

Dear Friends,

Right now, civil society groups in the United States have the most significant opportunity in at least a decade -- and for the foreseeable future -- to advocate for meaningful policy change at the International Monetary Fund (IMF). *Please consider signing on to the letter below; it is a first step in a broad effort to capitalize on this historic moment and to work for an end to harmful policies supported by the IMF that prevent countries from scaling up investments in health and education.*

Please send organizational signatures to **Sarah Rimmington of Essential Action**, <srimmington@essentialinformation.org> by **Wednesday March 19, 2008**. This effort is being spearheaded by a coalition of civil society organizations based in the United States, including Health Global Access Project, Essential Action, Jubilee USA, ActionAid USA, Treatment Action Group, and Bank Information Center. Many other organizations and associations, including AFL-CIO, Oxfam America, and American Public Health Association, have also signed-on.

The IMF is proposing to sell some of the gold stock it holds to create a trust fund, proceeds of which would be used to pay for the IMF's administrative expenses. The IMF is taking this step because it is facing a budget crunch: middle-income countries have been paying off their debts to the IMF and deciding not to borrow anew. Selling this gold requires authorization by United States Congress, providing a unique point of leverage for civil society. *Congress has the power to condition approval of gold sales on changes in the way the IMF operates.* The letter below calls on Congress to do exactly that, urging that gold sales be approved only if Congress first obtains policy changes so that the IMF:

- ♦ **Stops demanding countries adopt anti-growth, restrictive deficit and inflation targets;**
- ♦ **Exempts health and education spending from government budget ceilings;**
- ♦ **Stops diverting foreign aid away from its intended purposes and to domestic debt payment or currency reserve build-up;**
- ♦ **De-links debt cancellation from harmful economic conditionalities;**
and,
- ♦ **Improves transparency and undertakes meaningful public consultations before agreeing with countries on economic policies.**

Because the IMF gold sale proposal would make the agency self-financing, this important opportunity to leverage Congressional influence over the Fund is not likely to be repeated any time soon.

At this stage, many Members of Congress are focused on getting assurances from the IMF that it will address other issues, such as transparency of so-called 'sovereign wealth funds' and the valuation of China's currency.

But we feel it that it is vital that people in the United States urge that Congress press for changes in the area where the IMF policy-making role is by far the most significant: the policy dictates it continues to impose on poor countries.

Links to background materials on these matters follow the sign-on letter below.

Please review the sign on letter and send endorsements from U.S. organizations to Sarah Rimmington of Essential Action, <srimmington@essentialinformation.org> by **Wednesday March 19, 2008**.

Thank you!

Civil society sign on letter to Members of U.S. Congress on IMF gold sales and scaling up investments in health and education

Dear <Member of Congress>,

The International Monetary Fund (IMF) is seeking authorization from Congress to sell some of its gold reserves for the purpose of funding the institution's future operations. The Bush administration has tentatively indicated its support for IMF gold sales. We are writing to urge that before authorizing gold sales, Congress insist on meaningful reforms in IMF policy in developing countries and attach conditions to how gold sales will occur.

Over the last three decades, IMF policies have limited development opportunities, and denied opportunity and decent livelihoods to hundreds of millions. Instead, the IMF has leveraged its role as gatekeeper to international capital flows to insist that poor countries adopt a narrow set of policies that have limited possibilities for more expansionary economic growth and prevented developing country governments from investing sufficiently in healthcare, education and other vital needs.

As proposed, sale of IMF gold would be a one-time event, with the proceeds used solely for funding of IMF operations and done in such a manner as to likely

preclude any future Congressional leverage over Fund activities, and without any assurances or even promises of changes to long-standing failed and harmful IMF policies.

If Congress is to authorize IMF gold sales, it should take advantage of the opportunity to remedy these historic wrongs. Before Congress approves IMF gold sales, it must ensure that proceeds are not used exclusively for maintaining IMF staff. The gold held by the IMF is in essence a global public good.

If gold sales are to be approved, a significant portion of the proceeds should therefore be devoted to the public good of alleviating global poverty. The best way to do this would be to allocate proceeds towards debt cancellation. Proceeds could be placed into a trust that could be used to cover protracted arrears of countries soon to be eligible for debt cancellation under the IMF/World Bank existing debt relief programs, or to fund future debt cancellation for additional impoverished countries.

Congress should also condition its authorization of gold sales on whether or not the IMF achieves the following specific and demonstrable changes in its policy mandates and prescriptions for developing countries:

- **The IMF must rescind the use of overly restrictive deficit-reduction and inflation-reduction targets.** Such targets prevent developing countries from growing their economies and expanding public spending, including in the critical areas of health and education. The IMF must not stand in the way of policy makers in borrowing countries exploring and adopting more expansionary fiscal and monetary policy options.
- **Expanded health and education spending must be exempt from budget ceilings.** Budget and wage bill ceilings can undermine impoverished countries' ability to provide adequate salaries for health and education workers, hire additional needed health workers and teachers and scale up and improve the quality of the health and education sectors. The IMF has made some moves toward eliminating wage bill ceilings, but maintains budget caps that limit overall government spending flexibility. Expanded spending in the crucial areas of health and education must not be subjected to these overall budget caps.
- **Developing countries must be permitted to spend foreign aid for its intended purposes.** The IMF's own Independent Evaluation Office finds as much as 74% of additional foreign aid to 29 countries in sub-Saharan Africa between 1999-2005 has been diverted from its intended purposes. **Instead of being spent on health, HIV/AIDS, and education, it has been allocated to domestic debt payment and international currency reserves because of IMF policies regulating monetary policies.** While we understand that the establishment of strong reserves can be a priority for a country, the decision of whether to use foreign aid to build up reserves should be the government's,

made after public discussion of the implications with civil society the legislature, and other stakeholders, with a clear analysis of the trade-offs involved.

- **Debt cancellation must be de-linked from harmful economic policy conditions**, including overly restrictive deficit-reduction and inflation-reduction targets, wage and budget caps that limit spending on health and education; policies that lead to diversion of foreign aid from its intended purposes.

- **Transparency and the right to access information must be strengthened at the IMF.** Disclosure of IMF draft policy papers, technical assistance reports, and Executive Board documents—such as the minutes on Board meetings—is imperative to facilitating informed participation by external stakeholders in national economic decision-making and to ensuring citizens' ability to hold their governments accountable.

- Too often, poor borrower countries' macroeconomic policies are established through secretive deliberations by the IMF, and the Central Bank and the Ministry of Finance. IMF practices must change to restore national, democratic decision-making over policy-making. **IMF Mission Teams that visit countries to review loan agreements or conduct annual surveillance (Article IV reports) must participate in explicit and open consultations with a wide range of external stakeholders, not just with the Ministry of Finance and the Central Bank.** Stakeholders should include other relevant government ministries (including health and education), independent economists and academic specialists, national civil society and labor unions. These broad and meaningful consultations should occur before a country's macroeconomic policies are set.

Finally, we note that the IMF's gold sales proposal suggests there would be no subsequent sale of gold, and that the proceeds from this sale would enable the Fund to be self-financing. Both of these matters require careful Congressional review.

Given skyrocketing costs for oil, redressing developing country debt problems and meeting Millennium Development Goal objectives may require new sources of funding in the future. There is no reason to preemptively commit to not deploying the global public good of IMF gold for this purpose in the future.

One consequence of the IMF becoming self-financing is that Congress would no longer have meaningful leverage over its policies. Given the Fund's record, and the importance of Congressional intervention to advance development objectives in the past, we believe this arrangement merits, at least, very careful review before it is put into place.

Sincerely,

<list in formation>

ActionAid International USA

Africa Action

AFL-CIO

African Services Committee

American Public Health Association, International Health Section

Bank Information Center

Community HIV/AIDS Mobilization Project (CHAMP)

Essential Action

Foreign Policy in Focus

Global Action for Children

Global AIDS Alliance

Global Exchange

Health Alliance International

Health GAP (Global Access Project)

Holy Cross International Justice Office

Institute for Policy Studies, Global Economy Project

International Accountability Project

Jubilee USA Network

Leadership Conference of Women Religious

Maryknoll Global Concerns

Nicaragua Center for Community Action (NICCAS)

Oxfam America

Partners in Health

People's Health Movement

Physicians for Human Rights

RESULTS, USA

San Francisco Bay Area Jubilee Coalition

Sisters of the Holy Cross, Congregation Justice Committee

Stop HIV/AIDS in India Initiative

Student Global AIDS Campaign (SGAC)

Treatment Action Group (TAG)

United Methodist Church, General Board of Church and Society

WingSpan International USA

NOTE: For background information on these issues, see:

"The Budget Ceiling: Why Countries Can't Adequately Invest in Health Care and Education," <<http://www.results.org/website/article.asp?id=2208>>

"Blocking Progress: How the Fight Against HIV/AIDS is Being Undermined by the World Bank and International Monetary Fund,"
<<http://www.results.org/website/article.asp?id=1212>>

Jubilee USA Network, *"Recent Developments On IMF Gold Sales & Debt Cancellation,"* Feb 2008,
<http://www.jubileeusa.org/fileadmin/user_upload/Resources/Policy_Archive/208imfgold.pdf>

Action Aid, *"Confronting the Contradictions: The IMF, wage bill caps and the case for teachers,"* <http://www.actionaidusa.org/imf_africa.php>

Action Aid, *"Changing Course: Alternative Approaches to Achieve the Millennium Development Goals and Fight HIV/AIDS,"*
<http://www.actionaidusa.org/pdf/Changing_Course_Report.pdf>

Gerald Epstein, "*Too much, too soon: IMF conditionality and inflation targeting*," <<http://www.brettonwoodsproject.org/art-542599>>

Global Transparency Initiative, "*Transparency at the IMF: A guide for civil society on getting access to information from the IMF*," Oct 2007, <http://www.ifitransparency.org/doc/Transparency_IMF_GTI.pdf>

UN Development Program, "*Pro-Growth Alternatives for Monetary and Financial Policies in Sub-Saharan Africa*," <<http://www.undp-povertycentre.org/pub/IPCPolicyResearchBrief6.pdf>>

Eurodad, "*World Bank and IMF conditionality: a development injustice*," <<http://www.eurodad.org/aid/report.aspx?id=130&item=0454>>

Center for Global Development, "*Does the IMF Constrain Health Spending in Poor Countries? Evidence and an Agenda For Action*," <<http://www.cgdev.org/content/publications/detail/14103>>

Independent Evaluation Office of the IMF, "*An Evaluation of The IMF and Aid to Sub-Saharan Africa*," <http://www.ieo-imf.org/eval/complete/eval_03122007.html>