



Position Paper  
*Updated May 15, 2009*

## **Leveraging the IMF's Pots of Gold for the Benefit of Low Income Countries<sup>1</sup>**

### **I. Executive Summary**

Just over two years ago, the IMF was facing an institutional crisis, with few countries interested in the institution's loans. In January 2007, a group of experts led by Andrew Crockett released a report recommending that the IMF address its tenuous financial position by selling 1/8<sup>th</sup> of its gold reserves, investing the proceeds, and creating an ongoing income stream to ensure the IMF had adequate resources to meet its ongoing administrative expenses. In May 2008, the IMF Board ratified a new income model with gold sales at its core.

More than two years after the Crockett report and release, the global environment has changed dramatically. Grippled by the most significant financial crisis since the Great Depression, developing countries are turning to the IMF for massive loans to fill gaping holes in their budgets. The social and political implications of the economic crisis are so severe that US National Intelligence Director Dennis Blair warns that the global economic crisis has supplanted terrorism as the #1 threat to US national security.

At the April G-20 summit in London, world leaders committed hundreds of billions of dollars to the IMF for crisis response –the overwhelming majority of which was for middle income countries. Summit participants also partially responded to the urgent need for additional resources for the poorest countries by broadly agreeing that some proceeds from gold sales and/or related sources of IMF income – about \$1-1.5 billion - could in turn leverage up to \$6 billion in new loans for low-income countries over the next to years. But significant additional funds on more beneficial terms and without harmful conditions should be made available to the poorest in light of urgent development needs and to help avoid destabilization.

In late April, Low-Income Country Finance Ministers meeting during the spring meetings of the IMF and World Bank indicated their support for a proposal that a portion of the money from IMF gold sales be used to provide debt service relief for the duration of the financial crisis. Meanwhile, US Representative Barney Frank has called for raising \$4-5 billion in additional funds from IMF gold sales to be used for grants or debt relief for the poorest countries. As Chairman of the US House Financial Services Committee, Mr. Frank's support is essential to securing Congressional approval of IMF gold sales and additional funding for the IMF.

The proposed sale of gold held by the IMF could yield in total upwards of \$10 billion at current market prices. The IMF Board has already agreed to devote the overwhelming majority of this money to its own administrative budget, but Jubilee USA argues that the IMF should devote

---

<sup>1</sup> Jubilee USA Network is an alliance of 75 faith-based, human rights, and development organizations. The report was written by Neil Watkins and Hayley Hathaway of Jubilee USA Network. The authors are grateful to Nancy Alexander, Matthew Martin, Nuria Molina, and Kristin Sundell for their comments on the draft, but the authors remain solely responsible for the content.

more of this to low-income countries. The institution has multiple “pots of gold” from which it could draw to assure its income model *and* provide additional resources for the poorest countries. These additional resources are available due to the increased gold price, the significant increase in IMF income from large loan packages to an expanding number of countries, and the resources from the Trust Fund for the two primary facilities from which low-income countries are financed – the Poverty Reduction and Growth Facility (PRGF) and the Exogenous Shocks Facility (ESF). In addition, there is the potential for increasing resources available to low-income countries by investing countries’ quotas and delaying or ceasing the repayment of PRGF administrative expenses to the IMF’s General Reserve Account (GRA). In short, by using some proceeds of gold sales, together with other IMF pots of gold, the IMF can afford at least \$5 billion in debt relief or grants for the poorest countries.

*Recommendations:*

- The IMF should mobilize proceeds for gold sales and other sources listed above to provide at least \$5 billion in debt relief or grants for low-income countries. These funds must be *in addition* to the pledges made for additional low-income country leverage as part of the agreement reached at the G-20 summit last April.
- The most efficient and practical way to deliver these resources is by providing IMF and multilateral debt service relief for eligible HIPC and other low-income countries that have effective and transparent public financial management practices. We estimate that proceeds from IMF “pots of gold” could cover the debt service payments for up to 43 of the poorest and hardest hit countries over the next 3 ½ years – a time in which the crisis’ effects are likely to persist in low-income countries.
  - The IMF could use proceeds from gold sales and other sources to finance \$1.41 billion in debt service relief for 43 low-income countries on IMF debt for the duration of the global financial crisis.
  - The IMF could transfer proceeds from gold sales to the HIPC Trust fund to finance \$3.09 billion in debt service relief for 43 low-income countries on their World Bank, African Development Bank, and Inter American Development Bank debts.
- While debt relief is Jubilee USA’ preferred approach to delivery of funds, if this is not possible and funds are to be used for long-term development assistance on grant terms, the IMF should consider transferring proceeds from the sale of IMF gold to another institution. The IMF does not have a mandate for long-term development assistance, and its track record under PRGF has been unsatisfactory, with poor countries borrowing at non-concessional rates with significant conditionality.
- While the IMF does not have a mandate for long-term development lending, it does have a clearer mandate for short term balance of payments support. If funds are channeled to provide short term balance of payments support through the IMF they should not be linked to requirements that countries pursue anti-poor or contractionary economic policies and should be provided on as close to full grant terms as possible. The IMF could also explore a “Flexible Credit Line” type facility for low-income countries.

## **II. Background**

Though it's hard to believe now, the IMF's proposal to sell some of its gold and create a new income model originated at a time when the IMF was shrinking dramatically. In 2006, the IMF projected an income shortfall in fiscal year 2007 of \$165 million. This shortfall was projected to reach \$400 million by FY2010.<sup>2</sup> The IMF has historically raised its operating and administrative budget through fees and interest on its loans, so when lending is down, it faces serious financial pressure. The projected deficit was due to sharp reductions in outstanding loans from the IMF over the previous few years, as borrowers paid loans back faster than expected due to concerns over loan conditions and the increased popularity of other lenders.

In response to this situation, the IMF convened a group of experts in 2006 and asked them to recommend changes to the institution's income model. JPMorgan Chase International Chairman Andrew Crockett chaired the Committee of Eminent Persons and the group released a report in January 2007 proposing a new income model to make the organization more sustainable. A formal proposal based on the Crockett Report -- the New Income and Expenditure Framework -- was approved by the IMF at the Fund's spring meetings in April 2008. The framework would change the IMF's income model to make the institution less reliant on making profits through lending. The proposal included a call to finance ongoing administrative expenses through proceeds from limited gold sales. The proposal also endorsed quota investment, which would have yielded significant sums of money, but this specific proposal was rejected by the IMF's Board.<sup>3</sup>

### ***The G-20 Summit***

At the G-20 meeting in early April 2009, global leaders committed headline-grabbing sums to developing nations in response to the global financial crisis. Most of these funds will be channeled through the International Monetary Fund (IMF), and the overwhelming majority of them will be devoted to emerging markets and middle-income countries. Only a small portion -- estimated by Eurodad to be \$24 billion in 2009<sup>4</sup> -- was specifically earmarked for the poorest countries. These resources will be provided through an increased allocation of IMF Special Drawing Rights (SDRs), additional lending from the World Bank, and an additional \$6 billion in IMF concessional lending over the next several years. Even these resources are not assured and require additional approvals before they can be disbursed.

For all of these commitments, many details still need to be worked out, including when the funds will start to flow, how the funds will be delivered and on what terms, but we do know that all of the assistance pledged will come in the form of loans, rather than grants.

The G-20 communiqué has a section on gold sales<sup>5</sup> which is vague and subject to interpretation (even among governments that negotiated it). We understand it to propose that the IMF allocate

---

<sup>2</sup> IMF, "IMF Gold Sales -- Frequently Asked Questions," April 11, 2008.

<sup>3</sup> Crockett, Andrew, "Final Report of the Committee to Study Sustainable Long-Term Financing of the IMF," January 31, 2007.

<sup>4</sup> Calculations cited in Nuria Molina, "Responding to the crisis: an analysis of current IMF policy advice and structural conditions for low-income countries," forthcoming Eurodad briefing paper, May 2009.

<sup>5</sup> From the G-20 communique, April 2, 2009: "We have committed, consistent with the new income model, that additional resources from agreed sales of IMF gold will be used, together with surplus income, to provide \$6 billion

\$1-\$1.5 billion of the proceeds from gold sales and other IMF income sources to leverage up to \$6 billion in new concessional loans over the next three years. The remainder – the overwhelming majority – of the proceeds from IMF gold sales would be used to cover the IMF’s administrative budget in line with the IMF’s new income model.

### ***IMF/World Bank Spring Meetings***

Following the G-20 summit, many civil society groups, Members of the US Congress, and several governments expressed concern that insufficient resources from the G-20 agreement were being directed to low income countries. At the IMF/World Bank spring meetings on April 25-26, the IMF discussed the issue of gold sales and nascent proposals identifying additional resources for low-income countries beyond what was agreed by the G-20. At this time, the US government indicated that it was open to revisiting the G-20 agreement on gold sales to find additional resources for low-income countries. Other governments informally indicated willingness to do the same.

Also at the spring meetings, the Joint Ministerial Forum on Debt Sustainability (including Ministers of Finance from Benin, Burkina Faso, Cameroon, Central African Republic, DRC, Gambia, Ghana, Guyana, Lesotho, Malawi, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Tanzania, Togo, Uganda, and Zambia) issued a communiqué which “strongly welcomed a new proposal made after the G20 meeting to augment the resources provided to developing countries in the crisis through the provision of further debt relief for the duration of the crisis financed by the sale of IMF gold reserves.”<sup>6</sup> The proposal referred to in the communiqué comes from US House Financial Services Committee Chairman Barney Frank who has indicated in recent press reports that any proposal to sell IMF gold must include \$4-5 billion in additional support for low-income countries in the form of debt relief or grants, endorsing similar proposals by Jubilee USA, ONE, and Oxfam.

Despite the supportive signals described above, the communiqué of the International Monetary and Financial Committee (IMFC) did not reflect a formal consensus within the IMF to use more of the proceeds from gold sales to support poor countries.<sup>7</sup> While formal agreement was not reached, the communiqué was vague enough to suggest potential for further progress on this issue in the coming weeks and months.

### ***The Role of the US Congress***

The US Congress must authorize and appropriate IMF gold sales and any additional funds for the IMF. This requirement creates an opportunity for Congress to ensure that resources for the poorest countries are committed based on the most effective terms possible for fighting poverty,

---

additional concessional and flexible finance for the poorest countries over the next 2 to 3 years. We call on the IMF to come forward with concrete proposals at the Spring Meetings;”

<sup>6</sup> Communiqué of the Joint Ministerial Forum on Debt Sustainability, April 23, 2009.

<sup>7</sup> From the IMFC communiqué, April 23, 2009, “To strengthen the global financial safety net in the face of this severe crisis, the Committee supports...doubling the Fund’s concessional lending capacity for low-income countries, while ensuring debt sustainability, and exploring scope for increased concessionality. Subsidies could be financed through a combination of bilateral contributions—possibly by new donors—and the Fund’s resources and income, including the use of additional resources from agreed gold sales, consistent with the new income model.”

and are provided with adequate transparency and accountability. Chairman Frank's calls for use of a greater amount of the proceeds from IMF gold sales for non-debt creating assistance for the poorest countries should be addressed by the IMF if the sale is to move forward. This memo offers practical suggestions for policymakers regarding how to leverage gold sales to ensure the greatest possible benefit for low-income countries suffering the effects of the global financial crisis.

### **III. Generating Funds for the Poorest: The IMF's Many "Pots of Gold"**

Some of the concerns expressed by IMF management, staff, and Executive Board members in response to civil society proposals for expanded use of IMF gold for low income countries signal a reluctance to revise the proposed income model for the IMF agreed to by the Board in May 2008, which relied largely on the proceeds from IMF gold sales to cover the IMF's administrative expenses.

However, we argue that three major changes have occurred since the gold sale was first proposed in the Crockett Report in January 2007 that justify revision of the IMF's new income framework:

- The price of gold has doubled;
- The financial crisis has blown open a huge hole in developing country finances and debt unsustainability is growing – a situation which the G-20 did not adequately address at the April 2009 summit in London; and
- The IMF's internal financial crisis is less severe than it was even a year ago, as its volume of lending is up. In the short term, it is more urgent to mobilize new resources for low income countries (LICs) than for the IMF's budget. The IMF needs a new income model but it can be phased in over time.

#### ***The IMF's Pots of Gold***

Jubilee USA and other civil society groups have long identified the IMF's vast gold reserves as an unrealized source of financing for development needs. But the IMF actually has many "pots of gold" that could be tapped to finance the increase in resources necessary for the poorest countries while still implementing the IMF's proposed new income model.

While the gold itself is a compelling source of finance, it is most important that the IMF make additional non debt-creating funds available to the poorest. The "pots of gold" available to the IMF for this purpose include:

- **Post-Second Amendment Gold.** This is the gold that the IMF board has already agreed to sell. At current gold prices, it could raise approximately \$10 billion, at least \$4 billion of which must be returned to the IMF's reserve account to assure its capital base. The rest could be used for the Fund's income model and/or poor country financing.
- **Pre-Second Amendment Gold.** The IMF could also sell a limited amount of additional gold, without impacting the world price of gold – by simply modifying its proposal to accommodate the sale of a larger fixed amount of gold over six years instead of three within the negotiated framework of the Central Bank Gold Agreement. Doubling the IMF's approved gold sales plan and extending the timeframe in this way could leverage an additional \$10 billion.

- **Profits on Expanded Lending.** The IMF has significantly expanded its lending since the onset of the financial crisis in September 2008, creating additional interest income. Such income could be mobilized to help support the world's poorest countries.
- **Investment of IMF Member Country Quotas.** The Crockett report identified the investment of quotas as a potential source of revenue. While the Board did not support this in 2008, the proposal could be revisited.
- **Resources from the PRGF/ESF Trust.** The IMF has identified resources within the PRGF/ESF trust which could be deployed quickly to assist the poorest countries during the financial crisis. While these sources may need to be used for specific PRGF/ESF lending, their use may free up other sources for grants and/or debt relief.
- **Delayed Repayment or outright waiving of fees of PRGF administrative expenses to the General Reserve Account (GRA).** The IMF could delay reimbursement or waive administrative expenses to the IMF's GRA, freeing up greater resources for low-income countries.

In short, there are ample financial resources which, combined or separately, could cover both the IMF's new income model and the provision of significant new funding – including at least \$5 billion in non-debt creating resources for the poorest.

#### **IV. Principles for Use of the IMF's Pots of Gold for Low-Income Countries**

Jubilee USA supports the following key principles for the use of IMF gold and related income for the benefit of low income countries:

**1. At a minimum, an additional \$5 billion of the proceeds from the proposed IMF gold sale or from other IMF sources should be dedicated to non debt-creating support to low-income countries (LICs).** The level of need in poor countries is greater than ever. While existing commitments outlined by the G-20 in 2009 are an initial step, it's not enough. Much more will be needed in the long term, but at least \$5 billion could and should be mobilized quickly while broader assistance is discussed. The \$5 billion must be additional to the G-20 commitment to double the IMF's concessional lending capacity over the next two years.

**2. The gold should be sold outright for immediate use in poor countries, rather than investing the funds and using only the interest.** The Crockett report recommends that the IMF sell gold, invest the proceeds in an interest bearing account, and use only the interest generated on that account to fund its operations. This is not an appropriate model if some of the proceeds of gold sales are to be used for low income countries. The proceeds from the phased sale should be used immediately and in full for grants or to finance debt relief.

**3. The proceeds from gold sales and other IMF sources should be used to provide assistance to poor countries which is not debt-creating, in other words assistance should come in the form of debt relief and/or grants rather than new loans.** Just before the G-20 summit, an IMF report found that the crisis may push as many as 31 countries into "debt distress" including 16 Heavily Indebted Poor Countries (HIPC)s and 15 low-income countries not eligible for HIPC.<sup>8</sup> Because the assistance recommended in the G-20 proposal comes in the

---

<sup>8</sup> IMF, "The Implications of the Global Financial Crisis for Low-Income Countries," March 2009, p. 25.

form of loans, it risks expanding debt distress to even more countries. It is urgent that the proceeds from gold sales be made available to LICs through a vehicle which does not create new debt.

### **V. Delivering Additional Resources to Low-Income Countries: Grants, Loans, or Debt Relief?**

To respond to the crisis, low-income countries need a massive infusion of resources. Jubilee USA argues that at least *some* of these resources should be provided on non-debt creating terms and without harmful policy conditions.

Already, the IMF's new lending disbursements to low-income countries have increased nine-fold from \$.6 billion in 2007 to \$5.4 billion in 2008. The IMF anticipates committing nearly \$6 billion to these countries for 2009-2010. However, given the decline in development aid levels and the collapse of exports and foreign reserves, low-income countries require additional resources. The IMF estimates for 2009 that the total financing gap for low-income countries could range from \$25 billion to \$71 billion.

Moreover, the G-20 commitments are all in the form of loans, rather than grants. Given that the crisis was not caused by the poorest countries, this is analogous to a car running into a person's house, and the driver offering a loan to pay for the damage. The loan is better than the driver disappearing without offering anything, but it would be more just if the driver actually paid for the damage.

The IMF predicts that if the crisis continues for a year, the average low-income country debt burden would be raised by 4% of GDP.<sup>9</sup> As a recent report by Annalisa Prizzon with the OECD Development Centre found, "The financial crisis will further compromise external debt sustainability for many developing countries, as growth rates and export earnings fall. Moreover, foreign debt is denominated in hard currencies, making repayment ability highly sensitive to shifts in exchange rates. And with the collapse in commodity prices and the recent appreciation of the dollar, exchange rates in many low-income countries have already been falling." Prizzon cites the Zambian kwacha, which fell 24% against the dollar between August and October 2008. "Such depreciations make it obviously much harder to service foreign debt," she explains.<sup>10</sup>

Given the current crisis, former WTO Chief and current UNCTAD Secretary General Supachai Panitchpakdi recently argued that poor countries would be particularly hard hit by the crisis if they do not receive some form of debt relief in the immediate future, urging a temporary moratorium on their official debt servicing to give them some breathing space. "In the current global crisis situation", he added, "both debtor and creditor countries would probably be better served if scarcer foreign exchange earnings in the debtor economies were used for the purchase of imports rather than for debt servicing."<sup>11</sup>

---

<sup>9</sup> IMF 2009, op cit, p. 25.

<sup>10</sup> Annalisa Prizzon, "The Fallout from the Financial Crisis (2): External Debt Sustainability - Should More Be Done for the Poor?," OECD Development Centre, Policy Insights No. 84, December 2008, at <http://www.oecd.org/dataoecd/56/32/41804246.pdf>

<sup>11</sup> Unctad.org, "Temporary debt moratorium needed for some poor nations, says UNCTAD Secretary-General," April 4, 2009, at <http://www.unctad.org/Templates/Page.asp?intItemID=4819&lang=1>

Here are four specific scenarios for how the IMF could deliver up to \$5 billion in new non-debt creating assistance to low-income countries.

### **A. Debt service relief**

Jubilee USA argues that debt service relief would be the best way to deliver immediate assistance for the duration of the crisis, which is expected to have significant impacts on the poorest countries until the end of 2012. Such relief could be provided to eligible Heavily Indebted Poor Countries (HIPC) Initiative countries and other low-income countries heavily impacted by the financial crisis.

Center for Global Development President Nancy Birdsall and other leading development experts have long held that debt relief is an extremely effective and efficient form of aid.<sup>12</sup> Writes Birdsall, “the substitution of debt relief for aid disbursements can increase the efficiency of aid by increasing ownership of their development programs by poor countries, reducing transaction costs, increasing fungibility, eliminating tying, and reassuring the private sector that countries are going to be able to implement their plans.”<sup>13</sup>

In addition to being a highly effective form of aid, debt service relief may be the most straightforward approach to delivering immediate assistance. The IMF has a history of providing debt relief through HIPC and the Multilateral Debt Relief Initiative (MDRI), whereas there is no precedent for grants from the IMF.

We propose that multilateral debt service relief be provided for two groups of low-income countries: (1) Countries already eligible for the Heavily Indebted Poor Countries (HIPC) Initiative once they reach completion point; and (2) Countries eligible for PRGF / International Development Association (IDA)-only assistance from the World Bank that have the capacity for strong public financial management and transparent and accountable governance (the set of countries eligible for the UK MDRI). Eligibility assessments for this additional group could be measured as is done under the UK MDRI – based on countries’ Country Policy and Institutional Assessment (CPIA) scores on public financial management, transparency, and anti-corruption measures. Based on these measures, eight countries beyond HIPCs would be immediately eligible under our proposal.

One might argue that it is impossible to look beyond HIPC, yet there is precedent for providing debt relief outside of the HIPC framework at the IMF: in 2005, Cambodia and Tajikistan were included in the Multilateral Debt Relief Initiative (MDRI) because their per capita incomes were below \$380, despite their ineligibility for HIPC. This was done to ensure “equity of treatment” by the IMF. Based on this precedent, a higher per capita income level, for example the PRGF and IDA-only eligibility level of \$1065, could be adopted and all IDA-only non-HIPCs provided with debt service relief if they meet strict criteria regarding public financial management, accountability, and transparency. (This approach, based on the UK MDRI, follows the country

---

<sup>12</sup> Birdsall, Nancy and John Williamson. “Delivering on Debt Relief: From IMF Gold to a New Aid Architecture.” Peterson Institute for International Economics, April 2002.

<sup>13</sup> Ibid at p. 116-117.



eligibility criteria in the Jubilee Act, legislation which was passed by the House of Representatives in 2008).

## **1. IMF Debt Service Relief**

Even after debt relief to date, HIPC countries continue to build up significant debt burdens. According to the IMF, many HIPC countries face renewed debt sustainability challenges in light of the global financial crisis. The IMF says that the following 16 HIPC countries are at high risk of debt distress: Burundi, Central Africa Rep., Comoros, Cote D'ivoire, DRC, Eritrea, Gambia, Guinea, Guinea-Bissau, Guyana, Kyrgyz Republic, Mauritania, Mozambique, Nicaragua, Rep of Congo, Sao Tome & Principe, Senegal, Sudan, and Togo.<sup>14</sup>

The IMF could effectively extend the cut-off date for debt eligibility under HIPC/MDRI from end-2004 to end-2008 and deliver debt service relief on payments all eligible HIPC countries are currently making to the IMF.

Based on our calculations (see Appendix 1: Projected Debt Service payments by low-income countries), over the next three and a half years:

- It would cost \$235 million to provide IMF debt service relief for all 24 completion point HIPC countries<sup>15</sup>;
- It would cost up to \$880 million to provide debt service relief for all 11 decision point countries<sup>16</sup> as they reach completion point in HIPC; and
- It would cost \$298 million to provide debt service relief on IMF debts for the 8 IDA-only countries eligible for the UK MDRI<sup>17</sup>.

Beneficiary countries could use funds freed up from not having to make debt service payments to finance urgent social and economic needs.

**In total, the IMF could use proceeds from gold sales and other sources to finance \$1.41 billion in debt service relief for 43 low-income countries on IMF debt for the duration of the global financial crisis.**

## **2. Multilateral Debt Service Relief**

Similarly, the World Bank and African Development Bank could extend the cut off date for eligible debts under the MDRI from end-2003 to end-2008. A portion of the funds released by IMF gold sales could be transferred into the HIPC Trust Fund and be delivered as debt service relief on LIC debts to the World Bank, the InterAmerican Development Bank, and the African Development Bank:

---

<sup>14</sup> IMF 2009, op cit, p. 58.

<sup>15</sup> Completion point countries include Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Ethiopia, The Gambia, Ghana, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

<sup>16</sup> Afghanistan, Central African Republic, Chad, Republic of Congo, Dem Rep of Congo, Cote d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Togo. World Bank debt service projections for Cote d'Ivoire and Togo are unavailable

<sup>17</sup> Cape Verde, Kenya, Lesotho, Moldova, Mongolia, Samoa, Vanuatu, Vietnam.

- It would cost \$1.36 billion million to provide debt service relief for all completion point HICPs to the World Bank, the InterAmerican Development Bank, and African Development Bank;
- It would cost up to \$679 million to provide debt service relief for al decision point HICPs to the World Bank, the InterAmerican Development, and the African Development Bank as they reach completion point;
- It would cost \$1.06 billion to provide debt service relief on World Bank for the 8 IDA-only countries eligible for the UK MDRI.<sup>18</sup>

Beneficiary countries could use funds freed up from not having to make debt service payments to finance urgent social and economic needs.

**In total, the IMF could transfer proceeds from gold sales to the HIPC Trust fund to finance \$3.09 billion in debt service relief for 43 low-income countries on their World Bank, African Development Bank, and Inter American Development Bank debts.**

	IMF	WB	ADB	IDB	Totals
<b>HIPC Completion Point</b>	235.00	806.80	109.00	439.61	<b>1,590.42</b>
<b>HIPC Decision Point</b>	880.43	325.00	201.00	152.79	<b>1,559.22</b>
<b>UK MDRI Eligible</b>	298.15	1,057.54	N/A	0.00	<b>1,355.69</b>
<b>TOTALS</b>	<b>1,413.58</b>	<b>2,189.34</b>	<b>310.00</b>	<b>592.40</b>	<b>3,912.93</b>

## **B. Emergency Financing and Grant Assistance**

In addition to debt service relief, another approach is to provide grants or highly concessional emergency assistance to the poorest countries. There are two possible approaches Jubilee USA supports: (1) transferring funds to an alternate institution with a mandate for long-term development assistance; or (2) the IMF providing short term, highly concessional or grant element emergency financing support without economic conditionality.

### **1. Transfer of Funds to An Alternate Agency for Long Term Development Assistance**

If funds are to be used for long-term development assistance rather than short-term balance of payments support, the IMF should consider transferring proceeds from the sale of IMF gold to another institution. The IMF does not have a mandate for long-term development assistance, and indeed its track record under ESAF/PRGF has been a negative one, with poor countries borrowing at non-concessional rates with significant conditionality.

If the IMF were to transfer funds generated by gold sales and related income, ideally this would go to a new fund for low-income country development such as a multi-donor commodity stabilization fund. Absent the political will to create a new institution in the short term, funds could be transferred to one of the IMF's sister institutions such as the World Bank/International

<sup>18</sup> Figures for African Development Bank countries are unavailable.

Development Association (IDA) and/or the African Development Fund (ADF), both of which have a development mandate and the authority to provide grants. Such a transfer would not be impossible. Congressional Research Service IFI expert Jonathan Sanford has written, “The World Bank and IMF have essentially the same membership. If their governing boards wish to institute a gold-to-HIPC resource transfer, they can easily find ways within their basic rules to accomplish that end.”<sup>19</sup>

For funds devoted to grants, the allocation mechanisms of IDA and the ADF should be reformed such that selectivity criteria that require adherence to harmful economic policies are eliminated.

## **2. Short term, highly concessional, and no conditionality funds from the IMF**

While the IMF does not have a mandate for long-term development lending, there could be a role for short term balance of payments support from the IMF.

If funds are channeled to provide short term balance of payments support through the IMF they should not be linked to requirements that countries pursue anti-poor or contractionary economic policies. In particular, conditions on funds delivered via the Exogenous Shocks Facility (ESF) should be limited to standard fiduciary measures to ensure that recipient countries have good public financial management, full transparency, and accountability for the funds they receive. Such financing should be as close to full grant element as is feasible.

Another approach would be to create a new fund – “Flexible Credit Line” of sorts for low-income countries, as has been created for the funds middle-income country borrowers. This financing for low income countries should be comprised of nearly all grants, should be fast-dispersing, and include conditionality only on public financial management. Such a fund may receive significant new interest from developing countries that are reluctant to embrace the harsh conditionality regime and low concessionality levels of the current PRGF facility.

---

<sup>19</sup> Jonathan E. Sanford, “IMF Gold and the World Bank’s Unfunded HIPC Deficit,” *Development Policy Review*, 22 (1) 31-40.

**APPENDIX I. WORLD BANK, IMF, AFRICAN DEVELOPMENT BANK, AND INTER-AMERICAN DEVELOPMENT BANK DEBT SERVICE PROJECTIONS FOR LOW-INCOME COUNTRIES, 2009 – 2012**

**TABLE A. DEBT SERVICE PAYMENTS BY HIPC COMPLETION POINT COUNTRIES**

(all numbers in US\$ millions)

Status	Countries	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB
	(In US\$ millions)	2009	2009	2009	2009	2010	2010	2010	2010	2011	2011	2011	2011	2012	2012	2012	2012
HIPC CPs	Benin	2.054	0.15	0		2.91	0.16	3		3.07	0.43	3		3.91	0.82	3	
	Bolivia	2.33	0		34.028	4.87	0		60.55	5.6	0		53.527	7.14	0		38.165
	Burkina Faso	5.02	0.31			6.38	1.33			9.59	3.87			11.2	7.24		
	Burundi	20.47	0.46	1		28.68	0.47	1		30.58	2.58	1		31.51	7.86	1	
	Cameroon	9.71	0.25	11		10.86	0.27	8		12.22	1.45	6		13.31	2.62	4	
	Ethiopia	12.1	0.28			15.97	0.31			21.31	0.31			24.62	0.31		
	Gambia, The	0.59	0.12	2		0.809	0.13	3		1.2	0.13	3		1.2	0.43	3	
	Ghana	9.17	1.1			14.45	1.19			18.56	16.18			21.31	32.31		
	Guyana	0.195	0.34		2.514	0.194	1.73		5.399	0.193	7.21		6.845	0.192	11.28		7.919
	Honduras	2.66	0.25		25.221	4.31	1.78		37.39	6.41	4.77		36.67	7.21	6.26		30.314
	Madagascar	7.29	0.58			10.35	2.28			12.95	3.94			15.92	7.41		
	Malawi	1.39	0.65			2.42	0.67			2.86	1.39			3.04	4.57		
	Mali	2.7	0.27			7.26	0.49			9.84	1.08	4		11.07	2.06	4	
	Mauritania	2.3	0.12	2		3.16	0.13	2		4.13	0.13	5		5.86	1.1	5	
	Mozambique	7.67	0.07	1		14.29	0.31	1		17.25	1.51	5		20.35	2.22	5	
	Nicaragua	1.85	0.64		17.534	3.56	0.65		26.35	4.97	2.71		27.917	6.48	13		29.269
	Niger	1.91	0.28			2.26	0.43			3.23	4.64			4.15	6.49		
	Rwanda	1.67	0.06			2.39	0.15			4.19	0.65			4.78	1.07		
	Sao Tome and Principe	0.099	0.03			0.103	0.03			0.173	0.03			0.173	0.003		
	Senegal	5.87	0.43	16		11.84	0.98	16		15.01	3.54	15		17.33	5.56	15	
Sierra Leone	0.617	0.25			0.942	2.33			0.967	5.09			1.26	7.07			
Tanzania	13.24	0.24			21.42	0.7			26.61	2.34			31.13	3.17			
Uganda	8.02	0.19			13.84	0.52			18.53	1.71			23.02	2			
Zambia	2	0.77			3	1.66			4	5.72				12.2			
<b>TOTALS</b>		<b>120.93</b>	<b>7.84</b>	<b>33</b>	<b>79.297</b>	<b>186.3</b>	<b>18.7</b>	<b>34</b>	<b>129.7</b>	<b>233.44</b>	<b>71.41</b>	<b>42</b>	<b>124.97</b>	<b>266.17</b>	<b>137.053</b>		<b>105.67</b>

Completion Point Totals	
IMF	235
World Bank	806.8
ADB	109
IDB	439.61
<b>TOTAL</b>	<b>1590.4</b>

**TABLE B. DEBT SERVICE PAYMENTS BY HIPC DECISION POINT COUNTRIES**

Status	Countries	WB**	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB
HIPC DECISION POINT COUNTRIES**	(In US\$ millions)	2009	2009	2009		2010	2010	2010		2011	2011	2011		2012	2012	2012	2012
	Afghanistan	5	0.56			5	0.61			5	0.61			5	4.23		
	Central African Republic	13	0.43			12	2.7			13	1.51			13	2.92		
	Chad	25	8.07	5		12	11	5		13	7.65	5		14	4.06	5	
	Congo, Republic of	7	0.18	13		6	2.57	12		4	4.88	11		4	7.18	10	
	Congo, Dem Rep	7	143.7	16		6	159	17		4	112	18		4	102.93	19	
	Cote d'Ivoire*	N/A	19.12			N/A	27			N/A	64.32			N/A	62.29		
	Guinea	20	9.52	16		22	11.5	15		23	6.03	15		24	4.11	15	
	Guinea-Bissau	10	1.59	1		9	1.6	1		9	1.39	1		9	2.61	1	
	Haiti	13	0.59		31.07	1	0.74		41.08	1	0.74		40.563	1	9.06		40.083
	Liberia	4	8.13			2	10.2			0	10.2	50		0	52.43		
	Togo*	N/A	0.2			N/A	0.2			N/A	0.2			N/A			
	<b>TOTALS</b>	<b>104</b>	<b>192.1</b>	<b>51</b>	<b>31.07</b>	<b>75</b>	<b>227</b>	<b>50</b>	<b>41.08</b>	<b>72</b>	<b>209.5</b>	<b>50</b>	<b>40.563</b>	<b>74</b>	<b>251.82</b>	<b>50</b>	<b>40.083</b>

Decision Point Totals	
IMF	880.43
World Bank	325
ADB	201
IDB	152.79
<b>TOTAL</b>	<b>1406.4</b>

\*World Bank debt service projections for Cote D'Ivoire & Togo are unavailable.

\*\* World Bank 2012 debt service is estimated assuming the same rate of growth per year

**TABLE C. DEBT SERVICE PAYMENTS BY UK MDRI ELIGIBLE COUNTRIES**

Status	Countries	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	ADB	IDB	WB	IMF	AD B	IDB
UK MDRI ELIGIBLE COUNTRIES***	(In US\$ Millions)	2009	2009	2009	2009	2010	2010	2010	2010	2011	2011	2011	2012	2012	2012	2012	2012
	Cape Verde	4.07	1.33	N/A		5.70	2.24	N/A		5.67	2.61	N/A		6.15	2.40	N/A	
	Kenya	68.89	16.77	N/A		111.15	26.17	N/A		123.70	23.49	N/A		129.83	28.93	N/A	
	Lesotho	7.94	5.32	N/A		10.11	7.35	N/A		11.36	6.81	N/A		11.65	4.70	N/A	
	Moldova	18.70	9.34	N/A		27.02	8.93	N/A		26.62	6.48	N/A		27.53	16.24	N/A	
	Mongolia	5.31	5.46	N/A		6.46	4.55	N/A		18.22	3.65	N/A		9.73	2.43	N/A	
	Samoa	1.35	0.00	N/A		2.52	0.00	N/A		2.79	0.00	N/A		2.78	0.00	N/A	
	Vanuatu	0.37	0.00	N/A		0.63	0.00	N/A		0.64	0.00	N/A		0.65	0.00	N/A	
	Vietnam	69.13	31.49	N/A		99.06	37.54	N/A		112.29	31.23	N/A		129.51	12.69	N/A	
	<b>TOTALS</b>	<b>175.76</b>	<b>69.71</b>		<b>0.00</b>	<b>262.66</b>	<b>86.78</b>		<b>0.00</b>	<b>301.29</b>	<b>74.27</b>		<b>0.00</b>	<b>317.83</b>	<b>67.39</b>		<b>0.00</b>

<b>UK MDRI ELIGIBLE TOTALS</b>	
<b>IMF</b>	<b>298.15</b>
<b>World Bank</b>	<b>1057.54</b>
<b>IDB</b>	<b>0.00</b>
<b>ADB</b>	<b>N/A</b>
<b>TOTALS</b>	<b>1355.69</b>

\*\*\*ADB Debt service projections are unavailable for UK MDRI Eligible countries

**TABLE D. DEBT SERVICE PAYMENTS SUMMARY**

<b>TOTALS (in US\$ millions)</b>					
	<b>International Monetary Fund</b>	<b>World Bank</b>	<b>African Development Bank</b>	<b>Inter-American Development Bank</b>	<b>Totals</b>
<b>HIPC Completion Point</b>	235.00	806.80	109.00	439.61	<b>1,590.42</b>
<b>HIPC Decision Point</b>	880.43	325.00	201.00	152.79	<b>1,559.22</b>
<b>UK MDRI Eligible</b>	298.15	1,057.54	N/A	0.00	<b>1,355.69</b>
<b>TOTALS</b>	<b>\$1,413.58</b>	<b>\$2,189.34</b>	<b>\$310.00</b>	<b>\$592.40</b>	<b>\$3,912.93</b>

Source for IMF data: IMF Website, April 2009. All data converted to US\$ from SDRs.

Source for World Bank Data: Estimated Debt Service Report, World Bank website ([go.worldbank.org/I78BOSNHD0](http://go.worldbank.org/I78BOSNHD0)), as of April 2009. 2009 Debt service projections begin April 1. HIPC Decision Point Countries' data from: IMF & World Bank, HIPC/MDRI Status of Implementation Report, pg. 83, September 12, 2008

Source for Inter-American Development Bank Data: IDB Website, May 2009

Source for African Development Bank Data for 2009 to 2011: HIPC/MDRI Status of Implementation Report, pg. 88, September 12, 2008. Data for 2012 is estimated assuming the same rate of growth per year