Civil society worldwide drums up demands for debt cancellation in the face of deeper crises

"We refuse to be held hostage by the lenders and global rule-makers who are leading us down a path towards greater inequality, impoverishment, deprivation and ecocide."

More than 400 organizations and individuals from 74 countries reiterated debt justice demands in a sign-on statement that ushered in the Global Week of Action (GWoA) for Justice and Debt Cancellation from October 10-17. GWoA continues a long tradition of debt justice groups and movements coming together during the annual meetings of the International Monetary Fund and the World Bank to spotlight the drivers and impacts of unsustainable and illegitimate debt, and to call for cancellation and reparations.

They stressed long-standing calls for immediate debt cancellation by all lenders, stronger legislation vis-à-vis private lenders, systemic changes, genuine debt transparency, a UN-hosted multilateral framework for debt crisis resolution, and reparations for debts and conditionals that violated human rights, damaged the environment and contributed to worsening the climate crisis. (Read full statement here.)

A focal point during the week was the Global Day of Action on October 13, which was timed with the 4th G20 finance ministers and central bank governors meeting back-to-back with the annual meetings of the International Monetary Fund (IMF) and the World Bank. The meeting “reaffirmed the importance of the macro-policy cooperation to preserve financial stability,” in other words, maintaining a sharply inequitable status quo. Also lauded as a historic G20 move was the Financial Intermediary Fund (FIF), a mechanism aiming to “ensure the adequacy and sustainabilty of financing” against future pandemics. The FIF is hosted by the World Bank, an institution that has come to be known for its democratic deficit, and lack of credibility, transparency and accountability, together with its Bretton Woods partner.

“We call for immediate debt cancellation for countries of the Global South,
official debt audits, and a transparent, democratic, fair global mechanism that will address unsustainable and illegitimate debt. All these should help pave the way for profound national and global economic and financial changes towards truly just, equitable and ecologically sustainable systems,” said Lidy Nacpil, coordinator of the Asian Peoples’ Movement on Debt and Development (APMDD).

At various actions held in the Philippines, Indonesia, India and Pakistan, APMDD activists slammed the insistence of the IMF-World Bank and North government lenders on business-as-usual responses to multiple health, economic and climate crises. The rising call for debt cancellation as a way to channel funds from debt service into fulfilling rights and peoples’ survival remains unmet.

Nacpil cited Sri Lanka, Pakistan, Zambia, Lebanon and Ghana as the most recent examples. “Pakistan, in particular, which has recently experienced devastating floods because of the climate crisis, has seen 33 million people displaced. Yet the government is still expected to pay US$18 billion in debt payments to foreign lenders. This situation cannot continue.”

These are also countries that have been paying debt service and complying with structural adjustments and austerity conditionalities by lenders, despite the budget cuts these entailed in social spending. In Asia, unsustainable debt levels pile up with dire consequences for developmental needs such as in Sri Lanka which defaulted in May, and Pakistan where public funds continue to be siphoned into debt service.

Farooq Tariq, General Secretary of the Pakistan Kissan Rabita Committee said, “As humanitarian organizations scrambled for emergency funds, a familiar face reared its head once more. The IMF, recently approved a bailout request with a plan to release $1.1 billion to the country. At first glance, this may seem like a vital step in Pakistan’s recovery, but to pile further debt on a country already in the grip of a financial crisis will only end in greater disaster and injustice.”

Civil society organizations in other parts of the world scored the IMF, World Bank and other lenders who, on one hand, warn of greater difficulties ahead but persist in offering paltry and short-term responses that are neither up to scale nor fit for purpose. For one, the IMF World Economic Outlook report, launched during the meetings,
warned of global growth slowing 2.7 per cent in 2023…, “[the] weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.”

“As protestors in Washington DC and around the world called for urgent action on the debt and climate crises, inside the institutions their leaders, and G20 Finance Ministers, seemed to have had their fingers in their ears. There are more countries in debt distress, on the brink of bankruptcy, than ever before. More than half of the world’s population in extreme poverty live in these countries. Yet we see the old, failed policies wheeled out time and time again instead of the urgent action that these complex and multiple crises demand,” said Eurodad Director Jean Saldanha.

The Bretton Woods Project analysis stated: “Despite the scale of the problems, the rhetoric by the Bank and Fund about ‘correcting course’ and the mounting popular discontent, signs of long-demanded structural changes at the Bretton Woods Institutions or a change in their policy approach were not evident.”

Only three African nations – Chad, Ethiopia and Zambia – have applied under the Common Framework, a G20 initiative launched more than two years ago and vigorously promoted by the IFIs. While acknowledging its weaknesses, efforts have not gone beyond urging private creditors to participate in debt reduction and disingenuously blaming China, despite a larger number and exposure to other private lenders of the most heavily indebted African countries.

Aside from pushing flawed and failed debt reduction schemes,
the IMF continued in its track of pushing debt-creating measures. The recently Food Shock Window “might provide some short-term relief to countries struggling to pay for their food imports, but it does nothing to correct the IMF’s long held support for trade liberalisation measures, market-led land reforms and financial deregulation of agriculture, which have contributed to creating a dysfunctional and unbalanced global food system.”

As for the Resilience and Sustainability Trust, the call for rich countries to re-channel the $650 billion Special Drawing Rights (SDRs) allocation in 2021 to countries more badly hit by COVID-19, remains hollow. Based on IMF’s inequitable system of quotas, the biggest share goes to the world’s richest countries, or 70% directly to G20 countries against a pittance 3% for low-income countries, hence the call for recycling or re-channeling. But as of August 2022, “No vulnerable country has received a single recycled SDR, yet—almost a year after the pledge of the G20 to recycle $100 billion… There has been a small movement of SDRs towards low- and middle-income countries, but the bulk still rests with the advanced countries.”

The protests around the time of the IMF-World Bank annual meetings attest to the growing and determined movement to demand debt cancellation of unsustainable and illegitimate debts, and as an important step towards this end, to push for the establishment of a multilateral sovereign debt resolution framework under the auspices of the UN.

The words of a Sri Lankan leader ring true in the face of inaction and lack of substantive progress on freeing countries from burdensome public debts: “We cannot expect solutions from those who created the problems in the first place.” Debt is a systemic and structural problem, and thus requires “systemic changes in financial and economic systems to stop the accumulation of unsustainable and illegitimate debt, to offer fair and comprehensive solutions to debt crises, and to build more equitable, just and post-carbon societies, including putting an end to lending that leads to the exploitation of peoples and destruction of the environment…”

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