

Issue update

Selected Issues on International Financial Institutions

Volume III, Number 12 – December 21, 2007

Increased donor funding boosts Bank, ignores bad policies

A record US\$25.1 billion was pledged by donors to the World Bank's low-interest loan and grant facility, the International Development Association (IDA), as discussions on IDA's 15th replenishment drew to a close in Berlin. With \$16.5 billion pledged by the Bank itself, the full replenishment stands at \$41.6 billion, up 30 per cent from the \$31 billion in the previous round. The latest replenishment covers July 1, 2008 to June 30, 2011.

IDA's "successful" replenishment is significant because it attracted a number of first time donors (the Bank's International Finance Corporation, and middle-income countries like China and Egypt). It also achieved a substantial donor increase of 42 per cent from IDA 14 despite early indications that many countries would be able to meet their anticipated pledges (see IU September 2007). (In the end, favourable exchange rates helped many countries meet the increased targets.) But perhaps most importantly, IDA 15 marked a vote of confidence for Bank President Bob Zoellick and signaled that ties with Europe are on the mend.

While Northern donors have firmly put their support behind the World Bank, this month seven countries in Latin America launched their own Bank. "El Banco del sur", with a capital base of \$7 billion and set to begin operations in 2008, emerges as a direct alternative to Washington's financial institutions. Its establishment signals a rejection of World Bank and IMF conditions long-imposed on Latin American by the international financial institutions. Critics have argued that IDA 15 failed because it ignored calls for these conditions to be reformed.

Canada will provide \$1.3 billion to IDA, up 25 per cent from its previous \$1.04 billion commitment. The increase was largely made possible due to a stronger Canadian dollar.

Donations show World Bank back in action

<http://www.ft.com/cms/s/0/2967b8b8-aa93-11dc-a779-0000779fd2ac.html>

Also in this issue:

Notice Board - IMF to lay off 15% of its staff; Global Accountability Report slammed;

World Bank and China agree to collaborate; Ecuador rejects ICSID's jurisdiction

New publications and upcoming events



Halifax
INITIATIVE
d'Halifax

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.

Email info@halifaxinitiative.org to automatically receive our *Issue Update* newsletter each month.

153 Chapel Street
Ottawa ON K1N 1H5
Canada

TEL: (613) 789-4447
FAX: (613) 241-4170
WEB: www.halifaxinitiative.org

Notice Board - This month...

- ☞ With the IMF facing a \$400 million deficit by 2010, due to a large number of countries having repaid their loans ahead of schedule (See IU February 2006), IMF Managing Director, Dominique Strauss-Kahn, has taken his first step towards resolving the institution's cash crunch - staff layoffs. He plans to cut 300-400 jobs, or 15% of IMF staff, reducing the deficit by \$100 million. Strauss-Kahn is hoping that this move will buy him support from the US and Europe to sell some 400 (of the 3,217) tons of gold that the IMF has in its reserves, and invest the proceeds in an income generating investment fund. In January 2007, a panel of experts made a series of recommendations on how the IMF might address its cash shortfall.
- ☞ One World Trust's Global Accountability Report, which compares and ranks the policies of multilateral bodies, NGOs and companies (see Notice Board, December 2006), has come under harsh criticism from a number of NGOs, North and South. Groups have challenged the report's methodology and the fact that good policy does not always translate into good practice. The NGO Forum on the Asian Development Bank said that the report "is insulting to all communities affected by poorly implemented ADB-funded projects". <http://www.forum-adb.org/> and http://www.oneworldtrust.org/?display=index_2007_home
- ☞ The World Bank announced plans to collaborate with China's Ex-Im Bank on development projects in Africa. The World Bank had earlier been critical of China's lending to Africa as it feared that the country's condition-free loans would undermine the Banks' efforts on the continent. The Bank had even established a free-rider policy that curtailed allocations from its grant facility, the International Development Association, to countries that accepted new sovereign loans from countries like China - fearing that such loans might threaten the long term debt sustainability of the borrowing countries.
- ☞ The Government of Ecuador notified the International Centre for the Settlement of Investment Disputes (ICSID - See IU November 2007) that it will no longer accept the Court's jurisdiction. The decision applies to future court decisions, but not pending claims.
- ☞ The IMF completed its Article IV consultation on Canada's economy - <http://www.imf.org/external/np/ms/2007/121707.htm>

New Publications

- "Transparency at the IMF: A guide for Civil Society on getting access to information from the IMF", Global Transparency Initiative, October 2007, http://www.ifitransparency.org/doc/Transparency_IMF_GTI.pdf
- "The Role of States in Effectively Regulating and Adjudicating the Activities of Corporations With Respect to Human Rights", Summary of the Consultation held in November by John Ruggie, UN Special Representative on Business and Human Rights. <http://www.business-humanrights.org/Documents/Ruggie-Copenhagen-8-9-Nov-2007.pdf>

Upcoming Events

- "The Changing Face of Global Development Finance -Impacts and implications for aid, development, the South and the Bretton Woods Institutions", February 1-2, 2008, Ottawa, Canada. See http://www.halifaxinitiative.org/index.php/current_events/1071 for details.