MD wields significant power both within the institution, and by using the position as a pulpit from which to influence global policy-making on the most critical issues.”

“Three things are important. First, governments need to select the right person for the job. Critically important is recognising the difficult challenges the MD faces, and the various roles they must play. Second, the selection process must be - and must be seen to be - open, fair, transparent and merit based. Third, the MD has to have a broad base of support across the world, and must be independent of any small grouping of powerful states.”

The paper notes that the “commitment to an open, fair, merit-based process is the easiest part to fix. Standards and procedures are widely used across the world for the selection of high office holders, which can be adapted for use by the IMF.” Perhaps more of a challenge for the IMF is the criteria of an MD with a “pragmatic approach not tied to any particular ideology or school of thought ..[who is] well versed in the particular problems of low-income and middle-income countries - historically where most IMF lending has taken place, and where technical assistance, advice and conditionality are most dominant.”

Heading for the right choice?

<http://halifaxinitiative.org/sites/default/files/Right%20Choice.pdf>