

**A LETTER FROM MEMBERS OF CIVIL SOCIETY TO THE IMF EXECUTIVE
BOARD MEMBERS : DO NOT PROVIDE DIRECT FUNDING TO THE
GOVERNMENT OF IRAN**

Re: Consideration of an Emergency Financing Loan for the Islamic Republic of Iran

Dear Member of the Executive Board of the IMF :

We are writing this letter to you regarding a request for emergency funding by the authorities of the Islamic Republic of Iran "in the amount of \$5 billion to ostensibly subsidize the management of the COVID-19 epidemic in the country. We learned from a March 12, 2020 press conference by the IMF that this request is being reviewed according to organizational policies and procedures. As you are aware, the COVID-19 pandemic has particularly hit Iran hard and taken a tremendous toll on the Iranian people, resulting in a significant number of lives lost. As of the date of this writing, estimates for the number of people who have contracted the virus exceeds one million. An additional 10,000 are likely to have succumbed to the disease, including many in the healthcare profession.

We are members of civil society and political and human rights activists of Iranian national origin and other ethnonational descents. We have been monitoring and analyzing the developments related to the COVID-19 pandemic, as well as more broadly and over many years the economic, governance, and human rights situation in Iran. We are deeply concerned about the well-being of our loved-ones and the people of Iran and particularly troubled by the approach of the government of Iran in dealing with this pandemic. **We have strong reservations with respect to the provision of direct financial support by the IMF to the government of Iran and "respectfully urge the IMF and the international community to focus their efforts and goodwill on helping the Iranian people through direct and well-targeted provisions of medical supplies and technical capacities.**

The impact of COVID-19 in Iran

The human cost of the pandemic has been brutal, with over 3000 officially confirmed deaths related to COVID-19. This figure is believed by the World Health Organization (WHO) and other authorities in epidemiology to be a gross underestimation. In February, Iran became the first epicenter outside East Asia, as COVID-19 spread quickly in the face of government's early denial and subsequent reluctance to quarantine the origin cities. On February 19th, Iran recognized the first two confirmed cases of positive COVID-19 (only upon their death) in the city of Qom, indicating that the virus had already spread widely in the country. The deluge of additional cases in the subsequent days substantiated this reality. By February 28th, more than ten countries also traced their incipient cases back to Iran. Since then, the medical community has waged a heroic war to combat the COVID-19 pandemic.

The background on request for financing, medical supply needs, and sanctions

The government of Iran is seeking a loan of about \$5 billion from the IMF emergency financing funds to cover for urgent foreign currency payment needs that it daims to face. This request, in our view, is not justified and is based on false pretenses. Iran holds high levels of foreign reserve assets by the central bank, that according to the central bank publication, stood at about \$117 billion in December 2019. This amount covers more than 14 months of the country's imports (as also confirmed in IMF 2018 report of Iran), a level generally considered very favorably relative to international standards.

We have the firm view that constant daims of the government of Iran in international media about problems with the import of medical supplies are misleading and based on inaccurate daims. According to its own official sources, Iran imported \$2.4 billion pharmaceuticals and medical equipment and supplies in the 2018 fiscal year. Furthermore, as recently stated by its governor, Iran's central bank provided \$4 billion in financing for the import of medicine and medical supplies in the first ten months of 2019. As stated by Iran's central bank, with steps taken, financing of medical supplies is assured.

The efforts by the World Health Organization (WHO), Médecins Sans Frontières (Doctors Without Borders), and NGOs and charities in sending, medical supplies to Iran are commendable.

Iranian purveyors of medical supplies have also ramped up their efforts to meet demand, similar to other countries in the world.

At this juncture, the shortages of masks, ventilators, and other related supplies are a global phenomenon, rather than a financing matter, for which Iran's government has adequate resources. Unfortunately, due to poor policies in this regard, in particular, a highly preferential exchange rate treatment for medical supply imports, there have been several cases of corruption, arrests, and allegations of abuse by medical importers, and even reports of smuggling to neighboring countries.

The concerns about lack of transparency, corruption, money laundering financing of terrorism.

We are deeply concerned about the lack of adherence by the government of Iran to international standards in financial reporting, anti-money laundering and financing of terrorism, which has culminated in Iran's designation as a high-risk jurisdiction by The Financial Action Task Force (FATF) in February 2020. The designation did not come as a surprise for many Iranians, who for decades have witnessed numerous cases of large-scale embezzlement, money-laundering : and even declarations by officials of billions of dollars that are "lost" or "unaccounted for". Challenges are compounded by the presence of large extra-budgetary organizations (as also recognized in IMF reports), and unknown amounts of transfers of funds to foreign operatives. Just as a recent example, in an uncharacteristically public case, on January 7, 2020, the Iranian parliament ordered allocation of an additional 200 million euros to the Quds Force, the extraterritorial arm of the Islamic Revolutionary Guards Corps.

We, as members of civil society, collectively hold the belief that the provision of a loan to the Islamic Republic of Iran, in such context, is very concerning. **We are highly doubtful it would benefit the people of Iran, but deeply concerned that this loan would enable the release of more funds for financing of activities that conflict with global and regional peace and prosperity, particularly in the current dire situation.**

For the reasons above, **we respectfully request your chair to object to providing direct financial support to the government of Iran, and instead consider helping the people of Iran through direct, transparent and well-targeted provision of medical supplies and in-kind assistance.**

We believe that the latter approach directly helps citizens of Iran, empowers the medical community in their heroic fight against the epidemic, and avoids unintended consequences of entrenched corruption, and susceptibilities to money laundering, and financing of terrorism.

As such, we recommend the following considerations:

1. We urge the IMF to coordinate with other international organizations such as WHO and the World Bank to formulate an international response that is targeted, direct, and inclusive. We are particularly concerned about large disparities in the provision of services in less privileged parts of the country, which can benefit from expertise by WHO and the World Bank.

2. We request the IMF and the international community to urge the government to Iran to allow for free entry of medical supplies to Iran and stop rejecting assistance from well-established NGOs such as Médecins Sans Frontières (Doctors Without Borders).

3. We request the IMF to urge the Iranian authorities to adopt the best international practices on transparency and accounting of the Central Bank and financial system, including FATF recommendations, in order to facilitate normal commercial transactions with the rest of the world and unlock the potential of Iranian people as citizens of a large, dynamic, and emerging economy.

4. We urge the IMF to consider engaging with Iran through a future program in proper time and with prudent policies that are rooted in addressing corruption, money-laundering concerns, the health of the financial system, and with policies that promote equity and empowerment of highly educated female labor force. Adopting best practices in FATF by the Iranian government should be the first step such a journey to ensure debt incurred by the citizens of Iran under such loans is used for their interests and in full transparency and accountability.

We, along with many Iranian citizens, eagerly look forward to a day where a future collaboration with the IMF in the context of prudent and well-targeted policies can lead to a brighter future for all Iranian citizens.

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