

Issue update

Selected Issues on International Financial Institutions

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G-20 Summit - financial response to a development crisis

With the global economy continuing its downward spiral, ambitions for the first Group of 20 (G-20) “Summit on Financial Markets and the World Economy” in Washington were sky high. In contrast, expectations in terms of concrete outcomes, with diverging opinions on key issues going into the meeting and a pretender at the throne in DC, couldn’t have been lower.

G-20 leaders agreed (see “JUST THE FACTS” for details) on the need for further financial and economic stimulus at home to stabilize the financial system and kickstart the global economy, and looked to build the IMF’s resources to allow it to play a similar role in developing countries. They decided to establish new regulations and standards for banks and financial products, and to strengthen existing bodies and create new ones to provide greater oversight and monitoring of the financial system and its institutions- with more say for emerging economies. They also agreed not to set up barriers to trade and revive the Doha trade talks.

Much of the progress on standards, regulations and oversight is important. But relative to the size of the crisis - and more importantly the impact on developing countries - the outcomes feel more like a set of market corrections (with free market principles standing strong) than a “financial New World Order”. Just prior to the summit, World Bank’s President announced \$100 billion in new loans for developing countries, to make sure “the financial crisis doesn’t become a human crisis.” Of course, if the G-20 meeting had been treated like a human crisis, the outcomes might have been quite different.

The next G-20 meeting will be in London on April 2, with a conference in Paris on January 8-9.

The G-20 vs. the G-6 billion, http://laborstrategies.blogs.com/global_labor_strategies/2008/11/the-g-20-vs-the-g-6-billion.html

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CSOs still waiting for meaningful OECD consultations

Refusing to engage in consultations with the Export Credit Group (ECG) of the Organization for Economic Cooperation and Development (OECD) until the OECD establishes meaningful and substantive exchanges with civil society, members of ECA-Watch - a network of groups that monitor the activities of export credit agencies (ECAs) - boycotted this year's annual meeting.

A year ago, ECA-Watch left the consultations citing frustration with previous meetings and cited improved meaningful consultation as a condition for renewed participation in the annual event. At the time they also called for a more formal and transparent peer review of ECA compliance with ECG and other OECD policies, similar to the country reviews carried out by other OECD committees. This, it was noted, was necessary given the substantial incoherence between ECA practice and OECD policies on the environment, disclosure, and corruption, among other things. The peer review proposal was later submitted in more detail to OECD governments and the ECG secretariat in March, but ECA-Watch has still received no substantive response to either the proposal or demands to improve the consultation process.

Outside the meeting protesters drew attention to several socially and environmentally harmful ECA-supported projects, including the controversial Ilisu dam (see last month's Noticeboard)

ECA-Watch letter to ECG on consultation and peer review proposal, http://www.eca-watch.org/problems/fora/oecd/documents/ECA_Watch_letter_to_OECD_ECG_21aug08.html

Finance Canada meets Aid Accountability Act obligations

On December 1, Finance Canada will launch a three-week web consultation to meet their obligations under the new ODA Accountability (see [IU May 2008](#)). Under the act, every two years Finance is required to take the views and recommendations of governments, international agencies and civil society organizations into consideration when forming an opinion about whether Canadian aid 1) contributes to poverty reduction, 2) takes into account the perspectives of the poor and, 3) is consistent with human rights standards. Finance has indicated that comments from the consultation will be incorporated into the report required under the Act, along with an explanation of how Finance's payments meet the three criteria.

While the October election has meant that the consultation comes a little late to have any meaningful impact - money is distributed to the Bank at the end of January - indications are that future consultations will come earlier in the year, and possibly even on an annual basis.

Just over ten percent of our aid goes through Finance to the World Bank for bi- and multilateral debt relief, replenishment of the International Development Association, and arrears payments.

Halifax Initiative Policy Brief: Implications of the "better aid bill" for the BWIs and EBRD - June 2008, <http://www.halifaxinitiative.org/index.php/Factsheets/1095>

The Canadian Council for International Co-operation will shortly be posting an Overview of the Act and a Briefing Note on International Human Rights Standards and Canadian Aid, <http://www.ccic.ca>

Notice Board - This month...

- ☰ One of China's leading commercial banks, **Industrial Bank**, has joined the **Equator Principles**, a set of voluntary guidelines adopted by private banks to help them manage environmental and social issues funded through their project finance window. The Principles are based on the International Finance Corporation's performance standards.
- ☰ General Assembly President Miguel D'Escoto has named his **new Commission of Experts on the global financial crisis**. Chaired by **Joseph Stiglitz**, Nobel laureate and former World Bank economist, the Commission also includes **Jomo Kwame Sundaram**, Assistant Secretary-General for Economic Development; Professor **José Antonio Ocampo**, former Under-Secretary-General for Economic and Social Affairs and Colombian finance minister; Zeti Akhtar Aziz, Governor of Malaysia's Central Bank; Jean-Paul Fitoussi, Economics Professor at the Institut d'Etudes Politiques in Paris; Avinash Persaud, Chairman of Intelligence Capital Ltd.; and Yaga Reddy, former Governor, Reserve Bank of India.
- ☰ On November 11, the Group of 77 introduced a **resolution to hold a UN summit** at its next General Assembly session to **"examine the underlying causes of the financial crisis, and undertake a comprehensive review of the international financial system, [...]** with a view to articulating a policy framework for transforming the international financial system into an equitable, inclusive, democratic and development-oriented system that reflects the interests of all Member States". A revised draft has been introduced. There is **no indication of when the resolution will become final**.
- ☰ **Jaime Caruna**, author of the IMF's Financial Stability Report, is to become the new General Manager of the **Bank for International Settlements**. BIS is a bank of 55 central banks set up to make its members' monetary policy more transparent and predictable.
- ☰ **Armenia, Hungary, Iceland, Lebanon, Pakistan, Serbia, Seychelles and Ukraine** all secured **new IMF loans** to help their countries respond to the impacts of the financial and economic crisis. Turkey and Latvia are still waiting in line.
- ☰ **World Bank President Zoellick and IMF Managing Director Strauss-Kahn will not attend the UN conference on Financing for Development**, citing busy schedules. Strauss-Kahn was among the first to indicate he would participate. Rumour has it that Zoellick, displeased with recent UN initiatives (see above), supposedly urged him to pull out.

New Publications this month

- *"Obstacles to Justice and Redress for Victims of Corporate Human Rights Abuse"*, November 2008, Oxford Pro Bono Publico, University of Oxford. Prepared for John Ruggie, UN Secretary General's Special Representative on Business & Human Rights, this report looks at the legal obstacles for redress of human rights victims. <http://www.reports-and-materials.org/Oxford-Pro-Bono-Publico-submission-to-Ruggie-3-Nov-08.pdf>

Upcoming Events

- UN Conference on Financing for Development, Doha, Qatar, November 29 -December 2.
- Finance Canada web consultations on the new Official Development Assistance Accountability Act (Bill C-293), December 1-22. <http://www.fin.gc.ca/fin-eng.html>

JUST THE FACTS

An overview - principal outcomes of the G-20 meeting

Identifying the root causes of the crisis - No specific countries are named, rather the G-20 highlights the failure of investors to appreciate the risks and lack of due diligence they were taking. It also points to weak standards and risk management practices, new opaque financial products, and excessive leverage, against a backdrop of inadequate structural reforms.

Stabilize the financial system and boost growth - The G-20 points to the need for additional fiscal and monetary stimulus to national economies, in addition to existing measures to provide liquidity and capital for financial institutions, protect savings and deposits, unfreeze credit markets, and address regulatory vacuums. It also commits to ensuring the IMF has sufficient resources to respond to the borrowing needs of developing countries through, among other things, its short-term liquidity facility. The IMF currently only has \$250 billion to lend. The IMF's role is also enhanced to ensure greater stabilization of the global economy, to provide greater oversight of national economies, and to act as an "early warning system".

New international standards for bank accounting, capital and liquidity, and guidelines for executive pay - Global accounting bodies should create a single global standard for accounting. Holes in existing disclosure requirements should be filled at both a national and international level. The IMF and the Financial Stability Forum (FSF), which brings together officials from government, central banks and regulatory agencies to provide advice and set standards on financial and banking policies, should work together to make recommendations on bank leverage, valuation, and capital requirements, and executive pay.

Greater regulation of banks and financial products - Regulation, oversight and risk management of financial markets, products (derivatives and credit-default swaps) and participants are left to national devices, with greater coordination and cooperation encouraged. This includes stronger national oversight of an internationally agreed code of conduct for credit rating agencies. The G-20 also announced the creation of a "college of supervisors", bringing together G-20 bank supervisors to oversee major world banks and financial players on an ongoing basis. Private capital pools and hedge funds are to develop their own best practices.

More fundamental reforms of the international financial institutions - No radical rethinks, rather a greater voice for emerging economies in the IMF and a seat at the FSF.

Reviving Doha - G-20 members commit to not erecting new trade barriers and use the meeting to revive the Doha Round of trade negotiations. (Ironically, the US and Europe are looking to Doha to further liberalize financial services and deregulate accounting standards.)

Leaders also set out a plan of actions to be completed by March 31, 2009.

Declaration of the Summit on Financial Markets and the World Economy
<http://www.whitehouse.gov/news/releases/2008/11/20081115-1.html>