

Issue update

Selected Issues on International Financial Institutions

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Experts address missing pieces of crisis response ahead of Canadian 2010 G8/G20 meeting

On October 19th and 20th the Halifax Initiative co-hosted a conference with The North-South Institute and the University of Ottawa on “*What’s missing in the response to the global financial crisis?*” The conference sought to engage the Canadian government in discussions with national and international academics, activists and policy-makers ahead of next year’s G8/G20. The conference touched upon a range of issues related to the causes of the crisis, policy and regulatory remedies, governance of the international financial institutions, tax havens and unfettered private capital flows, an emerging debt crisis, alternatives to the renewal of the Doha trade round, and the respective roles of the United Nations and G20. A policy brief with clear recommendations for the government is forthcoming.

Debates around governance of the global economy and the sustainability of the new G20 came across as a central focus of many of the discussions. A week after the meeting, the Halifax Initiative was invited to appear before the Standing Committee on Foreign Affairs and International Development, where it spoke to the principles that might guide a more democratic and representative G20 (See JUST THE FACTS). A representative of the G8/20 2010 CSO Coordinating Committee presented the civil society platform for 2010.

What’s missing in the response to the global financial crisis?

<http://halifaxinitiative.info/content/conference-whats-missing-response-global-financial-crisis>

Presentation to the Standing Committee on Foreign Affairs and International Development on the G8-G20

<http://halifaxinitiative.info/content/presentation-SCFAID-g8-g20-2010>

The 2010 G8 Muskoka Summit - an Agenda for Global Development (CSO Platform)

<http://halifaxinitiative.info/content/2010-g8-muskoka-summit-agenda-global-development>

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JUST THE FACTS: Principles for a more democratic and inclusive G-20?



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Private member's bill fills accountability gap

This month, the Halifax Initiative's Program Officer provided testimony on Bill C-300, *An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries* (see IU February 2009), before the Parliamentary Standing Committee on Foreign Affairs and International Development. The Bill requires that extractive companies meet social, environmental and human rights standards in order to become eligible for EDC support. The legislation also creates a complaints mechanism that allows for the investigation of alleged cases of corporate non-compliance.

In 2008, Export Development Canada supported over \$27 billion worth of exports and investments in the extractive sector. The overseas activities of Canadian mining, oil and gas operations are often associated with adverse social and environmental impacts. Yet EDC lacks an effective human rights policy. Moreover, while EDC relies on the IFC Performance Standards and Equator Principles for its environmental and social due diligence, the Crown corporation is under no obligation to apply these standards or to sanction clients that fail to comply.

HI presentation to SCFAID - October 22, 2009

<http://halifaxinitiative.info/content/presentation-SCFAID-bill-c-300>

Increased lending leaves World Bank short by 2010

Ahead of the Annual Meetings in Turkey, Bank President Zoellick made a desperate plea for additional resources for the World Bank Group, whose lending is up substantially this year in response to the global financial crisis. While the International Development Association (IDA) received a record replenishment of its resources in 2008, the financial crisis has meant that much of IDA's resources have been frontloaded. IDA lending to low income countries is up by a quarter (to \$14 bn), and Bank lending to middle-income countries has tripled (to \$33 bn).

This has left the agency with the prospect of running short of money by mid-2010. While the Development Committee has asked Zoellick to assess the Bank's financing needs by Spring 2010 before it considers any capital increase for the institution, UK Development Secretary Douglas Alexander said the UK - IDA's biggest contributor - won't listen to the Bank's pleas for more money until it increases its cash disbursements to Africa (which have declined by \$500 mn in the last year), and cuts some of the conditions imposed on poor countries. The US, Canada and France have also called for further evidence of how the Bank will improve its management and use of resources before approving any capital increase. China and Brazil backed the increase. The next replenishment for IDA isn't scheduled until 2011, although negotiations among governments begin early next year.

Notice Board - This month...

- ☰ At the Bank and IMF's meetings in Istanbul, **Jim Flaherty** was named *Euromoney's Finance Minister of the Year*. <http://www.fin.gc.ca/n08/09-096-eng.asp>
- ☰ The government appointed Dr. **Marketa Evans**, former Executive Director of the Munk Centre for International Studies, as the **first Corporate Social Responsibility (CSR) Counselor for the Extractive Sector**. The new position, announced in March as part of the government's response to the *National Roundtables on CSR* (see IU 3, 2009), has been **criticized by Canadian civil society**. The announcement comes just prior to a joint civil society-industry conference on corporate accountability (see "Upcoming Events"), in which the government has declined to participate.
- ☰ **Suzanne Hurtubise** has been appointed as the new **Executive Director** for Canada and Morocco at the **European Bank for Reconstruction and Development (EBRD)**.
- ☰ The World Bank has released its **new draft disclosure policy**. While the policy includes a positive shift towards a presumption in favour of disclosure, civil society groups continue to raise concerns regarding implementation, board transparency and the strength of the appeals function. The policy comes into effect in January 2010. *Toward Greater Transparency through Access to Information*, <http://tinyurl.com/ylz3w2n>
- ☰ Twenty-one months after signing the charter that established the **Bank of the South**, (see IU 11, 2007), on Monday, 28 September 2009, the presidents of Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela signed the Bank's **Articles of Agreement**. The articles establish provisions around capital investments (\$7 billion), voting (one country, one vote up to \$70 mn, then in proportion to country capital subscriptions), tax and legal considerations, and how the bank functions.
- ☰ Nine countries that make up the **ALBA** (Venezuela, Bolivia, Cuba, Ecuador, Nicaragua, Honduras, Dominica, Saint Vincent, Antigua and Barbuda) agreed to create a Single System of Regional Compensation (SUCRE), a **regional currency** that would be used as of 2010 for commercial exchanges among ALBA countries. The currency is an attempt to gradually reduce these countries' dependence on the US dollar. ALBA promotes economic and trade cooperation and integration within Latin American and the Caribbean.

New Publications this month

- "A General Financial Transaction Tax: A Short Cut of the Pros, the Cons and a Proposal", Stephan Schulmeister, WIFO Working Papers - no 344/2009, October 2009, http://www.wifo.ac.at/www/jsp/index.jsp?fid=23923&id=37001&typeid=8&display_mode=2
- "Banking it right - The "protect, respect and remedy" framework applied to bank operations", BankTrack, October, 2009, http://www.banktrack.org/download/banktrack_submission_to_the_ohchr_consultation

Upcoming Events

- Up to the Challenge: a Multi-Stakeholder Conference on Corporate Accountability in Canada's Extractive Industries Operating Abroad, Ottawa, November 3, 2009.
- G20 Finance Ministers Meeting, St. Andrews, November 6-7, 2009.

Principles for a more democratic and inclusive G20?

This month, African leaders asked for a seat for poor countries at the G20 table, and the Association of South East Asian Nations proposed sending its chair and Secretary General to the G20 meetings. At next year's G20, Canada could initiate a process to transform this new global governance structure into a forum that models democratic and transparent policy and decision-making. What might the principles be that guide this?¹

- Limited in size, but representative in composition - A "G20" isn't a bad idea in principle. In past years, various entities have underscored the need for a global council to help govern the global economy. The 1995 Commission on Global Governance, Mexican President Ernesto Zedillo, French President Jacques Chirac, and even the recent UN Commission of Experts on the global financial and economic crisis have all flagged the need for such a mechanism. But a forum of world leaders handpicked by the powerful will have no global or public credibility. The initiative should include 20 to 29 countries, with representatives nominated by the members of regional multilateral bodies, whose spokespeople would rotate on a periodic basis.
- Inclusive of the poorest countries - Brazil, India, China and South Africa have emerged as important new players. But South Africa cannot be expected, nor entrusted, to speak effectively to Sub-Saharan Africa's agenda. South Africa's political and economic realities and needs are very different from those of economies with less diversified economies. These countries have high debt loss, a narrower range of exports, a weaker industrial base, larger rural populations, greater dependence on external resources such as aid, and weak governance and regulatory systems. By adopting the more representative forum outlined above, Canada would set the stage for addressing a more comprehensive agenda.
- Providing voices for civil society - Non-state actors are increasingly important players in multilateral organizations. Civil society analysis, critiques, proposals and protest have positively impacted governments' understanding of the issues, methods of work and the policy agenda. Engaging civil society is key to democratic process, and has become a central element of a range of discussions within different fora. Formalizing a process for engaging civil society within the G20 process would be an important step forward. This can take the form of expert working groups involving a range of stakeholders that could make formal submissions to the G20 for consideration.
- Transparency of process and accountability for decisions - Ironically, the financial crisis - a crisis whose origins can be linked to a lack of transparency in financial institutions - has given renewed vigour to a set of institutions which are neither transparent nor accountable. A leaders' G20 should publish agendas and background documents on public websites ahead of their meetings. A more representative G20 should also be a first step towards an effective and representative leaders' summit process within the framework of the United Nations - which would strengthen the broader multilateral system - contributing reports from G20 discussions to the General Assembly and the Economic and Social Council.

¹ The elements of this proposal are drawn from a 2004 paper drafted by the Canadian Council for International Co-operation, entitled "Jumpstarting Multilateralism: Ensuring a Leaders G-20 promotes Global Equity and Democratic Global Governance".