# Call for Essays: 4th Edition of the International Law Essay Writing Competition: The Contribution of International Financial Institutions to Sustainable Economic Growth and Development in African Countries

**By:**

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**KENYA MODEL UNITED NATIONS**

**4TH EDITION OF THE INTERNATIONAL LAW ESSAY WRITING COMPETITION**

## THEME: THE CONTRIBUTION OF INTERNATIONAL FINANCIAL INSTITUTIONS TO SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT IN AFRICAN COUNTRIES

## INTRODUCTION

It is often claimed that International Financial Institutions, such as the International Monetary Fund, have made notable contributions to the economic growth and development in Africa. The IMF was established after World War II, primarily to ensure stability of the exchange rate system and hence rebuild the international economic system. In continuing with their mandate, the IMF stretched out its activities to Africa, granting many concessional loans to states to boost otherwise collapsing economies. These loans have relatively lower interest rates, which African countries often take advantage of in a bid to try and boost their internal economies and development.

Currently, The IMF sits at the helm of global debt and financial architecture. Its governance system established by its Articles of Agreement is based on weighted voting. This means that the US with over 17% of the voting share at the IMF has an effective veto over any fundamental reforms of the system because 85% of the total voting power is required for any change in the voting structure. This in turn means the US Treasury and government have disproportionate influence over the affairs of the IMF including its role with regard to the sovereign debt crisis.

In addition to this, it is also often claimed that the IMF has destroyed many economies through imposition of harsh economic policies. Across the globe, these institutions have been referred to as ‘authors of pain’, having exacerbated the problems in collapsing economies, more so African countries.

This reference is attributed to the IMF and the World Bank’s involvement in the economic policies implemented within the countries. These take the form of austerity measures which involve coercing governments to cut back on their spending, firing public service workers and removing subsidies on essentials such as food and education. These cuts have then subsequently inhibited the effective functioning of many educational, health care and transport systems and institutions in the debtor countries by significantly reducing their funding to these important amenities, as a result of some conditionalities introduced by the IMF. Additionally, many state owned enterprises are also privatized, leading to reduction in funding to critical institutions such as schools, to further promote the payment of outstanding debts by these countries.

In the face of these challenges and seemingly providing short-term relief to these economies, sovereign debt and impending underdevelopment in Africa remain a challenge in the achievement of sustainable economic growth and development. This has undermined the commitment of the majority of the African Continent to the Goals and Priority Areas of the African Union in its Agenda 2063. This Agenda promotes achievement of economic transformation by building economic resilience and diversification, specifically under the goal, ' ***A prosperous Africa, based on inclusive growth and sustainable development***.' This also goes hand in hand with the achievement and attainment of Sustainable DevelopmentGoals, specifically the UN 2030 Agenda Sustainable Development Goal 8, which seeks to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

**BACKGROUND GUIDE**

In both developed and developing countries, there is an overarching responsibility by governments to provide decent and sustainable employment opportunities, promote labour rights and protect these opportunities and alleviate poverty standards of those in precarious work environments for its people. Additionally, governments are direct influencers of their economies due to their direct involvement in the movement of goods, capital and people amongst other resources. To fulfil these obligations in the face of debt distress, states turn to institutions such as the IMF and the World Bank for financial assistance in order to fulfil its obligations towards their citizens.

Since the establishment of the IMF in 1944, the Fund has aided nations such as Algeria in economic stabilisation and reform programs during a period of persistent terrorist acts and guerrilla warfare. This was done through stand-by agreements in 1994 and 1995 through which the government attained a strong economic progress record. In East Africa, Kenya, Uganda and Tanzania have benefited from the concessional loans granted by the IMF. Kenya’s benefitted from the Fund for instance at the beginning of the 21st Century through financial assistance after the reluctance of investors investing in its inefficient and corrupt public service in the late twentieth century. After achieving independence, both Uganda and Tanzania became beneficiaries to funds loaned to them to enable them stabilize their economies after independence.

Furthermore, after the dire effects of the Covid-19 pandemic on the economies of African countries, the IMF through the Catastrophe Containment and Relief Trust helped Zambia grapple with liquidity pressures and debt distress.

However, despite these efforts aimed at supporting these economies, these loans are also accompanied by conditionalities which are imposed on the countries with which the IMF deals with. These conditionalities have been introduced in several ways. For instance; conditionalities have been previously imposed under Structural Adjustment Programs (SAPs) which were economic reforms that a state must have adhered to in order to secure loans from the IMF and the World Bank. Some of these conditionalities were in form of austerity measures, which forced African countries to cut back on government spending, which in turn ruined the education, health care and public transport systems by advising countries to target spending on public sector wage bills which caused them to spend under the global average on frontline workers in health, education and other sectors.

The conditions imposed by SAPs were aimed at making the recipient country competitive, reduce economic dependence and privatise industries. They also eased internal regulations to attract investment by foreign businesses which creates conducive regulations for predatory foreign capital and improve tax collection domestically. These factors then open up the states, for instance, in the global south to exploitation of their resources which the countries themselves do not benefit from. In the face of extreme pressures as a result of these conditions, further hardship is imposed on the poor citizens of these states. Despite the IMFoffering advice and support to African countries for decades, 19 of 35 of Africa’s low-income countries are facing debt distress.

Therefore, it is important to analyse the impact of these International Financial Institutions in the development of African countries which they operate in. It is also necessary to assess their accountability mechanisms and legal personalities in line with International Law, the United Nations Principles for Responsible Investment and the United Nations Guiding Principles on Human Rights Impact Assessments of Economic Reforms. This is because their regulation and compliance with International Standards and International Law is an important and contemporary area which would inform their effectiveness and their contribution to sustainable development while considering the UN 2030 Agenda and 2063 Agenda for Africa.

QUESTION: ***Analyse the impact of International Financial Institutions on sovereignty of African Nations, their legal culpability under International Law and their contribution to Sustainable Economic Growth and Development in African Countries.***

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