

Open letter to the IMF Board of Executive Directors on the Review of Conditionality and Program Design: Don't resurrect "your grandfather's IMF".

We are writing as Civil Society Organizations extremely concerned about the likely outcome of the Review of Program Design and Conditionality (RoC). The review is in its final stages and the IMF has not published anything on the substance of the proposals under consideration, yet the outcome of this review will impact millions of people globally.

It is extremely worrying that the RoC will likely entrench an approach to conditionalities that has repeatedly shown to be harmful, counterproductive, and deeply unsuited to address today's challenges. **The seeming insistence of adopting the policy approach of "frontloaded fiscal adjustment" into program design would restore the infamous and failed logic of structural adjustment programs (SAPs) under a modern cloak.** The Fund leadership has repeatedly declared that it has learnt from the catastrophic mistakes of this era and that the IMF has moved past it. Apparently not. Using the RoC to design a modern version of the disastrous SAPs would be a grave mistake in terms of harming struggling countries, and drive another nail in the coffin of the legitimacy of the IMF.

Global economic shocks have become recurrent and more devastating especially on Global South economies. These shocks and interest rate hikes by advanced economies have exacerbated the debt crises in Global South countries, many of whom are under IMF loan programs. Climate damage is also growing. The [United Nations](#) warned this month that warming beyond the 1.5°C target is now unavoidable without urgent action. While advanced economies responded to the COVID-19 crisis with major countercyclical policies and have increasingly utilized industrial policy, the IMF has continued to prescribe a familiar mix of austerity and liberalization for developing countries. Burdens are pushed onto vulnerable populations disproportionately impacting women and girls and other marginalized groups, investments in development are foregone, and environmental harms grow. The Fund seems unwilling to step up to help countries. No matter the challenge and its scale, the Fund seems to have only one answer: more austerity.

While social unrest and discontent are growing in many countries implementing IMF programs, we have yet to receive indications that the RoC is considering more than minor technical adjustments, let alone addressing political economy concerns. Even worse, certain IMF members are pushing for an even deeper commitment to defunct traditional structural adjustment policies. **We urge the IMF Executive Board and management not to rubber stamp a deeply flawed and harmful approach to program design and conditionality but instead to ensure that it improves in three domains.**

First, the RoC should drop the faulty assumption that austerity will solve program countries' economic challenges. As the IMF's former chief economist [acknowledged](#), intense fiscal consolidation can harm growth. In part because the IMF underestimates the negative impacts of fiscal consolidation, IMF programs frequently [underperform](#) projections. Rather than

tying countries' hands behind their backs in the face of external shocks, IMF programs should support governments to stimulate recovery.

Second, the RoC must address IMF programs' tendency to fuel inequality and push burdens onto vulnerable populations. Austerity provisions frequently lead to the slashing of budgets for health, education, and other social protection priorities relied on most by low-income groups and women. The burden of fiscal adjustment keeps falling on the middle classes and vulnerable people, while shielding the wealthiest in society. Even when revenue measures are emphasized over spending cuts, the IMF [favors](#) regressive taxes over taxes on wealthy individuals and corporations. [Social spending](#) floors are presented as proof of distributional concern; however, research shows them inadequate, narrow, and far below what's needed. The Fund should require ex-ante and ex-post distributional assessments, secure social spending and progressive taxation consistent with national development strategies and the SDGs, and drop the austerity provisions that hollow them out.

Third, the RoC must ensure alignment between IMF programs and the Paris Agreement in addition to other international agreements. IMF Programs often push countries into fossil fuel extraction and the destruction of ecosystems, to export natural resources and earn the foreign exchange that pays [creditors](#). The Fund answers that its climate lending focus belongs to the Resilience and Sustainability Trust — but the RST requires a concurrent upper credit tranche (UCT) program, so the RoC will govern climate policy either way, and UCT conditions frequently cut against climate goals. Even [RST](#) programs have frequently used a one-size-fits-all “green fiscal consolidation” approach. The RoC should ensure that IMF programs conduct ex-ante and ex-post climate impact assessments, avoid conditions that contradict the Paris Agreement, and facilitate investments in climate and nature.

Communities across the Global South have felt the pain as the IMF has treated the results of external shocks and an unfair international financial architecture as evidence of countries' own failings, and as it has prioritized the interests of creditors and the wealthy over the interests of people and planet. Failure to change course in this Review of Conditionality and Program Design will damage trust in an IMF that is increasingly being used as an instrument of certain countries' geopolitical goals; will produce suffering and unrest across the Global South; and will leave the world increasingly behind on its climate goals. We urge the IMF to show it can listen and change and demonstrate that this is truly “not your grandfather's IMF”.

Signatories:

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Association développement sans frontières (ADSF) Tataouine
Association du Gharb pour la Protection de l'Environnement (AGPE)t
Association For Promotion Sustainable development
Association for women and children
Association Khnifiss
Association LaSiesta
Association Nour for women
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Christian Aid
Christian care Foundation Pakistan
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Fundación Ambiente y Recursos Naturales (FARN)
FUNDACION ETNICA INTEGRAL
G-TECH
G4 Alliance
GCAP-Mauritius
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Global Call to Action Against Poverty (GCAP)
Global Policy Forum Europe
Global purpose project
Global Social Justice
Gohoud to Support Human Rights Defenders
HERFON - Health Reform Foundation of Nigeria
Hope for Future Generations Ghana
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International Human Rights Movement
International Trade Union Confederation
Jewel Environmental Initiative
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KULU-Women and Development (KULU)
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Malaria & NTDs Youth Corps Guinea
Maurisante
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Medical Impact
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NCO
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PEAH - Policies for Equitable Access to Health
Plateforme HINA
Rachaya Environmental Committee Organization RECO
RARBA (réseau des associations de la réserve de biosphère arganeraie)
Reality of Aid - Asia Pacific
Recourse
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