AS THE IMF / WORLD BANK MEETINGS TAKE PLACE IN MARRAKECH,
ALL ACTIONAID COUNTRY DIRECTORS IN AFRICA CALL FOR AN END TO DEBT DISTRESS AND AUSTERITY

The IMF and World Bank Annual Meetings are taking place in Africa for the first time in 50 years. The last such meeting was held in Kenya in 1973, coincidentally the year of the military coup against the democratically elected government of Allende in Chile that ushered in the dictatorship of Pinochet, laying the foundations for the rise of neoliberalism. In the decades that followed, the IMF and the World Bank have championed that neoliberal model, rooted in colonial, patriarchal and extractive systems across Africa, enforcing variations of structural adjustment and fiscal consolidation programmes that have profoundly undermined development, having a significant impact on the capacity of African States to set their own independent course.

The IMF and World Bank have imposed a neo-colonial model of economic development based on exploitation and extraction from the Global South – which has given rise to regular debt and economic crises. These crises have then been used to justify the imposition of harsh loan conditions and coercive policy advice on African governments, perpetuating dependency and stripping away the capacity of States through cuts to public spending. Although some of the rhetoric has changed in recent years, in practice the IMF and World Bank are still attached to this cult of austerity, undermining progress on health, education and other public services and blocking Africa’s ability to respond and adapt to the climate crisis. As Opa Kapijimpanga, founder of the African Forum and Network on Debt and Development, recently stated, giving loan after loan has become a means for ‘the continued coloniality of the IMF’. After four lost decades to African development it is surely time to ensure that we make the IMF learn from their failures.

ActionAid’s research has shown in particular that IMF enforced cuts and freezes to public sector wage bills have consistently blocked the recruitment of urgently needed teachers, nurses, midwives and other public sector workers. We have documented the gendered impact of these cuts, with women being the first to lose access to services, the first to lose opportunities for decent work and the first to absorb the rising tide of unpaid care and domestic work.

Without access to low-cost financing, many African governments now find themselves facing a deeper debt crisis than ever before - with UNCTAD recently finding that the amount spent on interest payments is often higher than spending on either education or health. They observe that the current 'inequal international financial architecture' makes access to financing inadequate and expensive, meaning countries in Africa pay interest rates that are four times higher than the United States and eight times higher than Germany. Yet the IMF policy advice remains little changed, with countries forced to negotiate solutions one-by-one – denying the systemic causes of the debt crisis that clearly require a collective response. We need a systemic solution to the debt crisis that goes beyond the common framework and that fundamentally reforms the outdated international financial architecture, including through ensuring a fair representation of African countries.

We call on our governments to work together, to demand coordinated regional action across Africa to resolve the debt crisis - rather than allowing the blame to be placed onto individual countries. We call on our Ministers of Finance to follow up their bold and effective call in 2022 for a UN tax convention by making an even bolder call for collective action on debt and a new debt workout mechanism. We echo the calls made by the African Caucus in July for ‘facilitating debt relief that is
equitable, rapid, comprehensive, and sizable’ and for a transformation of the multilateral debt restructuring frameworks. Future mechanisms must be fully independent of the IMF so that governments in debt are not forced to pursue austerity policies.

We know that there are alternatives to austerity. Indeed, a key IMF paper shows that ambitious action to expand tax-to-GDP ratios is key to financing the SDGs. But in practice the IMF does not recommend bold action on tax in Africa. The IMF continues to support regressive taxes such as VAT, passing the burden onto those least able to pay. There are many progressive and gender-responsive tax alternatives that can focus on raising revenue for public services from the wealthiest individuals and companies.

Earlier this year ActionAid produced a policy brief on the Vicious Cycle linking the debt crisis and climate crisis. Indebted countries are forced to earn foreign currency rapidly and do so by investing in fossil fuel extraction and industrial agriculture – thereby accelerating the climate crisis. At present the IMF and World Bank make matters worse by continuing to subsidise fossil fuels and by failing to recognise how debt is undermining progress on climate adaptation. We call on our governments to recognise these connections and to make debt cancellation and debt renegotiation a priority in climate finance negotiations at COP28 and in other international spaces. Climate finance, including for loss and damage, must be based on grants and global taxes, not loans. We also need to stop banks in the Global North from continuing to fund destruction and begin to #FundOurFuture.

Finally, as the IMF and World Bank leaders meet again on our soil, we call on our governments across Africa to recognise that these institutions are fundamentally colonial in nature, formed before most African countries achieved independence. The voting structures of the IMF and World Bank remain basically unchanged since they were founded, giving power to the former colonisers to perpetuate a world order that does not recognise the voice, dignity and importance of the African continent. These institutions perpetuate colonial power relations and their neoliberal ideologies are outdated, not fit for the 21st century or the needs of African countries. We call on African governments to chart a very different path to the future, building strong and sustainable states that can deliver quality public services and sustainable development for all.

Our Call:

- We are calling for the IMF and World Bank to definitively move away from the failed neoliberal economic model, to stop imposing austerity policies and constraints to public sector wage bills, and instead to support debt cancellation and ambitious and progressive tax reforms nationally and internationally.
- We are calling for our African governments to coordinate collectively for a resolution to debt crises, based on radical renegotiation or debt cancellation, including through advancing this case in climate negotiations; and to pursue alternative economic paths that place quality public services, social and economic justice at the heart of building sustainable and truly sovereign states.

Date: 11th October

ENDS

See also ActionAid’s new report: Fifty Years of Failure: The IMF, Debt and Austerity in Africa