

3 November 2023

IMF Executive Board
700 19th Street NW
Washington, DC 20431

Dear Member of the IMF Executive Board,

As a global movement of anti-corruption experts and advocates, we write to urge you to require more specific, accountable, and enforceable governance reforms in the debt restructuring negotiations with the Sri Lankan Government than are currently in place.

We call your attention to this specific situation because of the devastating impact of lost and stolen development funds in fueling the economic crisis facing the country. We also write because the Sri Lankan restructuring agreement is the first in Asia in the current crisis and can set a model for positive reform requirements in the upcoming negotiations in the fifty-plus countries facing debt distress, including many that are home to the signers of this letter.

Medicine shortages and child malnutrition still plague parts of Sri Lanka. At one point, unemployment levels reached 40% and persist above 25%. Sovereign debt now exceeds their Gross Domestic Product (GDP). Unlike most countries, tax revenues have not grown with GDP, blocking the pathway to economic sustainability.

We applaud the IMF's recognition in the release of their Governance Diagnostic Assessment that a fundamental cause of the fiscal hardship in Sri Lanka is a secretive and unaccountable governance structure. There is little transparency of government spending, particularly in the procurement process. Tax favors are granted to political allies with no oversight or assessment of public benefits. Conflicts of interest are not addressed and whistleblowers who would call out corruption have few protections.

To address these and other serious concerns we call upon the IMF to include specific governance reforms to be written in as structural benchmarks with the release of additional funds. We understand these reforms cannot be implemented overnight, but the Sri Lankan Government should be required to show good faith progress toward implementation.

A full list of concerns and necessary governance reforms can be found in the report released early this last month by our colleagues at TI Sri Lanka. A total of thirty-four recommendations have emerged from the consultation and literature review, which comprise a comprehensive set of reforms, organized under three categories as follows:

1. Enhancing transparency and accountability of existing systems that are necessary to produce the required fiscal outcomes.
2. Implementing policy changes designed to ensure macro political-economic stability and sustainability.
3. Effecting structural transformations that are necessary to significantly reduce corruption risk and impunity.

We appreciate the IMF's recognition of anti-corruption measures and good governance as macro-critical to accomplishing its overall goals and those set for Sri Lanka. The challenge for the IMF – its success in Sri Lanka and elsewhere -- is how to ensure implementation of the reforms. Reform requests without accountability have not worked in Sri Lanka or in other borrower nations. An honest assessment of why additional lending since the early 2000s following a significant round of debt forgiveness and restructuring has not had the expected impact would cite the role of persistent corruption and unaccountable governance in those jurisdictions as reasons for economic stagnation and further dependence on foreign assistance.

The situation in Sri Lanka and in many countries is dire. An infusion of funds is urgently needed but we do not subscribe to the false premise that urgency supersedes accountability. For many of us, we have personally witnessed the unfulfilled promise of misappropriated aid and the subsequent debt burdens that hinder economic development and self-determination.

We thank you in advance for your consideration of our experience and views, and we would welcome the opportunity to discuss this further with you. Please do not hesitate to contact Daniela Patiño Piñeros at dpatignopigneros@transparency.org for any clarifications on our request.

We are looking forward to constructively engaging with you.

Sincerely,

Signatories

- Bénin: Social Watch
- FUNDE-Transparency International El Salvador
- Gambia: Gambia Participates
- Ghana: Ghana Integrity Initiative
- Guinea: Association Guinéenne pour la Transparence
- Jamaica: National Integrity Action
- Montenegro: NGO MANS – Montenegro
- Mozambique: Centro de Integridade Pública
- Transparency International
- Transparency International Initiative Madagascar
- Transparency International Lebanon
- Transparency International Macedonia
- Transparency International Maldives
- Transparency International Mongolia
- Transparency International Mongolia
- Transparency International Pakistan
- Transparency International Sierra Leone
- Transparency International Sri Lanka
- Transparency International US
- Transparency International Zambia
- Transparency International Zimbabwe