DEBT AND DEVELOPMENT COALITION IRELAND

WORLD BANK – IMF WATCH IRELAND 2014

Debt and Development Coalition Ireland (DDCI) is a membership organisation working for global financial justice. As an independent civil society organisation, one of our roles is to examine the work of the International Financial Institutions (IFIs), the World Bank and the International Monetary Fund, and the impact their policies have on the lives of millions of people around the world. We track the policies of the Irish Government which represents the people of Ireland as a member of both the World Bank and the IMF, and we seek to support interested citizens and parliamentarians to hold the Irish Government to account in policy-making in this area. This report is part of our monitoring work.

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WHAT IS THE IMF?

According to its mandate, the IMF works 'to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world'. The IMF has been mandated by its members to play an emergency lending role in responding to the global financial and economic crisis post-2008.

WHAT IS THE WORLD BANK GROUP?

The World Bank Group is made up of five institutions, each of which has a different role. [1] It was originally established as a facilitator of post-war development, and has a present day mandate of 'worldwide poverty alleviation'.

Based in Washington DC, USA, today both the IMF and World Bank have 188 member countries.

[1] The International Bank of Reconstruction and Development, the International Development Association (these two together make up the World Bank), The International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for the Settlement of Investment Disputes.

EXECUTIVE SUMMARY: THE BRETTON WOODS INSTITUTIONS AT 70

Set up in 1944 in Bretton Woods, New Hampshire, USA, the World Bank and the IMF, or the 'Bretton Woods Institutions', are 70 years old this year. Over the last 70 years, they have become powerful institutions in setting the official international development agenda, both in terms of shaping policy and providing loan finance. In spite of their long-term engagement in countries of the Global South, and increased rhetoric of partnership and participation, *World Bank-IMF Watch Ireland* 2014 shows that they are still far from being trusted institutions in the countries where they work.

In 2013, the World Bank launched a strategy with twin ambitious goals: to end extreme poverty, by decreasing the percentage of people living on less than $1.25 a day to no more than 3%, and to promote shared prosperity by fostering growth in income of the bottom 40% for every country, by 2030. While these are worthy goals, DDCI believes that the route to delivering this plan has too great a focus on a perceived need for increased risk-taking in lending to the private sector, driven by an ever more competitive lending environment globally, without acting on some of the fundamental problems at the institutions.

In particular, *World Bank-IMF Watch Ireland 2014* highlights the need for action on debt relief for Southern countries in debt distress; to urgently legislate to control debt purchasing vulture funds; for fundamental reform of the *World Bank's Doing Business* report; for an overhaul of the approach of the World Bank Group's International Finance Corporation (IFC) lending practices; and to end damaging IMF policy conditionality practices and governance structures.

World Bank-IMF Watch Ireland 2014 specifically advocates the following set of recommendations :

1. Ireland should use its annual report on *Ireland's Participation at the World Bank and IMF* to:

- State clearly Ireland's own view of the significant policy decisions made at the IFIs, especially in relation to the issues discussed in this report.
- Jointly publish their annual report with the Department of Finance and Irish Aid. As significant elements of World Bank Group funding and policy relate to Irish Aid, joint publication would strengthen policy coherence.
- Present this report for debate in the Oireachtas as an exercise in accountability and transparency.
- Establish clear, justice-centred objectives for Ireland as a member of the World Bank and IMF and monitoring and evaluation mechanisms to track progress on their delivery.

2. On debt, the Irish government should stand for global debt justice by:

- Expressing clearly its reasons for voting against the landmark resolution at the UN to establish a multi-lateral debt restructing framework in September 2014.

- Engaging constructively at the UN in developing the modalities for the implementation of the newly agreed multi-lateral framework as part of the UN Financing for Development process.

- Using Ireland's membership of the World Bank and IMF to advocate for debt relief for countries suffering because of unsustainable and illegitimate debts, including Carribbean countries that are in Ireland's constituency at the financial institutions.

- Supporting the introduction of legislation in EU member states to implement legally binding limits to vulture fund claims in national jurisdictions.

3. On the World Bank's *Doing Business* project, the Irish government should support calls for the World Bank to:

- Scrap entirely the overall *Doing Business* ranking. While government officials may find a simple ranking useful, this ranking does not reflect the realities of countries in the Global South.

- Change the 'Paying Tax Indicator' by removing any reference to the issue of tax rates, and rely less on the input of PriceWaterhouseCoopers, which is not an independent and impartial observer.

- Totally remove the highly criticized 'Employing Workers' indicator from the report, including from its annexes and website. Adopt a broader approach to labour-market regulation, in consultation with the International Labour Organisation and other stakeholders.

- Align the *Doing Business* project with the Bank's twin goals of ending extreme poverty and promoting shared investment.

4. On the International Finance Corporation (IFC), the Irish government should stand for human and environmental rights in the context of private sector investment by:

- Expressing the possibility to the IFC of the suspension of any pending Irish financial investments and support if adequate actions are not taken to address the real concerns about erosion of human rights, or the social or environmental conditions of communities where investments take place.

- Supporting the calls for fundamental reform of the IFC's institutional culture, which incentivises loan volume over quality and prompts staff to hide social and environmental risks.

- Developing the Irish government's own justice-centred social and environmental criteria for private sector investment in countries of the Global South, and securing guarantees as a matter of course that any Irish funding invested in the IFC complies with these standards.

5. On the IMF, the Irish government should act as a voice for countries of the Global South by:

- Challenging the nature of IMF policy conditions which are in sensitive economic policy areas, particularly in the areas of tax and spending, and specifically advocating for an end to the IMF's support of regressive taxation or other measures which impact disproportionalty on people living in poverty.

- Supporting debt cancellation in situations of unsustainable and illegitimate debt, instead of increased IMF lending as the only policy option.

- Pressing for the implementation of the reform package agreed in 2010, with a focus on the interest of a greater voice and representation for countries of the Global South at the IMF.

POLICY UPDATES ON KEY ISSUES AT THE IFIs

Debt: Whose side is Ireland on?

During 2013, DDCI expressed concerns that unsustainable debt in countries of the Global South is not being prioritised by the Irish goverment in its development cooperation agenda. This is in spite of Ireland's historically positive reputation on the issue of debt justice for Global South countries, and Ireland's experience of being a country indebted to the 'Troika' lenders since 2010. During 2013, DDCI highlighted particular concern about the Carribbean region where a debt crisis has taken hold.

The small-island state of Grenada is an example of a country in the region in serious debt crisis. Due to unsustainable levels of indebtedness the Grenadian government stopped paying its sovereign debts last year, and sought to negotiate a debt reduction with all its lenders. As Ireland shares a constituency with Grenada and 10 other Caribbean countries at the World Bank and IMF, DDCI urged the Irish government to formally support the case of Grenada and the Caribbean region as a whole. Unfortunately the Irish Government has not taken action in support of the region. DDCI has also been monitoring countries in other regions whose debt is becoming unsustainable. A particularly shocking example is Ghana, promoted as a rising economic star in Africa, where a fall in the Ghanian currency increased the level of debt payments, making them unsustainable. In August 2014, Ghana formally requested a discussion on an economic programme with the IMF. An IMF lending programme is due to be agreed by November. The case of Ghana highlights the urgent need for longer term action to curb the rising debts of African nations and to ensure that damaging IMF policy conditions are not attached to any new loan programme (for further information on the type of IMF policy conditions applied to loans, see page 15).

DDCI supports nationally owned, civil society-led solutions to debt crises, and believes that countries of the Global South should lead the debate on formulating new, collective solutions. DDCI urged the Irish Government to support a recent UN resolution *Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes* which was passed by the United Nations General Assembly on 9th September 2014. This resolution was led by the G77, a grouping of countries of the Global South, and was based on a long-standing commitment at the UN to sustainable debt financing since the UN Millenium Declaration (for example, in the *Monterrey Consensus on Financing for Development* in 2002). Key to this resolution is that it shifts the debt debate away from the IMF - which clearly has a vested interest as an active lender in many debtor countries in need of debt cancellation - to the UN, where countries of the Global South are better represented. Seen as a landmark resolution by civil society organisations working on debt around the world, it was voted for by 124 UN Member States, while 41 member states abstained from supporting the resolution. Only 11 countries voted against the resolution. DDCI was surprised and deeply disappointed that Ireland was one of the 11 countries which voted No.

DDCI asks the Irish goverment to

- Express clearly its reasons for voting against the landmark resolution at the UN to establish a multi-lateral debt restructing framework.

- Engage constructively at the UN in developing the modalities for the implementation of the newly agreed multi-lateral framework as part of the UN Financing for Development process.

- Use Ireland's membership of the World Bank and IMF to advocate for debt relief for countries suffering because of unsustainable and illegitimate debts, including Carribbean countries that are in Ireland's constituency at the financial institutions.

Predatory vulture funds: Debt in the wrong hands

Countries in debt are vulnerable to financial predators such as vulture funds. Vulture funds seek to buy distressed debt at the bottom of the market, or from bankrupt countries after they have defaulted, in order to claim the full value later on.

The UN resolution discussed above, *Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes*, was triggered by the aggressive lawsuits taken by vulture funds against Argentina. These funds include NML Capital (a subsidiary of Elliott Management) and Aurelius Capital Management. They have been suing Argentina as a route to reclaiming payment to the tune of an exorbitant profit of about 1600%. Laws should be enacted, especially in jurisdictions where the majority of vulture fund claims are made, to curtail the levels of profits available to them. This legislation should ensure that funds that buy up debt close to, or following, a sovereign default are prevented from suing for full payment. This would be a step toward putting vulture funds out of business.

DDCI believes that the aggressive actions by vulture funds against Argentina and other countries around the world demonstrate the urgent need for regulation of such predatory financial actors.

DDCI asks the Irish government to:

- Support the introduction of legislation in EU member states to implement legally binding limits to vulture fund claims in national jurisdictions.

KEY ISSUES AT THE BANK:

The *Doing Business* report: the Bank assessing countries' business friendliness

Doing Business is a World Bank project that assesses a country's business environment across 189 countries using a set of 10 indicators on business regulations, with an overall ranking for 'Ease of Doing Business'. It is a very influential tool, especially impacting on how countries of the Global South, which need inward investment, are viewed by business. It attracts a high level of media coverage and it influences governments' wider policy development. For example, in 2011 a government spokesperson in Rwanda stated that 'we went through the last report indicator-by-indicator, and looked at the laws that needed to be amended.'

As highlighted in this report last year, the *Doing Business* rankings seem set to disadvantage countries of the Global South. They focus on business conditions in bigger cities and use a *de jure* approach, i.e. the conditions according to the law, which can be irrelevant to the reality on the ground. They promote labour deregulation. They promote a race to the bottom in lowering tax rates, with countries that promote lower tax rates scoring more highly. As the recent work by the IMF on spillover effects of international corporate taxation clearly indicates, pushing down corporate tax rates in Global South countries does not necessarily support sustainable development.

The Independent Review Panel on the *Doing Business Report*, chaired by former South Africa Finance Minister Trevor Manuel, issued a series of recommendations in 2013 stating that the Bank should retain the *Doing Business Report,* but that it should scrap the overall ranking; should reform that report's methodology; and implement a peer-review process of the report. Disappointingly, the Panel's recommendations will not be included in the 2015 and 2016 editions of the report. Key challenges for the *Doing Business* project remain and must be addressed by the Bank.

DDCI and our international CSO partners are calling for urgent changes to the report:

We call on the Irish government to support measures to:

- Scrap entirely the overall *Doing Business* ranking. While government officials may find a simple ranking useful, this ranking does not reflect the realities of countries in the Global South.

- Change the 'Paying Tax Indicator' by removing any reference to the issue of tax rates, and rely less on the input of PriceWaterhouseCoopers, which is not an independent and impartial observer.

- Totally remove the highly criticized 'Employing Workers' indicator from the report, including from its annexes and website. Adopt a broader approach to labour-market regulation, in consultation with the International Labour Organisation and other stakeholders.

- Align the *Doing Business* project with the Bank's twin goals of ending extreme poverty and promoting shared investment.

Over-investing in the Private Sector?: Focus on the World Bank's International Finance Corporation

HOW DOES THE IFC WORK?

The IFC is one of the five institutions that make up the World Bank Group and it is the largest multilateral financial institution investing in private enterprises in emerging markets. Established in 1956, it is governed by 184 member countries (including Ireland) with activities in over 100 countries.

The IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. The IFC's 184 member countries oversee the use and management of resources through a Board of Governors and a Board of 25 Directors. For Ireland, Minister for Finance Michael Noonan TD is the Governor and the alternate Governor is a Department of Finance official. Executive Director, Canadian Alistair Smith, represents Canada, Ireland and the Caribbean on the Board of Directors at the IFC.

DDCI, along with our international partners, is increasingly concerned about the way in which the Bank has been supporting the private sector with public money, in particular through the International Finance Corporation (IFC).

Last year in this report we highlighted cases of IFC investments in Cambodia and Laos in operations that caused enormous social suffering and economic damage. Particularly controversial over this last year has been the IFC's funding of Corporacion Dinant in Honduras, where negative social, environmental and human rights consequences have been reported. In January 2014, The Office of the Compliance Advisor/Ombudsman (CAO)[2] issued an audit of IFC investment in Corporación Dinant, Honduras.[3] The key findings were that the IFC failed to identify conflict and security risks associated with the project that should have been evident given information available at the time; that the IFC did not ensure that communities, including indigenous communities living in the immediate vicinity of the client's plantations, were consulted about the project, specifically with regard to land issues. Further, the audit found that the IFC did not conduct required due diligence in relation to the reputation of the client (i.e. Dinant). These oversights by the IFC led to intense suffering of local communities (see box below).

The IFC responded with a presentation entitled 'Lesson Learned', presented to the World Bank Board and civil society organisations (CSOs) in April 2014. However, this response has been judged by CSOs as insufficient to guarantee the avoidance of future harm to communities

2 The CAO is an independent office reporting to the World Bank Group President
3 http://www.cao-ombudsman.org/documents/CAOSUMMARYOFAUDITFINDINGSDinantJanuary102014.pdf

and the environment from IFC investments. Key concerns include the culture of incentives at the IFC, which prioritizes lending volume targets for staff over social and environmental outcomes, and the absence of human rights from the range of risks considered. The need to consult with CSOs and affected communities on the IFC's progress has also been highlighted, along with the means by which staff and senior management are held accountable for spotting and managing risk, and for sanctions when harm occurs should be identified.

In August 2014 the CAO released a further investigation of IFC's environmental and social performance, this time with regard to investments in Banco Ficohsa Honduras' largest bank in 2011. Fichosa has been involved in financing Dinant. The CAO contends that this was at a time when IFC management was aware of serious unmitigated environmental and social risks regarding Dinant.[4] Internationally, CSOs are raising the alarm about such financial intermediaries, as over 60% of IFC funding is now channeled through third parties like Banco Ficohsa. This form of lending through financial intermediaries, such as commercial banks, private equity funds and hedge funds heightens the risk of things going wrong.

DDCI believes that these are very serious findings against the IFC. Although Ireland does not subscribe directly to IFC investments, we do fund the institution. Ireland's subscription to the IFC's capital amounts to some $1.29 million.[5] In 2013, Ireland provided €300,000 to the IFC's Conflict-Affected States in Africa (CASA) Initiative to encourage the development of private enterprise in these countries, and €600,000 to FIAS, a service of the World Bank Group, the IFC, the Multilateral Investment Guarantee Agency, and the World Bank's (IBRD) which advises Global South countries on how to improve their business environments.

THE IFC IN ACTION: Access to land for food and livelihood security versus large scale private sector African Palm exploitation in the Lower Aguan Valley, Honduras

The Aguan Valley is a very fertile region in northern Honduras. As part of a process of agrarian reform in the 1970s and 1980s, land was distributed to landless peasants organized in over 50 cooperatives for the cultivation of African Palm for the processing of oil for food products and toiletries. This process was reversed when structural adjustment programmes in the early 1990s led to the Law for the Modernization of the Agricultural sector, and over 70% of collectively owned land was sold below market prices between 1992 and 1994. Overall, 35 peasant-owned cooperatives sold their land to private companies, including the Dinant Corporation which is now the largest owner of African Palm plantations in the Aguan. Peasant groups claim that many of the sales were achieved through bribery, threats, intentional division of peasants, coercion and fraud, and have repeatedly contested the legality of some of the titles currently in the company´s possession.[6]

Impoverishment and food insecurity arising

[4] www.cao-ombudsman.org/documents/CAOCommunique_Ficohsa_SummaryofFindings_August112014.pdf

[5] Ireland's Participation in the IMF and World Bank 2013: 35

[6] Rights Action, 2013, Human Rights Violations Attributed to Military Forces in the Bajo Aguan Valley in Honduras

from the sale of the land led to peasant groups organizing from 1999 onwards to recover land that they previously owned: they have taken legal cases for the annulment of land transfers, occupied lands, petitioned the government for the purchase of alternative land, and advocated and lobbied for redistribution.

Government response has been to increase militarization of the region to ensure the protection of Dinant and other privately owned lands through political repression, criminalization and arbitrary detentions of peasant leaders. This has led to an agrarian conflict that escalated into alarming levels of violence and human rights abuses in the period 2008 to 2013. The Permanent Observatory for Human Rights in the Aguan (OPDHA)[7], made up of two representatives from each of the peasant movements, was set up in late 2011 in response to the escalating violence and absence of State protection of human rights. In 2014 OPDHA documented the deaths and disappearances of 129 people on both sides of the conflict between 2008 and 2013. These included peasants, human rights defenders, private security guards and members of the Honduran police.[8] Most of the victims are peasant farmers and the majority of cases have remained in impunity.

In early 2014, the government set up a Special Investigation Unit to investigate the crimes as a result of strong international pressure. This Unit has yet to disseminate its first report.

The World Bank Group's IFC approved a loan of US$30 million for the Dinant Corporation in 2008 and the first 50% was disbursed in November 2009 despite evidence of the underlying land dispute and concerns around human rights violations associated with Dinant activities in the region. The second disbursement of US$15 million is still pending while the IFC works with the company to address issues of concern. While this is to be welcomed, the measures being taken fall short of an adequate response to the human rights abuses and the underlying cause of the conflict.

In June 2014, the IFC contracted the US-based Consensus Building Institute (CBI) to assess the possibility of initiating a dialogue among all stakeholders, including the company, the peasant groups and movements, local, national and international NGOs, and government. However, deep mistrust exists on the part of peasant groups towards the company and the government.

Throughout 2014, violent evictions have continued to take place with the military and police involved in shootings, the use of tear gas, beatings, and arbitrary detentions of peasant leaders. Community members report living in a chilling environment of constant fear due to the heavy military presence in the region and ongoing activities of harassment, threats and intimidation by the military and the police.[9] Defamation of peasant leaders by Dinant spokespersons, regional military representatives and the local and national media exacerbate the situation, further marginalizing the peasant groups and making their struggle for justice even more difficult.

In September 2014, a meeting was held in the region between representatives of the different peasant groups, the IFC and CBI. María Sofía Lopez, Coordinator of the

7. Establishment and functioning supported by Trócaire (the Irish Catholic Agency for Overseas Development) and the Swedish INGO, Diakonia
8. OPDHA, 2014, Informe estadística de muertes violentas relacionado al conflicto de tierras en el Bajo Aguán 2008 – 2013
9. Sentiment expressed by numerous peasants during individual and group interviews carried out by Trocaire staff on 10th and 11th September in the Aguan

Peasant Movement for the Recuperation of the Aguan (MOCRA) stated that their aim was to ¨demonstrate that what Dinant is saying about the campesinos is a lie (…). Dinant is the most dangerous enemy for us campesinos.¨ Adolfo Cruz, from the Peasant Movement of the Aguan (MCA) also expressed his doubts about the success of a dialogue process: ¨Dialogue is always useful for resolving disputes, but in this case I think it will be difficult. Miguel Facussé [owner of Dinant] has no interest in dialogue, he is only interested in the loan he is due to get from the World Bank.¨

Elaborated by Trócaire, Honduras Trócaire is the Official Agency of the Irish Catholic Church for Overseas Development

Irma Lemuz, Human Rights Observer with OPDHA in the Aguan Valley in Honduras. Photo: Aisling Walsh.

DDCI asks that the Irish government:

- Express the possibility to the IFC of the suspension of any pending Irish financial investments and support if adequate actions are not taken to address the real concerns about erosion of human rights, or the social or environmental conditions of communities where investments take place.
- Support the calls for fundamental reform of the IFC's institutional culture, which incentivises loan volume over quality and prompts staff to hide social and environmental risks.
- Develop the Irish government's own justice centred social and environmental criteria for private sector investment in countries of the Global South, and secure guarantees as a matter of course that any Irish funding invested in the IFC complies with these standards.

The IFC and Offshore Financial Centres

Another issue under scrutiny at the IFC is the World Bank Group's use of Offshore Financial Centres (OFCs). A recent civil society assessment of IFC investment through financial intermediaries found that at least $2.2 billion was channeled through secrecy jurisdictions where no meaningful economic activity by clients takes place because of their attractive low-tax, low-regulation environments. CSOs are demanding that the IFC's private sector operations are not used for tax avoidance, and are demanding transparency on such financial flows. A meaningful policy review which ensures that IFC-supported projects are not based in jurisdictions where no meaningful economic activities by its clients take place is required.

KEY ISSUES AT THE IMF:

Increasing use of conditionalities by the IMF

DDCI has long been concerned about the attachment of harmful policy conditionalities to loans by the IMF. The IMF, along with the World Bank, make loans dependent on governments' commitment to policy changes which intervene into the sovereign policy making process. Research published by Eurodad, the European Network on Debt and Development, in June 2014 [10] has shown that the IMF is increasing the number of structural conditions and remains heavily engaged in highly sensitive policy areas. Although the IMF had made commitments to streamline its conditionalitiy practices, recent research shows that this is not the case. Eurodad's research demonstrates that the number of policy conditions per loan has increased: an average of 19.5 conditions per loan 2011 – 2013, compared to 13.7 from 2005 – 2007. The research also found that many countries were repeat borrowers, pointing to the fact that the IMF was lending into situations of unsustainable debt levels. The nature of the conditionalities were found to be in politically sensitive economic policy areas, particularly tax and spending, including increases in VAT and other taxes, freezes or reduction in public sector wages, and cutbacks in welfare programmes, including pensions. Examples include raising VAT levels to boost the revenue to GDP ratio in Afghanistan, increasing electricity rates by 10% in Cote D'Ivoire, and in Kosovo concluding a multi-year agreement with major unions limiting nominal wage increases to zero for 2012/13. DDCI supports the conclusion of this research that the IMF should focus on its real mandate: to be a lender of last resort to countries that are facing temporary balance of payments problems, and not be involved on a long-term basis promoting policy change through its loan programmes. If countries are experiencing unsustainable levels of debt, IMF lending can make the situation worse, sustaining the spiral of debt.

DDCI asks that the Irish government:

- Challenge the nature of IMF policy conditions which are in sensitive economic policy areas, particularly in the areas of tax and spending, and specifically advocate for an end to the IMF's support of regressive taxation or other measures which impact disproportionalty on people living in poverty.
- Support debt cancellation in situations of unsustainable and illegitimate debt, instead of increased IMF lending as the only policy option.

Urgent Need for Governance Reform at the IMF

Last year we highlighted once again the urgent need for reform of governance at the IMF. This is still a matter for urgent attention. Each member of the IMF is assigned a quota, which is used in three ways: to determine voting rights, to determine contributions to the IMF and to set a guideline for the level of resoruces a country can borrow from the IMF. Quotas are decided upon broadly through countries' relative place in global economy. Countries of the Global South have long expressed their

[10] Griffiths Jesse and Konstantinos Todoulos (2014) Conditionally yours: An analysis of the policy conditionalities attached to IMF loans, Eurodad April 2014.

disatisfaction with the distribution of quotas in favour of wealthier countries.

In 2010, the IMF Board of Governors approved a reform package, including a proposed amendment to reform the Executive Board that would facilitate a move to a more representative, all-elected Board. The reform package also included a doubling of IMF quotas, with a shift in quotas to 'dynamic emerging markets and under-represented countries'. Once the quota and governance reforms are in effect, there will be 2 fewer Board members from advanced European countries, and all Executive Directors will be elected rather than appointed, as some are now. The size of the Board will remain at 24, and its composition will be reviewed every 8 years.[11]

However, the changes to Ireland's and other members' IMF quota and the changes in the Board which are contained in the reform package will only take effect when a) the increase of quotas reform is agreed by 70% of the membership, and b) the reform of the Executive Board has been ratified by 85% of the membership. Currently, members representing 71% of the voting power have agreed to the reforms. While the quota reform has a sufficient majority, the Board Reform Ammendment does not.[12]

Countries of the Global South continue to express their frustration at the stalled progress of the reforms, and the US Congress' rejection of the amendments. Further, it has been pointed out that although the reforms are portrayed as an effort, amongst other goals, to increase Southern countries' voice, the voting changes overwhelmingly benefit a few larger emerging nations such as China and Brazil rather than Global South countries as a whole. [13]
According to the Irish government, Ireland supports the reform process and has been actively engaged in the quota discussions throughout 2013. In its report *Ireland's Participation at the World Bank and IMF 2013,* the government points out that 'it is worth noting that all EU members have fully ratified the 2010 reforms'.

DDCI asks that the Irish government to:
Continue to press for the implementation of the reform package agreed in 2010, with a focus on the interest of a greater voice and representation for countries of the Global South at the IMF.

[11] http://www.imf.org/external/pubs/ft/survey/so/2011/new030411a.htm
[12] Ireland Participation at the IMF and World Bank 2013: 7.
[13] www.brettonwoodsproject.org/2013/12/developing-countries-demand-quota-reform-implementation/

2014: IRELAND'S YEAR AT THE WORLD BANK AND IMF

Ireland has been a member of the World Bank and IMF since since 1957. As mandated in Section 10 of the Bretton Woods Amendment Act 1999, every year the Department of Finance publishes a report, *Ireland's Participation at the World Bank and IMF,* which details Ireland's financial and policy contributions throughout the year. The Government's report also details the practical ways in which Ireland is engaged with the two institutions in relation to governance (see box below). The Government's report is an important accountability tool to the Oireachtas and to the public on Ireland's decision-making as a member of the World Bank and IMF.

In this year's report, DDCI particularly noted the following areas:

Update on gold sales: Funds should cancel and not sustain debt

Last year, we highlighted the IMF's agreement to a massive sale of gold reserves, all to be used for concessional loans to Low Income Countries (LICs) through the IMF's Poverty Reduction and Growth Trust (PRGT). This year, the government reports that in 2013 PRGT lending continued at a zero percent interest rate, and that the Fund obtained pledges from member states to allow profits from the windfall gold sales to be used to make concessional lending self-sustaining.

However, DDCI believes that money gained from gold sales should be used to cancel the unsustainable and illegitimate debts in these countries, some of the poorest in the world, rather than reinforcing the cycle of indebtedness, no matter how low the interest rates.

Governance at the IFIs: A numerical or a justice issue?

The Government's report highlights the delay in the governance reform package which was introduced in 2010 and which, when passed, will increase the number of quotas for each country, including Ireland. Ireland's quota at the IMF remains SDR 1,258 million (€ 2,012 million).[14] The further increase in quota agreed in 2010 will increase Ireland's quota to SDR 3,450m (€ 5,520 million) and its voting share at the IMF from 0.528 to 0.713 when it comes into effect.[15] The report points out that Ireland has already voted in favour of these reforms, which is positive. However, it refers to the on-going programme of governance reform of the World Bank and IMF in terms of 'structures and processes [that] better reflect the modern world', without making any reference to the need to tackle the fundamental structural injustice in governance at the World Bank and IMF, which is, and has historically been, in favour of wealthier countries, at the cost of countries of the Global South.

'Troika' assistance programme to Ireland: Policy conditionality in Ireland

As part of the 'Troika' financial assistance to Ireland agreed in 2010, the IMF provided € 22.5 billion. The report notes that over 290 policy actions were implemented as a result of the programme, and that 'throughout the programme Ireland maintained a track record of strong programme implementation

[14] SDR – Euro 1.16 – exchange rate as of 10th September 2014 www.imf.org/external/np/fin/data/rms_five.aspx
[15] Ireland's participation in the IMF and World Bank p. 11

meeting its commitments both in terms of policy reforms as well as quantitative targets.' It goes on to list some of the policy changes as key achievements of the programme. The report does not mention the impact of the austerity measures implemented through the period on people in Ireland, nor the challenge posed to Ireland's sovereign policy-making process by these externally promoted policies. The measures, which for 2012 included a range of social welfare cuts and tightening of access to services criteria, cuts to public services (such as health and education), cuts to public wages and public-sector pensions, and payments introduced for services (such as school transport and drug prescriptions)[16] impacted disproportiontely and unjustly on disadvantaged and vulnerable groups.

DDCI believes that Ireland's experience as a so called 'bail-out' country provides our policy-makers with a basis for understanding the situation of the many countries of the Global South that face the same challenge of restricted policy space as a result of indebtedness; and for promoting the interests of other, even more vulnerable indebted countries.

The World Bank's Doing Business Project: Whose interest is Ireland promoting at the World Bank?

Doing Business is a World Bank project which ranks countries on the basis of indicators, to measure how business-friendly they are. This year the Irish Government highlights that 'Ireland retained its overall ease of doing business ranking of 15th' and that 'of particular importance was Ireland's sixth place ranking in both categories of protecting investors and paying taxes'. The government pledges to continue close engagement with the Bank on the *Doing Business* report, 'ensuring the report reflects on-going reforms and improvements in Ireland's business environment'.[17] DDCI is very surprised to see no reference at all to the critiques from civil society organisations internationally, and within the World Bank itself of the failure of *Doing Business* to reflect the business realities in countries of the Global South or of the questionable nature of its indicators. This lack of critical engagement with the rankings would seem to reflect a glaring self-interest on Ireland's behalf, with no consideration of the interests of countries of the Global South in this influential project.

Focus on private sector mobilization: Greater focus needed on safeguards for communities

The Government's report notes the World Bank's investment in the private sector through the International Finance Corporation (IFC), and also through the International Development Association's support for the private sector in fragile and conflict-affected states. DDCI notes that there is no mention of the highly topical debate within the Bank and critique by civil society organisations about some of the IFC's investments and their negative social and economic outcomes for the very communites that the World Bank is mandated to support out of poverty, notably the current situation with Corporacion Dinant in Honduras. DDCI has raised these concerns with Irish officials in Washington, Dublin and with World Bank officials during this year.

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[16] www.socialjustice.ie/sites/default/files/file/EU/2014-03-27%20-%20%20Caritas%20Crisis%20Report%202013%20-%20published%20version%20-%20FINAL.pdf

[17] Ireland's Participation at the World Bank and IMF 2013:12

Other issues at the World Bank and IMF: Tax justice and debt justice must be at the centre of Ireland's international policy, and 0.7% must finally be acheived

The Government's report carries the speech of the Central Bank Governor, Patrick Honohan, at the Autumn Meetings of the World Bank and IMF in October 2013. Here, he points to the positive progress on international tax reform under Ireland's Presidency of the EU in 2013. However, while there is indeed some progress at a European level toward a more transparent international tax regime, DDCI argues that Ireland should now be acting more proactively on issues of tax transparency. In particular, the government should establish a public register of the beneficial owners of companies and trusts, as proposed by the European Parliament in March 2014, and increased country-by-country financial reporting for all companies globallly, including those in Ireland.

Governor Honohan mentioned that the Irish EU Presidency highlighted the post-2015 development agenda, in particular hunger, nutrition and climage change. DDCI is concerned that there is no focus on the rising levels of debt of Global South countries in Ireland's engagement with this agenda, or any mention of the need for tax justice for countries of the Global South. These issues of financial justice should be a central concern in the post-2015 agenda. Without these key measures to address the financial vulnerability of many countries of the Global South, there is no stable foundation upon which to move forward on other key development issues. At the time of going to print with this report, DDCI is dismayed at the Irish government's vote at the United Nations General Assembly on 9th September 2014 against a proposal from the G77 to create a multi-lateral framework for debt restructuring through UN structures. Ireland was one of only 11 UN member states that voted against. 124 countries voted in favour, mostly countries of the Global South.

Finally, the Governor restates the Irish government's commitment to achieving the UN target of 0.7% of GNP spending on ODA, when 'economic circumstances permit'. DDCI believes that economic circumstance is not a logical rationale for failing to meet the 0.7% target - the use of a percentage of the GNP in any given year is designed to cater for changes in any country's economic circumstances. It is a moral imperative to fulfill our longstanding obligation to meet the 0.7% target, and a clear timetable must be articulated and legislated for by the government.

How Ireland is represented at the World Bank and IMF

Ireland's Minister for Finance, Mr Michael Noonan TD, is Governor for Ireland at the World Bank Group (WBG) and the IMF. Most decision-making is delegated to a Board of 24 Executive Directors based at the WBG's headquarters in Washington DC.

Ireland is part of a constituency made up of Canada, Ireland and 11 Caribbean countries. From this constituency, Ireland's representative at the World Bank is Canadian Executive Director Alister Smith, who also represents the other countries in the Constituency Office. In addition to the Executive Director, the Constituency Office has one Alternate Executive Director, three senior advisors, five advisors and two programme assistants. Of these officials, two are Ireland's Advisors, Senior Advisor Mary O'Dea and Advisor Niall Cassidy, nominated by the Minister for Finance. These Irish Advisors have specific responsibilities for highlighting and promoting Ireland's positions on various World Bank Group polices and also for liaising closely with Irish authorities such as the Department of Finance, Irish Aid, and Enterprise Ireland. DDCI has met with the Irish advisors during this year to raise some of the issues in this report.

At the IMF, Ireland is represented by the Canadian Executive Director, Mr Thomas Hockin. His staff includes two full-time Irish staff, Michael McGrath who is the Alternative Executive Director and Michael Hough, Advisor. In addition to general work on IMF policy and country matters, including attendance at Board meetings, the Irish constituency staff, who are nominated by the Minister for Finance as Governor for Ireland at the Fund, liaises with the Irish authorities and IMF staff on issues relating to Ireland.

Each year, the World Bank and IMF governors and officials have joint Spring and Autumn meetings, and civil society meetings are run in parallel, where CSOs have the chance to meet with officials and other civil society organisations. In 2013, Minister Noonan and the Secretary General of the Department of Finance attended the Spring meetings in Washington. In October 2013, Central Bank Governor Patrick Honohan attended the Autumn meetings. DDCI attended the Autumn meetings and met with World Bank, the IMF and Irish officials, and along with our civil society partners advocated on the recommendations highlighted in this report.

Drawing from *Ireland's Participation at the World Bank and IMF 2013,* published by the Department of Finance.

While the Annual Report on Ireland's participation at the World Bank and IMF is an important document, DDCI asks the government, in future, to use the report to:

- State clearly Ireland's own view of the significant policy decisions made at the IFIs, especially in relation to the issues discussed in this report.
- Jointly publish the annual report with the Department of Finance and Irish Aid: as significant elements of World Bank Group funding and policy relate to Irish Aid, joint publication would strengthen policy coherence.
- Present this report for debate in the Oireachtas as an exercise in accountability and transparency.
- Establish clear objectives for Ireland as a member of the World Bank and IMF and monitoring and evaluation mechanisms to track progress on their delivery.

Ireland's Contributions to the World Bank Group 2012-13

	2012	2013	Total	% of total con-
IDA				
International Development Association (IDA)	€23,400,000	€29,070,000	€52,470,000	44%
WORLD BANK TRUST FUNDS				
Global Fund to fight AIDS, TB and Malaria	€11,800,000	€14,400,000	€26,200,000	22%
Ethiopia Protection of Basic Services Program (Phase II and III) Project	€7,700,000		€7,700,000	6%
Multi Donor Trust Fund for Ethiopia Productive Safety Nets		€11,300,000	€11,300,000	10%
Consultative Group on International Agricultural Research (CGIAR)	€4,240,000	€4,200,000	€8,440,000	7%
Global Partnership for Education		€5,000,000	€5,000,000	4%
Ethiopia Protection of Basic Services Social Accountability Program	€800,000	€2,000,000	€2,800,000	2%
Facility for Investment Climate Advisory Services (FIAS)	€600,000	€600,000	€1,200,000	1%
Multi Donor Trust Fund for the Ethiopia Productive Safety Nets Partnership	€300,000		€300,000	0%
Technical and Administrative Support to the Joint Budget Support Framework in Uganda Multi-Donor Trust	€163,831		€163,831	0%
Multi-donor Trust Fund for Comprehensive African Agriculture Development Programme (CAADP)	€250,000	€200,000	€450,000	0%
Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster	€500,000	€600,000	€1,100,000	1%

	2012	2013	Total	% of total con-
Multi Donor Trust Fund for the Protection of Basic Services Program Secre-	€50,000		€50,000	0%
Private Enterprise Partnership Africa: Conflict Affected States in Africa	€300,000	€300,000	€600,000	1%
Global Agricultural and Food Security programme		€1,000,000	€1,000,000	1%
Subtotal World Bank Group Trust Funds	*€26,703,831*	*€39,600,000*	€66,303,831	56%
Total to World Bank Group	**€50,103,831**	**€68,670,000**	**€118,773,831**	100%

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This report was funded with the support of the EC and Trócaire.

Trócaire

This project has been undertaken with the assistance of the European Union. The content is the sole responsibility of Debt and Development Coalition Ireland, and can in no way be taken to reflect the views of the European Union.