

SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

► *Small Victory on World Bank Debt Deal*

On March 28, 2006, the World Bank's Board of Directors adopted the modalities for implementing its share of the Multilateral Debt Relief Initiative (MDRI), an outcome of last summer's G-8 meeting and endorsed by the Bank and IMF at its fall meetings. The Bank deal provides for 100% cancellation of International Development Association (IDA) debt for 17 Heavily Indebted Poor Countries (HIPC).

In the past few months, the proposed deal has been heavily criticized by civil society organizations (CSOs) who focused on the delays between reaching completion point (when countries have a track record of good performance under WB and IMF programmes) and receiving full cancellation, on additional conditionalities being applied to the 17 HIPCs, and on the debt stock eligible for cancellation. In terms of delays, the Bank had proposed to only provide full cancellation to completion point countries once a year on July 1. This would mean that countries who missed the completion point deadline by one day would have to wait a full year for cancellation, until July 1, 2007. In terms of debt stock, the Bank only covered debts up until December 31, 2003 (compared with the IMF that covered up until 2004).

In the final Board meeting, and in response to pressure from civil society, the Bank agreed to cut the potential wait-time for future HIPC graduates from a possible 14 months to every three months. The decision was a small victory, although the Halifax Initiative still holds that the HIPC process is deeply flawed.

Additional Information

Halifax Initiative Coalition letter to the Minister – <http://www.halifaxinitiative.org/index.php/Home/661>

“ KAIROS Full Analysis of the June 11, 2005 G8 Debt Proposal” :

<http://www.kairoscanada.org/e/economic/debt/g8proposalAnalysisFull.asp>

“ PanAfrica: Jubilee USA Welcomes World Bank Approval of Debt Cancellation Deal” :

<http://allafrica.com/stories/200603290745.html>

► *IFC's New Sustainability Policy, Performance Standards and Disclosure Policy*

A year and a half ago, the International Finance Corporation (IFC) began a lengthy review of the Safeguard Policies it applied to projects it was considering funding. These policies were intended to help mitigate some of the environmental and social impacts that resulted from these projects (See JUST THE FACTS). The Policies came under review because they were considered both outdated, and for many civil society groups had failed to ensure that projects were both sustainable and helped to alleviate poverty. Through the overhaul, the World Bank's private sector lending arm declared it would toughen the policies, increase the influence of local residents and promote sustainable use of natural resources.

The new Sustainability Policy, Performance Standards, Disclosure Policy and Environmental Health and Safety Guidelines were finally adopted by the Board on February 21, 2006, and revised and released as a final draft on March 15 to reflect a number of ongoing concerns raised by Bank Board members such as the United Kingdom's Department for International Development. The Canadian government also raised a number of concerns at the meeting, but refused to publicly disclose which.

While the policies will take effect on April 30, the IFC has said that it has already applied the new standards to Newmont's Afoho gold mine in Ghana (See IU, Feb. 2006). The Equator Principle banks (See “ Just the Facts” IU Dec. 2004) are currently “ consulting” with groups regarding the Equator Principles draft which reference the new Performance Standards.

Additional Information:

Performance Standards on Social and Environmental Sustainability: <http://www.ifc.org/policyreview/>

“ DFID Response to IFC's Safeguard Review” <http://www.dfid.gov.uk/aboutdfid/dfidwork/ifcpolicy.pdf>

Civil society responses: <http://www.grrr-now.org>

► **Air Ticket Levy saving global poverty?**

At an innovative financing for development conference in Paris on February 28, 2006, the French government agreed to adopt an Air Ticket Levy, the first tax of its kind to benefit global poverty. In passing legislation on the Levy, the French parliament has agreed to tax all passengers departing from French territory, exempting passengers on connections, and use the revenues raised to buy medication for the most serious pandemics (including HIV/AIDS, tuberculosis and malaria) in the developing world. The levy is set to start producing revenue in July. While France hopes to increase its overseas development assistance (ODA or aid) to match the targets set for 2015 by the Millennium Development Goals (MDGs) initiative, in the mean time it has suggested that the Levy will help fill their shortfall. Although there has been resistance from airlines, an additional 12 countries agreed to implement the tax in their countries (Brazil, Britain, Chile, Congo, Cyprus, Ivory Coast, Jordan, Luxembourg, Madagascar, Mauritius, Nicaragua, Norway).

Additional Information:

“ Pandemics: Why that Paris Trip Will Cost a Little More” :

<http://www.theglobeandmail.com/servlet/story/RTGAM.20060228.wcomment0228/BNSStory/International/home>

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New Discussion Papers (HI Members or Associates, Government) on IFI Issues:

- “ Will U.S. Debt Lead to a Financial Crisis?” is a briefing paper on debt and finance issues released by KAIROS. The paper discusses the prospects for a global financial crisis caused by the USA’ s huge external debts. It discusses some of the implications for Canada as well as how a financial crisis might create conditions for mass defaults or repudiations of illegitimate debts by Southern countries. <http://www.kairoscanada.org/e/resources/policyBriefing1USDebt0602.pdf>
- “ Strengthening Transparency in the Oil Sector in Cameroon: Why Does it Matter?” is a Policy Discussion Paper (No. 06/02) published by the IMF looking at transparency issues in Cameroon’ oil sector. <http://www.imf.org/external/pubs/cat/longres.cfm?sk=18918.0>
- The “ Forum on the Future of Aid: Southern Voices for Change in the International Aid System,” was launched this month. This forum is an online community dedicated to research and opinions about how the international aid system currently works and where it should go. <http://www.futureofaid.net/>

Upcoming IFI-related conferences or meetings

- “ 2006 Spring Meetings: International Monetary Fund and World Bank Group” , Washington, DC, April 22-23, 2006. For further info, go to <http://www.worldbank.org/civilsociety>
- “ 9th Annual Special High-Level Meeting with the Bretton Woods Institutions, the World Trade Organization, and the United Nations Conference on Trade and Development” , Economic and Social Council (ECOSOC), New York, Monday April 24, 2006.
- "International Conference on the Cancellation of Illegitimate Debts." IBON, Jakarta Indonesia, May 27-29, for further info, go to <http://www.realityofaid.org>

JUST THE FACTS– “ Drop their Debt II”

The Inter-American Development Bank (IDB) is currently considering cancelling the debt of four HIPC countries in Latin America (Bolivia, Nicaragua, Guyana, and Honduras). Although these four countries are already part of the MDRI that emerged from last July’ s G8 summit (See IU, June and July 2005), the MDRI only covers IMF, IDA and African Development Fund debt, and the G-8 Deal cancels only US\$4.5 billion out of a total of US\$15 billion debt and excludes the IDB (representing a significant share of Latin American HIPC and non-HIPCs’ external debt burden and the debt service charge) and other external creditors. Eurodad and Jubilee USA, with the support of various other NGOs, have been spearheading a campaign to pressure the IDB to cancel the debt of Latin America’ s HIPC countries. Jubilee USA contends that lenders like the IDB should accept co-responsibility for bad lending decisions which lead to odious debts (See JUST THE FACTS on Odious Debts, Oct. 2005), and argue that meeting the MDGs and reversing the high levels of poverty will be impossible if IDB debts remain.

For further info *Fact Sheet: Latin America’ s Debt and the Inter-American’ s Development Bank,*

http://www.jubileeusa.org/take_action/idbdebt06.pdf

Justice for Latin America on IDB Debts, <http://www.eurodad.org/articles/default.aspx?id=682>

Social Justice Committee Action Alert, <http://www.s-j-c.net/English/debt/drop/debtcam.html>