The Necessity for A Bold and Innovative International Financial Architecture. Insights From the Annual Meetings of The International Monetary Fund and The World Bank Group.

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1Civil Society Policy Forum at the Annual Meetings of the IMF and World Bank: A side event on Jubilee 2025: Time for Religious Values to Inform Debt and Global Finance Architecture in Africa

Pope Francis has declared 2025 a Jubilee year themed "Pilgrims of Hope." He urged wealthy nations to consider cancelling debts for countries struggling to pay, highlighting that this issue goes beyond generosity; it is fundamentally a matter of justice[1]. Caritas Africa echoes the Holy Father's call, drawing on insights from the Africa Inclusive Economic Recovery Campaign[2], which is run by Caritas Africa, the regional advocacy committte and its member organisations.[3]

The recent annual meetings of the IMF and the World Bank Group, held in Washington, DC, from October 21 to October 25, presented a strategic opportunity to elevate the voices of faith leaders, particularly regarding the urgent need to cancel unjust debt. These meetings occurred amidst growing evidence that the current debt crisis facing African nations is unprecedented, characterized by an overwhelming accumulation of debt. The architecture of this debt has evolved, resulting in an increasing number of foreign debt sources, including private and bilateral creditors such as China. Currently perceived as a liquidity issue, African economies are

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[1] World Bank to Discuss Debt Relief with Vatican for Jubilee Year 2025 https://www.bbcatholic.org.au/news/latest-news/world-bank-to-discuss-debt-relief-with-vatican-for-jubilee-year-2025#:~:text=In%20declaring%202025%20a%20Jubilee,those%20countries%20unable%20to%20repay.

[2] Interfaith Africa Religious Leaders "Heralding a Debt Jubilee in 2025" Statement https://www.jubileeusa.org/interfaith_rwanda_debt_jubilee_2025_statement

[3] https://www.imfconnect.org/content/imf/en/annual-meetings/calendar/open/2024/10/25/1804728.html?calendarCategory=T2ZmaWNpYWwvQnkgSW52aXRhdGlvbg==.UHJlc3M=.V29ybGQgQmFuaw==.T3Blbg==

accumulating loans while allocating a significant portion of their limited internal revenues to servicing debts with exorbitant interest rates. While injecting finances into these economies can have benefits, it often leads to a focus on short-term solutions rather than addressing the underlying issue of debt solvency.

To illustrate this, as of June 2024, servicing Kenya's public debt consumes 69.6% of domestic revenues, significantly exceeding the recommended limit of 30 %[4]. This situation compelled the country to consider austerity measures, which include reducing public spending on essential services such as education and healthcare and increasing revenues through higher taxes or the sale of state-owned enterprises. The 2024 finance bill has sparked nationwide protests, with citizens voicing concerns about economic deterioration and fiscal policies that do not align with their priorities.

Despite the numerous projects, programs, and interventions highlighted during the Annual Meetings of the IMF and the World Bank Group, the realities in Africa remain dire: millions of young people are unemployed, countless individuals go to bed hungry due to a broken food system that pushes many into poverty, and many cannot afford healthcare. These problems are interconnected. Clearing land for food production, particularly through mechanized agriculture, is a major contributor to climate change. Additionally, the use of harmful chemicals and fertilizers to boost food production raises significant food safety concerns and adversely affects soil health. The fiscal space to address climate change, among other pressing needs, is severely limited, leaving little room for job creation and upward mobility.

As we approach the 2025 Jubilee year, it's important to reflect on the Heavily Indebted Poor Countries Initiative (HIPC), which, in the early 2000s, enabled African nations to redirect the savings from debt relief toward poverty reduction initiatives. This essential program provided a framework that borrowers were eager to engage with. In contrast, the current Common Framework for Debt Treatment, endorsed by the G20, was launched in November 2020 to assist low-income countries in restructuring their debt. This initiative aims to address pressing issues related to debt sustainability, such as the expiration of COVID-related support, the accumulation of arrears, reduced priority expenditures, and tightening international financial conditions. Additionally, it seeks to coordinate the efforts of various government institutions and agencies. However, some critics argue that it is slow and lacks clarity when compared to the HIPC

[4] Kenya could run out of money to repay massive debts https://www.wits.ac.za/news/latest-news/opinion/2024/2024-09/kenya-could-run-out-of-money-to-repay-massive-debts.html#:~:text=So%20high%20is%20Kenya's%20public,case%20since%20at%20least%202019.

initiative. Many African nations continue to make debt repayments at the expense of vital spending on health, education, human development, and climate initiatives. They do not avoid seeking debt relief because they are able to repay their debts, but rather because there is no reliable process in place to achieve debt relief. This highlights a significant contrast with the HIPC initiative.

Caritas Africa's messaging in the Africa Inclusive Economic Recovery Campaign has consistently evolved, guided by dialogue with implementing partners and the contributions of member organizations as they engage with decision-makers in their countries. We emphasize that African governments require additional concessional financing to navigate the short-term fiscal challenges while negotiations for a more comprehensive Debt Management Framework are ongoing. For example, the issuance of Special Drawing Rights (SDRs)[5] has proven effective in addressing critical needs across Africa. In Zambia, the SDRs have funded initiatives such as the Social Cash Transfer (SCT) program, as well as the Rain Fed, Wetlands, and Alternative Livelihood Programmes within the Ministry of Community Development and Social Services.

The International Development Association (IDA)[6], the World Bank's branch dedicated to low- and lower-middle-income countries, is one of the largest sources of development assistance for the world's poorest nations. It provides grants and highly subsidized loans to its client countries, but its funds must be replenished by donors every three years. Consequently, increasing the current IDA portfolio could serve as another effective mitigation measure.

We continue to advocate for reform of the overall debt architecture. Debt relief processes should begin with an immediate suspension of debt payments, ideally ceasing payments upon the debtor's request until the necessary relief measures are clarified. Furthermore, these processes must be comprehensive, ensuring that debtors are protected from all creditors, not just a select few. We urge legislative changes in New York and other jurisdictions to shield debtors from litigation by private creditors. Lastly, adequate financing must be directed toward addressing the human development and climate spending needs of our countries.

[5] What is the SDR? https://www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr

[6] ABCs of the IFIs: Understanding the World Bank's IDA21 Replenishment https://www.cgdev.org/publication/abcs-ifis-understanding-world-banks-ida21-replenishment

We recognize that debt forgiveness for African countries will be ineffective unless it is paired with a demand for better and more transparent governance. This can be achieved through intentional investments that facilitate citizen oversight of public debt management. The media can also play a vital role in raising awareness of these issues, supported by the generation of evidence for dialogue and a focus on specific demographics, such as the impact of public debt on women and youth. The jubilee year presents an opportunity, as a matter of social justice, to reevaluate and reform the global financial architecture.