

Issue update

Selected Issues on International Financial Institutions

Volume IV, Number 1 – January 31, 2008

Corruption back on the Bank's agenda?

Evidence of serious fraud and corruption has emerged in five Bank-funded health projects in Orissa, India. The \$570 million for malaria, tuberculosis and HIV-AIDS control was implemented from 1997 to 2003. The charges emerged from a Detailed Implementation Review (DIR) of projects in India begun in 2006, a process itself triggered by evidence of corrupt practices by two pharmaceutical companies involved in another Bank health scheme. The Indian government has pledged to take "exemplary punishment" of the parties involved.

When the DIR began, former Bank President Paul Wolfowitz was criticized for suspending funding to Indian health projects because he did so without consulting the Bank's Board of Directors. Wolfowitz's "zero tolerance" for bribery led to loans to Chad, Argentina, Congo, Kenya, Uzbekistan, Yemen, Ethiopia and Bangladesh also being suspended. At the time, civil society dismissed the approach for its seemingly arbitrary nature and absence of due process. In response, the Bank developed an anti-corruption framework, which the Bank's Board also criticized for its heavy-handed application of sanctions on countries to eliminate corruption. New Bank President Zoellick, in contrast, has maintained lending flows to India while trying to address the systemic problems both within the Bank and India's nine existing health projects.

The Indian case is Zoellick's first foray into the Bank's fight against corruption. It is an issue he has seemingly all but avoided addressing, perhaps because it so marked his unpopular predecessor's short time in office. But with Susan Folsom, the head of the Anti-Corruption unit and a close ally of Paul Wolfowitz, also announcing her departure in January, Zoellick has the chance to refocus the Bank's approach and perhaps even the tact to make it work.

World Bank slams corruption in aided Indian healthcare projects,
http://afp.google.com/article/ALeqM5gD_Cqoq1HSXQFI9_KWNep-NWJesg

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Our core funders are the C.S. Mott Foundation, the Wallace Global Fund, the International Development Research Centre, the Sigrid Rausing Trust and Coalition members.

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Halt Canadian mining project, says National Ombudsman

Argentina's National Ombudsman, Eduardo Mondino, responding to a complaint received in 2007 about the impacts of mining in the San Guillermo Biosphere Reserve in San Juan province, this month called for an immediate halt to mining activity in the UNESCO Reserve. Canadian mining company Barrick Gold holds two interests within the Biosphere Reserve: the Veladero gold mine and the proposed Pascua Lama gold mine. In 2004, Export Development Canada provided approximately \$75 million in project finance and \$125 million in political risk insurance for the Veladero mine.

In his report, Mr. Mondino explains that no consideration has been given to whether mining activity is compatible with the preservation of the Biosphere Reserve. He argues that such an assessment must be guided by a management plan. This document would establish principles and procedures to appropriately manage and protect the area, including with regard to commercial mining activity. According to the Ombudsman, the federal government's failure to develop and apply such a plan is a violation of several national laws.

The office of the National Ombudsman, which operates independently of government, acts a watchdog to ensure that state action does not hamper the free exercise of legally-protected rights. UNESCO's World Network of Biosphere Reserves promotes environmental sustainability, with a particular emphasis on the protection of biological diversity.

Argentina National Ombudsperson: Suspend Mining Operations in San Guillermo National Park,
<http://www.protestbarrick.net/>

Conditionality prevails at IMF, despite “streamlining”

IMF efforts since 2000 to reduce the number and scope of structural conditions in its loans have essentially had no impact, says the IMF's internal auditor, the Independent Evaluation Office (IEO), in a report released this month. Furthermore, the report found that a third of IMF conditions still fall outside the institution's area of expertise and in many cases include conditions that are not critical to IMF objectives. Consequently, the Report recommends further “streamlining” to get the Fund to select conditions that are ‘critical’ and within its core areas of responsibility - fiscal and monetary policy. Fund Management and the Board of Directors broadly agreed with the study's findings, even though it essentially means reaffirming Conditionality Guidelines for the IMF already approved back in 2002.

IEO Evaluation of Structural Conditionality in IMF-Supported Programs,
http://ieo-imf.org/eval/complete/pdf/01032008/SC_main_report.pdf

Financing for Development en route to Doha

In January, the United Nations released a timeline of events leading up to the Doha Review of the Monterrey Consensus on Financing for Development (FfD). Each review session will comprise a panel discussion followed by a free-flowing dialogue with all stakeholders, including civil society. See “Just the Facts” for the timeline.

Notice Board - This month...

- ☰ The World Bank's 2008 Global Economic Prospects predicts slower global economic growth in 2008 vis-à-vis 2007 (3.3 per cent down from 3.6), with strong regional growth in Latin America and East Asia, and declining growth in industrialized countries, especially Japan and the US. The IMF also revised their forecasts pointing to serious slowdown for the global economy, and endorsed the US's spending package to stimulate its economy - the first time in 25 years an IMF Managing Director has supported any country increasing its fiscal deficit.
- ☰ At its final replenishment meeting, donors agreed to contribute at least \$8.9 billion toward the African Development Bank's (AfDB) concessional lending window for 40 African countries, the African Development Fund (ADF). The majority of the ADF is funded by donor pledges, and as a result the ADF's work largely reflects donor priorities. For the next three year period, the ADF will focus on infrastructure, governance, fragile states and regional integration. At the same time, an Advisory Group to the AfDB, chaired by former Canadian Prime Minister Paul Martin and Mozambican President Joaquim Chissano, has also recommended the AfDB prioritize projects that promote regional economic integration.
- ☰ As the Asian Development Bank began its consultation in South Asia on its new draft safeguard policies, over 50 representatives of different civil society and social action groups have elected to boycott the process. They feel the new draft dilutes previous policies on the environment, involuntary resettlement and indigenous rights, among other things. Groups have prepared a Summary of Concerns regarding the ADB's Draft Safeguard Policy Statement, <http://www.bicusa.org/proxy/Document.10827.aspx>
- ☰ Leaked World Bank memos published by the Financial Times show that the Kenya's Country Director, Colin Bruce, favours the country's incumbent President, Mwai Kibaki, over opposition party candidate, Raila Odinga, in the dispute over election results. The memo also disputes a European Union assessment of widespread irregularities in Kenya's Presidential election. Odinga has called for the memo's author to be recalled. <http://www.ft.com/cms/s/0/54e54c30-bf1f-11dc-8c61-0000779fd2ac.html>
- ☰ Chinese national Justin Yifu Lin is to be named as the World Bank's new Chief Economist in May. Lin is the Director and Founder of the China Center for Economic Research, a Chinese think tank, and an economics professor at Peking University in Beijing. He replaces French economist François Bourignon as the first developing country official to hold the post.

New Publications

- "Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low-Income Countries", OECD, January 2007. http://www.oecd.org/topic/0,3373,en_2649_34169_1_1_1_1_37431,00.html
- "Export Credit Agencies (ECAs) and the International Law of Human Rights", Halifax Initiative Coalition, January 2008. This paper, submitted to the UN Special Representative on Business and Human Rights, argues that state obligations under international law are not currently being met by their ECAs, and provides recommendations on how home states can begin to remedy this. http://www.halifaxinitiative.org/updir/ECAs_and_HR_law.pdf

Upcoming Events

- Group of Seven Finance Minister's Meeting, Tokyo, February 9, 2008.

Draft Financing for Development (FfD) Calendar

February 14 th	Review session on Chapter I of the Monterrey Consensus, “Mobilizing domestic financial resources for development”.
February 15 th	Review session on Chapter II, “Mobilizing international resources for development: foreign direct investment and other private flows”.
March 10 th - 11 th (am)	Review session on Chapter V, “External Debt”.
March 11 th (pm) - 12 th	Review session on Chapter VI, “Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial, and trading systems in support of development”.
April 12 th - 13 th	Spring Meeting of World Bank and International Monetary Fund.
April 14 th	High-Level meeting between ECOSOC, World Bank, IMF, World Trade Organization and UN Conference on Trade and Development.
April 15 th - 16 th	Review session on Chapter IV, “Increasing international financial and technical cooperation for development”.
May 20 th	Review session on Chapter III, “International trade as an engine for development”.
June 18 th	FfD Hearings with Civil Society and Business Sector (½ - 1 day).
July (second week)	Secretary-General’s (SG) report on FfD (advance English version) is issued, mapping global progress on the issue. ECOSOC Development Cooperation Forum in New York.
July (last week)	Draft outcome document circulated by President of the General Assembly (PGA).
September 8 th	Discussions begin on draft outcome document until end of 62 nd session of General Assembly.
October	Discussions continue on draft outcome document after conclusion of General Debate.
November - December	Conclusion of discussions on outcome document.
November 28 th	Provisional date for Civil Society Forum.
November 29 th - December 2 nd	Doha Review Conference, Doha, Qatar.