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Joint CSO letter to the Nordic-Baltic ED on the occasion of the IMF annual meetings 2015

Dear Mr. Grønn,

We, Nordic civil society organizations working for the eradication of poverty, just distribution of power and resources, and for democratization of global governance, would like to raise a few issues of concern to us prior to the up-coming annual meetings.

New solutions to debt problems

We are content to see that the IMF in October 2014 recommended a strengthening of the contractual framework to address collective action problems in sovereign debt restructuring, by implementing a strengthened Collective Action Clauses (CAC) and a modified Pari Passu clause in sovereign bonds. We further support the establishment of the CCRT, which allows the IMF to join international debt relief efforts when poor countries are hit by the most catastrophic of natural disasters and to assist poor countries battling with public health disasters.

It must however be clear that the issue of debt crisis and debt restructurings are not solved and still need special attention. We urge the IMF to monitor the behaviour of aggressive sovereign debt creditors. We further encourage the IMF to consider expanding the scope of CCRT to ensure that countries with an unsustainable debt burden caused by natural disasters and public health disasters are being helped. Many small island developing states (SIDS) are particularly vulnerable to natural disasters and climate change and have high debt burdens. The total global debt burden is increasing and we need a transparent and independent system to help prevent and solve future debt crises.

We therefore encourage the IMF to play a constructive role and cooperate with the initiatives under the United Nation, seeking to improve the system of sovereign lending and debt restructurings. The UN's work on sovereign debt has gained broad support from the General Assembly (e.g. resolution "Basic Principles on Sovereign Debt Restructuring Processes" A/69/L.84) and constitutes an appropriate forum to deal with overarching principles of debt restructuring.

New Sustainable Development Goals

2015 is the year that will determine the next generation's economic, development and climate commitments. Through the implementation of the commitments laid out in the SDGs, the Addis Ababa Action Agenda and the COP21 countries must ensure that we tackle poverty, inequality and climate change, and that no one is left behind by progress. The disparities in health, education, income and living standards will continue to grow unless the financing community takes steps not only to increase the volume of resources available, but also to ensure that they are equitably allocated and benefit the poor and most marginalized people. The IMF must therefore ensure that the 2015 commitments act as a guiding framework for its institutional practice and the policy advice it provides.

Conditionality

We are worried about the continuous and extensive use of conditionality in IMF programs, including conditions that require the reduction of public expenditure on health, education and social security. A report from Eurodad in 2014 showed that the average number of policy conditions per loan has risen in recent years, despite the Funds efforts to streamline its conditionality.¹ Conditionality leading to austerity and liberations measures can have severe impacts on the poorest and most vulnerable.

We encourage the IMF to bridge the gap between policy and practice, and refrain from placing conditions that can contribute towards increased inequality levels. In fact, we advocate that the IMF should focus on its mandate as lender of last resort to countries that are facing temporary balance of payments crises. Such countries need rapid support to shore up their public finances, not lengthy programmes that require major policy changes.

Governance

We call for the IMF to urgently reform its governance structure to improve transparency and accountability. Developing countries, and in particular the poorer and most vulnerable countries, must be given a fair voice and vote. Concrete action on improving the governance structure of the IMF is long overdue, and we recommend that double majority voting be implemented as a first step. Beyond that, an adequate quota formula must be developed to give poorer countries more weight, vote and voice.

We look forward to your response on these issues.

Best wishes,

Changemaker, Diakonia, Kepa, YWCA-YMCA Global Norway, Norwegian Church Aid, Save the Children Norway, SLUG – Debt Justice Network Norway, Attac, the Norwegian council for Africa and The Socialist Youth League of Norway



¹ Eurodad (2014) "Conditionally Yours: An Analysis of the Policy Conditions Attached to IMF Loans," see <http://eurodad.org/files/pdf/533bd19646b20.pdf>.