

# Issue update

## *Selected Issues on International Financial Institutions*

Volume III, Number 10, – October 31, 2007

### World Bank's long term strategy - business as usual?

100 days into his term, World Bank President Bob Zoellick has outlined his vision for an inclusive and sustainable globalization that seeks to “overcome poverty [and] enhance growth with care for the environment”. Importantly, it also seeks to better integrate the activities of the World Bank Group (WBG) and build a more financially robust and flexible institution. And it occurs at a time when the Bank is desperate to recapture new borrowers and build new markets in an environment that has a wealth of new sources of development finance.

Zoellick's six point agenda seeks to spur economic growth in low-income countries; address the challenges of post-conflict states; develop a business model for middle income countries with a range of solutions and services (and lower interest rates); help foster global public goods (tackling climate change and HIV Aids); advance development in the Arab world; and nurture the “brain trust” of the Bank's past experience, grounded in “intellectual honesty”.

What this means in practice is unclear. However, early indicators suggest that the WBG as a whole is more overtly using its private-sector lending and insurance arms (IFC and MIGA) to cross-subsidize, and underwrite some of the risks of, its public lending arm (IDA), while using the public arm's developmental “surplus” to offset the private arm's “deficit”. This is evident through, for example, the aggressive push to increase IFC's portfolio; recent IFC contributions to IDA; an emphasis on IDA and IFC co-investing in public-private partnerships; and an ongoing refusal by IFC to disclose the development impacts of individual projects. As for the Bank's approach to global public goods, it (unsurprisingly) focuses more on market-based solutions, than tackling underlying problems. This is clear in the talk of MIGA underwriting advance market commitments by donors for drugs and vaccines (rather than improving health systems) and providing disaster insurance for climate-vulnerable states (rather than reducing Bank support for fossil fuels). Business as usual? No. Just business. Big Business.

Catalyzing the future: an inclusive and sustainable globalization, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21520625-pagePK:34370-piPK:42770-theSitePK:4607,00.html>

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## Another feather in EDC's CSR cap?

It has been a red letter month for Export Development Canada (EDC), the Canadian export credit agency (ECA). EDC hosted its first ever annual public meeting with stakeholders. It has agreed to disclose details related to Category B projects (those with less adverse environmental impacts). Last month, EDC also became subject to the Access to Information Act. And finally, it just signed on to the Equator Principles (EPs), a set of standards which over 55 private banks - including BMO Financial Group, CIBC, Manulife, Royal Bank of Canada, Scotiabank, TD Bank Financial Group - have voluntarily agreed to apply to their project financing.

These improvements are all welcome. However, EDC's adoption of the EPs is puzzling. Its own environmental directive and the "Common Approaches", which guides how all ECAs take account of the environment, both already reference the International Finance Corporation's Performance Standards - the basis for the EPs. What is more, while EDC is becoming more transparent, the EP banks are notorious for their lack of transparency. Finally, there is no sense of what impact this has had on Denmark's ECA - the only other ECA to have adopted them. EDC's adoption therefore seems more redundant, than a demonstration of its commitment to the environment. That said, it may be an effort by the crown corporation to kick-start the relatively small project finance portfolio of Canada's big five banks and catalyze new co-financing opportunities by streamlining the assessment process for projects. Conversely, EDC's membership in the EPs may also start to put pressure on private banks who have adopted the EPs to move forward on issues of transparency and compliance. The proof, as they say, will be in the pudding.

The Equator Principles: <http://www.equator-principles.com>

Banktrack (a watchdog group of the Equator Principles): <http://www.banktrack.org/>

## Global week of action on debt

Thousands of activists and debt campaigners from almost 300 groups and across 60 countries participated in the second annual Week of Global Action against Debt and the International Financial Institutions (IFIs) on October 14-21, 2007. Groups organized a series of workshops, public forums, meetings with public officials, marches, fasts and People's Tribunals. Groups also issued statements calling for national debt audits of the moneys owed to the Bank and Fund, for an external audit of the lending activities and policies of the Bank and Fund, for the cancellation and repudiation of past illegitimate debts (see IU 10, 2006), and for an end to Bank and Fund conditionalities.

The Week of Global Action coincided with the 20<sup>th</sup> anniversary of the death of Thomas Sankara, former President of Burkina Faso who called for debt repudiation, World Food Day, the International Day for the Eradication of Poverty, World Youth Day and the Annual Ministerial Meeting of the IMF and WB in Washington.

Global week of action against debt and IFIs,  
<http://www.debtweek.org/>

## Notice Board - This month...

- 📄 Former World Bank Economist Joseph Stiglitz praised the new Bank of the South initiative (IU 6, 2007), highlighting the importance of an institution that would reflect southern perspectives and increase the market competition for development lending.
- 📄 On October 15<sup>th</sup>, the World Bank found itself on trial again (See IU 9, 2007), this time in The Hague. Under the auspices of the Permanent People's Tribunal, which held trials on the Bank in 1988 and 1994, witnesses gave testimony on the impacts of Bank policies and practices, in particular conditionalities and support for fossil fuels. It charged the institution with serious violations of democracy, human rights and sovereignty.  
<http://www.worldbankcampaigneurope.org/spip.php?article65>
- 📄 A hard-hitting report by the World Bank's Inspection Panel has found that the Bank overstated the value of the Democratic Republic of Congo's forests, the second largest in the world, encouraged foreign companies to destructively log them, broke Bank safeguards, and endangered the lives of thousands of Congolese Pygmies. The Report was a response to a complaint filed with the Panel two years ago by 12 pygmy groups charging that the Bank-backed system of awarding logging concessions was causing "irreversible harm".
- 📄 In a chapter in the IMF's semi-annual World Economic Outlook, the report acknowledges that while globalization (trade liberalization and higher export-to GDP ratios) has increased wealth overall, greater openness to investment has widened the gap between rich and poor. <http://www.imf.org/external/pubs/ft/weo/2007/02/pdf/c4.pdf>
- 📄 Canada became the 103<sup>rd</sup> country to ratify the United Nations Convention against Corruption. The Convention, which came into force on 14 December 2005, establishes measures on prevention, criminalization, international cooperation and asset recovery.
- 📄 Mark Carney, current Senior Associate Deputy Minister of Finance and G-7 Deputy of Canada, will become the new Governor of the Bank of Canada, effective February 2008. He will be replaced by Tiff Macklem, Deputy Governor of the Bank of Canada, on November 1.
- 📄 Stephen Harper announced a list of new Parliamentary Secretaries to various Ministers, including Deepak Obhrai (Foreign Affairs), Brian Pallister (International Trade and International Cooperation), Ted Menzies (Finance) and Mark Warawa (Environment).

### New Publications

- "Transcript of Oxfam Event on the Role of the IMF in Low-Income Countries", Oxfam International, September 2007, <http://www.imf.org/external/np/tr/2007/tr070924a.htm>
- "Innovative sources of financing for development: The Currency Transaction", Rodney Schmidt, North-South Institute, October 2007, a presentation at the UN CSO hearings on financing for development, [http://www.nsi-ins.ca/english/pdf/UNGA\\_RSchmidt\\_Oct.20.pdf](http://www.nsi-ins.ca/english/pdf/UNGA_RSchmidt_Oct.20.pdf)
- New map of the world that highlights World Bank data, <http://geo.worldbank.org/>

### Upcoming Events

- Official launch and signing of a founding charter of the "Banco del sur", November 3, Caracas, Venezuela.
- Second Annual conference on "Human Rights Impact Assessment in Practice", November 29-30, Netherlands. <http://www.humanrightsimpact.org/hria-conference/2007/>

## Outcomes of the Annual WB and IMF Meetings

### Development Committee Communiqué - Some Issues

World Bank's Strategic Direction - Gives Zoellick the rubber stamp to proceed with his vision.

New funding for the International Development Association (IDA) - Emphasizes the importance of a strong replenishment of IDA. Although the decision was made a week prior to the Annual meetings, much hay was made by Bob Zoellick in his fundraising drive of the International Finance Corporation's (IFC) \$1.5 billion contribution to IDA. Zoellick also announced that some private sector companies had approached him about contributing. IDA's replenishment is seen as Zoellick's first vote of confidence. (See Issue Brief on IDA 15 for more details.)

Bank's role in fighting climate change - Acknowledges progress on the clean investment framework, the need for more Bank focus on clean and renewable energy, and for a strategic framework for how the Bank will engage on climate change

### International Monetary and Financial Committee (IMFC) - Some issues

State of the world economy - notes "recent disturbances in financial markets in advanced economies" (US sub-prime mortgage crisis) and its effect on growth. "[F]inancial innovation and securitization ... have created some new challenges that need to be properly addressed" and there are six areas that will need further study prior to the next meeting. The communiqué also highlighted various factors key to sustaining growth.

Quota reform, voice and vote - Hopes for a conclusion to discussions on the quota formula by the Spring meetings. Countries, however, could only agree that GDP would be the "the most important variable", but that Purchasing Power Parity would play a role (with a compression factor to boost low-income and emerging economy shares). Total quota would increase by ten percent, and there would be at least a doubling of basic votes.

\* \* \*

Meanwhile, developing countries in the Group of 24, called on the IMF to put as much energy in surveying advanced economies as emerging market economies, referring to the US sub-prime mortgage collapse that sparked a global crisis. To be unbiased and impartial, the Fund also needed to ensure significant redistribution of voting power for developing countries within the IMF - a sentiment echoed by African Finance Ministers. This issue is central to the Fund's continued legitimacy in light of new leadership at the IMF and IMFC that make the Fund look more European than International.

Development Committee communiqué:

[http://siteresources.worldbank.org/DEVCOMMINT/Resources/DCCommunique\(E\)Final.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Resources/DCCommunique(E)Final.pdf)

International Monetary and Financial Committee communiqué

<http://www.imf.org/external/np/cm/2007/102007a.htm>