Another meeting of the International Monetary Fund and the World Bank has come and gone, and with predictable responses to the multiple crises of economic recession, public health and climate change – limited in scope and scale, short-term and even more debt-creating. Conditions have grown more severe as the Ukraine-Russia conflict rages, on top of unpredictable COVID-19 surges and intensifying climate change. More than half of the world’s countries are struggling in the deepening abyss of debt. But all these find no resonance in the outcomes of the IMF and World Bank Spring Meetings whose “Way Forward” leads us farther down a path of greater debt accumulation, heavier debt service burdens for the global South, and a certain future of stark impoverishment and inequality.

The IMF unveiled its Managing Director’s “Global Policy Agenda 2022” while the World Bank presented a roadmap for the next 15 months. As expected, there are no bold and ambitious debt solutions from these leading international financial institutions that claim commitments to alleviate poverty and support developing countries on the way to recovery. The World Bank announced $170 billion in crisis response financing to be rolled out in 15 months, targeting to commit $50 million within the next three months. Much of this is expected to be loans though, just like the $200-billion COVID-19 crisis response from 2020-2022, of which only $23 billion of the $73 billion that went to IDA were in the form of grants. Many South countries that are already deep in record-breaking levels of public debt will continue to be locked in debt service at a time when public funds are urgently needed for peoples’ needs.

The IMF - World Bank persists in their support of false solutions, notably the Debt Service Suspension Initiative (DSSI) through the Common Framework, which have proven too inadequate, temporary, and short-sighted to address the systemic nature of the debt crisis. Total deferrals granted to 43 participating countries reached only $12.7 billion, a paltry sum compared to at least $3 trillion estimated by the UN to help developing countries. With no extension for the DSSI beyond 2021, low-income countries now bear the full brunt of debt servicing in 2022, while middle-income countries that were ignored despite facing equally difficult circumstances, face even heavier burdens due to massive borrowings incurred in the last two years.

Meanwhile, the IMF-WB have conveniently excused themselves from joining these schemes, choosing instead to peddle more loans to crisis-ridden countries with limited options and ensure continued debt payments. The IMF has even profited amid the pandemic by continuing to levy surcharges on heavy borrowers, who are also those countries in desperate straits. This has become the Fund’s biggest revenue source, amounting to an estimated $4 billion by end-2022.

Also evading responsibility for the massive accumulation of debt are private creditors – commercial banks and holders of government-issued bonds – to whom over 80% of public external debt is owed by governments. Sri Lanka is a case in point, with an $11.8 billion debt bill accumulated from sovereign bonds, or 36.4% of its external debt. Asset managers BlackRock Inc. (US) and Ashmore Group Plc. (UK) count among Sri Lanka’s biggest sources of foreign funding.
Much praise is accorded the IMF for setting up the Resilience and Sustainability Trust (RST), a new loan-based facility aimed at addressing longer-term structural challenges and macroeconomic risks, such as climate change and pandemics, by channeling the Special Drawing Rights (SDRs) contributed by rich countries to those where needs are greatest. But this lofty aim is undermined by unfair distribution, determined by the proportion of countries’ quota shares in the Fund. Thus, from the $650 billion SDR allocation that the IMF made available in 2021, only US$275 billion was received by developing countries, and of which $21 billion went to low-income countries. The IMF targeted to raise SDR12.6 billion from SDR “rechanneling” for Poverty Reduction and Growth Trust in 2021, but it has only received SDR7.3 billion pledges to date. This was also the case with the Fund’s Catastrophe Containment and Relief Trust that targeted SDR1 billion from donations of wealthier countries but only mobilized SDR0.6 billion to date.

Further, the Fund will require concurrent enrollment in a financing or non-financing IMF-supported program, which leaves out climate-threatened countries in Asia such as Bangladesh, India, Cambodia, Vietnam and the Philippines. For RST-eligible countries, they remain subject to fiscal consolidation or austerity measures that are typically embedded as loan conditionalities in IMF lending programs. In the first year of the pandemic, the IMF promoted austerity in 85% of its financing response; eventually, fiscal consolidation became requisite in 87% of IMF programs negotiated with developing countries from March 2021-2022. These entail cutting public expenditures and handing over vital essential services to private investors, to the detriment of the poor and low-income, women in the informal sector and ordinary wage earners, among others. They also include increasing regressive taxes and capping the public wage bill, which shifts the weight of resource mobilization on the mass of ordinary working people.

The IMF’s recognition of climate change as a significant factor in unsustainable debt and the WB’s declared alignment of its funding with the Paris Agreement ring hollow in the face of continued infusions of multilateral public money into fossil fuels. The IFIs have remained silent on the demand for investigating and canceling the public debt that financed fossil fuel projects, even as they also acknowledge these as harmful to people and planet. These public debts were incurred in the name of the people, but caused the violation of many human rights and the very right to life, the massive destruction of land, food and water resources, erosion of local livelihoods, and the further exacerbation of climate change and its impacts.

From 1947 to 2020, the bank’s main institutions for loans and development financing disbursed and committed $1.2 trillion worth of principal value of loans, equity, guarantees and grants. One-third or $367 billion of funds disbursed or committed by the the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) went to energy projects of which $237 billion went to fossil fuel projects while $31 billion went to other harmful projects, such as large hydro dams and geothermal. Even after the Paris Agreement was signed, at least US$ 20.6 billion in oil and gas projects from 2016 to 2021.
To the IMF and the World Bank, as well as world leaders, national governments, financial institutions, public and private, we reiterate calls of global civil society for urgent, just, ambitious action, in compliance of their obligations and responsibilities, and commit to the following:

1. Unconditional cancellation of unsustainable and illegitimate debt by multilateral, bilateral and private lenders.

2. Recognition of the sovereign right of peoples to use resources freed from debt to address immediate needs, for vital and universal healthcare, social protection, and other essential services and rights.

3. Support for efforts to undertake national debt audits (government audits and independent citizens' audits) to critically and comprehensively examine public debt, and thoroughly review changes in lending, borrowing and payment policies; and respect the decisions reached by these processes.

4. Support for the call to establish a fair, transparent, binding and multilateral framework for debt crisis resolution, under the auspices of the UN to and not in lender-dominated arenas, that addresses unsustainable and illegitimate debt.

5. Support, rather than obstruct, a thorough-going national and global review and changes in lending, borrowing and payment policies and practices aimed at preventing the re-accumulation of unsustainable and illegitimate debt, strengthening democratic institutions and processes, and upholding human rights and peoples’ self-determination.

6. Recognize and support the primacy of human rights and the corresponding obligations of the States, the international community and private actors, including the extraterritorial responsibility of each State for the actions and impacts of corporations, speculators and investors under its jurisdiction.

7. Pay reparations for the damages caused to countries, peoples and nature, due to the contracting, use and payment of unsustainable and illegitimate debts and the conditions imposed to guarantee their collection.

Asian Peoples’ Movement on Debt and Development
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