

October 7, 2008

International Monetary Fund  
700 19th Street, N.W.  
Washington, D.C. 20431

Dear Executive Director,

**Re: Preconditioning Gold Sales on Reform of IMF Policy in Developing Countries**

With many countries repaying their loans to the International Monetary Fund and not seeking new lines of credit, the institution's traditional means of generating income is dwindling. Facing a budget shortfall of \$400 million in 2010, in April the IMF's Executive Board approved a proposal to sell some of its gold reserves. The revenue will be used to create an endowment whose earnings will assist in financing the institution's administrative budget. We are writing to urge that before the Executive Board implements gold sales, it insist on meaningful pro-development 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, and denied opportunity and decent livelihoods to hundreds of millions. The IMF has leveraged its role as gatekeeper to international capital flows to insist that poor countries adopt a narrow set of macroeconomic policies. These policies 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 to fund IMF operations, and without any assurances or even promises of changes to long-standing failed and harmful IMF policies.

If the IMF Executive Board is to proceed with gold sales, it should take advantage of the opportunity to remedy these historic wrongs. The proceeds from gold sales must not be used exclusively to maintain IMF staff.

The gold held by the IMF is in essence a global public good. If gold sales are to be implemented, a significant portion of the proceeds should 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.

Gold sales should not be permitted before 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. These contractionary targets prevent developing countries from boosting their economic growth by expanding long-term public investments through deficit spending in key public sectors, such as the critical areas of health and education. The IMF must not continue to 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 policies that unduly constrain overall government spending. Budget and wage bill ceilings have undermined 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 progress toward eliminating wage bill ceilings, but it still maintains budget caps that limit overall government spending flexibility.
- Developing countries must be permitted to spend foreign aid for its intended purposes. Instead of being spent on health, HIV/AIDS, and education, large percentages of foreign aid have 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 the legislature, civil society, 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; and 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.
- IMF practices must change to ensure national, democratic decision-making over policy-making. The operational process of IMF Mission Teams that visit countries to review loan agreements or conduct annual surveillance (Article IV reports) must facilitate open and informed 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 plan indicates there will be no subsequent sale of gold. Given skyrocketing costs for food and oil and the current global financial turmoil, 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.

Sincerely,

### **International and Regional Networks**

AIDS and Rights Alliance for Southern Africa (ARASA)

Asia Pacific Mission for Migrants (APMM)

Asia Pacific Network of People Living with HIV/AIDS (APN+)

Asociación Latinoamericana de Medicina Social (ALAMES)

EURODAD (European Network on Debt and Development)

European AIDS Treatment Group (EATG)

Health Action International (HAI) – Asia Pacific

Health Action International (HAI) – Global

International Gender and Trade Network (IGTN)

The International HIV/AIDS Alliance

The International Movement of Catholic Students Asia Pacific (IMCS AP)

International Peoples Health Council - South Asia

International Presentation Association of the Sisters of the Presentation

Jubilee South-Asia/Pacific Movement on Debt and Development

Medical Mission Sisters, Sector North America

Mesa de Coordinación Latinoamericana de Comercio Justo

Movimiento Latinoamericano y del Caribe de Mujeres Positivas Thai Network of People with HIV/AIDS (TNP+)

People's Health Movement (PHM) Global Secretariat

### **National and Sub-National Networks and Organizations by Region**

#### Africa

Actwid Kongadzem, Cameroon

Afrihealth Information Projects/Afrihealth Optonet Association, Nigeria

The Ambassadors of Change, Nakuru, Kenya

Cameroon Coalition Against Malaria

The Centre, Harare, Zimbabwe

Centre for Civil Society Economic Justice Project, University of KwaZulu-Natal, Durban, South Africa

Centre du Commerce international pour le Developpement (CECIDE), Conakry, Guinea

Change Managers International Network, Abuja, Nigeria

Citizens for a Better Environment (CBE), Zambia

Civil Society Education for All Network (CEFAN), Cameroon

Civil Society Trade Network of Zambia (CSTNZ)

Coalition for Quality Basic Education (CQBE), Malawi

The Congress of South African Trade Unions, Western Cape Province

Coordination of Civil Society Organizations for the Environmental Protection and the Development of the Senegal River Basin (CODESEN), Senegal

CPAES (Centre for the Promotion of Economic and Social Alternatives), Yaounde, Cameroon

Daughters of Mumbi Global Resource Center, Nairobi, Kenya

Development Alternatives with Women for a New Era (DAWN), Nigeria

Ghana Coalition of NGOs in Health, Accra, Ghana

Ghana Trade and Livelihood Coalition (GTLC), Accra, Ghana

Global Campaign for Education, South Africa

Goodwill Aid, Accra, Ghana

GrassRootsAfrica, Accra, Ghana

Health and Human Rights Programme, School of Public Health and Family Medicine

Health Rights Advocacy Forum (HERAF), Nairobi, Kenya

Health Sciences Faculty, University of Cape Town, South Africa

Health Triangle Trust, Zambia

Human Development Trust, Dar Es Salaam, Tanzania

Initiative for Community Development , Nigeria

Kara Counselling and Training Trust, Zambia

Kenya AIDS NGOs Consortium (KANCO)

Kenya Debt Relief Network (KENDRAN)

Labour, Health and Human Rights Development Centre, Ithahrdev, Lagos, Nigeria

Network of Zimbabwean Positive Women (NZPW+)

Pamoja Reflect Network, Kenya

Positive and Living Squad (PALS) Zambia

Public Personalities Against AIDS Trust (PPAAT), Harare, Zimbabwe

SEATINI Kenya

Social Development Network, Kenya

Society for Women and AIDS in Africa, Sierra Leone

Taita Resource Centre Kenya

TEN/MET (Tanzania Education Network)

The Trade Network Initiative, Nigeria

TREAC-Africa, Kenya

Treatment Action Campaign (TAC), South Africa

Youth Development Forum (YODEFO), Kampala, Uganda

Youth In Action, Sierra Leone

#### Asia-Pacific

AIDS ACCESS Foundation, Thailand

AID/WATCH, Australia

Angikar Bangladesh Foundation, Dhaka, Bangladesh

Anti Debt Coalition (KAU) Indonesia

ATTAC Japan

The Australian Fair Trade and Investment Network

Bharatiya Krishak Samaj, New Delhi, India

Centre for Human Rights and Development, Mongolia

Centre for Safety and Rational Use of Indian Systems of Medicine, Ibn Sina Academy of Medieval Medicine & Sciences, Aligarh, India

Columban Missionaries Central Justice, Peace and Integrity of Creation Office, Hong Kong

Community Alliance for Pulp Paper Advocacy (CAPPA), Indonesia

Diverse Women for Diversity (DWD), India

Economic Justice and Development Organization (EJAD), Pakistan

EMPOWER, India

Equity and Justice Working Group, Bangladesh  
Md Shamsuddoha

Forum for Biotechnology & Food Security, New Delhi, India

Foundation for Research in Science Technology & Ecology (RFSTE), India

FTA Watch, Thailand

Globalization Watch Hiroshima, Japan

Health Action Forum (HAF), Bangladesh

Initiative For Health Equity & Society (IHES), India

International Code Documentation Centre (ICDC), Penang, Malaysia

International Presentation Association Justice Network, India

National Federation of Women living with HIV and AIDS, Nepal

National Union of Students of the Philippines (NUSP), Philippines

Lanka + Sri Lanka

La'o Hamutuk - The Timor-Leste Institute for Development Monitoring and Analysis, Dili,  
Timor-Leste

Luta Hamutuk Institute - Timor Leste

Madhya Pradesh Vigyan Sabha (MPVS), Bhopal, India

Medical Mission Sisters, Southern India  
Sr.Mary Nalpathamkalam

Navdanya, India

Nyaya Health, Achham, Nepal

People's Alliance for Debt Cancellation (GARPU), Indonesia

Positive Malaysian Treatment Access & Advocacy Group (MTAAG+)

RESULTS JAPAN

Thai NGO Coalition on AIDS (TNCA)

Thai Network of People with HIV/AIDS (TNP+)

VOICE, Bangladesh

Women & Health ! (WAH ! ), India

### Europe

Act Up-Paris, France

Asociacion Guaiaie, Spain

Association AIDES, France

Attac (Association pour la Taxation des Transactions pour l'Aide aux Citoyens), France

Bretton Woods Project, London, UK

Buko Pharma-Kampagne, Germany

Campaña ¿Quién debe a quién?, Spain

Coalition of the Flemish North-South Movement, Belgium

Copilarie pentru Toti-Childhood for All Chisinau, Moldova

CRBM (Campaign to Reform the World Bank), Italy

Credinta-Faith, Chisinau, Moldova

Comitè de Solidaritat amb els Pobles Indígenes d' Amèrica, Barcelona, Spain

Diakonia Sweden

Ecologistas en Acción, Spain

Ecuador Llactacaru, asociación de apoyo a inmigrantes ecuatorianos, Barcelona, Spain

erlassjahr.de - Entwicklung braucht Entschuldung (Jubilee Germany)

Forum Syd, Stockholm, Sweden

Friends of the Earth France

The Irish Missionary Union

Jubilee Debt Campaign, UK

International Civil Society Support, Amsterdam, The Netherlands

League of People Living with HIV of Moldova, Moldova

Medsin-UK

Medical Students Against War, UK

New Economics Foundation, London, UK

The Norwegian Forum for Environment and Development

La Plataforma de Solidaridad con Chiapas, Oaxaca y Guatemala de Madrid, Spain

Presentation Congregation, Kildare, Ireland

Presentation Justice Network, Ireland

The Presentation Sisters, South West Province, Ireland

PVA Personnes Vivant avec VIH et prochain, Geneva, Switzerland

RESULTS UK

SLUG - Norwegian Coalition for Debt Cancellation

World Development Movement, UK

#### North America

ACT UP/East Bay, Oakland-Berkeley, CA, USA

ACT UP New York, USA

ACT UP Philadelphia, USA

ActionAid International USA

Africa Action, Washington, DC, USA

African Services Committee, New York, NY, USA

AID FOR AIDS International, New York, NY, USA  
American Medical Student Association (AMSA)

Bank Information Center, Washington, DC, USA

Bay Area Jubilee Coalition, USA

Canadian Treatment Action Council (CTAC)

Community HIV/AIDS Mobilization Project (CHAMP), USA

Essential Action, Washington, DC, USA

Food and Water Watch, USA

Foreign Policy in Focus, Institute for Policy Studies, Washington, DC, USA

Friends of the Earth USA

Gender Action, Washington, DC, USA

Global Action for Children, Washington, DC, USA

Global AIDS Alliance, Washington, DC, USA

Global Exchange, San Francisco, CA, USA

Halifax Initiative Coalition, Canada

Health Alliance International, Seattle, WA, USA

Health GAP (Global Access Project), USA

Holy Cross International Justice Office, Notre Dame, IN, USA

Holy Spirit Missionary Sisters JPIC, USA

The Ihangane Project, Aptos, California, USA

Institute for Justice & Democracy in Haiti, Joseph, OR, USA

International Labor Rights Forum, Washington, DC, USA

InterReligious Task Force on Central America, Cleveland, OH, USA

Jubilee Montana Network, USA

Jubilee Northwest Coalition, USA

Jubilee San Diego, USA

Jubilee USA Network

Jubilee York, PA, USA

Just Foreign Policy, Washington, DC, USA

Marcha Mundial de las Mujeres, México

Maryknoll Office for Global Concerns, USA

Milwaukee Fair Trade Coalition, USA

Mining Watch Canada

Missionary Oblates of the Mary Immaculate, Justice, Peace & Integrity of Creation Office, USA

Mujeres para el Diálogo A.C., México

Nicaragua Center for Community Action (NICCA), USA

Nicaragua Network, USA

Notre Dame de Namur Justice and Peace Network, USA

The Oakland Institute, Oakland, CA, USA

Oregon Fair Trade Campaign, USA

Partners In Health, Boston, MA, USA

People's Health Movement – USA

Physicians for Human Rights, USA

Population Action International, USA

Presentation Peace & Justice Center, Fargo, ND, USA

Presentation Sisters of Newfoundland and Labrador, Canada

Public Citizen's Global Trade Watch, USA

Red Nacional Género y Economía (REDGE), México

RESULTS Canada

RESULTS USA

Seccion 9 SNTE-CNTE de Mexico

Siembra A.C., México

Sisters of the Holy Cross, Congregation Justice Committee, USA

Social Justice Committee, Montreal, Canada

Student Global AIDS Campaign (SGAC), USA

Trans Africa Forum, Washington, DC, USA

Treatment Action Group (TAG), New York, NY, USA

United Methodist Church, General Board of Church and Society, Washington, DC, USA

Vermont Global Health Coalition, USA

Wheaton Franciscans Justice, Peace & Integrity of Creation Office, USA

#### South & Central America and the Caribbean

AGALAT (El grupo por una agricultura alternativa y de alerta ante la transgénesis), Panamá

Asamblea Popular Parque Italia, Quito, Ecuador

Asociacion Animo y Aliento, Lima, Peru

Asociacion CCEFIRO del Peru

Centro Paraguayo de Estudios de la Mujer, Asunción, Paraguay

Como Base Investigaciones Sociales de Paraguay

Corriente Sanitaria Nacional, Argentina

Fundación indo America Latina para la educacion , la vida y la integracion, Colombia

Fundación Red de Apoyo Social de Antioquia (RASA), Colombia

Grupo Red de Economía Solidaria del Perú (GRESP)

Instituto de Políticas Públicas en Salud, Argentina

La Marcha Mundial de las Mujeres Perú

Pachakamak Centro Cultural, Quito, Ecuador

Plate-forme haïtienne de Plaidoyer pour un Développement Alternatif (PAPDA)  
Port-au-Prince, Haïti

Procuraduría para la Defensa de los Derechos Humanos Nicaragua

Red Peruana de Comercio Justo y Consumo Ético (RPCJyCE), Perú

Secretario del Foro "Corriente de Opinión Ciudadana" en ausencia del Presidente, Argentina

Union Nacional de Productores Agropecuarios Costarricenses (UNAG) San Jose, Costa Rica

United Belize Advocacy Movement (UNIBAM)

### **Academics**

Professor Brook Baker, Program on Human Rights and the Global Economy, Northeastern University School of Law, Boston, MA, USA

Professor Ha-Joon Chang, Reader in Political Economy of Development, University of Cambridge, UK

Laurie Gagne, PhD, Director, Edmundite Center for Peace and Justice, St. Michael's College, Vermont, USA

Patricia Siplon, PhD, Professor of Political Science, St. Michael's College, Vermont, USA