



Report Card on the Canadian Department of Finance “2005 Report on Operations Under Bretton Woods and Related Agreements Act”

Introduction

Every year at the end of March,¹ the Department of Finance tables its report on the operations of the Bretton Woods Institutions (BWI)² before Parliament and details activities at these institutions in relation to Canadian priorities, commitments and interests. The reports provide some good background information on the institutions themselves, on emerging issues and challenges within the World Bank and International Monetary Fund (IMF), and some brief details on Canadian priorities and financial participation at these institutions.

Canada is the 8th largest member of the IMF (as measured by quotas) – tied with China – and the 6th largest shareholder at the World Bank. In real terms, in 2005, the Canadian government provided \$318 million to the World Bank, or approximately one tenth of all Canadian aid dollars.³ The Government’s subscription with the IMF amounts to SDR6.34 billion in callable capital⁴, one quarter of which is held at the Bank of Canada as a Canadian dollar cash deposit, the other three quarters in demand notes.

The annual reports tabled before Parliament are important tools for measuring the government’s actions within these institutions relative to our foreign policy and development objectives, and for informing Parliament and the Canadian public about Canadian priorities at these international financial fora. This is especially true since the lack of reporting and publicized minutes of discussions at the Bank, make it difficult for parliamentarians or the Canadian public to monitor or fully understand how our representative came to represent specific views that may or may not be consistent with Canadian priorities. It is therefore to the government’s credit that Canada is among

¹ Under Section 13 of the Bretton Woods and Related Agreements Act, the report must be tabled on or before March 31, or on any of the first thirty days after Parliament is back in session. This year, since Parliament only returned in April, the report was tabled at the end of April.

² This is the term to refer to the World Bank Group and the International Monetary Fund. The World Bank Group includes the International Development Association, the International Bank for Reconstruction and Development, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes.

³ Every three years Canada agrees, along with forty other donor governments, to replenish the resources in the World Bank’s soft-lending window, the International Development Association. IDA provides long term (30-40 years) interest-free credits and grants. In the current replenishment, Canada agreed to provide IDA with three equal installments (in the form of demand notes) of CDN\$318.27 million over the next three fiscal years, amounting to a total contribution of \$954.82 million. Under current accounting regulations, the International Financial Envelope in the Federal Budget reflects these annual commitments. IDA then draws down promissory notes from Canada against these commitments in any given year as its financial needs require. In addition for 2006/07 Canada has committed CDN\$55 million as its share of the Multilateral Debt Relief Initiative.

⁴ Callable capital, or money that is payable on demand, is distinct from the annual commitments to IDA and would be called on only in the event of a very significant financial crisis to which the Bank and the Fund must respond. It has never been called on in the more than 50 years of Bank/IMF history of operations. The Canadian government also provided \$334.9 million to the International Bank for Reconstruction and Development in 2005-2006, of which an additional \$5.07 billion is callable.

those that report to their legislative bodies on its activities at these institutions.⁵

That said, in analyzing the reports from the past five years, there remains a strong disconnect between what the reports could, and arguably should, do, and what they currently do. Furthermore, there has been no audit of Canada's relationships with the Bank and the Fund since 1992 and no hearings on the operations of the BWIs since 1995 (the year Canada hosted the Group of Eight summit in Halifax).

Last Year's Report Card on the BWI Report

To draw attention to the shortcomings of this Report and to the need for greater parliamentary oversight of government activities at these institutions, last year the Halifax Initiative Coalition issued its first annual report card on the BWI Reports⁶. For the initial report card and to draw out some trends, the Halifax Initiative compared the 2004 Report to Reports from the previous four years. The comparison reached a number of conclusions:

- The Reports are less an assessment and summary of Canada's participation in the institutions, than a general overview of operations at the institutions themselves.
- The Reports are descriptive rather than analytical in nature. As a result, they provide little information on how the government has engaged with the institutions or how it has measured or evaluated policies and programs at the Bank and Fund from year to year, or why and how its financial contributions have changed every three years⁷. Hence it is very difficult to determine how Canada's involvement at the BWIs has met Canadian foreign policy and international development objectives, and indeed how government priorities at the Bank have evolved.
- A number of policy positions and institutional activity sections throughout the Report are simply cut and pasted from year to year, and debates on a number of critical and controversial policies at both the Bank and Fund are not always well characterized.

Based on this analysis, the Halifax Initiative Coalition proposed a number of ways in which current reporting could be improved to address some of these shortcomings, and essentially put the government on notice that it intends to continue to monitor improvements in public reporting on Canadian priorities, commitments and interests at the Bank and Fund.

Improvements to the New 2005 BWI Report

In response, the 2005 BWI Report did make some very slight changes. New sections spotlight emerging issues. Some sections situate Canadian government interests in the context of the priorities of the Canadian International Development Agency, for example on HIV/AIDS, private sector development and gender. There has been some effort, in particular with respect to the International Monetary Fund, to respond to how some of the "Challenges" identified in the

⁵ Australia, Belgium, Finland, France, Germany (just on the World Bank), Italy, Ireland, Japan (through separate reports from different Departments), Norway, Sweden and the United Kingdom all produce annual BWI reports.

⁶ For full report, see <http://www.halifaxinitiative.org/index.php/Governance/2004BWIRreport>

⁷ On this last point, every three years Canada agrees with other donor governments on its share of replenishments to the International Development Association. When it has concluded these agreements, it allocates its contribution through three equal annual installments to IDA over the following three fiscal years. Prior to negotiations (once every three years), the Report could reflect the priority of channeling funds through the BWIs against other multilateral channels, and identify how the policies of the BWIs are consistent or not with Canada's aid priorities and strategies.

previous Report have been addressed over the year. Finally, sections that had been identical over the past several years have finally been updated.

Overall, however, the changes are disappointing. Very little has been done to address issues raised more than a decade ago by the Auditor General, or to take up the more recent suggestions made by civil society. The Annual Report continues to fail to fully disclose and analyze Canadian participation at, and our objectives and priorities within, these institutions. Accordingly, this report card is being released to continue to highlight ongoing issues with the Canadian Annual Bretton Woods Reports.

Ongoing Challenges With the Report

The Halifax Initiative Coalition continues to note the following shortcomings in the Report, many of which echo the findings in last year's report card:

- Large chunks of the report are identical to previous years, or simply update facts and figures year to year. While the Halifax Initiative Coalition can appreciate the need to set the context for a particular issue, especially since many of these issues are quite complex, repeating large sections of text makes it difficult to assess what has changed. In a section on the IMF's response to the Asian Tsunami, the only changes to a whole paragraph are the tenses, from what the IMF "will do" to what it "did". In the 2004 and the 2005 report – respectively three months, and 15 months after the tsunami, the IMF still "estimated that its financing could be in the order of US\$1 billion for the most affected countries". Similarly, under the section on Improving IMF lending, the conditionality guidelines were referred to as new in 2002, 2003, 2004 and again in 2005, according to the verbatim text transferred year to year. Similarly, four of the "Future Challenges" for the World Bank identified at the end of the 2004 Report are the same Challenges identified in the 2005 Report.
- Canadian priorities, identified throughout the text, are numerous, generalized and vague. For example, the report highlights three high priorities⁸ and twelve other priorities,⁹ along with a string of other sub-issues that it "supports." There is no distinction between Canada's "high priorities" and other priorities in describing Canada's activities at the BWIs, nor how these priorities have been determined. For example, on the priority issues of the environment and transparency, for the past five years, the Report has noted that "The Canadian government has long been a vocal advocate of the need for the Bank to better integrate environmental considerations into its operations", and "a major proponent of increased openness at the Bank." Over the past two years, the report has cited the Bank's work to mainstream environmental policies and issues into its loan and policy dialogue work (2005-2006), its direct investments in the environment (2005-2006) and water projects (2006), its work on carbon financing (2005-2006), on the Global Environmental Facility (2005), on climate

⁸ Strengthening support for low income countries, reducing poverty and ensuring debt relief goes to the poorest most heavily indebted countries committed to good governance, and supporting social sector investments are identified within the report as high priorities. While Canadian initiatives outside the Bank with respect to poverty reduction and HIV/AIDS are highlighted, no further mention is made in the sections on HIV/AIDS or poverty reduction as to how Canadian objectives on these issues are pursued within the Bank.

⁹ Other priorities include poverty reduction, infrastructure development, education, development effectiveness, gender issues, private sector development, good governance and anti-corruption, environmentally sustainable development (including clean energy and climate change programs), Trade and Development, and Transparency and Accountability.

change (2005-2006), on World Bank safeguards (2005-2006), on the Extractive Industries Review (2005) and clean energy (2006). No mention is made whatsoever of how the Canadian government has moved or worked to move the agenda on any of these issues, the Liberal government was a strong proponent of work on climate change, spoke out regarding concerns related to Bank safeguards, and is home to 60% of the world extractive industries.

- None of the Canadian priorities are qualified by corresponding goals, objectives or actions, nor are there any indicators to evaluate how these goals have been met or have emerged over the years. For example, while the Report identifies a series of challenges each year for each institution, it never readily establishes how these challenges have been addressed in the following year's Report, nor what role the Canadian government has played in trying to remedy these challenges. The Report notes how "the views of Canadian NGOs have helped shape Canada's position in Bank project and policy discussions," without elaborating on what issues.¹⁰ There is no reporting in regards to the strategic economic benefits to Canada through private sector contracts.¹¹ The section on gender is one of few exceptions to actually make any direct reference to Canadian objectives and perhaps the only section that makes any vaguely critical comments.¹² Ironically, this is also the first time in the past four Reports that the text on this priority issue has actually changed.
- While the Reports continue to provide a good general overview and background information, there is little substantive discussion of the major challenges or issues within the context of each specific section, nor how this may impact Canadian interests. For example, in the International Monetary Fund section on Emerging Markets, there is only passing mention of the crisis created by the early Argentina and Brazil repayments of outstanding loans to the Fund (Argentina and Brazil were the top two borrowers), nor any mention of plans by Indonesia, Pakistan, Serbia and Ukraine to sever ties to the IMF. Indonesia is now the second largest borrower to the IMF after Turkey. In fact, Indonesia indicated in June 2006 that they hope to pay their outstanding loans by the end of 2006. The Report simply notes a sharp decline in IMF stand-by by arrangements from SDR 54.5 billion in 2004 to SDR 18.7 in 2005. This is indeed a dramatic shift and warrants a substantive discussion on the implications for Canada's attitude to restructuring and re-evaluating the IMF's priorities and mandate.
- Issues are also often poorly contextualized and characterized. For example, while the discussion of Country Ownership of Poverty Reduction Strategy Papers (PRSP) makes reference to the 2005 review of the PRSP process and its conclusions,¹³ it does not situate these conclusions in the context of the 2002 review and the challenges it had raised, and whether these have been addressed in the 2005 review. Similarly, the Report discusses the Group of Eight (G8) Multilateral Debt Relief Initiative (MDRI), and situates it within the

¹⁰ Department of Finance Canada. "Report on Operations Under the Bretton Woods and Related Agreements Act, 2005", Ottawa, April 2006, p. 58

¹¹ There is only a general statement provided, "In FY 2005, Canadian firms were awarded contracts worth more than US\$90 million under Bank-Financed contracts associated with investment lending." Supra 10, p 31.

¹² "While the gender strategy and the bank's implementation plan are well formulated, CIDA continues to monitor implementation and mainstreaming of its objectives throughout the Bank's operations, as this has been inconsistent to date", supra 10, p.48

¹³ Supra 10, p. 37-38.

broader context for the Heavily Indebted Poor Countries (HIPC) Initiative¹⁴. However, it fails to mention the serious limitations of the G8 deal (including the limited number of countries covered, the maintenance of arduous conditionalities to qualify for the deal through HIPC, the additional conditions applied as part of the IMF modalities for debt cancellation, and the failure to include debts owed to other regional development banks)¹⁵. The principle of 'equity of treatment' for all low-income countries is one of the pillars of Canadian debt remission policy that is not reflected in the G8 debt relief plan. According to that principle debt write-offs should be extended to countries that do not qualify for the HIPC initiative but still need debt cancellation to meet the MDGs. No mention is made of this.

- Where it appears as if Canada may be playing a lead role on an issue, there is no additional discussion of how or why it is doing so. For example, the Report notes that the IMF policy support instrument (PSI), a tool for countries that do not need or want to borrow money from the IMF, but need its endorsement to access other financing, was based on a policy proposal of the Canadian government.¹⁶ No context, nor rationale, is given for the proposal. Equally, it notes that Canada is the Chair of the Task-Force on the Enhanced Integrated Framework for Trade-Related Technical Assistance that helps countries mainstream trade into national poverty reduction strategies.¹⁷ No mention is made of Canada's priorities as Chair.
- The Report also fails to mention occasions where the Canadian government played a positive role. For example, while the Report glosses over widespread opposition to the International Finance Corporation's social and environmental policies, it also failed to mention the concerns that the Canadian Executive Director's office raised about the new social and environmental policies. This omission echoes many of the issues raised by civil society, and that undoubtedly strengthened the final outcome of the review.
- A substantial number of issues under discussion at the Bank and the Fund are also missing in the report. There are two types of omissions: firstly, there are those issues that the Report simply fails to include (See Annex 1). For example, in 2005, there were complaints filed to the Compliance Advisor Ombudsman (CAO) against two significant projects being operated by Canadian companies. Both reports by the CAO were highly critical, yet there is no reference to this. Secondly, there are those issues that are simply dropped from the Report. For example, "Enhancing voice and participation in developing countries," a big area of discussion within the Bank, included in the 2003 and 2004 BWI Reports, and mentioned in both the Spring and Fall 2005 Communiqués of the IMF and World Bank, has been dropped from the 2005 Report, with no explanation as to why.

¹⁴ The MDRI will provide 100 per cent cancellation of debts owed to the IMF, IDA and the African Development Fund (AfDF) for countries that have graduated from HIPC.

¹⁵ For example, Nicaragua, Honduras, Guyana and Bolivia are all covered under the MDRI, but the cancellation accounts for only 30% or US\$4.5 billion of their US\$15 billion external debts. (Fundación Jubileo (Bolivia), Nota de Información sobre la Condonación de la Deuda Externa, Diciembre 2005). A further US\$4.9 billion or approximately 33% is owed to the Inter-American Development Bank. [Bolivia owes \$1.6 billion, Guyana \$521 million, Honduras \$1.41 billion and Nicaragua \$1.4 billion].

¹⁶ Supra 10, p. 23

¹⁷ Supra 10, p. 56

Specific Content Recommendations

Since relatively little has change, the recommendations made in last year's report card remain largely the same this year. Future Reports should contain the following:

Canada's Goals, Objectives and their Achievement

- Clearly articulated strategic goals and objectives for Canada for each institution for the year or any other time-bound framework.
- An articulation of the relationship between Canada's development and foreign policy goals and objectives as they relate to the Bretton Woods Institutions.
- Benchmarks to evaluate established goals and objectives, including the extent and result of Canada's participation.

Position Taking, Policy Analysis and Context

- A declaration of Canada's positions on key issues under consideration as well as their resolution and follow-up. Issues for 2005 included: Brazil and Argentina's decisions for IMF early repayment, the Multilateral Debt Relief Initiative; the International Finance Corporation Safeguard Review; the release of "Implementation of the Management Response to the Extractive Industries Review" and the selection of Paul Wolfowitz as World Bank President.
- An analysis of critical issues and controversial policies under debate at either institution during the reporting period
- An articulation of Canada's degree of satisfaction with the outcomes of debates and decisions on specific initiatives of each of the institutions. Currently, key initiatives are described often in vague or exclusionary language with no mention of Canada's position on outcomes.
- Canada's positions and actions at the Bank or the IMF with regard to policy conditionality for countries that are aid priorities for Canada.
- An acknowledgement of external proposals by the academic and non-governmental community of key policies, programmes or practices of either institution. The breadth or depth of the debate on critical issues is not characterized.
- An assessment of continuity and movement on key priority policy or programmatic areas from year to year. The "Challenges Ahead" sections on the IMF and the World Bank outlined in one year, are rarely addressed in the following year.

Board Level Transparency

- Reporting on, or provision of, the Canadian Board of Director Statements made to the Executive Boards on specific policies, practices or programmes. The Boards of the institutions meet three times per week.
- A summary of Canada's positions on specific issues at the Board and how they differ from other countries' position. Although there is mention of Canada's Voting Record, no details, no context and no follow-up are provided.
- An articulation of how the final Board 'consensus' decision-making outcomes reflected Canadian interests. With no minutes taken or made public at either institution, it is impossible to determine how decisions evolved and how successful Canada is at advancing its strategic objectives at the institutions.

Constituency Level Decision-Making

- A reflection of the positions and perspectives of Canadian constituency members and their

relationship to Canadian positions.

- An analysis of how Canada reconciles differences in positions between constituency members. The ‘Canadian’ constituencies at the World Bank and IMF bring together up to thirteen countries reflecting the potentially conflicting interests of developed and developing countries as well as North America and the EU.

Departmental Level Engagement and Decision-Making

- An articulation of how the Department of Finance consults or represents the views of other federal departments with a vested interest in Bretton Woods operations (Department of Foreign Affairs and CIDA) in its decision-making.

Financial and Economic Implications

- An analysis of critical financial issues at both the Bank and Fund, and the impact on the institutions and on changing Canadian priorities. For example, this year or next, this might include an analysis of the early repayments to the Fund on the financial health of the institutions.
- An analysis of the financial implications and risks posed to both the institutions and their member countries, including Canada, from continued substantial lending to countries in significant excess of their quota or in significant arrears.
- Prior to IDA negotiations, an identification of the priorities of channeling funds through the BWIs against other multilateral channels, and of how the policies of the BWIs are consistent or not with Canada’s Official Development Assistance (ODA) priorities and strategies.
- An accounting for Canada’s financial contribution to IMF special funds or World Bank administered trust funds.¹⁸ While this money may be managed by other departments and involve additional agencies, it falls under operations of the Bretton Woods institutions and should be clearly reported and summarized. Financial accountability involves clear, complete, accurate and timely reporting on the use of resources entrusted to government as well as a description of how their use met government objectives.
- Figures to situate Canada’s multilateral financial contributions in the context of its ODA.
- A comparison of bilateral and multilateral financial allocations to situate the level of commitment to the institutions within Canada’s ODA strategy.
- An analysis of the impact of BWI participation on the Canadian private sector. In 2005, “Canadian firms were awarded contracts worth more than US\$90 million under Bank-financed contracts associated with investment lending,”¹⁹ but offers no details or in-depth context. There needs to be more analysis of the benefits to the Canadian private sector and how it supports Canada’s principles, goals and priorities for international cooperation.
- Financial information noting where Canada’s aid program is directly collaborating with the Bank (and other donors) in budget support programs in which the Bank is a major investor and/or lead organization.

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¹⁸ For example, Canada makes substantial contributions to a number of funds including: IMF’s AFRITAC and CARTAC (According to the 2005 Report, “Canada is the largest single donor to CARTAC”, Supra 10 p. 16), World Bank’s Global Environment Facility and the multiple funds for the World Bank’s involvement in Carbon Funds.

¹⁹ Supra 10, p. 31.

Appendix 1 - Issues missed in the BWI Report

This is a selective list of some of the issues that were discussed within the context of the international financial institutions, but that were not included in the Department of Finance's Annual Report to Parliament.

- A report from the Commission for Africa called on the Bank and Fund to “micro-manage less and reduce the amount of conditions they place on poor countries”.
- A member of the indigenous rights group, Fundación Maya, and two other local activists, received death threats in March supposedly in an attempt to intimidate them into ceasing their activities against a mine being operated by Glamis, a Canadian company. Colectivo Madre Selva later submitted a formal complaint to the Compliance Advisor Ombudsman (CAO) on behalf of communities affected by the mine. The CAO issued their findings in September and were damning in their report about the lack of IFC due diligence for the project.
- The annual report of the Operations Evaluation Department (OED), the Bank's internal auditor, released in March a scathing in its critique of the institution's failure to become more focused on results on the ground. Prioritizing development results - children schooled, clean water provided - over past emphasis on the measurement of inputs and lending volumes had been a priority of the Wolfensohn presidency.
- The World Bank's international trade unit presented a progress report to the board in early March describing an "enormous" increase in investment in trade-related analysis and policy advice over the past three years. The unit is now looking to translate that investment in to new lending – a serious concern for analysts who feel both Bank and Fund have got the wrong approach to trade.
- In March, the World Bank board approved an updated disclosure policy, bringing to a disappointing end a secretive two-year long review.
- Despite strong international opposition, and serious environmental impacts, the World Bank approved support for the controversial \$1.3 billion Nam Theun 2 dam in Laos at the end of March.
- An Argentinian coalition presented a petition in the case *Aguas Argentinas S.A., Suez Sociedad General de Aguas de Barcelona S.A., Vivendi Universal S.A. and the Republic of Argentina*. The petition argued that Argentina's legislation guarantees the participation of civil society in proceedings that may affect collective rights. Hence the Argentinian government should not have signed the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) treaty as it violated its constitution, and any company doing business in the country must act in accordance with previously agreed norms. Argentina's government responded affirmatively to the petition but the water company rejected it. In frustration, Argentina's attorney general published all the information he had available on the pending cases on the internet.
- In April, the OED released an evaluation of the Bank's role in financial sector reforms. The

evaluation recommends that the Bank should provide "much clearer guidance" to staff on financial sector issues, better focus its assistance, and make arrangements to "respond better to crises".

- Parliamentarians from eight countries travelled to Washington to present the international parliamentarians' petition demanding greater oversight of the operations of the IFIs.
- Emissions from the IFC-funded Karachaganak oil and gas field resulted in serious environmental health problems in nearby Russian and Kazakh communities. Crude Accountability and villagers requested environmental information about the emissions from the field from the IFC, the operating company and local authorities. In violation of Kazakhstani law, IFC standards and the Aarhus Convention, each of these bodies refused to provide the complete environmental data about activities at the field. A formal complaint about lack of IFC due diligence in the Karachaganak case was filed with the IFC's Compliance Advisor Ombudsman (CAO) in September 2004.
- MIGA completed negotiations with Canadian Anvil in April 2005 and issued a guarantee for \$13.3 million for its copper-silver mine in the Democratic Republic of Congo. MIGA assured its board that there were no serious security risks and the project would provide benefits to the community. Three months later, the CAO, at the request of the World Bank President, conducted an independent audit of MIGA's due diligence for the mine. This followed the release of a documentary by "Four Corners", an Australian current affairs program, alleging that in October 2004, the company had loaned company vehicles to the Congolese army to put down an insurrection in Kilwa, a village near the mine site. The report alleged that the army had summarily executed the villagers, looted, and carried out other crimes including extortion and illegal detention. The CAO found MIGA's due diligence to have been appropriate, but indicated that it failed to take due account of the impacts of the project on the conflict.
- In April the World Bank adopted its Indigenous Peoples Policy. The agreement was criticized for being inconsistent with existing international human rights standards, for its failure to prohibit forced resettlement and for the absence of any reference to free prior and informed consent.
- A report by the IMF's Independent Evaluation Office (IEO) released in May concludes that the Fund's "cheerleading" on capital account liberalisation in the early 90s was unbalanced and inconsistent.
- In an audit report, the CAO looked at the impacts of the IFC-financed Amaggi soy expansion project in the Brazilian Amazon. It found that the IFC's environmental and social categorisation procedures are "loosely defined and rely heavily on professional discretion", nor do they allow for adequate consultation for affected parties. The IFC expressed "surprise" six months later at the CAO's findings.
- On June 6, NDP Member of Parliament Bev Desjarlais submitted a Question on the Order paper to government containing series of pointed questions with regards to Canada's reporting on and contributing to the Bretton Woods Institutions (BWIs). She questioned how

participation in the institutions by Canada yielded measurable results, how the government of Canada analyzed the financial performance of the institutions and how the priorities of the Bretton Woods Institutions were consistent with Canada's foreign policy objectives.

- In June, the Parliamentary Standing Committee on Foreign Affairs and International Trade adopted a report on mining and human rights. The report recommends that Canada work with like-minded countries to apply international human rights standards to the World Bank.
- The G8's Multilateral Debt Relief Initiative is officially announced in July. There is no comment on its failure to make needed improvements to expand the list of countries immediately eligible for cancellation or to remove onerous conditions attached to qualifying for cancellation.
- In July and August, the IMF's external relations department furiously rebuffs charges that the Fund has exacerbated famine in Niger. The debate centres around the impact of structural adjustment measures and accusations that donors initially refused to allow the government to distribute free food to affected areas.
- In September, the Center for Human Rights and Environment (CEDHA) files two international complaints, one to the CAO and the second to the Inter-American Commission on Human Rights (the Commission), the international judicial body that exists to ensure that international human rights are respected and protected in the Americas. The suit pertained to a US\$400 million pulp and paper mill project in Uruguay. This was the first time a World Bank financed development project is directly implicated in an international human rights violation case brought to an international tribunal, and the first time that the Commission is formally addressing alleged violations of human rights of local stakeholders due to Bank-sponsored investments.
- In October, the Operations Evaluation Department (OED) published a report, entitled *Improving the World Bank's development effectiveness: What does evaluation show?*, summarising lessons from recent evaluations. It determined that the Bank's costs of doing business are increasing, that it lacks focus in its knowledge activities (generic advice is provided for specific problems), its global programmes (one third of programmes are rated unsatisfactory, with no clear connection between country performance and project outcomes), its work on middle-income countries and low-income countries under stress. Privatization and structural adjustment were also identified as being rushed through without adequate regulatory systems and institutional capacity.
- 15 December, the early repayment of two of its largest debtors - Argentine president Néstor Kirchner announced that Argentina would repay the entire \$9.8 billion debt owed to the IMF through 2008. Two days earlier, Brazil had declared an early repayment of its outstanding obligations to the IMF amounting to \$15.5 billion.
- In January 2006, the World Bank announced that it would withhold new loans and grants to the government of Chad and suspend disbursement of IDA funds of approximately US\$124 million, following a change by the government to its Petroleum Revenue Management Law.