African Sovereign Debt Justice Network's Statement on the 2022 Annual Meetings of the IMF and the World Bank: A Call for Governance Reforms

By:

The African Sovereign Debt Justice Network

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On the occasion of the 2022 International Monetary Fund (IMF) and World Bank Annual 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); BudgiT; Ongolo; OKOA Uchumi, and the African International Economic Law Network, (AfIELN), call upon the IMF and the World Bank to address their unjust governance structures that continue to stifle the voice and representation of African countries in global economic and financial decision

making.

African countries did not take part in designing the current international financial architecture which embeds within it Africa's historical subjugation. We agree with the President of Ghana, Nana Akufo-Addo, the current global financial system is "skewed significantly against developing and emerging economies" and in favor of rich countries. Major reforms of the governance structure of the Bretton Woods institutions are required as a significant step towards recognizing African countries and their citizens as rule makers in the re-design of the international financial and debt architecture.

We collectively call upon the IMF to:

1. Undertake reforms in its governance structure, quotas and voting system to undo the colonial origins and design of the institution. As aptly noted by the UN Secretary General, António Guterres, the IMF continues to model the global economy and power dynamics at the time of its establishment, over 70 years ago, when several African countries were still under colonial subjugaion. The pace of reforms to align the institution with present-day realities has been tremendously slow over the past decades. World leaders and civil society have challenged the prevailing system of "undemocratic multilateralism." The President of Kenya, William Ruto recently urged for "democratization of global governance and a re-imagined multilateralism that is inclusive." Similarly, Hon. Mia Mottley, the Prime Minister of Barbados, is calling for a "new internationalism" that is truly inclusive and reflective of the current global realities. The AfSDJN endorses this position and specifically calls upon the IMF to:

• Accelerate the upcoming 2023 quota and voting reforms and use the opportunity to address the glaring inequalities in the IMF governance structure. The stark under-representation of Africa in the IMF decision making processes is demonstrated by its 6% voting rights despite membership of 54 countries which is 28.42% of the IMF's total membership. This is not only insufficient but also depictive of the unequal and undemocratic voting system hinged on quotas, weighted by economic factors and financial contributions, which tip the scale in favour of a few wealthy countries over the majority of the countries of the world. The IMF should adopt a democratic and inclusive voting system,

without which, its legitimacy, credibility and effectiveness will continue to be undermined.

• In line with adopting a democratic voting system, we call on an increase in Africa's representation on the IMF Executive Board. Currently, 46 African countries are represented by only 2 of a total of 24 Executive Directors on the Executive Board tasked with running the operations of the Fund. Despite the 2008 appointment of additional Alternative Directors for these large constituencies, this did not necessarily improve representation of African countries on the Board since the voting power is determined by quotas.

• Reform of the quota formula has to be undertaken in a way that takes into account other factors beyond economic considerations. The IMF has suggested that the possibility of adopting a new quota formula in the upcoming reforms. Quotas are at the foundation of IMF financial and governance structure thus their reform should be done in a clear and transparent manner. Importantly, civil society, world leaders and scholars should be consulted and meaningfully involved in the process of developing a new quota formula.

• Enhance the IMF quota adjustment of low income countries to amplify their voice in its decision making, regardless of their economic standing. These economies were the hardest hit by the pandemic and stand to be disadvantaged by a quota adjustment based on a formula predominantly considering economic factors. Given the dominant role which the Fund plays, in shaping their economies, through its financing and surveillance, the voice of these countries should be protected.

2. The stalled implementation, opaqueness and low participation of countries shouldering heavy debt in the G20 Common Framework for Debt Treatments demonstrates the need 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 comprehensive, fair and effective sovereign debt restructuring mechanism based in the United Nations 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;

• Ensure that debt restructurings undertaken under the aegis of the IMF do not guarantee payments to creditors while subjecting ordinary people to debilitating austerity measures inconsistent with their human rights, as observed with the recent Zambia IMF loan arrangement. Debt restructurings must be austerity free;

• Put in place formal procedures for involvement of civil society organizations in IMF Article IV consultations at a national level as well as independent accountability mechanism to assess the impact of IMF programs on poverty, inequality, the environment and human rights;

• Support the incorporation of natural disaster clauses across sovereign debt instruments, including during restructurings, allowing countries to defer debt repayments in the event of occurrence of a natural disaster. The ongoing debt restructuring for Zambia, a climate vulnerable country, presents an opportunity to set precedent for incorporating such clauses in debt contracts;

• Review their debt sustainability assessments to ensure that they do not encourage excessive accumulation of debt and take into consideration the required investment in development priorities and climate needs of African countries;

• 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 recovery period; and

• 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.

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