Annual Meetings serve the rich and damn the poor!

Washington DC, 25th October 2024 – The 2024 Annual Meetings of the International Monetary Fund (IMF) and World Bank (WB) in Washington DC are taking place amidst uncertain times facing the global economy; global political fragmentation; and high costs being paid by citizens in developing country regions. In her remarks on Friday 25th October, IMF Managing Director, Kristalina Georgieva said "… ***Families are hurting. And, looking ahead, the world now faces a low growth – high debt trajectory…"*[i]*,*** a situation that is all too familiar in Africa where at the start of the Annuals, 4 countries (Chad, Ethiopia, Ghana, and Zambia) have defaulted on their debt and entered a restructuring programme under the G20 Common Framework brokered by the IMF. In addition, according to the United Nations on Trade and Development (UNCTAD) more than half of African countries are allocating more towards debt service interest repayments compared to investments in education, health, and public investments. In countries like Kenya, it is estimated that close to 70% of its tax revenues for the coming fiscal year are diverted towards debt servicing. This is not unique to Kenya with countries such as Zambia, Malawi, Ghana, among others who facing similar policy challenges. Kristalina Georgieva said "…***This is not easy. Governments face a dilemma—more accurately, a "trilemma"—of large spending needs, political redlines on taxation, and the need to rebuild buffers. …"***[ii].

The atmosphere in Washington DC against this backdrop has been largely subdued by the desperate need of Finance Ministers to 'secure the bag' back to capitals at all costs. In so doing, African Finance Ministers are normalising fiscal consolidation and austerity policy making measures. This in stark contrast to how citizens from developing regions in the past six months have shown in Argentina, Bangladesh, Kenya, Nigeria, and Uganda. Despite the public outcry against this policy direction, IMF Managing Director, Kristalina Georgieva said "…***fiscal consolidation should start now. Credibility requires persuasive communication with the public. Multi-year fiscal plans should lay out consolidation paths tailored to country-specific situations***…". [iii]

With more than half of African countries in debt distress (23 countries out of 55[iv][1]) the African Economic Outlook 2024[v] reveals that in many African countries, a significant portion of government revenue is allocated to debt repayment and servicing, leaving little for financing social sectors such as health and education and this is against the Africa Agenda 2063 and UN's Sustainable Development Goals (SDGs).

AFRODAD's Lead on Domestic Resource mobilisation Diana Mochoge, countered the IMF MD's comments saying "*Many countries are in a situation where they are forced to pay debt* *at the expense of people's lives. IMF's fiscal consolidation policy imposes austerity measures leading to cuts in key sectors such as health and education. High debt servicing is crowding out investments in service delivery."*

The rhetoric by eminent academics, development practitioners and high-ranking government representatives is that the global financial architecture is skewed to favour rich countries over developing countries. The system is rigged against developing nations by design and not default! It is extractive, neo colonial, unfair and unjust! It exacerbates poverty and keeps Africa in a cycle of vulnerability and dependency.

Increasingly, Africa grapples with climate shocks such as floods and droughts. While we wait for a fit-for-purpose UN tax convention the fiscal space is shrinking, making it difficult for the continent to mobilise revenue. Credit ratings agencies from the global north continue to ignore the 'Africa premium' and how it results in higher borrowing costs, as well as billions in forgone capital. We cannot forget to mention regressive tax policies for example austerity measures introduced by the IMF as a conditionality leading to cuts in budgets for healthcare, social protection and education which mainly impact on women, girls and other vulnerable populations.

The World Bank and the IMF insist on growth ironically with low fiscal space and high levels of indebtedness. The continent is choking and starving.

The debt relief mechanisms proposed by the World Bank and IMF are not fit for purpose! The G20 common framework is one example where countries have taken long to receive any kind of relief and instead receive punishment. It is a system set up to favour Paris Club countries mainly comprising of richer countries and is stacked against borrowers. The common framework is exclusive and not inclusive! It is not common except in the misery it brings!

Tatenda Mzezewa from AFRODAD emphasised African leadership in tackling the stalemate over the G20 Common Framework and alternative spaces for addressing the structural challenges in debt resolution. He said, "*South Africa's Presidency of the G20 and the full membership of the same provide an opportunity to advance sovereign debt solutions that go beyond the Common Framework and take these important conversations to democratic platforms in the United Nations with the Fourth Financing for Development Conference taking place in Spain in 2025. This is an important step towards the realisation of Africa as a rule maker and not a rule taker!"*

The system favours the interests of creditors over the borrowers. The IMF quota system that locks most of the countries out leaving power with a selected few. The World Bank is proud of its IDA replenishment, yet evidence shows very few countries have graduated out of IDA, thus continuing the cycle of dependency!

[i] https://www.imf.org/en/News/Articles/2024/10/25/sp102524-annual-meetings-plenary
[ii] https://www.imf.org/en/News/Articles/2024/10/25/sp102524-annual-meetings-plenary
[iii] https://www.imf.org/en/News/Articles/2024/10/25/sp102524-annual-meetings-plenary
[iviv] https://issafrica.org/iss-today/debt-relief-should-be-the-african-union-s-focus-at-the-g20
[v] https://www.afdb.org/sites/default/files/2024/06/06/aeo_2024_-_chapter_1.pdf