

Issue update

Selected Issues on International Financial Institutions

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Fallout at Bank and Fund meetings in Singapore

The World Bank and International Monetary Fund's (IMF) fall meeting in Singapore from September 19-20, were mired in controversy this year. In the days prior to the meeting, it became clear that Singapore intended to ban numerous accredited organizations from entering the country. In response, groups unilaterally boycotted the official program. Organizers of the parallel International Peoples Forum in Batam, Indonesia, reported that 54 individuals from 17 groups were detained at the Singapore airport without explanation, and subjected to custodial interrogation and deportation. Many groups felt that, with IMF reform and good governance and corruption on the agenda, the choice of Singapore as the venue for the meetings underscored the superficial nature of the Bank and Fund reform agenda.

Days prior to the meeting, British International Development Secretary, Hilary Benn, also announced that his government would withhold £50 million due to the World Bank next spring unless the Bank relaxed the onerous conditions it attached to its country lending. Washington, he said, should stop forcing poor countries to liberalize their markets and sell off essential public services. Benn said that the disbursement of funds would be contingent on the Bank and Fund making "satisfactory progress" to ensure conditions are drawn from national strategies and reflect national priorities. Bank staff shot back that Mr. Benn's position was merely a political effort to boost his ratings within Labour party circles. His supporters indicated, however, that since the UK no longer attaches conditionalities to its own bilateral lending, his position was consistent with government policy.

World Bank-IMF annual meetings 2006 - Civil society boycott, governments feud over corruption and votes
<http://www.brettonwoodsproject.org/art.shtml?x=542954>
Britain issues World Bank £50 million ultimatum
<http://business.guardian.co.uk/story/0,,1871913,00.html>

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JUST THE FACTS: Finance Minister Jim Flaherty on the Record at Singapore



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Wolfowitz reined in over corruption strategy

World Bank President Paul Wolfowitz's new anti-corruption strategy faced strong opposition from Europe and a number of developing countries, in particular on the emphasis it placed on applying sanctions against countries to eliminate corruption. Many countries instead favour a longer term approach that strengthens institutional capacity by encouraging governments to be more transparent and accountable, and to promote press freedom and a strong civil society. As a result, the Finance Ministers asked the Bank's board of executive directors to oversee both the development and implementation of the strategy as it is developed further - diminishing Wolfowitz and his advisor's control over the final product. Wolfowitz corruption strategy has led to the suspension of loans to countries including Chad, India, Argentina, Congo, Kenya, Ethiopia and Bangladesh.

See "JUST THE FACTS" for more on Singapore.

Blow to Wolfowitz as governments insist on final say over corruption
<http://www.ft.com/cms/s/aefa4ad6-477a-11db-83df-0000779e2340.html>

National Roundtables - From responsibility to accountability?

On September 12th - 14th, the second in a series of four multi-stakeholder roundtables on Corporate Social Responsibility and extractive industries in developing countries was held in Toronto. The roundtable focused on positive and negative incentives for encouraging better CSR practice, and instruments for implementing CSR standards.

The Toronto event was a step forward in the National Roundtable process. Although the government did not notify the media about the meetings, turn out for the Open Sessions was excellent. Participation was double that of Vancouver, with 45 presentations and more than 250 participants. While groups came from a broad spectrum of constituencies, all called on the Canadian Government to establish clear standards and to implement effective compliance and dispute resolution mechanisms. Several industry representatives focused on host country governance issues, the need to reward good corporate behaviour and to help companies attain a "social licence" in the areas where they operate.

The closed discussion sessions among experts focused on issues relating to conditioning government support; legal incentives; monitoring mechanisms; dispute resolution mechanisms; environmental and social disclosure; and conditioning private sector support. The challenge ahead is to further develop some of the "actionable ideas" on these issues during Focus Sessions in Calgary.

Extractive Industries and Corporate Social Responsibility
http://www.halifaxinitiative.org/index.php/Issues_CNCA

Notice Board

- 📄 In a new study on Zambia, the United Nations Development Programme's International Poverty Centre found that IMF macroeconomic conditionalities linked to debt relief are limiting government expenditures on poverty reduction programmes. The study notes that while debt cancellation did dramatically reduce Zambia's debt service payments, "...the net fiscal gain from debt relief has been marginal because of the external policy conditionalities linked to the relief and associated [overseas development assistance]." <http://www.undp-povertycentre.org/pub/IPCCountryStudy005.pdf>
- 📄 The Asian Development Bank (ADB) has released its "Core Labor Standards Handbook", prepared jointly with the ILO and to be used by ADB staff to ensure that the bank's operations comply with core labour standards (CLS), "an integral part of the ADB's development mission". A good first step, but in general the handbook fails to adequately inform staff of the types of violations they may encounter in projects and application of the handbook to projects is left to staff discretion. <http://www.adb.org/Documents/Events/2006/Senior-Management-Consultation/core-labor-standards.pdf>

New Publications

- *"Impossible Architecture - Why the Financial Structure is not Working for the Poor and How to Redesign it for Equity and Development"*, Social Watch 2006. On the theme of reversing negative trends in development finance, chapters focus on innovative sources of finance (John Foster, North-South Institute), governance of multilateral institutions, capital flight, remittances and debt. <http://www.socialwatch.org/en/informelImpreso/tablaDeContenidos2006.htm>
- *"Enduring Neglect - The World Bank's Inadequate Support for Africa's TB Emergency"*, Results International, September 2006. Highlighting the inadequacy of current Bank support for Africa's tuberculosis crisis, the report calls on the Bank to increase its TB funding, and make TB, AIDS and malaria a centerpiece of its new Health Nutrition and Population strategy. <http://www.results.org/website/download.asp?id=2365>
- *"Odious Debt: debt relief as if morality matters"*, New Economics Foundation, September 2006. This looks at the impact on future generations of debts that have resulted from odious lending - to despotic regimes that use the funds for their own ends. <http://www.neweconomics.org/gen/odiouslending180906.aspx>
- *"Sustaining the Environment at the World Bank,"* World Resources Institute, September 2006. Speaks to the Bank's June merger of its environment and infrastructure units. http://www.wri.org/governance/pubs_description.cfm?pid=4234

Upcoming Events

- Canadian National Roundtable on Corporate Social Responsibility in the Mining, Oil and Gas Sectors, Delta Bow Valley Hotel, October 10-12, Calgary, Canada.
- "Sipakapa is not for sale", Halifax Initiative, One World Film Festival, October 18, Library and Archives Canada, 395 Wellington St., Ottawa, Canada.
- "From illegitimacy to responsibility: transforming development finance", Eurodad Annual Conference, 29-31 October, 2006, Berlin, Germany.

Finance Minister Jim Flaherty on the Record at Singapore

- Strengthening Bank Group Engagement on Governance and Anti-corruption - “Only countries themselves - led by their governments - can provide the leadership and ownership needed to strengthen governance”. “In countries where corruption is a challenge, we need to have clearer rules on the Bank’s terms of engagement [and...] remain engaged [...] in countries where corruption represents a significant challenge.”
- Follow-up on the Heavily Indebted Poor Countries (HIPC) Initiative and MDRI - “Canada [is a] strong supporter of the ongoing work to address unsustainable debt burdens [...] Funding [for the costs of the MDRI] must be additional. [...] We believe that more can and should be done to break [the] “lend-and forgive” cycle”.
- Education for All -Fast-Track Initiative - “Canada is a strong supporter”.
- Strengthening the World Bank’s Engagement with IBRD Partner Countries - “Bank engagement must be based on its comparative advantage, and poverty reduction must remain the focus of its efforts. [Better coordination among bi- and multi-lateral institutions must help] develop a comprehensive strategy to guide the Bank’s involvement in these countries. The Bank should work to increase the number of recipients receiving significant FDI flows.”
- Doha Development Agenda and Aid for Trade - “A successful outcome to the Round would be the best way to realize the potential of trade as a tool for development [...] and we encourage all donors to meet their ‘Aid for Trade’ commitments”.
- Meeting the needs of Small States - “There is a dire need for better analytical work on options for growth, competitiveness, economic diversification and international trade [for small states...] to help them position themselves for success in the global economy [...and to help these countries mitigate against the risks posed by natural disasters].”
- Investment Framework for Clean Energy and Development - Nothing.

- IMF Medium-Term Strategy with a focus on IMF governance - “Proper alignment of quotas [...] is essential to the Fund’s legitimacy as an international institution.”
- Adapting the IMF surveillance framework - The effectiveness of the IMF’s surveillance activities will depend on the Fund defining 1) rigorous principles to ensure an appropriate balance between advising governments, and ensuring that they maintain policies that do not upset the international monetary system; 2) more specific operational rules to clarify how the Fund will survey fiscal, monetary, exchange rate and financial sector policies, and what policies might have adverse impacts; 3) clear accountability for results, based on priorities set by members.
- IMF engagement with emerging market countries - Nothing.
- IMF support to low-income members in achieving the MDGs - Nothing.

Finance Ministers’ statements to the World Bank Development, and IMF Finance, Committees
http://www.fin.gc.ca/news06/06-044_2e.html and http://www.fin.gc.ca/news06/06-044_1e.html