

[insert date], 2010

President Barack Obama
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Obama:

The global economic crisis wracking our country has also devastated low-income countries. An estimated 64 million more people have been pushed into extreme poverty. In the wake of this devastating crisis, we share your desire to make U.S. development assistance more effective in order to secure substantive gains in improving livelihoods around the globe. As you noted earlier this year, “in our global economy, progress in even the poorest countries can advance the prosperity and security of people far beyond their borders, including my fellow Americans.”

The G-20 made commitments to increase assistance to low-income countries through the International Monetary Fund and multilateral development banks. This assistance should contribute to truly sustainable development without subjecting poor countries to debt distress. For example, the U.S. appropriately supported debt relief for Haiti after its catastrophic January earthquake. Debt relief has shown concrete positive results, freeing critical resources for improved education, health, water and sanitation in the world’s poorest countries.

Building on the principles you announced in New York and reflected as well in the Senate Foreign Relations Committee Report entitled “International Financial Institutions: A Call for Change”, we encourage you to consider the following policy approaches to benefit the world’s poorest and ensure that U.S. foreign assistance and debt relief is used effectively:

Use U.S. influence at the World Bank, International Monetary Fund (IMF), and other multilateral development banks (MDBs) to promote strong reforms, including:

- *Refocusing attention on the development impact of projects and programs, rather than the size and structure of loans by the MDBs.* Staff incentive structures and evaluations of projects should promote a strong development impact.
- *Substantially increasing grants instead of loans to low-income countries.* Much of the increased assistance delivered to low-income countries from the IMF and MDBs has been in the form of new loans, which may contribute to a potential debt crisis down the road. Excess windfall profits from the sale of IMF gold and increased transfers from the hard-lending windows of the MDBs should pay for increased grant support.

- *Increasing transparency and accountability of the IMF.* While the IMF has taken steps to become more transparent, the U.S. should continue to push for even more transparency, including publishing minutes and transcripts from Board meetings and circulating draft documents in relevant languages to facilitate country constituency input.

Urge the IMF and the MDBs to take concrete steps to fight corruption related to its financing since corruption undermines poor countries' development goals. Such steps should include:

- *Increasing resources for anti-corruption efforts and internal controls.* The IMF and MDBs should embed oversight funds into project and program financing so that a percentage of the funds can be used by borrowing countries to support monitoring, investigations, prosecution, technical assistance to Parliamentarians, government audit agencies, and ombudspople, thereby promoting better oversight and accountability.
- *Requiring all borrowing countries to reveal their budgets and implement public financial management guidelines on budget transparency.* Many countries that obtain budget support or sector wide support currently do not reveal their budgets, thereby undermining the ability of their citizens to hold them accountable.
- *When providing loans to resource rich countries, take steps to account for the billions in revenues that are streaming into the country.* The IMF should implement the recommendations in its own Guide to Resource Revenue Transparency, obtain a commitment from recipient governments not to censor individuals who raise concerns about oil revenue management, require disclosure of public official conflicts of interest in companies bidding for oil and gas rights; and call for an independent audit of the Ministry of Finance/Petroleum.

Working with the G-20, persuade creditor countries to disclose the amounts and terms of their bilateral loans to poor countries. Currently, some G-20 countries lend to developing countries which may have received debt relief but there is no public information about the size and terms of those loans. Transparency is a necessary part of responsible lending.

The continued G-20 meetings provide important opportunities for the United States to exercise global leadership by seeking important reforms that will maximize the development impact of multilateral institutions funded by the U.S., and free low-income countries from the cycle of crushing debts, caused in part to irresponsible lending and borrowing. We look forward to working with your Administration as you lead the way to the next generation of policies and reforms that will make development assistance more effective and achieve our shared vision of prosperity for all.

Sincerely,

Senator Lugar

Senator Casey

cc: Secretary of State Hillary Clinton
Secretary of the Treasury Timothy Geithner