

April 7, 2008

Dear Senators and Representatives,

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

The International Monetary Fund (IMF) is seeking authorization from U.S. 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 existing IMF/World Bank 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 (IEO) 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 (MDG) 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,

ACT UP New York

ACT UP Philadelphia

ActionAid International USA

AFL-CIO

Africa Action

Africa Faith and Justice Network

African Services Committee

AIDS Project Los Angeles

American Friends Service Committee

American Jewish World Service

American Medical Student Association (AMSA)

American Public Health Association, International Health Section

Americans for Informed Democracy

Artists for a New South Africa

Bank Information Center

Center of Concern

Columban Justice, Peace and Integrity of Creation Office (USA)

Community HIV/AIDS Mobilization Project (CHAMP)

Dominican Sisters of Hope

East Timor and Indonesia Action Network (ETAN)

Essential Action

50 Years is Enough: U.S. Network for Global Economic Justice

Foreign Policy in Focus

Gender Action

Global AIDS Alliance

Global Action for Children

Global Exchange

Global Youth Coalition on HIV/AIDS (GYCA)

Haiti Reborn/Quixote Center

Harm Reduction Coalition

Health Alliance International

Health GAP (Global Access Project)

HIVictorious, Inc.

Holy Cross International Justice Office

Institute for Policy Studies, Global Economy Project

International Accountability Project

International Labor Rights Forum

InterReligious Task Force on Central America

Jubilee Montana Network

Jubilee Northwest Coalition

Jubilee Oregon

Jubilee San Diego

Jubilee USA Network

Jubilee Virginia

L.A. Gay & Lesbian Center

Leadership Conference of Women Religious

Maryknoll Global Concerns

Mennonite Central Committee U.S., Washington Office

Mercy Investment Program

Missionary Oblates of Mary Immaculate, Justice Peace/Integrity of Creation Office

National Women's Health Network

Nicaragua Center for Community Action (NICCA)

Nicaragua Network

North to South Aid

Northwest International Health Action Coalition (NIHAC)

The ONE Campaign (Make Poverty History)

Oxfam America

Partners in Health

People's Health Movement

Physicians for Human Rights

RESULTS, USA

San Francisco Bay Area Jubilee Coalition

School Sisters of Notre Dame – Global Justice & Peace Commission

School Sisters of Notre Dame – Milwaukee Provincial Council

Service Employees International Union (SEIU)

Sisters of Mercy Regional Community of Detroit

Sisters of the Holy Cross, Congregation Justice Committee

Sojourners-Call to Renewal

Stop HIV/AIDS in India Initiative (SHAI)

Student Campaign for Child Survival (SCCS)

Student Global AIDS Campaign (SGAC)

Student Trade Justice Campaign (STJC)

TransAfrica Forum

Treatment Action Group (TAG)

Unitarian Universalist Association of Congregations

United Methodist Church, General Board of Church and Society

Ursuline Sisters of Tildonk-U.S. Province

Vermont Global Health Coalition

WingSpan International USA

Witness for Peace