

April 17, 2001

Executive Directors  
International Monetary Fund  
700 19<sup>th</sup> Street NW  
Washington, DC 20431

Dear Executive Directors:

We, the 123 undersigned organizations from 47 countries, are writing to urge the International Monetary Fund (IMF) and the World Bank to work with borrowing governments to publicly disclose information about the policy reforms for which the institutions provide financing. The institutions currently negotiate macroeconomic and structural adjustment policies with borrowing governments behind closed doors, without the knowledge or consent, much less participation, of affected citizens.

Transparency is a basic tenet of open societies and good governance. Yet most structural adjustment-related documents remain secret even after the loans are approved by the Board of the IMF or World Bank. As long as compliance with specified policies remains a critical element in determining access to IMF and World Bank resources, it is essential that information about these policy reforms is publicly disclosed and subjected to open national processes of deliberation and consensus building.

Therefore we urge you to acknowledge the right of citizens to participate in the formulation of national development policies, including macroeconomic and structural adjustment policies that may be associated with IMF and World Bank lending instruments. (New programmatic loan instruments such as Development Support Loans and Poverty Reduction Support Credits are included in the adjustment loan category.)

Specifically we urge actions in the following areas:

- World Bank information disclosure policies should at a minimum achieve parity with IMF policies with respect to the disclosure of information about macroeconomic and structural reforms. (This would mean, for example, the disclosure of the Country Letter of Development Policy);
- The IMF and World Bank should work with borrowing governments to initiate a pilot program that discloses all adjustment-related documents, including the President's Memorandum and Tranche Release Memorandum. The pilot program could be initiated in poorer countries, which are required to prepare a Poverty Reduction Strategy Paper (PRSP) to qualify for external assistance. Subsequently, it could be broadened to all borrowing countries; and

- The IMF and World Bank should work with their borrowers towards releasing information about macroeconomic and structural policies in draft form, *prior* to Board approval, with sufficient time for the public to respond and provide input.

Currently, the institutions require that certain member governments prepare national development strategies [e.g. Poverty Reduction Strategy Papers (PRSPs)] in order to qualify for external assistance. The institutions exhort governments to prepare these documents with broad-based public participation. The World Bank also encourages certain member governments to prepare Comprehensive Development Frameworks (CDFs) with broad-based participation in order to facilitate collaboration in the development process.

Yet, the IMF and World Bank have a narrow conception of the roles of citizens' groups relative to their governments. For instance, the institutions have been contradictory in their statements about the scope of citizen participation, often suggesting that citizens' groups engaged in development processes (e.g. PRSP, CDF, CAS) should participate in monitoring and implementation of public policies, rather than in the formulation of such policies. Policy formation is still conducted through secret negotiations between borrowing governments and World Bank and IMF officials.

The IMF and World Bank also have a narrow view of the roles and responsibilities of citizens' groups and governments relative to external actors. For instance, the World Bank is publishing partnership charts in its Country Assistance Strategy (CAS) which illustrate the relative involvement of the borrowing government, civil society, and external actors in thirteen areas, such as improving governance or increasing economic opportunity. The partnership chart in the CAS for Tanzania shows the government and civil society are each highly involved in only *two* areas, while the World Bank is highly involved in *five* areas. The chart in the CAS for Mozambique reflects *no* significant involvement by civil society in *any of thirteen areas!*

In numerous public statements about their lending operations (especially in PRSP countries) the IMF and World Bank have promised consistency between macroeconomic and structural adjustment policies, on the one hand, and poverty reduction objectives, on the other. Too often, we see two-track processes instead. On track #1, borrowing governments work with the IMF and World Bank to formulate the macroeconomic and structural adjustment policies associated with their lending operations. On a separate and parallel track #2, governments work with their citizens and their external donors and creditors to formulate the national strategies to reduce poverty (e.g. the PRSP and CDF). There is little evidence of the promised consistency or "iterative process" between these two tracks. Public disclosure of macroeconomic and structural adjustment policies as a prerequisite to consultations concerning the PRSP or CDF would mark a major step forward in closing the gap between these two tracks.

Furthermore, it is not sufficient that policy conditions associated with World Bank and IMF lending instruments be public at the discretion of borrowing governments. The IMF

and the World Bank, as the institutions proposing specific macroeconomic and structural policies, should premise negotiations between themselves and borrowing governments on the principle of transparency or the presumption of disclosure.

Citizens and their sovereign governments have the right and responsibility to engage in transparent and deliberative processes in order to determine national development policies. The rights of citizens should not be preempted by pressure from external actors, such as the IMF and World Bank. The meanings of "sovereignty," "citizenship" and "good governance" become hollow when citizens are relegated to monitoring and implementing policies formulated by external actors without their participation.

Although the IMF and the World Bank state their dedication to promoting "good governance," we contend that the institutions will undermine good governance until they adopt a broader view of the roles and responsibilities of citizens' groups, and until they work with borrowers to disclose information required for informed participation in the development process.

You may direct your response to this letter to Carol Welch at Friends of the Earth US, 1025 Vermont Ave. NW, Washington DC, 20005. In addition, many of us will be raising these issues directly with you at the upcoming IMF/WB spring meetings and at other appropriate venues.

Sincerely,

Instituto Patagonico De Desarrollo  
Social  
Argentina

ACT Greens  
Australia

Australian Greens  
Australia

Economic Reform Australia  
Australia

WtowatchACT  
Australia

IEDS/Friends of the Earth Bangladesh  
Bangladesh

Society of Environment and Human  
Development  
Bangladesh

Broederlijk Delen  
Belgium

Global Justice Center  
Brazil

Centre for Environmental Education and  
Information  
Bulgaria

NGO Forum on Cambodia  
Cambodia

Association des Juristes de

l'Environnement  
Cameroon

Centre for Environment and  
Development/Friends of the Earth  
Cameroon  
Cameroon

Oilwatch Cameroon  
Cameroon

Ecumenical Coalition for Economic  
Justice  
Canada

Halifax Initiative Coalition  
Canada

Sos Sante  
Canada

Women's International League for Peace  
and Freedom - British Columbia  
Canada

Coecoceiba/Friends of the Earth Costa  
Rica  
Costa Rica

Hnuti Duha/Friends of the Earth CZ  
Czech Republic

NOAH/Friends of the Earth Denmark  
Denmark

Centro de Derechos Economicos y  
Sociales  
Ecuador

DAWN, Global Secretariat  
Fiji  
Friends of the Earth Finland  
Finland

Network Institute for Global

Democratisation  
Finland

Agir Ici  
France

Les Amis de la Terre  
France

Attac-Rochefort  
France

Dette et Développement  
France

Editions Cultures Croisées  
France

Secours Catholique/Caritas France  
France

Association Green Alternative  
Georgia

Greens Movement of Georgia  
Georgia

Bund/Friends of the Earth Germany  
Germany

Urgewald  
Germany

World Economy, Ecology and  
Development  
Germany

Integrated Social Development Centre  
Ghana

Third World Network-Africa  
Ghana

Energy Club

Hungary

Insaaf International

India

Public Interest Research Centre

India

Delapan Foundation

Indonesia

Federation of Indonesian Peasant Unions

Indonesia

North Sumatra Peasant Union

Indonesia

Sintesa Foundation

Indonesia

WALHI/Friends of the Earth Indonesia

Indonesia

Mercy International Justice Network

Ireland

Trocaire

Ireland

Amici della Terra

Italy

Franciscan Missionaries of Mary

Italy

Participatory Development Training

Center

Lao PDR

ActionAid Malawi

Malawi

Asian-Pacific Resource & Research

Centre for Women

Malaysia

Third World Network

Malaysia

Promotora de Servicios para el

Desarrollo Sociedad Civil

Mexico

Rural Reconstruction Nepal

Nepal

Friends of the Earth International

Secretariat

Netherlands

Centro Humboldt/Friends of the Earth

Nicaragua

Nicaragua

Grupo Propositivo y Cabildeo

Nicaragua

Unión Nacional de Agricultores y

Ganaderos

Nicaragua

AREN

Niger

Centre for Public-Private Cooperation

Nigeria

Norges Naturvernforbund/Friends of the

Earth Norway

Norway

Development Visions

Pakistan

Legal Rights & Natural Resources

Center/Friends of the Earth Philippines

Philippines

ActionAid Sierra Leone

Sierra Leone

Alternative Information & Development

Centre  
South Africa

UK

Southern African Catholic Bishops'  
Conference Justice and Peace  
Department  
South Africa

Moyo Wa Taifa/Pan-African Women's  
Grass-Root Network  
UK

Etica I Societat  
Spain

Partizans  
UK

Mesa Civica  
Spain

Philippine Resource Centre  
UK

Environmental Foundation/Friends of  
the Earth Sri Lanka  
Sri Lanka

Reforest the Earth  
UK

Miljöförbundet Jordens Vänner/Friends  
of the Earth Sweden  
Sweden

Save the Children UK  
UK

Bern Declaration  
Switzerland

Africa Action  
US

Swiss Coalition of Development  
Organizations  
Switzerland

Alliance for Justice  
US

Rural Food Security Policy and  
Development Group  
Institute of Development Studies  
University of Dar es Salaam  
Tanzania

Association of Nigerians in the Capital  
District  
US

Tanzania Coalition on Debt and  
Development  
Tanzania

Bank Information Center  
US

Tanzania Development Research Group  
Tanzania  
Bretton Woods Project  
UK

Beyond Borders  
US

Bread for the World  
US

The Corner House

Capital District (NY) Labor-Religion  
Coalition  
US

Catholic Healthcare West  
US

Center for Economic Justice

US	Minnesota Fair Trade Coalition
Center for Environmental Economic Development	US
US	Network
Center of Concern	US
US	Network for Environmental and Economic Responsibility of the United Church of Christ
Coalition Against Global Exploitation	US
US	N.H. Consumers Utility Cooperative
Congregation of Sisters of the Good Shepherd	US
US	NYC Direct Action Network - WB/IMF/WTO Working Group
EarthRights International	US
US	Nicaragua Network
Fifty Years is Enough: US Network for Global Economic Justice	US
US	Ohio Fair Trade Campaign
Friends of the Earth US	US
US	Oxfam International
Global Exchange	US
US	Peru Peace Network
Globalization Challenge Initiative	US
US	Resource Center of the Americas
Grassroots International	US
US	Results
Holy Cross International Justice Office	US
US	Institute Justice Team
Medical Mission Sisters	Sisters of Mercy of the Americas
US	US
Michigan Coalition for Human Rights Southern Africa Committee	United Methodist Church, General Board of Church and Society
US	US

Wisconsin Fair Trade Campaign  
US

Witness for Peace  
US

Caritas Internationalis

Vatican City, Vatican State

African Forum and Network on Debt  
and Development  
Zimbabwe

## Attachment A

### Recommendations on Information Disclosure

We urge the World Bank to incorporate the following recommendations in the current revision of the institution's information disclosure policy. We urge the IMF to launch a new Board discussion to address the following issues.

- **The World Bank should "catch up" to the IMF with respect to the disclosure of information about macroeconomic and structural policies.** The IMF already presumes that each borrower will disclose its Letter of Intent (LOI) to the public. The LOI divulges the terms and conditions of its loan arrangements -- all of which pertain to macroeconomic and structural reforms.<sup>1</sup> At the bare minimum, the World Bank should do the same. Hence, we urge the World Bank to presume that each borrowing government will disclose its "Country Letter of Development Policy," the analog to the LOI.<sup>2</sup>
- At present, neither the IMF nor the World Bank discloses adjustment-related documents which they, themselves, own. We urge that the IMF and World Bank revise their information disclosure policies to ensure that these documents appear in the public domain. This would entail disclosure by the World Bank of its adjustment-related documents: the President's Memorandum and the Tranche Release Memorandum. It would entail disclosure by the IMF of the Poverty Reduction and Growth Facility (PRGF) Arrangements.<sup>3</sup> **We urge that the IMF and World Bank initiate a pilot program that discloses adjustment-related information. The pilot program could be initiated in PRSP countries and, subsequently, broadened to all borrowing countries.**
- **Overviews of IMF and World Bank policy prescriptions.** When each low-income borrower discloses its Interim PRSP, the IMF and World Bank requires the borrower to include a "policy matrix," which provides a composite view of policy prescriptions associated with IMF and World Bank loans. The institutions do not require that borrowing governments disclose this information with the full PRSP. This represents a major setback for transparency. Critical elements of any national development plan, including the PRSP, should not be secret. **We urge that the IMF and World Bank work with all borrowing governments to ensure that policy prescriptions that they finance are disclosed to the public.**
- **Finally, we urge that the institutions work towards releasing the aforesaid documents in draft form, prior to Board approval, with sufficient time for the public to respond and provide input.** Citizens and elected officials cannot provide informed consent for policies that have been determined *a priori*. National ownership of development strategies, including PRSPs, ultimately requires greater freedom of information.

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<sup>1</sup> In general, each borrower must release a Letter of Intent (LOI) and Memorandum of Economic and Financial Policies following approval of this document by the IMF's Board.

<sup>2</sup> Each Letter -- the Letter of Intent and the Letter of Development Policy -- is written by the borrowing government to the head of the IMF or World Bank, respectively.

<sup>3</sup> Exceptions are granted for market sensitive information and information which could pose a risk to national security.

## Attachment B

# Key Adjustment-Related Documents

### I. World Bank Documents

<b>1. Public after Board Approval</b>	<b>2. Secret</b>	<b>3. Document Description</b>
	President's Report or Memorandum	Functions as an internal note from the World Bank President to the Executive Board that sets out the conditions of adjustment lending operations.
	Tranche Release Memorandum	Itemizes the specific conditions attached to each "tranche" or installment of adjustment (and other) loans.

### II. IMF Documents

<b>Public after Board Approval</b>	<b>Secret</b>	<b>Document Description</b>
	Stand-By Arrangement (SBA) loan document	Contains the terms and conditions associated with an IMF loan.
	Poverty Reduction and Growth Facility (PRGF) <sup>4</sup> loan arrangement	Contains the terms and conditions associated with an IMF loan to a low-income country government.
Article IV consultation		Annual consultation wherein IMF officials assess a member government's macroeconomic and structural adjustment policies.

### III. Borrowing Government Documents Produced for the IMF and/or World Bank

<b>Public after Board Approval</b>	<b>Secret</b>	<b>Document Description</b>
Letter of Intent (LOI)		Letter from Finance Minister or Central Bank Governor of borrowing country to the IMF's Managing Director which outlines the policies which the government is obligated to implement as a condition of securing a loan.

<sup>4</sup> The Poverty Reduction and Growth Facility (PRGF) was previously called the Enhanced Structural Adjustment Facility (ESAF). The IMF changed the name of the facility to diffuse criticism of structural adjustment policies.

	Country Letter of Development Policy (LODP)	Letter from borrowing government to the World Bank's President which outlines the policies which the government is obligated to implement as a condition of securing a loan.
Interim Poverty Reduction Strategy Paper (PRSP) <sup>5</sup>		Government document (in theory, developed with civil society consultation) outlining government's poverty reduction strategy. The IPRSP always includes an overview of IMF and World Bank policy prescriptions in the form of a "policy matrix." All IMF and World Bank lending operations (in theory) must be consistent with the PRSP. IMF requires an IPRSP or PRSP prior to providing debt relief and PRGF loans.
Poverty Reduction Strategy Paper (PRSP) <sup>6</sup>		See above for description. While governments are required to disclose an overview of IMF/World Bank policy prescriptions in the IPRSP, they are not required to do so in the PRSP. This is a setback. To date, governments are disclosing a vacuous "Log Frame" instead of a Policy Matrix.

#### **IV. Joint IMF/World Bank Documents**

<b>Public after Board Approval</b>	<b>Secret</b>	<b>Document Description</b>
Heavily Indebted Poor Country (HIPC) Decision Point & Completion Point Documents		Contains the IMF and World Bank's Debt Sustainability Analysis (DSA), proposal for debt relief, and conditions the IMF and WB will use to evaluate government performance and eligibility for debt relief.

<sup>5</sup> The IPRSP and PRSP are technically available upon Board circulation rather than after Board approval. They are often available to civil society groups in the pertinent country during the consultation process (and this should be the routine practice).

<sup>6</sup> Ibid. (see footnote above)