

Issue update

Selected Issues on International Financial Institutions

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Singapore Meetings Emphasize “Civil” over “Society”

On September 19th and 20th, the World’s Finance Ministers will gather in Singapore for the traditional fall meetings of the World Bank and International Monetary Fund (IMF). Although the Bank and IMF will host their own Civil Society Forum, Singapore has banned the traditional outdoor protests that accompany the meetings - providing a designated protest lobby area instead. They have also been tightening border controls and stepping up border security.

In response, groups from around the world will be meeting in Batam, Indonesia, a short ferry ride from Singapore, for their own “International Peoples Forum vs the World Bank and IMF”. In preparation for the meetings, organizers have made a call to global action, signed by more than 400 groups from over 80 countries, demanding an immediate and unconditional cancellation of all multilateral debts, a transparent external audit of the lending operations and policies of the Bank and Fund, and an end to conditions that promote neo-liberal policies.



Agenda for scheduled civil society meetings

http://www.bicusa.org/bicusa/issues/misc_resources/2890.php

Global Call to Action against the International Financial Institutions

http://www.jubileesouth.org/index.php?option=com_content&task=view&id=12&Itemid=2

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On the Menu at Singapore

Back in Singapore, issues of good governance, fighting corruption, and IMF reform will be on the agenda. During his first year in office, Bank President Paul Wolfowitz has made tackling corruption a major priority - overhauling the Bank's own internal unit for addressing corruption - the Department of Institutional Integrity - and cancelling hundreds of millions of dollars in funding to Argentina, Cambodia, Congo, Kenya, India, Uzbekistan and Yemen (see Issue Update, May 2006). Now, following a request by the Development Committee in the Spring to adopt a clear framework for tackling corruption, the Bank will present its "strategy paper on governance and fighting corruption". The Bank has already come under attack from civil society for providing a very brief public comment period on the paper, and covering too broad an array of issues, rather than being more pragmatic about what the Bank can achieve.

For its part, the IMF will be presenting the conclusions of the first phase of discussions on giving more quotas and voice to emerging economies and low-income countries (see JUST THE FACTS below). It is also trying to rethink its role in a changing global economy.

"Strengthening Bank Group Engagement on Governance and Anti-Corruption",
<http://www.worldbank.org/html/extdr/comments/governancefeedback/>

"The World Bank's Strategy on Governance & Anti-Corruption - A Civil Society Perspective", CIDSE, Aug. 2006.
<http://www.cidse.org/docs/200608231619535230.pdf>

Raising Your Voice at the IMF

In an effort to recognize the growing global importance of four emerging economies, the IMF's Board of Directors voted on August 31st to approve modest changes to the Fund's quota and voting structure in a first phase of reform. As a result, China, Turkey, Mexico and South Korea will all now see their quotas - and voting power - at the Fund increased.

Increasing the voting rights and voice of other, low income countries at the Fund's Board was to follow in a second phase of reform, but only after countries first renegotiated how quotas are calculated and following potential further *ad hoc* quota increases for a number of other emerging economies. However, Africa's Finance Ministers objected to the staging of the process, arguing that it would unnecessarily delay and diminish actions to increase Africa's voice on the Board. In a letter to the British Finance Minister, Gordon Brown, who chairs the IMF's Finance and Monetary Committee and who has called for a greater voice for African countries at the IMF, the Ministers urged the UK and other countries to block the process.

As a result, the first phase was approved, but with an understanding that *all* the elements of the second phase would be completed at the same time, and ideally within the next year.

"Africa: Ministers Seek More Powers in IMF/World Bank"
<http://allafrica.com/stories/200608071148.html>

Africa Calls on Brown to Block IMF Reforms
<http://politics.guardian.co.uk/economics/story/0,,1861647,00.html>

Notice Board

- 📄 The International Finance Corporation (IFC) released a **draft of its Environmental Health and Safety (EHS) Guidelines**. Following the adoption of the new Performance Standards, the IFC is reviewing and updating its environmental, health and safety procedures, which provide general, as well as sector specific (for example, mining, oil and gas), technical guidelines for IFC investments. For further info, and to comment on the draft until October 1, 2006, see: <http://www.ifc.org/ehsguidelinesupdate>
- 📄 Lars Thunell, Vice-President of the IFC, appointed Uday Wagle as the **Disclosure Policy Advisor**. The Advisor will review requests and complaints from people who believe that their request for information under the new Policy has been unreasonably denied or when the policy has been poorly interpreted. The new Policy was introduced along with the new IFC Performance Standards. Complaints can be submitted through http://www.ifc.org/ifcext/disclosure.nsf/Content/Disclosure_Advisor
- 📄 Finance Minister James Flaherty appointed **new Canadian Executive Directors to both the European Bank for Reconstruction and Development (EBRD) and the World Bank**. Samy Watson, former Special Advisor to the Privy Council Office, Deputy Minister of Agriculture and of the Environment, replaces Marcel Massé as Canadian Executive Director to the World Bank in November. André Juneau, former Deputy Minister of Infrastructure Canada, replaces Scott Clark at the EBRD. Jonathan Fried became Canadian Executive Director to the IMF in April.

New Discussion Papers

- *“Challenging conditions: a new strategy for reform at the World Bank and IMF”*, Christian Aid, July 2006. Arguing that conditions attached to aid and loans from the IMF and World Bank are unacceptable, this report calls on the UK government to fulfill its own commitment to end such conditionalities by placing a moratorium on its voluntary contributions to the IMF and World Bank, and redirecting its funds through other multilateral agencies which do not impose conditions. <http://www.christian-aid.org.uk/indepth/607ifis/challengingconditions.pdf>
- *“DFID White Paper: eliminating world poverty: making governance work for the poor”*, July 2006. The United Kingdom’s Department for International Development’s (DfID) White Paper lays out the government’s strategy for tackling global poverty - through increased aid, a focus on governance, more public services for the poor, tackling climate change, and a more effective and responsive UN, World Bank and IMF. <http://www.dfid.gov.uk/wp2006/>

Upcoming Events

- Canadian National Roundtable on Corporate Social Responsibility in the Mining, Oil and Gas Sectors, Radisson Harbourfront, Toronto, Canada, September 12-13, 2006.
- World Bank and IMF Fall Meetings, Suntec Convention Centre, Singapore, September 19-20, 2006; Civil Society Forum, Suntec, Singapore September 14-20, 2006.
- International Peoples Forum vs the IMF and World Bank, Jubilee South, Batam, Indonesia, September 15-17, 2006. Contact Lidy Nacpil, lidyjs@jubileesouth.org

Quotas, Votes and Voice at the IMF - How it works, what will change.

The IMF operates like a credit union, with each of the 184 members of the institution providing a financial quota to the Fund. The quota is set in proportion to the country's global economic importance, and countries can borrow from the Fund in proportion to their quota. The United States has the largest quota with SDR\$37.1 billion or US\$53.5 billion, and Palau the smallest, with SDR\$3.1 million or US\$4.5 million.

In addition, the quotas determine a country's voting power at the Board. Each member country starts with a minimum of 250 basic votes, and then gets an additional vote for every SDR\$100,000¹ of its quota. For example, based on their quotas, the US has 371,743 votes and 17.1 percent of the total vote, and Palau has 281 votes or 0.013 percent. The basic votes currently constitute only 2% of total voting power.

The IMF has proposed restructuring the quota and voting system in two phases. In a first phase, it has just agreed to give *ad hoc* quota increases to Mexico, China, South Korea and Turkey of 1.5%-2.5% collectively. Proposals to increase the voice of Low Income Countries will follow in a second phase, along with a renegotiation of how quotas are calculated and potential further *ad hoc* quota increases. Increasing the voice of Low Income Countries will be achieved by doubling the starting block of basic votes per country from 250 to 500, per member. In the context of the other reforms, African countries have argued that the proposed changes will do little to increase their actual decision-making power at the IMF. Africa currently has two executive directors on the Board, representing 43 (of 53) African countries and 4.41% of the total vote. The Group of Seven (G7) have 45.29%.

The Canadian government supports both the existing two phase package, and expanding the capacity of the offices of the two African Executive Directors.

¹ SDR or special drawing rights is an international monetary value created by the IMF. It is calculated from a weighted basket of four currencies - the Japanese Yen, Euro, British pound and US dollar.