

May 1, 2009

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, DC 20510

Dear Leader Reid:

We write to you as faith-based, development, global health and education advocacy, human rights, and policy research organizations concerned about the impacts of the policies of the International Monetary Fund (IMF) on impoverished countries.

The Obama Administration has asked Congress to consider a package of \$100 billion in funding and new authorities for the IMF, including IMF gold sales, as quickly as possible. We understand that Congressional leaders are currently considering attaching the IMF funding request to the supplemental appropriations bill about to work its way through Congress.

Our organizations recognize the importance of a swift, internationally coordinated response to the global financial crisis to ensure that developing countries have the resources they need to cope with the crisis. But as the debate on the IMF continues, we highlight the importance of several key issues:

- **First, Congress should allow open debate and discussion on the role and policies of the IMF.** With such large sums and broad new authorities proposed to be provided to the IMF, Congress must ensure open and transparent debate about the role of the institution. We are concerned that if the IMF funding request is hastily attached to the supplemental appropriations package, there will be insufficient opportunity for civil society perspectives to be heard about IMF policies. We urge the relevant authorizing committees to hold hearings and mark-ups as soon as possible on IMF legislation in order to ensure substantive debate.
- **Second, the IMF should provide greater assistance to low-income countries while assuring transparency and accountability in the use of funds.** Of the \$1 trillion in support announced by the G-20, 2.5% is devoted for the poorest countries. 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. Specifically, Congress should require the Treasury Secretary to advocate within the IMF to use some of the revenue from its already planned gold sales and/or other related sources of income to provide at least \$5 billion in non debt creating assistance to the world's poorest countries – either via debt relief or grants.
- **Finally, there should be no “blank check” for the IMF without policy reform.** Congress should not provide new authorities to the IMF without requiring the following reforms in exchange:
 1. **The IMF should presume against imposing contractionary policies in a time of recession.** The G-20 committed to increase resources for the IMF to provide countries with resources for a global stimulus – yet the IMF continues to impose contractionary monetary and fiscal policies which will exacerbate recessions in recipient countries. The Fund's loans since September 2008 to countries rocked by the financial crisis almost uniformly require budget cuts, wage freezes, and interest rate hikes. Recipient countries' macroeconomic scenarios

diverge widely, and a one-size-fits-all IMF policy prescription is inappropriate. While a blanket rule against all contractionary policies for any country in recession may sometimes yield bad policy outcomes, we recommend a *presumption* against such policies, with a requirement for the Fund to demonstrate quantitatively that any contractionary policy going forward is necessary and cannot be postponed.

2. Parliamentary Approval for all IMF Loans. Currently, the IMF negotiates and obtains approval for loans from the executive branch of recipient countries, leaving little room for democratic debate in recipient countries over the content and terms of new loans from the IMF. A requirement for parliamentary approval of IMF loans would help to ensure greater democratic participation and transparency, as well as a safeguard against corruption.

3. The IMF should stop impeding increased health and education spending through policies that limit government spending or wage bill ceilings. The IMF has made promises to eliminate wage bill ceilings as conditions for lending, but it continues to implement these in some cases, and it continues to direct countries to accept policies that limit overall government spending flexibility. Such policies should be eliminated.

In this time of global economic crisis, it is critical to ensure a robust and effective global response. But it would be difficult for our organizations to support IMF funding without an open and transparent process for its consideration as well as Congressional insistence on meaningful reforms in IMF policies such as those listed in this letter. We hope the US Congress will take an appropriate leadership role to ensure an open, transparent debate to help leverage important reforms at the IMF that will benefit citizens in the US and in developing nations.

Sincerely,

Africa Action
Africa Faith and Justice Network
African Services Committee
American Friends Service Committee
American Jewish World Service
American Medical Student Association
Amistad United Church of Christ, Vacaville, CA
Artists for A New South Africa
Centre for Economic Governance and AIDS in Africa
Center for Policy Analysis on Trade and Health (CPATH)
Center for Reflection, Education and Action
Code Pink
Columban Justice, Peace, and Integrity of Creation Office
Congregation Justice Committee, Sisters of the Holy Cross, Notre Dame, IN
The Development GAP
The Episcopal Church
Essential Action
Family Farm Defenders
Food and Water Watch
Food First/Institute for Food and Development Policy
Foreign Policy In Focus
Gender Action
Global Action for Children
Global AIDS Alliance

Global Exchange
Government Accountability Project
Grassroots International
Haitian-American Grassroots Coalition (HAGC)
Harvard Global AIDS and Health Coalition
Health Alliance International
Health Gap
HIVictorious, Inc., Madison, Wisconsin
Holy Cross International Justice Office
Institute for Justice & Democracy in Haiti
Institute for Policy Studies, Global Economy Project
Jubilee Justice Task Force, United Church of Christ
Jubilee Northwest Coalition
Jubilee Oregon Network
Jubilee San Diego
Jubilee USA Network
Jubilee Virginia
Just Foreign Policy
Kenya AIDS Intervention Prevention Project Group International, RI
Liberty Tree
Maryknoll Office for Global Concerns
New Rules for Global Finance Coalition
Nicaragua Center for Community Action
Ohio Conference on Fair Trade
Oregon Fair Trade Campaign
Partners in Health
Physicians for Human Rights
Presbyterian Church, (USA), Washington Office
RESULTS
San Francisco Bay Area Jubilee Coalition
School Sisters of Notre Dame – Office of Global Justice and Peace
TransAfrica Forum
Treatment Action Group
The United Church of Christ, Justice and Witness Ministries
United Methodist Church, General Board of Church and Society
Vermont Global Health Coalition
Washington Association of Churches
Washington Office of Public Policy, Women’s Division, United Methodist Church
Wilderness Way Community
Witness for Peace

cc: Senate Appropriations Committee Chairman Daniel Inouye
Senate State and Foreign Operations Subcommittee Chairman Patrick Leahy
Senate Foreign Relations Committee Chairman John Kerry
Senate Banking Committee Chairman Christopher Dodd
Senate Foreign Relations International Development Subcommittee Chairman Robert Menendez
Members of the Senate
Deputy National Security Advisor Michael Froman
Treasury Secretary Timothy Geithner