

CONDITIONALITY REVIEW CAMPAIGN LETTER

Dear Executive Board,
Dear Strategy, Policy, and Review Department,

We write to you as civil society organisations, academics, economists, and networks to express our concern over the continued negative impacts of conditionality in IMF programmes. We call on you to use the [Consultation on the 2018 Review of Conditionality and Design of IMF Supported Programs](#) to re-evaluate the current approach. At the heart of our calls rests a need for the systematic integration of global civil society in the consultation process and to ensure that the voices of those impacted by IMF policy are listened to and involved in its design and implementation.

Restrictive fiscal and monetary policies prescribed in IMF loan conditionality squeeze the fiscal space needed for public investment and too often result in devastating consequences - particularly for marginalised groups - at high political costs. Last year, a UN expert [warned](#) that lending policies of the IMF actively undermine some human rights and development priorities, as well as promoting failed policies of privatisation and austerity. Moreover, in June 2018 the UN special Rapporteur on Extreme Poverty and Human Rights [claimed](#) that the world is now "suffering the consequences of the past lopsided approach of IMF to globalization and its single-minded pursuit of a model of fiscal consolidation that relegated social impact to an afterthought."

The conditionality review must thus revisit and investigate the impacts of IMF policy lending practice on human rights and inequality in the past two decades. We believe that [fighting inequality](#) must be integrated into loan programmes and conditions, which should include regular monitoring of the impacts on inequality of such programmes. Additionally, this review offers an opportunity for the IMF to set out how conditionality can support or undermine the achievement of the Sustainable Development Goals, and human rights. Critically, this means designing conditions which do not compromise countries' ability to achieve adequate levels of public spending, especially in health, education and social protection, but which in fact help them support these spending levels, including through the design of fair tax systems.

Further, as demonstrated by an academic [study](#) entitled *IMF conditionality and development policy space, 1985-2014*, since 2008 "structural conditions have been a growing component of IMF programs." We therefore remain concerned that IMF programmes continue to erode democratic governance and sovereignty of borrowers.

With regards to labour, [coordinated collective bargaining](#) and [fair regulations](#) are beneficial for [productivity](#) and job-rich growth. Reaching beyond institutional expertise, IMF loan programmes have often [undermined collective bargaining structures](#), held down wages, encouraged [excessive labour market flexibilization](#), and led to drastic job cuts in the public sector. In [programmes since 2011](#) - including [Portugal](#), [Greece](#) and [Romania](#) - the Fund focused on the dismantling of national or sector-level collective bargaining and the weakening of employment protection legislation. This has long-term [repercussions](#) for precarious and non-standard work, [productivity](#), wage stagnation, [inequality](#) and [falling labour share of income](#). IMF research has recognized that [inequality undermines](#) sustainable economic growth.

Outside Europe, IMF conditionality has [targeted](#) the size and [compensation](#) of the public sector. Conditions and prescriptions on labour markets have shown few signs of aiding recovery or [addressing unemployment](#) and have instead [contributed](#) to increased income inequality and the erosion of basic public services. We call on the IMF to address this through the conditionality review.

On gender, the IMF's recent efforts to explore the gendered dimensions of macroeconomic policy are broadly welcomed, but its approach to gender in policy conditionality continues to lack a [systematic framework](#) and disregard gendered impacts of conventional IMF macroeconomic policy advice. We therefore call on the IMF to use the review to set out a board-approved 'institutional view' on its position and role towards gender equality, enhance collaboration on its gender work with international organisations, in particular UN Women, and civil society organisations, in particular women's rights organisations. Further, we call for the implementation of gender budgeting in the design of IMF loan conditionality, and to use *ex-ante* gender impact assessments to analyse core policy conditionality, track the impact of subsequent reforms and propose an alternative policy mix if adverse gendered impacts of proposed conditionality are identified.

Moreover, we believe that the review should revisit the efficacy of the IMF's standard prescriptions of driving interest rates very high to get inflation very low. The unquestioned acceptance of highly restrictive fiscal and monetary policies has consistently undermined efforts to realise meaningful increases in public investment as a percent of GDP, and the harmful consequences of the high interest rates makes government deficit financing so unaffordable as to block needed increases in public investment. Efforts by advocates for increased public investment have been consistently frustrated because the root problem - the need for more expansionary policies - has not yet been adequately addressed.

The aftermath of the 2008 financial crisis had far-reaching and harmful consequences. Ten years on from the crash and amid rising global debt and inequality, we hope that this conditionality review will be used by the Fund as an opportunity to reconsider the current approach in favour of one that protects universal human rights and supports the achievement of the Sustainable Development Goals.

Kind regards,

ActionAid International

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APIT Portugal – Portuguese Tax and Customs Inspectors Trade Organization

Asia Transnational Corporations (ATNC) Monitoring Network, Hong Kong

Bank Information Center Europe

Bank Information Centre

Bretton Woods Project

British Black Anti-Poverty Network

Center for Economic and Policy Research

Centre national de 2cooperation au développement, CNCD-11.11.11

Child Poverty Action Group

Church of Sweden

Common Weal, Scotland

Daniel Horn, independent researcher

Debt Justice Norway

Development Pathways

Development Research and Training (DRT)

Diane Elston, Professor, University of Essex

Dr Carolina Alves, University of Cambridge

EnaBanda

Equality in Tourism

Eurodad

Focus Association for Sustainable Development

Free Trade Union Development Center, Sri Lanka

Gender and Development Network

Global Alliance for Tax Justice

Global Justice Now

Global Responsibility from Poland

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International Trade Union Confederation

Jayati Ghosh, Professor of Economics, Jawaharlal Nehru University, New Delhi

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Jubilee UK

Jubilee USA

Labour Resource and Research Institute (LaRRI)

Latindadd

Movement for decent work and welfare society

New Economics Foundation

Norwegian Church Aid

Olof Palme International Center

Oxfam International

Phenix Center for Economic and Informatics Studies, Jordan

Social Watch

Stamp Out Poverty

Tax Justice Network

The Egyptian Initiative for Personal Rights

The Network for Transformative Social Protection (NTSP) in Asia

The Rethinking Bretton Woods Project at Center of Concern (USA)

Thomas Stubbs, University of Cambridge

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