Issue update
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CSO concern over World Bank's role in climate finance

The Transitional Committee for the UN's Framework Convention for Climate Change (UNFCCC) meets this month in South Africa amid growing concern that the World Bank will play too influential a role regarding the UN's new climate funds. The Bank's Climate Investment Funds (CIFs) have been the focus of CSO critiques and protests. According to Eurodad, only one sixth of CIF financing will be released in the form of grants, with the largest portion disbursed as concessional loans. As noted by the World Development Movement, these loans will add to the debt burdens of the least developed countries, in violation of the "basic principle of climate justice: that rich countries should pay for the damage they have caused."

The UNFCCC's Green Climate Fund (GCF) is seen as a more accountable mechanism that has emerged to address the inadequacies of the Bank's Climate Investment Funds. The appointment of the Bank as trustee for the GCF has raised fears that the Bank will use the CIFs as a model for the UN fund. The Bank's influence may also be exercised at the UN through the secondment of its staff to the UN climate finance Transitional Committee, which has been tasked with overseeing the development of the Green Fund.

In a letter to the UNFCCC secretariat, over 50 CSOs argue that "in spite of the climate and economic crises, the World Bank continues to finance fossil fuel projects at an alarming rate, promote false solutions to the climate crisis, and use funding instruments that increase the indebtedness of developing countries. Thus, the World Bank is not suited to advise in the design of a fund that must ensure fair and effective long-term financing based on the principles of environmental integrity, equity, sustainable development, and democracy."

Eurodad: Why World Bank Climate Investment Funds could do more harm than good
http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Climate%20briefing-1.pdf
CSO letter: World Bank out of climate finance
http://canadians.org/energy/documents/climatejustice/letter-WB-0411.pdf

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Europeans raise bar on export credit disclosure

On June 29, permanent representatives to the European Union (EU) endorsed a European Parliament proposal to create EU-level reporting requirements for member states regarding the operations of their export credit agencies (ECAs).

A directive endorsed by the European Council and European Parliament requires that EU member states report on their ECAs' assets and liabilities, claims paid and recoveries, new commitments, exposures and premium charges. Member states must also describe how environmental risks are taken into account in the activities of their export credit agencies.

The directive also calls on member states to comply with the European Union's general provisions on External Action when establishing, developing and implementing their national export credit systems and when supervising officially supported export credit activities. Such provisions include: consolidating democracy, respect for human rights and policy coherence for development, and the fight against climate change.

The directive mandates the European Commission to produce an annual review for the European Parliament based on information received by member states. The report is to include an evaluation regarding export credit agencies' compliance with European Union objectives and obligations.

The directive further calls on the European Commission to use bilateral and multilateral negotiations in order to establish global standards for officially supported export credits and requires the Commission to provide the European Parliament with an annual report on any negotiations undertaken in international cooperation fora to establish such standards.

The directive will be considered by the plenary of the European Parliament this fall. If adopted, it will become binding on all members of the European Union.

ECA-Watch press release
http://www.fern.org/sites/fern.org/files/ECAs%20Press%20Release%20290611-1.pdf

Notice Board – This month…

- As expected, former French Finance Minister Christine Lagarde has been appointed as the IMF's new managing director. Lagarde will need to work on restoring the IMF's credibility after a selection process that ensured the Fund continues to be controlled by rich nations. She will also have to deal with the fall out from the Fund's imposition of financial deregulation policies that made countries more vulnerable to the financial crisis. One surprise in the selection process was Canada's support for Lagarde's rival, Mexico's candidate, Agustin Carstens. What remains unclear is whether Canada's position was based on a desire to challenge European and American dominance of the selection process or rather, was a sign of support for Carstens' more neo-liberal policy orientation.
- The FTT continues to receive endorsements. The EU tax commissioner has come out in support for the FTT and now there is speculation that the EU's executive body, the European Commission, may recommend a Europe-wide FTT in its next budget. The Brazilian parliament recently passed a motion in favour of the FTT and African nations at the Leading Group on Innovative Financing conference in Mali made a joint declaration in support of the FTT.
- This month the Supreme Court of Argentina announced that it would hear several suits regarding the country's ground-breaking Glacier Protection Law, which prohibits mining activity on or around glaciers. At the request of several applicants, including local subsidiaries of Barrick Gold, a lower court in San Juan granted injunctions blocking application of the law in that province. San Juan is the site of Barrick Gold's controversial Pascua Lama project. The Supreme Court will determine the legality of the provincial injunctions. http://www.farn.org.ar/archives/11264 (Spanish).
- On June 16 the UN Human Rights Council created a working group to further its work on business and human rights, now that Special Representative John Ruggie has completed his mandate. The Council charged the working group with promoting and disseminating the Guiding Principles that were developed by Mr. Ruggie (see IU January 2011). Human Rights Watch has expressed disappointment with the Council's failure to adopt mechanisms designed to evaluate the application and efficacy of the Guiding Principles. http://www.hrw.org/en/news/2011/06/16/un-human-rights-council-weak-stance-business-standards

New Publications

- Eurodad/Action Aid: *Approaches and Impacts. IFIs Tax Policy in Developing Countries* http://www.eurodad.org/whatsnew/reports.aspx?id=4564
- Norwegian Church Aid Alliance: *Report on investment in private sector development: What are the returns?* http://www.eurodad.org/whatsnew/reports.aspx?id=4550
- Bretton Woods Project: A faulty model? What the Green Climate Fund can learn from the Climate Investment Funds http://www.brettonwoodsproject.org/art-568686

CSOs call for diminished World Bank role in climate finance

In April 2011 more than 50 civil society organizations submitted a series of recommendations to the Transitional Committee of the UN Framework Convention for Climate Change (UNFCCC). They call for the Committee to limit the role of IFIs, specifically the World Bank, in the development of the UN's Green Climate Fund (GCF). Civil society recommendations regarding the Fund include the following:

- Ensure that the composition of the Transitional Committee is balanced between experts from the multilateral development banks and those from the UN and other agencies.
- "Include civil society representatives from developed and developing countries, and a representative from a climate-affected developing country community, on the GCF board.
- Ensure that the board of the GCF and its secretariat are fully independent of any IFI or multinational development banks (MDB) and are under the guidance of and fully accountable to the UNFCCC.
- Ensure that the GCF has its own dedicated secretariat, independent of IFIs or MDBs.
- Limit the role of the trustee [the World Bank] to holding the financial assets of the GCF, maintaining appropriate financial records, and preparing financial reports as requested by the board.
- Ensure that the GCF guarantees civil society and community-level participation—particularly through leaders and institutions accountable to poor people.
- Design the GCF to ensure the application of social and environmental safeguards to include clear policies and procedures that prevent social and environmental harm and maximize participation, transparency, accountability, equity, and the protection of rights.
- Ensure that gender equality is a guiding principle in the governance and operationalization of the Green Climate Fund.
- Ensure that funding for adaptation is provided only in the form of grants.
- Ensure that no fossil fuel-based technologies are funded by the GCF; the GCF should only finance clean and efficient energy technologies."

Civil society recommendations for the design of the UNFCCC's Green Climate Fund
http://actionaidusa.org/assets/pdfs/climate_change/CSO_Recommendations_to_GCF.pdf