



To the Department of Finance,

Montreal's Social Justice Committee welcomes the opportunity to participate in consultations regarding the Department of Finance's compliance with the Official Development Assistance Accountability Act. In our contribution to the discussion, we will focus only on the human rights criteria of the Act as regards Official Development Assistance (ODA) payments by the Department of Finance to the World Bank. The promotion of human rights is an explicit goal of the Act. Article 4.1 advances this goal by declaring that ODA may only be provided to organizations that are consistent with international human rights standards.

The Social Justice Committee is concerned that it may be impossible for the Minister to come to the well-informed opinion that World Bank projects, which are funded in part by Canadian ODA, are consistent with international human rights standards.

We would like to raise the three following concerns:

1. The World Bank's past and ongoing funding of projects around which human rights violations occur;
2. The World Bank's continued unwillingness to incorporate human rights into its official policy to the acceptable international standards;
3. The Department of Finance's capacity to assess whether Bank projects effectively satisfy human rights criteria under the new Act.

In the documentation supporting this letter, we explain our concern that the World Bank does not currently satisfy the human rights criteria of Act because it has not demonstrated consistency – neither in practice nor policy – with international human rights standards.

We offer two recommendations about how The Department of Finance might seek to alleviate this concern. In order to ensure that World Bank programs which are supported by ODA take human rights formally into account, the Minister of Finance should consider

1. Seeking World Bank policy reform, such that it formally and demonstratively adheres to international human rights standards.
2. Developing a departmental policy and capacity for assessing the human rights implications of World Bank projects, and ensuring The Department of Finance demonstrates the World Bank's consistency with international human rights standards in its public reports.

In the accompanying document we further analyze and substantiate our concerns and recommendations.

Sincerely,
Derek MacCuish
Executive Director of the Social Justice Committee



The Impact of the Official Development Assistance Accountability Act's human rights criteria on Canada's contributions to the World Bank.

Introduction

For the purpose of these consultations with the Department of Finance, the Social Justice Committee wishes to present three concerns and two recommendations. The first two concerns support the argument that the World Bank currently does not satisfy the human rights criteria defined by the Official Development Assistance Accountability Act. The third concern relates to the Department of Finance's capacity to assess and report on the human rights policies of the World Bank, in order to demonstrate its consistency with the Act. We recommend two courses of action that

Concern 1 --- World Bank's Past and Ongoing Complicity in Abuse of Human Rights

For the past three decades, the Social Justice Committee has documented and challenged numerous cases of human rights abuse that have been directly or indirectly caused by World Bank development projects. We have summarized three cases to highlight how World Bank-sponsored projects have been associated with human rights violations in the recent past. World Bank funding was instrumental in each case; the projects could not have been pursued without it.

Chixoy Dam project in Guatemala

- In 1978, at the time of massive state-sponsored repression (defined by the UN as “genocide”), the World Bank and the Inter-American Development Bank funded the Chixoy Dam project.
- In total, the World Bank loaned \$118 million, after massacres had killed more than 400 people in the Rio Negro community opposed to the dam.
- On March 13, 1982, the Guatemalan military and Civil Defence Patrols (paramilitaries) slaughtered 107 children and 70 women in the isolated Maya-Achi community of Rio Negro. This was the third of five massacres committed against the people of Rio Negro, following the community's refusal to leave their lands for Chixoy Dam's construction. The flooding of the reservoir began a few months after the last massacre.
- The World Bank and the IADB kept silent about the massacres until 1996.
- The survivors of the Rio Negro massacres and their families never received compensation for the land, homes and personal property was taken from them, much less reparations for the violence perpetrated against them.

Chad – Cameroon pipeline project

- \$3.7 billion development project is one of the largest public/private investments in Africa.
- The project was a partnership of Exxon/Mobile, Chevron, Petronas Malaysia and the governments of Chad and Cameroon.



- The World Bank approved the loan for Chad and Cameroon despite the fact that many international human rights NGOs requested a two-year moratorium to the project, until the human rights issues will be properly investigated. The World Bank declined.
- In Chad: money allocated for poverty relief was instead spent on arms to support military suppression; very poor human rights record including the massacre of hundreds of people in oil producing regions in 1997 and 1998; the violence of the security forces which kill, torture, rape and beat people; no freedom of speech – the press is restricted and human rights activists are imprisoned or killed; the income from the pipeline is lost through corruption and military spending.
- In Cameroon: the activists are harassed and are subject to illegal searches; country was rated as one of the most corrupted countries in the world.

Marlin Mine Guatemala

- In 2002, Glamis Gold Ltd. a Canadian mining company purchased an open-pit mine in the District of San Marcos in Guatemala, expected to yield some 217.000 ounces of gold per year.
- The World Bank lent Glamis \$45 million to mitigate the social and political risks.
- Despite Glamis' claim of local support for the project, the operation has been the subject of large protests – in January 2002, the Guatemalan government sent 700 armed troops and police to disperse thousands of indigenous protesters that had blocked the mining equipment. One person died and several others were wounded.
- There was no public consultation with the villagers regarding the project, which violates ILO Convention #169 on Indigenous and Tribal People.
- Tensions between company employees and residents run high. The threat of violence is used to keep the voice of local community down.

We have summarized these cases only to demonstrate that there is at least a legitimate concern that World Bank development projects can have negative human rights implications. We therefore cannot take for granted that Bank projects are consistent with international human rights standards without any analysis. To come to the opinion that the World Bank is consistent with human rights standards there will need to be informed human rights impact assessments.

Concern 2 --- The Lack of a Formal Human Rights Policy at the World Bank

The World Bank continues to refuse to assess the human rights implications of the projects it funds. The Bank has consistently defined human rights as a 'political issue', outside the scope of its economic mandate. This approach represents an old-fashioned perspective, not suited to today's world in which recognition of human rights is not a dividing issue – every significant world power has now signed the essential human rights treaties, including Russia and China. The logic of maintaining a formal distance from human rights is questionable. Countries with legal obligations to safeguard human rights cannot allow the organizations of which they are members to shirk that responsibility. The World Bank is still bound by the international treaties ratified by the states that own it.



Despite its decreasing relative share in capital transfers to developing countries, the Bank remains a potent player in international development whose influence goes far beyond financing projects. Through structural adjustment lending, country dialog and its catalytic guarantor role, its impact on the livelihoods of people in the developing world is considerable. A number of high-profile projects like the ones mentioned above have highlighted the Bank's significant, direct and often harmful involvement in areas of human rights concern.

There is a growing demand for the World Bank to introduce clear internal policies and procedures to take human rights under more thorough consideration. To expand its environmental and social accountability, the World Bank has established a quasi-independent Inspection Panel which has managed to consider human rights issues to a certain degree – despite the continued formal indifference to human rights on the policy level of the organization. However, the Inspection Panel has only a consultative role with no authority to implement remedial measures. While the panel does offer a forum for victims of human rights abuse to voice their complaints, there are no measures to functionally remedy violations when complaints prove legitimate. More importantly, there is no human rights impact assessment process which could prevent the violations from occurring in the first place.

The Bank lacks a policy for human rights which is clearly consistent with international standards. The political rationale for the exclusion of human rights is not legitimate. The Bank cannot continue to distance itself from the social context of its lending, a context that has serious implications on the success of its mission, as well as on way the its loans affect local communities.

Concern 3 --- The Department of Finance's human rights policies, capacity, and reporting mechanisms

The Social Justice Committee is concerned about the Department of Finance's capacity to assess whether the payments it makes to the World Bank satisfy the human rights criteria in the new Act. Finance, unlike the Department of Foreign Affairs, does not have a substantial international development policy that takes human rights into account when considering the allocation of Official Development Assistance. Nor does it make any specific mention of the World Bank's human rights impact in its public reports to parliament.

We have demonstrated above that there is at least a legitimate concern that the World Bank might not conform to international human rights standards. If neither the Department of Finance nor the World Bank have clear policies which demonstrate that Bank projects do meet human rights standards, how can we assess whether the payments made to the World Bank are consistent with the requirements of the Official Development Assistance Accountability Act?



To begin to address these concern, we have included two general sets of recommendations.

Recommendation 1 --- World Bank Reform

The best way to ensure that payments to the World Bank are consistent with the ODA Accountability Act is to press for long-overdue reforms at the World Bank. The Bank should adopt policies to ensure that its projects do not lead to human rights abuse. This process should include human rights impact assessments during the initial project evaluations, as well as an empowered inspection panel with a mandate to address a broad range of human rights issues and to impose remedies when violations are discovered.

This type of reform has been called for by many academics, government officials, civil society groups, victims of human rights abuse, and staff at the Bank itself for several years. These groups will greatly welcome the addition of Canada's voice to calls for World Bank human rights reform.

The Minister of Finance represents Canada's interests at the World Bank. Since Canada is united in imposing the human rights requirement on all development assistance – the Act was passed unanimously by parliament – it falls to the Minister of Finance to represent this interest from his position as a Governor of the World Bank, responsible for appointing and overseeing Canada's executive director to the Bank.

To bring the World Bank's human rights policy in line with the ODA Accountability Act, the Minister of Finance also has an opportunity to press for systemic reform at the ongoing G20 and G8 meetings which are re-evaluating the global financial architecture. The Minister can put Canada's diplomatic weight behind efforts to ensure that a re-structured global financial system is consistent with the human rights criteria under the Official Development Assistance Accountability Act.

Recommendation 2 --- Department of Finance Reform

The Department of Finance must institute some internal reforms if it is to continue to issue Official Development Assistance payments. First, Finance should establish some form of departmental policy regarding international development which accounts for the three criteria in Article 4.1. The Department of Finance should ensure that it specifically demonstrates in its public reports that, as a recipient of ODA, the World Bank complies with this criteria. Finally, if the Department is to be able to draft such a policy and assess the human rights impact of the organizations it supports, it will need to develop some expertise in human rights. Perhaps this could be achieved by working closely with the Department of Foreign Affairs and CIDA to establish a mutual policy for evaluating the human rights impact of ODA delivered by the World Bank.