

## Issue update

### *Selected Issues on International Financial Institutions*

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## Tensions build as UN conference on crisis postponed

June 24-26 now mark the new dates for the *UN Conference on the World Financial and Economic Crisis and Its Impacts on Development*, postponed from the beginning of the month as many European heads of state had said they could not participate because of European Parliamentary elections. The postponement is welcome relief to a process that began last October and has been tense ever since, exposing clear lines between those who favour a truly global response to the current crisis with a real rethink of how the global economy is governed vs. the newly crowned G-20 and their proposal for a *status quo plus* approach

Tensions came to a head this month when the President of the General Assembly (PGA), who is convening the conference, released the First Draft Outcome Document (DOD), the basis of negotiations for the High-Level meeting. The DOD he delivered was markedly different from a version submitted to him by the two Co-Facilitators for the meeting, Saint Vincent and the Grenadines and Netherlands, who had been tasked with drafting the document. The PGA said the revisions were made because he did not feel the Facilitators' draft sufficiently reflected the findings of the Commission of Experts (see "JUST THE FACTS") nor his own personal meetings with Heads of State and Government. With many Northern countries threatening to abandon the process - not that they needed an excuse - the PGA has since released a second DOD that is both acceptable to all parties and incorporates elements of the Commission's recommendations. Negotiations on the DOD will run until June 15.

As states look ahead to the UN conference, the US government announced the dates and location of the next G-20 summit: September 24-26 in Pittsburgh.

UN Conference on the World Financial and Economic Crisis, <http://www.un.org/ga/econcrisissummit/>

Letter to Stephen Harper requesting his participation at the Conference, <http://www.halifaxinitiative.org/index.php/Correspondence/1138>

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**JUST THE FACTS:** Summary of Commission of Experts Report

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## Pascua Lama - will EDC go for gold?

This month saw the resolution of what seemed like an intractable dispute between the governments of Argentina and Chile regarding Barrick Gold's Pascua Lama mine. The project is the first to be developed under a bilateral mining treaty that permits extraction along the countries' border. The lengthy conflict was rapidly overcome when Barrick Gold's founder, Peter Munk, paid a visit to the President of Argentina. Now Barrick is seeking \$1 billion in project finance and is targeting export credit agencies. While Export Development Canada is an obvious choice for Barrick, EDC would be ill-advised to support the controversial project.

Local communities staunchly oppose Pascua Lama. They express concerns regarding the project's impact on glaciers and scarce water resources. A number of legal actions concerning the project are pending, including a complaint by the indigenous Huasco-Altino community before the Inter-American Commission on Human Rights. Most recently, an application was made before the Supreme Court of Argentina for an "environmental injunction" to halt the project. Chilean authorities emphasize that Barrick lacks necessary water permits. A coalition from the affected area recently issued a request that the Chilean government order a new environmental impact assessment for the project. They claim that Barrick sought multiple approvals for project components to avoid an evaluation of the project's cumulative impact. In Argentina, a fierce debate continues regarding the protection of that country's glaciers from commercial activities, including mining. A law that would prohibit mining activity in areas such as the Pascua Lama concession recently received the unanimous approval of Congress but was vetoed by the country's president.

## Bad medicine: World Bank gets failing grade on health

In a major report by its own in-house watchdog, the Independent Evaluation Group (IEG), the World Bank has gotten a failing grade on the effectiveness of its spending on health-related programs, especially in Africa, during the period 1997 - 2008. Despite an increase in spending globally from \$7 to \$17 over the period, the IEG's report argues that little progress has been made in improving outcomes that are key to countries achieving the Millennium Development Goals, for example in areas such as reducing child and maternal mortality.

The report noted the performance in Africa was "particularly weak", with only 27 percent of projects considered satisfactory. It added that monitoring of health programs "remains weak" and "evaluation is almost non-existent". Moreover, the lack of proper monitoring and evaluation had led to "irrelevant objectives, inappropriate project designs, unrealistic targets, and an inability to measure the effectiveness of interventions". In its response, World Bank management said that it agreed with many of the findings and the thrust of the report.

The report will add fuel to civil society criticism that funding for health programs should be channeled not through the World Bank but rather the Global Fund to Fight AIDS, TB, and Malaria, which in its own self-evaluation reported higher success rates than the Bank.

"Improving effectiveness and outcomes for the poor in health, nutrition and population".  
[http://siteresources.worldbank.org/EXTWBASSHEANUTPOP/Resources/hnp\\_full\\_eval.pdf](http://siteresources.worldbank.org/EXTWBASSHEANUTPOP/Resources/hnp_full_eval.pdf)

## Notice Board - This month...

- ☰ On May 3, finance ministers from **ASEAN plus China, Japan and South Korea** agreed to establish a **\$120-billion reserve pool as part of the Chiang Mai Initiative (CMI)**. In 2000, in **response to the Asian Financial Crisis**, ASEAN+3 agreed to draw on one another's foreign reserves to offset sudden outflows of foreign currency, and thereby avoid an abrupt destabilization of their domestic economy. Prior to the establishment of the fund, however, this meant just a series of bilateral agreements to engage in currency reserve swaps, but not an actual fund. Ministers will also be establishing an independent surveillance system to administer the fund. For more info, **see forthcoming Issue Brief** on "The Chiang Mai Initiative - One Step Closer to an Asian Monetary Fund?"
- ☰ The IMF, in its **Article IV consultation on the Canadian economy**, praised the government for a **fiscal stimulus plan** that was "large, timely, well diversified and structured for maximum effectiveness" (assuming Provinces can match resources, and the programs are implemented speedily and effectively) and for Canada's strong macroeconomic fundamentals, supervision and regulation of the financial sector, which have put Canada on sound footing going into the crisis. They also indicate Canada could **provide additional fiscal stimulus**, if needed, but **advised against** using further permanent and temporary **tax cuts** to do this. Full Article IV <http://www.imf.org/external/pubs/ft/scr/2009/cr09162.pdf>
- ☰ The **US senate approved** President Obama's G-20 commitment to extend an additional **\$108 billion line of credit to the IMF** for its emergency lending. US civil society groups were disappointed in the decision in that the money was **not conditioned on** the IMF undertaking **reforms**, on allowing developing countries to use the money for **counter-cyclical (spending) programmes or on removing all restrictions on health and education spending**. Now flush with cash, the only reforms expected are to IMF governance.
- ☰ World Bank President Robert Zoellick warned of the rise of social unrest, as flailing economies and increased unemployment give rise to populist and protectionist policies. He cited in particular concerns about Eastern Europe, and parts of Africa, Asia and Latin America. Analysts have already noted that since November 2008, 17 of the 20 members of the G-20 have introduced financial and trade protectionist measures.

### New Publications this month

- "Model World Bank Policy on Disclosure of Information", Global Transparency Initiative, May 2009. With the Bank disclosure policy under review, this report offers a model for where the Bank could go. <http://www.bicusa.org/admin/Document.101207.aspx>
- "The Reality of Rights: Barriers to accessing remedies when business operates beyond borders", London School of Economics and the Corporate Responsibility Coalition (CORE), May 2009. [http://www.corporate-responsibility.org/module\\_images/reality\\_of\\_rights.pdf](http://www.corporate-responsibility.org/module_images/reality_of_rights.pdf)

### Upcoming Events

- Panel on Corporate Accountability, Canadian Network on Corporate Accountability, Parliament Hill, June 1.

## JUST THE FACTS

### Summary of Commission of Experts Report on Reforms of the International Monetary and Financial System

On May 21, the UN Commission of Experts, set up by the President of the General Assembly last October and chaired by Nobel Laureate Joseph Stiglitz, released their near final findings. The following are some of the highlights:

- Policy failures in one country have spillover effects on other countries. Thus, a coordinated global response is required;
- It is necessary to restore the proper balance between the government and the market. The crisis resulted from excessive and ideologically driven deregulation of financial markets. What is required is sensible reregulation to restore the balance;
- Industrialized countries should devote 1% of their stimulus packages - in addition to existing aid commitments - to developing countries to help them offset the impacts of the crisis;
- A new democratically-governed credit facility should be established to disburse the funding, without attaching conditions to the loans/grants;
- More Special Drawing Rights (SDR), the “IMF’s currency” that automatically increases central banks’ foreign exchange reserves, should be issued. This will free up dollars, pounds, yen or euros for spending;
- A new Global Reserve System (an SDR+) should be established to address the asymmetries in country’s reserves (e.g., massive Chinese reserves subsidizing massive US overconsumption) by redirecting excessive reserves into investments in developing country’s real economies;
- Countries should be given more space to make decisions about their own policies, in particular to address and protect themselves against volatile capital markets and regulatory failures in significant countries;
- New innovative mechanisms for financing development should be explored (e.g. financial services tax);
- A genuine “development” trade round should be established that truly promotes growth in developing countries, an end to current forms of protectionism, an immediate stop to developed country export subsidies, and access for least developed country exports to advanced economy markets;
- A short-term mechanism within the UN should be established to enhance member policy capacity on issues of global economic and financial architecture; in the long term a Global Economic Coordination Council should be set up within the UN at the Heads of State level;
- Fundamental governance reform of the World Bank and IMF, including a double majority voting system, should be introduced.

The Preliminary Draft of the Full Report of the Commission of Experts on Reforms of the International Monetary and Financial System

<http://www.un.org/ga/president/63/interactive/financialcrisis/PreliminaryReport210509.pdf>