

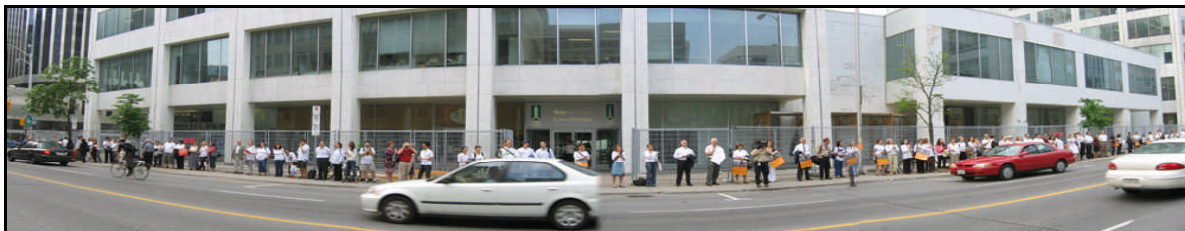
## SELECTED ISSUES on INTERNATIONAL FINANCIAL INSTITUTIONS

### ➤ *G8 Finance Ministers' finalize debt proposal.*



On June 11, Finance Ministers from the G8 countries announced a debt proposal that would cancel multilateral debts owed to the World Bank (WB), the International Monetary Fund (IMF) and the African Development Bank's African Development Fund (AfDF) by 18 low-income countries. While the deal is a major step forward in terms of debt cancellation, the deal also has a number of significant limitations (highlighted in an analysis done by the Halifax Initiative and Kairos, summarized below in "Just the Facts...")

Just two days prior, the Halifax Initiative Coalition and the MakePovertyHistory campaign held a "White Band Event" at Finance Canada. Wearing white shirts, hundreds of people formed a white band around the Finance building, and called on Minister Goodale to call for 100% Unconditional Cancellation of the Debts of the Poorest Countries.



### Additional Information:

KAIROS and HI analysis of the G8 Debt Proposal:

[http://www.halifaxinitiative.org/updir/Analysis\\_of\\_June\\_11\\_Formatted.pdf](http://www.halifaxinitiative.org/updir/Analysis_of_June_11_Formatted.pdf)

### **JUST THE FACTS – The Debt Deal...what it is, what it isn't**

The Finance Ministers debt deal represents a major step forward toward the 100% cancellation of multilateral debt for the poorest countries in three key areas:

- The deal marks G8 acceptance of the principle of 100% multilateral debt cancellation to tackle the world's poorest countries debts, and signals a recognition that previous initiatives like HIPC have failed;
- The deal accepts the principle that the IMF's share of debt cancellation can be funded through the use of its own resources. While the current deal relies on the use of resources from a previous sale of gold, the additional sale of IMF gold to fund debt cancellation is clearly back on the table;
- The G8 leaders have agreed to provide additional resources for development assistance by increasing their multilateral lending, with some countries committing to an ODA target of 0.7% of GNP by 2015.

There are, however three serious limitations in the deal:

- The deal only applies to 18 Heavily Indebted Poor Countries (HIPC) with a possible extension to 20 other HIPCs when 62 countries need full debt remission to meet the Millennium Development Goals. The 18 countries involved will receive dollar for dollar reduced aid from the International Development Association (IDA). To receive new IDA flows, they will have to comply with controversial World Bank and IMF conditions and policy performance criteria. (See "Issue Update 1, January 2005")
- Countries will not qualify for cancellation until they reach their HIPC Completion Point in a process that requires them to apply harsh IMF and World Bank adjustment measures before they qualify for debt cancellation. These measures have been shown to exacerbate rather than reduce poverty and have led to long delays for countries needing immediate debt cancellation;
- The World Bank's and IMF's dominant role in these countries will continue even after cancellation through assessments of "good governance" based on a weak and subjective analyses of their macro-economic policies.

➤ *Anti-Corruption measures high on the agenda for 2005*

2005 is a key year for seeing real improvement in combating bribery, and Tony Blair's Commission for Africa specifically highlighted Export Credit Agencies (ECAs) as one of three areas where developed countries needed to pay attention on the issue of corruption. In September, ECAs will be renegotiating the Organization for Economic Cooperation and Development (OECD) *Action Statement on Bribery and Officially Supported Export Credits*. The December 2000 Action Statement is a response to the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*. To deter bribery, ECAs agree to inform applicants about the legal consequences of bribery, invite companies to sign a declaration indicating that they have not engaged in bribery, and refuse support where there is sufficient evidence of bribery taking place. Since many ECAs have now gone beyond the minimal requirements of the *Action Statement*, and several corruption scandals have emerged in ECA-backed projects since the Statement's adoption, groups are calling for significant changes to the *Statement*. Among other things, civil society wants disclosure of commissions paid to agents (who help companies secure contracts); a cap on these payments; revenue and contract transparency as a condition of support; and sanctions for conviction of bribery.

**Additional Information**

OECD Action Statement: [http://www1.oecd.org/daf/nocorruptionweb/pdf/ech\\_actionstatement.pdf](http://www1.oecd.org/daf/nocorruptionweb/pdf/ech_actionstatement.pdf)

HI Brief on Corruption and EDC: [http://www.halifaxinitiative.org/updir/Briefing\\_-\\_Corruption.pdf](http://www.halifaxinitiative.org/updir/Briefing_-_Corruption.pdf)

"ECAs and Corruption", *Cornerhouse* publication: <http://www.thecornerhouse.org.uk/item.shtml?x=51986>

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➤ *Demand for Greater Accountability within Parliament of Bretton Woods Institutions*

On June 6, NDP Member of Parliament Bev Desjarlais (Churchill, MB) 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). Drawing in part from Halifax Initiative's April 2005 analysis (See *Issue Update 4, April 2005*), 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. The government has to respond to the question within 45 days or it could be referred to a Committee for hearings.

**Additional Information**

The text of Ms. Desjarlais' question:

[http://www.parl.gc.ca/38/1/parlbus/chambus/house/orderpaper/110\\_2005-06-07/ordnp110-E.html](http://www.parl.gc.ca/38/1/parlbus/chambus/house/orderpaper/110_2005-06-07/ordnp110-E.html)

HI's analysis of reporting on the BWIs: <http://www.halifaxinitiative.org/index.php/Home/614>

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**New discussion papers (HI, Members or Associate members, government) on IFIs and issues:**

- The House of Commons unanimously passed an Standing Committee on Foreign Affairs and International Trade (SCFAIT) motion demanding the government to commit to a plan to increase Canada's aid budget to 0.7% of its GNP by 2015 on June 28<sup>th</sup>, 2005:  
<http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=120069>
- Another motion was presented to the House on June 22<sup>nd</sup> regarding strengthening measures to ensure that Canadian mining companies operate abroad in an environmentally and socially responsible manner and with due respect for international human rights:  
<http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=122762>
- *2005 Chief Environmental Advisor's report* – The 3<sup>rd</sup> Annual Environmental Report provides an overview of Export Development Canada's (EDC) environmental review process, and the projects it has supported. [http://www.edc.ca/corpinfo/csr/environment/2004\\_Chief\\_Enviro\\_Adv\\_Report\\_e.pdf](http://www.edc.ca/corpinfo/csr/environment/2004_Chief_Enviro_Adv_Report_e.pdf)
- *New EDC Environmental and Disclosure Policies* – Up for comment. Disclosure policy is on-line at <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=122762>  
Environmental Review Directive is on-line at [http://www.edc.ca/corpinfo/csr/comments/pdf/erd\\_public\\_comment\\_e.pdf](http://www.edc.ca/corpinfo/csr/comments/pdf/erd_public_comment_e.pdf)

**Upcoming IFI-related conferences or meetings**

- Group of Eight (G8) meeting in Gleanagles, Scotland, July 6-8, 2005.