A Global Justice Perspective on the Irish EU-IMF Loans: Lessons from the Wider World

Debt and Development Coalition Ireland

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Why DDCI Wrote this Document

An important element of DDCI's mission is '*to empower people in Ireland to take action for greater global justice*' by '*challenging structures of power that perpetuate injustice and exploitation of people of the Global South'*.[1] DDCI is conscious that the current situation in Ireland in relation to the EU-IMF loans is a rapidly evolving one, and that DDCI's focus as an organisation is on debt justice for Southern countries[2] rather than on Irish economic policy. However, DDCI has decided to outline here some of the lessons we have learned from our international work because the events unfolding in Ireland have striking parallels with the experiences of Southern nations in debt crises. Since the Greek debt crisis, DDCI, and the wider debt justice movement, has recognised that the divide between 'North' and 'South' has become much more blurred, and that lessons on debt need to be shared between countries of the Global South and the Global North. This is in order to support greater understanding of the power relationships between governments, the people and the international lending institutions that are taking up a hugely increased presence in countries around the world currently, and to enable a better examination of similarities and differences in policy and practice being applied by lenders. For DDCI, this will support lesson learning on how debt justice may be achieved for Southern countries. Organisationally, DDCI will continue to analyse its role in relation to making linkages in our work to Ireland's crisis.

A note on Language

DDCI uses the terms 'North/South', or 'Global North /Global South' rather than 'First World/Third World or 'Developed/Developing' countries. When we write about countries of the 'North' we are broadly describing countries in the continents of Europe, North America and Australia and when we write about countries of the 'South' we are broadly referring to countries in the continents of Africa, Asia and Latin America. None of these terms fully describe the diversity within our global society (for example, the terms North and South minimise inequalties within Northern and Southern societies).

Written by Nessa Ní Chasaide, Debt and Development Coalition Ireland, 28th November 2010. Many thanks to Nuria Molina & Oygunn Obrynildsen (European Network on Debt and Development), Dr Andy Storey (UCD, Development Studies Centre), Peter Chowla (Bretton Woods Project UK), Morína O' Neill, Sorley Mc Caughey and Eilish Dillon (DDCI board) for their helpful comments, and to Malcolm Sen for administrative support.

*Note: DDCI is a membership organisation. Our members support the overall goals of the organisation. The views of DDCI reflected in this report do not necessarily reflect the views of any individual member organisation.

[1] Debt and Development Coalition Ireland*, Strategic Plan: Challenging Unjust South-North Resource flows: 2008-2011,* p5

[2] DDCI's organisational position on Southern Debt and Ireland's responsibilities can be found in: Development Coalition Ireland*, The Case for a Justice-Centred Debt Policy: A Submission to Government,* 29th September 2009

EXECUTIVE SUMMARY

This document outlines lessons from the global debt justice movement, provides a background to the Irish EU-IMF loans (up to the 28th November 2010), and offers some recommendations based on these lessons from DDCI. It also flags up recommendations from other groups.

Lessons From the Wider World:

1. The legitimacy of the IMF as a lending institution is deeply questionable – due to its undemocratic governance structure, the devastating impacts of its policy conditions on the world's poorest people, and its lack of transparency. Unfortunately the IMF has not adequately reformed its policy conditionality practices since the recent global financial crisis. Since becoming a member of the IMF in 1957, Ireland has failed to influence the IMF to reform in these areas.
2. The practice of lender policy conditionality hides who are the driving forces behind policy actions taken by borrowing governments.
3. The precedent of the EU-IMF lender combination has shown the EU to have adopted a tough position toward EU countries in crisis. New proposals on lending practices within the EU are already forthcoming from government and civil society sources and need to be monitored in terms of their implications for international lending practices and any impact on Southern nations.
4. It has been possible for Southern borrowing countries in debt crises to stand up to lenders and survive. Justice campaigners in Southern countries and some governments, have also demonstrated that there are alternatives to lenders' policy conditions and the importance of fighting for them.

Recommendations from DDCI:

Lesson 1:The IMF and Ireland's Membership

Recommendation: Fundamental reform of the IMF's role is long overdue. DDCI has been calling for a set of key reforms in Irish government policy toward the IMF[3], central to which are:

- An end to the IMF's practice of attaching economic policy conditions to its loans
- Fundamental reform to the IMF's governance structure to include far greater voice and vote for Southern countries (for example through introducing a double majority voting system)[4]

Lesson 2: Policy Conditionality and the EU-IMF Lending Dynamic

***Recommendation**: If the EU-IMF loans are accepted by Ireland (DDCI is not proposing that the loans should be accepted by Ireland) there must be total transparency so that the roles the EU and IMF are playing as combined lenders are clear:*

- All loan documents must be made public and put before the Dáil for decision.[5] In the case of the potential drawing up of loan documents before the 2010 budget, they must be scrutinised, debated and voted on in the Dáil before the budget is published.

[3] For further detail on DDCI's position on the IMF's role in Southern countries see: *Challenging Ireland's Loan to the IMF, 21st April 2010, Debt and Development Coalition Ireland*

[4] *European CSO open statement on governance reform of the IMF*; http://www.brettonwoodsproject.org/art-539161

- The Irish government must make public to the Dáil and the Irish people, the areas of agreement and divergence between the Irish government, the EU and IMF through the full period of negotiation on any loan agreements;
- All records of dialogue with the EU-IMF lenders should be publicly available now and through all reporting stages on any loans.
- In any subsequent annual budgets, any lending or review documents should be put to the Dáil for decision after the national budget is agreed so that lending agreements or recommendations from lenders do not take precedent.

Lesson 3: Potential new EU/International approaches to lending and borrowing?

Recommendation: Any proposed new lending or debt management principles that may emerge among EU member states in response to the eurozone crisis must support Southern nations' right to debt justice.

Recommendations from other groups:

Lesson 4: Fighting for Alternatives

Trade unions and economists are proposing a number of possible options regarding lender responsibilities. Some of the documented ones so far include (in no particular order): ICTU (supporting a write down on all bank bondholders holdings to 10% of their nominal value)[6]; Michael Taft / Unite (supporting write downs on bank bondholder debt)[7]; Dr Andy Storey (supporting debt default / repudiation)[8]; economist David McWilliams (calling for Debt to Equity Swaps)[9].

A range of budgetary options which prioritise protecting the majority of people from unjust and damaging budgetary measures and outlining alternative budgets can be found from lots of active social justice civil society groups including: www.socialjusticeireland.org; www.communityplatform.org; www.unitetheunion.org, www.ictu.ie, www.olderandbolder.ie, among plenty of other groups.

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[5] The full range of relevant documents for this type of combined loan package is unclear but its likely that they should at least include copies of the Memorandum of Understanding on the loan package; From the IMF copies of: Staff Report; Letter of Intent; Memorandum of Economic and Financial Policies; Technical Memorandum of Understanding. From the EU and bi-lateral lenders copies of the loan agreements.

[6] http://www.ictu.ie/download/pdf/prebudget_submission_web.pdf, p. 28

[7] Michael Taft interview: http://www.youtube.com/watch?v=9_WtMi53_u4; http://www.youtube.com/watch?v=jJ4w0rplGSA

[8] Dr Andy Storey interview: http://www.youtube.com/watch?v=SA43bTlbKuM;

[9] http://www.sbpost.ie/post/pages/p/wholestory.aspx-qqqt=DAVID%20MACWILLAMS-qqqs=commentandanalysis-qqqsectionid=3-qqqc=5.2.0.0-qqqn=1-qqqx=1.asp.

LESSONS FROM THE GLOBAL DEBT JUSTICE MOVEMENT

**Note: In this section, DDCI outlines what we have learned from the IMF over the long period of monitoring the impact of the institution. It has been highlighted from the Greek case (see below), that the EU has played a tough role in negotiating the Greek loans, especially regarding interest rates. In this IMF section DDCI does not seek to downplay the potential impact of the EU as a lender in the Irish context.*

The IMF
Despite being an institution that is viewed as giving necessary 'tough love' policy prescriptions to countries in crisis, the IMF's policy prescriptions have worsened rather than improved the situations of countries in crisis.

What is the IMF?

The IMF was created in 1944, with the aim of creating global economic stability and improved global economic cooperation. The IMF is governed by its member country governments. It currently has 187 countries as members. The IMF focuses on large-scale economic and financial issues. It surveys national economic policies, and discourages policies it believes to have negative effects on the world economy, or on the economies of member countries. It provides loans and technical advice and economic policy recommendations to borrowing countries. The loans come with policy conditions attached based on these recommendations which outline economic policies to be pursued by the borrowing country.

How is the IMF Governed?

The IMF is funded by its member countries, which pay a subscription when they join. Rich countries dominate decision-making procedures through having seats at the level of board of directors. Voting shares are decided based on the size of the country's economy, which also determines the size of their vote in the IMF. The managing director of the IMF announced recent governance changes at the institution as 'historic' due to the shift of 6% of the vote to 'emerging economies' and Southern countries. However, according to civil society group, Bretton Woods Project, the '*changes will make China the third largest shareholder and will vault India, Russia and Brazil into the top ten. However, more than half of the 6 per cent shift will come from other developing countries*'[1]. Thus, there will be little change with the US retaining its veto in the institution at 16.5%, and Africa's share actually reducing from 6% to 5.6%. The total share of the so-called 'Least Developed Countries' in the institution is 4.1%. After the most recent governance agreement Ireland will have 0.713% of voting share at the institution.

IMF Loans and Policy Conditions

Countries often go to the IMF as a last resort, when their payments are greater than their income. They will not be considered for a loan unless the country agrees to implement certain specified policies agreed between the government and the IMF. In Southern country contexts, the World Bank and IMF often co-operate with each other in deciding policy conditions. (In the case of eurozone countries the EU works with the IMF in setting policy conditions).

The IMF also acts as a 'gatekeeper' to debt cancellation and aid flows to Southern countries. As an international and powerful voice on macroeconomic conditions, failure to gain IMF approval can lead to decreased investment, aid giving and lending from other sources.

[1]: http://www.brettonwoodsproject.org/art-567128

IMF Impact in the Global South: Ruining Livelihoods and Education Opportunities

The IMF has had a detrimental impact on Southern countries' societies. Take the example of Mali, one of the poorest countries in the world where 90% of the population live on less than US$ 2 per day. As part of its lending conditions, the IMF promoted the privatisation of the electricity sector and the liberalisation and privatisation of the cotton sector. Oxfam International and Malian civil society organisations highlight that the devastating results of these conditions included:

- Dramatic price increases in electricity costs (making Malian electricity the most expensive in the region) with limited additional coverage. The few Malians who had been able to access electricity in the first place (for example teachers in urban areas) either had to stop using electricity or were forced to reduce other basic consumptions to meet the price increases;
- A 20% drop in cotton price for 3 million Malian farmers as a result of liberalisation of the cotton price in a highly distorted international market due to rich-country subsidies to their cotton farmers. According to an unpublished study by the World Bank this was viewed as likely to increase poverty by 4.6 per cent across the country.
- The blocking of Official Development Assistance (ODA) to the tune of US$ 72 million by the World Bank when the Malian government failed to privatise its cotton industry as part of World Bank and IMF policy conditions. Oxfam estimated that this money could have been used to pay the salaries of 5,000 teachers for the next ten years, in a country where only 17 per cent of women between 15 and 24 are literate.[10]

It is not surprising that in response to these disastrous outcomes in 2005, President Amadou Toumani Touré of the Republic of Mali noted at an opening speech of a development cooperation forum in Washington:

> '*True partnership supposes autonomy of beneficiary countries in requesting aid and in determining its objectives… Often programmes are imposed on us, and we are told it is our programme…People who have never seen cotton come to give us lessons on cotton… No one can respect the conditionalities of certain donors*. *They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student.*'[11]

In addition, following recent IMF recommendations, Mali's government decided to reduce the royalty rate applied to gold mining companies from 6% to 3% in order to encourage investment in this sector. A recent 2010 IMF paper argued that Mali would receive a fair share of revenue if the royalty rate were about 3.5% and warns that beyond that rate firms would reduce investment, leading to a decline in government revenues. As the European Network on Debt and Development highlight, '*While higher than the existing 3% rate, this proposed rate would be well below the previous 6% rate. It does not seem plausible that a royalty rate of 6% would crowd-out investments in the sector as international prices of gold exports have been sharply and constantly increasing throughout the decade; according to the African Economic Outlook Report, the price of a gold ounce increased from $309.97 in 2002 to $871.71 in 2008.*'[12]

Many social sectors central to development have been negatively impacted by IMF policy conditions. ActionAid and the Education For All Campaign show how tight macroeconomic

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[10] Oxfam International, "*Kicking the Habit: How the World Bank and the IMF are still addicted to attaching economic policy conditions to aid," Briefing Paper 96*, Oxfam International, November 2006, p.3

[11] ibid, p.3

[12] Maria Victoria Garcia Ojeda, *Gold mining in Mali: Who really profits?,16th June 2010* http://www.eurodad.org/aid/report.aspx?id=0&item=4157

policies promoted uniformly by the IMF across different countries - despite unique and specific challenges in each country - have prevented many so-called 'Low and Middle Income developing countries' from investing in education.[13] They highlight how the IMF has made it '*difficult or impossible to provide education for all citizens. Many [governments] are therefore unable to meet their obligation to fulfill the fundamental right of free, basic education for all children, despite their commitment to do so in international agreements such as the Millennium Development Goals and under their own constitutions.*'[14] Their report highlights the real life impact of this on children's education including:

- a 2004 ban on hiring teachers in Zambia as a result of an IMF policy condition on the public sector wage bill, at a time when Zambia was highly indebted (with the IMF as one of their major creditors). This meant leaving thousands of teachers unemployed and a pupil–teacher ratio in Zambia of 100 to 1 in some schools. Conservative estimates at the time suggested that a further 6,000-7,000 teachers are needed if a basic desired student–teacher ratio of 40-1 was to be achieved;
- The privatization of 20% of pre-primary and primary school education in Guatemala as a policy condition to reduce the fiscal deficit resulting in low quality education due to an inappropriately reduced role for the state, high transfer of costs to local communities and poor quality of teaching due to the use of unprofessional teachers.

People and Southern Governments Opposing IMF Policy Conditions

ActionAid highlight victories against the IMF:
'In Zambia, (following on from the education case above), under pressure from civil society, donors and the government, the IMF did relax the ceiling on the public sector wage bill to 8.11% of GDP in 2005. This and an emergency relief package provided by the Dutch government (to pay severance benefits to 7,000 retired teachers) enabled the employment of an additional 5,000 teachers.'[1]

In May 2010, The Sierra Leone government opposed the IMF by introducing a free maternal health-care package. The policy abolished maternal health fees for medical attention and provides for medical treatment free of charge in every public health facility in the country for an estimated 1.2 million mothers and children per year. Health workers salaries were also substantially increased, from a low base, but their at least doubled and doctors salaries increased by 5 times [2]

Author Patrick Bond writes:
'In August 2000, Brazilian activists hosted a plebiscite on whether Brazilians should accept an IMF austerity programme, and more than 6 million people voted, nearly all against it'. Bond, summarises examples of people resisting damaging IMF policies in that year including: 20 million Indian workers striking against IMF policies; thousands attend debt justice events in Haiti; a 2 day strike is held in Paraguay against IMF pushed privatizations; 2 day strike in Lagos Nigeria against IMF imposed oil price increases [3]

[1] Education for All Campaign et al, op cit, pg. 22; [2] Information from Rick Rowden, ActionAid; see also http://www.unicefusa.org/news/news-from-the-field/sierra-leone-announces-free.html
[3] Bond Patrick, *Against Global Apartheid, South Africa Meets the World Bank, IMF and International Finance*, p. 218, 2001, Zed Books

[13] Education for All Campaign & ActionAid International, *Contradicting Commitments, How the achievement of Education for All is Being Undermined by IMF*, Sept 2005; Action Aid International, *What Progress? A Shadow Review of World Bank Conditionality*, 2006
[14] ibid p.4

IMF Punishing Government Dissent
After nearly 20 years of satisfying IMF demands on inflation in 2002, finance ministers of the Highly Indebted Poor Countries (HIPCs) declared their desire to see '*more flexible growth-oriented macro-economic frameworks…to think more closely about ways to increase growth and employment rather than further reducing inflation*'.[15] Unfortunately this freedom was not available to them as many dissenting Southern countries, were blocked from receiving aid flows by the IMF – as per the example of Mali mentioned above. And many others had their debt cancellation processes delayed as they were declared 'off track' in their implementation of IMF policy conditions. These include Honduras which was declared 'off track' when the government increased teachers' wages when it was chosen as one of the first recipients of the 'Education for All' Fast Track donor initiative.[16] Malawi was declared 'off track' when the government borrowed money from domestic banks to prevent its citizens from dying during an acute drought.[17] Uganda was declared 'off-track' when it delayed accepting funds from the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) out of fear of violating IMF conditionality and thus delayed their scale-up of HIV/AIDS treatment in the country.[18] In 2006, donors did not deliver $25 million in promised budget support to Sierra Leone, because the country did not meet IMF conditionality in 2006.[19]

Has the IMF improved since the global crisis?

There has been much discussion in the Irish media on whether the IMF has improved its track record. At the onset of the financial crisis the IMF did support protection of priority social spending and in some cases supported fiscal stimulus - on condition that 'fiscal space was available'. However, these changes were short lived and the IMF is again calling for fiscal consolidation through its usual methods – low fiscal deficits, low inflation rates, flexible exchange rates, and trade and financial liberalisation.[20]

Thus around the world the IMF continues with its usual prioritisation of short term macroeconomic variables over and above social welfare, reducing poverty and investing in human development. For example in Pakistan, where people are suffering the impacts of massive flooding, the IMF has required government to end energy subsidies, increase fuel and electricity tariffs and increase regressive excise and sales taxes. In Jamaica teachers and other public sector workers have not received negotiated reimbursements of salary arrears. In Romania as part of a 2010 bail-out loan, public sector wages were slashed by 25% and pensions by 15%. In September, 12,000 Romanians protested in Bucharest to demand authorities stop the layoff of public workers.[21]

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[15] ibid p.34
[16] ibid, p. 31
[17]http://www.jubileedebtcampaign.org.uk/Response%20to%20the%20Liberal%20Democrats%20International%20Development%20Consultation%20Paper+5289.twl
[18] See *Blocking Progress: how the fight against HIV/AIDS is being undermined by the World Bank and International Monetary Fund*, ActionAid International, 2004, http://www.actionaidusa.org/pdf/blockingprogress.pdf
[19] See *Old habits die hard: Aid and accountability in Sierra Leone*, Eurodad and Campaign for Good Governance, January 2008, http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Old%20habits%20die%20hard.%20Aid%20and%20accountability%20in%20Sierra%20Leone.pdf
[20] Eurodad, *Standing in the Way of Development: A critical survey of the IMF's crisis response in low income countries: A Eurodad & Third World Network report,* April 2010
[21] Recent analysis of IMF crisis lending: Jubilee USA, '*Unmasking the IMF, The Post-Financial Crisis Imperative for Reform*', October 2010, http://www.jubileeusa.org/fileadmin/user_upload/Resources/Policy_Archive/Oct_5_IMF_Report.pdf

IMF economics put recovery at risk (not to mention people)

Peter Chowla, Bretton Woods Project November 2010[1]

'An early October UNICEF report, reviewing expenditure in 126 developing countries, raises concerns over fiscal adjustment timing and measures such as wage bill reforms, removal of food subsidies and targeting meagre social protection systems. The identification of possible adjustment measures considered by governments is inferred from policy discussions contained in IMF country reports, which cover Article IV consultations, reviews conducted under lending arrangements and consultations under non-lending arrangements. In the light of "a significant number of low- and middle-income countries ... tightening or planning to tighten public expenditures in 2010-11", UNICEF worries that "the adjustment measures that countries choose to achieve expenditure consolidation can have direct implications for social spending and the poor", risk achievement of the Millennium Development Goals, and "impede sufficiently broad-based domestic demand to ensure employment-oriented growth".

In a late October letter, international NGO Oxfam expressed concern to the IMF about its lending programme in Sierra Leone [See Section 'People and Governments Opposing IMF Policy Conditions']. The Fund pressured the government to prevent increases in health workers salaries after Sierra Leone launched a major initiative to provide free basic health care to pregnant and nursing mothers and children under five years old. Moreover, the IMF recommended the adoption of a consumption tax. Oxfam worries that the Fund's recommendation fails to "identify risks associated with the tax's implementation, including risks to Sierra Leone's highly food insecure, vulnerable population.'

Ireland in the IMF?

Ireland has been a member of the IMF since 1957.[22] Despite ongoing calls from global justice groups for Ireland to reform the undemocratic governance of the IMF and to end the damaging impact of the IMF's policy conditions, Ireland has failed to influence the institution in an anti-poverty direction. Ireland's White Paper indicates that poverty reduction efforts should be carried out based on principles of partnership where '*Ireland's relationship with the developing world will be based on a spirit of partnership and equality. The governments and peoples of our partner countries are primarily responsible for their own development'.*[23] Yet, Ireland has still not taken any position on the impacts of policy conditions of the IMF. The government's position is intended to be clarified in the publishing of Ireland's new international debt policy which is currently being drafted by government.

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[22] The latest annual report of Ireland's participation in the IMF and World Bank can be found at: http://www.finance.gov.ie/viewdoc.asp?DocID=6272&CatID=45&StartDate=1+January+2010&m=p

[23] Government of Ireland, *White Paper on Irish Aid*, 2006 ,p.9

The IMF Negotiator in Ireland and the East Asian Crisis

A View From Dr. Andy Storey, Development Studies Centre, UCD (Summary Version)

Ajai Chopra, the head of the IMF team negotiating the Irish 'bail out', previously worked in the IMF's Asia-Pacific department and led its 'rescue' mission to South Korea after a financial collapse in 1997. So how did that work out? State interventions were curtailed and the government budget was slashed (leading to massive redundancies), despite the fact that government overspending had nothing to do with the Korean crisis. Korean trade unions and other forces opposed these policies but they were quickly assured that their opposition would count for nothing, as documented by Naomi Klein in her book *The Shock Doctrine*:

> "*the end of the IMF negotiations coincided with scheduled presidential elections in which two of the candidates were running on anti-IMF platforms. In an extraordinary act of interference with a sovereign nation's political process, the IMF refused to release the money until it had commitments from all four main candidates that they would stick to the new [IMF] rules if they won. With the country effectively held at ransom, the IMF was triumphant: each candidate pledged his support in writing… [Y]ou can vote, South Koreans were told, but your vote can have no bearing on the managing and organisation of the economy*".

The parallels with the current Irish situation are striking as cross-party consensus is sought for the broad thrust of an austerity programme that nobody has voted for [..].The IMF is not in the business of democratic choice (nor is the EU) and they will seek to make sure that an election taking place *before* the deal is signed is equally a parody. Any such election will be fought on the *detail* of the cutbacks – not on whether they should occur at all or not, or even over what the timescale for them should be (Fine Gael and Labour both agree the debt-GDP ratio has to be cut to 3% by 2014). The IMF, the EU and the Irish political élite will seek to ensure that issues such as insisting on those (German, French, British and other) financial institutions who lent to Irish banks accepting at least a share of the losses are not on the electoral agenda.

The consequences of going along with the IMF's recommendations are likely to be catastrophic. Between 1996 and 1999, South Korea's unemployment rate tripled and the proportion of the population identifying themselves as middle-class fell from 64% to 38%. These precedents are ominous for Ireland: unless we can *force* alternative responses onto the agenda, we are looking at a future of mass immiseration.

The EU Combined with the IMF as lenders – A Cocktail for Disaster?

In April 2010, Greece signed loan agreements worth €110 billion with the EU and IMF. Many observations on the dynamic between the EC and IMF lenders have related to the very high interest rate charged by the EU which is far higher than the IMF rate, in addition to the severe austerity programme that was attached by the loans supported by the EU and IMF.

The Greek crisis and the involvement of the IMF [1]

Elena Papadopoulou, Nicos Poulantzas Institute, Athens, Greece

Written for Bretton Woods Project UK in June 2010

On 11 April, the Greek government agreed on the activation of a "support mechanism for the Greek economy" that included €110 billion in loans from the IMF and EU. The austerity measures undertaken include: the reduction of benefits in the public sector by 10 per cent; the abolition of seasonal supplementary payments for current and retired public employees, meaning an immediate 14 per cent wage and pension cut; a 10 per cent increase in special consumption taxes for cigarettes, drinks and fuels; and an increase in value-added tax from 19 per cent to 23 per cent.

Furthermore, the law passed to activate the support mechanism requires that all decisions having to do with the implementation of the agreement and the approval of any other contracts with the European Central Bank, the EU or the IMF, are to be promulgated by the minister of finance with a presidential decree, with no further discussion or agreement required by the Greek parliament.

The announcement of the austerity measures caused general strikes and large demonstrations by the Greek trade unions and political parties of the left. Despite the general mistrust and hostility of Greek public opinion towards the IMF, it was partly understood that the Greek government had already engaged in this type of economic policy before the formal involvement of the IMF. Moreover, as the Greek public services are already highly privatised, and the Greek market deregulated to a large extent, the space for the IMF's common "consolidation package" is quite restricted. However, it seems that the IMF is still striving to repair its bad reputation. It was revealed in the press in mid June that IMF officials invited journalists, publishers and businessmen to a meeting in order to try to improve the Fund's image in the eyes of the Greek public.

Unemployment in Greece is rising rapidly. Consumption, investment and public spending are being cut. A development strategy is strikingly absent. Political developments and social unrest are underway. The austerity measures are unlikely to reduce the debt. What is likely, is that they will sink the Greek economy into an even longer and deeper depression. What is needed is an increase of effective demand through income support and public spending, as well as collective support of the EU showing solidarity. The questions are: what are Greek workers to expect from this 'financial rationalisation plan'? When is their standard of living going to be restored? Why is the burden of paying for this crisis once again falling on their shoulders?

[1] http://www.brettonwoodsproject.org/art-566386

The Greek crisis has also given rise to arguments about the power dynamics between the so-called 'core' and 'periphery' eurozone member states. Greek economist, Costas Lapavitsas, et al, explains his view that the European Monetary Union (EMU) has been a causative role in the EU debt crisis. They argue, '*The turmoil in the eurozone is due to the global crisis of financialisation that broke out in 2007. But it is also due to the biased nature of the European Monetary Union (EMU).*[24]'

Trapped in the Eurozone (extract)

Costas Lapavitsas, 1st October 2010, *The Guardian* *[1]*

'['Core' countries - Germany, France, the Netherlands and Belgium have] imposed the [EU Growth and] Stability Pact which places an arbitrary 3% limit on deficits. They have also fostered a race to the bottom in labour markets. [..] Over time the outcome has been catastrophic for peripheral countries. They have lost competitiveness as Germany has squeezed its own workers and kept wages practically frozen for years. As a result Germany has chalked up large current account surpluses, mostly within the EU. In contrast, peripheral countries have faced large deficits. Their response was to boost private consumption and encourage real estate bubbles. For a while it seemed to work, and growth rates were high. But it was false success, due mostly to cheap credit. Total debt in the peripheral countries has vastly increased.

[..] The main beneficiaries of the explosion of debt were the banks of both the core and periphery, who profited handsomely. Indeed, German and French banks behaved in an extraordinarily foolish way by continuing to lend heavily to peripheral countries, even in 2009. But the crisis extended the deficits of peripheral countries, and core banks eventually realised they were in a pickle. They held a lot of peripheral public debt, while also facing funding problems as the euro fell against the dollar. By spring this year, European banks were on the brink of a major crisis.

The austerity measures are part of the plan to rescue the banks again. Governments throughout the eurozone have succumbed to an alliance of banks and large holders of public debt who are desperate to avoid the implications of their foolish lending. Expensive funds were made available to Greece and others with the ultimate aim of protecting core banks. The price was austerity across the region in a naked attempt to shift the costs of the crisis on to taxpayers and public sector workers. Meanwhile the eurozone is becoming ever more rigid, including tough penalties for persistent "delinquents" who exceed the 3% limit.

[1] http://www.guardian.co.uk/commentisfree/2010/oct/01/eurozone-core-nation-periphery-stagnation

24 Lapavitsas, Costas et al, *Eurozone: Between Austerity and Default*, Research on Money and Finance, September 2010, Money and Finance Research Group, Soas, p.1

EU-IMF response to the European debt crisis and Implications for future international lending standards?

While the lending dynamics between the EU, its member states and the IMF within the eurozone are unprecedented and particular to eurozone countries, how they unfold may have implications for international lending practices and debt management more broadly. For example, media reports have indicated that German Chancellor Angela Merkel continues to push for the establishment of a mechanism to ensure that private sector investors assume a greater share of losses to lessen the burden on tax payers in eurozone debt crisis situations after 2013.[25] Also, in response to the issuing of the EU-IMF loans to Greece, Brussels based think-tank, Breugel, indicated that the EFSF 'bail-out' mechanism is too ad hoc and temporary, and proposed a model for a formal mechanism for dealing with European debt crises in a predictable way.[26] The writers of the report also indicated that they hoped the establishment of any European mechanism would lead to advancing discussions on a global debt resolution mechanism[27]. While greater action to hold reckless lenders to account is welcome, in practice, any advancement of these latest proposals will be massively influenced by EU power politics. It is unclear at this stage how Merkel's proposal will progress. But it is likely, given the power EU governments wield as bi-lateral lenders around the world, and as dominant members of the international financial institutions, that any EU attempts to define more clearly EU principles of responsible lending or debt resolution mechanisms could impact on decisions regarding Southern countries' right to massively increased debt cancellation. It is thus critical that the global debt justice movement work to ensure that the rights of Southern nations, which have been dealing with debt crises for generations, are not further compromised as a result of the eurozone crisis.

Alternatives? Borrowing Countries Have Stood up to Lenders

'*In Ireland we have a relatively short economic history, defaulting on debt is not as uncommon as some of our politicians would think'*.
Michael O Sullivan, Economist[28]

Argentina is a striking example of a Southern country, used as a 'free-market experiment' by its political leaders, the US and IMF, which defaulted and stood up to its creditors.[29] On the untimely death of ex-Argentinean President Néstor Kirchner who challenged the creditors to Argentina, Walden Bello wrote, '*Kirchner defied the creditors. More importantly, he got away with it.*'[30]

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[25] http://www.bloomberg.com/news/2010-11-28/eu-supports-change-in-debt-rule-after-retreat-from-merkel-writeoff-demands.html

[26] Gianviti. F, et al, *A European mechanism for sovereign debt crisis resolution: a proposal, Breugel Blueprint 10, 2010*

[27] ibid, p. 35

[28] "*Primetime*", RTE 1, 24/11/2010

[30] http://www.cadtm.org/Argentina-Defy-the-Creditors-and. See also analysis of the case of Russia's quick recovery after debt default in 1999, in Lapavitsas et al, op cit, Soas, 2010, p. 61. Lapavitsas et al write, '*Default and devaluation, though undoubtedly carrying immediate economic costs, proved a more viable option for the Russian economy*. Lapavitsas et al highlight that Argentina and Russia approached default and devaluation quite differently but also highlight similarities: '*Both countries underwent debt renegotiation relatively smoothly, without official IMF support. Access to international capital markets was regained not long after default. It should be noted however that Argentina continued to rely on bilateral Venezuelan loans. Even so, default did not leave the two countries without access to credit*' (p.62)

‘Argentina – a victory by default’

Source: Christian Aid, ‘*Enough is Enough, The Debt Repudiation Option*’, 2007 [1]

In December 2001, the Argentine government fell amidst mass protests, rising unemployment and the collapse of the peso. This signaled the end of an economic experiment that, until a few years earlier, had been widely regarded as a proud example of free market reform. In the midst of economic turmoil, Argentina defaulted and announced a unilateral moratorium on the repayment of its public external debt.

Argentina’s deep economic decline continued following the default. But the default did not cause the decline. It was the other way round – dire economic circumstances left Argentina with little choice but to default on its debt payments. By 2002, the economy was at rock bottom, with first-quarter GDP down by 16.3 per cent on an annual basis. The banking system had collapsed and bank accounts were frozen. Official unemployment peaked at 21.5 per cent with another 20 per cent underemployed. More than half the population had sunk below the poverty line.

Throughout this period, Argentina was negotiating with the IMF for a rescue package that would help the economy recover. But the IMF continued to recommend the same harmful policies, such as decreasing the money supply, which had drawn out the economic depression. It also used the opportunity to demand politically unpalatable changes that were unrelated to economic recovery. On 25 May 2003, Néstor Kirchner was sworn in as president. He pledged not to ‘return to paying debt at the cost of hunger and exclusion of Argentines’. He appeared to be prepared to stand up to the IMF by refusing to implement at least the most unreasonable and harmful policies it was pushing for. Kirchner announced that the government would offer only about 25 cents on the dollar to the private holders of its defaulted debt. After much complaint and lobbying, a large majority of Argentina’s creditors surrendered their claims before the deadline of 25 February 2005 in exchange for new bonds worth roughly 35 cents on the dollar.

Argentina had broken the rules in a spectacular way: a huge sovereign debt default, combined with what was widely denounced in the business press as a refusal to bargain with creditors, and a dangerous confrontation with the IMF and its backers. The consensus amongst the experts was that Argentina would suffer severe long-term consequences, such as a long drawn-out depression and isolation from international markets. But the result has been quite the opposite. The spectacular post-default growth of the economy has surpassed even the rosiest predictions. Within a few months of the default, economic recovery was underway in Argentina and there was positive growth in the last three quarters of 2002. The economy grew by 8.8 per cent in 2003 and 9 per cent in 2004 and is still going strong with fundaments having improved significantly since the successful debt restructuring. Unemployment dropped from 14.5 per cent in 2003 to 12.1 per cent in 2004. Investors have started to return, especially after a bond rescheduling in April 2005.

As *The Economist* put it: ‘*Capital markets appear to have a remarkably short memory*’.

[1] Christian Aid, ‘*Enough is Enough, The Debt Repudiation Option*’ p. 24-5 http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Debt%20Repudiation%20Christian%20Aid.pdf

Argentina's debt today?

In 2006 Kirchner paid off the IMF ahead of schedule. Since then Argentina has refused to submit its economic policies and data to the IMF's periodic reviews. However, the Argentine relationship has now begun to open again, as the IMF announced this week that it has been invited back in to provide technical advice on its Consumer Price Index.[31] The politics behind this decision are still unclear however, it may be linked to a striking decision highlighted by the Argentinian President's office, that the Paris Club group of bi-lateral lenders have indicated that they are now prepared to negotiate on outstanding debt without any intervention from the IMF, meaning that the powerful Paris Club appears to have agreed to bend its rules.[32]

[31] http://www.imf.org/external/np/sec/pr/2010/pr10456.htm

[32] Taos Turner, *Dow Jones Newswires*, *Paris Club To Negotiate Argentina Debt Without IMF, November 15th 2010*

Background to Irish EU-IMF Loans

"Sovereignty belongs, not to the State, or the government, but to the people. We have outsourced it for too long to an incompetent, amoral and self-serving elite. Now we face the starkest of choices: use it or lose it". Fintan O' Toole, *The Irish Times*, 23rd November 2010

This section seeks to set out a simple background to the proposed Irish EU-IMF loans. Information in the public domain is still unfolding at the time of writing so this section attempts to highlight some key aspects of recent information and public debate on the loans but, but does not in any way claim to be a complete summary.

The EU-IMF Loan Package

An overview of a loan package agreed in principle between the EU, IMF and Irish Government was announced by the Irish government at a press conference on 28th November 2010. Based on the Government press release and the speech and responses by the Taoiseach to questions put to him at the press conference, the main details include:

€85 billion in funds were agreed between the Irish Government, the EU and IMF comprised of €67.5 billion of external finance and €17.5 billion from resources of the Irish State.[33] The funds are to be used for:

- €10 billion for recapitalization of the banks
- €25 billion for banking contingency
- €50 billion for budgetary requirements

The government indicated that the loans are broken down as follows:

- €12.5 billion as an Irish State contribution from the National Pension Reserve Fund
- €5 billion from cash reserves of the Irish State
- €22.5 billion from European Financial Stability Mechanism (EFSM);
- €22.5 billion from the European Financial Stability Fund (EFSF) and bilateral loans from the UK, Sweden and Denmark
- €22.5 billion from IMF

Taoiseach Brian Cowen indicated that the estimated average interest rate on the loans '*is in the order of 5.83% per year based on current market conditions*' and that *'€10 billion will be drawn down immediately for the purposes of bank capitalisation with the remaining €25 billion available on a contingency basis. [..].'* He further indicated that '*the duration of the programme is for 3 years while the average length of the loans is up to 7.5 years*'. The funding is to be provided in quarterly tranches on the achievement of agreed quarterly targets and the national recovery plan is to be reviewed on an annual basis. The Taoiseach indicated *'[..] [it is important] that people understand that what has been agreed to today is broadly consistent with the policies that have already been set out in the [National Recovery] plan.'*[34] The government press release indicated: '*When the documentation on the programme is finalised, it will be laid before the Houses of the Oireachtas.*'

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[33] *Government Statement - Announcement of joint EU - IMF Programme for Ireland,* http://www.taoiseach.gov.ie/eng/Government_Press_Office/Government_Press_Releases_2010/Government_Statement_Announcement_of_joint_EU_IMF_Programme_for_Ireland.html; EC & IMF statement: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/624&format=HTML&aged=0&language=EN&guiLanguage=en

[34] *Government Press Conference* http://www.rte.ie/player/#v=1085863

The press release also indicated that the European Commission agreed to an additional year – up to 2015 - to reduce the deficit to 3% of GDP. When asked by a journalist whether the European Central Bank '*vetoed the idea that senior bondholder debt would take a haircut*', the Taoiseach replied, '*there wasn't [..] political or institutional support within Europe for that idea because of the wider impact it would have in the euro area and in the European banking situation generally*.' The Taoiseach indicated '*Crucially for Irish jobs, the agreed programme does not involve any change to our corporation tax rate of 12.5%'.*

What is the EU-IMF 'Bail-out'?

The term 'bailout' is mis-leading as it is sounds like it is aid. It is not aid, but a loan to be repaid by the people of Ireland. The EU-IMF money, if accepted, is meant to ensure that Irish banks don't run out of money and that they continue repayment on their borrowings including to other European banks and the European Central Bank.

The funds from which the loans will be drawn from include[35]:

3 mechanisms made up of approximately € 750 billion which was established in the aftermath of the Greek crisis. The mechanisms include:
€500 billion from European Stabilisation Mechanism made up of:
- €60 billion from the European Financial Stabilisation Mechanism
- €440 billion 'Special Purpose Vehicle' guaranteed by participating EU members states;
Balance: An informal commitment from the IMF to provide approximately 1/3 of any European rescue package.

The EU notes that '*its activation is subject to strong conditionality, in the context of a joint EU/IMF support, and will be on terms and conditions similar to the IMF*.' Treasury management is carried out by the European Investment Bank (EIB) in Luxemburg.

The Figures?

In the lead up to the loan announcement, there was massive uncertainty over the figures. Finance Minister Brian Lenihan has said that the loans would be in the 'tens of billions' of euro. On November 24th 2010 the government indicated it would likely be around € 85 billion (which is the figure that was announced with €35 billion of that amount relating to the banks). Before the loans announcement, banking analyst, Peter Mathews provided a much higher estimate regarding the overall cost required for the banks, estimating that €66 billion would be needed to cover commercial and development property investment type loans and €25 billion for mortgage loan losses (so a total of € 91 billion).[36] Some analysts indicated that they believed the amount required may be more, while still others accused them of overstating the problem.

Who were involved in negotiating the loans?

It appears that:
From Ireland: The Department of Finance, the Central Bank, the National Treasury Management Agency and the Financial Regulator.[37]

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[35] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114324.pdf
[36] Interview on "*Primetime*", RTE 1, 18/11/2010
[37] According to Minister Eamon Ryan, "*Frontline*", RTE 1, 22/11/2010

From the EU: The European Commission (Lead by EU Commissioner for Economic and Monetary Affairs) and the European Central Bank.

From IMF: The lead negotiator is Ajai Chopra, Deputy Head of IMF in Europe (See description of his background in 'Lessons from the Global Debt Justice Movement section) and possibly Ashok Mody who was the IMF Ireland Mission Lead for a number of years.

The Political Process leading up to the Loan Agreements

Because the loan agreements were negotiated behind closed doors, it is unknown what areas of agreement and disagreement exist between all the negotiators. Words of warning have been issued by several parliamentarians regarding the role of the EU. For example, on 24th November, Opposition Fine Gael Finance spokesperson said, '*I never thought I would say that we are being treated better by the IMF than by our friends in Europe'*[38] – a possible reference to the EU negotiating high interest repayment rates and the approach of the EU negotiators to the policy conditions that come with loans (See also 'Lessons from Greece' in next section). The legal agreement on the establishment of the European Stabilisation Mechanism outlines the policy conditionality practice that is required by the EU as follows:

> *'A Member State seeking financial assistance under the Mechanism shall discuss with the Commission in liaison with the ECB an assessment of its financial needs. It shall submit a draft economic and financial adjustment programme to the Commission and the Economic and Financial Committee.*
>
> *Acting on a proposal by the Commission, the Council shall adopt a decision by qualified majority vote granting financial assistance.*
>
> *This Council decision shall include the maximum amount, price and duration of the financial support, the number of installments to be disbursed and the main policy conditions attached to the support. It shall entrust the Commission with the responsibility for negotiating a Memorandum of Understanding (MoU) with the country concerned detailing the conditionality.*
>
> *The Commission will closely monitor the respect of the policy conditions by the beneficiary Member State, in liaison with the ECB, before installments of the loan are disbursed. If it concludes that the conditions are met, it proposes to the participants to disburse the installments.'*[39]

When asked '*are we going to see a copy of the [lenders'] deal*?', Minister Tony Colleen TD, replied on a TV show '*I'm sure we are when it's agreed'*.[40] Opposition labour party Leader Eamon Gilmore TD, highlighted the parliamentary ignorance of what is going on in a speech in the Dáil,

> *'[..] we still don't know what is the status of this [Government 4 year] plan. Is it a document that has been agreed between the EU and IMF which will form part of the loan agreement between Ireland and the international community? Is it to be part of the memorandum of understanding for that loan or is it a negotiating document that is subject to change and revision before the final deal is concluded? [..] We don't know who is negotiating on behalf of Ireland. The Irish public are more familiar now with the principles from the IMF and EU teams than they are with the Irish negotiators. Who exactly is negotiating for Ireland and*

[38] "*Primetime*", RTE 1, Michael Noonan TD, Spokesperson for Finance, Fine Gael

[39] *European Stabilisation Mechanism, Memo*, 10/5/2010, http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/173

[40] "*Frontline*", RTE 1, 21/11/2010

what exactly are they negotiating? We don't know the size of the loan. We don't know how much of that loan will go straight into the banks. We don't know the rate of interest that will be charged.'[41]

The Irish government has published the 'National Recovery Plan 2011-14' which is understood to be the initial basis for negotiations with the EU and IMF.[42] For example, the Government in the 4 Year Plan highlights that the proposed € 15 billion of expenditure cuts by 2014 has been acknowledged by the 'European *Commission [..] that this is the appropriate target based on the growth projections we have set for the period of the Plan'*.[43] Some elements of the government 4 year plan, most discussed so far in public include:

- Cuts to social welfare of € 2.8 billion
- Entry point to the tax based to be reduced by €3,000 by 2014 (from € 18,300 to € 15,300)
- Cuts of 24,750 jobs from the public service
- € 1.2 billion cuts to public service pay
- 5% reduction to university grants; increase of €400 to university frees
- Reduction to the minimum wage of €1
- Cuts to retired public servants pensions
- 1% VAT increase in 2013 / 1% increase in 2014
- Interim property tax of €100 in 2012

Responding to the 4 year plan, Opposition Labour Party leader Eamon Gilmore TD said, '*We don't know with any certainty the deal that will be done on the banks. We don't know what the cost of that deal with be, whether there will be burden sharing with bond holders, we don't even know what kind of banking sector Ireland will have next year.'*[44]

On the day the 4 year plan was published the European Commission met with Irish opposition politicians and, according to largest opposition party Fine Gael, indicated that the plan could be adjusted after the change in government (which will happen early next year at the latest). However, the language from the EC also strongly referenced the need for certainty and clarity on the budget and clarity on how Ireland will cut € 15 billion from national budgets by 2014.

Other areas of high public discussion on economic policy in relation to the viewpoints of the lenders have been:
- EU: in favour of increasing corporation tax (this has so far been untouched in the 4 year plan, however it continues to be regularly referred in EU member states);
- IMF: likely against increasing corporation tax; possibly in favour of privatisation public services;
- EU & IMF: in favour of re-structuring the banking system, probably involving merging of banks so there are less of them and selling some of them into foreign ownership.

[41] Statement of Eamon Gilmore TD to the Dáil 25/11/2010
[42] The Four Year Plan can be found at:
http://www.taoiseach.gov.ie/eng/Government_Press_Office/Government_Press_Releases_2010/The_National_Recovery_Plan_2011-2014.html
[43] ibid, pg. 5
[44] Speech to the Dáil 25/11/2010

What was the Public Debate about the impact of the EU-IMF Loans?

The government argued that the purpose of the loans '*is to return our economy to sustainable growth and to ensure that we have a properly functioning healthy banking system*'.[45] Below is a flavour of some of the public debate:

Some Perspectives in the Irish Public Debate

It is impossible to summarise the huge public debate that has occurred over the past 2 weeks in Ireland, however here are some examples of elements of it – ranging from acceptance to rejection of the EU-IMF loans:

-In the immediate aftermath of arrival of the EU and IMF, some people in Ireland expressed relief at the arrival of the EU-IMF lenders in the hope that the external lenders would resolve the crisis [1], many expressed outrage [2] (and tens of thousands protested on the streets on 27th Nov 2010)[3].

-Another commentator argued that the loans would be welcome because they are below current high market rates, the austerity measures were planned already, and Ireland '*would have more freedom to deal with bondholders without suffering a backlash from the markets'*.[4]

-Some commentators argued that while the loan negotiations were regrettable, they were necessary and unavoidable if financial stability is to return to the economy.[5]

-Others argued that default is likely to be unavoidable but that any default should happen after the financial system had stabilised.[6]

-Others argued taking on more debt to cope with existing debt is very worrying as the amount needed for the banks is unclear, thus it could be putting money into a 'fiscal back hole' and further indebt Ireland to the point of default anyway.[7]

[1] http://www.spiegel.de/international/europe/0,1518,730918,00.html
[2] For some examples see letters pages to *Irish Times* during the period: http://www.irishtimes.com/letters/
[3] http://www.ictu.ie/; http://fintanotoole.ie/
[4] Michael Casey, '*Search and Rescue'* http://www.irishtimes.com/newspaper/innovation/2010/1126/1224283818522.html
[5] For example, Dónal Donovan, *IMF keen to see back of Dublin as soon as possible,* http://www.irishtimes.com/newspaper/opinion/2010/1126/1224284180184.html
[6] Dan O Brien, *Strongest Argument Against A State Default has Disappeared*, http://www.irishtimes.com/newspaper/opinion/2010/1126/1224284180165.html
[7] Shane Ross on "*Pat Kenny Show*", RTE 1 24/11/10 among others: http://www.rte.ie/podcasts/2010/pc/pod-v-24111023m41stodaywithpatkenny.mp3

45 http://www.taoiseach.gov.ie/eng/Government_Press_Office/Government_Press_Releases_2010/Government_Statement_Announcement_of_joint_EU_IMF_Programme_for_Ireland.html

-A well known economist argued that a 'debt for equity swap' should happen which would make the bank bondholders and ECB become shareholders of Irish banks if they are to get any money back, thus forcing the creditors to have an interest in saving the banks.[8]
-Trade unions argued that taking on huge debts without holding bank bondholders to account is unjust and a mistake as it appeared Ireland had not negotiated at all with senior bank bondholders.[9]
-Many community and justice groups argued the budget cuts and severe austerity that come with the loans will kill the economy and unjustly hurt the most vulnerable people.[10]
-Some economists argued that the proposed approach of committing to fast budget cuts in order to get Ireland back in line with the EU's desired 3% of GDP deficit level will kill the Irish economy and push Irish society into a depression.[11]
-A development economist argued, saving European banks and the euro should not be Ireland's priority as the EU-IMF loans would primarily be aimed at saving European banks and that spreading contagion in the eurozone might push other 'peripheral' countries to also take a stand and thus force the financial system responsible for the crisis to take the hit and begin rebuilding a more just Europe.[12]

[8] David Mc Williams, on "*Pat Kenny Show*", RTE 1 24/11/10 among others:
http://www.rte.ie/podcasts/2010/pc/pod-v-24111023m41stodaywithpatkenny.mp3
and http://www.davidmcwilliams.ie/2010/11/22/have-we-learnt-nothing-2
[9] For example, see http://www.ictu.ie/download/pdf/prebudget_submission_web.pdf '*A fairer Better Way: 2011: Pre Budget Submission*' p. 38; For example, According to Guardian reports, the Royal Bank of Scotland and Lloyds, 2 partly state owned banks are each owed £ stg 80 billion from Irish banks.
http://www.guardian.co.uk/world/2010/nov/22/uk-banks-feel-chill-ireland
[10] For example, www.communityplatform.ie, www.socialjusticeireland.ie among others
[11] For example, Prof Ray Kinsella argued *'the economy contracted in '08, '09, '10 [..] taking such huge amounts out of an already emaciated economy will not work* - Primetime, RTE 1 23/11/10. This was prominent in international media also e.g: the front page of the Financial Times argued, '*Cuts of this magnitude could throw Ireland back into recession. That would be a tragedy. Yawning as it is, Ireland's fiscal gap is the least of its challenges, a slower pace of consolidation might have been its best bet at encouraging growth';* Paul Krugman also highlighted in the *New York Times* the concern that the steps so far taken by the government had not brought confidence back in the markets toward Ireland, '[..] *there is no alternative, say the serious people: all of this is necessary to restore confidence. Strange to say, however, confidence is not improving. On the contrary: investors have noticed that all those austerity measures are depressing the Irish economy — and are fleeing Irish debt because of that economic weakness'* - Paul Krugman, '*Eating the Irish*', *New York Times*, 25th November 2010.
[12] Dr Andy Storey, UCD, Dr Andy Storey, UCD,
http://www.youtube.com/watch?v=SA43bTlbKuM

LESSONS FROM THE DEBT JUSTICE MOVEMENT & RECOMMENDATIONS

Some Lessons:

1. The legitimacy of the IMF as a lending institution is deeply questionable – due to its undemocratic governance structure, the devastating impacts of its policy conditions on the world's poorest people, and its lack of transparency. Unfortunately the IMF has not adequately reformed its policy conditionality practices since the recent global financial crisis. Since becoming a member of the IMF in 1957, Ireland has failed to influence the IMF to reform in these areas.
2. The practice of lender policy conditionality hides who are the driving forces behind policy actions taken by borrowing governments.
3. The precedent of the EU-IMF lender combination has shown the EU to have adopted a tough position toward EU countries in crisis. New proposals on lending practices within the EU are already forthcoming from government and civil society sources and need to be monitored in terms of their implications for international lending practices and any impact on Southern nations.
4. It has been possible for Southern borrowing countries in debt crises to stand up to lenders and survive. Justice campaigners in Southern countries and some governments, have also demonstrated that there are alternatives to lenders' policy conditions and the importance of fighting for them.

Recommendations from DDCI:

Lesson 1:The IMF and Ireland's Membership

Recommendation: Fundamental reform of the IMF's role is long overdue. DDCI has been calling for a set of key reforms in Irish government policy toward the IMF[46], central to which are:

- An end to the IMF's practice of attaching economic policy conditions to its loans
- Fundamental reform to the IMF's governance structure to include far greater voice and vote for Southern countries (for example through introducing a double majority voting system)[47]

Lesson 2: Policy Conditionality and the EU-IMF Lending Dynamic

***Recommendation**: If the EU-IMF loans are accepted by Ireland (DDCI is not proposing that the loans should be accepted by Ireland) there must be total transparency so that the roles the EU and IMF are playing as combined lenders are clear:*

- All loan documents must be made public and put before the Dáil for decision.[48] In the case of the potential drawing up of loan documents before the 2010 budget, they must be scrutinised, debated and voted on in the Dáil before the budget is published.

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[46] For further detail on DDCI's position on the IMF's role in Southern countries see: *Challenging Ireland's Loan to the IMF, 21st April 2010, Debt and Development Coalition Ireland*

[47] *European CSO open statement on governance reform of the IMF*; http://www.brettonwoodsproject.org/art-539161

[48] The full range of relevant documents for this type of combined loan package is unclear but its likely that they should at least include copies of the Memorandum of Understanding on the loan package; From the IMF copies of: Staff Report; Letter of Intent; Memorandum of Economic and Financial Policies; Technical Memorandum of Understanding. From the EU and bi-lateral lenders copies of the loan agreements.

- The Irish government must make public to the Dáil and the Irish people, the areas of agreement and divergence between the Irish government, the EU and IMF through the full period of negotiation on any loan agreements;
- All records of dialogue with the EU-IMF lenders should be publicly available now and through all reporting stages on any loans.
- In any subsequent annual budgets, any lending or review documents should be put to the Dáil for decision after the national budget is agreed so that lending agreements or recommendations from lenders do not take precedent.

Lesson 3: Potential new EU/International approaches to lending and borrowing?

Recommendation: Any proposed new lending or debt management principles that may emerge among EU member states in response to the eurozone crisis must support Southern nations' right to debt justice.

Recommendations from other groups:

Lesson 4: Fighting for Alternatives

Trade unions and economists are proposing a number of possible options regarding lender responsibilities. Some of the documented ones so far include (in no particular order): ICTU (supporting a write down on all bank bondholders holdings to 10% of their nominal value)[49]; Michael Taft / Unite (supporting write downs on bank bondholder debt)[50]; Dr Andy Storey (supporting debt default / repudiation)[51]; economist David McWilliams (calling for Debt to Equity Swaps)[52].

A range of budgetary options which prioritise protecting the majority of people from unjust and damaging budgetary measures and outlining alternative budgets can be found from lots of active social justice civil society groups including: www.socialjusticeireland.org; www.communityplatform.org; www.unitetheunion.org, www.ictu.ie, www.olderandbolder.ie, among plenty of other groups.

GET INVOLVED – STAY INFORMED

- Join DDCI and get active in our global justice campaign group and other campaigning groups. Contact: campaign@debtireland.org; 01 6174835; www.debtireland.org.

- Stay informed: updates will be found at www.politico.ie, www.progressive-economy.ie, and many others.

[49] http://www.ictu.ie/download/pdf/prebudget_submission_web.pdf, p. 28
[50] Michael Taft interview: http://www.youtube.com/watch?v=9_WtMi53_u4; http://www.youtube.com/watch?v=jJ4w0rplGSA
[51] Dr Andy Storey interview: http://www.youtube.com/watch?v=SA43bTlbKuM;
[52] http://www.sbpost.ie/post/pages/p/wholestory.aspx-qqqt=DAVID%20MACWILLIAMS-qqqs=commentandanalysis-qqqsectionid=3-qqqc=5.2.0.0-qqqn=1-qqqx=1.asp.