

Issue update

Selected Issues on International Financial Institutions

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Italian G8 serves *primi piatti* for 2010 G “?” in Canada

Key among the issues addressed at the recent G8 summit in L'Aquila, Italy, were food security, global warming, the Millennium Development Goals (MDGs) and accountability.

One of the key outcomes was a three year US\$20 billion pledge made by the G8 countries and international institutions, including the World Bank, to boost agricultural production in developing countries. This is seen as one of the biggest aid shifts in decades, to an issue that has been neglected for far too long. But a history of broken promises still has NGOs and civil society on their guard - the G8 pledge at Gleneagles in 2005 of \$50bn in development aid by 2010, with half to Africa, is still short by \$15bn. G8 leaders also agreed, as developed countries, to reduce their greenhouse-gas emissions by 80 per cent as of 2050, although the Canadian government indicated after the Summit that it would not be budging from its commitment to reduce emissions by 60 to 70 percent by 2050! On poverty, with many of the MDGs - such as reducing the number of women dying in childbirth - already way off track, the summit agreed to a proposal by Gordon Brown to provide an assessment at the 2010 Canadian G8 summit on how the MDGs could be attained in time. Finally, on accountability, the G8 leaders agreed to develop a comprehensive framework to monitor progress on G8 promises, strengthen the effectiveness of their actions, and publish a full report in time for 2010.

The Summit was also notable for the number of developing and emerging market countries who participated, testing the limits of the current configuration. German Chancellor Merkel, in fact, observed that global problems “cannot be solved by industrialized countries alone”.

“Responsible Leadership for a Sustainable Future”

http://www.g8italia2009.it/static/G8_Allegato/G8_Declaration_08_07_09_final,0.pdf

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Email subscriptions@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

CSOs make demands on IFC review process

Over 140 international civil society organizations (CSOs) have called on the International Finance Corporation (IFC) to consult with individuals and communities affected by its projects, including indigenous peoples, during the upcoming review of its safeguard and disclosure policies (See Just the Facts). CSOs argue that such input is essential for a meaningful assessment of the policies' effectiveness and to identify necessary modifications.

The policies under review include the IFC's Performance Standards, which have become an important reference point regarding the operations of multinational corporations. The Performance Standards were included as part of the Canadian Corporate Social Responsibility (CSR) Framework that was recommended by the Advisory Group to the National Roundtables on CSR and the Canadian Extractive Industry in Developing Countries (see IU March 2007). The Advisory Group proposed the development of "Canadian Guidance Notes" to address a number of perceived weaknesses with the Performance Standards. Moreover, the multi-stakeholder group, which included industry representatives, addressed the Performance Standards' deficiencies in the area human rights by calling for the development of human rights guidelines, which would complement the Canadian CSR Standards.

CSO letter to International Finance Corporation
<http://www.bicusa.org/en/Article.11370.aspx>

Finally Haiti sees its debt cancelled

As fears mount of a new debt crisis among Heavily Indebted Poor Countries (HIPC), Haiti has finally had \$1.2 billion of its debt stock cancelled, having reached completion point under the HIPC process after countless delays. Relief through HIPC and the Multilateral Debt Relief Initiative comes from the World Bank, Inter-American Development Bank, and bilateral creditors. For its part, Canada forgave \$2.3 million through the Canadian Debt Initiative. The cancellation frees up \$50 million per year for spending over the next ten years - expected to go into job creation and mechanisms to better protect the country from natural disasters.

The cancellation is welcome news for the poorest country in the western hemisphere. However, to get its debts cancelled, Haiti underwent a five year program of austere reforms. This included reductions to its inflation and budget deficit, increasing its hard currency reserves, improving public finance management, and enacting a new public procurement law. Meanwhile, 76 percent of Haiti's population lives below the poverty line. In 2008 alone, the country was hit by four hurricanes and food riots, and is now faced with the effects of the global financial crisis. During this period, Haiti has paid substantially more in annual debt service payments (\$60-\$80 million) than it has been allowed to invest in tackling these crises. Finally, 40 percent of Haiti's debt is illegitimate, contracted during the corrupt Duvalier regimes and not used for any positive developmental purposes.

Haiti Gets US\$1.2 Billion of Debt Relief
<http://go.worldbank.org/S1H564CCB0>

Notice Board - This month...

- ☰ US President Obama has floated the idea of making current **Brazilian President, Luiz Inácio Lula da Silva**, the next President of the **World Bank**. Indian Prime Minister Manmohan Singh was also suggested as a possibility. The move would break with the tradition of the US nominating an American to the post of Bank President, but not with the tradition of the US still deciding who heads the Institution.
- ☰ At the G8 summit in Italy, European Commission President José Manuel Barroso indicated that while Europe is increasingly speaking with one voice, the **EU was not yet prepared to move towards a single seat at the IMF**. Europe currently has eight of the 24 seats.
- ☰ World Bank lending was up from **\$38.2 bn in FY2008 to \$58.8 bn in FY2009**. The lion's share was in interest-bearing loans from the International Bank for Reconstruction and Development to **middle-income and emerging economies**, with the International Development Association providing 14 billion to low-income countries, up from \$11.2 bn. \$20.7 bn was for **infrastructure** lending. The increase has put a strain on the institution's resources - which could be addressed by a special capital increase (that would also increase the share and voice of developing countries), by raising money on global credit markets or an early replenishment of IDA's resources.
- ☰ The World Bank, African Development Bank and four commercial banks committed **\$6bn in new funds**, with more to come, for a new **Global Trade Liquidity Programme (GTLP)** that will help leverage **\$50bn to finance trade contracts** in developing countries through a network of banks in those countries. The commercial banks are UK Standard Chartered, US Citigroup, Dutch Rabobank and South African Standard Bank. (See also IU June 2009).
- ☰ **Canada signed a \$10 bn borrowing agreement with the IMF** to increase its lending capacity under "new arrangements to borrow". The \$10 bn joins \$213 bn committed by Japan, the US and Norway, all part of the \$500 bn for the IMF announced at April's G20. This month the IMF's Executive Board also approved the \$250 bn in Special Drawing Rights also announced last April. <http://www.imf.org/external/np/sec/pr/2009/pr09257.htm>
- ☰ On July 9, a resolution introduced by the UN President of the General Assembly (PGA), which recognizes the **outcome document of the UN Conference on the World Financial Crisis** (See IU June 2009), **was adopted in the GA (A/63/L.75)**. A week later, the PGA introduced a draft resolution to the GA to establish an open-ended Working Group to follow-up on issues in the outcome document. The resolution is to be discussed on July 31.

New Publications this month

- "Towards a Renewed Debt Crisis?" Dialogue on Globalization, Occasional Paper N° 44, Friedrich Ebert Stiftung, June 2009. The financial crisis has amplified the shortcomings in multilateral debt control and relief mechanisms, making a new debt crisis among Heavily Indebted Poor Countries (HIPCs) likely. <http://library.fes.de/pdf-files/iez/global/06444.pdf>
- "How is the G20 doing on pledges from London Summit?" Reuters, June 2009. <http://www.guardian.co.uk/business/feedarticle/8589223>

Upcoming Events

- "The Fourth Pillar", IMF On-line consultation with CSOs on IMF governance reforms, <http://thefourthpillar.ning.com/>

CSO recommendations: IFC policy review

In 2006, when the Board of the World Bank adopted the Performance Standards and the International Finance Corporation (IFC) Disclosure Policy, it required that the IFC conduct a review, three years on, to assess the efficacy of the new policies. The review is scheduled to begin in August. However, scant information is available regarding the process. In a letter this month to Lars Thunell, Executive VP at the IFC, international civil society organizations have proposed a number of process recommendations to ensure transparency and accountability throughout the review process. In particular, signatories call on the IFC to do the following:

- Commit to transparency of the review process by publishing the review timeline, external comments received during and throughout the process, and relevant internal and external assessment reports, including the list of projects evaluated as part of the review;
- Designate a contact person for the review process; and update the public in a timely manner on the progress of the review.
- Ensure translation of the approach paper and subsequent policy drafts into the languages accessible by those being consulted at least 4 weeks in advance of public consultations.
- Disclose the approach paper in early August 2009 to allow civil society groups to prepare for a public comment period starting in September and subsequent discussion during the Annual Meetings in Istanbul. Consultation on the approach paper should be for a period of at least 8 weeks.
- Develop proposed revisions to the Policies and Performance Standards and indicate whether and how comments received during the consultation period were incorporated into those revisions.
- Organize a series of face-to-face consultations in each region to discuss proposed revisions to the policies. These consultations should be accessible by project-affected communities and their civil society partner organizations and targeted in project areas that have generated or have the potential to generate adverse social or environmental impacts. Additionally, members of the IFC review committee should attend key consultations in each region or be available to answer questions through a video link.
- Prepare final proposed revisions to the Policy and Performance Standards on Social and Environmental Sustainability and Disclosure Policy and disclose them at the same time that they are circulated to the Board of Directors for approval. The final revisions should include how stakeholder input was incorporated.

"One Step Forward, One Step Back" - Overview and Analysis of the IFC's Sustainability Policy, Performance Standards and Disclosure Policy, <http://www.halifaxinitiative.org/updir/IFC-Analysis-HI-Final.pdf>