Decentering the IMF: A Critical Analysis of FfD4 Proposals for Africa’s Debt Governance

By:

Ohio Omiunu
Chioneso Samantha Kanoyangwa

February 8, 2025

Introduction

The Elements paper for the outcome document of the FfD4 (‘The Elements Paper’) prepared by the co-facilitators of the FfD4 (Ambassadors of Mexico, Nepal, Norway, and Zambia) and the Zero Draft: Outcome document of the Fourth International Conference on Financing for Development (‘Zero Draft’) present a blueprint for addressing sovereign debt crises and financing challenges. While these documents offer promising steps toward reform, they fail to address the systemic inequities and structural flaws underpinning Africa's debt challenges. Framing this analysis through the lens of decentering the Bretton Woods framework, specifically the International Monetary Fund (IMF), and shifting towards the Dumbarton Oaks institutions, particularly the United Nations, offers a more coherent and transformative pathway for global debt governance reform.

This blog critiques the reliance on IMF-led mechanisms, the limited inclusion of development-focused metrics, and the absence of comprehensive frameworks that address the interconnection between debt, climate resilience, and socio-economic priorities. It also proposes actionable reforms, including establishing a Global Debt Authority, enhancing regional mechanisms, and integrating human rights and climate considerations into debt governance frameworks.

Background

The 80-year legacy of the Bretton Woods system, through its primary institutions of the IMF and World Bank, has entrenched inequalities, particularly for the Global South. According to an Oxfam Report, 94 out of 100 countries with current World Bank and IMF loans cut investments in public education, health and social protection over the past two years. By contrast, 80 years ago, the Dumbarton Oaks framework laid the foundation for the United Nations (UN), an institution better suited to represent multilateralism and equity in global governance. While the Dumbarton Oaks framework was designed to promote broader peace, security, and development goals under the auspices of the United Nations, the framework has gained significant relevance in global economic discussion, particularly in light of the imminent 2030 Sustainable Development Goals (SDGs). Be that as it may, in the realm of sovereign debt management, creating a new world order through the United Nations remains an untapped potential.

Although the Elements Paper and the Zero Draft acknowledge the shortcomings of the existing international financial architecture, both documents continue to reinforce the centrality of the IMF within the system, completely ignoring urgent calls for a UN body to regulate and oversee global debt governance. A closer analysis of sections 50 and 51 of the Zero Draft reflects a piecemeal approach to debt justice, especially for the Global South and Africa in particular. This approach has significant consequences for Africa as this translates to a commitment to sustaining the status quo of a debt crisis, as maintained by the ailing mechanism that is the IMF-led G20 Common Framework and the austerity measures propelled by the IMF’s tranche-based system.

The experiences of Zambia, Ghana, and Ethiopia have consistently highlighted the inadequacies of the Common Framework. These shortcomings, combined with the detrimental effects of austerity measures imposed by the IMF—which faces a growing crisis of social illegitimacy—leave African countries grappling with severe debt distress, limited fiscal space, and structural economic vulnerabilities, with little prospect of a robust and effective solution. In the next section, we explore some of the proposals in the two documents to contextualise our concerns.

How the Elements Paper and Zero Draft Reaffirm the IMF's Role

Firstly, the Proposals place heavy reliance on the IMF's faulty Debt Sustainability Assessments (DSAs). The IMF's DSAs remain the dominant tool for evaluating debt risk, yet they fail to incorporate human rights, climate vulnerabilities, and inequality considerations in a meaningful way. The Elements Paper acknowledges the need for a new approach to DSAs but still envisions their integration within the existing IMF-WB framework. This precludes the possibility of an independent debt assessment mechanism that reflects debtor country priorities. According to section 51(a) of the Zero Draft, the IMF is urged to "refine debt sustainability assessments to better account for SDG spending needs, better capture climate and nature risks". The reliance on a creditor institution to define "debt sustainability" is questionable, as it holds possibilities of bias, thereby most likely resulting in the continued disregard of African countries' best interests for the benefit of fellow creditor nations and institutions.

For African nations grappling with climate shocks, for instance, the continued exclusion of climate-related vulnerabilities from DSAs means that borrowing costs remain high, and access to concessional financing remains restricted. While the IMF has taken small steps to incorporate climate shocks into its DSA framework, the framework still falls far short of fully connecting program discussions with climate policy, especially when it comes to the green transition, which will be essential for funding the just energy transition. In contrast, the Dumbarton Oaks approach underscores the role of global cooperation under UN auspices, which could ensure more equitable debt sustainability assessments. A UN-led mechanism could incorporate metrics prioritising human development, climate resilience, and sustainable growth, addressing critical gaps in the IMF's framework.

Secondly, using the Zero Draft's stance, the DSA framework, as argued by Lima, remains macroeconomically biased towards conducting assessments that underestimate sovereign insolvency problems as it is silent on the metrics. It is important to highlight briefly that this is not the only bias Africa has had to endure. With the credit rating industry dominated globally by the three international credit rating agencies, namely Moody's, S&P, and Fitch, there is evidence of bias against African countries, which end up receiving negative ratings, thus affecting access to global capital markets and general investment prospects. The DSA's rigid focus on debt-to-GDP ratios and fiscal consolidation as primary indicators of sustainability limits the ability of governments to invest in social sectors, climate resilience, and infrastructure. The underestimation of insolvency problems by the DSA only underpins the widespread trend of post-pandemic austerity in the Global South, resulting in declining public services, increased unemployment, and social unrest across debt-distressed nations in Africa. Most importantly, the radio-silence of both documents on the need to incorporate a human rights perspective into the DSA will undoubtedly hamper the continent's objectives to achieve the sustainable development goals (SDGs).

More importantly, in both the Elements Paper and Zero Draft, there is no explicit mention of a UN Framework Convention on Sovereign Debt as a global resolution mechanism. Instead, the Zero Draft alludes to the initiating of an "intergovernmental process at the United Nations", while more emphasis is placed on the IMF-led processes, such as the G20 Common Framework for Debt Treatments, which have failed to deliver timely, comprehensive, and development-oriented debt restructurings. The slow progress of debt relief under the G20 Common Framework, particularly for African countries like Zambia, Ghana and Ethiopia, underscores the inadequacy of the current system. Without an independent mechanism, debtor nations continue to face prolonged negotiations, unpredictable outcomes, and vulnerability to vulture funds and litigation in foreign courts. Additionally, according to the Zero Draft, there is support for the setting up of a "working group to develop a model law on debt restructuring for Member States to consider adopting as part of their domestic legislation". While this call is aimed at encouraging financial jurisdictions to pass domestic legislation to limit holdout creditors and facilitate effective debt restructuring, the non-binding nature of a model will not ensure the willing participation of creditor countries. As advocated for by the African Sovereign Debt Justice Network (AfSDJN), only a new comprehensive, fair, and effective sovereign debt restructuring system based in the United Nations can possess the power to legally bind all creditors, including commercial creditors.

Given the persistent shortcomings of the Bretton Woods institutions in sovereign debt management, restructuring and relief, there is a need to realign global debt governance with the more inclusive and development-focused principles enshrined in the Dumbarton Oaks framework. This realignment will empower the UN to assume a central role, prioritising debtor nations' development needs over creditor-dominated priorities.

Policy Recommendations

In the context of the deficiencies of the Common Framework and the inadequacy of debt sustainability tools such as the IMF's DSA, decentering the IMF from global debt governance is imperative to creating an equitable, inclusive, and development-focused financial architecture. The following policy recommendations offer a pathway toward structural reforms that align with Global South priorities:

Establish an Independent Global Debt Authority Under UN Auspices

• The UN General Assembly should initiate an intergovernmental process to establish an independent multilateral sovereign debt restructuring mechanism, distinct from the IMF and creditor-controlled institutions. The proposed Global Debt Authority (GDA) should have a mandate to conduct independent debt sustainability assessments incorporating human rights, climate risks, and development needs, thereby ensuring a more balanced and transparent evaluation of debt sustainability. More importantly, the GDA should serve as a neutral forum for debt restructuring negotiations, offering legally binding dispute resolution mechanisms to prevent creditor holdouts and litigation by vulture funds. Such a transition from Bretton Woods to Dumbarton Oaks institutions would reinforce the principles of inclusivity and fairness. Revise the DSA framework • The IMF and World Bank should not have exclusive control over DSAs. Instead, an independent panel comprising debtor countries, civil society, and UN agencies should develop alternative DSAs that integrate climate resilience, social spending, and inequality indicators. Such a panel, anchored within the UN, would align debt assessments with the development priorities of debtor nations, moving beyond the narrow focus of creditor interests. Additionally, debt sustainability metrics should account for long-term investments in education, healthcare, and infrastructure rather than short-term fiscal constraints.

Enhance Regional Governance Mechanisms

• A regional mechanism has the potential to complement a UN-led global framework, offering localised solutions that address specific challenges faced by African countries. While the Zero Draft acknowledges the need to strengthen African Union-led debt governance initiatives, such as the African Legal Support Facility (ALSF), there is an urgent need to support the establishment of an African credit rating agency through the African Peer Review Mechanism (APRM). This would be one of the mechanisms of supporting African countries in improving their credit ratings in order to gain access to global capital markets and revive investment.

Reform the IMF's Role in Debt Governance

• The IMF's mandate in debt resolution should be restricted to technical assistance rather than being the primary authority on debt negotiations and overall governance. IMF programs should also eliminate austerity conditions that undermine development spending, ensuring that debt relief measures do not come at the expense of social investments. This shift would represent a significant decentering of the Bretton Woods institutions, aligning debt governance with the principles of the Dumbarton Oaks framework.

Conclusion

The Elements Paper and the Zero Draft present an opportunity for meaningful debt governance reforms, yet their reaffirmation of the IMF's central role perpetuates the marginalisation of Africa in financial decision-making. This blog has made calls for a transformative approach that decouples debt governance from the Bretton Woods institutions and centres it within the United Nations. A truly inclusive and equitable debt architecture requires decentering the IMF, establishing an independent Global Debt Authority hosted within the UN, and reforming debt sustainability assessments to reflect the needs and priorities of

Africa. Without these changes, African debt-dependent economies will continue to face unjust financial constraints, limiting their capacity to achieve sustainable development goals.

View online: Decentering the IMF: A Critical Analysis of FfD4 Proposals for Africa’s Debt Governance

Provided by Afronomicslaw