actionaid

FIFTY YEARS OF FAILURE

The International Monetary Fund, Debt and Austerity in Africa

OCTOBER 2023

INTRODUCTION

It is fifty years since the World Bank and International Monetary Fund (IMF) Annual meetings were last hosted in Africa – and for forty of these years, the continent has suffered from the imposition of neoliberal economic policies that have undermined development. Little has changed since structural adjustment programmes in the 1980s were widely agreed to have led to a 'lost decade'. The IMF continues to adhere to the cult of austerity despite mounting evidence that it has stifled economic development and human development across Africa. Despite warnings within the IMF's African regional outlook in April to ensure *'important efforts to tackle climate change do not crowd out financing for basic needs like health and education',* in practice the IMF's insistence that countries prioritise debt repayments, rather than seeking a systemic solution to debt, is a major obstacle to spending on health, education and climate action. Globally six billion people are now facing austerity, largely owing to the IMF's reluctance to accept that its economic model has failed.

This briefing looks at the impact the IMF is having in Africa through its austerity based advice and loan programmes. It is important to understand the coloniality of the IMF and World Bank, which were created before most African countries were independent and which have voting structures that remain largely unaltered. African countries still have very little say in decision-making in the World Bank and the IMF with less than a 10 percent vote share in the IMF board - and the 46 countries in sub-Saharan Africa are represented by only two executive directors. But the power International Financial Institutions (IFIs) hold over African governments significantly undermines their policy autonomy. Decisions affecting the life and welfare of hundreds of millions of people are taken behind closed doors with ministries of finance, who have little scope to resist the conditions imposed and the coercive policy advice offered. Even governments with a powerful democratic mandate find themselves with no other choice but to follow the IMF's outdated advice – pursuing narrow measures of Gross Domestic Product (GDP) and austerity policies, because the IFIs can profoundly shape how global markets and investors perceive a country.

With a mounting debt crisis across Africa, the power of the IMF is being further enhanced through its role as lender of last resort. According to the IMF's own August debt data, 19 of the region's 35 low-income countries are already in debt distress or facing high risk of debt distress. The UN Conference on Trade and Development (UNCTAD) recently found that countries in Africa pay interest rates that are four times higher than the United States and eight times higher than Germany – and that the amount African governments are forced to spend on interest payments is often higher than spending on either education or health. Even where debt crises have common roots in historic inequalities, and an unjust global economy based on extraction and exploitation, African countries are forced to negotiate from a powerless position on a one-by-one basis, with the systemic causes of debt crises left untouched - and austerity being the default solution. This advice for structural adjustment from the IMF has been standard for decades through the IMF's many programmes and its surveillance work (known as article IV advice). Yet the IMF has consistently refused to learn from its own failures or acknowledge its own role in multiple crises.

The power of the IMF has resurged since the COVID-19 pandemic, and it is now inserting itself into responses to the climate crisis and the channelling of climate finance. This is happening without any recognition or analysis of how austerity policies have been responsible for leaving countries unable to adapt or respond to the climate crisis. The suggestion that climate finance from the Global North should be channelled to the Global South in loans - to countries already facing a debt crisis - is absurd, especially as debt crises accelerate the climate crisis. Many of the most climate vulnerable countries in Africa are in debt distress and so must earn foreign currency quickly. In the present global economy, that means investing in fossil fuels and industrial agriculture even where countries know that a more sustainable path might be found through investing in renewables and agroecology. Rescheduling debt or deferring interest payments is no longer enough. If the IMF wants to play a constructive role on climate finance, it should be brokering deals for collective debt renegotiation or debt cancellation in the light of the climate crisis and the historic debt owed by polluting countries.

The cost of cuts: Mariatu

Mariatu Turay works in a health facility in Bombali District, Seirra Leone, and is living through the realities of public sector wage bill constraints:

Mariatu explains: "The facility is quite small for the number of patients it covers. Some days we have two or three deliveries at once and we don't have a labour ward. The makeshift labour room we have can only accommodate one patient so when there is more than one delivery, we have to utilise the reception area for that. We, the nurses, are at risk of cross-infection as we live, eat and do everything in the hospice because we don't have nurses' quarters."

Compounded with her exposure to viruses and bacteria, the inability to be present in the lives of her three children because of the workload at the health unit, she is unable to adequately provide for her family because of her low wage.

"As the breadwinner of the family, it breaks my heart to sometimes leave my children for a whole week without a single cent. I am scared that my daughters may be prey to men who can lure them with money. It might lead to sexual assaults and even teenage pregnancy. I hope that this doesn't become the reality of my children since I cannot provide all their needs with my little salary."

Mariatu concludes by saying: "There should be considerations to keep us motivated in the health sector and provision of proper conditions to do our job well. We call on the people responsible to do something urgently."

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Even when the IMF's own research suggests neoliberalism has been oversold, and efforts are made to suggest that the IMF's policies are now more flexible and progressive, in practice we are seeing a re-empowered IMF doubling down across Africa on the same ideological positions that it has championed for half a century. As of August 2023, the IMF had 38 lending arrangements with 27 African countries, with more requests under consideration. The debt crises and these new lending arrangements are used to enforce ever deeper austerity, with constraints to public sector wage bills that are undermining progress in health and education.

These policies are outdated and not fit for the challenges of the 21st century. The gendered impacts of these cuts are well-documented but ignored. Universal social protection is replaced with supposedly targeted interventions as documented in detail. Public goods and public services are undermined by privatisation and commodification. Labour markets are further deregulated to serve the interests of big capital and multinationals. Countries seeking to raise more revenue are told the only means to do so is through regressive taxes, such as VAT, that pass the burden onto women and people living in poverty. Alternative policies such as ambitious and progressive tax reforms are largely ignored. Economic stability is considered in isolation, as an end in itself, without any serious analysis of whether progress is being made on human rights, on women's rights, on reducing inequality, on the Sustainable Development Goals (SDGs) or any other development goals.

As the annual IMF and World Bank meetings take place in Africa for only the second time ever (since Kenya in 1973), this is a moment for critical challenges against the IMF to coalesce. Certainly, there needs to be an increase in the power of African governments within the IMF's governance structure and decision-making and there is some opportunity to do this in the 16th Quota review. But getting a better seat at the table will not be enough until the fundamental ideology that drives the institution is transformed in practice. That transformation would have to include prioritising development over debt repayments, shifting definitively away from austerity and fiscal fundamentalism, and advancing progressive alternatives. It would mean addressing illicit financial flows, championing a new UN Tax Convention, supporting progressive, gender responsive taxes and engaging in a new bold collective initiative for radical debt renegotiation or debt cancellation.

NEW RESEARCH AND ANALYSIS

ActionAid has conducted a new study reviewing 37 IMF loan documents and Article IV Report policy advice published between July 2021 and January 2023 for 10 African countries: **Ghana, Kenya, Malawi, Nigeria, Senegal, Sierra Leone, Tanzania, Uganda, Zambia and Zimbabwe**. The study looked specifically at the overall policy steer on freezes or cuts to the public sector wage bill (PSWB), and wider fiscal and monetary policy targets that can impact on the PSWB, and other issues in 37 recent IMF documents.

This builds on ActionAid's 2021 report, 'The Public Versus Austerity: Why public sector wage bill constraints must end' which was published with Public Services International and Education International. That report included research across three continents, reviewing 69 IMF documents from 15 countries, supporting intensive national research and advocacy, advancing discussions with IMF economists and conducting a literature review on public sector wage bills. This demonstrated how IMF austerity cuts in just 15 countries blocked the recruitment of over three million nurses, teachers and other essential public sector workers, undermining progress on health, education and gender equality while blocking climate action in some of the world's poorest countries. A follow up to that report 'The Care Contradiction - The IMF, Gender and Austerity' in 2022 looked at the gendered impacts of these austerity policies and challenged the IMF's gender policy for failing to address these. This new research in 2023 shows that very little has changed, and that the cult of austerity remains clear ascendant in the IMF advice across Africa.

ACTIONAID'S KEY FINDINGS OF LATEST IMF DOCUMENTS IN 10 COUNTRIES

- From the 37 IMF loan documents (lending) and Article IV Reports (surveillance) policy advice published between July 2021 and January 2023, we found that in terms of the IMF's Debt Sustainability Analyses (DSAs), two countries were assessed as "sustainable"; four were assessed as in "moderate" debt distress; three were assessed as "in debt distress"; and one was assessed as "at high risk" of debt distress;

- Looking at the latest IMF data on debt distress from August 2023 shows four out of the 10 countries are assessed as "in debt distress"; two are assessed as "at high risk" of debt distress; four were assessed as in "moderate" debt distress; and none were assessed as "sustainable". Two countries had recently been deemed by the IMF to have sustainable debt – Ghana (which is now in debt distress) and Kenya (which is now at a high risk). Such rapid changes clearly raise concerns about the credibility of the IMF's approach to DSAs and their ability to assess systemic debt risk as well as account for external shocks.

- In eight of the 10 countries for which we examined the IMF's loan documents and Article IV Reports policy advice published between July 2021 and January 2023, we found that the **fiscal deficit is projected to decrease**, in other words, targeted to be reduced, over the next few years, while in two cases, the fiscal deficits are targeted to remain frozen at the same levels. Pushing for a reduction in fiscal deficits decreases fiscal space and leads the IMF to recommend austerity. Larger fiscal deficits can be justified for urgently needed investments, for example, in health and education or to address the climate crisis - but such spending is considered to be 'consumption', not 'investment', by the IMF - so is not seen as an acceptable reason for increasing deficits.

- In all 10 countries, in the IMF documents, the **inflation rate is projected to decrease** over the coming period, usually through either an increase in interest rates or through fiscal deficit reduction, effectively driving a squeeze on public spending.

- In four of 10 countries examined, the **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, and in only two cases is the PSWB projected to increase (very modestly) - despite clear evidence that more nurses, teacher and other public sector workers are urgently needed in all ten countries.

- In eight of 10 countries, details were provided about how countries used their new **Special Drawing Rights (SDRs)** issued in 2021, showing a variety of uses ranging from financing fiscal deficits to increased health spending and increased hard currency reserves.

EXTERNAL DEBT DISTRESS

The IMF's African Caucus raised concerns in April about debt sustainability in many countries in the region, stating that *'The public debt-to-GDP ratio is now on average for the region above 60 percent, a level last seen in the early 2000s'.* At the same time, the IMF argued that the debt crisis is not a systemic crisis yet. The mountain of evidence that we are facing a rapidly accelerating debt crisis especially in the Global South clearly contradicts the IMF's position. Up to 136 countries are in a critical or very critical debt situation. Lower income country debt payments in 2023 will hit the highest level since 1998, with borrowing costs outweighing health, education and climate spending in many countries. According to

the IMF's own August debt data, 19 of the region's 35 low-income countries are already in debt distress or facing high risk of debt distress. The G20 Common Framework is clearly not delivering a credible and fair solution. Indeed, the current debt architecture is not fit for purpose and even the IMF's African Caucus called in July 2023 for *'facilitating debt relief that is equitable, rapid, comprehensive, and sizable'* and argued for strengthening the international debt resolution architecture.

The economic consequences of Covid lockdowns, combined with the high inflation and energy and food price increases following the Russian invasion of Ukraine, plunged many of the 10 countries studied into worsening external debt situations. Even though systemic external forces caused the deteriorating situation, countries are being forced to respond one by one, always prioritising the servicing of external debt payments over other crucial public spending priorities.

Table 1. IMF assessments of debt distress

Country	Debt Distress in late 2022 *(as per IMF Debt Sustainability Analyses)*[i]	Debt Distress in late 2023	
		DSAlist.pdf (imf.org) accessed September 2023	External debt payments as % of revenue 2022 Debt data portal
Ghana	Deemed "sustainable" in 2021, but worsened in 2022	In debt distress	28.2
Kenya	Deemed "sustainable" level of debt	High risk of distress	18.9
Malawi	Deemed in "debt distress"	In debt distress	43.2
Nigeria	Deemed "moderate" of debt distress	Moderate risk (though data unclear)	5.8
Senegal	Deemed at "moderate risk" of debt distress	Moderate risk	25.1
Sierra Leone	Deemed at "high risk" of debt distress	High risk of distress	22.7
Tanzania	Deemed at "moderate risk" of debt distress	Moderate risk	14.1
Uganda	Deemed at "moderate risk" - but DSA says significant fiscal adjustment needed, including a scaling back of the public investment program	Moderate risk	9.6
Zambia	Deemed "in debt distress"	In debt distress	51.1
Zimbabwe	Deemed "in debt distress"- IMF cannot lend to Zimbabwe until it restructures debt with its external creditors	In debt distress	3.0

Of the ten countries examined, Table 1 shows that the only two countries that were considered to have sustainable debt levels last year are now in debt distress (Ghana) or at a high risk of debt distress (Kenya). Countries are dedicating a significant percentage of their revenue to servicing debts. Indeed, six of the ten countries are spending over **18 percent** of their national budgets on debt servicing – which is the level where public spending cuts become acute. In its 2020 analysis of 60 countries, Debt Justice found that the countries paying over 18 percent of government revenue in debt servicing, cut public spending by 13 percent whilst countries with lower debt payments increased public spending on average by 14 percent.

In August 2023, a *Regional conference on Reclaiming Public Services in Africa*, Reclaiming Public Services in Africa raised serious concerns about how the mounting debt crisis poses a grave threat to the sustainability of essential public services. As debt repayments consume an increasingly substantial portion of national budgets, the availability of critical public services hangs in the balance, raising concerns for Africa's future. The declaration from this conference recommends that *'Public health services and public education must be free at point to user, to ensure provision to everyone regardless of ability to pay'*. However, squeezes in public spending owing to rising debt payments are leading to declining public services and an increase in privatisation and fee-charging for services - effectively stratifying access to services based on the ability to pay, and therefore, causing hardship and unequal access for the most vulnerable in societies.

The cost of cuts: Chidinma

Chidinma Ndubuisi is the Gender and Index Officer of the Medical and Health Workers Union of Nigeria.

"You can't give your best when you're not compensated fairly. The motivation is weak." Chidinma explains. "This phenomenon is prompting many healthcare workers to seek opportunities abroad. Occasionally, even transportation to local communities is unavailable, and healthcare workers are expected to reach these areas at their own expense, devoid of basic equipment. We're supposed to receive Personal Protective Equipment (PPEs), but due to budgetary constraints, you'll find healthcare workers bringing their own PPEs to tend to patients in hospitals."

CREDIT: UGOCHUKWU ONUOHA

THE IMPACT OF FISCAL DEFICIT PROJECTIONS ON PUBLIC SPENDING

Pressure by the IMF for countries to reduce their fiscal deficits is a major factor in the constraints on increasing public spending in general and spending on the PSWB in particular. We reviewed **the fiscal deficit reduction targets as a percent of GDP** across the ten countries. The data in Table 2 is drawn from key tables within the IMF documents that include numerous projections for spending on various government operations.

The study found that in eight of 10 cases, the fiscal deficit targets are projected to be decreased, with an average decrease of 2.6 percent of GDP. There are only two country cases (Nigeria and Zambia) in which fiscal deficits are targeted to remain at roughly the same levels as a percent of GDP over the next few years. None are projected to increase. These 'projections' agreed in IMF documents are not just attempts to foretell in a neutral way what may happen in the future, but rather act as coercive targets or conditions that governments are expected to achieve if they are to be seen to be on the right track. There are clear and significant consequences to these projections in terms of the revenue that is available for spending on public services and other national development priorities.

Table 2. Projected IMF targets for fiscal deficits[ii]

Country	Fiscal Deficit Policy Steer *(as percent of GDP)*	Change over next few years *(as percent of GDP)*
Ghana	Decrease from 15.2 percent of GDP to 8.1 percent of GDP	7.1 percent of GDP
Kenya	Decrease from5.8 percent of GDP to 3.9 percent of GDP	1.9 percent of GDP
Malawi	Decrease from 9.7 percent of GDP to 5.0 percent of GDP	4.7 percent of GDP
Nigeria	Keeping same at roughly 6.0	Minimal change
Senegal	Decrease from 4.9 percent of GDP to 3.0 percent of GDP	1.9 percent of GDP
Sierra Leone	Decrease from 3.8 percent of GDP to a very low 1.9 percent of GDP	1.9 percent of GDP
Tanzania	Decrease from 3.3 percent of GDP to 2.5 percent of GDP	0.8 percent of GDP
Uganda	Decrease from 5.1 percent of GDP to excessively 1.5 percent of GDP	3.6 percent of GDP
Zambia	Decrease from 6.9 percent of GDP to 3.1 percent of GDP	3.8 percent of GDP
Zimbabwe	Keeping same, but at excessively low level of 1.3 percent of GDP	Minimal change

In general, access to IMF loan financing is based on restrictive policy conditions or policy steer that countries lower their deficit to below three percent of GDP. Nigeria appears here as an exception, maintaining a moderate fiscal deficit of around six percent of GDP over the medium-term, but there appear to be specific circumstances (as Nigeria's Rapid Financing Instrument loan programme is ostensibly supposed to be free of traditional policy conditionalities).

The IMF's standard policy advice and loan conditions that call for deficit targets at or below 3 percent of GDP are extremely conservative and reflect only one perspective in economics. African countries such as those examined here are in desperate need of scaled-up public investment in their health and education systems, national infrastructure, and human capital and there is no reason why their fiscal deficits should be constrained at such low levels. For the 40 years between the 1930s and the 1970s, more expansionary fiscal policy options (that allowed for higher fiscal deficits or for deficits to be paid down more slowly over time) were widely adopted around the world in high-income and middle- and low-income countries. Only with the rise of neoliberalism in the 1980s did such more expansionary fiscal policy options become side-lined, and the focus shifted to "deficit reduction" based on the monetarist idea that government budgets need to be balanced like household budgets – a view that has been widely discredited, but which still seems to drive IMF policy advice.

The cost of cuts: Okullu

Okullu Jimmy works at a medical centre in Kampala, Uganda.

Okullu explains what austerity looks like to him: "As medical workers in Uganda, we are operating between a rock and a hard place. When Covid-19 hit the world, medical workers suffered the most. Since then, the government has stopped recruiting medical workers. All those who were volunteering to curb Covid-19, their volunteering time ended, and they were not recruited into the public service, and up to today the government hasn't recruited any medical workers to the central public service. The only recruitment that is taking place is recruitment from the local government and it is to fill the gap of those medical workers who we lost in either death or retirement."

"The hospitals have either half capacity of medical workers or even below half, leaving medical workers who have been trained to do a specific of type of medical practice ending up working in areas that they have not been trained to do. Also, medical workers payment is slow. You work for six months, and you are paid for one month and this is affecting the medical field. The ones who have not been taken up are frustrated."

"The universities have increased in the number of students and there is an increase in the number of medical workers graduating each year, but the government's actions show us that they have no capacity in terms of financing to take up the medical workers and put them into good use to serve the people. This is not because the hospitals are already well serviced by the number of medical workers, but it is because of the lack of financing."

CREDIT: ANDREW ONAPITO

The Convention on Economic and Social Rights requires governments to mobilise the maximum of available resources to advance human rights. There is a compelling argument for African countries to pursue more expansionary fiscal policy options, including running higher fiscal deficits - if the additional financing is used strategically to fulfil human rights through financing scaled-up public investments - that will more than pay for themselves over time through increased workforce productivity rates, higher growth rates, and higher tax revenues generated in the future. Investments in education and health can help to transform long-term growth rates but this is not factored into the short-term thinking at the IMF. **The IMF's approach to insisting that fiscal deficit targets be at or below three percent of GDP are not only unnecessary, but also deeply constrain the space for meaningfully scaling-up public investment in health and education systems, social protection, and a just transition.**

THE IMPACT OF INFLATION PROJECTIONS ON PUBLIC SPENDING

The data in Table 3 is drawn from key tables within the IMF documents that include the most recent inflation-reduction targets for 2022/23 or 2023. This shows that **targets for inflation reduction were projected in all 10 countries**, with an average decrease of 9.6 percent among the 10 countries (or an average of five percent if the extreme case of Zimbabwe is excluded). The IMF sees reducing inflation to low single digits as an absolute priority and this is usually achieved by recommending increases in interest rates, to reduce the amount of money circulating in the economy. One direct consequence of this is to squeeze resources available for public spending. Any new investments in the public sector workforce (whether recruiting more staff or paying staff more) are seen as likely to increase inflation and are thus frowned upon. But the real forces driving inflation and the cost of living crisis in Africa today are not linked to domestic spending, but rather to disruptions in production during the COVID-19 pandemic and more recently the war in Ukraine. In this context, telling public sector workers that they cannot get a pay increase because of inflation is misplaced, inhuman and unfair.

Notably, in two country cases (Kenya and Uganda), the recent IMF documents included a new and additional obligation for the national authorities to automatically engage in consultations if the inflation rate increases above the currently projected targets. This is called the "consultation clause" included in the loan agreements. This is designed to ensure that there is a tight leash on national authorities and the IMF can immediately push for new steps (for example, deficit reduction and or public spending cuts) to be taken if targets are not on track.

Table 3. Projected IMF targets for inflation rates[iii]

Country	Inflation Rate *(annual)*	Change	Interest Rates
Ghana	Decrease Inflation from 8.5 to 6.1	2.4%	Be ready to increase interest rates (after lowering during Covid)
Kenya	Decrease from 7.8 to 5.0 --consultation clause	2.8%	Increased rates three times recently
Malawi	Decrease from 20.4 to 6.5	13.9%	Increased rates twice in 2022 in response to inflation -- fiscal consolidation expected to "contribute to disinflation"
Nigeria	Decrease from 17.4 to 11.5	5.9%	Increased rates 5 times in 2022 in response to inflation
Senegal	Decrease from 8.5 to 2.0	6.0%	Increased rates twice in 2022 and stands ready to increase rates further
Sierra Leone	Decrease from 18.0 to 9.9	8.1%	Increased rates twice
Tanzania	Decrease from 5.3 to 4.0	1.3%	Maintained low rates during Covid but now stands ready to increase rates further
Uganda	Decrease from 7.5 to 5.0 -consultation clause	2.5%	Increased rates in 2022 and stands ready to increase rates further
Zambia	Decrease from 9.5 to 7.1	2.4%	Maintained low rates during Covid. Increased rates twice in 2021, holding rates at this higher level
Zimbabwe	Decrease 56.4 to 13.9 (exceptionally high inflation)	42.5%	IMF calls for further increasing interest rates

There are alternative monetary policy options that the IMF does not presently consider, including allowing for moderate inflation rates (perhaps 10-20 percent) over the medium term while using a broader set of policy targets for strategically increasing public investment in priority areas. In fact, advocates of the IMF's approach have little empirical justification in the peer-reviewed economics literature to justify reducing inflation to such low levels in developing countries (see Fiscal space for Social Protection and the SDGs. Options to expand social investments). This is a critical issue that should be the subject of a broader public debate in all 10 countries. A helpful resource in framing such a public debate was published last year in Brazil: Illustrated Guide to Inflation, Monetary Policy and Human Rights - INESC which shows why the conservative policy measures often taken by the IMF and many central banks (raising interest rates to lower inflation) can actually end up aggravating economic growth rates, undermining public sector employment, and worsening economic inequalities - as well as not necessarily solving the rise in inflation.

The cost of cuts: Akol Janet

Akol Janet Ikilai is a primary school head teacher in Uganda.

Akol Janet and her staff are living with the realities of public spending cuts in Uganda. "The cross-cutting challenges are linked to payments. The salaries are not sufficient. Most of the workers are relying on loans to educate their children and to support their families. So, their families are not very stable, and they are not able to deliver services because of the meagre funds".

CREDIT: ANDREW ONAPITO

THE IMF AND PUBLIC SECTOR WAGE BILLS

The IMF's tight deficit and inflation targets create an environment in which significantly increasing public spending in Africa is close to impossible. But the IMF goes further across Africa to squeeze spending on public services even more directly. This is achieved through making 'projections' for current and future levels of the PSWB presented as a percent of GDP. Typically, the PSWB data is included under items listed in key tables within the IMF documents that include numerous projections for spending on various government operations. As noted above, the 'projections' in these tables effectively constitute a coercive policy steer from the IMF even where they are not also listed as "structural benchmarks" or "quantitative performance criteria" (binding loan conditions).

Table 4. Projected IMF targets for the public sector wage bill[iv]

Country	PSWB Steer *(as percent of GDP)*	Change	Comments
Ghana	Decrease from 5.8 to 5.3	0.5%	37k health workers hired during Covid, but unclear how this impacted the PSWB
Kenya	Decrease from 4.0 to 3.6	0.4%	Containing the PSWB identified as major concern by IMF. Implemented freeze for FY2021/22 and FY2022/23, except priority areas
Malawi	Decrease from 6.4 to 5.7	0.7%	Containing the PSWB identified as major concern by IMF and restraining the growth of the wage bill is a key part of deficit reduction strategy. The wage bill will be rationalized through a hiring freeze (excluding frontline staff in health and education)
Nigeria	Freeze at 2.0	0.0%	Did not mention or discuss PSWB
Senegal	Freeze at 6.8 through 2027	0.0%	Increase from by about 20 percent in 2022 and 2023 because of Supplementary Budget Law
Sierra Leone	Decrease from 6.9 to 6.0	0.9%	Containing the PSWB identified as major concern by IMF
Tanzania	Increase from 4.6 to 5.2	0.6%	PSWB for specifically Priority Social Sector workers increased to 6.7 percent of GDP in 2022/23from 5.8 percent of GDP in 2021/22; will remain at this level
Uganda	Increase from 3.6 to 3.9	0.3%	2/3 of the increase in PSWB is targeted for health & education workers
Zambia	Freeze at 8.7 to 8.6	0.1%	Reflects recent hiring of health and education staff (11,000 additional medical staff & 30,000 teachers in 2022)
Zimbabwe	Freeze at 6.7 to 6.8	0.1%	There is a freeze on the recruitment of civil servants except in education and health

Table 4 shows that:

- 80 percent of countries were advised to cut or freeze the percentage of GDP spent on wage bills even though most started from a very low base (consistent with ActionAid's 2020 finding from a larger sample that 78 percent of countries were advised by the IMF to cut or freeze public sector wages over the previous three years).
- All 10 countries were effectively advised to end up with a public sector wage bill that is under the global average (nine percent of GDP).
- Nine out of 10 countries (the exception is Zambia) were advised to end up with a wage bill under the regional average for Africa (seven percent of GDP).
- The two countries that were 'allowed' to increase spending on wage bills as a percentage of GDP still fell significantly short of both the regional and global average.

There are often references to 'protecting' or 'exempting' health and education workers. This seems to be about appearing to do the right thing, but it rarely works in practice as teachers, education support staff, nurses, midwives and doctors are often the largest groups of public sector workers. Achieving an overall cut cannot be realistically achieved if these workers are not included. Moreover, a freeze or modest increase is simply not enough. In the 10 countries studied, there are well documented shortages of health workers (for example, by the

World Health Organisation) and education workers (for example, by UNESCO). Our previous research (Public Versus Austerity) showed that data on shortages against international benchmarks was not considered during IMF discussions with ministries of finance. Acknowledging and seriously addressing these shortages cannot be achieved in the context of an overall squeeze on the public sector wage. If these 'good' health and education sector workers are indeed protected, the question arises over who are the 'bad' public sector workers who should face even deeper cuts? Underlying the overall approach to squeezing public sector wage bills there appears to be a clear prejudice – a bias against the public sector. Meanwhile, the World Bank in particular champions privatisation of public services which stratifies access based on the ability to pay and often leads to millions losing access to essential services.

The cost of cuts: Thokozani

Thokozani Chiotcha is a nurse and midwife technician at Mangochi District Hospital, Malawi.

She explains the impact that austerity is having on her role: "With austerity measures, it means the government is unable to recruit more nurses and my salary remains low despite the rising cost of living. Worse still, we have inadequate medical supplies, and some patients are being referred to Queen Elizabeth Hospital in Blantyre, which is around 200 kilometres from here because we don't provide such services. As a nurse, I need continuous training in my work, but that is rarely happening as we keep hearing that the government does not have resources for training."

"The government needs to abandon austerity measures and start investing in critical areas such as the recruitment of more public health workers, increasing the salaries for health workers, and continuous training for nurses. Sectors such as health need to remain fully funded and functional."

CREDIT: FLETCHER SIMWAKA

THE PROGRESSIVE ALTERNATIVE – ACTION ON TAX

In a key staff analysis on how to finance the SDGs and a just transition, the IMF estimated that most countries could **expand their tax-to-GDP ratios by** five percentage points in the medium term. This would transform the financing available for public services if done progressively. Table 5 shows the present tax to GDP ratio in the 10 countries studied and calculates in US dollars how much extra revenue could be generated if this was raised by five percentage points.

All 10 of the countries studied have a low tax to GDP ratio and they could massively increase the revenue for public services through progressive tax, if action was taken by governments to increase these tax-to-GDP ratios in the medium term. Sadly, our review of the IMF documents showed little or no policy advice in this direction. Expanding the tax to GDP ratio instead of cutting public spending is never presented as a clear choice for governments. **When the IMF does offer advice of tax, the default recommendation is to recommend the use of regressive taxes like VAT** - even though tax systems in Africa are already highly regressive. Rather than proposing reforms that would target the wealthiest individuals and companies, the burden is placed on those who are already struggling.

The Regional conference on Reclaiming Public Services in Africa powerfully argued that '*A well paid and valued workforce is integral to safeguarding public services. States and development partners should invest in public servants and desist austerity measures such as wage and hiring freezes*'. Crucially, the conference called for governments to 'Devote maximum available resources to financing public services including progressive taxation and harnessing mineral and oil royalties.' Unfortunately, the IMF advice in practice does not match their own staff analysis and the consequence is a continuing crisis in the financing of public services in Africa.

Table 5. Tax to GDP ratios

Country	Tax to GDP ratio	Increased revenue if tax to GDP raised by 5 percentage points (in $US million) *(see Breaking out of the Bubble Sept 2023)*
Ghana	12.3	3,641
Kenya	13.6	5,670
Malawi	15.8	658
Nigeria	7.2	23,869
Senegal	16.7	1,384
Sierra Leone	10.9	189
Tanzania	11.7	3,785
Uganda	15.1	2,278
Zambia	16.7	1,489
Zimbabwe	11.6	1,033

**Uganda's tax to GDP has since declined to 13.9%*

The cost of cuts: Agness

Agness Dalabu is a smallholder farmer and a visitor to Kapiri Community Hospital, Malawi.

"I would say things have really changed. Previously, the hospital would provide food and all the services here were for free, it seems the government was providing adequate support to hospitals, which is not the case now. We now have to fend for ourselves. The hospitals are slowly being privatized and may not be affordable and accessible for the poor like me in the near future." Agness explains.

"The government needs to provide more resources towards the health sector such as hospital here. Poor people need to accessible the services for free and government need to employ more health workers, buy more medical supplies and other resources such as ambulances so that we can enjoy the right to health."

CREDIT: FLETCHER SIMWAKA

USE OF NEW SPECIAL DRAWING RIGHTS (SDRS)

In 2021 the IMF issued US$650 billion in Special Drawing Rights (a sort of IMF currency) to help countries respond to the Covid crisis. Most of these funds went to high- and middle-income countries who did not need it – based on the IMF quota system. It is interesting to see how the 10 African countries chose to spend the funds they received.

Table 6 shows the information available from IMF documents on how eight of the 10 countries chose to use their SDRs. Clearly their choices were constrained by the fact that this was a one-off payment and not an ongoing or predictable source of funding – so countries would not be able to spend it on increasing the health and education workforce, even if this was considered a priority. Rather SDRs could support supplementary investments in infrastructure, equipment or special initiatives that can contribute to improving the quality of public services.

Table 6. How new SDRs were used

Country	Use of SDRs
Ghana	No mention of how SDRs were used
Kenya	75 percent of new SDRs were used to support economic recovery
Malawi	All new SDRs were used for repayment on external debts
Nigeria	No mention of how SDRs were used
Senegal	All new SDRs were used for the health sector, social protection, to support economic recovery, paying down arrears
Sierra Leone	All new SDRs were used for support priority spending (school feeding, policies to keep girls in school, and health projects)
Tanzania	All new SDRs were used to purchase more US Treasury bonds to build its foreign reserves at central bank
Uganda	Half of all new SDRs were used to help reduce the fiscal deficit
Zambia	All new SDRs were used to help finance the budget over 2022-24, with some of this earmarked for the health sector
Zimbabwe	All new SDRs were used for financing immediate health and infrastructure outlays, including partly financing expansion of the social safety net and food security programs (cash transfer program to vulnerable groups)

This raises an important question about how the IMF could possibly do more in issuances of new SDRs – on a more regular and predictable basis. A more regular use of new SDR issuances could serve as a new type of global countercyclical spending during economic crises (as we have now seen in 2009 and 2021), as well as serve as a new and more regular source for development financing, as we have seen with some of the uses of the new SDRs by the 10 country cases examined.

According to Afrodad, from the 2021 SDRs general allocation of US$650 billion, Africa only received about US$33 billion which is about five percent of the allocation. 'The allocation of SDRs is based on member states' quotas, determined by a country's financial contribution to the IMF based on the size of their economy and financial stability'. The quota system disadvantages low-income countries, especially African countries. Established in 1969, SDRs 'have been fundamental in the international monetary system as a source of international reserve assets and have helped to maintain global and domestic financial stability of member states'.

In September 2023, the African Union asked the IMF for US$650 billion in Special Drawing Rights for responding to the climate crisis, mounting pressure to reform IMF's Special Drawing Rights. 'The 55-member group also demanded that at least US$100 billion in existing SDRs be channelled to Africa through institutions such as the African Development Bank, with a group of donors to be established by the time the COP28 climate summit starts on November 30'. In May, African finance ministers **called** for a review of the SDRs rechannelling mechanism and their reserve asset characteristic stating 'the need for SDR allocation decisions to be made in a rule-based analytical manner to reduce the discretionary and political nature of the allocation process', and to guarantee SDRs are received by countries that need them the most.

CONCLUSION AND RECOMMENDATIONS

In September 2023 the IMF released a paper on *How to Avoid a Debt Crisis in Sub-Saharan Africa*, in which the authors criticise excessive short term fiscal policy, while ignoring the role the IMF plays in preventing countries from making 'trade-offs between debt sustainability and development objectives'. It observes that 'Sub-Saharan African countries tend to rely excessively on expenditure cuts to reduce their fiscal deficits', ignoring the role the IMF itself has had in coercively advising fiscal consolidation and public sector wage bill cuts. It proceeds to say that 'the cost associated with reducing expenditures is particularly high given Africa's large development needs' - while then contradicting itself by advising continued fiscal adjustment in the same article.

Civil society have been calling for the IMF to for years, calling for distributional impact analysis before advising austerity and urging the IMF to consider alternatives. Many IMF 'advised' austerity measures have led to , even to the extent of undermining democratic governments. Clearly this is something that the IMF has noticed and as the paper outlined above, advises to 'get people on board: anticipate public resistance to reform' and create 'communication campaigns that transparently and credibly outline the long-term benefits of the reform and its distributional consequences'. It is truly absurd that the IMF is willing to tell governments to do long term distributional analysis in order to get public acceptance of reforms, but the IMF itself refuses to do distributional analysis of the consequences of its advice to governments.

With the IMF and World Bank Annual Meetings taking place in Marrakech in October 2023 – the first time they have been held in Africa in 50 years, now is a moment for change. The IMF and the World Bank have championed structural adjustment and similar fiscal consolidation programmes for four decades across Africa, which have undermined development and sovereignty. Although some of the rhetoric has changed in recent years, in practice the IMF and World Bank, still have a default mode that recommends cuts to public spending, undermining progress on health, education and other public services. Amongst the most problematic coercive policy advice offered by the IMF are the cuts and freezes to public sector wage bills that have consistently blocked the recruitment of teachers, nurses, midwives and other public sector workers even where there are severe shortages. This has a well-documented gendered impact, as women are the first to lose access to services, the first to lose opportunities for decent work and the first to absorb the increasing burden of unpaid care and domestic work.

Despite following the IMF's advice over decades, many African governments now find themselves facing a deeper debt crisis than ever before. Yet the IMF policy advice remains fundamentally unchanged. There are clear systemic causes to the mounting debt crisis, but countries are forced to negotiate solutions, based on austerity, on a one-by-one basis. It is time for African governments to unite as called for in the Sal declaration and as they did in calling for a UN tax convention last year, to demand a collective resolution to the debt crisis and a new, fairer and more representative process to resolve debt crises in ways that are equitable, rapid, comprehensive, and sizable. Certainly, there is a compelling case for immediate cancellation of odious debts (those incurred without the consent of citizens, for example during dictatorships) and for debts that have been incurred for investments that have accelerated the climate crisis.

The IMF must also re-think its attachment to austerity - and if it will not, then African governments should reject the IMF's advice and pursue a different path. The IMF's own policy staff have recommended that countries wanting to finance the sustainable development goals need to expand their tax-to-GDP ratios and that this is feasible in most cases. But this advice is not shared in practice at country level. African governments need to be ambitious in ending illicit financial flows and radically increasing domestic tax revenues, not through regressive taxes that pass the burden onto the majority of the population but through the many well-known progressive and gender-responsive alternatives - raising revenue for public services from the wealthiest individuals and companies.

In the meantime, as more tax revenues are raised through fairer taxes, governments need to feel

confident that modest increases in deficit financing (above three percent) can be justified when the revenue is used strategically to invest in health, education and other development goals. Even tolerating moderate inflation rates over the medium term (perhaps 10-20 percent) as was the norm before the neoliberal era) can be justified if this allows for transformative investments.

African countries should of course be vocal in calling out the undemocratically achieved voting structures of the IMF and World Bank – and should seek to expand their voice at the table - but this alone will not be sufficient to achieve change in the absence of much more fundamental reforms. There is an urgent need for African governments to reassert their sovereignty over economic and social policies, resisting the conditions and coercive policy advice of the IMF and World Bank. This is an essential part of a new struggle for independence.
Based on these reflections, we recommend:

- The IMF should definitively move away from the failed neoliberal economic model, and immediately stop imposing outdated austerity policies and constraints to public sector wage bills that undermine urgently needed investments in health, education, and responses to the climate crisis.

- The IMF and World Bank should support debt cancellation that is equitable, rapid, comprehensive, and sizable, so that debt service does not reduce resources for health, education, other public services and climate action.

- Beyond these institutions, we call on all governments to support a systemic solution to the debt crisis that goes beyond the common framework and is negotiated collectively rather than country-by-country, using UN decision-making spaces where African countries have more representation.

- African governments should coordinate collectively for a resolution to debt crises, based on radical renegotiation or debt cancellation, including through advancing this case in climate negotiations

- African governments should pursue alternative economic paths that place quality public services, social and economic justice at the heart of building sustainable and truly sovereign states.

Spotlight on Sierra Leone

The IMF has given a consistent budget steer to Sierra Leone throughout the period 2016-2021 to cut the Public Sector Wage Bill to six percent of GDP.[v] While this is pinned as a combined goal of the government and IMF within some Article IV reports, there are indications that the IMF played a significant role in setting it.[vi] Moreover, the goal has remained consistent both before and after the 2018 General Election at which the ruling party changed and the newly-elected President, Julius Maada Bio, made bold new commitments to expanding health and education. As such, while this is pitched as a government initiative it appears to be largely driven by the IMF – which includes the advice that the government should be working to contain and limit the wage bill to achieve it.

- The World Health Organization (WHO) recommend a doctor-to-patient ratio of 1:1000.[vii] Currently, Sierra Leone's ratio is 0.03:1000. This means that the government needs to increase its number of doctors 29-fold. For nurses, the recommended ratio is 83 nurses per 10,000 of the population. For 2021, the ratio is 7.51:10,000 in Sierra Leone. To reach the recommended WHO target, the government needs to increase the number of nurses 11.1-fold.

- In terms of its impact on the health sector wage bill, the government will need to employ approximately 2,717 additional doctors and 170,744 additional nurses to meet the WHO recommendations.

In April 2023, ActionAid Sierra Leone, in partnership with allies, produced the study: **IMF wage bill ceiling**

and the Sierra Leonean's right to adequate frontline workers: A case study of selected communities in 5 Districts'. This report is a hands-on, real-time assessment of the recruitment and placements levels of qualified teachers, nurses, doctors and Community Health Officers in rural and urban communities in Sierra Leone.

Restrictions on the PSWB clearly affect both teacher employment and salary growth, with low salaries and low teacher numbers leading to excessive workloads and tough working conditions in over-crowded classrooms, leading to poor learning outcomes and a plummeting in the appeal of the profession (which makes recruitment ever harder).

The IMF consistently proposes austerity measures, advising the government to reduce or freeze their PSWB over many years even though Sierra Leone lacks the required number of qualified teachers in relation to rapidly increased enrolment. The government instituted the Free Quality School Education (FQSE) policy in 2018 to widen participation and improve the quality of available educational opportunities. This expanded access drastically and more teachers were recruited though not enough to meet the internationally accepted teacher-pupil ratio. The IMF's latest advice to decrease the wage cost to six percent of GDP surely will prevent the government from solving these challenges. IMF loans always include macroeconomic conditions that governments must abide by and the education sector among others bear the force of this.

This is the testimony of Rosaline Tarawallie, a nursery teacher of in Makomp Bana, Bombali District. She has taught for 23 years with a teaching certificate and teaches both Nursery One and Two - containing about 70 pupils - because there are not enough teachers in the school, especially to cater for the educational needs of beginners:

"In the whole school we have just three teachers on payroll, the others are community teachers who just chip in from time to time to support us when the work gets overwhelming, but it is not possible for them to show total dedication towards the job as they get no benefit from it. It is quite difficult to shuttle between two classes and complete the syllabus for the school year, putting pressure on teachers to give the best to our pupils in terms of delivering quality education," she remarked.

"The salary is not encouraging at all, and it is not even paid on time, which has caused many of my colleagues to leave the teaching field and find more lucrative sources of income. The workload on those left behind, like me, has tripled, with inadequate remuneration to match up. The burning issue on my mind now is how to cater for the school needs of all my dependents for this academic year. The reopening of schools is just around the corner, and I can't afford to buy the children's uniforms, books, bags, and other learning materials," said Rosaline as she tried to control the agony in her voice and tears in her eyes.

"We appeal for something to be done about this. The current state of our economy is not helping matters; when the month ends, the expenditure is far more than the income, which affects every sphere of our lives," she said.

CREDIT: TENNYSON WILLIAMS

Martha Dauda, a 24-year-old volunteer nurse, is one of the two who service the PHU in Mbundorbu, Baoma Chiefdom. "There are only two of us here, the nurse-in-charge and I. It is quite difficult for us to render the best quality of service to our patients in this community and the other areas. Depending on the day, we see from 40 to 150 patients daily. Most time we overwork ourselves and it is demanding on both our bodies and minds. Moreover, I seldom visit my family as they live in another town. I don't have first-hand knowledge on how my children and younger siblings are faring," Martha stated.

"If strict conditions are put on government in regards to the public sector wage bill, how will we survive? The salaries of even the nurses on payroll are not satisfactory. This is a strain on our country, and it affects everybody. Something must be urgently done,"

CREDIT: TENNYSON WILLIAMS

Spotlight on Kenya

Over the last decade, Kenya's fiscal policy space has changed significantly owing to an expansionary fiscal policy driven by huge spending on infrastructural development.[viii] The financing of these large national flagship projects was mainly done through commercial loans, which bear higher interest rates and shorter maturities periods, leading to rising interest payments and higher refinancing risks. Between 2012 and 2020, commercial loans increased from seven percent to 31 percent while concessional loans declined from 92 percent to 69 percent.[ix] The debt situation compounded by the COVID-19 pandemic and rising interest rates globally has seen Kenya's debt rating rise to a 'high' risk of debt distress. Complicating the debt situation further has been the limited public participation in the acquisition and management of both commercial and concessional loans by the government. This limited inclusion and transparency in the management of debt has left room for corruption and mismanagement of borrowed funds at the expense of the public who end up being responsible for repaying the acquired debt.

To support economic recovery, Kenya entered a 38-month IMF programme from April 2021 aimed at protecting the fiscal space and creating a conducive environment for private sector investment to boost economic growth. To comply with the IMF fiscal consolidation programme and, in a bid to expand the revenue base to facilitate debt servicing, the Kenyan government has taken the following actions:

- In June 2023, the president assented to **the Finance Act, 2023**. The finance bill will bring significant changes, including to previous legislation such as The Income Tax Act, Cap 470, The VAT Act, 2013, The Excise Duty Act, 2015, The Tax Procedures Act, 2015, The Tax Appeals Act, The Miscellaneous Fees, and Levies Act, 2016, and Employment Act, 2007. While these tax reforms will indeed expand the tax base through the increased tax rates and real-time tax collections, there are concerns that the Finance Act 2023 sets Kenya on a trajectory of high cost of living where the gap between the rich and the poor will continue to significantly widen - as most of the proposed tax reforms are not progressive. There were extensive protests against the bill.[x]

- The Kenyan government through the national treasury is pursuing new privatization legislation. The **Privatization Bill 2023** is designed to remove policy constraints in order to support to steward rapid privatization across multiple sectors with minimal oversight of the National Assembly.

ActionAid Kenya has worked with allies to challenge these developments. In May 2023 ActionAid joined other members of the OKOA Uchumi Coalition **to raise public awareness of the tabled finance bill and push for amendments** to the bill. Okoa Uchumi Coalition is a broad civil society platform (including key tax justice, debt justice and human rights organisations) that seeks to address Kenya's public debt crisis and push for prudent financial management in Kenya. The coalition submitted amendments to challenge regressive tax reforms in the light of the cost of living crisis. Support was rallied at public consultations and in a Town Hall meeting that demanded more meaningful citizen engagement in the process. Extensive media and social media campaigning, community engagement forums and youth mobilisation added momentum. The #VoiceZaMtaaOnFinanceBill social media campaign was a powerful conversation which reached over 3.5 million people who demanded:

Transparency: in the process of drafting and passing the Finance Bill.

Fair Taxation: considering the deep socio-economic disparities among citizens.

Accountability: in how tax revenues would be utilised and allocated for public services and development projects.

Social Services: a priority for spending on essential social services such as healthcare, education, and infrastructure, especially in marginalised areas. Inclusivity: involving diverse groups, women, youth, and persons with disabilities, in the decision-making process regarding taxation policies.

Despite the collective efforts to halt the legalisation of the bill, the Finance Bill, 2023 was passed into law and took effect from 1 July, 2023. Despite some judicial resistance with High Court Conservatory Orders temporarily halting the implementation of the Finance Act, the Act was ultimately upheld by the Supreme Court and implemented. Whilst this was disappointing for the Okoa Uchumi Coalition, the scale of public outcry against the punitive taxation measures has been significant and the struggle for fair taxation in future has clearly received widespread support.

ActionAid Kenya took the **case for tax justice and budget transparency to the local level** in 22 of the 47 counties in the country. The aim is to demand democratic space and promote meaningful citizen engagement. Supporting local women's networks and other community groups to develop economic literacy and budget analysis skills, helps to deepen accountability at a local level – for example, through conducting social audits for development programmes and participating in budgeting processes.[xi] Specific efforts have been made to influence County Integrated Development Plans (CIPD) which lay out developmental priorities for the next five years, informing the annual development plans, fiscal strategy papers and annual budget processes. Community members are now equipped with the right skills and tools to monitor public spending and raise petitions, community scorecards, and reports that can hold county governments to account. This includes influencing county governments to re-examine local taxation processes and revenue collection mechanisms. The work with women groups has also coalesced at national level through a representative 'Women Economic Empowerment Advocacy Coalition'. This coalition supported the Ministry of Public Service, Gender and Affirmative action in drafting the National Policy on Gender and Development which sets legislative and administrative measures to address the existing gaps in the realisation of gender equality and women's empowerment in national development for the attainment of sustainable development.[xii] Work is also underway to support a National Care policy development process, with the same ministry, looking into issues of unpaid care work and economic security for women in paid care work – raising critical issues of violation of women's rights in terms of time poverty, in a bid to improve women's economic status.

Further work has been done to challenge **privatisation processes** and Public-Private Partnerships. ActionAid supported public participation in organised public hearings at county and regional levels. A critical analysis of relevant bills led to the production of a report on Kenya privatisation. Recommendations and demands

from community and county level consultations were submitted to the National Treasury and the Economic Planning and Privatization Commission, and youth activists (under the Activista umbrella) organised a national level public hearing. The existing bill will seriously reduce public engagement and parliamentary oversight, giving excessive powers to the Cabinet Secretary, the National Treasury and a newly established Privatization Authority. ActionAid has joined a wider national working group inspired by the global gathering in Santiago in December 2022 under the banner 'Our Future is Public'. Through this working group, CSOs have had interactions with various members of parliament trying to oppose the bill once it reaches parliament. A key dimension of this is to show how the proposed privatization is part of the neoliberal agenda imposed by the IMF and World Bank, limiting the role of the state in service delivery particularly in essential services such as water and power. Recommendations and demands

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Spotlight on Zambia

Zambia has faced a mounting debt crisis owing to high levels of borrowing with little oversight under previous governments, low copper prices (especially in 2015-16 and 2020), drought in 2019, the Covid pandemic, the depreciation of the Kwacha (by almost 100 percent in 2020), the recent global food and fuel price inflation shocks and resulting increases in interest rates globally. In November 2020, Zambia made headlines when it became the first African nation to default on its debt repayment to foreign lenders during the COVID-19 global pandemic.[xiii] Debt levels reached 140 percent of the country's GDP in 2021, so the government of Zambia requested debt treatment under the G20's 'Common Framework', a novel move which is considered a case study by many countries. In August 2022, the IMF Board approved about US$1.3 billion in a 38-month Extended Credit Facility (ECF) arrangement for Zambia. The loan came with conditionalities, both macroeconomic and structural targets, driving austerity.[xiv] Even in advance of this IMF agreement, significant austerity policies had to be agreed in the government's 2023-2025 Medium Term Budget Plan (MTBP)[xv] in order to qualify for the IMF support.

Compliance to the IMF targets will require the Zambian government to reduce its expenditure, with many regressive structural benchmarks that will disproportionately impact poor households. These include elimination of subsidies on fuel and electricity tariffs and the reinstatement of VAT and excise taxes on fuel (removing any protection from volatile and rising fuel prices), which are likely to impact particularly on micro, small and medium enterprises. The tax policies being implemented are highly regressive. A reduction of corporate income tax from 35 percent to 30 percent) will mostly benefit the largest corporations and is likely to lead to huge revenue losses.[xvi] Meanwhile, there is a broadening of the value added tax (limiting exemptions) which will directly impact people on low incomes. Plans to modestly increase and target social cash transfers are insufficient to offer any real cushioning.[xvii]

This new era of IMF-enforced austerity contradicts the government's attempts to transform education through its 2022 declaration of free education from early childhood to secondary school level. This policy has significantly increased school attendance at all levels, allowing many girls and children from

disadvantaged groups to attend school. Just before the IMF agreement, the government recruited over 30,000 teachers to help address the challenges of rising attendance - but this is not enough to significantly reduce the currently high teacher-pupil ratio of 1:60. Whilst the government remains committed to education, with the share of the budget being spent on education projected to rise from 10.5 percent in 2022 to 13.9 percent in 2023 and 15 percent in 2024,[xviii] this still falls short of the UNESCO recommended benchmark of 20 percent. Wider austerity policies effectively undermine the capacity of the government to raise education spending at the necessary level.

Civil Society Responses

There is a growing alliance of forces across Zambian civil society to resist the cult of austerity and propose systemic alternatives. The CSO Debt Alliance Zambia was launched in November 2020. The Fight Inequality Alliance Zambia connects grassroots/rural groups, CSOs, activists, artists, women, and youth groups among others to build up a collective to fight inequality in Zambia. The Zambia National Education Coalition connects 81 community organisations, faith-based organisations, NGOs, teacher unions and student unions to fight for quality education in Zambia. Meanwhile, the Tax Ed Alliance in Zambia connects education and tax justice movements.

Many allies came together to produce the Zambia Fair Tax Monitor - Gender Analysis Report. The Fight Inequality Alliance Zambia produced Options for Economic Growth and Development in Zambia in 2022. And in 2023, ActionAid published *Analysis of Zambia's IMF Programme and Fiscal Austerity Impacts on Education*. We have also made submissions to the Parliamentary Committee on the 2024 -2026 Medium Term Budget Plan and to the 'Loans and Guarantees (Authorization) Act' to improve future public debt management and transparency. This will ensure fuller parliamentary oversight of all future loans taken by the government or any government agency, lifting the veil of secrecy that has meant past deals were down without scrutiny.

Overall, the IMF programme fails to pass the burden onto those who are most able to pay. It does not have an equity lens. In fact, it will worsen economic inequalities. The negotiations between the government and the IMF remain shrouded in secrecy, without broad-based consultations, yet the implications of agreements with the IMF have wide-ranging impacts to the entire citizenry. Even the national parliament, the ultimate representative of the people, has very little oversight of the entire process. In part, the Zambian government is to blame, for not engaging with diverse voices at the very early stage in the process. This must change in the future. It is too late to change the core of the IMF agreement now but the civil society movements in Zambia will keep up the pressure, tracking the programme, exposing injustices that arise, and arguing for alternative, more equitable and progressive paths to be followed in future.

Spotlight on Ghana

Ghana is presently in its 17th IMF programme. This in itself is worrying – suggesting that the previous 16 programmes have not been sufficiently effective to contribute to development. Indeed, despite following most previous advice, Ghana finds itself in an acute debt crisis. The IMF is proving ineffective both in supporting countries on the brink of default as well as those in debt restructuring processes. The Ghana bailout package was only signed off when undergoing a debt restructuring of US$47.6 billion – a goal that has proven difficult under the G20 Common Framework.

In 2021, ActionAid Ghana produced **Public versus Austerity: The Wage Bill Constraints** that analysed trends in the PSWB in education and health sectors.

This documented the freezing and depreciation of wages, and trends in the overall public sector wage bill as a percentage of government budget/revenue/GDP. It also examined the links between Ghana's debt servicing and public sector wage bill and how these are related to the coercive policy advice of the IMF. Compared to its peers, Ghana has one of the lowest compensations for workers to expenditure ratio resulting in low public sector wages and directly affects the quality of public service delivery to the population.

The government has been forced to prioritise debt servicing obligations, which have risen owing to high increases in interest rates (over which it has no control), meaning it struggles to find sufficient resources for gender-responsive public services1.

The debt crisis is accelerating with debt payments nearly tripling between 2006 and 2016, rising from 26 to 74 percent of GDP. The government prioritised debt reduction and was making some progress, only for the debt crisis to worsen following the COVID-19 pandemic where the urgency of health spending was matched with the acute economic slowdown associated with the pandemic. Currently, Ghana is classified as being in debt distress with a post-pandemic increase in public debt from 63 percent of GDP in 2019 to 88.1 percent of GDP at the end of 2022. Domestic debt reached 45.7 percent of GDP in 2022, while public external debt stood at 42.4 percent of GDP.

The government has been working to meet the expenditure rationalisation conditionalities in the IMF staff-level agreement with the Government of Ghana on economic policies and reforms, under the three-year Extended Credit Facility (ECF) of about US$3 billion arrangement.

In April 2023, ActionAid Ghana, with the Tax Justice Coalition, reviewed the Medium-Term Expenditure Framework (2023-2025) presented to the IMF by the Government of Ghana, including the expenditure allocations in the Budget Statement for 2023. We found alarming cuts, in particular to education - in direct contradiction with IMF rhetoric that suggests it protects education spending:

a. 12 percent of the national budget to be allocated to education for 2023 (a significant reduction on previous years)
b. 11 percent projected expenditure allocation to education in 2024 and 2025
c. Three percent GDP allocation to education in 2023
d. Two percent GDP allocation to education in 2024 and 2025
e. 25 percent decline in the projected expenditure allocation for the basic school feeding programme in 2025

These projected freeze and cuts in the Programme's expenditure threaten to reduce the number of recipients of the one hot meal a day intervention for 3.5 million public basic school children by up to 25 percent. Currently, the Ghana School Feeding Programme caterers have declared a nationwide strike due to poor funding.

Sarah Asiedu Ashiaman, Greater Accra:
"Austerity has impacted my life such that the purchasing power of my family has reduced. There is a year-on-year inflation of more than 40 percent but the salary increment of government workers has not increased to match inflation. In 2021, there was a salary increment of four percent, while 2022 saw an increment of seven percent. These marginal increases have reduced my family's ability to buy. My husband who is a teacher, whose salary is the main income for the family, has been working hard - but our purchasing power continues to dwindle year by year because of government austerity."

Patricia Acquah, Kpobiman, Eastern region
(undergraduate teacher trainee):
"I am an undergraduate teacher trainee student and a prospective frontline worker in the education sector of Ghana. Due to government policies to reduce the number of teachers recruited in the public sector, most young teachers that have graduated recently are still unemployed. My fear is that I will be graduating a few months from now. Will my fate be like that of my seniors? There are a lot of schools in urban areas, and I think it would be best if the government reconsidered their policies to take on more students and post them to these areas. Also, the government should make the schools in these areas friendly and attractive to help absorb young graduates. If the government can improve the living conditions of teachers in these areas, it will help achieve quality education in Ghana."

Endnotes

i. As stipulated in the 37 IMF loan documents and Article IV Reports policy advice published between July 2021 and January 2023

ii. As stipulated in the 37 IMF loan documents and Article IV Reports policy advice published between July 2021 and January 2023. Table 2 is drawn from key tables within the IMF documents that include numerous projections for spending on various government operations, and the table looks at the most recent projection for 2022/23 or 2023, and then views the projections over typically the next three or four years to assess if the level of the fiscal deficit target is projected to increase or decrease over the coming period.

iii. As stipulated in the 37 IMF loan documents and Article IV Reports policy advice published between July 2021 and January 2023.

iv. As stipulated in the 37 IMF loan documents and Article IV Reports policy advice published between July 2021 and January 2023.

v. The individual steers in this period entailed cuts of between 0.5 and 1.9 percentage points to reach this target.

vi. The 2016 Art IV & ECF Review explicitly states that *In consultation with [IMF] staff, the authorities have prepared a medium-term wage strategy that aims to reduce and contain the wage bill within 6 percent of GDP*

vii. https://www.the-star.co.ke/counties/central/2019-06-15-nurse-to-patient-ratio-below-who-requirement-says-nandili/

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ix. EATGN, 2022, RISKY BORROWING AND ECONOMIC JUSTICE The Role of Private Creditors in Kenya's Public Debt Problem: FD-Risky-Borrowing-and-Economic-Justice.pdf (eataxgovernance.net)

x. https://kra.go.ke/images/publications/The-Finance-Act--2023.pdf

xi. https://cog.go.ke/20-the-council-of-governors/484-county-integrated-development-plans

xii. Republic of Kenya, 2029, NATIONAL POLICY ON GENDER AND DEVELOPMENT Towards creating a just, fair and transformed society free from gender based discrimination in all spheres of life practices: http://psyg.go.ke/wp-content/uploads/2019/12/NATIONAL-POLICY-ON-GENDER-AND-DEVELOPMENT.pdf https://kra.go.ke/images/publications/The-Finance-Act--2023.pdf

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xiv. Action Aid Zambia, 2023, A: Analysis of Zambia's IMF Programme and Fiscal Austerity Impacts-on National Government Policy and Commitments to Free Education

xv. Presentation-of-the-2023-2025-Medium-Term-Budget-Plan.pdf (mofnp.gov.zm)

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Acknowledgements:

This report has been compiled by Roos Saalbrink and David Archer, drawing on national research from Ghana, Kenya, Malawi, Nigeria, Senegal, Sierra Leone, Tanzania, Uganda, Zambia and Zimbabwe and international research by Rick Rowden. We would like to thank the following for invaluable contributions and support: Andrew Chikowore, John Nkaw, Joy Mabenge, Susan Otieno, Pamela Kuwali, Zakaria Sambakhe, Foday Bassie Swaray, Bavon Christopher, Xavier Ejoyi, Andrew Mamedu, She Vera Anzagira, Lina Moraa, Samson Orao, Collins Olang, Chikumbutso Ngosi, Wongani Mugaba, Tusayiwe Sikwese, Nathaly Soumahoro, El Hadji Moussa Sarr, Aminata K. Lamin, Jovina Nawenzake, Angelus Runji, Samwely Mkwatwa, Samuel Isabirye Ntale, Ucizi Ngulube, Musonda Kabinga, Rumbidzayi Makoni, Ashina Mtsumi and Peter Kamalingin. We also appreciate the work on the spotlight reports by Joan Njoroge and the collation of personal testimonies by Jess Midwinter with communications colleagues from many countries. Thank you also for editing and wider communications support on this work to Serena Maher, Juliah Kibochi and Kevin Maenzanise and for the design work by Daniel Jukes.

Cover photo: ActionAid Malawi are forming a Young Urban Women's (YUW) group together with the Nurses Association of Malawi to facilitate deeper conversations on how the coercive advice given by the IMF affects both unemployed and employed nurses.' and how these can be challenged.

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October 2023