A Feminist Political Economy Lens Towards Equity and Justice in the Global South

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Introduction

THE global political dynamics of financialisation, sovereign debt distress and fiscal austerity generate structural inequalities within and between nations. A feminist political economy lens centres the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender and intersectional inequalities. Transforming macro-policy norms and frameworks towards gender and intersectional equity involves reorienting fiscal policy from expenditure reductions to sustained, long-term and gender-responsive investment in public sectors and services to support gender equality and protect women's economic and social rights.

This compilation of papers and articles examines how financial subordination generates conditions of gendered austerity through channels such as social reproduction and unpaid care work, reduced access to quality public services, and regressive taxation. The analysis involves a perceptual shift from viewing women as mere individuals to gender as a system that structures power relations within economy and society. Written from a critical political economy and South-centric perspective, the articles also map out possible pathways – ranging from fiscal policy reformulation and sovereign debt workouts to social dialogue and movement building – towards a decolonial transformation for gender and economic equity.

Papers and essays

A feminist social contract rooted in fiscal justice
An outline of eight feminist economics alternatives for intersectional justice

Gender Series (No. 3, 2023), Third World Network

Economic structuralism is at the foundation of a feminist social contract

A FEMINIST social contract rooted in structural feminism involves an intentional shift from viewing women as individuals, to gender as a system structuring unequal power relations, distribution, voice, and rights. A feminist social contract seeks to interrogate, unsettle, and ultimately dismantle power dynamics constructed within colonial, patriarchal, racial, and capitalist hierarchies of humanity. At the local level, a feminist social contract is concerned with the effects of power on gender roles and social relations through the governance of women's daily lives. At the global level, a social contract that centres gender equality informs global economic and trade governance, militarism and securitisation, migration, financialisation, climate justice, sexuality and reproduction, poverty, agriculture, movement building, religious fundamentalism, and political systems. Structural feminism is a critical foundation for a feminist economics methodology that situates the unpaid care economy at the centre of the economy and disrupts patriarchal belief systems that maintain a sexual division of labour. Feminist economic justice involves approaches that counter the myriad channels through which gender inequality is reinforced, and relied upon, in the processes of deregulating, liberalising, and privatising economies. Feminist futures involve strategies through which women, including trans women, are contesting gendered social norms and rewriting social contracts in transformative and intersectional[1] ways.

A fundamental political recognition, and policy priority, for gender equality is the necessity of long-term public financing for social provisioning. Accessible and affordable public services and goods are indispensable for women's economic, social, and human rights. Public services include activities and services provided by the state to facilitate citizens' enjoyment of their rights, including the right to healthcare, housing, livelihood, income, nutritious food, education, elderly and childcare services, sanitation, water, energy, transport, environmental protection, legal justice, and social protection, all of which involve the achievement of the Sustainable Development Goals (SDGs).[2] Public services and social infrastructure and programmes serving the needs and priorities of the most vulnerable communities in society play a vital role in fulfilling human rights, protecting and preserving the environment as well as tackling inequality through the progressive redistribution of wealth.[3] When delivered on a universal basis, public services and systems can contribute towards a redress of the discrimination women experience on the registers of gender, race, sexuality and class in the pursuit of their economic and social rights.[4]

The imperative in centring capable public systems is a foundation of redistributive public financing, as well as robust legislation and enforcement by government institutions and a civil society that demands accountability and a rights-based economy. While this paper refers to the state as the primary duty-bearer of economic and social rights, which include many although not all public services, the generation of public services and public goods and resources may be managed by other actors in the public domain as well, such as local municipalities, city governments, rural governance organisations and multilateral bodies. A critical point is that in this panoply of actors and mechanisms, the private sector is not always a legitimate means by which services can be delivered and distributed through the values and principles of a rights-based economy, where equity, access, and redistribution, rather than profit, are the objectives. Feminist fiscal justice involves a consensus that directs public expenditures in social sectors and services that support and strengthen gender equality and justice. Such a political governance framework that upholds feminist fiscal justice involves, for example, activating the importance of public, patient, and sustained financing oriented towards regenerative returns over the long term, or across generations, rather than private or public-private investments that demand profitable returns in the immediate short term. Feminist fiscal justice also involves upholding the social and care sectors and challenging the domination of economic and waged sectors.

The erosion of the public: From structural adjustment to current fiscal austerity

Beginning in the 1970s, the ascent of neoclassical economics produced the "Washington Consensus", an agenda enforcing three broad pillars of market liberalisation, deregulation and privatisation.[5] As the Washington Consensus replaced the earlier "Keynesian Consensus", the role of the state experienced a decisive erosion from the ability to intervene and regulate market forces through a "developmental state". The developmental state typically guides economic development and structures, retains ownership of key sectors such as industry and banking, and allocates resources to meet the social and economic needs of its people.[6] This is effectively disabled through structural adjustment and fiscal austerity frameworks that position private firms and market financing to shape decision-making, own key public sectors and direct the allocation of financial resources towards maintaining an attractive, lucrative environment for investors and creditors rather than addressing and financing domestic needs and priorities. Contrary to the widespread perception that the state has retreated, financialisation has repositioned the state to serve the interests of the market at the expense of the public through the recalibration of institutions, universal rules, policy norms and legal protections in ways that protect and strengthen the private sector.[7]

The erosion of the public sector as an institution has urgent consequences, visible in underfunded or privatised public services and social programmes, weakened regulatory regimes, forgone infrastructure projects, public assets sales and continued privatisation of the functions and responsibilities of the state.[8] Fiscal policy is reoriented from objectives of employment, investment-led and needs-based production and redistribution to that of a procyclical reduction of budget deficits, increasing interest rates, and maintaining free capital flows and continued debt servicing, even in times of crisis.[9] Public spending and long-term investment, especially in public services and social sectors, are systematically cut in the name of achieving fiscal balance. The developmental state is now perceived as crowding out the "efficient" private sector.[10] According to the 2022 *World Inequality Report*, over the past 40 years, countries have become significantly richer, but their governments have become significantly poorer.[11] The share of wealth held by governments and public companies combined is close to zero or negative in both the US and the UK. In other words, the totality of wealth in the world's richest nations is in private accounts. The COVID-19 pandemic only amplified private wealth when governments worldwide borrowed between 10% and 20% of gross domestic product (GDP), on average, from private lenders. Research shows that despite the worst health crisis in a century, public systems were slashed: between 2020-2022, half of low- and lower-middle-income countries cut the share of health spending in their budgets; almost half of all countries cut the share going to social protection; and 70% cut the share going to education.

In the 1980s, debt crises in many developing countries opened the door to a spate of International Monetary Fund (IMF) and World Bank loans and programmes under the structural adjustment facility.[12] These conditional loans ushered in a raw form of neoclassical economics, where indebted developing countries in balance-of-payments deficits faced little choice but to accept institutional financing requiring the reduction of public sector expenditure, capital account and trade liberalisation, privatisation of state-owned enterprises, and deregulation of safeguards and regulations, including labour rights laws.[13] The underlying objectives, often concealed in the rhetoric of “good governance” and prudential policy reform, involved timely repayments to international creditors, assuaging financial markets and facilitating private sector investments. Faced with recurrent payments imbalances, pressures for currency devaluation, and the macroeconomic instability associated with intermittent financial-economic crises in Latin America, Asia and Russia, the Global South turned with growing frequency to IMF loans and signalling effects to financial (creditor) markets delivered by surveillance reports.[14]

The balance of power between debtor and creditor became increasingly tilted as the policy conditions within structural adjustment programmes – enforced by the Fund’s emergency financing programmes in response to the recursive debt crises over the last four decades – revealed the extent to which social policy expenditure, as well as the economic redistribution from wealthy to poor that supports social policy, was eroded to ensure debt repayments to creditors and maintain an enabling environment for private capital. The effect of the Fund as an enforcing agent of fiscal austerity measures has served to protect the balance sheets of the big commercial banks and investors from their own imprudent lending decisions. By the late 1990s, scholars from Robert Wade to Jagdish Bhagwati were shedding light on the pervasive and wholly unaccountable role of a “Wall Street-[US] Treasury-IMF complex” and its entrenchment of a pro-creditor bias in international crisis management.[15] As such, the enactment of austerity measures was internalised into normative compliance by most Global South states.

The devastating tolls of structural adjustment resulted in two decades of development failure across developing countries in all regions of the world.[16] Structural adjustment produced economic impoverishment, a weak and near-bankrupt public sector that lost its economic enterprises to foreign investors, a declining domestic tax revenue base, low levels of public investment in health, education, infrastructure and technology development, as well as environmental damage, to name a few adverse effects.[17] Importantly, these environmental costs were generally externalised by the private sector and borne disproportionately by the public. The claims of international financial institutions, in particular the message that privatisation produces a more efficient or effective set of institutions that support market growth, rang hollow.[18] Critique and protest sprang up across many developing countries, where activists and advocates questioned the legitimacy of the Washington Consensus in light of its devastating economic and social toll. A significant volume of impact analysis literature illustrates how austerity has led to increases in inequalities that persist over the medium term, material deprivations and lower living standards, intergenerational cycles of poverty, intensified discrimination and a subterranean stream of social fissures, uprising and alienation.[19] Most recently, Lang[20] shows a correlation between increases in inequality and IMF loan programmes, documented by both relative and absolute losses of income by poor people.

This summary of the structural adjustment that underpins the systematic shrinking and weakening of the public sector is crucial to understanding why and how fiscal austerity has become an embedded economic and political regime across the world, and across much of the Global South. In the wake of the COVID-19 pandemic, the role of the IMF in providing conditional financial assistance has heightened to an unprecedented level over the last three years. As of August 2021, approximately 221 loans had been arranged with 88 developing countries.[21] The fiscal consolidation measures in current loan programmes include public expenditure reductions and public wage bill cuts and caps, including in some instances the privatisation of public sectors, which have historically constrained equitable public services in education, health, social protection, water and public transport. The loan conditions also include regressive revenue generation measures such as consumption and value-added taxes, which extract revenue from vulnerable households, who experience both lower and less affordable access to social services alongside declining income to meet basic needs. Narrow targeting of social protection programmes is a key part of consolidation measures, which excludes the majority of low-income communities, while labour flexibilisation measures which augment the precarity and wage insecurity of workers, especially women workers, are commonplace. Monetary measures, such as increases in bank loan interest rates and weakening the accountability of central banks to people's needs, are also a central part of IMF loans.[22]

The current fiscal consolidation measures are projected to be premature and more severe than in the aftermath of the global financial crisis of 2007-2008.[23] On a geographic scale, the inequality-generating effects of austerity affected approximately 85% of the world population in 2022.[24] A key point of discernment here is that 80% of the affected population are in developing countries across the Middle East and North Africa, sub-Saharan Africa, South and East Asia and the Pacific, and Latin America and the Caribbean.[25] Meanwhile, the empirical, data-based evidence across time, geography and context, demonstrating that austerity has neither restored income growth nor reduced unemployment, has only mounted over the years.[26] This includes academic research illustrating how the economic methodology in support of austerity is conceptually flawed. Meanwhile, the austerity bias poses what is inarguably one of the most critical structural impediments to the goal of long-term and sustained public expenditure and investments in public services, goods and systems that uphold gender equality and feminist justice, including climate justice. At the centre of this panoply of challenges is the harmful dynamics of gendered austerity.

Gendered austerity enables fiscal austerity: Absorbing shocks while sustaining life

The gendered nature of austerity and the channels through which women and girls are adversely affected, as well as involuntarily become 'shock absorbers' of fiscal consolidation measures, are detailed in a vast body of empirical research and feminist economic analysis.[27] A feminist political economy lens situates an intersectional[28] understanding of the social-reproductive sector at the centre, illustrating how social reproduction buffers societies from the economic, social and physical effects of crises by taking on additional caring labour both paid and unpaid, inside and outside the household, including in the informal sector.[29] A central point of contention in feminist political economic analyses of austerity is that the underlying organisation of the economic, social and political systems that prioritise growth in the production and finance spheres neglects or omits social reproduction, with the result of passing the costs of austerity onto the most vulnerable groups in society, especially low-income women.[30]

The effects of austerity measures, such as public expenditure contraction, regressive taxation, labour flexibilisation and privatisation, on women's human rights, poverty and inequality occur mainly through three dominant channels, also known as the "triple jeopardy" of gendered austerity. These are diminished access to essential services, loss of livelihoods, and increased unpaid work and time poverty. Budget cuts by the state often reduce or eliminate the very programmes and services which primarily benefit women.[31] Reductions, eliminations or freezes to the public wage bill, to social protection transfers and welfare benefits such as unemployment insurance, housing, child and disability benefits, and to consumption subsidies for poor people create heightened economic insecurities.[32]

Social protection programmes are a critical source of financial resources for low-income women due in large part to the enduring gender pay gap and other factors which concentrate women in the most exploitative forms of labour, which are also the first jobs to be eliminated in times of crisis.[33] Importantly, fiscal contraction displaces women into unemployment and precarious work,[34] often in the informal economy, with long-term damage to their income and health. For example, women in the female-dominated public education sector in many developing countries take on additional jobs to accumulate sufficient wages to live on, due to reductions in pensions and income.[35] It is widely acknowledged that structural and multidimensional gender inequalities in unpaid care work, low-wage informal work, gender wage gaps, gender-based violence and access to public goods and services, among others, have been exacerbated by the COVID-19 pandemic. The impact of the pandemic has deepened longstanding gender inequalities in the economy. During 2020, women were 1.4 times more likely to drop out of the labour force and took on three times as many hours of unpaid care work as men.[36] In 2021, there were 13 million fewer women in employment than in 2019, while men's employment had recovered to 2019 levels. The pandemic has disproportionately pushed women out of employment, especially as lockdowns and social distancing have affected highly feminised workforces in the service sectors, such as tourism.

The social-reproductive economy

Unpaid care work in the sphere of social reproduction is defined as a "non-market economy of social provisioning, supplying services directly concerned with the daily and intergenerational reproduction of people as human beings, especially through their care, socialisation and education".[37] The labour of care includes, for example, housework, provisioning, preparing meals, caring for persons with disabilities, people who are ill or older family members, and birthing, raising and educating children. Across a majority of Global South communities, care work is unpaid. However, even when care work is paid, the shared reality is that economies and societies depend deeply on the work assigned to women, particularly their reproductive and socially assigned care work.[38] Importantly, care work is entangled with the coordinates of economic and social power, reflected in the causes and effects of inequitable distribution across social groups, particularly gender, class, race, ethnicity and age.[39] As exemplified by the concept of the "global care chain", women at the intersections of race and class inequity often receive less support in their care work, while women at the higher ends of class spectrums can hire domestic workers to perform their care work.

By integrating care and social reproduction, feminist economists move beyond the traditional boundaries of economics that separate production from reproduction, and in this way, transform economic theory and policy by centring the care economy.[40] Critical to this endeavour is the recognition and integration of how care determines the production and maintenance of the labour force through social reproduction. The relational inequalities that structure social reproduction and the sexual division of labour are maintained and reinforced through patriarchal gender norms that govern women's autonomy and bodies from the household to the economy.[41] As a result, care is "shoehorned in as an afterthought",[42] and social reproduction, and the power imbalances that define it, are neglected, or rendered invisible, rather than being core to the investment and distribution of public finance.

The value of unpaid care work performed by women globally in 2019 was calculated at almost $11 trillion.[43] While this may still be an underestimation, it is greater than the GDP of all but four countries. This number is profound in the way it clearly quantifies the scale of the subsidy that unpaid care work provides to the world economy, reproducing and sustaining the human workforce for free.[44] And yet, care work is generally absent from conventional measures of economic production, such as GDP. Further still, binary gender-sex tropes steeped into most world cultures do not view women's unpaid labour as "labour", but as "love" and the "natural" biological role of women.[45] Religious pressures and hegemonic ideologies across the world reinforce these oppressive tropes, bolstered by state action through laws that restrict women's autonomy as well as state inaction, such as the failure to enforce domestic violence and sexual assault laws. The core pursuit of achieving the three Rs of unpaid labour – recognition, reduction and redistribution[46] – faces cultural and legal obstacles in the form of legal frameworks and social practices that keep women 'in their place' as subordinated and expropriated workers. As a result, when women do participate in waged labour, it is often exploitative, underpaid and precarious.[47]

The nature of care work in developing countries is linked in multiple ways to public services, social policies and social infrastructure, encompassing health, education, social protection, labour market laws, as well as care-related infrastructure like water and sanitation.[48] When economies support care work through public expenditure on services and infrastructure, it can lead to a reduction and redistribution of unpaid care work, in turn expanding the agency and aggregate wellbeing of women.[49] Such a transformative tenor of care-centred economic policy has manifold ripple effects of not only raising current and future productivity and aggregate demand on the economic dimension, but also fulfilling the economic and social human rights of women. This includes, for example, enhanced education and decent work opportunities, long-term health, including reproductive and maternal health, wellbeing, resilience as well as governance, accountability and engaged participation of women in economy and society.[50]

The history of unrecognised and unpaid care work is rooted in the violence against women that characterises the history of capitalism.[51] Before the advent of capitalist societies, almost all work was home-based, in that both men and women worked at home. While patriarchal structures and practices subordinated women, their work was nonetheless both visible and valued. As industrial capitalism drew primarily men out of the home and into the factory, women's work was rendered private, invisible and devalued.[52] Layered onto this process, racial stratification racialised kinship groups and nations within which women as people are embedded. This facilitates the division of women, in congruence to divisions among workers, by race.[53] Within the conjoined histories of colonialism and capitalism, the construction of an unequal and racial hierarchy of humanity rendered non-white persons disproportionately vulnerable to expropriation and expulsion.[54] Expropriations through land grabs and predatory lending, among other encroachments, involved labour, through forced work and jobs that pay less than a living wage and with substandard conditions, as well as land, natural resources, the commons, homes and a range of other assets.[55]

Eight feminist economics alternatives for systemic and decolonial change

The diagnosis of structural gender inequalities, their root drivers in macroeconomic policy design, and the global political economy that governs it is important. However, a radical rethinking towards feminist fiscal justice alternatives must accompany critique. A propositional narrative for change, grounded in progressive reformulations of existing policy frameworks, can propel sustained advocacy and social movement mobilisation. The following is an outline of eight possibilities for systemic and decolonial change towards advancing a feminist social contract rooted in fiscal justice. They are: a reformulation of fiscal policy, redistributive taxation, debt justice, universal social protection, human rights impact assessments, decolonising economics, accountable dialogue, and the power of disruption for feminist justice movement building.

1. Reformulating fiscal policy: a paradigm shift for gender equality

Reformulating fiscal policy rules and shifting them away from econometric models of neoclassical economics to an emphasis on economic and social rights as well as women's rights and gender equality involves a reorientation of public spending from being categorised as "consumption" to "investment".[56] Under current fiscal discipline rules, public expenditure in social sectors is largely categorised as consumption, and therefore discretionary and short-term. This fails to consider the regenerative interaction, or feedback loop, between public investment in public services, social protection systems and social infrastructure, on the one hand, and labour productivity, rights-based economic development and social equity on the other. By redefining public social and care spending as a priority investment on a medium- to long-term basis, both fiscal policy goals and accounting models can be recalibrated.[57]

The economic literature on fiscal multipliers shows how increasing public investment not only increases economic growth as measured by GDP, it also generates employment and crowds in private investment. According to the IMF, increasing public investment by 1% of GDP boosts economic growth by 2.7% of GDP, employment by 1.2% and private investment by 10%.[58] Caveats include that public investments are of high quality and that debt burdens do not weaken or offset investments by the private sector. While the presence of a robust private sector may not always be a reality in many low-income countries, the point of fiscal multipliers is that times of fiscal and economic crisis require more than short-sighted fiscal parsimony, particularly in the form of fiscal austerity. Rather, the prescription is exactly equity-oriented public investments with a focus on redistributive policies that place adjustment costs on those most able to pay, rather than extracting from those who cannot afford to.

A range of assumptions in neoliberal macro-policy needs to be questioned in order to shift both perception and calculation of public expenditure as indispensable investment.[59] For example, the traditional macroeconomic target of full employment, which narrowly focuses on market economies and paid labour markets, needs to integrate the unpaid economy and its productive services and goods. The standard "crowding out" argument, which stipulates that both government and individual spending reduce the resources available for private business investment, assumes that spending implies solely consumption, whereas evidence illustrates how public spending yields long-run benefits and boosts to equitable distribution and access to services and resources.[60] Importantly, non-discrimination and equality, upheld by Article 2 of the Universal Declaration of Human Rights, is at the core of a fiscal governance model that protects and supports all people at the intersectional inequalities along the lines of race, caste, disability, age and sexual orientation.[61] Distributional equity is also foundational to fiscal policy frameworks in that it accounts for the structural gaps between capital and labour, underpinned by the asymmetry of power and resources between the largely male, profit-led, financial and speculative economy and the largely female, paid and unpaid, productive and caring real economy.[62]

Reformulating fiscal priorities towards feminist economic justice involves a critical need to rethink more broadly our contemporary understandings of "development" with a renewed emphasis on public expenditure to support domestic productive sectors and diversify local economic activities. Under the dominant neoliberal and export-oriented development model as well as legally binding constraints to advancing industrial policy within trade and investment agreements, Global South economies are disarticulated into low-value-added, labour-intensive and dependent modes of commodity, raw material and "cash crop" production created by the unjust legacies of colonialism.[63] Foreign debt is perpetuated, in great part due to chronic trade imbalances, where import costs and other foreign payments far outweigh revenues, while extractivism deepens, worsening imminent local threats of the climate crisis. Domestic prospects to generate decent work employment, domestic demand and self-sufficiency in domestic financial resources are subordinated, and in turn, chronically low tax bases and an overdependence on aid, external debt and foreign capital inflows persist. While structural transformation to economic diversification and sustainable and inclusive industrialisation, in line with SDG 9, is not an easy or quick task, steps towards it involve national decisions to exit investment treaties or renegotiate trade agreements, regulating foreign direct investment in line with objectives such as joint ownership, technology transfer and local content production, as well as fiscal support of nascent domestic industries over a period.[64]

One powerful component of feminist fiscal justice consists in activating the full potential of Special Drawing Rights (SDRs), an international reserve currency held by the IMF that can be exchanged by governments for cash. Unlike other IMF instruments, SDRs are an unconditional, non-debt-creating resource – in effect, a liquidity booster. There was an extraordinary SDR allocation of $650 billion implemented in August 2021 during the COVID-19 pandemic for all countries. Ironically, however, SDRs are distributed in line with the IMF's quota formula, based on economic largesse, and approximately two-thirds ($420 billion) of the allocation thus went to developed economies where they lay unused. Meanwhile developing countries employed their respective SDR allocations for development-oriented purposes, from purchasing COVID-19 vaccines to stabilising domestic currencies, shoring up foreign reserves, paying down external debt and/or supporting national budgets, including for social or economic policies.[65] Annual, or regular, counter-cyclical issuances of such a global reserve currency could serve to create a more stable, equitable and resilient global financial safety net, without an attendant risk of inflation, particularly if they are equivalent to the estimated additional demand for foreign reserves in times of economic crisis and recession.[66] Another salient advantage of using a global reserve currency in such a counter-cyclical manner is that it would, in principle, help prevent harmful currency depreciations for countries in crisis.

2. Progressive taxation: redistribute for gender equality

Corporate and investor tax evasion and avoidance means trillions in financial resources are funnelled into tax havens through the systematic abuse of tax systems. It is time to back a truly universal, intergovernmental process at the United Nations to mobilise international tax cooperation on illicit financial flows that obstruct redistribution and drain resources that are rightful public revenues which developing countries could employ to achieve the SDGs and tackle inequalities, particularly gender inequality. Tax abuse and tax avoidance also need to be considered in light of the extraterritorial obligations of states towards other states not to hamper the enjoyment of human rights via blocking financing through abusive tax laws and allowing companies and wealthy individuals to abuse tax systems. SDG financing can also be supported by progressive taxation of income, wealth and trade through a rights-based approach to mobilising maximum available revenues.

Designing, adopting and implementing a gender-just taxation system is, first and foremost, a human rights obligation under the Convention on the Elimination of All Forms of Discrimination Against Women. Regressive taxation systems lacking any preferential treatment or exemption regime for essential goods and services produce a disproportionate burden on women that impairs the enjoyment of their social and economic rights. As such, even if neutral on the face of it, these policies may fall under the definition of discrimination enshrined in Article 1 of the Convention, which state parties have obliged themselves to eradicate. Tax systems should be designed to protect and fulfil women's human rights. Tax and fiscal policies must seek to reduce the disproportionate burdens they place on the shoulders of women, especially low-income and marginalised groups of women, by making the policy choice towards taxing for redistribution, such as by applying taxation regimes on wealth and income, particularly income from capital, profits, financial assets, inheritances, property and land.[67]

Revenues raised through fiscal policies and taxation should follow gender-sensitive budgeting principles that combat inequality and promote women's rights. That is, they should be devoted to strengthening social services infrastructure and target the unequal distribution of unpaid care work among men and women, seeking to "recognize, represent, reduce and redistribute"[68] the responsibilities for care provision across households and societies. Importantly, gender- responsive budgeting determines which types of public expenditure tax revenues should be invested in, in alignment with the fundamental human rights principle that states must employ all possible resources to realise human rights, including women's rights. Women's rights organisations and feminist economists need to lead gender budgeting processes that are supported and prioritised by local authorities. Critically, establishing a universal intergovernmental process at the UN to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows obstructing redistribution and draining resources is crucial to redress gender inequalities.[69] A global tax convention in the UN, where all countries have a seat at the table and equal say in determining international tax rules, can deliver an international feminist tax system which finances women's human rights and substantive gender equality.

3. Debt justice: dismantling colonial legacies

Debt crises have surged across the Global South since the 2007-2008 global financial crisis.[70] Debt payments to creditors increased from 6.8% of government revenue in 2010 to 14.3% in 2021,[71] with the pandemic playing a key role in exacerbating debt distress. In 2022, aggregate debt in the developing world stood at a 50-year high.[72] In middle-income countries, sovereign debt is at a 30-year peak, while over 60% of low-income countries are in debt distress or high risk of debt distress.[73] Sri Lanka defaulted on $51 billion of its debt in 2022, and in 2023 Ghana suspended external debt payments. Other countries that have defaulted in the last few years include Lebanon, Suriname, Ukraine and Zambia. The rise in debt servicing across the South has a direct correlation to a decrease in public expenditure in social sectors. The proportion of debt servicing relative to public expenditure renders a palpable illustration of the lost social opportunities. For example, debt servicing amounts to approximately 25% of total government spending across all developing countries.[74] Debt service is twice education spending across all countries, 9.5 times health spending and 13.5 times social protection.[75] For a smaller group of countries reporting climate spending in their UN Framework Convention on Climate Change nationally determined contributions, debt service is 32 times as high as climate spending. The poorest countries now spend more on servicing their debt as a proportion of gross national income than at any point in the past three decades, according to the World Bank's most recent *International Debt Report*.[76]

The rise of private lending to poorer nations has led to an increase in debt-servicing costs and more complex debt restructurings. The creditor composition of sovereign debt has made a sharp turn over the last few decades from official bilateral creditors, nearly all of whom were Paris Club members, to commercial creditors. As a result, by 2021, low- and middle-income economies owed five times as much to commercial creditors as they did to bilateral creditors.[77] This makes the global debt architecture, and its possibilities and constraints, very different now than it was in the time of the Heavily Indebted Poor Countries (HIPC) Initiative, when most creditors were bilateral and multilateral and sizeable debt restructuring could be enacted by the bilateral creditors. For example, private creditors now own almost 40% of Sri Lanka's external debt stock, primarily in the form of international sovereign bonds.[78] With the higher interest rates levied on these bonds – due to higher risk premiums – private creditors receive more than 50% of Sri Lanka's external debt payments.[79] Three features of private debt that need to be at the centre of a systemic reform of the dysfunctional global debt architecture are the issuance of bonds with high and variable interest rates and foreign currency denomination, increased levels of creditor fragmentation, and lack of enforceability over private lenders to ensure comparability of treatment in debt restructuring exercises – all of which generate systemic debt risks.

The G20's Common Framework for Debt Treatments, established in 2020, opens the door to major bilateral creditors excluded by the Paris Club, including China and Saudi Arabia. But myriad flaws have led to a "slow-motion debt tragedy" rooted in a case-by-case, rather than multilateral, approach to debt restructuring. The key dilemma is the inability or unwillingness to enforce or regulate private creditor participation in the Common Framework. Another challenge is that the restructuring is not only protracted but also riddled with uncertainty. Middle-income countries, where the vast majority of the world's poor people reside and where serious debt defaults are taking place, are problematically excluded from the Common Framework, further confirming its operational failure.

The political economy of global debt creates serious risks for those countries, especially developing countries, which repudiate or default on their external debt. The risks include, for example, being cut off from access to external financing, credit rating downgrades, worsening of borrowing terms and/or capital outflows. Such events could instigate, for example, depreciations of national currency or increases in domestic interest rates, further worsening the debt crises.

This intractable context makes urgent the need for a binding and transparent debt workout mechanism within a multilateral framework for debt crisis resolution. This longstanding call has been made by developing countries within the UN General Assembly, global movements for social and economic justice, and the international human rights community.[80] Global justice movements call for such a mechanism to address unsustainable and illegitimate debt, and provide systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all – bilateral, multilateral and private – creditors.[81] Past cases show how reducing debt stock and debt payments allows countries to increase their social investments and climate financing. The challenge inherent in debt cancellation is the risk that doing so may impinge on the financial reputation of a sovereign, resulting in a loss of access to credit that overrides the amount cancelled. On the other hand, it is precisely sustainable debt levels that support continued market access at affordable terms.

A critical debt methodology that needs to be reformulated to redress the foreclosure of fiscal policy space for social expenditure is that of debt sustainability assessments (DSAs). As many advocates and academics have urged over the years, DSAs should incorporate assessments of gender equality, human rights, and climate commitments as well as the feedback loops between public sector investments and economic growth.

4. Universal social protection: a human right

Social protection, or social security, includes in-kind benefits, cash and other types of support provided for children, mothers and families, for people who are sick and unemployed, as well as pensions for older and disabled persons.[82] Universal social protection is central to the national and global strategies to end poverty and promote human wellbeing, political stability and inclusive and sustainable growth. There has to be political recognition by governments of universal needs among their citizens, in that *all* people can be vulnerable during their lifetime.

Social protection is enshrined in numerous international commitments. One example is Article 22 of the Universal Declaration of Human Rights, which states that "everyone, as a member of society, has the right to social security". Another is the International Labour Organization (ILO)'s 2012 Social Protection Floors Recommendation, which was adopted by workers, employers and governments from all countries and achieved an extension of social security. And a third is Sustainable Development Goal 1.3, part of the UN's 2030 Agenda for Sustainable Development, which commits all 194 countries in the UN to implement nationally appropriate social protection systems for all (universal), including floors for reducing and preventing poverty. Currently only 47% of the world's population are effectively covered by at least one social protection benefit, decreasing from 55% in 2019.[83] Meanwhile, 4.1 billion people, or 53% of the world, obtain no income security.

In the context of multidimensional economic, climate and health crises over the last several years, social protection measures are becoming the critical bulwark protecting communities from poverty and deprivation. The counterfactual, warns the ILO, is a "low-road approach that fails to invest in social protection, thereby trapping countries in a 'low cost-low human development' trajectory".[84] Taking the path of rights-based economic policy requires building permanent and universal social protection systems that provide adequate and comprehensive coverage to all throughout the lifecycle.[85] Just as social protection policies need enabling fiscal and macroeconomic policies, so too is the macroeconomic health of nations contingent on adequate investments in social protection systems that support people in and through times of distress such as climate change, a pandemic or an economic crisis.[86]

Today, as ecological disasters and climate change events multiply in scale and intensity, the dispossession of entire communities and societies, and the economic crises and social dislocations that occur in tandem, are becoming increasingly regular inflections across all parts of the world, with disproportionately harmful effects in the poorest countries. In this reality, which may likely only intensify in the near future, universal social protection systems, particularly a universal basic income or other types of permanent, universal and unconditional cash transfer access to which is not contingent on income or employment measures, and which is financed with a progressive income tax policy framework, are going to be a foundational necessity for both feminist climate justice as well as meaningful poverty reduction.[87]

5. Human rights impact assessments: going beyond social impacts

Many global human rights and civil society organisations, campaigners and academics call for both ex-ante and ex-post human rights impact assessments (HRIAs) of economic policy. A key aspect in the process of assessment is data disaggregation by gender and social groups to ensure economic equity is relevant to local contexts. HRIAs are also connected to transparent, participatory and gender-responsive budgeting processes.

The Guiding Principles on Human Rights Impact Assessment of Economic Reforms,[88] developed by the UN Independent Expert on the effects of foreign debt on human rights, define important elements of HRIA process and content in principles 17 to 22. Principle 17 calls on states to conduct HRIAs during both times of economic crisis and more normal times. Principle 18 clarifies that the purpose of HRIAs should be to assess the short-, medium- and long-term human rights impacts of proposed policies. To fulfil this objective, states should conduct HRIAs before they adopt a policy so they can assess its potential impacts, as well as monitor policies' implementation so they can identify and, when appropriate, respond to their actual impacts. Principle 21 says that integrating access to justice and the right to an effective remedy for actions and omissions in the design and/or implementation of economic reform policies must be guaranteed. According to Principle 22, the institution best qualified to produce independent and credible HRIAs, in terms of the applicable national standards and responsive to gender considerations, must be responsible for carrying out HRIAs. HRIAs that have been conducted by state and other actors include the following:

- The UN Economic Commission for Africa, the Friedrich Ebert Stiftung and the Office of the UN High Commissioner for Human Rights jointly commissioned an ex-ante assessment of the human rights impacts of the Africa Continental Free Trade Area.[89]
- Assessments by the European Commission on the impact of trade clauses during the negotiation of the European Union-New Zealand Free Trade Agreement.[90]
- Canada and Colombia have carried out annual HRIAs while implementing their free trade agreement pursuant to the Agreement Concerning Annual Reports on Human Rights and Free Trade between Canada and the Republic of Colombia.[91]
- Thailand's National Human Rights Commission conducted an ex-ante HRIA of the Thailand-US trade agreement and published a draft report on the matter in 2006.[92]
- In 2017, the Equality and Human Rights Commission of Great Britain commissioned a "cumulative impact assessment" of the distributional impacts of tax and spending decisions on people sharing different protected characteristics.[93]
- In 2018, the UK Women's Budget Group conducted an intersectional HRIA by analysing the impact of public budget cuts by gender, race and income. The assessment focused particularly on black and minority ethnic women, as they were the group hardest hit by austerity measures implemented since 2010.[94]

A recurring question in the implementation of HRIAs is whether they should only spotlight negative human rights impacts or also strive to maximise positive human rights impacts. While the goal of any HRIA is to identify negative human rights impacts, "States also have a positive obligation to fulfil the human rights of the population. … [P]ursuant to Article 2 of the International Covenant on Economic, Social and Cultural Rights, States are required to allocate maximum available resources to the progressive realisation of the economic, social and cultural rights of all individuals, groups and communities within their jurisdiction."[95] As such, discerning all positive human rights impacts is also an obligation, and can ensure that policymakers are maximising progressive outcomes.

6. *Decolonising economics: how we think is at the root of our crises*

The project to decolonise economics is gaining traction across academia, civil society and cross-border social movements for justice. One starting point is the recognition that the discipline of neoclassical economics is a colonial construction. The characteristics of a universal theory of supply and demand, quantitative methodologies and an origin in the European context supply neoclassical economics with the linear, techno-modernist and singular language of modernism.[96] What then are the strategies through which the discipline of neoclassical economics can be not only contested but also reshaped? A conscious engagement with a pluralism of economic knowledge, methods and praxis is one place to start. At least nine major schools of economics and various other, smaller schools can be considered in delinking, including feminist, ecological, Marxist, Keynesian, developmentalist and structuralist schools.[97] Where neoclassical economic theory says that societies are made up of rational and selfish individuals, risk is calculable, choice, exchange and consumption are most important and the free market will automatically correct inefficiencies; structural, feminist and development economics say societies are composed of gender-unequal class structures, the world is complex and uncertain, the most important domain of economies is production and human welfare, including the care and informal economies, and the state must use active fiscal policy to redistribute income to poor people, diversify economies, create jobs and protect local and small businesses.

A significant body of literature on decolonising research methodology asserts that Eurocentric ways of teaching and research are inadequate in explaining Southern experiences, while a plural landscape of knowledge exists not only as critique but in its own legitimacy.[98] Methodological sophistication in mainstream economics, based on quantitative econometric modelling, limits the research questions that can be asked in the first place and particularly their relevance outside industrialised economies. At the same time, the rigid scripture of econometric methodology is a prerequisite for publication in top-tier academic journals.[99] Similarly, most institutions of higher education in the South operate within Eurocentric canons and methodologies that lack social science and liberal arts interdisciplinarity, particularly with histories of economic thought in the era of political decolonisation. Such histories would elevate the thinking of Southern thinkers associated with the project for a New International Economic Order, such as CLR James and Kwame Nkrumah, who proposed centralised federal states, critiqued international hierarchy, and sought to secure national self-determination towards political and economic equity on a global scale.[100] Given that a central unit of analysis in macroeconomics is the nation state, the way such thinkers questioned the legitimacy of the state as a postcolonial construction marked by divisive and arbitrary features of colonial rule and proposed ways to disperse and delegate sovereignty beyond the state, fuels a decolonial turn in economic thinking.

Institutional, including some civil society, research is often extractive rather than collaborative, and increasingly characterised by a stratification between theorising, performed by Northern researchers, and empirical field research, delegated to Southern researchers. A decolonial turn in the practices of methodology and pedagogy in the social sciences at large challenges the politics and structures of knowledge production in the university, addressing factors such as gatekeeping, reward and dissemination. Questions surrounding these elements include, for example: Who forms the editorial committees that approve or reject journal publications? Who is excluded when knowledge is disseminated in expensive subscription journals and institutional (digital) archives? What kind of knowledge is rewarded through promotion, publication and tenure? If knowledge was a free market, its canons would look fundamentally different. In this sense, exclusion is not an accident; it is a function of power.

A key channel through which conventional economics can be decolonised is that of embodied knowledge, which accesses experiences and intuition within the life experiences of individuals and communities. The bodily experience of austerity is made visible through the prisms of gender and race, and detailed in a vast body of empirical research and feminist economic analysis.[101] In moving from the abstraction of finance to the experiential imprint on women's bodies and livelihoods, embodiment as a form of knowledge expands political economy through illuminating the role of social-reproductive economies. Embodied knowledge, as opposed to textual knowledge, has the potential to shift three aspects.[102] First, it unites the human condition to its natural condition, making economics material. Second, embodiment joins theory to praxis, making the politics of economic policy historically sensitive and accountable. And third, embodiment unites the experience and knowledge of women and racialised people through the material conditions of their daily life.

7. Dialogue within accountability and transparency

Throughout history, expanding the political feasibility for change requires people's awareness of their rights and entitlements on both national and global levels. With awareness, movements can be mobilised with scale. Four key principles buttress the process of political change and systemic transformation: accountability, transparency, participation and inclusion. A feminist social contract upholding fiscal justice is not possible without a process of social dialogue that integrates accountability (of policymakers and politicians to communities) and transparency (of documentation, agreements and negotiations between institutions and governments). Social dialogue provides a space for articulation, where labour unions, for example, can outline the labour market regulations required to fulfil the social and economic rights of workers, or where feminist advocates can detail how public expenditure can support a care economy, maternal health, and/or close the gender wage gap for women. When the timing of dialogue occurs as governments are negotiating and designing policy, communities and advocates who challenge economic injustice have sometimes successfully reversed policies with unequal impacts, such as austerity measures that enact violence against low-income communities and public sectors.[103]

The foundational value undergirding accountable and transparent dialogue is that macroeconomic policy affects the lives of millions of people. It is both illegitimate and unjust for such policies to be made behind closed doors by IMF country teams in alliance with national technocrats across finance ministries and central banks. The complexity of organising meaningful national public dialogues, where diverse constituencies demonstrate collective power, involves nuanced roles for progressive academics and advocates. For example, critical to social dialogue is the task of unmasking the technical drag of economic policies and revealing the lived experiences of the most vulnerable people, in particular women, who are at the frontlines of crises induced by unequal macroeconomic choices.

Challenges within the process of accountable and transparent dialogue include shallow and superficial practice, limited impacts, and gaps in holding international institutions accountable.[104] Institutional practices often reduce inclusivity to programmatic boxes to be ticked rather than fundamental measures of their legitimacy. Consequently, dialogues often turn into monochromatic "citizen consultations" void of meaningful discussion of economic argument, policy design and viable alternatives. Evidence for the impact of inclusivity principles is limited and inconclusive to date. Uncertainty about their instrumental value is compounded by insufficient or absent training of domestic policymakers on the importance of accountable and transparent dialogue. Indeed, some governments, particularly non-democratic governments, may view inclusive practices as entry points for political meddling that inconvenience rigid national power structures.

Importantly, international institutions are not held accountable in systematic ways. A direct thread of accountability does not always exist between international institutions such as the IMF and communities who endure the rights-violating impacts of the policies they advise to governments.

8. *Feminist justice movement building: the power of disruption*

Social movements, from local to global, draw dialectical linkages across struggles and regions, and in doing so transcend the artificially constructed boundaries between economy, society, ecology and environment as well as intersections such as race, gender, disability and sexuality. For example, Fraser and Jaeggi employ the term "boundary struggles" to examine how social conflict "centers on and contests capitalism's constitutive institutional separations".[105] Social movements narrate and argue by way of pragmatism, or in some cases, even existentialism. For how can disasters wrought by climate change, for example, be separated from social and economic inequalities when livelihoods and income security are continually challenged?

According to renowned political scientist Frances Fox Piven, who has participated in and theorised social movements dating back to the civil rights struggles in the US, the power of disruption unfolds in extraordinary moments when ordinary people "rise up in anger and hope, defy the rules that ordinarily govern their lives, and, by doing so, disrupt the workings of the institutions in which they are enmeshed".[106] When a critical mass of people enact disruption, the impacts can be profound: "the drama of such events, combined with the disorder that results, propels new issues to the centre of political debate" and drives forward change across policy, law, ideas and discourses.[107]

In recent years, uprisings such as Occupy Wall Street and the Arab Spring and countless regional and local movements against economic inequality, in particular austerity, have generated a renewed significance to the power of disruption to mobilise changes that otherwise unfold only incrementally and at an often painfully slow pace. In 2022 alone, 12,500 protests were held across 148 countries on cost-of-living crises such as high food and energy prices. Many protests were momentous, some governments were ousted and others transformed. States were confronted with the reality that when the needs of their people are not being met due to constraints imposed by international institutions such as the IMF, governments lose legitimacy. In short, the political costs of cost-of-living crises are high.

While long-term and sustained organising and campaigning within formal organisations and coalitions are important, mass protests can supercharge the objectives of advocacy campaigns, particularly when protest and campaign forces are in coherence with each other through exchange and solidarity. Importantly, when low-income communities have little recourse to conventional strategies of political influence and interest group advocacy, disruptive tactics such as strikes, boycotts, protests and sit-ins are often the only avenue through which they can create change. The history of uprisings and resistance against austerity programmes shows how people reach a breaking point and have little to lose by defying rules and institutions that govern daily life, and that it is precisely this surge of action that accomplishes the kind of meaningful change that is often elusive from inside the system.

Endnotes

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Gendered austerity in the COVID-19 era: A survey of fiscal consolidation in Ecuador and Pakistan

Bhumika Muchhala, Vanessa Daza Castillo and Andrea Guillem***
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AUSTERITY is gendered in that the power relations that shape the distribution of resources and wealth as well as the labour of care and reproduction turn women and girls into involuntary "shock absorbers" of fiscal consolidation measures. While low-income communities as an aggregate endure the brunt of austerity's harmful impacts, a feminist political economy lens situates an intersectional understanding of the social reproductive sector at the centre, illustrating how social reproduction buffers communities from the economic, social and physical effects of crises by taking on additional caring labour both paid and unpaid, inside and outside the household, including the informal sector. The effects of austerity measures, such as public expenditure contraction, regressive taxation, labour flexibilisation and privatisation, on women's human rights, poverty and inequality occur through multiple channels. These include diminished access to essential services, loss of livelihoods, and increased unpaid work and time poverty. Budget cuts by the state often reduce or eliminate the very programmes and services which primarily benefit women. Reductions, eliminations or freezes to the public wage bill, social protection transfers and welfare benefits such as unemployment insurance, housing benefits, child benefits, disability benefits and fuel subsidies create heightened economic insecurities for women.

Social protection programmes, a critical source of financial resources for low-income women due in large part to the enduring gender pay gap and other factors which concentrate women more heavily in lower income deciles, are often the first services to be reduced, even in countries that suffer extreme poverty. Fiscal contraction displaces women into unemployment and precarious work, often in the informal economy, with long-term damage to their income and assets. For example, women in the female-dominated public education sector in many developing countries take on additional jobs to accumulate sufficient wages to live on, due to reductions in pensions and income. The resulting time poverty that women experience demonstrates that work alone does not mean the eradication of poverty, as increased quantities of labour by women, when it is of a low-wage and precarious nature, have repercussions in reduced consumption as a result of insufficient time and production in the social reproductive sphere. As such, it is decent work with living wages that can create equity for women, not simply additional work if it is of an exploitative nature.

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* Vanessa Daza Castillo is a lawyer and human rights, environmental justice and feminist activist. She currently works as a Feminist Sustainable Development Fellow at the International Women's Rights Action Watch – Asia Pacific and as an activist at Siete Polas, a Colombian feminist activism collective she co-founded. Formerly, she was a Visiting Researcher at Harvard Law School and an Environmental Justice coordinator and researcher at Dejusticia. Born and raised in Colombia, she obtained her Bachelor in Law degree from Universidad de los Andes (2017) and her Master in Law degree from Harvard Law School (2021).

** Andrea Guillem is a progressive feminist advocate and activist who is engaged in research, campaigns and advocacy on austerity, tax justice and women's rights. She is a policy coordinator at the Ecuadorian Center for Economic and Social Rights (CDES ECUADOR) where she directs gender projects for economic autonomy.

This paper examines the dynamics and implications of gendered austerity in Ecuador and Pakistan in the context of the fiscal consolidation framework recommended by the International Monetary Fund (IMF) Extended Fund Facility (EFF) loan programme. In the case of Ecuador, the first channel through which austerity impacts women is that of the public health sector and the experiences of women public health workers. Second, that of unpaid care work and significant augmentations in home-based healthcare of family members as well as education support. And third, increases in consumer debt incurred by women through extractive short-term lenders. In the case of Pakistan, a combination of regressive taxation and commodity price increases took a toll on women's lives through four channels: economic loss, increased unpaid care labour and time poverty, diminished physical and mental health, and depletion of vital social and community networks. To illustrate the lived experiences of women, interviews and focus group surveys were conducted. For the Ecuador portion, an interview was conducted with a leader of a nurses' union in the capital city of Quito and results collected from external published focus group surveys with women engaged in unpaid and paid care work as well as in community savings organisations. For the Pakistan section, interviews were conducted with three working women in Islamabad.

Two key theoretical frameworks are employed within feminist political economy. First, the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender. Second, the literature on gender, care work and macroeconomics which articulates a reorientation of fiscal policy from expenditure control to investment in publicly funded social services in order to achieve gender equality, protect women's human rights as well as create fiscal space.

In Ecuador, 60% of workers in the health sector, and 85% of those in the nursing profession, are women. The "triple jeopardy of austerity" creates structural obstacles for women at the intersections of vulnerabilities on three levels: as public sector workers, as public service users and as recipients of social protection. In its first loan review, the IMF deemed the public payroll, which supports the wages of all public employees, administrators and civil servants, an impediment to debt sustainability and equated wage bill cuts to a "progressive income tax" justified on the grounds that public sector employees earned above the median income. In this rationale, the practice of controlling the supply of money as the chief method of stabilising the economy takes an abstract priority over ensuring that public systems and services are financially supported to ensure that all people can realise their economic and social rights in health, food, housing and livelihood. Public spending with gender equality as a core objective has the quality of an investment with multiplier effects, in that spending on public systems and services can narrow gender gaps, increase women's access to decent work opportunities, stimulate equitable growth and create fiscal space in the medium term.

The nature of care in Ecuador is contingent and linked to public services, social policies and social infrastructure, encompassing health, education, social protection, labour market laws, as well as care-related infrastructure like water and sanitation. Time poverty arising out of the multiple forms of low-wage paid labour and unpaid labour affects seven out of every 10 women in Ecuador. As household income falls, the scale of unpaid labour increases sharply, turning into a "double burden" of paid and unpaid work. When economies support care work through public expenditure on services and infrastructure, a reduction and redistribution of unpaid care work can generate strengthened human capacities and higher wages and market participation for women. Such a transformative tenor of care-centred economic policy has a manifold ripple effect of not only raising current and future productivity and aggregate demand on the economic dimension, but also fulfilling the economic and social human rights of women, in particular women in poverty, leading to enhanced education and decent work opportunities, long-term health, including reproductive and maternal health, well-being, resilience as well as governance, accountability and engaged participation of women in economy and society.

One of the consequences of reduced public health sector financing is that consumer debt to finance healthcare costs during the pandemic surged, while the inability to repay the loans rose by 3 percentage points from 2019. An effective response to consumer debt would involve, for example, creating universal social protection systems, particularly a universal basic income or other types of universal and unconditional cash transfers to which access is not mediated by income or employment measures, and which are financed with a progressive income tax policy framework.

Shifting our analysis to Pakistan, one of the IMF's most chronic and large-scale country borrowers, we focus on its most recent EFF, a 39-month extended arrangement for an amount of $6 billion approved in July 2019. With the objective of mobilising 4-5% of gross domestic product (GDP) in revenues, the EFF for Pakistan is contingent upon a fiscal consolidation strategy that includes a series of regressive taxation measures: 1) removing tax exemptions and preferential treatments on items such as sugar and edible oil and on the steel and medium and large retail sectors to bring them to the 17% General Sales Tax (GST) regime; 2) increasing the levy on petroleum products; and 3) increasing tariffs on electricity and gas. The effect of these measures, adopted within a context of steep commodity price hikes and inflation, is a staggering rise in the cost of living. Between 2018 and 2021, the price of petrol in Pakistan went up by 79%, diesel by 78%, and liquefied petroleum gas (LPG) cylinders, used for cooking and heating in areas where piped gas is not available, by 92%. In the same period, the price of wheat flour (atta), a dietary staple for Pakistanis, increased by 39%; rice by 38%; cooking oil by 33%; sugar by 55%; and vegetables by 22%.

Soaring food, fuel and electricity prices take a significant toll on women's lives. Firstly, urban and rural female-headed households tend to experience higher welfare losses than male-headed households due to regressive taxation and food price increases. Because women tend to earn less income than men and they spend more of their budget on taxed essential goods and services, price hikes put more pressure on their budgets. Furthermore, women tend to face more restrictions to access and control of resources and assets, which shrinks their capacity to cope with soaring costs of living. Women also buffer the shock of increasing commodity prices by increasing their paid and unpaid care labour, which in turn increases their time poverty. Losing purchasing power pushes women in low-income countries and households to multiply both their paid and unpaid labour to increase their total income and compensate for increased costs of living. Women who had worked exclusively as care providers at home are forced to take waged jobs in addition to their care responsibilities. Women who already had waged jobs are forced to diversify their sources of income, often accepting low-paid, at times even "low-status", physically demanding and risky jobs in the informal sector. As a result, both their paid and unpaid labour burden augment a situation that forces women into a state of being overworked, exhausted, stressed and in material poverty.

Furthermore, rising food, fuel and electricity prices affect women's physical and mental health in a context of unaffordable, inaccessible or substandard public health systems. Women are more likely to deprive themselves of nourishment and nutrition to ensure enough food for their families; are more acutely exposed to air pollution from alternative, cheaper yet contaminating fuels; and experience the deterioration of their mental health due to the stress of not being able to make ends meet. In addition, women face an impact of relational rupture and social loss that has been a blind spot in the literature: the depletion of family and community bonds. Stretching their ever more restricted budgets to keep up with price hikes, women across the board sacrifice the time they used to spend fostering and nurturing family and community bonds in order to be able to ensure the basic items for their mere survival. Families and communities are key support systems that sustain people's life quality, particularly in moments of economic and social distress.

Gendered austerity in Ecuador and Pakistan: Snapshot overview

	Ecuador	Pakistan
IMF loan programme and conditions	27-month extended arrangement under the **Extended Fund Facility** for an amount of $6.5 billion, approved on 30 September 2020. Key conditions include **public expenditure cuts**, particularly in the **public wage bill** (to be reduced from 9.1% of GDP in 2021 to 8.2% by 2025), **procurement** (to be reduced from 4% of GDP in 2021 to 3% in 2025), and **public investment** (to be reduced from 7.3% of GDP in 2021 to 6.1% in 2025). Furthermore, Ecuador is to **roll back the one-off expenditures** incurred in 2021 to address the public health crisis due to the COVID-19 pandemic.	39-month extended arrangement under the **Extended Fund Facility** for an amount of $6 billion, approved on 3 July 2019. Key conditions include **revenue-raising measures** such as: **reforming the General Sales Tax** to eliminate exemptions and preferential taxes on goods such as sugar and edible oil, and applying the 17% general rate; and **increasing tariffs** on gasoline and diesel gradually to achieve a rate of 30 rupees/litre. Furthermore, reforms in the energy sector are to be conducted, namely implementing **quarterly automatic tariff adjustment in the power sector** of about 10%.
Gendered implications of austerity	• **Austerity in public health** overburdened public sector workers, who are mostly women, and restricted access to **sexual and reproductive health** services. • **Care work and time poverty** increased, as women filled the gap left by an underfunded public health system. • **Gendered consumer indebtedness**, to access public services through the private market while **lacking social protection measures** to fall back on.	• **Income loss**, as poor female-headed households spend proportionally more on essential goods and services. • **Time poverty increases** as a function of increased diversification of income sources. • **Health implications** via nutrition deficit, air pollution, and mental health pressures. • **Depletion of social and community life**, since increasingly restricted budgets are spent only on essentials.

The way forward: Recommendations for transforming fiscal policy and debt sustainability assessments

This survey paper has examined how fiscal austerity measures, and specifically public expenditure reductions for public services recommended in the IMF loan framework, generate disproportionate harm for women in Ecuador and Pakistan. In the case of Ecuador, women are affected as employees within and users of the public health system, as care workers in the unpaid and paid care economy, and as debtors of informal and private providers of credit. In Pakistan, women bear the impact of the untenable rise in the cost of living through declines in material well-being, increases in time poverty and labour, adverse health effects, and an erosion in social and community relations. The inadequacy of public services as well as social protection systems has significant implications for gender inequality. As a result, women's economic and social rights to decent work, health, education and social protection, among other public goods and services, are violated. Meanwhile, women turn into involuntary shock absorbers of austerity measures and become de facto care providers, compensating for services the state has the responsibility to provide.

Some critics argue that public financing is retrenched under the implicit assumption that women at the intersections of marginalisation will compensate for the lack of services through carrying out physical, mental and emotional labour to compensate for the gaps created by the state. The inability or unwillingness of the state to provide services and goods to secure the economic and social rights of marginalised women creates chronic insecurity and vulnerability. As a result, women face a lack of viable choices, leading, for example, to extractive consumer loans that generate cyclical debt and precarity. In most developing countries, the share of women employed by the public sector exceeds their share in total employment, meaning that public wage bill reductions and freezes disproportionately affect women's paid employment. Meanwhile, the abdication of the state in service provision opens space for the private market to fill the gaps, often resulting in higher costs of access, and displacing the role of the state in establishing regulations and principles by which markets are to operate in order to protect human rights to access basic needs.

- ***Reformulating fiscal policy design***

Reformulating fiscal policy rules and shifting them away from the objectives and models of neoclassical economics to that of economic and social rights as well as women's rights and gender equality involves a reorientation of public spending from being categorised as "consumption" to "investment". Under current fiscal discipline rules, public expenditure in social sectors is largely categorised as consumption, and therefore discretionary and short-term. This fails to consider the regenerative interaction, or feedback loop, between public investment in public services, social protection systems and social infrastructure, on the one hand, and labour productivity, rights-based economic and social development and social equity on the other hand.

By redefining public social and care spending as priority investment on a medium- to long-term basis, both fiscal policy goals and accounting models can be recalibrated. Consequently, fiscal policy objectives can integrate gender equity and economic and social rights to essential social and care services, while fiscal accounting can incorporate the expansion of productivity, employment, wages as well as tax revenues. In turn, an economic expansion underpinned by greater degrees of social equity can, in a medium- to long-term time frame, finance the debt or deficit created by the investment while preventing social inequalities and economic downturns. While rich countries can undertake such a fiscal shift towards equality and social development with far more policy space and choice, developing countries are bound by debt distress. In the case of Ecuador, where the IMF is recommending public expenditure cuts amounting to 4.2% of GDP between 2022 and 2025 in order to achieve "debt sustainability", such a fiscal shift is only possible if fiscal policy space is created through international coordination with Ecuador's creditors to restructure its foreign debt. Similarly, Pakistan also requires viable debt solutions in order to direct its public financial resources towards the needs of its people rather than to external debt repayments.

A range of assumptions in neoliberal macro-policy needs to be questioned in order to shift both perception and calculation of public expenditure as indispensable investment. For example, the traditional macroeconomic target of full employment, which narrowly focuses on market economies and paid labour markets, needs to integrate the unpaid economy and its productive services and goods. The standard "crowding out" argument, which stipulates that both government and individual spending reduce the resources available for private business investment, assumes that spending implies solely consumption, whereas evidence illustrates how public spending yields long-run benefits and boosts to equitable distribution and access to services and resources. Importantly, non-discrimination and equality, upheld by Article 2 of the Universal Declaration of Human Rights, is at the core of a fiscal governance model that protects and supports all people at the intersectional inequalities along lines of race, caste, disability, age and sexual orientation. Distributional equity is also foundational to fiscal policy frameworks in that it accounts for the structural gaps between capital and labour, underpinned by the asymmetry of power and resources between the largely male, profit-led, financial and speculative economy and the largely female, paid and unpaid, productive and caring real economy.

- ***From regressive to progressive taxation for gender equality***

Designing, adopting and implementing a gender-just taxation system is, first and foremost, a human rights obligation under the Convention on the Elimination of All Forms of Discrimination Against Women. As stated above, regressive taxation systems lacking any preferential treatment or exemption regime for essential goods and services produce a disproportionate burden on women that impairs the enjoyment of their social and economic rights. As such, even if neutral on the face of it, these policies may fall under the definition of discrimination enshrined in Article 1 of the Convention, which state parties have obliged themselves to eradicate.

Tax systems should be designed to protect and fulfil women's human rights. Tax and fiscal policies must seek to reduce the disproportionate burdens they place upon the shoulders of women, especially low-income and marginalised groups of women, by turning away from the policy choice of regressive indirect taxes without exemption regimes and steering towards direct taxes on wealth and income, particularly income from capital, profits, financial assets, property and land. Such progressive taxes entail focusing on high-net-worth individuals and ensuring that multinational corporations pay their share in order to reduce extractive reliance on flat value-added and other consumption taxes. The tax revenues need to be intentionally and explicitly directed into public investments in gender-transformative, high-quality, democratically controlled, accountable public services, social protection and infrastructure, based on the principle of universality that actively promotes gender equality.

Revenues raised through fiscal policies and taxation should follow gender-sensitive budgeting principles that combat inequality and promote women's rights. That is, they should be devoted to strengthening social services infrastructure and target the extant disparate distribution of unpaid care work among men and women, seeking to "recognise, represent, reduce and redistribute" the responsibilities for care provision across households and societies. Importantly, gender-responsive budgeting determines which types of public expenditure tax revenues should be invested in, in alignment with the fundamental human rights principle that states must utilise all possible resources to realise human rights, including women's rights. Women's rights organisations and feminist economists should lead gender budgeting processes. Last but certainly not least, progressive taxation requires the establishment of an inclusive intergovernmental body in the form of a UN global tax convention. Such a convention has the potential to deliver an international feminist tax system which finances women's human rights and substantive gender equality and where all countries have a seat at the table and equal say in determining international tax rules.

- ***Debt restructuring and reassessing the assessment of debt sustainability***

One of the most significant developments within international political economy since the 2007-08 global financial crisis has been the surging rise of sovereign debt across developing countries. Debt payments by developing countries have doubled since 2010, with the pandemic playing a key role in exacerbating debt distress. Payment to creditors increased from 6.8% of government revenue in 2010 to 14.3% in 2021; while in 2020, 62 developing countries spent more repaying debt than they did on healthcare during a pandemic. The political economy of global debt creates serious risks for those countries, especially developing countries, that dare to repudiate or default on their external debt. The risks include being cut off from access to external financing, credit rating downgrades, worsening of borrowing terms and/or capital outflows. Such events could instigate, for example, depreciation of the national currency or increases in domestic interest rates, which exacerbate debt distress and payments made in foreign exchange. This context is a key part of what drives the need for a binding debt workout mechanism within a multilateral framework for debt crisis resolution, a call made by developing countries within the UN General Assembly, global movements for social and economic justice, and the international human rights community. Global justice movements call for such a mechanism to address unsustainable and illegitimate debt, and provide systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all – bilateral, multilateral and private – creditors.

To address the myriad ways in which external debt forecloses fiscal policy space, the critical matter of debt sustainability assessments (DSAs) needs to be addressed. As many advocates and academics have urged over the years, DSAs should incorporate assessments of gender equality, human rights and climate-change-related commitments as well as the feedback loops between public sector investments and economic growth. Cuts to public expenditure may reduce budget deficits and borrowing requirements, but they also tend to depress economic growth. Broadening the ambit of DSAs to incorporate social equality widens the methodology of DSAs from narrow economic considerations of a country's ability to pay its creditors without accounting for how servicing debt may undermine its ability to meet the needs of its people and international human rights obligations. In 2020, the IMF assessed 76 of 80 countries that received its emergency financing to have "sustainable" debt levels. Such assessments relied on countries implementing severe austerity measures over the coming years. This raised the alarm among certain UN agencies as well as global civil society organisations which warned that under the current DSA methodology, and without additional financial support and substantial debt relief, attempts to stabilise debt levels in alignment with national DSAs will result in countries having to abandon the pursuit of the 2030 Sustainable Development Goals, international human rights obligations, the Beijing Declaration on gender equality and the commitments of the Paris Agreement on climate change. Ultimately, the international financial and economic architecture must recognise that the health and well-being of people, in particular women, is a precondition for "debt sustainability".

- ***Fiscal space creation***

Fiscal space can be created by deliberate policy mechanisms. Two examples are those of using central bank foreign exchange reserves and reallocating public expenditures. The former involves drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for public service and redistribution needs. The latter involves adjusting budget priorities and/or replacing high-cost, low-impact investments with those with larger socio-economic impacts.

In light of the COVID-19-era reality where most developing countries do not possess adequate foreign exchange reserves and where reallocating public expenditures often requires complex or lengthy political processes, fiscal space can be created through Special Drawing Rights (SDRs). The SDR is an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves. In August 2021, following persistent calls from a wide range of actors globally for the issuance of SDRs to provide developing countries with some fiscal breathing room, the IMF allocated $650 billion. SDRs received, without conditions and additional debt burdens, soon became the most impactful tool developing countries effectively accessed amidst insufficient support for crisis response. From vaccine purchases to investments in health and social protection, to providing much-needed stimulus in fiscally constrained economies, SDRs continue to prove their value as a lifeline to alleviate pandemic crisis effects. At least 99 low- and middle-income countries have used $104 billion in SDRs since the August 2021 allocation. Many of these countries rushed to use some or all of their SDRs within weeks of the allocation. However, because of the rules governing their distribution, more than $400 billion in SDRs went to advanced economies that do not need them. This inequity requires a rechannelling from rich countries to developing countries in ways that do not create new debt or reduce aid as a result.

SDR issuances in developing countries undertaking fiscal consolidation should be able to relieve some pressure on budget reductions and regressive taxation measures, particularly those that are doing harm to gender equality and the safeguarding of economic and social rights. Thus far, there is no evidence that the IMF adjusted the fiscal targets in borrowing-country policy recommendations in the wake of a significant SDR issuance. In Ecuador, the Fund's recommendation to establish more independence for the central bank undermined the ability of the government to use its SDR issuance for national needs. While the Fund has published views on central bank independence as key to avoiding "political interference" when governments nudge central banks to lower interest rates, advocates for fairer economic governance see it as another binding constraint on the capacity of countries to use available policy space to pursue developmental policies towards equality. Lower interest rates, argue many advocates, facilitate local businesses to borrow and expand, thereby creating employment. The ability of governments to shape the policy agenda of their central banks also creates the opportunity for central banks to fund national public spending in times of need. Gender equality is supported when boosting employment via interest rate adjustment creates more formal sector decent work opportunities for women, or when financing domestic spending allows for essential public services to be supported.

- ***Economic justice and gender equality movement building***

Ultimately, policy choices have historically been facilitated by expanding the political feasibility for change. This requires citizen awareness of their rights and entitlements on both national and global levels, as well as movement mobilisation for demands to be voiced, on a persistent and scaled basis, by a critical mass of people. The interests and strategies of vested groups of national and international elites need to be in national public dialogue with people's movements. For such national public dialogues to take place, a range of diverse constituencies must unite and formulate collective positions and platforms. A broader process of economic and social justice organising must be supported and enlivened by activist leaders and advocates who centre the humbling and crucial task of unmasking the technical encasing of economic policies and revealing the lived experiences of the most vulnerable, in particular women, who are at the frontlines of not only every crisis but also of macro-policy paradigms at large.

Acknowledgments

The above is the summary of a longer paper (including references) of the same title, which is available at https://www.twn.my/title2/books/pdf/GenderedAusterity.pdf

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The project which resulted in the full-length paper and this briefing involved six months of research, collaboration, conversation, interviews, exchanges and analysis. It is dedicated to the women on the frontlines of the COVID-19 and economic crises in both Pakistan and Ecuador who allowed us the privilege of interviewing them for their narratives and testimonies. The experiences and narratives of these women, as well as women across the Global South, reveal how they endure violations to their economic and social rights as a result of economic austerity ideology and policy. Yet, they continue to resist, organise, agitate, speak up and seek to create a feminist future of justice, dignity and agency.

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A feminist and decolonial Global Green New Deal: Principles, paradigms and systemic transformations

Issue Brief published by the Feminist Economic Justice for People & Planet Action Nexus (May 2021)

Feminist and decolonial Global Green New Deal

A FEMINIST and decolonial Global Green New Deal (GGND) resists the socially constructed hierarchies of racial, gender, class, caste, sexuality and ability-based inequalities which underpin colonial, neoliberal and capitalist structures, systems and discourses. It recognises that the ecological collapse we are experiencing in climate change is the direct result of an unequal social contract in which these hierarchies shape our social and economic relations. A decolonial stance means that we cannot deny that we live in a world where black, brown, feminine, queer and working-class people endure acts of dehumanisation. A feminist and decolonial GGND creates a new paradigm that forges active links between climate change, racialised and gendered labour exploitation, and trade rules and economic structures that reproduce inequalities both within and among nations. It is critical for a feminist and decolonial GGND to be global, as no country or region exists in isolation in a world that is inextricably interdependent through trade, human, capital and climate flows. An internationalist, intersectional, global justice and decolonial historical lens and consciousness is indispensable to a future that is ecologically, economically and socially just.

Our world

The current paradigm of the global economy is characterised by three broad features which actively undermine or even sabotage decolonial and feminist principles. The first feature is that of neoliberalism and its enduring agenda of liberalisation, privatisation and deregulation. Since the late 1970s, neoliberalism has led to the deployment of the state to serve the interests of corporations and private investors, rather than to fulfil the economic, social and human rights of its people. The second is that of financialisation, or the globalisation of finance capital, where financial markets, motives, institutions and elites have come to dominate the global economy, affecting everything from production and consumption to regulation and health. And the third feature is intellectual monopoly capitalism, where owners of intellectual property (e.g., patents, copyrights and trademarks) act as a monopoly force by reducing competitive supply, excluding others from using patented knowledge and increasing prices.

At the centre of these three features is the overarching emphasis on export-oriented development models for the Global South through fossil-fuel-dependent global value chains and private investment governed by developed countries. Through the export of primary commodities and natural resources such as timber, coffee, cotton and sugar, for example, the historical extraction of ecological colonialism has expanded in scale and sophistication. The manifold harms of air pollution, soil erosion, desertification, deforestation and monocrops replace a diversity of local production, exploit many workers and often violate their human rights and exacerbate climate change. It is no surprise that the climate catastrophes we witness today are being felt the hardest in countries where colonisation decimated natural resources, altered infrastructures and compromised traditional ways of living that respect the environment.

Powerful corporations and markets controlled by colonisers become the foundation of a "global economy" underpinned by several centuries of strategies of wealth drain, slavery or indentured servitude, deindustrialisation, and the creation of commodity and extractive enclaves. A feminist and decolonial GGND seeks to revamp the existing paradigms through a process of structural transformation in the international financial and trade architectures.

Principles of a Feminist Green New Deal and a Global Green New Deal

The Feminist Coalition on the Green New Deal has articulated a set of 10 substantive and intersectional issues that frame a feminist agenda for the US proposal for a Green New Deal. This feminist platform includes confronting institutional patriarchy and racism, recognising systemic oppressions in policymaking, and prioritising Indigenous peoples' rights and leadership, including binding legal recognition of Indigenous land rights, real enforcement of the vital framework of Free, Prior and Informed Consent, and recognition of the Rights of Nature. The coalition's principles also confront exploitative and unsustainable production patterns and environmental racism, advance reproductive justice and ensure democratically controlled, community-led solutions, while rejecting false and harmful responses to climate change, such as those led by the private sector, that fail to address root causes. This feminist agenda asserts a bold and critical reminder that historically marginalised and oppressed communities are at the frontlines of climate change and must therefore be prioritised in the formulation and objectives of a feminist and decolonial Global Green New Deal.

The Geneva Principles for a Global Green New Deal encompass goals that address structural inequalities within and among nations, as well as a renewal of multilateralism and participatory ethos. The Geneva Principles ultimately aim to forge collective political will on the vast scale of systemic change required to confront climate change. The goals include building a productive global economy based on full and decent employment with living wages for all countries; a just society that targets closing socioeconomic gaps, within and across generations, nations, households, race and gender; a caring community that protects vulnerable populations and promotes economic rights; a participatory politics that defeats policy capture by narrow interest groups and extends the democratic principle to economic decision making; and a sustainable future based on the mobilisation of resources and policies to decarbonise growth and recover environmental health in all its dimensions. This comprehensive platform of objectives is underpinned by principles such as protecting global rules against capture by powerful players, common but differentiated responsibilities that mediate responsibilities in accordance with the specific level of national development, the right of states to policy space to pursue national development strategies, global regulations to strengthen the role of labour, and accountability and inclusivity in global public institutions.

Structural feminism

A feminist lens rooted in political ecology entails a shift from viewing women as individuals, to gender as a system structuring power relations. Structural feminism is foundational to creating feminist alternatives for climate justice, precisely because climate injustice stems from a patriarchal fossil capitalism that exploits and abuses both nature and gender in intertwined ways. Structural feminism advances a feminist economics framing that centres the care economy in a feminist and decolonial Global Green New Deal. Care work signifies the market and non-market work that sustains life, ranging from work families do to care for each other over the lifespan, including caring for children, older adults, disabled people and those experiencing health challenges, to paid work carrying out these same activities. The COVID-19 pandemic reveals the indispensability of care work as well as the crisis of chronic underinvestment and lack of infrastructure in the care economy worldwide. This arises out of patriarchal belief systems that maintain a sexual division of labour from local to global scales.

Scaled-up, long-term and consistent public investments in the care economy, simultaneous to committed public and private divestment from the fossil fuels economy as well as the US military, are central to a feminist Green New Deal that regulates the financial sector to divest from harm and invest in care. The imperative to divest from fossil fuels is highlighted by the recent finding that developed-country private banks loaned $2.7 trillion to fossil fuel companies since the Paris Agreement on climate change was adopted in 2015. Climate justice requires a 100% transition to renewable energy that is justly sourced and that divests from the mining, fossil fuel, and agribusiness-based economy that fuels climate change. The central role of the US is critical in divestment from fossil fuels. The US has historically been the world's largest emitter of carbon, and the US military alone is a bigger polluter than approximately 140 countries. Meanwhile, countries in the Global South least responsible for the crisis are experiencing the brunt of its effects, from severe droughts to devastating typhoons to economic repercussions. Fossil fuel divestment, particularly by the US, is essential to address systemic global inequalities underpinning climate injustice.

Simultaneously, the funds generated from divestment should be directly invested in the care economy and its infrastructure. If care work is grounded in decent work principles of family-sustaining wages, benefits and social security, it contributes to the creation of green jobs that are zero- or low-carbon-emitting and preserve or enhance the well-being of both current and future generations by regenerating the natural resources and ecosystems upon which they rely. Expanding and strengthening employment in care work is tantamount to investing in green and low-carbon employment creation. The global climate crisis amplifies the need for care in response to increasing health impacts and disaster response needs, which makes expanding and strengthening care infrastructure vital to redress climate crises. The work of care also extends to the labour of indigenous communities in protecting and nurturing biodiversity, as demonstrated by the fact that while indigenous land is a small proportion of total land mass, it is home to 85% of the world's biodiversity.

The reality of the nexus between gender and climate change is one where women-identifying people and children endure disproportionate adverse impacts of climate change and ecological disaster. Women work almost two-thirds of the world's working hours, produce half the world's food and earn 10% of the world's income. Of the world's one billion poorest people, women and girls make up 70%.

Economically disadvantaged women experience the toll of climate change consequences disproportionately to other groups. When the environment is adversely affected, the social and reproductive work that women are traditionally tasked with across many parts of the Global South, such as that of fetching water, collecting fuel and fodder, and ensuring food security for the family, is also exacerbated. When households experience food shortages, which occur regularly and may become more frequent due to climate change, women are the first to go without food so that children and men may eat. To address these systematic gender inequalities, an explicitly feminist lens of planetary boundaries situated within the global history of patriarchy is required, rather than the idea that climate change is an "anthropocene" crisis of human making.

A feminist foundation to a Global Green New Deal also delivers concrete linkages to women's human, economic and social rights. The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Beijing Platform for Action uphold women's rights norms. For example, Article 2 in CEDAW commits to a policy of eliminating discrimination against women by all appropriate means, and to uphold the principle of equality and non-discrimination. The Beijing Platform commits states, in Para 258, to undertake analysis of the structural links between gender relations, environment and development, with special emphasis on particular sectors, such as agriculture, industry, fisheries, forestry, environmental health, biological diversity, climate, water resources and sanitation.

Policy paradigms

Within the international discourses on "green new deal", "green recovery" and "green economy", among other terms, there are two distinct and yet inherently interconnected policy paradigms at play. One, a focus on the environment, carbon emissions and climate change as an existential threat to human survival. And second, the systemic inequalities inherent to the global economic and trade systems and their policy norms and rules. A decolonial paradigm collapses this binary and affirms that the primary objective of a Global Green New Deal is to make possible a sustainable and equitable development paradigm that simultaneously achieves poverty eradication and ecological sustainability. The foundation of such an interdependent paradigm is the Rio 1992 principle of common but differentiated responsibilities (CBDR). Some key components of such a paradigm include structural transformations to current consumption and production patterns, technology transfer and intellectual property rights, non-discriminatory trade policies and a national development model oriented towards economic diversification.

Common but differentiated responsibilities

The UN Earth Summit held in Rio de Janeiro in 1992 recognised that "countries played different roles in contributing to the environmental crisis, that countries are at different stages of development, and that these must lead to key principles and have important implications for actions and the international cooperation framework". A decolonial foundation for a Global Green New Deal is rooted in the CBDR principle, which recognises that countries have differentiated historical responsibilities in addressing the climate crisis based on their varying degrees of contribution to pollution, including carbon emissions, and resource depletion. The principle clarifies that countries are at differing levels of development, which implies vastly differing national capabilities to combat climate change. Importantly, climate debt is substantiated through CBDR, which illustrates how "environmental space" has been systematically reduced for developing countries, with urgent implications for their future sustainability and economic and social rights.

Activating the CBDR principle involves structural change to both policy and way of life. For example, the North will need to radically transform its consumption and production patterns. It implies that the North will take the lead in improving environmental standards, reducing pollution and the use of toxic materials, and cutting down the use and waste of natural resources. At the core of transforming consumption patterns is the recognition that the global disparity in carbon footprint must be reduced. This refers to the disparity where the average American is responsible for 14.95 metric tons, compared with 6.57 metric tons per person in China, 2.01 metric tons per person in Brazil and only 1.57 metric tons per person in India. To meaningfully reduce consumption, the way of life in the North has to be altered. This means, for example, reducing energy consumption, expanding plant-based diets, producing more goods from recycled materials and eradicating the use of plastics, investing in infrastructure that supports a shift from individual vehicles to mass public transport, and so on. Sustainable consumption patterns in the North would recognise and act on the direct link between consumption in the North and environment, poverty and equity in the South. The imperative is for the North to "put its own house in order" to show to the rest of the world that economic and social behaviour is indeed linked to climate change.

Technology transfer and intellectual property rights

Arguably the most salient structural paradigm that shapes national capabilities to mitigate and adapt to climate change is that of technology transfer and intellectual property rights. In a decolonial paradigm that generates access, equity and capabilities, the North agrees to transfer environmentally sound technologies (ESTs) and access to life-saving medicines and vaccines, among other critical areas. While technology transfer is shaped by various factors such as investment flows, access to capital for small businesses, physical infrastructure and public participation, the key factor is intellectual property rights (IPRs) that keep vital patents and trade secrets out of reach for the Global South. Underpinning IPRs is the centrality of technology to global economic and social development in modern history. Since 1820, the scale of technological innovation accounts for approximately 80% of income divergence between rich and poor countries.

The Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, within the World Trade Organization (WTO) states in Article 66.2 that developed countries should "promote and encourage technology transfer to least developed country members in order to enable them to create a sound and viable technological base". Article 31 of TRIPS permits compulsory licensing, broadly defined as a licence that allows the use and production of a patented product or process without the explicit permission of the patent holder, and this has the potential to generate greater access to patented ESTs for many developing countries, particularly the most economically marginalised nations. In light of the stipulation in Article 31 that patents can be replicated without authorisation by the patent holder in the "case of a national emergency", a decolonial Green New Deal can make the argument that the threat to livelihoods, ecological preservation and human survival created by climate change constitutes a "national emergency". On this basis, ESTs should be exempt from patent enforcement.

The use of TRIPS provisions such as compulsory licensing, and the creation of an information access and benefit-sharing agreement, are a few policy and legal measures towards facilitating the development, transfer, dissemination and diffusion of ESTs to developing countries on favourable, concessional and preferential terms. A central aspect of technology development and transfer is the building of local capacity so that people and institutions in developing countries can design and make technologies that can be diffused into the domestic economy. As such, reformulating the trade rules that govern IPRs is indispensable to generating equitable access to environmental technology and safeguarding indigenous knowledge systems to expand the agency of the Global South to combat climate change.

Non-discriminatory trade policies

A decolonial foundation requires that climate-related trade measures do not discriminate against developing countries. Currently, developed countries such as the US and European Union countries are imposing unilateral trade measures against the products of developing countries in the name of "going green". Such trade measures include carbon tariffs or border adjustment taxes on products exported from developing countries which emit carbon exceeding a certain level in their manufacturing process, or which do not have emission controls of a standard deemed adequate by the importing developed countries. While such trade measures are justified by developed countries as a necessary policy response to the climate crisis, they deepen the inequity of an already asymmetrical global trade system. Developing-country economic activity is discriminated against without providing due recourse through technology transfer for cleaner manufacturing processes, for example.

One concern is that such trade measures can be employed as coercive policy instruments by developed countries to ensure that developing countries comply with stronger climate-related disciplines such as carbon emission reductions, even if they are already implementing meaningful mitigation commitments under the Paris Agreement. Such policy tactics also bypass the principle of CBDR in the context of historical carbon emissions, where developed countries have used up far more than their fair share of the global carbon budget relating to UN Framework Convention on Climate Change (UNFCCC) and Paris Agreement mitigation objectives. In response, developing countries are opposing such "green trade" measures in light of the slippery slope by which they can be abused as unilateral trade protectionism that in essence penalises developing countries for not having financial resources or access to low-carbon technologies.

Economic diversification

A Global Green New Deal that proactively prevents green colonialism in the South ensures that economic diversification is supported in order to drive sustainable development and poverty eradication efforts. Economic diversification is vital to reduce or eradicate the economic dependency of developing countries on fossil fuels, halt the further expansion of fossil fuels and in turn promote a just transition to clean economic models. Achieving global climate change goals under the UNFCCC and its Paris Agreement requires large-scale economic diversification strategies and just transition policies which are premised on developing countries' access to policy space and flexibility in the international financial, trade and investment systems.

Just transitions from fossil-fuel-dependent economies to zero-carbon and equitable economies require identifying the nuances of equity in the unique context of each developing country. On the national level, this means focusing on specific financing and technology requirements in that country, social and economic inequities within and between countries, and the sectoral composition of that country's economy, among other factors. On the international level, this includes highlighting international cooperation arrangements under the UNFCCC and its Paris Agreement that need to be enhanced or scaled up in order to address an equitable economic diversification strategy at the national level.

There are several key components that facilitate economic diversification in developing countries. Technology transfer and productive investments are indispensable to ensure that both transition and transformation take place in a just way. Energy access and energy infrastructure require access to technologies and long-term public investments in clean and renewable energy, without replicating the inequities inherent to privatisation and public-private partnership schemes. Just transition of the workforce, in particular of marginalised and precarious workers, must be prioritised in decent work creation initiatives, in ways that proactively consider gender, race, caste and ability. The objective of economic diversification must be integrated across all mechanisms and financing flows related to climate governance, including climate finance, technology transfer, adaptation financing, and loss-and-damage financing.

Systemic change to the international financial architecture

A just Global Green New Deal centres the structural transformation of the global economic and financial architecture in the recognition that debt, fiscal and tax injustice are the systemic drivers of fossil fuels and ecological extraction. The complex constraints developing countries face in scaling up long-term public financing for a GGND are, by great measure, created and sustained by the revenue drain generated by debt distress, fiscal austerity and tax evasion. Reforming global economic governance, which is still shaped by colonial-era inequities in power and voice within the Group of 20 (G20), International Monetary Fund (IMF) and World Bank, is at the heart of a feminist and decolonial GGND.

Centring public investment in public services

There is a critical connection between a just GGND and public investment for public services, particularly in health and care. When climate-change-related loss and damage occurs, the greatest support system is that of strong public health and care systems, which include social protection systems and safety nets. For marginalised communities, including women and children, the lack of access to quality public services can have long-term negative impacts on their human rights to health, education and work, among others. The more marginalised a person is, for example, an indigenous person, migrant or refugee, the greater the degree to which they are denied essential public services. For women, particularly in developing countries, the public sector is usually a crucial source of employment, and in a majority of developing countries the share of women in public sector employment exceeded their share in total wage employment. When policymakers retrench or fail to deliver public financing for public services, they are essentially expecting women and marginalised communities to deliver the services through carrying out labour that should be provided by the state. However, generating and sustaining public spending and investment in public services requires the availability of public financial resources that are systematically constrained by debt, fiscal and tax injustice. Generating the political will for public investments in a GGND in developing countries involves addressing the ways in which the public purse is eroded through interest-laden debt payments to international creditors, tax evasion by transnational corporations, and public budget cuts directed by the IMF, credit rating agencies and private investors.

Colonial legacies of multidimensional debt

The global health pandemic has generated a debt pandemic across developing countries, which have collectively paid approximately $194 billion to private, multilateral and bilateral creditors in 2020. This amounts to four times the resources of all IMF emergency financing since the beginning of the pandemic. In 2020, external public debt service was larger than healthcare expenditure in at least 62 countries, and larger than education expenditure in at least 36 countries, with 58 countries experiencing more revenue leaving their borders than coming in. What this picture makes exceedingly clear is that it is not only the inequity of vaccine access that is constraining economic and health recovery for developing countries, it is also an unsustainable debt burden draining vital financial resources to invest in climate change mitigation and adaptation, and public services that sustain lives and livelihoods.

The goal of decolonial equity requires a mechanism for multilateral debt workouts under the auspices of the United Nations which can support states in restructuring or cancelling their debts in an equitable manner with all creditors. Debt sustainability assessments must go beyond consideration of only macroeconomic indicators and meaningfully integrate climate financing, gender equality and human rights impact assessments. A decolonial approach to debt also unpacks its manifold forms: illegal debt, onerous debt, odious debt, unsustainable debt, moral debt, climate debt, historical debt. Debt justice also recognises that chronic debt crises in developing countries stem from a historical legacy of power inequalities among nations, resulting in thwarted productive capacities and domestic revenue potential in developing countries which fuels external borrowing.

A feminist and decolonial GGND upholds the longstanding call for climate reparations from developed countries to compensate for emitting the vast majority of historical carbon emissions as well as for the loss and damage incurred by ecological harm over centuries. Reparations in response to past and current harm require democratic governance in the delivery and use, and distinction from aid flows. Also important is the replenishment of the Green Climate Fund to ratchet up climate action to stay below a 1.5°C global temperature rise, and fulfil developed countries' commitment to provide $100 billion per year by 2020. Developed countries must also honour their fair shares for their historic role in fuelling the climate crisis.

Climate debt considers not only the present era of ecological harm but ecological imperialism past to present. Such a frame encompasses colonial-era extraction and accumulation, fossil capitalism in the industrialisation era as well as green financialisation today. The link between climate change and debt also concerns how credit rating agencies are incorporating climate vulnerabilities into risk ratings, worsening access to capital and creating greater debt distress for climate-vulnerable nations in the Global South, in particular small island nations.

Austerity erodes the public domain

History has repeatedly demonstrated the cost of maintaining debt sustainability by the parameters set by official and private lenders and creditors. This involves fiscal austerity, primarily imposed through IMF loan conditions, that disproportionately affects the most vulnerable across developing countries, exacerbating inequalities as well as exclusion and discrimination on all scales of income, gender, race, caste, disability and sexuality. Empirical data on the impact of fiscal austerity measures, as well as research by the IMF's Independent Evaluation Office on the Fund's response to the financial and economic crisis, confirm that budget cuts have led to reductions in health and education investments; losses of hard-earned pensions and social protections; wage freezes and layoffs affecting public sector employees such as teachers, nurses and doctors who comprise a large portion of the public wage bill in developing countries; increased unpaid care work; and greater consumption taxes – all of which disproportionately affect the poor and women. Austerity worsens inequality by increasing the income share of the top 10% at the expense of the bottom 80%.

Fiscal austerity particularly violates the human rights of women and marginalised communities, endangering their right to housing, food, social security and an adequate standard of living, while exacerbating unpaid care work and reinforcing entrenched gender inequalities and violence against women. The women's rights impacts of budget cuts occur through three key channels: diminished access to essential services, loss of livelihood, and increased unpaid work and time poverty. Budget cuts by the state often reduce or eliminate the very programmes and services which primarily benefit women, such as unemployment insurance, housing benefits, child benefits, disability benefits and fuel subsidies. Social protection programmes, arguably the most critical support system for low-income women, are often the first services to be reduced, even in countries that suffer extreme poverty.

Fiscal austerity displaces women into unemployment, precarious work and increased unpaid care work, with long-term damage to their income, livelihood and economic and social rights. As a consequence of patriarchal gender biases within the household, girls are more likely than boys to be pulled from school during periods of economic distress to care for younger siblings or other family members while their mothers seek paid work. Even if family incomes are restored once the economy recovers, educational losses often result in long-lasting gender inequalities. Importantly, austerity is both gendered and racialised. Even in developed countries like the United Kingdom, black and Asian women pay the highest for austerity.

Tax justice is decolonial reclamation

Illicit financial flows (IFFs), which include corporate tax evasion, avoidance and abuse, drain vital tax revenues from developing countries and deepen poverty and inequality. This tax injustice constitutes a net transfer of wealth from South to North that a decolonial and feminist GGND needs to address through policy, law and international cooperation, through a universal and intergovernmental UN Tax Convention that generates binding commitments. The Global South lost approximately $7.8 trillion during the 10-year period from 2004 to 2013, while Africa loses approximately $90 billion a year through tax evasion and theft, half of which occurs through exports of commodities such as gold, diamonds and platinum.

A decolonial approach highlights the stark injustice of this money being siphoned from communities with scarce resources for financing economic and social rights, as well as for recovery from the global health pandemic and climate change impacts. Meanwhile, these funds accumulate into tax havens in the hands of some of the richest businesses in the world. IFFs result not only in public expenditure reductions for a feminist and decolonial GGND, they also exacerbate debt burdens when developing countries borrow money in order to meet budget gaps created by missing tax revenues. This link between IFFs and sovereign debt illustrates the interconnected ways in which structural obstacles to fulfilling economic and social rights and advancing climate justice and gender equality reinforce each other. A feminist and decolonial GGND requires that these forgone tax revenues be legally prevented from escaping national borders, with penalties imposed on corporate actors for their infractions.

Green financialisation deters climate justice

Private- and financial-sector-led green schemes such as green bonds, green enclosures to "offset" carbon, "debt-for-nature" swaps and impact investing, for example, commodify and financialise the environment while dispossessing communities, often those who are indigenous or intersectionally marginalised, of their rights, land and livelihood. Assembled predominantly by rich-country financial markets, green financialisation promotes various "non-solutions", such as bioenergy carbon capture and storage, carbon trade markets and geoengineering, that allow industrial polluters to pay relatively minor fees to continue polluting the finite planetary boundaries of atmospheric space and accumulating profits through extractive economic activities in Global South mines, plantations, forests and land. The epithet "green grabbing" encapsulates the phenomenon of ecological enclosures entrenching structural inequalities from the global to the national, sub-national, and multiple levels of local. Green grabbing, linked to biodiversity conservation, biocarbon sequestration, biofuels, ecosystem services, ecotourism and carbon "offsets", is imbricated over the deep histories of colonial and neo-colonial resource alienation in the name of the environment.

An expanding area of the "green economy" is related to "nature-based solutions", or NbS, which promotes a myth that carbon-sequestering possibilities of NbS can offset the continued burning of fossil fuels. But offsets do not reduce the overall concentration of carbon dioxide in the atmosphere; at best, they result in no net emissions and allow for the continuation of business as usual while obscuring the urgent need to stop fossil fuel emissions. A feminist and decolonial GGND must deftly separate genuine nature-based solutions from nature-based seductions such as carbon offsets, and build the understanding of a critical mass of the world's people that tackling climate change requires both ending the burning of fossil fuels and doing all we can to take carbon that has accumulated from the previous century of fossil emissions out of the atmosphere. A GGND that works for women and the Global South needs to decarbonise societies while simultaneously removing carbon from our planet's ecosystems over the next few decades.

The way forward

"Rich countries drained $152 trillion from the global South since 1960. Imperialism never ended, it just changed form."
– Jason Hickel, Dylan Sullivan and Huzaifa Zoomkawala, "Rich countries drained $152tn from the global South since 1960", Al Jazeera, 6 May 2021

- **Implementing and enhancing intellectual property rights flexibilities** for environmental goods (including the use of compulsory licensing by developing countries).
- **Ensuring transfer of environmentally sound and climate-change-related technologies to developing countries** to equip their implementation of Paris Agreement nationally determined contributions (NDCs) and make the shift to more equitable and ecologically harmonious and sustainable development.
- Reflecting and operationalising **special and differential treatment for developing countries** in international trade agreements.
- **Explicit prohibition of unilateral trade protectionism**, including border adjustment measures, as environmental or climate change response measures, and ensuring fairer treatment for developing-country subsidies.
- **Establishing a "peace clause" on engaging in dispute settlement**, including in the World Trade Organization, concerning trade-related environmental measures of developing countries.
- **Establishing a sovereign debt workout mechanism** under the auspices of the United Nations which can support states in restructuring or cancelling their debts in an equitable manner with all creditors. Debt restructuring should be based on debt sustainability assessments

that consider fulfilment of human rights obligations, Sustainable Development Goals and climate financing.

- **Implementing countercyclical fiscal stimulus policies** as the most effective and equitable means to stimulate economic recovery, job creation and equity-enhancing redistribution through public transfers. An expansionary fiscal policy toolkit includes, for example, establishing universal social protection floors, extending coverage of social security, including for informal sector workers, progressive taxation, and employing foreign exchange reserves for some developing countries.
- **Establishing an intergovernmental and universal UN Tax Convention** to address tax havens, tax abuse by multinational corporations and other illicit financial flows. Progressive tax measures to redistribute wealth from rich to poor and from men to women, transgender and gender non-conforming communities should be implemented, such as raising tax rates of systemically important global banks and large firms, for example.
- **Implementing global and national regulation of financial trading transactions** to limit speculation and arrest volatility in currency and asset prices.

Holistic reparations to heal through repair

"Reparations is not just about money: it is not even mostly about money; in fact, money is not even one percent of what reparation is about. Reparation is mostly about making repairs. Self-made repairs, on ourselves: mental repairs, psychological repairs, cultural repairs, organisational repairs, social repairs, institutional repairs, technological repairs, economic repairs, political repairs, educational repairs, repairs of every type that we need in order to recreate and sustain black societies."
– Professor Chinweizu, at the second Plenary Session of the First Pan-African Conference on Reparations, Abuja, Nigeria, 27 April 1993

The holistic reparations movement struggles for recognition, atonement and compensation, as well as for structural and lasting changes to our existing political and economic systems that have arisen directly from the legacy of colonialism and enslavement. The five basic principles of reparations, as laid out by a 2006 UN General Assembly resolution, are guarantees of non-repetition, restitution, compensation, rehabilitation and satisfaction. Reparation renders justice by removing or redressing the consequences of wrongful acts and by preventing and deterring violations. A holistic reparations approach understands that inequalities are inherent to the very design and rules of international trade and finance established in the colonial era and that continue today through more sophisticated institutions and legal and policy paradigms.

Reparation activists seek to decolonise unjust institutions and policies through equality, representation, truth and reconciliation, shared ownership, rehabilitation through, for example, medical and psychological care, as well as legal and social services. Guarantees of non-repetition comprise broad structural measures such as institutional reforms in the military and security forces, strengthening judicial independence and integrity, the protection of human rights defenders, especially female-identifying defenders, and ensuring human rights, as well as anti-racist and feminist equity in public services, law enforcement, the media and cultural production, business and industry as well as psychological and social services. A holistic reparations approach, one that integrates the vast range of repairs from mental and psychological to cultural, social and educational, is a powerful journey of healing through repair which can manifest the visions and goals of a feminist and decolonial Global Green New Deal.

Decolonising knowledge production

A central endeavour of a feminist and decolonial Global Green New Deal is to challenge the colonial production of knowledge by tackling the hegemonic imprint of neoliberal economic thinking where unequal power relations and social hierarchies are institutionalised, socialised and reproduced by knowledge systems. The dominant neoclassical economic discipline is only one out of many possible economic theories and ideas in a spectrum that is heterogeneous and pluralistic. That is why we must ask: Who is producing what is classified as “knowledge”, and what are the vested interests of these actors? Whose histories are read in textbooks and whose philosophies, theorems and methodologies are taught in school and university curriculums?

The knowledge-power complex can be traced to centuries of intellectual erasure of non-Western knowledge systems. The colonial narrative of “civilising the Other” positioned modernity, science and rationality as superior to the knowledge systems of indigenous and non-Western people, in particular, unwritten or uncoded forms of knowledge and ways of life. In recent decades, a similar rationale is witnessed in the training of students across the Global South in predominantly Eurocentric and neoclassical economic and social thought. Consciously engaging in a pluralism of knowledge, methods and praxis is perhaps one of the most important ways to ensure that a global policy and institutional paradigm for sustainability that addresses the realities of climate change is truly equitable in what forms of knowledge are recognised, valued and employed.

Dismantling hierarchies and recreating relations

Centuries of colonisation created hierarchies through social constructions of race, gender, sexuality, ability, appearance and assimilation. These hierarchies are today embedded into the international rules and norms governing economic and trade policies in order to maintain a gendered and racialised global economy. As Ruth Wilson Gilmore says, “Capitalism requires inequality and racism enshrines it.”

The colonial formulation of humanity is that of a rational and objective Individual who is separate from and superior to Nature. Two historical falsehoods were thus promulgated, in that nature is proclaimed “dead” and land is proclaimed “empty”. If land is empty, then indigenous and rural communities can be displaced or eliminated; if nature is dead, it can be exploited for unlimited resources. A decolonial ethos involves delinking from the knowledge systems that are still rooted in the Cartesian paradigm that assumes thinking comes before being. It involves reimagining humanity with the epistemologies of all who live on the margins, in particular the indigenous. Ultimately, we need a sweepingly transformative decolonial turn towards asserting a humanity where hierarchies of supremacy collapse and interactive and interdependent ways of being in unity with nature, with others and within ourselves arise to form a new reality.

COVID-19 reveals everything

The intertwined health and economic crisis calls for urgent responses, systemic reform and ideological rethink of the international financial architecture

Third World Network Briefing Paper (June 2020)

1. Introduction: COVID-19 requires urgent response and systemic reform

COVID-19 has swept across the world with staggering scope and speed, instigating a historically unprecedented public health and economic crisis of inestimable proportions. With the global economy and human society in near-total suspension for several months, every part of the world economy is experiencing upheaval. This has created sharp contractions and mass unemployment in manufacturing, trade, tourism, travel, retail and commerce. The global economy is projected to shrink by 5.2% in 2020, with 170 countries experiencing negative per capita growth.[1] The cost of the COVID-19 crisis to the world economy is projected to amount to approximately $9 trillion over the next two years.[2] The economic recession unfolding from COVID-19 is the deepest since World War II.

For the first time since 1998, global poverty will increase. At least half-a-billion people may fall into poverty by the end of 2020, with some 60 million at risk of being pushed into extreme poverty.[3] And the poorest countries in the world will undoubtedly be the hardest hit, further entrenching inequalities within and between countries. The World Bank estimates that sub-Saharan Africa will see its first recession in 25 years, wiping out nearly half of all jobs across the continent.[4] South Asia will experience the most severe economic downturn in 40 years.

Countries most reliant on global trade, tourism, external financing and commodity exports are likely to be hit the hardest. Developing countries have already experienced the greatest ever capital outflow of $100 billion, amounting to five times the outflows during the global financial crisis of 2008.[5] Capital outflows have led to currency depreciations, while commodity prices collapse, global trade and supply chains come to a halt, and already existing debt distress across the developing world explodes into a debt crisis. Achieving the economic, social and environmental Sustainable Development Goals by 2030 may well become a dream deferred, as the pandemic threatens to reverse existing milestones on the SDGs.

The pandemic has pulled the curtain back on intersectional inequalities of every scale and form, exposing how embedded they are within our economic structures and social systems. The most marginalised in society experience vastly disproportionate health and economic distress. These include the elderly and immunocompromised, low-income communities and in particular women, children, migrant workers, informal sector and gig economy workers, the disabled, the incarcerated, refugees and those living in conflict zones. The reproduction of inequalities occurs in a global context of a hurtling climate crisis, social protests and uprisings, the rise of nationalism, discrimination and human rights violations, and unsustainable systems of consumption and production.

The public health crisis generated by illness and fatalities from COVID-19 across the world has cast a spotlight on the erosion of public systems, in large part resulting from decades in the neoliberal economic turn. The ramifications of the institutionalised bias of policy paradigms towards austerity, liberalisation, deregulation and privatisation are being revealed. The inadequacy of public health systems, public services, social insurance and social safety nets is in large part a direct consequence of public budgets that have been systematically cut over years if not decades.

Out of the numerous lessons illustrated by COVID-19, this paper seeks to highlight three key points. First, the global governance institutions of the 21st century must channel the political will and policy action to protect the most vulnerable and hard-hit countries and communities. Second, the ideology through which the role of the state has been deployed to serve markets through institutions, norms and laws that protect and facilitate private sector needs at the expense of the public sector, needs to be re-evaluated. And third, the way forward should be led by a renewed multilateralism to carry out a global plan for economic and health recovery for developing countries. For long-term structural change to address inequalities and imbalances at all levels, systemic reforms to the policies and paradigms in the international financial architecture are required.

Global economic governance and policy choices will determine the fate of economies and people in the fallout from the COVID-19 health and economic crisis. There are four key areas that bear urgent relevance for developing countries in the coming months and even years.

First, sovereign debt is bound to accrue as fiscal expenses rise. Temporary debt moratoriums or suspensions provide temporary relief but are not cancellations. In the possible eventuality of a cascade of external debt defaults in the coming years, there needs to be a fair and effective sovereign debt restructuring mechanism.

Second, this pandemic has underscored the life-or-death imperative of fiscal space to respond to the immediate health emergency, with the United Nations Conference on Trade and Development (UNCTAD) estimating a $2 trillion to $3 trillion financing gap facing developing countries over the next two years.[6] While concessional loans and grants are being made available, Special Drawing Rights (SDRs) need to be considered as a low-cost and immediate fiscal resource. In the aftermath of the health crisis, a fiscal redirection away from austerity will be required in order to revive ailing public systems and social services. The very bias towards fiscal consolidation that has led to the erosion of public systems must not, in tragic irony, be upheld as the policy framework advised by international financial institutions for developing countries in the aftermath of the public health emergency.

Third, capital account and other financial regulations are called for to respond to the panic deluge of capital out of developing countries. And fourth, progressive taxation, including on the financial sector, can mobilise additional financial resources urgently required in the economic fallout from the COVID-19 crisis.

A global crisis of unparalleled dimensions requires an unparalleled response in the short term and visionary reform in the long term. If we look to history, in the aftermath of World War II, European economies recovered only because the leading surplus government, the United States, intervened with the large-scale grant package of the Marshall Plan. Today, a multilateral plan in a similar spirit of solidarity, responsibility and political will is required for the recovery of developing economies, many of which do not possess the fiscal space for stimulus packages commensurate to their needs. The way forward in the long term requires a sustainable and equitable development paradigm that effectively addresses climate change. The three dimensions of the 2030 Agenda for Sustainable Development (environmental, economic and social) serve as a foundation upon which to reform trade, economic, social and environmental policies.

2. Debt cancellation and a restructuring mechanism are essential to recovery

In 2018, the total debt of developing countries, including private, public, domestic and external debt, reached 191% of their combined gross domestic product (GDP), the highest level on record.[7] Much of this debt is rooted in the skyrocketing levels of private corporate indebtedness, primarily in high-income developing countries. Almost half of poorer economies, eligible to the Poverty Reduction and Growth Trust (PRGT), have been assessed by the International Monetary Fund (IMF) to be at high risk of sovereign external debt distress or already in debt distress at the end of 2019. As the COVID-19 crisis unravels across developing countries, many of the most vulnerable states are up against a sea of debt servicing in the 2020s decade.

According to UNCTAD, in 2020 and 2021 alone, repayments on public external debt for developing countries overall are estimated at nearly $3.4 trillion.[8] This figure comprises between $2 trillion and $2.3 trillion in high-income developing countries and between $666 billion and $1.06 trillion in middle- and low-income countries. In a context where many developing countries are already spending more on debt service than on public health, the scenario of debt distress amid a pandemic literally risks human survival.

In response to the economic suspension created by the pandemic, on 15 April the leaders of the Group of 20 (G20) major economies announced a debt moratorium on official bilateral debt of the world's 76 poorest economies from May to December 2020. The IMF and the World Bank also announced amplified lending facilities for developing-country members to respond to their heightened fiscal needs for public health and national economies. The IMF has increased access limits to its Rapid Credit Facility from 50% to 100% of annual country SDR quotas and to 150% on a cumulative basis from now until October 2020. Together with its Rapid Financing Instrument, the Fund's emergency financing is expected to amount to approximately $100 billion. The World Bank has put in place a $14 billion fast-track package to respond to immediate health and economic needs and envisages using around $160 billion in longer-term financial support over the next 15 months.

While debt moratoriums, concessional financing and grants offer urgently needed fiscal resources in the immediate term, there are five key dilemmas foreboding an exacerbation of sovereign debt and a scenario of multiple debt defaults. First, debt suspensions keep the debt itself intact, accumulating interest with time, while concessional financing is a debt-creating instrument. Rather than resolving external debt burdens in order to create fiscal space, resources are generated through the continued and unsustainable augmentation of debt. This could result in a debt crisis which stalls recovery while undoing the hard-won economic and social gains of many years and deepening poverty levels.

Second, the IMF's eligibility criteria for concessional financing are still based on assessments of "very strong fundamentals and policy frameworks" that centre on sustainable public debt and positive capital account positions, access to international capital markets at favourable terms and sufficient foreign reserves – all of which are highly restrictive, if not entirely unrealistic, in the present crisis context.[9]

Third, the debt suspension measures, as insufficient as they are, do not apply to middle-income developing countries, which are also facing fiscal pressures, particularly in light of currency depreciations triggered by massive capital outflows.[10] Data from the Institute of International Finance (IIF) show that 13% of all emerging market corporate debt is dollar-denominated.[11] As the dollar strengthens through developed-country monetary expansion, and local currencies weaken through capital outflows, debt servicing costs are now increasing, further constricting fiscal policy space for all developing countries.

Fourth, the private sector has not shown willingness to grant a debt moratorium to private sector debt, much less cancel or relieve any portion of the private debt. Instead of meeting urgent health and social protection needs, therefore, fiscal resources released by official debt forgiveness may be directed towards repaying debts to private creditors. The explosion of debt owed to private sector creditors in the last two decades has generated tens of billions of dollars of external debt in developing countries, often borrowed at high interest rates, due by the end of 2021 to private creditors. Even the IIF, which represents private sector creditors to emerging markets, has underscored that the private sector has to share the debt burden with developing countries. In a letter addressed to the IMF, World Bank and Paris Club, it shows initial steps towards developing terms of reference for a potential approach to voluntary private sector participation.[12] Unfortunately, this letter has had no impact on the IIF membership as of yet, and the institution still requires debt payments from sovereign debtors.

It is unconscionable if the financial resources made available by multilateral institutions are directed not to local health emergencies and poverty alleviation measures but to repaying private creditors, especially those such as large global banks that continue to reap dividends at a time of global crisis. G20 policymakers at all levels, from ministers, legislators and governors to heads of state, have attempted to mobilise the private sector around a voluntary plan to address poor-country debt distress. Unfortunately, this has not had any effect as of yet.

Meanwhile, the World Bank argues that a debt moratorium would erode its available resources and risk its own credit downgrades. The World Bank's bonds are rated triple-A and it relies on bond markets to raise money. In April, it announced a Sustainable Development Bond and raised $8 billion from the largest ever dollar-denominated bond issued by a supranational.[13] World Bank President David Malpass informed the G20 that multilateral development banks would only consider a suspension of debt repayments if the amount was fully compensated by new donor contributions.

Fifth, the IMF's use of the Catastrophe Containment and Relief Trust (CCRT), which is comprised of official aid funds, to cover six months of debt repayments by 25 low-income countries implies that official aid money is financing debt relief.[14] New pledges to the Trust have been finalised from the Netherlands, Germany and China. Crucially, the Trust pays back the IMF on behalf of low-income countries.

By eliding debt cancellation or debt waiver measures in favour of mere debt moratoriums, the IMF-World Bank spring meetings in April were a missed opportunity to relieve the acute debt distress in the 76 low-income and lower-middle-income countries supported by the World Bank's International Development Association. Civil society organised a petition letter signed by over 150 civil society organisations (CSOs) calling for debt cancellation, not merely moratorium, by all creditors, including bilateral creditors, multilateral institutions such as the Bank and Fund as well as by the private sector.[15] The letter also highlighted the issue of private sector debt and payment obligations that are amplified by public-private partnerships (PPPs) promoted by the World Bank. Many of the contingent liabilities linked to infrastructure and health PPPs, for example, could materialise this year, creating even more external debt pressure on developing countries.

A key proposal disseminated by UNCTAD on 23 April is for an International Developing Country Debt Authority and global debt deal to prevent a protracted debt crisis.[16] Three broad steps for a global debt deal are called for:

- Step 1: Automatic temporary standstills to provide macroeconomic "breathing space" for all crisis-stricken developing countries by requesting forbearance to free up resources normally dedicated to servicing external sovereign debt.

- Step 2: Debt relief and restructuring programmes, with the suggestion that a trillion-dollar write-off would be closer to the figure needed to prevent economic disaster across the developing world.
- Step 3: The establishment of an International Developing Country Debt Authority to set out the institutional and regulatory foundations and oversee the implementation of a more permanent international framework to guide sovereign debt restructurings. Such a body could follow the path of setting up an autonomous international organisation by way of an international treaty between concerned states. Essential to such an international agreement would be the establishment of an advisory body of experts with independence from both creditor and debtor interests.

There is evidence that countries in debt distress experience stubborn challenges in arriving at a debt restructuring agreement with their sovereign and private creditors, particularly in the absence of effective institutions that can facilitate the process.

3. Special Drawing Rights provide urgently needed liquidity

While G20 countries are extending an aggregate $5 trillion fiscal stimulus to their economies, most developing countries do not have the fiscal space to provide a lifeline for the vast majority of the world population. The disparity between the fiscal firepower of developed countries and the lack of fiscal space in most developing countries bodes a deepening of global inequalities. High public debt, record capital outflows, depreciating currencies and the tightening of global financial conditions are creating multiple and layered constraints to fiscal space for stimulus efforts in the developing world.

While developed countries can borrow directly from their central banks in their own currencies (unless they tied their own hands through legal restrictions), developing countries have to borrow from international capital markets in global reserve currencies, leading to higher borrowing costs in a context of longstanding debt distress. Adding to these structural constraints, lockdown measures, mass unemployment and the disruption of global trade, transport and investment have already inflicted greater damage on developing and emerging economies than on the rich world.

The monetary expansion led by the US Federal Reserve's quantitative easing policies of printing the dollar currency and extending bilateral swap lines to certain countries has expanded the fiscal capacity of developed and some emerging market countries.[17] These monetary manoeuvres inject liquidity into the global financial system, lower borrowing costs, purchase domestic bonds and introduce new lending facilities for specific sectors and enterprises. It is in this context that a bridge is needed between the global credit created by monetary expansion and the fiscal lifelines urgently needed in much of the developing world.

One of the most feasible, accessible and low-cost means to mobilise the fiscal resources urgently required by developing countries is the creation of Special Drawing Rights. The SDR is an international reserve asset based on a basket of five currencies (the US dollar, the euro, the Chinese renminbi, the Japanese yen and the British pound). It was created by the IMF in 1969 to supplement its member countries' official foreign reserves.[18] SDRs would provide low-cost emergency assistance to developing countries to help them address the health emergency needs as well as the economic fallout from the COVID-19 crisis.

To tackle the global financial crisis that broke out in 2008, the IMF issued $250 billion worth of new SDRs in 2009. The scale of the COVID-19 crisis certainly calls for a significantly higher issuance. A new issuance of SDRs would have the effect of building up the level of foreign currency reserves in the central banks of developing countries. Such a boost to reserves is critical in a time of capital outflows, rising import costs due to depreciating currencies, and mass disruption in global trade and financial flows. Besides financing stimulus needs, SDRs would also facilitate borrowing at lower interest rates and purchase of needed imports. Unlike the IMF's credit financing tools, SDRs are an unconditional resource and do not create additional debt. This would enable some developing countries to avoid signing on to a conditional IMF loan or credit line. SDRs are essentially a countercyclical financing tool that appropriately addresses exogenous shocks such as the current pandemic, and are allocated to all member states regardless of the Fund's macroeconomic assessment of the country.

However, a key flaw of SDRs is the basis of their allocation. Countries receive SDRs according to their IMF quotas, or financial contribution shares, rather than their level of fiscal need. This creates an unfortunate irony by which the countries which have the most need receive the least amount of SDRs. However, despite this imbalance, an SDR issuance would be an important contribution to meeting low-income countries' fiscal needs. SDR issuance also marks the only case in which developing countries have the opportunity to create international money.

Since March, wide support for SDR issuance has been voiced by a range of actors, including the IMF Managing Director Kristalina Georgieva, the Group of 24 developing countries in the IMF and World Bank, UN agencies, as well as academics, policymakers, analysts and civil society from around the world. The calls for new issuances have ranged from $500 billion to $4 trillion. Former British Prime Minister Gordon Brown and former US Treasury Secretary Larry Summers, who supported the 2009 SDR issuance, have called for a $1 trillion-plus new issuance. They noted that "if ever there was a moment for an expansion of the international money known as Special Drawing Rights, it is now."[19] To address the issue of SDR allocations by IMF quota rather than by fiscal need, a new mechanism is proposed, by which countries that do not use their SDRs can voluntarily provide them to countries that need SDRs.[20]

Despite widespread support for a new SDR issuance, the IMF's Executive Board failed to secure enough votes at the April spring meetings. US Treasury Secretary Steven Mnuchin delivered a statement on 16 April saying that a better, more targeted approach would be the enhancement of IMF support to low-income countries by providing grants to the CCRT and through new grants and loans to the PRGT.[21] The statement also mentioned that rich countries could also explore reallocating existing SDRs to developing countries on a bilateral basis or to bolster PRGT resources. An underlying reason for this stance may be the reluctance of the US to open new avenues of condition-free funding for its adversaries, such as Iran, Venezuela and China, which would benefit from a new SDR issuance that would be allocated to all 189 IMF members.[22] Besides being tragically short-sighted, the abuse of the IMF as a venue for disputes among rival powers brings the institution's legitimacy into question.

At the same time, there are deep internal political differences between the US Treasury and legislators, made visible by a bill introduced in the US House of Representatives titled "Robust International Response to Pandemic Act."[23] The bill proposes that the US Treasury Secretary is to instruct the US Executive Director at the IMF to use the voice and vote of the United States to support the issuance of a special allocation of at least $3 trillion in SDRs so that governments are able to access additional resources to finance their response to the COVID-19 pandemic. The bill also calls for the relaxation of fiscal targets and opposes the approval or endorsement of any loan, grant, document or strategy that would lead to a decrease in healthcare spending or in any other spending that would impede the ability of any country to prevent or contain the spread of, or treat persons who are or may be infected with, the COVID-19 virus. Yet another way that liquidity can be generated is the consistent call by many CSOs for the IMF to sell its gold reserves and other assets in its General Resources Account, estimated at $140 billion, for cash liquidity. This was advocated during the 2008 global financial crisis as well.

While the inequalities in fiscal space available to developed and developing countries are not new, the imperative for the most economically powerful countries to act in the "spirit of solidarity," as mentioned by the G20, has never been greater.[24] During the last global pandemic in 1918, the developing world, much of which was still under colonisation, suffered a far greater loss of life and livelihood. A century on, the international community must do better in forging international cooperation that delivers on both short-term financial needs and longer-term policy reform. A clear way to act on short-term needs is the countercyclical and unconditional issuance of SDRs. A global health emergency and economic crisis is a time for countercyclical monetary and fiscal policies of scale being made possible for all countries, not just the rich.

While bilateral donors and multilateral institutions publicly announce support packages, the financing provided is not infused with new or additional money. The Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) has thus far stated a voluntary pledge to not cut aid budgets for low-income countries.[25] However, there is no pledge to increase the aid budget. The implication is that new and additional financing is not forthcoming to create an enabling financing environment for developing countries to cope with the pandemic and its economic fallout. A simultaneous challenge is that the reallocation of aid budgets and financing harms developing countries through the defunding of other important sectors, while also undermining the predictability and stability of aid flows and country ownership when donors suddenly reallocate funds without much consultation with sovereign aid recipients.

4. Renewed fiscal austerity in the aftermath of temporary fiscal space?

More than 90 countries have asked the IMF for assistance. In response, the key development by the Fund has been to redesign its previous Flexible Credit Line into a Short-Term Liquidity Line (SLL), the first addition to the IMF's financial toolkit in almost 10 years. Similar to a credit card, the SLL provides reliable and renewable credit lines that can be drawn up to a limit, as long as borrowing countries demonstrate strong fundamentals and policy frameworks.[26] As the Fund states, a country which signs up for an SLL will be signalling the IMF's endorsement of its policy frameworks and institutions to markets. This endorsement can lower its borrowing costs during the current period of crisis-induced volatility. Only a few countries have passed the rigorous pre-approval procedures for the SLL, however, posing problems of accessibility (as well as debt creation) in the IMF's financial assistance strategy in response to the COVID-19 crisis.

The IMF's *Fiscal Monitor* publication in April revealed that the Fund's support for fiscal stimulus is limited to the immediate fallout from the COVID-19 crisis. Once the public health emergency diminishes, developing countries are expected to carry out the traditional fiscal consolidation measures to stabilise debt ratios on a "firm downward trajectory."[27] The chief of the IMF's Fiscal Affairs Department, Vitor Gaspar, stressed the slogan publicised by IMF Managing Director Georgieva for governments "to do whatever it takes now but keep the receipts."[28] Essentially, the Fund's fiscal consolidation measures that retrench government spending on public systems and social services will remain unchanged in the long term.

While the *Fiscal Monitor* acknowledges that public investment as a share of GDP has declined in advanced economies and that the growth rate has significantly slowed in emerging and developing countries, governments are still advised to "manage expectations" by "making clear that support measures to address the COVID-19 crisis are temporary."[29] Emerging markets and low-income countries are advised to maintain fiscal "credibility" and prepare for an "ambitious" fiscal consolidation. According to the Fund, fiscal credibility is essential to restore investor confidence and attract much-needed investment once economic conditions start to normalise. This adherence to the neoclassical fiscal rulebook stems, in large part, from the idea and theory that fiscal credibility is achieved by preserving the expenditure ceiling rule and reducing debt levels, even if such measures decrease growth and stall employment creation while weakening public systems and services.

The World Bank is in agreement with the IMF, as the institution's President Malpass has expressed to G20 finance ministers that "countries will need to implement structural reforms to help shorten the time to recovery and create confidence that the recovery can be strong."[30] He added that "for those countries that have excessive regulations, subsidies, licensing regimes, trade protection, or litigiousness as obstacles, we will work with them to foster markets, choice, and fast growth prospects during the recovery." Explicit in his remarks is the reinforcement of the World Bank's foundational policy support for deregulation and privatisation.

A new future round of fiscal austerity in developing countries would be consonant with a tragic irony, in that the very structural adjustment policies that have chronically underfunded public systems and social safety nets will be required as economies eventually start to recover. Such a perpetuation of public spending retrenchment is akin to medicating a patient with the very poison that made her ill in the first place. This stance demonstrates that fiscal credibility through debt servicing is disconnected from economic stability and social development and well-being. The implication for the continued deprivation of public health systems, particularly in the context of a global health pandemic, reflects a failure to see health as part of the development policy arsenal.

Over the last several decades, the specific measures contained in IMF fiscal consolidation requirements or advice involve the elimination or reduction of subsidies, including on fuel, agriculture and food products; cuts and threshold ceilings on public sector wages, particularly the salaries of education, health and other public sector workers who comprise a large portion of the public wage bill in developing countries; rationalising and further targeting social safety nets and insurance programmes, pensions, housing benefits, child benefits and disability benefits; and broadening consumption taxes, such as value-added taxes, on basic products that are disproportionately consumed by poor households.[31]

New research by ActionAid International on recent IMF advice and loans to 78 low-income and many middle-income countries finds further evidence of widespread public wage bill suppression by the imposition of low inflation and deficit targets and freezing or cutting public sector wage bills, with consequences for health, public services and care.[32] The debt crisis already cemented in many developing countries only exacerbates the erosion of public systems and services through protracted spending cuts. Several low-income countries spend more on debt servicing than on education and health combined.

The steep social costs of fiscal contraction entail, for example, weak public health and education systems, diminished access to essential social services, loss of livelihoods in the public sector and increased unpaid work and time poverty.[33] Budget cuts by the state often reduce or eliminate the programmes and services which primarily benefit women, children, the elderly, disabled and physically ill – the very populations most vulnerable to the coronavirus. Social protection programmes, which are a critical source of economic survival for marginalised and vulnerable people, are often the first services to be reduced, even in countries that suffer extreme poverty.

The crisis triggered by COVID-19 needs to compel a fundamental rethink of the neoclassical economic ideology that prescribes and institutionalises fiscal consolidation and austerity measures. Under current fiscal discipline rules, many countries are assumed to lack sufficient fiscal space to undertake public investment. The degree of fiscal space is effectively circumscribed by limits placed on a country's public debt relative to GDP. The current approach to establishing debt ceilings defines fiscal sustainability for the short term, an approach that ignores the interaction between fiscal policy and growth over the longer term.[34] Relatedly, current guidelines for assessing fiscal space and sustainability ignore what the fiscal space is used for. Most budgets classify current and capital budgets separately, but this distinction is not made when evaluating fiscal deficits. The result is restrictive fiscal targets, which have led to a decline in public-investment-to-GDP ratios in many countries.

The challenge is for governments to reframe their thinking on public expenditures by recognising the virtuous cycle, or positive feedback loop, of public expenditures.[35] The counterfactual costs of not investing and sustaining a long-term recovery for the poorest countries from the COVID-19 crisis are unconscionable. Most developing countries, and certainly all poor countries, simply do not possess the fiscal policy space, low borrowing costs or ability to raise capital that developed countries have employed to enact massive countercyclical monetary and fiscal policies in response to the exogenous shock of COVID-19. This is precisely why the public finance architecture must reform its response to developing countries by preventing fiscal austerity and debt accumulation, and instead committing to international coordination to support fiscal space for the most vulnerable people and states. In order to construct a viable case for the ability of expenditures to uphold equality, rights and justice, the theory, assumptions, discourse and consensus on fiscal space will need to be systematically contested and reshaped.

5. Capital controls are central to crisis toolbox

In March, emerging markets and developing countries experienced the greatest ever outflow of investment capital, amounting to $100 billion.[36] By May, outflows instigated by the panic selling of foreign portfolio investors had exceeded $150 billion, weakening developing-country currencies and sharply constricting their domestic macroeconomic policy options.[37] With the exception of China, all emerging market economies ranging from Brazil to India, Mexico, South Africa and Thailand are experiencing large capital outflows from both equity and bond markets.

Even countries with strong reserve holdings and windfalls from plummeting oil prices have seen currency declines against a strengthening US dollar of 5-10%, with some as high as 15-20%.[38] Brazil, South Africa, Russia and Mexico have all seen their currencies devalue more than 20% against the dollar between March and May. Analysts have highlighted that what is unprecedented in this crisis is the scale and speed of capital outflows.

The lack of political will in those developing countries which are able to spend more on health and economic recovery but are not doing so, reveals a pervasive fear of worsening an already disastrous scenario of capital flight. More than a quarter of developing countries' local currency debt is held by foreigners, while capital account liberalisation norms have enabled domestic residents to easily shift their investment funds abroad.[39] Meanwhile, sovereign credit ratings of developing countries have been downgraded, despite the fact that COVID-19 is a purely exogenous shock. These vulnerabilities leave many developing countries hesitant to enact even urgently required fiscal policies out of a fear of losing even more investors.

The role of capital account regulations to manage the panic exit of capital in the COVID-19 crisis is thus of paramount importance to national and global macroeconomic and financial stability.

Regulations focused on cross-border financial transactions can reduce the chance that a country will experience a massive outflow of short-term financial resources that can trigger a crisis.[40] The benefits of capital account regulations, or capital controls, include a reduction of macroeconomic volatility and exchange rate volatility, and thus economic insecurity, as well as the imperative to bolster depleted foreign reserves that may be necessary to meet import payments. Empirical records of countries that have employed capital controls, such as Malaysia in the aftermath of the Asian financial crisis of 1997-98[41] and Brazil in response to the global financial crisis of 2008, show that taxes on speculative, short-term investment capital reduce both the volume of speculative flows and the volatility of interest rates.

However, a key force that works against the prioritisation of capital controls is neoclassical economic theory, and the internalisation of its rationale among policymakers in countries across all development levels. Neoclassical rationale suggests that capital account regulations can drive up the cost of capital and curb incoming investments. Neoclassical economists present what is said to be evidence consistent with the hypothesis that capital controls increase market uncertainty and carry the risk of reducing the availability of external finance, which in turn lowers investment levels.[42]

In the economic crisis triggered by COVID-19, emerging markets and developing economies have been hit by simultaneous and interlocking factors: collapse of commodity prices, supply chain disruptions, a decline in trade revenue and a sudden record arrest in investment capital flows. Emerging market countries have over the decades self-insured their economies through accumulating foreign exchange reserves as a buffer in times of financial crisis and capital outflows, as well as building local debt markets to raise capital. However, capital outflows in previous financial crises never exceeded $25 billion. During the global financial crisis of 2008, outflows were more 'manageable,' albeit long and painful. The magnitude of current capital outflows is exceptional, generating vulnerabilities that leave developing countries with dangerously narrow policy space. A petition addressed to international financial institutions and the G20 countries has been endorsed by leading economists and advocates from around the world clearly stating that "developing and emerging countries need capital controls to prevent financial catastrophe."[43]

6. Progressive taxation redistributes financial resources

During the global financial crisis of 2008, a concerted campaign for a financial transaction tax (FTT) ensued. The argument is that an FTT would curb speculative and excessive financial trading by imposing a low tax on each trade transaction. As a result also, much-needed financial resources would be generated for stretched public purses. Although the FTT has been politically blocked for many years, the exceptional circumstances of COVID-19 could justify it. The income could be used for the emergency health financing needs of developing countries, including supporting essential workers, informal sector workers and the unpaid care economy.

A proposal for a Corona Survival Tax (CST) by civil society illustrates how the COVID-19 crisis is an opportunity to reformulate the financial industry through re-regulation towards economic recovery.[44] The CST is proposed as a tax that elevates the average effective tax rate of large investment banks and financial firms to 35% from an average rate of between 18% and 22% in 2019. The actors being spotlighted are the global too-big-to-fail banks such as JPMorgan Chase and United Bank of Switzerland, for example, and large asset managers such as Goldman Sachs Group, BlackRock and Pimco. Such financial firms are seen to have facilitated and profited from short-term and speculative investment and financial transactions, while also receiving dividends and benefiting from share buybacks. Hedge funds, private equity funds and high-frequency traders are also important actors, as are the big tech firms, such as Amazon and Zoom, that have disproportionately benefited from the global lockdowns. Such companies should pay proportionately higher tax rates on the high profits they made.

During an extraordinary crisis, extraordinary measures such as a CST, as well as progressive taxation on the incomes and assets of the high-earning deciles in society, can feasibly direct idle private money towards meeting urgent health and economic needs, particularly in developing countries. Progressive tax policies also imply that regressive indirect taxes, such as value-added or general sales tax, are avoided due to their disproportionate costs to the poor.

Progressive income taxation directed at rich individuals and firms has been a historical fiscal tool to redistribute financial resources from the wealthy to the poor. During both World Wars, the US government imposed direct taxation on companies that made high profits by manufacturing for the war. Tax measures in the War Revenue Act included direct caps on prices, special war taxes, high marginal income tax rates on war manufacturers, and Congressionally mandated "renegotiation" of corporate profits deemed "excessive" by the national War and Navy Departments.[45] The War Revenue Act effectively contained the dilemma of profiteering, while addressing public outrage at perceived illegitimate profit-taking in times of crisis. In the current pandemic, targeted taxes and controls could similarly limit hoarding and profiteering and shore up fiscal balances, while generating necessary public financial resources.

The Indian think-tank Madhyam points out five key reasons why a progressive "solidarity tax" is important in the current moment.[46] First, tax revenues will be stunted over the next two or so years due to a slowdown in economic activity, particularly for countries which rely on commodities, natural resources, trade, tourism or consumption taxes for public revenues. Second, the spike in expenditures needed for healthcare and economic recovery will require a significant scaling up of financial resources. Third, there is a strong correlation between economic recovery and public health and economic spending. Fourth, analysts warn of a rise in protests and civil unrest with the deepening of hunger, poverty and unemployment. And fifth, taxes on wealth, estate and inheritance are the most effective policy tools to reduce economic and social inequalities.

7. Rethinking ideology to reorient the role of the state

One of the major lessons from this pandemic is that austerity measures have led to a systematic shrinking of the strength and resilience of public systems, which has in turn led to the lack of state capacity to adequately respond to the pandemic itself. Without state capacity and resources, the legitimacy of the state comes into jeopardy.[47]

The pandemic implores policymakers and international institutions to rethink the ideology that shapes the role of the state. Governments today find themselves in the driver's seat, steering the entirety of their national economies for the first time in a generation. There is an opportunity now to restructure the balance of power between states and markets in order to salvage the social contract between government and people.

A task of this order involves a deeper examination of how the role of the state has been positioned. Rather than the widespread perception that the role of the state has been rolled back since the rise of neoliberal economic policies in the 1970s, the state has been effectively deployed to serve and facilitate the market through the development of institutions and universal rules, policy norms and legal protections. The neoliberal ideology in practice, as opposed to theory or concept, does not necessarily enact the self-regulation of markets as autonomous entities. The core of 20th-century neoliberal ideas involves the construction of meta-economic or extra-economic conditions for safeguarding the market at the global scale.[48] The neoliberal project is focused on developing strong institutions, not to liberate markets but rather to encase them. The imperative of the ideology is on redesigning states, laws and other institutions to protect the market.[49]

Such meta-economic formations have re-routed the role of the state from guiding economic development, retaining ownership of key sectors such as industry and banking, and using resources to meet the social and economic needs of its people.[50] Where the developmental state plays a strategic role in shaping the output and structure of the economy while balancing growth and social well-being, the neoliberal state is disciplined by international institutions to normalise policy frameworks that allow markets to own key sectors, control resources and shape decision-making. Disciplinary mechanisms include, for example, the risk ratings produced by the three global credit rating agencies (Moody's, Fitch and Standard & Poor's), the assessments provided by the IMF's macroeconomic surveillance reports and the World Bank's Doing Business Indicators (DBI). Together, they construct a constellation of ratings, rankings and signals that generate conformity to the particular policy ideas of austerity, deregulation and privatisation.

The neoliberal turn promoted by British Prime Minister Thatcher and American President Reagan in the 1980s ushered in an era of structural adjustment programmes. The one-size-fitsall straightjacket of deregulatory supply-side policies, also labelled the Washington Consensus, created a structural legacy of impoverishment and inequality through loan conditions and policy advice to privatise public services and state-owned enterprises, liberalise trade in goods and services, and deregulate capital flows and financial transactions, among other policies.

Structural adjustment underscores "fiscal fundamentalism" over economic and social equality and fulfilment of human rights. This is seen by how governments prioritise reducing their fiscal deficits as a first-order priority, even when history shows that government intervention is indispensable to pull economies out of recession.[51] A Keynesian fiscal perspective follows that the state must act as a "counterweight" to regulate the magnitudes of economic recessions.[52] In the Keynesian analysis, the government implements the social contract that binds individuals and institutions in a pact of accountability, responsibility and mutual trust. During times of economic recession, governments should increase public spending in order to stimulate the economy with an influx of labour and wage-led economic momentum.

The global pandemic demands that the centrality of public financing, regulation and coordination can no longer be deliberately obscured. The international community can no longer look the other way when the state protects the market at the expense of its people. Left unchecked, the pandemic will endanger three decades of progress in reducing poverty and expanding economic sectors and employment across the developing world. It is now time to revive the leadership role of government in establishing the framework of economic strategy, setting the boundaries for the private sector and defining the nature of collaboration, the direction of compliance and the distribution of resources and benefits.

8. The way forward: Global recovery calls for a new and bold multilateralism

The COVID-19 pandemic lays bare the unequal nature of the structures and norms of the international financial architecture. Institutional power imbalances and the primacy of the financial economy over the real economy have generated exponential inequalities, economic and social rights violations, an unequal gender division of labour, climate change, migration and refugees, and the transgression of planetary boundaries, among other failings. The distributional function in the international financial architecture is wholly inequitable, while decision-making structures tend to reflect geopolitical realities dating back to the post-World War II era. This results in a tragic reality where even in the midst of a pandemic, countries are competing for scarce resources. The way forward must entail both a resuscitation and a reboot, one rooted in the principles of equality, rights, historical responsibility, feminist and ecologically just values, and international cooperation and solidarity.

The way forward can encompass two imperatives. First, the response to an economic recession of historic magnitude can inspire a renewed multilateralism for health and economic recovery in developing countries. Specific policy actions have been outlined by UNCTAD, global civil society and progressive academics and analysts. Second, transformative reform to global economic and financial governance can be consonant with sustainable and equitable systems of consumption and production in the reality of a warming world.

A global plan for recovery in developing countries

Integrating the call by UNCTAD for a composite $2.5 trillion package of measures[53] as well as key elements of civil society recommendations entails, but is not limited to, the following:

1. A $1 trillion liquidity injection through reallocating existing SDRs at the IMF and issuing a new allocation that will need to go considerably beyond the 2009 allocation made in response to the global financial crisis.

2. A debt jubilee for distressed economies. An immediate standstill on sovereign debt payments should be followed by significant debt relief. A benchmark could be the German debt relief administered after World War II, which cancelled half of its outstanding debt. On that measure, around $1 trillion should be cancelled this year overseen by an independently created body.

2.a. The Civil Society 20 group clarifies that all principal, interest and charges on sovereign external debt due in 2020 and 2021 should be cancelled immediately and permanently, and should therefore not accrue into the future. The proposed debt relief should involve official bilateral and multilateral banks (both global and regional ones) and private creditors. All debt relief should be designed without economic reform conditionalities attached, while ensuring funds and public expenditure are targeted at protecting the rights and needs of populations, especially to maintain and increase social protection and health spending for those most in need in response to the crisis. The provision of emergency additional finance should not create additional debt.

2.b. Private creditors should also participate in the cancellation of debt servicing by developing countries due in 2020 and 2021 in order to allow for health and economic recovery. The coordination of private lenders and investors should be facilitated by the donor countries.

2.c. A debt restructuring framework, as reflected in the renewal of discussions in the UN system to design a global solution for the fair, effective and efficient restructuring of sovereign and private debt. Debt restructuring should be based on debt sustainability assessments that consider the impacts of SDG and climate financing requirements.

3. A health recovery for developing countries funded from some of the missing official development assistance (ODA) long promised but not delivered by development partners. UNCTAD estimates that an additional $500 billion – a quarter of the last decade's missing ODA – largely in the form of grants should be earmarked for emergency health services and related social relief programmes.

4. Capital controls should be given their legitimate place in any policy regime to curtail the surge in capital outflows, to reduce illiquidity driven by sell-offs in developing-country markets, and to arrest declines in currency and asset prices.

5. Fiscal deficits generated by public spending necessary for health and economic recovery should not result in a new round of austerity measures in the name of fiscal credibility to restore investor confidence and attract new capital investments. The fiscal policy response to the pandemic must recognise that austerity measures have in large part resulted in underfunded, under-capacity public healthcare systems and social safety nets. A rethink is required on fiscal discipline norms and rules in order to increase and maintain public spending for universal health systems, social protection and decent work.

6. Progressive tax measures can raise much-needed additional financial resources to address the economic fallout from the pandemic. These include increasing the effective tax rate of systemically important global banks and large investment and financial firms, and progressive income taxation on the wealthy in society. Progressive taxation also includes targeting the private sector actors that have disproportionately benefited from the global lockdowns, such as the big tech sector and delivery and distribution services. Essentially, taxing the banking and investment sector, big corporations, and individuals with high incomes, wealth, inheritance, real estate and financial assets has the potential to feasibly generate financial resources in the near term.

7. A global fund for universal social protection to support the most vulnerable countries in responding to the pandemic.

8. A global ban on short selling among all markets and greatly increased regulation of high-frequency financial trading, with the objective of limiting speculative trading and arresting declines in currency and asset prices.

A renewed commitment to bold multilateralism in the United Nations

No country alone can or should finance a global plan. It needs to be built as part of a progressive multilateralism and global solidarity centred around the values of equity, rights and justice. The nature of the novel coronavirus clearly implies that no country can heal and recover alone, as the virus would surely find its way across borders. A failure to address the health and economic needs of the most vulnerable communities in the developing world would cost both lives and damage to the world economy.[54] Renewed commitment to multilateralism and global solidarity is the safest path forward.

Developing countries can coalesce in like-minded coalitions, equipped with a vision and will to catalyse new consensus for a way forward. Such consensus can pave the path to systemic reform and a rethinking of the ideological bias and assumptions in global economic governance. In the 1970s, developing countries came together in what economist Mahbub ul Haq called a "trade union of the poor nations."[55] They employed the forum of the UN General Assembly to pass resolutions on a New International Economic Order (NIEO) and a Charter of Economic Rights and Duties of States in 1974, calling for redistributive justice, colonial reparations, permanent sovereignty over natural resources, stabilisation of commodity prices, increased aid, and greater regulation of transnational corporations.

In the aftermath of the 2008 global financial crisis, the G77 and China group of developing countries in the UN General Assembly initiated the UN Conference on the World Financial and Economic Crisis and Its Impact on Development in June 2009.[56] The outcome document of the conference included a comprehensive range of action items: avoiding a new debt crisis, initiating the establishment of a sovereign debt restructuring mechanism, ensuring policy space, mobilising additional financial resources for development purposes (such as SDRs), reform for a more efficient global reserve system, financial regulation with respect to all major financial centres, instruments and actors, international cooperation in tax matters, IMF and World Bank governance reform, a more even-handed and effective IMF role in surveillance and avoidance of procyclical conditionalities in IMF lending facilities, and strengthening the role of the UN and its member states in economic and financial affairs. These action items are still relevant today, and can and should be employed in the policy actions and institutional reforms to address COVID-19.

In particular, the 2009 UN conference sought to establish the UN itself as a forum to address long-term systemic issues of economic governance. The discussions of the conference highlighted that if a small number of countries grouped in the G8 or G20 can agree on actions regarding the IMF and World Bank or on systemic issues of financial regulation and flows, it is then unacceptable for leading members of these groups to prevent the UN, as a universal and legitimate body, from similarly proposing actions concerning global economic governance.[57]

To respond to the economic fallout of COVID-19, international civil society has called for an International Economic Reconstruction and Systemic Reform Summit under the aegis of the UN, to take place either in late 2020 or in early 2021.[58] The conference should be an ambitious UN and Financing for Development–centred process to assess the current economic crisis and agree on responses. The aim is to advance short- and medium-term solutions to strengthen multilateral cooperation and ensure adequate fiscal and policy space for all countries, with attention to developing economies, to tackle the health, food, social, economic and financial dimensions of the crisis.

The health and economic crisis triggered by COVID-19 is first and foremost defined by its human and social toll. With a projected half-a-billion people forced into deeper poverty, the origin points of global poverty must be located in the structural inequalities within and between countries. These inequalities are generated by an exploitative global and gendered division of labour and the historically skewed distribution of wealth and resources, where the G7 developed countries possess about 58% of the world's total wealth and 46% of the global GDP.[59] Women are being disproportionately affected by the crisis through multiple channels, including the unpaid care economy, employment in the informal sector, export processing zones, domestic work, migrant work and healthcare sectors, and greater reliance on public services and social protection systems.

In light of the deeply sobering forecast for the deepest global recession since World War II, it is morally imperative that the international community show political will and action through bold multilateral measures and equitable economic and financial governance. To actualise this, the universal participation of member states within the UN is essential. It is also critical to ensure that the responses to the crisis of poverty, livelihoods, health and economy are coherent with international human rights law, Agenda 2030 for Sustainable Development, the Financing for Development Conference outcomes, the Beijing Declaration and Platform for Action, and the Paris Agreement on climate change.

This is the time for the UN and all global governance institutions, particularly the Bretton Woods institutions – the IMF and the World Bank – to uphold a global transformation in the current unequal structures of finance. Just as the UN responded to the signs of the times at its founding moment 75 years ago, it should also assume leadership today. The counterfactual is an intertwined health pandemic and economic recession that will leave long-lasting scars and pose entrenched global challenges for equality, rights and justice. The time to act is now.

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Debt restructuring, austerity and the urgency of fiscal justice: The case of Sri Lanka

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TODAY [18 April 2022], discussions will start in Washington DC between the new Sri Lankan Finance Minister and his senior officials and the IMF on yet another IMF loan. Sri Lanka has been through several IMF loans, approximately 16 since the 1960s. So, this is a moment when the country has had to resort to another IMF loan in the context of its debt and economic crisis. This loan will have a repayment period of about two to five years and will have policy conditionalities attached to it.

Fiscal consolidation = austerity

My talk will look at the resurgence of austerity in the era of COVID-19. By austerity I am referring to fiscal consolidation measures which the IMF has been recommending in both its loans to developing countries as well as its economic surveillance reports. Austerity measures take the form of cuts to the public budget, particularly social protection, social safety net measures, and essential public services of healthcare and education; regressive taxation such as value-added tax (VAT), indirect taxes and general sales taxes; privatisation of state-owned enterprises as well as of public services and public goods, and putting in place public-private partnerships; further liberalisation of government procurement and trade; labour flexibilisation in terms of reducing wages and loosening labour rights regulations; facilitating corporate access to natural resources; increased independence of the central bank; pension reductions; and tightening monetary policy by increasing interest rates, including on consumer loans.

These measures have the key impact of intensifying social, economic and particularly gendered inequalities and undermining the social contract between the citizens and the State. The public sector that is already eroded, under-financed and under-invested can then become even more broken, laying the groundwork for the argument to be made – "Oh look, it's so inefficient, we need the private sector to make our health services more efficient." It opens the road for the privatisation of the public sector.

Each country is provided with its own specific menu of recommendations on fiscal consolidation, where the pressure is exerted to carry out some or many of these measures in order to receive the IMF loan money. As we all know from decades of adverse impacts of austerity measures, the effects on the majority of people in society, particularly on the poor and poor and rural women, as well as on the marginalised and the discriminated, are very serious.

While fiscal consolidation was also imposed in the aftermath of the 2007-08 global financial crisis, the measures that are being demanded of Global South countries in the COVID-19 era are even more aggressive and concentrated.

I will then talk of the possibilities, alternatives, solutions and strategies that can be employed, including independent debt audits, national dialogue, and advocacy within the negotiation process with the IMF to ensure that there are real, universal, unconditional, untargeted social protection measures to help minimise the enormous negative impacts of debt restructuring on poverty, labour and well-being.

Resurgence of debt and austerity

In the COVID-19 era, we are seeing a resurgence of austerity measures, even though ironically, it is austerity measures which gave rise to a crisis of public systems and services during the pandemic. Yet, we see a consensus among political and economic elites around the world – from Wall Street to the biggest commercial banks to private creditors, investment funds, as well as most of the finance ministries and central banks of developing countries – that has normalised a bias towards fiscal austerity, in that restraining public expenditure has become a normative characteristic of prudential economic governance, rather than being only a repercussion of unsustainable external debt.

Developing countries have for decades been in and out of cycles of debt because their resilience and economic independence have been eroded due to centuries of colonisation. There is now a structural dependency on external debt. Debt in terms of borrowing money from foreign lenders is not necessarily a bad thing in and of itself. It's how individuals, nations and corporations have financed themselves; it's a part of the economic machine. But the nature of debt dependency and the deep asymmetries in the world economy mean that rich countries can access external financing at rock-bottom (near zero) interest rates, while developing countries have no choice but to borrow at high interest rates. For example, Sri Lanka's interest rate is on average 7%, whereas the rich world has interest rates of less than 1%. This is a huge difference in the cost of borrowing.

Moreover, countries like Sri Lanka encounter serious constraints in securing sovereign self-reliance through a diversified economic sector that produces a broad range of products and services, with technological development and where raw materials and primary commodities are vertically linked to the manufacturing and services sectors. What has happened – in great measure due to the pressures by international financial institutions like the World Bank as well as donor governments of the North to liberalise, deregulate and privatise the national economy – is that developing countries have been constrained from implementing industrial policies and efforts to support and protect new sectors, skills and labour markets. The importance of such policies is that they create domestic revenue and a back-and-forth flow between that revenue and employment generation, productive investments and technological development that alleviates poverty and supports the economic and social rights of people.

In the absence of a robust and sustained industrial policy and national development priorities, there is a disproportionate reliance on a narrow range of resources, commodities and sectors that are often overwhelmingly linked to exports and foreign corporate control, such as in the case of the garment and footwear export processing sector. This leads to a reality where national expenses are often greater than national revenues, thus creating a structural need to borrow foreign exchange to meet domestic financing needs, which often include repaying old debts and the interest on them.

Role of the IMF

Since the onset of the COVID-19 pandemic, the role of the IMF has heightened to an unprecedented level, with 221 loans being arranged with 88 developing countries as of August 2021. Through both loans and country surveillance reports, the Fund has advised 154 developing countries in 2021 and 159 in 2022 to commence fiscal tightening measures, following a brief duration of fiscal spending in 2020 to respond to the immediate health and economic damage inflicted by the pandemic.

The austerity measures are more premature and severe than in the aftermath of the global financial crisis of 2007-08. It is important to note that 80% of the affected population are in developing countries across the Middle East and North Africa, sub-Saharan Africa, South and East Asia and the Pacific, and Latin America and the Caribbean.

Yet another era of austerity will no doubt generate multi-dimensional and layered fractures and inequities from the individual to society to economy and on the registers of gender, race, sexuality, ability, ethnicity, caste and citizenship. Critics, advocates and social movements for global economic justice warn that with an additional 100 million pushed into poverty as a direct result of the pandemic and an economic recession exacerbated by the war in Ukraine, a "lost decade" for the Global South is imminent.

However, empirical, data-based evidence across time, geography and context demonstrates that austerity has neither restored income growth nor reduced unemployment. Indeed, academic research illustrates how the economic methodology in support of austerity is conceptually flawed. Reams of impact analysis literature illustrate how austerity has led to structural inequalities, material deprivations, intergenerational cycles of poverty, intensified discrimination, and a subterranean stream of social fissure and emotional-spiritual alienation. Mass protests and counter-movements have surged across the globe over the course of decades, decrying austerity's devastating toll and castigating it for deepening social injustices.

The IMF, in the beginning of the pandemic from March to May 2020, made a rhetorical statement to the effect that it will not impose austerity and will let governments spend. That was true for the first couple of months of the pandemic in 2020. However, as soon as December 2020, all austerity measures were back in place. This flexibility to spend was temporary; it was targeted and wholly insufficient. Usually, it is during an economic downturn, during a time of crisis, that countries should be spending in a countercyclical manner, meaning spending more than usual in order to support economic and health recovery through social provisioning. In fact, this is exactly what rich countries did through amplifying their existing social welfare systems and enacting huge fiscal stimulus programmes, which most developing countries did not have the public funds to do.

While the IMF is being positioned as the primary international institution enforcing austerity, we have to remember that we are actually talking about the finance ministries of the rich countries: of the G7 countries in particular. And we are also then talking about the financial players, from big global banks to investment and equity funds to multinational corporations, that have an entrenched influence over these finance ministries' positions, decisions and overall political will. Governance power in the Fund's Executive Board is disproportionately skewed towards rich countries, which hold over half of the voting power; developing countries, which together constitute 85% of the world's population, have a minority share. For example, for every vote that the average person in the Global North has, the average person in the Global South has only one-eighth of a vote. This has been called "economic apartheid" by some critical voices.

Indeed, the key point here is that the IMF is merely the messenger. The actual players are the finance ministries of the US, the European countries and Japan. Perhaps even more importantly, the movers and shakers that determine the IMF's mission are the financial and banking sectors of these countries. So, as you can now see, the IMF is governed by the finance ministries and central banks of the rich countries, who are in turn largely governed by Wall Street, the City of London, commercial banks, investment funds and, in particular, asset management companies (AMCs) that have risen in the last 10-20 years. These asset management firms are the key actors that buy a huge amount of government bonds.

For a sense of the scale of AMCs, the "Big Three" asset management firms – BlackRock, Vanguard and State Street – manage over $15 trillion in combined global assets, an amount equivalent to more than three-quarters of the US domestic economy (gross domestic product, GDP). The outsized footprint of a few large financial companies and the concentration of their political power poses serious issues for the world economy and for global financial stability, which more severely affects the rights of working people and women across the Global South than it actually affects the global rich.

In Sri Lanka's debt composition, it's striking that China has 10% of Sri Lanka's sovereign debt, India has about 3%, but private creditors possess almost 40-50%. So first and foremost, we have to see the IMF not as the perpetrator of austerity, but as the messenger of private creditors in the international financial markets through the channel of finance ministries. At the same time, these financial markets are providing fast and significant credit to developing countries attached to high interest rates with one hand, while the other hand is siphoning national money through debt repayments and those same high interest rates.

To return to the point about austerity, there have been innumerable campaigns, protests, resistance efforts and international petitions to the IMF over the years. At the outset of the pandemic in 2020, over 500 organisations and individuals signed a petition calling on the IMF to immediately stop prescribing austerity measures to developing countries and instead advocate policies that advance human rights, sustainable development, climate justice, and gender and income equality. The petition emphasises that fiscal austerity will undermine the achievement of economic and social rights while deepening poverty in a context where the UN estimates 70-100 million people will be pushed into extreme poverty. The consequences are grave. Many developing countries are in danger of facing a "lost decade" as their pathways to achieving the Sustainable Development Goals (SDGs) and the Paris Agreement targets on climate change are effectively blocked.

The petition also said that we must protect the developmental role of the State in guiding economic development and social policy by retaining ownership of key sectors like industry and banking and allocating fiscal resources to meet the social and economic needs of people. First and foremost, through a rights-based economic framework that prioritises economic and social rights of the people, such as through maximising available resources, doing no harm, and having an ex-ante human rights and gender equality assessment process. This petition really laid the groundwork for some of our civil society advocacy, campaigning, social media work, and messaging to policymakers.

Extended Fund Facility of the IMF

Sri Lanka will most probably sign on to the IMF's Extended Fund Facility (EFF) loan scheme. These EFF loan programmes are the bread and butter of the IMF. They are for serious medium-term balance-of-payments problems. They are of three to four years' duration and have to be repaid within 4.5 to 10 years. You can pay it in semi-annual instalments. The difference between the EFF programme and the other longer-term programme of the IMF, called the Stand-by Arrangement (SBA), is that the EFF has to be paid back in 4.5 to 10 years, and the SBA, which is usually used when there is no crisis, in a much shorter repayment period of about three to five years.

Unfortunately, the EFF is not a concessional loan. Concessional loans, where the interest rates are lower, are usually from the Poverty Reduction and Growth Trust facility which is for low-income countries only. Sri Lanka, as a middle-income country, is probably going to sign an EFF type of loan. The problem with the EFF is that it is the key loan programme that focuses on structural reforms, in that there are numerous types of policy conditions that are recommended or pushed by these loans.

I provide here a quick snapshot of Ecuador's EFF signed in 2019 and renewed in 2020. In most cases across the Global South, signing a loan with the IMF is a precondition in the process of carrying out a restructuring of a nation's sovereign debt. Ecuador's sovereign debt restructuring involved \$17.4 billion, where its creditors de facto required that country to sign on to a \$6.5 billion loan with the IMF in order to restructure the debt.

Some of the key measures in Ecuador's EFF included:

- Reduction of public expenditure by 4.2% of GDP between 2022 and 2025;
- Privatisation of state-owned enterprises (SOEs), mainly in the gas sector because Ecuador is a petro-economy;
- Labour flexibilisation through a decrease in the official minimum wage;
- Reduction of pensions, as pensions were deemed to be excessively generous relative to the contributions to social security;
- Liberalisation of public procurement, allowing all kinds of government procurement of infrastructure by foreign companies;
- Increasing VAT and customs duties;
- Increasing interest rates for borrowers but without necessarily placing any responsibilities on the lenders;
- Expansion of foreign investments and facilitating resource extraction.

However, these recommendations needed to be passed in the Ecuadorian Parliament. So, the silver lining is that not all of these recommendations may get passed, even though the pressure is always present to reduce the fiscal deficit through public expenditure reductions and regressive taxation increases.

Many of these conditions that the IMF imposes in the loan agreement often also go against the Constitution of the nation. That is one of the key things to monitor. What is being proposed in the EFF package for Sri Lanka? Which parts are against the very Constitution and very laws of Sri Lanka? Look at the details. Are there any provisions, measures or recommendations that will directly go against the laws of your country? Get the human rights and pro-bono lawyers to make a case that these are constitutionally illegitimate and illegal and not within the remit of the national Constitution. So that is one of the key things to consider from the time the loan proposal is put in place: to do a thorough legal check.

Gendered implications of austerity

Another key thing is to demand that there has to be an ex-ante overall economic and social rights assessment, including a gender assessment. You have to demand that such an assessment be done before the loan is put in place. I think all of you know very well that the gendered nature of austerity means that women become the shock absorbers of these austerity measures. We know that the care economy upholds the social services and public services that the State is failing to provide. We know that a feminist political economy lens is about going from viewing women as individuals to instead seeing gender as a system that structures power relations and seeing fiscal austerity as a system that violates collective rights. The predominant channels through which women are affected are: diminished access to essential services, loss of livelihoods and workers' rights violations, and increases in unpaid work and time poverty. So let me just quickly expand on these.

You know well that reductions and eliminations, freezes to the public wage bill, and budget cuts to public health, education and social protection systems are going to affect the very programmes and services that benefit women. The IMF will put in place temporary, targeted and conditional social protection programmes rather than universal and holistic programmes. Ever since the global financial crisis of 2008, the IMF has been putting in place something called social safety nets. That's their language. They will say that the budget cuts are a certain percentage of GDP but that you can also implement social safety nets that are temporary, conditional and targeted. They have very robust language on why these need to be targeted and conditional; it is to prevent inefficient spending, to make the investment in social protection programmes more efficient, to make sure there's no wasted funds.

They're very concerned about any kind of inefficiency in spending when it comes to human needs, but not necessarily when it comes to debt servicing and all the debt payments that will be made from squeezing the public sector. You see where the priorities are! And of course that fiscal contraction will displace women into unemployment and precarious work. Women are already in precarious work, already migrant workers, already in the informal economy, and this exacerbates and intensifies that kind of loss of livelihood and workers' rights violations.

We know that women, especially in a nation like Sri Lanka, form the backbone of the economy, from migrant workers to garment workers in the export processing zones to workers in tea plantations. Women are the absolute economic foundation of your economy. But also when it comes to the care economy – they take care of your households, domestic work and children. The cuts in social welfare will impact especially low-income women, their physical and mental health and emotional well-being. It will also lead to the complete erosion of their time.

Time poverty is really a key issue when it comes to a feminist analysis of austerity measures because it is often misunderstood. Time poverty is often understood as not having enough leisure time available, or not having enough time for socialising or personal self-care. No. Time poverty means there's not enough time to sleep, there's not enough time to do the care provisioning for the children, the cooking for the household, the cleaning and maintenance, getting of groceries for the household. It means more than just loss of leisure time. It is about the material deprivation to the household because of the loss of time for women, because they have to work overtime and engage in many different kinds of employment. This material deprivation of the household points to the fact that the unpaid care economy has a huge macroeconomic role. It is subsidising the wage economy. It is subsidising the formal economy. And the children and the household depend on the provisioning that is done by the care economy. Time poverty has to be looked at as a real violation of the care provisioning for the household.

The other way to look at the care economy is that, unlike in rich countries, where the care economy is often outsourced, the care economy in developing countries is linked to public services, social policies and social protection. So, all the care-related infrastructure is also about water and sanitation and gas and fuel. All the things that austerity hits, hit the care economy directly. The care economy is not a side consideration, it's not a footnote. It's at the centre of what is being attacked by austerity measures.

The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) has been ratified by Sri Lanka. It is possible to invoke CEDAW to argue that fiscal and macroeconomic measures cannot override CEDAW. The State has a fundamental obligation to protect women's human, economic and social rights.

Regressive taxation

On the very important issue of tax, the IMF, the World Bank and donor governments in the Global North often point the finger at tax and tax compliance. But they don't look at the way the economy is structured. Most developing economies are based on remittances and informal sector labour. So, income tax is not the same story as it is in wealthy nations where a majority of the workforce is in the formal sector, where income tax payment is reciprocated by the government through access to social security and various other types of welfare system benefits.

Furthermore, and very critically, the IMF has long imposed regressive taxation, such as value-added taxes and general sales taxes, which are flat taxes that most hurt those who have the least purchasing power. There is a significant and ever-growing amount of evidence that also points to how poor women are hurt the most from regressive taxes, as they are often responsible for household purchases of food and commodity items. The antidote to such harmful regressive taxes is progressive taxes, such as taxes on income that target high-net-worth individuals, focusing on financial assets, income from capital investment and real estate, big domestic firms and particularly foreign multinational corporations.

It's unimaginable that, with Sri Lanka's economic situation – where there's double-digit inflation, shortages of fuel, many hours of power cuts – there would be regressive taxation that would be imposed on the food commodities that are already so expensive, already in shortage. So, regressive taxation measures have to be resisted, and we need to talk about progressive taxation measures that are direct, not indirect, and that are investment- and capital-based, not consumption-based.

There is also a need to address illicit financial flows and tax evasion and tax avoidance. Corporate taxation is a significant elephant in the room, precisely because the systematic tax evasion and avoidance committed by corporations result in literally billions of dollars of taxable profit being siphoned into tax havens around the world. Profits produced by economic activities of companies in the actual physical sites of production should be liable to tax within those countries. Measures to combat such tax evasion and avoidance could yield massive sums of money to countries like Sri Lanka and many others across the developing world.

However, the core question is really that of the political will to tax the actual holders of wealth rather than squeezing the poorest. The power politics at hand is about the influence and sway of financial and economic elites to create entire architectures of tax loopholes that allow them to hide their profits in tax havens, as well as exert a strong hold over local politicians to avoid paying their fair share of taxes, often a guarantee demanded by foreign companies in return for investing or manufacturing in the country.

Moreover, political elites, including Sri Lanka's Rajapaksas, are reported to have quite a lot of money in tax havens. The rich and the elite across the developing world have so much money in tax havens, whether it's the Cayman Islands, Switzerland, you name it. This has to be addressed. These are huge amounts of funds that are actually the people's funds, which is why an independent debt audit is very necessary to really look at which parts of the debt ledger are legitimate and which are not. Which were used for corrupt deeds? Where did the money go? What did it finance? Has it been repaid? If not, why not? That kind of audit must be done.

Role of the central bank

A key policy recommendation in many IMF loan programmes, which often falls outside the rubric of fiscal austerity, is that of encouraging the independence of the central bank from the national government. This debate of whether central bank policies should or should not be influenced by the government is critical. Economic justice advocates say that central bank independence reduces or even erases the accountability of the central bank to the government, and that taking monetary policy out of the hands of elected politicians is undemocratic.

As economist and former Minister of Finance for Greece Yanis Varoufakis argues, "so-called independent central banks are independent only of their parliaments and the people and, thus, fully in the pockets of the financiers and the broader oligarchy". While IMF staff have commented that central bank independence is aimed at "politics-free monetary policy decisions", as Varoufakis suggests, removing government authority over central banks does not make them free of politics, only free of democratic accountability.

The argument of the rich-country finance ministries that govern the IMF is that central bank independence controls inflation by taking interest rate management out of the hands of "short-sighted politicians". As IMF staff write, "if politicians manipulate monetary policy to bolster their pre-election popularity, their prioritisation of short-term political gains could invite long-term pain for the economy, in the form of higher inflation or even hyper-inflation".

However, this very "political interference" means that governments will not have the ability to encourage or mandate their central banks to lower interest rates to support the domestic economy, for example. Indeed, interest rates are central to the stability of the domestic economy. Lower interest rates make it cheaper for businesses to borrow and expand, thereby creating employment. Accountability between governments and central banks also allows national policymakers to turn to central banks to fund their public spending in times of crisis. On the other hand, there are real risks of higher inflation and increasing public debt to unsustainable levels. This does not mean that the central bank should not help the local economy; it just means that there must be careful management and moderation of policy moves, through channels of accountability.

Conclusion

Let me conclude by saying that austerity has no evidence supporting it. There is four decades' worth of evidence, from Greece to Indonesia to Egypt and Tunisia during the Arab Spring, that austerity does not work. During times of crisis and recession, you cannot reduce the fiscal deficit and keep servicing debt by squeezing the public sector. It only makes the economic recession and crisis worse. It exacerbates inequalities and deepens the crisis. This is the evidence provided by Greece just recently in 2013, and Egypt and Tunisia in 2011. In fact in 2016, the IMF's own research staff penned a paper called "Neo-liberalism: Oversold?"; and the IMF's Independent Evaluation Office has produced various reports acknowledging that fiscal austerity has not delivered as expected. They know it doesn't deliver. They know it has no moral grounds. They know it is precisely about private creditors and international lenders and the finance ministries and central banks wanting to see austerity measures in place so that their debt repayments will be prioritised and they will be getting their resources back.

The number one issue around this is the absence of a multilateral mechanism to restructure the debt, to burden-share the debt. Private creditors need to be put in a position where they are regulated. Where private creditors are purchasing sovereign bonds at attractive interest rates, it means that they are profiting very well from those bonds, like in the case of Sri Lanka. In turn, when there is an economic downturn, they have to take a loss, they have to take a haircut, and they have to share the burden of losses from a fair debt restructuring.

This type of debt restructuring is, however, not happening in Sri Lanka and many other developing countries. What is happening in Sri Lanka is a reprofiling of debt, not a burden sharing of debt in a more legitimate, multilateral manner that avoids austerity. We need the kind of debt restructuring and careful assessment of the debt ledger, the auditing, that really looks at how to burden-share, how to do responsible lending and borrowing.

Debt justice advocates, as well as developing countries within the UN General Assembly, supported by the UN Conference on Trade and Development (UNCTAD), international civil society and various policy institutes, have long called for a binding debt workout mechanism within a multilateral framework for debt crisis resolution. Such a mechanism can address unsustainable and illegitimate debt, and provide systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all – bilateral, multilateral and private – creditors.

Real debt restructuring should not come with fiscal austerity. Fair, accountable and effective debt restructuring should free up fiscal space for economic and social rights, for the needs of the people, for provisioning socially, for food distribution, for public services. Real debt restructuring would also work in tandem with addressing tax evasion and tax avoidance, implementing progressive taxation as well as reallocating public expenditure. Real debt restructuring will take out all the corporate giveaways, corporate tax holidays and all the ways in which businesses, especially foreign businesses, are not being regulated properly. It has to be accompanied by the political will to spend, through the public budget, specifically for social protection and public services and goods. During times of crisis, there should be a countercyclical agenda on spending on welfare and the public sector, in order to support social and economic recovery and specifically to ensure protection against hunger and malnutrition and other deprivations related to poverty and lack of access to basic needs.

It also needs to be stressed that national public dialogue is essential to generate consensus and political will within Sri Lanka. Public dialogue strengthens citizens' awareness of their rights and entitlements and regulates the behaviour of vested interest groups, both domestic and international.

For example, expansion of social security coverage by increasing the number of people who contribute into the system tends to be welcomed politically; however, increasing the contribution rates may face resistance by employer groups. Similarly, raising revenues through higher tax rates may be resisted by those who have to pay more, just as certain groups will oppose proposals to reallocate the government budget away from defence or fuel subsidies. On the other hand, using fiscal and central bank reserves and issuing government bonds are relatively less contentious options since they are under the sole discretion of most governments, unless fiscal restrictions were in place. Ultimately, successfully creating fiscal space for economic recovery in times of crisis requires understanding the winners and losers of a specific option and effectively debating the pros and cons in an inclusive public national dialogue.

These are just some of the ways of thinking about alternatives, of rethinking the possibilities of prioritising social protection, progressive taxation and independent debt audits. All of this should be underpinned by national public dialogue. This is about national social movements really leading the national public dialogue sitting down with trade unions, government members, feminist collectives, human rights groups, NGOs and community development organisations in a transparent manner, where there is an open dialogue, where the behaviour and agendas of vested interest groups, both domestic and external, are checked.

Gendering the debt crisis: Feminists on Sri Lanka's financial crisis

Kanchana N. Ruwanpura, Bhumika Muchhala and Smriti Rao***

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Backdrop

COUNTLESS images of women carers flitted through April-July 2022 on Sri Lankan television screens, social media, and newspapers. Carers with young children, mothers with newborns leaving them with equally young children while they stood in queue for gas or kerosene, children doing their homework on tuk-tuks while their parents got in line for petrol and diesel. Yet, Sri Lankan policy pronouncements rarely mention working-class women. In a country where women comprise 52% of the population, this is astounding. Especially so when the dominant three foreign exchange earners for the country – garments, tea exports and migrant workers to the Middle East – rest on the efforts of women workers.

In the current response to Sri Lanka's debt crisis, the voices and needs of working-class women are once again being ignored by policymakers, despite the evidence all around of women intensifying their unpaid labour even as the conditions under which they perform paid labour deteriorate.

As feminist economists, our argument is straightforward: debt justice is a feminist value and principle. And at the core of our understanding of debt justice is the principle that working-class women cannot be made to pay for the "odious debt" generated by the recklessness and corruption of (almost entirely male) Sri Lankan political elites.

Local corruption, global debt crisis

This latest round of "odious debt" in Sri Lanka was created by an authoritarian and corrupt government, led by a President who initially fled the country rather than take responsibility for the economic catastrophe he unleashed. If the Pandora Papers are anything to go by, a former President and an entire corrupt family clearly accumulated personal wealth at the expense of Sri Lankan people. This is an economic catastrophe that was enabled and facilitated by highly paid financiers at places like BlackRock and other private investment firms, which now hold almost 35% of Sri Lankan external debt. Their windfall profits during a global pandemic indicate the extent to which they have profited at a time of human misery.

Is there a need to be anxious about financial vulnerability of these investment firms? Clearly not, given their extremely healthy balance sheets. Or, perhaps, we need to worry that Sri Lanka may not be able to access credit markets again? No need, it appears. Jerome Roos, in his book *Why Not Default?: The Political Economy of Sovereign Debt*, argues that not only has debt default been the norm in the pre-1980s period, but the terms for defaulted countries, when they have borrowed afterwards, have been no different from those for non-defaulting nations.

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* Kanchana N. Ruwanpura is Professor of Development Geography at the University of Gothenburg, Sweden.

** Smriti Rao is Professor of Economics at Assumption University, USA.

We must, however, worry about the vulnerability of the working-class people, and particularly the women, of Sri Lanka. Across the Global South, the pressures of survival work – or the work of social reproduction – amidst a pandemic that dried up sources of livelihood have fallen upon women. It is unconscionable to insist on austerity and call for privatisation softened by only a piffle of cash transfers at a time when women and their families are trying their hardest to recover from those difficult times and fighting rampant inflation. As feminist economist Jayati Ghosh points out, particularly in this case of "odious" debt, the current proposals prioritising so-called re-entry into finance markets are proposals to effectively bail out private finance (both local and global) and let corrupt elites get away by putting the burden on the workers, and especially women workers – both paid and unpaid – of Sri Lanka.

These proposals do not pass the basic test of feminist debt justice. Sri Lanka's Feminist Collective for Economic Justice has issued statement after statement recording the difficulties faced by working-class women and the care burden they carry. However, based on the silence from the Central Bank of Sri Lanka and economic think-tanks at the forefront of negotiations with the IMF, they remain oblivious to the needs of 52% of Sri Lankans.

Women's labour force participation is not the same as justice for women

There is one area in which policy analysts do tend to mention women – when they repeatedly talk about the need to increase female labour force participation (FLFP). We have also seen private financial giants like BlackRock claim feminist credentials by similarly emphasising women's "right to paid work" (and participation in markets more generally). Sri Lanka's FLFP did fall by 10% over the last three decades and is now stagnant at 31% according to the World Bank (2021), creating one of the largest gender gaps in labour force participation in the world. By the measure that pro-market policymakers claim to care most about, the policies of the past few decades have failed Sri Lankan women. However, this emphasis on labour force participation alone ignores both the deep linkages between unpaid and paid work, as well as the troubling implications of increased access to labour markets when those markets only provide underpaid work under sub-standard labouring conditions.

On 23 August 2022, the UN Development Programme (UNDP)-Sri Lanka announced that it had launched a facility to work with and assist private sector corporates to partner and contribute towards humanitarian efforts due to the debt crisis. It is as if UNDP is unaware of the absence of living wages in the tea, garments and tourism sectors of their corporate partners, as documented by countless feminist scholars of Sri Lanka. It is the lack of a living wage which propels Sri Lankan women workers and families to seek soup kitchens and mutual aid initiatives in the first place. There is nothing ethical or feminist about creating economic conditions that force women into indecent jobs, intensifying their double burdens and keeping them in place with poverty wages.

Gendered responses

Our solidarity with Sri Lankan women workers comes from our acute sense that Sri Lanka is a canary in the coal mine. We can see Pakistan's vulnerability, as well as that of Bangladesh; we can see the difficulties the Reserve Bank of India is having propping up the value of the rupee; a recent UNPD report puts over 50 developing countries at acute risk of default. We cannot allow another 1980s-style debt crisis to unfold across the developing world, facilitated and enabled once again by the IMF. After all, those who forget history are doomed to repeat it. The fact that this debate about debt restructuring is being rehashed in Sri Lanka for the 17th time defies all reason. It is truly past time that we stopped resurrecting the zombie of austerity and stop creating moral hazard conditions under which private lenders can assume that they are going to be bailed out for their mistakes by working-class women and men.

What do we propose? From that vantage point, here are some propositions that we ask Sri Lankan policymakers and advisors to consider:

1. Debt is a global crisis today. The UN identifies 54 developing economies with severe debt problems after a surge of borrowing to respond to the pandemic played a key role in exacerbating debt distress. Total debt in the developing world now stands at a 50-year high. In middle-income countries, sovereign debt stands at a 30-year high, with sovereign debt distress more than doubling in the first six months of 2022. The implication is that we are facing the greatest wave of debt crises and defaults in developing economies in a generation.

2. The G20's Debt Service Suspension Initiative, which suspended debt payments for 73 low-income countries, was terminated at the end of 2021. Sri Lanka's policymakers should unite with other indebted countries to reinstate the initiative. While this will not provide a structural solution to the debt crisis, it is a minimal effort towards creating some temporary fiscal space in the context of record high inflation.

3. Centre all proposals upon the principle that private creditors must participate on equivalent terms in debt restructuring and burden sharing.

4. Recognise that middle-income countries, where the vast majority of the world's poor reside and where serious debt defaults are taking place, must be included in the Common Framework for Debt Treatments. Out of the three countries that have so far asked for their debt to be treated within this framework – Chad, Ethiopia and Zambia – only Zambia has seen some forward movement.

5. Call for a transparent and binding debt workout mechanism within a multilateral framework for debt crisis resolution. Such a mechanism would address illegitimate debt and provide systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all creditors. The UN General Assembly has adopted multiple resolutions calling for such a mechanism over the years.

6. Debts unpayable by any country need to be cancelled. Debt justice movements across the developing world have urged for the cancellation of all unsustainable and illegitimate debts in a manner that is ambitious, unconditional, and without carrying repercussions for future market access. Past cases show how reducing debt stock and debt payments allows for countries to increase their public financing for urgent domestic needs.

7. The IMF's Debt Sustainability Analysis (DSA), which measures sovereign vulnerability to sovereign debt stress, must incorporate Sustainable Development Goal (SDG) financing needs, climate vulnerabilities as well as human rights and gender equality commitments into its methodology. Such an integration widens the methodology of DSAs from narrow economic considerations of a country's ability to pay its creditors without accounting for how servicing debt may undermine its ability to meet the needs of its people, environment, and international human rights obligations.

8. Finally, an automatic mechanism for a debt standstill in the wake of an extreme exogenous shock should be created. As proposed by the G77 group of developing countries in the UN General Assembly in response to the global financial crisis of 2007-08, "an automatic mechanism for a debt payments moratorium can be established for a determined period in response to external catastrophe events, such as climate and natural disasters, health pandemic, military conflict and inflation". The prescience of the G77 group in 2009 offers a salient message as we recover from a global pandemic and remain amid multiple crises of war, inflation, and global monetary tightening.

The principle of burden sharing ensures genuine debt relief, as does the commitment to include all creditors, bilateral, multilateral and private, in an automatic or orderly way. This avoids extra costs caused by lengthy defaults and delays in restructuring and generates a mutual trust that is desperately needed to bolster the international debt architecture. Recognising that multilateral institutions account for around one-third of the outstanding debt of low- and lower-middle-income countries, the World Bank and IMF must participate in such efforts. They should both cancel debt payments owed, and the IMF should eliminate surcharges. Protection needs to be provided to debtor states against holdouts and lawsuits by non-participating creditors, while laws and procedures for responsible borrowing and lending need to be ensured to protect citizens and communities, and working women in particular, against corrupt, predatory, and odious debts.

Articles and op-eds

Ministers meet to tackle COVID-induced debt and liquidity crisis

SUNS *(South-North Development Monitor, No. 9193, 21 September 2020)*

A UNIQUE virtual convention of finance ministers and high-level financial and economic policymakers on 8 September discussed the key macroeconomic challenges of sovereign debt, liquidity and financing to address the economic recession created by the current global pandemic.

Facilitated by the Deputy Prime Minister and Minister of Finance of Canada (Chrystia Freeland) and the Minister of Finance and the Public Service of Jamaica (Nigel Clarke), the webcast discussion brought together international organisations, thought leaders and a small number of civil society organisations in an open dialogue to concur on concrete steps that can be taken by the international macro-policy community.

An extensive menu of policy options to identify people-centred solutions to the global economic recession that disproportionately impacts developing countries was presented to the finance ministers. The policy options were the culmination of the work of six discussion groups on six interconnected topics: external finance, remittances, jobs, and inclusive growth; recovering better for sustainability; global liquidity and financial stability; debt vulnerability; private sector creditors' engagement; and illicit financial flows.

The event marked a milestone after months of work following a High-Level Meeting convened on 28 May by the United Nations Secretary-General and the Prime Ministers of Canada and Jamaica, which launched the Financing for Development in the Era of COVID-19 and Beyond Initiative.

The objective of the 8 September meeting was to relay priority actions on debt, liquidity and public financing to heads of state and government in order to generate high-level political momentum towards the menu of options when they convene on 29 September.

Support to extend debt suspension and create structural solutions

A call to extend the Debt Service Suspension Initiative (DSSI) until at least end-2021 to provide support to the 73 poorest countries was voiced by France, Japan, Pakistan, Senegal, China, Rwanda, Ethiopia, the Netherlands, Saudi Arabia, Germany, Norway, and the IMF and World Bank.

The need to widen the scope of participation for the DSSI was widely supported, with many representatives noting that middle-income countries, including many small island developing states, do not currently meet DSSI eligibility criteria even while they are reeling from the worst economic impacts of the crisis.

Germany underscored that the DSSI extension addresses liquidity but not solvency issues, and advocated for a case-by-case basis for countries that have solvency issues.

In this key call to extend the DSSI, finance ministers concurred with the menu of options, which explicitly prioritises the extension of the DSSI until 2021, as well as debt cancellations and writedowns of bilateral and multilateral debt.

In a letter to the finance ministers, the Civil Society Financing for Development (FfD) Group, including the Women's Working Group on FfD, called for a permanent cancellation of external debt payments for up to four years for all developing countries in need without penalties.

Many African countries, the IMF, China, the EU, France, Pakistan, Spain, the World Bank, and the US stressed the importance of participation by private sector creditors in debt relief initiatives in order to avoid mass debt defaults.

Pakistan and China, among others, called for multilateral development banks to join this initiative. Pakistan also underscored that participation in the DSSI should not affect a country's credit ratings.

Meanwhile, the UN Economic Commission for Latin America and the Caribbean (ECLAC) went a step further and proposed the creation of an independent, public credit rating agency.

The civil society letter highlighted that debt-distressed developing countries must be protected from lawsuits when ceasing debt payments at national and multilateral levels.

The African Union, Senegal, Nigeria and the Gambia asserted that certain countries will need a complete debt cancellation.

A structural solution to debt distress was proposed by Oxfam in the creation of a sovereign debt restructuring mechanism at the UN to support comprehensive, systematic and timely debt restructuring.

The Civil Society FfD Group, including the Women's Working Group on FfD, proposed the establishment of a sovereign debt workout mechanism at the UN to support comprehensive, systematic, timely and fair restructuring of sovereign debt. They also recommended that debt relief initiatives should reduce developing-country debts to sustainable levels, where sustainability is defined by countries' long-term financing needs to pursue the SDGs, climate goals, and human rights and gender equality commitments.

On 22 April, the UN Conference on Trade and Development (UNCTAD) had proposed an International Developing Country Debt Authority to prevent a protracted debt crisis. Such a body would establish the institutional and regulatory foundations for a more permanent international framework to guide sovereign debt restructurings. It could create an autonomous international organisation by way of an international treaty between concerned states. Essential to such an international agreement would be the establishment of an advisory body of experts with independence from both creditor or debtor interests.

Liquidity, financing and Special Drawing Rights

Both developed and developing countries, including Ghana, Pakistan, China, Rwanda, Italy, Senegal, Nigeria, as well as ECLAC, called for a new issuance of Special Drawing Rights and the reallocation of the roughly $176 billion unused SDRs currently held by developed countries.

(The SDR is an international reserve asset based on a basket of five currencies – the US dollar, the euro, the Chinese renminbi, the Japanese yen and the British pound. It was created by the IMF in 1969 to supplement its member countries' official foreign reserves. SDRs would provide low-cost and non-debt-creating liquidity to developing countries to address urgent economic and health financing needs.

(In the wake of the global financial crisis of 2008, the IMF issued $250 billion worth of new SDRs in 2009. The scale of the COVID-19 crisis calls for a significantly higher issuance; however, despite widespread political support for a new issuance, it has not yet materialised due to the absence of support from the US.

(A new issuance of SDRs would have the effect of building up the level of foreign currency reserves in the central banks of developing countries. Such a boost to reserves is critical in a time of capital outflows, rising import costs due to depreciating currencies and mass disruption in global trade and financial flows. Besides financing stimulus needs, SDRs would also facilitate borrowing at lower interest rates and purchase of needed imports.)

The IMF reiterated that it is already expanding the use of existing SDRs and shifting them towards developing economies on concessional terms.

The Finance Minister of Ghana highlighted the importance of SDRs for African countries that lack access to hard currency.

Earlier this year, African finance ministries called for $100 billion of liquidity provision per annum in order to recover from the economic recession created by the pandemic.

The menu of options delivered by the UN agencies includes SDR issuance as well as the extension of swap lines created by developed-country central banks.

The Civil Society FfD Group, including the Women's Working Group on FfD, called for an urgent liquidity injection commensurate with the level of need among developing countries through a new allocation of SDRs, combined with a reallocation of unused ones.

Several countries and institutions called for the creation of new funds and facilities to provide targeted financing to vulnerable countries.

Costa Rica proposed that the Fund Against COVID-19 Economics should provide financing to developing economies through concessional finance and investments from multilateral development banks.

The UN Economic Commission for Africa recommended a Liquidity and Sustainability Facility that specifically reduces interest rates for developing countries.

ECLAC called for a Caribbean Resilience Fund to link debt relief with economic and climate resilience, while the Maldives called for the creation of a Global Trust Fund to provide assistance to tourist-dependent states.

The need to recapitalise local, national and regional multilateral development banks was also echoed throughout the discussion, with the International Development Finance Corporation urging participants to attend and contribute to the Finance in Common Summit – the first ever global meeting of public development banks – to be held in Paris in November 2020.

The menu of options produced by the six discussion groups proposed creating a liquidity and stability facility that would enlarge access to concessional loans and grants, and which could be partially funded by the sale of the IMF's gold reserves.

The UN agencies emphasised that middle-income countries, and especially small island developing states, are experiencing severe liquidity shortages in the context of limited access to markets, declining public revenues and increasing debt distress.

Another policy option entailed creating a global coordination and cooperation mechanism for joint trade and investment, promotion for crisis relief, economic strategy for recovery and sustainable reconstruction, and mobilisation of all sustainability-themed funds, including pension funds, sovereign wealth funds, private equity funds, and impact investment.

UNCTAD, among others, stressed that public financing should be channelled more effectively to help support vulnerable groups.

On the other hand, several developed countries supported channelling private finance in developing countries.

Participants including ECLAC and Egypt called for greater use of diaspora investments to complement lost revenue from plunging remittances and for the reduction of remittance transaction costs.

Highlighting the high rates of informality in developing and emerging economies, Egypt proposed providing cash transfers for emergency relief, implementing employment guarantee schemes, and reducing high taxes on formal work.

Spain, Denmark and the EU supported scaling up social protection and decent jobs, with some lending support to the International Labour Organization (ILO)'s 100% Decent Work Initiative.

The International Trade Union Congress also called for the creation of a global protection fund for the most vulnerable to help build a new social contract.

Several countries, including Bangladesh, China and the Gambia, called on donor countries to achieve the official development assistance (ODA) target of 0.7% of gross national income committed to in the Addis Ababa Action Agenda on Financing for Development.

The Civil Society FfD Group called for reviewing the development outcomes of public-private partnerships (PPPs) and the "private finance first" approach, while reaffirming the centrality of public policies and investments.

The COVID-19 pandemic has provided a stark reminder of the importance of accessible and affordable public services, and the shortcomings of development models that prioritise private profit over public needs.

Civil society rejected the World Bank Group's Maximising Finance for Development (MFD) approach that implies a problematic "private finance first" attitude to development finance and a rather unrealistic assumption that private finance will appear to fill the financing shortfalls.

While donors and institutions promote a "Billions to Trillions" narrative and blended finance, whose development impact is yet to be proven, the reality is that they are not living up to their own commitments and are instead regressing.

Civil society called on governments to declare a moratorium on funding, promoting or providing technical assessment for PPPs and the "private finance first" approach until an independent review into their development outcomes is completed.

They also called on donor countries to immediately reverse the decline in ODA by meeting and where possible exceeding the 0.7% target for ODA in the form of unconditional grants and technical support.

Donors should ensure that development aid is not diverted but rather reinforces a humanitarian response to the crisis by ensuring that emergency responses are aligned with developing-country priorities without conditionalities.

Illicit financial flows

The current moment poses deep contradictions where, on the one hand, there is sparse liquidity where it is urgently needed to address extreme poverty, the threat of famine and economic and health crises. On the other hand, the drain of financial resources out of developing countries continues unabated through illicit financial flows (IFFs), particularly through corporate tax evasion and avoidance and the use of tax havens.

At the same time, central bank credit extensions are creating a glut of liquidity in rich-country financial market centres, and many large firms in the private sector are earning large profits while speculative trading allocates gains to elite investors.

The finance ministers acknowledged that the current juncture requires a concerted effort to unlock the much-needed resources that are funnelled away from public purses through IFFs.

Several countries proposed a rapid transparency response mechanism to prioritise anti-corruption and anti-money-laundering solutions.

Elaborating upon the UN Development Programme (UNDP)'s work on digitalisation, several participants, including Nigeria, the Financial Action Task Force and Oxfam, underscored the importance of using digital technologies to strengthen automatic exchanges of tax information, boost anti-money-laundering systems and combat tax evasion and IFFs.

Nigeria called upon destination countries of IFFs to fully participate in combatting them and returning stolen assets.

Oxfam was the only actor to reinforce the central advocacy call of the Addis Ababa FfD conference for the UN to establish a Global Tax Convention.

Civil society underscored that it is now a critical time to establish a universal, intergovernmental process at the UN to comprehensively address tax havens, tax abuse by multinational corporations and other IFFs that obstruct redistribution and drain resources that are crucial to challenging inequalities, particularly gender inequality.

Taxing income, wealth and trade should be seen to support the internationally agreed human rights frameworks, as without taxation we cannot mobilise the maximum available resources to fulfil economic and social rights.

Tax abuse and tax avoidance also need to be considered under the extraterritorial obligations of states towards other states not to hamper the enjoyment of human rights via blocking financing through abusive tax laws and allowing companies and wealthy individuals to abuse tax systems.

The menu of options produced by the UN called for immediate and long-term responses to IFFs, including cooperation on recovery and return of assets, boosting beneficial ownership information collection and transparency, and developing the political consensus to address systemic shortcomings related to IFFs.

Role of UN in addressing COVID-19-induced economic recessions

At the conclusion, the Minister of Finance of Jamaica proposed a summit on economic recovery from COVID-19 in order to enhance political will and momentum towards translating into action the menu of options discussed at the meeting.

Such a forum would ensure that the critical policy actions needed to avert deep and structural crises in the most vulnerable regions of the world are given clear mandates for implementation. It would also serve to reclaim the UN as the venue where discussion, debate and consensus building on global economic issues can be carried out through universal participation.

International financial institutions may dominate global macro-policy decision making; however, the governance bodies do not represent or recognise universal participation and equity in voice and influence.

Civil society reiterated their call on UN member states, first made in April 2020, to mandate an "International Economic Reconstruction and Systemic Reform Summit under the auspices of the UN" to move towards a new global economic architecture that works for people and planet.

Civil society underscored that the formal mandate for such a summit should also provide for an appropriate intergovernmental preparatory process to ensure adequate space for governments to reflect on all options and inputs and agree on an outcome document that could provide a pathway for a new international economic consensus. They stressed that the intergovernmental negotiation process must be transparent and inclusive, allowing full and effective participation of civil society.

The Jamaican Finance Minister also underscored that women have disproportionately borne the brunt of the effects of the COVID-19 crisis and urged stakeholders to incorporate a gendered element into response plans.

Regrettably, the meeting lacked a substantive inclusion of gender in the economic discussion.

The Canadian Finance Minister underscored that the pandemic is "not a leveller, but a revealer," which could become a magnifier for systemic inequalities unless urgent steps are taken to counteract that possibility today.

In conclusion, the UN Deputy Secretary-General expressed appreciation for the renewed sense of urgency to deliver a set of ambitious yet realistic policy options to heads of state and government on 29 September, and highlighted the need to consider bold proposals such as universal basic income and universal healthcare, which aim to lay the groundwork for a more resilient future where shocks to the financial system will not have catastrophic rollover effects on the real economy.

G20 finance ministers fail to meaningfully address South's debt distress

Third World Network Info Service on Finance and Development (16 October 2020)

THE Group of 20 (G20) announced a six-month extension of the Debt Service Suspension Initiative (DSSI) in its communiqué released on 14 October. The period of debt suspension is also lengthened from four to six years. The extension concludes in spring 2021, at which time the G20 will "examine" if the financial and economic situation of indebted low-income countries requires another extension of six months.

Unfortunately, the cancellation of external debt is not on the table. Many debt-distressed low-income countries require debt cancellation in order to place life above debt in the midst of a global pandemic. The crippling impact of debt on public health services is demonstrated by some low-income countries that repay creditors sums greater than their national healthcare budgets.

While a debt suspension is a constructive crisis response in the immediate term, suspensions keep the debt itself intact, accumulating interest with time. This could become a direct pathway to insolvency and debt default when the suspension lifts and repayment with interest comes due between 2022 and 2024. The short-term and fragmented approach of six-month intervals also creates uncertainty and insecurity for domestic economies.

The absence of participation by private creditors in the DSSI and other initiatives to address developing-country debt, is lamented by both the G20 and the IMF. Given the scale and size of private sector debt in developing countries, their intransigence to participate blunts the effectiveness of the debt moratoria.

The G20's key announcement is the establishment of a "Common Framework for Debt Treatments beyond the DSSI." The details of this Common Framework are to be mapped out ahead of the G20 leaders' summit in Riyadh in November 2020.

There is a lack of transparency and inclusion surrounding the G20 framework, while the vague nature of the proposal and lack of stated principles may invite the influence of vested interests in the financialised global economy.

The G20 missed a key opportunity this week to call for a sovereign debt workout mechanism grounded in an international legal framework. Arguably the most serious deficit or missing link in the international financial architecture, such a mechanism would provide systematic support for states to cancel or restructure their debts in order to prioritise financing for public services and systems in the midst of a pandemic.

An open letter generated by the Global Week of Action for Debt Cancellation campaign (10 to 17 October 2020) was supported by over 500 organisational and individual signatories across the world. It calls for a workout mechanism to be established under the auspices of the United Nations and not in lender-dominated arenas. It also calls for unconditional cancellation of public external debt payments by all lenders, including bilateral, multilateral and private lenders.

Importantly, the letter proposes that national and global reviews and changes in lending, borrowing and payment policies and practices should aim at preventing the re-accumulation of unsustainable and illegitimate debt, strengthening democratic institutions and processes, and upholding human rights and peoples' self-determination.

Without the systematic coherence provided by a multilateral debt workout mechanism, the approach thus far is piecemeal and riddled with the instability of creditor disputes. In a context where public money deficits risk human survival and economic recovery, such additional costs in debt crisis resolution are both unfair and unconstructive.

The IMF has stated several times that the world economy is in the deepest economic recession since the Great Depression. In this urgency, every missed opportunity to address debt distress implies that the interests of creditors supersede the rights of people who are enduring twin crises of health and economy.

The urgency of fiscal justice

Third World Resurgence *(No. 345-346, 2020)*

THE Annual Meetings of the World Bank and International Monetary Fund (IMF) that just concluded (12-18 October) confirm the fear expressed by many since the onset of the COVID-19 pandemic that another wave of austerity measures will soon sweep across developing countries.

By 20 September, the IMF had approved loans to 81 countries to combat the health and economic crises induced by COVID-19. In the short term, the institution's emergency financing packages support the intent of borrowing countries to use funds to meet urgent health and social protection needs, including relief for vulnerable households.

The Fund's flagship *World Economic Outlook* report released in October calls for policies that "guide economies to paths of stronger, equitable, and resilient growth", including investments in "health, education, and high-return infrastructure projects that also help move the economy to lower carbon dependence" and research spending in technology and innovation.[1]

However, within the fine print of loan and emergency financing documents, the institution's recurring policy recommendation is for pandemic-related fiscal measures to be targeted, temporary and reversed upon cessation of the pandemic. According to research conducted by Oxfam International, fiscal consolidation measures appear in 84% of loan agreements across 67 countries as early as 2021.[2] The European Network on Debt and Development shows that by 2023, public budget cuts and regressive tax measures, such as value-added taxes, are to be implemented across 80 countries. More than half of the projected measures, equivalent to 2% of GDP, will take place in 2021.[3]

The consequences are grave. Many developing countries are in danger of facing "a lost decade"[4] as their pathways to achieving the Sustainable Development Goals (SDGs) and Paris Agreement targets on climate change are effectively derailed.

In the absence of scaled-up, coordinated and multilateral solutions such as grant financing, liquidity, debt relief and a sovereign debt workout mechanism, for example, the austerity mandate is once again being enforced in order to generate financial resources to meet debt repayments and stabilise debt levels.

Double standards for South and North

While low- and middle-income countries face austerity measures by early 2021, a very different directive is offered to developed countries. According to the Fiscal Affairs Department of the IMF, most "advanced economies that can borrow freely will not need to plan for austerity to restore the health of their public finances".[5]

Unhindered access to financial markets and near-zero interest rates available to developed countries means that they have the exclusive privilege of escaping the fate of raising taxes and cutting public financing for public goods.

In contrast, the poorest countries in the world confront the highest costs of borrowing. Interest rates for African countries range between 5% and 16% on 10-year government bonds.[6] For sub-Saharan African economies, interest repayments constitute the highest, and fastest-growing, expenditure item in their public budgets.

While the Fund justifies these two opposite sets of policy advice through the "binding financial constraints"[7] that define developing countries' limited capacity to borrow, no inquiry is made into the structural inequities that define a state's capacity to borrow in the first place.

High debt levels in developing countries stem from a historical legacy of power inequalities among nations, resulting in South-to-North resource flows through tax evasion, for example, and thwarted productive capacities and domestic revenue potential, which drive the need to borrow externally.

The past has repeatedly demonstrated the cost of maintaining debt sustainability in the eyes of official and private lenders and creditors: austerity measures will be paid for by the most vulnerable across developing countries, exacerbating inequalities as well as exclusion and discrimination, on all scales of income, gender, race, caste, disability and sexuality.

In response, over 500 organisations and individuals have signed a petition calling on the IMF to immediately stop advising austerity measures to developing countries, and instead advocate policies that advance human rights, sustainable development, climate justice, and gender and income equality. The petition emphasises that fiscal-consolidation-driven austerity will undermine the achievement of economic and social rights while deepening poverty in a context where the UN estimates 70 to 100 million people will be pushed into extreme poverty.[8]

Empirical data on the impact of fiscal consolidation measures,[9] as well as research by the IMF's Independent Evaluation Office on the Fund's response to the financial and economic crisis,[10] confirm that fiscal consolidation has led to reductions in health and education investments; losses of hard-earned pensions and social protections; wage freezes and layoffs affecting public sector employees such as teachers, nurses and doctors who comprise a large portion of the public wage bill in developing countries; increased unpaid care work; and greater consumption taxes – all of which disproportionately affect the poor and women.

Normalisation of an ideology

Over the last four decades, fiscal austerity, or consolidation, has become normalised as well as internalised by many developing as well as developed countries. The singular compulsion to austerity is in part rooted in the neoclassical economic theory that fiscal credibility and macroeconomic stability is achieved by preserving the expenditure ceiling rule and reducing debt levels.

In particular, the predilection to view the macroeconomy through the methodology of general equilibrium[11] entails an analytical commitment to austerity policy by presupposing macro-stability. The prioritisation of macro-stability through the primary channel of reducing debt levels is essentially a signal to markets and lenders that debt and deficits will not obstruct private sector interests to avoid risks and losses.

Economists who work within the general equilibrium framework generally do not engage with a broader plurality of economic models and theories that might contest or opt out of the austerity bias.[12] Due to the hegemony of the neoclassical form of economic knowledge over the past several decades, the economics discipline has not evolved or diversified the accepted and acknowledged basis of economic methodology and analysis.

Empirical evidence illustrating how austerity has neither restored income growth nor reduced unemployment has mounted over the years, including studies by scholars who have detailed how the economic methodology in support of austerity is flawed.[13]

Why, then, does austerity continue to "dominate the economic thought, both practical and theoretical, of the governing and academic classes of this generation, as it has for a hundred years past", as John Maynard Keynes stated in 1936?[14] It has been 84 years since Keynes asked this question, and austerity's compulsion has yet to fade. In consideration of the argument that facts never disconfirm a powerful ideology, austerity can be considered a virulent idea inflicting systematic harms.

The right to development requires bold multilateralism

The human toll of the pandemic demands that the centrality of public financing for public systems, such as healthcare, can no longer be undermined or ignored. The international community can no longer look the other way when the state protects creditors and investors at the expense of peoples' human, economic, social and cultural rights. Without an urgency of multilateral action, the pandemic endangers years, if not decades, of hard-earned progress in reducing poverty and expanding economic sectors and employment across the developing world.

As the 2020 *Trade and Development Report* by the United Nations Conference on Trade and Development (UNCTAD)[15] illustrates, active government policies to reduce income inequality are required, and for many developing countries, this will require effective multilateralism. Such policies should play multiple roles of lowering carbon emissions, establishing large public investment projects to generate jobs and accelerate the transition to a low-carbon energy-efficient economy as well as enacting structural reforms to usher forth new patterns of production and consumption.

This will require a scale and depth of international solidarity that finds resonance in the 1986 Declaration on the Right to Development.[16] The centrality of the right to development is precisely that it promotes an enabling international environment that ensures equality of opportunity for all in access to basic resources, education, health services, food, housing, employment and the fair distribution of income. Economic and social reforms are guided by the imperative of eradicating all social injustices.

Six ingredients to avert a lost decade

First, there is a need for expanding the possibility horizon and official recognition of *countercyclical fiscal stimulus policies* as the most effective and equitable means to stimulate economic recovery, job creation and equity-enhancing redistribution through public transfers. An expansionary fiscal policy toolkit includes, for example, establishing universal social protection floors, extending coverage of social security, including for informal sector workers, progressive taxation, tapping into foreign exchange reserves for some middle-income developing countries and so on. Countries that use fiscal policy tools for economic recovery should not experience adverse impacts in access to capital markets, terms of borrowing, debt sustainability or credit ratings.

Second, in order to meet the need for immediate liquidity in developing countries, a new and special issuance of *Special Drawing Rights* needs to be followed through. Scaling up the creation of grants and other highly concessional financing are also necessary.

Third, a formal *sovereign debt workout mechanism* grounded in an international legal framework has been considered a missing link in the international financial architecture. Systematic support for states to cancel or restructure their debts in order to prioritise investments in quality public services is needed. Debt restructuring should be based on debt sustainability assessments that consider fulfilment of human rights obligations, SDGs and climate financing.

Fourth, a UN Tax Convention can address tax havens, tax abuse by multinational corporations and other illicit financial flows through a universal and intergovernmental process. *Progressive tax measures*, such as raising tax rates for systemically important global banks, large firms and the wealthy, can raise additional financial resources to address the economic fallout of the pandemic and are effective channels for human-rights-based revenue mobilisation strategies.

Fifth, *capital controls* should be given their legitimate place in any policy regime to curtail surges in capital outflows, to reduce illiquidity driven by sell-offs in developing-country markets and to arrest declines in currency and asset prices.

Sixth, the use of ex-ante and ex-post participatory *human rights impact assessments*, with data disaggregated by gender and social groups, is essential to ensuring economic equity relevant to local contexts, as are transparent, participatory and gender-responsive budgeting processes.

Global interdependency and historical responsibility

The neoliberal variant of capitalism[17] is well known for being founded from an individualistic premise. Distributive justice,[18] equity among nations and human rights, however, require a collective premise, where solidarity is not construed merely as altruism but rather as moral responsibility and awareness of global interdependencies.

Economic recovery for any one nation is unsustainable. Uneven recovery will create difficulties in reviving global trade flows. Debt crises in regions that are already in political and civil conflict, for example, can create upheaval such as displacement and migration that can hurt other countries.

Ultimately, unilateralism and protectionism are antithetical to a genuine recovery from a pandemic-induced global recession.

The countries and regions possessing the financial and material resources to pursue fiscal stimulus for health and economic recovery owe their policy space, in large part, to the legacy of several centuries of colonialism: the great transfers of wealth,[19] extraction of natural resources[20] and use of cheap or free labour from the colonies to the metropoles. This is not just a historical travesty; this wealth transfer diffused capital and resources across Europe, North America and other settler colonies, creating the very conditions for industrialisation and economic wealth.[21]

Today, it is incumbent that the principles of historical responsibility and interdependency of recovery guide the actors of economic power to support the health and economic recovery of the most vulnerable regions of the Global South.

The counterfactual is a lost decade for the vast majority of the human race.

Endnotes

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Fiscal SOS via Special Drawing Rights sees growing momentum

*Bhumika Muchhala and Alexander Kozul-Wright**
Third World Network Briefing Paper (February 2021)

ALMOST one year after the World Health Organization (WHO) declared COVID-19 a global pandemic, one of its striking revelations has been the disparity in the fiscal and monetary firepower available to developed compared with developing countries. Advanced economies (representing 39 countries) have spent an aggregate of $5 trillion in fiscal stimulus, while developing economies (155 countries) have been able to finance just $1.5 trillion.[1]

While this yawning gap illustrates the structural asymmetries in fiscal capacity (as well as the privilege of reserve-currency status), it has also widened economic and social inequalities. In its January 2021 *World Economic Outlook*, the International Monetary Fund (IMF) stated that "the developing world is mired in severe challenges due to high debts, few financial resources and lack of access to vaccines."[2]

Access to liquidity for developing countries is a top priority. One of the most accessible and low-cost sources of liquidity is Special Drawing Rights (SDRs), a reserve currency that can be exchanged for cash. Created by the IMF in 1969 to support member countries' foreign exchange reserves, SDRs are based on a basket of five currencies (the US dollar, the euro, the Chinese renminbi, the Japanese yen and the British pound).[3] Unlike other IMF instruments, SDRs are a non-conditional, non-debt-creating resource. It is, in effect, a liquidity booster not dissimilar to quantitative easing.

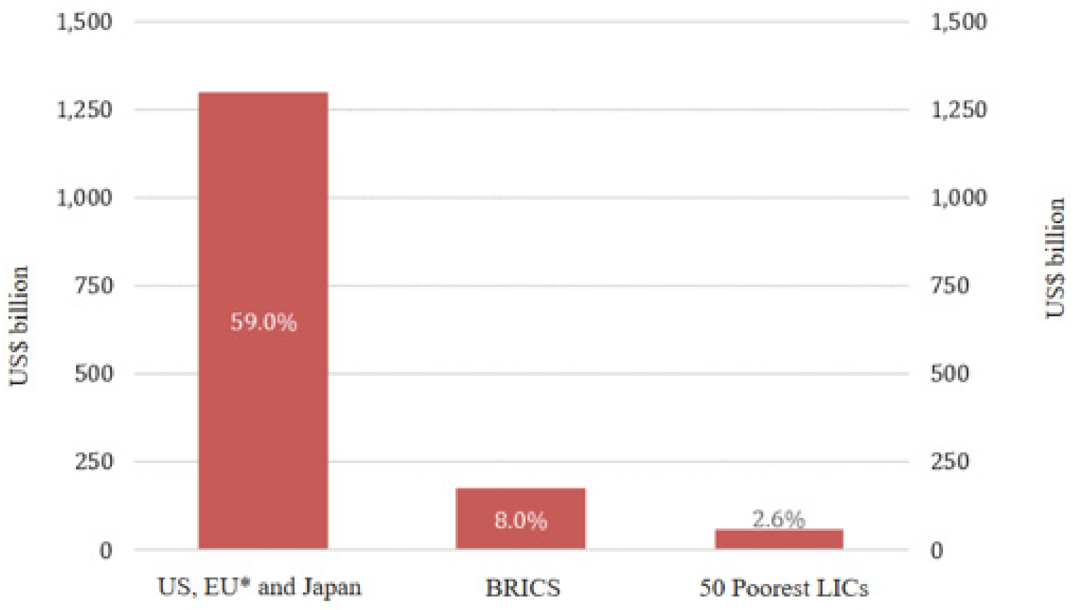
On 29 January, the Italian presidency of the Group of 20 (G20) noted that Italy will urge wealthy nations to support a new issuance of $500 billion of SDRs, describing fiscal support to low-income countries as "an absolute priority."[4] Just five days before, UN Secretary-General António Guterres stated at the World Economic Forum that a new allocation of SDRs must form part of a worldwide fiscal relief campaign, "so that no one is forced to choose between providing basic services for their people or servicing their debts."[5]

The call for new SDRs has been consistently supported by IMF Managing Director Kristalina Georgieva, who proposed the idea to the G20 in March 2020 as a possible measure to assist developing countries. Economists, academics and civil society groups from around the world have also backed new SDR issuances.

Despite their broad backing, then US Treasury Secretary Steven Mnuchin vetoed SDR issuances at the IMF Board in April 2020. IMF decision making is moot without US backing (due to the assignment of voting power in congruence with financial contribution and GDP size) and Washington has consistently demonstrated an unwillingness to aid countries considered to be political adversaries.

* Alexander Kozul-Wright is a senior researcher with the Third World Network.

Country allocations in event of $2 trillion in new SDR issuances



Sources: IMF, Third World Network
* EU figures are dated 31 December 2020, so contain United Kingdom figures

SDR allocation challenges

Concerns over SDR allocations have been fraught since they were first created. Countries receive SDRs according to their IMF quotas, or financial contribution shares, rather than fiscal need. This creates an inequity by which almost 60% of SDRs go to wealthy countries. On the flipside, countries with the greatest need receive the least.

Even with this imbalance, however, a new SDR issuance would offer significant fiscal contributions to low-income countries. For example, a $2 trillion issuance would generate $1.38 billion to Ethiopia, amounting to 50% of its health budget.[6] Cambodia would receive $1.62 billion, or 56% of its annual health costs.[7] Ghana, meanwhile, would stand to gain $3.82 billion, approximately 200% of its medical outlays.[8]

New SDRs would also provide liquidity to middle-income countries excluded from the G20's debt suspension initiative. Despite being home to more than 75% of the global population, and accounting for almost 96% of the external debt of all developing countries (excluding China and India), middle-income countries have so far not been granted access to G20 debt relief.[9]

Various proposals have been suggested to address the skewed allocation of SDRs. One such proposal would be for countries with no immediate need for their SDRs to voluntarily provide them to countries that do.[10] But the G20, as well as the IMF, note that there is near-total consensus about repurposing rich-country SDRs through concessional loan facilities, such as the Fund's Poverty Reduction and Growth Trust. Georgieva noted that roughly $20 billion of unused SDRs have already been reallocated to developing countries through concessional loans.[11]

Admittedly, this may sound like a pragmatic approach capable of winning favour with wealthy nations who might otherwise hesitate to voluntarily offer unconditional liquidity. However, it is an unfortunate recourse for two reasons.[12]

First, it will almost certainly discourage wealthy countries from offering direct and unconditional transfers. While such transfers are technically possible within the Fund, there are legal barriers in several countries that require authorisation from the national government.

Second, the challenge with reallocating SDRs through loans, even if concessional, is that they may also be attached to the IMF's characteristic structural adjustment policies. These include, for example, austerity and privatisation measures such as reducing public spending for social sectors, or opening up public services to private ownership.

The pandemic has demonstrated that accessible and affordable public services, especially in health, education and social protection, are indispensable to human survival. This begs the question of whether the costs associated with IMF conditionality are a fair price to pay for meeting the urgent need for fiscal liquidity. In April 2020, over 500 organisations and individuals signed a petition calling on the IMF to put an end to its history of requiring fiscal consolidation in exchange for low-cost loans.[13]

During the global financial crisis of 2008, the possibility of reformulating SDR allocations in line with fiscal needs was discussed. A new arrangement, it was argued, would include criteria such as development indicators, the need for foreign exchange reserves and the relative proportions of national income devoted to reserves.

The UN Conference on Trade and Development (UNCTAD) suggested that SDR issuances could be linked to the needs of developing countries by allowing the IMF to invest some of its SDR funds in the bonds of multilateral development banks.[14] Such a proposal was made by a UN panel of experts in the 1960s, before the liberalisation of financial markets took off, and when access to capital market financing by developing-country borrowers was very limited.

New momentum

The recent confirmation of Janet Yellen as US Treasury Secretary has raised hope for international cooperation on sustainable development financing and debt assistance for poor countries.

In a press conference on 19 January, Georgieva mentioned that IMF leadership had requested that SDRs remain firmly on the table as a possible emergency tool.[15] On 14 January, a petition organised by dozens of international humanitarian, development and policy organisations urged US President Joe Biden to act swiftly on a global response to the COVID-19 pandemic, in particular by directing the US Treasury to support an allocation of $2 trillion worth of SDRs.[16]

Organisations signing the letter included the AFL-CIO (the largest federation of unions in the US), Global Citizen, the American Friends Service Committee, Amnesty International USA, Bread for the World, the Iowa Farmers Union, Jobs With Justice, NETWORK Lobby for Catholic Social Justice, Oxfam America, Partners in Health, T'ruah: The Rabbinic Call for Human Rights, and the United Methodist Church – General Board of Church and Society, among many others.

To soothe the liquidity crunch resulting from the global financial crisis, $250 billion in SDRs were issued in 2009. Due to the greater economic impact from COVID-19, numerous economists have called for new issuances ranging from $500 billion to $4 trillion. Legislation to issue $2 trillion in SDRs passed the US Congress House of Representatives twice in 2020.

The bill, "Robust International Response to Pandemic Act,"[17] also calls for the relaxation of fiscal targets and opposes the approval or endorsement of any loan, grant, document, or strategy that would lead to a reduction in healthcare spending or any other expenditures that would impede the ability of a country to prevent (or contain) the spread of, or treat persons who are infected with, the virus.

Former US Treasury Secretary Larry Summers and former British Prime Minister Gordon Brown, who supported the 2009 SDR issuance, called for $1 trillion-plus in new monies. They noted that "if ever there was a moment for an expansion of international money known as Special Drawing Rights, it is now."[18] With the G20 opting for a low bar of $500 billion, an opportunity may be missed to provide financing commensurate with the depth of the pandemic's economic, social and humanitarian costs.

Yet another way that liquidity could be generated is, as has been consistently called for by many civil society organisations, for the IMF to sell its gold reserves and other assets in its General Resources Account, estimated at $140 billion, for cash. This too was advocated during the 2008 crisis.

Endnotes

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Argentina and the IMF: It takes two to tango

Alexander Kozul-Wright and Bhumika Muchhala
SUNS *(*South-North Development Monitor*, No. 9298, 4 March 2021)*

AFTER successfully restructuring $65 billion of foreign debt with private creditors last summer, Argentina's attention has turned to talks with the International Monetary Fund (IMF), which kicked off in November 2020.

Market analysts expect that a new lending programme will support the peso's recent devaluation and allow Argentina to re-enter international debt markets.

Negotiations over Argentina's $44 billion debt with the IMF will probably entail extending payment maturities and agreeing to new lending programmes.

While finance minister Martin Guzman recently noted that he'd like to wrap up negotiations by May – originally scheduled for March – powerful voices inside President Alberto Fernandez's government have called for a longer delay.

Argentina's vice-president, Cristina Fernandez de Kirchner, is keen to postpone any IMF programme until the pandemic has abated, thereby avoiding painful spending cuts before October's mid-term elections. Fernandez de Kirchner has consistently supported state interventions in the economy to support low-income workers, a policy platform which marked her two terms as president from 2007 to 2015.

Although the bulk of Argentina's repayments to the IMF are due in 2022-23, Fund officials are understood to be concerned that talks have stalled in recent months.

Bondholders, concerned with repayment prospects, have also questioned government measures to freeze prices, employ capital controls, and raise taxes on wealthy households.

Guzman's retort

As Argentina prepares to embark on its 22nd IMF programme over the past six decades, Guzman recently insisted that austerity – the bedrock of most IMF programmes – is not the answer to the country's woes. "The 2018 programme was based on that same tenet and it didn't work … fiscal adjustments in recessions don't work, and it's not what we're going to do," he said.

Instead, Guzman's programme is based on gradual fiscal consolidation in the context of moderate growth and affordable debt repayments; his plan would allow Argentina to extend IMF repayments for as much as a decade, including some $5 billion due later this year. In turn, he said that Argentina would narrow the budget deficit to roughly 4.5% of annual output, down from 8.5% in 2020.

An IMF deal, by contrast, would probably include a primary fiscal deficit target of 3.5% of GDP in 2021, followed thereafter by a return to primary surpluses (i.e., net government spending before interest payments).

As such, Guzman's gradual approach is intended to lift growth slowly whilst simultaneously addressing runaway inflation.

Plans to increase government revenue in a measured way would also halt the need for central bank deficit financing, which typically triggers price rises. Indeed, inflation reached 36% in Argentina last year.

The government has consistently noted that restoring order to Argentina's budget may require policy concessions from the IMF.

Earlier this month, President Fernandez stated that the Fund should grant more "flexible" terms to Argentina. In addition, he noted it would be "beneficial" to secure more funding from multilateral institutions such as the World Bank and the Inter-American Development Bank (IADB), especially to finance public infrastructure projects.

"Macri-economics"

Due to the fallout from COVID-19, Argentina's economy contracted by more than 10% in 2020, its third consecutive year of recession. The downturn began after a currency crisis in 2018 which prompted the IMF to extend a record-breaking $57 billion programme – making Argentina the institution's biggest debtor by far.

At the start of his pro-market presidency in 2015, Mauricio Macri inherited a combination of declining commodity prices and exchange rate pressures, along with welfare spending pressures and expensive legal battles with vulture funds over unpaid debts. His predecessor's defence of the peso virtually exhausted foreign exchange reserves and all but forced Macri into a currency devaluation.

Still, the IMF's politically motivated bid to shore up Argentina's currency proved ill-timed and ill-fated. The Fund, with Macri's full-throated support, insisted on a free-floating exchange rate, which quickly resulted in devaluations and forced the central bank to raise interest rates up to 70%, choking business and raising unemployment. The crisis sent poverty skyrocketing, along with the country's debt-to-GDP ratio.

The groundswell of mistrust between Argentina and the Fund goes back even further than the misguided 2018 agreement. Almost two decades earlier, the collapse of another IMF programme tipped the economy into a deep slump. Within five years, the left-wing government which came to power after that crisis repaid the IMF and afterwards severed ties with the organisation. In 2012, the IMF shut down its office in Buenos Aires.

Argentina's multi-year recession was made worse in 2020 by COVID-19, which prompted the government to implement one of the longest and strictest lockdowns in the world. With more than 50,000 coronavirus deaths to date, the country is finally beginning to ease restrictions. Looking ahead, the IMF's role as Argentina's largest creditor will remain critical in helping to overcome the current crisis. Last year, the IMF worked closely with the government to assess the level of private creditor relief needed to secure a restructuring deal. This year, many hope the Fund will offer similarly accommodating terms to avoid the excessive costs of previous IMF arrangements.

IMF supports fiscal stimulus, but not for everyone

In its January 2021 *Fiscal Monitor* update, the IMF expressed concern over a return to economic austerity, stating that "without additional fiscal support beyond that included in 2021 budgetary plans, projected fiscal contractions this year could slow" recoveries.

Debt distress, exchange rate risks and fear of credit rating downgrades have recently prompted austerity measures in many developing countries. For rich countries, however, the rules are different.

In an interview with the *Financial Times* earlier this year, the head of the Fund's Fiscal Affairs Department, Vitor Gaspar, noted that advanced economies should learn to live with higher debt burdens rather than rush to reduce liabilities, especially in a record-low interest rate environment. In stark contrast, the Fund has consistently pressured developing countries to reduce external debt levels and maintain tight fiscal rules, especially in the wake of the 2008 global financial crisis.

These policy inconsistencies will leave most emerging market economies (and the majority of the world's population) with inadequate fiscal space to combat the fallout from COVID-19. This differentiated reality is further accentuated where the ability to raise domestic revenue has been restricted by the effects of lockdown measures on tourism, trade and commodity price declines.

Where financial assistance for low-income countries will come from, amidst what the IMF describes as "tight financing constraints", remains unclear.

Divergent recoveries stem from divergent policies

SUNS *(*South-North Development Monitor, *No. 9330, 21 April 2021, and No. 9331, 22 April 2021)*

THE International Monetary Fund (IMF) is responding to urgent liquidity needs in developing countries but fails to ensure systemic debt solutions or a recovery without austerity.

At the virtual spring meetings of the IMF and World Bank with finance ministry, central bank and private sector officials that took place on 5 to 11 April, the key message from the flagship *World Economic Outlook* publication is that recoveries are diverging dangerously across and within countries.

While developed countries, as well as China, are expected to experience rebounds in economic growth and trade, developing countries, in particular low-income countries, "are expected to suffer greater scarring given their more limited policy space," the report says.

This unequal recovery is rooted in the inequitable access to affordable vaccines, which the Group of 24 (G24) developing countries in the IMF has called "the most critical public good" in its communique.

While the IMF recognises that vaccine equity is the central global dilemma, unlike the G24, it does not explicitly call for making vaccines publicly available through a temporary waiver of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in the World Trade Organization in order to enable global mass production of affordable vaccines by developing countries.

Vaccine inequity means that while some countries will achieve widespread vaccinations as early as the summer of 2021, the poorest countries will be waiting until the end of 2022 or even later.

The IMF says countries need to work together to ensure universal vaccination by ramping up vaccine production and distribution, avoiding export controls, fully funding the COVAX facility on which many low-income countries rely for doses, and ensuring equitable global transfers of excess doses; but stops short of laying out how exactly the political will to take these critical actions will be generated.

SDRs are good news, but will their reallocation perpetuate conditional loans?

Special Drawing Rights (SDRs), an international reserve asset which provides countries with liquidity, have been called for globally as an urgent response to the liquidity crunch afflicting developing countries since the outset of the pandemic in March 2020.

Over a year later, and after a change of the US administration, the Fund's Executive Board finally agrees on an issuance of $650 billion of SDRs in the next several months, the amount permissible by US law without going through a time-consuming process in the US Congress.

SDRs are necessary to secure recovery for developing countries hardest hit by the crisis created by the pandemic, which face deep losses of revenue and tax income, as well as unemployment and a growing number of people falling from working middle class into poverty or even extreme poverty.

Layered with debt distress and vulnerabilities and the risk of a normalisation, or increase, of interest rates in advanced economies, developing countries, both middle- and low-income, are in a fragile situation and require urgent fiscal space to meet social protection financing and improve precarious health systems.

Civil society advocates highlight that while an SDR issuance is welcome, it falls short of the level of response needed for the current economic recession. An allocation of $3 trillion means that only $1 trillion directly reaches the reserve buffers of developing countries. Hundreds of civil society organisations have endorsed a letter calling on the IMF and G20 finance ministers to urgently support a new SDR allocation in the amount of $3 trillion, stating that a scale of $3 trillion is required to address the real needs of developing countries in a sustainable way.

In response to the global financial crisis in 2009, the international community responded to a crisis of much smaller scope and proportions with an allocation of $250 billion in SDRs. This initiative had a significant role in restoring market confidence and supporting global recovery. Last year, even before the scale of this crisis was clear in late March 2020, IMF estimates placed emerging economies' financing needs at $2.5 trillion.

Aside from the scale of issuance, the second issue is that SDRs are allocated in accordance with IMF quotas, or financial contribution shares, rather than real fiscal need. This creates an inequity by which 67.44% of SDR allocations automatically accrue to rich countries, who need it the least. Perversely, the countries with the greatest need receive the least.

In order to recycle both existing and newly created SDRs from rich countries to all those that need it, the Fund is currently formulating mechanisms with an emphasis on boosting the IMF's lending capacity and new measures to enhance transparency and accountability in the use of SDRs.

Many developing countries as well as civil society advocates call for ensuring that such mechanisms benefit all countries in need. This means not excluding any country a priori based on income, and instead taking into account factors of real fiscal need and vulnerabilities related to debt and climate change.

The Development Committee at the IMF-World Bank spring meetings issued a communique affirming that pandemic vulnerabilities and risks are arising in many countries, not just low-income.

The Civil Society Group on Financing for Development (FfD) stressed at the follow-up FfD forum, which took place virtually on 12 to 15 April, that the closer the SDR recycling mechanism resembles the original properties of an SDR allocation, the more effectively it will contribute to a genuine economic and social recovery. This means that SDR transfers from developed to developing countries should have low or zero conditionality and low or zero interest. Essentially, the ideal recycling format allowing for the quickest deployment of urgently needed liquidity would be that of SDR donations from developed to developing countries.

The key task at hand is to activate SDRs from a reserve asset to actual fiscal support to respond to real domestic economic and health needs. This could be facilitated by the use of SDRs in multilateral, regional or sub-regional development finance institutions to support grants and lending at concessional or below-market rates. Developing countries could subsequently create domestic fiscal space without jeopardising debt sustainability.

Meanwhile, several funds to enhance liquidity have been proposed at UN and regional meetings by regional groups and some developing countries. Costa Rica has proposed the Fund to Alleviate COVID-19 Economics, or FACE, as a vehicle for international solidarity and sustainable pandemic recovery towards achieving the 2030 SDGs. It is envisaged as a fund of half a trillion dollars for one-off support, financed with 0.7% of the GDP of the world's richest economies, those that account for 80% of global GDP, to be intermediated by one or several multilateral development banks, as long-term and fixed-interest-rate concessional loans to developing countries.

Recycling mechanisms for SDRs could be channelled through development-oriented financing vehicles like FACE and other such regional or global funds that expand fiscal space while avoiding the deepening of debt and conditionality biased towards fiscal contraction through reducing public expenditures, particularly during a time of economic recession and social challenges.

However, the OECD member countries with the greatest voting power in the Fund are leaning towards repurposing rich-country SDRs through concessional loan facilities such as the Fund's Poverty Reduction and Growth Trust (PRGT). This reflects the reality of wealthy nations' unwillingness to voluntarily offer unconditional liquidity as well as the Fund welcoming an opportunity to expand its lending role. IMF Managing Director Kristalina Georgieva noted that roughly $20 billion of unused SDRs have already been reallocated to developing countries through concessional loans.

Two key challenges come with the SDR issuance resulting in the perpetuation of lending instruments. First, it will almost certainly discourage even the minority few rich countries willing to offer direct and unconditional SDR transfers to do so. Second, loans are attached to the IMF's characteristic fiscal contraction policies. These policies include, for example, reducing public spending for social sectors by containing the wage bill through which public doctors, nurses and teachers are hired, as well as regressive tax measures such as value-added taxes that disproportionately impact the poor and vulnerable, women and children in particular.

The pandemic has demonstrated that accessible and affordable public services, especially in health, education and social protection, are indispensable to human survival. This begs the question of whether the costs associated with IMF conditionality are a fair price to pay to meet the urgent need for fiscal liquidity.

In April 2020, over 500 organisations and individuals signed a petition calling on the IMF to put an end to its history of fiscal consolidation.

Without debt workout mechanism, broken cans get kicked down the road

The state of debt distress across low-income countries repeatedly points to the lacuna of systemic debt solutions on the multilateral level.

Georgieva confirmed that developing countries are in "a debt trap", citing the IMF's calculation that 56% of low-income countries are either at high risk of debt distress or already in debt distress.

In response, Vera Songwe, Executive Secretary of the UN Economic Commission for Africa, said, "It is not so much a debt trap. It is a poverty trap or doubling down of the poverty trap, with 170 million people worldwide falling into extreme poverty. And in the continent when people fall into poverty, they fall much further down and for much longer."

According to a recent report by the European Network on Debt and Development, a debt pandemic is revealed where $194 billion has been transferred from developing countries to private, multilateral and bilateral creditors in 2020, and 58 countries experienced more revenue leaving their borders than coming in.

In 2020, external public debt service was larger than healthcare expenditure in at least 62 countries, and larger than education expenditure in at least 36 countries.

What this picture makes exceedingly clear is that it is not only the inequity of vaccine access that is constraining pandemic recovery for developing countries; it is also an unsustainable debt burden draining financial resources vitally needed to invest in public services that protect the lives and livelihoods of local populations.

And yet the Group of 20 (G20), in its 7 April finance ministers' and central bank governors' meeting, issued a communique that merely repeated a six-month extension of its Debt Service Suspension Initiative (DSSI) through the end of December 2021. The DSSI defers debt liabilities but does not write them off, with the contractual rate of interest remaining in place once the five-year deferment period has ended. Aside from not delivering genuine debt reduction, the DSSI also excludes middle-income countries.

With regard to this exclusion, Dr Aubrey Webson, Ambassador to the United Nations for the island nation of Antigua and Barbuda and Chair of the Alliance of Small Island States (AOSIS), has pointed out, "More than half of the world's small island states don't even qualify for this debt relief, due to the arbitrary designation of our countries as 'middle-income.' This is ludicrous in a year when our debt-to-GDP ratios are beyond maxed out and when even in the best of times, a hurricane can easily wipe out an entire year's GDP in one fell swoop."

Webson emphasised that expansion and extension of the debt suspension initiative is an important first step, but what is needed is a "fairer, more inclusive system that will help us build resilience to the effects of climate change and achieve sustainable development."

No systemic debt solutions from tinkering with the G20's Common Framework terms

The G20's communique also reaffirmed its "Common Framework for Debt Treatments" to address debt vulnerabilities on a case-by-case basis, promising to hold joint creditors' negotiations in an open and transparent manner.

Alluding to the looming concern that without private creditor participation, debt relieved by bilateral creditors gets passed on to repayments for private creditors, the G20 stressed the importance of private participation in the Common Framework on terms at least as favourable, in line with the comparability-of-treatment principle.

G24 developing countries also emphasised the need for private creditor participation in the Common Framework in order to ensure fair and meaningful debt relief measures.

The IMF reinforced institutional support for the Common Framework, echoing the need for private creditor participation as "a critical factor to ensure adequate burden sharing." A balance between the twin priorities of timeliness and sufficiency of debt relief is also stressed, in that "timeliness cannot come at the expense of ... a debt treatment that is insufficient to durably address the needs of each country."

Although the Common Framework is limited to adjusting the terms of sovereign debt, such as maturity periods, interest rates and standstills through rescheduling or re-profiling initiatives, the Fund still states that "this could enhance fiscal space, smooth consolidation, and help limit financing stress" in indebted countries.

In response to the penalising behaviour of credit rating agencies, which have downgraded 11 countries in 2020, in many cases for requesting debt suspension from the G20's DSSI, the IMF rationalised that making re-profiling options "better known could help moderate market and credit rating agency reactions," as well as "avoid discouraging countries from seeking debt treatment" from the Common Framework.

However, this approach bypasses the need to better regulate credit rating agencies and hold them accountable on the basis of methodology, criteria and biases towards deregulation and austerity that are baked into agency business models.

Civil society advocates argue that the Common Framework deters a comprehensive approach, is tied to IMF lending programmes and inadequately assessed debt sustainability indicators, and, importantly, lets private creditors off the hook again.

Private creditors, who hold significant amounts of developing-country debt, have repeatedly refused to participate in any debt relief initiative. They claim that a fiduciary responsibility to protect their clients' investments prevents full involvement.

Bondholders' "chutzpah," as pointed out by Daniela Gabor, professor of economics and macro-finance at UWE Bristol, is a direct outcome of the way G20 leaders and their central banks have "nurtured" private finance to become so powerful that they now find themselves unable to curtail its might.

Mohamed El-Erian, President of Queens' College, Cambridge, and Chief Economic Advisor at Allianz, said at a webinar during the spring meetings that the private sector has been happy to free-ride on the official sector, and this explains its support for SDR issuances. The Paris Club process of case-by-case debt treatments is "not enough to overcome coordination problems in the private sector; the Paris Club needs to impose more of a stick for the private sector," said El-Erian.

Private creditors are not the only ones getting a free ride. Multilateral lenders are also not required to participate in the G20's Common Framework. The World Bank, dominated by the US, Japan and European shareholders, is still not providing relief on its own loans, claiming the risk of downgrades to its triple-A-rated bonds jeopardises its ability to raise funds in capital markets. While the IMF is providing debt relief on some of its loans through its Catastrophe Containment and Relief Trust, this is being financed with external donor resources, which could be better used to support countries' COVID-19 responses.

The G20 clarifies that a sovereign's need for debt treatment, and the options made available for re-profiling, will be based on an IMF/World Bank Debt Sustainability Assessment and the participating official creditors' collective assessment.

The G24 responded by saying "realistic debt sustainability assessments are necessary to determine the depth of the financing needed." Civil society as well as the UN Conference on Trade and Development (UNCTAD) criticise the DSA for disregarding countries' human rights obligations, climate commitments, gender equality and Sustainable Development Goals. If integrated, the assessment of a country's ability to repay its debts would reflect an understanding that public funds should prioritise domestic development needs before debt repayments.

An underlying feature of the Common Framework is that countries seeking debt re-profiling under it will be obligated to sign up to an IMF loan programme. This raises serious concerns about a decades-long history of attached conditions to contract public expenditure in social sectors, which would disproportionately harm health and education services and effectively stall pandemic recovery.

Meanwhile, the IMF's *Global Financial Stability Report* has warned that rising US interest rates will draw capital from vulnerable countries, resulting in currency depreciation, financing shortfalls and increased cost of debt repayment, all leading to prolonged economic crisis. This scenario is predicted as US bonds jumped to their highest level since January 2020. The G24 has responded by calling on the IMF to accelerate discussions on a short-term liquidity line instrument to support developing countries' efforts to deal with massive capital outflows.

The temporary and fragmented Common Framework ultimately cements a role for the G20 in the design of the global debt architecture, sidelining longstanding calls for a comprehensive multilateral framework for debt crisis resolution under the auspices of the United Nations, which would restructure debt through a fair and transparent process in which all countries have an equal say. The debt distress unfolding today presents a golden opportunity to recreate the debt architecture towards fairness, stability and sustainability.

The threat of fiscal consolidation

Meanwhile, the role of the IMF as lender of last resort has skyrocketed, with emergency financing and loan packages disbursed to 86 countries since the outbreak of the pandemic in March 2020.

However, in terms of amount, the financial firepower being made available to member countries is only a quarter of the Fund's $1 trillion lending capacity, or $250 billion. Notably, over 50% of the IMF's total pandemic financing is comprised of credit lines sent to just three countries: Peru, Chile and Colombia.

In a marked departure from its past history, the IMF has supported temporary fiscal spending for health and social protection systems to allow developing countries to respond to the pandemic. In fact, Fund leadership has repeatedly emphasised that "premature fiscal consolidation will spell the difference between a lost decade and rapid recovery that puts countries on a sustainable growth trajectory." Importantly, flexibility clauses to relax fiscal deficit targets appear in many financial packages.

However, the story of pandemic financing does not end here. This fiscal spending is underpinned by three words that appear repeatedly in the fine print – "targeted," "timely" and "temporary" – meaning that public spending must be reversed as the pandemic begins to subside.

According to Oxfam, fiscal consolidation measures appear in 84% of loan agreements across 67 countries beginning in 2021 and public budget cuts are to be implemented across 80 countries.

Budget cuts take the form of wage bill reductions and rationalisations, increases in regressive indirect taxation such as value-added tax, and, to a lesser extent, the reform of pension systems. Social protection systems and essential social spending in health are often protected in IMF financing packages, albeit through budget reallocations rather than through wealth and resource redistribution such as progressive income and financial taxes. But the key trend is that in the years ahead, public budget reduction targets often trump social spending.

The IMF's verdict is therefore fundamentally the same: eventual fiscal consolidation is "necessary" for developing countries and even least developed countries.

This is a critical challenge for the near future for two broad reasons. First, pre-pandemic social spending was severely insufficient in most developing countries. Reversing current spending to levels below that of pre-pandemic years will stagnate long-term health, economic and social recovery for many developing countries, jeopardising their achievement of the SDGs and Paris Agreement and risking another "lost decade".

Many IMF loans assume that the economic crisis created by the pandemic will abate in the near term. However, it can be argued that there remains a lack of justifiable reason, especially with vaccine nationalism, to expect a near-term recovery. In fact, in May 2020, IMF staff projected that Benin would shake off the pandemic's shock by the end of 2020. Obviously, this projection was incorrect.

Second, empirical data on the impact of fiscal consolidation measures, as well as research by the IMF's Independent Evaluation Office on the Fund's response to the 2007-2008 global financial crisis, reveal that fiscal consolidation has led to reductions in health and education investments; losses of hard-earned pensions and social protections; wage freezes and layoffs affecting public sector employees such as teachers, nurses and doctors who comprise a large portion of the public wage bill in developing countries; increased unpaid care work; and greater consumption taxes – all of which disproportionately affect the poor and women.

New academic research in 2020 and 2021 confirms that IMF-required austerity is significantly associated with both significantly increased poverty levels as well as rising inequality, by increasing the income share of the top 10% at the expense of the bottom 80%.

Specifically, when IMF loan policies demand social spending cuts and labour market reforms and preclude longer-term fiscal support, particularly in health and social protection, the inequality already exacerbated by the pandemic stalls a real economic recovery.

Related to geopolitical dynamics, empirical research of loan policies between 2001 and 2018 reveals that borrowing countries are less likely to face required austerity if they are strongly tied to Western Europe, through either trade or diplomatic channels, or if they receive significant aid from non-OECD countries (mostly China). Borrowing countries are more likely to face austerity if they are host to significant foreign direct investment, particularly from Western Europe.

Divergent policy frameworks create unequal recoveries

In early 2021, the IMF's Fiscal Affairs Department told the *Financial Times* that "most advanced economies can live with much higher levels of public debt after the coronavirus crisis," and should therefore "rethink their public finance rules rather than rushing to reduce their liabilities."

In the April 2021 chapter of the *Fiscal Monitor*, the IMF states that "access to basic services helps give everyone a fair shot but is costly." To meet these costs, progressive wealth taxation is proposed as a principal means of mustering the necessary revenues. The Fund even suggests that alongside reducing income inequality, wealth taxes can also increase intergenerational mobility. However, this advice to increase income, inheritance/gift and property taxation is directed very specifically to "advanced economies."

For many developing countries, the Fund calls for increased revenue collection through value-added tax, an indirect consumption tax applied to many daily-use products and services which impacts the poor, especially women and children, disproportionately. In its loans to developing countries, the Fund calls for mobilising domestic revenue, in the medium term, through raising regressive taxes or removing exemptions to such taxes.

The *Fiscal Monitor* stresses the salience of "strengthening social safety nets by expanding coverage of the most vulnerable households and investing more and better in education, health, and early childhood development." In the same breath, the directive to developing countries remains rigid in stance: "Once the recovery is underway, gradual fiscal consolidation will become necessary in many cases, but this must be undertaken in ways that not only protect essential social spending, including health and education spending, but also allow appropriate levels of public investment."

Meanwhile, in seven out of 16 countries that have acquired new IMF loan programmes since October 2020, the Fund is calling for cutting or freezing the public sector wage bill, which pays the salaries of public sector doctors, nurses, teachers and teaching aides in many developing countries. Costa Rica has already eliminated over 2,000 public sector positions, and has frozen public sector wages (with exceptions for healthcare workers and the police) as well as placed a pause on almost 5,000 public vacancies.

Socialising fiscal policy to achieve rights and development

The antidote to fiscal consolidation measures has historical precedents. In the post-colonial period, newly independent countries ran fiscal deficits financed by printing money to develop their nascent economies. Unlike European countries that received the Marshall Plan from the United States in the post-World War II period, developing countries were not supplied with any funds, domestic or foreign. Governments employed fiscal activism to build infrastructure and create public health and education systems.

With the backlash against Keynesian fiscal policy in the late 1970s and early 1980s and the turn towards the liberalising tenets of neoliberalism, public budgets fell subject to fiscal disciplining through stringent fiscal deficit and inflation targets.

The 2008 global financial crisis generated a brief revival of fiscal spending for social needs, with large stimulus and bailout packages in developed countries and public infrastructure investment and, to some degree, social protection measures in developing countries. However, in the years since, fiscal contraction through spending cuts in public and social services again became the norm. Regressive taxation, mainly on consumption, has grown while direct taxation on corporate and personal income and assets has decreased.

It is clear that fiscal consolidation, even if in the medium to long term, will derail pandemic recovery for many developing countries, while also harming human rights and the achievement of the SDGs and the Paris climate agreement. There is a need to contest and rewrite the fiscal rulebook in order to create, expand and maintain fiscal space for social and human development. Some elements of such a task include re-conceptualising the investment character of public expenditures, the formulation of rights- and development-based criteria for public financing and acceptance of these criteria by international and national lending institutions.

A progressive fiscal framework recognises that human development is the exact and ultimate return that public investment strategies must be rooted in. If the SDGs are to provide the basis for developing such a fiscal framework, existing fiscal rules focused on fiduciary solvency and flawed debt sustainability assessments are inadequate.

Fiscal progressivism entails allowing for higher budget deficit paths and/or higher levels of inflation without jeopardising macroeconomic stability. The higher deficits should ensure relief for the vulnerable, especially women and children as well as informal sector and casual employment workers, prevent recessions from becoming depressions, and mobilise progress towards structural transformation.

Long-term recovery is not limited to resolving the crises exacerbated by the pandemic, it is concerned with the foundations of systemic and intersectional inequality in the global economic architecture. As such, recovery is about diversifying and strengthening the real economies in developing countries away from commodity, extractive sector and global value chain dependency and towards an ecologically sustainable nexus of productive investment, decent work creation and secure financing for public systems and services. Rethinking fiscal rules is an elemental step towards such a transformative recovery.

Special Drawing Rights: Saving the global economy and bolstering recovery in pandemic times

*Bhumika Muchhala and Christopher Hope**
Third World Network Info Service on Finance and Development
(16 June 2021)

IN the wake of the liquidity and fiscal crisis across developing countries generated by the global pandemic, the role of Special Drawing Rights (SDRs) – an international reserve asset issued by the International Monetary Fund (IMF) – has been an important part of the debate on economic recovery.

Developed countries account for nearly 80% of all fiscal efforts, while many low-income countries (LICs) have cut spending or have directed more funds to repaying creditors than they have to their own health sectors. In the 15 months since the onset of the pandemic in March 2020, multilateral efforts have not sufficiently accelerated comprehensive efforts to respond to the multiple dimensions of health and economic crises in developing countries, particularly through financing and provision of immediate liquidity.

The unequal distribution of vaccines and emergence of new variants of the virus threaten to prolong the crisis, with developing countries continuing to bear the brunt of the exacerbation of poverty and inequality, including extreme poverty. Progress towards the Sustainable Development Goals by 2030 is effectively derailed, with many developing countries set back by years or decades in the achievement of these goals.

In this context, there has been ample discussion of the possible role of SDRs in responding to the crisis. It now appears that later this year the IMF will allocate countries SDRs worth a combined $650 billion. But there remains much debate as to precisely how SDRs can support the pandemic response and recovery, how SDRs can be directed to those countries most in need, and what kind of institutions could be set up to utilise SDRs in the pandemic response.

With these questions in mind, a group of 16 civil society organisations organised a webinar titled "SDRs: Saving the global economy and bolstering recovery in pandemic times" on 21 May.

Opening remarks were made by Cardinal K.A. Peter Turkson (Prefect, Dicastery for Promoting Integral Human Development). Speakers were Vera Songwe (Executive Secretary, UN Economic Commission for Africa (ECA)); Jose Antonio Ocampo (former Finance Minister and Central Bank Board Member of Colombia); Daouda Sembene (Distinguished Non-Resident Fellow, Center for Global Development, and former IMF Executive Director for a group of African countries); Ana Corbacho (Assistant Director, Strategy, Policy and Review Department, IMF); Esteban Perez Caldentey (Chief, Financing for Development Unit, UN Economic Commission for Latin America and the Caribbean (ECLAC)); and Jayati Ghosh (Professor of Economics, University of Massachusetts Amherst).

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* Christopher Hope is a Policy Officer at Bretton Woods Project.

The following presents a summary of the key themes discussed during the event. A recording of the discussion is available at https://www.youtube.com/watch?v=Qnqg4cXg4r8.

The purpose of SDRs

Global reserve funds in the form of IMF SDRs are a vital tool to provide swift and unconditional support to the global response without increasing debt. Civil society organisations and experts have called for a new allocation of $3 trillion in SDRs.

The IMF membership earlier this year conveyed broad support for an allocation of $650 billion in SDRs and will consider a formal proposal in June, while the issuance will likely occur in August. Of this amount, low-income countries would receive $21 billion – crucial relief but not close to the $450 billion financing needs identified by the IMF to step up pandemic response and accelerate growth. Developing countries would receive $230 billion, short of IMF estimates that last year placed emerging economies' financing needs at $2.5 trillion.

During the 21 May event, Ocampo said the most positive aspect of SDRs is that they are essentially foreign exchange reserves for developing countries, providing them with international liquidity. In light of the very limited international cooperation on debt and liquidity that has taken place, SDRs are constructive for pandemic response and recovery in developing countries.

Corbacho of the IMF clarified that SDRs will boost international reserves, and this is of vital importance as an insurance mechanism in times of crisis. Expanding reserve assets also strengthens global financial resilience and confidence by sending a powerful signal of macroeconomic stability. She outlined the immediate uses of SDRs in developing countries, which include building up reserve buffers, providing financial backstops and freeing up financial liquidity for urgent balance-of-payment needs.

Corbacho added that the creation of additional liquidity can occur either by the addition of SDRs to reserves freeing up other foreign currency reserves or by countries converting their SDRs for hard currency. When countries convert their SDRs for currency, they are required to pay an interest rate to the IMF. Given that the normative interest rate is at a record low of 0.05%, using SDRs is currently very affordable. If, or rather, when, rich countries start to normalise and unwind their expansionary policies, interest rates may rise, which countries should bear in mind.

Sembene said that if well-calibrated and timely, SDRs can provide useful liquidity, but that historically SDRs have not played this role. Mechanisms to recycle and transfer SDRs must be designed to maximise impact and use. While the immediate priority for developing countries is vaccine access and purchase, there are other priorities that should not be forgotten, such as debt sustainability and climate change. Governments across the South need financial resources to bolster economic recovery, counter wealth and income inequality, and tackle rising poverty.

Recycling rich-country SDRs

The core inequity in SDR allocation is that they are distributed according to IMF quotas, or financial contribution shares, rather than need. As a result, over 60% of SDRs go to a handful of wealthy countries, while developing countries with the greatest need receive the least. In response, the IMF membership asked the institution to explore mechanisms for rich members to voluntarily transfer SDRs to vulnerable countries.

Different stakeholders have proposed a number of, not mutually exclusive, forms for such mechanisms, for instance: contributing to the IMF Poverty Reduction and Growth Trust facility, financing expanded debt relief through the Catastrophe Containment and Relief Trust, strengthening the financial capacity of multilateral or regional financial institutions, and creating new vehicles – such as the Liquidity and Sustainability Facility, vaccine financing vehicles or the COVID-19 Economic Relief Fund. The key question is how the design of SDR recycling mechanisms can maximise positive impacts for all countries that need support, while avoiding harm.

According to Perez Caldentey of ECLAC, recycling SDRs needs to proactively include middle-income countries (MICs). Despite being home to more than 75% of the global population and a majority of the world's poor and accounting for almost 96% of the external debt of all developing countries (excluding China and India), MICs have so far not been granted access to G20 debt relief. Reallocation, he stressed, should also be used as a way to boost the lending capacity of regional financial institutions and regional banks, such as the Latin American Reserve Fund (FLAR) and the Eastern Caribbean Central Bank, among others.

Ocampo emphasised that SDRs should be lent to low- and middle-income countries without conditionality and with attention to how exactly to spend the SDRs.

For Corbacho at the IMF, the central question leading up to the August issuance is how SDR recycling mechanisms can supplement and meet global reserve needs. The IMF requires broad support from its members, she stressed, as the process of reallocation can only be made effective once the IMF's Executive Board approves.

Donating SDRs

Civil society organisations and many other policymakers and academics have stressed the importance of maintaining the inherently benign properties of SDRs of being non-debt-creating and unconditional. The best way to maintain these properties would be direct donations of SDRs from rich countries to developing countries. However, Ocampo warned that such donations are not easy, as the donating country will have to pay interest to the Fund. As a long-term approach to overcome this hurdle, Ocampo proposed that this interest be paid out of the general IMF, though he acknowledged that this would be unlikely to occur for this allocation.

Corbacho reiterated the point, noting that the interest costs would be permanently incurred by the donor country. That is why it makes more sense for rich member countries to on-lend their SDRs, rather than donate them. On the other hand, Ghosh countered that for G7 countries the budgetary implications of paying this interest are minor. As such, the issue is convincing rich-country governments to agree to donations.

On-lending SDRs

The IMF is reportedly considering its Poverty Reduction and Growth Trust (PRGT) lending facility as a central SDR recycling mechanism. Many civil society advocates have concerns over PRGT loans, many of which were mentioned by speakers.

The PRGT facility is currently accessible to only LICs and should be made accessible to all developing countries in need. Ocampo emphasised this point on access.

Conditionalities attached to loans, many of which promote fiscal consolidation measures, should be removed, similar to how the Fund's debt relief scheme for LICs, the Catastrophe Containment and Relief Trust (CCRT), is unconditional. Ghosh underscored that while the PRGT can provide needed liquidity, the emphasis within PRGT loans on cutting fiscal expenditure should be unacceptable in the recycling of SDRs. She noted that while IMF leadership and management have made statements that COVID-19 financing should be non-conditional, this point has not yet been incorporated into the Fund's lending facilities.

Many civil society advocates are also against the conditionality within PRGT loans, typically oriented towards fiscal consolidation in the medium to long term. They also stress that PRGT loans would exacerbate already high levels of debt distress, may be double-counted as official development assistance (ODA) rather than additional to existing aid commitments, and require a more appropriate accountability mechanism.

Vaccine funds

Songwe emphasised that the priority for the African continent is vaccine access and distribution. As such, as well as supplementing the PRGT, SDRs should be on-lent to create a fund for vaccines. While the first priority is to get more countries and companies to produce vaccines, after production the problem for developing countries will be vaccine affordability.

Ghosh stated that SDRs should be specifically recycled into the World Health Organization's Access to COVID-19 Tools (ACT) Accelerator, which addresses diagnostics supplies, personal protection equipment and medical needs, among other areas.

Corbacho reiterated that ultimately it is up to IMF member countries how they will employ unused SDRs. Channelling SDRs for specific purposes such as vaccines and climate change, either through another trust or through Special Purpose Vehicles (SPVs), will need willing creditors as well as satisfying certain criteria, such as the additionality and complementarity of new trusts to existing IMF tools.

A fund outside of the IMF

Sembene said that while the IMF is important, it is not the only institution and process by which SDRs can be recycled. Should there be a role for multilateral development banks (MDBs) and mechanisms within these institutions that can leverage SDR resources for use over the long term? He noted that an SDR recycling mechanism that should be on the table is on-lending via SPVs that are not yet prescribed holders of SDRs. This would require a decision from the IMF to designate new prescribed holders of SDRs. Sembene also stressed that one key area that SDR recycling conversations may not be focusing as much on is the role of SDRs in reducing debt burdens across the developing world.

Liquidity and Sustainability Facility

There was debate within the panel on the value of using SDRs to contribute to a Liquidity and Sustainability Facility (LSF) for Africa, which has been proposed by ECA. The LSF would mobilise private finance for the Sustainable Development Goals through mechanisms such as SDG COVID-19 bonds.

According to ECA, the LSF would be financed by ODA, multilateral development banks, and/or by the central banks of members of the Organisation for Economic Cooperation and Development (OECD). The LSF is a response to the African context of sovereign debt, where countries often have to pay higher interest rates than non-African countries with similar macroeconomic fundamentals (often called the "African premium"), in that the facility hopes to reshape misperceptions about credit risk for African sovereigns.

As ECA's Songwe previously mentioned in a June 2020 *Financial Times article*, "Africa needs its own repo market … that would attract a new class of investors while shaving off the higher borrowing costs that African nations face because of age-old stubbornly sticky perceptions that they are especially risky." The LSF "modelled on existing market-based and commonly used facilities in Europe and the US … would help cut borrowing costs for African governments by providing incentives for the private sector to increase their portfolio investments on the continent."

Ghosh had concerns over these types of facilities for Africa. She noted that whilst it is good to leverage existing resources for additional finance, the design of the LSF means that it is pro-cyclical, dependent on market behaviour, and would lead to a loss of domestic monetary and fiscal policy. Ghosh pointed to the experience of middle-income countries in Asia, who had opened up to bond markets over recent decades and have experienced net losses.

Songwe responded that the LSF is not pro-cyclical and that its role is in correcting market distortions. The LSF is necessary because Africa has not yet deepened its capital markets, meaning that it presently has to borrow at high rates.

Long-term reforms to maximise the benefits of SDRs

An underlying current during the event was voices calling for a more ambitious reformulation of how SDRs can be used to support developing countries. Ocampo identified three long-term solutions. First, eliminating the dual accounting of SDRs – counting as both assets and liabilities – within the IMF's SDR account and its general resources account. In this way, SDRs that have been issued but have not been used by states can be used by the IMF to finance its products. This is the most important potential reform. Second is changing the distribution formula for IMF quotas so that the need for foreign reserves is taken into account. This would lead to more SDRs being allocated to low- and middle-income countries. And third, allowing for the private use of SDRs. While these options can move the needle forward for SDRs to achieve their purpose in assisting countries in need, all of them require changes in the IMF's Articles of Agreement, which currently constrain the above options.

In a similar vein, Ghosh argued that there should be automatic mechanisms within the IMF that keep issuing SDRs over time and that we need to think of reasonable ways of reallocating SDRs to support global public goods. Today we are talking about the pandemic, in the future it will be climate change. We need cross-border public trusts to ensure some degree of economic resilience, but they cannot be based on the on-lending IMF facilities which are necessarily conditional. We are all thinking within the constraints of what is possible right now, but ultimately this is no time for business as usual, and we have to rethink and step outside this box if we are to do anything for the massive challenges the global economy is facing today.

SDR issuance must be redistributed from rich to developing countries

SUNS (South-North Development Monitor*, No. 9408, 31 August 2021)*

ON 23 August, the International Monetary Fund (IMF) issuance of $650 billion in Special Drawing Rights (SDRs) came into effect. It is lauded as historic for being the largest-ever distribution of monetary reserves and provides much-needed additional liquidity for the global economy, particularly for developing countries with formidable fiscal needs.

IMF Managing Director Kristalina Georgieva announced to the press that it will provide a "significant shot in the arm" for global efforts to combat the COVID-19 pandemic by supplementing member countries' foreign exchange reserves and reducing their reliance on more expensive domestic or external debt.

Since all IMF member countries will receive SDRs in proportion to their quotas, or financial contributions to the IMF, a small number of rich countries in the Group of 8 will receive the vast majority of this SDR issuance. Despite not needing additional reserves, high-income countries will receive approximately $390 billion, or 60% of the total allocation. Meanwhile, low-income countries will receive just $21 billion, or 3.23% of the total allocation.

In light of this reality, the need to redistribute SDRs from rich countries to all developing countries in need is urgent, particularly for those developing countries facing economic recession and upturns in poverty.

A wide coalition of international civil society organisations and networks, in alliance with economists and academics, are calling on rich countries to channel their SDRs to developing countries in need through a broad range of mechanisms that adhere to a core framework of principles. These principles include the following concerns and priorities:

(1) Developing countries should be able to use the SDRs that are channelled to their reserves without policy conditionalities enforced by either the IMF or other authorised holders of SDRs.

(2) Mechanisms by which SDRs are channelled from rich countries to developing countries should not result in the augmentation of sovereign debt burdens.

(3) Redistributed SDRs should be accessible to all middle-income countries.

(4) They should also be additional to existing official development assistance (ODA) and climate finance commitments, in that they should not replace or be double-counted as ODA or climate finance.

(5) Redistributed SDRs should employ approaches that proactively promote a fair recovery from the COVID-19 pandemic through support for climate change mitigation and adaptation as well as addressing economic, gender and social inequalities, including the unpaid care work burden that women bear, which has been exacerbated by the lockdowns and health crisis of COVID-19.

(6) Transparency and accountability over the use of redistributed SDRs should be ensured, as well as full inclusivity and participation by SDR-receiving country governments and citizens.

(7) SDRs channelled to receiving countries should not result in any financial costs beyond what is required by the current SDR rules.

Importantly, the channelling of SDRs from rich countries to developing countries cannot be a substitute for the need to restructure and relieve sovereign debt burdens in low- and middle-income countries. This is critical to prevent a scenario where SDRs are used to repay external private and other creditors, rather than being directed to economic recovery and social needs.

In July 2021, a letter was sent by a group of international civil society organisations to the IMF's Executive Board to encourage it to employ these principles in the channelling mechanisms that the Fund is proposing and outlining, as mandated by the G20.

Mechanisms by which SDRs are channelled should also not be limited to only IMF lending facilities, such as the Poverty Reduction and Growth Trust (PRGT), the primary trust used by the IMF to provide concessional financing to low-income countries. While the PRGT has been supported by SDRs in the past, the loans typically come with harmful conditionalities such as regressive taxation and cuts in vital social expenditures in healthcare, education and social protection systems.

Apart from the IMF and its member states, there are 15 entities that are authorised holders of SDRs and therefore can engage in redistributing SDRs from rich to developing countries. These authorised holders include four supranational central banks, three regional monetary authorities and eight development institutions. They should be encouraged to actively cooperate with each other to establish the ways and means to distribute SDRs directly to countries with active fiscal gaps.

$650 billion is not enough

Despite being the largest SDR issuance in history, the international community must acknowledge that $650 billion in SDRs does not meet the real fiscal needs of lower-middle-income and low-income countries. Juxtaposed against massive South-North flows, the $650 billion SDR issuance pales significantly.

According to Yilmaz Akyuz, former chief economist of the UN Conference on Trade and Development (UNCTAD) and author of *Playing with Fire: Deepened Financial Integration and Changing Vulnerabilities of the Global South*: "The nine G20 EMEs [emerging economies] taken together have been transferring around 2.7 per cent of their combined GDP per year in the new millennium mainly to AEs [advanced economies] as a result of the negative return gap between their foreign assets and liabilities and capital losses resulting from changes in asset prices and exchange rates.

"These resource costs are incurred in large part because EMEs favour a particular structure of external balance sheets (highly liquid low-yielding assets, less liquid high-yielding liabilities) that is believed to be more resilient to external financial shocks.

"This means that, in effect, EMEs are transferring large sums of resources to AEs in order to protect themselves against the shocks created mainly by policies of the very same countries. This is underpinned by an international reserves system that allows a handful of reserve-issuing countries, notably the US, to constantly extract resources from the rest of the world" (Akyuz, "Financial globalization, North-South wealth distribution and resource transfers", Inter Press Service, 6 February 2019).

That 2.7% in terms of 2016 GDP amounted to about $570 billion.

In order to meet the financing gaps, the IMF should agree to issue further SDRs on a per annum basis, at least for the next several years. These subsequent issuances should be supported by redistributive mechanisms in alignment with the above seven principles.

Political will must be generated to channel and use the opportunities presented by this latest SDR issuance.

While some developed-country central bank officials abide rigidly by the rules of central bank reserve assets that technically or legally block the use of SDRs for fiscal needs, SDRs can, in practice, be redistributed in a multitude of ways that consider the core principles mentioned above.

The $650 billion issuance provides a window to pool rich-country SDR resources in an act of international cooperation that can reduce risks to any one country or to the global financial system.

The world's political leaders can activate the use of some portion of dormant SDRs to confront the twin global crises of health and climate through executive decision making to address the serious economic and social inequalities being exacerbated by the pandemic.

The opportunity created by this SDR issuance should be acted on to provide reserve assets that can be constructively used to meet the pandemic's formidable economic, social and humanitarian costs across the developing world. It will importantly be a step towards correcting the inequitable persistent South-North financial transfers.

For the South, all roads in global economic governance lead to inequality and vulnerability

Inter Press Service (19 October 2021)

THE October annual meetings of the International Monetary Fund (IMF), World Bank and G20 finance ministers illustrated that despite a historic debt crisis sweeping across developing countries and their urgent need for external financing for health and economic recovery, global economic institutions governed by rich countries do not possess the political will to deliver meaningful solutions.

The inadequacy of the G20's debt relief framework, which has failed to restructure sovereign debt since its inception, stands without change or any fresh effort to mobilise private sector participation in debt relief.

Despite the broad call to recycle Special Drawing Rights (SDRs) from rich to poor countries, the few countries that made commitments to do so are employing a conditional loan mechanism which will further drive fiscal consolidation measures in low-income countries.

Deprived of the policy independence and vaccines that allow advanced economies to enact massive fiscal stimulus programmes and open their economies, many developing countries are facing a cycle of deflation and despair.

The IMF's flagship *World Economic Outlook (WEO)* report confirms the entrenchment of global divergence between North and South by reporting that developed countries will return to pre-crisis growth projections in 2022 while developing countries' recovery will stretch to 2024, in a journey marked by "permanent economic scarring and revenue losses" for the South.

The *WEO* concludes that unemployment is a major driver of this gap and unemployment rates would be persistently higher if trouble with vaccinations leads to COVID-19 becoming "endemic".

A brand new (and conditional) loan to recycle SDRs?

In the months preceding the largest ever allocation of $650 billion in SDRs by the IMF on 23 August, a momentum to recycle SDRs from rich to poor countries was generated by a broad range of actors, including the UN, governments and civil society.

A milestone was achieved when leaders of the G7 leading developed countries committed to voluntarily channelling $100 billion of their unused SDRs. Despite this amount falling short of the IMF's own conservative estimate of a $200 billion financing shortfall in low-income countries between 2021 and 2025, the move was welcomed in light of the unequal distribution of SDRs based on IMF members' quotas, where over 60% (or $400 billion) of the SDRs go to developed countries.

After France announced it will channel 20% of its SDR allocation to African countries, with a focus on vaccine donations, all eyes were on the annual meetings in October for announcements by other rich countries.

In a virtual panel, IMF Managing Director Kristalina Georgieva said that the "100 billion number is very achievable", alluding to several countries which had stated their intentions to channel SDRs but not yet committed exact amounts.

Given the urgency of fiscal space and external financing across developing countries, more details were expected.

The IMF was tasked by the G20, G7 and Fund membership to design a mechanism to recycle the funds. In response, it proposed two key pathways: scaling up the longstanding Poverty Reduction and Growth Trust (PRGT) concessional loan facility for low-income countries, and establishing a new Resilience and Sustainability Trust (RST) that would be accessible to middle-income countries.

While both proposals were accepted by the G20 and the G24 group of developing countries in the IMF, years of critique loom over the PRGT for its fiscal consolidation conditions, including by the Fund itself. Empirical research has long illustrated how the PRGT shrinks public expenditure for indispensable social services and employees in health and education and promotes regressive taxation measures that disproportionately hurt women and low-income communities.

Meanwhile, the RST, which is still being formulated and will be presented for approval to the Fund's Board in 2022, is the first loan facility to address balance-of-payments risks stemming from climate change and pandemics, featuring conditionality related to climate or pandemic preparedness designed and monitored in coordination with the World Bank.

There are three key concerns that already emerge in the little that is currently published or known of the Fund's design of the RST.

First, access to the RST will be contingent on having a conditional IMF loan programme already in place. According to one of the only published sources on the RST, it would likely "top up" a regular IMF loan programme.

Second, while many in the international community have asked the IMF to support countries with climate transition risks, including financing for a just transition, the RST should not be counted as climate finance. The latter is direct budget support for climate change mitigation and adaptation, while the RST addresses budget distortions that may arise from climate change.

Third, it remains to be seen whether the RST's stated objective of catalysing private and other multilateral financing will involve creating an enabling environment for the vested interests of private finance in forging investable climate-oriented schemes that yield more for profit than for people.

In a letter to G20 finance officials and the IMF, over 280 civil society organisations and networks, including researchers and academics, called for a set of principles to govern the fair channelling of SDRs to developing countries. These principles include avoiding the attachment of policy conditionality and accrual of more debt, avoiding the double-counting of SDRs as aid, and ensuring access for middle-income countries that are often excluded from multilateral schemes.

The letter stressed the importance of recycling SDRs through grant funding that facilitates budget support for public services and a fair recovery that supports climate justice, and tackles economic and gender inequality, including the unpaid care burden that women bear and that the pandemic exacerbated.

A critical opportunity to progressively alter the basic tenets of development financing in the current global financial architecture has been missed by the Fund and its rich-country members.

G20 fails to address record high debt distress

As the G20's wholly inadequate debt moratorium concludes at the end of 2021, the World Bank reports that the debt burden of low-income countries rose to a record $860 billion and half of the world's poorest countries are in external debt distress as a result of the pandemic.

And yet, the G20's finance ministers have again failed to advance real debt solutions such as debt relief, debt cancellation and fair restructuring mechanisms for countries requesting debt reduction.

Indeed, no new relief scheme or possibility of a debt standstill was announced by the G20 finance ministers' communique, even with the imminent closure of the G20's Debt Service Suspension Initiative (DSSI).

Meanwhile, the G20 proved once again their lack of power to increase private sector creditor participation in debt reduction initiatives beyond mere reaffirmations.

At the IMF-World Bank spring meetings in April 2021, Mohamed El-Erian, President of Queens' College, Cambridge, and Chief Economic Advisor at Allianz, had said at a webinar that the Paris Club process of case-by-case debt treatments is "not enough to overcome coordination problems in the private sector; the Paris Club needs to impose more of a stick for the private sector".

The inability to regulate the private sector into debt relief participation points to how the "chutzpah" of bondholders is a direct outcome of the way G20 leaders and their central banks have nurtured private finance to become so powerful that they now find themselves unable to curtail its might.

The Jubilee Debt Coalition stated in a press release that the G20 are asleep at the wheel as the debt crisis intensifies in low-income countries, pointing out that the DSSI has suspended less than a quarter of debt payments, while the G20's Common Framework for Debt Treatments (CF) has restructured no debt.

In particular, private creditors received the largest amount of debt payments, $14.9 billion, and suspended just 0.2% of debt payments.

In early 2021, Chad, Ethiopia and Zambia applied to the CF for debt restructuring. So far, none have been successful, in large part due to private lenders' refusal to take part in debt reductions.

Meanwhile, the current rise in global interest rates will increase the cost of debt servicing, worsening debt crises and preventing both economic and health recovery in indebted countries.

In response to the wave of debt distress sweeping across the South, the UN Conference on Trade and Development (UNCTAD) has called for substantive debt relief and outright cancellation. The counterfactual, it states, is another lost decade for development marked by developing countries using their vital public finances for debt payments rather than for investing in pandemic and economic recovery.

Even the IMF's *Fiscal Monitor* report highlights limitations of the international debt architecture in supporting orderly restructurings as a core risk for global pandemic recovery.

In stark contrast to the G20, several developing countries at the 76th UN General Assembly in September called for debt cancellation, comprehensive debt restructuring and debt relief linked to middle-income countries or to the UN Sustainable Development Goals (SDGs). Small island developing states called for debt relief in the context of a new vulnerability index for the provision of multilateral support.

Against these segmented scales of political and economic power, a democratisation of decision making in the global debt architecture is increasingly urgent. As long as the multilateral response to the debt crisis generated by the economic fallout of the pandemic is governed by creditor countries, the decades-old imperative to establish a debt workout mechanism capable of carrying out timely and fair restructuring, including debt cancellation, will remain unmet.

Fiscal austerity continues to exacerbate global inequalities

At the IMF-World Bank annual meetings, the IMF's Georgieva underscored that health spending is a priority and that where fiscal space is limited, "lifelines should be increasingly targeted toward the most vulnerable groups".

However, in her own institution's *Fiscal Monitor*, an explicit priority is placed on reducing deficit and debt levels, "undertaking structural fiscal reforms (such as pension or subsidies reform) ... and committing to fiscal rules that lead to deficit reduction in the future".

The IMF's historical preoccupation with fiscal consolidation is a reflection of capital market and investor reasoning, in which the only path to securing access to low-cost borrowing for most developing countries is "strengthening the credibility of their fiscal policy".

Embedded within a financial architecture shaped by a short-term and speculative logic and pro-austerity bias, the South's public budgets are subject to private interests that are in diametric opposition to equitable and rights-based development.

The priority of securing the confidence of creditors is illustrated by Oxfam's finding that out of 107 IMF loans, 90 require fiscal consolidation measures across 73 countries.

Instead of facilitating public investment in health, education and social protection systems, medium-term policy advice in the loans seeks to cut and freeze public sector wage bills, and increase or expand value-added and general sales taxes.

As UNCTAD puts it, unless the autonomy and impunity enjoyed by global finance is seriously regulated, the potential of fiscal policy to play a structural role in sustained decent work creation and pursuing the right to equitable development is rendered defunct.

Deepening inequality and poverty across the South is a direct result of the failure of effective multilateralism. Between 65 and 75 million people have been thrown into poverty, the gap between the top 10% and bottom 80% is growing, and achieving the SDGs by 2030 is rendered close to fantasy in many developing countries. Women have been dealt the most unequal hand, experiencing at least $800 billion in lost income globally in 2020 while low-wage informal work and unpaid care work have increased beyond measure.

Ultimately, the principles of historical responsibility, distributive justice and interdependency of recovery must guide the centres of financial and economic clout to support rather than hinder health and economic recovery for the most vulnerable regions of the South.

Technocratic tinkering with power and resource asymmetries created by centuries of colonial history, and more recently by four decades of neoliberalism that has institutionalised a pathologically unequal financialised world economy, will no longer suffice. Structural change is indispensable, precisely because the counterfactual may well be a lost decade for the vast majority of the human race.

No new actions to combat debt crises offered by G20 ministers

SUNS *(*South-North Development Monitor*, No. 9521, 24 February 2022)*

FINANCE ministers and central bank governors from the Group of 20 (G20) leading economies met in Jakarta on 17-18 February to discuss global economic recovery, the debt crises in many developing countries, international financial instabilities, the voluntary channelling of Special Drawing Rights (SDRs), global tax reform, inclusive and green finance, climate finance and infrastructure investment, among other issues.

The critical crisis in the world economy today is undeniably that of unsustainable sovereign debt, with several developing countries defaulting on their debts in 2021 and several more close to a default in 2022.

On the urgent need for debt relief, restructuring and coordination, the communique of G20 finance officials welcomed "efforts to make progress on the Common Framework for Debt Treatments beyond the DSSI [Debt Service Suspension Initiative]", and reiterated their "commitment to step up our efforts to implement it in a timely, orderly and coordinated manner".

They noted that creditor committees may discuss and find appropriate solutions on a case-by-case basis for those countries that have requested debt treatment, including Chad, Ethiopia and Zambia.

The communique stressed the importance for private creditors and other official bilateral creditors to commit to providing debt treatments on terms at least as favourable, to ensure fair burden sharing in line with the comparability-of-treatment principle, and affirmed the joint efforts by all actors, including private creditors, to continue working towards enhancing debt transparency.

The launch of the joint Institute of International Finance (IIF)/Organisation for Economic Cooperation and Development (OECD) Data Repository Portal was welcomed, and all private sector lenders were encouraged to contribute data to this initiative.

Debt distress in developing countries

According to the International Monetary Fund (IMF)'s calculations in June 2021, more than half of low-income countries are in debt distress or at risk of debt distress, double the numbers of 2015. A report by the *Financial Times* disclosed that the world's poorest countries face a $10.9 billion surge in debt repayments in 2022. In 2020, 62 developing countries spent more repaying debt than they did on healthcare during a pandemic.

Over the next three years, the debt repayments as well as the interest charges on the debt, which are increasing as a result of a stronger dollar and tightening monetary policy, will hamstring governments that should be spending public finances to battle the pandemic as well as to address long-term problems such as the effects of climate change.

Already heavily indebted before the pandemic, many developing countries had no choice but to spend public finances in tackling the pandemic while tax revenues collapsed. Meanwhile, with record-low interest rates, public borrowing was easy to access. As a result, sovereign debt quickly piled up.

The World Bank's 2022 *Global Economic Prospects* report acknowledges that, rather than a liquidity issue, many countries actually face a solvency crisis which requires "debt stock reductions" instead of debt re-profiling which only addresses the terms of repayment. This is a significant shift from the G20's understanding of the debt problem when it formulated the Common Framework to address unsustainable debt, in that debt treatments would not involve debt write-offs or outright cancellation.

In 2021, Argentina, Belize, Ecuador, Suriname and Zambia defaulted on their debts. In 2022, Sri Lanka, El Salvador, Tunisia and Ghana are assessed by financial journalists and analysts as being close to a debt default. Lebanon, Turkey and Ukraine are also mentioned.

According to the UN's Department of Economic and Social Affairs, "Elevated external debt burdens, additional borrowing during the pandemic and increasing debt-servicing costs have pushed a rising number of countries to the brink of a debt crisis."

Recent Jubilee Debt Campaign findings report that average Global South external debt payments have increased 120% between 2010 and 2021 and are higher than at any point since 2001. Average government external debt payments were 14.3% of government revenue in 2021, up from 6.8% in 2010.

Globally, 54 countries are in debt crisis, meaning that debt payments are undermining the ability of governments to protect the basic economic and social rights of their citizens. The analysis finds that a further 14 countries are at risk of both a public and private debt crisis, 22 at risk of solely a private sector debt crisis, and 21 at risk of a public sector debt crisis.

Limitations of G20's Common Framework and DSSI

Despite the G20's exclusivity as a club of the world's 20 biggest economies, it is still the pre-eminent body of global economic decision making. The G20 finance ministers' meeting is therefore perceived as the prime venue to begin addressing the debt crises rippling across many countries. While there was some hope that the G20 finance officials would reinstate the DSSI, which took effect on 1 May 2020 and was terminated at the end of 2021, it was not revived at the recent meeting.

The DSSI was critiqued by analysts and international organisations as being inadequate, as it merely suspended debt on a temporary basis and "kicked the can down the road" rather than sustainably restructuring debt in a fair manner that divided burden sharing between creditors and debtors. It did deliver approximately $10.3 billion in relief to more than 40 eligible countries. However, IMF and World Bank debt data reveal that the 46 lower-income countries that applied for the scheme still paid out more than three times in debt payments, or about $36.4 billion. Meanwhile, only $600 million of debt was cancelled, primarily through the IMF's Catastrophe Containment and Relief Trust (CCRT).

The lack of political enforcement by the G20 resulted in private creditors, especially big commercial banks, asset management companies, investment banks, hedge funds and oil traders, providing no relief and receiving $14.9 billion in debt repayment from the poorest countries (April 2020-June 2021).

The G20's Common Framework for Debt Treatments was established in 2020 to reduce debt burdens by a Paris Club approach, meaning a case-by-case approach that individualises debt restructuring by debtor country, rather than addressing the systemic nature of debt. The shortcomings of the Common Framework have been acknowledged by a range of actors, from the IMF and World Bank to the financial press and international civil society.

These limitations include, for example, the voluntary engagement of private creditors in the creditor committees of the Common Framework to deliver on comparability of treatment, which is a principle developed in the Paris Club to ensure that all creditors contribute with their fair share in debt restructuring and cancellation. The voluntary nature has resulted in private creditors continuing to refuse engagement in the Common Framework to date.

Importantly, none of the countries that have applied to the Common Framework thus far have had any debt cancelled. This has led to the assessment that the Common Framework is not fit to address the challenges of creditor coordination and engagement in order to deliver debt relief on a scale sufficient to tackle the debt distress many developing countries are facing and will continue to face in the coming years.

The case-by-case approach of the Common Framework does not meaningfully address the scale, volume and systemic nature of debt restructuring and write-off of the principal debt stock required to prevent debt insolvency and crises in many developing countries.

In order to incentivise private creditor participation, the World Bank and IMF allude to credit enhancements employed in the past and the need to make debt restructuring agreements binding on all creditors by majority vote, primarily through activating aggregated collective action clauses. In theory, these clauses allow private bondholders to coordinate restructuring terms among themselves. While the communique stressed that private creditors should ensure fair burden sharing in alignment with the comparability-of-treatment principle, a specific and detailed map of how this will be achieved across all types of private creditors has not to date been provided by G20 finance officials.

Overall, the Common Framework has been viewed by financial analysts as well as many in civil society as a messy, long and costly default and restructuring process, where the problem of uncooperative private creditors, the non-participation of multilateral institutions and the risks of insufficient debt cancellation lead to years of serial debt restructuring that remain unsolved. Furthermore, the Common Framework's requirement that debt treatment has to come attached with an IMF programme exacerbates the dilemma of fiscal austerity measures that the IMF recommends in its lending frameworks.

Both the IMF and World Bank focus their recommendations on greater effectiveness of the Common Framework through steps such as clearer timelines and rules, a debt payments standstill during negotiations, inclusion of middle-income countries, and debt cancellation in cases of unsustainable debt, which goes beyond re-profiling of terms of payment.

The World Bank, in its 2022 *Global Economic Prospects* report, stresses that in its current form the Common Framework is not suitable for ensuring sufficient debt relief and a fair distribution of costs between the various creditors. The Bank also says it is problematic that public creditors have, since the early 1980s, relied on debt suspensions, payment extensions and insufficient relief to address recurring debt crises in developing countries.

As a first step, the Bank recommends that the Common Framework commit to granting comprehensive debt relief. The Bank also suggests that the participation of private creditors should be made binding through, among other steps, the route of national legislation. While restructuring negotiations are ongoing, debtor countries should be granted a debt moratorium.

Meanwhile, the IMF's "G20 Surveillance Note" published on 16 February 2022 stresses that immediate action by the G20 is needed to arrest the rising human and economic toll of the COVID-19 pandemic. It also encourages the G20 to help ensure weaker economies have access to financial liquidity, including through the operationalisation of the Common Framework and support for the channelling of the $650 billion issuance in Special Drawing Rights.

A key aspect of the Common Framework is addressing how comparability of treatment will be effectively enforced. The IMF's 2015 "Policy on Arrears to Official Creditors" can potentially be a key advocacy strategy on this enforcement. The Fund's policy suggests that if private and bilateral creditors refuse to engage in a debt restructuring, the IMF and G20 should give the debtor country political and financial support to default on non-engaging creditors. Meanwhile, debt reduction and/or cancellation from creditors willing to engage should proceed. This IMF policy could potentially guide the G20's support to borrowing countries that choose to default on creditors refusing to participate on comparable debt restructuring terms.

As the third year of the pandemic begins, the lack of concrete action on debt in the G20 finance ministers' communique does not bode well for the timely resolution of debt distress of both low- and middle-income countries, undermining their national policy space to recover from the economic and public health toll of COVID-19. Countries on the verge of default can only hope that the G20 will not wait until full-blown debt crises take place before taking real action.

UN Conference on Trade and Development (UNCTAD) Secretary-General Rebeca Grynspan has warned that many developing countries are truly at risk of another lost decade. To prevent this outcome, governments and international financial institutions, particularly the G20's finance ministers' body, need to take immediate and urgent action to provide unconditional debt cancellation for all countries in need.

For a systemic debt solution, a meaningful, inclusive and democratic process to reform the international debt architecture is necessary. This can be effectively and efficiently achieved through the long-advocated multilateral framework for sovereign debt resolution under the auspices of the United Nations. Such a framework would comprehensively address unsustainable and illegitimate debts and provide systematic, timely and fair restructuring of sovereign debt in a process convening all creditors, from bilateral and multilateral to private creditors.

While developing nations hang on to a cliff's edge, G20 and IMF officials repeat empty words at their annual meetings

Inter Press Service (26 October 2022)

HELD in person for the first time in three years, the annual meetings of the International Monetary Fund and World Bank last week in Washington DC failed to offer solutions to the dozens of developing countries in debt distress or on the forewarned global recession instigated by monetary tightening.

Meanwhile, austerity measures are reinforced through a repeated emphasis on fiscal tightening, underpinned by a monetarism upheld by the IMF and rich-country central banks.

The scenario of a dual tightening in both monetary and fiscal policy is only exacerbated by the absence of political will among creditors to cooperate in debt restructuring, bolstered by narratives of losing market access to financial flows.

New loan programmes are created by the IMF to boost concessional financing for food price shocks, climate transitions and liquidity shortfalls. However, these very loans create new debt and reinscribe the very austerity measures that worsen the challenges of inflation and climate.

Within these asymmetries of power and access in the world economy, and the foreclosing of developmental policy tools for developing countries, what then is the fate of the vast majority of people and nations in the world?

The IMF's *World Economic Outlook* warned of an imminent recession amidst a shift of financial regime from cheap and easy money to an aggressive synchronisation of global monetary tightening.

"In short, the worst is yet to come, and for many people 2023 will feel like a recession," said IMF chief economist Pierre-Olivier Gourinchas. Convening the world's finance ministers, central bank governors and financial market leaders, the IMF announced a slowdown in global growth by 2.7%, down from the 3.2% growth projected for this year.

On the heels of a global pandemic followed by the war in Ukraine, the US Federal Reserve's interest rate hikes, aimed towards domestic price stability, are creating a global push towards more expensive money. A stronger dollar, higher international and domestic interest rates, coupled with depreciating currencies and sell-offs in many developing-country assets, are generating protracted economic and social pain across the globe. The spillover impacts are seen in soaring food and fuel prices, increases in dollar-denominated debt and import costs, volatile commodity markets and debt distress intensifying into a 50-year record across the developing world.

The UN's 2022 *Trade and Development Report* warns that the most vulnerable countries and communities are being hit the hardest. Warnings of another "lost decade" abound, in that the current interest rate hikes resemble those of 1979-82, which triggered debt crises in over 40 developing countries where "structural adjustment programmes" through IMF loans contributed to a decade of lost growth and development across the Global South.

Inflation targeting consumes financial rulemakers

The tightrope global central banks are walking is acknowledged by IMF Managing Director Kristalina Georgieva, who says, “Not tightening enough would cause inflation to become de-anchored and entrenched – which would require future interest rates to be much higher and more sustained, causing massive harm on growth and massive harm on people. On the other hand, tightening monetary policy too much and too fast – and doing so in a synchronised manner across countries – could push many economies into prolonged recession.”

Meanwhile, the topline recommendation of the IMF’s *Global Financial Stability Report* is that “central banks must act resolutely to bring inflation back to target.” Doing otherwise would risk credibility and market volatility, or in other words, create difficulties in market access to financial and investment flows and/or worsen borrowing terms.

One of the central tenets of neoclassical economic consensus among global central banks is that of maintaining price stability through a low inflation target of 2%. Financial rulemakers have for decades deemed inflation a threat to economic growth by way of the spectre of hyperinflation. However, empirical evidence points to the contrary.

Collating data from 31 countries from 1961-94, World Bank chief economist Michael Bruno and William Easterly concluded that inflation does not lead to lower growth, even when the significant oil price increase of 1974-75 is included. The US Federal Reserve’s own historical archives demonstrate that the so-called “Great Inflation” of 1965-82 did not harm growth either. In light of these studies by neoclassical economists and central bank institutions, economists Anis Chowdhury and Jomo Kwame Sundaram argue that “there is no empirical basis for setting a particular threshold, such as the now standard 2% inflation target – long acknowledged as ‘plucked from the air’”.

From press conferences to panel speeches, the IMF leadership repeats that the danger of “entrenched” inflation requires a global commitment to tackle it head on through global to domestic monetary tightening. This stems in large part from a belief that once inflation begins, it has an inherent tendency to accelerate. Consequently, IMF loans and surveillance recommend central bank independence (from the executive) as a means to ensure unbiased financial policymaking, while critics contend that it has only enhanced the influence and power of big banks and financial actors, largely at the expense of the real economy.

However, history again demonstrates that inflation does not accelerate easily, even when workers have more bargaining power or wages are indexed to consumer prices as in some countries.

Lost decade redux?

The IMF’s *Fiscal Monitor*, published on 12 October, called upon all policymakers to “maintain a tight fiscal stance, so that fiscal policy does not work at cross-purposes with monetary policy”. In essence, fiscal policy must serve monetary policy in its “fight against inflation”, by retrenching public spending for the singular objective of sending “a powerful signal that policymakers are aligned in the fight against inflation”.

The rationale is straightforward: “In a time of high inflation, policies to address high food and energy prices should not add to aggregate demand.” Increased demand is anathema, as it “forces central banks to raise interest rates even higher”.

The fiscal tightening is not new. In 2021, 131 governments started scaling back public spending. The geographic and population scale of austerity cuts is expected to intensify up to 2025.

Governments are implementing, or discussing, a range of fiscal adjustment policies, such as targeting social protection, regressive taxation, reducing public expenditure in social sectors, eliminating subsidies, privatising public services or state-owned enterprises, pension reforms, and labour flexibilisation. All have long histories of negative social impacts on economic and social rights, such as the right to food, water, health, housing, education, and livelihoods. The human impact will reach over 6 billion people, or 85% of humanity, in 2023.

In a time of poly-crisis, retrenching public spending and imposing regressive taxes that disproportionately hurt the poor, especially women, not only extinguishes the hope of achieving the Sustainable Development Goals by 2030 but, more fundamentally, regresses decades of fighting poverty.

Meanwhile, the IMF's Board has approved the creation of two new loan facilities, the new Food Shock Window, available for a year to countries reeling from the global food price crisis, and the Resilience and Sustainability Trust (RST), through which many rich countries may rechannel their unused Special Drawing Rights if the funds are used to address "external shocks, including climate change and pandemics", by rules set out by the Fund.

While both loan facilities address urgent threats, they also create new debt. The RST is also conditional upon an IMF loan programme hinged on fiscal consolidation.

The severity of the food crisis warrants aid in the form of grants, not loans. Based on prior research done by the World Bank and the Center for Global Development on food price spikes, Oxfam estimates that another 65 million people could be pushed below the $1.90 extreme poverty line as a consequence of food price increases.

Debt crises nearing point of no return

Despite the imminent threat of debt crises imploding across many developing countries, the Group of 20, IMF, World Bank as well as the Institute of International Finance, the consortium of private financial actors, have to date failed to create viable solutions.

The G20's Debt Service Suspension Initiative, which suspended debt payments for 73 low-income countries, was terminated at the end of 2021. And two years after the Common Framework was established in 2020, its multiple flaws have led even the World Bank to call it a "slow-motion debt tragedy".

One key dilemma is the lack of political will to enforce a comparability of treatment where all creditors, including private, participate on equivalent terms of restructuring in the principle of burden sharing. Another challenge is the glacial pace of restructuring, which is not only protracted but also riddled with uncertainty.

Middle-income countries, where the vast majority of the world's poor reside and where serious debt defaults are taking place, are not included. Low-income countries fear that access to commercial financing will be cut off if they apply to the Common Framework, as evidenced by the credit rating agencies Fitch and S&P slashing Ethiopia's sovereign rating when the nation applied to the Common Framework in 2021.

Out of the three countries that have so far asked for their debt to be treated – Chad, Ethiopia and Zambia – only Zambia has seen some forward movement.

The narratives coming from within the IMF reiterate a subservience to market access and creditor interests. Across panels and webinars, senior IMF staff remarked that a large debt restructuring is a serious event which may result in a decrease of future multilateral and private financing in amounts that outweigh the financing gained in relief or restructuring. Some warned that private creditors will not participate in debt restructuring where national fiscal instability reigns. To secure market access, countries have to tighten fiscal belts even more. The logic here is that financial stability imperative for accessing private credit requires fiscal consolidation that generates social devastation.

The lack of official creditor participation and the dilemma of transparency, in large part a reference to China, was repeatedly stressed as a key problem. At the same time, an old and wholly condescending trope of the need to increase debtor discipline in light of financial mismanagement and irresponsibility repeatedly emerged.

Meanwhile, there is no mention of the often-legalised corruption of private actors, such as tax evasion and avoidance, and speculative and/or rigged trading. Amidst the talk, actual debt solutions are absent. While political will is already in short supply, the lack of cooperation towards problem solving is exacerbated by the finger pointing between bilateral, private and multilateral creditor groups.

History has repeatedly illustrated the way forward on debt, and the waves of austerity that it generates. For decades, advocates and policymakers alike have called for a transparent and binding debt workout mechanism within a multilateral framework for debt crisis resolution, in a process convening all creditors. The UN General Assembly has adopted multiple resolutions calling for such a mechanism over the years. Debt justice movements from across the developing world have urged for the cancellation of all unsustainable and illegitimate debts in a manner that is ambitious, unconditional and without repercussions for future market access. Past cases show how reducing debt stock and payments allows for countries to increase their public financing for urgent domestic needs.

The principle of burden sharing ensures genuine debt relief, as does the commitment to include all creditors in an automatic or orderly way. Recognising that multilateral institutions account for around one-third of the outstanding debt of low- and lower-middle-income countries, the World Bank and IMF must participate in such efforts. They should both cancel debt payments owed, and the IMF should eliminate surcharges. Protection needs to be provided to debtor states against holdouts and lawsuits by non-participating creditors, while laws and procedures for responsible borrowing and lending need to be ensured to protect citizens and communities against corrupt, predatory and odious debts.

Last but not least, an automatic mechanism for a debt standstill in the wake of an extreme exogenous shock should be created. As proposed by the G77 group of developing countries in the UN General Assembly in response to the global financial crisis of 2007-08, such a mechanism must "be established for a determined period in response to external catastrophe events" such as climate and natural disasters, health pandemic, military conflict and inflation. The prescience of the G77 in 2009 offers a salient message.

While the developing world has little recourse but to 'dance to the tune of the Federal Reserve,' the devastating toll of the human, social and economic crisis must be addressed through tools and choices that can be generated. The question is how to muster political will, be it through the moral pressure of the global justice movement or through analysis of the effects that soaring poverty and intensifying climate change will have on the very survival of our planet and species.

The grand narrative of private finance

*Bhumika Muchhala and María José Romero**
Inter Press Service (6 July 2023)

ONE message that was repeated throughout the Paris summit in June on a so-called "New Global Financing Pact" was that developing countries urgently need mass financing to tackle the climate and biodiversity emergency. And there is not enough of it in public coffers.

Unfortunately, the false narrative that the only way to fill this gap is to "leverage" more private finance also persisted. The resulting Paris Agenda for People and Planet stated that "meeting global challenges will depend on the scaling up of private capital flows". This should be achieved in large part by revamping the role of multilateral development banks (MDBs).

Last December, the World Bank Group (WBG), the biggest MDB, launched its so-called "evolution" process, with the support of the G7 industrial countries. This set the institution to work on increasing its lending by deepening its reliance on the financial market.

The dogged reliance on private capital as saviour appears to be steeped in capitalist realism. It is believed to be implausible for the public sector to deliver the scale of financing needed to address the climate and development crisis.

Private capital, which can be leveraged using public money, securitised and reproduced, is favoured as the pragmatic choice. However, while the financing gap to deliver on the Sustainable Development Goals (SDGs) is very real, the neat narrative buttressing private capital obscures two empirical realities.

The first is the absence of rich countries' political will to deliver on agreed commitments, from the pledge to channel 0.7% of gross national income as development aid made in 1970 to the $100-billion-per-year climate financing agreed in 2009.

Second, the ongoing systemic wealth drain from developing to rich countries. Since 1982, developing countries as a whole have transferred an estimated $4.2 trillion in interest payments to Global North–based creditors, far outstripping aid flows and concessional lending during the same period.

Additionally, tax-related illicit financial flows cost countries hundreds of billions of dollars in lost tax income every year. Debt servicing is draining approximately 25% of total government spending in developing countries as a whole, hijacking both climate and SDG financing.

* María José Romero is Policy and Advocacy Manager at Eurodad (European Network on Debt and Development).

The allure of private finance

In June, in a new attempt to "leverage" private capital, the WBG launched the Private Sector Investment Lab, a partnership with the private sector that aims to "rapidly scale solutions that address the barriers preventing private sector investment". Furthermore, it announced "an expanded toolkit for crisis preparedness, response, and recovery" that includes providing "new types of insurance" to backstop private sector projects. This follows a not-so-new pattern articulated in the WBG's Evolution Roadmap draft published in April.

While the WBG is set to expand its mandate to incorporate "sustainability" considerations, the approach is still rooted in a heady cocktail of derisking instruments such as risk guarantees, blended finance and first-loss positions by governments, and in tweaking national regulatory frameworks to enable a business-friendly environment.

The goal is as singular as the solution: to make investment more profitable for the private sector. The (optimistic) rationale: "incentivising" private capital will "crowd in" economic growth and climate, biodiversity and development financing. This assumes that it is possible to equate commercial goals and the public interest, which is not always the case without creating financial barriers that undermine access to public services, such as user fees.

It also ignores that risks are transferred from private to public actors, further increasing debt vulnerabilities, and the developmental dilemma posed by prioritising private profits over distributive goals and state sovereignty.

In ongoing discussions about the Roadmap, it is yet to be seen if the WBG will incorporate sufficient provisions within its plans to ensure the recipient state's right to regulate in the public interest for a rights-based economy that upholds distributive justice. That is, economic, climate and gender equity.

Solutions with legitimacy

The largest coalition of developing countries in the United Nations, known as the Group of 77 – representing 134 nations – have been calling for reform of the international tax, debt and financial architecture for many years. These calls, enshrined in resolutions adopted by the UN General Assembly, include establishing a multilateral legal framework that would comprehensively address unsustainable and illegitimate debt, including through extensive debt restructuring and cancellation, and agreeing on a UN Tax Convention with equitable participation of developing countries to address tax abuse by multinational corporations and other illicit financial flows.

As was made clear in June in several developing countries' calls, a reform agenda should not be limited to merely boosting MDBs' coffers – via financial innovation techniques – but rather include governance reform that meaningfully augments the voice and vote of developing countries in macroeconomic decision making, which is the litmus test for legitimate and democratic economic governance.

Furthermore, for many in civil society, for the WBG to "evolve" in a credible way it must also seek to independently evaluate the development impact of its policy prescriptions for developing countries over recent decades. Civil society organisations stated this in official feedback on the Evolution Roadmap submitted to the Bank in July.

The ways in which the mythology of the private financier is construed dangerously omit the concrete reforms for historical economic justice and state sovereignty that the Global South are demanding. This disjuncture calls for a clear-eyed questioning of the allure of private finance. Here lies the difference between new forms of extraction as opposed to change towards redistributive justice.

Amidst a historic debt crisis and increasing global poverty, the IMF and World Bank fail to deliver in Marrakech

Third World Network Briefing Paper (November 2023)

ON 9-15 October the International Monetary Fund (IMF) and the World Bank held their Annual Meetings in Marrakech, Morocco, amidst growing conflict between Israel and Gaza, which created anxiety on possible widening economic and political conflict and adverse effects. It was the first meeting of the Bretton Woods institutions on the African continent since 1973, and only the second such meeting in their entire history. Given the pernicious effects of IMF and World Bank policies and programmes, from structural adjustment and fiscal consolidation to privatisation of schools and healthcare, the African context had a significance. The meetings were also contextualised by the World Bank revealing that current increases in global inequality and poverty are the greatest since World War II,[1] while debt distress deepens across the developing world to historic levels.

Unlike in many previous years, neither of the two decision-making bodies – the International Monetary and Financial Committee (IMFC), focusing on the IMF, and the Development Committee (DC), focusing on the World Bank – could adopt a communique by consensus, due to the war between Russia and Ukraine. The summary of the chair of each body outlined a few actions and adoptions, and otherwise reiterated past commitments. The primary areas include governance reform, sovereign debt and the World Bank's "Evolution Roadmap," which outlines a new blueprint rooted in private capital mobilisation for climate financing and energy transition.

World Bank adopts new "playbook"

Perhaps the most notable action taken during the Marrakech Annual Meetings was the World Bank Governors' endorsement of a "new vision to create a world free of poverty on a livable planet," as stated in the chair's summary of the Development Committee discussions on 12 October.[2] This endorsement signalled an official approval of the World Bank Group (WBG)'s so-called "Evolution Roadmap," which charts out a "playbook" to mobilise and enable private capital to, among others, scale up the climate finance and just transition architecture. The strategy is premised on "derisking" international investors through co-financing, loan guarantees, political risk insurance or public equity co-investments, and deregulatory, normative and legal reforms, which may involve the creation of new asset classes and financial products based on natural resources.

The aim is to activate the World Bank's "potential in creating a business enabling environment that unleashes private financing." The strategy is supported and shaped by the financial sector, evident in the WBG's establishment of a Private Sector Investment Lab[3] comprised of 15 CEOs and Chairs, 12 from investment banks and financial firms, to advise on developing solutions to scale up private sector investment in emerging markets – the ultimate goal being to "crowd in" greater levels of private finance.

Blended finance, defined as the use of public funds to subsidise or derisk private investment to crowd in capital to achieve public policy priorities, has become a dominant paradigm in development and environmental finance over the last 15 years. Constructed on the narrative of "Billions to Trillions" which emerged in the context of scaling up financing to achieve the

Sustainable Development Goals (SDGs), the conviction of blended finance is that scarce public resources will never be sufficient to meet social and environmental needs and, even when forthcoming, will not keep pace with needs to address the aggressively escalating climate crisis. Thus, private and profit-seeking capital must be attracted to fill the gaps. Most multilateral development banks have adopted blended financial structures as a core part of their toolkit, which has surged in parallel with Global South debt, which has created simultaneous humanitarian and climate crises.

A civil society briefing paper,[4] endorsed by more than 70 organisations and individuals around the world, highlights concerns with the Evolution Roadmap, and provides a series of recommendations for a Roadmap that prioritises people, participation and the planet. In particular, the development implications of the privatisation of public services and social sectors are highlighted, with concerns over how evidence of such privatisation over a time horizon of two decades demonstrates that access to public services becomes unequally stratified based on the ability to pay, often leading to millions losing access to essential services. Another key concern is that the Bank's approach to incentivising private finance fails to acknowledge that the type of projects designed to attract profit-seeking private investors and generate quick and sufficient returns might not match the public interest and national or local priorities, or support sustainable economic transformation, and may in fact have significant negative economic and social consequences.

Regarding the framing of "derisking", the Evolution Roadmap risks reshaping the role of developing countries as derisking agents for private capital, with international financial institutions helping to facilitate this process. This paradigm may deepen existing inequalities within and between states, and its promotion within mooted World Bank reforms reflects in part the failure of the Bank's wealthy shareholders to help ensure a more equitable multilateral system that is truly fit for purpose to meet the challenges of the 21st century. Restriction of the state's right to regulate in the public interest for environmental, climate change, human rights or other aims calls into question the development value of private investments. Moreover, there is evidence on the negative impact of public-private partnerships across the world, starting from the problematic experience in developed countries. Private sector involvement in public services and infrastructure projects is an expensive and risky option for the public sector and citizens, leading to a steady drain of resources from developing countries – an issue that has been highlighted by research from the IMF itself.

Finally, there is no demonstrated commitment to pursue governance reforms that would increase the vote and voice of the Global South in the World Bank. Neither is there a commitment to phasing out fossil-fuel financing, a longstanding demand of environmental advocates. The legitimacy of the Bank's new "livable planet" goal is therefore called into question from its very inception.

IMF governance reform stands still

The IMFC summary[5] acknowledged the urgency of "realignment in [IMF] quota shares to better reflect members' relative positions in the world economy" but put forward no concrete action towards more equitable distribution of governing votes between member states. The only measure was to call upon the Fund's Executive Board to submit proposals for quota realignment, including through a new quota formula, under the 17th General Review of Quotas by June 2025.

Quota reform towards correcting the historical imbalance in decision-making power within the IMF has been a serious concern for developing countries for many years. The communique[6] delivered at Marrakech by the Group of 24 (G24) developing countries within the IMF stated, "We emphasize that the legitimacy and effectiveness of the IMF hinges on quota realignment … If the 16th General Review of Quota [which is due to be concluded by December 2023] is completed with only an equiproportional quota increase without quota realignment, it will weaken, rather than strengthen the IMF, because it will be a very bad precedent that sends a clear but negative signal to the international community about the IMF's commitment to multilateralism and governance reform." An equiproportional quota increase has been proposed by the US Treasury[7] in order to increase the IMF's lending resources in proportion to current shareholdings, which have remained unchanged since 2010. Quotas, contributed by member countries in proportion to their shareholding, make up approximately 40% of the IMF's $1 trillion in lending firepower. Based on this, both the US and the head of the IMF argue that a larger financing coffer will provide more lending certainty in a context of economic shocks, including those created by conflict and climate change.

At present, the distribution of quotas in the IMF is disproportionately skewed towards rich countries, who hold over half of the voting power. The US in particular has the ability to veto any decision in the IMF's board. Developing countries, which together constitute 85% of the world's population, have only a minority share. For example, for every vote that the average person in rich countries has, the average person in the South has only one-eighth of a vote. Led by China and India, developing countries have been calling for governance reform of the IMF[8] for well over a decade, focusing in particular on a realignment of quota shares through generating a new quota formula that accurately reflects the significant changes in the economic weight of developing countries.

The Governor of the People's Bank of China, Pan Gongsheng, said in a statement delivered to the IMFC at Marrakech that China, whose economy is now three times its size in 2010, wanted both a quota increase and a realignment of shares to "reflect members' relative weights in the global economy, and strengthen the voice and representation of emerging markets and developing countries."[9] However, developed countries continue to demonstrate reluctance, if not aversion, to making genuine change to the IMF's governance regime, in large part stemming from fear that China's role within the IMF will be strengthened.

The only area where IMF governance reform was made at the Annual Meetings was in the creation of a third chair for an African Executive Director on the board, which was the result of over a decade of developing countries urging for greater voice and representation of the African region in the IMF. To date, over 44 African nations are represented by only two Directors. While this is a step forward for representation, it does not necessarily imply a substantive change in decision-making power, which is configured by the quota formula.

Surcharges debate

An important but less widely known issue is that of surcharges, or levies the IMF charges countries that have had to undertake large borrowings and are unable to pay their debts back quickly. According to the IMF's own calculations, borrowing countries will pay over $4 billion in extra surcharges[10] on top of interest payments and fees from the beginning of the COVID-19 crisis through the end of 2022. Over a period of six years, surcharges will cost countries in debt distress an estimated $7.9 billion.[11] Developing countries, supported by advocates, argue that these surcharges, payable in hard currency, are counterproductive precisely because they are pro-cyclical. To meet the additional foreign exchange requirements, countries may be forced to undertake even more contractionary policies, like reducing imports, at enormous costs to society in every dimension, including an increase in poverty.

The IMFC decided at Marrakech to "consider a review of surcharge policies," while the G24 called for "a suspension of surcharges while the review – which we hope will lead to substantial permanent reduction or complete elimination – is being conducted." The G24 also reiterated their position that in a context of monetary tightening, surcharges have a pro-cyclical and regressive nature.

In December 2021, the IMF board had revealed split opinions on surcharges. While most Executive Directors signalled openness to a holistic review of the policy, others only supported temporary relief, and a small group refused to consider any revision to the policy. With war-torn Ukraine one of the major surcharge payers, the US refusal to review surcharges in 2022 received domestic pushback from the US Congress.

Furthermore, over 250 civil society organisations and experts called on the IMF board to eliminate harmful surcharges in a public letter[12] delivered to the IMF ahead of the Fund's Spring Meeting in April 2022. The letter expressed concern that "the IMF continues to levy punitive fees on countries facing debt distress while struggling against the effects of the pandemic," demanding "the immediate suspension or outright elimination of this policy."

Special Drawing Rights diverted to loans

Special Drawing Rights are an international reserve currency held by the IMF that can be exchanged by governments for cash. Unlike other IMF instruments, SDRs are an unconditional, non-debt-creating resource; in effect, a liquidity booster. The G24 developing countries called on developed countries to "rechannel" their dormant SDRs from the 2021 allocation of $650 billion, of which approximately two-thirds, or $420 billion, went to developed economies where they lie unused. The G24 communique mentioned that "to further improve global liquidity, we call for faster progress in addressing the technical issues related to the proposal on voluntarily channeling SDRs through regional development and multilateral development banks (RDBs and MDBs), and Regional Financing Arrangements." The prospect of a new and additional SDR allocation was also invoked, due to its "pivotal role in mitigating balance of payments and fiscal crises, while also effectively reducing borrowing costs for nations … [and providing] additional liquidity to address climate action, which is becoming more frequent for many countries."

However, the IMFC statement only considered SDRs in the context of scaling up voluntary contributions to the Resilience and Sustainability Trust (RST), a new loan programme with structural conditionalities, many of which promote macro-fiscal policies advancing carbon markets. Critics warn that the RST undermines the principle of country ownership and interferes in countries' domestic policymaking, while eligibility conditions to qualify for support include having an existing IMF programme conditional on fiscal consolidation and a sustainable debt profile that is adequate to repay the Fund. Critics further state that RST design features are incompatible with a just and equitable transition in the context of climate crises and with principles[13] for fair and transparent SDRs channelling.

As of 8 June 2023, total pledges for the RST[14] amounted to $40.6 billion, falling $3 billion short of the initial fundraising target. With little political will by donors to voluntarily donate their unused SDRs to create urgently needed fiscal space for developing countries, as advocated by civil society and some developing countries since the onset of the pandemic, the IMF raised its ambition for the RST during the recent Paris Summit on development financing, with IMF Managing Director Kristalina Georgieva calling for a 50% increase in RST funding – an additional $20 billion. However, the Washington-based Center for Global Development argues that RST funding should not be increased due to the lack of clarity that the IMF can "absorb" more money through the RST.[15]

Meanwhile, the UN Secretary-General's SDG Stimulus proposal[16] highlights the possibility of rechannelling SDRs to expand the volume of multilateral development bank lending, including concessional lending. The Secretary-General also stated that "as long as countries remain in need of urgent resources the SDG Stimulus will also call for a new round of SDRs."

Annual, or regular, counter-cyclical issuances of SDRs[17] could serve to create a more stable, equitable and resilient global financial safety net without risking inflation, particularly if they are equivalent to the estimated additional demand for foreign reserves in times of economic crisis and recession. A salient advantage of using a global reserve currency in such a counter-cyclical manner is that it would, in principle, help prevent harmful currency depreciations for countries in crisis.

Historic debt crises

A new database, Debt Service Watch, reveals that debt service is absorbing an average 38% of budget revenue and 30% of spending across developing countries as a whole. In Africa, this increases to 54% of revenue and 40% of spending.[18] These figures are more than twice the levels faced by low-income countries before the Heavily Indebted Poor Countries (HIPC) debt relief plans came into effect, and slightly higher than those paid by Latin American countries before the Brady Plan in the 1980s. More crucially, debt is pushing aside key spending to confront social and environmental crises. Debt service equals combined total spending on education, health, social protection and climate, and exceeds it by 50% in Africa. It is 2.5 times education spending, 4 times health spending, and 11 times social protection spending.

Even in this context of severe debt distress, no action towards meaningful debt relief for developing countries as a whole has been taken, while the outsized role of private creditors and their lack or absence of participation in debt restructuring on terms comparable to official creditors remains unchanged. The G20 major economies have stressed the need to strengthen "multilateral coordination by official bilateral and private creditors … to address the deteriorating debt situation and facilitate coordinated debt treatment for debt-distressed countries," and developing countries in the G24 have emphasised the importance of "durable debt resolution measures while collaborating on resolving the structural issues leading to such vulnerabilities."

While the G20's Common Framework process to restructure debt has been heavily critiqued by think-tanks,[19] civil society[20] and even the World Bank,[21] a heavily publicised announcement was made during the Fund-Bank Annual Meetings of Zambia's agreement[22] with official creditors on debt restructuring under the Common Framework. The agreement involves a restructuring of $6.3 billion in outstanding debt Zambia owes to its official bilateral creditors and delivers an economic reduction of close to 40%. This reduction is facilitated through maturity extension (with a final maturity beyond 2040 representing an average extension of more than 12 years) and a reduction in interest rates. Interest rates will be set at only 1.0% during the next 14 years. The maturity extensions under the agreement will generate about $5 billion in debt service savings between 2023 and 2031.

In effect, Zambia will pay its official creditors about $750 million in the next decade, compared with approximately $6 billion that was due under previous debt contracts with official creditors. Meanwhile, both Euro and local private bondholder debt servicing remains intact, with plans by Zambia to "engage in constructive discussions with external private creditors with the goal of reaching a comparable agreement as soon as possible." China, as Zambia's largest official creditor, played its part as a full member of the Official Creditor Committee. Importantly, no state asset of Zambia was pledged in the restructuring agreement.

Are the current debt restructuring deals adequate to create fiscal space and public spending room for the Sustainable Development Goals as well as national development objectives? Civil society analysis reveals that on average, the most recent deals are leaving debt service at an average 48% of revenue over the next 3-5 years.[23] Debt service as a proportion of revenue averages at 38% currently, while the IMF's own assessment for debt sustainability (within its recently published Low-Income Country Debt Sustainability Methodology[24]) ranges between 14%-23% of revenue. This points to the need for the international community to reduce debt service much more sharply, through greater levels of debt relief as well as deeper reductions of borrowing costs. "Only with these can debt relief provide its fair share of funding for the UN Secretary-General's proposed SDG Stimulus, and rescue the Sustainable Development Goals," state Development Finance International and debt advocacy groups.

Austerity persists unabated

There is now ample documentation of the resurgence of fiscal austerity measures imposed by the IMF since the global financial crisis of 2007-08, including measures that reflect past structural adjustment programmes since the pandemic of 2020. Examining the latest IMF loan documents for 10 African countries, ActionAid reveals that in four countries, the public sector wage bill (PSWB) is projected to be decreased or targeted to be reduced over the next few years, while in four other countries the PSWB is frozen at the same rate.[25]

PSWBs are the key public purse supporting public sector employees in developing countries, who also comprise the vast majority of working people in many low-income countries. Reductions are enacted through freezing hires or capping or lowering salaries, compromising governments' ability to deliver quality public services. Fiscal consolidation is also implemented by increasing or by phasing out exemptions for value-added tax, an indirect tax that is typically regressive and exacerbates inequalities by extracting disproportionate revenue from vulnerable households, and in particular women, with lower purchasing power.

Despite clear evidence that more nurses, teachers and other public sector workers are urgently needed in all 10 countries examined by ActionAid, eight out of the 10 are advised to cut or freeze the percentage of gross domestic product (GDP) spent on public wage bills even though most started from a very low base, resulting in a PSWB that is under the global average of 9% of GDP and, in almost all cases, under the regional 7% average for Africa. In all 10 countries, the inflation rate is projected to decrease over the coming period, usually either through an increase in interest rates or through fiscal deficit reduction, effectively driving a squeeze on public spending.

Another set of findings, by Human Rights Watch, points to loans approved between March 2020 and March 2023 to 38 countries with a total population of 1.1 billion, where public spending reductions and regressive taxation are central features, resulting in spikes in poverty and inequality.[26] Twenty-two of the loan programmes include measures to contain or reduce public wage bills.

A serious dilemma is also posed by the IMF's directive to remove or reduce consumption-based subsidies on fuel or electricity or to develop plans to do so without adequately investing in social security or other compensatory measures or in clean sources of energy. According to Human Rights Watch: "Fossil fuel subsidies direct enormous amounts of public resources to artificially reduce the costs of fossil fuels, and removing them is necessary to confront the climate crisis and shift toward a social contract that better fulfills economic and social rights. However, unless adequate compensatory measures are put in place in advance, the removal of the subsidies has a particularly acute effect on people on low incomes as it forces them to pay a higher share of their income that they need to realise their rights for transport and goods and services tied to energy prices."

The IMF's own internal research indicates that such austerity policies are generally not effective for reducing debt, which is their chief objective. The IMF's *World Economic Outlook* published in April 2023 observed that fiscal consolidations, a term usually linked to austerity programmes, "do not reduce debt ratios, on average."[27] Meanwhile, however, the Fund's *Fiscal Monitor* urges continued efforts towards "fiscal tightening" as necessary for most developing countries in order to prevent scenarios where public climate investments increase debt-to-GDP ratios to 45% by

2050. (The joint IMF/World Bank low-income-country debt sustainability framework sets clear limits on external debt-to-GDP at 30% or 40% with the rationale that debt-distressed countries must have lower debt-to-GDP ratios than "strong" countries.)

The IMF's Gender Strategy versus feminist economics

The IMF, which initiated a so-called "Gender Strategy" in 2022, has acknowledged that the link between gender and macroeconomic policies has a "macrocriticality." The strategy focuses primarily on gender-responsive budgeting, with the IMF noting that the number of countries implementing some form of gender budgeting has doubled from 40 in 2002 to 80 in 2017, providing examples such as equal pay for equal work (e.g., Iceland, India), paid maternity or parental leave (e.g., Rwanda, United Arab Emirates) and access to childcare and early childhood education (e.g., Canada, Norway). However, while gender budgeting, which is a public financial management tool to allocate minor allowances in the existing budget to women and girls, can be beneficial, feminist and gender equality organisations assert that it is not sufficient, sustainable or structural. By this, advocates clarify that gender-responsive budgeting does not generate a development-oriented fiscal policy that expands public expenditure and builds and supports public system resilience by addressing restrictive fiscal rules – namely, the three fiscal and monetary norms of low fiscal deficit and inflation targets and limits imposed on the sovereign-debt-to-GDP ratio. As such, gender budgeting does not sustainably increase and scale up the budget pie.

In Marrakech, IMF gender and climate staff committed to distributional impact assessments of the Fund's macroeconomic policies, a longstanding call from civil society, although one that is yet to be realised. Gender equality advocates call for the adverse gender impacts of the Fund's policy frameworks to be both measured and redressed within surveillance and loan programmes. This would include systematic ex-ante and ex-post gender and inequality impact assessments of IMF-supported programmes and policy advice. This approach must also contain a strong commitment to "do no harm" and translate this commitment into concrete operational guidance, safeguards and recourse mechanisms that are systematically applied. Rather than advising members on ways to close gender gaps in their own countries and even going as far as implementing gender conditionalities, the first step advocates call for is inward-looking gender impact assessments and accountability for the results.

From a feminist economics approach, the primary structural flaw of the IMF's macroeconomic models is the exclusion of the role of social reproduction – that is, the time, commodities, and unpaid and paid and predominantly gendered labour required to produce, maintain and invest in human society and the present and future labour force. Another concern is that of short-termism in macroeconomic frameworks, as opposed to the medium- to long-term and patient investment required for well-being and equality. Short-term planning obstructs the creation of fiscal space precisely because public sector investment requires a longer time frame. For example, debt ceilings define fiscal sustainability for the short term and ignore the holistic effect of public investment on economic and social development over the longer term. As a result, current guidelines for assessing fiscal space and sustainability ignore what the fiscal space is used for, leading to restrictive fiscal targets driving declines in public investment in many IMF borrower countries, as well as non-borrower countries advised by the Fund's Article IV reports.

Furthermore, the singular metric of GDP ignores social reproduction, or the care economy: women's contribution of $11 trillion to the global economy through unpaid care labour[28] is not included in GDP calculations. From a feminist economics perspective, the physical, mental, emotional and psychological labour of women is simply uncounted and devalued towards GDP, not only acting as a hidden subsidy to the market economy but also reinforcing a persistent structural inequity and injustice in gender relations.

The central message delivered by advocates from around the world in Marrakech was that long-term public investments in the social infrastructure of sustained, publicly funded services, sectors and social protection are imperative, particularly in the current time of historic debt burdens and increasing interest rates, which are driving worsening inequalities both within and between nations.

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THE global political dynamics of financialisation, sovereign debt distress and fiscal austerity generate structural inequalities within and between nations. A feminist political economy lens centres the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender and intersectional inequalities. Transforming macro-policy norms and frameworks towards gender and intersectional equity involves reorienting fiscal policy from expenditure reductions to sustained, long-term and gender-responsive investment in public sectors and services to support gender equality and protect women's economic and social rights.

In this insightful collection of papers and articles, scholar-activist Bhumika Muchhala examines how financial subordination generates conditions of gendered austerity through channels such as social reproduction and unpaid care work, reduced access to quality public services, and regressive taxation. This analysis involves a perceptual shift from viewing women as mere individuals to gender as a system that structures power relations within economy and society. Writing from a critical political economy and South-centric perspective, she also maps out possible pathways – ranging from fiscal policy reformulation and sovereign debt workouts to social dialogue and movement building – towards a decolonial transformation for gender and economic equity.

Dr Bhumika Muchhala is a scholar, advocate and activist of international political economy and global governance from the lens of the Global South. She has over two decades of experience in policy analysis and advocacy, movement building and political education, with a focus on systemic issues, financialisation, sovereign debt and fiscal austerity through the lens of heterodox, dependency and feminist political economy. Her PhD from The New School is in the international political economy of development.

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