

# **IMF - World Bank Spring Meetings** **Pursuing false solutions to the debt catastrophe**

The current political turmoil in Pakistan adds another layer of misery to millions of people in this debt-trapped country. For Sri Lanka, the relative calm on the surface may be short-lived as it embarks on the hard road of austerity charted by the International Monetary Fund. As feared, there was no sign of forthcoming relief from the Bretton Woods institutions' meeting last April, who continued to promote more borrowings and de-risking private sector investments among their main fiscal responses.

Once again, the IMF and the World Bank, the Bretton Woods institutions sought to prove their relevance in a world wracked by deepening multiple crises. At the 2023 Spring Meetings, they “recommitted to... the vision of a poverty-free world and pledged to explore new solutions to tackle an ever-present set of threats to development and the lives of the poor...”

***But the avowals of these international financial institutions (IFIs) hold increasingly less water as countries teeter at the edge of bankruptcy and default with debts accumulating to a 50-year high.***

They did not delve into persistently high inflation rates and more burdensome debt service payments and how this is further deepening inequality and poverty. They did not look closely at skyrocketing prices of basic goods, acute food and fuel shortages, and intensifying climate change in countries that are also cutting back on badly needed social spending to meet debt repayments.

## **PAKISTAN**

Pakistan is one of the countries. By the World Bank's own figures, [11 million people in South Asia added to the global poverty headcount of almost 660 million](#). Inflation has reached an unprecedented [37.5%, the highest since 1973, with dire results for the Pakistani people. Food inflation ballooned by 47.15% in March from a year before. Transport prices have also soared by 54.94%](#). Pakistan has increased taxes to raise more revenues amounting to \$643 million, a key IMF conditionality for Pakistan to avoid a default. But despite austerity and more taxes, the overall fiscal deficit still rose by 22.7% due to higher interest payments. On top of these, the IMF is collecting millions of dollars from Pakistan in the form of surcharges that the Fund levies for high debt levels and failure to pay outstanding obligations on time.

Still, the Pakistan government prioritizes meeting debt repayments this year, jumping from pillar to post to borrow more. Some 10 million remain without access to safe drinking water six months after the monsoon floods that global warming and glacial melt made catastrophically worse. In recent weeks, flour shortages have plagued Pakistanis, several of whom were killed and injured in the long queues for the staple. Still, more than \$22 billion will be collected from the Pakistani peoples for debt repayments maturing in 2023. IMF negotiations for a delayed \$1.1 billion loan tranche, part of a \$6.5-billion bailout agreed in 2019, drag on while foreign exchange reserves dwindle.

## SRI LANKA

For Sri Lanka, the IMF bailout package of nearly \$3 billion-worth further adds to the country's debt levels and clears the way for this debt-dependent country to access more debts. In the meantime, it remains at the mercy of the Fund's austerity conditionalities attached to debt restructuring. Inflation is still staggering at 59 percent and nearly 30 percent of the population is experiencing food insecurity, according to the UN.

Sri Lanka also illustrates the failure of G20 debt reduction schemes – promoted vigorously by the IMF and the World Bank – to require the participation of private creditors in addressing the debt crisis. Following Sri Lanka's default in 2022, it was sued for full payment by the Hamilton Reserve Bank which holds \$250 million of the country's 5.875% International Sovereign Bond by the Hamilton Reserve Bank. Negotiations are still ongoing with other private creditors holding \$1.633 billion of Sri Lanka's International Sovereign Bond.

The burden of filling in the gaps to provide even minimally for their families and children often falls heavily on women, at the expense of their own health and well-being amid the pandemic. One in four households in Sri Lanka is headed by women, of which half are widows and face persistent difficulties of juggling family responsibilities with paid and informal, precarious work, discriminatory attitudes toward women, limited access to finances, and inadequate social protection, among others.

## IMF-WB DEBT SOLUTIONS

As expected, the IMF and the World Bank affirmed their support for strengthening the Common Framework to debt treatments, the successor to the failed Debt Service Suspension Initiative. Both measures have proven ineffective in bringing private lenders to restructure public debts in any significant terms that will enable Southern borrowers grappling with crises.

Enhancing the Common Framework was discussed at the Spring meetings, particularly in the Global Sovereign Debt Roundtable, a World Bank-initiated process that suffers from the same opacity and democratic deficits in the IFIs. Only a few borrowing countries have been invited to participate in this process that also includes from its first meeting in February 2022 bilateral and private lenders. Again, we see the sidelining of long-standing civil society calls for a fair, transparent, binding and multilateral framework for debt crisis resolution under UN auspices where sovereign debt issues and resolutions can be democratically discussed.

Another highlight of the Spring meetings was to declare progress with the rollout of the World Bank's so-called Evolution Roadmap. As a way of mobilizing greater climate finance, its key tracks are to reform multilateral development banks to expand their lending capacity and leverage or de-risk private finance with public money and investments in order to attract more buy-in by private actors.

What this clearly forebodes is even more accumulation of debt and promotion of unaccountable private finance for Sri Lanka, Pakistan and many other global South countries which are also among the most climate-threatened in the world. In effect, the Evolution Roadmap maintains the IFIs' stance that surviving the climate emergency reverts back to debt-trapped Pakistan, even as it contributed less than 1% of global carbon emissions and is owed a climate debt and reparations by global North countries.

## OUR CALLS AND DEMANDS

Pakistan and Sri Lanka count among many other global South countries similarly situated in multiple crises that are systemic in nature and character, and require no less than systemic and structural change.

*The World Bank and the IMF are clearly in no position – by virtue of the interests they represent and protect, and a track record of aggressively promoting debt dependence and austerity conditionalities – to immediately provide just solutions that borrowing countries need, much less transformative solutions over the long term.*

Reiterating our demands, we stress the need for unconditional and immediate cancellation of unsustainable and illegitimate debts of Sri Lanka, Pakistan and all countries of the South!

We roundly reject the false debt solutions promoted by the IMF-World Bank and other international institutions, the G20 and the Paris Club!

We call on peoples' organizations and movements to mount wider, stronger actions for debt justice and for the transformation of an exploitative international financial architecture to one that works for people and planet. ■

