

## GLOBAL GOVERNANCE ROUNDUP October 2009: Results from Istanbul Summit, discussion of international transaction tax, environmental governance news and analysis

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### Memo on World Bank-IMF Annual Meetings

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The annual meetings of the World Bank Group and the International Monetary Fund (IMF) took place in Istanbul, Turkey on October 6-7. The Bretton Woods Institutions addressed concerns about their [governance structures](#) and tried to articulate their future roles in the global community. They [debated how to address](#) such detriments to the global economy as capital flight, tax evasion, debt, national reserves and conditionality. They also considered taxes on the financial sector, which would be used to stabilize exchange rates and raise resources for various global needs.

The meetings served as an opportunity for each institution to advance a vision of its future role in the international community. The IMF's vision is as a [lender of last resort](#). The IMF has created a fund called the flexible credit line, with USD 283 billion available for countries to borrow without conditions. From this fund, USD 20 billion is allotted to poor countries. The funds are available to pre-approved countries, which then can withdraw funds at any time without conditions. To date, only three countries have availed themselves of the new credit line.

Countries that are not approved for the fund or not interested in accumulating new debts go through normal IMF lending policies. A [new civil society report](#) shows that the IMF has continued its practice of demanding pro-cyclical policies from recipient countries. Such policies lead to higher taxes and decrease public spending. The [IMF counters](#) that the report is inaccurate, mistaking overly optimistic growth projections for pro-cyclical policies.

In terms of governance reform, the World Bank agreed in Istanbul to a 3% shift in representation of member countries, and the IMF to the 5% redistribution of voting rights. The G-20 previously had agreed on these changes in Pittsburgh in September. The shifts will be finalized in 2010 and 2011, respectively, and aim to transfer power from developed countries, mainly European, to developing countries.

However, the new formula counts countries like South Korea and Singapore as developing, despite their wealth compared to much of the developing world. Therefore, [many believe](#) that the governance changes will not be significant enough to affect the decision-making processes of either institution.

As the World Bank and IMF try to modernize and remain relevant, [new regional financial institutions](#) are emerging. For example, the 2007 [Quito Declaration](#) proposed a Regional Creditor's Union for South America and a move toward a single currency for the region. The first step in the implementation of this agreement is the creation of BANCOSUR, a South American regional bank. The charter of the BANCOSUR was approved in March 2009, and on September 28, the [articles of agreement were signed](#). The bank

will be endowed with USD 7 billion. Each country will have one vote in the governing structure of the bank.

Following on the UN General Assembly's recent recommendations on improving lending policies and financial advice of the international financial institutions, UN Member States are considering the creation of an expert panel on issues associated with the financial crisis and its impact on development. The panel originally was recommended by the "Stiglitz Commission" and would act as an independent authority to suggest policies to national and international institutions.

## News and Resources on Global Governance

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### Istanbul Summit: Results, Reactions, Implications

#### *News Articles*

**Oct 8 – [The Guardian](#):** The IMF has reasserted itself as a lender of last resort. It has discouraged nations from maintaining large national reserves and urged them to rely on the IMF, instead, in the event of a crisis. While large national reserves undermine development, borrowing from the IMF also carries risks. For example, a recent civil society report shows that the IMF supports pro-cyclical policies in countries to which it loans money.

**Oct – [Dollars and Sense](#):** Despite the significant increase in budgets and disbursements of IFIs due to the financial crisis, some countries are exploring other financing options. BANCOSUR is looking to replace the IMF in South America. The IMF's historically detrimental role in the region is providing incentive. Governments with close ties to the U.S. have not signed the BANCOSUR charter. Russia, Brazil, India and China are changing the global financial architecture as their economies become increasingly large and important in the global market. They are demanding more representation at International Financial Institutions as they contribute more.

**Oct 7 – [Inter Press Service](#):** "Finance: Not Reforms, But Reformed"

**Oct 6 – [Inter Press Service](#):** "IMF Loan Policies Worsening Crisis, NGO's Say"

**Apr 30 – [The Economist](#):** "New Fund, Old Fundamentals"

#### *Civil Society Resources*

**Oct 12 – [Center of Concern](#): News Article** – Despite Istanbul agreements to change the representation ratio of developed vs. developing countries in their governance structures, the IMF and the World Bank's progress in this area remains insufficient. Furthermore, the Fund's plan to reassert itself as an alternative to accumulating large national reserves places risks on developing countries who may be forced to accept further debt and conditionality.

**Oct – [Center for Economic and Policy Research](#): Report** – This report analyses IMF policy suggestions and conditions in 41 countries which currently have loan agreements with it. It shows that 31 of the 41 studied have been forced to accept pro-cyclical policies. These conservative fiscal policies hurt social services and taxpayers while striving for macro-economic stability.

**Oct 19 – [EURODAD](#):** “South American Countries sign Articles of Agreement of BANCOSUR”

**Oct 3 – [Bretton Woods Project](#):** Annual meetings 2009 communiqué coverage

## International Transaction Tax

### *News Articles*

**Oct 2 – [MSN Money](#):** G-20 leaders have asked the IMF to find a method for taxing the financial sector. Dominique Strauss-Khan, the managing director of the Fund, has rejected the idea of a flat International transaction tax as overly simplistic but agreed to produce the report the G20 commissioned.

### *Civil Society Resources*

**Oct 7 – [EURODAD](#): News Article**– At the Istanbul meetings, the IMF discussed issues of governance, tax evasion, debt relief, Financial Transaction Taxes, and the distribution of Special Drawing Rights. Little progress was made on some of these issues but there seems to be a window of opportunity to implement some form of a tax on the financial sector, whether in the form of a Tobin Tax or a more targeted tax.

**Oct - [Österreichisches Institute](#): Paper** – Summarizes and analyzes the pros and cons of an international transaction tax. It concludes that a small tax (between .1% and .01%) would stabilize prices over both the short and long terms and provide significant revenue.

**[Third World Network](#):** "Global Credit and Financial Markets need Regulations"

## United Nations Parliamentary Assembly

### *Civil Society Resources*

**Oct 30 – [UNPA Campaign](#): Update** – A meeting was held at UN headquarters in New York to discuss the idea of a United Nations Parliamentary Assembly. The speakers generally felt that it was vital for the UN to develop this body to increase its relevance in the international arena. Furthermore, a UNPA structure would more appropriately reflect the democratic nature of the UN than its current bodies are capable of doing. It was agreed that the campaign has generated increasing political momentum since its 2007 inception.

**Oct 23 – [UNPA Campaign](#):** “Lawmakers Step Up Efforts for UN Parliamentary Assembly”

**Oct 16 – [UNPA Campaign](#):** “World Culture Forum Appeals to G20, Calls for UN Parliamentary Assembly”

**Oct – [Committee for a Democratic UN](#): Paper** – This paper presents options for the composition of an international parliamentary assembly, including election of members, addressing concerns of smaller states, and integrating nations which aren’t themselves democratic into the body. It also addresses major concerns about a UNPA, such as the possibility of domination by populous countries.

## Environmental Governance

### *News Articles*

**Oct 28 – [Guardian](#):** In this op-ed, the co-chairs of the UN Environment Programme’s Consultative Group on reforming international environmental governance (IEG) describe the urgent need to strengthen and better coordinate the UN’s environmental efforts. The multiplicity of agencies and treaties responsible for various aspects diffuses the collective effort. Moreover, structural separation costs more (by about four times) than consolidation. Therefore, “there is an urgent need for an environmental organization within the UN system with the influence to ... stand side by side with strong organizations such as the World Trade Organization and World Health Organization.”

**Oct 5 – [The Star](#) (Malaysia):** “Rich Nations Plot Kyoto’s End”

### *Civil Society Resources*

**Oct 19 - [Belfer Center for Science and International Affairs \(Harvard\)](#): Report** – “A Portfolio of Domestic Commitments: Implementing Common yet Differentiated Responsibilities”: With the commitment period from Kyoto ending in 2012, and a new agreement yet to be created, the Belfer Center suggests that a more palatable structure for an international agreement would include national adherence to domestic environmental goals. Rather than the conventional “targets and timetables” approach, a portfolio of commitments from countries could be agreed upon and honored.

**Oct 4 – [The Journal of Natural Resource Policy](#): Report** – “Seeing the Global Forest for the Trees: How US Federalism can Coexist with Global Governance of Forests”: The US has been deterred from leading forest preservation in the international arena by the distribution of control over its land between federal and state governments. This report offers solutions which would allow the U.S. to take a much-needed lead on this issue internationally.

**Oct – [The Stockholm Institute](#): Report** – This report presents options for overcoming the obstacles that have stalled finance agreements in the lead-up to Copenhagen. It focuses on how much money is actually necessary to reverse climate change, and how much money is available for this purpose. , It examines options for generating finances and examines the management structures necessary for organizing, collecting, and distributing them.

**May 07 – [Center for UN Reform Education](#): Book** – *Global Environmental Governance: Perspectives on the Current Debate*: A series of articles provides context for and commentary on the current debate on international environmental governance. Topics include the future of UNEP, the pros and cons of the current system, and the role of Multilateral Environmental Agreements (MEAs).

**Sep 2005 – [Yale Center for Environmental Law and Policy](#): Report** – In light of the declining state of the global environment, and the international calls for a strengthened UNEP, this report analyses the success of the existing UNEP. It further determines where its failings stem from, and proposes solutions to strengthen UNEP’s coordinating ability.

### *UN Documents*

**Oct 26-29 – [UNEP](#): Conference Summary** – A Consultative Group of Ministers or High-Level Representatives on International Environmental Governance (“the Consultative Group”) was established by UNEP in early 2009 and is being chaired by the environment ministers of Italy and Kenya, Stefania Prestigiacomo and John Michuki, respectively. The Group held its first meeting in Belgrade, Serbia from June 27-28. The Group is tasked with creating proposals for system-wide environmental governance reform and consolidation. The so-called “Belgrade Process” progressed recently with the second meeting of the Consultative Group in Rome, Italy from October 26-29. UNEP’s Executive Director, Achim Steiner, has commented and expanded on the proposals and goals resulting from the first meeting. The paper presents his and other participating countries’ suggestions and comments. The Belgrade Process is expected to conclude in February 2010 when the Consultative Group presents its recommendations to the Governing Council of UNEP at the Global Ministerial Environment Forum. The Forum will review the Group’s recommendations and may choose to present them to the UN General Assembly. See [UNEP’s website on IEG reform](#) for more information.