

**SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS***➤Chirac proposes international taxes to fight poverty*

French President Jacques Chirac, speaking at the World Economic Forum in Davos, Switzerland, called on all developed countries to substantially increase aid budgets to meet the Millennium Development Goals (MDGs). Taxes designed to skim some of the wealth generated by globalization include levies on cross-border financial transactions, taxing aviation and shipping fuel, environmental taxes and air travel charges. His call is based on a report commissioned by the French government that examines the feasibility of new options for financing aid including the currency transactions tax (CTT). While the paper is critical of the tax as a means of curbing currency speculation, Chirac supports a small tax for revenue generation. France has passed legislation endorsing the CTT with its implementation subject to endorsement by other members of the EU (Belgium has passed legislation).

The Landau report and Chirac's speech follow-up on discussions held at the first global intergovernmental conference to discuss innovative means of financing development held at the UN in September 2004. The meeting sought to draw further attention to innovative mechanisms for raising funds – public and private, compulsory and voluntary, or universal or limited membership – to help meet the MDGs and make foreign aid more predictable and stable.

**Additional information**

The Landau Report is available in English at <http://www.cgdev.org/docs/landau%20report%20-%20DRAFT%20English%20Version%20-%20Dec%2015%202004.doc>

**Key dates**

*March 2005* – Secretary General proposals for the Millennium Summit, including a Review of progress made towards the achievement of commitments in the Millennium Declaration including the Millennium Development Goals

*July 6th – 8th* – G8 meeting in Scotland where debt relief and Africa will be on the agenda

*September 2005* – Millennium Summit, High Level Meeting on the Millennium Declaration, MDGs, and the Panel on Opportunities, Challenges and Change in the UN System.

**HI Action**

Check out the Halifax Initiative's Currency Transaction Tax site at <http://www.currencytax.org/>

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*➤IFC-funded Glamis Gold's Marlin mine in Guatemala witness protests and one death*

In January, one person was killed in clashes between police and military in the community of Los Encuentros, Guatemala. The community blocked the passage of a ball mill destined for Glamis Gold's Marlin mine for over 40 days, initially on the basis that this would require dismantling a low-lying footbridge that the community had constructed. But when they later learned the destination of the material, they became concerned about the potential impacts of the mine on their community. The protest was the culmination of over a year's worth of concerns raised about the project. In May 2004 indigenous groups raised concerns about the project with the International Finance Corporation, who provided \$45million for the mine. They argued that they were never consulted about concessions on their land that the former Portillo government granted to mining companies – a requirement under ILO 169 which the Government signed and ratified in 1996. The church has also questioned the benefits that mining will bring to the country. In contrast, the current Guatemalan President is in favour of the project, justifying January's military intervention on the grounds of protecting the interests of Glamis' shareholders. The IFC and the company continue to assert that appropriate consultation occurred, although they fail to acknowledge the requirements under ILO 169. And the Canadian Ambassador to Guatemala, James Lambert, has written editorials and appeared on Guatemalan TV promoting the Canadian mining industry and the economic and social benefits mining has brought over 200 indigenous communities in Canada.

**Additional information:**

Social Justice Committee - Central America web site: <http://www.s-j-c.net/MCAmerica.html>

MiningWatch Canada: <http://www.miningwatch.ca/> and RightsAction: <http://www.rightsaction.org>

**HI Action**

The Halifax Initiative Coalition sent a letter to IFC Canadian Executive Director Marcel Massé who has referred the letter to the IFC. FoE Canada, KAIROS and MiningWatch all organized action alerts.

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**➤ Key Change of Leadership across several institutions**

Many international institutions are currently undergoing a significant change of leadership. Current World Bank President James Wolfensohn has indicated that he will not be returning for a third term, citing a lack of support from the U.S. government. Several names have been put forward including former president Bill Clinton and apparent frontrunner John Taylor undersecretary of international affairs at the Treasury Department. Unwritten protocol gives the US the sole right to select the president of the World Bank. Peter Woicke, Executive Vice-President of the International Finance Corporation is also retiring as the head of the Bank's private sector lending arm.

World Trade Organization (WTO) Director-General Supachai Panitchpakdi will be leaving in September, Nominations for his successor have begun with developing countries calling for a change in the tradition of the DG alternating between developed and developing country candidates. The four challengers for the job are former European Union trade chief Pascal Lamy, Mauritian Foreign Minister Jaya Krishna Cuttaree, Brazil's ambassador to the Geneva-based body Luiz Felipe Seixas Correa, and a Uruguayan former chairman of the WTO's executive General Council Carlos Perez del Castillo. There is no obvious front-runner.

Finally, the Organization for Economic Cooperation and Development (OECD) is also looking for a new Secretary General to replace outgoing Canadian Donald Johnston. Traditionally, OECD Secretary General's have come from Europe, but Johnston is pressing for a politician from Asia to fill the role.

**Additional information:**

A website has been established to help groups track discussions at the Bank: [www.worldbankpresident.org](http://www.worldbankpresident.org)

**HI Action**

International groups (including the Halifax Initiative) are trying to draw attention to the weaknesses and biases in the selection process for Wolfensohn's successor.

**Final decisions on International Development Association (IDA) replenishment**

The 14<sup>th</sup> replenishment negotiations for the next three-year IDA funding cycle wrapped up in December 2004, with replenishment beginning on July 1, 2005. Key elements include:

- A projected increase in the amount of disbursements given in grants rather than in loan form (up to approximately 30% of IDA 14 disbursements expected to be in grant form)
- A further entrenchment of the Country Policy Institutional Assessment (CPIA) as the main preconditioning tool for WB policies through the new debt sustainability framework (the CPIA now drives the amounts of resources available to specific IDA countries, as well as whether countries debts are deemed "sustainable" and whether disbursement are accordingly grant or loans.
- A "tax" of 20% on all grants (9 % of which covers grant administration costs and 11% to establish a new loan facility for "blended" countries (e.g. India and Indonesia). Under IDA 13 these costs were borne by donors. This essentially reduces the pot of funding available to individual countries.
- Grants are no longer directed at certain sectors or issues (e.g. IDA 13 grants for HIV/AIDS programming)
- An average increase in donor contributions of 30% over IDA 13 (translating into a 40% or CDN\$90 million increase for Canada (due to the exchange rate) from 230 million to 318 million per year.
- Significantly the three largest donors (Japan, Germany and the US) chose to let their percentage shares decrease, while the Dutch have increased their percentage share.

The tax on grants and the increase in the role of the CPIA over other tools and development strategies are areas of particular concern. The final package will be finalized in February, and governments have agreed to review how IDA 14's new facilities are functioning at the mid-point of the package (around 2007).