

The FfD Chronicle

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ANGUKA NAYO* : AFRICA GROUP CALLS FOR ESTABLISHMENT OF A GLOBAL LEGAL DEBT FRAMEWORK!

The Numbers Do Not lie ... Anguka Nayo!

To achieve the 2030 SDGs, over USD 4 trillion dollars are needed to close the global financing gap. The poly-crisis has resulted in Africa's public debt rising to USD 1.8 trillion as of 2022. Close to half of African Countries are spending more on debt interest payments than on education, health, and public investment!^[i]

The numbers do not lie, this is not a liquidity crisis ... it is a solvency crisis with its roots in the systemic and structural weakness in global economic governance and architecture.

To join or not to join the Common Framework ... Anguka Nayo!

It is time to bring-down the unfair policies imposed on African countries by multilateral organisations such as the World Bank and IMF which keep African countries at the bottom and entrapped in a vicious debt cycle and in poverty. The current debt architecture has not delivered a restructuring mechanism that creates enough fiscal space to achieve structural transformation. Instead, the Common Framework punishes countries for joining via credit rating downgrades, while joining entraps countries into deep austerity and fiscal consolidation, resulting in regressive and punitive tax measures.

Damned if you do and damned if you don't! The Common Framework keeps you in the waiting room of the A&E instead of fast-tracking countries to the Emergency Room to handle the debt crisis, just ask Zambia, Ghana. On the other hand, if you don't join, you are given Elastoplast for a gunshot wound to your chest and told not to worry, that the bullet hasn't hit major vessels ... ask Kenya how that is going for them!

It is time to "Anguka Nayo!"

Africa Rule Maker not Rule Takers!

The call by the Africa Group for the establishment of a global legal debt framework at the UN emphasises the deep dissatisfaction with the existing mechanisms for addressing the debt crisis and the unfair systems that exacerbate power asymmetries between lenders and borrowers.

The establishment of global legal debt framework at the UN will address these asymmetries by giving borrowing countries an equal voice in debt restructurings; enhance transparency of creditors and credit rating agencies; offer safeguarding provisions and principles against shocks; and strengthen domestic legal frameworks for responsible lending and borrowing.

The call by the Africa Group is an excellent starting point to this 1st Prep Comm meeting!

[*] The phrase "Anguka Nayo" (Swahili) colloquially translates to "fall down with it" ... representative of the CSO ask on "down with the neo-liberal and colonial global economic and financial architecture" that keeps Africa in a perpetual state of dependency.

[i] UNCTAD 2023



Is a decolonial future possible for, and with, the Bretton Woods twins?

During the first day of the first session of the Preparatory Committee (Prep Comm) for the Fourth International Conference on Financing for Development, we repeatedly heard the need to reform the international financial architecture and multilateral development banks (MDBs). Yet, this call risks becoming meaningless without clarity on what countries mean. Some voices were clearer than others.

There is a lively debate about whether or not the current reform agenda - too focused on expanding International Financial Institutions and MDBs' balance sheet - risks further expanding their influence, even while their lack of accountability and illegitimate governance remains unaddressed. The distrust of the Bretton Woods Institutions, such as on the part of social movements in the global South, precisely originated from these decades of unaccountable economic interventions that are incoherent with development. In short, the distrust of multilateral institutions - at times bemoaned during day one of the Prep Comm session - did not emerge from a vacuum. They are rooted in longstanding concerns about power.

Before arriving in Addis, Global South countries had been calling for a comprehensive reform agenda. The Southern countries' call was not limited to merely boosting the MDBs' and IMF's coffers, but rather undertaking a profound governance reform that equates their voice and vote in macroeconomic decision-making to those of their Global North counterparts - we can certainly praise Cuba for raising a clear voice on this during day one of the Preparatory Committee's session. This governance reform would be the litmus test for a much more profound transformation needed at the IMF and World Bank. Their vision of development and the global economy, and therefore the institutions' policies, must be completely overhauled to truly support countries to face the financial, environmental and social challenges that a world in polycrisis poses.

While such changes seem unattainable, the international community is soon approaching its next chance to democratise global economic governance.

For many in civil society, FfD4 offers a unique space to address international financial architecture reforms. As the Bretton Woods Institutions mark their 80th anniversary, a fundamental transformation of the institutions' missions and vision is vital. The institutions' domination by a select group of Global North countries must be abolished. Additionally, there is an urgent need to turn away from the emphasis on market creation as a route to sustainable development. Instead, development must be focused on strengthening public institutions and public services, rooted in principles of global solidarity and the right to development.

Who should govern the international financial institutions and the MDBs? FfD4 must reclaim the role of the UN as a global norm-setter. It must deliver a UN intergovernmental process to transform international financial institutions and Multilateral Development Banks, a process that will not happen if it is led from the inside. Such a process must review their governance, policies and practices to build more inclusive, transparent, accountable and democratic institutions, with a rights-centred approach to development. Anything less will be a missed opportunity and will only perpetuate problematic practices, including the undemocratic nature of international financial institutions.

JOIN OUR SIDE EVENT TOMORROW

Towards a more Democratic International Public Finance Architecture

Time: 8:30 a.m. - 9:45 a.m

Date: Wednesday July 24, 2024

Venue: Adey Ababa Board, 1st floor, New Building, Ethiopian Skylight Hotel

CSOs have been involved in the FfD process from the very beginning. Their coordination body is the CS FfD Mechanism, which is an open civil society platform including several hundreds of organizations and networks from diverse regions and constituencies around the world. CS FfD Mechanism's core principle is ensuring that civil society can speak with one collective voice.

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