

# IMF Spring Meetings 2023 Nordic-Baltic CSO Letter

Dear Mr. Vasiliauskas

We, the Nordic-Baltic civil society constituency working for human rights, the eradication of poverty, climate justice as well as fair distribution of power and resources welcome you to your new and important position and look forward to a fruitful conversation! Thank you for the opportunity to comment on the Nordic-Baltic Constituency's work within the IMF. We would like to take the opportunity to raise some issues of concern ahead of the 2023 Spring Meetings.

## **Debt crisis: Progress on relief and restructuring?**

The debt situation continues to worsen in many countries, but for those seeking to restructure their debt, there are long delays in the process. We have presented in previous briefings and meetings some of the ways in which we think the IMF could improve the debt restructuring process, including more proactive and public use of the lending into arrears policy (previous briefing on this topic attached), greater public support for the benefits of early debt restructurings, and staying in default on any creditors who refuse to reduce debt to a sustainable level. In line with this:

The IMF helped to organise a **roundtable** on the sidelines of the G20 Finance Ministers meeting in February.

### **Question 1.**

- *What progress did you think was made at the roundtable? What role do you see for the IMF in unblocking debt restructuring negotiations?*

Pakistan is in an economic crisis, with reserves falling to less than one month of imports. For the last forty years the global response to Pakistan's ongoing debt crisis has been to lend more money, ensuring the crisis continues, while kicking the can down the road on debt restructuring. Pakistan's public external debt payments are over 40% of government revenue and 45% of exports. Pakistan's bonds are being bought and sold at 35-55% of the face value, indicating that private lenders regard the debt as unsustainable. Ratings agencies have rated Pakistan's debt as the lowest rating before default.

At its last published review in September 2022, the IMF said Pakistan's debt was sustainable but with "increased uncertainty". This conclusion was reached before the devastating floods and further worsening of the economic situation. Pakistan is already a case of debt being restructured too late, but media outlets have reported Kristalina Georgieva as saying Pakistan should implement measures so that it avoids a "dangerous" debt restructuring. This contradicts IMF evidence that for countries in debt crisis, debt restructurings happen too little and too late. And that IMF programmes are more successful in high debt countries if there is a debt restructuring.

One of the reasons the IMF and others might want to avoid a restructuring in Pakistan is the composition of creditors. Of Pakistan's public external debt payments between 2023 and 2029, 42% are to multilateral lenders (primarily the IMF, World Bank and Asian Development Bank), 33% to Chinese public and private lenders, 13% governments other than China and 12% private lenders other than Chinese banks. It will be difficult to successfully restructure Pakistan's debt without including multilateral lenders. The reason so much of Pakistan's debt is owed to multilateral lenders is because of the failure of the policy of multilateral loans continually bailing out previous lenders, rather than making original lenders restructure the debt. It is finally time to tackle the challenge head on, rather than once again kicking the can down the road.

## **Question 2.**

- *What are your views on Pakistan as a case for the importance of timing and scope of restructuring, avoiding previous lender bail-outs, and the relationship of climate change and debt?*

## **Social Protection**

In October 2022, the IMF published the Technical Note on [Engagement on Social Safety Net Issues in Surveillance and Program Work](#). We welcome that the final version explicitly recognises that in the assessment of SSNs the IMF need to recognize the existence of multiple policy objectives (other than poverty reduction, e.g. reducing vulnerability to poverty, smoothing incomes over the life cycle) as well as any complementary with social insurance and other social spending programs safety nets. Hopefully, this statement paves the way for IMF assessments of countries' social protection systems from a broader perspective, where more narrow targeting is not necessarily the best way forward. Also, we welcome that in the discussion about means-testing apart from work disincentives, the administrative, social, and political costs are also recognised.

Of course, the litmus test for the IMF policy on social spending, and the guiding documents, is how they are implemented on the ground. In this context, we would like to draw to your attention that a number of Civil Society Organisations are organising the side event "IMF's strategy on social spending facing austerity: new direction or bandaid?" at the Civil Society Policy Forum, tentatively scheduled for Wednesday, April 12<sup>th</sup> at 14:30 pm to 16:00 pm. Rodrigo Cerda from the IMF Fiscal Affairs Department has agreed to participate.

Finally, with reference to earlier discussions on universal social protection, we would like to call to your attention a proposal for a roundtable discussion around the role of the IMF and the World Bank in promoting universal social protection, a proposal that has now been prepared and sent to the Nordic-Baltic coordinators on the World Bank side. We look forward to a positive response to the idea and believe that a meeting along the lines of the proposal can deepen the understanding of the critical issues and the role that the Nordic-Baltic constituency can play in this regard.

*Question: Are you positive about the proposed roundtable meeting on the role of the Bretton Woods institutions in promoting universal social protection, and when can it be arranged?*

## **Implementation of IMF's Strategy towards Mainstreaming Gender**

Last year, the executive board of the IMF adopted its first-ever gender strategy. The consultation process allowed for input and dialogues were held between the director of gender Ratna Sahay and team and CSOs. There is a significant need for capacity development on gender inequality within the IMF (also recognised by the gender team), we strongly push for a more sustained, long-term outreach to partners internationally and in-country, women's rights organisations, women's human rights defenders and feminist economists. This would create an understanding of how IMF's policies impact women in different country contexts, how to address challenges and find solutions. The staff Guidance Notes, however, are critical to make sure the strategy is implemented. In a meeting with the IMF gender team in December 2022, we were informed that they are working on Guidance Notes. Since then, we have not heard back. Due to scarce resources, the IMF gender strategy is to be piloted in around ten countries.

## **Questions:**

- *In discussions on the IMF Gender Strategy, we would like to ask you to push for a civil society consultation on the staff Guidance Notes and on getting clarity on the implementation process. Is there any update on the development of the Guidance Note and, given the commitment to engage more with wider stakeholders with gender expertise as part of the Strategy, will there be an opportunity for civil society to provide*

inputs to a draft? Has there been further discussion of the Gender Strategy by the Board, including in relation to supporting its roll-out and implementation? Are you able to provide any further updates on the countries that the Gender Lead and the gender team plan to visit as part of the roll-out of the strategy, the timelines for the piloting, whether and how they are reaching out to civil society as part of this, and how any consultations will be managed?

