



Children swimming in Guatemala's Chixoy River.  
Photo by Bert Hanson

# New Hope for Environmental Justice in IFI Projects

## A FACTSHEET ON THE OPPORTUNITIES PROVIDED BY THE 2014 US BUDGET BILL

### INTRODUCTION

You may be fighting a destructive dam or a mining project in a rainforest that the World Bank is considering for support. You may be supporting poor communities that have lost their lands and livelihoods to a project funded by another international financial institution (IFI). You may recently have filed a complaint with the World Bank Inspection Panel. Or you may be campaigning to protect social services from cuts under an IMF austerity program. In all these cases, you have now found support in a bill passed by the US Congress. This factsheet tells you more about the topic.



The US Congress passed its budget bill for 2014 in January. In this bill Congress has set strong priorities for US policy toward the IFIs, including addressing human rights violations and environmental destruction in IFI projects. Specifically, it instructs the US representatives at the World Bank and other institutions to oppose logging projects in primary tropical forests and the construction of large dams, and to support independent evaluations and effective accountability mechanisms. The bill also supports social services spending under IMF programs, and calls for US representatives to seek compensation for the victims of human rights abuses in IFI projects.

This factsheet introduces the provisions of the budget bill that are important for NGOs working on IFIs and their projects, and presents ideas on how civil society groups can use them in their campaigns.<sup>1</sup>

### THE US BUDGET BILL

On January 17 President Obama signed the budget for the US government for the remainder of the 2014 financial year into law. The budget sets the level of US financial commitments to the IFIs. In addition, as it is often the case, the lengthy bill (which runs to 1582 pages) also sets priorities for the US role in the IFIs and places conditions on how the funds should be spent.

The budget bill includes the following provisions on international financial institutions:

- The US will not fund any IFIs which don't require independent evaluations of all their projects, including regarding their impacts on poverty reduction and equitable economic growth.
- The US will oppose IMF programs that require poor people to pay user fees for primary education and primary healthcare.
- The US will oppose IMF programs that stop heavily indebted poor countries from promoting spending for education, healthcare, agriculture, food security and other safety nets.
- The US will try to ensure that IFIs respond to the findings of their accountability mechanisms by providing redress to victims of human rights violations, including forced displacement, in their projects.
- The US requests progress reports from the World Bank and the IDB on the steps undertaken to implement a reparations plan for the communities affected by the Chixoy Dam massacres in Guatemala.
- The US also requests progress reports from the World Bank on redress provided to the displaced communities of Boeung Kak Lake in Cambodia.
- The US will oppose any IFI activities that directly or indirectly involve forced evictions in Ethiopia.

<sup>1</sup> Note, this document is not meant to be a legal interpretation of the budget bill or any other U.S. law related to the IFIs, and should not be used as such.

- The US will oppose any IFI support for large-scale logging or other extractive activities in primary tropical forests.
- The US government will oppose any IFI support for large hydropower dams.

Because these provisions are part of the 2014 budget bill, they will have to be explicitly maintained or modified in next year's budget bill, or they will expire at the end of the current fiscal year on September 30, 2014. Extending the language in next year's budget bill is an important advocacy target for NGOs.

You will find the exact language on these topics in the annex at the end of this factsheet.

The US is one of many member states of international financial institutions. Unlike in the UN system, the members of IFIs don't have equal voting rights. Their voting power depends on the financial contributions to these institutions. The US is the biggest contributor to IFIs and controls 5-30 percent of their voting rights.

The budget bill covers the role of the US in the following IFIs (with the respective share of the voting rights):

- the World Bank (with US shares of 15.3% at the IBRD, 10.5% at IDA and 22% at IFC);
- the Inter-American Development Bank and the Inter-American Investment Corporation (with shares of 30% in each);
- the International Monetary Fund (16.8%);
- the Asian Development Bank and the Asian Development Fund (with shares of 12.8% in each);
- the European Bank for Reconstruction and Development (10.1%);
- the African Development Bank (6.5%) and the African Development Fund (5.4%);
- and the US-Mexican North American Development Bank.

### ANALYSIS

Many people have expressed surprise that the US Congress has passed such strong provisions on IFIs. Yet while Congress doesn't have a strong track record on climate change and many other environmental issues, it has supported environmental reforms and strengthened transparency at the World Bank and other IFIs for several decades. Senator Patrick Leahy, a Democrat from Vermont who sponsored the IFI provisions in the budget bill, has strongly supported environmental reforms and justice for the victims of human rights abuses for a long time.

The budget bill influences US policy towards the IFIs. It does not directly impose conditions on these institutions or on other governments, but rather provides guidance or instructions to responsible US agencies and executive directors that implement US policy within these institutions. The IFI provisions came about in response to the concerns

that civil society groups have raised for many years, and supports these concerns. It is now up to civil society groups to use the bill to strengthen their own campaigns.

The IFIs did not comment about the topic in public. Treasury officials assured NGOs that they would always act in accordance with the law, but have so far not offered any details on how exactly they plan to implement the bill. Strong interest and involvement from civil society in the US and in developing countries will help ensure an effective implementation of the bill in spirit and in letter.

Even if US representatives actively oppose destructive projects and push for stronger accountability mechanisms, the IFIs can choose to simply ignore them. NGOs need to monitor the projects that are covered under the budget bill and come to a vote in IFIs before September 2014. They need to educate members of Congress about how the budget bill is being implemented. International Rivers is doing this for large dams, and other NGOs are monitoring other types of projects (see the box on further information).

If the World Bank or other IFIs simply ignore the bill's provisions, it is up to Congress to include stronger measures in the 2015 budget bill. This may include reducing US contributions to IFIs that are not prepared to reform, and shifting resources to institutions that are serious about protecting human rights and the environment.

### NEW OPPORTUNITIES FOR CIVIL SOCIETY

Here are some suggestions on how you can use the bill to support your campaigns. You can find the contact information of NGOs that can support you in the box on the right.

- Draw attention to your campaigns against IFI logging or large dam projects by highlighting that the US government has been instructed to support your position.
- Inform the US executive directors in the IFIs which are promoting the projects you oppose about your specific concerns, and ask that they raise these concerns when they explain their position within the IFIs.
- If you have filed a case with the World Bank Inspection Panel or the accountability mechanism of another IFI, request strong remedial action by referring to the provisions in the budget bill and by asking the US representatives in the institutions to support your request.
- Insist that IFIs commission evaluations of IFI projects you are concerned about by independent third parties. Request to see the findings of any independent evaluations that have been carried out about the project. Point out that the budget bill supports this request, and ask the US representative in the IFI that is involved to support your request.
- If you are working to address an unresolved legacy of human rights abuses (including involuntary resettlement) in an IFI project, use the Chixoy case in Guatemala as a precedent case. Advocate for an agree-

## Further information

### General information:

- You will find the text of the 2014 US budget bill at <http://1.usa.gov/1ePDF7O>.
- You will find more information about the budget bill at <http://bit.ly/BudgetBillFacts>
- You will find contact information for World Bank executive directors at [www.bicusa.org/ed](http://www.bicusa.org/ed)

### Large dams:

- International Rivers is monitoring large dams in the IFI pipelines. Visit [www.internationalrivers.org/node/3982](http://www.internationalrivers.org/node/3982) or contact [zachary@internationalrivers.org](mailto:zachary@internationalrivers.org).
- International Rivers also supports the survivors of the Chixoy massacres. Visit [www.internationalrivers.org/node/2287](http://www.internationalrivers.org/node/2287) or contact [monti@internationalrivers.org](mailto:monti@internationalrivers.org).

### Logging projects:

- Greenpeace is monitoring logging projects, including in IFIs. Contact [susanne.breitkopf@greenpeace.org](mailto:susanne.breitkopf@greenpeace.org)

### Accountability mechanisms:

- The Center for International Environmental Law and Accountability Counsel are monitoring the role of accountability mechanisms at the IFIs. Contact [jmedallo@ciel.org](mailto:jmedallo@ciel.org) or [komala@accountabilitycounsel.org](mailto:komala@accountabilitycounsel.org).

### Ethiopia projects:

- The Oakland Institute monitors projects that cause displacement in Ethiopia. Contact [ablackshaw@oaklandinstitute.org](mailto:ablackshaw@oaklandinstitute.org).

ment to compensate the victims of human rights abuses, and ask the IFIs involved and the US representative in this IFI to support such compensation.

- Document the response of the World Bank or other IFIs to your requests, and share this information with interested members of the US Congress. Write to members of Congress and ask them to support stronger action against unresponsive IFIs in future bills.
- Inform the NGOs listed in the table below about your efforts on dams, accountability mechanisms and other issues related to the budget bill. These NGOs can share the contact information for interested members of Congress with you.

## ANNEX: EXCERPTS FROM THE US BUDGET BILL FOR 2014

### Independent evaluations

“None of the funds appropriated under title V of this Act should be made as payment to any international financial institution unless the Secretary of the Treasury certifies to the Committees on Appropriations that such institution has a policy and practice of requiring independent, outside evaluations of each project and program loan or grant and significant analytical, non-lending activity, and the impact of such loan, grant, or activity on achieving the institution’s goals, including reducing poverty and promoting equitable economic growth, consistent with effective safeguards.” (p. 1238)

### User fees for primary education and healthcare

“The Secretary of the Treasury shall instruct the United States executive director of each international financial institution to oppose any loan, grant, strategy, or policy of such institution that would require user fees or service charges on poor people for primary education or primary healthcare, including maternal and child health, and the prevention, care and treatment of HIV/AIDS, malaria, and tuberculosis in connection with such institution’s financing programs.” (p. 1239)

### Government spending on healthcare, education, agriculture and food security

“The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund (IMF) to use the voice and vote of the United States to oppose any loan, project, agreement, memorandum, instrument, plan, or other program of the IMF to a Heavily Indebted Poor Country that imposes budget caps or restraints that do not allow the maintenance of or an increase in governmental spending on healthcare or education; and to promote government spending on healthcare, education, agriculture and food security, or other critical safety net programs in all of the IMF’s activities with respect to Heavily Indebted Poor Countries.” (pp. 1239f.)

### Compensation for human rights violations

“The Secretary of the Treasury shall instruct the United States executive director of each international financial institution to seek to ensure that each such institution responds to the findings and recommendations of its accountability mechanisms by providing just compensation or

other appropriate redress to individuals and communities that suffer violations of human rights, including forced displacement, resulting from any loan, grant, strategy or policy of such institution.” (p. 1240)

### Reparations for Chixoy Dam massacres

“The Secretary of the Treasury shall direct the United States executive directors of the World Bank and the Inter-American Development Bank to report to the Committees on Appropriations not later than 30 days after enactment of this Act and every 90 days thereafter until September 30, 2014, on the steps being taken by such institutions to support implementation of the April 2010 Reparations Plan for Damages Suffered by the Communities Affected by the Construction of the Chixoy Hydroelectric Dam in Guatemala.” (p. 1240)

### Ethiopia

“The Secretary of the Treasury shall instruct the United States executive director of each international financial institution to oppose financing for any activities that directly or indirectly involve forced evictions in Ethiopia.” (p. 1296)

### No support for industrial scale logging

“The Secretary of the Treasury or the Secretary of State, as appropriate, shall instruct the United States executive director of each international financial institution and the United States representatives to all forest-related multilateral financing mechanisms and processes that it is the policy of the United States to vote against any financing to support or promote the expansion of industrial scale logging or any other industrial scale extractive activity into areas that were primary/intact tropical forest as of December 30, 2013.” (p. 1361)

### No support for large dams

“The Secretary of the Treasury shall instruct the United States executive director of each international financial institution that it is the policy of the United States to oppose any loan, grant, strategy or policy of such institution to support the construction of any large hydroelectric dam (as defined in “Dams and Development: A New Framework for Decision-Making,” World Commission on Dams (November 2000)).” (pp. 1361f.)

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Written by Peter Bosshard  
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Contact: International Rivers  
2150 Allston Way  
Berkeley, CA 94704, USA  
[www.internationalrivers.org](http://www.internationalrivers.org)