

Issue update

Selected Issues on International Financial Institutions

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G8 down, but not out, as G20 makes pledges on crisis

If the big headline for April's G20 Summit (See IU April 2009) was the \$1.2 trillion pledged to tackle the financial crisis, this month's showcase was the G20 itself, as the 20 countries crowned themselves the premier fora on global finance. Next year's G8 in Canada will in fact be preceded by a G20 meeting, which Ottawa will co-host with 2010 G20 chair Seoul. Earlier this month, Liberal opposition leader Michael Ignatieff went one step further, suggesting that the G8 not bother meeting any more, and calling for a permanent G20 secretariat in Canada.

Beyond the "coronation", member governments agreed to stay the course on existing stimulus packages, agreeing to coordinate exit strategies, but hesitating to do so until "the time is right". They reiterated their pledge to reform the World Bank and IMF's governance structures and increase the voice of emerging/developing economies by three (WB) and five percent (IMF). They announced tighter regulation of banks and complex financial instruments, higher levels of capital to help banks buffer unexpected losses or disruptions in credit markets, and responsible compensation packages for executives. Implementation would be at the national level, with pledges to develop "internationally agreed" regulations on bank capital and compensation by the end of 2010. Under a new "Framework for Strong, Sustainable and Balanced Growth", countries agreed to better coordinate efforts to reduce immense trade imbalances between export-dominated countries like China and debt-laden countries like the US. They also agreed to submit their policies to peer review, overseen by the IMF, but refused any mechanism that would discipline countries that fell out of line. Real action on exchange rate volatility and misalignments, international imbalances and a global currency regime will be left for later, when economic recovery has definitively arrived.

Pittsburgh Summit, Leader's Statement

http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf

Also in this issue:

Fossil fuel subsidies out, financial transactions tax in

First "aid accountability" report, CIDA plans revealed

Notice Board, new publications and upcoming events

JUST THE FACTS: How Canada is represented at the WB and IMF (Annual Update)



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Fossil fuel subsidies-out, financial transaction taxes in

Perhaps one of the big steps forward from the Pittsburgh G-20 was an agreement to phase out fossil fuel subsidies in the medium term and provide targeted support to help the poorest countries. Furthermore, the communiqué characterized fossil fuels as inefficient and wasteful, reducing national energy security, impeding investment in clean energy sources and undermining efforts to deal with the threat of climate change. G20 Finance and Energy Ministers are to report on timelines and implementation at the next G20 meeting.

The second big step forward was an initiative to charge the IMF with reviewing “the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system.” This is seen as *de facto* support for a financial transaction tax. France, Germany, Belgium and Austria are strong proponents of such a tax, which unlike a currency transaction tax, would also cover bonds, equities and derivatives.

Canada and World Bank Finalize US\$200 Million to Support Global Trade Finance
<http://www.fin.gc.ca/n08/09-058-eng.asp>

First “aid accountability” report, CIDA plans revealed

As the Canadian International Development Agency (CIDA) tables its first report to Parliament under the Official Development Assistance (ODA) Accountability Act (see IU May 30, 2008), an Access to Information (A to I) request filed by the Halifax Initiative has revealed both how the Agency has interpreted the Act and how implementation of the Act will roll out.

For the most part, the A to I reveals that CIDA already feels that they are compliant with the three tests of the Act for Canadian ODA. CIDA takes a comprehensive approach to addressing poverty reduction. The perspectives of the poor are a central element to delivering Canadian aid. And finally, the Act entrenches in law the CIDA corporate attitude that lasting and effective development is not possible without the respect and advancement of human rights. Rather, the challenge for the Agency is in “better communicating” this compliance (both internally and externally), and to use the Act to refresh old policies (on poverty reduction) and revive and better document its consultation process at various levels.

One key point of difference between civil society interpretations of the Act and CIDA’s, is on the issue of human rights. Rather than seeing the Act as laying the foundations for a rights-based approach to development, the government agency has opted for a minimalist “do no harm” approach. CIDA will adopt a legal interpretation guided by this principle. CIDA is also looking at how the promoting human rights as a central guiding principle in poverty reduction strategies can be made a formal part of CIDA policy-making processes.

“Issue Brief: Official Interpretations of the ODA Accountability Act - One year later”, September 2009 at
<http://halifaxinitiative.info/content/oda-accountability-act-one-year-later>

Notice Board - This month...

- 📄 **Michael Horgan** has left his post as Canadian Executive Director to the IMF - now vacant - to become the **new Deputy Minister** at Finance Canada (See Organigram).
- 📄 Outgoing President of the General Assembly (PGA), HE Miguel D'Escoto, has named two **Co-Chairs** for an Ad-Hoc GA **Working Group to follow-up on the UN conference on the financial crisis** (See IU 6, 2009). The Co-Chairs, H.E. Lazarous Kapambwe, Permanent Representative of Zambia and H.E. Morten Wetland, Permanent Representative of Norway, met in September to get a sense from members of the Group's focus and workplan.
- 📄 The **Intergovernmental Group of 24** has produce a paper that questions the extent to which current efforts to reform and regulate global finance are compatible with a push by Canada, the US, EU and Japan to further remove restrictions on financial services in developing countries. In the wake of the financial crisis, there is **"no empirical evidence, and the data cited are dubious" to suggest that liberalized international trade in financial services**, and locking developing countries into such a model, **would promote** or further the **development** of these countries The paper recommends developing countries take a step back from signing any such agreements. <http://www.g24.org/cr0909.pdf>
- 📄 The World Bank's **International Finance Corporation** has begun its **review** of its **Performance Standards and Disclosure policy**. The IFC is looking to use lessons learned from the past three years to update the Standards, with a new version expected by January 2011. The **first round of consultations** on the policies runs from September 14 to November 13, 2009. <http://www.ifc.org/policyreview>
- 📄 The World Bank's flagship **"Doing Business"** report, which **grades countries according to the ease of doing business** is out. The Report has long been criticized for giving top marks to the most liberalized economies. <http://www.doingbusiness.org>

New Publications this month

- **"Report on the Civil Society Consultations with the IMF on Reform of IFI Governance"**, New Rules for Global Finance Coalition, September 2009. <http://thefourthpillar.ning.com/forum/attachment/download?id=3426499%3AUploadedFi35%3A3221>
- **"World Development Report 2010 - Development and Climate Change"**, World Bank, September 2009, <http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/WDR10-Full-Text.pdf>
- From London to Pittsburgh: assessing G20 action for developing countries, Eurodad, <http://www.eurodad.org/whatsnew/articles.aspx?id=3820>.
- **"Getting Back on the Rails"**, Christian Aid, September 2009. This report argues that only the right rules, policies and institutions can strengthen the private sector's role. <http://www.christianaid.org.uk/resources/policy/Private-sector-and-development.aspx>.

Upcoming Events

- World Bank and IMF Annual Meetings, October 6-7, Istanbul, Turkey.
- Global Week of Action against Debt and the IFIs, October 12-18, worldwide.
- **"What's Missing in the Response to the Global Financial Crisis"**, Halifax Initiative, The North-South Institute, University of Ottawa, October 19-20, Ottawa.

JUST THE FACTS

How Canada is represented at the World Bank and IMF

