African Sovereign Debt Justice Network's Statement on the Occasion of the 2022 Spring Meetings of the IMF and the World Bank

By:

The African Sovereign Debt Justice Network

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Fundamental Reforms of the International Financial and Debt Architecture are Crucial to Addressing Africa's Sovereign Debt Crisis

On the occasion of their 2022 Spring Meetings, the African Sovereign Debt Justice Network (AfSDJN); the Pan-African Lawyers Union, (PALU); the African Forum for Debt and Development (Afrodad); NAWI Afrifem Macroeconomics; the Jesuit Justice Ecology Network Africa, (JENA); the Okoa Uchumi Campaign;

BudgiT; Ongolo; African International Economic Law Network, (AfIELN); and the Third World Forum, call upon the International Monetary Fund (IMF) and the World Bank to address their unjust governance structures that have roots in the historical subjugation of African countries. African countries did not take part in designing the current international financial architecture. To overturn this institutional legacy, African countries, citizens and civil society groups want to be rule makers in the redesign of the international financial and debt architecture. In doing so, we join the call made by Ghanaian Finance Minister Ken Ofori- Atta in 2020 for a 'new global financial architecture in order to rebuild global growth and institute a new global public good.' Drawing inspiration from Ken Ofori-Atta and U.S. Treasury Secretary Janet Yellen's recent observation that now is the time to call to reform these institutions designed in 1941, we collectively call upon the IMF and World Bank to:

1. Institute governance reforms in the governance structure of the World Bank to give African countries more voice and vote commensurate with their 25% membership in the World Bank. African countries currently have a mere 5.5% of voting rights. By broadening and strengthening the participation of African countries in their governance, the agenda and policies of these institutions can be dominated less by the United States and the European Union. African countries can, in turn, have a more decisive role over the economic decision making in these institutions and their norm making processes.
2. Accelerate the IMF's 16th quota and voice reforms coming up in 2023. These reforms are necessary to reflect the relative increase in the share of the global economy by emerging economies. These changes are also justified by Africa's under-representation in its governance structures where they have a meagre 6.01% voting rights. These reforms are further required by Article III, Section 2(a) of the IMF's Articles of Agreement which requires the IMF at intervals of not more than five years to conduct a general review, and if necessary, adjust the quotas of its members. The COVID-19 pandemic and the IMF's decision to increase Special Drawing Rights (SDRs) reflected the need to expand the IMF's resources so that it could effectively respond to the pandemic. Quota reform is required to make sure the IMF is adequately resourced; and for it to be able to adequately respond to the global crisis in the world. In addition, quota

review is necessary to make sure that the IMF's quotas reflect the significant shifts in the economic weight of its members in the last several years. This is particularly necessary since the last quota reforms were undertaken in 2016. These reforms are also necessary to ensure the IMF governance structures are democratic and equitable so that the voice and representation of African countries is not diminished. Indeed as Janet Yellen noted recently, now during a once in a century pandemic and European war, is the 'right time to work to address the gaps in our international financial system.'

3. Remove surcharges to provide relief from the excessive fees on top of regular principal and interest repayments on IMF loans. These surcharges are an additional source of economic stress on heavily indebted countries, especially in light of the current global recession resulting from the COVID-19 pandemic and Russia's illegal war against Ukraine. These surcharges are forcing indebted countries to cut expenditure on significant needs such as public health necessary to address the economic fallout resulting from the COVID-19 pandemic. Further, these surcharges are obstructing the potential for heavily indebted countries to undertake their plans to ensure recovery from the inflationary pressures that they are facing.
4. With the expiration of the G20's Debt Service Suspension Initiative, (DSSI), in December 2021, and the stalled implementation of the Common Framework for Debt Treatments, the AfSDJN recalls its statement ahead of the 2021 IMF and World Bank's spring meetings, calling for definitive and long term solutions for the sovereign debt crisis African countries are facing. In particular, the AfSDJN urges the IMF and the World Bank to:

- Urgently commence deliberations on a new sovereign debt restructuring mechanism that would be binding on all creditors, including commercial creditors, and that would make it difficult for hold-out creditors to prevent sovereign debt workouts. A good precedent to refer to is the Sovereign Debt Restructuring Mechanism that the IMF supported two decades ago;
- Support the United Nations Conference on Trade and Development's proposal for an International Developing Country Debt Authority that would oversee comprehensive temporary standstills. We also call upon the IMF to review its debt sustainability assessments to ensure that they do not encourage excessive accumulation of debt;

- Ensure that debt restructuring undertaken under the aegis of the IMF don't guarantee payments to creditors while subjecting ordinary people to debilitating austerity measures inconsistent with their human rights;
- Endorse legislative initiatives, especially in the United Kingdom and the United States, to temporarily stop private creditors from suing for debt recovery for the world’s poorest countries both in national courts as well as in Investor State Dispute Settlement during this COVID19 pandemic period. In addition, both the IMF and World Bank should continue to support efforts to have full disclosures of all the terms of the existing and new debt and debt-like commitments of the governments of the poorest countries.

The AfSDJN, and all the co-signers of this Statement, see these reforms as necessary preconditions to address the current unjust global international economic order that institutionalize the marginalization of the most indebted countries in the world. These reforms are also necessary to ensure both the IMF and World Bank have the resources and capacity to deal with the inevitable nature of global international financial crises and the development needs of the most vulnerable and indebted economies.

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