Issue update
Selected Issues on International Financial Institutions

Volume V, Number 4 — April 30, 2009

G-20 response to financial crisis - money, money, money

All eyes were on the Group of 20 (G-20) this month as they met in London and announced a whopping $1.1 trillion to stimulate the global economy. The impressive figure and various commitments on tax havens, regulation, and boosting the IMF's lending capacity (See "Just the Facts") grabbed the headlines and saw stock markets respond positively the next day.

But the G-20 communiqué fell well short of civil society demands for more systemic reform to the international financial system and for a green new deal towards a low-carbon economy. On March 28, 40,000 people protested in London under the banner of "Jobs, Justice and Climate". Their calls went unheeded. New standards for regulating the global banking system remain vague. Of the 1.1 trillion pledged, only an estimated $50 billion will go to the poorest countries, while the predominance of loans over grants also forewarns of a coming debt crisis. Governance of the Bank and Fund goes no further than fast-tracking existing plans. Meanwhile, the IMF – an institution that was selling its gold reserves and cutting staff to address dwindling revenues as countries paid back their debts to avoid the Fund's austere policy conditions – may be back in business, but it is only marginally more legitimate, preaching a double standard of one set of policies for the North and another for the South. Greening the economy remains an aspiration. And calls for a conclusion to the Doha Trade Round ring hollow, given 17 of the G-20 have introduced protectionist measures, and Doha would push more financial liberalization.

Many governments echoed these concerns at the UN this month in a discussion about the upcoming UN Conference on the Global Financial and Economic Crisis. But many G-20 countries – including Canada – aren't paying attention. They're still counting the money.

G20 rehabilitates IMF, marginalizes UN
http://www.kairoscanada.org/fileadmin/fe/files/PDF/Publications/policyBriefing17G20vsUN.pdf

Halifax Initiative d'Halifax

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

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

Parliamentary committee to debate corporate accountability bill

Legislation designed to enhance accountability regarding the overseas operations of Canadian oil, gas and mining companies passed second reading in the House of Commons on April 22 and will soon be debated by members of the Standing Committee on Foreign Affairs and International Development. Bill C-300, *An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries*, was tabled by Liberal MP John McKay. The Bill seeks to "ensure that corporations engaged in mining, oil or gas activities and receiving support from the Government of Canada act in a manner consistent with international environmental best practices and with Canada's commitments to international human rights standards." If adopted, the legislation will apply to Export Development Canada, the Department of Foreign Affairs and International Trade, and the Canadian Pension Plan Investment Board. See Just the Facts, IU February 2009.

Bill C-300
http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=3658424&file=4

EDC Client, Barrick Gold, before Supreme Court of Argentina

Barrick's Veladero mine in Argentina, which received $200 million in finance and insurance from Export Development Canada, attracted the attention of Argentina's National Ombudsman in 2007 (see IU Jan 2008). The Ombudsman called for a halt to Barrick operations that encroach on a UNESCO Biosphere reserve in the high Andes.

This month, an Argentinean environmental organization filed a complaint regarding the mine with the Supreme Court of Argentina. The complainants, who express concern that mining operations are causing irreversible damage to local glaciers, have asked the court to issue an order for an audit that would assess whether the company is in compliance with national laws.

Intense debate continues among Argentinean parliamentarians concerning the future of that country's glaciers. Last November, President Fernández de Kirchner vetoed legislation designed to protect glacial deposits. The law, which prohibits mining, oil and gas operations in or around glaciers, received the unanimous approval of Congress. The defeated legislation jeopardized a number of projects planned by Canadian company Barrick Gold in an area along the border between Argentina and Chile.

Glaciares: Una denuncia a la Corte
www.diarioedcuyo.com.ar/home/new_noticia.php?noticia_id=335925

Notice Board – This month…

- **Poland** joins Mexico as the second country to seek support through the **IMF's Flexible Credit Line**, introduced in March to provide rapid emergency funding for countries without any conditions. Countries must have met stringent pre-conditions to qualify.
- The IMF launched its ***Global Economic Outlook*** with dire predictions for the global economy. The **downturn** is deemed severe (growth in 2009 will be -1.3 percent down from 0.5 percent predicted in January), with **no sense of** when we will hit **rock bottom** and **recovery will be "slow and weak"**. With further financial sector reform, fiscal stimulus, and financial support, IMF Head Strauss-Kahn predicts a recovery in 2010.
- Next month, the World Bank is expected to approve a **$100 million** for wind, small hydro and other energy renewable projects in Turkey, its **first project through** the Clean Technology Fund, part of the **Bank's controversial Climate Investment Funds** (CIFs). In the coming months, a further $500 million is slated for greening Mexico's urban transport system and its wind sector, and $400 million for Egypt's transportation and electricity sectors. Civil society points to the contradiction of the Bank pursuing such efforts in the context of massive increases in funding for fossil fuels. "*The World Bank, Climate Change and Energy*", October 2008, http://www.halifaxinitiative.org/index.php/Factsheets/1116
- **Liberian President** Ellen Johnson Sirleaf **secured an agreement to reduce the country's commercial** debt by a further 1.2 billion for the bargain basement prices of 38 million - 97 per cent of its face value. The World Bank, Germany, Norway, the United Kingdom, and the United States put up the money for the deal. This initiative, coupled with separate bilateral and multilateral deals, has reduced Liberia's debt from $4.9 billion two years ago to $1.7 today. http://blogs.cgdev.org/globaldevelopment/2009/04/liberia-cuts-its-debt-with-12-billion-buy-back-at-97-percent-discount.php
- The **World Bank has suspended** the use of its "**Employing Workers Indicator**" (EWI), an indicator in the Bank's highest-circulation publication **"Doing Business"** that gave the best rating to countries with the lowest level of workers' protection, and heavily criticized for pushing dozens of developing countries to deregulate their labour markets.

New Publications this month

- "UN Conference on the World Financial and Economic Crisis and its Impact on Development", UN NGO Liaison Service, April 2009. A good backgrounder on the upcoming conference. http://www.un-ngls.org/IMG/pdf_ngls_bulletin_1.pdf
- "*Business and human rights: Towards operationalizing the 'protect, respect and remedy' framework*". The 2nd Report of the UN Special Representative on Business and Human Rights, http://www.business-humanrights.org/Links/Repository/715771

Upcoming Events

- The Global Economic Crisis and Development: the Way Forward, UNCTAD Public Symposium, May 18-19, Geneva.
- UN Conference on World Financial and Economic Crisis and its Impact on Development, New York, June 1-3, **Register by May 13** at http://www.un-ngls.org/juneconference/
- Panel on Corporate Accountability, Canadian Network on Corporate Accountability, Parliament Hill, June 1.

JUST THE FACTS

Principal outcomes from the G-20 London Summit

- The **$1.1 trillion** announced will be divided up as follows:
  - 750 bn to the IMF on top of existing proceeds from gold sales agreed last year. $500 bn will go to enhance the IMF's lending capacity and $250 bn comes from a new IMF issue of Special Drawing Rights (SDRs). This immediately increases the foreign exchange reserves of central banks, freeing up dollars, yen or euros for spending.);
  - 250 bn for trade finance over two years ($50 bn in actual money that can be leveraged to generate 250 bn through export credit agencies (ECAs) and the World Bank);
  - 100 billion for the Multilateral Development Banks ($300 billion over three years).
- There was support for further discussion of a "**charter**" to achieve a new global consensus on the key values and principles for sustainable economic activity.
- The IMF will play an enhanced **independent surveillance** role of the global economy, and work with the Financial Stability Board (FSB) to provide an **advanced-warning system** of future financial risks. The FSB replaces the **Financial Stability Forum** (FSF) and sees its membership open to all G-20 countries (no developing countries were members prior).
- On reform of the **global banking system**, there will be increased regulation of "systematically important" (?) hedge funds at the hands of the FSB, better accounting standards, and tighter rules for credit rating agencies.
- On **governance reform** at the Bank and Fund, the G-20 agreed to fast-track existing reforms at the Bank and Fund. Progress will likely be slow with the Manuel Commission on IMF governance reform and the Zedillo Commission on Bank reform informing the process.
- On **tax havens**, the G20 would publish a "blacklist" of countries not in compliance with OECD tax transparency standards. The "blacklist" is now empty, although a "whitelist" still contains many major tax havens. The OECD model convention highlighted is also flawed since it represents a standard for bilateral treaties and applies to individuals, not multinationals. What is needed is global, multilateral automatic exchange of information.
- On **conditionality**, the G-20 supported the IMF's new Flexible Credit Line, reduced conditions, and the end to its Structural Performance Criteria. The emphasis now shifts from ex-post conditions (forcing countries to make changes to economic policies once they have borrowed) to ex-ante pre-conditions).
- On **trade**, the communiqué called for an "ambitious and balanced conclusion of Doha" and made trade finance pledges (see above). CSOs have questioned whether ECAs and the Bank can promote an economic recovery that brings about environmental and social benefits.
- Countries reaffirmed their commitments to the Millennium Development Goals (**MDGs**) and **aid** levels. Italy and Ireland have slashed aid budgets in the past year.
- The **UN** will "**monitor the impact** of the crisis on the poorest and most vulnerable". (No mention of the Stiglitz Commission of Experts or the upcoming UN conference.)
- Finally, the G-20 supported a conclusion on **climate change** in Copenhagen later this year. Barely any of the current stimulus packages are for a transition to a low carbon economy.

G20 Communiqué and documents, http://www.londonsummit.gov.uk/en/summit-aims/key-documents/