

## Issue update

### *Selected Issues on International Financial Institutions*

Volume IV, Number 10 – October 31, 2008

## IMF back in business, but still politically bankrupt

Even before US President George Bush announced plans for next month's G-20 Summit on the financial crisis (see "[Just the Facts](#)"), International Monetary Fund (IMF) Managing Director Strauss Khan has been pushing for the IMF to be front and center in addressing the crisis. In a complete about-face from one year ago, Strauss Khan now sees the IMF not just fighting fires through new flexible emergency loan arrangements to address food, fuel and finance crises, but as a "global regulatory coordinator" or world central bank.

This is not surprising given the current context, but is surprising in the context of the past year. Up until now, developed economies have largely ignored the IMF's gloomy economic predictions, its calls for regulation, and monetary and fiscal stimulus. And for their part, middle income countries have been abandoning the IMF, repaying their loans ahead of schedule to escape the Fund's austere macroeconomic policies. So while we might expect the IMF's new policy shift to capture the interest of Northern economies desperate to restore confidence in their markets and financial institutions, southern governments only see the response as a double standard of "do as I say, but not as I do". Mexico has in fact refused to go to the IMF (and Pakistan, Turkey and Iceland had hoped not to), opting for other institutions.

Now, ironically, as the crisis means big business for the Fund - Iceland, Ukraine, Hungary, Pakistan, South Korea and Turkey are in-line - the IMF has its own financial crisis to tackle. Abandoned by the majority of its borrowers, it is waiting for its gold stock sales to be approved to replenish its funds. But if new financial capital can put its books back in order, the political capital the Fund still needs to play the new role it envisages for itself is nowhere in sight.

The IMF is back in business, Bank Information Centre, <http://www.bicusa.org/en/Article.3929.aspx>

Critical thinking on the financial and economic crisis, <http://www.casinocrash.org>

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**JUST THE FACTS:** Growing demands for a so-called "Bretton Woods II"



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Our core funders are the C.S. Mott Foundation, the Wallace Global Fund, the International Development Research Centre, the Sigrid Rausing Trust and Coalition members.

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## Justice still sought for Kilwa victims

With October 14<sup>th</sup> marking the fourth anniversary of the Kilwa Massacre (see [Mining Map](#)), Congolese and International groups are still seeking justice for its victims. Four years ago, Canadian company Anvil Mining provided logistical support to the Armed Forces of the Democratic Republic of Congo (FARDC) to suppress a rebel uprising in the town of Kilwa. At least, 73 civilians were killed and a UN investigation revealed that Anvil Mining planes, vehicles, personnel and food were used by the army during the attack.

While nine Congolese soldiers were prosecuted by the Congolese army for war crimes, and three Anvil employees for complicity - among them Canadian General Manager, Pierre Mercier - the military court acquitted everyone in June 2007. At the time, the court proceedings were widely criticized for various irregularities, including by Louise Arbour, then UN High Commissioner for Human Rights. Appeal proceedings opened six months later, in December 2007, but the military court refused to allow an appeal on the Kilwa acquittals and restricted the proceedings to an appeal by two FARDC soldiers against the life sentences they had received after being convicted of unrelated crimes (in the town of Pweto). There are no further legal remedies available to the victims and their families under Congolese law.

The World Bank's Multilateral Investment Guarantee Agency gave \$13.3 million to the project.

For further information, go to [http://raid-uk.org/work/anvil\\_dikulushi.htm](http://raid-uk.org/work/anvil_dikulushi.htm)

## Beyond the financial crisis: on the agenda at the Annuals

Although dominated largely by discussions of the financial crisis, this year's Annual meetings still addressed a range of issues. Decisions were made on Bank governance reforms (incremental shifts in voting power, one new African Executive Director, and the US surrendering its prerogative to select the Bank President). Ten donors pledged US\$6.1 billion for the Bank's new Climate Investment Funds (CIFs) and made some initial decisions around its governance structure (see new [HI Issue Brief](#)). In an about face from its usual gloomy projections of how much aid developing countries can actually absorb, the IMF launched a [new report](#) that explored the macro-economic impacts of scaling up aid to levels that would allow countries to achieve the MDGs (conveniently aid budgets are expected to feel the squeeze of the financial crisis). And the official Program of Seminars focused for three days on the food and fuel crisis. As he did last year (See [IU October 2007](#)), Bank President Zoellick made a high profile [speech](#) just before the Annuals, this time pronouncing the demise of the [G-7](#) and the unwieldy [G-20](#), in favour of a flexible and shifting steering group of 14. He also announced a new High Level Commission, chaired by former Mexican President Ernesto Zedillo, to guide further Bank governance reforms - much to the surprise of his Board!

Annual Meetings 2008 Annual Communiqués coverage, Bretton Woods Project, <http://www.brettonwoodsproject.org/art-562654>

## Notice Board - This month...

- ☰ **Sudan** has been selected to **chair the Group of 77 (G77)**, a loose coalition of developing countries that endeavours to promote their members' collective interest at the United Nations. As chair, Sudan will lead on economic issues, international trade negotiations, on the Millennium Development Goals, climate change, poverty, and the food crisis.
- ☰ On the eve of the Bank and Fund's annual meetings, more than **200** health, education, faith-based, labor and development **organizations** from every region of the world **released a statement urging the IMF to change policies** that have restricted pro-development investments in health, education and HIV/AIDS spending in developing countries. <https://salsa.democracyinaction.org/o/1678/images/GlobalLetterFINAL.pdf>
- ☰ **Germany, Austria and Switzerland** have started the official process of **withdrawing financial support for the Ilisu dam in Turkey**. The countries initiated exit proceedings at the beginning of the month by sending an Environmental Failure notice to the Turkish government. Turkey now has 60 days to fulfil the conditions attached to the Ilisu Project.
- ☰ On October 15, members of the **Inter-American Development Bank (IDB)** welcomed **China as its 48<sup>th</sup> member**. With its admission, China agreed to **contribute \$350 million** for development projects in Latin America and the Caribbean, of which \$125 million will go into the Fund for Special Operations, the IDB's concessional lending window.
- ☰ The International Monetary and Financial Committee (**IMFC**) chose **Dr. Youssef Boutros-Ghali, Egypt's Finance Minister**, as their new **Chair** and the first from an emerging market or developing country. He replaces Italian Finance Minister Padoa-Schioppa (see [IU July 2008](#)) and beat out Canadian Finance Minister Jim Flaherty for the job.
- ☰ The World Bank's **International Finance Corporation** has appointed **Greg Radford**, Export Development Canada's (EDC) **Chief Environmental Advisor**, as its new **Director for Environment and Social Development**.

### New Publications this month

- “*Making Financial Markets Work for Development*”, Peter Wahl, World Economy, Ecology and Development, October 2008. A working paper for the International Follow-Up Conference to Review the Implementation of the Monterrey Consensus in Doha, Qatar, Nov 29 - Dec 1, 2008. <http://www.weed-online.org/themen/english/1760431.html>
- *Frequently Asked Questions About Sovereign Wealth Funds*, Kavaljit Singh, The Cornerhouse, <http://www.thecornerhouse.org.uk/pdf/document/FAQsSWFs.pdf>
- The Business & Human Rights Resource Centre launched an online portal profiling human rights lawsuits against companies, <http://www.business-humanrights.org/LegalPortal>

### Upcoming Events

- Official Group of 20 Ministers' Meeting, Brazil, November 8-9.
- Members of the Group of 20 “Special Summit on the Financial Situation”; parallel workshops and rallies are expected; Washington DC, November 14-15.
- International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus will be held in Doha, Qatar, November 29 -December 2.

### Growing demands for a so-called “Bretton Woods II”

In June 1944, 44 governments met in Bretton Woods, New Hampshire, U.S.A. for the United Nations Monetary and Financial Conference. The purpose of the meeting was to agree on a new institutional architecture to improve inter-governmental economic and monetary co-operation after World War II. The meeting gave birth to the International Monetary Fund (IMF), the World Bank, and the idea of an International Trade Organisation. Governments didn't endorse the latter - the World Trade Organisation - until the 1990s.

The idea for a second Bretton Woods meeting has recently resurfaced, spurred on by the financial crisis. In June, 11 Heads of State from the Commonwealth, hosted by UK Prime Minister Gordon Brown, issued the [Marlborough House Statement on Reform of International Institutions](#). Beyond setting broad principles for reform, the statement called for wider international support for an international conference to redefine the purposes and governance of the Bretton Woods Institutions. In September, French President Nicolas Sarkozy called for a “global summit” to rebuild “regulated capitalism”, an idea that was echoed in mid-October in different forms by the [G8 leaders Statement on the Global Economy](#) and the [Council of the European Union](#). Finally, on October 22, US President George Bush announced a meeting of the [Group of 20](#) in Washington on November 15, likely the first in a series.

The day before the announcement, UN General Assembly President Miguel d'Escoto appointed economics Nobel Laureate Joseph Stiglitz to chair a high-level task force to review the global financial system, including the World Bank and IMF. Speaking at a UN panel on the financial crisis on October 30<sup>th</sup>, both [Stiglitz and d'Escoto](#) castigated the G-20 idea as one that sought “quick fix solutions behind closed doors”, when what was needed was a G-192 response.

This sentiment echoed a [statement](#) released on October 29<sup>th</sup> by 630 organizations from 104 countries, demanding a truly global response to the crisis and laying out a set of process principles for doing so. It also saw a role for the UN, as a globally representative body, for convening such an event.

Finally, November's meeting on “[Financing for Development](#)” (see [FAQs](#)) also raises the possibility of “a major international conference to review the international financial and monetary architecture and global economic governance structures”.

A global summit to reform the international financial system - Intelligence and responses towards a so-called “Bretton Woods 2”, <http://www.brettonwoodsproject.org/art-562756>

SIGN ON to the Statement on the proposed “Global Summit” to reform the international financial system - October 29, 2008, <http://www.choike.org/bw2>

The Interactive Panel of the United Nations General Assembly on the Global Financial Crisis, <http://www.un.org/ga/president/63/interactive/gfc.shtml>